Prospectus dated 27 October 2006

Opus Securities S.A.

(incorporated in Luxembourg as a société anonyme under company registration number R.C.S. Luxembourg B-114001)

€514,274,000 3.95 per cent.
Income Certificates Exchangeable for Shares ("ICES")

Exchangeable into Ordinary Shares of

OTP Bank Plc.

(incorporated with limited liability in the Republic of Hungary under registration number Cg 01-10-041585)

Issue Price: 100 per cent.

Merrill Lynch International

Opus Securities S.A. (the "Issuer") accepts responsibility for the information in this Prospectus with respect to itself and the €514,274,000 3.95 per cent. Income Certificates Exchangeable for Shares (the "ICES"). To the best of the knowledge and belief of the Issuer, having made all reasonable enquiries, such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.

OTP Bank Plc. ("OTP" or the "Bank") accepts responsibility for the information in this Prospectus with respect to OTP, OTP and its subsidiaries and affiliates taken as a whole (the "Group"), the ICES and the fully paid ordinary shares of nominal value HUF100 each in the capital of OTP (the "Ordinary Shares") available on exchange of the ICES which is material in the context of the issue and offering of the ICES. To the best of the knowledge and belief of OTP, having made all reasonable enquiries, such information is in accordance with the facts and does not omit anything likely to affect the import of such information. OTP accepts responsibility accordingly.

OTP, having made all reasonable enquiries, further confirms that (i) the statements contained in this Prospectus relating to OTP, the Group, the ICES and the Ordinary Shares are in every material particular true and accurate and not misleading; (ii) the opinions and intentions expressed in this Prospectus with regard to OTP, the Group, the ICES and the Ordinary Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iii) there are no other facts in relation to OTP, the Group, the ICES or the Ordinary Shares the omission of which would, in the context of the issue and offering of the ICES, make any statement in this document misleading in any material respect; and (iv) all reasonable enquiries have been made by OTP to ascertain such facts and to verify the accuracy of all such information and statements. OTP accepts responsibility accordingly.

This Prospectus should be read and construed with all documents incorporated herein by reference. See "Documents Incorporated by Reference" below.

Application has been made to the Luxembourg Stock Exchange for the ICES to be admitted to the official list and traded on the "Bourse de Luxembourg" of the Luxembourg Stock Exchange (the "Luxembourg Stock Exchange Regulated Market"). The Luxembourg Stock Exchange Regulated Market is a regulated market for the purposes of the Investment Services Directive (EC Directive 93/22/EEC).

Neither the ICES nor the Ordinary Shares deliverable upon exchange of the ICES have been or will be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any other jurisdiction. The ICES are being offered and sold in offshore transactions outside the United States in reliance on Regulation S ("Regulation S") under the Securities Act and, except in a transaction exempt from the registration requirements of the Securities Act, may not be offered, sold or delivered within the United States.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, OTP or Merrill Lynch International (the "Manager") to subscribe for, or purchase any of, the ICES or the Ordinary Shares. The distribution of this Prospectus and the offering of the ICES and the Ordinary Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, OTP and the Manager to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the ICES and the Ordinary Shares and distribution of this Prospectus, see "Subscription and Sale" below.

Prior to making an investment decision, all prospective purchasers of the ICES should carefully consider the risk factors set out herein under "Risk Factors" in addition to the other information contained in or incorporated by reference in this Prospectus.

The ICES will be perpetual obligations of the Issuer secured on a limited recourse basis over certain assets of the Issuer as more fully described herein. The Issuer has created a specific compartment (*compartiment*) within which the ICES will be issued and will not create any other indebtedness or obligations within that compartment other than those directly related to the ICES. If the net proceeds of the enforcement of the security in respect of the ICES are not sufficient to meet all obligations which would otherwise then be due in respect of the ICES, the obligations of the Issuer will be limited to such net proceeds and any other assets of the Issuer (including any assets in other compartments created by the Issuer from time to time, as well as any assets held by the Issuer outside of its compartments) will not be available to meet any shortfall. The Issuer will not be obliged to make any further payment in excess of such net proceeds and accordingly no debt shall be owed by the Issuer in respect of such shortfall.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, OTP or the Manager. Neither the delivery of this Prospectus nor any offer, sale or delivery made in connection with the issue of the ICES shall, under any circumstance, constitute a representation that there has been no change or development likely to involve a change in the condition (financial or otherwise) of the Issuer, OTP or the Group since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof or the date as at which that information is stated herein to be given. The information in this Prospectus in relation to Merrill Lynch & Co. Inc. has been accurately reproduced from information published by the same or provided to the Issuer for inclusion herein by the same or has been accurately reproduced from publicly available information. So far as the Issuer is aware and is able to ascertain from information published in relation to Merrill Lynch & Co., Inc., no facts have been omitted which would render the reproduced information misleading.

None of the Issuer, OTP or the Manager is providing any advice or recommendation in this Prospectus on the merits of the purchase, subscription for, or investment in, the ICES or the Ordinary Shares or the exercise of any rights conferred by the ICES or the Ordinary Shares.

No representation or warranty, express or implied, is made by the Manager as to the accuracy, completeness or sufficiency of the information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or warranty by the Manager. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, OTP or the Manager that any recipient of this Prospectus should purchase the ICES or any Ordinary Shares. Each potential purchaser of ICES should determine for itself the relevance of the information contained in this Prospectus and its purchase of ICES should be based upon such investigations as it deems necessary.

In connection with this issue, Merrill Lynch International (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot ICES (provided that the aggregate principal amount of ICES allotted does not exceed 105 per cent. of the aggregate principal amount of the ICES) or effect transactions with a view to supporting the market price of the ICES at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the ICES is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the ICES and 60 days after the date of the allotment of the ICES.

Unless otherwise specified or the context requires, references herein to "£", "pounds" and "sterling" are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom"), references herein to "U.S. dollars", "U.S.$" and "$" are to the lawful currency of the United States of America, its territories and possessions, references herein to "Euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam, references herein to "HUF" and "forints" are to the lawful currency of Hungary, references herein to "BGN" are to the lawful currency of Bulgaria, references herein to "Hungary" are to the Republic of Hungary and references herein to the "Government" are to the government of Hungary.

Exchange Rate Information:

On 31 December 2004, €1.00 = HUF 245.93.

On 31 December 2005, €1.00 = HUF 252.73.

On 25 October 2006, €1.00 = HUF 262.60.

Source: National Bank of Hungary.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the *Commission de Surveillance du Secteur Financier* ("CSSF") shall be incorporated in, and form part of, this Prospectus:

(a) the audited consolidated and non-consolidated annual financial statements of OTP for the financial year ended 31 December 2004 and the audit reports thereon, comprising the information set out at the following pages in particular:

Document	Section incorporated
Consolidated IFRS Financial Statements for the financial years ended 31 December 2004 and 2003	Pages 75 to 106
— Independent Auditors' Opinion	Page 75
— Financial Statements:	
— Balance Sheet	Page 76
— Profit and Loss Account	Page 77
— Statement of Cash Flow	Pages 78 to 79
— Statement of changes in Shareholders' Equity	Page 80
— Notes to Financial Statements	Pages 80 to 106
Unconsolidated IFRS Financial Statements for the financial years ended 31 December 2004 and 2003	Pages 107 to 112
— Independent Auditors' Opinion	Page 107
— Financial Statements:	
— Balance Sheet	Page 108
— Profit and Loss Account	Page 109
— Statement of Cash Flow	Pages 110 to 111
— Statement of changes in Shareholders' Equity	Page 112
Notes to Financial Statements	Pages 112 to 134

(b) the audited consolidated and non-consolidated annual financial statements of OTP for the financial year ended 31 December 2005 and the audit reports thereon, comprising the information set out at the following pages in particular:

(c) the unaudited interim condensed un-consolidated financial statements of OTP for the six months ended 30 June 2006; and

(d) the English language translation of the By-Laws of OTP,

save that any statements contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any subsequent document which is deemed to be incorporated by reference herein or set out in this Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any information included in the documents listed in (a) and (b) above but not listed in the cross reference tables listed above is given for information purposes only.

Copies of documents incorporated by reference in this Prospectus can be obtained from the website of OTP, www.otpbank.hu, and/or from the website of the Luxembourg Stock Exchange, www.bourse.lu. The contents of such websites shall not form part of this Prospectus. In addition, copies of such documents will be available free of charge during usual business hours at the specified offices for the time being of each of the Paying, Transfer and Exchange Agents.

OVERVIEW OF THE OFFERING

The following is an overview of the principal features of the ICES and the offering. For a summary of the provisions relating to the ICES while in global form, see "Summary of Provisions Relating to the ICES while in Global Form". Terms defined under "Terms and Conditions of the ICES" (the "Conditions") or elsewhere in this Prospectus shall have the same respective meanings in this overview. The following overview is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus.

Issuer	Opus Securities S.A., a special purpose vehicle set up as a securitisation vehicle, incorporated in Luxembourg as a société anonyme.
The ICES	€514,274,000 in aggregate principal amount of 3.95 per cent. Income Certificates Exchangeable for Shares to be issued within a specific compartment (*compartiment*) of the Issuer and which will be exchangeable for Ordinary Shares in the manner set out in the Conditions.
Transaction Structure	The net proceeds from the issue of the ICES will be used by the Issuer to fund the purchase from OTP, by no later than the Closing Date, of 14,500,000 Ordinary Shares, which prior thereto will have been held as treasury shares by OTP. As of 19 October 2006, the Issuer entered into the Subordinated Swap Agreement with OTP and the Securities Lending Agreement with the Stock Borrower. The Issuer will use its rights in respect of the Ordinary Shares held by it or on its behalf from time to time and its rights under the Subordinated Swap Agreement, the Securities Lending Agreement and the other Transaction Documents entered into by it in connection with the issue of the ICES to service its obligations under the ICES. See "Terms and Conditions of the ICES" and "Security for the ICES" for further details.
The Offering	The ICES are being offered by the Manager outside the United States in accordance with Regulation S under the Securities Act.
Issue Price	100 per cent. of the principal amount.
Denomination	€125,000 and integral multiples of €1,000 in excess thereof.
Closing Date	31 October 2006 (the "Closing Date").
Interest Rate prior to the First Reset Date	The rate of interest payable on the ICES for Interest Periods occurring prior to 31 October 2016 (the "First Reset Date") will be 3.95 per cent. per annum, subject as provided under "Enhanced Interest Rate" below. Interest will be payable, subject as provided below, on the ICES annually in arrear on 31 October in each year (each an "Interest Payment Date"), commencing 31 October 2007.
Interest Rate on and after the First Reset Date	From and including the First Reset Date and unless previously purchased and cancelled, exchanged or redeemed as provided in the Conditions, the ICES will bear interest at a floating rate per annum equal to the sum of three month EURIBOR plus a margin of 3.0 per cent., subject as provided under "Enhanced Interest Rate" below. Interest will be payable, subject as provided below, on the ICES quarterly in arrear on (subject to adjustment as provided herein) 31 January, 30 April, 31 July and 31 October in each year (each also an "Interest Payment Date"), commencing on 31 January 2017.
Non-payment of Interest	Interest will not be payable on the ICES on an Interest Payment Date if and to the extent that OTP has given notice to the Issuer

pursuant to the provisions of the Subordinated Swap Agreement that it will not make payment of any sum otherwise due in respect of interest on the Subordinated Swap Agreement on such Interest Payment Date. OTP may give such notice to the Issuer in its absolute discretion.

Payments of interest on the ICES will be non-cumulative and, to the extent that any such payment is not paid as described above, the ICES Holders will not have any claim in respect of the amount of interest which would otherwise have been due on the relevant Interest Payment Date.

Dividend Stopper . . . . If and to the extent that any notice is given by OTP to the Issuer as referred to under "Non-payment of Interest" above, OTP will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is declared, paid or made on, any Junior Securities or Dividend Parity Securities, or (b) (if otherwise permitted) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities or Dividend Parity Securities, in each case unless or until the interest due and payable on the ICES on a subsequent Interest Payment Date (or, if this provision applies after the First Reset Date, the interest due and payable on the ICES on any four subsequent consecutive Interest Payment Dates) has been paid in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Issuer and the ICES Holders and in a manner satisfactory to the Trustee).

Status of the ICES . . . . The ICES will constitute secured, limited recourse obligations of the Issuer, as provided in the Conditions, at all times ranking *pari passu* and without any preference amongst themselves.

Security . . . . The Issuer's obligations under the ICES, including payment obligations and delivery obligations in respect of the Exchange Rights, will be secured by, *inter alia*, the following (in summary):

(i) the Security Deposit Agreement governed by Hungarian law creating a security deposit (*óvadék*) over the Ordinary Shares held by or for the Issuer from time to time and, subject to the Transaction Documents, to all sums or assets derived therefrom, all in accordance with Sections 270 and 271 of Act No.IV of 1959 on the Civil Code of the Republic of Hungary;

(ii) assignments by way of security of the Issuer's rights, title and interest arising or existing under the Custody Agreement, the Agency Agreement, the Subordinated Swap Agreement, the Securities Lending Agreement and the ML Guarantee; and

(iii) a first fixed charge over the Issuer's rights, title and interest arising or existing in respect of any monies held by the Registrar or the Principal Paying, Transfer and Exchange Agent to meet payments due in respect of the ICES.

The property listed above, together with any other property or assets held by and/or charged in favour of and/or assigned to the Trustee pursuant to the Security Documents and/or any deed or document supplemental thereto is referred to herein as the "Secured Property". Subject to any relevant termination rights, the property and agreements comprising the Secured Property have no set maturity date(s).

14,500,000 Ordinary Shares have been sold to the Issuer by OTP and, except as provided herein, will be held by OTP as Custodian on behalf of the Issuer in an account with KELER (the Central Clearing House and Depositary Ltd., the central Hungarian depositary and clearing system) (subject to the security described above). However, the Issuer may pursuant to the Securities Lending Agreement lend from time to time up to 7,250,000 Ordinary Shares sold to it by OTP pursuant to the terms of the Subordinated Swap Agreement. Therefore, the Issuer will use the Ordinary Shares remaining with the Custodian, together with its rights under the Securities Lending Agreement, the Subordinated Swap Agreement and the other Transaction Documents, to service its obligations in respect of the ICES. See Condition 2 and "Security for the ICES" for further details.

Limited Recourse . . . . The Trustee and the ICES Holders shall have recourse only to the Secured Property in the compartment within which the ICES are issued and, the Trustee having realised the same and distributed the Net Proceeds in accordance with Condition 2 and the Trust Deed, none of the Trustee or the ICES Holders or anyone acting on their behalf shall be entitled to take any further steps against the Issuer (including the compartment within which the ICES are issued and any other compartment created by the Issuer from time to time) to recover any further sum and no debt shall be owed by the Issuer (including the compartment within which the ICES are issued and any other compartment of the Issuer created by it from time to time) in respect of such sum. In particular, none of the Trustee or the ICES Holders shall be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Issuer or seek the liquidation of any compartment of the Issuer and none of them shall have any claim in respect of any sum arising in respect of any assets secured for the benefit of any other obligations of the Issuer or contained in any other compartments of the Issuer.

Ranking of OTP's Obligations under the Subordinated Swap Agreement . . . . OTP's obligations under the Subordinated Swap Agreement will rank on a liquidation of OTP junior in right of payment to the claims of holders of any present or future Senior Securities, *pari passu* with the claims of holders of any present or future Parity Securities, and senior to the claims of holders of any present or future Junior Securities.

See "Security for the ICES—The Subordinated Swap Agreement" and "—OTP Covenants/Limited Remedies" below for further details.

Exchange for Ordinary Shares (Exchange Rights) and Adjustment of the Exchange Price . . . . Unless previously purchased and cancelled, each ICES will entitle the holder to exchange such ICES into Ordinary Shares at the then applicable Exchange Price at any time on or after 31 October 2011 and up to the close of business on 17 October 2016. Each ICES may also be exchanged prior to 31 October 2011 for a limited period following the occurrence of a Relevant Event (being a change of control in respect of OTP, as more particularly described in the Conditions).

The initial Exchange Price will be HUF 9,346 per Ordinary Share. Accordingly, based on the fixed rate of exchange of HUF 263.50 = €1.00, each €125,000 in principal amount of ICES may initially be exchanged for 3,524 Ordinary Shares.

The Exchange Price will be subject to adjustment in certain circumstances described in "Terms and Conditions of the ICES—Exchange of ICES into Ordinary Shares", including upon OTP making a Capital Distribution and (in accordance with a downwards ratchet) upon the occurrence of a Relevant Event, as provided in the Conditions.

As used herein, "Capital Distribution" means:

(i) any Non-Cash Dividend (in which case the Capital Distribution shall be the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property or assets); or

(ii) a Cash Dividend (the "Relevant Dividend") paid in respect of any fiscal year (the "Relevant Fiscal Year") or part thereof, to the extent that the sum of (a) the Fair Market Value of the Relevant Dividend per Ordinary Share and (b) the Fair Market Value per Ordinary Share of the aggregate of any other Cash Dividend(s) paid in respect of the Relevant Fiscal Year or part thereof (disregarding for such purpose any amount previously determined to be a Capital Distribution in respect of the Relevant Fiscal Year or part thereof) exceeds the amount per Ordinary Share shown in the table below for the Relevant Fiscal Year in question.

Relevant Fiscal Year	Amount per Ordinary Share (HUF)
2006	214.79
2007	250.13
2008	278.04
2009	332.56
2010	349.19
2011	366.65
2012	384.99
2013	404.23
2014	424.45
2015	445.67
2016	467.95

Ordinary Shares to be delivered upon exchange will be fully paid and will rank *pari passu* in all respects with the fully paid Ordinary Shares in issue on the relevant Exchange Date.

Cash Alternative Amount Election and Extra Ordinary Shares . . . . . . Under the Subordinated Swap Agreement, OTP has agreed that, to the extent that after the Closing Date there is any downward adjustment to the Exchange Price and as a result thereof the number of Ordinary Shares held by or for the Issuer (when aggregated with the number of Ordinary Shares which the Issuer has lent to the Stock Borrower at such time under the Securities Lending Agreement and the number of Ordinary Shares in respect of which OTP has previously made a Cash Alternative Amount Election) is less than the number of Ordinary Shares into which all of the ICES then outstanding could be exchanged at the then prevailing Exchange Price, OTP shall, on such date determined pursuant to the Subordinated Swap Agreement, elect either to (x) deliver to the Issuer a corresponding number of Extra Ordinary Shares (if, at such time, the delivery of such shares is permitted in accordance with applicable law) or, (y) in lieu of delivery thereof, make a Cash Alternative Amount Election to pay to the Issuer, upon the exercise (if any) of Exchange Rights by any ICES Holder, an amount equal to the Cash Alternative Amount attributable to the number of Extra Ordinary Shares to which such ICES Holder would have been entitled in the absence of such Cash Alternative Amount Election (and the Issuer shall on receipt of the Cash Alternative Amount pay the same to the relevant ICES Holder in accordance with the Conditions). Each Cash Alternative Amount Election, once made, shall be irrevocable. *Although OTP reserves the right to elect to deliver Extra Ordinary Shares in such circumstances (if at such time the delivery of such shares is permitted in accordance with applicable law), it is its current intention to exercise the Cash Alternative Amount Election in all such circumstances.*

No Maturity . . . . The ICES are perpetual securities with no scheduled maturity date.

Redemption at the Option of the Issuer . . . . Unless previously purchased and cancelled or exchanged as provided in the Conditions, the ICES will be redeemed (in whole and not in part only) at their principal amount together with accrued interest only in the following circumstances:

(i) if OTP exercises its option to terminate the Subordinated Swap Agreement at any time prior to 31 October 2016 following the occurrence of a Redemption Event;

(ii) if OTP exercises its option to terminate the Subordinated Swap Agreement at any time prior to 31 October 2016 or on any Interest Payment Date thereafter following the occurrence of a Relevant Event; or

(iii) if OTP exercises its option to terminate the Subordinated Swap Agreement (such option being in OTP's absolute discretion) on 31 October 2016 or on any Interest Payment Date thereafter.

As used herein, "Redemption Event" means that Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) effected in respect of 85 per cent. or more in principal amount of the ICES originally issued.

Enhanced Interest Rate . . . . If a Relevant Event occurs and OTP does not, within 30 days of such Relevant Event, elect to terminate the Subordinated Swap Agreement as described above, the ICES will instead bear interest at the Enhanced Interest Rate, being the Floating Interest Rate (including the margin of 3.0 per cent. per annum referred to above) plus an additional margin of 0.5 per cent. per annum. The Enhanced Interest Rate will be payable quarterly in arrear and, for the avoidance of doubt, shall also be payable (provided that the above conditions have been met) during the period when the interest rate which would otherwise have been applicable is a fixed rate of interest payable annually in arrear. See Condition 7(c) for further details.

Redemption at the Option of the ICES Holders . . . . None.

Withholding Taxes (No gross up) . . All payments in respect of the ICES shall be made without withholding or deduction for any taxation unless such deduction or withholding is required by law. In the event of deductions or withholding being required by law, there will be no grossing up of any payments on the ICES.

Issuer Covenants . . . . The Issuer will not, so long as any of the ICES remains outstanding, without the prior written approval of the Trustee or as approved by an Extraordinary Resolution of the ICES Holders, in relation to or within the compartment of the Issuer within which the ICES are issued (among other things):

(i) engage in any business other than (x) acquiring and holding the Secured Property, entering into the Transaction Documents, entering into related agreements and transactions and performing acts incidental to or necessary in connection with any of the foregoing and (y) incurring any other Permitted Indebtedness and creating or incurring further obligations relating to the same;

(ii) dispose of any Secured Property or any interest therein, or create any mortgage, charge or security or right of recourse in respect thereof in favour of any person other than as referred to in Condition 2 and other than in connection with any other Permitted Indebtedness;

(iii) cause or permit any Transaction Document to be amended, terminated or discharged (other than as contemplated by the Trust Deed and the Conditions) or amend, supplement or otherwise modify its constitutional documents;

(iv) release any party to any Transaction Document from any obligations existing thereunder;

(v) without prejudice to its rights pursuant to Conditions 7(b), 7(e) or 7(f), purchase any ICES in the open market or otherwise;

(vi) have any subsidiaries or employees;

(vii) consent to any variation of, or exercise any powers or consent or waiver pursuant to the terms of any Transaction Document or any other related transactions;

(viii) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person (other than as contemplated by the Trust Deed and the Conditions);

(ix) consolidate or merge the compartment within which the ICES are issued with any other compartment of the Issuer or convey or transfer the properties or assets of the compartment within which the ICES are issued to another compartment of the Issuer;

(x) issue any shares (other than such shares as are in issue at 19 October 2006) or make any distribution to its shareholders;

(xi) open or have any interest in any account with a bank or financial institution unless (x) such account or the Issuer's interest in it is simultaneously charged in favour of the Trustee so as to form part of such Secured Property, (y) such account relates to the issue of other Permitted Indebtedness or (z) such account is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it;

(xii) declare, pay or make any dividend or other distribution in respect of its shares;

(xiii) incur any other indebtedness for borrowed moneys, other than Permitted Indebtedness; or

(xiv) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities).

OTP Covenants/Limited Remedies . The Subordinated Swap Agreement will be a subordinated obligation of OTP and will contain no negative pledge and only limited events of default (dissolution and liquidation). In addition, the sole remedy available to the Issuer (or, upon enforcement of the Secured Property, the Trustee or the ICES Holders) against OTP under the Subordinated Swap Agreement for recovery of amounts owing thereunder will be proving or claiming for the same in any proceedings commenced by OTP or a third party in Hungary (but not elsewhere) for the dissolution and liquidation of OTP. OTP has also given certain additional covenants to the Issuer pursuant to the Subordinated Swap Agreement. See Condition 11(b) for details.

Events of Default . . . . The ICES will contain certain Events of Default including in relation to failure by the Issuer to pay any amounts when due under the ICES, failure by the Issuer to deliver Ordinary Shares upon exercise of Exchange Rights, failure by the Issuer to perform any of its other obligations under the ICES or the Trust Deed, the bankruptcy, stay of payments, controlled management, moratorium, liquidation, winding-up or dissolution of the Issuer, the liquidation of the compartment of the Issuer within which the ICES are issued and the illegality of the ICES or any Transaction Document.

An Event of Default will also occur under the ICES if:

(i) the Stock Borrower fails to deliver any Ordinary Shares to the Issuer under the Securities Lending Agreement or the Guarantor fails to make payment under the ML Guarantee, and in each case such failure is not remedied within seven days, or the Securities Lending Agreement is terminated for any reason;

(ii) certain specified events relating to the liquidation of OTP occur; or

(iii) OTP or the Issuer defaults for a period of five days or more under the Subordinated Swap Agreement, or the Subordinated Swap Agreement is terminated for any reason.

The security referred to in "Security" above will become enforceable (i) if payment in respect of the ICES is not made when due and payable or (ii) upon the occurrence of any Event of Default. See, however, "—OTP Covenants/Limited Remedies" above.

Governing Law . . . . The ICES, the Subordinated Swap Agreement (except as stated below), the Securities Lending Agreement, the Trust Deed and the Agency Agreement will be governed by, and construed in accordance with, English law.

	The Security Deposit Agreement, the Custody Agreement and certain provisions of the Subordinated Swap Agreement, concerning the subordination of OTP's obligations thereunder, are governed by, and shall be construed in accordance with, Hungarian law. The ML Guarantee (in relation to the Securities Lending Agreement) is governed by, and shall be construed in accordance with, the laws of the State of New York. The provisions of articles 86 to 94-8 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended, will not apply in respect of the ICES.
Registrar	J. P. Morgan Bank Luxembourg S.A.
Principal Paying, Transfer and Exchange Agent	JPMorgan Chase Bank, N.A.
Custodian	OTP Bank Plc.
Trustee	BNY Corporate Trustee Services Limited
Trust Deed	The ICES will be constituted by a Trust Deed to be dated on or about the Closing Date between the Issuer and the Trustee.
Form of the ICES	The ICES will be issued in registered form. The ICES will be represented by a Global ICES, without interest coupons, which will be deposited with, and registered in the name of a nominee for, a common depositary of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about the Closing Date. The Global ICES will be exchangeable for definitive ICES in registered form only in the limited circumstances set out therein and herein. See "Summary of Provisions Relating to the ICES while in Global Form".
Sales Restrictions	There are restrictions on offers and sales of the ICES, *inter alia*, in the United States (Regulation S, Category 1; not Rule 144A eligible), the United Kingdom and Hungary. See "Subscription and Sale".
Listing and Trading	The Issuer has applied for the ICES to be admitted to the Official List of the Luxembourg Stock Exchange and for the ICES to be traded on the Luxembourg Stock Exchange Regulated Market. The Ordinary Shares trade on the Budapest Stock Exchange under the symbol "OTP". The International Securities Identification Number ("ISIN") in respect of the Ordinary Shares is HK0000061726. Ordinary Shares to be delivered on exchange of the ICES will be delivered in uncertificated form through KELER, the Hungarian central clearing and depositary system, or Clearstream, Luxembourg (at the option of the relevant ICES Holder).
ISIN for the ICES	XS0272723551
Common Code for the ICES	027272355
Lock up	OTP has, subject to certain exceptions, agreed not to issue or sell Ordinary Shares (in a public transaction) or certain related securities for the period ending 90 days after the Closing Date. See "Subscription and Sale".
Use of Proceeds	The gross proceeds of the offering will be €514,274,000. The Issuer has agreed to pay a combined management and underwriting commission and selling concession to the Manager and, at the sole discretion of OTP, an incentive fee may also be payable to the

Manager in connection with the issue of the ICES. The net proceeds are payable to OTP by or on behalf of the Issuer pursuant to the terms of the Subordinated Swap Agreement and related transactions entered into by (among others) OTP and the Issuer in connection with the issue of the ICES and the sale of 14,500,000 Ordinary Shares by OTP to the Issuer as described in this Prospectus.

The net proceeds payable to OTP as described above are expected to be used by it to fund in part its acquisitions of the Russian Investsberbank Group (a 96.4 per cent. stake) and Raiffeisenbank Ukraine (a 100.0 per cent. stake). Subject to market conditions, OTP expects to finance the remaining consideration required for these acquisitions by issuing non-dilutive, perpetual subordinated debt in the near term. OTP intends to focus its attention on the consolidation of the acquired assets throughout the remainder of 2006. See further "The Bank—Recent Developments".

RISK FACTORS

Prior to making an investment decision, prospective purchasers of the ICES should carefully consider the risk factors set out below in addition to the other information contained in this Prospectus and in the documents incorporated by reference into this Prospectus. Such documents will be available as described under "Documents Incorporated by Reference" above.

Risk Factors Relating to OTP

This section describes some of the risk factors that could affect the Group's operations. The risks set out below are not the only ones that the Group faces—some risks are not yet known to the Group and some not currently believed to be material could turn out to be material in the future. All of these risks could materially affect the Group's business, its revenues, operating income, net income, net assets and liquidity and capital resources.

Risks related to lending and general economic conditions, in particular in Hungary and the region

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of OTP's businesses. Adverse changes in the credit quality of OTP's borrowers or counterparties, a general deterioration in economic conditions in Hungary in particular or in Central and Eastern Europe generally or systemic risks in the financial systems in such locations could affect the recoverability of extended loans or other assets and require an adjustment in OTP's provisions for bad and doubtful debts.

The fiscal austerity policies recently announced by the Hungarian government may have an adverse effect on the Hungarian economy. As a direct or indirect consequence of these policies, there may be lower demand from customers for OTP's products or services, OTP may suffer a deterioration in the credit quality of its lending portfolios, and OTP may be subject to higher rates of taxation than would otherwise have been the case. These policies or future government policies or actions could, directly or indirectly, have a material adverse effect on OTP's financial situation or results of operations. See also "The Bank—Brief Description of the Group's Activities and Results—Trend Information".

While OTP's management considers that it has in place adequate evaluation procedures to mitigate the credit risk, OTP may be unable to evaluate correctly the current economic condition of each prospective borrower and to determine the long-term economic outlook for each such borrower. Even if OTP regularly estimates the net realisable value of collateral in determining the applicable provisioning and collateral requirements, and believes that its provision levels and the collateral supporting loans are adequate, there can be no assurance that an impairment in the ability of one or more of the borrowers to repay their loans would not result in an adverse effect on OTP's financial situation and results of operations.

OTP's financial condition and results of operations could be affected by political change or changes in governmental policies in the countries in which OTP operates or to which it otherwise has exposure. In some circumstances such changes could have a material adverse effect on OTP.

There have been recent instances in Hungary of political unrest, including public demonstrations. Continued political difficulties could result in further changes in governmental policies or in an adverse change in the economic conditions in Hungary and as a consequence could lead to a material adverse change in OTP's financial situation or results of operations.

Liquidity risks

Due to the significant volume of retail deposits in the Hungarian market, OTP has a high liquidity rate resulting from the fact that it receives more deposits than the volume of loans it extends to retail or corporate clients. OTP's liquidity policy is to meet all payment obligations as and when they fall due, however, there is no guarantee that maturity adequacy will prevail at all times.

In addition, any economic difficulties that affect the ability of OTP's depositors to meet liquidity needs from current operations could also cause such clients to withdraw their funds from OTP. If such withdrawals were to occur within a relatively short period of time, it could cause liquidity difficulties for OTP and also the loss of a significant source of funding, which could have a material adverse effect on the financial condition and results of operations of OTP. For further details in respect of liquidity risks, see "The Bank—Asset-Liability Management".

OTP's exposure to interest rate risk

The level of OTP's exposure to interest rate risk is fairly low, due to the fact that the greater part of its deposit portfolio consists of short maturity deposits and is also repriceable at OTP's discretion on the basis of market trends. Nevertheless, changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. For further details, see "The Bank—Asset-Liability Management".

Changes in foreign exchange rates, equity prices and other market factors

The lending risk of OTP's foreign exchange-based transactions is increased by the fact that the typical currency of income from clients may be different from the currency of collateral sales. Currency depreciation could result in lower demand for OTP's products and services as well as adverse credit experience. Lending denominated in foreign currency and funds raised in foreign currency do not necessarily mean that OTP's receivables and obligations arise in the same currency. Further, changes in currency rates, particularly in the HUF-EUR exchange rate, affect earnings reported by OTP's subsidiaries and also the income from foreign currency dealing. For further details, see "The Bank—Asset-Liability Management".

Further significant risks which OTP faces are bond and equity price risks and market risks. The performance of the financial markets may cause changes in the value of OTP's investment and trading portfolios. Although OTP has implemented risk management methods to mitigate these risks, it cannot be predicted with safety what effect the alteration of economic and market conditions may have on OTP's financial performance and business operations.

Risks related to growth strategy

OTP devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in client business. As a result of these efforts, OTP could successfully expand its network and acquire new subsidiaries. The overall growth of OTP's business also requires greater allocation of management resources, involving, among other things, continued development of OTP's financial and information management control systems, the ability to integrate new branches or newly acquired subsidiaries with existing operations and management systems, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel and the adequate supervision of the maintenance of high-level client services. Failure to manage this growth could have a material adverse effect on the business, financial condition, results of operations and prospects of OTP. If the strategic plans of OTP in respect of further expansion are not successful, OTP's earnings may grow more slowly or decline. See further "The Bank—Recent Developments".

Operational risks

OTP's businesses are dependent on its ability to process a very large number of transactions efficiently and accurately. OTP is exposed to many types of operational risk, including fraud by employees or outsiders, unauthorised transactions by employees or operational errors, including clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems. Although OTP maintains a system of controls designed to keep operational risks at appropriate levels, it cannot be absolutely certain that such control procedures will be effective for the management of all operational risks which OTP faces.

Regulatory oversight

OTP is subject to Hungarian financial services laws, regulations, administrative actions and policies as further described under "The Hungarian Banking System". Any changes in this supervision and regulation could materially affect OTP's business, products and results of operations.

Basel Capital Requirements Directive

The Basel Committee has issued proposals for reform of the 1988 Basel Capital Accord and has proposed a new framework, which places enhanced emphasis on market discipline and sensitivity to risk. OTP cannot predict the precise effects of the potential changes that might result from implementation of the proposals on both its own financial performance or the impact on the pricing of its Ordinary Shares and/or the ICES. Prospective investors in the ICES should consult their own advisers as to the consequences for them of the potential application of the New Basel Capital Accord proposals.

Expansion of the Group's business into Central and Eastern Europe

Recent acquisitions by OTP in the Central and Eastern European (the "CEE") markets, and the expansion and integration of the acquired businesses may impact upon the consolidated financial results of the Group. The ongoing integration of these businesses may also expose OTP to risks associated with monitoring these operations and will require continued capital expenditure, the implementation of which may carry execution risk. OTP can give no assurances as to the future profitability of its CEE acquisitions and their continued strategic viability as part of the Group.

In addition, the CEE acquisitions will in some markets such as Russia not operate to give the Group a market share comparable to its Hungarian business model and might require more aggressive lending terms to gain market presence.

Increase in proportion of mortgage loans denominated in non-HUF currencies

The proportion of mortgage loans made by the Group in non-HUF currencies has increased. In the case of non-HUF denominated loans, OTP is the only bank in Hungary that offers FX protection schemes for its clients as of the date of this Prospectus. Movements in exchange rates could lead to borrowers being unable to meet repayments on mortgage loans and ultimately to defaults under such loans as there is no obligation on the borrowers to hedge. Such defaults could have an impact on the financial results of the Group.

Hungarian government policy

OTP can give no assurances that the ongoing austerity measures being applied by the Hungarian government will not negatively impact upon the business of OTP and the Group. Although the implementation of Act LIX which seeks to achieve a balanced state budget, and introduce a special banking tax and the recent introduction of capital gains and withholding taxes on interest income and capital gains on the disposal of securities have as yet had no absolute impact on OTP's business, there can be no assurance that this position will not change in the future. The continuing uncertainty and delay in the introduction of the Euro in Hungary may have a negative impact on the economic climate within Hungary which may in turn have an impact on OTP's business operations.

Risk Factors Relating to the Markets for the ICES and the Ordinary Shares

No prior market

There can be no assurance regarding the future development of a market for the ICES, or the ability of the ICES Holders to sell any or all of their ICES, or the price, if any, at which such ICES Holders may be able to sell their ICES. If a market for the ICES were to develop, the ICES could trade at prices that may be higher or lower than the Issue Price referred to on the first page of this Prospectus depending on many factors, including prevailing interest rates, OTP's operating results and the market for similar securities. Therefore, there can be no assurance as to the liquidity of any trading market for the ICES or that an active market for the ICES will develop.

Volatility of the market for the ICES and the Ordinary Shares

The market price of the Ordinary Shares has been subject to volatility and fluctuations in the market price of the Ordinary Shares may affect the market price of the ICES. The market price of the ICES and the Ordinary Shares could be subject to wide fluctuations in response to numerous factors, many of which are beyond the control of OTP. These factors include, among other things, actual or anticipated variations in operating results, earnings releases by the Group and its competitors, changes in financial estimates by securities analysts, market conditions in the banking industry, the general state of the securities markets, governmental legislation or regulation and currency and exchange rate fluctuations, as well as general economic and market conditions, such as recessions.

Limited liquidity on the Budapest Stock Exchange

The principal trading market for the Ordinary Shares is the Budapest Stock Exchange (the "BSE"). The BSE is less liquid than major markets in Western Europe. As a result, ICES Holders and holders of the Ordinary Shares may have difficulty assessing the past performance of the Ordinary Shares based on the prior trading records of the BSE. There can be no assurance about the future liquidity of the market for the Ordinary Shares.

The price of the Ordinary Shares and that of the ICES may decline if substantial numbers of Ordinary Shares are sold in the market

Although OTP has agreed to certain restrictions on issuing Ordinary Shares in non-private transactions for a period which ends 90 days after the Closing Date (see "Subscription and Sale"), any future sales of substantial numbers of the Ordinary Shares by OTP or any of its shareholders (or the perception that such sales could occur) could adversely affect the market price of the Ordinary Shares and therefore the ICES.

Risk Factors Relating to the Suitability of the ICES

ICES may not be a suitable investment for all investors

Each potential investor in the ICES must determine the suitability of an investment in the ICES in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the ICES, the merits and risks of investing in the ICES and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the ICES and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the ICES;

(iv) understand thoroughly the terms of the ICES and be familiar with the behaviour of all relevant markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the ICES, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the ICES will perform under changing conditions, the resulting effects on the value of the ICES and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) ICES are legal investments for it, (2) ICES can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any ICES. Financial institutions should consult their legal advisers or their appropriate regulators to determine the appropriate treatment of ICES under any applicable risk-based capital or similar rules.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), EU member states (each being a "Member State") are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). It should be noted that the Savings Directive does not preclude any Member State which is a party to the Savings Directive from levying other types of withholding tax or from imposing withholding tax in other circumstances.

Risk Factors Relating to the Terms and Conditions of the ICES

ICES subject to optional redemption

The optional redemption features in the ICES and the Subordinated Swap Agreement are likely to limit the market value of the ICES at any time when the ICES may be redeemed. During the period when the Issuer may be required to redeem ICES in accordance with Condition 7(b), the market value of those ICES generally will not rise substantially above the price at which they can be redeemed. This may be particularly true in the period leading up to 31 October 2016 (the first date on which the Subordinated Swap Agreement may be terminated by OTP for any reason, in its absolute discretion) when (to the extent not redeemed on such date) the ICES will accrue interest at a rate stepped-up to 3.00 per cent. plus three month EURIBOR. Potential investors should consider reinvestment risk in light of other investments available at that time.

Restricted remedy for non-performance

The sole remedy available to the Issuer (or, following enforcement of the Secured Property, to the Trustee or the ICES Holders) against OTP under the Subordinated Swap Agreement for recovery of amounts owing will be proving and claiming in any proceedings commenced by OTP or a third party in Hungary (and not elsewhere) for the dissolution and liquidation of OTP.

OTP's obligations under the Subordinated Swap Agreement are subordinated

The rights and claims available to the Issuer (or, following enforcement of the Secured Property, to the Trustee or the ICES Holders) against OTP under the Subordinated Swap Agreement will be subordinated to the claims of all Senior Creditors. There is therefore a significant risk that an investor in the ICES will lose all or some of its investment should OTP become insolvent.

Non-payment of interest on the ICES

Interest will not be payable on the ICES on an Interest Payment Date if and to the extent that OTP has given notice to the Issuer pursuant to the provisions of the Subordinated Swap Agreement that OTP will cancel, and accordingly not make payment of, any sum otherwise due in respect of interest under the Subordinated Swap Agreement on an Interest Payment Date.

Payments of interest on the ICES will be non-cumulative and, to the extent that any such payment is cancelled as described above, the ICES Holders will not have any claim in respect of the amount of interest which would otherwise have been due on the relevant Interest Payment Date.

Although the Subordinated Swap Agreement provides that, following any non-payment of interest thereunder, OTP will be restricted from making certain payments on its Junior Securities and Dividend Parity Securities (as described in Condition 5(j)), potential investors should note that OTP has not in any event declared or paid a dividend on its Ordinary Shares in respect of every financial year during its recent operating history, including, most recently, no dividend was paid during 2003 in respect of the financial year ended 31 December 2002.

Perpetual Securities

OTP is under no obligation to repay amounts owing under the Subordinated Swap Agreement at any time. ICES Holders have no right to call for the redemption of the ICES at any time.

No tax gross-up

The Issuer is not obliged to make any additional payments to ICES Holders if any payment in respect of the ICES is required to be withheld or deducted for taxation. None of the Issuer or the ICES Holders has any right to require redemption of the ICES in the event of such a withholding or deduction. See "Terms and Conditions of the ICES—Taxation".

There is a limited period for, and costs associated with, the exercise of Exchange Rights

An ICES Holder will, subject as more fully described herein under "Terms and Conditions of the ICES—Exchange of ICES into Ordinary Shares", have the right to exchange ICES for Ordinary Shares. Exchange Rights may only be exercised on or after 31 October 2011 up to the close of business on 17 October 2016. In addition, the ICES may be exchanged prior to 31 October 2011 for a limited period following the occurrence of a Relevant Event (being a change of control of OTP, as more particularly described in the Conditions). Furthermore, the relevant ICES Holder may be required to pay certain costs associated with such exchange, as more particularly described in Condition 6(h), and an Exchange Date shall only be deemed to have occurred once it has done so. If the Exchange Rights are not exercised by ICES Holders during the Exchange Period, and/or such costs are not paid, the ICES will remain outstanding after the Exchange Period (but without any Exchange Rights attached) until such time (if any) as they are redeemed at their principal amount in accordance with Condition 7(b) or are otherwise purchased and cancelled in accordance with the Conditions.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of ICES Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all ICES Holders including ICES Holders who do not attend and vote at the relevant meeting and ICES Holders who vote in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of ICES Holders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of ICES or any of the Transaction Documents or the substitution of another company as principal debtor under the ICES in place of the Issuer, in each case in the circumstances more particularly described in Condition 14.

Redemption risk

Unless previously purchased and cancelled or exchanged as provided in the Conditions, the ICES will be redeemed (in whole and not in part only) at their principal amount together with accrued interest only in the following circumstances:

(i) if OTP exercises its option to terminate the Subordinated Swap Agreement at any time prior to 31 October 2016 following the occurrence of a Redemption Event;

(ii) if OTP exercises its option to terminate the Subordinated Swap Agreement at any time prior to 31 October 2016 or on any Interest Payment Date thereafter following the occurrence of a Relevant Event; or

(iii) if OTP exercises its option to terminate the Subordinated Swap Agreement (such option being in OTP's absolute discretion) on 31 October 2016 or on any Interest Payment Date thereafter.

OTP may not exercise its option to terminate the Subordinated Swap Agreement in any of the circumstances described above unless it has first received approval from the Hungarian Financial Supervisory Authority to do so. There can therefore be no assurance that any such redemption shall occur either before or after 31 October 2016 or at all.

No limitation on issuing senior or pari passu securities

There is no restriction on the number or amount of securities which OTP may issue and which may rank senior to, or *pari passu* with, OTP's obligations under the Subordinated Swap Agreement. The issue of any such securities may reduce the amount recoverable by the Issuer (or, upon enforcement of the Secured Property, the Trustee or the ICES Holders) on a winding-up of OTP and/or may increase the likelihood of non-payment of amounts otherwise due under the Subordinated Swap Agreement and, consequently, the ICES.

Risk Factors relating to the Issuer

The Issuer is a special purpose vehicle with limited resources

The Issuer is a special purpose vehicle in the form of a société anonyme, set up as a securitisation vehicle and incorporated under the laws of Luxembourg on 1 February 2006. The business of the Issuer, in respect of the relevant compartment within which the ICES are issued, is restricted to certain activities described in Condition 11(a)(ii), the Trust Deed and herein under the heading "The Issuer". These activities include incurring other obligations on a secured, limited recourse basis.

Notwithstanding that this Prospectus relates only to the issue of the ICES, prospective investors are advised that the Board of Directors of the Issuer may establish one or more additional compartments, each of which is a separate and distinct part of the Issuer's estate (*patrimoine*) and which may be distinguished by the nature of acquired risks or assets, the terms and conditions of the debt securities issued by the Issuer in relation to that compartment, the reference currency or other distinguishing characteristics.

The rights of holders of the debt securities issued by the Issuer in respect of a compartment (including the compartment within which the ICES are to be issued) and the rights of creditors are limited to the assets of that compartment, where these rights relate to that compartment or have arisen at the occasion of the constitution, the operation or the liquidation of the relevant compartment. The assets of a compartment are available only to satisfy the rights of holders of the debt instruments issued in relation to that compartment and the rights of the creditors whose claims have arisen at the occasion of the constitution, the operation or the liquidation of that compartment.

Accordingly, only the Secured Property in the compartment within which the ICES are issued will be available in support of the Issuer's obligations under the ICES. The assets within that compartment will consist of, among other things, the Ordinary Shares held by the Issuer from time to time and its rights under the Subordinated Swap Agreement and the Securities Lending Agreement. See "Security for the ICES" for further details. These assets may not be sufficient to meet all such claims in certain circumstances, such as failure by OTP to comply with its obligations under the Subordinated Swap Agreement and/or failure by the Stock Borrower to comply with its obligations under the Securities Lending Agreement.

Consequences of winding up proceedings

If the Issuer fails for any reason to meet its obligations or liabilities to a creditor who has not agreed not to make application for the commencement of winding-up or similar proceedings against the Issuer, such creditor may be entitled to make an application for the commencement of insolvency proceedings against the Issuer.

The commencement of such proceedings may involve certain conditions, entitle creditors to terminate contracts with the Issuer and claim damages for any loss arising from such early termination. The commencement of such proceedings may result in the Issuer's assets being realised and applied to pay the fees and costs of the liquidator, debts preferred by law and debts payable in insolvency, before any surplus is distributed to the holders of debt securities. In the event of proceedings being commenced, the Issuer may not be able to pay the amounts anticipated by the Conditions.

Compartments of the Issuer may be liquidated separately without such liquidation resulting in the liquidation of the Issuer itself or any other compartment.

Limited recourse, non-petition and enforcement of security

In order to meet its obligations in relation to the ICES, the Issuer has acquired Ordinary Shares from OTP and has also entered into the Subordinated Swap Agreement and the Securities Lending Agreement (see "Security for the ICES" for descriptions of these agreements). Accordingly, ICES Holders will have to rely on amounts and property received by the Issuer pursuant to OTP's obligations under the Subordinated Swap Agreement and the Stock Borrower's obligations under the Securities Lending Agreement (and those of the Guarantor under the ML Guarantee) for payments of interest and principal on the ICES and performance of the Exchange Rights.

To the extent that either OTP or the Stock Borrower (failing which, the Guarantor under the ML Guarantee) fails to fulfil its obligations due to the Issuer under the Subordinated Swap Agreement or the Securities Lending Agreement, as the case may be, the Issuer will be unable to meet its obligations in respect of the ICES. In such event, ICES will become repayable in accordance with the Conditions and the security therefor will become enforceable. There can be no assurance that the Trustee will, upon enforcement, be able to take possession of the Ordinary Shares (held by OTP as Custodian for the Issuer) or other property comprising the Secured Property or that if it does take possession that the net proceeds receivable will not be less than the claims of the ICES Holders. If the net proceeds of the enforcement of such security are not sufficient to meet all obligations which would otherwise then be due in respect of the ICES, the obligations of the Issuer will be limited to such net proceeds and any other assets of the Issuer (including any assets in other compartments created by the Issuer from time to time, as well as any assets held by the Issuer outside of its compartments) will not be available to meet any shortfall. The Issuer will not be obliged to make any further payment in excess of such net proceeds and accordingly no debt shall be owed by the Issuer in respect of such shortfall.

Compatibility of the Luxembourg Securitisation Law with European legislation relating to the provision of State Aid

On 13 February 2006, the EU Commission (the "Commission") wrote to the Luxembourg Government, requesting information from it in respect of the Luxembourg securitisation law (Law of 22 March 2004) and the Luxembourg law on investment companies in risk capital (SICAR) (Law of 15 June 2004) as regards the compatibility of these laws with European legislation relating to the provision of State Aid.

If the Commission determines that a legislative regime is in breach of EU legislation relating to the provision of State Aid, it could (as a worst case scenario) require that such legislation be repealed, depending upon the circumstances. In addition, the Commission could require that such legislation be repealed with retrospective effect.

Given that proceedings remain at a very preliminary stage, it is impossible to assess the impact, if any, of the Commission's request for information made to the Luxembourg Government. However, even if the tax regime provided for in the Securitisation Law is required to be repealed as a result of the foregoing, it is not expected that this would have a material adverse effect on the funds available to the Issuer to satisfy its obligations under the ICES, as such a repeal would probably only have the effect that a minimum net wealth tax of €62 becomes due annually, but would have no impact on the tax deductibility of interest paid by the Issuer under the ICES.

TERMS AND CONDITIONS OF THE ICES

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the ICES.

