NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

UNCONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

April 2005

CONTENTS

Deloitte

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INDEPENDENT AUDITORS' OPINION

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

We have audited the accompanying unconsolidated balance sheets of National Savings and Commercial Bank Ltd. ("the Bank") as at December 31, 2004 and 2003, and the related unconsolidated statements of operations, cash flows and changes in shareholders' equity for the years then ended. These unconsolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these unconsolidated financial statements based on our audits.

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

Consolidated financial statements have not been presented at the date of this report, as required by International Accounting Standard No. 27. We draw attention to Notes 2.3 and 2.7 to the unconsolidated financial statements, which explain why consolidated financial statements have not been presented and the method of accounting for unconsolidated subsidiaries, respectively.

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2004 and 2003, and the unconsolidated results of its operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Financial Reporting Standards.

Budapest, March 11, 2005

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Cg.: 01-09-071057

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

	Note	2004	2003
Cash, due from banks and balances with the National Bank of Hungary	*3.*	399,401	252,975
Placements with other banks, net of allowance for possible placement losses	*4.*	200,100	165,209
Securities held for trading or available-for-sale	*5.*	342,888	312,395
Loans, net of allowance for possible loan losses	*6.*	1,276,241	1,070,425
Accrued interest receivable		41,180	31,792
Investments in subsidiaries	*7.*	154,298	138,808
Securities held-to-maturity	*8.*	507,503	625,309
Premises, equipment and intangible assets, net	*9.*	96,538	86,400
Other assets	*10.*	36,326	48,315
TOTAL ASSETS		**3,054,475**	**2,731,628**
Due to banks and deposits from the National Bank of Hungary and other banks	*11.*	203,777	91,081
Deposits from customers	*12.*	2,340,924	2,264,528
Liabilities from issued securities	*13.*	1,997	2,039
Accrued interest payable		9,414	7,895
Other liabilities	*14.*	94,987	74,496
Subordinated bonds and loans	*15.*	14,324	15,413
TOTAL LIABILITIES		**2,665,423**	**2,455,452**
Share capital	*16.*	28,000	28,000
Retained earnings and reserves	*17.*	374,860	262,504
Treasury shares	*18.*	(13,808)	(14,328)
TOTAL SHAREHOLDERS' EQUITY		**389,052**	**276,176**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,054,475**	**2,731,628**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(in HUF mn)

	Note	2004	2003
Interest Income:			
Loans		136,968	103,415
Placements with other banks		40,634	20,350
Due from banks and balances with the National Bank of Hungary		30,872	17,148
Securities held for trading or available-for-sale		29,258	19,553
Securities held-to-maturity		53,203	43,779
Total Interest Income		*290,935*	*204,245*
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks		19,699	16,508
Deposits from customers		119,116	75,311
Liabilities from issued securities		167	169
Subordinated bonds and loans		870	748
Total Interest Expense		*139,852*	*92,736*
NET INTEREST INCOME		**151,083**	**111,509**
Provision for possible loan and placement losses	*4, 6.*	8,628	7,053
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		**142,455**	**104,456**
Non-Interest Income:			
Fees and commissions		113,299	95,850
Foreign exchange gains, net		914	5,903
Gains/(losses) on securities, net		14,618	(8,909)
Losses on real estate transactions, net		(103)	(35)
Dividend income		8,500	7,691
Other		2,654	3,266
Total Non-Interest Income		*139,882*	*103,766*
Non-Interest Expenses:			
Fees and commissions		9,692	11,067
Personnel expenses		51,994	43,555
Depreciation and amortization		13,401	12,745
Other	*19.*	59,006	56,327
Total Non-Interest Expenses		*134,093*	*123,694*
INCOME BEFORE INCOME TAXES		148,244	84,528
Income taxes	*20.*	21,048	14,387
NET INCOME AFTER INCOME TAXES		**127,196**	**70,141**
Earnings per share (in HUF)			
Basic	*30.*	471	261
Diluted	*30.*	469	260

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(in HUF mn)

