NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

UNCONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004

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NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2004
(UNAUDITED) DECEMBER 31, 2003 AND JUNE 30, 2003 (AUDITED)
(in HUF mn)

	Note	June 30, 2004	December 31, 2003	June 30, 2003
Cash, due from banks and balances with the National Bank of Hungary	*3.*	287,275	252,975	230,165
Placements with other banks, net of allowance for possible placement losses	*4.*	129,783	165,209	214,686
Securities held for trading or available-for-sale	*5.*	344,731	312,395	252,705
Loans, net of allowance for possible loan losses	*6.*	1,139,104	1,070,425	1,017,631
Accrued interest receivable		37,862	31,792	30,392
Equity investments	*7.*	139,332	138,808	54,550
Securities held-to-maturity	*8.*	534,761	625,309	572,576
Premises, equipment and intangible assets, net	*9.*	88,024	86,400	75,821
Other assets	*10.*	34,861	48,315	53,537
TOTAL ASSETS		**2,735,733**	**2,731,628**	**2,502,063**
Due to banks and deposits from the National Bank of Hungary and other banks	*11.*	164,929	91,081	88,101
Deposits from customers	*12.*	2,127,500	2,264,528	2,042,094
Liabilities from issued securities	*13.*	2,013	2,039	2,091
Accrued interest payable		18,483	7,895	13,611
Other liabilities	*14.*	84,266	74,496	93,260
Subordinated bonds and loans	*15.*	15,295	15,413	16,229
TOTAL LIABILITIES		**2,412,486**	**2,455,452**	**2,255,386**
Share capital	*16.*	28,000	28,000	28,000
Retained earnings and reserves	*17.*	308,589	262,504	233,229
Treasury shares	*18.*	(13,342)	(14,328)	(14,552)
TOTAL SHAREHOLDERS' EQUITY		**323,247**	**276,176**	**246,677**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,735,733**	**2,731,628**	**2,502,063**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF OPERATIONS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 (UNAUDITED) AND JUNE 30, 2003 (AUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2003 (AUDITED)
(in HUF mn)

	Note	Six month period ended June 30, 2004	Six month period ended June 30, 2003	Year ended December 31, 2003
Interest Income:				
Loans		65,116	49,243	103,415
Placements with other banks		20,524	10,645	20,350
Due from banks and balances with the National Bank of Hungary		15,405	8,709	17,148
Securities held for trading or available-for-sale		14,794	8,760	19,553
Securities held-to-maturity		28,466	19,506	43,779
Total Interest Income		*144,305*	*96,863*	*204,245*
Interest Expense:				
Due to banks and deposits from the National Bank of Hungary and other banks		8,010	15,838	16,508
Deposits from customers		61,910	33,843	75,311
Liabilities from issued securities		83	84	169
Subordinated bonds and loans		399	419	748
Total Interest Expense		70,402	50,184	*92,736*
NET INTEREST INCOME		**73,903**	**46,679**	**111,509**
Provision for possible loan and placement losses	*4, 6.*	3,895	2,497	7,053
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		**70,008**	**44,182**	**104,456**
Non-Interest Income:				
Fees and commissions		53,632	42,209	95,850
Foreign exchange gains, net		2,003	10,722	5,903
Losses on securities, net		(1,826)	(1,401)	(8,909)
Losses and gains on real estate transactions, net		(60)	3	(35)
Dividend income		8,075	7,254	7,691
Other		1,200	2,178	3,266
Total Non-Interest Income		*63,024*	60,965	*103,766*
Non-Interest Expenses:				
Fees and commissions		6,033	4,654	11,067
Personnel expenses		23,516	18,846	43,555
Depreciation and amortization		6,483	6,978	12,745
Other	*19.*	25,612	25,412	56,327
Total Non-Interest Expenses		*61,644*	*55,890*	*123,694*
INCOME BEFORE INCOME TAXES		71,388	49,257	84,528
Income taxes	*20.*	9,247	7,906	14,387
NET INCOME AFTER INCOME TAXES		**62,141**	**41,351**	**70,141**
Earnings per share (in HUF)				
Basic	*30.*	232	155	261
Diluted	*30.*	232	155	260

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 (UNAUDITED) AND JUNE 30, 2003 (AUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2003 (AUDITED)
(in HUF mn)

	Note	Six month period ended June 30, 2004	Six month period ended June 30, 2003	Year ended December 31, 2003
OPERATING ACTIVITIES				
Income before income taxes		71,388	49,257	84,528
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Income tax paid		(4,892)	(4,901)	(15,817)
Depreciation and amortization	*9.*	6,483	6,978	12,745
Provision for possible loan and placement losses	*4, 6.*	3,895	2,497	7,053
Credit for permanent diminution in value equity investments	*7.*	(81)	(167)	(111)
(Credit)/provision for possible losses of other assets	*10.*	(743)	266	(205)
Provision for possible losses on off-balance sheet commitments and contingent liabilities, net	*14.*	2,557	867	3,705
Unrealised losses on fair value adjustment of securities held for trading and available-for-sale		1,503	2,275	8,454
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments		(663)	10,311	2,889
Changes in operating assets and liabilities:				
Net increase in accrued interest receivable		(6,070)	(6,985)	(8,385)
Net decrease/(increase) in other assets, excluding advances for investments and before provisionsfor possible losses		15,134	(1,049)	4,372
Net increase in accrued interest payable		10,588	6,132	416
Net increase in other liabilities		2,528	15,867	6,387
Net cash provided by operating activities		**101,627**	**81,348**	**106,031**
INVESTING ACTIVITIES				
Net decrease in placements with other banks, before provision for possible placement losses		35,433	62,920	112,399
Net increase in securities held for trading or available-for-sale before unrealised gains/lower of cost and market adjustment		(33,839)	(50,572)	(116,441)
Net increase in equity investments, before provision for permanent diminution in value		(443)	(5,495)	(89,809)
Net decrease/(increase) in securities held-to-maturity		90,548	(210,531)	(263,264)
Net decrease/(increase) in advances for investments included in other assets		18	(61)	(53)
Net increase in loans, before provision for possible loan losses		(72,581)	(25,113)	(82,465)
Net additions to premises, equipment and intangible assets		(8,107)	(11,494)	(27,840)
Net cash provided by/(used in) investing activities		**11,029**	**(240,346)**	**(467,473)**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 (UNAUDITED) AND JUNE 30, 2003 (AUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2003 (AUDITED)
(in HUF mn) [continued]

	Note	Six month period ended June 30, 2004	Six month period ended June 30, 2003	Year ended December 31, 2003
FINANCING ACTIVITIES				
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		73,848	41,700	44,680
Net (decrease)/increase in deposits from customers		(137,028)	(3,559)	218,875
Net (decrease)/increase in liabilities from issued securities		(26)	37	(15)
(Decrease)/increase in subordinated bonds and loans		(118)	718	(98)
Net change in treasury shares		1,730	1,851	2,560
Net decrease/(increase) in the compulsory reserve established by the National Bank of Hungary	3.	3,363	(9,429)	(16,465)
Dividends paid		(16,762)	(8)	(9)
Net cash (used in)/provided by financing activities		**(74,993)**	**31,310**	**249,528**
Net increase/(decrease) in cash and cash equivalents		**37,663**	**(127,688)**	**(111,914)**
Cash and cash equivalents at the beginning of the period		143,443	255,357	255,357
Cash and cash equivalents at the end of the period		181,106	127,669	143,443