The issue of the €514,274,000 3.95 per cent. Income Certificates Exchangeable for Shares (the "ICES") was authorised by a resolution of the Board of Directors of Opus Securities S.A. (the "Issuer") passed on 19 October 2006. The ICES are constituted by a trust deed dated 31 October 2006 (as the same may be amended or supplemented from time to time, the "Trust Deed") between the Issuer and BNY Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the ICES Holders (as defined below). The statements set out in these Terms and Conditions (the "Conditions") are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the ICES. The ICES Holders are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying, Transfer and Exchange Agency Agreement dated 31 October 2006 (as the same may be amended or supplemented from time to time, the "Agency Agreement") relating to the ICES between the Issuer, the Trustee, JPMorgan Chase Bank, N.A. (in its capacity as (i) principal paying, transfer and exchange agent, the "Principal Paying, Transfer and Exchange Agent", which expression shall include any successor as principal paying, transfer and exchange agent under the Agency Agreement and (ii) calculation agent, the "Calculation Agent", which expression shall include any successor as calculation agent under the Agency Agreement), the paying, transfer and exchange agents for the time being (such persons, together with the Principal Paying, Transfer and Exchange Agent, being referred to below as the "Paying, Transfer and Exchange Agents", which expression shall include their successors as Paying, Transfer and Exchange Agents under the Agency Agreement) and J.P. Morgan Bank Luxembourg S.A. in its capacity as registrar (the "Registrar", which expression shall include any successor as registrar under the Agency Agreement). The Issuer has appointed OTP Bank Plc. as custodian (the "Custodian", which expression shall include any successor as custodian) in respect of the Ordinary Shares (as defined below) pursuant to a Custody Agreement governed by Hungarian law and dated 31 October 2006 (as the same may be amended or supplemented from time to time, the "Custody Agreement").

Copies of each of the Trust Deed, the Agency Agreement, the Custody Agreement and the other Transaction Documents (as defined below) are available for inspection at the registered office for the time being of the Trustee (being at the date of issue of the ICES at One Canada Square, London E14 5AL), and at the specified offices of the Paying, Transfer and Exchange Agents and the Registrar.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1 Form, Denomination, Title and Status

(a) Form and Denomination

The ICES are in registered form, serially numbered, in principal amounts of €125,000 or integral multiples of €1,000 in excess thereof ("authorised denominations").

(b) Title

Title to the ICES will pass by transfer and registration as described in Condition 4. Each ICES Holder will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as the absolute owner of the relevant ICES for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related certificate, as appropriate) or anything written on the relevant ICES Certificate (other than a duly executed transfer thereof)) and no person will be liable for so treating the ICES Holder.

(c) Status

The ICES are secured, limited recourse obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in Condition 2 and recourse in respect of which is limited in the manner described in Condition 2 and Condition 15.

2 Security and Shortfall

(a) Security

The Issuer's obligations under the ICES and the Trust Deed are secured (subject as provided in these Conditions and the Security Documents) in favour of the Trustee for the benefit of itself and the ICES Holders pursuant to the Security Documents as follows:

(i) by a security deposit (*óvadék*) over the Ordinary Shares held by or for the Issuer from time to time and, subject to the terms of the Transaction Documents, to all sums or assets derived therefrom, all in accordance with Sections 270 and 271 of Act No. IV of 1959 or the Civil Code of the Republic of Hungary;

(ii) by assignments by way of security of the Issuer's rights, title and interest arising or existing against the Custodian existing under the Custody Agreement, to the extent that they relate to Ordinary Shares held for the Issuer and, subject to the terms of the Transaction Documents, of all sums or assets derived therefrom;

(iii) by an assignment by way of security of the Issuer's rights, title and interest arising or existing under the Agency Agreement;

(iv) by an assignment by way of security of the Issuer's rights, title and interest arising or existing under the Subordinated Swap Agreement;

(v) by an assignment by way of security of the Issuer's rights, title and interest arising or existing under the Securities Lending Agreement;

(vi) by an assignment by way of security of the Issuer's rights, title and interest arising or existing under the ML Guarantee; and

(vii) by a first fixed charge over the Issuer's rights, title and interest arising or existing in respect of any monies held by the Registrar or the Principal Paying, Transfer and Exchange Agent to meet payments due in respect of the ICES.

The property listed in (i) to (vii) above, together with any other property or assets held by and/or charged in favour of and/or assigned to the Trustee pursuant to the Security Documents and/or any deed or document supplemental thereto is referred to in these Conditions as the "Secured Property".

(b) Ordinary Shares and Securities Lending Agreement

As at the Closing Date, the Secured Property includes 14,500,000 Ordinary Shares sold by OTP to the Issuer pursuant to the Subordinated Swap Agreement. Ordinary Shares held from time to time by or for the Issuer and which have not been borrowed by the Stock Borrower are held on behalf of the Issuer in an account with the Custodian in KELER pursuant to the Custody Agreement and are subject to the security arrangements set out in the Security Documents.

Prospective investors in the ICES are advised that the directors of the Issuer may exercise any of the voting rights attaching to the Ordinary Shares, to the extent that such Ordinary Shares have not been lent to the Stock Borrower pursuant to the Securities Lending Agreement and if the directors determine that such exercise would be in the best interests of the Issuer. Furthermore, to the extent that Ordinary Shares have been lent to the Stock Borrower pursuant to the Securities Lending Agreement, the voting rights in respect thereof will also be transferred to the Stock Borrower or (as the case may be) to other parties to whom the Stock Borrower lends the Ordinary Shares. It is possible that in exercising such rights the Issuer, the Stock Borrower or such other parties (as the case may be) may not act in accordance with the best interests of the ICES Holders. Prospective investors in the ICES are also advised that OTP has entered into arrangements with the shareholders of the Issuer by which OTP may provide written instructions to the shareholders of the Issuer to appoint certain persons as directors of the Issuer, that would, if appointed by the shareholders, constitute a majority of the board of directors of the Issuer. See "The Issuer—Directors".

The Issuer and the Stock Borrower have entered into the Securities Lending Agreement pursuant to which the Stock Borrower may from time to time borrow up to 7,250,000 Ordinary Shares held by or for the Issuer as part of the Secured Property (such maximum number of shares to be amended accordingly solely to take account of alterations (if any) to the nominal value of the Ordinary Shares as a result of consolidation or subdivision or any event described in Condition 6(b)) and the Issuer shall have the right at any time on five Business Days' (as defined in the Securities Lending Agreement) notice to require re-delivery of Ordinary Shares, provided that the Issuer shall only be entitled to require re-delivery of Ordinary Shares as aforesaid if necessary to satisfy (i) the exercise of Exchange Rights by ICES Holders; and/or (ii) the Issuer's obligations to OTP under the Subordinated Swap Agreement if OTP exercises its option to purchase the Ordinary Shares if the ICES are to be redeemed pursuant to Condition 7(b). If the Stock Borrower borrows Ordinary Shares as aforesaid, the Trust Deed and the Security Deposit Agreement contain provisions enabling the relevant number of Ordinary Shares so borrowed to be released from the Secured Property and to be delivered to, or to the order of, the Stock Borrower in accordance with the terms of the Securities Lending Agreement. Any Ordinary Shares delivered to the Issuer by the Stock Borrower from time to time pursuant to its re-delivery obligations under the Securities Lending Agreement shall become part of the Secured Property in accordance with the terms of the Trust Deed and the Security Deposit Agreement.

Under the terms of the Securities Lending Agreement, where dividends are paid on Ordinary Shares which have been borrowed by the Stock Borrower from the Issuer, the Stock Borrower has agreed to pay to the Issuer a sum equal to that which the Issuer would have been entitled to receive had such Ordinary Shares not been loaned by the Issuer and had been retained by it.

The Stock Borrower's obligations to the Issuer under the Securities Lending Agreement have been guaranteed by the Guarantor pursuant to the ML Guarantee.

(c) Subordinated Swap Agreement

OTP has agreed in the Subordinated Swap Agreement (i) to pay the Swap Interest Payments to the Issuer to enable the Issuer to make payments of amounts of interest due on the ICES; (ii) (to the extent that the ICES are to be redeemed pursuant to Condition 7(b) and OTP so elects) to purchase the Ordinary Shares then held by the Issuer (and which the Issuer is entitled to have re-delivered pursuant to the Securities Lending Agreement); (iii) to pay such additional amounts as will enable the Issuer to pay to the ICES Holders all amounts of principal and accrued interest due on the ICES in connection with such redemption; (iv) to pay an amount corresponding to any Cash Alternative Amount due upon the exchange of any ICES; and (v) to pay such additional amounts as will enable the Issuer to pay such taxes, capital duties or stamp duties as are payable by the Issuer pursuant to Condition 6(h) in connection with any exercise of Exchange Rights by an ICES Holder.

OTP has also agreed in the Subordinated Swap Agreement that, if after the Closing Date there is any downward adjustment to the Exchange Price in accordance with Condition 6(b) or (c) and as a result thereof the number of Ordinary Shares held by or for the Issuer (when aggregated with the number of Ordinary Shares which the Issuer has lent to the Stock Borrower at such time under the Securities Lending Agreement and the number of Ordinary Shares in respect of which OTP has previously made a Cash Alternative Amount Election (as defined below)) is less than the number of Ordinary Shares into which all of the ICES then outstanding could be exchanged (assuming for this purpose only that no Cash Alternative Amount Elections have been made) at the then prevailing Exchange Price (which shall mean, during any Relevant Event Period, the relevant Change of Control Exchange Price) (ignoring for this purpose whether or not in fact the ICES could be exchanged at such time in accordance with Condition 6(a)), OTP shall, on such date determined pursuant to the Subordinated Swap Agreement, elect either to (x) deliver to the Issuer such additional number of Ordinary Shares as is required to meet such shortfall (the "Extra Ordinary Shares") (if, at such time, the delivery of such shares is permitted in accordance with applicable law) or (y) (in lieu of delivery of such Extra Ordinary Shares) make an election (a "Cash Alternative Amount Election") by notice to the Trustee and the Issuer, and the Issuer shall notify the ICES Holders of the same, in accordance with Condition 17 to pay to the Issuer, (by a date not later than 10 dealing days following the relevant Exchange Date) upon the exercise (if any) of Exchange Rights by any ICES Holder, an amount equal to the Cash Alternative Amount attributable to the number of Extra Ordinary Shares to which such ICES Holder would have been entitled in the absence of such Cash Alternative Amount Election ("Cash-Settled Extra Ordinary Shares"). Each Cash Alternative Amount Election, once made, shall be irrevocable. *Although OTP reserves the right to elect to deliver Extra Ordinary Shares in such circumstances (if at such time the delivery of such shares is permitted in accordance with applicable law), it is its current intention to exercise the Cash Alternative Amount Election in all such circumstances.*

Subject as provided in the Subordinated Swap Agreement and as described below, the Issuer has agreed in the Subordinated Swap Agreement to pay and/or deliver to OTP all cash sums or other assets (other than Ordinary Shares) actually received by it which are derived from the Ordinary Shares held by or for it as part of the Secured Property and (to the extent received from the Stock Borrower in accordance with the terms of the Securities Lending Agreement) derived from any Ordinary Shares borrowed by the Stock Borrower pursuant to the Securities Lending Agreement ("Ordinary Share Property").

Notwithstanding the foregoing, the Subordinated Swap Agreement provides that no Ordinary Share Property shall be paid and/or delivered, as appropriate, by the Issuer to OTP as aforesaid until OTP has either (x) delivered to the Issuer the relevant Extra Ordinary Shares which are required to be delivered (if any) as a result of the event or circumstances which have given rise to the receipt by the Issuer of such Ordinary Share Property or (y) made a Cash Alternative Amount Election in lieu of such delivery.

To the extent that any Ordinary Share Property (other than Ordinary Shares) is to be paid and/or delivered by the Issuer to OTP as described in the foregoing provisions of this Condition 2(c), the Trust Deed and Security Deposit Agreement provide for such Ordinary Share Property to be released from the Secured Property and to be delivered to, or to the order of, OTP (following satisfaction of the conditions required therefor as described above). Furthermore, to the extent that any Extra Ordinary Shares are delivered by OTP to, or to the order of, the Issuer as described in the foregoing provisions of this Condition 2(c), the Trust Deed and the Security Deposit Agreement provide that such additional Ordinary Shares shall be added to the Secured Property upon such delivery.

The Issuer has agreed to pay to OTP, on the Closing Date, the excess of the funds received upon settlement of the ICES over the aggregate cost of the Ordinary Shares delivered to the Issuer prior to the Closing Date.

The obligations of OTP under the Subordinated Swap Agreement constitute unconditional, subordinated and unsecured obligations of OTP. In the event of the liquidation (*felszámolás*) of OTP in accordance with Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings, the obligations of OTP under the Subordinated Swap Agreement will rank (i) junior in right of payment to the claims of holders of any present or future Senior Securities, (ii) *pari passu* with the claims of holders of any present or future Parity Securities, and (iii) senior to the claims of holders of any present or future Junior Securities. Furthermore, the Issuer has under the Subordinated Swap Agreement unconditionally and irrevocably waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the obligations of OTP under the Subordinated Swap Agreement.

Furthermore, the sole remedy available to the Issuer (or, following enforcement of the Secured Property, to the Trustee or the ICES Holders, as the case may be) against OTP under the Subordinated Swap Agreement for recovery of amounts owing will be proving or claiming for the same in any proceedings commenced by OTP or a third party in Hungary (and not elsewhere) for the dissolution and liquidation of OTP.

(d) Change in Secured Property

Forthwith following any change in the composition of the Secured Property (other than the release of any Ordinary Shares or cash from the Secured Property to facilitate the performance of the Issuer's obligations under the ICES, the Subordinated Swap Agreement, the Securities Lending Agreement and the Trust Deed), the Issuer will procure that security interests in a form satisfactory to the Trustee are created over any such property which is not already, to the satisfaction of the Trustee, secured by, or pursuant to, the Security Documents.

(e) Failure to perform

To the extent that OTP fails to comply with any of its obligations under the Subordinated Swap Agreement and/or the Stock Borrower fails to comply with any of its obligations under the Securities Lending Agreement and/or the Guarantor fails to comply with any of its obligations under the ML Guarantee, the Issuer will be unable to fulfil its payment obligations and/or obligations in respect of Exchange Rights (as the case may be) pursuant to the ICES.

(f) Enforcement

The security over the Secured Property shall become enforceable (i) if payment in respect of the ICES is not made when due and payable, (ii) upon the occurrence of any Event of Default.

If the security over the Secured Property becomes enforceable, the Trustee may at its discretion and shall if so requested in writing by ICES Holders holding at least one-quarter in principal amount of the

ICES then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) (subject in each case to being indemnified and/or secured to its satisfaction) enforce the security constituted by the Security Documents. To do this, it may at its discretion take possession of and/or realise the Ordinary Shares and/or take action against any person liable in respect of the Ordinary Shares, the Subordinated Swap Agreement, the Agency Agreement, the Custody Agreement, the Securities Lending Agreement and/or the Guarantee in accordance with their terms, but without any liability as to the consequences of such action and without having regard to the effect of such action on individual ICES Holders and provided that the Trustee shall not be required to take any action that would involve any personal liability or exposure without first being indemnified and/or secured to its satisfaction.

Pursuant to the Trust Deed, the Trustee shall apply all moneys received by it under the Transaction Documents in connection with the realisation or enforcement of the Secured Property on trust to apply them as follows:

(i) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Trustee or any receiver in preparing and performing the trusts constituted by the Trust Deed (including holding and enforcing the security constituted by the Security Deposit Agreement and including any taxes required to be paid, the costs of realising any Secured Property and the remuneration of the Trustee and any receiver appointed by it);

(ii) secondly, in or towards payment or discharge or satisfaction *pari passu* of all amounts due and obligations to the ICES Holders in respect of the ICES and pursuant to the Trust Deed; and

(iii) thirdly, in payment of any balance to the Issuer itself.

(g) Shortfall

Upon realisation of, or enforcement with respect to, the Secured Property, the net proceeds (the "**Net Proceeds**") may be less than the claims of the Trustee and the ICES Holders.

If the Net Proceeds are not sufficient to meet all obligations which but for the effect of this provision would then be due in respect of the ICES, then the obligations of the Issuer will be limited to such Net Proceeds, and the other assets of the Issuer will not be available for payment of any Shortfall arising therefrom.

The Issuer will not be obliged to make any further payment in excess of the Net Proceeds and accordingly no debt shall be owed by the Issuer in respect of any Shortfall remaining after realisation of the Secured Property and application of the proceeds in accordance with the Trust Deed. None of the Trustee, any ICES Holder or any other person (nor any person acting on behalf of any of them) may take any further action to recover such Shortfall. Failure to make any payment in respect of any Shortfall shall in no circumstances constitute an Event of Default under Condition 10.

In this Condition "Shortfall" means the difference between the amount of the Net Proceeds and the amount which would but for this Condition 2(g) have been due under the ICES.

3 Definitions

In these Conditions, unless otherwise provided:

"**Additional Shares**" has the meaning provided in Condition 6(c).

"**Agency Agreement**" has the meaning provided in the introductory section preceding Condition 1.

"**Agent Bank**" has the meaning provided in Condition 5(h).

"**authorised denominations**" has the meaning provided in Condition 1(a).

"**business day**" means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

"**Calculation Agent**" has the meaning provided in the introductory section preceding Condition 1.

"**Capital Distribution**" means:

(a) any Non Cash Dividend (in which case the Capital Distribution shall be the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property or assets); or

(b) a Cash Dividend (the "**Relevant Dividend**") paid in respect of any fiscal year (the "**Relevant Fiscal Year**") or part thereof, to the extent that the sum of (i) the Fair Market Value of the Relevant Dividend per Ordinary Share and (ii) the Fair Market Value per Ordinary Share of the aggregate of any other Cash Dividend(s) paid in respect of the Relevant Fiscal Year or part thereof (disregarding for such purpose any amount previously determined to be a Capital Distribution in respect of the Relevant Fiscal Year or part thereof) exceeds the relevant amount per Ordinary Share shown in the table below in respect of the Relevant Fiscal Year in question.

Relevant Fiscal Year	Amount per Ordinary Share (HUF)
1 January 2006 to 31 December 2006	214.79
1 January 2007 to 31 December 2007	250.13
1 January 2008 to 31 December 2008	278.04
1 January 2009 to 31 December 2009	332.56
1 January 2010 to 31 December 2010	349.19
1 January 2011 to 31 December 2011	366.65
1 January 2012 to 31 December 2012	384.99
1 January 2013 to 31 December 2013	404.23
1 January 2014 to 31 December 2014	424.45
1 January 2015 to 31 December 2015	445.67
1 January 2016 to 31 December 2016	467.95

"**Cash Alternative Amount**" means an amount calculated by the Calculation Agent in accordance with the following formula and which shall be payable to an ICES Holder upon an exercise of an Exchange Right if any Cash Alternative Amount Election has been made in accordance with Condition 2(c) to the extent such ICES Holder is entitled to Cash-Settled Extra Ordinary Shares upon exchange:

$$CAA = S \times \sum_{n=1}^{N} \frac{1}{N} \times P_N \times FX_N$$

where:

CAA = the Cash Alternative Amount;

S = the number of Cash-Settled Extra Ordinary Shares to which the relevant ICES Holder is entitled upon exercise of the Exchange Right;

P_N = the Volume Weighted Average Price of an Ordinary Share on the Nth dealing day of the Cash Alternative Calculation Period;

N = 5, being the number of dealing days in the Cash Alternative Calculation Period; and

FX_N = the HUF/€ daily fixing rate (expressed as € per 1 HUF) quoted at 11.00 a.m. (Central European Time) and published on Bloomberg page NBH5, Reuters page HUFE or Telerate page T39621 or any successor page by the Hungarian National Bank on the Nth dealing day of the Cash Alternative Calculation Period (provided that if the Hungarian National Bank does not quote such fixing rate for the Nth dealing day of the Cash Alternative Calculation Period, the spot buying rate of an independent bank of international repute on such Nth dealing day shall be substituted therefor), all as determined by the Calculation Agent.

"**Cash Alternative Calculation Period**" means the period of five consecutive dealing days commencing on the relevant Exchange Date (or the next dealing day if such date is not a dealing day).

"**Cash Alternative Amount Election**" has the meaning provided in Condition 2(c).

"**Cash Dividend**" has the meaning provided in Condition 6(b)(iii).

"**Cash-Settled Extra Ordinary Shares**" has the meaning provided in Condition 2(c).

"**Change of Control Exchange Price**" has the meaning provided in Condition 6(b)(x).

"**Clearstream, Luxembourg**" means Clearstream Bank, société anonyme.

"**Closing Date**" means 31 October 2006.

"**Conditions**" has the meaning provided in the introductory section preceding Condition 1.

"**Current Market Price**" means, in respect of an Ordinary Share at a particular date, the arithmetic average of the Volume Weighted Average Price of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

(a) if the Ordinary Shares to be delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement); or

(b) if the Ordinary Shares to be delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement),

and provided further that, if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be delivered do not rank for that Dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days, then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

"**Custodian**" has the meaning provided in the introductory section preceding Condition 1.

"**Custody Agreement**" has the meaning provided in the introductory section preceding Condition 1.

"**dealing day**" means a day on which the Relevant Stock Exchange or other relevant stock exchange or securities market is open for business, other than a day on which the Relevant Stock Exchange or other relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time.

"**Delivery Date**" has the meaning provided in Condition 6(c).

"**Dividend**" has the meaning provided in Condition 6(b)(iii).

"**Dividend Parity Securities**" means Parity Securities other than Tier 2 Securities.

"**Enhanced Interest Rate**" has the meaning provided in Condition 7(c).

"**equity share capital**" means, in relation to a company, its issued share capital excluding any part of that capital which, neither as regards dividends nor as regards capital, carries any right to participate beyond a specified amount in a distribution.

"**Equivalent Amount**" has the meaning provided in Condition 6(a).

"**euro**" or "**€**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty.

"**Euro-zone**" means the region comprising member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty.

"**Event of Default**" has the meaning provided in Condition 10.

"**Exchange Date**" has the meaning provided in Condition 6(h).

"**Exchange Notice**" has the meaning provided in Condition 6(h).

"**Exchange Period**" has the meaning provided in Condition 6(a).

"**Exchange Price**" has the meaning provided in Condition 6(a).

"**Exchange Right**" has the meaning provided in Condition 6(a).

"**Exempt Newco Scheme**" means a Newco Scheme where immediately after completion of the relevant scheme of arrangement or analogous proceeding the ordinary shares of Newco are (a) admitted to listing on the Budapest Stock Exchange or (b) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as OTP or Newco may determine.

"**Existing Tier 2 Securities**" means the €125,000,000 Floating Rate Notes due 2015 issued on 4 March 2005 and the €300,000,000 5.27 per cent. Subordinated Notes due 2016 issued on 19 September 2006.

"**Extra Ordinary Shares**" has the meaning provided in Condition 2(c).

"**Fair Market Value**" has the meaning provided in Condition 6(b)(iii).

"**First Reset Date**" means (subject as provided in Condition 7(c)) 31 October 2016.

"**Fixed Interest Rate**" has the meaning given to it in Condition 5(c).

"**Fixed Rate Interest Period**" means the period from (and including) the Closing Date to (but excluding) the First Reset Date.

"**Fixed Rate of Exchange**" means €1.00 = HUF 263.50.

"**Floating Interest Amounts**" has the meaning given to it in Condition 5(e).

"**Floating Interest Rate**" has the meaning given to it in Condition 5(d).

"**Guarantor**" means Merrill Lynch & Co., Inc. as guarantor under the ML Guarantee of the Stock Borrower's obligations under the Securities Lending Agreement.

"**HUF**" means Hungarian forints, the legal currency of Hungary.

"**ICES**" has the meaning provided in the introductory section preceding Condition 1.

"**ICES Certificate**" means the certificate evidencing registration of the relevant ICES Holder in the Register as holder of the relevant ICES.

"**ICES Holder**" means the person in whose name an ICES is registered in the Register.

"**Independent Financial Adviser**" means an investment bank of international repute appointed by the Issuer (upon instruction from OTP) and approved in writing by the Trustee or, if OTP fails to provide the required instruction and/or the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee) and the Trustee is indemnified and/or secured to its satisfaction against the costs, fees and expenses of such adviser, appointed by the Trustee following notification to the Issuer and OTP.

"**Interest Determination Date**" means, in relation to each Reset Date, the second TARGET Business Day prior to such Reset Date.

"**Interest Payment Date**" means (a) in respect of the period from the Closing Date to (and including) the First Reset Date, 31 October in each year, starting on 31 October 2007 and (b) after the First Reset Date, 31 January, 30 April, 31 July and 31 October in each year, starting on 31 January 2017 (in each case subject as provided in Condition 7(c)), provided that if any Interest Payment Date after the First Reset Date would otherwise fall on a day which is not a TARGET Business Day, it shall be postponed to the next day which is a TARGET Business Day, unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding TARGET Business Day.

"**Interest Period**" means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Rate**" means the Fixed Interest Rate and/or the Floating Interest Rate and/or the Enhanced Interest Rate, as the case may be.

"**Issuer**" has the meaning provided in the introductory section preceding Condition 1.

"**Junior Securities**" means the Ordinary Shares, together with any other shares, securities or obligations ranking or expressed to rank junior to the obligations of OTP under the Subordinated Swap Agreement, whether (a) issued directly by OTP or (b) issued by any Subsidiary of OTP or by any other entity (provided that, in the case of (b) only, such shares, securities or obligations benefit from a guarantee or support agreement from OTP ranking or expressed to rank junior to the obligations of OTP under the Subordinated Swap Agreement).

"**KELER**" means the Central Clearing House and Depositary Ltd., the central Hungarian depositary and clearing system.

"**Margin**" means 3.0 per cent. per annum.

"**ML Guarantee**" means the guarantee dated as of 19 October 2006 entered into by the Guarantor pursuant to which the Guarantor has guaranteed the Stock Borrower's payment obligations under the Securities Lending Agreement.

"**Net Proceeds**" has the meaning provided in Condition 2(g).

"**Newco Scheme**" means a scheme of arrangement or analogous proceeding which effects the interposition of a limited liability company ("**Newco**") between the Shareholders of OTP immediately prior to the scheme of arrangement (the "**Existing Shareholders**") and OTP, provided that only ordinary shares of Newco are issued to Existing Shareholders immediately after such scheme of arrangement or analogous proceeding becomes effective and further provided that immediately after the scheme of arrangement or analogous proceeding becomes effective the only shareholders of Newco are the Existing Shareholders and that all Subsidiaries of OTP immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary of OTP) are Subsidiaries of OTP (or of Newco) immediately after the scheme of arrangement.

"**Non-Cash Dividend**" has the meaning provided in Condition 6(b)(iii).

"**Optional Redemption Date**" has the meaning provided in Condition 7(b).

"**Optional Redemption Notice**" has the meaning provided in Condition 7(b).

"**Ordinary Share Property**" has the meaning provided in Condition 2(c).

"**Ordinary Shares**" means fully paid ordinary shares of nominal value HUF 100 each in the capital of OTP.

"**OTP**" means OTP Bank Plc.

"**Parity Securities**" means:

(a) Tier 1 Securities;

(b) for so long as they do not constitute Senior Securities, Tier 2 Securities (including the Existing Tier 2 Securities); and

(c) any other securities or other obligations not falling within (a) or (b) above and which are either (i) issued directly by OTP (and ranking or expressed to rank *pari passu* with the obligations of OTP under the Subordinated Swap Agreement) or (ii) issued by any Subsidiary of OTP or by any other entity (provided that, in the case of (ii) only, such other securities benefit from a guarantee or support agreement from OTP ranking or expressed to rank *pari passu* with the obligations of OTP under the Subordinated Swap Agreement).

"**Paying, Transfer and Exchange Agents**" has the meaning provided in the introductory section preceding Condition 1.

"**Permitted Indebtedness**" has the meaning provided in Condition 11(a)(ii)(M).

"**Principal Paying, Transfer and Exchange Agent**" has the meaning provided in the introductory section preceding Condition 1.

"**Proceedings**" has the meaning provided in Condition 21(b).

"**Record Date**" has the meaning provided in Condition 8(c).

"**Redemption Event**" has the meaning provided in Condition 7(b).

"**Redenomination Date**" has the meaning provided in Condition 19.

"**Reference Banks**" means four major banks in the Euro-zone interbank market as selected by the Agent Bank.

"**Reference Date**" has the meaning provided in Condition 6(a).

"**Register**" has the meaning provided in Condition 4(a).

"**Registrar**" has the meaning provided in the introductory section preceding Condition 1.

"**Regulation S**" has the meaning provided in Condition 6(h).

"**Relevant Date**" means, in respect of any ICES, whichever is the later of (a) the date on which payment in respect of it first becomes due and (b) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the ICES Holders in accordance with Condition 17 that, upon further presentation of the ICES, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions.

"**Relevant Dividend**" shall have the meaning given to it in the definition of Capital Distribution.

"**Relevant Event**" has the meaning provided in Condition 6(b)(x).

"**Relevant Event Notice**" has the meaning provided in Condition 6(g).

"**Relevant Event Period**" has the meaning provided in Condition 6(b)(x).

"**Relevant Stock Exchange**" means the Budapest Stock Exchange or if at the relevant time the Ordinary Shares are not at that time quoted on the Budapest Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed or quoted or dealt in.

"**Reset Date**" means the First Reset Date and any Interest Payment Date thereafter.

"**Retroactive Adjustment**" has the meaning provided in Condition 6(c).

"**Retroactive Cash Amount**" has the meaning provided in Condition 6(c).

"**Secured Property**" has the meaning provided in Condition 2(a).

"**securities**" includes, without limitation, Ordinary Shares and options, warrants or other rights to subscribe for or purchase or acquire Ordinary Shares.

"**Securities Lending Agreement**" means the Securities Lending Agreement dated as of 19 October 2006 and entered into between the Issuer and the Stock Borrower in respect of up to half of the Ordinary Shares held by or for the Issuer from time to time in connection with the ICES.

"**Securitisation Law 2004**" means the Luxembourg law of 22 March 2004 on securitisation (*loi du 22 mars 2004 relative à la titrisation*).

"**Security Deposit Agreement**" means the security deposit agreement governed by Hungarian law dated the Closing Date between the Issuer and the Trustee.

"**Security Documents**" means the Trust Deed and the Security Deposit Agreement.

"**Senior Securities**" means:

(a) all claims of unsubordinated creditors (whether secured or unsecured, and including depositors) admitted in the liquidation (*felszámolás*) of OTP, as set out in Section 57(1)(a) to (g) (inclusive) of Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings;

(b) all claims of creditors of OTP in respect of liabilities that are, or are expressed to be, subordinated, whether only in the event of a liquidation (*felszámolás*) or otherwise, to the claims of unsubordinated creditors of OTP (except the claims of holders of any present or future Junior Securities or Parity Securities); and

(c) the claims of holders of Tier 2 Securities if at such time Tier 2 Capital is permitted by then applicable laws and regulations to rank senior to all forms of Tier 1 Capital and the terms of such Tier 2 Securities in fact so provide that they shall rank senior to the Tier 1 Capital of OTP.

"**Shareholders**" means the holders of Ordinary Shares.

"**Shortfall**" has the meaning provided in Condition 2(g).

"**Specified Date**" has the meaning provided in Condition 6(b)(vii) or 6(b)(viii), as applicable.

"**Specified Share Day**" has the meaning provided in Condition 6(b)(iii).

"**Spin-Off**" has the meaning provided in Condition 6(b)(iii).

"**Spin-Off Securities**" has the meaning provided in Condition 6(b)(iii).

"**Stock Borrower**" means Merrill Lynch International.

"**Subordinated Swap Agreement**" means the swap agreement dated as of 19 October 2006 between the Issuer and OTP.

"**Subsidiary**" means, in relation to OTP, any entity which is a subsidiary of OTP within the meaning of the Hungarian Act CXII of 1996 on credit institutions and financial undertakings or is a subsidiary of or otherwise controlled by OTP within the meaning of any applicable accounting standard.

"**Swap Interest Payments**" means the payments due from OTP to the Issuer from time to time under the Subordinated Swap Agreement corresponding to the amounts of interest due on the ICES from time to time, and "**Swap Interest Payment**" shall be construed accordingly.

"**TARGET Business Day**" means a day on which the TARGET System is operating.

"**TARGET System**" means the Trans European Real Time Gross Settlement Express Transfer (TARGET) System.

"**Tier 1 Capital**" means core loan capital (*alapvetö kölcsöntöke*), as defined in Point 7A (Core Loan Capital) of Annex 5 to Act CXII of 1996 on Credit Institutions and Financial Enterprises, as amended from time to time.

"**Tier 1 Securities**" means any securities or other obligations which are either (i) issued directly by OTP or (ii) issued by any Subsidiary of OTP or by any other entity (provided that, in the case of (ii) only, such securities or other obligations benefit from a guarantee or support agreement from OTP) which in each case by their terms are capable of qualifying as Tier 1 Capital.

"**Tier 2 Capital**" means dated subsidiary loan capital (*"járulékös kölcsöntöke"*) and perpetual subsidiary loan capital (*"alarandelt kolcsontoke"*) as defined in Point 9A and Point 10, respectively of Annex 5 to Act CXII of 1996 on Credit Institutions and Financial Enterprises, as amended from time to time.

"**Tier 2 Securities**" means any securities or other obligations which are either (i) issued directly by OTP or (ii) issued by any Subsidiary of OTP or by any other entity (provided that, in the case of (ii) only, such other securities benefit from a guarantee or support agreement from OTP) which in each case by their terms are capable of qualifying as Tier 2 Capital but not as Tier 1 Capital.

"**Transaction Documents**" means the Security Documents, Agency Agreement, Custody Agreement, Subordinated Swap Agreement, the Securities Lending Agreement and the ML Guarantee.

"**Treaty**" means the Treaty establishing the European Communities (signed in Rome on 25 March 1957), as amended.

"**Trust Deed**" has the meaning provided in the introductory section preceding Condition 1.

"**Trustee**" has the meaning provided in the introductory section preceding Condition 1.

"**Volume Weighted Average Price**" means, in respect of an Ordinary Share or, as the case may be, a Spin-Off Security on any dealing day, the order book volume-weighted average price of an Ordinary Share or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from the Relevant Stock Exchange or (in the case of a Spin-Off Security) from the principal stock exchange or securities market on which such Spin-Off Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that:

(a) on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or as the Independent Financial Adviser might otherwise determine in good faith to be appropriate; and

(b) (in relation to an Ordinary Share and an Exchange Date only) if any Dividend or other entitlement in respect of the Ordinary Shares is announced on or prior to the relevant Exchange Date in circumstances where the record date or other due date for the establishment of entitlement in respect of such Dividend or other entitlement shall be on or after the relevant Exchange Date and if on such dealing day the price determined as provided above is based on a price ex-Dividend or ex-any other entitlement, then such price shall be increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of announcement of such entitlement or Dividend.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

References to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders "as a class" or "by way of rights" or Existing Shareholders shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

For the purposes of Conditions 6 and 11 only, (a) references to the "issue" of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by OTP or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of OTP or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of OTP or any of its Subsidiaries (and which, in the case of Condition 6(b)(iv) and (vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as "in issue".

4 Registration and Transfer of ICES

(a) Registration

The Issuer will cause a register (the "Register") to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the ICES Holders and the particulars of the ICES held by them and of all transfers, redemptions and exchanges of ICES. For so long as any ICES remain outstanding, the Issuer will keep an up-to-date copy of the Register at its registered office, and for the purposes thereof the Registrar has agreed pursuant to the Agency Agreement to deliver a copy of the Register to the Issuer forthwith after any change is made thereto.

(b) Transfer

ICES may, subject to the terms of the Agency Agreement and to Conditions 4(c) and 4(d), be transferred in whole or in part in an authorised denomination by lodging the relevant ICES Certificate (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Exchange Agent.

No transfer of an ICES will be valid unless and until entered on the Register. An ICES may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days, in the place of the specified office of the Registrar, of any duly made application for the transfer of an ICES, deliver a new ICES Certificate to the transferee (and, in the case of a transfer of part only of an ICES, deliver an ICES Certificate for the untransferred balance to the transferor), at the specified office of the Registrar or, at the request of the transferee, or, as the case may be, the transferor, the specified office of the Paying, Transfer and Exchange Agent in Luxembourg, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the ICES Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) Formalities Free of Charge

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee.

(d) Closed Periods

Neither the Issuer nor the Registrar will be required to register the transfer of any ICES (or part thereof) (i) during the period of 15 days immediately prior to any date fixed for redemption of the ICES pursuant to Condition 7(b); (ii) in respect of which an Exchange Notice has been delivered in accordance with Condition 6(h); or (iii) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the ICES.

5 Interest and Non-payment of Interest

(a) Interest Rate and Interest Payment Dates

The ICES bear interest at the applicable Interest Rate from the Closing Date in accordance with the provisions of this Condition 5.

Subject to Condition 5(j), during the Fixed Rate Interest Period, interest shall be payable on the ICES in arrear on the first Interest Payment Date and thereafter annually in arrear on each subsequent Interest Payment Date in the Fixed Rate Interest Period. After the Fixed Rate Interest Period, interest shall (subject as aforesaid) be payable on the ICES quarterly in arrear on each Interest Payment Date after the First Reset Date.

(b) Interest Accrual

Each ICES will cease to bear interest (i) where the Exchange Right shall have been exercised by an ICES Holder, from the Interest Payment Date immediately preceding the relevant Exchange Date or, if none, the Closing Date (subject as provided in Condition 6(j)) or (ii) from (and including) the date of redemption or repayment thereof (if any) pursuant to Condition 7(b) or Condition 10 unless, upon due presentation, payment and performance of all amounts and obligations due in respect of the ICES is not properly and duly made, in which event interest shall continue to accrue (both before and after judgment), and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Where it is necessary to compute an amount of interest in respect of any ICES during the Fixed Rate Interest Period for a period which is less than a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Closing Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next (or first) scheduled Interest Payment Date.

Interest shall accrue on the ICES in respect of all Interest Periods commencing on or after the First Reset Date (and any other period commencing on or after the First Reset Date in respect of which interest may fall to be calculated) on the basis of the actual number of days elapsed in the relevant period divided by 360.

(c) Fixed Interest Rate

For the Fixed Rate Interest Period, subject to Condition 7(c), the ICES bear interest at the rate of 3.95 per cent. per annum (the "Fixed Interest Rate").

(d) Floating Interest Rate

From (and including) the First Reset Date, subject to Condition 7(c), the ICES will bear interest at a floating rate of interest (the "Floating Interest Rate"). The Floating Interest Rate in respect of each

Interest Period commencing on or after the First Reset Date will, subject to Condition 7(c), be determined by the Agent Bank on the basis of the following provisions:

(i) On each Interest Determination Date, the Agent Bank will determine the offered rate (expressed as a rate per annum) for three-month euro deposits as at 11.00 a.m. (Central European time) on such Interest Determination Date, as displayed on the display designated as page "248" on the Telerate Monitor (or such other page or pages as may replace it for the purpose of displaying such information). The Floating Interest Rate for the Interest Period immediately succeeding the Interest Determination Date shall be such offered rate as determined by the Agent Bank plus the Margin.

(ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal Euro-zone office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the Euro-zone inter bank market for three-month euro deposits as at 11.00 a.m. (Central European time) on the Interest Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Interest Rate for the Interest Period immediately succeeding the relevant Interest Determination Date shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded upwards if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.

(iii) If on any Interest Determination Date to which the provisions of sub-paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Interest Rate for the Interest Period immediately succeeding such Interest Determination Date shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which leading banks in the Euro-zone selected by the Agent Bank are quoting, on the relevant Interest Determination Date, to leading European banks for a period of three months, except that, if the banks so selected by the Agent Bank are not quoting as mentioned above, the Floating Interest Rate for such Interest Period shall be either (1) the Floating Interest Rate in effect for the last preceding Interest Period to which one of the preceding sub-paragraphs of this Condition 5(d) shall have applied or (2) if none, 4.95 per cent. per annum.

(e) Determination of Floating Interest Rate and Calculation of Floating Interest Amounts

The Agent Bank will, as soon as practicable after 11.00 a.m. (Central European time) on each Interest Determination Date, determine the Floating Interest Rate in respect of the relevant Interest Period and calculate the amount of interest payable in respect of an ICES of each authorised denomination on the Interest Payment Date for the relevant Interest Period (the "Floating Interest Amounts") by applying, subject to Condition 7(c), the Floating Interest Rate for such Interest Period to the principal amount of an ICES of each authorised denomination, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and, if necessary, rounding the resultant figure to the nearest €0.01 (€0.005 being rounded upwards).

(f) Publication of Floating Interest Rate and Floating Interest Amounts

The Issuer shall cause notice of the Floating Interest Rate determined in accordance with this Condition 5 in respect of each relevant Interest Period and of the Floating Interest Amounts and the relevant Interest Payment Date to be given to the Trustee, the Paying, Transfer and Exchange Agents and, in accordance with Condition 17, the ICES Holders, in each case as soon as practicable after its determination but in any event not later than the fourth business day thereafter. The Issuer shall cause notice of the same to be given to any stock exchange or other relevant authority on which the ICES are for the time being listed or admitted to trading as soon as practicable after its determination but in any event not later than the first day of the relevant Interest Period. As used in this Condition 5(f), "business day" means a day (not being a Saturday, Sunday or public holiday) on which banks are open for business in London.

The Floating Interest Amounts, the Floating Interest Rate and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period or in the event of a manifest error.

(g) Determination or Calculation by Trustee

The Trustee (or an agent appointed by it) shall, if the Agent Bank does not at any relevant time for any reason determine the Floating Interest Rate on the ICES in accordance with this Condition 5, determine the Floating Interest Rate in respect of the relevant Interest Period at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedures described in this Condition 5), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Agent Bank.

(h) Agent Bank

To the extent that any ICES remain outstanding after the First Reset Date (and have not been previously purchased and cancelled, exchanged or redeemed as provided herein), the Issuer will appoint and maintain a leading investment, merchant or commercial bank in London (the "Agent Bank") to perform the duties expressed to be carried out by the Agent Bank pursuant to these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace any such Agent Bank with another leading investment, merchant or commercial bank in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or (without prejudice to Condition 5(g) above) fails duly to determine the Floating Interest Rate in respect of any Interest Period as provided in Condition 5(d), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank in London approved in writing by the Trustee to act as such in its place. The Agent Bank (once appointed) may not resign its duties or be removed without a successor having been appointed as aforesaid.

(i) Determinations of Agent Bank or Trustee Binding

In making, obtaining, expressing or giving any notifications, opinions, determinations, certificates, calculations, quotations and decisions for the purposes of this Condition 5, the Agent Bank and the Trustee (or its agent) shall act in good faith and in a commercially reasonable manner. Any such notifications, opinions, determinations, certificates, calculations, quotations and decisions so made shall (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Issuer, OTP, the Agent Bank, the Trustee, the Paying, Transfer and Exchange Agents and all ICES Holders and (in the absence as aforesaid) no liability to the ICES Holders, the Issuer or OTP shall attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

(j) Non-payment of Interest

Interest will not be payable on the ICES on an Interest Payment Date if and to the extent that OTP has given notice to the Issuer pursuant to the provisions of the Subordinated Swap Agreement that it will not make payment of the Swap Interest Payment due immediately prior to such Interest Payment Date. Forthwith upon receiving any such notice from OTP pursuant to the provisions of the Subordinated Swap Agreement, the Issuer will notify the Trustee and the ICES Holders thereof in accordance with Condition 17.

Notwithstanding any other provision in these Conditions, a valid election by OTP under the Subordinated Swap Agreement not to make payment of any such amount otherwise due under that agreement shall not constitute a default for any purpose (including, without limitation, Condition 10(j)) on the part of OTP.

OTP has undertaken to the Issuer in the Subordinated Swap Agreement that if and to the extent that any notice has been given by it to the Issuer as referred to above, OTP will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is declared, paid or made on, any Junior Securities or Dividend Parity Securities, or (b) (if otherwise permitted) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities or Dividend Parity Securities, in each case unless or until the interest due and payable on the ICES on a subsequent Interest Payment Date (or, if this provision applies after the First Reset Date, the interest due and payable on the ICES on any four subsequent consecutive Interest Payment Dates) has been paid in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Issuer and the ICES Holders and in a manner satisfactory to the Trustee).

Payments of interest on the ICES will be non-cumulative and, to the extent that any such payment is not paid as described above, neither the ICES Holders nor the Trustee will have any claim in respect of the amount of interest which would otherwise have been due on the relevant Interest Payment Date under these Conditions.

Notwithstanding any other provision in these Conditions or the Trust Deed, the non-payment (by virtue of this Condition 5(j) only) of any payment of interest otherwise scheduled to be paid pursuant to these Conditions shall not constitute a default for any purpose (including, without limitation, Condition 10(a)) on the part of the Issuer.

6 Exchange of ICES into Ordinary Shares

(a) Exchange Period and Exchange Price

Each ICES shall entitle the relevant ICES Holder (such entitlement, an "**Exchange Right**") to exchange such ICES for Ordinary Shares, credited as fully paid, and, if applicable, the appropriate Cash Alternative Amount, subject to and as provided in these Conditions.

Subject to any Cash Alternative Amount Election(s) having been made, the number of Ordinary Shares to be delivered on exercise of an Exchange Right shall be determined by dividing the principal amount of the relevant ICES (translated into Hungarian forints at the Fixed Rate of Exchange) by the exchange price (the "**Exchange Price**") in effect on the relevant Exchange Date.

The initial Exchange Price is HUF 9,346 per Ordinary Share. The Exchange Price is subject to adjustment in the circumstances described in Condition 6(b).

An ICES Holder may exercise the Exchange Right in respect of an ICES by delivering the relevant ICES Certificate to the specified office of any Paying, Transfer and Exchange Agent in accordance with Condition 6(h) whereupon the Issuer shall (i) deliver, or procure the delivery of, to the ICES Holder, Ordinary Shares credited as paid up in full and (ii) (to the extent that a Cash Alternative Amount Election has been made) pay, or procure the payment, to the ICES Holder of the appropriate Cash Alternative Amount, all as provided in this Condition 6.

Subject to, and upon compliance with, the provisions of these Conditions, the Exchange Right in respect of an ICES may be exercised, at the option of the relevant ICES Holder, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from 31 October 2011 to the close of business (in the place where the relevant ICES Certificate is delivered for exchange) on 17 October 2016 or, if the ICES shall have been called for redemption pursuant to Condition 7(b)(i) or (ii) prior to 31 October 2016, then up to the close of business (in the place aforesaid) on the 14th day before the date fixed for redemption thereof, unless there shall be default in making payment in respect of such ICES on such date fixed for redemption, in which event the period within which the Exchange Right may be exercised shall extend up to the close of business (in the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 17; provided that, in each case, if the final such date for the exercise of Exchange Rights is not a business day in the place aforesaid, then the period within which the Exchange Right may be exercised by ICES Holders shall end on the immediately preceding business day in the place aforesaid. Exchange Rights may also be exercised during any Relevant Event Period, notwithstanding that such Relevant Event Period may commence prior to 31 October 2011, and may continue to be exercised during any Relevant Event Period and (with effect from 31 October 2011 as provided above) thereafter if and to the extent that the ICES are not redeemed following the occurrence of a Relevant Event.

Exchange Rights may not be exercised following the giving of notice by the Trustee pursuant to Condition 10.

An Exchange Right may not be exercised by an ICES Holder in circumstances where the relevant Exchange Date would fall during the period commencing on the Record Date in respect of any payment of interest on the ICES and ending on the relevant Interest Payment Date (both days inclusive).

The period within which an Exchange Right may be exercised by an ICES Holder (including during any Relevant Event Period) is referred to as the "Exchange Period".

Exchange Rights may only be exercised in respect of an authorised denomination. Where Exchange Rights are exercised in respect of part only of the ICES represented by an ICES Certificate, the old ICES Certificate shall be cancelled and a new ICES Certificate for the balance thereof shall be issued in lieu thereof without charge but upon payment by the ICES Holder of any taxes, duties and other governmental charges payable in connection therewith and the Registrar will within seven business days, in the place of the specified office of the Registrar, following the relevant Exchange Date deliver such new ICES Certificate to the ICES Holder at the specified office of the Registrar or (at the risk and, if mailed at the request of the ICES Holder otherwise than by ordinary mail, at the expense of the ICES Holder) mail the new ICES Certificate by uninsured mail to such address as the ICES Holder may request.

Fractions of Ordinary Shares will not be delivered on exercise of Exchange Rights or pursuant to Condition 6(c) and no cash payment or adjustment will be made in lieu thereof. However, if the Exchange Right in respect of more than one ICES is exercised at any one time such that Ordinary Shares to be delivered on exchange or pursuant to Condition 6(c) are to be registered in the same name, the number of such Ordinary Shares to be delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such ICES being so exchanged and rounded down to the nearest whole number of Ordinary Shares.

If the record date or other due date for the establishment of the relevant entitlement for the payment of any Dividend or other distribution or rights on or in respect of Ordinary Shares falls on or after the Exchange Date (or, in the case of Additional Shares, after the date the relevant Retroactive Adjustment takes effect or the date of issue of Ordinary Shares if the adjustment results from the issue of Ordinary Shares (each such date, the "Reference Date")) but before the date from which the ICES Holder is treated as entitled to all rights and entitlements to such Ordinary Shares (or, as the case may be, such Additional Shares), with the effect that the relevant ICES Holder is not entitled to such Dividend, other distribution or rights, the Issuer shall (in the case of Dividends, other distributions or rights payable in cash) pay, or procure the payment to the exchanging ICES Holder in lieu of such Dividend, other distribution or rights, an amount equal thereto (the "Equivalent Amount") converted into euro (if expressed in a currency other than euro) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate prevailing at the close of business on the relevant Exchange Date (or, if appropriate, the relevant Reference Date) (or, if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available). The Issuer will pay the Equivalent Amount, or procure that it is paid, to the relevant ICES Holder not later than the third TARGET Business Day following the making of the relevant Dividend, other distribution or rights by euro cheque drawn on, or by transfer to, a euro account maintained with, a city in which banks have access to the TARGET System in accordance with instructions given by the relevant ICES Holder in the relevant Exchange Notice.

