NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

April 2005

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONTENTS

Deloitte.

Deloitte
Auditing and Consulting Ltd.
Nádor u. 21.
H-1051 Budapest,
Hungary
P.O.Box 503
H-1397 Budapest
Hungary

Tel: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.com/Hungary

INDEPENDENT AUDITORS' OPINION

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

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

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2004 and 2003, and the consolidated 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 25, 2005

Deloitte

Deloitte

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED 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	465,887	276,501
Placements with other banks, net of allowance for possible placement losses	4	286,200	252,335
Securities held for trading and available-for-sale	5	363,093	377,016
Loans, net of allowance for possible loan losses	6	2,506,795	1,982,587
Accrued interest receivable		31,400	32,432
Equity investments	7	9,389	5,878
Securities held-to-maturity	8	247,259	299,772
Premises, equipment and intangible assets, net	9	174,775	167,337
Other assets	10	77,561	66,981
TOTAL ASSETS		**4,162,359**	**3,460,839**
Due to banks and deposits from the National Bank of Hungary and other banks	11	254,125	126,402
Deposits from customers	12	2,902,190	2,689,833
Liabilities from issued securities	13	317,222	124,887
Accrued interest payable		27,015	16,395
Other liabilities	14	213,798	175,677
Subordinated bonds and loans	15	14,324	15,413
TOTAL LIABILITIES		**3,728,674**	**3,148,607**
Share capital	16	28,000	28,000
Retained earnings and reserves	17	431,127	309,220
Treasury shares	18	(25,867)	(25,420)
TOTAL SHAREHOLDERS' EQUITY		**433,260**	**311,800**
MINORITY INTEREST	19	**425**	**432**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,162,359**	**3,460,839**

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

	Note	*2004*	*2003*
Interest Income:			
Loans		241,233	159,054
Placements with other banks		42,431	20,820
Due from banks and balances with the National Bank of Hungary		33,818	18,499
Securities held for trading and available-for-sale		89,201	56,874
Securities held-to-maturity		26,995	28,155
Total Interest Income		433,678	283,402
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks		20,640	18,096
Deposits from customers		131,824	81,418
Liabilities from issued securities		19,382	7,044
Subordinated bonds and loans		943	748
Total Interest Expense		172,789	107,306
NET INTEREST INCOME		**260,889**	**176,096**
Provision for possible loan and placement losses	4, 6	16,048	10,817
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		**244,841**	**165,279**
Non-Interest Income:			
Fees and commissions		91,625	81,644
Foreign exchange gains and losses, net		1,250	5,167
Gains and losses on securities, net		14,770	(7,591)
Gains on real estate transactions, net		1,416	1,473
Dividend income and gains and losses of associated companies		593	437
Insurance premiums		49,337	56,269
Other		11,082	12,249
Total Non-Interest Income		170,073	149,648
Non-Interest Expenses:			
Fees and commissions		20,588	19,944
Personnel expenses		77,190	61,303
Depreciation and amortization	9	29,150	19,793
Insurance expenses		40,264	41,825
Other	20	81,046	69,401
Total Non-Interest Expense		248,238	212,266
INCOME BEFORE INCOME TAXES		**166,676**	**102,661**
Income taxes	21	(25,844)	(19,324)
NET INCOME AFTER INCOME TAXES		**140,832**	**83,337**
Minority interest		(12)	(1)
NET INCOME		**140,820**	**83,336**
Consolidated earnings per share (in HUF)			
basic	33	**537**	**320**
diluted	33	**534**	**319**

The accompanying notes to consolidated financial statements on pages 7 to 45 form an integral part of these consolidated financial statements.

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

	Notes	*2004*	*2003*
OPERATING ACTIVITIES			
Income before income taxes		**166,676**	**102,661**
Adjustments to reconcile Net Income before income taxes to net cash provided by operating activities			
Income tax paid		(26,871)	(20,276)
Depreciation and amortization	9	29,150	19,793
Provision for possible loan and placement losses	4, 6	16,048	10,817
Provision for permanent diminution in value of equity investments	7	426	34
(Release of provision)/provision for possible losses on other assets	10	(569)	1,507
(Release of provision)/provision for possible losses on off-balance sheet commitments and contingent liabilities, net	14	(924)	997
Net income from accounting for associates under the equity method of accounting		--	(268)
Net increase in insurance reserves		14,390	15,657
Unrealised (gains)/losses on fair value adjustment of securities held for trading and available-for-sale		(20,847)	6,263
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments		(631)	2,860
Changes in operating assets and liabilities			
Net decrease/(increase) in accrued interest receivable		1,257	(3,481)
Net (increase)/decrease in other assets, excluding advances for investments and before allowance for possible losses		(6,915)	12,444
Net increase in accrued interest payable		10,244	1,385
Net increase in other liabilities		22,744	9,436
Net Cash Provided by Operating Activities		**204,178**	**159,829**
INVESTING ACTIVITIES			
Net (increase)/decrease in placements with other banks, before provision for possible placement losses		(19,638)	100,523
Net decrease/(increase) in securities held for trading and available-for-sale, before unrealised gains or losses		34,984	(111,346)
Net (increase)/decrease in equity investments, before provision for permanent diminution in value		(3,902)	554
Purchase of investment in subsidiary, net		(9,441)	(67,908)
Net decrease in debt securities held-to-maturity		52,888	70,183
Net decrease/(increase) in advances for investments, included in other assets		56	(74)
Net increase in loans, before provision for possible loan losses		(522,581)	(564,303)
Net additions to premises, equipment and intangible assets		(29,957)	(36,289)
Net Cash Used in Investing Activities		**(497,591)**	**(608,660)**

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

[continued]

	Notes	*2004*	*2003*
FINANCING ACTIVITIES			
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		122,254	47,259
Net increase in deposits from customers		187,356	277,847
Net increase in liabilities from issued securities		192,335	40,025
Decrease in subordinated bonds and loans		(1,089)	(98)
(Decrease)/increase of minority interest		(7)	15
Foreign currency translation (losses)/gains		(2,740)	2,467
Net change in treasury shares		1,513	2,385
Net decrease /(increase) in compulsory reserves at National Bank of Hungary	3	1,627	(16,627)
Dividends paid		(16,823)	(8)
Net Cash Provided by Financing Activities		**484,426**	**353,265**
Net Increase/(Decrease) in Cash and Cash Equivalents		**191,013**	**(95,566)**
Cash and cash equivalents as at January 1		164,660	260,226
Cash and Cash Equivalents as at end of period		**355,673**	**164,660**

Analysis of cash and cash equivalents opening and closing balance

Cash, due from banks and balances with the National Bank of Hungary	3	276,501	355,440
Compulsory reserve established by the National Bank of Hungary	3	(111,841)	(95,214)
Cash and cash equivalents as at January 1		**164,660**	**260,226**
Cash, due from banks and balances with the National Bank of Hungary	3	465,887	276,501
Compulsory reserve established by the National Bank of Hungary	3	(110,214)	(111,841)
Cash and cash equivalents as at end of period		**355,673**	**164,660**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED 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 Shares	Total
Balance as at January 1, 2003	**28,000**	**223,412**	**(27,800)**	**223,612**
Net income after income taxes	--	83,336	--	83,336
Gain on sale of treasury shares	--	5	--	5
Change in carrying value of treasury shares	--	--	2,380	2,380
Foreign currency translation gain	--	2,467	--	2,467
Balance as at December 31, 2003	**28,000**	**309,220**	**(25,420)**	**311,800**
Net income after income taxes	--	140,820	--	140,820
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	--	--	(447)	(447)
Derivative financial instruments designated as cash-flow hedge	--	(1,333)	--	(1,333)
Foreign currency translation loss	--	(2,740)	--	(2,740)
Balance as at December 31, 2004	**28,000**	**431,127**	**(25,867)**	**433,260**

The accompanying notes to consolidated financial statements on pages 7 to 45 form an integral part of these consolidated financial statements.