	Note	2004	2003
OPERATING ACTIVITIES			
Income before income taxes		148,244	84,528
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Income tax paid		(19,508)	(15,817)
Depreciation and amortization	*9.*	13,401	12,745
Provision for possible loan and placement losses	*4, 6.*	8,628	7,053
Release of provision for permanent diminution in value of investments in subsidiaries	*7.*	(253)	(111)
Release of provision for possible losses of other assets	*10.*	(1,314)	(205)
Provision for possible losses on off-balance sheet commitments and contingent liabilities, net	*14.*	901	3,705
Unrealised (gains)/losses on fair value adjustment of securities held for trading and available-for-sale		(14,609)	8,454
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments		(635)	2,889
Changes in operating assets and liabilities:			
Net increase in accrued interest receivable		(9,388)	(8,385)
Net decrease in other assets, excluding advances for investments and before provisions for possible losses		15,393	4,372
Net increase in accrued interest payable		1,519	416
Net increase in other liabilities		16,585	6,387
Net cash provided by operating activities		**158,964**	**106,031**
INVESTING ACTIVITIES			
Net (increase)/decrease in placements with other banks, before provision for possible placement losses		(34,710)	112,399
Net increase in securities held for trading or available-for-sale before unrealised gains/lower of cost and market adjustment		(15,884)	(116,441)
Net increase in investments in subsidiaries, before provision for permanent diminution in value		(15,237)	(89,809)
Net decrease/(increase) in securities held-to-maturity		117,806	(263,264)
Net decrease/(increase) in advances for investments included in other assets		33	(53)
Net increase in loans, before provision for possible loan losses		(214,625)	(82,465)
Net additions to premises, equipment and intangible assets		(23,539)	(27,840)
Net cash used in investing activities		**(186,156)**	**(467,473)**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(in HUF mn) [continued]

	Note	2004	2003
FINANCING ACTIVITIES			
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		112,696	44,680
Net increase in deposits from customers		76,396	218,875
Net decrease in liabilities from issued securities		(42)	(15)
Decrease in subordinated bonds and loans		(1,089)	(98)
Net change in treasury shares		2,480	2,560
Net decrease/(increase) in the compulsory reserve established by the National Bank of Hungary		3,816	(16,465)
Dividends paid		(16,823)	(9)
Net cash provided by financing activities		**177,434**	**249,528**
Net increase/(decrease) in cash and cash equivalents		**150,242**	**(111,914)**
Cash and cash equivalents at the beginning of the period		143,443	255,357
Cash and cash equivalents at the end of the period		**293,685**	**143,443**

Analysis of cash and cash equivalents

	Note	2004	2003
Cash, due from banks and balances with the National Bank of Hungary		252,975	348,424
Compulsory reserve established by the National Bank of Hungary		(109,532)	(93,067)
Cash and cash equivalents at the beginning of the period		**143,443**	**255,357**
Cash, due from banks and balances with the National Bank of Hungary		399,401	252,975
Compulsory reserve established by the National Bank of Hungary	*24.*	(105,716)	(109,532)
Cash and cash equivalents at the end of the period		**293,685**	**143,443**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(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	-	70,141	-	70,141
Gain on sale of treasury shares	-	5	-	5
Change in carrying value of treasury shares	-	-	2,555	2,555
Balance as at December 31, 2003	**28,000**	**262,504**	**(14,328)**	**276,176**
Net income after income taxes	-	127,196	-	127,196
Dividend for the year 2003	-	(16,800)	-	(16,800)
Gain on sale of treasury shares	-	1,960	-	1,960
Change in carrying value of treasury shares	-	-	520	520
Balance as at December 31, 2004	**28,000**	**374,860**	**(13,808)**	**389,052**

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 December 31, 2004 approximately 90.3% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (3.3%) and the Bank (6.4%).

The Bank provides a full range of commercial banking services through a nationwide network of 377 branches in Hungary.

As at December 31, 2004 the number of employees at the Bank was 7,894. The average number of employees for the year ended December 31, 2004 was 7,974.

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

Monetary 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 and consolidated net income and shareholders' equity may differ significantly from that presented in these unconsolidated financial statements. 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 a settlement 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 has the ability 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 a settlement 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, bonds issued by NBH, mortgage bonds and other securities. Other securities include shares in commercial companies, shares in investment funds, bonds issued by companies and foreign government bonds.

Available-for-sale securities are remeasured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value 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. Investments in subsidiaries

Investments in subsidiaries 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.

Investments in subsidiaries 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 2004 unconsolidated financial statements have been reclassified to conform with the current year presentation.

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

	2004	2003
Cash on hand:		
In HUF	53,122	54,918
In foreign currency	2,743	3,111
	55,865	58,029
Due from banks and balances with NBH:		
Within one year:		
In HUF	341,940	191,911
In foreign currency	1,596	3,035
	343,536	194,946
Total	399,401	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 105,716 million and HUF 109,532 million as at December 31, 2004 and 2003, respectively.

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

	2004	2003
Within one year:		
In HUF	127,437	85,141
In foreign currency	61,339	69,719
	188,776	154,860
Over one year:		
In HUF	300	3,300
In foreign currency	11,025	7,231
	11,325	10,531
Total	200,101	165,391
Allowance for possible placement losses	(1)	(182)
	200,100	165,209

Placements with other banks in foreign currency as at December 31, 2004 and 2003 bear interest rates in the range from 0.4% to 7% 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 December 31, 2004 and 2003 bear interest rates in the range from 9% to 12.5% and from 9.6% to 13.7%, respectively.