(b) Adjustment of Exchange Price

Upon the happening of any of the events described below, the Exchange Price shall be adjusted as follows:

(i) If and whenever there shall be an alteration to the nominal value of the Ordinary Shares as a result of consolidation or subdivision, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal value of one Ordinary Share immediately after such alteration; and

B is the nominal value of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(ii) If and whenever OTP shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have received or (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary

Shares, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

(iii) If and whenever OTP shall pay or make any Capital Distribution to the Shareholders, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the Relevant Dividend or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares by or on behalf of OTP or any Subsidiary of OTP, on which such Ordinary Shares, receipts or certificates are purchased or, in the case of any other Non-Cash Dividend is the Current Market Price of an Ordinary Share on the dealing day immediately preceding the first date on which the Ordinary Shares are traded ex-the relevant Non-Cash Dividend; and

B is the portion of the Fair Market Value (as defined below) of the Capital Distribution attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Capital Distribution by the number of Ordinary Shares entitled to receive the relevant Capital Distribution (or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares by or on behalf of OTP or any Subsidiary of OTP, by the number of Ordinary Shares in issue immediately prior to such purchase).

Such adjustment shall become effective on the date on which the relevant Dividend is paid or made or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares, on the date such purchase is made or, in any such case if later, the first date upon which the Fair Market Value of the relevant Non-Cash Dividend is capable of being determined as provided herein.

For the purposes of these Conditions (including the definition of Capital Distribution), the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of "Dividend" and in the definition of "Fair Market Value") be determined as at the date of the first public announcement of the relevant Dividend. In making any such calculation, such adjustments (if any) shall be made as an Independent Financial Adviser may determine in good faith to be appropriate to reflect (i) any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any change in the number of Ordinary Shares in issue in relation to the financial year in question, or (ii) any change in the fiscal year of OTP.

"**Cash Dividend**" means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than any Dividend in cash falling within paragraph (b) of the definition of "Spin-Off" and (ii) any Dividend which is a Cash Dividend pursuant to paragraph (a) of the definition of "Dividend", and, for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of "Dividend" shall be treated as being a Non-Cash Dividend.

"**Dividend**" means any dividend or distribution (for the avoidance of doubt, calculated on a gross basis) to Shareholders (including a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

(a) where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of a Dividend in cash, then for the purposes of this definition the Dividend in question shall be treated as a Cash Dividend of the greater of (x) such cash amount and (y) the Fair Market Value (on the date of the first public announcement of such Dividend or capitalisation (as the case may be) or, if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined), of such Ordinary Shares or other property or assets;

(b) any issue of Ordinary Shares falling within Condition 6(b)(ii) above shall be disregarded;

(c) a purchase or redemption or buy back of share capital of OTP by or on behalf of OTP or any Subsidiary of OTP shall not constitute a Dividend unless, in the case of purchases or buy backs of Ordinary Shares by or on behalf of OTP or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any day (a "Specified Share Day") on which such purchases or buy backs are effected (translated, if not in Hungarian forints, into Hungarian forints at the spot rate ruling at the close of business on such day as determined in good faith by an Independent Financial Adviser (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available)) exceeds by more than five per cent. the average of the closing prices of the Ordinary Shares on the Relevant Stock Exchange (as published by or derived from the Relevant Stock Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases approved by a general meeting of Shareholders of OTP or any notice convening such a meeting of Shareholders) has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Dividend to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased by or on behalf of OTP or, as the case may be, any of its Subsidiaries (translated where appropriate into Hungarian forints as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased; and

(d) if OTP or any of its Subsidiaries shall purchase any receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser.

"**Fair Market Value**" means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser, provided, that (i) the Fair Market Value of a Cash Dividend paid or to be paid shall be the amount of such Cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity as determined in good faith by an Independent Financial Adviser, the Fair Market Value (a) of such Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five trading days on the relevant market commencing on such date (or, if later, the first such trading day such Spin-Off Securities options, warrants or other rights are publicly traded), or such shorter period as such Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof; and (v) in the case of (i) converted into Hungarian forints (if declared or paid in a currency other than Hungarian forints) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid the Cash Dividend in Hungarian forints; and, in any other case, converted into Hungarian forints (if expressed in a currency other than Hungarian forints) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser, to be the spot rate ruling at the close of business on that date (or, if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such a rate is available).

"**Non-Cash Dividend**" means any Dividend which is not a Cash Dividend, and shall include a Spin-Off, the amount of such Non-Cash Dividend being the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property, assets or other consideration.

"**Spin-Off**" means:

(a) a distribution of Spin-Off Securities by OTP to Shareholders as a class; or

(b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than OTP) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders, as a class (but excluding the issue and allotment of shares by Newco to Existing Shareholders), pursuant in each case to any arrangements with OTP or any of its Subsidiaries.

"**Spin-Off Securities**" means equity share capital of an entity other than OTP or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than OTP.

(iv) If and whenever OTP shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such announcement;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares comprised therein, would purchase at such Current Market Price per Ordinary Share (provided that, in the event that such aggregate consideration receivable is not determinable on such dealing day, B shall be calculated on the first day on which such aggregate amount is so determinable, but by reference to the Current Market Price per Ordinary Share on such dealing day); and

C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

(v) If and whenever OTP shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire Ordinary Shares), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

(vi) If and whenever OTP shall issue (otherwise than as mentioned in Condition 6(b)(iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in Condition 6(b)(iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares (other than in respect of the ICES), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and

C is the maximum number of Ordinary Shares to be issued pursuant to such issue of such additional Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

(vii) If and whenever OTP or any Subsidiary of OTP or (at the direction or request of, or pursuant to any arrangements with, OTP or any Subsidiary of OTP) any other company, person or entity (otherwise than as mentioned in Conditions 6(b)(iv), 6(b)(v) or 6(b)(vi) above) shall issue wholly for cash or for no consideration any securities (other than in respect of the ICES) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing securities so issued) or securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day last preceding the date of the first public announcement of the terms of issue of such securities (or the terms of such grant), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for

Ordinary Shares which have been issued by OTP for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and

C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,

provided that if at the time of issue of the relevant securities or date of grant of such rights (as used in this Condition 6(b)(vii), the "Specified Date") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such securities are redesignated or at such other time as may be provided) then for the purposes of this Condition 6(b)(vii), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such securities or, as the case may be, the grant of such rights.

(viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription attaching to any such securities (other than the ICES) as are mentioned in Condition 6(b)(vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the proposals for such modification, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, Ordinary Shares which have been issued by OTP for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall in good faith consider appropriate for any previous adjustment under this or Condition 6(b)(vii) above,

provided that if at the time of such modification (as used in this Condition 6(b)(viii), the "Specified Date") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this Condition 6(b)(viii), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(ix) If and whenever OTP or any Subsidiary of OTP or (at the direction or request of or pursuant to any arrangements with OTP or any Subsidiary of OTP) any other company, person or entity shall offer any securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Exchange Price falls to be adjusted under Condition 6(b)(ii), (iii), (iv), (vi) or (vii) above (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under Condition 6(b)(v) above) the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date on which the terms of such offer are first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

(x) If:

(1) an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate (as defined in the Hungarian Act CXX of 2001 on the capital market) of the offeror) to acquire all or a majority of the issued ordinary share capital of OTP, or

(2) any person proposes a scheme with regard to such acquisition (other than an Exempt Newco Scheme),

or an event occurs which has a like or similar effect (a "Relevant Event"), the Exchange Price (the "Change of Control Exchange Price") shall be as set out below (but in each case adjusted, if appropriate, proportionately on each adjustment to the Exchange Price under Conditions 6(b)(i) to (ix) above and Condition 6(b)(xi) below), provided that the Change of Control Exchange Price shall only apply to ICES in respect of which Exchange Rights are duly exercised and the Exchange Date falls within the period (the "Relevant Event Period") commencing on the date the Relevant Event occurs and ending on the date 60 calendar days following the occurrence of the Relevant Event or, if later, 60 calendar days following the date on which the applicable

Relevant Event Notice is given to ICES Holders by or on behalf of the Issuer as required by Condition 6(g):

Exchange Date	Change of Control Exchange Price (HUF)
On or before 31 October 2007	7,307
Thereafter, but on or before 31 October 2008	7,533
Thereafter, but on or before 31 October 2009	7,760
Thereafter, but on or before 31 October 2010	7,986
Thereafter, but on or before 31 October 2011	8,213
Thereafter, but on or before 31 October 2012	8,439
Thereafter, but on or before 31 October 2013	8,666
Thereafter, but on or before 31 October 2014	8,892
Thereafter, but on or before 31 October 2015	9,119
Thereafter, but on or before 17 October 2016	9,346

(xi) If the Issuer (acting upon instruction from OTP) determines that an adjustment should be made to the Exchange Price as a result of one or more circumstances not referred to above in this Condition 6(b) (even if the relevant circumstance is specifically excluded from the operation of Condition 6(b)(i) to (x) above), the Issuer shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine in good faith as soon as practicable what adjustment (if any) to the Exchange Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this Condition 6(b)(xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises.

Notwithstanding the foregoing provisions, where the circumstances giving rise to any adjustment pursuant to this Condition 6(b) have already resulted or will result in an adjustment to the Exchange Price or where the circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Exchange Price or where more than one event which gives rise to an adjustment to the Exchange Price occurs within such a short period of time that, in the opinion of the Issuer (acting upon instruction from OTP), a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be appropriate to give the intended result and provided further that, for the avoidance of doubt, the delivery of Ordinary Shares pursuant to the exercise of Exchange Rights shall not result in an adjustment to the Exchange Price.

For the purpose of any calculation of the consideration receivable or price pursuant to Condition 6(b)(iv), (vi), (vii) and (viii), the following provisions shall apply:

(a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;

(b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any securities shall be deemed to be the consideration or price received or receivable for any such securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such securities or, as the case may be, for such options, warrants or rights which are attributed by OTP to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be);

(c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be in or expressed in a currency other than Hungarian forints it shall be converted into Hungarian forints at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on the date of the first public announcement of the terms of issue of such securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available); and

(d) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or securities or otherwise in connection therewith.

(c) Retroactive Adjustments

If the Delivery Date in relation to the exchange of any ICES shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 6(b)(ii), (iii), (iv), (v) and (ix), or any such issue as is mentioned in Condition 6(b)(vi) and (vii) which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under Condition 6(b) (such adjustment, a "Retroactive Adjustment"), the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall, subject as provided below, be delivered to the exchanging ICES Holder, in accordance with the instructions contained in the Exchange Notice, such additional number of Ordinary Shares (if any) (the "Additional Shares") as, together with the Ordinary Shares delivered or to be delivered on exchange of the relevant ICES (together with any fraction of an Ordinary Share not so issued and also for this purpose, any Cash-Settled Extra Ordinary Shares), is equal to the number of Ordinary Shares (and any Cash-Settled Extra Ordinary Shares) which would have been required to be delivered on exchange of such ICES (or, in the case of any Cash-Settled Extra Ordinary Shares, in respect of which the relevant Cash Alternative Amount would be required to be paid) if the relevant adjustment (more particularly referred to in the said provisions of Condition 6(b)) to the Exchange Price had in fact been made and become effective immediately prior to the relevant Exchange Date.

Notwithstanding the above, in circumstances where upon exchange of any ICES the relevant Holder is entitled to receive a Cash Alternative Amount, in lieu of delivery of any Additional Shares to which such Holder may be entitled in the circumstances described above, the Issuer shall make a payment on the TARGET Business Day on or immediately following the date on which it would, absent this provision, have been required to deliver the Additional Shares in euro (the "Retroactive Cash Amount") calculated as set out in the definition of Cash Alternative Amount, save that references to such definition to Cash-Settled Extra Ordinary Shares shall be deemed to be to such number of Additional Shares as aforesaid.

As used above, "Delivery Date" means, in relation to Ordinary Shares to be delivered or exchanged, the date on which the relevant Ordinary Shares are credited to an account at KELER or Clearstream, Luxembourg (or any successor licensed clearance and settlement facility applicable to the Ordinary Shares) and from which the relevant holder is entitled in its own name to the rights attaching to such Ordinary Shares.

(d) Decision of an Independent Financial Adviser

If any doubt shall arise as to the appropriate adjustment to the Exchange Price, and following consultation between the Issuer (acting upon instruction from OTP) and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Exchange Price shall be conclusive and binding on all concerned, save in the case of manifest or proven error.

(e) Employees' Share Schemes

No adjustment will be made to the Exchange Price where Ordinary Shares or other securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of OTP or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employees' share or option scheme duly established in accordance with Hungarian law and approved by the Shareholders of OTP.

(f) Rounding Down and Notice of Adjustment to the Exchange Price

On any adjustment, the resultant Exchange Price, if not an integral multiple of HUF 0.01, shall be rounded down to the nearest whole multiple of HUF 0.01. No adjustment shall be made to the Exchange Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Exchange Price then in effect. Any adjustment not required to be made, and/or any amount by which the Exchange Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

Notice of any adjustments to the Exchange Price shall be given to ICES Holders in accordance with Condition 17 promptly after the determination thereof.

(g) Relevant Event

OTP has undertaken to the Issuer in the Subordinated Swap Agreement that, following the occurrence of a Relevant Event, it will give notice thereof to the Issuer within seven calendar days following the first day on which OTP becomes so aware. OTP has also undertaken in the Subordinated Swap Agreement that it will provide all information to the Issuer as shall be required by the Issuer for the purposes of it delivering a duly completed Relevant Event Notice as required by this Condition 6(g).

The Issuer shall, immediately following receipt by it of notice from OTP of the occurrence of a Relevant Event, give notice thereof to the Trustee and the ICES Holders in accordance with Condition 17 (a "**Relevant Event Notice**"). Such notice shall contain a statement informing ICES Holders of their entitlement to exercise their Exchange Rights as provided in these Conditions. The Relevant Event Notice shall also specify:

(i) all information material to ICES Holders concerning the Relevant Event;

(ii) the Exchange Price immediately prior to the occurrence of the Relevant Event and the Change of Control Exchange Price applicable pursuant to Condition 6(b)(x) during the Relevant Event Period;

(iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of such notice;

(iv) the last day of the Relevant Event Period; and

(v) such other information relating to the Relevant Event as the Trustee may require.

The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur.

OTP may also, by notice given to the Issuer in accordance with the Subordinated Swap Agreement (such notice to be given no later than 30 days following the occurrence of a Relevant Event), elect to terminate the Subordinated Swap Agreement following the occurrence of a Relevant Event. If OTP so elects, the ICES will be redeemed in accordance with Condition 7(b) and the Subordinated Swap Agreement will terminate on the date of such redemption.

(h) Procedure for Exchange

An Exchange Right may be exercised by an ICES Holder during the Exchange Period by delivering the relevant ICES Certificate to the specified office of any Paying, Transfer and Exchange Agent, during its usual business hours, accompanied by a duly completed and signed notice of exchange (an "**Exchange Notice**") in the form (for the time being current) obtainable from any Paying, Transfer and Exchange Agent. Exchange Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying, Transfer and Exchange Agent to whom the relevant Exchange Notice is delivered is located. If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying, Transfer and Exchange Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

An ICES Holder exercising Exchange Rights will also be required to certify in the relevant Exchange Notice that such exchange is being made outside the United States (as such term is defined in Regulation S ("**Regulation** S") under the United States Securities Act of 1933) and in accordance with Regulation S.

An Exchange Right may be exercised only in respect of an authorised denomination. An Exchange Notice, once delivered, shall be irrevocable.

The exchange date in respect of an ICES (the "**Exchange Date**") shall be the Budapest business day immediately following the date of such delivery and, if applicable, the making of any payment to be made as provided below.

An ICES Holder exercising an Exchange Right must pay any taxes and capital, stamp, issue and registration duties arising on exchange (other than any taxes or capital duties or stamp duties payable in Hungary or Luxembourg in respect of the delivery of any Ordinary Shares on such exchange (including any Additional Shares), which shall be paid by the Issuer) and such ICES Holder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of an ICES or interest therein in connection with such exchange.

Ordinary Shares to be delivered on exercise of Exchange Rights will be released from the Secured Property and delivered in uncertificated form through either the securities trading system known as KELER or Clearstream, Luxembourg (or any successor licensed clearance and settlement facility applicable to the Ordinary Shares), and each ICES Holder will be required to specify in the relevant Exchange Notice which of KELER or Clearstream, Luxembourg shall apply for these purposes. The Ordinary Shares to be delivered through KELER or Clearstream, Luxembourg (as the case may be) will be delivered to the account specified by the relevant ICES Holder exercising such Exchange Right in the Exchange Notice by a date not later than 10 dealing days after the relevant Exchange Date.

(i) Ordinary Shares

(i) Ordinary Shares delivered upon exchange of ICES will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Exchange Date or, in the case of Additional Shares, on the relevant Reference Date (except in any such case for any right excluded by mandatory provisions of applicable law), except that the Ordinary Shares or, as the case may be, the Additional Shares so delivered will not rank for any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior the relevant Exchange Date or, as the case may be, the relevant Reference Date.

(ii) Save as provided in Condition 6(j), no payment or adjustment shall be made on the exercise of an Exchange Right for any interest which otherwise would have accrued on the relevant ICES since the last Interest Payment Date preceding the Exchange Date relating to such ICES (or, if such Exchange Date falls before the first Interest Payment Date, since the Closing Date).

(j) Interest on Exchange

If any notice requiring the redemption of any ICES is given pursuant to Condition 7(b) on or after the fifteenth day prior to a record date in respect of any Dividend or distribution payable in respect of the Ordinary Shares, which record date has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) (whether such notice is given before, on or after such record date) and where such notice specifies a date for redemption falling on or prior to the date which is 21 days after the Interest Payment Date next following such record date, interest shall accrue on ICES in respect of which Exchange Rights shall have been exercised and in respect of which the Exchange Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date to but excluding such Exchange Date. The Issuer shall pay any such interest or procure that any such interest is paid by not later than 14 days after the relevant Exchange Date by euro cheque drawn on, or by transfer to, a euro account maintained with, a bank in a city in which banks have access to the TARGET system in accordance with instructions given by the relevant ICES Holder in the relevant Exchange Notice.

(k) Cash Alternative Amount

The Issuer shall pay any Cash Alternative Amount or procure that any such amount is paid by a date not later than 10 dealing days after the relevant Exchange Date by euro cheque drawn on, or by transfer to, a euro account maintained with a bank in a city in which banks have access to the TARGET System in accordance with the instructions given by the relevant ICES Holder in the relevant Exchange Notice.

(l) No duty to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Exchange Price, and will not be responsible to the ICES Holders for any loss arising from any failure by it to do so.

7 Redemption and Purchase

(a) No Fixed Redemption Date

The ICES are perpetual securities in respect of which there is no scheduled maturity date. Unless purchased and cancelled or exchanged as provided herein, and without prejudice to the provisions of Condition 10, the ICES will only become repayable in the circumstances set out in Condition 7(b).

(b) Redemption at the Option of the Issuer

Unless previously purchased and cancelled or exchanged as provided herein, the ICES will be redeemed only in the following circumstances:

(i) if OTP exercises its option to terminate the Subordinated Swap Agreement at any time prior to the First Reset Date following the occurrence of a Redemption Event (as defined below);

(ii) if OTP exercises its option to terminate the Subordinated Swap Agreement at any time prior to the First Reset Date or on any Interest Payment Date thereafter following the occurrence of a Relevant Event; or

(iii) if OTP exercises its option to terminate the Subordinated Swap Agreement (such option being in OTP's absolute discretion) on the First Reset Date or on any Interest Payment Date thereafter.

Provided that it has received the required notice under the Subordinated Swap Agreement, the Issuer will, immediately following receipt by it of such notice, itself give not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") of such redemption to the Trustee and the ICES Holders in accordance with Condition 17. In such case, the ICES will be redeemed (in whole and not in part only) on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice, which shall be the same date on which the Subordinated Swap Agreement is to be terminated as described above, at their principal amount together with interest accrued up to but excluding the relevant Optional Redemption Date. Notwithstanding any other provision of these Conditions, the Optional Redemption Date shall, in the case of any redemption pursuant to sub-paragraph (ii) above, fall no earlier than the first day after the end of the corresponding Relevant Event Period.

For the purposes of this Condition 7(b), "**Redemption Event**" means that Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) effected in respect of 85 per cent. or more in principal amount of the ICES originally issued.

(c) Enhanced Interest Rate

If a Relevant Event occurs and OTP does not, within 30 days of such Relevant Event, exercise its option to terminate the Subordinated Swap Agreement as described in Condition 7(b)(ii) (and as a result thereof the Issuer does not deliver an Optional Redemption Notice in respect of the ICES), the following shall apply:

(i) (if the Interest Rate prevailing on the last day of the corresponding Relevant Event Period is the Fixed Interest Rate) the Fixed Interest Rate will be replaced by the Enhanced Interest Rate with effect from the 31 January, 30 April, 31 July or 31 October next following the end of the Relevant Event Period (which date shall also be deemed to be the First Reset Date for the purposes of these Conditions) and interest shall be payable (subject to Condition 5(j)) quarterly in arrear thereafter; or

(ii) (if the Interest Rate prevailing on the last day of the corresponding Relevant Event Period is the Floating Interest Rate) the Floating Interest Rate will be replaced by the Enhanced Interest Rate with effect from the Interest Payment Date next following the end of the Relevant Event Period.

For the purposes of these Conditions, "Enhanced Interest Rate" means a floating rate of interest equal to the Floating Interest Rate (including, for the avoidance of doubt, the Margin) plus an additional margin of 0.5 per cent. per annum. The Enhanced Interest Rate will be determined by the Agent Bank on the basis of the provisions set out in Condition 5(d), which, together with the remaining provisions of Condition 5 applicable to the Floating Interest Rate, will apply *mutatis mutandis* to the Enhanced Interest Rate.

(d) Optional Redemption Notice

Any Optional Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date, (ii) the Exchange Price, the aggregate principal amount of the ICES outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice and (iii) if the Optional Redemption Notice is given prior to the First Reset Date, the last day on which Exchange Rights may be exercised by ICES Holders.

(e) Purchase

Subject to the requirements (if any) of any stock exchange on which the ICES may be listed at the relevant time, OTP, any Subsidiary of OTP or (in the circumstances set out in Condition 7(f) only) the Issuer may at any time purchase ICES in the open market or otherwise at any price. Any purchase by tender shall be made available to all ICES Holders alike. ICES so purchased by OTP, any Subsidiary of OTP or the Issuer shall not, for the purposes of Conditions 10, 14 and 15, be deemed to be outstanding.

(f) Cancellation

All ICES which are redeemed or in respect of which Exchange Rights are exercised will be cancelled and may not be reissued or resold. Subject to the Subordinated Swap Agreement, and to the Issuer satisfying the Trustee that it has made arrangements for the reduction of an equivalent proportion of the Secured Property, including, without limitation, a reduction in the nominal amount of its obligations under the Subordinated Swap Agreement, ICES purchased by OTP or any of OTP's Subsidiaries may be acquired by the Issuer pursuant to the Subordinated Swap Agreement, and if so acquired shall promptly be surrendered to any Paying, Transfer and Exchange Agent for cancellation and may not be held, reissued or re-sold.

8 Payments

(a) Principal

Payment of the principal in respect of the ICES and accrued interest payable on a redemption of the ICES other than on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date and subject to, in the case of any payment of principal, the surrender of the ICES Certificate at the specified office of the Registrar or of any of the Paying, Transfer and Exchange Agents.

(b) Interest and other Amounts

(i) Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.

(ii) Payments of all amounts other than as provided in Condition 8(a) and (b)(i) will be made as provided in these Conditions.

(c) Record Date

"**Record Date**" means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

(d) Payments

Each payment in respect of the ICES pursuant to Condition 8(a) and (b)(i) will be made by euro cheque drawn on a branch of a bank in a city in which banks have access to the TARGET System mailed to the relevant ICES Holder at his address appearing in the Register. However, upon application by the relevant ICES Holder to the specified office of the Registrar or any Paying, Transfer and Exchange Agent not less than 15 days before the due date for any payment in respect of an ICES, such payment may be made by transfer to a euro account maintained by the payee with a bank in such a city.

Where payment is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment or, in the case of payments referred to in Condition 8(a), if later, on the business day on which the relevant ICES Certificate is surrendered as specified in Condition 8(a) (at the risk and, if mailed at the request of the relevant ICES Holder otherwise than by ordinary mail, expense of the ICES Holder).

(e) Payments subject to fiscal laws

All payments in respect of the ICES are subject in all cases to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the ICES Holders in respect of such payments.

(f) Delay in payment

ICES Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day, (ii) if the ICES Holder is late in surrendering the relevant ICES Certificate or (iii) if a cheque mailed in accordance with this Condition arrives after the date for payment.

(g) Business Days

Unless otherwise stated in this Condition, "business day" means any day (other than a Saturday or Sunday) which is a TARGET Business Day and, in the case of presentation or surrender of an ICES Certificate, which is a day on which banks and foreign exchange markets are open for business in the place of the specified office of the Registrar or relevant Paying, Transfer and Exchange Agent to whom the relevant ICES Certificate is presented or surrendered.

(h) Paying, Transfer and Exchange Agents, etc.

The initial Paying, Transfer and Exchange Agents and Registrar and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee (which approval shall not be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying, Transfer and Exchange Agent or the Registrar and appoint additional or other Paying, Transfer and Exchange Agents, provided that it will (i) maintain a Principal Paying, Transfer and Exchange Agent, (ii) maintain Paying, Transfer and Exchange Agents having specified offices in at least two major European cities including, so long as the ICES are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, Luxembourg, (iii) maintain a Paying, Transfer and Exchange Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, (iv) (to the extent required by Condition 5(h) only) appoint and maintain an Agent Bank, (v) maintain a Custodian, (vi) maintain a Registrar with a specified office outside the United Kingdom and (vii) maintain a Calculation Agent. Notice of any change in the Paying, Transfer and Exchange Agents, Registrar, Agent Bank (if any), Calculation Agent or the Custodian or their respective specified offices will promptly be given to the ICES Holders in accordance with Condition 17.

(i) Fractions

When making payments to ICES Holders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

9 Taxation

All payments by or on behalf of the Issuer in respect of the ICES shall be made without withholding or deduction for any taxation unless such withholding or deduction is required by law. In that event, the relevant payment will be made subject to such withholding or deduction and the Issuer will not be required to pay any additional or further amounts in respect of such withholding or deduction.

10 Events of Default

The Trustee at its discretion may, and if so requested in writing by ICES Holders holding at least one-quarter in principal amount of the ICES then outstanding or if so directed by an Extraordinary Resolution of the ICES Holders shall, (subject in each case to being indemnified and/or secured to its satisfaction) give notice to the Issuer that the ICES are, and they shall accordingly thereby immediately become, due and repayable at their principal amount together with accrued interest if any of the following events (each an "Event of Default") shall have occurred:

(a) if default is made for a period of 15 days or more in the payment of any sum due in respect of the ICES or any of them;

(b) failure by the Issuer to deliver or procure the delivery of the required number of Ordinary Shares following the exercise of any Exchange Rights and such failure is not remedied within seven days;

(c) if the Issuer fails to perform or observe any of its other obligations under the ICES or the Trust Deed and (except where the Trustee shall have certified to the Issuer in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 14 days next following the service by the Trustee of notice on the Issuer requiring the same to be remedied;

(d) any order shall be made by any competent court or any resolution passed for the bankruptcy (*faillite*) stay of payments (*sursis de paiement*), controlled management (*gestion contrôleé*) moratorium, liquidation, winding-up or dissolution of the Issuer or the liquidation of the compartment (*compartiment*) of the Issuer within which the ICES are issued, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution;

(e) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise rights and perform and comply with obligations under the ICES and the Transaction Documents, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the ICES and Transaction Documents admissible in evidence in the courts of England, Luxembourg or Hungary, is not taken, fulfilled or done;

(f) failure by the Stock Borrower to deliver or procure the delivery of any Ordinary Shares or any other sums or assets to the Issuer to the extent required to do so in accordance with the terms of the Securities Lending Agreement or (as the case may be) failure by the Guarantor to make payment under the ML Guarantee, and in each case such failure is not remedied within seven days, or the Securities Lending Agreement is terminated for any reason;

(g) if any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of OTP, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution;

(h) if (A) proceedings are initiated against OTP under any applicable liquidation, insolvency or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrator or other similar official, or an administrator or other similar official is appointed, in relation to OTP or, as the case may be, in relation to the whole or (in the opinion of the Trustee) a substantial part of the undertaking or assets of OTP, or an encumbrancer takes possession of the whole or (in the opinion of the Trustee) a substantial part of the undertaking or assets of OTP, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or (in the opinion of the Trustee) a substantial part of the undertaking or assets of OTP and (B) in any case (other than the appointment of an administrator) is not discharged within 45 days or (C) OTP becomes subject to any special supervisory measures of the Hungarian Financial Supervisory Authority pursuant to

Section 157(1) or 163 of Act CXII of 1996 on credit institutions and financial enterprises (*1996. évi CXII. törvény a hitelintézetekről és pénzügyi vállalkozásokról*);

(i) if OTP initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or

(j) if default is made by OTP or the Issuer for a period of five days or more in the payment, performance or observance of any obligation it has under the Subordinated Swap Agreement or the Subordinated Swap Agreement is terminated for any reason.

Prospective investors in the ICES are advised that, notwithstanding the Events of Default provided in Condition 10 in respect of the ICES, OTP's obligations to the Issuer under the Subordinated Swap Agreement (on which, among other things, the Issuer will depend to service its obligations in respect of the ICES) are subordinated to the extent described therein and, in particular, the Issuer's remedies against OTP under the Subordinated Swap Agreement are limited to the extent described therein. See Condition 2 and "Security for the ICES" for further details.

11 Undertakings of the Issuer and OTP

(a) Undertakings of the Issuer

(i) The Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the ICES Holders to give such approval:

(A) (for so long as any Exchange Right remains exercisable) deliver or procure that there are delivered Ordinary Shares on exercise of Exchange Rights in accordance with these Conditions; and

(B) (for the period from the Closing Date until the end of the Exchange Period) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately upon completion of the scheme of arrangement, at its option, either (a) Newco is substituted as party to the Subordinated Swap Agreement in place of OTP or Newco becomes a guarantor under the Subordinated Swap Agreement and, in either case, that such other adjustments are made to these Conditions and the Trust Deed to ensure that the ICES may be exchanged for ordinary shares of Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed; or (b) such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that the ICES may be exchanged for ordinary shares in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed.

(ii) So long as any of the ICES remains outstanding, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the ICES Holders to give such approval, and subject as provided in, or contemplated by, any of the Transaction Documents, the Issuer will not in relation to or within the compartment of the Issuer within which the ICES are issued:

(A) engage in any business other than (x) acquiring and holding the Secured Property, entering into the Transaction Documents, entering into related agreements and transactions and performing any act incidental to or necessary in connection with any of the foregoing and (y) incurring any other Permitted Indebtedness and creating or incurring further obligations relating to the same;

(B) dispose of any Secured Property or any interest therein, or create any mortgage, charge or other security or right of recourse in respect thereof in favour of any person other than the security referred to in Condition 2 and other than in connection with any other Permitted Indebtedness;

(C) cause or permit any Transaction Document to be amended, terminated or discharged (other than as contemplated by the Trust Deed and the Conditions) or amend, supplement or otherwise modify its constitutional documents;

(D) release any party to any Transaction Document from any obligations existing thereunder;

(E) without prejudice to its rights pursuant to Conditions 7(b), 7(e) or 7(f), purchase any ICES in the open market or otherwise;

(F) have any subsidiaries or employees;

(G) consent to any variation of, or exercise any powers or consent or waiver pursuant to, the terms of any Transaction Document or any other related transactions;

(H) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person (other than as contemplated by the Trust Deed and the Conditions);

(I) consolidate or merge the compartment within which the ICES are issued with any other compartment of the Issuer or convey or transfer the properties or assets of the compartment within which the ICES are issued to another compartment of the Issuer;

(J) issue any shares (other than such shares as are in issue at 19 October 2006) or make any distribution to its shareholders;

(K) open or have any interest in any account with a bank or financial institution unless (x) such account or the Issuer's interest in it is simultaneously charged in favour of the Trustee so as to form part of such Secured Property, (y) such account relates to the issue of other Permitted Indebtedness or (z) such account is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it;

(L) declare, pay or make any dividend or other distribution in respect of its shares;

(M) incur any other indebtedness for borrowed moneys, other than issuing notes, bonds, income certificates or debentures (and creating or incurring further obligations relating to the same), provided that such other notes, bonds, income certificates or debentures (w) are issued outside of the compartment within which the ICES are issued and in another compartment of the Issuer; (x) are not secured on the Secured Property, the assets on which any other obligations of the Issuer are secured or the Issuer's share capital; (y) are issued or created on terms and conditions substantially in the form of Conditions 2(g) and 15 and (z) are issued on terms that they are subject to the Securitisation Law 2004 (any issues of notes, bonds, income certificates or debentures issued in compliance with this sub-paragraph (M) being referred to in these Conditions as "Permitted Indebtedness"); or

(N) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities).

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the ICES Holders.

(b) Undertakings of OTP

OTP has undertaken in the Subordinated Swap Agreement that, for the period from the Closing Date until the end of the Exchange Period and save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the ICES Holders to give such approval, it will:

(i) not, other than in connection with a Newco Scheme, issue or pay up any securities, in either case by way of capitalisation of profits or reserves, other than:

(A) by the issue of fully paid Ordinary Shares to Shareholders and other holders of shares in the capital of OTP which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or securities on a capitalisation of profits or reserves; or

(B) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend; or

(C) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of OTP which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or

(D) by the issue of any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office whether of OTP or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Dividend or otherwise gives rise (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, give rise) to an adjustment to the Exchange Price; or

(ii) not modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Ordinary Shares but so that nothing in this Condition 11(b)(ii) shall prevent:

(A) any consolidation, reclassification or subdivision of the Ordinary Shares; or

(B) any modification of such rights which is not, in the determination of an Independent Financial Adviser acting in good faith, materially prejudicial to the interests of the ICES Holders; or

(C) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments or the fact that the consideration per Ordinary Share receivable therefor is at least 95 per cent. of the Current Market Price per Ordinary Share, otherwise result, in an adjustment to the Exchange Price; or

(D) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Issuer (acting upon instruction from OTP) shall have instructed an Independent Financial Adviser to determine what (if any) adjustments should be made to the Exchange Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment resulting in an increase in the Exchange Price is required and, if so, the new Exchange Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);

(iii) procure that no securities (whether issued by OTP or any Subsidiary of OTP or procured by OTP or any Subsidiary of OTP to be issued or issued by any other person pursuant to any arrangement with OTP or any Subsidiary of OTP) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, give rise) to an adjustment to the Exchange Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;

(iv) not make any issue, grant or distribution or any other action taken if the effect thereof would be that, on the exercise of Exchange Rights, Ordinary Shares could not, under any applicable law then in effect, be legally delivered as fully paid;

(v) not reduce its issued share capital, or any uncalled liability in respect thereof, or any non-distributable reserves, except:

(A) pursuant to the terms of issue of the relevant share capital; or

(B) by means of a purchase or redemption of share capital of OTP to the extent permitted by applicable law; or

(C) by way of transfer to reserves as permitted under applicable law; or

(D) where the reduction is permitted by applicable law and an Independent Financial Adviser, acting in good faith, has determined that the interests of the ICES Holders will not be materially prejudiced by such reduction; or

(E) where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, result in) an adjustment to the Exchange Price; or

(F) pursuant to a Newco Scheme,

provided that, without prejudice to the other provisions of these Conditions, OTP may exercise such rights as it may from time to time enjoy pursuant to applicable law to purchase its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of ICES Holders;

(vi) if an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate (as defined in the Hungarian Act CXX of 2001 on the capital market) of the offeror) to acquire all or a majority of the issued ordinary share capital of OTP, or if any person proposes a scheme with regard to such acquisition (other than an Exempt Newco Scheme), give notice of such offer or scheme to the ICES Holders at the same time as any notice thereof is sent to OTP's Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Exchange Agents and, where such an offer or scheme has been recommended by the Board of Directors of OTP, or where such an offer has become or been declared unconditional in all respects, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Exchange Rights by the ICES Holders and/or to the ICES Holders;

(vii) procure that it shall not become domiciled or resident in or subject generally to the taxing authority of any jurisdiction (other than Hungary) unless OTP would not thereafter be required pursuant to then current laws and regulations to withhold or deduct for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such jurisdiction or any political subdivision thereof or therein having power to tax in respect of any payment on or in respect of the Subordinated Swap Agreement or the ICES;

(viii) in the event of a Newco Scheme, OTP shall take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately upon completion of the scheme of arrangement, at its option, either (a) Newco is substituted as party to the Subordinated Swap Agreement in place of OTP or Newco becomes a guarantor under the Subordinated Swap Agreement and, in either case, that such other adjustments are made to these Conditions and the Trust Deed to ensure that the ICES may be exchanged for ordinary shares of Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed; or (b) such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that the ICES may be exchanged for ordinary shares in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed;

(ix) procure that no resolution is recommended by the Directors of OTP or is otherwise put to any general meeting of the Shareholders which proposes or recommends the payment of a Dividend in any month other than June in any year;

(x) not issue any Tier 1 Securities which rank or are expressed to rank senior to the obligations of OTP under the Subordinated Swap Agreement; and

(xi) deliver to the Issuer such financial information and certifications as the Issuer may be required to deliver to the Trustee in accordance with the terms of the Trust Deed.

12 Prescription

Claims against the Issuer for payment in respect of the ICES shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment and thereafter any principal, interest or other sums payable in respect of such ICES shall be forfeited and revert to the Issuer.

Claims in respect of any other amounts payable in respect of the ICES shall become void unless made within 10 years following the due date for payment thereof.

13 Replacement of ICES Certificates

If any ICES Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying, Transfer and Exchange Agent in Luxembourg for the time being subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced ICES Certificates must be surrendered before replacements will be issued.

14 Meetings of ICES Holders, Modification and Waiver, Substitution

(a) Meetings of ICES Holders

The Trust Deed contains provisions for convening meetings of ICES Holders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or any other Transaction Documents. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by ICES Holders holding not less than 10 per cent. in principal amount of the ICES for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the ICES for the time being outstanding, or at any adjourned meeting one or more persons being or representing ICES Holders whatever the principal amount of the ICES so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the dates on which interest is payable in respect of the ICES, (ii) to reduce or cancel the principal amount, or interest on, the ICES, (iii) to reduce the Interest Rate or to vary the method or basis of calculating the Floating Interest Rate or the Enhanced Interest Rate with the result that the Floating Interest Rate or the Enhanced Interest Rate (as the case may be) is reduced, (iv) to increase the Exchange Price other than in accordance with these Conditions, (v) to change the currency of any payment in respect of the ICES, (vi) to modify or vary the Exchange Rights in respect of the ICES, (vii) to modify the provisions concerning the quorum required at any meeting of ICES Holders or the majority required to pass an Extraordinary Resolution, (viii) to modify the provisions of the Trust Deed concerning this exception, (ix) to modify Condition 2 or the terms of any of the Security created by the Security Documents or (x) any provision corresponding to paragraphs (i) to (ix) above under the other Transaction Documents, in which case the necessary quorum will be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-quarter, in principal amount of the ICES for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on ICES Holders (whether or not they were present at the meeting at which such resolution was passed).

(b) Modification and Waiver

The Trustee may agree, without the consent of the ICES Holders, to (i) any modification of any of the provisions of the ICES or any of the Transaction Documents (or any amendments thereto) which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or any mistake or error which is proved to the Trustee's satisfaction to be such or to comply with mandatory provisions of law, and (ii) any other modification to the ICES or any of the Transaction Documents (or any amendments thereto) (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the ICES or any of the Transaction Documents (or any amendments thereto) which is, in the opinion of the Trustee, not materially prejudicial to the interests of the ICES Holders. Any such modification, authorisation or waiver shall be binding on the ICES Holders and, if the Trustee so requires, such modification shall be notified to the ICES Holders promptly in accordance with Condition 17.

(c) Substitution

The Trust Deed contains provisions permitting the Trustee, without the consent of the ICES Holders, to agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the ICES and the Trust Deed and as party to the other Transaction Documents of the Issuer's successor in business subject to (a) the ICES being secured, to the satisfaction of the Trustee, on the Secured Property on terms corresponding *mutatis mutandis* to those described in Condition 2 and (b) the ICES continuing to be exchangeable into Ordinary Shares as provided in these Conditions *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, provided that in each such case (x) the Trustee is satisfied that the interests of the ICES Holders will not be materially prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed are complied with. In the case of such a substitution the Trustee may agree, without the consent of the ICES Holders, to a change of the law governing the ICES and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the ICES Holders. Any such substitution shall be binding on the ICES Holders and shall be notified promptly to the ICES Holders in accordance with Condition 17.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the ICES Holders as a class and, in particular but without limitation, shall not have regard to the consequences (including, without limitation, any tax consequences) of the exercise of its trusts, powers or discretions for individual ICES Holders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any ICES Holder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual ICES Holders.

15 Enforcement and Limited Recourse

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the ICES and the Security Documents but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the ICES unless (i) it shall have been so directed by an Extraordinary Resolution of the ICES Holders or so requested in writing by ICES Holders holding at least one-quarter in principal amount of the ICES then outstanding, and (ii) it shall have been indemnified and/or secured to its satisfaction. No ICES Holder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure is continuing.

The Trustee and the ICES Holders shall have recourse only to the Secured Property in the compartment within which the ICES are issued and the Trustee having realised the same and distributed the Net Proceeds in accordance with Condition 2 and the Trust Deed, none of the Trustee or the ICES Holders or anyone acting on behalf of any of them shall be entitled to take any further steps against the Issuer (including against the compartment within which the ICES are issued and any other compartment(s) created by the Issuer from time to time) to recover any further sum and no debt shall be owed by the Issuer (including by the compartment within which the ICES are issued or by any other compartment(s) created by the Issuer from time to time) in respect of such sum. In particular, none of the Trustee or the ICES Holders shall be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Issuer or to seek the liquidation of any compartment of the Issuer and none of them shall have any claim in respect of any sum arising in respect of any assets secured for the benefit of any other obligations of the Issuer or otherwise contained in any other compartment of the Issuer.

16 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee, for its relief from responsibility including for the exercise of any voting rights in respect of the Ordinary Shares and for the validity, sufficiency and enforceability (which the Trustee has not investigated) of the security created over the Secured Property. The Trustee is entitled to enter into business transactions with the Issuer and/or OTP and any entity related to the Issuer and/or OTP without accounting for any profit. The Trustee may rely without liability to ICES Holders on a report, confirmation, certificate or information obtained from any lawyer, valuer, surveyor, banker, accountant, financial adviser or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and be entitled to rely on any such report, confirmation or certificate where the Issuer procures delivery of the same pursuant to its obligation to do so under a Condition hereof and such report, confirmation or certificate shall be binding on the Issuer, the Trustee and the ICES Holders in the absence of manifest error.

The Trustee is exempted from liability with respect to any loss or theft or reduction in value of the Secured Property, from any obligation to insure or to procure the insuring of the Secured Property and from any claim arising from the fact that the Ordinary Shares will be held in safe custody by the Custodian. The Trustee is not responsible for monitoring or supervising the performance by any other person of its obligations to the Issuer and may assume these are being performed unless it shall have actual knowledge to the contrary.

The Trust Deed provides that in acting as Trustee under this Trust Deed the Trustee shall not assume any duty or responsibility to the Issuer, OTP, the Stock Borrower, the Guarantor, the Custodian, the Registrar, the Agent Bank (if any), the Calculation Agent or any of the Paying, Transfer and Exchange Agents and shall have regard solely to the interests of the holders of the ICES.

17 Notices

All notices regarding the ICES will be valid if sent to the address of the relevant ICES Holder as specified in the Register. The Issuer shall also ensure that (i) for so long as the ICES are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange so requires, notices will be published on the website of the Luxembourg Stock Exchange (being www.bourse.lu as at the Closing Date), in a daily newspaper with general circulation in Luxembourg (which is expected to be *d'Wort*) or in such other manner as the Luxembourg Stock Exchange may then permit), and/or (ii) if the ICES are for the time being listed and/or admitted to trading on any additional or other stock exchange or relevant authority, notices will be published in a manner which complies with the rules and regulations thereof. Any such notice shall be deemed to have been given on the date of such notice. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

18 Further Issues

Without prejudice to its ability to create and issue Permitted Indebtedness in compartments other than the compartment within which the ICES are issued in the manner described in Condition 11(a)(ii)(M), the Issuer may also create and issue further income certificates (either having the same terms and conditions in all respects as the outstanding ICES or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding ICES. Any such further income certificates shall only form a single issue with the ICES (unless otherwise approved by an Extraordinary Resolution) if the Issuer provides additional assets as security for such further income certificates which are fungible with, and have the same proportionate composition as, those forming part of the Secured Property for the ICES and in the same proportion that the nominal amount of such new income certificates bears to the ICES and the Issuer enters into, or has the benefit of, additional or supplemental transaction documents extending the terms of any existing Transaction Documents to the new income certificates on terms no less favourable than such existing documents and agreements. Any new income certificates forming a single series with the ICES shall be constituted and secured by a deed supplemental to the Trust Deed, such further security shall be added to the Secured Property so that the new income certificates and the existing ICES shall be secured by the same Secured Property and references in these Conditions to "ICES", "Security" and "Secured Property" shall be construed accordingly. The Trust Deed contains provisions for convening a single meeting of the holders of the ICES and the holders of income certificates of other specified series in certain circumstances where the Trustee so decides.

19 Redenomination

The Issuer may, without the consent of the ICES Holders, on giving at least 30 days' notice to the ICES Holders in accordance with Condition 17, the Trustee and the Paying, Transfer and Exchange Agents, designate a date (the "Redenomination Date") falling on or after the date on which Hungary commences participation in the third stage of Economic and Monetary Union pursuant to the Treaty.

With effect from the Redenomination Date, notwithstanding any other provision of these Conditions:

(a) (i) the Exchange Price and the Change of Control Exchange Prices set out in Condition 6(b)(x) shall be denominated in euro and shall be determined by translating the Exchange Price and all relevant Change of Control Exchange Prices (as the case may be) in effect immediately prior to the Redenomination Date (in each case expressed in Hungarian forints) into euro at the Fixed Rate of Exchange and (ii) the words "(translated into Hungarian forints at the Fixed Rate of Exchange)" shall be deleted from the second paragraph of Condition 6(a); and

(b) if the price of the Ordinary Shares on the Relevant Stock Exchange is quoted in euro (whether or not it is also quoted in Hungarian forints), the Current Market Price and the closing price of the Ordinary Shares shall instead be determined for the purposes of these Conditions by reference to such euro-denominated price.

Notwithstanding the provisions of Condition 19(a), if the Issuer (acting upon instruction from OTP) determines, with the agreement of the Trustee, that the then prevailing market practice in respect of the redenomination into euro of the exchange price of internationally offered exchangeable debt securities is different from that specified in Condition 19(a), the relevant provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the ICES Holders in accordance with Condition 17, the stock exchange (if any) on which the ICES may then be listed and the Paying, Transfer and Exchange Agents of such deemed amendments.

20 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the ICES under the Contracts (Rights of Third Parties) Act 1999.

21 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed, the Agency Agreement and the ICES are governed by, and shall be construed in accordance with, English law.

The Subordinated Swap Agreement (except as stated below) is also governed by, and shall be construed in accordance with, English law, save for certain provisions thereof concerning the subordination of OTP's obligations thereunder, which are governed by, and shall be construed in accordance with, Hungarian law.

The Guarantee is governed by, and shall be construed in accordance with, the laws of the State of New York.

The Security Deposit Agreement and the Custody Agreement are governed by Hungarian law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the ICES and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the ICES ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of the Trustee and each of the ICES Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Agent for Service of Process

The Issuer has irrevocably appointed Structured Finance Management Ltd. at 35 Great St. Helen's London EC3A 6AP as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

(d) Luxembourg Companies Law 1915

The provisions of articles 86 to 94-8 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended, will not apply in respect of the ICES.

SUMMARY OF PROVISIONS RELATING TO THE ICES WHILE IN GLOBAL FORM

The ICES will upon issue be represented by a Global ICES in registered form, deposited with, and registered in the name of a nominee for, a common depositary of Euroclear and Clearstream, Luxembourg. Interests in the Global ICES will be exchangeable for definitive ICES in registered form only in the limited circumstances described below.

The Global ICES contains provisions which apply to the ICES while they are in global form, some of which modify the effect of the terms and conditions of the ICES set out in the Conditions appearing elsewhere in this Prospectus. The following is a summary of certain of those provisions. Capitalised terms used in this section and not otherwise defined have the meanings given to them in the Conditions.

1 Exchange

The Global ICES will be exchangeable (free of charge to the holder of the Global ICES and the ICES Holders) in whole, but not in part, for the definitive ICES described below if, but only if, (i) the Global ICES is held on behalf of Euroclear and/or Clearstream, Luxembourg and either such clearing system is closed for business for a continuous period of 14 days or more (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available or (ii) the Issuer would suffer a material disadvantage in respect of the ICES which would not be suffered were the ICES in definitive form and a certificate to such effect signed by two Directors of the Issuer is delivered to the Trustee. Thereupon (in the case of (i)) the holder of the Global ICES may give notice to the Trustee, the Principal Paying, Transfer and Exchange Agent and the ICES Holders and (in the case of (ii)) the Issuer may give notice to the Trustee, the Principal Paying, Transfer and Exchange Agent and the ICES Holders, of its intention to exchange the Global ICES for definitive certificates in respect of ICES ("Certificates") on or after the Definitive Exchange Date (as defined below) specified in the notice.