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED 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, 20% of the shares were transferred by the Hungarian Government to the Hungarian Social Security Funds. Subsequent to the successful privatization of the Bank by a 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 has 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 wide network of 786 branches. 377 branches are in Hungary, 327 branches are in Bulgaria, 68 branches are in Slovakia and 14 branches are in Romania.

As at December 31, 2004 the number of employees at the Bank and its subsidiary companies (together the "Group") was 16,974. The average number of employees for the year ended December 31, 2004 was 17,184.

1.2. Accounting

The Group maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the local commercial, banking and fiscal regulations.

The Group'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 consolidated statutory accounts, in order to present the consolidated 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 consolidated financial statements are summarized below:

2.1. Basis of Presentation

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

2.2. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rate quoted by OTP Bank as of the date of the consolidated 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 Consolidated Statement of Operations.

Net differences resulting from translating foreign currency financial statements of consolidated subsidiaries are presented as an element of retained earnings and reserves in the Consolidated Balance Sheet.

Effective for acquisitions after March 31, 2004 goodwill arising on acquisition is expressed in the functional currency of the foreign operation and translated at the closing rate in the consolidated balance sheet. The resulting exchange difference is presented as an element of retained earnings and reserves in the Consolidated Balance Sheet.

2.3. Principles of consolidation

Included in these consolidated financial statements are the accounts of those subsidiaries in which the Bank holds a controlling interest. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 27. However, certain subsidiaries in which the Bank holds a controlling interest have not been consolidated in accordance with IFRS because it is either intended that the shares shall be disposed of in the near future or the effect of consolidating such companies is immaterial to the consolidated financial statements as a whole (see Note 2.9.).

2.4. Accounting for acquisitions

Upon acquisition, subsidiaries are accounted for under the fair value method of accounting. Any goodwill or negative goodwill arising on acquisition is recognized in the consolidated balance sheet and accounted for as indicated below.

Acquisition before March 31, 2004
Goodwill, which represents the residual cost of the acquisition after recognizing the acquirer's interest in the fair value of the identifiable assets and liabilities acquired, is held as an intangible asset and recorded as Depreciation and amortization in the Consolidated Statement of Operations, in anticipation of future economic benefits, on a straight-line basis over a period of five years. The value of any goodwill held in the Consolidated Balance Sheet is reassessed on an annual basis, determined on the basis of specific identification of the investment. If it is no longer probable that the goodwill will be recovered from future economic benefits, it is recognized immediately as an expense.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions [continued]

The excess, as at the date of the exchange transaction, of the Bank's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, is recognised as negative goodwill among intangible assets.

The extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Bank's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised as Other income in the Consolidated Statement of Operations when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition, negative goodwill is recognised as other income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets.

Acquisition after March 31, 2004
The Bank has applied IFRS 3 Business Combinations since March 31, 2004 for acquisitions after that date. Goodwill, which represents the residual cost of the acquisition after recognizing the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements.

Goodwill acquired in a business combination is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Negative goodwill, when the acquirer's interest in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Operations as a gain.

2.5. Securities held-to-maturity

Investments in securities are accounted on a settlement (value) date basis and are initially measured at cost. At subsequent reporting dates, securities that the Group 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 Group is able and has the ability and intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

Securities held-for-trading and 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 of future cash flows and the fair value of unquoted equity instruments is estimated using applicable price/earnings or price/cash flow 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.

2.7. 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 placements losses, respectively. Interest is accrued and credited to income based on the principal amount outstanding. When a borrower is unable to meet payments as they become due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they become due, all unpaid interests are reversed. Loan origination fees and costs are recognized in the Consolidated 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.

2.8. 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 over the life of the repurchase agreement.

2.9. Equity investments

Companies where the Bank has a significant interest are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because the effect of using the equity method to account for such companies is immaterial to the consolidated financial statements as a whole. Shares which are intended to be disposed of are included among securities available-for-sale.
Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a controlling or significant interest are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.
Gains and losses on the sale of equity investments are determined on the basis of the specific identification of the cost of each investment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. 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	1-15%
Machinery and equipment	7-50%
Vehicles	10-50%
Leased assets	14.5-33.3%
Goodwill and negative goodwill	20%
Software	16-50%
Property rights	14.5-33%

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 Group 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 Group 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.

2.11. Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the lease. Finance lease income in allocated to accounting periods so as to reflect a constant rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

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 Consolidated 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 Consolidated 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Properties held for resale

Properties held for resale are accounted for at historical cost less allowance for permanent diminution in value and are included in other assets in the Consolidated Balance Sheet. Properties held for resale include property held for sale in the normal course of business as a result of construction or development, real estate held due to work out of loans and property acquired exclusively with a view to subsequent disposal in the near future.

2.13. Insurance reserves

Insurance reserves are accrued for liabilities from life and non-life insurance contracts and are included in other liabilities. The level of such reserves reflects the amount of future liabilities expected as at the date of the consolidated financial statements. The provision for outstanding claims and claim settlement expenses for non-life policies are based upon estimates of the expected losses for all classes of business. The reserve includes reported claims, claims incurred but not reported and claim adjustment expenses. This provision takes into account mortality factors within Hungary and other countries where insurance operations are conducted and is based upon mortality tables approved by regulatory authorities.

2.14. Treasury shares

Treasury shares are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Balance Sheet at acquisiton cost as a deduction from consolidated shareholders' equity.

Gains and losses on the sale of treasury shares are credited or charged directly to consolidated retained earnings and reserves.

2.15. Income taxes

The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, 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 apply to the future period when the asset is expected to be realised or the liability is settled.

2.16. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Group 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 Group 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.

2.17. Derivative financial instruments

In the normal course of business, the Group 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 swaps. These financial instruments are used by the Group to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.17. Derivative financial instruments [continued]

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 Consolidated 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 Consolidated 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 Consolidated Statement of Operations.

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 consolidated shareholders' equity. Amounts deferred in equity are transferred to the Consolidated 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 Consolidated Statement of Operations.

Certain derivative transactions, while providing effective economic hedges under the Group'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 Consolidated Statement of Operations.

2.18. Consolidated Statement of Cash Flow

For the purposes of reporting consolidated 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. Consolidated cash flows from hedging activities are classified in the same category as the item being hedged.

2.19. Segment reporting

Segment information is based on two segments formats. The primary format represents the Group's geographical markets. The secondary format represents two business segments – banking and insurance.

Segment results include revenue and expenses directly attributable to a segment and the revelant portion of revenue and expenses that can be allocated to a segment, whether from external transactions or from transactions with other segments of the Group. Unallocated items mainly comprise administrative expenses. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment on a resonable basis. Segment assets are determined after deducting related adjustments that are reported as direct offsets in the Group's balance sheet.

