


Annual report

2005

OTP BANKA HRVATSKA dioničko društvo
OTP GROUP

Report of the President of the Management Board

I am happy to announce that, after a number of good business years, the last year – 2005, was the most significant and most successful for OTP banka Hrvatska so far. Joining OTP Group gave us a strong momentum and provided the necessary support for our operations, which had a fast and invigorating reflection on our business result, proving that the bank has been developing in the right direction.

In addition to changing its ownership structure in the first quarter of 2005, the bank also changed its name and visual identity, in accordance with the regional strategic policy of the OTP Bank Group, and has been operating under the name OTP banka Hrvatska since 1 September 2005.

The organisational structure and business procedures harmonised with those in OTP Group were established gradually, in the course of the year. That way, the bank managed to fit in the management, planning and reporting system on the Group level quickly and successfully.

At the same time, it maintained its status of an independent Croatian and regional banking institution functioning within the system of the strong financial group of OTP Bank, which, apart from banks also includes investment funds, leasing companies, pension funds, real estate funds and other financial institutions. Such additional strength, brought to us by the new owner, ensured the continuity of the regional banking of OTP banka in Dubrovnik, Istria, Zadar and Sisak, providing new stimulus and quality through financial and business connection with a stable and strong banking group. Simultaneously, the new position gave the bank the strength to make a considerable and convincing step outside those regions and to prove as a successful bank on the entire Croatian market.

Today, OTP banka Hrvatska is a successful and reputable institution, recognised by its clients, banking and financial experts and general public as a regional bank with strong presence in our Adriatic regions, but also with the clearly expressed strategy for further growth in the country, especially in Zagreb and Slavonia. During 2005, the bank realised a strong growth of deposits and loans, as well as increased the number of clients. Although that growth was not distributed equally, it is important to point out that it occurred in all the regions, especially in the second half of the year.

The business plan for the year 2005 was achieved in all significant items, which confirmed that the planned strategy was a successful one.

The operating results were exceptionally positive. Profit before taxation for the year 2005 grew by 116% compared to 2004, which means that the bank made net profit amounting to HRK 127 million.

It was the year in which the bank recorded the stabilisation of its market shares after several years of their reduction, as well as a growth of the market share in the most demanding market – retail lending. The bank's assets as at 31 December 2005 equalled HRK 8.6 billion, which represented a growth by 9.6 percent in comparison with the end of 2004. The return on assets equalled 1.54, and the return on capital was 16.17.

In addition to its focus on retail customers, in 2005 OTP banka paid special attention to small and medium enterprises. The bank worked intensively on improvement of its offer and the quality of its products and services. During the past year, it introduced the Internet banking service for retail customers, its card products offer was completed by introducing the VISA revolving card, the loan offer was improved, as well as the lending terms and conditions, with the special emphasis on housing loans and loans intended for small enterprises. Another novelty was the securities trading service. At the end of the year, the offer was extended further by OTP investment funds. Thus, the activity of OTP Invest was added to in a way that they now manage three funds in its portfolio: OTP Money Market Fund, OTP Euro Bond Fund and OTP Balanced Fund. The mentioned funds realised excellent results at the beginning of their operation.

Such good and positive trends continued in the first quarter of 2006. Striving to provide quality responses to the challenges put before it by the market and its competitors, the bank has been constantly working on the development of new products and services, investing into better communication with the clients at its business premises, extending its ATM network and other indirect distribution channels.

The bank was very successful in the credit risk management. By designing our procedures and credit products, as well as actively advising our clients, we endeavoured to prevent any situation of their overextending and facing difficulties in settling of their obligations. Those efforts resulted in the annual credit risk costs that were quite acceptable.
Without any question, merits for those successes are attributable to all the employees of the bank, the Supervisory Board and the colleagues in the Management Board, but also to the OTP Group without whose considerable operative and financial support it would have been difficult to achieve such a dynamic development of the Bank in the year 2005.

Thank you all for your support and quality cooperation.

Damir Odak
President of the Management Board
16 May 2006

Responsibility for the financial statements

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") which give a true and fair view of the state of affairs and results of the OTP Banka Hrvatska d.d. (the 'Bank') and its subsidiaries (the 'Group') for that period.

After making enquiries, the Management Board has a reasonable expectation that the Bank and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- ***suitable accounting policies are selected and then applied consistently;***
- ***judgments and estimates are reasonable and prudent;***
- ***applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and***
- ***the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business.***

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and the Group and must also ensure that the financial statements comply with the Croatian Accounting Law. The Management Board is also responsible for safeguarding the assets of the Bank and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board,
6 March 2006

Damir Odak
President of the Management Board
OTP Banka Hrvatska d.d.
Domovinskog rata 3
23000 Zadar

Independent Auditor's Report

TO THE OWNER OF OTP BANKA HRVATSKA D.D., ZADAR

We have audited the accompanying consolidated financial statements of OTP Banka Hrvatska d.d., Zadar (the "Bank") and its subsidiaries (the "Group"), which comprise the balance sheet as at 31 December 2005 and the related statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these financial statements, taken as a whole, based on our audit.

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

In our opinion, the consolidated financial statements referred to above give a true and fair view of the financial position of the Group as at 31 December 2005, and of the results of its operations, changes in equity and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte.

Deloitte d.o.o.
Branislav Vrtačnik, Auditor
Zagreb, Croatia
6 March 2006.

All amounts are expressed in thousands of HRK

Income Statements

For the year ended 31 December 2005

		Group		Bank	
		Year ended 31 December		Year ended 31 December	
	Notes	2005.	2004. (As restated)	2005.	2004. (As restated)
Interest income	3	445,217	421,384	445,217	421,382
Interest expense	3	(161,166)	(159,241)	(161,167)	(159,233)
Net interest income		284,051	262,143	284,050	262,149
Fee and commission income	4	97,709	94,861	95,785	94,861
Fee and commission expense	4	(38,418)	(42,492)	(38,418)	(42,489)
Net fee and commission income		59,291	52,369	57,367	52,372
Net profit on financial operations	5	36,293	32,652	36,293	32,652
Other operating income	6	9,779	23,178	54,717	20,814
Operating income		389,414	370,342	432,427	367,987
Operating expenses	7	(262,255)	(336,116)	(258,293)	(332,689)
PROFIT BEFORE PROVISIONS AND ALLOWANCE FOR IMPAIRMENT LOSSES AND INCOME TAX		127,159	34,226	174,134	35,298
Provisions and allowance for impairment losses	8	(13,788)	39,051	(13,788)	39,051
PROFIT BEFORE INCOME TAX		113,371	73,277	160,346	74,349
Income tax expense	9	(26,549)	50,273	(33,248)	50,280
NET PROFIT FOR THE PERIOD		86,822	123,550	127,098	124,629
EARNINGS PER SHARE					
Basic and diluted (HRK)	10	38,14	54,27		

•The accompanying notes form an integral part of these financial statements.

All amounts are expressed in thousands of HRK

Balance Sheets

For the year ended 31 December 2005

		Group		Bank	
		Year ended 31 December		Year ended 31 December	
	Notes	2005.	2004. (As restated)	2005.	2004. (As restated)
ASSETS					
Cash and balances with the Croatian National Bank	11	1,271,010	1,219,183	1,271,010	1,219,182
Amounts due from other banks	12	1,373,811	1,325,999	1,373,811	1,325,999
Assets at fair value through profit and loss	13	7,995	2,611	7,500	-
Loans and receivables	14	4,354,605	3,754,865	4,354,605	3,754,865
Assets available for sale	15	1,181,931	1,128,125	1,181,931	1,128,125
Investments held to maturity	16	48,458	83,169	48,458	83,169
Investments in subsidiaries	17	-	-	75,562	21,092
Tangible and intangible assets	18	206,099	241,380	194,121	209,829
Investment property	19	72,562	-	-	-
Deferred tax asset		32,446	70,280	34,833	70,280
Other assets	20	76,003	51,901	76,114	54,080
Total assets		8,624,920	7,877,513	8,617,945	7,866,621
LIABILITIES					
Amounts due to other banks	21	9,075	11,175	9,075	11,175
Amounts due to customers	22	6,999,355	6,394,024	7,000,350	6,394,496
Other borrowed funds	23	655,421	641,087	655,314	641,087
Provisions	24	28,079	22,978	28,079	22,978
Other liabilities	25	82,010	68,872	81,430	68,617
Total liabilities		7,773,940	7,138,136	7,774,248	7,138,353
SHAREHOLDERS' EQUITY					
Share capital	26	455,280	455,280	455,280	455,280
Share premium		171,260	171,178	171,260	171,178
Treasury shares		-	(29)	-	(29)
Statutory reserves	26	70,375	53,455	70,375	53,455
Other reserves		68,925	23,679	32,475	23,679
Retained profits/(Accumulated losses)		85,140	35,814	114,307	24,705
TOTAL SHAREHOLDERS' EQUITY		850,980	739,377	843,697	728,268
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,624,920	7,877,513	8,617,945	7,866,621
CONTINGENCIES AND COMMITMENTS	27	846,303	714,702	846,303	714,702

•The accompanying notes form an integral part of these financial statements.

All amounts are expressed in thousands of HRK

Statement of Changes in Equity Group

For the year ended 31 December 2005

	Share capital	Share premium	Treasury shares	Legal and statutory reserves	Other reserves	Retained earnings/ (accumulated losses)	Total
Balance at 1 January 2004 (as originally reported)	455,280	171,178	(29)	53,464	-	(82,201)	597,692
Effects of changes in accounting policies (Note 2.4)	-	-	-	-	5,535	(5,535)	-
Restated balance at 1 January 2004	455,280	171,178	(29)	53,464	5,535	(87,736)	597,692
Changes in equity for 2004							
Profit for the period	-	-	-	-	-	141,694	141,694
Effect of changes in accounting policies (Note 2.4)	-	-	-	-	18,144	(18,144)	-
Other movements	-	-	-	(9)	-	-	(9)
Balance at 31 December 2004 (as restated)	455,280	171,178	(29)	53,455	23,679	35,814	739,377
Changes in equity for 2005							
Assets available-for-sale:							
Valuation gains/(losses) taken to equity	-	-	-	-	10,995	-	10,995
Surplus on revaluation of property transferred to investment property (Note 18)	-	-	-	-	45,563	-	45,563
Tax on items taken directly to or transferred from equity (Note 9)	-	-	-	-	(11,312)	-	(11,312)
Net income recognized directly in equity	-	-	-	-	45,246	-	45,246
Profit for the period	-	-	-	-	-	86,822	86,822
Total recognized income and expense for the period	-	-	-	-	45,246	86,822	132,068
Distribution of income for 2004:							
Transfer to reserves	-	-	-	16,924	-	(16,924)	-
Allocation to option holders (Note 26)	-	-	-	-	-	(20,572)	(20,572)
Sale of treasury shares	-	82	29	-	-	-	111
Other movements	-	-	-	(4)	-	-	(4)
Balance at 31 December 2005	455,280	171,260	-	70,375	68,925	85,140	850,980

•The accompanying notes form an integral part of these financial statements.

All amounts are expressed in thousands of HRK

Statement of Changes in Equity Bank

For the year ended 31 December 2005

	Share capital	Share premium	Treasury shares	Legal and statutory reserves	Other reserves	Retained earnings/ (accumulated losses)	Total
Balance at 1 January 2004 (as originally reported)	455,280	171,178	(29)	53,464	-	(94,389)	585,504
Effects of changes in accounting policies (Note 2.4)	-	-	-	-	5,535	(5,535)	-
Restated balance at 1 January 2004	455,280	171,178	(29)	53,464	5,535	(99,924)	585,504
Changes in equity for 2004							
Profit for the period	-	-	-	-	-	142,773	142,773
Effect of changes in accounting policies (Note 2.4)	-	-	-	-	18,144	(18,144)	-
Other movements	-	-	-	(9)	-	-	(9)
Balance at 31 December 2004 (as restated)	455,280	171,178	(29)	53,455	23,679	24,705	728,268
Changes in equity for 2005							
Assets available-for-sale:							
Valuation gains/(losses) taken to equity	-	-	-	-	10,995	-	10,995
Tax on items taken directly to or transferred from equity (Note 9)	-	-	-	-	(2,199)	-	(2,199)
Net income recognized directly in equity	-	-	-	-	8,796	-	8,796
Profit for the period	-	-	-	-	-	127,098	127,098
Total recognized income and expense for the period	-	-	-	-	8,796	127,098	135,894
Distribution of income for 2004:							
Transfer to reserves	-	-	-	16,924	-	(16,924)	-
Allocation to option holders (Note 26)	-	-	-		-	(20,572)	(20,572)
Sale of treasury shares	-	82	29	-			111
Other movements	-	-	-	(4)	-	-	(4)
Balance at 31 December 2005	455,280	171,260	-	70,379	32,475	114,307	843,697

•The accompanying notes form an integral part of these financial statements.