On or after the Definitive Exchange Date, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive certificates in registered form, printed in accordance with any applicable legal and stock exchange requirements and in, or substantially in, the form set out in the Trust Deed. Such definitive ICES will be registered in the name of the accountholders at Euroclear and Clearstream, Luxembourg who previously had ICES credited to their accounts.

"Definitive Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar is located and, except in the case of exchange pursuant to (i) above, in the cities in which Euroclear and Clearstream, Luxembourg are located.

2 Exchange Rights

Exchange Rights in respect of ICES represented by the Global ICES are exercisable by presentation of, or by procuring the presentation of, the Global ICES to or to the order of the Principal Paying, Transfer and Exchange Agent for notation of exercise of the Exchange Rights together with one or more duly completed Exchange Notices (in a form agreed between the holder of the Global ICES and the accountholders (and which may be in electronic form) and otherwise in accordance with the rules and procedures of the relevant clearing system) and an appropriate entry will be made in the Register maintained in respect of the ICES. Delivery of such an Exchange Notice will constitute confirmation by the beneficial owner of the ICES to be exchanged that the information and the representations in the Exchange Notice are true and accurate on the date of delivery.

3 Notices

So long as the ICES are represented by the Global ICES and the Global ICES is held on behalf of a clearing system, notices to holders of the ICES may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions. However, the Issuer shall also ensure that (i) for so long as the ICES are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange so requires, notices will be published on the website of the Luxembourg Stock Exchange (being www.bourse.lu as at the Closing Date), in a daily newspaper with general circulation in Luxembourg (which is expected to be *d'Wort*) or in such other manner as the Luxembourg Stock Exchange may then permit), and/or (ii) if the ICES are for the time being listed and/or admitted to trading on any additional or other stock exchange or relevant authority, notices will be published in a manner which complies with the rules and regulations thereof.

4 Prescription

Claims against the Issuer in respect of principal and interest on the ICES while the ICES are represented by the Global ICES will become prescribed after a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

5 Purchase and Cancellation

Cancellation of any ICES required by the Conditions to be cancelled following its purchase will be effected by endorsement by or on behalf of the Principal Paying, Transfer and Exchange Agent of the reduction in the principal amount of the Global ICES and by an appropriate entry made in the Register maintained in respect of the ICES for which the Global ICES may be exchanged.

6 Meetings

At any meeting of ICES Holders, the holder of the Global ICES will be treated as having one vote in respect of each €1,000 in principal amount of ICES.

7 Trustee's Powers

In considering the interests of ICES Holders while the Global ICES is held on behalf of a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, have regard to any information provided to it by such clearing system or its operator or a participant in such system as to the identity (either individually or by category) of its accountholders with entitlements to the Global ICES (or an interest in respect thereof) and may consider such interests as if such accountholders were the holders of the ICES.

8 Alternative Clearing System

References to "Euroclear" and/or "Clearstream, Luxembourg" shall be deemed to include such additional or other clearing system on which the ICES are for the time being traded and which shall have been approved by the Trustee.

SECURITY FOR THE ICES

The Issuer's ability to make payments of interest and principal on, and to satisfy the Exchange Rights attaching to, and otherwise fulfil its obligations in relation to, the ICES will be dependent upon the satisfaction of obligations owed to the Issuer by OTP under the Subordinated Swap Agreement and by Merrill Lynch International under the Securities Lending Agreement (the latter also being guaranteed by Merrill Lynch & Co., Inc. pursuant to the ML Guarantee). The Trustee will, in the Trust Deed and the Hungarian law Security Deposit Agreement, take security over these agreements and the other Transaction Documents and the Ordinary Shares referred to below for the benefit of the ICES Holders. The ICES will be perpetual obligations of the Issuer secured on a limited recourse basis over certain assets of the Issuer as more fully described herein. If the net proceeds of the enforcement of such security in the compartment of the Issuer within which the ICES are issued are not sufficient to meet all obligations then due in respect of the ICES, the obligations of the Issuer will be limited to such net proceeds and any other assets of the Issuer (including any assets in other compartments created by the Issuer from time to time, as well as any assets held by the Issuer outside of its compartments) will not be available to meet any shortfall. The Issuer will not be obliged to make any further payment in excess of such net proceeds and no debt shall be owed by the Issuer in respect of such shortfall.

The Ordinary Shares

As described more fully below, the Secured Property includes 14,500,000 Ordinary Shares sold by OTP to the Issuer pursuant to the Subordinated Swap Agreement, comprising share capital of the Bank with a nominal value of HUF 100 per Ordinary Share. For a full description of the Ordinary Shares, including a description of the rights attaching to them, see "Description of the Shares of the Bank" included elsewhere in this Prospectus.

Ordinary Shares held from time to time by or for the Issuer are held on behalf of the Issuer in an account with OTP as the Custodian in KELER pursuant to the Custody Agreement and are subject to the security arrangements set out in the Security Documents. The security arrangements include a Hungarian law security deposit (*óvadék*) over the Ordinary Shares held by or for the Issuer from time to time as described above. The security deposit is intended to create a proprietary interest in all of the rights, title and interest in the Ordinary Shares in favour of the Trustee to secure the Issuer's obligations under the ICES.

Up to 50 per cent. of the Ordinary Shares sold to the Issuer by OTP pursuant to the provisions of the Subordinated Swap Agreement may be lent to the Stock Borrower pursuant to the provisions of the Securities Lending Agreement. See "—The Securities Lending Agreement" below.

Prospective investors in the ICES are advised that the directors of the Issuer may exercise any of the voting rights attaching to the Ordinary Shares, to the extent that such Ordinary Shares have not been lent to the Stock Borrower pursuant to the Securities Lending Agreement and if the directors determine that such exercise would be in the best interests of the Issuer. Furthermore, to the extent that Ordinary Shares have been lent to the Stock Borrower pursuant to the Securities Lending Agreement, the voting rights in respect thereof will also be transferred to the Stock Borrower or (as the case may be) to other parties to whom the Stock Borrower lends the Ordinary Shares. It is possible that in exercising such rights the Issuer, the Stock Borrower or such other parties (as the case may be) may not act in accordance with the best interests of the ICES Holders. Prospective investors in the ICES are also advised that OTP has entered into arrangements with the shareholders of the Issuer by which OTP may provide written instructions to the shareholders of the Issuer to appoint certain persons as directors of the Issuer, that would, if appointed by the shareholders, constitute a majority of the board of directors of the Issuer. See "The Issuer—Directors".

The Subordinated Swap Agreement

OTP has agreed in the Subordinated Swap Agreement:

(i) to pay the Swap Interest Payments to the Issuer to enable the Issuer to make payments of amounts of interest due on the ICES;

(ii) (to the extent that the ICES are to be redeemed pursuant to Condition 7(b) and OTP so elects) to purchase the Ordinary Shares then held by the Issuer (and which the Issuer is entitled to have re-delivered pursuant to the Securities Lending Agreement);

(iii) to pay such additional amounts as will enable the Issuer to pay to the ICES Holders all amounts of principal and accrued interest due on the ICES in connection with such redemption;

(iv) to pay an amount corresponding to any Cash Alternative Amount due upon the exchange of any ICES; and

(v) to pay such additional amounts as will enable the Issuer to pay such taxes, capital duties or stamp duties as are payable by the Issuer pursuant to Condition 6(h) in connection with any exercise of Exchange Rights by an ICES Holder.

OTP has also agreed in the Subordinated Swap Agreement that, if after the Closing Date there is any downward adjustment to the Exchange Price in accordance with Condition 6(b) or (c) and as a result thereof the number of Ordinary Shares held by or for the Issuer (when aggregated with the number of Ordinary Shares which the Issuer has lent to the Stock Borrower at such time under the Securities Lending Agreement and the number of Ordinary Shares in respect of which OTP has previously made a Cash Alternative Amount Election (as defined below)) is less than the number of Ordinary Shares into which all of the ICES then outstanding could be exchanged (assuming for this purpose only that no Cash Alternative Amount Elections have been made) at the then prevailing Exchange Price (which shall mean, during any Relevant Event Period, the relevant Change of Control Exchange Price) (ignoring for this purpose whether or not in fact the ICES could be exchanged at such time in accordance with Condition 6(a)), OTP shall, on such date determined pursuant to the Subordinated Swap Agreement, elect either to (x) deliver to the Issuer such additional number of Ordinary Shares as is required to meet such shortfall (the "Extra Ordinary Shares") (if, at such time, the delivery of such shares is permitted in accordance with applicable law) or (y) (in lieu of delivery of such Extra Ordinary Shares) make an election (a "Cash Alternative Amount Election") by notice to the Trustee and the ICES Holders in accordance with Condition 17 to pay to the Issuer, (by a date not later than 10 dealing days following the relevant Exchange Date) upon the exercise (if any) of Exchange Rights by any ICES Holder, an amount equal to the Cash Alternative Amount attributable to the number of Extra Ordinary Shares to which such ICES Holder would have been entitled in the absence of such Cash Alternative Amount Election ("Cash-Settled Extra Ordinary Shares"). *Although OTP reserves the right to elect to deliver Extra Ordinary Shares in such circumstances (if, at such time the delivery of such shares is permitted in accordance with applicable law), it is its current intention to exercise the Cash Alternative Amount Election in all such circumstances.*

Subject as provided in the Subordinated Swap Agreement and as described below, the Issuer has agreed in the Subordinated Swap Agreement to pay and/or deliver to OTP all cash sums or other assets (other than Ordinary Shares) actually received by it which are derived from the Ordinary Shares held by or for it as part of the Secured Property and (to the extent received from the Stock Borrower in accordance with the terms of the Securities Lending Agreement) derived from any Ordinary Shares borrowed by the Stock Borrower pursuant to the Securities Lending Agreement ("Ordinary Share Property").

Notwithstanding the foregoing, the Subordinated Swap Agreement provides that no Ordinary Share Property shall be paid and/or delivered, as appropriate, by the Issuer to OTP as aforesaid until OTP has either (x) delivered to the Issuer the relevant Extra Ordinary Shares which are required to be delivered (if any) as a result of the event or circumstances which have given rise to the receipt by the Issuer of such Ordinary Share Property or (y) made a Cash Alternative Amount Election in lieu of such delivery.

To the extent that any Ordinary Share Property (other than Ordinary Shares) is to be paid and/or delivered by the Issuer to OTP as described above, the Trust Deed and Security Deposit Agreement provide for such Ordinary Share Property to be released from the Secured Property and to be delivered to, or to the order of, OTP (following satisfaction of the conditions required therefor as described above). Furthermore, to the extent that any Extra Ordinary Shares are delivered by OTP to, or to the order of, the Issuer as described above, the Trust Deed and the Security Deposit Agreement provide that such additional Ordinary Shares shall be added to the Secured Property upon such delivery.

The Issuer has agreed to pay to OTP, on the Closing Date, the excess of the funds received upon settlement of the ICES over the aggregate cost of the Ordinary Shares delivered to the Issuer prior to the Closing Date.

The obligations of OTP under the Subordinated Swap Agreement constitute unconditional, subordinated and unsecured obligations of OTP. In the event of the liquidation (*felszámolás*) of OTP in accordance with Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings, the obligations of OTP under the Subordinated Swap Agreement will rank:

(i) junior in right of payment to the claims of holders of any present or future Senior Securities,

(ii) *pari passu* with the claims of holders of any present or future Parity Securities, and

(iii) senior to the claims of holders of any present or future Junior Securities.

Furthermore, the Issuer has under the Subordinated Swap Agreement unconditionally and irrevocably waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the obligations of OTP under the Subordinated Swap Agreement.

Furthermore, the sole remedy available to the Issuer (or, following enforcement of the Secured Property, to the Trustee or the ICES Holders, as the case may be) against OTP under the Subordinated Swap Agreement for recovery of amounts owing will be proving or claiming for the same in any proceedings commenced by OTP or a third party in Hungary (and not elsewhere) for the dissolution and liquidation of OTP.

The Securities Lending Agreement

The Issuer and the Stock Borrower have entered into the Securities Lending Agreement, governed by English law, pursuant to which the Stock Borrower may from time to time borrow up to 7,250,000 Ordinary Shares held by or for the Issuer as part of the Secured Property (such maximum number of shares to be amended accordingly solely to take account of alterations (if any) to the nominal value of the Ordinary Shares as a result of consolidation or subdivision or any events described in Condition 6(b)) and the Issuer shall have the right at any time on five Business Days' (as defined in the Securities Lending Agreement) notice to require re-delivery of Ordinary Shares, provided that the Issuer shall only be entitled to require re-delivery of Ordinary Shares as aforesaid if necessary to satisfy:

(i) the exercise of Exchange Rights by ICES Holders; and/or

(ii) the Issuer's obligations to OTP under the Subordinated Swap Agreement if OTP exercises its option to purchase the Ordinary Shares if the ICES are to be redeemed pursuant to Condition 7(b).

If the Stock Borrower borrows Ordinary Shares as aforesaid, the Trust Deed and the Security Deposit Agreement contain provisions enabling the relevant number of Ordinary Shares so borrowed to be released from the Secured Property and to be delivered to, or to the order of, the Stock Borrower in accordance with the terms of the Securities Lending Agreement. Any Ordinary Shares delivered to the Issuer by the Stock Borrower from time to time pursuant to its re-delivery obligations under the Securities Lending Agreement shall become part of the Secured Property in accordance with the terms of the Trust Deed and the Security Deposit Agreement.

Under the terms of the Securities Lending Agreement, where dividends are paid on Ordinary Shares which have been borrowed by the Stock Borrower from the Issuer, the Stock Borrower has agreed to pay to the Issuer a sum equal to that which the Issuer would have been entitled to receive had such Ordinary Shares not been loaned by the Issuer and had been retained by the Issuer.

The Stock Borrower's obligations to the Issuer under the Securities Lending Agreement have been guaranteed by the Guarantor pursuant to the Guarantee.

USE OF PROCEEDS

The gross proceeds of the offering will be €514,274,000. The Issuer has agreed to pay a combined management and underwriting commission and selling concession to the Manager and, at the sole discretion of OTP, an incentive fee may also be payable to the Manager in connection with the issue of the ICES. The net proceeds are payable to OTP by or on behalf of the Issuer pursuant to the terms of the Subordinated Swap Agreement and related transactions entered into by (among others) OTP and the Issuer in connection with the issue of the ICES and the sale of 14,500,000 Ordinary Shares by OTP to the Issuer as described in this Prospectus.

The net proceeds payable to OTP as described above are expected to be used by it to fund in part its acquisitions of the Russian Investsberbank Group (a 96.4 per cent. stake) and Raiffeisenbank Ukraine (a 100.0 per cent. stake). Subject to market conditions, OTP expects to finance the remaining consideration required for these acquisitions by issuing non-dilutive, perpetual subordinated debt in the near term. OTP intends to focus its attention on the consolidation of the acquired assets throughout the remainder of 2006. See further "The Bank—Recent Developments".

THE ISSUER

General

The Issuer was incorporated in Luxembourg on 1 February 2006 as a securitisation vehicle in the form of a *société anonyme* under the Luxembourg law of 10 August 1915 on commercial companies, as amended (the "Law"), and the Luxembourg law of 22 March 2004 on securitisation (the "Securitisation Law") (with the name Opus Securities S.A. and registration number RCS Luxembourg B-114001). The registered office of the Issuer is at 7, Val Sainte-Croix, L-1371 Luxembourg, telephone number +352 22 1190.

The authorised share capital of the Issuer is €31,000, divided into 31 ordinary shares of €1,000 each, all of which have been issued. All of the issued shares are fully-paid and are beneficially owned by Structured Finance Management Offshore Limited as share trustee (the "Share Trustee") under the terms of declarations of trust (together, the "Declaration of Trust") executed by the shareholders of the Issuer on 1 February 2006 and 22 March 2006, and under which the Share Trustee holds them on trust for charitable purposes. The Share Trustee has no beneficial interest in and derives no benefit (other than its fees for acting as Share Trustee) from its holding of the shares of the Issuer. The Issuer has no subsidiaries.

The Issuer is a special purpose vehicle set up as a securitisation vehicle and established for the purpose of issuing the ICES and other securities solely within different compartments (*compartiments*) of the Issuer. The corporate purposes of the Issuer are those of a Luxembourg securitisation company under the Securitisation Law and are described in the Articles of Incorporation of the Issuer. The corporate object of the Issuer, as set out in Clause 3 of its Articles of Incorporation, is the entering into and performance of any securitisation transactions as permitted under the Securitisation Law, including, among other things, the acquisition and assumption, by any means, directly or through another vehicle, of risks linked to claims, other assets, moveable or immoveable, tangible or intangible, receivables or liabilities of third parties or pertaining to all or part of the activities carried out by third parties by issuing securities the value or return of which is dependent upon such risks as defined in the Securitisation Law.

The Issuer may in particular: acquire by way of subscription, purchase, exchange or in any other manner any assets, hold and dispose of any assets in any manner and/or assume risks relating to any assets; exercise all rights whatsoever attached to these assets and risks; give guarantees and/or grant security interests over its assets to the extent permitted by the Securitisation Law; make deposits at banks or with other depositaries; (within compartments only) raise funds, issue bonds, notes and other debt securities, in order to carry out its activities within the framework of its corporate object; and transfer any of its assets against due consideration.

The Issuer may carry out any transactions, whether commercial or financial, which are directly or indirectly connected with its corporate object (excluding any banking activity), and engage in any lawful act or activity and exercise any powers permitted for securitisation vehicles under the Securitisation Law, that, in either case, are incidental to, and necessary or convenient for, the accomplishment of its corporate object; provided that these transactions/activities are not otherwise prohibited by any agreements to which the Issuer may then be a party. The Articles of Incorporation of the Issuer may be amended in accordance with the Law.

The Issuer has (i) no assets at the date of this Prospectus other than its paid-up share capital of €31,000 and any fees received in connection with the issuance of the ICES and entry into of the Transaction Documents, and (ii) no liabilities at the date of this Prospectus (including no loan capital (issued or unissued), no term loans, no other borrowings or indebtedness in the nature of borrowing and no contingent liabilities or guarantees), other than, in the case of both (i) and (ii), those arising under those of the Transaction Documents to which it is a party. In addition, the Issuer has not created any mortgages or charges at the date of this Prospectus.

The Issuer's Articles of Incorporation are filed with the Luxembourg Register of Commerce and Companies and will (together with any amendments thereto) be published in the Luxembourg official gazette. They are also available for inspection as set out under "General Information—Documents for display".

Business

The Issuer has not previously carried on any business or activities other than those incidental to its incorporation and those in connection with the issue of the ICES and the entry into of those of the Transaction Documents to which it is a party. The Issuer will also agree in the Trust Deed that it will not, in relation to or within the compartment of the Issuer within which the ICES are issued, so long as any of the ICES remains outstanding, without the prior written approval of the Trustee or as approved by an Extraordinary Resolution of the ICES Holders (among other things):

(i) engage in any business other than (x) acquiring and holding the Secured Property, entering into the Transaction Documents, entering into related agreements and transactions and performing any act incidental to or necessary in connection with any of the foregoing and (y) incurring any other Permitted Indebtedness and creating or incurring further obligations relating to the same;

(ii) dispose of any Secured Property or any interest therein or create any mortgage, charge or security or right of recourse in respect thereof in favour of any person other than as referred to in Condition 2 and other than in connection with any other Permitted Indebtedness;

(iii) cause or permit any Transaction Document to be amended, terminated or discharged (other than as contemplated by the Trust Deed and the Conditions) or to amend, supplement or otherwise modify its constitutional documents;

(iv) release any party to any Transaction Document from any obligations existing thereunder;

(v) without prejudice to its rights pursuant to Conditions 7(b), 7(e) or 7(f), purchase any ICES in the open market or otherwise;

(vi) have any subsidiaries or employees;

(vii) consent to any variation of, or exercise any powers or consent or waiver pursuant to, the terms of any Transaction Document or any other related transactions;

(viii) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person (other than as contemplated by the Trust Deed and the Conditions);

(ix) consolidate or merge the compartment within which the ICES are issued with any other compartment of the Issuer or convey or transfer the properties or assets of the compartment within which the ICES are issued to another compartment of the Issuer;

(x) issue any shares (other than such shares as are in issue at 19 October 2006) or make any distribution to its shareholders;

(xi) open or have any interest in any account with a bank or financial institution unless (x) such account or the Issuer's interest in it is simultaneously charged in favour of the Trustee so as to form part of such Secured Property, (y) such account relates to the issue of other Permitted Indebtedness or (z) such account is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it;

(xii) declare, pay or make any dividend or other distribution in respect of its shares;

(xiii) incur any other indebtedness for borrowed moneys, other than Permitted Indebtedness; or

(xiv) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities).

The Issuer will not have any assets other than its paid-up share capital, the Secured Property in connection with the ICES, any assets held by it in connection with any subsequent issues by it of any Permitted Indebtedness and any fees as may be received by it from time to time in connection with the foregoing. The ICES are limited recourse obligations of the Issuer alone and not of the Share Trustee or the Trustee. Furthermore, they are not obligations of, or guaranteed in any way by, OTP, Merrill Lynch International, Merrill Lynch & Co., Inc. or any other party.

Any Ordinary Shares held from time to time by the Issuer, to the extent that the same have not been lent to the Stock Borrower under the Securities Lending Agreement, will be held in an account of, and in the name of, OTP Bank Plc., as Custodian on behalf of the Issuer, subject to the security granted by the Issuer pursuant to the Security Deposit Agreement.

Save in respect of the fees generated in connection with the ICES, any related profits and the proceeds of any deposits and investments made from such fees or from amounts representing the Issuer's issued and paid-up share capital, the Issuer does not expect to accumulate any surpluses. Fees payable by the Issuer to its Administrators (as defined below), the Trustee, the Custodian and other Agents in connection with the issue of and continued maintenance of the ICES will be paid by OTP and none of the Trustee, the Custodian, the Registrar or the Paying, Transfer and Exchange Agents may have recourse to assets of the Issuer. Additionally, the Custodian, the Registrar, the Paying, Transfer and Exchange Agents and the Calculation Agent have agreed that the payments of outstanding fees (if any) shall be limited to amounts available, following application in accordance with the terms of the Trust Deed, to discharge such liabilities.

Prospective investors in the ICES are advised that the directors of the Issuer may exercise any of the voting rights attaching to the Ordinary Shares, to the extent that such Ordinary Shares have not been lent to the Stock Borrower pursuant to the Securities Lending Agreement and if the directors determine that such exercise would be in the best interests of the Issuer. Furthermore, to the extent that Ordinary Shares have been lent to the Stock Borrower pursuant to the Securities Lending Agreement, the voting rights in respect thereof will also be transferred to the Stock Borrower or (as the case may be) to other parties to whom the Stock Borrower lends the Ordinary Shares. It is possible that in exercising such rights the Issuer, the Stock Borrower or such other parties (as the case may be) may not act in accordance with the best interests of the ICES Holders. In connection therewith, see "—Directors" below for a description of OTP's ability to control the board of directors of the Issuer.

Directors

The directors of the Issuer and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
Alexis Kamarowsky . . .	c/o Structured Finance Management (Luxembourg) S.A., 7, Val Sainte-Croix, L-1371 Luxembourg	Managing Director, Interconsult S.A. and director of Structured Finance Management (Luxembourg) S.A.
Péter Braun	c/o OTP Bank Plc. Nádor utca 16. 1051 Budapest Hungary	Director, OTP Bank Plc.
Zoltán Dencs	c/o OTP Bank Plc. Nádor utca 16. 1051 Budapest Hungary	Deputy Managing Director, Legal, Bank OTP Plc.

Pursuant to arrangements entered into between the shareholders of the Issuer and OTP prior to the date of this Prospectus, OTP is entitled to provide instructions to the shareholders of the Issuer to appoint certain persons as directors of the board that would, if appointed, constitute a majority of the board of directors of the Issuer. Save as disclosed above, there are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or other duties.

Interconsult S.A. ("Interconsult") is the corporate service provider and domiciliation agent (together, the "Administrator") of the Issuer. The Administrator's duties include the provision of certain management, administrative, accounting and related services. The appointment of the Administrator may be terminated, and the Administrator may retire, upon 60 days' notice subject to the appointment of an alternative corporate service provider and/or domiciliation agent on similar terms to those of the existing such party. Interconsult is incorporated in Luxembourg and its registered office is at 7 Val Sainte-Croix, L-1371 Luxembourg.

Financial Statements

Since its date of incorporation, save as provided herein, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared or published as at the date of this Prospectus. The Issuer shall in accordance with Luxembourg law publish audited financial statements on an annual basis. The financial year of the Issuer is the calendar year.

The independent auditors of the Issuer are Deloitte S.A. (Réviseur d'Entreprises), with their registered office at 560, rue de Neudorf, L-2220 Luxembourg, who are qualified to practise in Luxembourg. Any future published financial statements prepared by the Issuer (which will, in each case, be in respect of the period ending on 31 December) will be available from the registered office of the Issuer and as described under "General Information—Documents for display" included elsewhere in this Prospectus. The first financial statements to be prepared and published by the Issuer will be in respect of the period from its incorporation (being 1 February 2006) to 31 December 2006.

Capitalisation and Indebtedness Table

The following table sets out the unaudited capitalisation and indebtedness of the Issuer as at the date of this Prospectus, adjusted to take into account the issue of the ICES:

Share Capital	**€**
Subscribed capital (31 ordinary shares of €1,000 each)	31,000
Indebtedness	—
The ICES(1)	514,274,000
	514,305,000

Note:

(1) Secured in the manner described in Condition 2(b) of the ICES and in the Trust Deed.

Save as described above, as at the date of this Prospectus, the Issuer has no other loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages or charges nor has it given any guarantees.

Since the date of incorporation of the Issuer, the Issuer has not traded, no profits or losses have been made or incurred and no dividends have been paid.

CAPITALISATION OF THE BANK

The following table shows the non-consolidated and consolidated audited capitalisation of the Bank as at 31 December 2005 extracted from the Bank's audited non-consolidated and consolidated (as the case may be) financial statements for the financial year ended 31 December 2005:

	31 December 2005 (in HUF billion) (IFRS, non-consolidated)	31 December 2005 (in HUF billion) (IFRS, consolidated)
Short-term liabilities	2,685.2	3,691.6
Long-term liabilities	434.4	976.8
Total liabilities	3,119.6	4,668.4
Share Capital	28.0	28.0
Retained Earnings and Reserves	486.1	572.6
Treasury Shares	(40.8)	(53.6)
— Minority Interest	—	0.5
Total shareholders' equity	473.3	547.5
Total Capitalisation	HUF 3,592.9	HUF 5,215.9

THE BANK

The legal name of OTP Bank Plc. (the "Bank" or "OTP") is Országos Takarékpénztár és Kereskedelmi Bank Nyilvánosan Mûködõ Részvénytársaság. The Bank also operates under the commercial name of OTP Bank Nyrt., which translates into English as OTP Bank Plc. The Bank has its registered office at Nádor utca 16., 1051 Budapest, Hungary, telephone number: +36 1 298 4351. The Bank was registered with the Metropolitan Court of Budapest on 28 November 1991 as a company limited by shares (részvénytársaság) under registration number Cg 01-10-041585. The Bank was founded for an indefinite period. The Bank operates under Hungarian law, in particular Act CXII of 1996 on credit institutions and financial enterprises and Act CXX of 2001 on the capital markets.

The Bank is a universal credit institution (i.e. carrying out both financial services and investment services activities) and is also the principal member of the OTP Group of companies (the "Group" or the "OTP" Group).

The National Savings Bank, the predecessor of the Bank, was established in 1949 as a nationwide, state-owned banking entity providing current and savings account services and loans. In the ensuing years, the Bank's activities and the scope of its authority were gradually widened to include housing loans and, later, the management of retail foreign currency accounts and foreign exchange services as well as banking services for Hungarian municipal governments.

Since 1989, the Bank has operated as a multi-functional commercial bank, providing deposit account services and loans, not only to retail customers and municipal governments, but also to businesses through its commercial loan and deposit account services, as well as other banking services such as interbank and export-import transactions.

In 1990, the Bank was converted from a state corporation into a company with limited liability with HUF 23 billion share capital and with the Hungarian government maintaining 100 per cent. ownership. Subsequently, non-banking activities were separated from the Bank, along with their supporting organisational units.

The Bank's privatisation began in 1992 with the conversion of shares representing 5 per cent. of the registered capital of the Bank into dividend preference shares and the sale of those shares to retail investors in Hungary. At the beginning of 1994, another block of shares representing 20 per cent. of the registered capital of the Bank, was sold to retail investors through the issue of compensation notes. In April 1994, the Ministry of Finance increased the share capital of the Bank by HUF 5 billion so that the total share capital of the Bank became HUF 28 billion. During 1994 and 1995, shares representing 22 per cent. of the registered capital of the Bank were transferred to social security funds and local municipalities, which meant that the government's direct holding of the Bank decreased to 58.43 per cent. In 1995, the Hungarian Privatisation and State Holding Company sold a block of shares representing 33.43 per cent. of the Bank's total share capital to international institutional investors through a private placement to the Hungarian public by way of a public offering and to the Bank's management and employees through an employee share option plan (ESOP). It thus reduced the Hungarian State's shareholding to 25 per cent. plus one share of the total share capital of the Bank. Following the sale, the shares were listed on the Budapest Stock Exchange and the global depositary receipts (GDRs) then issued were listed on the Luxembourg Stock Exchange and were quoted on SEAQ International. In 1997, the Bank issued a single voting preference share of HUF 1,000 face value (a "golden share") to the Hungarian State and, following a secondary offering in October 1997 to international institutional and domestic retail investors, the state's ownership in the Bank decreased to one golden share. In 1998, the Hungarian Government took over the assets of social security funds (such assets including shares in the Bank) and instructed the Hungarian Privatisation and State Holding Company to sell the shares. In October 1999, the Hungarian Privatisation and State Holding Company sold the shareholding the government had received in 1998. This shareholding comprised 3,946,562 OTP shares and represented 14.7 per cent. of the registered capital. The shares were sold to domestic and international institutions as well as to domestic retail investors. As a result, the state's ownership in the Bank again decreased to one golden share.

Following the initial public offering in 1995, the Bank acted to consolidate its market position and to increase profitability through the implementation of measures designed to increase efficiency. These included streamlining operations and headcount, improving product offering and pricing and focusing on customer relations and satisfaction. The Bank has not only maintained a leading position in the Hungarian banking market, but has redefined itself as a full service financial and related services group.

The main subsidiaries of the Bank include OTP-Garancia Insurance Ltd., OTP Real Estate Ltd., OTP Faktoring Ltd., OTP Building Society Ltd., HIF Ltd., Merkantil Bank Ltd. and Merkantil Car Ltd., as well as OTP Fund Management Ltd., OTP Mortgage Bank Ltd., OTP Banka Slovensko, DSK Bank (Bulgaria), OTP Banka Hrvatska, OTP Bank Romania, Niska Banka.

Recent Developments

In 2002, the Bank started to supplement organic growth with acquisitions, particularly within the Eastern European region. Initially, the Bank acquired Slovakia's IRB Bank in 2002, which was followed by the acquisition of Bulgaria's DSK Bank in 2003; Romania's RoBank in 2004 and Croatia's Nova banka in 2005, and Niska Banka in Serbia in March 2006. The Bank has three ongoing acquisitions in progress, (i) the purchase of Raiffeisenbank Ukraine, (ii) the purchase of a 96.4 per cent. share package in the Russian Investsberbank Group (approved by the Central Bank of the Russian Federation on 19 October 2006) and (iii) the purchase of Crnogorska komercijalna banka AD in Montenegro.

(i) Raiffeisenbank Ukraine

According to the extraordinary announcement of the Bank dated 1 June 2006, OTP have agreed to acquire Raiffeisenbank Ukraine. Representing the buyer OTP, Chairman and CEO Dr. Sándor Csányi and Deputy CEO László Wolf, and representing the sellers Raiffeisen International Bank-Holding AG and Raiffeisen Zentralbank Österreich AG, Dr. Herbert Stepic, CEO of Raiffeisen International and Jeffrey Millikan, CIS Managing Director of Raiffeisen International signed the sale and purchase agreement for the acquisition of a 100 per cent. stake in Raiffeisenbank Ukraine (RBUA), the 100 per cent. subsidiary of Raiffeisen International Bank-Holding AG. In accordance with the document signed in Vienna, OTP will pay a purchase price of EUR 650 million for the bank. The purchase price is based on RBUA's current and potential value, and on the favourable growth potential of the Ukrainian banking market.

Kyiv-based RBUA was founded on 2 March 1998 as the subsidiary of Raiffeisen International Bank-Holding AG, which is majority-owned by Raiffeisen Zentralbank Österreich AG. Based on its end-2005 total assets of €1.2 billion, RBUA has a market share of 3.6 per cent. and is Ukraine's seventh largest bank. The bank had shareholders' equity capital of €139 million and pre-tax profit of €39.7 million at the end of last year.

The bank had around 1,900 large corporate and 3,600 SME clients as of end 2005. Its market share was 3.6 per cent. and 4.0 per cent. in corporate deposits and corporate loans, respectively, while the bank's corporate loans totalled €690 million. RBUA's retail deposits totalled €173 million at the end of last year, implying a market share of 1.6 per cent. Its retail loans totalled €302 million, implying an over 5 per cent. market share. The bank, which has some 1,700 employees, serves its clients via 42 branches and 17 representative offices as per end of April 2006.

The closing of the transaction and the transfer of the purchase price will happen in possession of the necessary governmental approvals, expectedly in the autumn of 2006. After closing, OTP will focus on the integration and transformation of the bank, and will start to coordinate the IT systems and develop the products and services.

Following the acquisition of Raiffeisenbank Ukraine, OTP wants to strengthen further its positions via acquisitions, besides organic growth in Ukraine, where 166 banks operate according to the most recent data of the National Bank of Ukraine. At the end of last year Ukraine's banking sector's aggregated total assets/GDP ratio was around 50 per cent., which allows a significant growth potential. OTP's aim in Ukraine—with Ukraine rated Ba3 with stable outlook by Moody's—is to provide full range of financial services to both retail and corporate clients. In order to achieve this, OTP plans to build a banking group, just like in other countries where it is present.

(ii) Investsberbank Group

Representatives of the private individuals and legal entities selling a 96.4 per cent. share package of the Investsberbank Group and Dr. Sándor Csányi, Chairman—Chief Executive Officer and László Wolf, deputy CEO, representing the buyer OTP, signed the sale and purchase agreement in Moscow, the capital of the Russian Federation. The share sale and purchase agreement, signed on 3 July 2006, contains the price, as well as all important terms and conditions and guarantees of the transaction.

OTP is expected to transfer to the sellers 90 per cent. of the USD 477 million (€ 373 million) purchase price of the 96.4 per cent. share package of the Investsberbank Group, headquartered in Moscow, in possession of the required Russian and Hungarian regulatory approvals at the closing of the transaction, in the autumn of 2006, while 10 per cent. will be deposited for a term of one year to cover any guarantee claims.

The project took several months to complete and a detailed analysis and due diligence had been conducted before the transaction with the participation of OTP's acquisition team, advisors of the credit institution, PriceWaterhouseCoopers as the auditor, and representatives of Baker&McKenzie law office as legal counsel.

The Investsberbank Group consists of three banks: Investsberbank, seated in Moscow, Promfinservicebank, seated in Novorossiysk, acquired by Investsberbank in 2000, and Omskpromstroibank, seated in Omsk, acquired in 2004. The legal merger process of the two acquired banks into Investsberbank was completed on 4 August 2006.

With its € 979.5 million balance sheet total, the Investsberbank Group is among the first 50 banks in the Russian market comprising over 1,200 participants. Its shareholders' equity is € 101.5 million, and it closed the 2005 business year with € 9.1 million in profit before taxation.

The activities of the privately owned universal banking group cover approximately 80 per cent. of the territory of Russia. In 2005, the € 614.6 million loan portfolio increased by nearly 86 per cent. compared to the previous year, and the € 727.4 million deposit portfolio also shows a strong growth dynamics.

OTP considers the purchase price to be reasonable, reflecting the current market value of the Investsberbank Group and the potential business value based on the intensive growth outlook of the economy of the Russian Federation.

(iii) Crnogorska komercijalna banka AD

A sale and purchase agreement for the 100 per cent. share package of Crnogorska komercijalna banka AD was signed in Podgorica, the capital of Montenegro on 29 August 2006 by the representatives of the companies selling the credit institution and Chairman-CEO Dr. Sándor Csányi and Deputy CEO László Wolf on behalf of the OTP as buyer.

In addition to the purchase price, the document sets out all the essential conditions and guarantees of the deal.

The € 105 million purchase price for the 100 per cent. share package of Crnogorska komercijalna banka AD will be paid upon the final closing of the deal scheduled for end-2006.

The deal was preceded by comprehensive in-depth analyses and due diligence spanning several months, and involving the OTP's acquisition working group as well as consultants, including Deloitte Touche Tomatsu as financial advisor and the representatives of Berecz&Andrékó Linklaters Law Office as legal counsellors. The sellers were advised by KPMG on the financial side and Weil, Gotshal&Manges Law Firm as legal advisers.

Crnogorska komercijalna banka AD was founded by 28 small and medium-sized companies as greenfield investment in 1997. The balance sheet total of the credit institution as at end-2005 amounted to € 303.3 million, translating into a 44 per cent. market share. The bank, with an original focus on the SME sector, provides a wide spectrum of services for both corporate and retail customers and is, unequivocally, a dominant market player in all business lines.

The bank's equity, which has been increasing steadily, stood at € 19.3 million at end-2005. € 3.025 million was posted in after-tax profit in the 2005 fiscal year, which represented 54.6 per cent. growth. The € 161.2 million customer loan portfolio increased by 87.4 per cent. in 2005 on a year earlier. An even more robust, 141.5 per cent. rise was experienced in its € 248.1 million customer deposit portfolio. Crnogorska komercijalna banka AD services its approximately 150 thousand customers through a network of 33 units and via electronic channels.

Although the market leader Montenegrian bank is headquartered in Podgorica, approximately 25 per cent. of its loans and deposits are linked to the coastal region, which is of key importance, given that an increasingly dynamic tourism industry has come to play an important role in the country's economy.

In OTP's opinion, the purchase price is realistic, reasonable, value-proportionate and reflects both the current market value of Crnogorska komercijalna banka and the potential business value based on the anticipated development of Montenegro's economy.

Further to the above three ongoing acquisitions, the Bank submitted a binding bid for 69.9 per cent. of shares in CEC, Romania on 17 July 2006 and at the date of this Prospectus the Bank is in the final round of the bidding.

In addition, on 15 September 2006 OTP also submitted a binding bid for the acquisition of a 100 per cent. share package of Croatia-based Diners Club Adriatic d.d. (DCA). DCA, founded in 1992, has licences via its subsidiaries in the CEE region where OTP Group has a presence. DCA's market share in the Croatian credit card market currently approaches 30 per cent., while the number of cards issued by the company is near 440,000.

The Bank intends to focus its attention on the consolidation of the acquired assets throughout the remainder of 2006.

STRATEGY

The Group's business strategy focuses on the maximisation of shareholder value through the development of the most efficient, retail-focused universal bank in Central and Eastern Europe. The objective of the Group is to achieve an outstanding financial performance comparable to that of European banks.

The Group endeavours to offer customised, constantly improving services to its customers through innovation and strengthening its services.

In order to create value, it is essential to rationalise operational processes and to improve the operational and cost efficiency of the members of the Group. Synergistic effects within the subsidiaries can be achieved by harmonised developments and integration of several activities within the Hungarian and the international groups.

Highly qualified staff are indispensable in order to achieve the Bank's and the Group's objectives. Therefore the creation and containment of a well-prepared sales-oriented and loyal administrative workforce is of outstanding importance in the Bank's strategy, as is the creation of personalised careers in order to retain talented professionals.

Some of the main financial targets of the Group are to:

- retain its position as the market leader in Hungary and Bulgaria and improve its position in other countries;
- achieve above 25 per cent. return on average equity (ROAE) each year; and
- reduce cost/income ratio below 50-53 per cent.

BRIEF DESCRIPTION OF THE GROUP'S ACTIVITIES AND RESULTS

Financial Highlights (consolidated, in accordance with IFRS) for the financial years ended 31 December 2004 and 31 December 2005.

Profit and Loss Account (in HUF mn)	2004	2005	Change %
Net interest income	260,889	297,225	13.9
Net interest income after provision	244,841	269,183	9.9
Non-interest income	161,769	216,497	33.8
Total income (with net fees)	402,070	493,792	22.8
Operating cost	229,998	273,673	19.0
Profit before tax	156,024	192,077	23.1
Profit after tax	131,518	158,274	20.3

Balance Sheet * (in HUF bn)	2004	2005	Change %
Total assets	4,162.4	5,215.9	25.3
Loans and advances to customers	2,586.1	3,297.2	27.5
Retail loans	1,547.4	1,965.8	27.0
Corporate loans	920.6	1,195.4	29.8
Municipal loans	118.1	136.0	15.2
Interbank loans and advances	286.2	438.8	53.3
Deposits from customers	2,902.2	3,428.2	18.1
Retail deposits	2,155.8	2,562.9	18.9
Corporate deposits	549.8	662.2	20.4
Municipal deposits	196.5	203.1	3.4
Issued securities	317.2	543.5	71.3
Total receivables	2,586.1	3,297.2	27.5
Performing loans	2,284.7	2,876.5	25.9
Qualified loans	301.4	420.7	39.6
Non-performing loans (NPLs)	90.7	119.1	31.3
Provisions for possible loan losses	79.3	105.9	33.5
Shareholders' equity	433.7	547.5	26.2

Performance Ratios	2004	2005	Change %
Cost/income ratio, %	57.2	55.4	(1.8)
Return on average equity (ROAE), %	35.3	32.3	(3.0)
Return on average assets (ROAA), %	3.45	3.38	(0.07)
Capital adequacy ratio* (unconsolidated, HAR), %	11.2	10.6	(0.6)
Undiluted Earnings per Share	HUF 501	HUF 603	HUF 102
Diluted Earnings per Share	HUF 499	HUF 599	HUF 100

Market Share **	2004	2005
Households' deposits, %	35.4	34.7
Households' loans, %	40.1	37.7
Corporate deposits, %	13.3	11.4
Corporate loans, %	12.3	11.7
Municipal deposits, %	66.2	63.4
Municipal loans, %	52.0	52.7

* as at December 31

** as at December 31, market share of the Hungarian members of OTP Group

In 2005 the volume of the Group's customer loans and customer deposits grew, the Group's income increased, its operating efficiency improved, and the Bank's after-tax profit increased- despite an unfavourable change in taxation.

The Group's financial performance in 2005

For the year ended 31 December 2005, the Group's consolidated after-tax profit based on IFRS was HUF 158.3 billion, up by 20.3 per cent. compared to the previous year and 19.2 per cent. more than the Bank's unconsolidated pre-tax profit for the same period. In 2005, the Bank's consolidated return on average assets (ROAA) and its consolidated return on average equity (ROAE) was 3.38 per cent. and 32.3 per cent., respectively, (in 2004: 3.45 per cent. and 35.3 per cent.).

As at 31 December 2005, the Bank's consolidated balance sheet total was HUF 5,215.9 billion, based on IFRS, up by 25.3 per cent. or HUF 1,053.5 billion from a year earlier, and exceeding the Bank's unconsolidated balance sheet total of the same period by 45.2 per cent.

As at 31 December 2005, the aggregate balance sheet total of those members of the Group that conduct banking activities (the Bank, Merkantil Bank, OTP Building Society Ltd. and OTP Mortgage Bank) represented 24.1 per cent. of the balance sheet total of the entire Hungarian credit institution sector (i.e. based on the Annual Report, and Statistical Annexes, 2005, published by the Hungarian Financial Supervisory Authority, and audited 2005 reports of the Bank).

The Bank was the largest contributor to the consolidated balance sheet total and profits for the year ended 31 December 2005. Its income grew 22.8 per cent. compared to the prior year. The Bank also retained its position as the most profitable bank in Hungary in absolute terms (based on the Annual Report and Statistical Annexes, 2005, published by the Hungarian Financial Supervisory Authority, and audited 2005 reports of the Bank). For the year to 31 December 2005 its after-tax earnings accounted for 43 per cent. of the Hungarian banking sector's aggregate total after-tax profit (based on the Annual Report, and Statistical Annexes, 2005 published by the Hungarian Financial Supervisory Authority, and audited 2005 reports of the Bank) and in terms of ROA and ROE, it ranked as the leading bank in Hungary.

Of its Hungarian subsidiaries, OTP Garancia Insurance achieved the following results in 2005: its gross premium income grew by 36 per cent. and its after-tax profit by 97 per cent. The Merkantil Group increased its loan portfolio by more than 33 per cent. despite a stagnating vehicle sales market, and the aggregate total after-tax profit of Merkantil Group members grew by more than 67 per cent. in 2005. The net asset value of investment funds managed by OTP Fund Management grew by close to 50 per cent. compared to year-end 2004, and its after-tax profit was 39 per cent. more than in the period to 31 December 2004. The assets and number of investors in OTP Funds increased considerably, and OTP Funds' share of household deposits exceeded 20 per cent. at the end of 2005.

The international subsidiaries also achieved considerable growth. In 2005 DSK Bank's loan portfolio grew by 41 per cent., its deposit portfolio by 31 per cent., and its after-tax profit by more than 38 per cent. The number of debit cards issued exceeded 900,000, and DSK Bank's sales network and electronic services were strengthened.

The loan portfolio of the Slovakian OBS grew by 41 per cent., its deposit portfolio by 8.5 per cent., and its after-tax profit was almost three times as high as in 2004.

The Bank's Romanian subsidiary, OTP Bank Romania ("OBR"), launched its retail services and expanded its branch network by the addition of 13 new branches. By year-end 2005 the number of OBR branches had grown from 14 at the end of 2004 to 27.

In 2005 the Bank purchased the Croatian Nova banka, which now operates under the name OTP banka Hrvatska ("OBH"). As of 31 December 2005, the consolidated balance sheet total of OBH stood at HUF 298.2 billion and the Bank's share of the Croatian market was 3.4 per cent. In 2005 the Bank launched an acquisition bid for the Serbian Niška banka and completed the acquisition in March 2006.

Number of customers, sales network and headcount at the Group

As at December 2005 the Bank and its foreign subsidiaries had approximately 9.7 million customers in five countries in the region. As of 31 December 2005 the Bank had approximately 4.8 million customers, consisting of approximately 4.6 million retail customers, 196,000 micro and small businesses, more than 19,000 medium-sized companies and large corporations, and approximately 2,400 municipal customers. The total number of customers of the Group's foreign subsidiaries was in excess of 4.9 million, more than 4.6 million of whom were retail customers. Among the international subsidiaries, DSK Bank had more than 4.2 million customers as at 31 December 2005.

At a regional level, the Bank operates 960 branches, 2,221 ATMs, 27,976 POS terminals, as well as customer call centres, mobile banking and internet banking services, business terminals and an agency sales network. In Hungary, in addition to the Bank's 408 branch network—through which the Bank also sells products of the Group's Hungarian members—OTP Garancia Insurance has a network consisting of 192 units. The Bank's international subsidiaries offer services to their customers through a total of 552 branches, 721 ATMs, and 2,443 POS terminals.

As at 31 December 2005, the Group employed 17,977 people, which is 1,004 more than in the same period last year. The principal reason for this growth in headcount was the acquisition of the Croatian subsidiary. However, the acquired banks are undergoing rationalisation and consolidation which is expected to result in a reduced headcount, nevertheless, the launch of new divisions in Romania and the establishment of financial groups at the other foreign subsidiaries will result in headcount growth. Approximately one-third of the Group's employees work outside Hungary, while close to two-thirds work for the Hungarian members of the Group, of whom 7,899 are employed by the Bank.

The Bank's principal markets

The Bank is a universal bank with strong retail focus. Since the mid-1990s, it has gradually developed a fully-fledged financial servicing group around its core banking business. Its subsidiaries include an insurance company, fund management, car financing, factoring, leasing, building society and mortgage bank operations. The Bank has got a wide network of branches (408) having a nationwide presence, operating a large number of ATMs.

The Group is a strong participant in the Hungarian banking sector, representing 25.8 per cent. of total assets, 20.7 per cent. of total loans and 25.1 per cent. of total deposits. Within the retail segments its market position is even more significant comprising 35.9 per cent. of retail loans, 46.4 per cent. of housing loans and 34.7 per cent. of retail deposits. While its mainstream revenue generation is connected to the retail activity (housing loans, consumer loans, site and term deposits), the Bank is the main partner of around 70 per cent. of the local authorities (its market share in municipality loans was nearly 53 per cent., and 63.3 per cent. in deposits, respectively). Also, the Bank is one of the major players of the corporate sector.

Within the Group, the Bank is the major contributor both in terms of total assets (69 per cent.) and net earnings (68.7 per cent.).

In 2002 the Bank started its regional acquisition drive, and until the date hereof, it has acquired banks in Slovakia, Bulgaria, Croatia, Romania, the Ukraine and Russia.

Main developments in the Bank in 2005

During 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. The Bank also followed up on the many initiatives that had been started in 2004.

Work on the framework of the START Project, intended to promote sales and improve branch processes has continued with demonstrable results. Customer satisfaction surveys conducted by GFK Hungária Market Research Institute confirm that the quality of customer service has improved and waiting times have been shortened. The Bank's experts continue to improve the system in response to ongoing feedback.