2.20. Comparative figures

Certain amounts in the 2004 consolidated financial statements have been reclassified to conform to 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	53,364	55,073
In foreign currency	19,298	21,730
	72,662	76,803
Due from banks and balances with the National Bank of Hungary:		
Within one year:		
In HUF	390,267	195,402
In foreign currency	2,958	4,296
	393,225	199,698
Total	465,887	276,501

Based on the requirements for compulsory reserve set by the National Bank of Hungary, the balance of compulsory reserves maintained by the Group amounted to HUF 110,214 million and HUF 111,841 million as at December 31, 2004 and 2003, respectively.

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

	2004	*2003*
Within one year:		
In HUF	126,866	99,079
In foreign currency	149,206	143,127
	276,072	242,206
Over one year:		
In HUF	--	3,000
In foreign currency	10,129	7,311
	10,129	10,311
	286,201	252,517
Allowance for possible placement losses	(1)	(182)
Total	286,200	252,335

Placements of OTP Banka Slovensko, a.s. with the National Bank of Slovakia amounted to HUF 24,362 million and HUF 21,940 million as at December 31, 2004 and 2003, respectively.

Placements of DSK Bank EAD with the National Bank of Bulgaria amounted to HUF 30,358 million and HUF 15,226 million as at December 31, 2004 and 2003, respectively.

Placements of RoBank S.A. with the National Bank of Romania amounted to HUF 16,700 million as at December 31, 2004.

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

Placements with other banks in foreign currency as at December 31, 2004 and 2003 bear interest rates in the range from 0.4% to 7.0% and from 0.3% to 5.1%, respectively.

Placements with other banks in HUF as at December 31, 2004 and 2003 bear interest rates in the range from 8.5% 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
(Release of provision)/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*
Held for trading securities:		
Discounted Treasury bills	40,225	60,178
Hungarian Government interest bearing Treasury bills	2,756	473
Government bonds	22,478	105,804
Mortgage bonds	680	1,476
Other securities	1,119	5,539
	67,258	173,470
Available-for-sale securities:		
Government bonds	204,436	142,952
Discounted Treasury bills	49,949	21,993
Mortgage bonds	1,493	1,443
Other securities	39,957	37,158
	295,835	203,546
Total	363,093	377,016

Approximately 78% and 76% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at December 31, 2004 and 2003, respectively.

Approximately 25% and 26% of the government bonds were denominated in foreign currency as at December 31, 2004 and 2003, respectively. Approximately 8.1%, 29.6%, 30.9%, and 31.4% of this portfolio was denominated in USD, EUR, SKK and BGN as at December 31, 2004, respectively, and 9.3%, 2.3%, 0.4%, 31.6%, 27.1% and 29.3% of this portfolio was denominated in USD, JPY, GBP, EUR, SKK and BGN as at December 31, 2003, respectively.

Interest rates on securities held for trading are ranged from 1.4% to 13.4% and from 1.2% 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 financial assets can be analyzed as follows:

	2004	*2003*
Within five years		
with variable interest	62,034	64,609
with fixed interest	235,753	223,443
	297,787	288,052
Over five years		
with variable interest	7,460	8,184
with fixed interest	38,531	60,033
	45,991	68,217
Non-interest bearing securities	19,315	20,747
Total	363,093	377,016

NOTE 6: LOANS, NET OF ALLOWANCE FOR POSSIBLE LOAN LOSSES (in HUF mn)

	2004	*2003*
Loans and trade bills within one year	689,286	519,671
Loans and trade bills over one year	1,896,824	1,527,072
	2,586,110	2,046,743
Allowance for possible loan losses	(79,315)	(64,156)
Total	2,506,795	1,982,587

Foreign currency loans represent approximately 33.8% and 24.6% of the total loan portfolio, before allowance for possible losses, as December 31, 2004 and 2003, respectively.

Loans denominated in HUF, with maturity within one year as at December 31, 2004 and 2003, bear interest rates in the range from 6% to 32%.

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

Approximately 3.9% and 3% 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 allowance for possible loan losses, is as follows:

	2004		*2003*	
Commercial loans	920,606	36%	764,864	37%
Municipality loans	118,115	5%	92,774	5%
Housing loans	1,015,491	39%	826,808	40%
Consumer loans	531,898	20%	362,297	18%
Total	2,586,110	100%	2,046,743	100%

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

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

	2004	2003
Balance as at January 1	64,156	56,235
Provision for possible loan losses	16,229	9,648
Write-offs	(835)	(1,670)
Foreign currency translation loss	(235)	(57)
Balance as at December 31	79,315	64,156

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	2004	2003
Equity investments:		
Unconsolidated subsidiaries	8,389	3,673
Associated companies	141	2,065
Other	2,837	1,692
	11,367	7,430
Allowance for permanent diminution in value	(1,978)	(1,552)
Total	9,389	5,878
Total assets of unconsolidated subsidiaries	34,145	13,626

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

	2004	2003
Balance as at January 1	1,552	1,537
Provision for permanent diminution in value	426	34
Foreign currency translation gain	--	(19)
Balance as at December 31	1,978	1,552

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

	2004	2003
Government securities	226,355	293,388
Hungarian Government discounted Treasury Bills	6,125	987
Mortgage bonds	9,526	--
Other debt securities	5,283	5,427
	247,289	299,802
Allowance for permanent diminution in value	(30)	(30)
Total	247,259	299,772

NOTE 8: SECURITIES HELD-TO-MATURITY (in HUF mn) [continued]

Interest conditions and the remaining maturities of investments in debt securities can be analysed as follows:

	2004	*2003*
Within five years		
with variable interest	68,536	93,081
with fixed interest	106,492	125,151
	175,028	218,232
Over five years		
with variable interest	42,870	46,222
with fixed interest	29,391	35,348
	72,261	81,570
Total	247,289	299,802

Approximately 88.4% and 93.5% of the debt securities portfolio was denominated in HUF as at December 31, 2004 and 2003, respectively. In most cases, interests on variable rate bonds are based on the interest rates of 90-day Hungarian Government Treasury bills and are adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF are 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 247,477 million and HUF 302,738 million as at December 31, 2004 and 2003, respectively.

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

	2004	*2003*
Balance as at January 1	30	26
Foreign currency translation loss	--	4
Balance as at December 31	30	30

NOTE 9: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS, NET (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	68,374	89,997	90,695	6,516	255,582
Acquisition of subsidiary	430	903	339	33	1,705
Additions	17,421	5,508	22,637	40,505	86,071
Foreign currency translation differences	(93)	(882)	(198)	(46)	(1,219)
Disposals	(3,804)	(900)	(29,503)	(34,781)	(68,988)
Balance as at December 31, 2004	82,328	94,626	83,970	12,227	273,151
Depreciation and Amortization					
Balance as at January 1, 2004	18,524	13,392	56,329	--	88,245
Charge	13,602	2,482	13,019	--	29,103
Foreign currency translation differences	(36)	(31)	(91)	--	(158)
Disposals	(1,709)	(170)	(16,935)	--	(18,814)
Balance as at December 31, 2004	30,381	15,673	52,322	--	98,376
Net book value					
Balance as at January 1, 2004	49,850	76,605	34,366	6,516	167,337
Balance as at December 31, 2004	51,947	78,953	31,648	12,227	174,775

An analysis of the changes in the goodwill and negative goodwill for the year ended December 31, 2004 is as follows:

Cost	Goodwill	Negative goodwill
Balance as at January 1, 2004	39,288	4,216
Additions	4,928	--
Foreign currency translation differences	(39)	--
Disposals	--	(12)
Balance as at December 31, 2004	44,177	4,204
Amortization		
Balance as at January 1, 2004	2,964	1,040
Charge	7,668	130
Balance as at December 31, 2004	10,632	1,170
Net book value		
Balance as at January 1, 2004	36,324	3,176
Balance as at December 31, 2004	33,545	3,034

.