Analysis of cash and cash equivalents

	Note	Six month period ended June 30, 2004	Six month period ended June 30, 2003	Year ended December 31, 2003
Cash, due from banks and balances with the National Bank of Hungary		252,975	348,424	348,424
Compulsory reserve established by the National Bank of Hungary	3.	(109,532)	(93,067)	(93,067)
Cash and cash equivalents at the beginning of the period		**143,443**	**255,357**	**255,357**
Cash, due from banks and balances with the National Bank of Hungary		287,275	230,165	252,975
Compulsory reserve established by the National Bank of Hungary	3.	(106,169)	(102,496)	(109,532)
Cash and cash equivalents at the end of the period		**181,106**	**127,669**	**143,443**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 (UNAUDITED) AND JUNE 30, 2003 (AUDITED)
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Share	Total
Balance as at January 1, 2003	**28,000**	**192,358**	**(16,883)**	**203,475**
Net income after income taxes	-	41,351	-	41,351
Loss on sale of treasury shares	-	(480)	-	(480)
Change in carrying value of treasury shares	-	-	2,331	2,331
Balance as at June 30, 2003	**28,000**	**233,229**	**(14,552)**	**246,677**
Balance as at January 1, 2004	**28,000**	**262,504**	**(14,328)**	**276,176**
Net income after income taxes	-	62,141	-	62,141
Dividend payable for the year 2003		(16,800)		(16,800)
Gain on sale of treasury shares	-	744	-	744
Change in carrying value of treasury shares	-	-	986	986
Balance as at June 30, 2004	**28,000**	**308,589**	**(13,342)**	**323,247**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

National Savings and Commercial Bank Ltd. (the "Bank" or "OTP") was established on December 31, 1990, when the predecessor State-owned company was transformed into a limited liability company. The Bank's registered office address is 16, Nador street, Budapest 1051.

As at December 31, 1994, 79% of the Bank's shares were held directly or indirectly by the Hungarian Government and the remaining 21% were held by domestic investors or represented as own shares (less than 3%). In spring 1995, the Hungarian Government transferred 20% of the Bank's shares to the Hungarian Social Security Funds. Subsequent to the successful initial public offering in summer 1995, the Bank's shares were introduced to the Budapest and the Luxembourg stock exchanges and were also listed on SEAQ London and PORTAL (USA).

At an extraordinary General Assembly on September 3, 1997, the Bank issued a preferential voting share with a nominal value of HUF 1 thousand (the "Special Share") to the State Privatization and Holding Company. The Special Share gives the power to the State Privatization and Holding Company to control the outcome of certain shareholder votes in accordance with the Bank's Articles of Association and the right to delegate one member to the Bank's Board of Directors and one member to the Supervisory Board of the Bank.

By public offerings in fall 1997 and fall 1999, the State Privatization and Holding Company sold the remaining common shares.

The Annual General Meeting on April 25, 2001 approved the conversion of HUF 1,150 million nominal value preference shares issued by the Bank to common shares.

In the first quarter of the year of 2002 the nominal value of the common shares of the Bank decreased from HUF 1,000 to HUF 100 per share.

As at June 30, 2004 approximately 90,1% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (3,2%) and the Bank (6,7%).

The Bank provides a full range of commercial banking services through a nationwide network of 430 branches in Hungary.

As at June 30, 2004 the number of employees at the Bank was 8,200. The average number of employees for the six month period ended June 30, 2004 was 7,925.

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

1.2. Accounting

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

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

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts (see Note 31), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

2.2. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary ("NBH") as of the date of the financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the Unconsolidated Statement of Operations.

2.3. Consolidated financial statements

These financial statements present the Bank's unconsolidated financial position and results of operations. Consolidated financial statements are currently being prepared by the Bank. See Note 2.7 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Securities held-to-maturity

Investments in securities are accounted on the settlement (value) date basis and are initially measured at cost. At subsequent reporting dates, securities that the Bank has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognised in each period represents a constant yield on the investment.

Held-to-maturity investments include securities, which the Bank is able and intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government and mortgage bonds.

2.5. Securities held for trading and available-for-sale

Investments in securities are accounted on the settlement (value) date basis and are initially measured at cost. Held for trading and available-for-sale investments are measured at subsequent reporting dates at fair value and unrealised gains and losses are included in the Unconsolidated Statement of Operations for the period. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, and other securities. Other securities include shares in commercial companies, shares in investment funds, bonds issued by companies, foreign government bonds.

Securities held-for-trading and available-for-sale are remeasured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value future cash flows and the fair value of unquoted equity instruments is estimated using applicable price/earnings or price/cashflow ratios refined to reflect the specific circumstances of the user.

Those held for trading and available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less allowance for permanent diminution in value, when appropriate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Loans, placements with other banks and allowance for possible loan and placement losses

Loans and placements with other banks are stated at the principal amounts outstanding, net of allowance for possible loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amounts outstanding. When a borrower is unable to meet payments as they come due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they come due, all unpaid interest is reversed. Loan origination fees and costs are recognized in the Unconsolidated Statement of Operations in full at the time of the loan origination.

The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

The allowances for possible loan and placement losses are maintained at levels adequate to absorb probable future losses. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors.

2.7. Equity investments

Investments comprise equity investments and equity securities. Equity investments with a controlling or significant interest include investments in companies in which the Bank holds an equity share of 10% or more and investments made for strategic, regulatory or operational purposes. Equity investments representing a controlling interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to govern the financial and operating policies of the investee. Equity investments representing a significant interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to participate in the financial and operating policies of the investee but not to control those activities. Other equity securities comprise shareholdings, which do not meet the preceding criteria.

Investments are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.

2.8. Sale and repurchase agreements

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the balance sheet and the consideration received is recorded in Other liabilities. Conversely, debt or equity securities purchased under a commitment to resell are not recognised in the balance sheet and the consideration paid is recorded in Other assets. Interest is accrued evenly over the life of the repurchase agreement.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.9. Premises, equipment and intangible assets

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

Buildings	1-2%
Machinery and equipment	8-33.3%
Leased assets	16.7-33.3%
Vehicles	15-20%
Software	20-33.3%
Property rights	16.7%

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

At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of premises, equipment and other tangible fixed assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

2.10. Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the Unconsolidated Statement of Operations over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Payments made under operating leases are charged to the Unconsolidated Statement of Operations on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.11. Treasury shares

Treasury shares are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the Unconsolidated Balance Sheet at acquisition cost as a deduction from shareholders' equity. Gains and losses on the sale of treasury shares are credited or charged directly to retained earnings and reserves.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Income taxes

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

2.13. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit and letters of credit and transactions with financial instruments. The allowance for possible losses on commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the allowance 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.

