



**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

*UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE YEAR
ENDED DECEMBER 31, 2004*

Budapest, February 14, 2005

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

	2004	2003
Cash, due from banks and balances with the National Bank of Hungary	399,126	252,975
Placements with other banks, net of allowance for possible placement losses	200,101	165,209
Securities held for trading and available-for-sale	342,888	312,395
Loans, net of allowance for possible loan losses	1,276,516	1,070,425
Accrued interest receivable	41,180	31,792
Equity investments	154,298	138,808
Securities held-to-maturity	507,503	625,309
Premises, equipment and intangible assets, net	96,538	86,400
Other assets	<u>36,098</u>	<u>48,315</u>
TOTAL ASSETS	<u>3,054,248</u>	<u>2,731,628</u>
Due to banks and deposits from the National Bank of Hungary and other banks	203,777	91,081
Deposits from customers	2,340,924	2,264,528
Liabilities from issued securities	1,997	2,039
Accrued interest payable	9,414	7,895
Other liabilities	94,454	74,496
Subordinated bonds and loans	<u>14,324</u>	<u>15,413</u>
TOTAL LIABILITIES	<u>2,664,890</u>	<u>2,455,452</u>
Share capital	28,000	28,000
Retained earnings and reserves	375,166	262,504
Treasury shares	<u>(13,808)</u>	<u>(14,328)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>389,358</u>	<u>276,176</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,054,248</u>	<u>2,731,628</u>

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

	2004	2003
<i>Interest Income</i>	<u>290,935</u>	<u>204,245</u>
<i>Interest Expense</i>	<u>139,852</u>	<u>92,736</u>
NET INTEREST INCOME	151,083	111,509
Provision for possible loan and placement losses	<u>8,628</u>	<u>7,053</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	142,455	104,456
<i>Non-Interest Income</i>	<u>139,882</u>	<u>103,766</u>
<i>Non-Interest Expenses</i>	<u>134,081</u>	<u>123,694</u>
INCOME BEFORE INCOME TAXES	148,256	84,528
Income taxes	<u>20,754</u>	<u>14,387</u>
NET INCOME AFTER INCOME TAXES	<u>127,502</u>	<u>70,141</u>
Earnings per share (in HUF)		
Basic	<u>472</u>	<u>261</u>
Diluted	<u>470</u>	<u>260</u>

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

	2004	2003
OPERATING ACTIVITIES		
Income before income taxes	148,256	84,528
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities</i>		
Income tax paid	(19,508)	(15,817)
Depreciation and amortization	13,401	12,745
Provision	7,951	10,442
Unrealised losses on fair value adjustment of securities held-for-trading and available-for-sale	14,609	8,454
Unrealised gains on fair value adjustment of derivative financial instruments	635	2,889
Other changes in operating assets and liabilities	<u>(22,839)</u>	<u>2,790</u>
Net cash provided by operating activities	<u>188,183</u>	<u>106,031</u>
Net cash used in investing activities	<u>(215,650)</u>	<u>(467,473)</u>
Net cash provided by financing activities	<u>177,434</u>	<u>249,528</u>
Net increase/(decrease) in cash and cash equivalents	<u>(149,967)</u>	<u>(111,914)</u>
Cash and cash equivalents at the beginning of the period	<u>143,443</u>	<u>255,357</u>
Cash and cash equivalents at the end of the period	<u>293,410</u>	<u>143,443</u>
<i>Analysis of cash and cash equivalents</i>		
Cash, due from banks and balances with the National Bank of Hungary	252,975	348,424
Compulsory reverse established by National Bank of Hungary	<u>(109,532)</u>	<u>(93,067)</u>
Cash and cash equivalents opening balance	<u>143,443</u>	<u>255,357</u>
Cash, due from banks and balances with the National Bank of Hungary	399,126	252,975
Compulsory reverse established by National Bank of Hungary	<u>(105,716)</u>	<u>(109,532)</u>
Cash and cash equivalents closing balance	<u>293,410</u>	<u>143,443</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE YEAR ENDED DECEMBER 31, 2004 (UNAUDITED) AND
FOR THE YEAR ENDED DECEMBER 31, 2003 (AUDITED)
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2003	28,000	192,358	(16,883)	203,475
Net income after income taxes	-	70,141	-	70,141
Profit on sale of treasury shares	-	5	-	5
Change in carrying value of treasury shares	<u>-</u>	<u>-</u>	<u>2,555</u>	<u>2,555</u>
Balance as at December 31, 2003	<u>28,000</u>	<u>262,504</u>	<u>(14,328)</u>	<u>276,176</u>
Net income after income taxes	-	127,502	-	127,502
Dividend payable for the year 2003 decided at the Annual General Meeting	-	(16,800)	-	(16,800)
Profit on sale of treasury shares	-	1,960	-	1,960
Change in carrying value of treasury shares	<u>-</u>	<u>-</u>	<u>520</u>	<u>520</u>
Balance as at December 31, 2004	<u>28,000</u>	<u>375,166</u>	<u>(13,808)</u>	<u>389,358</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

These financial statements were prepared in accordance with the prescriptions of IFRS 34.

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 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).

Preparing these financial statements the Bank followed the same accounting policies and methods as are applied in the annual financial statements of the year ended December 31, 2003 and were prepared in accordance with International Financial Reporting Standards.

NOTE 2: SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FIRST THREE QUARTERS OF THE YEAR

On November 24, 2004 the Bank made a compulsory bid for purchasing the shares of the Nova Banka d. d. (Nova Banka) registered in Croatia. The selling contract was signed by the agents of the contractants on December 7, 2004. After obtaining the permission the deal could be closed by the end of January, 2005.