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

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	29,554	59,357	79,403	8,527	176,841
Acquisition of subsidiary	1,183	15,931	3,192	804	21,110
Additions	47,502	13,487	15,512	31,204	107,705
Foreign currency translation differences	118	1,513	927	23	2,581
Disposals	(9,983)	(291)	(8,339)	(34,042)	(52,655)
Balance as at December 31, 2003	68,374	89,997	90,695	6,516	255,582
Depreciation and Amortization					
Balance as at January 1, 2003	20,191	11,451	51,631	--	83,273
Charge	7,405	1,634	10,754	--	19,793
Foreign currency translation differences	104	579	826	--	1,509
Disposals	(9,176)	(272)	(6,882)	--	(16,330)
Balance as at December 31, 2003	18,524	13,392	56,329	--	88,245
Net book value					
Balance as at January 1, 2003	9,363	47,906	27,772	8,527	93,568
Balance as at December 31, 2003	49,850	76,605	34,366	6,516	167,337

An analysis of the changes in the goodwill and negative goodwill for the year ended December 31, 2003 is as follows:

Cost	Goodwill	Negative goodwill
Balance as at January 1, 2003	1,062	4,216
Additions	38,226	--
Balance as at December 31, 2003	39,288	4,216
Amortization		
Balance as at January 1, 2003	1,009	892
Charge	1,955	148
Balance as at December 31, 2003	2,964	1,040
Net book value		
Balance as at January 1, 2003	53	3,324
Balance as at December 31, 2003	36,324	3,176

NOTE 10: OTHER ASSETS (in HUF mn)

	2004	*2003*
Property held for sale	13,289	10,641
Due from Hungarian Government for interest subsidies	19,964	1,885
Trade receivables	3,734	3,240
Advances for securities and investments	497	553
Taxes recoverable	1,438	2,400
Inventories	1,899	1,587
Other advances	3,250	2,563
Receivables from leasing activities	13,391	21,023
Receivables due from insurance bond holders	1,667	2,136
Receivables due from pension funds and fund management	1,283	1,195
Prepayments and accrued income	6,793	7,307
Receivables from investing services	203	1,139
Fair value of derivative financial instruments	4,134	1,993
Other	9,391	13,258
	80,933	70,920
Allowance for possible losses on other assets	(3,372)	(3,939)
Total	77,561	66,981

Allowance for possible losses on other assets mainly consists of allowances for property held for sale, trade receivables, receivables from leasing activities and reinsurance 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	3,939	2,471
(Release of provision)/provision for possible losses on other assets	(569)	1,507
Foreign currency translation loss/(gain)	2	(39)
Balance as at December 31	3,372	3,939

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	18,366	2,417
In foreign currency	119,574	55,357
	137,940	57,774
Over one year:		
In HUF	8,609	4,291
In foreign currency	107,576	64,337
	116,185	68,628
Total	254,125	126,402

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

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 17.4% and from 0.2% to 6%, 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 from 0.5% to 6% and from 0.5% to 8%, respectively.

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2004	*2003*
Within one year:		
In HUF	2,071,188	1,961,435
In foreign currency	769,103	661,761
	2,840,291	2,623,196
Over one year:		
In HUF	60,654	66,049
In foreign currency	1,245	588
	61,899	66,637
Total	2,902,190	2,689,833

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 3% to 6.5% and from 3% to 8.8%, respectively.

Deposits from customers payable in foreign currency within one year as at December 31, 2004 and 2003, bear interest rates in the range from 0.1% to 21% and from 0% to 5.3%, respectively.

Deposits from customers payable in foreign currency over one year as at December 31, 2004 and 2003, bear interest rates in the range from 2% to 19% and from 0% to 6%, respectively.

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

	2004		*2003*	
Commercial deposits	549,830	19%	501,371	19%
Municipality deposits	196,515	7%	188,487	7%
Consumer deposits	2,155,845	74%	1,999,975	74%
Total	2,902,190	100%	2,689,833	100%

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

	2004	2003
With original maturity:		
Within one year	66,949	23,161
Over one year	250,273	101,726
Total	317,222	124,887

78.1% and 95.7% of issued securities are denominated in HUF as at December 31, 2004 and 2003, and bear interest at rates in the range from 1.2% to 12% and from 2% to 9.3%, respectively.

NOTE 14: OTHER LIABILITIES (in HUF mn)

	2004	2003
Deferred tax liabilities	2,175	2,579
Taxes payable	7,224	3,231
Giro clearing accounts	10,250	13,191
Accounts payable	14,199	11,723
Insurance reserves	98,591	84,201
Salaries and social security payable	12,140	8,082
Liability from security trading	17,041	15,876
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	7,378	8,357
Dividends payable	566	588
Advances received from customers	2,400	3,863
Accrued expenses	14,565	11,366
Loan for collection	2,005	2,202
Suspense accounts	829	2,083
Fair value of derivative financial instruments	3,187	90
Liabilities from trading activities (repurchase agreement)	12,523	--
Other	8,725	8,245
Total	213,798	175,677

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

	2004	2003
Allowance for litigation	1,430	1,509
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	4,460	4,463
Other allowances (for expected liabilities)	1,126	2,046
Allowance for housing warranties	362	339
Total	7,378	8,357

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 and other Group companies.

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 for pre 1991 construction was reversed by December 31, 2004 in line with the expenses related to housing warranties.
The remaining allowance for housing warranties relates to warranties from OTP Building Society Ltd.

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

	2004	*2003*
Balance as at January 1	8,357	7,511
Allowance for possible off-balance sheet commitments and contingent liabilities	(924)	997
Release of allowance for housing warranties	(76)	(151)
Additions through business combinations	21	--
Balance as at December 31	7,378	8,357

Movements in insurance reserves can be summarized as follows:

	2004	*2003*
Balance as at January 1	84,201	68,544
Net increase in insurance reserves	14,390	15,657
Balance as at December 31	98,591	84,201

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	309,220	223,412
Net income after income taxes	140,820	83,336
Gain on sale of treasury shares	1,960	5
Foreign currency translation (loss)/gain	(2,740)	2,467
Derivative financial instruments designated as cash-flow hedge	(1,333)	--
Dividends for the year 2003	(16,800)	--
Balance as at December 31	431,127	309,220

The Bank's unconsolidated 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.

The Annual General Meeting on April 29, 2004 decided that the Bank would pay HUF 16,800 million dividend for the year ended December 31, 2003.