All amounts are expressed in thousands of HRK

Cash Flow Statements

For the year ended 31 December 2005

	Notes	Group		Bank	
		Year ended 31 December		Year ended 31 December	
		2005.	2004. (As restated)	2005.	2004. (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxes		113,371	73,277	160,346	74,349
Adjustments to reconcile profit before taxes to net cash from operating activities					
Provisions for loans and receivables		4,730	(34,959)	4,730	(34,959)
Provision for equity securities available-for-sale		5,010	(163)	5,010	(163)
Provision for other assets		(2,801)	(9,604)	(2,801)	(9,604)
Provisions for litigations and off-balance sheet items		6,849	5,675	6,849	5,675
Depreciation and amortization		17,209	19,288	16,537	17,980
Gain on disposal of fixed tangible assets		(4,932)	(2,513)	(50,496)	(2,513)
Amortization of goodwill		-	29,003	-	29,003
Income from elimination of liabilities		-	(9,009)	-	(9,009)
Write-off of receivables		-	1,342	-	1,342
Interest income		(445,217)	(421,384)	(445,217)	(421,382)
Interest expense		161,166	159,241	161,167	159,233
Operating loss before changes in operating assets and liabilities		(144,615)	(189,806)	(143,875)	(190,048)
(Increase)/decrease in operating assets:					
Decrease in obligatory reserves with the CNB		87,636	148,780	87,636	148,780
Amounts due from other banks		(29)	109,885	(29)	109,774
Loans and receivables		(601,039)	13,865	(601,039)	13,865
Assets at fair value through profit and loss		(5,384)		(7,500)	
Other assets		(21,301)	24,131	(19,233)	35,005
Increase/(decrease) in operating liabilities:					
Amounts due to other banks		(2,100)	(143,734)	(2,100)	(143,734)
Amounts due to customers		601,627	1,588	602,150	(78)
Other liabilities		13,111	(35,327)	12,813	(35,376)
Provisions		(1,748)	-	(1,748)	-
Other borrowed funds		13,737	(60,120)	13,630	(60,120)
Net cash used in operating activities before interests and income tax paid		(60,105)	(130,738)	(59,295)	(121,932)
Income tax paid		-	(38)	-	-
Interests received		439,560	421,384	439,560	421,382
Interests paid		(156,865)	(159,241)	(156,866)	(159,233)
Net cash generated from operating activities		222,590	131,367	223,399	140,217

•The accompanying notes form an integral part of these financial statements.

All amounts are expressed in thousands of HRK

Cash Flow Statements (continued)

For the year ended 31 December 2005

	Notes	Group		Bank	
		Year ended 31 December		Year ended 31 December	
		2005.	2004. (As restated)	2005.	2004. (As restated)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of fixed tangible and intangible assets		(14,294)	(14,566)	(13,802)	(14,024)
Proceeds from sales of fixed tangible and intangible assets		10,300	2,905	10,300	2,905
Redemption of securities held to maturity		31,983	608	31,983	608
Purchase of securities held-to-maturity		-	(30,417)	-	(39,807)
Investments in subsidiaries		-	-	(1,300)	-
Sale of securities available for sale		-	192,146		192,146
Purchase of securities available-for-sale		(43,356)	-	(43,356)	-
Net cash used in investing activities		(15,367)	150,676	(16,175)	141,828
CASH FLOWS FROM FINANCING ACTIVITIES					
Sale of treasury shares		111	-	111	-
Allocation to option holders		(20,576)	-	(20,576)	-
Net cash used in financing activities		(20,465)	-	(20,465)	-
Net increase/(decrease) in cash and cash equivalents		186,758	282,043	186,759	282,045
Cash and cash equivalents at beginning of year	28	1,535,322	1,253,279	1,535,321	1,253,276
Cash and cash equivalents at end of year	28	1,722,080	1,535,322	1,722,080	1,535,321

•The accompanying notes form an integral part of these financial statements.

Notes to financial statements

OTP BANKA HRVATSKA dioničko društvo
OTP GROUP

Notes to financial statements

For the year ended 31 December 2005

1. GENERAL

The consolidated group of OTP Banka Hrvatska d.d. (the "Group") consists of parent company OTP Banka Hrvatska d.d. (the "Bank") and 2 subsidiaries fully owned by the Bank (OTP Invest d.o.o. and OTP Nekretnine d.o.o.).
The Bank is headquartered in Zadar, Domovinskog rata 3, and was incorporated in the Republic of Croatia. The Bank provides retail and corporate banking services. The Bank is registered at the Commercial Court in Zadar, with the registered share capital in the amount of HRK 455,279,600 at 1 October 2004.

The Bank´s main areas of operation are as follows:

1. ***Foreign exchange operations in Croatia***
2. ***Domestic payment transactions***
3. ***Receipt of all types of deposits***
4. ***Issuance of all types of loans, opening of letters of credit, issuance of warranties and bank guarantees, and assuming other financial obligations***
5. ***Bill-of-exchange, cheque and deposit certificate operations for own account or on behalf of the Bank´s customers***
6. ***Services related to securities (including brokerage)***
7. ***Issuance and management of payment instruments (including cards)***
8. ***Foreign credit operations and payment transactions***
9. ***Domestic payment operations***

•The accompanying notes form an integral part of these financial statements.

All amounts are expressed in thousands of HRK

Directors and Management

General Assembly	
Viktor Siništaj	President of the General Assembly

Supervisory Board	
László Wolf	President
Pál Kovács	Member
Antal György Kovács	Member
Akos Takáts	Member
András Michnai	Member

Management Board	
Damir Odak	President
Sanja Martinko	Member
Zorislav Vidović	Member

The shareholding structure of the Bank is as follows:

	31 December 2005		31 December 2004	
	Paid capital	Ownership %	Paid capital	Ownership %
OTP Bank Rt., Hungary	455,280	100.00	-	-
Reginter d.o.o.	-	-	308,142	67.68
SEEF Holdings Limited	-	-	106,456	23.38
SWR Investment Limited	-	-	20,600	4.52
Nova banka	-	-	27	0.00
Small shareholders	-	-	20,055	4.42
Total	455,280	100.00	455,280	100.00

On 10 March 2005 OTP Bank Rt., Hungary, acquired 93.63% of the Bank's shares. Effective from 1 August 2005 the Bank name was changed from Nova banka d.d., Zadar to OTP Banka Hrvatska d.d. During the year 2005 OTP Bank Rt., Hungary, acquired the rest of the Bank's shares and became the sole owner of the Bank.
The Group considers that its business consists of a single business segment, banking and related services. All services are provided in the Republic of Croatia, and therefore are considered a single geographical segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB), under the historical cost convention, as modified by the revaluation of appropriate financial assets and liabilities.

These financial statements are presented in thousands of Local Currency – Croatian Kunas ("HRK"), unless otherwise indicated.

These financial statements are prepared on an accrual basis of accounting, under the going concern assumption.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period.

These estimates are based on the information available as at the balance sheet date and actual results could differ from those estimates.

The Group maintains its books of accounts and prepares financial statements for regulatory purposes in accordance with the regulations of the Croatian National Bank ('CNB'). The accompanying consolidated financial statements are based on the accounting records of the Group, together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IFRS.

2.2. Basis of consolidation

These consolidated financial statements of the Group incorporate the financial statements of the Bank and the entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.3. Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4. Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- *financial instruments: Recognition and Measurement (IAS 39 (Revised)).*
- *goodwill (IFRS 3)*

The impact of these changes in accounting policies is discussed in detail later in this note. The impact on basic and diluted earnings per share is disclosed in note 11.

IAS 39 (Revised) Financial instruments: Measurement and Recognition

Recognition of gains and losses on available–for-sale assets

The unrealized gains and losses on 'Available for sale assets' prior to the adoption of the revised standard on 1 January 2005 were recognized in income statement. Under the revised standards the unrealized gains and losses on 'Available for sale assets' are recognized in equity in other reserve. The Group recognizes all cumulative changes in fair value of 'Available for sale assets' in revaluation until subsequent derecognition or impairment, when that cumulative gain or loss is transferred to profit or loss.

This change in accounting policy has been applied retrospectively. The adjustment required, including the income tax effect, at 1 January 2004, represents transfer from retained earnings (net profit for year 2003) of the Bank in amount HRK 5,535 thousand to other reserves. The change in accounting policy has decreased net profit of the Group and the Bank for the year 2004 by HRK 18,144 thousand and profit for the year 2005 by 10,995 HRK thousand (net of tax effect of HRK 8,796 thousand), the gains and losses on securities being recognized in other reserves in equity.

IFRS 3, Business Combinations

Goodwill

IFRS 3 has been adopted for business combinations for which the agreement date is on or after 31 March 2004. The option of limited retrospective application of the Standard has not been taken up, thus avoiding the need to restate past business combinations. The Group had no acquisitions during the 2004 accounting period

After initial recognition, IFRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under IAS 36 Impairment of Assets (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. IFRS 3 prohibits the amortisation of goodwill. Previously, under IAS 22, the Group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill, subject to the rebuttable presumption that the maximum useful life of goodwill was 20 years.
In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after 31 March 2004, i.e. 1 January 2005, to goodwill acquired in business combinations for which the agreement date was before 31 March 2004. Therefore, from 1 January 2005, the Group has discontinued amortising such goodwill and has tested the goodwill for

impairment in accordance with IAS 36. At 1 January 2005, the carrying amount of amortisation accumulated before that date of HRK 102,012 thousand has been eliminated, with a corresponding decrease in goodwill. Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.

No amortisation has been charged in 2005. The charge in 2004 was HRK 29,003 thousand.

No impairment loss has been recognized in the current period as a result of testing goodwill test for impairment.

Had the Group's previous accounting policy been applied in the current year, this would result in an amortisation charge of HRK 29,003 thousand. Therefore, the change in accounting policy has resulted in increase of the net profit for the year of the Bank and the Group by HRK 29,003 thousand, having no tax effect.

2.5. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.
The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to income statement, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

2.6. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2005 the Management created, based on advice of the legal counsel, provisions for certain legal actions and complaints amounting to HRK 20,559 thousand. The Management Board of the Bank believes that the ultimate liability, if any, arising from other pending legal actions or complaints will not have a material adverse effect on the financial situation or the results of future operations of the Bank. As such, no provisions were created for such passive legal actions and complaints as the management, based on the advice of legal counsel is of the opinion that the Bank´s cases will prevail and the probability of the adverse outcome of the litigations is remote.

As at 31 December 2005 the Bank is involved in litigations initiated by the former shareholders of Istarska Banka d.d. to annulify the merger of former Istarska Banka d.d. and Dalmatinska Banka d.d. (both legal predecessors of the Bank). From a number of disputes initiated, only in one case the judgement was reached in favour of the plaintiffs. The opinion of the Management based on advice of legal counsel is that the judgment is not exercisable due to factual and legal non-implementability as the court decision is in conflict with the fundamental principles of legal order. The Bank has lodged an appeal, which it expects to be accepted, also expecting the final decision of the Court to be in favour of the Bank. In case the decision of court in favour of the plaintiffs would become final, the Bank would have to call the general assembly of the former Istarska banka (today can be represented by OTP Banka Hrvatska d.d.), which in it's turn will have to reannounce the merger and register it again with the Trade court of registration of the former Istarska Banka. In opinion of the management, based on advice of the legal counsel, no provisions are necessary to be created in respect of this legal case as no losses are expected to be incurred.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was HRK 42,966 thousand and as a result of impairment test no impairment loss was recognized during the period.

Changes in assumptions underlying the value of the investment property, as estimated by the independent valuers, including market prices used may significantly affect the estimates. Therefore, the calculated fair market value of the investment property may not be realized in a current sale.

The estimates of loan losses involve an exercise of management's judgment. While it is possible that in particular periods the Group may sustain losses, which are substantially relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

2.7. Interest Income and Expense

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest income includes coupons earned on fixed income investments and securities and accrued discount and premium on treasury bills and other discounted instruments.

When loans become impaired, they are written down to their recoverable amounts and interest income thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Loan origination fees for loans which are probable of being drawn down, are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loan and as such adjust the interest income.

2.8. Fee and Commission Income and Expense

Fees and commissions consist mainly of fees on domestic and foreign payments, granted loans and other credit instruments issued by the Group.

Fees and commissions are generally recognized as income when due. Fees on foreign payments are credited to income after being collected.

2.9. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax expense is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has the ability and intention to settle on a net basis.

The Group is a subject to various indirect taxes which are included in general administrative expenses.

2.10. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash, balances with the Croatian National Bank ('CNB'), current accounts with other banks and term placements with other banks with residual maturity up to 3 months.

Cash and cash equivalents excludes the obligatory reserves with the CNB as these funds are not available for the Group's day to day operations. The obligatory reserve with the CNB is a required reserve to be held by all commercial banks licensed in Croatia.

2.11. Financial assets

Financial assets held by the Group are categorized into portfolios in accordance with the Group's intent on the acquisition and pursuant to the Group's investment strategy. Financial assets and liabilities are classified as 'At fair value through profit or loss', 'Held to maturity', 'Assets available for sale' or as 'Loans and receivables'.

The principal difference among the portfolios relates to the measurement of financial assets and the recognition of their fair values in the financial statements.

All financial assets and liabilities are recognized and derecognized on a trade date basis where the purchase or sale of financial asset or liability is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

When a financial asset or financial liability is recognized initially, the Groups measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Assets at fair value through profit or loss

Designated upon initial recognition at fair value through profit and loss.

Assets initially designated at fair value through profit and loss include units in investment funds. Such investments are not principally held for trading purposes and are designated at fair value through profit and loss on initial recognition.

Measurement:
Subsequent to the initial recognition financial assets at fair value through profit or loss are accounted for and stated at fair value which approximates the price quoted on recognized stock exchanges or acceptable valuation models. The Group includes unrealized gains and losses in 'Net profit/(loss) on financial operations.' Interest earned on assets at fair value through profit or loss representing coupons on debt securities is accrued on a daily basis and reported as 'Interest income' in the profit and loss statement.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognized as spot transactions. Transactions that do not meet the 'regular way' settlement criterion are treated as financial derivatives.

b) Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. This portfolio comprises fixed income debt securities. Held to maturity investments are carried at amortized cost using the effective interest rate method, less any allowance for impairment.