The Bank recognises an allowance when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

2.14. Derivative financial instruments

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

Derivative financial instruments are initially recognised at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Unconsolidated Statement of Operations as they arise. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Derivative financial instruments [continued]

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

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

2.15. Unconsolidated statement of cash flows

For the purposes of reporting cash flows, cash and cash equivalents include cash, due from banks and balances with the National Bank of Hungary, excluding compulsory reserve established by the National Bank of Hungary. Cash flows from hedging activities are classified in the same category as the item being hedged.

2.16. Comparative figures

Certain amounts in the 2003 unconsolidated audited financial statements have been reclassified to conform with the current period presentation.

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

	June 30, 2004	December 31, 2003
Cash on hand:		
In HUF	41,529	54,918
In foreign currency	2,159	3,111
	43,688	58,029
Due from banks and balances with NBH:		
Within one year:		
In HUF	241,827	191,911
In foreign currency	1,760	3,035
	243,587	194,946
Total	287,275	252,975

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 106,169 million and HUF 109,532 million as at June 30, 2004 and December 31, 2003, respectively.

NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR POSSIBLE PLACEMENT LOSSES (in HUF mn)

	June 30, 2004	December 31, 2003
Within one year:		
In HUF	38,757	85,141
In foreign currency	82,135	69,719
	120,892	154,860
Over one year:		
In HUF	3,300	3,300
In foreign currency	5,766	7,231
	9,066	10,531
Total	129,958	165,391
Allowance for possible placement losses	(175)	(182)
	129,783	165,209

Placements with other banks in foreign currency as at June 30, 2004 and December 31, 2003 bear interest rates in the range from 0.2% to 5.6% and from 0.3% to 5.1%, respectively.

NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR POSSIBLE PLACEMENT LOSSES (in HUF mn) [continued]

Placements with other banks in HUF as at June 30, 2004 and December 31, 2003 bear interest rates in the range from 8.3% to 13.4% and from 9.6% to 13.7%, respectively.

An analysis of the change in the allowance for possible placement losses is as follows:

	June 30, 2004	December 31, 2003
Balance as at January 1	182	163
(Credit)/provision for possible placement losses	(7)	19
Closing balance	175	182

NOTE 5: SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE (in HUF mn)

	June 30, 2004	December 31, 2003
Securities held for trading		
Hungarian Government discounted Treasury bills	6,305	2,632
Hungarian Government interest bearing Treasury bills	2,726	473
Government bonds	9,375	42,331
Mortgage bonds	2,024	4,260
Other securities	174	257
	20,604	49,953
Securities available-for-sale		
Government bonds	59,213	56,336
Hungarian Government discounted Treasury bills	11,757	20,293
Mortgage bonds	221,312	156,929
Other securities	31,845	28,884
	324,127	262,442
Total	344,731	312,395

Approximately 94% and 93% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at June 30, 2004 and December 31, 2003 respectively.

Approximately 0.3% and 2% of the government bonds were denominated in foreign currency as at June 30, 2004 and December 31, 2003. Approximately 85% of this portfolio was denominated in USD and 15% was denominated in EUR as at June 30, 2004 and 75%, 2%, 15%, 8% of this portfolio was denominated in JPY, EUR, GBP, USD as at December 31, 2003, respectively.

Interest rates on securities held for trading ranged from 2.4% to 13.4% and from 2.1% to 13.1% as at June 30, 2004 and December 31, 2003, respectively.

NOTE 5: SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE (in HUF mn) [continued]

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

	June 30, 2004	December 31, 2003
Within five years:		
variable interest	91,663	91,041
fixed interest	124,976	141,561
	216,639	232,602
Over five years:		
variable interest	21,506	21,489
fixed interest	97,992	50,169
	119,498	71,658
Non interest-bearing securities	8,594	8,135
Total	344,731	312,395

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

	June 30, 2004	December 31, 2003
Short-term loans and trade bills (within one year)	406,322	406,091
Long-term loans and trade bills (over one year)	752,757	682,970
	1,159,079	1,089,061
Allowance for possible loan losses	(19,975)	(18,636)
	1,139,104	1,070,425

Foreign currency loans represent approximately 31% and 29% of the loan portfolio, before allowance for possible losses, as at June 30, 2004 and December 31, 2003, respectively.

Loans denominated in HUF, with a maturity within one year as at June 30, 2004 and December 31, 2003 bear interest rates in the range from 14.3% to 31% and from 15.8% to 32% respectively.

Loans denominated in HUF, with a maturity over one year as at June 30, 2004 and December 31, 2003 bear interest rates in the range from 4% to 22.8% and from 4% to 22.8%, respectively.

NOTE 6: LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES (in HUF mn) [continued]

Approximately 3% and 3.2% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2004 and December 31, 2003, respectively.

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

	June 30, 2004		December 31, 2003	
Commercial loans	707,769	61%	678,986	62%
Municipality loans	119,292	10%	91,529	8%
Housing loans	167,179	15%	182,640	17%
Consumer loans	164,839	14%	135,906	13%
	1,159,079	100%	1,089,061	100%

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

	June 30, 2004	December 31, 2003
Balance as at January 1	18,636	18,418
Provision for possible loan losses	3,902	7,034
Write-offs	(2,563)	(6,816)
Closing balance	19,975	18,636

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd, see Note 23.

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	June 30, 2004	December 31, 2003
Equity investments:		
Controlling interest	143,608	143,158
Significant interest	109	371
Other	1,204	949
	144,921	144,478
Allowance for permanent diminution in value	(5,589)	(5,670)
	139,332	138,808

NOTE 7: EQUITY INVESTMENTS (in HUF mn) [continued]

Equity investments in companies in which the Bank has a controlling interest are detailed below. All companies are incorporated in Hungary unless indicated otherwise.

	June 30, 2004		December 31, 2003	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
OTP Garancia Insurance Ltd.	100.00%	7,472	100.00%	7,472
OTP Real Estate Ltd.	100.00%	1,228	100.00%	1,228
OTP Real Estate Management Ltd.	100.00%	750	100.00%	750
Merkantil Bank Rt.	100.00%	1,600	100.00%	1,600
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
HIF Ltd. (United Kingdom)	100.00%	1,132	100.00%	1,132
Bank Center No. 1. Ltd.	100.00%	9,364	100.00%	9,364
OTP Factoring Ltd.	100.00%	150	100.00%	150
INGA One Ltd.	100.00%	407	100.00%	407
INGA Two Ltd.	100.00%	5,892	100.00%	5,892
OTP Fund Servicing and Consulting Ltd.	100.00%	1,317	100.00%	1,317
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
OTP Mortgage Bank Company Ltd.	100.00%	20,000	100.00%	20,000
AIR-Invest Ltd.	100.00%	1,000	100.00%	1,000
DSK Bank EAD (Bulgaria)	100.00%	79,162	100.00%	79,162
OTP Banka Slovensko a.s. (Slovakia)	97.10%	10,006	97.10%	10,006
OTP Card Factory Ltd.	100.00%	450	-	-
Other	-	75	-	75
Total		143,608		143,158

On April 28, 2004 the Bank signed a contract to purchase 100 % of the shares of the Banca Comerciala RoBank S.A. (RoBank) in Bucharest. The purchase price was USD 47.5 million. 20 % of the purchase price was transfered before June 30, 2004 while the remaning was transfered by July 26, 2004. OTP Bank obtained control of RoBank on July 30, 2004.