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

	2004	2003
Balance as at January 1	182	163
(Credit)/provision for possible placement losses	(181)	19
Balance as at December 31	1	182

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

	2004	2003
Securities held for trading		
Hungarian Government discounted Treasury bills	5,055	2,632
Hungarian Government interest bearing Treasury bills	2,756	473
Government bonds	8,538	42,331
Mortgage bonds	2,238	4,260
Other securities	171	257
	18,758	49,953
Securities available-for-sale		
Government bonds	60,252	56,336
Hungarian Government discounted Treasury bills	-	20,293
Mortgage bonds	235,405	156,929
Other securities	28,473	28,884
	324,130	262,442
Total	342,888	312,395

Approximately 95% and 93% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at December 31, 2004 and 2003, respectively.

Approximately 0.5% and 2% of the government bonds were denominated in foreign currency as at December 31, 2004 and 2003. Approximately 90% and 10% of this portfolio was denominated in USD and EUR as at December 31, 2004 and 75%, 2%, 15% and 8% of this portfolio was denominated in JPY, EUR, GBP and USD as at December 31, 2003, respectively.

Interest rates on securities held for trading ranged from 2.9% to 13.4% and from 2.1% to 13.1% as at December 31, 2004 and 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:

	2004	2003
Within five years:		
variable interest	89,538	91,041
fixed interest	122,461	141,561
	211,999	232,602
Over five years:		
variable interest	21,185	21,489
fixed interest	100,485	50,169
	121,670	71,658
Non interest-bearing securities	9,219	8,135
Total	342,888	312,395

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

	2004	2003
Short-term loans and trade bills (within one year)	491,209	406,091
Long-term loans and trade bills (over one year)	804,842	682,970
	1,296,051	1,089,061
Allowance for possible loan losses	(19,810)	(18,636)
	1,276,241	1,070,425

Foreign currency loans represent approximately 34% and 29% of the loan portfolio, before allowance for possible losses, as at December 31, 2004 and 2003, respectively.

Loans denominated in HUF, with a maturity within one year as at December 31, 2004 and 2003 bear interest rates in the range from 13.8% to 32% and from 15.8% to 32% respectively.

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

Foreign currency loans as at December 31, 2004 and 2003, bear interest rates in the range from 1.9% to 8.4% and from 2% to 7%, respectively.

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

Approximately 2.5% and 3.2% of the gross loan portfolio represented loans on which interest is not being accrued as at December 31, 2004 and 2003, respectively.

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

	2004		2003	
Commercial loans	805,804	62%	678,986	62%
Municipality loans	116,175	9%	91,529	8%
Housing loans	169,415	13%	182,640	17%
Consumer loans	180,421	14%	104,646	10%
Mortgage loans	24,236	2%	31,260	3%
	1,296,051	100%	1,089,061	100%

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

	2004	2003
Balance as at January 1	18,636	18,418
Provision for possible loan losses	8,809	7,034
Write-offs	(7,635)	(6,816)
Balance as at December 31	19,810	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: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	2004	2003
Investments in subsidiaries:		
Controlling interest	158,521	143,158
Significant interest	75	371
Other	1,119	949
	159,715	144,478
Allowance for permanent diminution in value	(5,417)	(5,670)
	154,298	138,808

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

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

	2004		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%	1,372	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%	3,524	100.00%	1,000
DSK Bank EAD (Bulgaria)	100.00%	79,162	100.00%	79,162
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,037	97.10%	10,006
Robank S. A. (Romania)	100.00%	12,273	-	-
OTP Card Factory Ltd.	100.00%	450	-	-
Other		105		75
Total		158,521		143,158

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

	2004	2003
Balance as at January 1	5,670	5,781
Credit for permanent diminution in value	(253)	(111)
Balance as at December 31	5,417	5,670

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

	2004	2003
Government securities	210,891	276,892
Hungarian Government discounted Treasury bills	6,125	987
Mortgage bonds	289,787	346,130
Other debt securities	700	1,300
	507,503	625,309

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

	2004	2003
Within five years, variable interest	66,778	90,234
Within five years, fixed interest	283,114	351,908
	349,892	442,142
Over five years, variable interest	40,642	43,995
Over five years, fixed interest	116,969	139,172
	157,611	183,167
Total	507,503	625,309

A portfolio of mortgage bonds with a fair value of HUF 216,957 million issued by OTP Mortgage Bank Company Ltd. were 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 December 31, 2004 and 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 December 31, 2004 and 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 508,581 million and HUF 610,189 million as at December 31, 2004 and 2003, respectively.