NOTE 3: DIVIDENDS PAID

Dividends paid on common shares in the years of 2004 and 2003:

	2004	2003
Dividends paid on common shares	<u>16,823</u>	<u>9</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 4: 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	<u>171</u>	<u>257</u>
	<u>18,758</u>	<u>49,953</u>
Securities available-for-sale		
Government bonds	60,252	56,336
Hungarian Government discounted Treasury bills	-	20,293
Other securities	28,473	28,884
Mortgage bonds	<u>235,405</u>	<u>156,929</u>
	<u>324,130</u>	<u>262,442</u>
Total	<u>342,888</u>	<u>312,395</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 5: LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES
(in HUF mn)**

	2004	2003
Short-term loans and trade bills (within one year)	439,499	406,091
Long-term loans and trade bills (over one year)	<u>856,827</u>	<u>682,970</u>
	<u>1,296,326</u>	<u>1,089,061</u>
Allowance for possible loan losses	<u>(19,810)</u>	<u>(18,636)</u>
	<u>1,276,516</u>	<u>1,070,425</u>

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

	2004		2003	
Commercial loans	806,079	62%	678,986	62%
Municipality loans	116,176	9%	91,529	8%
Housing loans	172,729	13%	182,640	17%
Consumer loans	<u>201,342</u>	<u>16%</u>	<u>135,906</u>	<u>13%</u>
	<u>1,296,326</u>	<u>100%</u>	<u>1,089,061</u>	<u>100%</u>

An analysis of 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	<u>(7,635)</u>	<u>(6,816)</u>
Closing balance	<u>19,810</u>	<u>18,636</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 6: EQUITY INVESTMENTS (in HUF mn)

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

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	<u>(253)</u>	<u>(111)</u>
Closing balance	<u>5,417</u>	<u>5,670</u>

NOTE 7: 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	<u>700</u>	<u>1,300</u>
	<u>507,503</u>	<u>625,309</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 8: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2004	2003
Within one year:		
In HUF	2,038,993	1,947,081
In foreign currency	<u>269,900</u>	<u>279,332</u>
	<u>2,308,893</u>	<u>2,226,413</u>
Over one year:		
In HUF	<u>32,031</u>	<u>38,115</u>
	<u>32,031</u>	<u>38,115</u>
Total	<u>2,340,924</u>	<u>2,264,528</u>

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	<u>1,738,572</u>	<u>74%</u>	<u>1,659,923</u>	<u>73%</u>
	<u>2,340,924</u>	<u>100%</u>	<u>2,264,528</u>	<u>100%</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 9: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

(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	2,115	2,469
Other	<u>38,885</u>	<u>24,502</u>
	<u>582,962</u>	<u>485,245</u>

(b) Derivatives

	2004	2003
Foreign currency contracts		
Assets	32,604	55,164
Liabilities	<u>35,320</u>	<u>56,691</u>
Net	<u>(2,716)</u>	<u>(1,527)</u>
Net fair value	<u>(3,627)</u>	<u>(235)</u>
Foreign exchange swaps and interest rate swaps		
Assets	235,080	230,852
Liabilities	<u>218,528</u>	<u>216,839</u>
Net	<u>16,552</u>	<u>14,013</u>
Net fair value	<u>19,998</u>	<u>14,711</u>
Option contracts		
Assets	2,205	20,029
Liabilities	<u>-</u>	<u>18,184</u>
Net	<u>2,205</u>	<u>1,845</u>
Net fair value	<u>2,205</u>	<u>1,755</u>
Other Options		
Assets	6,834	5,373
Liabilities	<u>-</u>	<u>-</u>
Net	<u>6,834</u>	<u>5,373</u>
Net fair value	<u>6,834</u>	<u>5,373</u>

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.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 10: NET INTEREST INCOME (in HUF mn)

Interest income		
Loans	136,968	75,257
Placements with other banks	40,634	14,958
Due from banks and balances with National Bank of Hungary	30,872	12,915
Securities held for trading and available-for-sale	29,258	14,734
Debt securities held-to-maturity	<u>53,203</u>	<u>30,172</u>
<i>Total Interest Income</i>	<u>290,935</u>	<u>148,036</u>
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	16,699	14,408
Deposits from customers	119,116	52,790
Liabilities from issued securities	167	126
Subordinated bonds and loans	<u>870</u>	<u>588</u>
<i>Total Interest Expense</i>	<u>139,852</u>	<u>67,912</u>
NET INTEREST INCOME	<u>114,557</u>	<u>80,124</u>

NOTE 11: RELATED PARTY TRANSACTIONS

The Bank enters into transactions for services with a number of subsidiaries. Such transactions are conducted at rates which approximate market conditions.

The Bank sells non-performing loans to a work-out subsidiary. Such loans are transferred at amounts which approximate the net carrying value of such loans.

The Bank sold mortgage bonds with recourse to OTP Mortgage Bank Company Ltd. for the amount of HUF 213,954 million and 448,034 million during the years ended December 31, 2004 and 2003 (including interest). The gross book value of these receivables was HUF 213,517 million and 447,288 million.

During the year ended December 31, 2004 the Bank received HUF 37,386 million commission from OTP Mortgage Bank Company Ltd. For the year ended December 31, 2003 such commissions were HUF 25,072 million. Such commissions are related to loans originally provided by the Bank and subsequently sold to OTP Mortgage Bank Company Ltd.