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 (Common Shares)	1,801	2,115
Carrying value at acquisition cost	25,867	25,420

NOTE 19: MINORITY INTEREST (in HUF mn)

	2004	2003
Balance as at January 1	432	405
Minority interest purchased	(18)	(23)
Foreign currency translation gain	(1)	49
Minority interest included in net income	12	1
Balance as at December 31	425	432

NOTE 20: OTHER EXPENSES (in HUF mn)

	2004	2003
Provision for permanent diminution in value of equity investments	426	34
(Release of provision)/provision for other assets	(569)	1,507
(Release of provision)/provision for off-balance sheet commitments and contingent liabilities	(924)	997
Administration expenses, including rent	25,996	23,290
Advertising	5,975	5,071
Taxes, other than income taxes	15,667	13,774
Services	22,029	19,211
Professional fees	4,003	2,884
Other	8,443	2,633
Total	81,046	69,401

NOTE 21: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates of 16%, 19.5%, 19%, 25% and 30% of taxable income. The 16% rate relates to the Bank and its subsidiaries incorporated in Hungary. The 19.5% rate relates to the Bank's subsidiaries incorporated in Bulgaria. The 19% rate relates to the Bank's subsidiaries incorporated in Slovakia. The 25% rate relates to the Bank's subsidiaries incorporated in Romania and the 30% rate relates to the Bank's United Kingdom subsidiary.

Deferred tax is calculated at the income tax rate of 16% in Hungary and Romania and 15% in Bulgaria.

A reconciliation of the income tax charges is as follows:

	2004	2003
Current tax	25,774	20,164
Deferred tax	70	(840)
Total	25,844	19,324

A reconciliation of the deferred tax liability is as follows:

	2004	2003
Balance as at January 1	(2,579)	(699)
Effect of purchase of subsidiary undertakings	97	(2,720)
Foreign currency translation gain	123	--
Deferred tax (charge)/income	(70)	840
Recognised in retained earnings and reserves	254	--
Balance as at December 31	(2,175)	(2,579)

NOTE 21: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the deferred tax asset and liability is as follows:

	2004	*2003*
Premium and discount amortization on investment securities	115	57
Provision for possible losses on off-balance sheet commitments and contingent liabilities, on derivative financial instruments	5	17
Difference in accounting for finance leases	20	39
Fair value adjustment of held for trading and available-for-sale financial	--	775
Fair value adjustment of derivative financial instruments	217	--
Reclassification of direct charges	4	--
Other	142	116
Deferred tax asset	503	1,004
Fair value adjustment of held for trading and available-for-sale financial	(558)	--
Fair value adjustment of derivative financial instruments	--	(315)
Reclassification of direct charges	--	(7)
Fixed assets	(1,842)	(2,660)
Temporary differences arising on consolidation	(278)	(601)
Deferred tax liability	(2,678)	(3,583)
Deferred tax liability, net	(2,175)	(2,579)

NOTE 22: 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 Group. The most significant risks the Group faces include:

Credit risk

The Group 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 Group 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.

NOTE 22: FINANCIAL INSTRUMENTS [continued]

Market risk

The Group 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 Group 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 of the Group sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

Foreign currency risk

See Note 30.

Liquidity risk

See Note 31.

Interest rate risk

See Note 32.

NOTE 23: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group 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

	2004	*2003*
Commitments to extend credit	464,843	414,543
Guarantees arising from banking activities	98,514	65,727
Confirmed letters of credit	3,094	983
Legal disputes	2,567	2,893
Others	113	2,263
Total	569,131	486,409

NOTE 23: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(a) Contingent liabilities [continued]

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 Group 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 Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group 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 Group 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 Group 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 Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

NOTE 23: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

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

	2004	*2003*
Foreign currency contracts		
Assets	35,946	57,763
Liabilities	(38,672)	(59,244)
Net	(2,726)	(1,481)
Net fair value	(3,636)	(189)
Foreign exchange swaps and interest rate swaps		
Assets	305,950	231,222
Liabilities	(309,839)	(217,210)
Net	(3,889)	14,012
Net fair value	18,413	14,713
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	(704)	(772)
Net	6,130	4,601
Net fair value	6,130	4,601
Forward rate agreements		
Assets	--	--
Liabilities	--	(1)
Net	--	(1)
Net fair value	--	(1)

The Group 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 one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (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 Group in most of the cases requires margin deposits.

As at December 31, 2004, the Group has derivative instruments with positive fair values of HUF 4,134 million and negative fair values of HUF 3,187 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 1,993 million and HUF 90 million.

NOTE 23: 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 Group for risk management and trading purposes. The Group'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 Group 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 Group'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 Group 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 counterparties. The Group'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 24: RELATED PARTY TRANSACTIONS

The members of the Board of Directors and the Supervisory Board had credit lines of HUF 194 million and HUF 139 million as at December 31, 2004 and 2003. Such credit is made available at normal market conditions.

In the normal course of business, the Bank gives loans and provides services to other related parties at normal market conditions. The amount of these loans was HUF 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.

The amount of loans extended to unconsolidated subsidiaries is HUF 24,251 million as at December 31, 2004.

NOTE 25: CASH AND CASH EQUIVALENTS (in HUF mn)

	2004	2003
Cash, due from banks and balances with the National Bank of Hungary	465,887	276,501
Compulsory reserve established by the National Bank of Hungary	(110,214)	(111,841)
	355,673	164,660

NOTE 26: CASH-FLOW STATEMENT (in HUF mn)

a. Purchase and consolidation of subsidiary undertakings

On October 1, 2003 the Bank completed the acquisition of 100% of the shares of DSK Bank EAD, a leading universal bank in Bulgaria. The purchase price of DSK Bank EAD of EUR 311 million was provided in cash.

On July 30, 2004 the Bank completed the acquisition of 100% of the shares of RoBank S.A., a Romanian bank. The purchase price of RoBank S.A. of USD 47.5 million was provided in cash.

The fair value of the assets and liabilities acquired, and related goodwill is as follows:

	2004	2003
Cash, due from banks, and balances with the National Bank	(326)	(11,405)
Placements with other banks, net of allowance for possible placement losses	(14,046)	(56,985)
Securities held for trading and available-for-sale	(214)	(51,842)
Loans, net of allowance for possible loan losses	(17,856)	(148,372)
Accrued interest receivable	(225)	(2,756)
Equity investment	(35)	(734)
Debt securities held-to-maturity	(375)	(17,039)
Premises, equipment and intangible assets	(1,705)	(19,047)
Other assets	(1,011)	(1,026)
Due to banks and deposits from the National Bank and other banks	5,469	83
Deposits from customers	25,001	260,817
Accrued interest payable	376	2,383
Other liabilities	106	4,824
Minority interest	--	12
	(4,841)	(41,087)
Goodwill	(4,926)	(38,226)
Cash consideration	(9,767)	(79,313)

b. Analysis of net outflow of cash in respect of purchase of subsidiaries

	2004	2003
Cash consideration	(9,767)	(79,313)
Cash acquired	326	11,405
Net cash outflow	(9,441)	(67,908)

NOTE 27: MAJOR SUBSIDIARIES

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

Name	Ownership (Direct and Indirect)		Activity
	2004	*2003*	
OTP Garancia Insurance Ltd.	100.00%	100.00%	insurance
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
OTP Real Estate Management Ltd.	100.00%	100.00%	real estate management
HIF Ltd. (United Kingdom)	100.00%	100.00%	forfeiting
Merkantil Bank Ltd.	100.00%	100.00%	financing car purchases
Merkantil Car Ltd.	100.00%	100.00%	financing car purchases, leasing
OTP Building Society Ltd.	100.00%	100.00%	financing flat purchase and reconstruction
Bank Center No. 1. LLC	100.00%	100.00%	letting real estates
OTP Factoring Ltd.	100.00%	100.00%	work-out
Inga Companies	100.00%	100.00%	property management
OTP Fund Management Ltd.	100.00%	100.00%	fund management
OTP Mortgage Bank Company Ltd.	100.00%	100.00%	mortgage lending
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Banka Slovensko, a. s. (Slovakia)	97.23%	97.10%	commercial banking services
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
RoBank S.A. (Romania)	100.00%	--	commercial banking services

NOTE 28: 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 Consolidated 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 29: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 22.5% and 21.8% of the Group's total assets consist of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at December 31, 2004 and 2003, respectively.