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

	June 30, 2004	December 31, 2003
Balance as at January 1	5,670	5,781
Credit for permanent diminution in value	(81)	(111)
Closing balance	5,589	5,670

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

	June 30, 2004	December 31, 2003
Government securities	221,462	276,892
Hungarian Government discounted Treasury bills	22,062	987
Mortgage bonds	289,937	346,130
Other debt securities	1,300	1,300
	534,761	625,309

Interest conditions and the remaining maturities of held-to-maturity investments can be analysed as follows:

	June 30, 2004	December 31, 2003
Within five years, variable interest	67,275	90,234
Within five years, fixed interest	266,252	351,908
	333,527	442,142
Over five years, variable interest	42,329	43,995
Over five years, fixed interest	158,905	139,172
	201,234	183,167
Total	534,761	625,309

A portfolio of mortgage bonds with a fair value of HUF 216,957 million issued by OTP Mortgage Bank Company Ltd was reclassified as of June 30, 2003 from available-for-sale to the held-to-maturity as management decided and has the intention to hold such securities until maturity.

Approximately 99.6% and 99.7% of the debt securities portfolio was denominated in HUF as at June 30, 2004 and December 31, 2003, respectively. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 6.3% to 10% and from 6.3% to 10.5% as at June 30, 2004 and December 31, 2003, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of held-to maturity investments was HUF 508,943 million and HUF 610,189 million as at June 30, 2004 and December 31, 2003, respectively

NOTE 9: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the six month period ended June 30, 2004:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2004	30,680	49,366	62,452	4,372	146,870
Additions	12,335	688	3,504	4,097	20,624
Disposals	(8,751)	(363)	(2,714)	(4,043)	(15,871)
Balance as at June 30, 2004	34,264	49,691	63,242	4,426	151,623
Depreciation and Amortization					
Balance as at January 1, 2004	14,830	6,369	39,271	-	60,470
Additions	2,429	550	3,504	-	6,483
Disposals	(1,192)	(53)	(2,109)	-	(3,354)
Balance as at June 30, 2004	16,067	6,866	40,666	-	63,599
Net book value					
Balance as at January 1, 2004	15,850	42,997	23,181	4,372	86,400
Balance as at June 30, 2004	18,197	42,825	22,576	4,426	88,024

NOTE 9: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS [continued] (in HUF mn)

For the year ended December 31, 2003:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2003	32,655	37,241	54,609	6,951	131,456
Additions	17,190	12,325	11,251	19,630	60,396
Disposals	(19,165)	(200)	(3,408)	(22,209)	(44,982)
Balance as at December 31, 2003	30,680	49,366	62,452	4,372	146,870
Depreciation and Amortization					
Balance as at January 1, 2003	18,862	5,475	35,814	-	60,151
Additions	4,998	940	6,807	-	12,745
Disposals	(9,030)	(46)	(3,350)	-	(12,426)
Balance as at December 31, 2003	14,830	6,369	39,271	-	60,470
Net book value					
Balance as at January 1, 2003	13,793	31,766	18,795	6,951	71,305
Balance as at December 31, 2003	15,850	42,997	23,181	4,372	86,400

NOTE 10: OTHER ASSETS (in HUF mn)

	June 30, 2004	December 31, 2003
Receivables due to collection of Hungarian Government securities	48	69
Property held for sale	206	307
Due from Government for interest subsidies	1,535	1,885
Trade receivables	1,744	1,602
Advances for securities and investments	510	528
Deferred tax assets	1,015	559
Taxes recoverable	266	821
Inventories	907	736
Other advances	1,871	327
Credits sold under deferred payment scheme	1,995	4,453
Receivables from OTP Mortgage Bank Company Ltd.	10,138	28,300
Margin account balance	252	-
Settlement accounts	168	6
Receivables from investing services	1,104	1,139
Receivables from investments	1,983	-
Prepayments and accrued incomes	6,116	3,935
Fair value of derivative financial instruments	2,945	1,990
Other	3,528	3,871
	36,331	50,528
Allowance for possible losses on other assets	(1,470)	(2,213)
	34,861	48,315

Allowance for possible losses on other assets mainly consists of allowances for property held for sale, credits sold under deferred payment scheme, allowances for receivables from investing services and allowances for trade receivables. The Bank has sold loans under a deferred payment scheme to OTP Mortgage Bank Company Ltd in 2004 and 2003.

An analysis of the change in the allowance for possible losses on other assets is as follows:

	June 30, 2004	December 31, 2003
Balance as at January 1	2,213	2,418
Credit for possible losses	(743)	(205)
Closing balance	1,470	2,213

NOTE 11: DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	June 30, 2004	December 31, 2003
Within one year:		
In HUF	27,938	7,478
In foreign currency	21,937	22,690
	49,875	30,168
Over one year:		
In HUF	5,515	4,291
In foreign currency	109,539	56,622
	115,054	60,913
Total	164,929	91,081

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 12.9% to 13.4% and from 11.4% to 12.9%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 3% to 12.3% and from 3% to 9.4% respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 1% to 5.4% and from 0.3% and 2.7%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range form 0.5% to 5% and from 0.5% and 4.7%, respectively.

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2004	December 31, 2003
Within one year:		
In HUF	1,821,211	1,947,081
In foreign currency	271,458	279,332
	2,092,669	2,226,413
Over one year:		
In HUF	34,831	38,115
	34,831	38,115
Total	2,127,500	2,264,528

Deposits from customers payable in HUF within one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 0.5% to 10.5% and from 0.8% to 11%, respectively.

Deposits from customers payable in HUF over one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 5.3% to 10.5% and from 5.3% to 8.8%, respectively.

Deposits from customers payable in foreign currency as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 0.1% to 5.3% and from 0.1% to 4.1%, respectively.

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

	June 30, 2004		December 31, 2003	
Commercial deposits	357,558	17%	440,034	20%
Municipality deposits	122,502	6%	164,571	7%
Consumer deposits	1,647,440	77%	1,659,923	73%
	2,127,500	100%	2,264,528	100%

NOTE 13: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	June 30, 2004	December 31, 2003
With original maturity:		
Within one year	212	238
Over one year	1,801	1,801
	2,013	2,039

Liabilities from issued securities are denominated in HUF at interest rates in the range from 2% to 3.3% and from 2% to 4.3% as at June 30, 2004 and December 31, 2003, respectively.