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

For the year ended December 31, 2004:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2004	30,666	49,366	62,452	4,386	146,870
Additions	10,285	4,198	15,494	33,767	63,744
Disposals	(2,450)	(786)	(21,372)	(28,026)	(52,634)
Balance as at December 31, 2004	38,501	52,778	56,574	10,127	157,980
Depreciation and Amortization					
Balance as at January 1, 2004	14,830	6,369	39,271	-	60,470
Additions	4,888	1,263	7,352	-	13,503
Disposals	(1,184)	(131)	(11,216)	-	(12,531)
Balance as at December 31, 2004	18,534	7,501	35,407	-	61,442
Net book value					
Balance as at January 1, 2004	15,836	42,997	23,181	4,386	86,400
Balance as at December 31, 2004	19,967	45,277	21,167	10,127	96,538

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	31,454	37,241	54,609	8,152	131,456
Additions	9,156	12,325	11,251	27,664	60,396
Disposals	(9,944)	(200)	(3,408)	(31,430)	(44,982)
Balance as at December 31, 2003	30,666	49,366	62,452	4,386	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	12,592	31,766	18,795	8,152	71,305
Balance as at December 31, 2003	15,836	42,997	23,181	4,386	86,400

NOTE 10: OTHER ASSETS (in HUF mn)

	2004	2003
Receivables due to collection of Hungarian Government securities	33	69
Property held for sale	205	307
Due from Government for interest subsidies	5,619	1,885
Trade receivables	2,621	2,628
Advances for securities and investments	495	528
Deferred tax assets	-	559
Taxes recoverable	2	821
Inventories	784	736
Other advances	638	327
Credits sold under deferred payment scheme	176	4,453
Receivables from OTP Mortgage Bank Company Ltd.	13,216	28,186
Receivables from investing services	203	227
Prepayments and accrued incomes	5,749	3,935
Fair value of derivative financial instruments	4,113	1,990
Other	3,371	3,877
	37,225	50,528
Allowance for possible losses on other assets	(899)	(2,213)
	36,326	48,315

Allowance for possible losses on other assets mainly consists of allowances for property held for sale, credits sold under deferred payment scheme and allowances for trade receivables.

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

	2004	2003
Balance as at January 1	2,213	2,418
Credit for possible losses	(1,314)	(205)
Balance as at December 31	899	2,213

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

	2004	2003
Within one year:		
In HUF	22,334	7,478
In foreign currency	86,356	22,690
	108,690	30,168
Over one year:		
In HUF	8,491	4,291
In foreign currency	86,596	56,622
	95,087	60,913
Total	203,777	91,081

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at December 31, 2004 and 2003, bear interest rates in the range from 8.9% to 12% 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 December 31, 2004 and 2003, bear interest rates in the range from 3% to 9.5% 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 December 31, 2004 and 2003, bear interest rates in the range from 0.5% to 4.9% 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 December 31, 2004 and 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)

	2004	2003
Within one year:		
In HUF	2,050,048	1,947,081
In foreign currency	269,900	279,332
	2,319,948	2,226,413
Over one year:		
In HUF	20,976	38,115
	20,976	38,115
Total	2,340,924	2,264,528

Deposits from customers payable in HUF within one year as at December 31, 2004 and 2003, bear interest rates in the range from 0.5% to 9.9% and from 0.8% to 11%, respectively.

Deposits from customers payable in HUF over one year as at December 31, 2004 and 2003, bear interest rates in the range from 4.3% to 6.5% and from 5.3% to 8.8%, respectively.

Deposits from customers payable in foreign currency as at December 31, 2004 and 2003, bear interest rates in the range from 0.1% to 5% and from 0.1% to 4.1%, respectively.

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

	2004		2003	
Commercial deposits	431,921	19%	440,034	20%
Municipality deposits	170,431	7%	164,571	7%
Consumer deposits	1,738,572	74%	1,659,923	73%
	2,340,924	100%	2,264,528	100%

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

	2004	2003
With original maturity:		
Within one year	1,997	238
Over one year	-	1,801
	1,997	2,039

Liabilities from issued securities are denominated in HUF at interest rates in the range from 2% to 2.8% and from 2% to 4.3% as at December 31, 2004 and 2003, respectively.

NOTE 14: OTHER LIABILITIES (in HUF mn)

	2004	2003
Taxes payable	4,992	2,044
Deferred tax liabilities	1,761	-
Giro clearing accounts	7,603	12,604
Accounts payable	10,799	8,145
Salaries and social security payable	8,038	5,882
Liabilities from security trading	17,040	15,852
Allowances for possible losses on off-balance sheet commitments, contingent liabilities	9,866	9,041
Margin account balance	87	34
Dividends payable	617	639
Accrued expenses	10,242	8,484
Suspense accounts	846	2,083
Loans for collection	2,005	2,202
Fair value of derivative financial instruments	1,578	90
Liabilities from trading activities (repurchase agreement)	12,523	-
Other	6,990	7,396
	94,987	74,496