NOTE 30: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at December 31, 2004

	USD	EUR	Others	Total
Assets	121,154	421,323	623,386	1,165,863
Liabilities	(115,360)	(417,814)	(567,746)	(1,100,920)
Off-balance sheet assets and liabilities, net	(16,449)	286	(30,990)	(47,153)
Net position	**(10,655)**	**3,795**	**24,650**	**17,790**

As at December 31, 2003

	USD	EUR	Others	Total
Assets	110,933	300,078	411,599	822,610
Liabilities	(125,574)	(287,008)	(394,605)	(807,187)
Off-balance sheet assets and liabilities, net	18,097	(93,515)	(121,109)	(196,527)
Net position	**3,456**	**(80,445)**	**(104,115)**	**(181,104)**

The table above provides an analysis of the Group's main currency exposures. The remaining currencies are shown within 'Others'. Whilst the Group 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 measurment of the Group's open foreign currency position involves monitoring the 'value at risk' limit on the foreign exchange exposure of the Group.

NOTE 31: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group 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.

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	465,887	--	--	--	465,887
Placements with other banks, net of allowance for possible placement losses	258,986	17,147	9,755	312	286,200
Securities held for trading and available-for-sale	58,143	72,175	168,416	64,359	363,093
Loans, net of allowance for possible loan losses	221,991	406,757	1,022,698	855,349	2,506,795
Accrued interest receivable	27,677	2,738	622	363	31,400
Equity investments	--	--	--	9,389	9,389
Debt securities held-to-maturity	1,577	63,378	113,186	69,118	247,259
Premises, equipment and intangible assets, net	(2,719)	1,056	45,670	130,768	174,775
Other assets	44,825	17,706	14,311	719	77,561
TOTAL ASSETS	**1,076,367**	**580,957**	**1,374,658**	**1,130,377**	**4,162,359**
Due to banks and deposits from the National Bank of Hungary and other banks	76,319	61,340	98,175	18,291	254,125
Deposits from customers	2,619,350	220,945	55,693	6,202	2,902,190
Liabilities from issued securities	24,780	42,159	42,222	208,061	317,222
Accrued interest payable	15,451	8,574	2,891	99	27,015
Other liabilities	104,237	10,131	30,624	68,806	213,798
Subordinated bonds and loans	--	--	9,324	5,000	14,324
TOTAL LIABILITIES	**2,840,137**	**343,149**	**238,929**	**306,459**	**3,728,674**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	431,127	431,127
Treasury shares	(327)	(14,659)	(1,300)	(9,581)	(25,867)
TOTAL SHAREHOLDERS' EQUITY	**(327)**	**(14,659)**	**(1,300)**	**449,546**	**433,260**
MINORITY INTEREST	**--**	**--**	**--**	**425**	**425**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,839,810**	**328,490**	**237,629**	**756,430**	**4,162,359**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,763,443)**	**252,467**	**1,137,029**	**373,947**	**--**

NOTE 31: 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	276,501	--	--	--	276,501
Placements with other banks, net of allowance for possible placement losses	234,145	7,879	9,874	437	252,335
Securities held for trading and available-for-sale	63,994	70,756	176,078	66,188	377,016
Loans, net of allowance for possible loan losses	93,074	363,600	780,960	744,953	1,982,587
Accrued interest receivable	22,761	4,813	1,563	3,295	32,432
Equity investments	--	--	--	5,878	5,878
Debt securities held-to-maturity	24,821	44,069	149,314	81,568	299,772
Premises, equipment and intangible assets, net	2,135	6,892	53,320	104,990	167,337
Other assets	25,438	20,435	19,392	1,716	66,981
TOTAL ASSETS	**742,869**	**518,444**	**1,190,501**	**1,009,025**	**3,460,839**
Due to banks and deposits from the National Bank of Hungary and other banks	26,909	30,533	66,217	2,743	126,402
Deposits from customers	2,239,798	383,401	63,017	3,617	2,689,833
Liabilities from issued securities	6,505	16,655	32,845	68,882	124,887
Accrued interest payable	9,352	4,613	2,382	48	16,395
Other liabilities	75,902	13,548	24,100	62,127	175,677
Subordinated bonds and loans	--	--	10,413	5,000	15,413
TOTAL LIABILITIES	**2,358,466**	**448,750**	**198,974**	**142,417**	**3,148,607**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	309,220	309,220
Treasury shares	--	(25,420)	--	--	(25,420)
TOTAL SHAREHOLDERS' EQUITY	**--**	**(25,420)**	**--**	**337,220**	**311,800**
MINORITY INTEREST	**--**	**--**	**--**	**432**	**432**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,358,466**	**423,330**	**198,974**	**480,069**	**3,460,839**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,615,597)**	**95,114**	**991,527**	**528,956**	**--**

NOTE 32: 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 Group '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 Group 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 Group. 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 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2004

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, due from banks and balances with the National Bank of Hungary	**390,087**	**1,021**	**353**	--	--	--	--	--	--	--	**53,191**	**21,235**	**443,631**	**22,256**	**465,887**
fixed rate	*383,007*	*944*	--	--	--	--	--	--	--	--	--	--	*383,007*	*944*	*383,951*
variable rate	*7,080*	*77*	*353*	--	--	--	--	--	--	--	--	--	*7,433*	*77*	*7,510*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*53,191*	*21,235*	*53,191*	*21,235*	*74,426*
Placements with other banks, net of allowance for possible placement losses	**121,879**	**101,553**	**800**	**16,873**	**200**	**10,035**	--	**7**	**24**	--	**3,962**	**30,867**	**126,865**	**159,335**	**286,200**
fixed rate	*119,108*	*97,140*	*500*	*5,066*	*200*	*4,802*	--	*7*	*24*	--	--	--	*119,832*	*107,015*	*226,847*
variable rate	*2,771*	*4,413*	*300*	*11,807*	--	*5,233*	--	--	--	--	--	--	*3,071*	*21,453*	*24,524*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*3,962*	*30,867*	*3,962*	*30,867*	*34,829*
Securities held for trading and available-for-sale	**30,390**	**17,365**	**64,142**	**11,473**	**68,195**	**5,162**	**28,037**	**3,870**	**76,127**	**39,017**	**18,076**	**1,239**	**284,967**	**78,126**	**363,093**
fixed rate	*7,471*	--	*47,742*	*1,772*	*67,790*	*2,458*	*28,037*	*3,870*	*76,127*	*39,017*	--	--	*227,167*	*47,117*	*274,284*
variable rate	*22,919*	*17,365*	*16,400*	*9,701*	*405*	*2,704*	--	--	--	--	--	--	*39,724*	*29,770*	*69,494*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*18,076*	*1,239*	*18,076*	*1,239*	*19,315*
Loans	**552,944**	**495,624**	**394,328**	**305,704**	**32,782**	**37,767**	**33,079**	**7,686**	**628,101**	**12,382**	**1,640**	**4,758**	**1,642,874**	**863,921**	**2,506,795**
fixed rate	*7,653*	*8,972*	*17,508*	*6,356*	*4,713*	*13,455*	*4,962*	*4,069*	*12,165*	*10,286*	--	--	*47,001*	*43,138*	*90,139*
variable rate	*545,291*	*486,652*	*376,820*	*299,348*	*28,069*	*24,312*	*28,117*	*3,617*	*615,936*	*2,096*	--	--	*1,594,233*	*816,025*	*2,410,258*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*1,640*	*4,758*	*1,640*	*4,758*	*6,398*
Debt securities held-to-maturity	**24,187**	**811**	**75,795**	**190**	**53,130**	**1,832**	**26,167**	**3,718**	**39,490**	**21,939**	--	--	**218,769**	**28,490**	**247,259**
fixed rate	*499*	*53*	--	*190*	*42,340*	*1,519*	*26,167*	*3,718*	*39,490*	*21,907*	--	--	*108,496*	*27,387*	*135,883*
variable rate	*23,688*	*758*	*75,795*	--	*10,790*	*313*	--	--	--	*32*	--	--	*110,273*	*1,103*	*111,376*
Fair value of derivative financial instruments in other asse	**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 rate	*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 rate	*20,300*	--	*70,176*	--	*38,761*	*984*	--	--	--	--	--	--	*129,237*	*984*	*130,221*