NOTE 14: OTHER LIABILITIES (in HUF mn)

	June 30, 2004	December 31, 2003
Taxes payable	3,434	2,044
Giro clearing accounts	22,683	12,604
Accounts payable	3,030	8,145
Salaries and social security payable	7,293	5,882
Liabilities from security trading	9,965	15,852
Allowances for possible losses on off-balance sheet commitments, contingent liabilities	11,522	9,041
Margin account balance	-	34
Dividends payable	677	639
Accrued expenses	15,196	8,484
Suspense accounts	1,038	2,083
Loans for collection	2,001	2,202
Fair value of derivative financial instruments	382	90
Other	7,045	7,396
	84,266	74,496

The allowances for possible losses on off-balance sheet commitments and contingent liabilities are detailed as follows:

	June 30, 2004	December 31, 2003
Allowance for litigation	1,390	1,509
Allowance for other off-balance sheet commitments, contingent liabilities	8,668	5,785
Other allowances for expected liabilities	1,464	1,671
Allowance for housing warranties	-	76
Total	11,522	9,041

The allowance for possible losses on other off-balance sheet commitments and contingent liabilities primarily relates to commitments stemming from guarantees and credit lines issued by the Bank.

NOTE 14: OTHER LIABILITIES (in HUF mn) [continued]

As part of its operations, until 1991, the Bank financed and constructed residential accommodations for resale on which it was required to provide a ten year guarantee against defective workmanship. The Bank has recourse against the constructors for any claims. The recovery of such claims is, however, dependent upon the financial status of the constructors, which is impaired in certain cases. An allowance has been recorded to account for the estimated possible future losses due to housing warranties. The allowance for housing warranties were reversed until June 30, 2004 in line with the expenses related to housing warranties.

Movements in the allowance for possible losses on commitments and contingent liabilities can be summarized as follows:

	June 30, 2004	December 31, 2003
Balance as at January 1	9,041	5,488
Allowance for off-balance sheet commitments and contingent liabilities, net	2,557	3,705
Release of allowance for housing warranties	(76)	(152)
Closing balance	11,522	9,041

NOTE 15: SUBORDINATED BONDS AND LOANS

In 1993, the Bank issued HUF 5 billion in bonds, which are subordinated to the other liabilities of the Bank and subscribed by the Hungarian Ministry of Finance. Interest on subordinated bonds and the frequency of payment of interests are based on condition of interest of 2013/C credit consolidated government bonds, which is a variable-rate bond, the interest payable and the rate of interest are fixed twice a year. The semi-annual interest payable was 4.36% as at December 20, 2002, 3.25% as at June 20, 2003, 4.8% as at December 20, 2003, and 4.8% as at June 20, 2004. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

In December 1996, the Bank obtained a USD 30 million and DEM 31.14 million (15.92 million in EUR) subordinated loan from the European Bank for Reconstruction and Development with the original mauturity of December 27, 2006. The maturity date was modified to August 27, 2008 on August 22, 2003. The loan is unsecured, subordinate to the other liabilities and has a twelve-year maturity, with interest payable at six-month LIBOR + 1.4% from December 27, 1996 until December 29, 1997, at six-month LIBOR + 1.0% from December 29, 1997 until June 28, 1999, at six-month LIBOR + 1.7% from June 28, 1999 until December 27, 2003 and at six-month LIBOR + 1.35% from December 28, 2003 until August 27, 2008.

NOTE 16: SHARE CAPITAL (in HUF mn)

	June 30, 2004	December 31, 2003
Authorized, issued and fully paid:		
Common shares	28,000	28,000
	28,000	28,000

From September 3, 1997, the Bank has one preferential voting share (the "Special Share") outstanding with a nominal value of HUF 1 thousand (see Note 1.1).

NOTE 17: RETAINED EARNINGS AND RESERVES (in HUF mn)

	June 30, 2004	December 31, 2003
Balance as at January 1	262,504	192,358
Net income after income taxes	62,141	70,141
Gain on sale of Treasury Shares	744	5
Dividends approved by Annual General Meeting	(16,800)	-
Closing balance	308,589	262,504

The Bank's reserves under Hungarian Accounting Standards were HUF 271,644 million and HUF 233,776 million as at June 30, 2004 and December 31, 2003, respectively. Of these amounts, legal reserves represent HUF 47,177 million and HUF 41,325 million as at June 30, 2004 and December 31, 2003, respectively. The legal reserves are not available for distribution.

The Annual General Meeting on April 25, 2003 decided that the Bank would not pay a dividend for the year ended December 31, 2002.

Dividends of HUF 16,800 million for the year ended December 31, 2003 were proposed and approved by the Annual General Meeting on April 29, 2004.

NOTE 18: TREASURY SHARES (in HUF mn)

	June 30, 2004	December 31, 2003
Nominal Value	1,099	1,324
Carrying Value at aquisition cost	13,342	14,328

NOTE 19: OTHER EXPENSES (in HUF mn)

	Six month period ended June 30, 2004	Six month period ended June 30, 2003
(Credit)/provision for permanent diminution in value of equity investments	(81)	(167)
(Credit)/provision for other assets	(743)	266
Provision for possible losses on off-balance sheet commitments, contingent liabilities	2,557	867
Administration expenses, including rent	8,578	8,523
Advertising	1,256	1,130
Taxes, other than income	5,186	5,342
Services	7,114	6,585
Professional fees	1,165	1,392
Other	580	1,474
	25,612	25,412

NOTE 20: INCOME TAXES (in HUF mn)

The Bank is presently liable for income tax at a rate of 16% of taxable income. The tax rate was 18% in 2003.

A reconciliation of the income tax is as follows:

	Six month period ended June 30, 2004	Six month period ended June 30, 2003
Current tax	9,703	7,747
Deferred tax	(456)	159
	9,247	7,906

A reconciliation of the deferred tax asset/(liability) is as follows:

	Six month period ended June 30, 2004	Six month period ended June 30, 2003
Balance as at January 1	559	(193)
Deferred tax credit/ (charge)	456	(159)
Balance as at June 30, 2004	1,015	(352)

NOTE 20: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax charge is as follows:

	Six month period ended June 30, 2004	Six month period ended June 30, 2003
Net income before income taxes	71,388	49,257
Permanent differences due reversal of statutory items	(6,881)	431
Dividend income	(8,075)	(7,254)
Other permanent differences	1,364	1,489
Adjusted tax base	57,796	43,923
Income tax	9,247	7,906

NOTE 21: FINANCIAL INSTRUMENTS

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

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

Credit risk

The Bank takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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.

Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a ‘value at risk’ methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

NOTE 21: FINANCIAL INSTRUMENTS [continued]

Liquidity risk

See Note 27.

Foreign currency risk

See Note 28.

Interest rate risk

See Note 29.

NOTE 22: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

(a) Contingent liabilities and commitments

	June 30, 2004	December 31, 2003
Commitments to extend credit	465,429	392,308
Guarantees arising from banking activities	58,759	65,010
Confirmed letters of credit	1,751	956
Other	2,274	2,469
Legal disputes	45,232	24,502
	573,445	485,245

Commitments to extend credit, from guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. 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.

NOTE 22: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Commitments to extend credit, from guarantees and letters of credit [continued]

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.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The management of the Bank believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loans commitments to be minimal.

Legal disputes

At the balance sheet date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings correspond to the level of claims and legal proceedings in previous years.