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

	2004	2003
Allowance for litigation	1,414	1,509
Allowance for other off-balance sheet commitments, contingent liabilities	7,588	5,785
Other allowances for expected liabilities	864	1,671
Allowance for housing warranties	-	76
Total	9,866	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 December 31, 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:

	2004	2003
Balance as at January 1	9,041	5,488
Allowance for off-balance sheet commitments and contingent liabilities, net	901	3,705
Release of allowance for housing warranties	(76)	(152)
Balance as at December 31	9,866	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, 4.88% as at June 20, 2004, and 6.05% as at December 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)

	2004	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)

	2004	2003
Balance as at January 1	262,5	192,3
Net income after income taxes	127,1	70,1
Profit on sale of Treasury Shares	1,9	5
Dividend for the year 2003	(16,8	-
Balance as at December 31	374,8	262,5

The Bank's reserves under Hungarian Accounting Standards were HUF 243,848 million and HUF 233,776 million as at December 31, 2004 and 2003, respectively. Of these amounts, legal reserves represent HUF 66,395 million and HUF 55,653 million as at December 31, 2004 and 2003, respectively. The legal reserves are not available for distribution.

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.

Dividends for the year ended December 31, 2004 will be proposed at the Annual General Meeting in April 2005. The proposed dividend for the year 2004 is HUF 41,206 million.

NOTE 18: TREASURY SHARES (in HUF mn)

	2004	2003
Nominal Value	1,010	1,324
Carrying Value at aquisition cost	13,808	14,328

NOTE 19: OTHER EXPENSES (in HUF mn)

	2004	2003
Credit for permanent diminution in value of investments in subsidiaries	(253)	(111)
Credit for other assets	(1,314)	(205)
Provision for possible losses on off-balance sheet commitments, contingent liabilities	901	3,705
Administration expenses, including rent	19,002	18,329
Advertising	3,810	3,406
Taxes, other than income	11,493	11,184
Services	16,099	15,062
Professional fees	2,278	2,305
Other	6,990	2,652
	59,006	56,327

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:

	2004	2003
Current tax	18,728	15,139
Deferred tax	2,320	(752)
	21,048	14,387

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

	2004	2003
Balance as at January 1	559	(193)
Deferred tax (credit)/charge	(2,320)	752
Balance as at December 31	(1,761)	559

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

A reconciliation of the income tax charge is as follows:

	2004	2003
Net income before income taxes	148,244	84,528
Permanent differences due to movements in statutory provisions	(4,514)	(2,803)
Reversal of statutory goodwill and negative goodwill	(7,663)	(1,257)
Revaluation of investments denominated in foreign currency to historical cost	(2,163)	2,405
Profit on sale of Treasury Shares	1,960	5
Dividend income	(8,500)	(7,691)
Other permanent differences	4,187	4,219
Adjusted tax base	131,551	79,406
Income tax	21,048	14,387

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

	2004	2003
Premium and discount amortization on investment securities	115	57
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	5	17
Difference in accounting for finance leases	60	81
Fair value adjustment of held for trading and available-for-sale financial assets	-	726
Reclassification of direct charges	4	-
Deferred tax asset	184	881
Fair value adjustment of held for trading and available-for-sale financial assets	(1,611)	-
Fair value adjustment of derivative financial instruments	(37)	(315)
Reclassification of direct charges	-	(7)
Fixed assets	(297)	-
Deferred tax liability	(1,945)	(322)
Net deferred tax (liability)/asset	(1,761)	559

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.

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

	2004	2003
Commitments to extend credit	446,702	392,308
Guarantees arising from banking activities	92,780	65,010
Confirmed letters of credit	2,480	956
Legal disputes	2,127	2,469
Contingent liabilities related to OTP Mortgage Bank Company Ltd.	38,783	24,440
Other	102	62
	582,974	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.

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.

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]

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.

Contingent liabilities related to OTP Mortgage Bank Company Ltd.

Under a syndication agreement with its fully owned subsidiary, OTP Mortgage Bank Company Ltd., the Bank guarantees in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Company Ltd. that become non-performing. OTP Mortgage Bank Company Ltd. utilises credit risk monitoring and credit policies for the granting of loans similar to those used by the Bank.

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

(b) Derivatives (nominal amount, unless otherwise stated)

	2004	2003
Foreign currency contracts		
Assets	32,604	55,164
Liabilities	35,320	56,691
Net	(2,716)	(1,527)
Net fair value	(3,627)	(235)
Foreign exchange swaps and interest rate swaps		
Assets	235,080	230,852
Liabilities	218,528	216,839
Net	16,552	14,013
Net fair value	19,998	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	6,834	5,373
Liabilities	-	-
Net	6,834	5,373
Net fair value	6,834	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 December 31, 2004 the Bank has derivative instruments with positive fair values of HUF 4,113 million and negative fair values of HUF 1,578 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 years ended December 31, 2004 and 2003 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 4,132 million and HUF 3,634 million, respectively. The gross book value of such credits was HUF 11,224 million and HUF 10,043 million, respectively, with a corresponding allowance for possible loan losses of HUF 2,345 million and HUF 5,503 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 1,085 million and HUF 924 million for the years ended December 31, 2004 and 2003, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 1,209 million and HUF 1,054 million for the years ended December 31, 2004 and 2003, respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 337 million and HUF 509 million in relation to trading activity were HUF 2,505 million and HUF 2,445 million for the years ended December 31, 2004 and 2003, respectively.