NOTE 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2004

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Due to banks and deposits from the National Bank of Hungary and other banks	**16,356**	**151,394**	**3,460**	**62,873**	**6,679**	**6,944**	--	**3,351**	--	**2,024**	**480**	**564**	**26,975**	**227,150**	**254,125**
fixed rate	*14,486*	*51,530*	--	*9,198*	*72*	*3,339*	--	*337*	--	*2,024*	--	--	*14,558*	*66,428*	*80,986*
variable rate	*1,870*	*99,864*	*3,460*	*53,675*	*6,607*	*3,605*	--	*3,014*	--	--	--	--	*11,937*	*160,158*	*172,095*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*480*	*564*	*480*	*564*	*1,044*
Deposits from customers	**1,735,862**	**680,874**	**345,501**	**41,204**	**12,552**	**42,108**	**11,533**	**518**	**26,098**	**126**	**296**	**5,518**	**2,131,842**	**770,348**	**2,902,190**
fixed rate	*538,670*	*213,563*	*345,501*	*41,204*	*12,552*	*42,108*	*11,533*	*518*	*26,098*	*126*	--	--	*934,354*	*297,519*	*1,231,873*
variable rate	*1,197,192*	*467,311*	--	--	--	--	--	--	--	--	--	--	*1,197,192*	*467,311*	*1,664,503*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*296*	*5,518*	*296*	*5,518*	*5,814*
Liabilities from issued securities	**13,030**	**1,205**	**42,435**	**127**	**38,295**	**210**	--	**52**	**153,987**	**67,708**	**95**	**78**	**247,842**	**69,380**	**317,222**
fixed rate	*263*	*1,205*	*20,627*	*127*	*38,193*	*210*	--	*52*	*153,987*	*67,708*	--	--	*213,070*	*69,302*	*282,372*
variable rate	*12,767*	--	*21,808*	--	*102*	--	--	--	--	--	--	--	*34,677*	--	*34,677*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*95*	*78*	*95*	*78*	*173*
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**	--	**1**	**137,374**	**185,051**	**322,425**
fixed rate	*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 rate	*11,500*	*7,967*	*26,000*	*50,364*	*29,761*	--	--	--	--	--	--	--	*67,261*	*58,331*	*125,592*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	*1*	--	*1*	*1*
Subordinated bonds and loans	--	--	--	--	**5,000**	**9,324**	--	--	--	--	--	--	**5,000**	**9,324**	**14,324**
variable rate	--	--	--	--	*5,000*	*9,324*	--	--	--	--	--	--	*5,000*	*9,324*	*14,324*
Net position	**(584,819)**	**(277,765)**	**185,100**	**179,717**	**86,681**	**(2,656)**	**94,750**	**11,360**	**561,157**	**2,446**	**75,998**	**51,938**	**418,867**	**(34,960)**	**383,907**

NOTE 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2003

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, due from banks and balances with the National Bank of Hungary	**195,058**	**3,979**	**481**	--	--	--	--	--	--	--	**55,004**	**21,979**	**250,543**	**25,958**	**276,501**
fixed rate	*195,004*	*3,875*	--	--	--	--	--	--	--	--	--	--	*195,004*	*3,875*	*198,879*
variable rate	*54*	*104*	*481*	--	--	--	--	--	--	--	--	--	*535*	*104*	*639*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*55,004*	*21,979*	*55,004*	*21,979*	*76,983*
Placements with other banks, net of allowance for possible placement losses	**92,972**	**121,031**	**2,500**	**8,130**	**2,500**	**4,913**	--	--	**24**	--	**3,901**	**16,364**	**101,897**	**150,438**	**252,335**
fixed rate	*89,972*	*116,862*	*2,500*	*3,325*	*2,500*	--	--	--	*24*	--	--	--	*94,996*	*120,187*	*215,183*
variable rate	*3,000*	*4,169*	--	*4,805*	--	*4,913*	--	--	--	--	--	--	*3,000*	*13,887*	*16,887*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*3,901*	*16,364*	*3,901*	*16,364*	*20,265*
Securities held for trading and available-for-sale	**25,933**	**5,130**	**48,751**	**14,540**	**61,112**	**17,045**	**40,292**	**6,588**	**93,575**	**44,030**	**17,689**	**2,331**	**287,352**	**89,664**	**377,016**
fixed rate	*3,218*	*1,370*	*31,498*	*2,577*	*60,098*	*2,688*	*40,292*	*6,588*	*93,575*	*44,030*	--	--	*228,681*	*57,253*	*285,934*
variable rate	*22,715*	*3,760*	*17,253*	*11,963*	*1,014*	*14,357*	--	--	--	--	--	--	*40,982*	*30,080*	*71,062*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*17,689*	*2,331*	*17,689*	*2,331*	*20,020*
Loans	**741,583**	**374,414**	**154,269**	**142,550**	**34,258**	**31,417**	**25,970**	**3,752**	**462,898**	**8,252**	**2,229**	**995**	**1,421,207**	**561,380**	**1,982,587**
fixed rate	*14,022*	*2,119*	*3,813*	*907*	*5,029*	*6,083*	*5,482*	*1,700*	*44,835*	*4,545*	--	--	*73,181*	*15,354*	*88,535*
variable rate	*727,561*	*372,295*	*150,456*	*141,643*	*29,229*	*25,334*	*20,488*	*2,052*	*418,063*	*3,707*	--	--	*1,345,797*	*545,031*	*1,890,828*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*2,229*	*995*	*2,229*	*995*	*3,224*
Debt securities held-to-maturity	**22,697**	**2,272**	**103,867**	--	**51,083**	**662**	**36,672**	**2,065**	**65,640**	**14,348**	--	**466**	**279,959**	**19,813**	**299,772**
fixed rate	--	--	*766*	--	*39,798*	*571*	*36,672*	*2,065*	*65,640*	*14,348*	--	--	*142,876*	*16,984*	*159,860*
variable rate	*22,697*	*2,272*	*103,101*	--	*11,285*	*91*	--	--	--	--	--	--	*137,083*	*2,363*	*139,446*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	*466*	--	*466*	*466*
Fair value of derivative financial instruments in other asse	**43,526**	**50,501**	**112,327**	**16,869**	**45,652**	**25,189**	**10,805**	**7,567**	**43,314**	**3,893**	--	**3**	**255,624**	**104,022**	**359,646**
fixed rate	*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 rate	*19,957*	--	*65,602*	*1,751*	*40,364*	--	--	--	--	--	--	--	*125,923*	*1,751*	*127,674*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	*3*	--	*3*	*3*