The Bank continued its Basel II project and commenced its IFRS project. Since October 2004 the Bank has completed the majority of tasks required under its Basel II Implementation Project for its launch in 2007 and for approval by the Hungarian Financial Supervisory Authority. The objective of the IFRS project is to establish and introduce consolidated IFRS accounting and controlling procedures as well as a settlement system.

In addition, the Bank has implemented systems that make the provision of mandatory data by the Bank considerably simpler. The Mandatory Report Preparation System (**MRPS**) enables the Bank to produce reports for the supervisory authority automatically using uniform procedures. Activities that had previously been performed manually have become automated. Manual data input is supported by a controlled interface, and general ledger reconciliation has been expanded with the result that employee time has been freed for other tasks.

In 2005 the Interest system that had been used for handling securities was replaced by the CLAVIS system.

In 2005 the Bank continued to improve its electronic banking systems and a number of additional features were added to the system (e.g. credit card bank statements can be downloaded retroactively). In connection with this, the MiddleWare and Base24 systems, providing support for the sales channels and card systems, were also improved.

Bank card systems were also enhanced: the operational system supporting ATMs was upgraded and its functionality increased. The new developments ensure consistent availability of the services offered by ATMs.

In order to develop and improve the efficiency of its agency sales network, the Bank launched the Partner Project in 2005. The first phase of this project involved identifying the areas to be improved (capacity utilisation, product offering, customer relations, and the system of staff incentivisation, training and support). The implementation phase was commenced in the autumn of 2005, and the first campaigns were launched with an expanded selection of products.

In addition, improvements have been 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.

Main developments in the Bank in the first half of 2006(1)

Consolidated earnings before tax reached HUF 111.1 billion, HUF 18.6 billion higher than in the base period 2005 (an increase of 20.2 per cent.), after tax profit grew by HUF 16.5 billion (an increase of 21.6 per cent.) amounting to HUF 92.9 billion. Interest revenues increased by 8.1 per cent. and were HUF 246.6 billion, while interest expenditures grew by 19.1 per cent. and reached HUF 102.1 billion. Net interest income only slightly exceeded the base period (an increase of 1.5 per cent.), however the swap adjusted dynamism was significantly higher (13.5 per cent.) given the negative result of net swap (HUF 12.6 billion).

Provisions for loan losses amounted to HUF 9.3 billion, 28 per cent. less than a year ago. Non-interest type revenues grew (an increase of 41.2 per cent.) and were close to HUF 136 billion, the growth of non-interest expenditures was more moderate (20.1 per cent.) at HUF 160 billion. Within total revenues of HUF 280 billion, the share of non-interest type revenues grew to 48.5 per cent. against 40.4 per cent. in the base period.

The strong growth of the loan portfolio was accompanied by a moderate weakening of the loan book quality: the portion of qualified loans grew from 12.4 per cent. to 13.7 per cent., within that the ratio of non-performing loans picked up more significantly reaching 4.2 per cent. versus 3.3 per cent. a year ago. The cost of risk on the other hand dropped to 53 basis points (2005 1H: 0.93 per cent.) The cost to income ratio increased slightly by 0.5 per cent. reaching 54.8 per cent.. The return-on-assets was 3.39 per cent. (-6 basis points), the return-on-equity was 32.5 per cent. (-1.2 per cent.). Equity-per-share stood at HUF 359, the diluted one was HUF 358, by HUF 68 and HUF 67 higher than a year ago.

As at 30 June 2006 the consolidated IFRS total assets of the Bank were HUF 5,735 billion, representing a HUF 1,042 billion or 22.2 per cent. growth over the same period a year earlier. Consolidated IFRS total assets were 45 per cent. higher as at 30 June 2006 than the non-consolidated figure. The balance sheet grew by HUF 290 billion or 5.3 per cent. during the second quarter of 2006.

On the liability side, customer liabilities were HUF 3.715 billion, 18.1 per cent. higher than a year earlier. Customer deposits grew by HUF 197.2 billion or by 5.6 per cent. from the end of the first quarter. Customer deposits represented 64.8 per cent. of total liabilities (67 per cent. as at 30 June 2005). Out of total 20.8 per cent. of deposits came from corporate; 73.7 per cent. from retail and 5.4 per cent. from municipality sector customers.

The Bank's consolidated shareholders' equity on 30 June 2006 was HUF 598.7 billion, HUF 122.4 billion or 25.7 per cent. higher than the consolidated shareholders' equity as at 30 June 2005, and 24.9 per cent. higher than the unconsolidated shareholders' equity. During the second quarter of 2006 the consolidated shareholders' equity increased by HUF 59.7 billion. The shareholders' equity represented 10.4 per cent. of total assets. Book value per share (BVPS) amounted to HUF 2.287 as at 30 June 2006. Gains made in the Bank's profit and loss account which are due to foreign exchange operations have been on the whole offset by losses on interest rate swaps.

Balance sheet events after the first half of 2006

- On 3 July 2006 the Bank announced the purchase of Investsberbank, Russia. The price for 96.4 per cent. of shares was USD 477 million (EUR 373 million). Structural changes in the management of Investsberbank are currently planned.
- On 5 July 2006 the Bank purchased the remaining 25 per cent. of shares in SCD Group, thus becoming the owner of 100 per cent. of shares in OTP-SCD Leasing Plc. The company is prominent in the Hungarian housing leasing market.
- As a next step in its Serbian acquisition, the Bank purchased 76 per cent. of shares in Kulska banka. The price was EUR 118.6 million.
- On 17 July 2006 the Bank submitted a binding bid for 69.9 per cent. of shares in CEC, Romania.

(1) The data provided in this section are based on the non-audited 2006 Second Quarter Stock Exchange Report of the Bank.

- Based on the notification received on 27 July 2006, Julius Baer Investment Management LLC (New York) acquired ownership of shares above 5 per cent.; their current holding is 5.57 per cent.
- On 29 August 2006 the Bank announced the purchase of 100 per cent. share package of Crnogorska komercijalna banka AD.
- Pursuant to the extraordinary announcement of Kafijat Kereskedelmi és Consulting Kft. (registered seat: 1023 Budapest, Felhévízi u. 24., Hungary) dated 15 September 206, the companies owned by Mr. Megdet Rahimkulov and his close relatives acquired 5.294 per cent. of indirect influence in the Bank through stock exchange transactions.

See also "—Recent Developments" for additional information.

Trend information

In 2005 decreasing inflation created further room for the National Bank of Hungary (**NBH**) to cut rates. In total, NBH lowered rates by 350 basis points in the first nine months of the year, which caused significant pressure on margins. Because of its mix of products the Bank has been able to offset this with higher loan volumes moderating the drop in net interest margins.

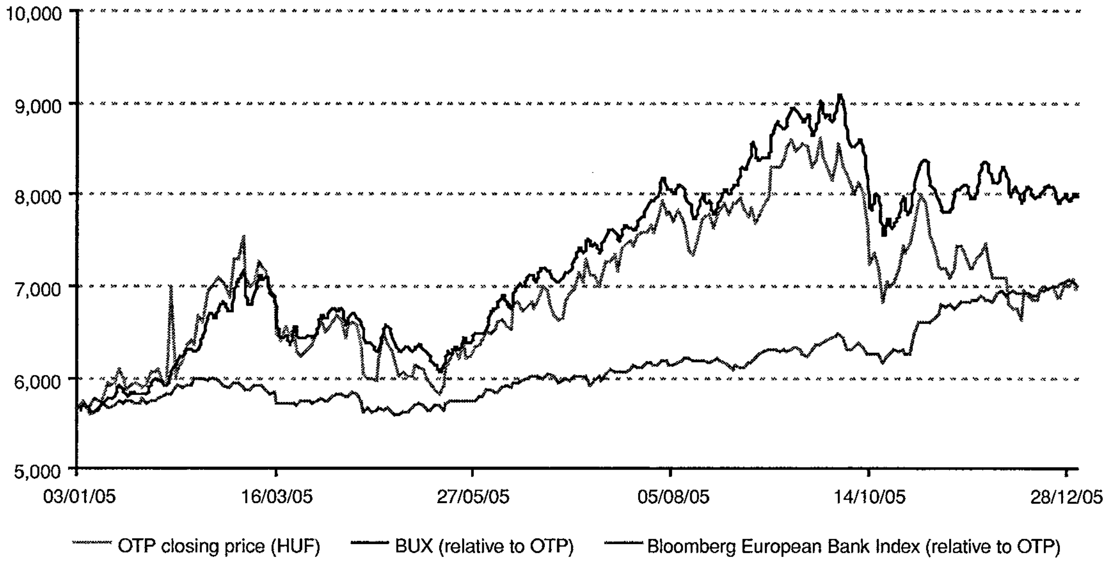
In the financial services market, the Bank does not expect that any trends or events will have a significant effect on the Bank's performance or the development of market segments.

For 2006 the Bank anticipates a flat interest rate environment, however intensifying competition will put pressure on interest rate margins. The NIM (Net Interest Margin) is expected to drop by approximately 48-50 basis points. However, loan volume is expected to grow, especially in the case of retail products. Net interest income, and net fees and commission earnings are expected to offset the negative impact of declining interest rate margins.

In July 2006, the Hungarian Parliament approved an "austerity package" in order to restore fiscal equilibrium within Hungary. One-off tax measures, as well as the indirect effects thereof, may put pressure on the Bank's business through lower volumes and result in lower levels of earnings than would otherwise have been the case. The announced acquisitions in the Ukraine, Russia and Serbia will also influence the Bank's mid-term strategic goals. In 2006 the net impact of the developments detailed in this paragraph are expected to be neutral and the management believes that the Bank will achieve its original earning targets of HUF 185 billion. In 2007 the consolidated profit after tax may move upwards as a result of incorporating the profit and loss accounts of the newly-acquired banks, despite of the negative impact of fiscal tightening.

Share price in 2005

The increase in the price of the Bank shares in the past years has been greater than that of the share prices of many eastern and western European banks. In 2005 the price of the Bank's shares increased by 25.1 per cent. to HUF 6,967 at year-end, while the BUX, the share index of the Budapest Stock Exchange, increased by 41 per cent. in the same period. The market value of the Bank's shares had risen to HUF 1,950 billion or EUR 7.7 billion by the end of December 2005. Up until the autumn of 2005, the Bank's share price outperformed the benchmark indices; however, in the autumn—primarily due to investors' assessment of the emerging economics and of Hungarian macroeconomic performance in particular—the share price underperformed its benchmarks (BUX Index and Bloomberg European Bank Index). In 2005 the price of the Bank's shares had grown by a factor of almost 61 (in forint terms) since the initial listing in August 1995.



The price of OTP shares in 2005

OTP Share Price Information 2003–2005

The following table sets out the (i) high, (ii) low, (iii) average and (iv) period end share price data for the shares of OTP for the years ending 31 December 2003, 2004 and 2005:

Year	High	Low	Average	Period End
2003	2,945	2,134	2,428	2,675
2004	5,665	2,675	4,160	5,570
2005	8,630	5,590	6,983	6,967

Source: Bloomberg

OTP Share Price Information January 2006–September 2006

The following table sets out the (i) high, (ii) low, (iii) average and (iv) period end share price data for the shares of OTP for the period from 1 January 2006 to 30 September 2006:

Month (2006)	High	Low	Average	Period End
January	7,679	7,099	7,414	7,150
February	8,294	7,008	7,657	7,956
March	8,020	7,465	7,695	7,555
April	8,298	7,365	7,792	8,100
May	8,325	6,811	7,662	6,811
June	7,000	5,190	5,931	6,270
July	6,789	5,900	6,293	6,351
August	6,380	5,960	6,223	6,250
September	7,065	6,201	6,638	6,780

The closing price of the OTP shares on the Budapest Stock Exchange on 24 October 2006 was HUF 7,125.

Source: Bloomberg

MANAGEMENT

Board of Directors

Under Hungarian law, the Board of Directors is responsible for the day-to-day management of the Bank. The Board of Directors reports to the shareholders on the Bank's management, financial position and business policy. According to the Bank's By-Laws, the Board of Directors (the Board) may not consist of less than five nor more than 11 members. The Board of Directors is elected for a term of five years and the members may be re-elected. Each member of the Board of Directors has a single vote at Board meetings. In the event of a voting tie, the vote of the Chairman is decisive. The business address for members of the Board of Directors of the Bank is Nádor utca 16, 1051 Budapest, Hungary. Members of the Board of Directors are as follows:

Dr. Sándor Csányi has served as Chairman and Chief Executive Officer of the Bank since 1992 and is responsible for the strategy and overall operations of the Bank. Dr. Csányi has held senior positions in the banking sector, including Head of Department at Hungarian Credit Bank Ltd. from 1986 until 1989, and Deputy Chief Executive Officer at K&H Bank from 1989 until 1992. He previously worked in the Revenue Directorate and the Secretariat of the Hungarian Ministry of Finance and as Head of Division at the Hungarian Ministry of Agriculture and Food Industry. He is a financial economist, a certified price analyst and a chartered accountant. He is a member of the Board of Directors of Europay, MOL and also member of the presidency of the Hungarian Banking Association.

Dr. Zoltán Spéder has been a member of the Board since 1991, has served as Vice Chairman of the Board since 1995, and as Chief Financial Officer and Deputy Chief Executive Officer of the Bank since 1996. From 1987 to 1996, he was employed at the Financial Research Institute as research fellow in banking and corporate finance. Between 1991 and 1992, Dr. Spéder was adviser to the Minister of Finance. Dr. Spéder has a PhD and MSc from the Budapest University of Economics.

Mr. Mihály Baumstark has been a member of the Bank's Board since April 1999 and has been Chairman and Chief Executive Officer of Csányi Vinery Ltd. since 1999. Mr. Baumstark holds degrees in agricultural engineering and agricultural economy. Mr. Baumstark was employed between 1978 and 1989 at the Ministry of Agriculture and Food, his last position being Deputy Head of the Accounting Department.

Dr. Tibor Bíró has been a member of the Board since May 1992, and is currently Head of Department at the College of Economics in Budapest, where he has taught since 1982. Dr. Bíró has a degree in economics from the Budapest University of Economics and was Head of the Financial Department of Tatabánya City Council from 1978 to 1982. Dr. Bíró is a registered auditor and a member of the Council of Experts of the Hungarian Chamber of Auditors.

Mr. Péter Braun was a Deputy Chief Executive Officer and Head of the IT and Logistics Division from 1993 until 2001, and he has been a member of the Board since 1997. Mr. Braun earned a degree in electrical engineering at the Budapest University of Technology. Between 1954 and 1989, Mr. Braun was employed at the Research Institute for Electrical Energy, his last position being Head of Department. Thereafter, Mr. Braun was the Managing Director of K&H Bank, working in its Computer and Information Centre. Mr. Braun is also a member of the Board of Directors of Giro Ltd.

Dr. István Kocsis has been a member of the Board since 1997. Dr. Kocsis is a graduate of the Budapest Technical University and, between 1991 and 1993, worked at the Ministry of Industry and Trade as Head of Department and later as Deputy Undersecretary of the Hungarian State. He served as Deputy Chief Executive Officer, and subsequently acting Chief Executive Officer, at the Privatisation Agency (ÁPV Rt.) from 1993 until 1996, at which time he regained the position of Deputy Chief Executive Officer. Dr. Kocsis was Head of Division at RWE Energie AG, General Director at ÉMÁSZ Rt. and CEO of Paks Nuclear Power Plant. Since 2005, he has been CEO of Hungarian Power Companies Ltd. (MVM Rt.).

Mr. Csaba Lantos has been a member of the Board since 2001. He has served as Deputy Chief Executive Officer of the Bank since 2000. He was employed at Budapest Bank as a bond dealer from 1986. Subsequently, he was Head of Securities Trading at Creditanstalt Securities Ltd. until 1994 and the Deputy CEO until 1997. At the same time he served as a managing director of Creditanstalt Securities Investment Fund Management Ltd. Between 1997 and 2000, he was CEO and Chairman of the Board of CA IB Securities. He has been a member of the Council of the Budapest Stock Exchange since 1990 and Chairman of the Board of Central Clearing House and Depository Ltd. (KELER) since 1993.

Dr. Sándor Pintér has been a member of the Board of Directors since April 2006. He was member of the Supervisory Board of the Bank from 2003 until April 2006. Dr. Pintér has a degree from the Police Officer Training College and gained a law degree from Eötvös Loránd University (ELTE) in 1986. From 1970, he worked for the Home Office. In December 1996, he retired as police superintendent. From 1998 until 2002, he served as Home Secretary of the Hungarian Republic. He previously served as a member of the Board of Directors of the Bank between 1997 and 1998.

Dr. Antal Pongrácz has been a member of the Board since 2002. He has served as Managing Director and later as Deputy Chief Executive Officer of the Bank since 2001. From 1969 he worked as an analyst, from 1976 he was employed at the Ministry of Finance, where he was the principal officer of several departments. Thereafter, he was deputy Chairman of the State Youth and Sport Office. From 1988 until 1990, he served as Deputy CEO of the Bank. He was CEO and later Chairman and CEO of European Commercial Bank Ltd. until 1994. Subsequently, he was Chairman of Szerencsejáték Rt. and thereafter CEO of Hungarian Airlines Ltd. Dr. Pongrácz has a PhD and MSc from the Budapest University of Economics.

Dr. László Utassy has been a member of the Board since 2001. He has served as Chairman and CEO of OTP Garancia Insurance Ltd. since 1996. From 1978 to 1995, he was employed at State Insurance Company and ÁB-AEGON Insurance Company. Dr. Utassy has a law degree from Eötvös Loránd University (ELTE) Budapest and also a degree in economics from the Budapest University of Economics.

Dr. József Vörös has been a member of the Board since 1992. Currently, Dr. Vörös is the General Deputy Rector at the University of Pécs, where he has taught since 1984. Dr. Vörös acquired a degree in economics from the Budapest University of Economics in 1974 and holds a PhD and DSc from the Hungarian Academy of Sciences, gained in 1984 and 1993, respectively. Dr. Vörös was Dean of the Faculty of Business and Economics at the Janus Pannonius University from 1990 to 1993 and AMP at the Harvard Business School in 1993.

Supervisory Board

The Supervisory Board is responsible for monitoring the managerial and administrative affairs of the Bank and for ensuring that the Bank complies with Hungarian law and its own constitutive documents. It reviews all important reports submitted at the General Meeting, proposals by the Board of Directors, the financial statements and recommendations concerning the distribution of profits, the report of the independent auditors, and prepares a written report for the General Meeting. All of the Supervisory Board members are elected by a simple majority vote at the General Meeting, though one-third are nominated by the Workers' Council from the employees (and the shareholders are required to elect such nominees). According to the Bank's By-Laws, the Supervisory Board may not have less than three nor more than nine members. Under the Credit Institutions Act, a bank's supervisory board may not have more than nine members.

Members of the Supervisory Board are as follows:

Mr. Tibor Tolnay is the Chairman of the Supervisory Board and has been a member of the Supervisory Board since 1992. Mr. Tolnay is currently Chief Executive Officer of Magyar Építök Ltd., a position he has held since 1972. Mr. Tolnay earned a degree in architecture from the Budapest University of Technology and a degree in economics from the Budapest University of Economics.

Dr. Gábor Nagy has been a member of the Supervisory Board since 1991. Dr. Nagy is a registered auditor with a degree from the Budapest University of Economics. From 1974 to 1977, he worked at the Institute for Further Education at the Ministry of Finance of Hungary. Since 1977, Dr. Nagy has worked in a variety of positions in the accounting division of the Hungarian Ministry of Finance and is currently Head of the Accounting Division.

Dr. Gábor Horváth is a member of the Supervisory Board. Dr. Horváth has a law degree from Eötvös Loránd University (ELTE). From 1983 to 1986, Dr. Horváth worked for the Hungarian State Development Bank. From 1986 to 1990, he worked for a legal co-operative office. Since 1990, Dr. Horváth has worked as a private, independent lawyer, and his clients include the Hungarian Ministry of Finance, the Hungarian State Institute for Research and the Budapest Municipality.

Mr. Antal Kovács has been a member of the Supervisory Board since 2004. Mr. Kovács has a degree from Budapest University of Economics. He started his professional career at K&H Bank, where he was a

Branch Director from 1993 to 1995. From 1995, he was employed by the Bank as County Director and from 1998 he became the Regional Director of the South Transdanubian Region.

Ms. Klára Vécsei is a member of the Supervisory Board and is the Deputy Managing Director of the Bank's Northern Hungary Region. Ms. Vécsei joined the bank in 1970 and has held a variety of senior positions, including Deputy Head of the Accounting and Controlling Department and Chief Accountant. She received a degree in economics from the Budapest University of Economics.

Senior Management

The Chairman and CEO, Dr. Sándor Csányi, and the six Deputy CEOs manage the Bank's course of business on a day-to-day basis. The Deputy CEOs are:

Dr. Zoltán Spéder	Strategic and Financial Division
Csaba Lantos	Retail Banking Division
Dr. István Gresa	Credit Approval and Risk Management Division
Ákos Takáts	IT and Logistics Division
Dr. Antal Pongrácz	Staff Division
László Wolf	Commercial Banking Division
Géza Lenk	Presidential Adviser

Dr. István Gresa has served as Deputy Chief Executive Officer of the Credit Approval and Risk Management Division of the Bank since March 2006. Dr. Gresa earned a degree at the College of Finance and Accountancy in 1974 and he acquired a degree in economics at the Budapest University of Economic Sciences in 1980. He was awarded a doctorate degree at the Budapest University of Economic Sciences in 1983. From 1989 to 1993 he was employed at the Budapest Bank as a branch manager in Zalaegerszeg. He has been employed at the Bank since 1993, first as county managing director, and since 1998 as senior managing director of the Bank's West Transdanubian Region.

Mr. Ákos Takáts has been nominated as Deputy Chief Executive Officer of the IT and Logistics Division of the Bank with the effect of 1 October 2006 his nomination was approved by the Hungarian Financial Supervisory Authority on 19 October 2006. Mr. Takáts acquired a BSc degree in 1982 and an MSc degree in 1985 in Horticulture Engineering at Horticulture and Food Industry University in Budapest. From 1985 to 1987 he was Associate Lecturer at the Horticulture and Food Industry University. From 1987 to 1989 he was employed as Programmer at the Bank From 1989 he was the Head of IT at Investbank Ltd. for 4 years. From 1993 to 1995 he served as Deputy Head of Department, at the Bank, IT Development Directorate, and from 1995 to 2006 as Managing Director of the Directorate. From October 2006 he serves as deputy CEO and CIO at OTP.

Mr. László Wolf has served as Deputy Chief Executive Officer of the Commercial Banking Division of the Bank since 1994. Mr. Wolf acquired a degree in economics from the Budapest University of Economic Sciences in 1983. From 1983 he was employed at the National Bank of Hungary, International Banking Division for eight years. From 1991 to 1993 he was the Chief Treasurer of BNP-KH-Dresdner Bank in Budapest. From April 1993 he served as Managing Director of the Treasury of the Bank.

Mr. Géza Lenk was a member of the Board from 2001 until 28 April 2006. He has served as Deputy CEO of OTP since 2001, from March 2006 as adviser to the chairman, prior to that, having responsibility for managing the Bank's Credit Approval and Risk Management Division. Previously he worked at the National Bank of Hungary, and was CEO of the General Enterprise Bank until 1988. After that he served as Chairman & CEO of K&H Bank until 1995. From 1996 Mr. Lenk was the Vice Chairman and Deputy CEO of Trigon Bank in Vienna. From 1998 to 2000 he was the head of the MKB Leasing and Finance group, and Chairman and CEO of the company Reorg Rt. Mr. Lenk is a graduate of the Budapest University of Economics and the International Banker's School in London.

The business address for the members of the Supervisory Board and Senior Management is Nádor utca 16., 1051 Budapest, Hungary.

Conflicts of interest

There are no actual or potential conflicts of interest between the private interests or duties of the members of the Board, the Supervisory Board or Senior Management of the Bank and their duties to the Bank.

Management share ownership

As at 30 June 2006*

Type	Name	Position	No. of shares held
Board of Directors	Dr. Sándor Csányi	Chairman and CEO	4,945
Board of Directors	Dr. Zoltán Spéder	Deputy Chairman and Deputy CEO	388,400
Board of Directors	Mr. Mihály Baumstark	Member	90,000
Board of Directors	Dr. Tibor Bíró	Member	58,000
Board of Directors	Mr. Péter Braun	Member	631,905
Board of Directors	Dr. István Kocsis	Member	83,500
Board of Directors	Mr. Csaba Lantos	Member, Deputy CEO	284,116
	Dr. Sándor Pintér	Member	25,350
Board of Directors	Dr. Antal Pongrácz	Member, Deputy CEO	240,000
Board of Directors	Dr. László Utassy	Member	70,000
Board of Directors	Dr. József Vörös	Member	130,000
Supervisory Board	Mr. Tibor Tolnay	Chairman	120,580
Supervisory Board	Dr. Gábor Horváth	Member	30,000
Supervisory Board	Mr. Antal Kovács	Member	70,000
Supervisory Board	Dr. Gábor Nagy	Member	130,000
Supervisory Board	Ms. Klára Vécsei	Member	11,000
Senior Management......	Dr. István Gresa	Deputy CEO	63,600
Senior Management......	Mr. Gyula Pap**	Deputy CEO	372,820
Senior Management......	Mr. László Wolf Deputy	CEO	817,640
Senior Management......	Mr. Géza Lenk	Deputy CEO	192,000
Total.................			**3,813,856**

* Figures based on the 2006 Second Quarter Stock Exchange Report of OTP Bank Plc.

** **Mr. Gyula Pap** resigned with the effect from 1 October 2006.

Notes:

(1) Number of OTP shares owned by Dr. Csányi directly or indirectly: 2,806,945

(2) Number of OTP shares owned by Mr. Spéder directly or indirectly: 1,768,400

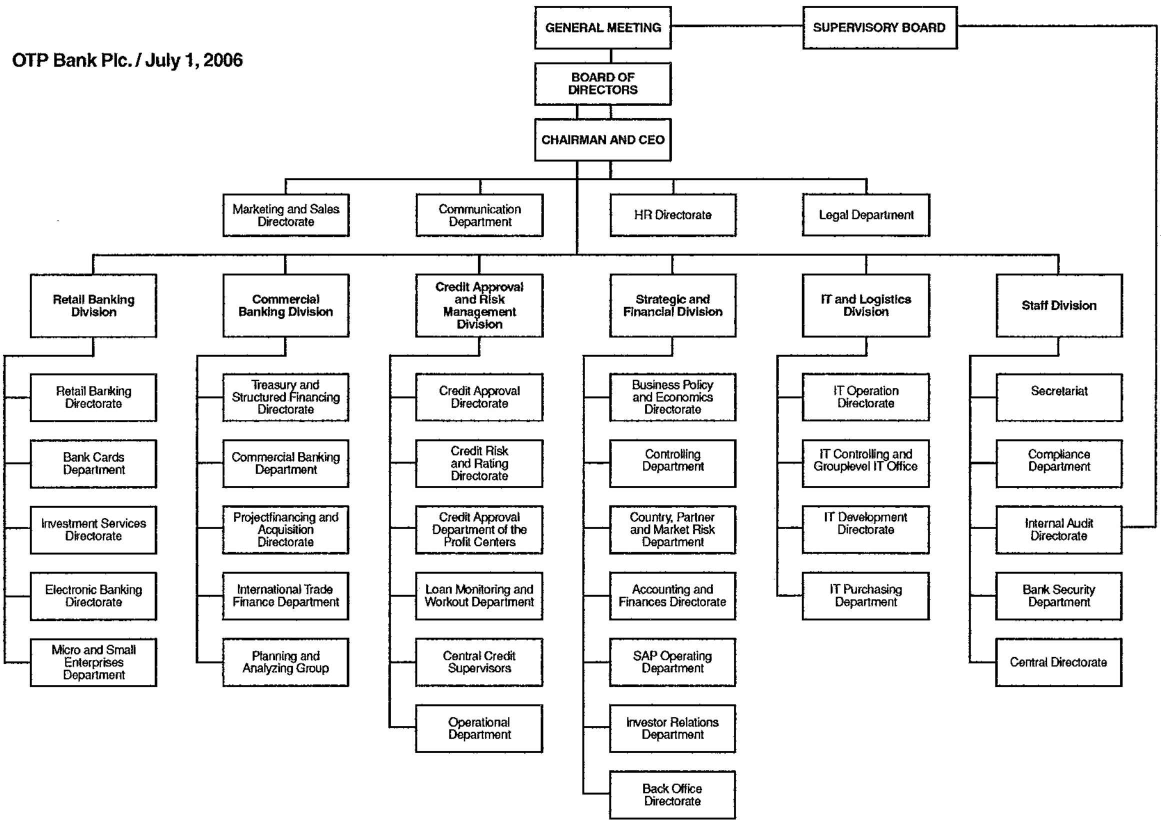
ORGANISATIONAL STRUCTURE AND EMPLOYEES

Organisational Structure

The Bank's operations are divided between the Bank's headquarters in Budapest and the Bank's branches throughout Hungary. The main banking activities of the Bank are carried out at the branches. The functions of the headquarters in Budapest include, among other things, the overall management of the business, the monitoring of the performance and activities of the branches, the development of new products and supporting the branches in their customer relations efforts.

The Bank has recently been restructured to streamline its operations. As a result, the Bank currently consists of two core operational divisions and three functional divisions, each headed by a Deputy Chief Executive Officer. The core operational divisions are the Retail Banking Division and the Commercial Banking Division. The Retail Banking Division is responsible for retail services such as savings and current account services and consumer loans. The Commercial Banking Division is responsible for the corporate, municipal, international, securities and treasury and structured finance businesses. The principal non-operational divisions of the Bank are the Credit Approval and Risk Management Division, the Strategic and Financial Division and the Information Technology and Logistics Division.

The chart below sets out the Bank's organisational and responsibility structure:



Employees

The table below shows the total number of employees as at 31 December, of the year represented.

	2000	2001	2002	2003	2004	2005
Total number of employees	8,137	8,293	8,770	7,980	7,777	7,999

The Bank has enjoyed relatively low staff turnover, due to its strong labour market position. It operates training programmes focused on developing the competencies needed for the given position. These are targeted at new employees, specialists and management respectively.

As a result of changes in the Hungarian pension system, an increasing number of employees are now required to pay 8 per cent. of their gross salary into the Private Pension Fund. The fund, which was established by the Bank, began operating in 1998. The Bank makes a further contribution of 2 per cent. to this fund in respect of its own employees. In addition, in 1995 the Bank established a voluntary private pension fund. The total employees' contribution amounts to 12 per cent. of gross salary, of which 10 per cent. is paid by the Bank and 2 per cent. by the employee. At present, most employees are members of the fund.

The Bank has also established a health fund, which has been operating since May 2002. Currently, the monthly contribution of employees to the health fund is HUF 7,700 (approximately EUR 31), of which 78 per cent. is paid by the Bank.

Furthermore, in 1995 an independent employee trade union was founded, which set up the Alliance of Financial Employees Trade Unions.

MAJOR SHAREHOLDERS

The following table sets out the shareholding structure of the Bank as at 30 June 2006.

The Bank is not aware of any arrangements the operation of which may at a subsequent date result in a change in control.

	30 June 2006	
Description of owner*	**Ownership ratio**	**Quantity of shares**
Domestic institution/company	12.3%	34,361,467
Foreign institution/company	72.6%	203,190,739
Domestic individual	3.5%	9,698,344
Foreign individual	1.0%	2,678,584
Employees, senior officers	2.3%	6,532,546
Treasury shares	6.5%	18,199,408
Government held owner	0.4%	1,138,913
International Development Institutions	1.5%	4,200,000
TOTAL	100.0%	280,000,001

* Figures based on the 2006 Second Quarter Stock Exchange Report of OTP Bank Plc.

THE GROUP

The Bank is at the head of the Group, which consists of 49 other companies.

ACTIVITIES OF THE HUNGARIAN OTP GROUP MEMBERS(2)

RETAIL BANKING SERVICES

Basic retail services

The Bank is one of Hungary's best known banks. During the process of consolidation that has taken place in the banking market in the past few years, The Bank has maintained its position in the retail segment through developing its product range and focusing on customer service. In order to achieve this, the Bank has been using the Transaction Database and the CRM system, both of which have been implemented in the last year, to retain customers and develop products suited to their needs. Several other projects were launched and successfully completed in 2005 to improve customer service.

Account management, channels, banking transactions

At the end of 2005, the Bank had 4.6 million retail customers, 2.9 million of whom had forint current accounts.

The Bank has sought to simplify account management for its customers through the use of technology. The number of customers using the Bank's electronic channels increased substantially in 2005. Some 727,000 customers made calls to the telephone help desk (33.8 per cent. market share), over 533,000 customers used the mobile phone based services (47.6 per cent. market share), while 370,000 customers used internet banking (51.4 per cent. market share). This represents a 24 per cent. and 33 per cent. increase in the number of telephone banking and internet banking customers respectively, while the number of mobile banking service users grew by 112 per cent. The number of text messages sent (e.g. mobile signature, control, interactive text message) grew by 53 per cent., the number of internet transactions by 62 per cent., the number of mobile phone contracts by 108 per cent., and the number of Electronic Account packages by 47 per cent.

In 2005 improvements were made to the Bank's electronic delivery channels. These improvements offered increased practicality and convenience for customers. For example, customers received help in storing certain frequently occurring data and in issuing multiple direct debit orders and within internet based services, application and download options have been enhanced, and securities management functions are being made more widely available.

The Bank is developing and improving the efficiency of its agency sales network. In order to achieve this, it launched the Partner Project, under which a new sales support and incentive system was introduced, the IT support system was further improved, and the number of agents was increased by the end of the year to 725. The project includes a sales competition to encourage agents to achieve the targeted volumes. The key products sold by the agents were housing and mortgage-backed loans. In the last months of the year, personal loans and credit cards were added to the selection of products offered within the Partner system. In December 2005 more than 40 per cent. of the contracted housing loan volume was sold by agents.

The renovation and modernisation of the branch network continued in 2005. Quality of customer service has improved and waiting times have been shortened. Within the Infrastructure and Network Optimisation Project, 21 branches had been opened by 31 December 2005.

Bank cards

At year-end 2005, the number of cards issued by the Bank stood at 3,820,000, a 4.9 per cent. 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 per cent. compared to the 3,500,000 cards at year-end 2004. Within this, the number of classic debit cards issued to current account holders was 2,784,000, and the number of Multipoint charge cards was 500,000, while the number of cards linked to "B-Hitel" and "C-Hitel" overdraft facilities, currently in the process of being phased out, was down to 105,000 at

(2) According to Hungarian Accounting Standards

year-end 2005. The number of classic credit cards, (a product that had been 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 had sold 52,000 AMEX credit cards by the end of the year. The number of foreign currency based cards issued by the Bank increased by 16.3 per cent. over the year, to more than 10,000.

By year-end 2005, the number of ATMs operated by the Bank had increased to 1,500, from 1,400 in the previous year. In 2005 the number of transactions carried out using ATMs owned by the Bank was 76.1 million, while 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 per cent.

As at 31 December 2005, the number of POS terminals was 25,478, representing an increase of 3,801 compared to the previous year. The Bank operated 3,439 of these terminals at its own branches, 17,104 at commercial outlets and 4,935 at post offices. The number of POS terminals at commercial outlets grew by 24.4 per cent. In 2005, the number of transactions made using the Bank's own POS network was 63 million, with a volume of HUF 527 billion, which represents a 21 per cent. rise in the number of transactions and in turnover. On the issuer side, the number of transactions and turnover increased by 17.2 per cent. and 18.3 per cent. respectively compared to 2004. The 50 million transactions carried out by the Bank's customers resulted in a turnover of HUF 375 billion.

Deposits, investments

At year-end 2005 the Group managed more than one third of total household deposits in Hungary (34.7 per cent.). Based on the combined balance sheet total of financial institutions, at year-end 2005 the Bank had a market share of 34.5 per cent. in household forint deposits and 36.0 per cent. in foreign-currency deposits. Within the group, household deposit products are offered by the Bank, Merkantil Bank and OTP Building Society.

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 per cent. increase over the previous year's figure.

Within retail deposits, forint deposits increased by 7.0 per cent., 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 per cent. (in 2004: 75.1 per cent.). Following a 3.8 per cent. 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 per cent. share within forint deposits. The volume of foreign currency deposits grew by 11.4 per cent., or HUF 26.3 billion, to HUF 258 billion, accounting for 13.8 per cent. of retail deposits as at year-end 2005 (in 2004: 13.3 per cent.). 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, partly due to exchange rate changes.

OTP Building Society's deposit portfolio increased by 32.5 per cent., to HUF 78.8 billion, close to 95 per cent. of which came from retail deposits. During the course of the year, the Building Society concluded over 106,000 contracts, with a total contract value of HUF 115.6 billion. By year-end 2005 OTP Building Society had attained a 54.7 per cent. market share based on the number of valid contracts, a 48.7 per cent. market share based on contract value, and an estimated 49.3 per cent. market share based on deposit volume in the twoplayer building society market.

Investment funds, securities

Through OTP Fund Management, the Group is one of the leading service providers in the fund management market. As at 31 December 2005, the Group's market share of the securities fund market in Hungary was 38.3 per cent.

In 2005 the domestic investment market was characterised by a decline in bond yields, a soaring stock market, 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. The Bank, in line with the overall trend in the market—and despite the negative factors that came into play at year-end—closed a record year in securities trading.

The net asset value of the Bank's managed funds amounted to HUF 580.4 billion at the end of 2005, a 48.4 per cent. increase compared to 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 per cent. The assets of the Maxima, Paletta, UBS Fund of Funds, Quality Equity Fund and Fantázia Derivative Share Fund also grew, while the assets of the Euro and Dollar Funds decreased over the course of 2005.

In 2005 the Bank further expanded its selection of products in the market. In addition to mortgage bonds with maturities of one and three years, the Bank launched a bullet payment bond with a 10-year maturity, and launched three new domestic (OTP) and five 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 per cent. Despite the negative tendencies at the end of the year, the retail securities portfolio managed by the Bank grew by 19 per cent. As a result, the Bank managed to maintain its market leading position in this segment of the market, with a market share of over 30 per cent.

Pension and health insurance fund services

Within the Group, funds are managed by OTP Fund Management, while administration and member recruitment in connection with the funds are performed by OTP Funds Servicing and Consulting.

OTP Funds play a leading role in the funds market both in terms of their assets and their membership count. By year-end 2005 the OTP Funds' assets stood at HUF 397.8 billion and their membership increased by 12.1 per cent. to 1,017,800. The Group's market share of household deposits was over 20 per cent.

In the course of 2005, the assets of OTP Voluntary Pension Fund grew by 19.6 per cent. from HUF 64.8 billion, to HUF 77.5 billion, and the number of its members stood at 226,000, a 21.7 per cent. increase over the prior year's figure. The assets of OTP Private Pension Fund grew by 41.8 per cent. to HUF 317.3 billion, and its membership numbers increased from 712,000 to 723,000. The assets of OTP Health Insurance Fund stood at HUF 3 billion, and its membership count was more than 68,000.

Life and non-life insurance

The Group offers a wide selection of life and bank insurance as well as non-life insurance services to its customers via OTP Garancia Insurance Ltd., and through the branch and agency network of the insurance company and the Bank. OTP Garancia Insurance is the largest Hungarian bank insurance provider and the second largest market participant in terms of its life insurance premium revenues.

OTP Garancia Insurance Ltd. achieved premium revenue of HUF 75.8 billion in 2005, which was 36.3 per cent., or HUF 20 billion, more than in the previous year. Its market share of total insurance premium revenue increased from 9.3 per cent. in the previous year to 11 per cent. More than 40 per cent. of the premium revenue was generated by sales within the Bank network.

Premium revenues from the life and bank insurance business were HUF 44.6 billion, which gave the company a 14.8 per cent. share of the life insurance market (compared to 11 per cent. in 2004). Of life insurance revenues, premium revenue from one-off premium payment life insurance policies grew by 124.3 per cent. or HUF 15.8 billion, while revenues from regular premium life insurance policies grew by 14.9 per cent. By the end of the year the volume of household deposits in life insurance premium reserves was close to HUF 115 billion. Revenues of the non-life insurance division were HUF 31.2 billion in 2005, which represents an increase of 7.8 per cent.

Retail loans

At the end of December 2005, the volume of retail loans made by the bank was HUF 460.1 billion, 23.9 per cent. higher than at year-end 2004, which can be attributed to a five-fold increase in the volume of foreign currency loans. In March 2005, the majority of disbursed forint based housing loans, foreign currency based housing and mortgage loans were 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. The Group(3) had a market share of 37.7 per cent. in household loans at the end of 2005.

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(3) OTP Bank, Merkantil Bank, OTP Mortgage Bank and OTP Building Society

Housing loans

The decrease in demand for forint based housing loans and a predominant demand for foreign currency based housing loans that started in 2004 continued in 2005 both nationwide and in respect of the Bank.

By year-end 2005, the volume of housing loans in the Bank's balance sheet had increased by 23.3 per cent., to HUF 210.1 billion. Close to half of all disbursed housing loans were foreign currency based. In 2005 the portfolio of housing loans transferred to OTP Mortgage Bank exceeded HUF 146 billion as a result of which OTP Mortgage Bank's housing loan portfolio grew by 9.3 per cent. to HUF 842.2 billion by year-end 2005. The loan portfolio of OTP Building Society—due to the increasing popularity of foreign currency based loans offered under favourable conditions—decreased by HUF 1.7 billion to HUF 6.2 billion. As of 31 December 2005, the total market share held by the Group—including the loans provided by OTP Mortgage Bank and OTP Building Society—stood at 46.4 per cent. The group's market share in foreign currency based housing loans grew by close to 16 per cent. (from 6.9 per cent. to 22.6 per cent.) in the year to 31 December 2005.

During 2005, the Bank phased out low volume products and introduced several new products in response to market demands and to utilise the opportunities created by changes in the system of subsidies (e.g. Fészekrakó, or First Home loan, low instalment facilities, debt repayment loan, preferential home loan package in connection with home sales by municipalities and ministries, and a foreign currency based loan combined with life insurance or building society deposit). In 2005 the Bank increased the number of its branches offering housing loans from 186 to 273, so that by the end of the year there were 725 agents selling the Bank's housing loans. The activities of agents and employees offering loan products are supported by the CRM sales support system and through training. At the end of 2005 the Bank, together with the SCD Group, the Hungarian real estate investment company, established OTP-SCD Leasing Co. Ltd., which launched a no-down payment home leasing facility, and Annuity Ltd., which introduced a real estate-based annuity product in the market in 2006.

Consumer loans

The Group offers consumer loans via the Bank, Merkantil Bank and Merkantil Car. The Bank offers primarily current account type, credit card, durable goods loans, and personal and mortgage-backed loans, while the other two companies offer vehicle financing loans.

In 2005 the volume of consumer loans extended by the Bank increased by 24.4 per cent., to HUF 249.9 billion. Together with the foreign currency based mortgage loans that were transferred to OTP Mortgage Bank, the volume stood at HUF 257.0 billion as of 31 December 2005. The Group's market share of household consumer and other loans grew from 23.2 per cent. to 24.4 per cent.

The portfolio of personal loans grew, by 67.2 per cent. in 2005, to reach HUF 123.3 billion by the end of the year, gradually replacing the "*B-*" and "*C-Hitel*" overdraft facilities, the volume of which fell by 51.8 per cent. to HUF 24.5 billion.

By 31 December 2005 the volume of the re-launched "*A-Hitel*" overdraft facility on retail current accounts had increased by 44.4 per cent., to HUF 45.6 billion. Owing to high forint interest rates, the volume of forint based mortgage-backed loans decreased by 45.2 per cent. 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 per cent., to HUF 8.8 billion.

In 2005, the Merkantil Group strengthened its position in the vehicle financing market despite fierce competition and decreasing vehicle sales. Its estimated market share on the basis of financed new cars is 20 per cent. At the end of 2005 Merkantil Bank's retail consumer loan portfolio stood at HUF 95.4 billion, and Merkantil Car's retail loan placement portfolio was HUF 94.0 billion.

Private banking services

The Group's private banking proposition to affluent customers was supplemented further in terms of its content in 2005. The Bank offers advisory services—investment advice, tax advice, travel arrangements, art and real estate advice—as well as 'prestige' benefits, such as a gold bank card and VIP lounge at Ferihegy airport, to its private banking customers. Since the middle of 2005, the Bank's 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 addition to the wide variety of domestic investment products available, the number of investment opportunities abroad also increased considerably in 2005, partly through the launch in Hungary of five foreign investment funds offered by UBS Asset Management, and through the offering of foreign equities and index-tracking funds (ETF) available via the Xetra stock exchange system.

Advisors assess customers' investment behaviour on the basis of individually compiled model portfolios, which they update with monthly tactical and quarterly portfolio reviews in order to be able to make their investment decisions on the basis of customised, up-to-date and detailed investment advice.

Private Banking customers are offered information on the products and services available to them on a separate private banking website and can also access the latest capital market information, which is prepared by the Bank's Analysis Centre through the web-site.

The number of private banking contracts was close to 11,000 by year-end 2005. Assets under management grew, by HUF 84.5 billion, to reach HUF 326.3 billion on 31 December 2005, representing a 35 per cent. gain in a year. Within the Private Banking portfolio, the portfolio managed in the context of the 'VIP' private banking service increased by 63 per cent., to reach HUF 46.4 billion in 2005.

COMMERCIAL BANKING SERVICES

Corporate services

Corporate account management, banking transactions

In addition to the corporate products and services offered by the Bank, Merkantil Bank offers corporate account management, and OTP Building Society and OTP Fund Management also offer deposit taking and investment fund sales to corporate customers. The total share of the Group(4) of the deposit portfolio of the credit institution sector in Hungary was 11.4 per cent. at year-end 2005.

As of 31 December 2005, the corporate deposit portfolio of the Group stood at HUF 459.5 billion, a 9.1 per cent. increase over the previous year. Of the deposit total, 60 per cent. was made up of the deposits of incorporated business entities, which represented an increase of 10.4 per cent. over the course of one year. The forint deposits of incorporated business entities grew by 9.8 per cent. to reach HUF 246.9 billion, while their foreign currency deposits in 2005 grew by 15.6 per cent. to HUF 29.5 billion. The volume of deposits held by small enterprises and individual entrepreneurs grew by 5.3 per cent. to HUF 64.7 billion, of which the share of forint deposits was 97 per cent.

In 2005, the handling of the corporate customer segment was divided into two groups, micro and small businesses on the one hand, and medium sized and large businesses on the other hand to enable the Bank to provide a more tailored response to customer needs. As a part of this reorganisation, the Bank created an MSE (micro and small enterprises) department within its retail division. Since September 2005, the Bank has extended the services offered to micro and small businesses and increased their availability. The deposit portfolio of MSE customers stood at HUF 215.3 billion as of 31 December 2005, and the total number of MSE customers was close to 200,000.

Bank cards, electronic services

At year-end 2005, the number of corporate credit cards issued by the Bank was approximately 115,000, representing an increase of 11.9 per cent. 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.

Of the various electronic services available to customers that have bank cards, the OTPDirekt telephone and mobile phone service continue to be the most popular, with 31,000 and 28,000 corporate users respectively at the end of 2005. The number of corporate customers that use internet banking services also grew considerably and was close to 48,000 by the end of 2005.

Corporate loans

The Bank and its subsidiaries—the Merkantil Group and OTP Building Society (in the case of domestic financing)—offer a wide selection of loan products to their corporate customers. As at 31 December 2005, the Group had a share of 11.7 per cent. of the credit institution sector's corporate loan portfolio.

The corporate loan portfolio grew by HUF 69.7 billion, to HUF 876 billion, at 31 December 2005.

In the same period, the loan portfolio of incorporated business entities grew by 12.4 per cent., to HUF 678.0 billion, while the foreign currency loans of this customer group rose by 22.5 per cent., to HUF 328.0 billion. The portfolio of small-enterprise loans increased by 11.2 per cent., to HUF 27.2 billion. Loans taken up by individual entrepreneurs grew by 6.0 per cent., to HUF 14.8 billion.

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

Over the year to 31 December 2005, loans to enterprises in the real estate and business services sector increased most, by HUF 68.9 billion, although there was also a 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. However, the loan portfolio of sectors offering other services decreased by 33.1 per cent.

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(4) The Bank, Merkantil Bank and OTP Building Society

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

The loan portfolio of the MSE segment, which was created as a result of the division in corporate customer management, was approximately HUF 33 billion as of 31 December 2005.

Leasing

The Group provides its leasing services through the Merkantil Group. The aggregate portfolio of capital-goods leasing stood at HUF 7.7 billion, while the ratio of the long-term capital-goods leasing portfolio was HUF 350 million at the end of 2005.

The closing portfolio of dealer financing at the end of 2005 stood at HUF 18.0 billion and 4.6 per cent. of the loan portfolio was foreign currency based.

The Group is represented in the property leasing market by Merkantil Property Leasing Co. Ltd. As of 31 December 2005, the balance sheet total of Merkantil Property Leasing was HUF 9.5 billion, while its property leasing portfolio had grown by HUF 3.4 billion compared to 2004. Over half of the property leasing contract portfolio is listed in the books of project companies and if this is taken into account, a further HUF 10.6 billion is added to the portfolio.

Project finance

The project finance division's total portfolio stood at HUF 193.8 billion on 31 December 2005, which represented a 10 per cent. increase compared to 2004. A major portion of the loans went to finance real estate projects (22.5 per cent.), the power generation sector (22.5 per cent.), and company acquisitions (19.4 per cent.).

The Bank concluded several transactions of 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).