The Group assesses on a regular basis whether there is any objective evidence that an investment held to maturity may be impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount which is equal to the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. When an impairment of assets is identified, the Group recognizes allowances through the profit and loss statement line 'Allowance for losses on securities'.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognized.

c) Assets Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

This portfolio comprises equity and debt securities. Subsequent to initial recognition, available-for-sale financial assets are re-measured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not available and the fair value of securities can not be measured reliably due to specific individual characteristics of such securities, they are carried at cost.
For available-for-sale assets, unrealized gains and losses arising from changes in fair value are recognised directly in equity under the caption 'Other reserves', until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Interest earned whilst holding available-for-sale securities is accrued on a daily basis using the effective interest rate method and reported as "Interest income" in the income statement.

Foreign exchange differences related to available-for-sale equity instruments held in foreign currency are reported together with fair value gains and losses in equity until the financial asset is sold. Foreign exchange differences related to available-for-sale debt instruments held in foreign currency are reported in income statements.

Dividends on securities available for sale are recorded as declared and included as a receivable in the balance sheet line 'Other assets' and in 'Net profit/(loss) on financial operations' in the profit and loss statement. Upon payment of the dividend, the receivable is offset against the collected cash.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Groups intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the Group upon initial recognition designates as available for sale; or (c) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.
This portfolio comprises loans provided to customers.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction as well as fees received from customers. Loan origination fees for loans which are probable of being drawn down, are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loan and as such adjust the interest income.
An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans computed at initial recognition. Loan loss allowances are assessed with reference to the credit standing and performance of the borrower and take into account the value of any collateral or third party guarantees.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

All amounts are expressed in thousands of HRK

When a loan is uncollectible, it is written off against the related allowance for impairment; subsequent recoveries are credited to the 'Impairment losses on loans and advances' line in the income statement.

The Group charges penalty interest to borrowers when a portion of the loan falls overdue. Penalty interest is accounted for on a cash received basis in the caption 'Interest income'.

2.12. Financial liabilities

Financial liabilities of the Group like 'Amounts due to other banks', 'Amounts due to customers' are stated at amortized costs using the effective interest rate method. Interest expense arising on the issue of certificated debts is included in the income statement line 'Interest expense'.

2.13. Sale and repurchase agreements

If a financial asset is sold under an agreement to repurchase it at a fixed price or at the sale price plus a lender's return or if it is loaned under an agreement to return it to the transferor, it is not derecognized as the Group retains substantially all the risks and rewards of ownership.
Securities sold under sale and repurchase agreements ('repos') are recorded as assets in the balance sheet lines of assets in original classification or the Group reclassifies the asset on its balance sheet, as a 'Repurchase receivable' if the transferee obtains the right to sell or pledge the asset. The corresponding liability towards the counterparty is included in 'Amounts due to banks' or 'Amounts due to customers' as appropriate.
Securities purchased under agreements to purchase and resell ('reverse repos') are recorded as assets in the balance sheet line 'Due from banks' or 'Loans and receivables' as appropriate, with the corresponding decrease in cash being included in 'Cash and balances with the Croatian National Bank.' The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

2.14. Tangible and intangible assets

All tangible and intangible assets are stated at cost less accumulated depreciation/amortisation and impairment loss, if any.

Depreciation and amortization are calculated for all assets, except for land and assets under construction, on the straight line method at rates estimated to write off the cost of each asset to their residual values over their estimated useful life as follows:

	2005.	2004.
Buildings	10-40 years	10-40 years
Computers	4 years	4 years
Furniture and equipment	2.5-10 years	2.5-10 years
Motor vehicles	4 years	4 years
Intangible assets	3.3-5 years	3.3-5 years

Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred. Improvements are capitalised.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the carrying amounts of property, equipment and other tangible assets exceed their estimated recoverable amounts, they are written down to the estimated recoverable amount.

All amounts are expressed in thousands of HRK

When the property occupied by the Group is transferred to investment property, any difference between the net book value of such property and its fair value at the date of transfer is recognized as surplus/(deficit) on revaluation in "Other reserves" in equity.

2.15. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

2.16. Foreign Currency Translation

Transactions denominated in foreign currencies are translated into HRK at the prevailing exchange rates on the date of the transaction.

Monetary items denominated in foreign currencies are retranslated into HRK at the appropriate spot rates of exchange prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in 'Net profit/loss on financial operations'. Exchange differences arising on the retranslation of non-monetary assets carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary assets available-for-sale in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

The Group has assets and liabilities originated in HRK, which are linked to foreign currency with one-way currency clause. Due to this clause the Group has an option to revalue the asset by higher of: foreign exchange rate valid as of the date of maturity, or foreign exchange rate valid as of the date of origination of the financial instrument. In case of liability linked to this clause the counterparty has this option.
Due to the specific conditions of the market in Republic of Croatia the fair value of this option can not be calculated as the forward rates for HRK for periods over 6 months are not available. As such the Group values its assets and liabilities related to this clause by middle rate of Croatian National Bank valid at the date of balance sheet or foreign exchange rate agreed by the option (rate valid at origination), whichever is higher.

The principal rates of exchange set forth by the Croatian National Bank and used in the preparation of the Group's balance sheet at the reporting dates were as follows:

31. prosinca 2005.	1 EUR = 7,375626 kn	1 USD = 6,233626 kn
31. prosinca 2004.	1 EUR = 7,671234 kn	1 USD = 5,636883 kn

All amounts are expressed in thousands of HRK

2.17. Off-Balance-Sheet Commitments

In the ordinary course of business, the Group enters into credit related commitments which are recorded in off-balance-sheet accounts and primarily include guarantees, letters of credit and undrawn loan commitments.

Such financial commitments are recorded in the Group's balance sheet if and when they become payable.

2.18. Provisions

Provisions for are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation.

Management Board determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors at the balance sheet date.

Provisions are discounted to present value where the effect is material.

2.19. Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements when the Group acts in a fiduciary capacity such as nominee, trustee or agent.

2.20. Reclassification

Certain reclassifications have been made to the financial statements as at 31 December 2004 and for the year then ended to conform to the presentation as at 31 December 2005 and for the year then ended.

2.21. Regulatory requirements

The Group is subject to the regulatory requirements of the Croatian National Bank. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments and forming allowances to cover credit risk, liquidity, interest rate and foreign currency position. At year end the Group was substantially in compliance with all regulatory requirements.

3. NET INTEREST INCOME

	Group		Bank	
	2005.	2004.	2005.	2004.
Interest and similar income				
Cash reserves and placements with other banks	41,039	24,697	41,039	24,695
Balances with Croatian National Bank	11,021	13,117	11,021	13,117
Corporate loans	88,294	73,997	88,294	73,997
Retail loans	229,474	222,403	229,474	222,403
Debt securities	74,385	85,205	74,385	85,205
Other	1,004	1,965	1,004	1,965
	445,217	421,384	445,217	421,382
Interest and similar expense				
Current accounts and deposits of retail customers	111,856	103,646	111,856	103,646
Current accounts and deposits of corporate customers	27,601	30,150	27,602	30,150
Borrowings from, current accounts and deposits of other banks	19,047	24,748	19,047	24,740
Other	2,662	697	2,662	697
	161,166	159,241	161,167	159,233

All amounts are expressed in thousands of HRK

4.NET FEE AND COMMISSION INCOME

	Group		Bank	
	2005.	2004.	2005.	2004.
Fee and commission income				
Corporate customers	40,706	43,478	39,947	43,478
Banks	1,116	535	1,116	535
Retail customers	55,887	50,848	54,722	50,848
	97,709	94,861	95,785	94,861
Fee and commission expense				
Corporate customers	26,546	26,791	26,546	26,791
Banks	7,185	8,975	7,185	8,972
Retail and other customers	4,687	6,726	4,687	6,726
	38,418	42,492	38,418	42,489

5.NET PROFIT ON FINANCIAL OPERATIONS

	Group		Bank	
	2005.	2004. (As restated)	2005.	2004. (As restated)
Net gains on foreign currency spot transactions	33,882	34,832	33,882	34,832
Realized gains on securities available-for-sale	3,474	627	3,474	627
Net result on translation of foreign currency assets and liabilities	(1,063)	(2,807)	(1,063)	(2,807)
	36,293	32,652	36,293	32,652

6.OTHER OPERATING INCOME

	Group		Bank	
	2005.	2004.	2005.	2004.
Gains on sale and disposal of property and equipment	5,070	2,513	50,633	2,513
Income from elimination of liabilities	-	9,009	-	9,009
Gains on sale of foreclosed assets	-	3,403	-	3,403
Dividend income	275	150	275	150
Other income	4,434	8,103	3,809	5,739
	9,779	23,178	54,717	20,814

Other income of the Group include investment funds managing fee in the amount of HRK 538 thousand (2004: HRK 1,298 thousand).

Gain on sale and disposal of property and equipment of the Bank includes HRK 45,563 thousand gain recognized by the Bank on contribution of property into the share capital of OTP Nekretnine d.o.o. (Note 18).

All amounts are expressed in thousands of HRK

7. OPERATING EXPENSES

	Group 2005.	Group 2004.	Bank 2005.	Bank 2004.
Staff costs	113,588	139,624	112,608	138,762
Provisions for employment benefits and bonuses	15,189	9,840	15,189	9,840
Professional services and cost of material	70,743	82,241	68,785	81,567
Savings deposit insurance premiums	17,164	23,375	17,164	23,375
Marketing	12,460	13,969	12,460	13,969
Amortization of goodwill	-	29,003	-	29,003
Depreciation	17,209	19,288	16,537	17,980
Administrative expenses	9,747	10,792	9,747	10,792
Other taxes and contributions	2,198	1,931	2,198	1,931
Write-off of receivables	1,170	1,342	1,170	1,342
Other costs	2,787	4,711	2,435	4,128
	262,255	336,116	258,293	332,689

Staff costs are summarized as follows:

	Group 2005.	Group 2004.	Bank 2005.	Bank 2004.
Gross salary	93,346	107,653	92,366	106,795
- Net salaries	65,406	74,048	64,569	73,399
- Taxes, surtaxes and contributions	27,940	33,605	27,797	33,396
Contributions on salaries	15,888	18,369	15,888	18,369
Other payments to employees	4,354	13,602	4,354	13,598
	113,588	139,624	112,608	138,762

At year-end, the Group had 1,049 (2004: 1,074) and the Bank 1,044 (2004: 1,069) employees.

8. PROVISIONS AND ALLOWANCE FOR IMPAIRMENT LOSSES

	Group 2005.	Group 2004.	Bank 2005.	Bank 2004.
Amounts due from other banks	(310)	(2,753)	(310)	(2,753)
Loans and receivables	5,040	(32,206)	5,040	(32,206)
Equity securities	5,010	(163)	5,010	(163)
Other assets	(2,801)	(9,604)	(2,801)	(9,604)
Litigation provision	6,560	2,714	6,560	2,714
Provisions for off-balance sheet items	289	2,961	289	2,961
	13,788	(39,051)	13,788	(39,051)

All amounts are expressed in thousands of HRK

9.TAXATION

The Bank and the Group provide for taxes based on the tax accounts maintained and prepared in accordance with the local tax regulations and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2005 and 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Deferred tax assets and liabilities of the Bank are attributable to the following temporary differences:

	Bank	
	31.12.2005.	**31.12.2004.**
Deferred assets - temporary deductible differences		
Unrealized losses on available-for-sale securities	412	-
Deferred loan origination fees	36,548	15,428
	36,960	15,428
Deferred liabilities - temporary taxable differences		
Unrealized gains for available-for-sale securities	11,407	-
Deferred borrowings origination fees	363	-
	11,770	-
Net deferred assets	25,190	15,428
Tax losses available for carry forward	148,974	335,968
Deferred tax asset at statutory tax rate of 20% (2004: 20%)	34,833	70,280
Less: valuation allowance	-	-
	34,833	70,280

Change in deferred tax assets of the Bank during the years ended 31 December 2005 and 2004 is explained as follows:

	Deferred loan origination fees	Unrealized gains/(losses) on available-for- sale securities	Tax losses available for carry forward	Other	Total
Balance at 1 January 2004	-	-	20,000	-	20,000
Credit to income statement	3,086	-	47,194	-	50,280
Balance at 31 December 2004	3,086	-	67,194	-	70,280
Credit/ (charge) to income statement	4,224	-	(37,399)	(73)	(33,248)
Charge to equity	-	(2,199)	-	-	(2,199)
Balance at 31 December 2005	7,310	(2,199)	29,795	(73)	34,833

All amounts are expressed in thousands of HRK

Relationship between income tax expense and profit before tax of the Bank for the years ended 31 December 2005 and 2004 are explained as follows:

	Bank	
	2005.	2004. (As restated)
Profit before income tax	160,346	74,349
Valuation gains/(losses) taken to equity	10,995	18,144
	171,341	92,493
Theoretical tax calculated at statutory tax rate of 20% (2004: 20%)	34,268	18,499
Tax effect of permanent differences	1,179	(125)
Tax effect of temporary differences	1,952	3,086
Utilization of tax losses available for carry forward	(37,399)	(21,460)
Current income tax expense	-	-
Change in deferred tax in equity	(2,199)	-
Change in deferred tax in profit and loss	(33,248)	50,280
Income tax charged to profit and loss and equity	(35,447)	50,280

Deferred tax assets and liabilities of the Group are attributable to the following temporary differences:

	Group	
	31.12.2005.	31.12.2004.
Deferred assets – temporary deductible differences		
Unrealized losses on available-for-sale securities	412	-
Deferred loan origination fees	36,548	15,428
	36,960	15,428
Deferred liabilities – temporary taxable differences		
Unrealized gains for available-for-sale securities	11,407	-
Tangible fixed assets	11,932	-
Deferred borrowings origination fees	363	-
	23,702	-
Net deferred assets	13,258	15,428
Tax losses available for carry forward	150,874	336,960
Deferred tax asset at statutory tax rate of 20% (2004: 20%)	32,826	70,478
Less: valuation allowance	(380)	(198)
	32,446	70,280

All amounts are expressed in thousands of HRK

Change in deferred tax assets of the Group during the years ended 31 December 2005 and 2004 is explained as follows:

	Deferred loan origination fees	Unrealized gains/(losses) on available-for-sale securities	Tax losses available for carry forward	Other	Total
Balance at 1 January 2004	-	-	20,000	-	20,000
Credit to income statement	3,086	-	47,194	-	50,280
Balance at 31 December 2004	3,086	-	67,194	-	70,280
Credit/ (charge) to income statement	4,224	-	(28,286)	(2,460)	(26,522)
Charge to equity	-	(2,199)	(9,113)	-	(11,312)
Balance at 31 December 2005	7,310	(2,199)	29,795	(2,460)	32,446

Relationship between income tax expense and profit before tax of the Group for the years ended 31 December 2005 and 2004 are explained as follows:

	Group	
	2005.	2004. (As restated)
Profit before income tax	113,371	73,277
Valuation gains/(losses) taken to equity	10,995	18,144
Capital gain on revaluation of tangible fixed assets	45,563	-
	169,929	91,421
Theoretical tax calculated at statutory tax rate of 20% (2004: 20%)	33,986	18,284
Tax effect of permanent differences	1,190	(248)
Tax effect of temporary differences	2,069	3,086
Utilization of tax losses available for carry forward	(37,399)	(21,460)
Tax losses of subsidiary at statutory tax rate of 20% (2004: 20%)	181	345
Current income tax expense	27	7
Current income tax expense	(27)	(7)
Change in deferred tax in equity	(11,312)	-
Change in deferred tax in profit and loss	(26,522)	50,280
Income tax charged to profit and loss and equity	(37,861)	50,273

The Group is subject to corporate income tax in accordance with Croatian law. Tax gains and losses of individual Group companies cannot be utilised on the Group level or transferred to one Group member to another. Taxable profit may be reduced only to the extent of tax losses brought forward by the Group companies. Tax losses can be carried forward up to five years and are subject to adjustment as resulting from inspections by the Croatian Ministry of Finance.

All amounts are expressed in thousands of HRK

Tax losses:

	Group 2005.	Group 2004.	Bank 2005.	Bank 2004.
Tax losses brought forward	336,960	443,913	335,968	443,266
Tax loss for the year	908	345	-	-
Amounts utilised in the year	(186,994)	(107,298)	(186,994)	(107,298)
Total tax losses available	150,874	336,960	148,974	335,968
Tax effect from tax losses carried forward (at a rate of 20%)	30,175	67,392	29,795	67,194
Amount not recognised as deferred tax assets	(380)	(198)	-	-
Recognised deferred tax assets	29,795	67,194	29,795	67,194

At 31 December 2005 unutilised tax losses that are available for setting off against the future profits amount to HRK 150,874 thousand (2004: HRK 336,960 thousand) for the Group and HRK 29,795 thousand (2004: HRK 67,194 thousand) for the Bank. Based on these losses, deferred tax assets in the amount of HRK 29,795 thousand have been recognised both for the Group and the Bank (2004: HRK 67,194 thousand).

At 31 December 2005 and 2004, tax losses available for carry forward expire as follows:

	Group 2005.	Group 2004.	Bank 2005.	Bank 2004.
Up to 5 years	908	345	-	-
Up to 4 years	345	2,785	-	2,138
Up to 3 years	2,785	79,087	2,138	79,087
Up to 2 years	79,087	107,504	79,087	107,504
Up to 1 year	67,749	147,239	67,749	147,239
Total tax loss carried forward	150,874	336,960	148,974	335,968

Croatian tax legislation and practice has changed significantly in recent years. Many parts of the legislation remain untested and there is uncertainty about the interpretation that the tax authorities may apply in a number of areas. Tax positions taken by the Group are subject to examination and could be challenged by the tax authorities. As a result there is uncertainty about the potential impacts should the interpretation of the tax authorities differ from that applied by the Group. However, the Group's Management considers that the tax liability which might arise in connection with this would not be material.

All amounts are expressed in thousands of HRK

10. EARNINGS PER SHARE

For the purposes of calculating earnings per share, earnings are calculated as the net profit after tax for the period attributable to ordinary shareholders after deducting preference dividends. A reconciliation of the profit after tax attributable to ordinary shareholders is provided below.

	2005.	2004. (As restated)
Net profit for the year ,(in HRK)	86,822,000	123,550,000
Profit attributable to ordinary shareholders (in HRK)	86,822,000	123,550,000
Weighted average number of shares of 200 HRK each (for basic and diluted earnings per share)	2,276,390	2,276,390
Earnings per ordinary share – basic and diluted (HRK)	38.14	54.27

Impact of changes in accounting policy

Changes in the Group's accounting policies during the year are described in detail in note 2. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share.

The following table summarizes that impact on basic earnings per share:

	2005.	2004. (As restated)
Changes in accordance with IAS 39 (Revised) (in HRK)	(8,796,000)	(18,144,000)
Earnings per ordinary share - basic and diluted (HRK)	(3.86)	(7.97)

11. CASH AND BALANCES WITH THE CROATIAN NATIONAL BANK

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Cash in hand	84,212	85,029	84,212	85,028
Giro account balance	212,914	84,043	212,914	84,043
Current accounts with foreign banks	38,856	34,185	38,856	34,185
Current accounts with domestic banks	3,288	3,898	3,288	3,898
Items in course of collection	15,536	7,705	15,536	7,705
Assets included in cash and cash equivalents (Note 28)	354,806	214,860	354,806	214,859
Obligatory reserve at Croatian National Bank				
- in HRK	563,829	566,303	563,829	566,303
-in foreign currency	352,375	438,020	352,375	438,020
Subtotal: Total obligatory reserve at Croatian National Bank	916,204	1,004,323	916,204	1,004,323
	1,271,010	1,219,183	1,271,010	1,219,182

Obligatory reserves with the Croatian National Bank represent the permanent minimum reserve deposits which the Bank is required to maintain at all times.

All amounts are expressed in thousands of HRK

12. AMOUNTS DUE FROM OTHER BANKS

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Short-term placements with other banks	1,360,922	1,278,024	1,360,922	1,278,024
Loans and advances to other banks in Croatia	17,288	52,064	17,288	52,064
Subtotal: Total gross amount due from other banks	1,378,210	1,330,088	1,378,210	1,330,088
Less: allowance for impairment	(4,399)	(4,089)	(4,399)	(4,089)
	1,373,811	1,325,999	1,373,811	1,325,999

13. ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Units in open investment funds	7,993	2,589	7,500	-
Units in closed investment funds	2	22	-	-
	7,995	2,611	7,500	-

14. LOANS AND RECEIVABLES

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Loans and advances to customers	4,354,605	3,613,644	4,354,605	3,613,644
Other originated financial assets	-	141,221	-	141,221
	4,354,605	3,754,865	4,354,605	3,754,865

a) Loans and advances to customers
Analysis by type of product

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
HRK denominated				
Retail customers	2,983,320	2,457,643	2,983,320	2,457,643
Corporate customers	1,640,317	1,480,611	1,640,317	1,480,611
Foreign currency denominated				
Retail customers	9,995	10,755	9,995	10,755
Corporate customers	182,793	112,147	182,793	112,147
State Agency for Savings Deposit Insurance and Bank Rehabilitation	-	63,691	-	63,691
Total loans	4,816,425	4,124,847	4,816,425	4,124,847
Less: allowance for impairment	(461,820)	(511,203)	(461,820)	(511,203)
	4,354,605	3,613,644	4,354,605	3,613,644

All amounts are expressed in thousands of HRK

Movements in allowance for impairment were as follows:

GROUP AND THE BANK

	31.12.2005.	31.12.2004.
Balance at 1 January	511,203	596,597
Amounts collected	(14,845)	(47,549)
New provisions made	19,885	15,343
Exchange differences	(155)	8,978
Amounts written off	(54,268)	(62,166)
Balance at 31 December	461,820	511,203

At 31 December 2005, total non-performing loans amounted to HRK 497,029 thousand for the Bank (2004: HRK 635,917 thousand).

Concentration of credit risk by industry

Set out below is an overview of the Group's and the Bank's concentration by various types of industries (gross amounts before allowance for impairment):

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
State Agency for Savings Deposit Insurance and Bank Rehabilitation	-	63,691	-	63,691
Agriculture, forestry and fisheries	170,525	162,268	170,525	162,268
Mining	5,554	5,397	5,554	5,397
Food and beverages	112,441	111,498	112,441	111,498
Leather and textiles	2,527	2,955	2,527	2,955
Publishing and printing	21,203	13,767	21,203	13,767
Non-metal mineral and chemical products	7,398	6,452	7,398	6,452
Metal-working industry	17,102	16,218	17,102	16,218
Other manufacturing industries	149,928	106,735	149,928	106,735
Energy, gas and water supply	12,166	8,361	12,166	8,361
Construction	219,676	209,823	219,676	209,823
Trade and commerce	513,149	459,450	513,149	459,450
Hotels and restaurants	188,933	180,683	188,933	180,683
Transport and communications	179,895	112,077	179,895	112,077
Financial intermediation	105	8,220	105	8,220
Real estate	119,140	71,479	119,140	71,479
Public administration and defence	19,417	22,572	19,417	22,572
Education, health and social welfare	11,689	6,481	11,689	6,481
Other services and social activities	48,601	56,376	48,601	56,376
Foreign entities	23,661	31,946	23,661	31,946
Subtotal: Total corporate loans	1,823,110	1,656,449	1,823,110	1,656,449
Individuals	2,993,315	2,468,398	2,993,315	2,468,398
Total loans	4,816,425	4,124,847	4,816,425	4,124,847
Less: allowance for impairment	(461,820)	(511,203)	(461,820)	(511,203)
	4,354,605	3,613,644	4,354,605	3,613,644

All amounts are expressed in thousands of HRK

The loan to the State Agency for Savings Deposit Insurance and Bank Rehabilitation was granted on the basis of the contract on the sale and portfolio management concluded on 4 February 2002. During Croatian bank privatisation, it was a common transaction to transfer investment portfolios to the Government Agency by banks. Based on the contract, the Bank sold and transferred to the Agency its business interests, valid receivables and properties in the amount of HRK 301,679 thousand, i.e. at the net book value of the portfolio as recorded in the Bank's accounts at 31 December 2001. The net book value of transferred loans was HRK 208,671 thousand, of business interests HRK 78,264 thousand and of properties HRK 14,744 thousand. The settlement date for the entire sale price is 30 June 2005. The price amount is pegged to the middle exchange rate of Euro as published by the Croatian National Bank at 28 March 2002 (date of the portfolio transfer) and is determined specifically at each payment date. Interest is accrued on a quarterly basis at the rate of EURIBOR plus 2 percentage points and paid every six months. The receivable from the State Agency for Savings Deposit Insurance and Bank Rehabilitation was settled during the year 2005.

b) Other financial assets originated by Bank

As at 31 December 2004 other financial assets originated by the Bank include treasury bills of the Croatian Ministry of Finance purchased at primary issues at amortized cost of HRK 141,221 thousand. These treasury bills matured during the year 2005.

15. ASSETS AVAILABLE FOR SALE

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Equity securities	6,474	17,534	6,474	17,534
Debt securities	1,175,457	1,110,591	1,175,457	1,110,591
	1,181,931	1,128,125	1,181,931	1,128,125

a) Equity securities

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Equity securities at cost				
- unquoted	24,917	43,208	24,917	43,208
Less: allowance for impairment				
- unquoted	(18,443)	(25,674)	(18,443)	(25,674)
	6,474	17,534	6,474	17,534

All amounts are expressed in thousands of HRK

Most significant investments available for sale are as follows:

Name of company	Business	Effective share 31.12.2005 %	Effective share 31.12.2004 %
Uljanik d.d., Pula	Construction	0.63	0.63
HROK d.o.o. Zagreb	Finance sector	10.00	-
KRMA D.D. in bankruptcy	Food and drinks production	27.17	-
Tržište novca – Zagreb	Finance sector	14.26	12.40
Istarska autocesta Zagreb	Transport and communication	3.08	3.08
MBU – Zagreb	Finance sector	11.78	11.78
Zagrebačka burza Zagreb	Finance sector	2.13	2.22
ITS Fažana	Production	12.99	12.99
Jadranka d,d,, Mali Lošinj	Tourism	-	5.36
Istra d.d., Pula	Trading	-	1.95
Naprijed d.d., Split	Publishing	37.70	37.70
Tekstilna industrija Zadar	Textile industry	25.61	25.61

Available-for-sale equity securities have been acquired mostly in exchange for impaired receivables.