NOTE 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2003

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Due to banks and deposits from the National Bank of Hungary and other banks	**8,815**	**59,451**	--	**28,190**	--	**16,739**	**6**	**7,435**	**1,198**	**2,363**	**665**	**1,540**	**10,684**	**115,718**	**126,402**
fixed rate	*2,807*	*20,232*	--	*8,421*	--	*9,298*	*6*	*6,129*	*1,198*	*281*	--	--	*4,011*	*44,361*	*48,372*
variable rate	*6,008*	*39,219*	--	*19,769*	--	*7,441*	--	*1,306*	--	*2,082*	--	--	*6,008*	*69,817*	*75,825*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*665*	*1,540*	*665*	*1,540*	*2,205*
Deposits from customers	**1,769,174**	**399,843**	**217,867**	**217,323**	**14,613**	**39,239**	**9,075**	**1,543**	**16,753**	**13**	**3**	**4,387**	**2,027,485**	**662,348**	**2,689,833**
fixed rate	*364,763*	*127,753*	*217,867*	*217,323*	*14,613*	*39,239*	*9,075*	*1,543*	*16,753*	*13*	--	--	*623,071*	*385,871*	*1,008,942*
variable rate	*1,404,411*	*272,090*	--	--	--	--	--	--	--	--	--	--	*1,404,411*	*272,090*	*1,676,501*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*3*	*4,387*	*3*	*4,387*	*4,390*
Liabilities from issued securities	**16,879**	**249**	**25,562**	**1,018**	**10,467**	**828**	**1,801**	**97**	**64,698**	**3,187**	**101**	--	**119,508**	**5,379**	**124,887**
fixed rate	*609*	*249*	*761*	*1,018*	*10,467*	*828*	*1,801*	*97*	*64,698*	*3,187*	--	--	*78,336*	*5,379*	*83,715*
variable rate	*16,270*	--	*24,801*	--	--	--	--	--	--	--	--	--	*41,071*	--	*41,071*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*101*	--	*101*	--	*101*
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 rate	*8,054*	*67,063*	*5,102*	*59,384*	*24,026*	*6,696*	*41,579*	--	*42,766*	--	--	--	*121,527*	*133,143*	*254,670*
variable rate	*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 rate	--	--	--	--	*5,000*	*10,413*	--	--	--	--	--	--	*5,000*	*10,413*	*15,413*
Net position	**(687,400)**	**12,208**	**155,256**	**(154,870)**	**108,143**	**5,311**	**61,278**	**10,897**	**540,036**	**64,960**	**78,054**	**36,211**	**255,367**	**(25,283)**	**230,084**

NOTE 33: EARNINGS PER SHARE

Consolidated Earnings per share attributable to the Group's common shares are determined based on dividing consolidated income after income taxes for the year attributable to common shareholders, by the weighted average number of common shares outstanding during the period.

	2004	*2003*
Consolidated net income after income taxes (in HUF mn)	140,832	83,337
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	262,425,151	260,408,048
Consolidated Basic Earnings per share (in HUF)	537	320
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	263,565,631	261,463,569
Consolidated Diluted Earnings per share (in HUF)	534	319

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 optional rights granted to Senior Management of OTP Bank.

NOTE 34: SEGMENT REPORTING (in HUF mn)

34.1. Primary reporting format by geographical segments

	Hungary	Other European Union	Other countries	Elimination	Consolidated
Interest income					
External	*389,637*	*10,569*	*33,472*	--	*433,678*
Inter-segment	*84*	*22*	*--*	*(106)*	*--*
Total	389,721	10,591	33,472	(106)	433,678
Interest income and non-interest income					
External	*543,280*	*13,524*	*46,947*	--	*603,751*
Inter-segment	*84*	*172*	*--*	*(256)*	*--*
Total	543,364	13,696	46,947	(256)	603,751
Segment income before income taxes	159,972	821	5,883	--	166,676
Income taxes	--	--	--	--	(25,844)
Net income after income taxes	--	--	--	--	140,832
Segment assets	3,470,454	224,153	488,310	(21,996)	4,160,921
Unallocated corporate assets	--	--	--	--	1,438
Consolidated total assets	--	--	--	--	4,162,359
Segment liabilities	3,140,493	210,182	390,596	(21,996)	3,719,275
Unallocated corporate liabilities	--	--	--	--	9,399
Consolidated total liabilities	--	--	--	--	3,728,674

NOTE 34: SEGMENT REPORTING (in HUF mn) [continued]

34.1. Primary reporting format by geographical segments [continued]

	Hungary	Other European Union	Other countries
Capital expenditure	41,322	1,573	3,453
Depreciation	16,971	775	11,404
Provision for possible loan and placement losses	11,020	(242)	5,270

34.2. Secondary segment information by business segments

	Banking segment	Insurance segment
External segment income	527,984	61,499
Segment income before income taxes	162,925	5,770
Segment assets	4,050,366	118,391
Capital expenditure	41,535	485

NOTE 35: 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, the introduction of IFRS 2 and the transitional provisions of IFRS 3 will effect the consolidated financial statements of the Bank from January 1, 2005.

35.1. IAS 39 Financial Instruments: Recognition and Measurement (in HUF mn)

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 Group 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:

	2004	**Restated 2004 due to IAS 39 Revised**
Fair value adjustment of available-for-sale securities recognized in profit and loss	8,507	--
Deferred tax effect	(1,337)	--
Contribution to net income	7,170	--
Net income after income taxes	**140,832**	**133,662**
Fair value adjustment of available-for-sale securities recognized in equity	--	8,507
Deferred tax effect	--	(1,337)
Contribution to shareholders' equity	--	7,170
Total shareholders' equity	**433,260**	**433,260**

NOTE 35: IMPLEMENTATION OF NEW ACCOUNTING STANDARDS [continued]

35.2. 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 consolidated 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.

35.3. IFRS 3 Business Combinations (in HUF mn)

The Group has applied IFRS 3 Business Combinations from March 31, 2004 for new acquisitions. Effective from January 1, 2005 the Group will for all the subsidiaries:

- discontinue amortising goodwill and the amount of goodwill net of accumulated amortization will become the carrying amount;
- test the goodwill for impairment in accordance with IAS 36 Impairment of Assets;
- negative goodwill shall be derecognised with a corresponding adjustment to the opening balance of retained earnings

The most significant item is the goodwill acquired through the acquisition of DSK Bank EAD, the related balances in HUF million as of December 31, 2004 are the following:

Cost	38,076	
Accumulated amortization		(9,535)
Net book value	28,541	
Amortization for the year 2004	7,615	

Negative goodwill was acquired through the acquisition of OTP Banka Slovensko, a.s. the related balances in HUF million as of December 31, 2004 are the following:

Cost	4,204	
Accumulated amortization		(1,170)
Net book value	3,034	
Amortization for the year 2004	130	

As of January 1, 2005 derecognition of negative goodwill will increase the opening balance of retained earnings and reserves by 3,034 million HUF.

NOTE 36: 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. As at December 31, 2004 the total assets of Nova Banka is 256,017 million HUF and the shareholder's equity is 23,701 million HUF.

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.