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

NOTE 22: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(b) Derivatives and other options (nominal amount, unless otherwise stated)

	June 30, 2004	December 31, 2003
Foreign currency contracts		
Assets	66,090	55,164
Liabilities	69,749	56,691
Net	(3,659)	(1,527)
Net fair value	(3,800)	(235)
Foreign exchange swaps and interest rate swaps		
Assets	238,316	230,852
Liabilities	220,423	216,839
Net	17,893	14,013
Net fair value	20,597	14,711
Option contracts		
Assets	2,205	20,029
Liabilities	-	18,184
Net	2,205	1,845
Net fair value	2,205	1,755
Other options		
Assets	5,203	5,373
Liabilities	-	-
Net	5,203	5,373

The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except of trading with clients, where the Bank in most of the cases requires margin deposits.

As at June 30, 2004, the Bank has derivative instruments with positive fair values of HUF 2,945 million and negative fair values of HUF 382 million. Positive fair values of derivative instruments are included in other assets, while negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2003 are HUF 1,990 million and HUF 90 million.

NOTE 22: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of these contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts were used to hedge against exchange rate fluctuations on loans and advances to credit institutions denominated in foreign currency.

Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap transactions. The swap transaction is a complex agreement concerning to the swap of certain financial instruments, which usually consist of a prompt and one or more futures contracts.

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount. Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.

Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counter-parties. The Bank's interest rate swaps were used for management of interest rate exposures and have been accounted for at mark-to-market fair value.

Forward rate agreements

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.

The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counter-parties. The Bank's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

For an analysis of the allowance for possible losses on off balance sheet commitments and contingent liabilities, see Note 14.

NOTE 23: RELATED PARTY TRANSACTIONS

Transactions with related parties, other than increases in share capital, are summarized below:

During the six month period ended June 30, 2004 and 2003 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable and accrued interest cost to OTP Factoring for HUF 1,714 million and HUF 1,774 million, respectively. The gross book value of such credits was HUF 4,180 million and HUF 4,213 million, respectively, with a corresponding allowance for possible loan losses of HUF 1,327 million and HUF 2,280 million, respectively. The underlying mortgage rights were also transferred to OTP Factoring. Gains or losses related to such transactions are included in the unconsolidated financial statements.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 579 million and HUF 419 million for the six month period ended June 30, 2004 and 2003, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 569 million and HUF 414 million for the six month period ended June 30, 2004 and 2003, respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 166 million and HUF 257 million in relation to trading activity were HUF 1,540 million and HUF 1,274 million for the six month period ended June 30, 2004 and 2003, respectively.

Commissions paid by the Bank to OTP Real Estate in relation to its activity were HUF 1,487 million and HUF 1,789 million for the six month period ended June 30, 2004 and 2003, respectively.

The Bank sold mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 130,756 million and HUF 213,795 million for the six month period ended June 30, 2004 and 2003 (including interest). The book value of these receivables were HUF 130,519 million and HUF 213,427 million.
During the six month period ended June 30, 2004 the Bank received HUF 17,094 million in commissions from OTP Mortgage Bank Company Ltd. For the six month period ended June 30, 2003 such commissions were HUF 11,072 million. Such commissions are related to loans originally provided by the Bank and subsequently sold to OTP Mortgage Bank Company Ltd.

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

The members of the Board of Directors and the Supervisory Board had credit lines of HUF 164 million and HUF 139 million as at June 30, 2004 and December 31, 2003. Such credit is made available at normal market conditions.

In the normal course of business, the Bank gives loans and provides services to other related parties at normal market conditions. The amount of these loans was HUF 2,526 million and HUF 1,700 million, with commitments to extend credit and guarantees of HUF 295 million and HUF 135 million as at June 30, 2004 and December 31, 2003, respectively.

NOTE 24: CASH AND CASH EQUIVALENTS (in HUF mn)

	June 30, 2004	December 31, 2003
Cash, due from banks and balances with the NBH	287,275	252,975
Compulsory reserve established by the NBH	(106,169)	109,532
	181,106	(143,443)

NOTE 25: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 45,777 million and HUF 46,187 million as at June 30, 2004 and December 31, 2003, respectively.

NOTE 26: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 21% and 22% of the Bank's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at June 30, 2004 and December 31, 2003, respectively. Approximately 19% of the Bank's total assets consisted of securities issued by OTP Mortgage Bank Company Ltd. as at June 30, 2004 and December 31, 2003, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at June 30, 2004 and December 31, 2003, respectively.

NOTE 27: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

NOTE 27: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at June 30, 2004	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	287,275	-	-	-	287,275
Placements with other banks, net of allowance for possible placement losses	103,947	16,769	8,720	347	129,783
Securities held for trading and available-for-sale	25,367	7,110	134,725	177,529	344,731
Loans, net of allowance for possible loan losses	107,664	289,494	530,575	211,371	1,139,104
Accrued interest receivable	27,514	10,158	190	-	37,862
Equity investments	-	-	-	139,332	139,332
Securities held-to-maturity	20,211	39,006	271,841	203,703	534,761
Premises, equipment and intangible assets, net	-	-	20,024	68,000	88,024
Other assets	30,635	2,541	1,685	-	34,861
TOTAL ASSETS	**602,613**	**365,078**	**967,760**	**800,282**	**2,735,733**
Due to banks and deposits from the National Bank of Hungary and other banks	46,335	3,540	111,733	3,321	164,929
Deposits from customers	1,842,584	250,085	34,831	-	2,127,500
Liabilities from issued securities	212	-	1,801	-	2,013
Accrued interest payable	11,638	6,845	-	-	18,483
Other liabilities	82,298	1,968	-	-	84,266
Subordinated bonds and loans	-	-	10,295	5,000	15,295
TOTAL LIABILITIES	**1,983,067**	**262,438**	**158,660**	**8,321**	**2,412,486**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	308,589	308,589
Treasury shares	(158)	(3,000)	(3,200)	(6,984)	(13,342)
TOTAL SHAREHOLDERS' EQUITY	**(158)**	**(3,000)**	**(3,200)**	**329,605**	**323,247**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,982,909**	**259,438**	**155,460**	**337,926**	**2,735,733**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,380,296)**	**105,640**	**812,300**	**462,356**	**-**

NOTE 27: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at December 31, 2003	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	252,975	-	-	-	252,975
Placements with other banks, net of allowance for possible placement losses	146,823	7,855	10,174	357	165,209
Securities held for trading and available-for-sale	12,105	27,740	200,892	71,658	312,395
Loans, net of allowance for possible loan losses	109,641	285,516	461,162	214,106	1,070,425
Accrued interest receivable	31,789	1	2	-	31,792
Equity investments	-	-	-	138,808	138,808
Securities held-to-maturity	115,358	69,298	257,486	183,167	625,309
Premises, equipment and intangible assets, net	-	-	20,540	65,860	86,400
Other assets	44,389	3,926	-	-	48,315
TOTAL ASSETS	**713,080**	**394,336**	**950,256**	**673,956**	**2,731,628**
Due to banks and deposits from the National Bank of Hungary and other banks	15,336	14,832	58,258	2,655	91,081
Deposits from customers	1,905,485	320,928	38,115	-	2,264,528
Liabilities from issued securities	238	-	1,801	-	2,039
Accrued interest payable	5,697	2,198	-	-	7,895
Other liabilities	63,762	10,734	-	-	74,496
Subordinated bonds and loans	-	-	10,413	5,000	15,413
TOTAL LIABILITIES	**1,990,518**	**348,692**	**108,587**	**7,655**	**2,455,452**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	262,504	262,504
Treasury shares	-	(14,328)	-	-	(14,328)
TOTAL SHAREHOLDERS' EQUITY	**-**	**(14,328)**	**-**	**290,504**	**276,176**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,990,518**	**334,364**	**108,587**	**298,159**	**2,731,628**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,277,438)**	**59,972**	**841,669**	**375,797**	**-**