The value of investments in shares of Tekstilna industrija Zadar and Naprijed d.d. Split approximates zero. These two companies are under liquidation and bankruptcy proceeding.

b) Debt securities

	Group 31.12.2005.	Group 31.12.2004.	Bank 31.12.2005.	Bank 31.12.2004.
Quoted				
DAB bonds	-	10,921	-	10,921
Bonds of Ministry of Finance	13,323	18,853	13,323	18,853
CBRD bonds	24,116	25,398	24,116	25,398
Bonds of foreign governments	7,745	8,226	7,745	8,226
Corporate bills of exchange	-	-	-	-
Bills of exchange issued by local self-government units	-	-	-	-
Subtotal: Quoted debt securities	45,184	63,398	45,184	63,398
Units in open investment funds	11,443	-	11,443	-
Treasury bills of the Croatian Ministry of Finance	229,487	-	229,487	-
Agency bonds for the restructuring of Dubrovačka banka	488,770	657,204	488,770	657,204
Replacement bonds of the Croatian Ministry of Finance	400,573	389,989	400,573	389,989
Subtotal: Unquoted debt securities	1,130,273	1,047,193	1,130,273	1,047,193
	1,175,457	1,110,591	1,175,457	1,110,591

The bonds of the State Agency for Savings Deposit Insurance and Bank Rehabilitation (DAB) were issued with the guarantee of the Ministry of Finance on behalf of the Croatian Government.

The bonds are denominated in Croatian Kuna and linked to EUR under the currency clause; the interest rate on these bonds is 8.375 % and interest is paid semi-annually. Bonds expire in full amount at 19 December 2005. The bonds are quoted on the Zagreb Stock Exchange (Ist Quotation).

All amounts are expressed in thousands of HRK

The bonds of the Croatian Bank for Reconstruction and Development ("CBRD") are issued with the guarantee of the Ministry of Finance on behalf of the Croatian Government. The bonds are denominated in Euro and the interest rate on these bonds is 5.75% and interest is paid annually. The bonds mature on 4 December 2012. These bonds are quoted on the Luxembourg Stock Exchange.

The bonds of the Croatian Ministry of Finance (the so-called Brady Bonds) are denominated in USD, and interest is calculated at six-month USD LIBOR + 81.25 basis points. The bonds are due in semi-annual instalments, with the ultimate maturity date 31 July 2006. These bonds are quoted on the Luxembourg Stock Exchange.

Foreign government bonds were issued by Federal Republic of Germany - Sovereign in the amount of EUR 1,000,000, at an interest rate of 4.125%, with interest paid annually. The entire principal is due on 4 July 2008. These bonds are quoted on German stock exchanges.
The rehabilitation bonds represent bonds issued by the Agency (DAB) as part of the rehabilitation of Dubrovačka banka for the purpose of covering accumulated losses of the Bank, which exceeded the Bank's capital during the rehabilitation, as well as for the necessary initial increase of the Bank's capital. The rehabilitation bonds were issued in two series, denominated in Croatian Kuna and linked to Euro under the currency clause. The total amount of A-series bonds is HRK 1,002 million, and the maturity date is 25 November 2007; the total amount of B-series bonds is HRK 1,600 million, with maturity date 15 November 2008. The rehabilitation bonds were issued at fixed annual rates of 6% and 7%.

The rehabilitation bonds are can be sold only following prior approval by the Agency and they may be pledged at the Croatian National Bank for Lombard loans.

As at 31 December 2005 and 2004, the rehabilitation bonds of HRK 110,634 thousand and HRK 230,137 thousand, respectively, were pledged as security under long term loan from Privredna Banka d.d., Zagreb.

Replacement bonds were issued by the Croatian Government to replace the economic restructuring bonds based on the Government decision of 6 April 2000. The replacement bonds are denominated in Croatian Kuna and are indexed to the industrial price index. Every six months the principal amount of the bond is revalued based on changes in the index and the revaluation gains/(losses) are recognized directly in equity in 'Other reserves'. The interest rate on these bonds is 5% annually, and the interest is paid on a semi-annual basis. The principal is due in 2011.

Agency bonds for reconstruction of Dubrovačka banka and replacement bonds of the Croatian Ministry of Finance are not traded publicly. The management of the Group believes that the carrying value of these securities approximates their fair value.

16. HELD TO MATURITY INVESTMENTS

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Receivables for public debt	-	26,541	-	26,541
Housing bonds of the Croatian Ministry of Finance	16,165	16,813	16,165	16,813
Corporate bills of exchange	32,293	34,846	32,293	34,846
Treasury bills of the Croatian Ministry of Finance	-	4,969	-	4,969
	48,458	83,169	48,458	83,169

All amounts are expressed in thousands of HRK

Receivables for public debt represent foreign currency savings of individuals that were on deposit at the former National Bank of Yugoslavia, and have been frozen since 27 April 1991. All these deposits were converted into public debt of the Republic of Croatia on 23 December 1991. During 1992 the Bank also assumed liabilities for certain deposits at other banks in the Ex-Yugoslavia in exchange for which its receivable from the public debt of the Republic of Croatia was increased by an equal amount. Interest on the public debt of the Republic of Croatia is paid at the rate of 5% through the issue of additional bonds and bills of exchange. The public debt of the Republic of Croatia is paid in 20 semi-annual instalments and commenced on 30 June 1995. The receivables were repaid during the year 2005.

The housing bonds of the Ministry of Finance were received as compensation for flats purchased by the government of Croatia.

The treasury bills of the Ministry of Finance of the Republic of Croatia were purchased from Erste und Steiermaerkische Bank on 18 November 2004, with maturity date 17 February 2005, and at an interest rate of 4.70% annually.

Their total nominal value amounts to HRK 5,000 thousand.

The investments held-to-maturity are not traded publicly. The management of the Group believes that the carrying value of these investments approximates their fair value.

17. INVESTMENTS IN SUBSIDIARIES

Set out below are the operating subsidiaries of the Bank, included in the consolidated statements of the Group:

Name	Business activity	Effective share 31.12.2005	Effective share 31.12.2004
OTP Invest d.o.o.	Investment Funds Management Company	100%	100%
OTP Nekretnine d.o.o.	Real estate	100%	100%

The amounts of assets, liabilities, income, expenses and profit in subsidiary companies are as follows:

	OTP Invest		OTP Nekretnine	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Assets	1,249	3,471	73,373	19,956
Liabilities	(495)	(3,083)	(343)	(175)
Net assets	754	388	73,030	19,781
Net profit/(loss) for the year	(935)	(424)	80	4

In December 2005 the Bank made an additional cash contribution into the share capital of OTP Invest d.o.o. of HRK 1,300 thousand.

In December 2005 the Bank made an additional contribution in kind into the share capital of OTP Nekretnine d.o.o. in form of two buildings located in Dubrovnik and Pula. The Trade Court in Zadar registered the increase in the share capital of OTP Nekretnine d.o.o. amounting to HRK 53,169 thousand, which represents the market value of the contributed buildings at the date of transaction.

All amounts are expressed in thousands of HRK

18. TANGIBLE AND INTANGIBLE ASSETS

	Group							
	Land and buildings	Computers	Furniture and equipment	Motor vehicles	Other	Intangible assets	Assets under construction	Total
Cost:								
At 1 January 2005	240,696	76,580	86,761	5,685	961	44,101	6,007	460,791
Additions	17	95	575	117	-	608	12,881	14,293
Surplus on revaluation (Note 18)	45,563	-	-	-	-	-	-	45,563
Transfer to investment property (Note 19)	(72,562)	-	-	-	-	-	-	(72,562)
Transfers from assets under construction	-	1,795	6,640	-	-	3,052	(11,487)	-
Disposals	(14,662)	(5,456)	(1,727)	(296)	-	(234)	-	(22,375)
At 31 December 2005	199,052	73,014	92,249	5,506	961	47,527	7,401	425,710
Accumulated depreciation/								
amortisation:								
At 1 January 2005	84,073	63,971	72,715	5,237	-	36,381	-	262,377
Charge for the year	5,076	4,605	3,985	373	-	3,170	-	17,209
Eliminated on revaluation (Note 18)	(6,959)	-	-	-	-	-	-	(6,959)
Disposals	(2,476)	(5,450)	(1,594)	(296)	-	(234)	-	(10,050)
At 31 December 2005	79,714	63,126	75,106	5,314	-	39,317	-	262,577
Net book value:								
At 31 December 2005	119,338	9,888	17,143	192	961	8,210	7,401	163,133
At 31 December 2004	156,623	12,609	14,046	448	961	7,720	6,007	198,414

	Bank							
	Land and buildings	Computers	Furniture and equipment	Motor vehicles	Other	Intangible assets	Assets under construction	Total
Cost:								
At 1 January 2005	197,921	76,388	86,638	5,409	961	44,101	6,007	417,425
Additions	17	38	575	-	-	291	12,881	13,802
Transfer from assets under construction	-	1,795	6,640	-	-	3,052	(11,487)	-
Disposals	(22,270)	(5,447)	(1,726)	(296)	-	(183)	-	(29,922)
At 31 December 2005	175,668	72,774	92,127	5,113	961	47,261	7,401	401,305
Accumulated depreciation/								
amortisation:								
At 1 January 2005	72,722	63,783	72,606	5,070	-	36,381	-	250,562
Charge for the year	4,491	4,593	3,980	307	-	3,166	-	16,537
Disposals	(9,435)	(5,441)	(1,594)	(296)	-	(183)	-	(16,949)
At 31 December 2005	67,778	62,935	74,992	5,081	-	39,364	-	250,150
Net book value:								
At 31 December 2005	107,890	9,839	17,135	32	961	7,897	7,401	151,155
At 31 December 2004	125,199	12,605	14,032	339	961	7,720	6,007	166,863

All amounts are expressed in thousands of HRK

In December 2005 the Bank made a contribution in kind into the share capital of OTP Nekretnine d.o.o. in form of real estate. As a result of this transaction two buildings located in Dubrovnik and Pula with the net book value of HRK 7,606 thousand were disposed of by the Bank. These buildings were contributed into the share capital of OTP Nekretnine d.o.o. at their market value at the date of transaction amounting to HRK 53,169 thousand. The Bank recognized a gain of HRK 45,563 thousand on disposal of the buildings in 'Other income' (Note 6).
As far as the buildings in Dubrovnik and Pula have been contributed into the share capital of OTP Nekretnine d.o.o. with the intention of the Group to lease them to the third parties, the Group has effectively transferred these buildings from tangible fixed assets to investment property. In consolidated financial statements the difference of HRK 45,563 thousand between the net book value of this property and its fair value at the date of transfer was recognized as surplus on revaluation in "Other reserves" in equity.

GOODWILL

Goodwill stated on the Bank's balance sheet represents goodwill arisen on acquisition of Istarska banka d.d., Pula, Sisačka banka d.d., Sisak (which is included in the Bank's accounts following the merger on 30 June 2002) and Dubrovačka banka d.d., Dubrovnik (which is included in the Bank's accounts following the merger on 30 September 2004). Goodwill amortization charge is included in the income statement under 'Operating expenses' for the year ended 31 December 2004.

Movements in goodwill are as follows:

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
At 1 January	42,966	144,978	42,966	144,978
Amortization charge (Note 7)	-	(102,012)	-	(102,012)
At 31 December	42,966	42,966	42,966	42,966

All amounts are expressed in thousands of HRK

19. INVESTMENT PROPERTY

In the end of 2005 the Group transferred three buildings located in Dubrovnik, Pula and Zadar from tangible fixed assets to investment property based on intention to lease them out to third parties.

The fair value of these buildings of HRK 72,562 thousand has been arrived at on the basis of the valuations carried out by independent valuers. The valuation was arrived at by reference to market evidence of transaction with similar properties.

20. OTHER ASSETS

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Accrued fees and commissions	17,818	17,188	17,818	17,188
Items in course of collection	4,057	24,953	4,057	24,953
Accounts receivable	24,800	7,341	24,800	7,138
Collaterals received in satisfaction of non-performing loans	19,075	2,838	19,075	2,838
Receivables in respect of credit card operations	15,415	13,337	15,415	13,337
Due from insurance company	10,925	8,915	10,925	8,915
Receivables for prepaid taxes and contributions	49	576	49	576
Prepaid expenses	4,987	2,311	4,987	2,307
Due from OTP Invest	-	-	-	3,002
Income tax prepayments		507		-
Other	5,411	3,270	5,522	3,161
Total other assets	102,537	81,236	102,648	83,415
Less: allowance for impairment	(26,534)	(29,335)	(26,534)	(29,335)
	76,003	51,901	76,114	54,080

Movements in provisions for impairment for other assets for the Group and the Bank were as follows:

	2005.	2004.
Balance at 1 January	29,335	38,939
Release of previously established allowances	(2,801)	(9,604)
Balance at 31 December	26,534	29,335

All amounts are expressed in thousands of HRK

21. AMOUNTS DUE TO OTHER BANKS

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Demand deposits				
HRK denominated	5,217	6,938	5,217	6,938
Foreign currency denominated	3,858	4,237	3,858	4,237
Time deposits				
HRK denominated	-	-	-	-
Foreign currency denominated	-	-	-	-
	9,075	11,175	9,075	11,175

22. AMOUNTS DUE TO CUSTOMERS

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Retail customers				
Demand deposits				
HRK denominated	754,811	646,735	754,811	646,735
Foreign currency denominated	1,252,542	1,320,315	1,252,542	1,320,315
Time deposits				
HRK denominated	351,257	264,205	351,257	264,205
Foreign currency denominated	3,486,361	3,258,369	3,486,361	3,258,369
Frozen foreign currency savings	-	6,373	-	6,373
Corporate customers				
Demand deposits				
HRK denominated	480,902	457,814	480,902	457,814
Foreign currency denominated	102,562	107,935	102,562	107,935
Time deposits				
HRK denominated	204,015	167,994	204,015	167,994
Foreign currency denominated	366,905	164,284	366,905	164,283
Current accounts and deposits of subsidiaries	-	-	995	473
	6,999,355	6,394,024	7,000,350	6,394,496

Frozen foreign currency deposits represent deposits of individuals placed with commercial banks prior to 27 April 1991, which were frozen in accordance with the Government's decision.