Commissions paid by the Bank to OTP Real Estate in relation to its activity were HUF 2,913 million and HUF 3,735 million for the years ended December 31, 2004 and 2003, respectively.

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 213,954 million and HUF 448,034 million during the years ended December 31, 2004 and 2003 (including interest). The book value of these receivables were HUF 213,517 million and HUF 447,289 million.
During the year ended December 31, 2004 the Bank received HUF 37,386 million in fees and commissions from OTP Mortgage Bank Company Ltd. For the year ended December 31, 2003 such fees and commissions were HUF 25,072 million. Such fees and commissions are related to services provided to OTP Mortgage Bank Company Ltd. under the syndication agreement.

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 have credit lines of HUF 184 million and HUF 139 million as at December 31, 2004 and 2003 respectively. 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 294 million and HUF 1,700 million, with commitments to extend credit and guarantees of HUF 126 million and HUF 135 million as at December 31, 2004 and 2003, respectively.

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

	2004	2003
Cash, due from banks and balances with the NBH	399,401	252,975
Compulsory reserve established by the NBH	(105,716)	(109,532)
	293,685	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 47,301 million and HUF 46,187 million as at December 31, 2004 and 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 December 31, 2004 and 2003, respectively. Approximately 17% and 19%of the Bank's total assets consisted of securities issued by the OTP Mortgage Bank Company Ltd. as at December 31, 2004 and 2003, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at December 31, 2004 and 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 December 31, 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	399,401	-	-	-	399,401
Placements with other banks, net of allowance for possible placement losses	171,652	17,123	11,013	312	200,100
Securities held for trading and available-for-sale	2,527	14,384	195,095	130,882	342,888
Loans, net of allowance for possible loan losses	207,259	274,298	568,366	226,318	1,276,241
Accrued interest receivable	41,176	4	-	-	41,180
Investments in subsidiaries	-	-	-	154,298	154,298
Securities held-to-maturity	1,334	61,614	286,944	157,611	507,503
Premises, equipment and intangible assets, net	-	-	42,941	53,597	96,538
Other assets	34,766	1,560	-	-	36,326
TOTAL ASSETS	**858,115**	**368,983**	**1,104,359**	**723,018**	**3,054,475**
Due to banks and deposits from the National Bank of Hungary and other banks	54,443	54,247	77,762	17,325	203,777
Deposits from customers	2,177,994	141,954	20,976	-	2,340,924
Liabilities from issued securities	196	1,801	-	-	1,997
Accrued interest payable	7,714	1,700	-	-	9,414
Other liabilities	84,546	10,441	-	-	94,987
Subordinated bonds and loans	-	-	9,324	5,000	14,324
TOTAL LIABILITIES	**2,324,893**	**210,143**	**108,062**	**22,325**	**2,665,423**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	374,860	374,860
Treasury shares	(327)	(2,600)	(1,300)	(9,581)	(13,808)
TOTAL SHAREHOLDERS' EQUITY	**(327)**	**(2,600)**	**(1,300)**	**393,279**	**389,052**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,324,566**	**207,543**	**106,762**	**415,604**	**3,054,475**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,466,451)**	**161,440**	**997,597**	**307,414**	**-**

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
Investments in subsidiaries	-	-	-	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 December 31, 2004

	USD	EUR	Others	Total
Assets	79,851	342,490	175,954	598,295
Liabilities	(77,445)	(288,127)	(88,355)	(453,927)
Off-balance sheet assets and liabilities, net	(14,283)	(49,401)	(32,659)	(96,343)
Net position	**(11,877)**	**4,962**	**54,940**	**48,025**