NOTE 28: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at June 30, 2004

	USD	EUR	Others	Total
Assets	90,744	304,744	134,622	530,110
Liabilities	(86,887)	(271,652)	(56,411)	(414,950)
Off-balance sheet assets and liabilities, net	71	(73,393)	(30,293)	(103,615)
Net position	**3,928**	**(40,301)**	**47,918**	**11,545**

As at December 31, 2003

	USD	EUR	Others	Total
Assets	75,018	301,021	93,382	469,421
Liabilities	(91,700)	(244,969)	(34,086)	(370,755)
Off-balance sheet assets and liabilities, net	19,596	(91,036)	(7,094)	(78,534)
Net position	**2,914**	**(34,984)**	**52,202**	**20,132**

The table above provides an analysis of the Bank's main currency exposures. The remaining currencies are shown within 'Others'. Whilst the Bank monitors its foreign exchange position for compliance with the regulatory requirements of the National Bank of Hungary and own limit system established in respect of limits on open positions. The measurement of the Bank's open foreign currency position involves monitoring the 'value at risk' limit on the foreign exchange exposure of the Bank.

NOTE 29: INTEREST RATE RISK MANAGEMENT

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

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

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

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

NOTE 29: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at June 30, 2004

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**241,827**	**1,760**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,529**	**2,159**	**283,356**	**3,919**	**287,275**
fixed interest	241,827	1,760	-	-	-	-	-	-	-	-	-	-	241,827	1,760	**243,587**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	41,529	2,159	41,529	2,159	**43,688**
Placements with other banks	**36,664**	**71,474**	**-**	**9,723**	**700**	**5,752**	**-**	**-**	**-**	**-**	**4,693**	**777**	**42,057**	**87,726**	**129,783**
fixed interest	33,364	63,694	-	1,266	700	1,002	-	-	-	-	-	-	34,064	65,962	**100,026**
variable interest	3,300	7,780	-	8,457	-	4,750	-	-	-	-	-	-	3,300	20,987	**24,287**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	4,693	777	4,693	777	**5,470**
Securities held for trading and available-for-sale	**12,715**	**4,175**	**39,956**	**12,047**	**65,474**	**3,367**	**24,274**	**-**	**173,107**	**1,022**	**8,347**	**247**	**323,873**	**20,858**	**344,731**
fixed interest	447	-	14,550	1,781	7,551	236	24,274	-	173,107	1,022	-	-	219,929	3,039	**222,968**
variable interest	12,268	4,175	25,406	10,266	57,923	3,131	-	-	-	-	-	-	95,597	17,572	**113,169**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8,347	247	8,347	247	**8,594**
Loans	**559,011**	**63,543**	**175,839**	**255,871**	**38,492**	**33,824**	**1,021**	**6,415**	**5,088**	**-**	**-**	**-**	**779,451**	**359,653**	**1,139,104**
fixed interest	1,881	71	7,089	429	4,099	2,055	1,021	6,415	5,088	-	-	-	19,178	8,970	**28,148**
variable interest	557,130	63,472	168,750	255,442	34,393	31,769	-	-	-	-	-	-	760,273	350,683	**1,110,956**
Securities held-to-maturity	**40,766**	**-**	**35,957**	**-**	**90,698**	**-**	**35,768**	**-**	**329,488**	**2,084**	**-**	**-**	**532,677**	**2,084**	**534,761**
fixed interest	18,069	-	1,342	-	38,406	-	35,768	-	329,488	2,084	-	-	423,073	2,084	**425,157**
variable interest	22,697	-	34,615	-	52,292	-	-	-	-	-	-	-	109,604	-	**109,604**
Fair value of derivative financial instruments in other assets	**59,133**	**38,018**	**48,004**	**20,776**	**59,011**	**14,668**	**19,042**	**5,060**	**34,230**	**9,722**	**-**	**-**	**219,420**	**88,244**	**307,664**
fixed interest	54,898	38,018	30,263	20,776	9,857	14,668	19,042	5,060	34,230	9,722	-	-	148,290	88,244	**236,534**
variable interest	4,235	-	17,741	-	49,154	-	-	-	-	-	-	-	71,130	-	**71,130**

NOTE 29: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at June 30, 2004

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**27,721**	**92,001**	**3,158**	**32,593**	**1,051**	**3,091**	**5**	**-**	**991**	**-**	**527**	**3,791**	**33,453**	**131,476**	**164,929**
fixed interest	23,480	6,734	-	6,331	-	891	5	-	991	-	-	-	24,476	13,956	**38,432**
variable interest	4,241	85,267	3,158	26,262	1,051	2,200	-	-	-	-	-	-	8,450	113,729	**122,179**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	527	3,791	527	3,791	**4,318**
Deposits from customers	**1,466,622**	**63,979**	**369,009**	**179,035**	**20,411**	**27,207**	**-**	**1,237**	**-**	**-**	**-**	**-**	**1,856,042**	**271,458**	**2,127,500**
fixed interest	276,918	63,979	369,009	179,035	4,912	27,207	-	1,237	-	-	-	-	650,839	271,458	**922,297**
variable interest	1,189,704	-	-	-	15,499	-	-	-	-	-	-	-	1,205,203	-	**1,205,203**
Liabilities from issued securities	**212**	**-**	**-**	**-**	**-**	**-**	**1,801**	**-**	**-**	**-**	**-**	**-**	**2,013**	**-**	**2,013**
fixed interest	-	-	-	-	-	-	1,801	-	-	-	-	-	1,801	-	**1,801**
variable interest	212	-	-	-	-	-	-	-	-	-	-	-	212	-	**212**
Fair value of derivative financial instruments in other liabilities	**13,890**	**72,169**	**34,420**	**36,501**	**53,413**	**5,587**	**38,146**	**-**	**34,536**	**-**	**-**	**-**	**174,405**	**114,257**	**288,662**
fixed interest	4,378	72,169	10,006	36,501	21,042	5,587	38,146	-	34,536	-	-	-	108,108	114,257	**222,365**
variable interest	9,512	-	24,414	-	32,371	-	-		-	-	-	-	66,297	-	**66,297**
Subordinated bonds and loans	**-**	**-**	**-**	**-**	**5,000**	**10,295**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**10,295**	**15,295**
variable interest	-	-	-	-	5,000	10,295	-	-	-	-	-	-	5,000	10,295	**15,295**