All amounts are expressed in thousands of HRK

23. OTHER BORROWED FUNDS

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Domestic creditors:				
CBRD	318,011	316,823	318,011	316,823
Ministry of Finance	3,843	3,885	3,843	3,885
Other borrowings from domestic banks	45,498	77,952	45,391	77,952
Foreign creditors:				
Refinanced foreign currency borrowings	25,259	34,356	25,259	34,356
Commercial banks	219,343	161,643	219,343	161,643
Government agencies	43,467	46,428	43,467	46,428
	655,421	641,087	655,314	641,087

a) Amounts due to the Croatian Bank for Reconstruction and Development

The funds borrowed from CBRD are designated for approving loans to end users – corporate and retail customers – under the SMEs, tourist trade and agriculture incentive programme supported by the CBRD, at an average interest rate of 1.81% (2004: 2.69%).

(b) Other borrowings from domestic banks

Of the total borrowings from domestic banks, the major portion of HRK 44,254 thousand (2004: 61,796 thousand), both for the Group and for the Bank, represents a loan from Privredna banka Zagreb d.d., Zagreb with a currency clause. These borrowed funds bear an interest rate of 6-month EURIBOR + 1.9%.

(c) Refinanced foreign currency loans

London Club

At 31 December 2005, the liabilities to the London Club amount to HRK 13,602 thousand (2004: HRK 21,241 thousand) for the Group and for the Bank. Based on the Information Memorandum of 9 May 1999 and the Notification of Offer of 14 June 1996, the Croatian Government assumed at 31 July 1996 the obligation in respect of 29.5% of reprogrammed debt of the former Yugoslavia to commercial banks under the New Financial Agreement by issuing own A- and B-series bonds on 31 July 1996 to replace the debt under the New Financial Agreement. The financial debt is USD denominated and has been reprogrammed over 14 years, at an interest rate of six-month LIBOR for USD + 13/16% margin annually.

Paris Club

At 31 December 2005, the liabilities to the Paris Club amount to HRK 11,321 thousand (2004: HRK 13,115 thousand for the Group and for the Bank. The loans repayable between 1984 and 1988 were refinanced and reprogrammed by means of several agreements, concluding with the Paris Club Agreement of 21 March 1995.
Under the Agreement, principal is repayable in 24 semi-annual instalments, commencing on 31 January 1998. During 1997 and 1998, further individual negotiations with Paris Club members took place and bilateral consolidation agreements were concluded.

In addition on 16 December 2005 the Government of Croatia and the Government of Italy reached an agreement on consolidation of the debt of Croatia.

d) Amounts due to commercial banks

Of the total debt to commercial banks, the major portions comprise the following:

a) HRK 166,054 thousand loans received from OTP Bank, Hungary, in 2005. These loans are denominated in CHF and bear an annual interest of 3M EURIBOR plus 0.63% margin. The loans have maturity on 6 June 2008;

b) HRK 37,120 thousand (2004: HRK 44,122 thousand) loan both for the Group and for the Bank due to the World Bank (IBRD). The interest on the borrowings is calculated at variable rate in the amount of 6-month EURIBOR + 0.50% margin annually. The loan is repayable in semi-annual instalments and has maturity in 2012

.c) HRK 11,063 thousand (2004: HRK 49,863 thousand) loans both for the Group and the Bank received from Adria Bank AG Wien. The loans bear an annual interest rate of 3-month EURIBOR + 1.5%, and are fully repayable on 30 June 2005;

Other liabilities comprise loans granted by other commercial banks that have been placed to the Group's and the Bank's customers.

(e) Amounts due to government agencies

The major portion of this debt relates to the debt to the DEG, which amounts to HRK 37,711 thousand (2004: HRK 39,568 thousand).

The loan was approved for a period of 6 years, at variable interest rate (6-month EURIBOR + 4.5%); these funds are included in the Bank's supplementary capital in accordance with the Croatian law. The entire loan is due on 15 November 2009.

HRK 5,581 thousand (2004: HRK 6,860 thousand) of the total debt to government agencies represents a loan from MEDIOCREDITO, which is repayable in equal semi-annual instalments until 2011, at a fixed interest rate of 1.75%.

All amounts are expressed in thousands of HRK

24. PROVISIONS

a) Analysis of provisions

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Provisions for off-balance sheet items	7,520	7,231	7,520	7,231
Litigation provision	20,559	15,747	20,559	15,747
	28,079	22,978	28,079	22,978

b) Movements in provisions for liabilities and charges

Provisions for off-balance sheet items

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Balance at 1 January	7,231	4,270	7,231	4,270
Additional provisions established	289	2,961	289	2,961
Balance at 31 December	7,520	7,231	7,520	7,231

Litigation provisions

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Balance at 1 January	15,747	13,033	15,747	13,033
Additional provisions established	6,560	2,714	6,560	2,714
Decrease in provisions	(1,748)	-	(1,748)	-
Balance at 31 December	20,559	15,747	20,559	15,747

25. OTHER LIABILITIES

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Provisions for employment benefits and bonuses accruals	17,885	12,643	17,885	12,643
Liability under guarantee issued for client	11,247	13,164	11,247	13,164
Amounts due to suppliers	10,885	8,517	10,885	8,359
Salaries and contributions payable	9,198	9,861	9,198	9,829
Due to DAB	5,954	4,985	5,954	4,985
Deferred income	2,049	1,733	2,049	1,733
Liabilities under credit card operations	4,522	2,103	4,522	2,103
Liabilities under currency dealings	363	250	363	250
Accrued interest and fees	11	11	11	11
Other liabilities	19,896	15,605	19,316	15,540
	82,010	68,872	81,430	68,617

All amounts are expressed in thousands of HRK

26. SHARE CAPITAL AND RESERVES

As at 31 December 2005 and 2004 the share capital of the Bank comprise 2,276,398 ordinary shares with a par value of 200 HRK each. All the ordinary shares are ranked equally and carry one vote.

As at 31 December 2005 legal and statutory reserves of HRK 70,379 thousand (2004: HRK 53,455 thousand). Such reserves are formed from annual profits in accordance with the Croatian law and include:

- **Legal reserve,** which is non-distributable reserve such time the reserve funds reach 5% (HRK 22,736 thousand) of the Bank's share capital.

- **Statutory reserve,** which is formed in amount. Up to 5% of the share capital (to cover the loss per written off bad debts, disbursement of dividend on preference shares and for the same purposes for which funds are allocated to legal reserve).

At 31 December 2004 the Management of the Bank held rights to purchase 44,700 ordinary shares of the Bank at a price of HRK 359.70 per share. On 16 February 2005 the option holders informed the Bank of their intention to exercise their options. At that date the fair value of the shares, as determined by reference to the public tender offer for shares of the Bank made by OTP Bank Rt., Hungary, the owner, was HRK 819.92 per share.

The difference of HRK 20,572 thousand between the price at which the above shares where purchased by the Bank and the price at which they were sold to the option holders was recognized in equity as allocation to the option holders. In addition, on 10 March 2005 the option holders irrevocably undertook the obligation to sell the shares purchased from the Bank to OTP Bank Rt., Hungary.
At 31 December 2005 the management of the Bank holds no shares of the Bank.

27. CONTINGENCIES AND COMMITMENTS

Presented below are contractual amounts of the Group's and the Bank's off-balance sheet financial instruments

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Payment guarantees	70,455	80,743	70,455	80,743
Performance bonds	61,035	62,668	61,035	62,668
Letters of credit	40,536	44,262	40,536	44,262
Approved unused loans	674,227	527,029	674,227	527,029
Other	50	-	50	-
	846,303	714,702	846,303	714,702

All amounts are expressed in thousands of HRK

28. CASH AND CASH EQUIVALENTS

For the purposes of cash flow statements, cash and cash equivalent comprise the following balances with maturities of up to 90 days:

	Group		Bank	
	31.12.2005.	31.12.2004.	31.12.2005.	31.12.2004.
Cash and cash equivalents (excluding mandatory reserve with Croatian National Bank)	354,806	214,860	354,806	214,859
Amounts due from other banks	1,367,274	1,320,462	1,367,274	1,320,462
	1,722,080	1,535,322	1,722,080	1,535,321

29. CREDIT RISK

The Group and the Bank take on exposure to credit risk, which is the risk upon credit approval that the counterparty will be unable to pay amounts in full when due. Both the Group and the Bank structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Commitments to extend credit. The primary purpose of commitments to extend credit is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credits in the form of loans, guarantees or stand-by letters of credit. Commitments to extend credit issued by the Bank and the Group represent issued loan commitments or guarantees, undrawn portions of and approved overdrafts loans. Commitments to extend credit or guarantees issued by the Bank which are contingent upon customers maintaining specific credit standards (including the condition that a customer's solvency does not deteriorate) are revocable commitments. Irrevocable commitments represent undrawn portions of authorised loans and approved overdraft facilities because they result from contractual terms and conditions in the credit agreements.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. However, both the Group and the Bank record provisions for these instrument on the same basis as for their loans.

All amounts are expressed in thousands of HRK

Concentrations of assets, liabilities and off-balance sheet items

	Group					
	2005.			2004.		
	Assets	Liabilities and equity	Off balance sheet items	Assets	Liabilities and equity	Off balance sheet items
Geographic region:						
Croatia	7,223,160	7,330,104	846,303	6,561,804	6,529,384	713,621
Former Yugoslavia	1,105	173,536	-	2,042	219,506	-
OECD	1,400,650	1,112,966	-	1,313,666	446,018	1,081
Others	5	8,314	-	1	682,605	-
Total	8,624,920	8,624,920	846,303	7,877,513	7,877,513	714,702
Economic sector:						
Croatian National Bank	1,109,606	3	-	1,059,296	3	-
Trade	413,201	111,894	103,644	331,130	101,206	90,723
Finances	1,474,721	1,315,347	30	1,400,874	666,199	-
Tourism	187,567	129,479	5,475	189,867	78,579	15,633
Agriculture	156,651	27,774	18,877	146,379	15,125	9,209
Manufacturing	494,777	127,830	102,635	415,741	134,966	92,617
Retail sector	2,853,828	5,854,058	529,425	2,325,547	5,499,037	360,901
Others	1,934,569	1,058,535	86,217	2,008,679	1,382,398	145,619
Total	8,624,920	8,624,920	846,303	7,877,513	7,877,513	714,702

	Bank					
	2005.			2004.		
	Assets	Liabilities and equity	Off balance sheet items	Assets	Liabilities and equity	Off balance sheet items
Geographic region:						
Croatia	7,216,185	7,323,129	846,303	6,550,912	6,518,492	713,621
Former Yugoslavia	1,105	173,536	-	2,042	219,506	-
OECD	1,400,650	1,112,966	-	1,313,666	446,018	1,081
Others	5	8,314	-	1	682,605	-
Total	8,617,945	8,617,945	846,303	7,866,621	7,866,621	714,702
Economic sector:						
Croatian National Bank	1,109,606	3	-	1,059,296	3	-
Trade	413,201	111,894	103,644	331,130	101,206	90,723
Finances	1,474,721	1,315,347	30	1,400,874	666,199	-
Tourism	187,567	129,479	5,475	189,867	78,579	15,633
Agriculture	156,651	27,774	18,877	146,379	15,125	9,209
Manufacturing	494,777	127,830	102,635	415,741	134,966	92,617
Retail sector	2,853,828	5,854,058	529,425	2,325,547	5,499,037	360,901
Others	1,927,594	1,051,560	86,217	1,997,787	1,371,506	145,619
Total	8,617,945	8,617,945	846,303	7,866,621	7,866,621	714,702

All amounts are expressed in thousands of HRK

30. CURRENCY RISK

The Bank and the Group take on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on their financial positions and cash flows.

The table below provides an analysis of the Group's and of the Bank's main currency exposures. The remaining currencies are shown within 'Other currencies.' Both the Group and the Bank monitor their foreign exchange (FX) position for compliance with the regulatory requirements of the Croatian National Bank established in respect of limits on open positions. Measuring the open positions of the Group and of the Bank includes monitoring the value at risk limit both for the Group and for the Bank.