MUNICIPALITY SERVICES

At the end of 2005 more than 74 per cent. of the client base, 2,359 municipalities and their institutions, had the Bank managing their cash flow accounts, which represented a 4 per cent. decrease compared to year-end 2004. The decrease is due to the fact that as a result of recent changes in statutory regulations, municipalities can change their account managing bank in any month of the year, and, if they wish to do so, they must—once a specified value threshold is reached—issue a competitive tender among the financial institutions as part of a public procurement process.

At the end of 2005, the volume of deposits held by municipalities was HUF 151 billion, which was 5.4 per cent. lower than at the end of 2004. As a result of intense competition the Bank's share of the market dropped slightly, from 66.2 per cent. to 63.4 per cent. At the same time, the Bank's portfolio of municipality loans grew in the course of the year, by 34.3 per cent. to HUF 127 billion, bringing its share of this segment of the loans market to 52.7 per cent.

The division introduced a quality assurance system in 2005 and acquired ISO 9001: 2000 certification.

The number of 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 FINANCING

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. Treasury supplied approximately 51 per cent. of foreign currency sources available to the Bank by raising foreign funds (syndicated and bilateral loans, foreign currency bond issues and forint/foreign currency swap transactions).

In February 2005 a subordinated bond of EUR 125 million was issued and in June an EMTN bond program with a total of EUR 1 billion was set up, which allows the Bank rapid access to the international capital markets. In July 2005 the Bank issued bonds with a variable interest rate at a face value of EUR 500 million, and in the fourth quarter, bonds with a face value of EUR 300 million under the programme. In August 2006 the Bank updated its EMTN programme and increased the programme amount from EUR 1 billion to EUR 3 billion. The Bank issued fix rate subordinated notes with an aggregate nominal amount of EUR 300 million on 19 September 2006 to finance the current acquisitions of the Bank.

In 2005, in order to ensure an optimal supply of short and long-term foreign currency sources, 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 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.

In 2005, among primary traders, the 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). In 2005 the Bank's foreign currency trading was sufficient for it to take over the number one spot on the turnover list among Hungarian banks according to statistics provided by the National Bank of Hungary (MNB), the first time this has been achieved 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 position as financier in the central and eastern European region. As a result, cooperation with the group's international members has expanded. The 25 new transactions executed in the course of the year represented a total volume of HUF 175 billion.

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.

ACTIVITIES OF FOREIGN SUBSIDIARIES[5]

DSK Group

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

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

In 2005, DSK Bank further increased its share of the loans market (16.2 per cent.), and retained its market leading position in the deposit market (14.8 per cent.). Based on its balance sheet total, DSK Bank's market share was 13.6 per cent., making it the largest bank in the Bulgarian banking market.

DSK Bank rapidly broadened its range of retail banking products in response to the demands of the marketplace. 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 centre, internet, and on text messages improved. A service package was developed for MSE customers, and, in addition, the electronic banking services offered to corporate customers and call centre services were expanded.

In addition to classic banking services, in 2005 DSK Bank began offering additional financial services through its subsidiaries. In addition to its existing subsidiaries[6], new subsidiaries DSK Asset Management, DSK Garancia General, a general insurance services company, and DSK Leasing (offering vehicle financing), 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 and DSK Balanced Investment Fund) through its branch network.

In the course of 2005 the number of DSK Bank branches increased from 327 to 357. The number of retail bank cards issued by the bank exceeded 915,000 at the end of the year, which equates to an increase of close to 32.4 per cent. compared to the end of 2004. The number of ATMs grew by 49 per cent., 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 Hrvatska d.d.

On 10 March 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 per cent. 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 per cent. The volume of customer deposits at year-end was HUF 232.5 billion, corresponding to a market share of 4.1 per cent.

By the end of 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 bank cards issued in 2005 grew by 10.7 per cent. to 339,000. Within this, the number of credit cards grew by close to 60 per cent. during the year to some 22,000.

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(5) According to IFRS

(6) POK DSK-Rodina, which manages two mandatory and one voluntary supplementary pension fund, DSK Tours, which offers recreational and tourism services; DSK Trans Security, which offers security services and valuables transportation; and DSK Garancia Life Insurance, which provides life insurance

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.

In 2005 the bank also expanded its sales network. By year-end the bank had 89 branches, 88 ATMs and 748 POS terminals. The headcount of the group as of year-end 2005 was 1,005.

OTP Banka Slovensko, a.s.

The bank operates in Slovakia as OTP Banka Slovensko, a.s ("OBS"). OBS's balance sheet total stood at HUF 262.9 billion at the end of 2005, which represents an increase of 22.3 per cent. compared to the end of 2004, and this growth gave OBS a 2.8 per cent. share of the Slovak banking market. OBS's equity rose over the same period by 14.5 per cent., to HUF 17.1 billion. OBS's after-tax profit for 2005, based on IFRS, was HUF 1,373 million, compared to the previous year's profit of HUF 512 million. OBS's ROAA at the end of 2005 was 0.57 per cent., its ROAE was 8.6 per cent., while its cost-to-income ratio, having dropped by more than 19 per cent., improved to 78.7 per cent.

In 2005 OBS's loan portfolio experienced substantial growth both in terms of mortgage loans and consumer loans. By the end of the year retail loans increased to HUF 43.9 billion, an annual growth of 74.1 per cent. As a result of considerable growth in corporate and municipal loans, in the course of 2005 the volume of banking loans grew by 41.1 per cent. to HUF 189.9 billion, which equated to a market share of 5.3 per cent. at the end of the year. OBS's deposit portfolio increased by 8.5 per cent. to HUF 151.9 billion in 2005, and accounted for 3.2 per cent. of the deposit market as at 31 December 2005.

During the course of 2005 the number of the OBS'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 bank cards issued by OBS was close to 105,000 at the end of 2005, which represents a growth of 4.2 per cent. compared to the end of 2004. This total was made up of more than 93,000 retail and 11,500 corporate bank cards. 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 per cent. 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 per cent. over the course of the year.

OBS opened five new branches during the year, bringing the total number of branches in its network to 78 at the end of 2005. As of 31 December 2005 OBS's headcount was 764, one person fewer than on 31 December 2004.

OTP Bank Romania S.A.

OTP Bank Romania's ("OBR") balance sheet total was more than HUF 55.2 billion at the end of 2005, 23.9 per cent. more than the figure at year-end 2004. At the end of 2005, OBR's market share based on its balance sheet total was 0.64 per cent., while its 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 per cent.).

In 2005 the OBR's loan portfolio grew by 50.3 per cent. and its deposit total decreased by 11.8 per cent., amounting to HUF 24.6 billion and HUF 25.3 billion respectively by year-end.

OBR closed the 2005 business year with a loss of HUF 2.1 billion.

In the fourth quarter of 2005 OBR launched its retail division. OBR branches now offer personal loans, current account overdraft facilities, mortgage-backed consumer loans and housing loans.

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

In August 2006 OTP Group increased the registered capital of OBR by EUR 30 million. As result of the capital increase, the ownership of the Bank in OBR increased to 99.99 per cent.

MANAGEMENT'S ANALYSIS OF DEVELOPMENTS IN THE BANK'S ASSET AND FINANCIAL POSITION(7)

CONSOLIDATED FINANCIAL RESULTS OF OTP ACCORDING TO IFRS

Consolidated balance sheet

The balance sheet total of the group as at 31 December 2005 amounted to HUF 5,215.9 billion, which was 25.3 per cent., or HUF 1,053.5 billion, higher than in the previous year, and exceeded the Bank's non-consolidated year-end 2005 balance sheet total by 45.2 per cent.

The Bank's consolidated shareholders' equity was HUF 547.5 billion. This represented an increase of HUF 113.8 billion, or 26.2 per cent., over the previous year and was 15.7 per cent. higher than the Bank's equity. Equity per share (BVPS) was HUF 1,955 as at 31 December 2005.

The Bank's consolidated balance sheet

	Restated(8) 31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Cash, due from banks and balances with the NBH	465,887	483,191	17,304	3.7
Placements with other banks, net of allowance for placement losses	286,200	438,768	152,568	53.3
Financial assets at fair value through statements of operations	70,580	48,054	(22,526)	(31.9)
Securities available-for-sale	295,835	409,945	114,110	38.6
Gross loans	**2,586,110**	**3,297,218**	**711,108**	**27.5**
Allowance for loan losses	(79,315)	(105,920)	(26,605)	33.5
Loans, net of allowance for loan losses	2,506,795	3,191,298	684,503	27.3
Accrued interest receivable	31,400	37,870	6,470	20.6
Equity investments	9,389	12,357	2,968	31.6
Securities held-to-maturity	247,259	289,803	42,544	17.2
Premises, equipment and intangible assets, net	174,775	233,245	58,470	33.5
Other assets	74,239	71,371	(2,868)	(3.9)
TOTAL ASSETS	**4,162,359**	**5,215,902**	**1,053,543**	**25.3**
Due to banks and deposits from the NBH and other banks	254,125	364,124	109,999	43.3
Deposits from customers	**2,902,190**	**3,428,193**	**526,003**	**18.1**
Liabilities from issued securities	317,222	543,460	226,238	71.3
Accrued interest payable	27,015	24,902	(2,113)	(7.8)
Other liabilities	213,798	260,728	46,930	22.0
Subordinated bonds and loans	14,324	47,023	32,699	228.3
TOTAL LIABILITIES	**3,728,674**	**4,668,430**	**939,756**	**25.2**
TOTAL SHAREHOLDERS' EQUITY	**433,685**	**547,472**	**113,787**	**26.2**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,162,359**	**5,215,902**	**1,053,543**	**25.3**

(7) Due to rounding, in some cases the figures in the tables contained in the Management's analysis section may not precisely match the total of the component figures and for the same reason, the figures referring to the same subject in different tables may not be exactly the same.

(8) Effective from 1 January 2005, the Group adopted revised IAS 39 ("Financial Instruments: Recognition and Measurement"), IFRS 2 ("Share-based payment") and IFRS 3 ("Business combinations"). These revised standards implicated the restatement of year 2004. Revisions to a number of other IAS also took effect in the consolidated condensed financial statements of the Group, but those revisions concerned matters of detailed application which have no significant effect on amounts reported.

On the *assets* side, cash, due from banks and balances with the National Bank of Hungary were 3.7 per cent. higher than a year earlier. Placements with other banks, due in part to the Bank's modified placement structure, grew by 53.3 per cent. from the end of December 2004, amounting to HUF 438.8 billion as at 31 December 2005.

Financial assets at fair value through profit or loss fell by 31.9 per cent. to HUF 48.1 billion over the year. Within this, the size of the portfolio of securities held for trading was 43.5 per cent., or HUF 29.3 billion lower than at year-end 2004.

The size of the portfolio of securities available-for-sale increased by 38.6 per cent., or HUF 114.1 billion, during the year.

Loans, net of allowance for loan losses, rose by 27.3 per cent., i.e. from HUF 2,506.8 billion as at 31 December 2004 to HUF 3,191.3 billion.

As at 31 December 2005, of the consolidated gross customer loan portfolio (HUF 3,297.2 billion, annual change: +27.5 per cent.), the share of corporate loans was 36.3 per cent. (HUF 1,195.4 billion, annual change: +29.8 per cent.), that of retail loans 59.6 per cent. (HUF 1,965.8 billion, +27.0 per cent.), and loans to municipalities 4.1 per cent. (HUF 136 billion, +15.2 per cent.). Within the retail loan portfolio, housing and mortgage loans represented HUF 1,222.4 billion (+20.4 per cent.), and consumer loans HUF 743.4 billion (+39.8 per cent.). The Bank's foreign subsidiaries contributed 23.2 per cent. (HUF 786.0 billion) to the aggregated loan portfolio as at 31 December 2005.

Besides the consolidation of OTP banka Hrvatska, a major role in the growth of the loan portfolio during the 12 months to 31 December 2005 was played by the Bank (corporate loans before consolidation +96.9 billion HUF, retail loans +89.8 billion HUF; total: HUF 201.6 billion); DSK (corporate loans +19.8 billion HUF, consumer loans +62.3 billion HUF, mortgage loans +28.9 billion HUF; total +111 billion HUF); the Mortgage Bank's loan portfolio (+79 billion HUF); Merkantil Bank's car financing loans (+75.6 billion HUF) and OBS (corporate loans +34.2 billion HUF, mortgage loans +15.1 billion HUF; total +55.4 billion HUF).

Consolidated gross loan portfolio as at 31 December 2005 (HUF million)

	Corporate	Municipal	Retail	Consumer	Housing	Total
OTP Bank Plc.	902,696	131,107	463,867	253,717	210,150	**1,497,670**
OTP Factoring Ltd.	3,218	—	10,454	1,676	8,779	**13,673**
OTP Building Society Ltd.	—	—	6,189	—	6,189	**6,189**
Merkantil Bank Ltd.	30,629	33	95,363	95,363	—	**126,025**
Merkantil Car Ltd.	9,609	48	93,973	93,973	—	**103,630**
OTP Mortgage Bank Ltd.	—	—	849,252	7,023	842,229	**849,252**
OTP Banka Slovensko, a.s.	142,566	3,547	43,827	7,587	36,240	**189,940**
DSK Group	82,668	216	301,552	225,110	76,442	**384,436**
OTP Leasing, a.s.	10,366	395	8,917	8,917	—	**19,678**
OTP Bank Romania S.A.	22,169	—	2,396	2,068	328	**24,565**
OTP banka Hrvatska group	59,792	693	90,014	47,974	42,040	**150,499**
Other subsidiaries*	17,606	—	—	—	—	**17,606**
Total	1,281,319	136,039	1,965,805	743,408	1,222,397	**3,383,163**
Consolidated	1,195,374	136,039	1,965,805	743,408	1,222,397	**3,297,218**

* OTP Garancia Insurance Ltd., Bank Center No. 1. Ltd., HIF Ltd. and OTP Faktoring Slovensko, a.s. taken together

The quality of the IFRS loan portfolio was good at the end of 2005: performing receivables represented 87.2 per cent. of the total volume, the share of the "to-be-monitored" category was 9.1 per cent., and non-performing loans accounted for 3.6 per cent., with this latter figure having risen 0.1 of a percentage point compared to the previous year. 18.2 per cent. of the consolidated qualified portfolio and 23.5 per cent. of the non-performing loans were recorded on the balance sheets of the Bank's foreign subsidiaries.

Consolidated gross loan volume by qualifying categories

	Restated 31/12/2004		31/12/2005		Change		
	HUF mn	share %	HUF mn	share %	HUF mn	%	share %
Performing	2,284,688	88.3	2,876,541	87.2	591,853	25.9	(1.1)
Qualified	301,423	11.7	420,677	12.8	119,254	39.6	1.1
To-be-monitored	210,752	8.1	301,581	9.1	90,829	43.1	1.0
NPLs	90,671	3.5	119,096	3.6	28,425	31.3	0.1
Below Average	25,381	1.0	27,627	0.8	2,246	8.8	(0.1)
Doubtful	19,493	0.8	27,802	0.8	8,309	42.6	0.1
Bad	45,797	1.8	63,668	1.9	17,871	39.0	0.2
Total	**2,586,111**	**100.0**	**3,297,218**	**100.0**	**711,107**	**27.5**	

IFRS consolidated provisions for loan and placement losses were HUF 105.9 billion, of which HUF 101.4 billion related to the qualified portfolio, and which resulted in a provisioning coverage ratio of 24.1 per cent. Within this, HUF 89.6 billion was available to cover the HUF 119.1 billion in non-performing loans, which meant a coverage ratio of 75.2 per cent.

Coverage of qualified customer loans

	Restated 31/12/2004	31/12/2005	Change %
Qualified volume (HUF mn)	301,423	420,677	39.6
Provision (HUF mn)	79,315	101,354	33.5
Coverage %	26.3	24.1	(2.2)
NPLs (HUF mn)	90,671	119,096	31.3
Provision (HUF mn)		89,613	
Coverage %		75.2	

The portfolio of securities held-to-maturity grew by 17.2 per cent. in 2005, amounting to HUF 289.8 billion as at 31 December 2005.

On the ***liabilities*** side, deposits from customers amounted to HUF 3,428.2 billion as of 31 December 2005, which was 18.1 per cent. more than a year earlier. 74.8 per cent. of customer deposits came from retail customers, 19.3 per cent. from corporate, and 5.9 per cent. from municipal customers.

The growth in the deposit portfolio was primarily due to the increase in the corporate and retail deposits of the parent bank and DSK, the deposits of OTP Building Society and the consolidation of OTP banka Hrvatska. The contribution of the foreign subsidiaries to the aggregated deposit total increased from 17.2 per cent. to 24.6 per cent. in 2005.

Consolidated deposit volume—as at 31 December 2005 (HUF mn)

	Corporate	Municipal	Retail	Total
OTP Bank Plc.	474,052	161,993	1,870,412	**2,506,457**
OTP Building Society Ltd.	4,100	6	74,718	**78,825**
Merkantil Bank Ltd.	1,848	—	2,743	**4,591**
Merkantil Car Ltd.	12	0	85	**97**
OTP Banka Slovensko, a. s.	71,063	21,152	59,636	**151,851**
DSK Group	66,560	13,853	352,002	**432,415**
OTP Bank Romania S.A.	15,279	756	9,294	**25,329**
OTP Faktoring Slovensko, a.s.	709	—	—	**709**
OTP banka Hrvatska group	33,168	5,350	193,978	**232,496**
Total	666,791	203,111	2,562,869	**3,432,771**
Consolidated	662,214	203,111	2,562,869	**3,428,194**

Compared to the end of December 2004, the deposit portfolio of the parent bank and of DSK grew considerably. The Bank's corporate deposit portfolio increased by HUF 42.1 billion and its retail deposit total by HUF 131.8 billion, while municipality deposits decreased by HUF 8.4 billion. At DSK, the increase in the deposit portfolio was HUF 101.1 billion, of which the growth in the retail portfolio accounted for HUF 69.1 billion.

The portfolio of issued securities grew by 71.3 per cent. over the year, amounting to HUF 543.5 billion by year-end. Growth was attributable to the Bank's issuance of foreign currency based bonds in a total nominal value of EUR 800 million in the third and fourth quarters of 2005.

Consolidated results

The Bank's consolidated after-tax profit for 2005 according to IFRS was HUF 158.3 billion, which exceeded that of 2004 by HUF 26.8 billion, or by 20.3 per cent., and was HUF 25.4 billion, or 19.1 per cent., more than the Bank's non-consolidated profit.

Consolidated Statement of Operations of the Bank

	2004	2005	Change	
	HUF mn	HUF mn	HUF mn	%
Interest Income	433,678	459,024	25,346	5.8
Interest Expense	172,789	161,799	(10,990)	(6.4)
NET INTEREST INCOME	**260,889**	**297,225**	**36,336**	**13.9**
Provision for loan and placement losses	16,048	28,042	11,994	74.7
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES	**244,841**	**269,183**	**24,342**	**9.9**
Fees and commissions	91,625	118,884	27,259	29.8
Foreign exchange gains, net	1,250	3,879	2,629	210.3
Gains and losses on securities, net	6,466	9,708	3,242	50.1
Gains on real estate transactions, net	1,818	96	(1,722)	(94.7)
Dividend income and gains and losses of associated companies	593	672	79	13.4
Insurance premiums	49,337	69,793	20,456	41.5
Other income	10,680	13,465	2,785	26.1
Total Non-Interest Income	**161,769**	**216,497**	**54,728**	**33.8**
Fees and expenses	20,588	19,930	(658)	(3.2)
Personnel expenses	79,538	95,235	15,697	19.7
Depreciation and amortisation	29,150	21,897	(7,253)	(24.9)
Insurance expenses	40,264	58,468	18,204	45.2
Other expenses	81,046	98,073	17,027	21.0
Total Non-Interest Expense	**250,586**	**293,603**	**43,017**	**17.2**
INCOME BEFORE INCOME TAXES	**156,024**	**192,077**	**36,053**	**23.1**
Income taxes	24,506	33,803	9,297	37.9
INCOME AFTER INCOME TAXES	**131,518**	**158,274**	**26,756**	**20.3**
Minority interest	(12)	(39)	(27)	223.4
NET INCOME	**131,506**	**158,235**	**26,729**	**20.3**

Consolidated **net interest income** in 2005 was HUF 297.2 billion, which represents an increase for the year of 13.9 per cent., and exceeded the Bank's non-consolidated net interest income by 76.2 per cent.

Provisions were 74.7 per cent. higher in 2005 than in the same period of the previous year, and amounted to HUF 28.0 billion. The increase was significant at the parent bank, Merkantil Bank, OTP Banka Slovensko and at OTP Bank Romania, and was also due to the inclusion of OTP Leasing, a.s. within the consolidation circle. The rise in risk-related expenses is explained partly by the expansion in lending and partly by the group's prudent provisioning policy. The ratio of provisioning to average gross loans was 0.95 per cent., compared to 0.69 per cent. in 2004.

The interest margin on the average balance sheet total (HUF 4,689.1 billion) as per end-of-period data was 6.34 per cent. in 2005, or 51 basis points lower than in 2004. The net interest margin (after provisioning) was 5.74 per cent., compared to 6.42 per cent. a year earlier. The gross interest margin for 2005—excluding the impact of swap deals on interest income—was 6.2 per cent., and the net interest margin was 5.6 per cent., which, if we take into account the net interest income from swap transactions (HUF 6,584 million), were respectively 23 and 40 basis points lower than in 2004.

Non-interest income was in total 33.8 per cent. higher than in the previous year, and amounted to HUF 216.5 billion. Fees and commissions received grew by 29.8 per cent., to HUF 118.9 billion. This is 12.8 per cent. below the non-consolidated fee and commission income figure, primarily due to the exclusion from the consolidation total of commissions from the Mortgage Bank (HUF 52.7 billion).

Consolidated fee and commission expenses decreased by 3.2 per cent. over the year. Net fees and commissions amounted to HUF 99 billion, which is an increase of 39.3 per cent. compared to 2004.

Net price gains on securities trading amounted to HUF 9.7 billion, compared to HUF 6.5 billion in 2004, due to price gains realised on the securities portfolio and to the gains from the securities transactions of OTP Garancia Insurance. Net foreign exchange gains amounted to HUF 3.9 billion, compared to HUF 1.3 billion in 2004, due mainly to changes in the result of swap positions. Gains on real estate transactions were HUF 96 million on a consolidated level. Insurance premium revenues amounted to HUF 69.8 billion, which was 41.5 per cent. higher than in 2004. Compared to 2004, insurance expenses grew by 45.2 per cent. The net insurance result grew by 24.8 per cent., to HUF 11.3 billion, relative to 2004. Other non-interest income, amounting to HUF 13.5 billion, was 26.1 per cent. higher than a year earlier.

Non-interest expenses, amounting to HUF 293.6 billion, exceeded those of 2004 by 17.2 per cent., and the Bank's non-consolidated figure by 89.6 per cent.

Consolidated personnel expenses were 19.7 per cent. higher than a year earlier. The increase in personnel expenses already contains the impact of the IFRS 2 standard (HUF 7.5 billion). Depreciation fell considerably relative to 2004, by HUF 7.3 billion. Other non-interest expenses grew by 21 per cent., to HUF 98.1 billion. In 2005, non-corporate taxes represented an expense of HUF 27.7 billion, 77.1 per cent. more than in 2004. Within this, the separate tax imposed on credit institutions and financial enterprises (net interest income tax) was also recognised among other expenses, in an amount of HUF 10.2 billion. Without the separate credit institutions tax, the increase in consolidated non-interest expenses was 13.1 per cent.

The Bank's consolidated cost-to-income ratio in 2005 (according to a calculation method[10] similar to that used in Hungary) was 55.4 per cent., 178 basis points lower than a year earlier.

Consolidated return on average assets (**"ROAA"**) reached 3.38 per cent. in 2005 (in 2004: 3.45 per cent.), while consolidated return on average equity (**"ROAE"**) was 32.3 per cent., or 3.0 percentage points lower than in the previous year. Real return on equity (**"real ROAE"**) was 28.7 per cent. in 2005. Basic earnings per ordinary share (**"basic EPS"**) was HUF 603, which is HUF 102 higher than the 2004 figure, while "diluted EPS" was HUF 599 in 2005 (in 2004: HUF 499).

(10) Calculation method: (non-interest expenses—fee expenses) / (net interest income before provisions + non-interest income − fee expenses)

NON-CONSOLIDATED FINANCIAL RESULTS OF OTP ACCORDING TO IFRS

Non-consolidated balance sheet

The Bank's balance sheet total as at 31 December 2005 was HUF 3,592.9 billion; 17.6 per cent., or HUF 538.4 billion, higher than a year earlier.

Non-Consolidated balance sheet of the Bank

	Restated 31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Cash, due from banks and balances with the NBH	399,401	379,249	(20,152)	(5.0)
Placements with other banks, net of allowance for placement losses	200,100	393,659	193,559	96.7
Financial assets at fair value through statement of operations	22,059	34,054	11,995	54.4
Securities available-for-sale	324,130	371,433	47,303	14.6
Gross loans	**1,296,051**	**1,497,670**	**201,619**	**15.6**
Allowance for loan losses	(19,810)	(22,162)	(2,352)	11.9
Loans, net of allowance for loan losses	1,276,241	1,475,508	199,267	15.6
Accrued interest receivable	41,180	41,276	96	0.2
Investments in subsidiaries	154,298	223,881	69,583	45.1
Securities held-to-maturity	507,503	521,797	14,294	2.8
Premises, equipment and intangible assets, net	96,538	105,569	9,031	9.4
Other assets	33,025	46,447	13,422	40.6
TOTAL ASSETS	**3,054,475**	**3,592,873**	**538,398**	**17.6**
Due to banks and deposits from the NBH and other banks	203,777	255,211	51,434	25.2
Deposits from customers	2,340,924	2,506,457	165,533	7.1
Liabilities from issued securities	1,997	202,267	200,270	—
Accrued interest payable	9,414	5,735	(3,679)	(39.1)
Other liabilities	94,987	102,881	7,894	8.3
Subordinated bonds and loans	14,324	47,023	32,699	228.3
TOTAL LIABILITIES	**2,665,423**	**3,119,574**	**454,151**	**17.0**
TOTAL SHAREHOLDERS' EQUITY	**389,052**	**473,299**	**84,247**	**21.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,054,475**	**3,592,873**	**538,398**	**17.6**

On the ***assets*** side, cash, due from banks and balances with the National Bank of Hungary were 5.0 per cent. lower, while placements with other banks were 96.7 per cent., or HUF 193.6 billion, higher than a year earlier. Financial assets at fair value through profit or loss grew by 54.4 per cent., or HUF 12.0 billion, of which the growth in securities held for trading accounted for HUF 5.2 billion.

Within ***securities available-for-sale***, which amounted to HUF 371.4 billion (annual increase of 14.6 per cent.), the government bond portfolio accounted for HUF 67.6 billion, that of mortgage bonds for HUF 253.4 billion, and that of other bonds for HUF 42.6 billion, while the portfolio of Hungarian discount treasury bills was HUF 7.9 billion.

Gross loans were HUF 1,497.7 billion as at 31 December 2005, representing a growth of 15.6 per cent. over the year. Provisions for loan losses rose by 11.9 per cent., to HUF 22.2 billion. The net portfolio of loans and bills of exchange amounted to HUF 1,475.5 billion as at 31 December 2005, representing a 15.6 per cent. rise for the year as a whole.

Non-consolidated gross loan volume by business lines of the Bank

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Corporate	805,804	902,696	96,892	12.0
Municipal	116,175	131,107	14,932	12.9
Retail	374,072	463,867	89,795	24.0
Consumer	204,657	253,718	49,061	24.0
Housing	169,415	210,149	40,734	24.0
Total	**1,296,051**	**1,497,670**	**201,619**	**15.6**

Within the gross loan portfolio, loans to businesses amounted to HUF 902.7 billion (representing an annual increase of 12 per cent.), municipal placements to HUF 131.1 billion (an annual increase of 12.9 per cent.), consumer loans to HUF 253.7 billion (an increase of 24.0 per cent.), and housing and mortgage loans to HUF 210.2 billion (also an annual increase 24 per cent.). Loans to businesses represented 60.3 per cent. of the loan portfolio, retail loans 30.9 per cent., and loans to municipalities 8.8 per cent.

Non-consolidated gross loan volume by qualifying categories

	31/12/2004		31/12/2005		Change		
	HUF mn	share %	HUF mn	share %	HUF mn	%	share %
Performing	1,227,903	94.7	1,418,879	94.7	190,976	15.6	(0.0)
Qualified	68,148	5.3	78,791	5.3	10,643	15.6	0.0
To be monitored	35,822	2.8	44,250	3.0	8,428	23.5	0.2
NPLs	32,326	2.5	34,541	2.3	2,215	6.9	(0.2)
Below average	14,401	1.1	13,160	0.9	(1,241)	(8.6)	(0.2)
Doubtful	12,107	0.9	14,119	0.9	2,012	16.6	0.0
Bad	5,818	0.4	7,262	0.5	1,445	24.8	0.0
Total	**1,296,051**	**100.0**	**1,497,670**	**100.0**	**201,619**	**15.6**	

The quality of the loan portfolio was good at the end of December 2005: performing receivables represented 94.7 per cent. of the total volume, the same as in 2004. The "to be monitored" category accounted for 3 per cent. of the total, and non-performing loans 2.3 per cent. The coverage ratio in respect of the qualified portfolio was 28.1 per cent., and for non-performing loans, 53.4 per cent.

Coverage of qualified customer loans

	31/12/2004	31/12/2005	Change %
Qualified volume (HUF mn)	68,148	78,791	15.6
Provision (HUF mn)	19,810	22,162	11.9
Coverage %	29.1	28.1	(0.9)
NPLs (HUF mn)	32,326	34,541	6.9
Provision (HUF mn)		18,449	
Coverage %		53.4	

The portfolio of securities held-to-maturity rose by 2.8 per cent. in 2005, to HUF 521.8 billion, of which the portfolio of government bonds accounted for HUF 201.4 billion and the portfolio of mortgage bonds for HUF 289.8 billion.

On the *liabilities* side, deposits from customers grew by 7.1 per cent. from 31 December 2004. The share of deposits from customers in the Bank's liabilities fell from 76.6 per cent. in 2004 to 69.8 per cent. Of the deposits from customers, amounting to a total of HUF 2,506.5 billion, 88.1 per cent. were forint deposits. 74.6 per cent. of the deposit total (HUF 1,870.4 billion; an annual increase of 7.6 per cent.) consisted of retail deposits, while corporate deposits represented 18.9 per cent. (a 9.8 per cent. increase) and municipal deposits, 6.5 per cent. (a 5 per cent. fall).

Non-consolidated deposit volume of the Bank

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Corporate	431,921	474,052	42,131	9.8
Municipal	170,431	161,993	(8,439)	(5.0)
Retail	1,738,572	1,870,412	131,841	7.6
Total	**2,340,924**	**2,506,457**	**165,533**	**7.1**

In the framework of the Bank's foreign currency based bond program, due to the bonds of nominal value EUR 500 million issued in the third quarter and of EUR 300 million issued in the fourth quarter, the portfolio of own-issued securities within the Bank's liabilities grew significantly, by over HUF 200 billion, and by the end of the year, accounted for 5.6 per cent. of all liabilities.

The Bank's ratio of gross loans to deposits was 59.8 per cent. by year-end, compared to 55.4 per cent. on 31 December 2004.

The Bank's shareholders' equity was 21.7 per cent. higher than a year earlier, amounting to HUF 473.3 billion, or 13.2 per cent. of the balance sheet total. The HUF 84.2 billion rise in the Bank's equity was chiefly due to a HUF 91.8 billion, or 35.1 per cent., increase in retained earnings and reserves, without profit, a HUF 19.4 billion, or 17.1 per cent., increase in balance sheet profit and—as a reducing item—a HUF 26.9 billion, or 195.1 per cent., increase in the book value of repurchased treasury shares.

Equity per share increased by 21.7 per cent. to reach HUF 1,690.4 at the end of 2005.

Non-consolidated results

The Bank's pre-tax profit according to IFRS was HUF 155.8 billion in 2005, which exceeded the previous year's result by HUF 23.4 billion, or 17.7 per cent. The increase in profits was attributable to a dynamic, 17 per cent. growth in income (including net commissions and net interest income before provisioning), an 11.2 per cent. increase in non-interest expenses net of commissions paid, which was significantly less than the increase in non-interest income, and to a HUF 7.8 billion rise in provisions. Dividends received accounted for HUF 5.4 billion of the growth in income. The increase in pre-tax profits, calculated using tax conditions comparable to those as of the base period (i.e. excluding the HUF 10.2 billion expense increasing impact of the introduction in 2005 of the special tax imposed on credit institutions and financial enterprises), was HUF 25.4 per cent.

In the context of an increase (from 14.3 per cent. to 14.7 per cent.) compared to 2004 in the actual rate of tax (calculated together with the special credit institution tax), the Bank's after tax profit amounted to HUF 132.8 billion, which was 17.1 per cent., or HUF 19.4 billion, higher than in the previous year. (Without the special credit institution tax, the Bank's after-tax profit would have increased by 26 per cent., to HUF 143 billion.) The Bank will—in line with its proclaimed dividend policy—pay out 40 per cent. of its after-tax profit according to HAS (Hungarian accounting standards) as dividends to its shareholders, which means that in 2006 it will pay dividends of HUF 197 per ordinary share of nominal value HUF 100, to its owners.

Basic and diluted earnings per ordinary share (EPS) were HUF 492 and HUF 488 respectively in 2005 (in 2004: HUF 420 and HUF 418).

The Bank's return on average assets (ROAA) and return on average equity (ROAE) was 4 per cent. and 30.8 per cent. in 2005 (in 2004: 3.92 per cent. and 34.1 per cent. respectively).

Non-consolidated Statement of Operations of the Bank

	Restated 2004 HUF mn	2005 HUF mn	Change HUF mn	%
Interest Income	290,935	281,402	(9,533)	(3.3)
Interest Expense	139,852	112,763	(27,089)	(19.4)
NET INTEREST INCOME	**151,083**	**168,639**	**17,556**	**11.6**
Provision for loan and placement losses	8,628	16,435	7,807	90.5
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES	**142,455**	**152,204**	**9,749**	**6.8**
Fees and commissions	113,299	136,264	22,965	20.3
Foreign exchange gains, net	914	1,603	689	75.4
Gains on securities, net	1,081	3,103	2,022	187.0
Losses on real estate transactions, net	(103)	(28)	75	(72.8)
Dividend income	8,500	13,937	5,437	64.0
Other income	2,654	3,541	887	33.4
Non-Interest Income	**126,345**	**158,420**	**32,075**	**25.4**
Fees and commissions	9,692	13,840	4,148	42.8
Personnel expenses	54,342	62,437	8,095	14.9
Depreciation and amortisation	13,401	15,244	1,843	13.8
Other expenses	59,006	63,301	4,295	7.3
Total Non-Interest Expenses	**136,441**	**154,822**	**18,381**	**13.5**
INCOME BEFORE INCOME TAXES	**132,359**	**155,802**	**23,443**	**17.7**
Income taxes	18,882	22,954	4,072	21.6
NET INCOME AFTER INCOME TAXES	**113,477**	**132,848**	**19,371**	**17.1**

The Bank's net interest income grew by 11.6 per cent., from HUF 151.1 billion to HUF 168.6 billion, in 2005, as a result of a 3.3 per cent. increase in interest income and a 19.4 per cent. fall in interest expenses.

Interest income from loans accounted for 52.4 per cent. of interest income in 2005, which represents an expansion of 7.6 per cent. over the year (6.9 per cent. without the gains on swap deals). Gains on swap deals accounted for HUF 0.9 billion of the HUF 147.4 billion in income.

Within interest income, income from placements with other banks (gains/losses on swap deals excluded) dropped by 14.4 per cent., due primarily to market rates of interest. Income from interest on securities held-to-maturity fell by 26.2 per cent. compared to 2004, and amounted to HUF 39.3 billion in 2005, which represented 14 per cent. of total interest income.

Recorded among interest revenue from interbank placements and loans, as well as under interest expense related to liabilities towards banks and interest expense towards customers, was the net HUF 7.3 billion interest result from swap transactions, which was HUF 8.5 billion less than in 2004.

By far the bulk of interest expenses, 72.3 per cent., was accounted for by interest paid on customer deposits in 2005 (in 2004: 85.2 per cent.), which fell by 31.6 per cent., to HUF 81.5 billion. The interest paid on issued securities amounted to HUF 1.7 billion, with the HUF 1.5 billion increase being attributable to the significant expansion of the volume of securities issued.

At HUF 16.4 billion, provisions for expected loan and placement losses were 90.5 per cent. higher than in 2004. The ratio of provisioning to the average gross loan portfolio was 1.18 per cent., compared to 0.72 per cent. in 2004.

In 2005, the Bank's gross interest margin was 5.07 per cent., while the net interest margin (after provisioning) was 4.58 per cent., respectively a 15 and 34 basis point decrease compared to 2004. Without recognition of the interest result from swap deals, in 2005 the gross interest margin was 4.86 per cent., while the net interest margin was 4.36 per cent., with the former representing an 18 basis point increase, and the latter a 2 basis point decrease compared to 2004.

Non-interest income grew by HUF 32.1 billion, or 25.4 per cent., to HUF 158.4 billion. 86 per cent. of non-interest income, which amounted to HUF 136.3 billion (representing a growth of 20.3 per cent.) in 2005, came from fees and commissions received. Fees and commissions paid rose by 42.8 per cent., to HUF 13.8 billion, and thus net fees and commissions were 18.2 per cent. higher than in 2004, amounting to

HUF 122.4 billion. Net price gains on securities were HUF 3.1 billion, compared to HUF 1.1 billion in 2004, while the net result of foreign exchange transactions was a profit of HUF 1.6 billion, compared to HUF 0.9 billion in 2004. In 2005, the Bank received HUF 13.9 billion in dividends from its subsidiaries, compared to HUF 8.5 billion 2004. Other income grew by 33.4 per cent., to HUF 3.5 billion, compared to 2004.

Non-interest expenses, amounting to HUF 154.8 billion, were 13.5 per cent. higher in total than a year earlier. Within this, personnel expenses grew by 14.9 per cent. to HUF 62.4 billion (of which HUF 7.5 billion was attributable to the adoption of the IFRS 2 standard), while depreciation rose by 13.8 per cent. to HUF 15.2 billion. Other non-interest expenses, amounting to HUF 63.3 billion, were 7.3 per cent. higher than in 2004. Within this, the special tax imposed on credit institutions and financial enterprises was also recognised among other expenses, in an amount of HUF 10.2 billion. Without the separate credit institutions and financial enterprises tax, the growth in non-interest expenses was 6 per cent.

The Bank's cost-to-income ratio (according to a calculation method similar to the one used in Hungary) was 45 per cent. in 2005, which was 233 basis points lower than in 2004 (47.3 per cent.). The cost-to-income ratio calculated without the credit institutions tax was 41.8 per cent., or 557 basis points lower than in the previous year.

Capitalisation, capital adequacy (according to HAR)

The Bank's shareholders' equity grew from HUF 325 billion on 31 December 2004 to HUF 407.6 billion, or by 25.4 per cent.—significantly exceeding the rate of the growth of the balance sheet total. Due to this, the ratio of shareholders' equity to the balance sheet total increased from 10.7 per cent. at the end of 2004 to 11.3 per cent.

Although the Bank's solvency ratio declined somewhat, from 11.19 per cent. at the end of 2004 to 10.56 per cent. on 31 December 2005, it was well in excess of the 8 per cent. stipulated by the Act on Credit Institutions and Financial Enterprises.

The fall in this ratio was caused by a growth in the Bank's guarantee capital that lagged behind the expansion in lending activity: compared with the previous year, risk-weighted assets grew by 18.8 per cent., while the guarantee capital was 12.2 per cent. higher than at the end of the previous year.

CALCULATION OF THE CAPITAL ADEQUACY RATIO

		31/12/2004 HUF mn	31/12/2005 HUF mn	Change HUF mn	%
I.	Primary capital elements	328,510	387,123	58,613	17.8
	A) subscribed capital	28,000	28,000	—	—
	B) capital reserve	52	52	—	—
	C) general reserve	51,807	65,642	13,835	26.7
	D) general risk reserve	18,120	21,534	3,414	18.8
	E) profit reserve	177,401	202,544	25,143	14.2
	F) balance sheet profit	53,130	69,351	16,221	30.5
II.	Deductible components of primary capital	51,950	79,192	27,242	52.4
	A) capital subscribed not yet paid	—	—	—	—
	B) intangible assets	51,950	79,192	27,242	52.4
III.	Primary capital (I-II.)	276,560	307,931	31,371	11.3
IV.	Secondary capital	12,459	42,850	30,391	243.9
V.	Guarantee capital before deductions (III + IV.)	289,019	350,781	61,762	21.4
VI.	Book value of financial institutions, insurance companies and investment services companies and subordinated loans issued to them	90,099	128,810	38,711	43.0
VII.	Guarantee capital according to the rules of prudence (V - VI.)	198,920	221,971	23,051	11.6
VIII.	Capital requirement of limit breaches and sovereign risk	5,902	5,362	(540)	(9.1)
IX.	Guarantee capital for calculating the capital adequacy ratio	193,018	216,609	23,591	12.2
X.	Risk weighted total assets	1,725,655	2,050,855	325,200	18.8
XI.	**Capital adequacy ratio %**	**11.19**	**10.56**		

Of the various factors taken into account when calculating the numerator of the solvency ratio, the total of the positive components of the primary capital increased by 17.8 per cent. over the course of 2005, while the total of the negative components of the primary capital increased by 52.4 per cent. As a result, the Bank's primary capital increased by 11.3 per cent., or by HUF 31.4 billion, in 2005. The secondary capital that can be taken into account in calculating the guarantee capital rose markedly, by nearly three-and-a-half times its value a year earlier. On 31 December 2005 the guarantee capital before deductions was HUF 350.8 billion, which exceeded the previous year's figure by 24.1 per cent. Of the various deductible factors, the total of investments in financial institutions, insurance companies and investment companies grew by HUF 38.7 billion, or 43 per cent., while the amount of capital that needed to be set aside for covering possible limit breaches, as per the Act on Credit Institutions and Financial Enterprises, declined by HUF 0.5 billion, or 9.1 per cent., during 2004. The guarantee capital that may be taken into account for the purpose of calculating the solvency ratio stood at HUF 216.6 billion on 31 December 2005 (a 12.2 per cent. growth).

Of the increase in the volume of risk-weighted assets (the adjusted balance sheet total), 74.4 per cent. is attributable to the change in the risk-weighted value of balance sheet items and 25.6 per cent. to the change in risk weighted off balance sheet items.

The risk weighted value of balance sheet items grew by 17.3 per cent. (HUF 241.9 billion) to reach HUF 1,638.9 billion, while total assets grew by 18.1 per cent.—as a result of the fact that, due to the increase in the share of customer placements, there has been a slight shift in the structure of the asset portfolio towards placements with a higher risk weighting. The risk weighted value of off-balance-sheet items and contingent and future liabilities, which is used for calculating the risk weighted balance sheet total, increased by HUF 83.3 billion, representing a 25.4 per cent. increase over the previous year. This change is explained by the increase in contingent liabilities (primarily the existing liabilities arising from the unused portion of credit lines and from assumed guarantees).

RESULTS OF THE MAIN SUBSIDIARIES

In 2005 the activities of the Bank's subsidiaries were in line with the Bank's targets and with the expectations of the owners. The combined balance sheet totals of the fully consolidated subsidiaries rose by 37.8 per cent., from HUF 2,006 billion to HUF 2,764 billion (of which the balance sheet total of OTP banka Hrvatska, purchased in 2005, was HUF 298.2 billion).

The aggregate after-tax profit of the fully consolidated subsidiaries amounted to HUF 44 billion in 2005, which was HUF 5.7 billion, or 14.8 per cent., higher than in 2004.

Total assets and Profit after tax of the fully consolidated subsidiaries

	Total assets				Profit after tax			
	31/12/2004	31/12/2005	Change		2004	2005	Change	
Subsidiary	**HUF mn**	**HUF mn**	**HUF mn**	**%**	**HUF mn**	**HUF mn**	**HUF mn**	**%**
Merkantil Bank Ltd.	58,939	136,688	77,749	131.9	2,605	2,620	15	0.6
Merkantil Car Ltd.	135,399	113,121	(22,278)	(16.5)	916	3,638	2,722	297.2
Merkantil Lease Ltd.	1,594	1,684	90	5.7	275	87	(188)	(68.4)
NIMO 2002. Ltd.	1,300	1,734	434	33.4	6	7	1	16.7
Merkantil Group	197,232	253,227	55,995	28.4	3,802	6,352	2,550	67.1
OTP Building Society Ltd.	66,274	86,653	20,379	30.7	664	1,390	726	109.3
OTP Mortgage Bank Ltd.	879,117	956,072	76,955	8.8	13,181	5,248	(7,933)	(60.2)
OTP Banka Slovensko, a.s.	214,887	262,858	47,972	22.3	512	1,373	861	168.2
DSK Group	410,499	583,423	172,924	42.1	11,993	16,572	4,579	38.2
OTP Bank Romania S.A.	44,565	55,225	10,660	23.9	50	(2,122)	(2,172)	—
OTP banka Hrvatska d.d.	—	298,175	—	—	—	2,135	—	—
OTP Garancia Insurance Ltd.	118,496	157,225	38,729	32.7	3,400	6,704	3,304	97.2
OTP Fund Management Ltd.	8,601	11,519	2,918	33.9	2,775	3,853	1,078	38.8
HIF Ltd.	12,340	14,369	2,029	16.4	127	133	6	4.7
OTP Real Estate Ltd.	18,239	20,454	2,216	12.1	845	940	95	11.2
OTP Factoring Ltd.	7,826	11,700	3,874	49.5	589	564	(25)	(4.2)
OTP Factoring Asset Management Ltd.	1,565	1,459	(105)	(6.7)	17	66	49	288.2
Bank Center No. 1. Ltd.	7,885	8,255	369	4.7	115	343	228	198.3
OTP Fund Servicing and Consulting Ltd.	1,967	2,245	279	14.2	95	167	72	75.8
OTP Mérleg Ltd.	1,353	—	—	—	(43)	—	—	—
Inga Companies	11,122	10,736	(386)	(3.5)	120	147	27	22.5
Concordia Info Ltd.	3,196	3,610	414	13.0	37	50	13	35.1
OTP Card Manufacturing Ltd.	823	803	(20)	(2.4)	39	41	2	5.1
OTP Faktoring Slovensko, a.s.	—	3,692	—	—	—	27	—	—
OTP Leasing, a.s.	—	22,680	—	—	—	23	—	—
Subsidiaries total	**2,005,986**	**2,764,380**	**758,394**	**37.8**	**38,318**	**44,006**	**5,688**	**14.8**

MAIN INDICATORS OF MERKANTIL GROUP

Merkantil Group

	2004	2005	Change %
ROAA %	2.12	2.82	0.70
ROAE %	25.5	32.7	7.2
Cost/income ratio %	44.0	36.4	(7.6)

MAIN FINANCIAL DATA OF MERKANTIL GROUP

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	172,525	229,655	57,130	33.1
Provisions	(10,738)	(15,268)	(4,530)	42.2
Net loans	161,787	214,387	52,600	32.5
Receivables due to leasing	16,072	16,262	190	1.2
Deposits	5,495	4,688	(807)	(14.7)
Issued securities	35,072	35,016	(56)	(0.2)
Liabilities to credit institutions	129,079	181,516	52,437	40.6
Shareholders' equity	16,018	22,833	6,815	42.5
Total assets	**197,232**	**253,227**	**55,995**	**28.4**
Profit before tax	4,782	8,633	3,851	80.5
Profit after tax	3,801	6,352	2,551	67.1

- Merkantil Group's aggregate balance sheet total as at 31 December 2005 was HUF 253.2 billion, up by 28.4 per cent., or HUF 56.0 billion, on a year earlier. The group's aggregated after-tax profit for 2005 amounted to HUF 6.4 billion, representing a 67.1 per cent. rise from a year earlier.
- Merkantil Group concluded close to 63,000 new vehicle financing contracts in 2005, which was 3.9 per cent., or over 2,000 contracts, more than the number of new contracts concluded in 2004. Based on the total number of contracts, the proportion of foreign currency loan facilities was 91 per cent., for forint denominated loans, 6.2 per cent., for cars sold under financial lease contracts, 2.5 per cent. and for permanent lease facilities, 0.3 per cent.
- The aggregate (gross) loan portfolio was HUF 229.7 billion as at 31 December 2005, which was HUF 57.1 billion, or 33.1 per cent., higher than in the previous year.
- In 2005, Merkantil Group achieved HUF 19 billion in net interest income, representing a 12.9 per cent. rise compared to the previous year. Non-interest income grew by 9.3 per cent., while non-interest expenses were more than 20.9 per cent. lower than in 2004. Gross interest margin was 8.43 per cent. in 2005, i.e. 96 basis points lower than in 2004. The group's aggregated cost-to-income ratio was 36.4 per cent. in 2005 (in 2004: 44.0 per cent.).

MAIN INDICATORS OF MERKANTIL BANK LTD.

Merkantil Bank Ltd.

	2004	2005	Change %
ROAA %	4.15	2.68	(1.47)
ROAE %	22.7	19.4	(3.3)
Cost/income ratio %	46.9	43.9	(3.0)

MAIN FINANCIAL DATA OF MERKANTIL BANK LTD.