NOTE 29: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2003

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**191,911**	**3,035**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,918**	**3,111**	**246,829**	**6,146**	**252,975**
fixed interest	191,911	3,035	-	-	-	-	-	-	-	-	-	-	191,911	3,035	**194,946**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	54,918	3,111	54,918	3,111	**58,029**
Placements with other banks	**79,358**	**65,084**	**2,500**	**5,815**	**2,500**	**4,913**	**-**	**-**	**-**	**-**	**3,901**	**1,138**	**88,259**	**76,950**	**165,209**
fixed interest	76,058	60,994	2,500	1,010	2,500	-	-	-	-	-	-	-	81,058	62,004	**143,062**
variable interest	3,300	4,090	-	4,805	-	4,913	-	-	-	-	-	-	3,300	13,808	**17,108**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	3,901	1,138	3,901	1,138	**5,039**
Securities held for trading and available-for-sale	**22,622**	**-**	**37,418**	**13,583**	**61,451**	**6,453**	**10,698**	**242**	**151,793**	**-**	**7,885**	**250**	**291,867**	**20,528**	**312,395**
fixed interest	8	-	1,137	1,828	23,729	2,295	10,698	242	151,793	-	-	-	187,365	4,365	**191,730**
variable interest	22,614	-	36,281	11,755	37,722	4,158	-	-	-	-	-	-	96,617	15,913	**112,530**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,885	250	7,885	250	**8,135**
Loans	**567,096**	**99,490**	**147,573**	**188,929**	**18,758**	**21,103**	**-**	**-**	**27,476**	**-**	**-**	**-**	**760,903**	**309,522**	**1,070,425**
fixed interest	10,980	8	-	125	1,751	-	-	-	27,476	-	-	-	40,207	133	**40,340**
variable interest	556,116	99,482	147,573	188,804	17,007	21,103	-	-	-	-	-	-	720,696	309,389	**1,030,085**
Securities held-to-maturity	**22,697**	**-**	**192,665**	**-**	**76,875**	**-**	**36,672**	**-**	**294,325**	**2,075**	**-**	**-**	**623,234**	**2,075**	**625,309**
fixed interest	-	-	91,255	-	66,753	-	36,672	-	294,325	2,075	-	-	489,005	2,075	**491,080**
variable interest	22,697	-	101,410	-	10,122	-	-	-	-	-	-	-	134,229	-	**134,229**
Fair value of derivative financial instruments in other assets	**43,526**	**50,501**	**112,327**	**16,869**	**45,652**	**25,189**	**10,805**	**7,567**	**43,314**	**3,893**	**-**	**-**	**255,624**	**104,019**	**359,643**
fixed interest	23,569	50,501	46,725	15,118	5,288	25,189	10,805	7,567	43,314	3,893	-	-	129,701	102,268	**231,969**
variable interest	19,957	-	65,602	1,751	40,364	-	-	-	-	-	-	-	125,923	1,751	**127,674**

NOTE 29: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2003

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**9,901**	**47,332**	**-**	**25,524**	**-**	**4,916**	**6**	**-**	**1,198**	**-**	**664**	**1,540**	**11,769**	**79,312**	**91,081**
fixed interest	5,389	7,998	-	7,769	-	3,409	6	-	1,198	-	-	-	6,593	19,176	**25,769**
variable interest	4,512	39,334	-	17,755	-	1,507	-	-	-	-	-	-	4,512	58,596	**63,108**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	664	1,540	664	1,540	**2,204**
Deposits from customers	**1,761,203**	**51,075**	**216,332**	**197,519**	**7,661**	**29,451**	**-**	**1,287**	**-**	**-**	**-**	**-**	**1,985,196**	**279,332**	**2,264,528**
fixed interest	358,313	51,075	216,332	197,519	7,661	29,451	-	1,287	-	-	-	-	582,306	279,332	**861,638**
variable interest	1,402,890	-	-	-	-	-	-	-	-	-	-	-	1,402,890	-	**1,402,890**
Liabilities from issued securities	**143**	**-**	**-**	**-**	**-**	**-**	**1,801**	**-**	**-**	**-**	**95**	**-**	**2,039**	**-**	**2,039**
fixed interest	-	-	-	-	-	-	1,801	-	-	-	-	-	1,801	-	**1,801**
variable interest	143	-	-	-	-	-	-	-	-	-	-	-	143	-	**143**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	95	-	95	-	**95**
Fair value of derivative financial instruments in other liabilities	**14,301**	**85,576**	**23,510**	**90,428**	**56,382**	**6,696**	**41,579**	**-**	**42,766**	**-**	**-**	**-**	**178,538**	**182,700**	**361,238**
fixed interest	8,054	67,063	5,102	59,384	24,026	6,696	41,579	-	42,766	-	-	-	121,527	133,143	**254,670**
variable interest	6,247	18,513	18,408	31,044	32,356	-	-		-	-	-	-	57,011	49,557	**106,568**
Subordinated bonds and loans	**-**	**-**	**-**	**-**	**5,000**	**10,413**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**10,413**	**15,413**
variable interest	-	-	-	-	5,000	10,413	-	-	-	-	-	-	5,000	10,413	**15,413**

NOTE 30: EARNINGS PER SHARE

Earnings per share attributable to the Bank's common shares are determined based on dividing income after income taxes for the year attributable to common shareholders, after the deduction of declared preference dividends, by the weighted average number of common shares outstanding during the year.

	Six month period ended June 30, 2004	Six month period ended June 30, 2003
Income after income taxes (in HUF mn)	62,141	41,351
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	267,495,529	266,724,844
Basic Earnings per share (in HUF)	232	155
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	267,992,755	267,179,412
Diluted Earnings per share (in HUF)	232	155

The weighted average number of common shares outstanding during the period does not include treasury shares.

Diluted Earnings per share are determined after additionally taking into consideration the option rights granted to Senior Management of OTP Bank.

NOTE 31: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IAS (in HUF mn)

	Retained Earnings and Reserves January 1, 2004	Net income for the six month period ended June 30, 2004	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at June 30, 2004
Hungarian financial statements	**233,776**	**58,511**	**(20,531)**	**(112)**	**271,644**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	17,056	2,026	-	-	19,082
Premium and discount amortization on investment securities	(348)	(189)	-	-	(537)
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	(76)	76	-	-	-
Differences in carrying value of subsidiaries	717	-	-	-	717
Difference in accounting for finance leases	(465)	72	-	-	(393)
Fair value adjustment of held for trading and available-for-sale financial assets	(4,973)	(1,503)	-	-	(6,476)
Fair value adjustment of derivative financial instruments	2,189	(1,262)	-	-	927
Gains on sale of Treasury Shares	-	(744)	-	744	-
Reversal of goodwill and negative goodwil	685	3,604	-	-	4,289
Revaluation of investments denominated in foreign currency to historical cost	(2,124)	1,250	-	-	(874)
Difference in accounting of repo transactions	48	(44)	-	-	4
Reclassification of direct charges	-	(112)	-	112	-
Deferred taxation	559	456	-	-	1,015
Dividend payable for the year 2003	16,800	-	(16,800)	-	-
Dividend liability accrued in the first half-year of 2004	-	-	20,531	-	20,531
International financial statements	**262,504**	**62,141**	**(16,800)**	**744**	**308,589**