	Group						
	EUR	EUR currency clause	Total EUR	USD	HRK	Other currencies	Total
At 31 December 2005							
Assets							
Cash and balances with Croatian National Bank	332,456	-	332,456	75,337	831,399	31,818	1,271,010
Amounts due from other banks	257,609	-	257,609	974,806	44,714	96,682	1,373,811
Assets at fair value through profit and loss	-	-	-	-	7,995	-	7,995
Loans and receivables	43,282	3,228,658	3,271,940	63,513	702,371	316,781	4,354,605
Assets available for sale	32,760	494,251	527,011	10,511	644,409	-	1,181,931
Investments held to maturity	16,449	-	16,449	-	32,009	-	48,458
Tangible and intangible assets	-	-	-	-	206,099	-	206,099
Investment property	-	-	-	-	72,562	-	72,562
Deferred tax asset	-	-	-	-	32,446	-	32,446
Other assets	58	282	340	51	75,594	18	76,003
Total assets	682,614	3,723,191	4,405,805	1,124,218	2,649,598	445,299	8,624,920
Liabilities							
Amounts due to other banks	3,218	-	3,218	261	5,217	379	9,075
Amounts due to customers	3,847,201	82,158	3,929,359	1,098,248	1,708,827	262,921	6,999,355
Other borrowed funds	98,795	122,745	221,540	17,880	244,516	171,485	655,421
Provisions	-	-	-	-	28,079	-	28,079
Other liabilities	12,091	24	12,115	6,305	62,690	900	82,010
Total liabilities	3,961,305	204,927	4,166,232	1,122,694	2,049,329	435,685	7,773,940
Net FX position	(3,278,691)	3,518,264	239,573	1,524	600,269	9,614	850,980
Off balance sheet items	63,915	7,843	71,758	7,323	91,096	111	170,288
Credit commitments	-	-	-	-	668,496	-	668,496
At 31 December 2004							
Total assets	813,058	3,365,790	4,178,848	1,055,629	2,472,470	170,566	7,877,513
Total liabilities	3,923,406	221,623	4,145,029	1,054,576	1,774,953	163,578	7,138,136
Net FX position	(3,110,348)	3,144,167	33,819	1,053	697,517	6,988	739,377
Off balance sheet items	8,895	76,517	85,412	5,894	89,024	112	180,442
Commitments to extend credit	-	-	-	-	527,029	-	527,029

All amounts are expressed in thousands of HRK

	Bank						
	EUR	EUR currency clause	Total EUR	USD	HRK	Other currencies	Total
At 31 December 2005							
Assets							
Cash and balances with Croatian National Bank	332,456	-	332,456	75,337	831,399	31,818	1,271,010
Amounts due from other banks	257,609	-	257,609	974,806	44,714	96,682	1,373,811
Assets at fair value through profit and loss	-	-	-	-	7,500	-	7,500
Loans and receivables	43,282	3,228,658	3,271,940	63,513	702,371	316,781	4,354,605
Assets available for sale	32,760	494,251	527,011	10,511	644,409	-	1,181,931
Investments held to maturity	16,449	-	16,449	-	32,009	-	48,458
Investments in subsidiaries	-	-	-	-	75,562	-	75,562
Tangible and intangible assets	-	-	-	-	194,121	-	194,121
Deferred tax	-	-	-	-	34,833	-	34,833
Other assets	58	282	340	51	75,705	18	76,114
Total assets	682,614	3,723,191	4,405,805	1,124,218	2,642,623	445,299	8,617,945
Liabilities							
Amounts due to other banks	3,218	-	3,218	261	5,217	379	9,075
Amounts due to customers	3,847,201	82,158	3,929,359	1,098,248	1,709,822	262,921	7,000,350
Other borrowed funds	98,795	122,745	221,540	17,880	244,409	171,485	655,314
Provisions	-	-	-	-	28,079	-	28,079
Other liabilities	12,091	24	12,115	6,305	62,110	900	81,430
Total liabilities	3,961,305	204,927	4,166,232	1,122,694	2,049,637	435,685	7,774,248
Net FX position	(3,278,691)	3,518,264	239,573	1,524	592,986	9,614	843,697
Off balance sheet items	63,915	7,843	71,758	7,323	91,096	111	170,288
Credit commitments	-	-	-	-	668,496	-	668,496
At 31 December 2004							
Total assets	813,058	3,365,790	4,178,848	1,055,629	2,461,578	170,566	7,866,621
Total liabilities	3,923,406	221,623	4,145,029	1,054,576	1,775,170	163,578	7,138,353
Net FX position	(3,110,348)	3,144,167	33,819	1,053	686,408	6,988	728,268
Off balance sheet items	8,895	76,517	85,412	5,894	89,025	111	180,442
Commitments to extend credit	-	-	-	-	527,029	-	527,029

All amounts are expressed in thousands of HRK

31. INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off balance sheet items

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's and of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date.

It is the policy both of the Group and of the Bank to manage the exposure to fluctuations in net interest income arising from changes in interest rates by the degree of repricing mismatch in the balance sheet. Those assets and liabilities that do not have contractual maturity date or are not interest bearing are grouped in 'Non-interest bearing' category.

	Group						
	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total	Fixed rate
At 31 December 2005							
Assets							
Cash and balances with Croatian National Bank	889,655	-	-	-	381,355	1,271,010	882,186
Amounts due from other banks	1,373,811	-	-	-	-	1,373,811	1,373,811
Assets at fair value through profit and loss	-	-	-	-	7,995	7,995	-
Loans and receivables	3,022,039	147,170	408,708	776,688	-	4,354,605	1,332,566
Assets available for sale	5,213	49,637	338,827	776,811	11,443	1,181,931	1,159,977
Investments held to maturity	6,273	6,977	19,043	-	16,165	48,458	32,293
Tangible and intangible assets	-	-	-	-	206,099	206,099	-
Investment property	-	-	-	-	72,562	72,562	-
Deferred tax	-	-	-	-	32,446	32,446	-
Other assets	-	-	-	-	76,003	76,003	-
Total assets	5,296,991	203,784	766,578	1,553,499	804,068	8,624,920	4,780,833
Liabilities							
Amounts due to other banks	5,217	-	-	-	3,858	9,075	-
Amounts due to customers	4,209,598	1,264,890	1,484,919	39,948	-	6,999,355	2,789,757
Other borrowed funds	33,019	3,885	81,124	430,920	106,473	655,421	7,119
Provisions	-	-	-	-	28,079	28,079	-
Other liabilities	-	-	-	-	82,010	82,010	-
Total liabilities	4,247,834	1,268,775	1,566,043	470,868	220,420	7,773,940	2,796,876
On-balance-sheet interest rate sensitivity gap	1,049,157	(1,064,991)	(799,465)	1,082,631	583,648	850,980	1,983,957

All amounts are expressed in thousands of HRK

Interest rate sensitivity of assets, liabilities and off balance sheet items

	Bank						
	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total	Fixed rate
At 31 December 2005							
Assets							
Cash and balances with Croatian National Bank	889,655	-	-	-	381,355	1,271,010	882,186
Amounts due from other banks	1,373,811	-	-	-	-	1,373,811	1,373,811
Assets at fair value through profit and loss	-	-	-	-	7,500	7,500	-
Loans and receivables	3,022,039	147,170	408,708	776,688	-	4,354,605	1,332,566
Assets available for sale	5,213	49,637	338,827	776,811	11,443	1,181,931	1,159,977
Investments held to maturity	6,273	6,977	19,043	-	16,165	48,458	32,293
Investments in subsidiaries	-	-	-	-	75,562	75,562	-
Tangible and intangible assets	-	-	-	-	194,121	194,121	-
Deferred tax asset	-	-	-	-	34,833	34,833	-
Other assets	-	-	-	-	76,114	76,114	-
Total assets	5,296,991	203,784	766,578	1,553,499	797,093	8,617,945	4,780,833
Liabilities							
Amounts due to other banks	5,217	-	-	-	3,858	9,075	-
Amounts due to customers	4,210,593	1,264,890	1,484,919	39,948	-	7,000,350	2,789,757
Other borrowed funds	33,017	3,881	81,108	430,835	106,473	655,314	7,119
Provisions	-	-	-	-	28,079	28,079	-
Other liabilities	-	-	-	-	81,430	81,430	-
Total liabilities	4,248,827	1,268,771	1,566,027	470,783	219,840	7,774,248	2,796,876
On-balance-sheet interest rate sensitivity gap	1,048,164	(1,064,987)	(799,449)	1,082,716	577,253	843,697	1,983,957

The table below summarises the average effective interest rate at year-end for monetary financial instruments.

	Group		Bank	
	31.12.2005	Interest rate %	31.12.2005	Interest rate %
Cash and balances with Croatian National Bank	1,271,010	1.33	1,271,010	1.33
Amounts due from other banks	1,373,811	2.88	1,373,811	2.88
Loans and other financial assets created by the Bank	4,354,605	7.98	4,354,605	7.98
Investments held to maturity	48,458	4.98	48,458	4.98
Assets available for sale	1,181,931	5.83	1,181,931	5.83
	8,229,815		8,229,815	
Amounts due to other banks	9,075	0.29	9,075	0.29
Amounts due to customers	6,999,355	2.17	7,000,350	2.17
Other borrowed funds	655,421	2.57	655,314	2.57
	7,663,851		7,664,739	

All amounts are expressed in thousands of HRK

Interest rate sensitivity of assets, liabilities and off balance sheet items (continued)

	Group						
	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total	Fixed rate
At 31 December 2004							
Assets							
Cash and balances with Croatian National Bank	1,088,366	-	-	-	130,817	1,219,183	650,346
Amounts due from other banks	1,325,787	212	-	-	-	1,325,999	1,325,999
Assets at fair value through profit and loss	-	-	-	-	2,611	2,611	-
Loans and receivables	2,335,928	135,249	500,878	782,810	-	3,754,865	1,434,365
Assets available for sale	4,784	-	164,950	940,857	17,534	1,128,125	1,091,664
Investments held to maturity	36,244	14,295	15,738	79	16,813	83,169	66,057
Tangible and intangible assets	-	-	-	-	241,380	241,380	-
Deferred tax asset	-	-	-	-	70,280	70,280	-
Other assets	-	-	-	-	51,901	51,901	-
Total assets	4,791,109	149,756	681,566	1,723,746	531,336	7,877,513	4,568,431
Liabilities							
Amounts due to other banks	6,945	-	-	-	4,230	11,175	-
Amounts due to customers	3,831,755	1,079,222	1,447,666	35,381	-	6,394,024	2,562,269
Other borrowed funds	55,110	56,964	131,104	397,909	-	641,087	331,157
Provisions	-	-	-	-	22,978	22,978	-
Other liabilities	-	-	-	-	68,872	68,872	-
Total liabilities	3,893,810	1,136,186	1,578,770	433,290	96,080	7,138,136	2,893,426
On-balance-sheet interest rate sensitivity gap	897,299	(986,430)	(897,204)	1,290,456	435,256	739,377	1,675,005
Off-balance-sheet interest rate sensitivity gap	-	-	-	-	-	-	-

All amounts are expressed in thousands of HRK

Interest rate sensitivity of assets, liabilities and off balance sheet items (continued)

	Bank						
	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total	Fixed rate
At 31 December 2004							
Assets							
Cash and balances with Croatian National Bank	1,088,366	-	-	-	130,816	1,219,182	650,346
Amounts due from other banks	1,325,787	212	-	-	-	1,325,999	1,325,999
Assets at fair value through profit and loss	-	-	-	-	-	-	-
Loans and receivables	2,335,928	135,249	500,878	782,810	-	3,754,865	1,434,365
Assets available for sale	4,784	-	164,950	940,857	17,534	1,128,125	1,091,664
Investments held to maturity	36,244	14,295	15,738	79	16,813	83,169	66,057
Investments in subsidiaries	-	-	-	-	21,092	21,092	-
Tangible and intangible assets	-	-	-	-	209,829	209,829	-
Deferred tax asset	-	-	-	-	70,280	70,280	-
Other assets	-	-	-	-	54,080	54,080	-
Total assets	4,791,109	149,756	681,566	1,723,746	520,444	7,866,621	4,568,431
Liabilities							
Amounts due to other banks	6,945	-	-	-	4,230	11,175	-
Amounts due to customers	3,832,227	1,079,222	1,447,666	35,381	-	6,394,496	2,562,269
Other borrowed funds	55,110	56,964	131,104	397,909	-	641,087	331,157
Provisions	-	-	-	-	22,978	22,978	-
Other liabilities	-	-	-	-	68,617	68,617	-
Total liabilities	3,894,282	1,136,186	1,578,770	433,290	95,825	7,138,353	2,893,426
On-balance-sheet interest rate sensitivity gap	896,827	(986,430)	(897,204)	1,290,456	424,619	728,268	1,675,005
Off-balance-sheet interest rate sensitivity gap	-	-	-	-	-	-	-

The table below summarises the average effective interest rate at year-end for monetary financial instruments.