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 December 31, 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	**342,214**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,848**	**4,339**	**395,062**	**4,339**	**399,401**
fixed interest	342,214	-	-	-	-	-	-	-	-	-	-	-	342,214	-	**342,214**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	52,848	4,339	52,848	4,339	**57,187**
Placements with other banks	**122,774**	**43,995**	**800**	**17,838**	**200**	**10,035**	**-**	**-**	**-**	**-**	**3,962**	**496**	**127,736**	**72,364**	**200,100**
fixed interest	119,704	39,635	500	5,066	200	4,802	-	-	-	-	-	-	120,404	49,503	**169,907**
variable interest	3,070	4,360	300	12,772	-	5,233	-	-	-	-	-	-	3,370	22,365	**25,735**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	3,962	496	3,962	496	**4,458**
Securities held for trading and available-for-sale	**44,799**	**3,606**	**15,697**	**9,273**	**51,458**	**2,704**	**16,361**	**-**	**188,583**	**1,188**	**8,990**	**229**	**325,888**	**17,000**	**342,888**
fixed interest	937	-	1,321	202	14,353	-	16,361	-	188,583	1,188	-	-	221,555	1,390	**222,945**
variable interest	43,862	3,606	14,376	9,071	37,105	2,704	-	-	-	-	-	-	95,343	15,381	**110,724**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8,990	229	8,990	229	**9,219**
Loans	**434,790**	**30,831**	**386,288**	**392,852**	**11,403**	**16,163**	**512**	**1,691**	**1,711**	**-**	**-**	**-**	**834,704**	**441,537**	**1,276,241**
fixed interest	5,215	-	14,043	174	1,126	890	511	984	1,711	-	-	-	22,606	2,048	**24,654**
variable interest	429,575	30,831	372,245	392,678	10,277	15,273	1	707	-	-	-	-	812,098	439,489	**1,251,587**
Securities held-to-maturity	**23,196**	**-**	**74,601**	**-**	**52,462**	**-**	**26,167**	**1,801**	**329,276**	**-**	**-**	**-**	**505,702**	**1,801**	**507,503**
fixed interest	499	-	-	-	42,340	-	26,167	1,801	329,276	-	-	-	398,282	1,801	**400,083**
variable interest	22,697	-	74,601	-	10,122	-	-	-	-	-	-	-	107,420	-	**107,420**
Fair value of derivative financial instruments in other assets	**74,029**	**26,963**	**70,431**	**17,475**	**53,073**	**19,693**	**24,000**	**3,935**	**29,261**	**6,099**	**-**	**-**	**250,794**	**74,165**	**324,959**
fixed interest	53,729	26,963	255	17,475	14,312	18,709	24,000	3,935	29,261	6,099	-	-	121,557	73,181	**194,738**
variable interest	20,300	-	70,176	-	38,761	984	-	-	-	-	-	-	129,237	984	**130,221**

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

As at December 31, 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	**20,399**	**126,534**	**3,339**	**42,741**	**6,607**	**3,501**	**-**	**-**	**-**	**-**	**480**	**176**	**30,825**	**172,952**	**203,777**
fixed interest	18,414	28,055	-	4,970	-	1,753	-	-	-	-	-	-	18,414	34,778	**53,192**
variable interest	1,985	98,479	3,339	37,771	6,607	1,748	-	-	-	-	-	-	11,931	137,998	**149,929**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	480	176	480	176	**656**
Deposits from customers	**1,724,869**	**217,930**	**342,659**	**24,562**	**3,496**	**27,408**	**-**	**-**	**-**	**-**	**-**	**-**	**2,071,024**	**269,900**	**2,340,924**
fixed interest	528,076	150,293	342,659	24,562	3,496	27,408	-	-	-	-	-	-	874,231	202,263	**1,076,494**
variable interest	1,196,793	67,637	-	-	-	-	-	-	-	-	-	-	1,196,793	67,637	**1,264,430**
Liabilities from issued securities	**105**	**-**	**-**	**-**	**1,800**	**-**	**-**	**-**	**-**	**-**	**92**	**-**	**1,997**	**-**	**1,997**
fixed interest	-	-	-	-	1,800	-	-	-	-	-	-	-	1,800	-	**1,800**
variable interest	105	-	-	-	-	-	-	-	-	-	-	-	105	-	**105**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	92	-	92	-	**92**
Fair value of derivative financial instruments in other liabilities	**13,087**	**87,629**	**29,353**	**67,794**	**58,173**	**18,559**	**5,000**	**3,935**	**31,761**	**7,133**	**-**	**-**	**137,374**	**185,050**	**322,424**
fixed interest	1,587	79,662	3,353	17,430	28,412	18,559	5,000	3,935	31,761	7,133	-	-	70,113	126,719	**196,832**
variable interest	11,500	7,967	26,000	50,364	29,761	-	-		-	-	-	-	67,261	58,331	**125,592**
Subordinated bonds and loans	**-**	**-**	**-**	**-**	**5,000**	**9,324**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**9,324**	**14,324**
variable interest	-	-	-	-	5,000	9,324	-	-	-	-	-	-	5,000	9,324	**14,324**
NET POSITION	**(716,658)**	**(326,698)**	**172,466**	**302,341**	**93,520**	**(10,197)**	**62,040**	**3,492**	**517,070**	**154**	**65,228**	**4,888**	**193,666**	**(26,020)**	**167,646**

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**
NET POSITION	**(858,338)**	**34,127**	**252,641**	**(88,275)**	**136,193**	**6,182**	**14,789**	**6,522**	**472,944**	**5,968**	**65,945**	**2,959**	**84,174**	**(32,517)**	**51,657**

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.