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	50,442	126,025	75,583	149.8
Retail	34,231	95,363	61,132	178.6
Corporate	16,190	30,629	14,438	89.2
Municipal	21	33	12	57.1
Provisions	(5,378)	(7,222)	(1,844)	34.3
Net loans	45,064	118,803	73,739	163.6
Deposits	4,664	4,591	(73)	(1.6)
Issued securities	35,072	35,016	(55)	(0.2)
Liabilities to credit institutions	521	75,983	75,462	—
Shareholders' equity	12,179	14,801	2,622	21.5
Subscribed capital	2,000	2,000	—	—
Total assets	**58,939**	**136,688**	**77,749**	**131.9**
Profit before tax	2,950	2,834	(116)	(3.9)
Profit after tax	2,605	2,620	15	0.6

- In 2005 Merkantil Bank's gross loan portfolio was close to two and a half times, or HUF 75.6 billion, higher than that of the previous year, and its balance sheet total also grew substantially, by 131.9 per cent., reaching HUF 136.7 billion as at 31 December. The dynamic expansion of the portfolio was attributable in part to the fact that the bank took over the provision of foreign currency vehicle financing loans from Merkantil Car during the year.
- 78.1 per cent. of the HUF 126.0 billion loan portfolio was qualified as of the end of 2005, the bulk of which (92 per cent.) had been placed in the "to be monitored" category, as the bank automatically includes foreign currency loans in this category. 6.5 per cent. of the gross portfolio consisted of non-performing loans.
- In addition to the interbank credit line provided by the parent bank, the volume of issued securities—which amounted to HUF 35.0 billion at year-end 2005 and the bulk of which (HUF 33.3 billion) were sold through the Bank's branch network—was also significant in the bank's liabilities structure. In addition, the bank had deposit liabilities of HUF 4.6 billion, which was 1.6 per cent. lower than at the end of the previous year.
- No material change occurred in the distribution of income from business activities in 2005. Interest income and administration fees from vehicle financing continued to provide a decisive contribution to the bank's total interest and interest type income. The bank earned HUF 7.2 billion in interest revenues in 2005, which was 11.4 per cent. higher than in the previous year. The gross interest rate margin calculated on the average asset portfolio was 7.4 per cent.
- The bank's provisions for loan and placement losses were HUF 1.9 billion in 2005, which was HUF 1.5 billion higher than in 2004. The net interest margin after provisioning was 5.42 per cent.
- The bank's after-tax profit amounted to HUF 2.6 billion, which was HUF 15 million, or 0.6 per cent., higher than in the previous year.

MAIN INDICATORS OF MERKANTIL CAR LTD.

Merkantil Car Ltd.

	2004	2005	Change %
ROAA %	0.81	2.93	2.12
ROAE %	54.2	96.5	42.3
Cost/income ratio %	25.4	26.1	0.7

MAIN FINANCIAL DATA OF MERKANTIL CAR LTD.

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	122,083	103,630	(18,453)	(15.1)
Retail	103,709	93,973	(9,736)	(9.4)
Corporate	18,119	9,609	(8,510)	(47.0)
Municipal	255	48	(207)	(81.1)
Provisions	(5,360)	(8,046)	(2,685)	50.1
Net loans	116,722	95,584	(21,138)	(18.1)
Receivables due to leasing	15,250	15,132	(117)	(0.8)
Deposits	831	97	(734)	(88.3)
Liabilities to credit institutions	128,083	104,832	(23,251)	(18.2)
Shareholders' equity	1,950	5,588	3,638	186.6
Subscribed capital	50	50	—	—
Total assets	**135,399**	**113,121**	**(22,278)**	**(16.5)**
Profit before tax	1,471	5,638	4,167	283.3
Profit after tax	916	3,638	2,722	297.3

- Merkantil Car's balance sheet total was HUF 113.1 billion at the end of 2005, which was 16.5 per cent. lower than that of the previous year. The decrease was attributable to the fact that Merkantil Bank assumed the granting of foreign currency vehicle financing loans. The (gross) loan portfolio was HUF 103.6 billion as at 31 December 2005, which was HUF 18.5 billion, or 15.1 per cent., lower than in the previous year.
- 99.6 per cent. of the loan portfolio was qualified at year-end 2005, and this was comprised almost exclusively (92 per cent.) of the "to be monitored" category, due to the fact that foreign currency loans are automatically included in this category.
- Merkantil Car earned HUF 11.6 billion in interest income in 2005, which was 9.8 per cent. higher than in the pervious year. The gross interest rate margin calculated on the average asset portfolio was 9.35 per cent.
- The Merkantil Car's provisions for loan and placement losses were HUF 2.7 billion in 2005, which was 2.1 per cent. lower than in 2004. Net interest margin after provisioning was 7.15 per cent. The ratio of provisions to the average gross loan and leasing portfolio was 2.13 per cent.
- Merkantil Car's after-tax profit rose from HUF 916 million to HUF 3,638 million in 2005, or close to four times that of the previous year. Its return on average assets (ROAA) was 2.93 per cent., and its return on average equity (ROAE) was 96.5 per cent.

MAIN INDICATORS OF OTP BUILDING SOCIETY LTD.

OTP Building Society Ltd.

	2004	2005	Change %
ROAA %	1.12	1.82	0.70
ROAE %	15.1	26.5	11.4
Cost/income ratio %	65.2	44.7	(20.5)

MAIN FINANCIAL DATA OF OTP BUILDING SOCIETY LTD.

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Loans	7,929	6,189	(1,740)	(21.9)
Deposits	59,492	78,825	19,333	32.5
Shareholders' equity	4,671	5,822	1,151	24.6
Subscribed capital	2,000	2,000	—	—
Total assets	**66,274**	**86,653**	**20,379**	**30.7**
Profit before tax	783	1,819	1,036	132.3
Profit after tax	664	1,390	726	109.3

- The balance sheet total of OTP Building Society, thanks to a dynamic increase in its deposit portfolio, rose by 30.7 per cent. in 2005.
- The 32.5 per cent. growth in the deposit portfolio was due to 106,000 new contracts concluded in 2005 produced, as well as to an increase in contractual volumes.
- The loan portfolio fell in 2005, as it had done in the previous year. Compared to the 2004 figure, the portfolio decreased by nearly 22 per cent., which was attributable to a fall in the take-up of loans resulting from changes to the favourable terms and conditions of subsidised loans.
- OTP Building Society achieved a 54.7 per cent. market share of the building society savings market in terms of the number of valid (active) contracts and a 48.7 per cent. market share in terms of contractual volumes.
- The after-tax profit of OTP Building Society more than doubled compared to the previous year, rising from HUF 664 million to HUF 1,390 million, the bulk of which was attributable to a 32.5 per cent. rise in the deposit portfolio and to a reduction in costs.
- The company paid HUF 1,348 million in dividend on its after-tax profits in 2005 to its owner, OTP.

MAIN INDICATORS OF OTP MORTGAGE BANK LTD.

OTP Mortgage Bank Ltd.

	2004	2005	Change %
ROAA %	1.71	0.57	(1.14)
ROAE %	41.3	14.0	(27.3)
Cost/income ratio %	22.2	29.1	6.9

MAIN FINANCIAL DATA OF OTP MORTGAGE BANK LTD.

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	770,265	849,252	78,987	10.3
Issued mortgage bonds	790,914	812,700	21,786	2.8
Shareholders' equity	37,859	36,939	(920)	(2.4)
Subscribed capital	20,000	20,000	—	—
Total assets	**879,117**	**956,072**	**76,955**	**8.8**
Profit before tax	15,652	6,799	(8,853)	(56.6)
Profit after tax	13,181	5,248	(7,933)	(60.2)

- The loan portfolio of OTP Mortgage Bank grew from HUF 770.3 billion in 2004 to HUF 849.3 billion 2005. This growth, which was less strong than in the year before, as well as developments in the composition of the portfolio, reflects market trends. From March 2005, in addition to forint denominated housing loans, OTP Mortgage Bank also purchased foreign currency housing and mortgage type loans. The loan portfolio assumed by OTP Mortgage Bank in 2005 was HUF 146.3 billion, within which the share of foreign currency loans was approximately 40 per cent.
- Fully performing loans accounted for 97.95 per cent., "to be monitored" loans 1.97 per cent., and doubtful loans 0.08 per cent. of the loan portfolio at year-end 2005. Under a cooperation agreement, OTP repurchased some HUF 4 billion in non-performing loan receivables from the Mortgage Bank in 2005.
- Along with the expansion of its loan portfolio, the volume of mortgage bonds issued by the Mortgage Bank also grew. As at 31 December 2005, the closing portfolio was HUF 812.7 billion. In accordance with amendments to the law, a new domestic bond issuance program, one that is in line with European regulations, has been developed, which enables the Mortgage Bank to distribute its mortgage bonds not only in forint but also in euro and Swiss francs, in a quick and flexible manner in line with its funding requirements related to receivables purchases.
- Among the three mortgage banks in Hungary (OTP, FHB and HVB), OTP Mortgage Bank has a market share of over 60 per cent. in terms of both the volume of mortgage bonds it has issued and the housing loan portfolio.
- OTP Mortgage Bank's pre-tax profit fell by 56.6 per cent., to HUF 6.8 billion, which was due primarily to an increase (from HUF 26.1 billion in 2004 to HUF 52.8 billion in 2005) in fees and commissions paid to the Bank.
- Taking into account the fees paid to the Bank, the value contribution of OTP Mortgage Bank exceeded HUF 59 billion.

MAIN INDICATORS OF OTP GARANCIA INSURANCE LTD.

OTP Garancia Insurance Ltd.

	2004	2005	Change %
ROAA %	3.12	4.86	1.74
ROAE %	27.2	37.7	10.5
Cost/income ratio %	93.1	90.5	(2.6)

MAIN FINANCIAL DATA OF OTP GARANCIA INSURANCE LTD.

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Insurance technical reserves	98,680	131,116	32,436	32.9
Shareholders' equity	14,272	21,336	7,064	49.5
Subscribed capital	7,351	7,351	—	—
Total assets	**118,496**	**157,225**	**38,729**	**32.7**
Gross insurance premiums	55,603	75,763	20,160	36.3
Life insurances	26,672	44,569	17,897	67.1
Non-life insurances	28,930	31,193	2,263	7.8
Insurance expenses	40,370	59,699	19,329	47.9
Damages and insurance services	25,917	27,263	1,346	5.2
Change in reserves	14,453	32,436	17,983	124.4
Profit before tax	4,049	7,936	3,887	96.0
Profit after tax	3,400	6,704	3,304	97.2

- OTP Garancia Insurance Ltd. achieved premium revenue of HUF 75.8 billion in 2005, which was 36.3 per cent., or HUF 20.2 billion, higher than in the previous year. Of total premium revenues, the revenues of the life and bank assurance divisions amounted to HUF 44.6 billion, representing an outstanding 67.1 per cent. rise, while those of the non-life division were HUF 31.2 billion. Within life insurance premium revenue, the revenue from one-off premium-payment life insurance policies grew dynamically, by 124.3 per cent., or HUF 15.8 billion, while revenue from regular payment insurance policies grew by 14.9 per cent.
- The company's insurance expenses rose from HUF 40.4 billion to HUF 59.7 billion in 2005. Of the insurance expense total, gross damage payments were HUF 27.3 billion. The change in net reserves amounted to HUF 32.4 billion, which represents an over two-fold rise compared to the previous year-end figure. Thus total insurance technical reserves stood, after a close to 33 per cent. growth, at HUF 131.1 billion as at 31 December 2005.
- The company's balance sheet total grew by 32.7 per cent. 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 6.7 million, while return on average assets (ROAA) increased from 3.12 per cent. to 4.86 per cent., and return on average equity (ROAE) rose from 27.2 per cent. to 37.7 per cent. The company paid HUF 4.5 billion in dividend on its after-tax profits in 2005 to the Bank.

MAIN INDICATORS OF OTP FUND MANAGEMENT LTD.

OTP Fund Management Ltd.

	2004	2005	Change %
ROAA %	27.28	38.30	11.02
ROAE %	47.3	46.4	(0.9)
Cost/income ratio %	20.2	21.2	1.0

MAIN FINANCIAL DATA OF OTP FUND MANAGEMENT LTD.

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Managed assets	760,800	1,096,900	336,100	44.2
Managed assets in investment funds	391,000	580,400	189,400	48.4
Managed assets in pension funds	294,900	405,800	110,900	37.6
—from this OTP Pension Funds	288,600	396,200	107,600	37.3
Other managed assets	75,000	110,700	35,700	47.6
Shareholders' equity	6,352	10,256	3,904	61.5
Subscribed capital	900	900	—	—
Total assets	8,601	11,519	2,918	33.9
Profit before tax	3,300	4,631	1,331	40.3
Profit after tax	2,775	3,853	1,078	38.8

- Within the net asset value of the funds managed by OTP Fund Management, the net asset value of the Optima Fund stood at HUF 411.9 billion at year-end 2005, which represents a rise of 29.5 per cent. The assets of the Maxima, Paletta, UBS Fund of Funds, Quality Equity Fund and Fantázia Structured Equity Fund also rose, while the assets held in the Euro and Dollar Funds fell over the course of 2005.
- At the end of 2005, the Fund Manager's share of the securities funds market was 38.3 per cent. (compared to 40.5 per cent. at the end of 2004).
- With respect to the pension fund market, the Fund Manager maintained its share of approximately 18-19 per cent. of total assets under management in 2005.
- The company achieved an after-tax profit of HUF 3,853 million in 2005, which resulted in a return on average assets (ROAA) of 38.3 per cent. and a 46.4 per cent. return on average equity (ROAE). The company's cost-to-income ratio was 21.2 per cent. in 2005. The Fund Manager paid HUF 3.8 billion in dividends on its after-tax profits in 2005 to the Bank.

MAIN INDICATORS OF DSK GROUP

DSK Group

	2004	2005	Change %
ROAA %	3.27	3.33	0.06
ROAE %	24.0	26.3	2.3
Cost/income ratio %	50.0	45.2	(4.8)

MAIN FINANCIAL DATA OF DSK GROUP

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	273,413	384,436	111,023	40.6
Retail	210,379	301,552	91,173	43.3
Corporate	62,850	82,668	19,818	31.5
Municipal	183	216	32	17.7
Provisions	(5,505)	(10,902)	(5,397)	98.0
Net loans	267,908	373,534	105,626	39.4
Deposits	331,347	432,415	101,068	30.5
Retail	282,900	352,002	69,102	24.4
Corporate	41,805	66,560	24,755	59.2
Municipal	6,642	13,853	7,212	108.6
Liabilities to credit institutions	16,933	67,627	50,694	299.4
Shareholders' equity	54,563	71,243	16,680	30.6
Subscribed capital	14,430	14,430	0	0.0
Total assets	**410,499**	**583,423**	**172,924**	**42.1**
Profit before tax	13,359	19,601	6,242	46.7
Profit after tax	11,993	16,572	4,579	38.2

- The group's after-tax profit was HUF 16.6 billion in 2005, representing a 38.2 per cent. increase over the 2004 figure, and thus ROAA and ROAE stood at 3.33 per cent. and 26.3 per cent. respectively at year-end 2005.
- DSK Bank's balance sheet total on 31 December 2005 stood at more than HUF 583.4 billion, or 42.1 per cent. higher than at year-end 2004, giving DSK Bank a market share of 13.6 per cent. and making it Bulgaria's largest bank. The bank's loans grew by 40.6 per cent., further increasing the bank's market share (to 16.2 per cent.), and its deposits grew by 30.5 per cent., as a result of which DSK maintained its market leading position in this respect too (with a share of 14.8 per cent.).
- The group's shareholders' equity was HUF 71.2 billion as at 2005, representing a 30.6 per cent. rise.
- In compliance with the stipulations of the National Bank of Bulgaria, the Bank's solvency ratio was 12.21 per cent., compared to 13.41 per cent. a year earlier.
- DSK Group's net interest income before provisioning rose by HUF 9.7 billion, amounting to close to HUF 34.3 billion (+39.4 per cent. annual increase), and thus net interest margin was 6.9 per cent. in 2005.
- Non-interest income, with revenues from net fees and commissions considered, fell by 9.9 per cent., despite the fact that income from net fees and commissions grew by 38.8 per cent. in 2005.
- The group's cost-to-income ratio declined by close to 5 percentage points, to 45.2 per cent., in 2005.

MAIN INDICATORS OF OTP BANKA HRVATSKA D.D.[1]

OTP banka Hrvatska d.d.

	2004	2005
ROAA %	—	1.00
ROAE %	—	10.6
Cost/income ratio %	—	67.2

(1) Figures for the period after acquisition of OTP banka Hrvatska (2-4Q 2005) and annualized financial indicators

MAIN FINANCIAL DATA OF OTP BANKA HRVATSKA D.D.

	31/12/2004 HUF mn	31/12/2005 HUF mn
Gross loans	—	150,499
Retail	—	90,014
Corporate	—	59,792
Municipal	—	693
Deposits	—	232,496
Retail	—	193,978
Corporate	—	33,168
Municipal	—	5,350
Shareholders' equity	—	30,571
Subscribed capital	—	17,304
Total assets	**—**	**298,175**
Profit before tax	—	3,117
Profit after tax	—	2,135

- On March 10, 2005 OTP acquired the Croatian Nova banka as it was then known, which has been operating as OTP banka Hrvatska ("OBH") since September 2005.
- As at 31 December 2005 OBH's consolidated balance sheet total was HUF 298.2 billion, which gave the Bank a share of the Croatian market of 3.4 per cent.
- The Bank's gross loans amounted to HUF 150.5 billion at year-end 2005, which meant its market share was 3.1 per cent. at the end of the year. Deposits from customers were HUF 232.5 billion at year-end, corresponding to a market share of 4.1 per cent.
- OBH's net interest income was HUF 7.4 billion in 2005. The group's non-interest income reached HUF 3.9 billion, while its non-interest expenses rose to HUF 7.9 billion. Its cost-to-income ratio was 67.2 per cent. in 2005.
- In 2005 OBH contributed HUF 2.1 billion to the Group's consolidated profits with its after-tax profits that it achieved in Q2-Q4 of 2005 following the conclusion of the acquisition. The Bank's annualised ROAA was 1.00 per cent., and its ROAE 10.6 per cent.
- From its after-tax profits of 2005, OBH will pay the Bank HUF 3,563 million in dividends on its stand-alone performance, which in 2005 differed substantially from OBH's group-level performance due to the one-off result of intra-group real estate sales.

MAIN INDICATORS OF OTP BANKA SLOVENSKO, A.S.

OTP Banka Slovensko, A.S

	2004	2005	Change %
ROAA %	0.27	0.57	0.30
ROAE %	3.5	8.6	5.1
Cost/income ratio %	97.5	78.7	(18.8)

MAIN FINANCIAL DATA OF OTP BANKA SLOVENSKO, A.S.

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	134,581	189,940	55,359	41.1
Retail	25,214	43,827	18,613	73.8
Corporate	108,333	142,566	34,233	31.6
Municipal	1,033	3,547	2,514	243.4
Deposits	139,929	151,851	11,922	8.5
Retail	61,316	59,636	(1,680)	(2.7)
Corporate	59,178	71,063	11,885	20.1
Municipal	19,434	21,152	1,718	8.8
Shareholders' equity	14,954	17,128	2,174	14.5
Subscribed capital	11,831	11,831	(0)	(0.0)
Total assets	**214,887**	**262,858**	**47,971**	**22.3**
Profit before tax	512	1,373	861	168.1
Profit after tax	512	1,373	861	168.1

- The balance sheet total of OBS was HUF 262.9 billion as at the end of 2005, which represents a 22.3 per cent. rise compared to year-end 2004, giving it a 2.8 per cent. share of the Slovak banking market.
- In 2005, OBS's credit portfolio rose by 41.1 per cent., to HUF 189.9 billion, representing a 5.3 per cent. market share at year-end. Its deposit portfolio rose by 8.5 per cent., to HUF 151.9 billion, in 2005 and its market share was 3.2 per cent. as at 31 December 2005.
- OBS's shareholders' equity rose by 14.5 per cent., to HUF 17.1 billion, in the reporting period.
- OBS's net interest income increased from HUF 4,954 million in 2004 to HUF 5,401 million in 2005. OBS's non-interest income, compared with the previous year's figure, grew by over 130 per cent., to HUF 6.3 billion by the end of 2005. Non-interest expenses increased by 24.1 per cent. and amounted to HUF 9.3 billion in 2005. OBS's cost-to-income ratio, having dropped by 19 basis points, improved to 78.7 per cent. in 2005.
- OBS's after-tax profit for 2005 according to IFRS amounted to HUF 1.4 billion, compared to HUF 512 million in the previous year. OBS's ROAA was 0.57 per cent. at the end of 2005, and its ROAE 8.6 per cent.
- OBS will pay HUF 1,116 million in dividend on its after-tax profits in 2005 to the Bank.

MAIN INDICATORS OF OTP BANK ROMANIA S.A.

OTP Bank Romania

	2004	2005	Change %
ROAA %	—	(4.25)	—
ROAE %	—	(19.8)	—
Cost/income ratio %	80.6	142.2	61.6

MAIN FINANCIAL DATA OF OTP BANK ROMANIA S.A.

	31/12/2004	31/12/2005	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	16,345	24,565	8,220	50.3
Retail	258	2,396	2,138	828.7
Corporate	16,087	22,169	6,082	37.8
Municipal	—	—	—	—
Provisions	(276)	(463)	(187)	67.8
Net loans	16,069	24,102	8,033	50.0
Deposits	28,703	25,329	(3,374)	(11.8)
Retail	12,764	9,294	(3,470)	(27.2)
Corporate	15,939	15,279	(660)	(4.1)
Municipal	—	756	756	—
Liabilities to credit institutions	7,572	15,482	7,910	104.5
Shareholders' equity	7,692	13,731	6,039	78.5
Subscribed capital	5,104	12,577	7,473	146.4
Total assets	**44,565**	**55,225**	**10,660**	**23.9**
Profit before tax	84	(2,182)	(2,266)	—
Profit after tax	50	(2,122)	(2,172)	—

- OTP Bank Romania's balance sheet total exceeded HUF 55.2 billion as at 31 December 2005, which exceeded the year-end 2004 figure by 23.9 per cent. OTP Bank Romania's market share based on balance sheet total was 0.64 per cent. at year-end 2005.
- OTP Bank Romania's shareholders' equity—due mainly to a capital increase of EUR 30 million in September 2005—amounted to HUF 13.7 billion (representing a 78.5 per cent. rise) as at 31 December 2005.
- OTP Bank Romania's net interest income (before provisioning) grew by 39.7 per cent., to HUF 1.6 billion, while non-interest income (net fees and commissions included) rose by 164.9 per cent. to HUF 1.7 billion.
- OTP Bank Romania closed the 2005 business year with a loss of HUF 2.1 billion, suffered mainly as a result of the high incidence of non-performing loans and the implementation of a branch network expansion plan.

ASSET-LIABILITY MANAGEMENT

Liquidity and market risk management

In 2005, the Group continued to implement a centralised market risk-management system (including human resources, hardware and software), as is generally used internationally. The group-level regulation on market risk management, approved by the Board of Directors of the Bank, specifies the minimum methodological, limit setting and reporting requirements that each group member must meet. It also stipulates the maximum acceptable level of market risk exposure applicable to the group as a whole.

With the help of a computer system, the Bank monitors, in real time, the position of foreign and domestic group members with the largest risk exposure. This means that dealing room liquidity and the utilisation of limits related to market positions can be checked at any time during the day, and the managers concerned receive an automatically generated report regarding any potential limit overruns. In 2005 the automated measurement of Group's banking-book interest and medium-term liquidity risk exposure was commenced.

At the Bank, the supreme forum for asset liability and market risk management is the Asset-Liability Committee. Every year the Committee reviews, at group and bank level, the measurement methods and the established limits, the basis of which is the maximum acceptable level of loss. The Committee receives a report each quarter on the liquidity, interest rate and market risk exposure of the Bank and the Group, while the senior management of the Bank receives a copy each month.

OTP Group's liquidity and market risk exposure

Pursuant to Government Decree no. 244/2000., the capital requirement for trading book positions, counterparty risks and exchange rate risks must be consolidated in the case of OTP Mortgage Bank Ltd., OTP Building Society Ltd., Merkantil Bank Ltd., OBS, DSK, OBR and OBH. As at end-2005, the consolidated capital requirement was HUF 12.2 billion, which was attributable mainly to foreign exchange positions.

The exposure of the group members' foreign exchange positions is restricted by the imposing of individual and global open position (overnight and intraday) as well as loss limits. In 2005 group-level average net exposure was HUF 35.7 billion.

In 2005 the Group's liquidity declined as a result of the dynamic growth in lending activity. Due to the substantial demand for foreign currency loans, the bulk of the group's foreign currency placements are financed by loans taken up by OTP and the securities issued by it. The Mortgage Bank raises funds through the issue of securities, which are purchased by institutional and retail investors.

In 2005 the interest rate exposure of the Group was essentially determined by the positions of the Bank, OTP Mortgage Bank Ltd. and DKS Bank. Since the mortgage bonds issued by the Mortgage Bank to fund its loans were purchased by the Bank, the funding source for the loans on the Mortgage Bank's books were in effect the Bank's customer deposits. On group level, the volume of liabilities that can be repriced within one year or less exceeds that of assets that can be repriced within one year or less. Such a position is beneficial to the Group in the event that market rates continue to decrease.

Developments in the Bank's liquidity

The Bank's liquidity policy: bearing profitability in mind, the Bank should be able to honour its payment obligations when they fall due and execute the necessary transactions. In order to measure liquidity risk exposure, the Bank checks the balance of the mandatory reserve account and the treasury portfolio on a daily basis, and cash flow eight days in advance. It prepares a gap analysis in the form of a maturity balance sheet and, based on the plans, determines the treasury's placement possibilities and/or its fund raising requirement. The business areas and executive officers concerned receive reports on risk exposure and limit utilisation.

At the end of 2005, the value of the cumulative net base position in the five-year-or-less categories of the Bank's maturity balance sheet—compiled through a structuring performed on the basis of the scheduled maturity date of deposits—showed a considerable positive balance. The long-term liquidity position was affected greatly by the fact that in 2005 the Bank, in order to finance foreign currency loans and the subsidiaries of the Group, issued foreign currency bonds of a nominal value of EUR 800 million and a maturity of five years and subordinated debenture bonds of a nominal value of EUR 125 million and a maturity of 10 years. The value of loans taken up by the Bank on the capital market for purposes other than re-financing rose to EUR 1,396 million, 96.3 per cent. (EUR 1,344 million) of which had been drawn down in euro or Swiss francs as of year-end 2005. The excess forint liquidity meant the Bank could also raise EUR- and CHF-denominated funds in the form of FX swaps.

By the end of 2005, the volume of foreign currency loans had grown by over 57 per cent. of the year-end 2004 figure. The growth in foreign currency loans was attributable to the business activity of both the Bank and its subsidiaries. A major part of the loans were extended by the Bank to its affiliates, mainly for vehicle financing. The coverage of foreign currency loans by foreign currency deposits from customers fell from 58 per cent. to 41 per cent. over the year, and in the case of the euro, from 55 per cent. to 40 per cent. In the wake of the foreign bank acquisitions, an increasingly large portion—two thirds—of assets are denominated in foreign currency. In 2005, the value of foreign currency deposits from customers expressed in euro rose by close to 10 per cent., while their forint value, due to the 2.8 per cent. weakening of the forint exchange rate, was 11 per cent. higher. In 2005, the growth in the share of euro-denominated deposits within foreign currency deposits ceased, and then declined, from 63.6 per cent. previously to 61.6 per cent.

Applying stricter rules than the law, which stipulates that a large deposit is one that exceeds 15 per cent. of the guarantee capital, the Bank deems any deposit in excess of HUF 2 billion as large. The portfolio of the Bank's cash, negotiable securities and short-term central bank and placements with other banks is over 7.45 times higher than the aggregate portfolio of the individual large deposits. Similarly to the year-end 2004 proportion, the Bank's cash securities held for trading and deposits held with the central bank and other commercial banks accounted for 19 per cent. of the balance sheet total as at year-end 2005.

The Bank's interest rate exposure

The Bank aims to contain all potential loss arising from an adverse shift in market rates and manifesting itself in a fall in net interest income or the market value of the portfolio, within certain specified limits. To this end, the Bank measures its interest rate exposure on a continuous basis and notifies the management in the event of any limit overrun.

In 2005 the intra-year gap of the combined forint repricing balance of the banking and trading book portfolio (i.e. the value of the receivables belonging to the given time category less the liabilities belonging to the same time category) was, similarly to the previous years, short, that is, it revealed a substantial excess of liabilities. The Bank's interest rate exposure is largely determined by the fact that almost its entire deposit portfolio is repriced within 3 months, partly since deposits are placed only for short periods and partly because their interest rates are not fixed and are also not tied to money-market instruments, but may, depending on market conditions, be repriced by the Bank entirely at its own discretion, and at the same time, the portfolio of fixed-rated securities held for investment purposes exceeded HUF 600 billion. The share of the Bank long-maturity fixed-rated mortgage bonds within the Bank's portfolio did not change substantially, and therefore the average remaining period to maturity (duration) of the aggregate portfolio of mortgage bonds fell by half a year, to 3.25 years, over the course of the year under review. The short-term discount securities issued by OTP Mortgage Bank expired, and were effectively renewed through the subscription of newly issued short-term fixed rate mortgage bonds.

The interest rate exposure of the foreign currency denominated portfolio is not material.

The Bank's exchange rate exposure

The Asset Liability Committee contains foreign exchange rate exposure through individual and global net open position (overnight and intraday) as well as loss limits.

The Bank is present in both the domestic and foreign FX spot and derivatives markets. In 2005, the average size of the Bank's net open position was HUF 35.7 billion, which was due, almost in its entirety, to its foreign interests (in the reporting year OTP banka Hrvatska, formerly Nova banka, joined the group). The average net open position held by the dealing room was HUF 3.7 billion.

In 2005, the forint weakened by 2 per cent. against the euro. The US dollar strengthened significantly against the euro, which—due to the relative stability of the HUF/EUR cross-rate—strengthened the dollar by 18 per cent. against the forint. The Bank made the most of the opportunities offered by the movements in the market. The profit of the Arbitrage Division was HUF 1.2 billion in 2005.

Capital requirement for the Bank's market risk exposure

Since the second quarter of 2001, in conformity with Government Decree no. 244/2000, the Bank has been preparing daily reports for the Supervisory Authority on the capital requirement for the interest rate, counterparty and foreign exchange rate risk, determined in accordance with the 'standard method', of the Bank's trading book positions. The average capital requirement was HUF 3.3 billion higher in 2005 than in 2004, and reached HUF 8.3, of which HUF 1.1 billion was allocated to position risk, HUF 0.3 billion to counterparty risk and HUF 7 billion to exchange rate risk. It was exchange rate risk that rose the most, due mainly to the increase in open foreign exchange positions caused by the acquisitions.

The Bank determines the capital requirement each day, also using the internal model (VaR). Average (overall) capital requirement calculated with the VaR model was HUF 5.5 billion in 2005. As from April 1, 2006, based on the approval of the Board of Directors and the Hungarian Supervisory Authority, the Bank uses the internal model to calculate the capital requirement for its exchange rate risk.

FINANCIAL SUMMARY

Consolidated IFRS data

BALANCE SHEET (in HUF bn)

	As at 31 December	
	2004*	2005*
Cash, due from banks and balances with the National Bank of Hungary	465.9	483.2
Placements with other banks, net of allowance for placement losses	286.2	438.8
Financial assets at fair value through statements of operations	70.6	48.1
Securities available-for-sale	295.8	409.9
Gross loans	2,586.1	3,297.2
Retail	1,547.4	1,965.8
Corporate	920.6	1,195.4
Municipal	118.1	136.0
Allowance for loan losses	79.3	105.9
Net loans	2,506.8	3,191.3
Equity investments	9.4	12.4
Securities held-to-maturity	247.3	289.8
Premises, equipment and intangible assets, net	174.8	233.2
Other assets	105.6	109.2
TOTAL ASSETS	**4,162.4**	**5,215.9**
Due to banks and deposits from the National Bank of Hungary and other banks	254.1	364.1
Deposits from customers	2,902.2	3,428.2
Retail	2,155.8	2,562.9
Corporate	549.8	662.2
Municipal	196.5	203.1
Liabilities from issued securities	317.2	543.5
Other liabilities	240.8	285.6
Subordinated bonds and loans	14.3	47.0
TOTAL LIABILITIES	3,728.7	4,668.4
TOTAL SHAREHOLDERS' EQUITY	433.7	547.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,162.4**	**5,215.9**
Net assets per share (NAV) ** (HUF, diluted)	1,486.6	1,862.8

PROFIT AND LOSS ACCOUNT (in HUF bn)

	For the years ended 31 December	
	2004*	**2005***
Net interest income	260.9	297.2
Provision for loan and placement losses	16.0	28.0
Net interest income after provision for loan and placement losses	244.8	269.2
Fees and commissions income	91.6	118.9
Foreign exchange gains, net	1.3	3.9
Gains and losses on securities, net	6.5	9.7
Gains on real estate transactions, net	1.8	0.1
Dividend income and gains and losses of associated companies	0.6	0.7
Insurance premiums	49.3	69.8
Other	10.7	13.5
Total Non-Interest Income	161.8	216.5
Fees and commissions expense	20.6	19.9
Personnel expenses	79.5	95.2
Depreciation and amortisation	29.2	21.9
Insurance expenses	40.3	58.5
Other	81.0	98.1
Total Non-Interest Expense	250.6	293.6
Profit before tax	**156.0**	**192.1**
Profit after tax	**131.5**	**158.2**
Earnings per share (EPS) **		
Base	HUF 501	HUF 603
Diluted	HUF 499	HUF 599

KEY RATIOS

	2004*	**2005***
Loan to deposit ratio %	69.4	70.6
Cost/income ratio %	**57.2**	**55.4**
Capital adequacy ratio %***	11.19	10.56
ROAA %	3.45	3.38
ROAE %	**35.3**	**32.3**
Dividend per share %	146	197
Per capita profit after tax (in HUF mn)	**7.7**	**8.8**

* Due to the changes of the accounting standards figures are not comparable with previous years' data.

** From March 11, 2002 each ordinary share with a face value of HUF 1,000 was split into 10 ordinary shares with a face value of HUF 100 each., For this NAV and EPS ratios of previous years were corrected.

*** The Bank non-consolidated, according to HAR.

Non-consolidated IFRS data

BALANCE SHEET (in HUF bn)

	As at 31 December	
	2004*	**2005***
Cash, due from banks and balances with the National Bank of Hungary	399.4	379.2
Placements with other banks, net of allowance for placement losses	200.1	393.7
Financial assets at fair value through statements of operations	22.1	34.1
Securities available-for-sale	324.1	371.4
Gross loans	1,296.1	1,497.7
Retail	374.1	463.9
Corporate	805.8	902.7
Municipal	116.2	131.1
Allowance for loan losses	(19.8)	(22.2)
Net loans	1,276.2	1,475.5
Equity investments	154.3	223.9
Securities held-to-maturity	507.5	521.8
Premises, equipment and intangible assets, net	96.5	105.6
Other assets	74.2	87.7
TOTAL ASSETS	**3,054.5**	**3,592.9**
Due to banks and deposits from the National Bank of Hungary and other banks	203.8	255.2
Deposits from customers	2,340.9	2,506.5
Retail	1,738.6	1,870.4
Corporate	431.9	474.1
Municipal	170.4	162.0
Liabilities from issued securities	2.0	202.3
Other liabilities	104.4	108.6
Subordinated bonds and loans	14.3	47.0
TOTAL LIABILITIES	2,665.4	3,119.6
TOTAL SHAREHOLDERS' EQUITY	389.1	473.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,054.5**	**3,592.9**
Net assets per share (NAV)** (HUF, diluted)	1,389.6	1,690.4

PROFIT AND LOSS ACCOUNT (in HUF bn)

	For the years ended 31 December	
	2004*	2005*
Net interest income	151.1	168.6
Provision for loan and placement losses	8.6	16.4
Net interest income after provision for loan and placement losses	142.5	152.2
Fees and commissions income	113.3	136.3
Foreign exchange gains, net	0.9	1.6
Gains and losses on securities, net	1.1	3.1
Gains on real estate transactions, net	-0.1	0.0
Dividend income and gains and losses of associated companies	8.5	13.9
Insurance premiums	2.7	3.5
Total Non-Interest Income	126.3	158.4
Fees and commissions expense	9.7	13.8
Personnel expenses	54.3	62.4
Depreciation and amortisation	13.4	15.2
Insurance expenses	59.0	63.3
Total Non-Interest Expense	136.4	154.8
Profit before tax	**132.4**	**155.8**
Profit after tax	**113.5**	**132.8**
Earnings per share (EPS) **		
Base (HUF)	420	492
Diluted (HUF)	418	488

KEY RATIOS

	2004*	2005*
Loan to deposit ratio %	55.4	59.8
Cost/income ratio %	**47.3**	**45.0**
Capital adequacy ratio %***	11.19	10.56
ROAA %	3.92	4.00
ROAE %	**34.1**	**30.8**
PER CAPITA PROFIT AFTER TAX (IN HUF MN)	146	197

* Due to the changes of the accounting standards figures are not comparable with previous years' data

** From March 11, 2002 each ordinary share with a face value of HUF 1,000 was split into 10 ordinary shares with a face value of HUF 100 each, for this NAV and EPS ratios of previous years were corrected.

*** The Bank non-consolidated, according to HAR

Consolidated IFRS

BALANCE SHEET (in HUF m/n)

	As at 30 June	
	2005	2006
Cash, due from banks and balances with the National Bank of Hungary	469,349	480,341
Placements with other banks, net of allowance for possible placement losses	289,117	456,567
Financial assets at fair value through profit and loss	57,391	67,092
Securities held-for-trading	45,472	56,191
Fair value adjustment of derivative financial instruments	11,919	10,901
Securities available-for-sale	382,620	403,586
Loans, net of allowance for possible loan losses	2,889,124	3,575,435
Accrued interest receivable	29,218	39,502
Investments in subsidiaries	10,747	9,123
Securities held-to-maturity	238,925	289,535
Premises, equipment and intangible assets, net	224,313	266,365
Other assets	102,188	147,717
TOTAL ASSETS	**(4,692,992)**	**(5,735,263)**
Due to banks and deposits from the National Bank of Hungary and other banks	406,884	449,774
Deposits from customers	3,146,585	3,715,398
Liabilities from issued securities	325,706	569,222
Accrued interest payable	33,490	32,377
Other liabilities	256,745	318,360
Subordinated bonds and loans	47,267	51,383
TOTAL LIABILITIES	**4,216,677**	**5,136,514**
SHARE CAPITAL	28,000	28,000
RETAINED EARNINGS AND RESERVES	479,143	629,514
Retained earnings and reserves without earnings	402,740	536,518
Reserves	387,939	524,217
Fair value adjustment of securities available-for-sale and of derivative financial instruments recognised directly through equity	7,515	1,433
Fair value adjustment of share based payments	7,286	10,868
Retained earnings	76,403	92,996
TREASURY SHARES	(31,704)	(59,739)
MINORITY INTEREST	876	974
TOTAL SHAREHOLDERS' EQUITY	**476,315**	**598,749**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,692,992**	**5,735,263**

Consolidated IFRS

PROFIT AND LOSS ACCOUNT (in HUF m/n)

	For the six months ending 30 June	
	2005	**2006**
Loans	164,698	179,696
interest income without swap	164,502	179,515
results of swaps	196	181
Placements with other banks	21,431	31,014
interest income without swap	6,522	6,951
results of swaps	14,909	24,063
Due from banks and balances with the National Bank of Hungary	16,932	13,653
Securities held-for-trading	1,558	1,103
Securities available-for-sale	12,912	12,070
Securities held-to-maturity	10,562	9,052
Total Interest Income	228,093	246,588
Due to banks and deposits from the	15,430	41,330
National Bank of Hungary and other banks interest expenses without swap	4,368	5,462
losses of swaps	11,062	35,868
Deposits from customers	57,133	45,993
interest expenses without swap	57,099	45,025
losses of swaps	34	968
Liabilities from issued securities	12,381	13,817
Subordinated bonds and loans	759	951
Other entrepreneurs	30	44
Total Interest Expense	85,733	102,135
NET INTEREST INCOME	142,360	144,453
Provision for possible loan losses	12,893	9,289
Provision for possible placement losses	33	0
Provision for possible loan and placement losses	12,926	9,289
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	129,434	135,164
Fees and commissions	54,746	69,309
Foreign exchange gains and losses, net	(1,221)	19,060
Gains and losses on securities, net	3,260	435
Gains and losses on real estate transactions, net	441	688
Dividend income and gains and losses of associated companies	645	508
Insurance premiums	32,481	37,844
Other	5,979	8,148
Total Non-Interest Income	96,331	135,992
Fees and commissions	8,527	14,351
Personnel expenses	42,996	49,125
Depreciation and amortization	10,313	12,925
Insurance expenses	27,806	29,534
Other	43,650	54,103
Total Non-Interest Expense	133,292	160,038
INCOME BEFORE INCOME TAXES	**92,473**	**111,118**
Income taxes	16,042	18,197
INCOME AFTER INCOME TAXES	76,431	92,921
Minority interest	(28)	75
NET INCOME	76,403	92,996

MERRILL LYNCH & CO., INC.

Pursuant to a guarantee dated 19 October 2006 entered into by Merrill Lynch & Co., Inc., ("ML"), ML has guaranteed (the "ML Guarantee"), in favour of the Issuer, Merrill Lynch International's payment obligations under the Securities Lending Agreement. The Issuer's rights under the ML Guarantee form part of the Secured Property in respect of the ICES. See Condition 2(b) and "Security for the ICES" for further details.

ML was incorporated under the laws of the State of Delaware, U.S.A., on 27 March 1973 with file number 0790151. The principal executive office of ML is located at 4 World Financial Center, New York, New York 10080, United States of America, with telephone number +1 212 449 1000. ML's registered office in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States of America.

ML is a holding company that, through its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, insurance, lending and related products and services on a global basis. ML provides these products and services to a wide array of clients, including individual investors, small and large businesses, public companies, financial institutions, governments and government agencies.

The principal market on which ML's equity securities are traded is the New York Stock Exchange. ML's equity securities are also listed on the Chicago Stock Exchange, Pacific Exchange, London Stock Exchange and Tokyo Stock Exchange. ML has debt securities listed on the following markets: the Frankfurt Stock Exchange, Helsinki Stock Exchange, London Stock Exchange, Luxembourg Stock Exchange, Euronext Paris, Börse Stuttgart and SWX Swiss Exchange.

ML's principal subsidiaries include Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch International (being the counterparty to the Securities Lending Agreement), Merrill Lynch Government Securities, Inc., Merrill Lynch Capital Services, Inc., Merrill Lynch Bank USA, Merrill Lynch Bank & Trust Co., Merrill Lynch International Bank Limited, Merrill Lynch Mortgage Capital Inc., Merrill Lynch Japan Securities Co., Ltd., Merrill Lynch Life Insurance Company, ML Life Insurance Company of New York, Merrill Lynch Derivative Products AG and ML IBK Positions, Inc. ML owns just under half of BlackRock, Inc. one of the world's largest publicly traded investment management companies with approximately US$1 trillion in assets under management.

The services which ML and its principal subsidiaries provide include the following:

- Securities brokerage, trading and underwriting;
- Investment banking, strategic advisory services (including mergers and acquisitions) and other corporate finance activities;
- Wealth management products and services, including financial, retirement and generational planning;
- Origination, brokerage, dealer and related activities in swaps, options, forwards, exchange-traded futures, other derivatives, commodities and foreign exchange products;
- Securities clearance, settlement financing services and prime brokerage;
- Private equity and other principal investing activities;
- Proprietary trading of securities, derivatives and loans;
- Banking, trust and lending services, including deposit taking, consumer and commercial lending, including mortgage loans, and related services;
- Insurance and annuities sales and annuity underwriting services; and
- Research across the following disciplines: global equity strategy and economics, global fixed income and equity-linked research, global fundamental equity research and global wealth management strategy.

DESCRIPTION OF THE SHARES OF THE BANK

The following is a summary of certain information concerning the shares of the Bank and certain provisions of the By-Laws of the Bank and of Hungarian law in effect as at the date of this Prospectus. The following information should be read in conjunction with and is qualified in its entirety by the By-Laws of the Bank, the English language translation of which is incorporated by reference in this Prospectus and can be obtained as described under "Documents Incorporated by Reference" above.

Type and class of the shares of the Bank

The registered share capital of the Bank is equal to HUF 28,000,001,000, divided into 280,000,000 ordinary shares with a nominal value of HUF 100 each ("Ordinary Shares") and one golden share. The golden share is owned by the Hungarian State.

Legislation under which the shares of the Bank have been created

The shares of the Bank were created in accordance with the provisions of the Act CXLIV of 1997 (the "Companies Act"), the Banking Act and Act CXX of 2001 (the "Capital Markets Act").

Form of the shares of the Bank

All of the shares of the Bank are in registered, dematerialised form, validly issued and fully paid up with perpetual duration. The dematerialised security is an aggregate of electronic information created, recorded, transmitted and registered in an electronic format, identifiably containing all material information relating to the shares, as defined in the Capital Markets Act and in other specific legislation. The shares are represented by a single global share certificate issued by the Bank and deposited by it in the Central Clearing House and Common Depository (Budapest) Rt. ("KELER"), the central Hungarian depositary and clearing system. Interests in the shares are credited by KELER to the securities accounts of the holders thereof.

In addition, records relating to the Bank's Shares are kept at the seat of the Bank (1051 Budapest, Nádor u. 16., Hungary).

Currency of the shares of the Bank

The shares of the Bank are denominated in Hungarian forints (HUF).

Description of the rights attaching to the shares of the Bank

Dividend rights

Holders of the shares of the Bank are entitled to dividends, to the extent declared by the General Meeting, in proportion to their shareholding.

Payment of dividends will be made within 60 days of the adoption by the General Meeting of the resolution approving payment of the dividend. The date of this resolution shall precede the record date of the dividend payment by at least 20 business days. No dividend will be payable unless the shareholder claims the dividend payment within five years of the date when the payment of dividends originally became due.

No payment will be made if ownership of the shares is in breach of the provisions of the Banking Act, which shall be determined by the Bank prior to paying dividends. In addition, no payment will be made to a shareholder who is not registered in the Share Register of the Bank. With regard to the Bank's shares listed on the Budapest Stock Exchange, the Bank will also require ownership identification from KELER or the relevant custodian prior to the first payment of dividends. If the Bank fails to pay a dividend within eight days from the receipt of a claim for such payment, the shareholder will be entitled to interest on such overdue payment. There are no special provisions in respect of payments of dividends to non-resident shareholders.

The dividend payable is calculated according to the Hungarian Accounting Act (Act C of 2000) and the Bank's dividend policy. According to such policy, the dividend to be declared (as determined by the Bank's Board of Directors based on the results of the Bank each year) shall be adjusted to take account of the dividend payable in respect of any shares which are considered "own shares" (treasury shares), as evidenced in the share register, on the record date in respect of any dividend declared in respect of the preceding financial year. The Bank's Board of Directors shall propose to the General Meeting payment of such increased dividend which includes the dividend payable on the Bank's own shares.

Voting rights

At the General Meeting the quorum is subject to the representation of the owner of the golden share (currently the Hungarian State), and the approval of a resolution at a General Meeting is subject to the owner of the golden share voting in favour in the following cases: (i) decisions relating to any capital increase (except for capital increases within the authority of the Board of Directors); (ii) alteration of the rights attached to specific series of shares, or transformation of certain categories or classes of shares; (iii) a decision on merging into another company, demerging or terminating the company limited by shares without a legal successor, or whether to transform the Bank into another corporate form; (iv) the election or removal of the member of the Board of Directors and the member of the Supervisory Board representing the owner of the golden share; and (v) except as defined in the Companies Act, decisions on the acquisition of equity shares, as well as on the approval of a public offer received for the purchase of equity shares. These additional voting rights only remain attached to the golden share while such share is owned by the Hungarian State. Save as provided in this paragraph, the owner of the golden share does not have any rights as a result of such ownership in respect of the Bank which are material in the context of the issue and offering of the ICES.

Voting rights exercised directly or, as construed by the Banking Act, indirectly by foreign shareholders, may not exceed 50 per cent. of the total voting rights represented by the shares carrying voting rights at a General Meeting. Voting rights exercised directly or indirectly by any individual shareholder may not exceed 25 per cent. (or if another shareholder holds not less than 10 per cent. of the voting rights, the voting rights exercisable by any one shareholder may not exceed 33 per cent.) of the total voting rights represented by the shares carrying voting rights at a General Meeting.

Other rights

Other than the rights described above, there are no additional rights attached to the Ordinary Shares.

Listing of the Ordinary Shares

The Ordinary Shares were admitted to listing on the Budapest Stock Exchange in 1995. In addition, global depositary receipts ("GDRs") traded offshore but representing Ordinary Shares are listed on the Luxembourg Stock Exchange (in the ratio of one GDR: two Ordinary Shares).

Restrictions on the free transferability of the Ordinary Shares

The Bank's Deed of Foundation does not include any special transfer restrictions on the Ordinary Shares. Hungarian law, however, in certain instances restricts the transfer of shares of Hungarian companies. Whenever title to the Ordinary Shares as dematerialised securities is conveyed, it must be effected through the crediting and debiting of securities accounts. Furthermore, ownership rights attached to the Ordinary Shares can only be exercised following the registration of the new owner into the Share Register of the Bank.

Mandatory takeover bids, squeeze-out and sell-out rules

Any acquisition of an interest in the Bank exceeding 33 per cent. will be subject to a public purchase offer approved in advance by the HFSA. If there is no shareholder, other than the shareholder intending to acquire an interest in the Bank, who holds (either directly or indirectly) more than 10 per cent. of the voting rights, the purchase offer must be made in respect of any acquisition of an interest in the Bank in excess of 25 per cent.