	Group		Bank	
	31.12.2004	Interest rate %	31.12.2004	Interest rate %
Cash and balances with Croatian National Bank	1,219,183	1.93	1,219,182	1.93
Amounts due from other banks	1,325,999	2.13	1,325,999	2.13
Loans and other financial assets created by the Bank	3,754,865	8.20	3,754,865	8.20
Investments held to maturity	83,169	5.11	83,169	5.11
Assets available for sale	1,128,125	6.07	1,128,125	6.07
	7,511,341		7,511,340	
Amounts due to other banks	11,175	0.89	11,175	0.89
Amounts due to customers	6,394,024	2.16	6,394,496	2.16
Other borrowed funds	641,087	4.05	641,087	4.05
	7,046,286		7,046,758	

All amounts are expressed in thousands of HRK

32. LIQUIDITY RISK

The Group and the Bank are exposed to daily calls on their available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivatives. The Group and the Bank do not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities of the Group and of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	Group					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
At 31 December 2005						
Assets						
Cash and balances with Croatian National Bank	1,271,010	-	-	-	-	1,271,010
Amounts due from other banks	1,373,811	-	-	-	-	1,373,811
Assets at fair value through profit and loss	-	-	7,995	-	-	7,995
Loans and other financial assets						
created by the Bank	914,074	240,420	677,765	917,507	1,604,839	4,354,605
Assets available for sale	5,213	49,637	350,270	344,281	432,530	1,181,931
Investments held to maturity	6,273	6,977	35,208	-	-	48,458
Investments in subsidiaries	-	-	-	-	-	-
Tangible and intangible assets	-	-	-	-	206,099	206,099
Investment property	-	-	-	-	72,562	72,562
Deferred tax	-	-	-	32,446	-	32,446
Other assets	56,928	-	-	-	19,075	76,003
Total assets	3,627,309	297,034	1,071,238	1,294,234	2,335,105	8,624,920
Liabilities						
Amounts due to other banks	9,075	-	-	-	-	9,075
Amounts due to customers	4,058,752	1,361,937	1,535,903	29,806	12,957	6,999,355
Other borrowed funds	36,089	6,183	87,480	289,040	236,629	655,421
Provisions	-	-	-	-	28,079	28,079
Other liabilities	64,125	-	-	-	17,885	82,010
Total liabilities	4,168,041	1,368,120	1,623,383	318,846	295,550	7,773,940
Net liquidity gap	(540,732)	(1,071,086)	(552,145)	975,388	2,039,555	850,980
At 31 December 2004						
Total assets	3,429,487	202,747	918,586	1,267,397	2,059,296	7,877,513
Total liabilities	3,927,787	1,152,797	1,588,392	159,405	309,755	7,138,136

All amounts are expressed in thousands of HRK

Bank

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
At 31 December 2005						
Assets						
Cash and balances with Croatian National Bank	1,271,010	-	-	-	-	1,271,010
Amounts due from other banks	1,373,811	-	-	-	-	1,373,811
Assets at fair value through profit and loss	-	-	7,500	-	-	7,500
Loans and other financial assets						
created by the Bank	914,074	240,420	677,765	917,507	1,604,839	4,354,605
Assets available for sale	5,213	49,637	350,270	344,281	432,530	1,181,931
Investments held to maturity	6,273	6,977	35,208	-	-	48,458
Investments in subsidiaries	-	-	-	-	75,562	75,562
Tangible and intangible assets	-	-	-	-	194,121	194,121
Deferred tax	-	-	-	34,833	-	34,833
Other assets	57,039	-	-	-	19,075	76,114
Total assets	3,627,420	297,034	1,070,743	1,296,621	2,326,127	8,617,945
Liabilities						
Amounts due to other banks	9,075	-	-	-	-	9,075
Amounts due to customers	4,059,747	1,361,937	1,535,903	29,806	12,957	7,000,350
Other borrowed funds	36,087	6,179	87,464	288,997	236,587	655,314
Provisions	-	-	-	-	28,079	28,079
Other liabilities	63,545	-	-	-	17,885	81,430
Total liabilities	4,168,454	1,368,116	1,623,367	318,803	295,508	7,774,248
Net liquidity gap	(541,034)	(1,071,082)	(552,624)	977,818	2,030,619	843,697
At 31 December 2004						
Total assets	3,429,054	202,747	918,586	1,267,397	2,048,837	7,866,621
Total liabilities	3,928,004	1,152,797	1,588,392	159,405	309,755	7,138,353
Net liquidity gap	(498,950)	(950,050)	(669,806)	1,107,992	1,739,082	728,268

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest– bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

All amounts are expressed in thousands of HRK

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Transactions with related parties are entered into in the normal course of business. These include transactions between all Group companies on commercial conditions and at market rates, except for amounts invoiced by Charlemagne Capital Ltd., which are equal to actual costs incurred.

The volumes of related party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

	31.12.2005.		31.12.2004.	
	Receivables	Payables	Receivables	Payables
OTP Bank Rt., Hungary	29,812	312,155	-	-
OTP Nekretnine d.o.o.	153	683	-	329
OTP Invest d.o.o.	-	312	3,002	144
	29,965	313,150	3,002	473

	31.12.2005.		31.12.2004.	
	Income	Expenses	Income	Expenses
OTP Bank Rt., Hungary	733	1,844	-	-
OTP Nekretnine d.o.o.	153	3	-	-
OTP Invest d.o.o.	3	1	2	4
	889	1,848	3	4

All of the transactions stated above have been made under arms-length commercial and banking conditions.

The remuneration of directors and other key members of the management for the years ended 31 December 2005 and 2004 was HRK 6,324 thousand and HRK 6,552 thousand, respectively.

As disclosed in Note 26, at 31 December 2004 the Management of the Bank held rights to purchase 44,700 ordinary shares of the Bank at a price of HRK 359.70 per share. On 16 February 2005 the option holders informed the Bank of their intention to exercise their options. At that date the fair value of the shares, as determined by reference to the public tender offer for shares of the Bank made by OTP Bank Rt., Hungary, the owner, was HRK 819.92 per share.
The difference of HRK 20,572 thousand between the price at which the above shares where purchased by the Bank and the price at which they were sold to the option holders was recognized in equity as allocation to the option holders. In addition, on 10 March 2005 the option holders irrevocably undertook the obligation to sell the shares purchased from the Bank to OTP Bank Rt., Hungary. At 31 December 2005 the management of the Bank holds no shares of the Bank.
As disclosed in Note 18, in December 2005 the Bank made a contribution in kind into the share capital of OTP Nekretnine d.o.o. in form of real estate. As a result of this transaction two buildings located in Dubrovnik and Pula with the net book value of HRK 7,606 thousand were disposed of by the Bank. These buildings were contributed into the share capital of OTP Nekretnine d.o.o. at their market value at the date of transaction amounting to HRK 53,169 thousand. The Bank recognized a gain of HRK 45,563 thousand on disposal of the buildings in 'Other income'. As further disclosed in Note 18, the Group has effectively transferred these buildings from tangible fixed assets to investment property. In consolidated financial statements the difference of HRK 45,563

thousand between the net book value of this property and its fair value at the date of transfer was recognized as surplus on revaluation in "Other reserves" in equity.

The balances and transactions with OTP Invest d.o.o. and OTP Nekretnine d.o.o., the subsidiaries, were eliminated in consolidated financial statements of the Group.

34. FUNDS MANAGED ON BEHALF OF THIRD PARTIES

The Group manages funds on behalf of third parties, placed mainly as loans between enterprises through the Group as agent.

These assets are accounted for separately from those of the Group and no liability falls on the Group in connection with these transactions. The Group charges a fee for these services.
At 31 December 2005, funds managed by the Group and the Bank on behalf of third parties amounted to HRK 66,700 thousand (2004: HRK 70,100 thousand).

35. ESTIMATED FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Where available, fair value is based on quoted market prices. However, no readily available market prices exist for a significant portion of the Group's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing techniques as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates cannot be realized in a current sale of the financial instrument.
It is the opinion of the management of the Group that the fair value of the Group financial assets and liabilities are not materially different from the amounts stated in the balance sheets as at 31 December 2005 and 2004.

In estimating the fair value of the Group's financial instruments, the following methods and assumptions were used.

Cash and balances with the central bank

The carrying values of cash and balances with the central bank are generally deemed to approximate their fair value.

Due from banks

The estimated fair value of amounts due from banks that mature in 180 days or less approximates their carrying amounts.
The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates

adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral. Allowances are not taken into consideration when calculating fair values.

Loans and advances to customers

The fair value of variable yield loans that regularly reprice, with no significant change in credit risk, generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. Loans at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total loans and advances to customers approximates the carrying values as at the balance sheet date. Allowances are not taken into consideration when calculating fair values.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The issuance of these financial statements was approved by the Bank's Management Board on 6 March 2006.

The financial statements were signed by:

Zorislav Vidović
Management Board Member

Damir Odak
President of the Management Board

Supervisory Board and Management Board

OTP BANKA HRVATSKA dioničko društvo
OTP GROUP

Supervisory Board

László Wolf

Deputy chief executive officer of
OTP BANK RT.

László Wolf, deputy chief executive officer of OTP Bank, born in 1960. Graduated from the Budapest University of Economics, and gained further financial knowledge by attending numerous banking seminars in the USA and Germany. He started his career in the International Banking Division of the Hungarian National Bank in 1983, where he was promoted to a senior manager. From 1991 to 1993 he was the chief treasurer of BNP-KH-Dresdner bank in Budapest, which he left in 1993 to take a position with OTP Bank. In OTP Bank he started as the head of the Treasury, and from that position he was appointed a managing director of the bank. In February 1994 he was elected deputy chief executive officer of the National Savings and Commercial Bank (OTP) in charge of the commercial and investment operations, project finance and corporate banking.

Antal György Kovács

Managing director of
OTP BANK RT.

Antal György Kovács, managing director of OTP Bank of the South Transdanubian Region, born in 1953. He graduated from the Budapest University of Economics in 1985, and in 1990 he started his career in finances by taking a position with K&H Bank in Nagyatád, where, three years later, he was promoted to the position of a director. During his employment with that bank he attended numerous seminars in the USA, specialising in the finance field. He joined OTP Bank in 1995 as the head of the Bank's Somogy County office, and two years later he became the head of the Bank's Somogy and Tolna counties office. He assumed his current position with the Bank in 1998, and his duties include managing the operations of the branches in the region, business planning, cost management, loan approval and other activities.

Pál Kovács

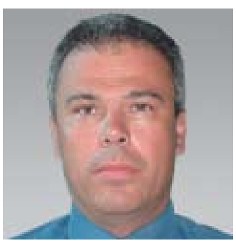
Managing director of the Loan Approval Directorate in
OTP BANK RT.

Pál Kovács, is the managing director of the Loan Approval Directorate. He was born in 1959 and graduated from the Budapest University of Economics in 1982. The same year he joined the Hungarian National Bank and participated in the loan activities management and a number of other banking operations. In 1987 he took the position of the deputy head of the Credit Department of the Hungarian Credit Bank, and two years later became the managing director of the K&H Bank central branch. In 1991 he assumed the position of the head of Banking Operations in Kereskedelmi és Hitelbank, and in the period from 1992 to 1999 his position was that of the deputy chief executive officer. He joined OTP Bank in 1999 the head of the Budapest region. He has been holding the position of the managing director of the Loan Approval Directorate since 2000.

András Michnai

Director in
OTP BANK RT.

András Michnai, currently holding a director position in OTP Bank, was born in 1955. With a degree in economics, he is a tax expert and a chartered accountant. He has been in the banking business for thirty years, and has had different duties in various OTP banka departments. In the period from 2001 to 2005 he was the director of the banking activities and network in charge of network coordination and activities. From 1996 to 2001 his position was the one of the director of branch distribution channels. In the period from 1985 to 1995 he was managing different branches. Before that, he had worked in different sections of OTP Bank. In his professional career, he has become an expert in branch management, especially finance management, costs and related activities, efficiency and quality management. Since April 2002 until May 2003 he was a member of the Supervisory Board of OTP Bank Slovensko. At the moment, he is a member of the OTP Factoring INC committee.



Ákos Takáts

IT director in
OTP BANK RT.

Ákos Takáts, was born in 1959. He has been holding the position of the IT director in OTP Bank since 1995. Prior to assuming that position he spent two years as a deputy director of the same Department. In the period from 1989 to 1993 his function was that of the IT director in Investbank, and before that he had been working as a programmer and assistant at the Budapest University. Apart from being a Supervisory Board member of OTP banka Hrvatska, he was also a Management Board of OTP banka in Romania (2002-2005), and a Supervisory Board member of GIRO Ltd. (1996 – 2003). Currently, he is a Management Board member of OTP Building Society. He holds a MS in horticulture.

Management Board

Damir Odak

President of the Management Board of OTP BANKA HRVATSKA D.D.

Damir Odak, president of the Management Board of OTP banka d.d., was born in 1964 in Split. He graduated from the Faculty of Economics and started his career as a junior researcher at the Institute of Economics in Zagreb. He was the Chairman of the Management Board of Trgovačka banka (now a part of the Erste Group) from 1990 to 1997.

In the period from 1997 until 2003 he was the director of the Corporate Banking Sector and a member of the Management Board of Zagrebačka banka.

Zorislav Vidović

Member of the Management Board of OTP BANKA HRVATSKA D.D.

Zorislav Vidović, member of the Management Board of OTP banka d.d., graduated from the Faculty of Economics at the University of Zagreb, earning a B.S. in Finance, Banking and Insurance. In 1992 he obtained a broker license, after which he also passed the test for a member of a management board of a commercial bank. In the period from 1988 to 1990 he held a job in the Finance Section of the company Kepol Zadar. He joined Dalmatinska banka in 1990. From 1997 to 2002 he held the position of the head of the Treasury Department.

He has been a member of the Management Board since 1 April 2002, currently in charge of the Treasury and Finance. He was a member of the Supervisory Boards of the Dalmatinska banka subsidiaries for a number of years.

Sanja Martinko

Member of the Management Board of OTP BANKA HRVATSKA D.D.

Sanja Martinko, member of the Management Board of OTP banka d.d., was born in 1965 in Zagreb. After graduating from the University of Zagreb, Faculty of Economics (a B.A. in Finances, Banking and Insurance) she started her career in Privredna banka in 1990. She left that job to take a new position with Trgovačka banka where she was the head of Foreign Exchange Department and a member of the Management Board. In 1997, she joined Zagrebačka banka, assuming the position of the head of the Network Management Department. In the period from 1999 to 2001 she was a member of the Management Board of Prva stambena štedionica. Before coming to OTP banka d.d. she was also the head of the Corporate Products Management Department of Zagrebačka banka. In October 2003 she joined the OTP team as a consultant to the Management Board, and in February 2004 she took the position of a member of the Management Board.

Business Network

OTP banka Hrvatska d.d.

Zadar, Domovinskog rata 3

Tel: + 385 (23) 201 500

Fax: +385 (23) 201 859

Swift: DBZD HR 2X

Web: www.otpbanka.hr

e-mail: info@otpbanka.hr

GROUP

OTP Invest d.o.o.

Zagreb, Divka Budaka 1d

Tel: + 385 (1) 23 52 875

Fax: + 385 (1) 23 52 872

Web: www.otpinvest.hr

e-mail: info@otpinvest.hr

OTP Nekretnine d.o.o.

Zadar, Domovinskog rata 3

Tel: + 385 (23) 201 764

Fax: +385 (23) 201 859

e-mail: info@otpnekretnine.hr