	2004	2003
Income after income taxes (in HUF mn)	127,196	70,141
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	270,339,171	268,322,068
Basic Earnings per share (in HUF)	471	261
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	271,479,651	269,377,589
Diluted Earnings per share (in HUF)	469	260

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 year ended December 31, 2004	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves December 31, 2004
Hungarian financial statements	**233,776**	**104,818**	**(41,206)**	**(410)**	**296,978**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	17,056	4,514	-	-	21,570
Premium and discount amortization on investment securities	(348)	(361)	-	-	(709)
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	82	-	-	799
Difference in accounting for finance leases	(465)	129	-	-	(336)
Fair value adjustment of held for trading and available-for-sale financial assets	(4,973)	14,609	-	-	9,636
Fair value adjustment of derivative financial instruments	2,189	(1,738)	-	-	451
Gain on sale of Treasury Shares	-	(1,960)	-	1,960	-
Reversal of statutory goodwill and negative goodwill	685	7,663	-	-	8,348
Revaluation of investments denominated in foreign currency to historical cost	(2,124)	2,163	-	-	39
Difference in accounting of repo transactions	48	(69)	-	-	(21)
Reclassification of direct charges	-	(410)	-	410	-
Deferred taxation	559	(2,320)	-	-	(1,761)
Dividend for the year 2003	16,800	-	(16,800)	-	-
Dividend payable for the year 2004 proposed at the Annual General Meeting	-	-	41,206	-	41,206
International financial statements	**262,504**	**127,196**	**(16,800)**	**1,960**	**374,860**

NOTE 32: IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

During 2004 there have been many changes relating to future IFRS. The revised standards should be applied for annual periods beginning after January 1, 2005.
The effect of changes to IAS 39 and the introduction of IFRS 2 will effect the unconsolidated financial statements of the Bank from January 1, 2005.

32.1. IAS 39 Financial Instruments: Recognition and Measurement

The revised IAS 39 standard, which is effective after January 1, 2005 will change the category held for trading instruments by introducing a new category „a financial asset at fair value through profit or loss". In this category could be classified the previous held for trading assets and other instruments upon initial recognition it is designated by the entity as at fair value through profit or loss.

Previously changes in the fair value of available-for-sale assets could be recognised in the profit/loss or directly in the equity. Effective from January 1, 2005 unrealised gains and losses on available-for-sale financial instruments shall be recognised directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported in the profit and loss for the applicable period.

A summary of the effects of the introduction of IAS 39 Revised, as if it had been introduced on January 1, 2004 is as follows:

In HUF million

	2004	**Restated 2004 due to IAS 39 Revised**
Fair value adjustment of available-for-sale securities recognized in profit and loss	14,632	1,170
Deferred tax effect	(2,341)	(187)
Contribution to net income	12,291	983
Net income after income taxes	**127,196**	**115,888**
Fair value adjustment of available-for-sale securities recognized directly through equity	-	13,462
Deferred tax effect	-	(2,154)
Effect to equity	-	11,308
Total Shareholders' equity	**389,052**	**389,052**

NOTE 32: IMPLEMENTATION OF NEW ACCOUNTING STANDARDS [continued]

32.2. IFRS 2 Share based payments

For equity settled share based compensation, under IFRS 2 the Bank is required to measure the fair value of services received, based on the fair value of the equity instrument granted, and to recognise such expense in the unconsolidated financial statements. IFRS 2 will be adopted from January 1, 2005 retrospectively, in respect of options which have a grant date later than November 7, 2002.

The Annual General Meeting of the year of 2000 approved a five year share option and bonus program for the years 2000 to 2004 which are granted on an annual basis. For the options after the year 2003 and 2004, which are under the scope of IFRS 2, the grant date is December 31, 2002.

If IFRS 2 had been applied in 2004, the net income for the year would have been lower by HUF 2,348 million. As an opening adjustment at January 1, 2005, HUF 4,433 million will be reclassified within retained earnings and reserves.

NOTE 33: POST BALANCE SHEET EVENTS

On November 24, 2004 the Bank made a binding bid for purchasing the shares of Nova Banka d. d. (Nova Banka), registered in Croatia. The purchase agreement was signed on December 7, 2004 with a price of EUR 236 million. After obtaining necessary approvals, the transaction was closed on March 10, 2005.

The Bank issued EUR 125 million floating subordinated notes due March 2015 on March 4, 2005.

The 2004 financial statements do not include any adjustments for these matters in accordance with IFRS.