The person (the "Bidder") acquiring an interest in excess of 33 per cent. (or, as the case may be, 25 per cent.) is obliged to make a public purchase offer in respect of all shares outstanding. The main rules of such public purchase offer are the following:

- An authorised investment service provider (an "Offer Manager") must be commissioned to manage the public purchase offer process.
- An offer document must be prepared containing, among other things, the terms and conditions of the public purchase offer. The Bidder must present a report detailing its business activities

("Business Report") and a strategic plan concerning the potential acquisition of an interest in the Bank ("Strategic Plan"). The Offer Manager and the Bidder must sign a responsibility declaration to the effect that the information in the Business Report is true and accurate and the Business Report does not omit any substantial information necessary or desirable for the evaluation of the Bidder and the public purchase offer and they are jointly and severally liable for all losses caused by misleading information or information not disclosed in the Business Report.

- The offer price per share shall not be less than the price calculated in accordance with the provisions of the Capital Markets Act.
- The Bidder must submit the offer document to the HFSA for approval, to the Board of Directors of the Bank for notification, and shall simultaneously initiate its publication.
- The acceptance period of the offer shall be at least 30 days, but no longer than 45 days. The offer document, together with the annexes such as the Business Report and the Strategic Plan, must be made available to shareholders for inspection during the entire acceptance period.
- Until the 15th day prior to the closing day of the acceptance period, any third party may make a counter offer. The rules of the public purchase offer will apply equally to any counter offer. The price offered in the counter offer must be at least 5 per cent. higher than the previous offer price. A further counter offer may be made exceeding the original counter offer if the price offered by such new counter offer is at least 5 per cent. higher than the offer price in the previous counter offer.
- If a counter offer is submitted, the previous offer or previous counter offer, and the acceptances in respect of such prior offer, automatically lapse.
- In case of a public purchase offer, the Bidder must purchase all shares offered, unless the interest to be acquired by the Bidder in the Bank would be less than 50 per cent. pursuant to the declarations of acceptance, and the purchase offer contains a clause of rescission for this case.
- Prior to January 2006, the Capital Markets Act also included provisions under which if, after the public purchase offer is completed, the Bidder holds more than 90 per cent. of the voting rights, and it has paid the purchase price to the shareholders, the Bidder has an option to purchase the remaining shares of the Bank within 30 days of the publication of the announcement in relation to the result of the offer.

Furthermore, previous provisions included that if, after the public purchase offer is completed, a shareholder had acquired more than 90 per cent. of the voting rights, it is obliged to purchase the outstanding shares at the request of the holder of those shares if such request is made within 30 days of the publication of the announcement in relation to the result of the offer. The price of those shares must be the highest of (i) the offer price; or (ii) the equity per share. The above provisions were deleted from the currently effective legislation, but new takeover rules will only be applicable as of May 2006. Plans are, however, being considered to reinsert the deleted provisions through an amendment of the Capital Markets Act for the interim period of time.

If the interest is acquired other than in accordance with the Bank's By-Laws and Hungarian law, shareholders' rights in the Bank cannot be exercised. The HFSA is entitled to suspend both ownership rights and shareholders' rights if a person fails to meet such requirements. If a person does not make a public purchase offer although obliged to do so, it must sell all of the shares acquired in contravention of the public purchase offer rules within 60 days of (i) the acquisition of the shares or (ii) the date of the HFSA's resolution notifying such person about the public purchase offer. Furthermore, the HFSA also has the power to fine investors and companies acting in violation of the public purchase offer rules described above.

Shareholders' rights in the Bank on the basis of shares which are not affected by the selling obligation may be exercised only after the sale of the shares subject to such obligation.

Takeover bids

There has been no public takeover bid during the last and the current financial year in respect of the Ordinary Shares.

Impact on the Bank of the sale of Ordinary Shares and the potential dilution of its current shareholders

The sale of the Ordinary Shares by the Bank to the Issuer on or before the Closing Date pursuant to the provisions of the Subordinated Swap Agreement will not result in the dilution of the Bank's current shareholders. However, dilution will occur if and to the extent of any exercise of Exchange Rights on the ICES and Ordinary Shares are delivered to ICES Holders in connection therewith (except to the extent that a Relevant Event occurs, no such exchange is possible before 31 October 2011).

Dividends per Ordinary Share

The following table provides details in respect of the dividends paid per Ordinary Share for the periods indicated:

Payment Date[1]	Dividend per Ordinary Share HUF
12 June 2002	27.50
2003[2]	—
12 June 2004	64.16
13 June 2005	156.50
12 June 2006	210.69

Notes:

(1) Dividends paid on the dates stated in the table above were payable in respect of the preceding financial year.

(2) OTP did not pay a dividend in 2003, in respect of the financial year ended 31 December 2002.

THE HUNGARIAN BANKING SYSTEM

Structure

The Republic of Hungary has one of the most developed financial systems among Central and Eastern European countries. Under Act CXII of 1996 on credit institutions and financial enterprises (the "Credit Institutions Act"), banks, specialised credit institutions or co-operative credit institutions may act as credit institutions. As the Republic of Hungary has a "universal banking system", in addition to providing financial and banking services, Hungarian credit institutions are allowed to carry out investment services. The provision of investment services by credit institutions is regulated by Act CXX of 2001 on the capital markets (the "Capital Markets Act"). Among the three types of credit institutions only banks are entitled to provide the full range of banking and investment services.

EU membership

The Republic of Hungary became a member of the European Union (the "EU") on 1 May 2004. Membership of the EU has resulted in the Republic of Hungary adopting and implementing various EU directives. Changes have therefore been made to Hungarian banking law and accounting rules in order to harmonise them with EU directives. EU accession has greatly enhanced the international integration of the domestic money market and has strengthened the close relationship between credit institutions and their foreign parent banks, the majority of Hungarian banks being owned by foreign credit institutions.

Legal and institutional environment and supervision

The legal framework of the present banking system is based on the Credit Institutions Act and the Capital Markets Act and decrees of the Minister of Finance and the government of the Republic of Hungary (the "Government"). Regulation of the Hungarian banking system is generally in line with the relevant EU banking standards.

The Credit Institutions Act contains the regulatory framework for most of the essential regulations in respect of financial undertakings and credit institutions. Banks are classified as credit institutions. The Credit Institutions Act imposes various requirements, restrictions and regulations on credit institutions, including, *inter alia*, reporting and liquidity requirements, restrictions on investments, limits on exposure, regulations regarding internal controls and internal audits, deposit guarantees, money laundering, capital adequacy requirements and customer protection.

Since 1991, the Republic of Hungary's banking system has been subject to a regulatory and supervisory framework based on the principles and guidelines of the Bank for International Settlements ("BIS").

Supervision of the Hungarian banking system

Since 1 April 2000, supervision of the banking sector has been carried out by the Hungarian Financial Supervisory Authority (the "HFSA"), which is the successor of the Hungarian Banking and Capital Market Supervisory Authority, the State Insurance Supervisory Authority and the State Pension Fund Supervisory Authority. The HFSA's establishment, status and activity are regulated by Act CXXIV of 1999 on the Hungarian Financial Supervisory Authority.

The HFSA is an administrative agency of the Government and has national jurisdiction. It is headed by a council consisting of up to five members and it is managed by the director. The chairman of the council is elected by the Hungarian Parliament and the director and deputy directors are appointed by the Prime Minister of the Republic of Hungary. The chairman of the council reports directly to the Minister of Finance.

The HFSA's wide ranging powers under the Credit Institutions Act and the Capital Markets Act include the licensing and supervision of the operation of credit institutions. Supervision of banking activities in the Republic of Hungary has strengthened as the banking system has developed. Bank supervisory responsibilities have largely been transferred to the HFSA, with the National Bank of Hungary ("NBH") retaining a more limited supervisory role (mainly related to the circulation of currency).

As of 1 January 2006, the supervisory role of the HFSA has been harmonised with the relevant EU Directives on insider dealing and market manipulation.

The role of the NBH

Act LVIII of 2001 on the National Bank of Hungary regulates the NBH and its current position in the system of European Central Banks.

Although the NBH has no legal obligation to support Hungary's credit institutions, it may serve as a lender of last resort to a credit institution if the credit institution faces temporary liquidity difficulties. However, the NBH is not permitted to grant any financial aid to the Government. Any loans granted by the NBH in its capacity as lender of last resort to Hungary's credit institutions qualify as general unsecured obligations of the credit institutions concerned.

The NBH reviews reports filed by banks and maintains a publicly available database on the Hungarian banking system. Furthermore, it continuously evaluates the status and publishes information regarding the financial position and condition of Hungarian credit institutions and of the Republic of Hungary itself. The NBH also monitors compliance of credit institutions with the provisions of the Credit Institutions Act and the decrees issued by the governor of the NBH.

The European Central Bank and the NBH

The Republic of Hungary expects to become a member of, and to participate in, the Economic and Monetary Union ("EMU") by 2010, at which point the value of the Hungarian forint against the euro will be irrevocably fixed, although certain financial analysts have expressed their doubts concerning the above date. Prior to joining the EMU, the Republic of Hungary will accede to the ERM-II system.

The Republic of Hungary is presently at the second stage of monetary integration, therefore, it still retains the discretion to set its own monetary policy. Nevertheless, pursuant to the treaty of Maastricht, it is bound to follow a strategy of convergence. The governor of the NBH is a member of the Governing Council of the European Central Bank.

The role of the HFSA

A credit institution must obtain a licence from the HFSA before it is allowed, among other things, to become established, commence operations, establish a representative office or a subsidiary abroad, elect its management, acquire shares of a non-resident entity representing a qualifying holding or terminate its operations.

The HFSA monitors compliance with the Credit Institutions Act and Capital Markets Act and other relevant legislation and regulations applicable to Hungarian banks and other financial institutions.

The HFSA is entitled to impose various sanctions on credit institutions, including issuing warnings of non-compliance, withdrawing of licences, instituting liquidation proceedings and imposing fines on credit institutions and their managers.

Hungarian banking regulations and regulatory provisions regarding the licensing and supervision of Hungarian branches of credit institutions registered in another member state of the European Economic Area are in accordance with the relevant EU Directives.

Banking regulations

Main features

The Credit Institutions Act and the Capital Markets Act set out the regulatory framework for the Hungarian banking system. Specific rules not regulated in detail under these Acts are set out in Government decrees or decrees issued by the Minister of Finance. The HFSA does not have the power to issue regulatory decrees, or any other legally binding regulation.

Capital adequacy

According to the Credit Institutions Act and in line with European regulations, banks must have a registered capital of at least HUF 2 billion (approximately EUR 8 million). The amount of a credit institution's equity may not be less than the minimum amount of its registered capital. If the amount of a credit institution's equity falls below the registered capital, the HFSA will give the credit institution a maximum of 18 months to bring its equity to the required level.

In order to maintain solvency and its ability to satisfy its liabilities, a credit institution must at all times have own funds equal to the amount of the risk of the financial and investment activities it performs, and its own funds may not be less in any event than the minimum amount of its registered capital.

Trading book

In order to ascertain a credit institution's capital requirements, a trading book must be kept to record the investment instruments in the trading portfolio that are exposed to the market risks fundamentally connected with investment and financial services and the risks undertaken in connection with these.

General reserves

A credit institution must create general reserves from its after-tax profits prior to paying dividends or sharing respectively to offset the losses incurred during its activities. A credit institution must place 10 per cent. of its annual after-tax profits into the general reserve. (Upon request, a credit institution may be exempted by HFSA from the obligation to create general reserves if its solvency ratio is above 12 per cent. and it has no negative profit reserves.)

Solvency ratio

Pursuant to its authority under the Credit Institutions Act, the Minister of Finance has issued Decree No. 23/2003 (X.3.) on the calculation of the solvency ratio on a consolidated basis (the "Decree"). The Credit Institutions Act and the Decree adopts the standards of the BIS, which prescribes that the ratio of a bank's own funds and such bank's risk-weighted assets (on- and off-balance sheet items) may not be less than 8 per cent. In addition, the Minister of Finance has issued decrees requiring credit institutions to create provisions based both on the quality of their assets (which includes loans, investments and off-balance sheet items) and on certain foreign country risks present in their assets.

Own funds

The own funds of a credit institution consist of core, ancillary and supplementary capital (in accordance with the BIS standards).

As of 1 January 2006, core capital has been supplemented by a new component called core loan capital (*alapvető kölcsöntőke*) (Tier 1). A loan is considered as core loan capital if it satisfies all of the following requirements: (i) it is actually available and immediately accessible to the user credit institution without any legal dispute or seniority requirement and is shown in the balance sheet of the user credit institution; (ii) the agreement providing the loan includes the lender's agreement that the loan provided by it may be used for settling the credit institution's debts and the lender's claim must be in the last place immediately preceding the claim of the shareholders; (iii) the term of the loan (including debt securities) is indefinite and may only be terminated with the approval of the HFSA; (iv) repayment of the principal is not possible prior to the termination date stipulated in the agreement, except if so approved by the HFSA; (v) the loan agreement or the agreement for the sale of the securities does not contain any clause that would increase the interest and other payment obligations, except for the case of floating rate interest as a result of the increase of the reference rate; (vi) interest or any other payment under the loan (except repayment of principal) may only be made from the credit institution's after tax profits, as specified in the credit institution's annual report for the respective business year and completed with the credit institution's available retained earnings, subsequent to the credit institution's recording of its general reserves but preceding the payment of any dividends; (vii) if in the respective year it is not possible to make any interest or any other payments pursuant to the rules set out in (vi) above, the lender may not claim such unpaid amount in the following years; (viii) if the credit institution does not fulfil any of its payment obligations under the loan agreement, the lender may not initiate the credit institution's liquidation for this reason; and (ix) the lender of the loan does not have any set-off rights against the borrower in connection with the loan.

As of 1 January 2006, a new component has been incorporated into the ancillary capital elements by the amendment of the Credit Institutions Act. This new component is called ancillary loan capital (*járulékos kölcsöntőke*) (Upper Tier 2).

A loan is considered as ancillary loan capital if it satisfies the following requirements: (a) it fulfils all the requirements set forth for core loan capital with the exception of point (vii) as set out above; and (b) if, pursuant to point (vi) above, in any financial year any interest or other payments cannot be made, the lender may only claim in the following years this overdue and unpaid amount if the payment is possible in accordance with point (vi) above. The lender cannot claim any default interest in respect of this overdue and unpaid amount.

Subordinated loan capital (*alárendelt kölcsöntőke*) (Lower Tier 2) also qualifies as part of the ancillary capital of credit institutions. A loan is only considered as subordinated loan capital if it satisfies all of the following requirements: (i) it is actually available and immediately accessible to the user credit institution without any legal dispute or seniority requirement and is shown in the balance sheet of the user credit institution; (ii) the agreement for providing the subordinated loan capital includes the lender's agreement that the loan provided by it may be used for settling the credit institution's debts and the lender's claim must be in the last place immediately preceding the claim of the shareholders; (iii) the original term of the loan (including debt securities) exceeds five years and it may only be repaid after a minimum of five years or, if the loan is for an indefinite term, it may only be repaid on a date stipulated in the agreement, which must be at least five years after the termination of the agreement, unless the HFSA authorises an earlier repayment; (iv) the loan agreement or the agreement for the sale of the securities does not contain any clause that would increase the interest and other payment obligations, except for the case of floating rate interest as a result of the increase of the reference rate; (v) unless it is authorised by HFSA, no repayment of principal may be made prior to the original maturity date or the notice period stipulated in the agreement; and (vi) the lender does not have any set-off rights against the borrower in connection with the subordinated loan capital.

Risk provisions

Pursuant to its authority under the Credit Institutions Act, the Minister of Finance issued Decree No. 14/2001 (III.9.) on asset-ranking of credit institutions. Pursuant to this decree, portfolio risk provisions are calculated by ranking the assets of a credit institution into the following categories: standard, watch, substandard, doubtful and bad. Assets are placed in the categories based on the performance of the asset and the financial condition of the debtor. Provisions are made based on the asset category as follows: 0 per cent. for standard assets, 0 per cent. to 10 per cent. for watch assets, 11 per cent. to 30 per cent. for substandard assets, 31 per cent. to 70 per cent. for doubtful assets and 71 per cent. to 100 per cent. for bad assets.

The value of any collateral held against an asset may be offset against the need to make provisions. The decree requiring provisions does not provide guidelines on the extent to which collateral may be used for this purpose. Individual banks, in co-operation with their auditors, are required to create their own guidelines.

Country risk provisions are determined by using a table that sets out the amount of provision required, based on the nationalities of the debtors in a credit institution's portfolio. Decree No. 16/2001 (III.9) of the Minister of Finance also provides absolute limits on the proportion of a credit institution's total assets that may be held in respect of a particular country.

In 2001, the Republic of Hungary harmonised its guidelines on capital adequacy requirements for investment firms and credit institutions with Council Directive 93/6/EEC.

Limitations on transactions

The Credit Institutions Act also contains limits on large exposures and the exposures related to acquisition of ownership, as well as real estate and other sorts of investment restrictions.

Deposit Insurance Fund

Hungarian law requires that any bank that accepts deposits must join the mandatory Deposit Insurance Fund (*Országos Betétbiztosítási Alap*). Simultaneously upon submitting an application for authorisation to engage in deposit-taking activities, the credit institution must also send a declaration on joining the deposit insurance funs and attach a copy of such declaration to the application for authorisation to perform business activities. If a credit institution fails to make its due payments to the fund, it may lose its licence to conduct deposit-taking business in the Republic of Hungary.

Payments made by the deposit insurance fund to restore guaranteed deposits are met by contributions from each member credit institution. The deposit insurance fund pays compensation to persons entitled to benefit from principal and interest on frozen deposits up to a maximum amount of HUF 6 million (approximately EUR 24,000) per person and per credit institution.

Recent amendments to the Credit Institutions Act modified the role of the Deposit Insurance Fund. The amendment has abolished its function to help credit institutions to overcome a financial crisis. This task is transferred to the strategic investors of a credit institution. However, the Deposit Insurance Fund remains to fulfil its pay-box function by collecting contributions from its members and providing compensation for account holders. Further, certain tasks regarding the supervision of the due payment of the membership contributions from the credit institutions has been taken over by the HFSA.

Further recent developments in the Hungarian banking regulation

As of 1 January 2006, Hungary has implemented Commission Directive 2003/6/EC on insider dealing and market manipulation and Commission Directive 2004/72/EC implementing directive 2003/6/EC as regards accepted market practices, the definition of insider information in relation to derivatives and commodities, the drawing up of lists of insiders, the notification of manager's transactions and the notification of suspicious transactions.

In the framework of the harmonisation of the financial regulatory system, the Credit Institutions Act was amended by new rules regarding the Hungarian central credit information system. As a result, the new rules aim to broaden the rights of individuals to receive information from the database on their registered data and to seek legal redress in case of incorrectly or unlawfully registered personal data.

The amendment to the regulation on the Hungarian central credit information system has enlarged the scope of persons that are subject to registration therewith, in this way enhancing the safety of investment credit and securities lending activities and financial stability.

On the basis of the recommendations of the European Central Bank, the current financial laws amendment have separated the central depositary and the clearing house functions of KELER Zrt. (the Hungarian central depositary and clearing house). Further, a new task is also undertaken by KELER Zrt., namely that it will also act as Central Counter Party (CCP) in respect of those transactions which it clears.

Financial Overview of the Hungarian Banking Sector[11]

Banking Assets

The Hungarian banking sector achieved a significant growth in 2005. As a result of the growth of foreign currency lending, the growth rate of the consolidated total assets of the sector even exceeded the previous year's solid performance. At the end of 2005, the consolidated total assets of the sector were almost 18 per cent. above the preceding year's level.

Main assets of the banking sector (HUF billion)

Description	Dec 2003	Dec 2004	Dec 2005
Total assets	12,860.7	14,911.9	17,565.9
HUF assets	8,703.8	9,907.8	10,825.8
F/C assets	4,156.9	5,004.1	6,740.1
Of that: cash and current accounts	452.2	725.8	696.9
Securities	2,155.0	2,099.9	2,189.0
Central bank and interbank deposits	1,286.8	1,613.9	2,179.4
Of that: central bank deposits	423.9	541.0	1,290.7
Loans (net)	8,124.9	9,482.6	11,369.1
Of that: corporate loans (net)	3,955.8	4,513.5	5,140.2
retail loans (net)	1,970.2	2,558.4	3,318.2

As a result of the upswing of foreign currency lending, almost one-third of the households' bank loans and almost half of the businesses' loans were denominated in foreign currencies at the end of 2005, compared to the figures of less than 4 per cent. and 41 per cent. respectively at the end of 2003. A constantly growing part of the sector's assets, foreign currency denominated loans formed almost 40 per cent. of total assets at the end of 2005. Borrowers are mainly exposed to the foreign exchange and interest-rate risks that are part of foreign currency borrowing. In response, the HFSA warned retail customers of these potential risks by a series of consumer protection measures and of the importance of a

(11) The figures about the banking sector are based on the "Flash Report on the Development of the Financial Sector in 2005" by the Hungarian Financial Supervisory Authority.

prudent approach of borrowing after gathering adequate information through press conferences, the HFSA's website or a credit calculator.

Banking Liabilities

At more than 43 per cent. per year, the extraordinary growth of foreign liabilities made the expansion of such activities possible. Already, more than one-fifth of the sector's liabilities are from abroad. The growth rate of foreign currency liabilities was almost three times more than in the preceding year.

Main liabilities of the banking sector (HUF billion)

Description	Dec 2003	Dec 2004	Dec 2005
Total liabilities	12,860.7	14,911.9	17,565.9
HUF liabilities	9,268.9	10,815.8	12,015.5
FX liabilities	3,591.8	4,096.1	5,550.5
of that Foreign liabilities	2,277.4	2,847.7	4,001.7
Domestic deposits	6,729.1	7,406.8	8,230.5
Domestic interbank funds and credits	959.6	1,234.5	1,111.5
Domestic securities liabilities in domestic hands	1,036.8	1,136.8	1,165.6
of that Mortgage bonds	922.0	1,006.0	1,020.9
Own capital	1,071.1	1,262.3	1,525.3

The increasing weight of foreign liabilities inevitably results in the diminishing of the role of domestic liabilities. The weight of domestic customer deposits, interbank deposits and securities also decreased.

Profitability of the Banking Sector

The dynamic growth of the sector was coupled with the 20.4 per cent. increase in pre-tax profits. The consolidated pre-tax profits of the sector reached HUF 387.6 billion. Only two small banks did not share in the generally high level of profitability that characterised the sector -their aggregate loss amounted to HUF 433 million.

Key profit items of the banking sector (HUF billion)

Description	2003	2004	2005
Interest income	1049.7	1438.9	1388.1
Interest expenditure	597.1	889.3	764.7
Profit from interest	452.6	549.6	623.4
Profit from other than interest	145.5	190.1	227.0
of that Commission income	168.8	181.0	207.8
Dividends	21.7	19.1	19.8
Profit from FX trade and exchange gain	54.8	89.0	36.0
Income from other than interest	(99.8)	(99.0)	(36.6)
of that Net loss of value and provision creation	(83.7)	(81.3)	(69.9)
Overheads	389.7	417.9	465.3
Extraordinary profit	3.7	0.2	2.5
Pre-tax profit	212.2	322.0	387.6
After tax profit	174.4	275.1	319.6

Despite declining interest rates, banks maintained their profitability, which was significant compared to international standards. Exceeding last year's figure, the average return on assets (ROA) lagged 2 per cent. and while the return on equity (ROE) remained slightly behind the 2004 value, it was still high (22.67 per cent.).

The maintenance of interest margin, the improvement of operating efficiency, the relative reduction of the expenditures on net loss of value and the overall increase of non-interest revenue contributed to the continued improvement of profitability.

Despite the significant decrease of the central bank base rate, the sector managed to keep the level of interest margin. Together with the declining interest rate trend, interest received and interest paid on assets fell almost by the same percentage point compared to the previous year—by 1.64 and 1.60 percentage points, thus, the interest margin (the difference between the two) did not decrease much—it dropped from 3.94 per cent. in 2004 to 3.89 per cent..

Quality of the Banking Portfolio

While classifiable items on the balance sheet grew by 15.7 per cent. (an increase of HUF 1,871 billion) and off-balance sheet items increased by almost 32 per cent. (an increase of HUF 2,777 billion) compared to the end of the preceding year, the qualified portfolio's share in the balance sheet grew by only 10 per cent. Moreover, the qualified portfolio has decreased among the off-balance sheet items by close to 24 per cent. Therefore, the overall quality of the balance sheet and off-balance sheet items improved.

Composition of the bank sector's total classifiable portfolio (per cent.)

	Performing			Watch listed			Qualified		
Description	**Dec 2003**	**Dec 2004**	**Dec 2005**	**Dec 2003**	**Dec 2004**	**Dec 2005**	**Dec 2003**	**Dec 2004**	**Dec 2005**
Total balance sheet items	90.70	92.57	88.40	6.26	4.57	8.88	3.05	2.85	2.71
Credit institutions' placements	98.47	99.75	92.12	1.20	0.22	7.83	0.33	0.03	0.05
Corporate loans	85.22	88.76	83.08	11.14	7.33	13.57	3.64	3.91	3.35
Household loans	94.94	94.42	92.31	2.64	3.17	5.18	2.42	2.41	2.51
Foreign placements	82.76	81.15	76.13	14.26	15.92	20.21	2.97	2.93	3.66
Off-balance sheet items total	97.54	97.75	95.91	2.15	1.61	3.72	0.32	0.63	0.37
Total classifiable	93.89	94.79	91.85	4.34	3.31	6.51	1.77	1.90	1.64

At the same time, it is worth noting that the proportion of the watch listed portfolio has almost doubled since the end of the preceding year. In the case of the off-balance sheet items, it approached 9 per cent., while in the case of off-balance sheet items, it reached 3.7 per cent. at the end of 2005. In particular, a few major banks have a rise of corporate loans in the watch listed portfolio. This rise may on the one hand be a reflection of the banks' conservatism and the development of risk management techniques as a result of Basel II, but on the other hand, it may also be attributed to the financial difficulties of large companies.

Capital Adequacy

The sector's overall capital adequacy remained satisfactory. The balance sheet profit generated in 2005 favoured the regulatory capital required to cover the risks. Even if the absence of audits means the improvement in regulatory capital for most of the banks this improvement is not reflected in the preliminary year-end solvency ratios yet, instead it will be reflected in the actual audited figures. The 2005 year-end consolidated regulatory capital of the sector includes only positive audited balance sheet results for four banks, thus, the consolidated solvency ratio of the sector was 10.96 per cent. at the end of 2005. As the activities increased, the solvency ratio fell slightly compared to the end of 2004.

The bank sector's solvency ratio (per cent.)

Description	**Dec 2003 All bank's audited results**	**Dec 2004 Six bank's audited results**	**Dec 2004 All banks' audited results**	**Dec 2005 Four banks' audited results**
Regulatory capital partly excluding positive balance sheet profits in case of not audited figures (billion HUF)	1018.2	1114.2	1235.2	1239.3
Regulatory capital calculated with balance sheet profit (billion HUF) (not audited figures are estimates)	1018.2	1180.9	1235.2	1343.3
Risk weighted total assets (billion HUF)	8308.0	9639.5	9645.6	11303.4
Solvency indicator with regulatory capital partly excluding positive balance sheet profits (%)	12.26	11.56	12.81	10.96
Solvency ratio with regulatory capital calculated with balance sheet profit (billion HUF) (not audited figures are estimates)	12.26	12.25	12.81	11.88

TAXATION

Luxembourg

Prospective purchasers of the ICES are advised to consult their own tax advisers as to the consequences of a purchase of the ICES under the tax laws of the country of which they are residents, including, but not limited to, the consequences of the receipt of interest and the sale of the ICES. The following is a general description of certain tax laws relating to the ICES as in effect and as applied by the relevant tax authorities on the date hereof and does not purport to be a comprehensive discussion of the tax treatment of the ICES.

Luxembourg tax position of the Issuer

The Issuer is subject to the tax regime applicable in Luxembourg for securitisation vehicles as implemented by the Securitisation Law.

Should the capital of the Issuer be increased, it would benefit from an exemption from Luxembourg proportional capital duty and would only be subject to a fixed capital duty of EUR 1.25.

The Issuer is subject to Luxembourg income tax at the ordinary corporate income tax rate (currently 29.63 per cent.). Its taxable basis may however be reduced to nil or close to nil by way of deduction of interest paid to the ICES Holders and other deductible expenses (including dividends, if any, paid or payable to its shareholders).

The Issuer is exempt from Luxembourg net wealth tax.

The Issuer will, in principle, benefit from the double tax treaties concluded by Luxembourg as a Luxembourg resident company. It should however be verified when invoking a tax treaty whether the other contracting state takes the same position under its interpretation of that tax treaty.

Luxembourg tax position of the ICES Holders

An ICES Holder will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the ICES, or the execution, performance, delivery, exchange and/or enforcement of the ICES.

Withholding tax on interest

Under Luxembourg tax law currently in effect, and with the possible exception of interest paid to individual ICES Holders, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual ICES Holders, upon repayment of principal in the case of reimbursement, redemption, repurchase or exchange of the ICES.

Luxembourg non-resident individuals

Under the Luxembourg laws dated 21 June 2005 implementing the Savings Directive and several agreements concluded between Luxembourg and certain dependent territories of the European Union, a Luxembourg based paying agent (within the meaning of the Savings Directive) has been required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals resident in certain EU dependent territories.

The withholding tax rate is initially 15 per cent., increasing steadily to 20 per cent. and to 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries. See also "Risk Factors Relating to the Suitability of the ICES—EU Savings Directive".

Luxembourg resident individuals

A 10 per cent. withholding tax has been introduced, as from 1 January 2006, on interest payments made by Luxembourg paying agents (as defined in the Savings Directive) to Luxembourg individual residents. Only interest accrued after 1 July 2005 falls within the scope of the withholding tax. This withholding tax represents the final tax liability for Luxembourg individual resident taxpayers.

Taxation of Luxembourg non-residents

ICES Holders who are non-residents of Luxembourg and who have neither a permanent establishment nor a fixed base of business in Luxembourg with which the holding of the ICES is connected are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest), payments received upon the redemption of the ICES, or realise capital gains on the sale or the exchange of any ICES.

Taxation of Luxembourg residents—General

Corporate ICES Holders who are residents of Luxembourg, or non-resident ICES Holders who have a permanent establishment in Luxembourg with which the holding of the ICES is connected, must, for income tax purposes, include any interest received in their taxable income. They will not be liable for any Luxembourg income tax on repayment of principal.

The 10 per cent. Luxembourg withholding tax (see "—Withholding tax on interest—Luxembourg resident individuals" above) represents the final tax liability for Luxembourg individual resident taxpayers.

Luxembourg resident individuals

Luxembourg resident individual ICES Holders are not subject to taxation on capital gains upon the disposal of the ICES, unless the disposal of the ICES precedes the acquisition of the ICES or the ICES are disposed of within six months of the date of their acquisition. Upon redemption or exchange of the ICES, individual Luxembourg resident ICES Holders must however include the portion of the redemption or exchange price corresponding to accrued but unpaid interest in their taxable income.

Luxembourg resident companies

Luxembourg resident companies (*sociétés de capitaux*) that hold ICES, or foreign entities of the same type which have a permanent establishment in Luxembourg with which the holding of the ICES is connected, must include in their taxable income the difference between the sale, exchange or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the ICES sold, redeemed or exchanged.

Luxembourg resident companies benefiting from a special tax regime

ICES Holders who are holding companies subject to the Luxembourg law of 31 July 1929 or undertakings for collective investment subject to the Luxembourg law of 30 March 1988 or the Luxembourg law of 20 December 2002 are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (including corporate income tax, municipal business tax and net wealth tax) other than the subscription tax calculated on their share capital or net asset value.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on an ICES Holder, unless (i) such ICES Holder is a Luxembourg corporate resident or (ii) the ICES are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment in Luxembourg of the ICES Holder.

Net wealth tax has been abolished as from the year 2006 for individual ICES Holders.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by ICES Holders as a consequence of the issue of the ICES, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or exchange of the ICES.

There is no Luxembourg value added tax ("VAT") payable in respect of payments in consideration for the issue of the ICES or in respect of the payment of interest or principal under the ICES or the transfer of the ICES. Luxembourg VAT will, however, be payable in respect of fees charged for certain services rendered to the Issuer if (for Luxembourg VAT purposes) such services are rendered or are deemed to be rendered in Luxembourg, and an exemption from Luxembourg VAT does not apply with respect to such services. Under Luxembourg VAT law, fees for management services rendered to Luxembourg securitisation companies are exempt from Luxembourg VAT.

No Luxembourg gift, estate or inheritance taxes are levied on the transfer of the ICES upon the death of an ICES Holder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Hungary

The following is a general discussion of certain Hungarian tax consequences (i) the receipt of interest and the sale of the ICES by the ICES Holder and (ii) of the acquisition and ownership of the Ordinary Shares by holders of Ordinary Shares (each such holder of Ordinary Shares referred to in this section as a "Shareholder") resident outside Hungary. It does not purport to be a comprehensive description of all tax considerations and, in particular, does not consider any specific facts or circumstances that may apply to a particular ICES Holder or Shareholder. This summary is based on the laws of Hungary currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive effect.

Prospective ICES Holders and Shareholders are advised to consult their own tax advisers as to the tax consequences of the acquisition, ownership and disposition of the ICES and the Ordinary Shares, including the effect of any state or local taxes, under the tax laws of Hungary and each country of which they are residents.

Taxation of foreign resident ICES Holders on the receipt of interest and sale of ICES

As neither the recipients of the interest and sale proceeds, nor the Issuer is resident in Hungary, and the Issuer will not have a permanent establishment in Hungary which the payment of the interest and sale proceeds could be attributable to, the payment of interest to the ICES Holders and the receipt of the sale proceeds by the ICES Holders will not trigger any Hungarian tax implications as long as the holding of the ICES by the ICES Holders is not attributable to a Hungarian permanent establishment of the ICES Holders.

Taxation of foreign resident Shareholders other than individuals

Dividends

Foreign resident Shareholders other than individuals are exempt from Hungarian withholding tax on dividends received in respect of the Ordinary Shares.

Capital gains

Provided that the shareholding is not attributable to a Hungarian permanent establishment of the Shareholder, any capital gains realised by a foreign resident Shareholder on the disposition of any Ordinary Shares are not subject to tax in Hungary.

Transfer tax

The sale or other disposition of Ordinary Shares, as well as the purchase or receipt of Ordinary Shares, are not subject to transfer taxes or stamp duties in Hungary.

Taxation of individual foreign resident Shareholders

Dividends

Dividends distributed to foreign resident Shareholders that are individuals are taxable in Hungary by withholding personal income tax. As long as the Ordinary Shares are listed on the Budapest Stock Exchange or any other acknowledged (regulated) exchange of the European Union, the tax is withheld at a rate of 10 per cent. on the amount of the dividend payable per Ordinary Share.

To the extent that dividends are paid to Shareholders who are entitled to the benefit of double tax treaty entered into by Hungary, the amount of tax due on the distribution of dividends may not exceed the applicable rate prescribed for dividends in the relevant double tax treaty.

Capital gains

Capital gains realised by an individual foreign resident Shareholder on the disposition of any Ordinary Shares are not subject to tax in Hungary.

Transfer tax

The sale or other disposition of Ordinary Shares, as well as the purchase or receipt of Ordinary Shares, are not subject to transfer taxes or stamp duties in Hungary.

EU Directive on the Taxation of Savings Income

The EU has adopted a directive regarding the taxation of savings income. The directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise. A number of third countries and territories including Switzerland have adopted similar measures to the EU directive.

SUBSCRIPTION AND SALE

Merrill Lynch International has pursuant to a Subscription Agreement dated as of 19 October 2006, agreed with the Issuer and OTP, subject to the satisfaction of certain conditions, to subscribe the ICES and the Issuer has agreed to issue such ICES to Merrill Lynch International on such basis.

The Issuer has agreed to pay to Merrill Lynch International a combined management and underwriting commission and selling concession and, at the sole discretion of OTP an incentive fee may also be payable to Merrill Lynch International. In addition, the Issuer has agreed to reimburse Merrill Lynch International for certain of its expenses in connection with the issue of the ICES. The Subscription Agreement entitles Merrill Lynch International to terminate it in certain circumstances prior to payment being made to the Issuer.

OTP has agreed in the Subscription Agreement that, from 19 October 2006 to the date falling 90 days after the Closing Date (both dates inclusive), it has not and will not, and has procured and will procure that no member of the Group has or will, without the prior written consent of Merrill Lynch International, (i) directly or indirectly, issue, offer, pledge, sell, contract to issue or sell, issue or sell any option or contract to purchase, purchase any option or contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Ordinary Shares, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of Ordinary Shares or other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the issue of the ICES or the performance by OTP of its obligations under the contracts entered into by it in connection therewith, (b) any transactions which have already been publicly announced or any transaction relating to shares conducted privately between OTP and a counter party, (c) the exercise of any existing options in respect of Ordinary Shares or (d) pursuant to the grant of options under any directors' or employees' share scheme. For the purposes of the above, "Ordinary Shares" shall include participation certificates and any depositary or other receipt, instrument, rights or entitlement representing Ordinary Shares.

Hungary

The ICES may only be offered in the Republic of Hungary in compliance with the provisions of Act No. CXX 2001 on the capital markets ("HCMA") and other laws and regulations governing the offer and sale of securities in the Republic of Hungary. The ICES are not registered or otherwise authorised for public offer under the HCMA. Accordingly, this Prospectus or any other marketing materials relating to the ICES have not been approved and will not be filed for approval by the Hungarian Financial Supervisory Authority (*Pénzügyi Szervezetek Állami Felügyelete*). The recipients of this Prospectus and other marketing materials in respect of the ICES have been individually selected and identified before the offer being made and are targeted exclusively on the basis of a private placement. Accordingly, the ICES may not be, and are not being, offered or advertised publicly or offered similarly under the HCMA. This Prospectus or any other marketing materials relating to the ICES may not be disclosed to any other persons than the recipients to whom they are personally addressed.

United States

The ICES and the Ordinary Shares to be delivered upon exchange of the ICES have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The ICES are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the ICES, an offer or sale of the ICES or the Ordinary Shares to be delivered upon exchange of the ICES within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Manager has represented, warranted and agreed that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the

meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any ICES or Ordinary Shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or OTP; and

2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the ICES and/or the Ordinary Shares in, from or otherwise involving the United Kingdom.

Italy

The offering of the ICES has not been registered with *the Commissione Nazionale per la Società e la Borsa* ("CONSOB") (the Italian securities and exchange commission) pursuant to the Italian securities legislation and, accordingly the Manager has represented and agreed that it has not offered, sold or distributed any ICES nor distributed any copies of this document relating to the ICES, and will not offer, sell or distribute the ICES nor distribute any copies of this document or any other document relating to the ICES in the Republic of Italy ("Italy") in a public solicitation (*sollecitazione all'investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of 24th February, 1998 (the "Financial Services Act"), unless an exemption applies. Accordingly, the sales of the ICES in Italy shall only be offered or sold:

(i) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No 11522 of 1st July, 1998 (the "Professional Investors"), as amended, or

(ii) in other circumstances which are exempted from the rules on public solicitations pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No 11971 of 14th May, 1999 (as amended),

provided that in any case the ICES cannot be offered, sold or distributed, either in the primary or in the secondary market, to any individuals in Italy.

Moreover and subject to the foregoing, the Manager has represented and agreed that the ICES may not be offered, sold or delivered and neither this document nor any other material relating to the ICES may be distributed or made available in Italy unless such offer, sale or delivery of ICES or distribution or availability of copies of this document or any other material relating to the ICES in Italy is made:

(a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act and Legislative Decree No 385 of 1st September, 1993 (the "Italian Banking Act"); and

(b) in compliance with Article 129 of the Italian Banking Act and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities (e.g., bonds) in Italy is subject to prior and subsequent notification to the Bank of Italy, unless an exemption, depending inter alia on the amount of the issue and the characteristics of the securities, applies, and

(c) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing laws.

General

No action has been or will be taken in any jurisdiction by the Issuer, OTP or the Manager that would permit a public offering of the ICES or any Ordinary Shares, or possession or distribution of this Prospectus or any other offering or publicity material relating to the ICES and/or the Ordinary Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, the Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers ICES or any Ordinary Shares or possesses or distributes this Prospectus and will obtain any consent, approval or permission (including as to listing) required by it for the purchase, offer, sale or delivery by it of ICES or any Ordinary Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer or OTP shall have any responsibility therefor.

Purchase of ICES and Stabilising Activities

The ICES are a new issue of securities with no established trading market. Accordingly, the Issuer cannot assure the liquidity of the trading market for the ICES.

Purchasers who purchase ICES from the Manager may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Issue Price set out on the cover page of this Prospectus.

In connection with the offering of the ICES, Merrill Lynch International is permitted to engage in certain transactions that may stabilise the price of the ICES or the price of the Ordinary Shares. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the ICES or the price of the Ordinary Shares.

In addition, if Merrill Lynch International over-allots by selling more ICES than are set out on the cover page of this Prospectus, and thereby creates a short position in the ICES in connection with the offering, the Manager may reduce that short position by purchasing ICES in the open market.

In general, purchases of a security for the purpose of stabilising or reducing a short position could cause the price of the security to be higher than it might otherwise be in the absence of such purchases.

None of the Issuer, OTP or the Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the ICES or the price of the Ordinary Shares. In addition, none of the Issuer, OTP or the Manager makes any representation that Merrill Lynch International will engage in such transactions at all or that such transactions (if entered into) will not be discontinued without notice, once they are commenced.

From time to time, the Manager and its affiliates have or may have provided, and may continue to provide, investment banking services to members of the Group for which they have been or will be paid customary fees. Merrill Lynch International is a party to the Securities Lending Agreement entered into by the Issuer in connection with the ICES (see "Security for the ICES"). In addition, Merrill Lynch International has entered into separate arrangements with OTP and the Issuer to facilitate the sale of Ordinary Shares by OTP to the Issuer on or before the Closing Date and pursuant to the Subordinated Swap Agreement.

In connection with the offering of the ICES, any of the Manager and/or its affiliates may act as an investor for its own account and may take up ICES in the offering described in this Prospectus and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or OTP or related investments and may offer or sell such securities or other investments otherwise than in connection with such offering. Accordingly, references herein to the ICES being offered should be read as including any offering of ICES to the Manager and/or its affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

GENERAL INFORMATION

(1) Listing

Application has been made to the Luxembourg Stock Exchange for the ICES to be admitted to the official list and traded on the Luxembourg Stock Exchange Regulated Market. Such admission and trading are expected to commence on 31 October 2006.

(2) Authorisation

The Issuer and OTP have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the ICES. The issue of the ICES by the Issuer was authorised by a resolution of the Board of Directors of the Issuer passed on 19 October 2006 and the making of the offering and the entry into of the documentation to which OTP is or will be a party was authorised by a resolution of the Board of Directors of OTP passed on 18 October 2006.

(3) Clearing Reference Numbers

The ICES have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 027272355. The ISIN for the ICES is XS0272723551. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

The Ordinary Shares trade on the Budapest Stock Exchange under the symbol "OTP". The ISIN in respect of the Ordinary Shares is HK0000061726.

(4) Financial Position

There has been no significant change in the financial or trading position of, and no material adverse change in the financial position or prospects of, the Issuer since 1 February 2006, its date of incorporation.

There has been no significant change in the financial or trading position, and no material adverse change in the financial position or prospects, of OTP or the Group since 31 December 2005.

(5) Legal Proceedings

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since 1 February 2006, its date of incorporation.

Neither OTP nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which OTP is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of OTP and/or the Group.

(6) Auditors

The auditors of OTP are Deloitte Auditing and Consulting Kft. of Dózsa György u. 84/c,. 1068 Budapest, Hungary, who have audited OTP's consolidated accounts, which have been prepared without qualification, in accordance with International Financial Reporting Standards for each of the two financial years ended on 31 December 2004 and 2005, respectively. The auditors of OTP have no material interest in OTP. Deloitte Auditing and Consulting Kft. are members of the Chamber of Hungarian Auditors.

Deloitte Auditing and Consulting Kft. have also audited OTP's unconsolidated accounts in accordance with International Financial Reporting Standards for each of the two financial years ended on 31 December 2004 and 2005, respectively. The opinion covering the audit of those accounts are qualified because, and only because, those accounts have been published earlier than the consolidated accounts in accordance with International Financial Reporting Standards for the corresponding periods and as a result could not include consolidated financial information.

The reports of the auditors of OTP are incorporated by reference in this Prospectus as described under "Documents Incorporated by Reference" above.

The independent auditors of the Issuer are Deloitte S.A. of 560, rue de Neudorf, L-2220 Luxembourg, Luxembourg (a member of the Institut des Réviseurs d'Entreprises). The Issuer has not prepared any audited financial statements since its incorporation. The Issuer expects that its first audited financial statements will be prepared in respect of the financial year ending 31 December 2006. The auditors of the Issuer have no material interest in the Issuer.

(7) Trustee's reliance

The Trust Deed provides that the Trustee may rely on certificates or reports from OTP's auditors in accordance with the provisions of the Trust Deed whether or not any such certificate or report, or engagement letter or other document entered into by the Trustee and OTP's auditors in connection therewith, contains any limit on the liability of OTP's auditors.

(8) Share Capital—General

The following table shows the authorised and issued share capital of OTP as at the date of this Prospectus:

	Authorised	Issued
	HUF mn	HUF mn
Common Shares	28,000	28,000

The fully diluted ordinary share capital of OTP at the date of this Prospectus was as follows:

	Number of Ordinary Shares
Ordinary Shares in issue	280,000,000
Fully diluted Ordinary Share capital	280,000,000

(9) Changes in Issued Share Capital

Since 1 January 2003, there have been no changes in the issued ordinary share capital of OTP.

During the three years immediately preceding the date of this Prospectus, there have been no issues of share capital of OTP and no such issues are proposed.

(10) Directors' Interests

(a) No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by OTP during the current or immediately preceding financial year or during any earlier financial year and which remains in any respect outstanding or unperformed.

(b) As of 31 January 2006, the Directors have an aggregate of HUF 142.2 million in loans from OTP.

(11) Employees' share option schemes

The Executive Share Option Program (the "Program") has been adopted by resolution No. 9/2005 of OTP's annual general meeting. The objective of the Program is to help attain OTP's strategic objectives for the financial years 2005 - 2009, to recognise the achievement, both at the level of OTP and the OTP Group, of OTP's management and its key officers, as well as of the management of OTP's subsidiaries, and to provide an appropriate incentive to them for the future. The Program is intended to reward achievements for the financial years 2005 - 2009.

Achievement of two predefined consolidated performance indicators of the OTP Group is the precondition for the exercising of the Program. The number of participants and shares may change during the five-year term of the Program, however the number of OTP shares announced and available for purchase within the framework of the Program may not exceed 3 million in any assessed financial year.

In order to qualify for the Program, a person must be a member of an executive body for a period of at least six months during the assessed financial year which must still be valid on the last day of the assessed financial year, or have an employment contract associated with the given position.

The purchase price of shares for sale in a given option period is the average of daily mid-rates recorded at the Budapest Stock Exchange in the month when the annual ordinary general meeting is held in the assessed financial year (first in 2005) and in the calendar month preceding that month. OTP's Board of Directors determines the option purchase price in their first or second meeting following the month in which the annual ordinary general meeting is held in the assessed financial year.

(12) Material Contracts

OTP has not entered into any material contract (other than in the ordinary course of business) which could result in it or any member of the Group being under an obligation or entitlement that is material to OTP's ability to perform its obligations under the ICES and the Subordinated Swap Agreement.

(13) Expenses

The total expenses related to the admission to trading are estimated to be €5,300.

(14) Documents for display

With effect from the date of this Prospectus and thereafter for so long as any ICES remain outstanding, copies of the following documents will be available (during usual business hours on any weekday (Saturdays and public holidays excepted)) for inspection at the registered office of OTP and from the specified offices of the Paying, Transfer and Exchange Agents for the time being:

(a) the Articles of Incorporation of the Issuer and the By-Laws of OTP (each with an English translation thereof);

(b) the consolidated and non-consolidated audited financial statements of OTP in respect of the financial years ended 31 December 2004 and 2005 (with an English translation thereof), together with the audit reports prepared in connection therewith. OTP currently prepares audited consolidated and non-consolidated accounts on an annual basis;

(c) the most recently published audited consolidated and non-consolidated annual financial statements of OTP and the most recently published unaudited interim financial statements of OTP (with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. OTP currently prepares unaudited consolidated and non-consolidated interim accounts on a quarterly basis;

(d) the most recently published audited annual financial statements of the Issuer, together with the audit report prepared in connection therewith. No financial statements of the Issuer have been prepared or published as at the date of this Prospectus. The first financial statements to be prepared and published by the Issuer will therefore be in respect of the period from its incorporation (being 1 February 2006) to 31 December 2006. The Issuer is not required to and does not intend to publish interim financial statements;

(e) the Trust Deed, the Agency Agreement, the Subordinated Swap Agreement, the Custody Agreement, the Securities Lending Agreement, the ML Guarantee and the Security Deposit Agreement (or pending their execution, drafts thereof in substantially final form); and

(f) this Prospectus.

(15) JPMorgan

JPMorgan Chase entered into an agreement with The Bank of New York Company, Inc. ("BNY") pursuant to which JPMorgan Chase exchanged select portions of its corporate trust business, including municipal, corporate and structured finance trusteeships and agency appointments, for BNY's consumer, small-business and middle-market banking businesses. This transaction was approved by both companies' boards of directors and was completed on 1 October 2006.

REGISTERED OFFICE OF THE ISSUER

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L-1371 Luxembourg

REGISTERED OFFICE OF OTP

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Hungary

PRINCIPAL PAYING, TRANSFER AND EXCHANGE AGENT AND CALCULATION AGENT

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United Kingdom

REGISTRAR AND PAYING, TRANSFER AND EXCHANGE AGENT

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AUDITORS OF OTP

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LUXEMBOURG LISTING AGENT

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