



**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

**UNCONSOLIDATED CONDENSED FINANCIAL STATEMENTS IN
ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005**

Budapest, August 12, 2005

CONTENTS

Unconsolidated Condensed Financial Statements of the National Savings and Commercial Bank Ltd. prepared in accordance with International Financial Reporting Standards

Unconsolidated Condensed Financial Statements

Unconsolidated Balance Sheets as at June 30, 2005 (unaudited) and as at December 31, 2004 (audited), and as at June 30, 2004 (unaudited) 2

Unconsolidated Condensed Statements of Operations for the six month periods ended June 30, 2005 and 2004 (unaudited) and for the year ended December 31, 2004 (audited) 3

Unconsolidated Condensed Statements of Cash Flows for the six month periods ended June 30, 2005 and 2004 (unaudited) and for the year ended December 31, 2004 (audited) 4

Unconsolidated Statements of Changes in Shareholders' Equity for the six month periods ended June 30, 2005 and 2004 (unaudited) 5

Selected Explanatory Notes 6-15

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2005 (UNAUDITED) AND
AS AT DECEMBER 31, 2004 (AUDITED) AND AS AT JUNE 30, 2004 (UNAUDITED)
(in HUF mn)

	Note	June 30, 2005	Restated December 31, 2004	Restated June 30, 2004
Cash, due from banks and balances with the National Bank of Hungary		414,492	399,401	287,275
Placements with other banks, net of allowance for possible placement losses		140,072	200,100	129,783
Financial assets at fair value through profit and loss	4	44,283	22,059	21,733
Securities available-for-sale	5	363,385	324,130	324,127
Loans, net of allowance for possible loan losses	6	1,368,110	1,276,241	1,139,104
Accrued interest receivable		35,305	41,180	37,862
Investments in subsidiaries	7	214,457	154,298	139,332
Securities held-to-maturity	8	481,033	507,503	534,761
Premises, equipment and intangible assets, net		98,728	96,538	88,024
Other assets		<u>43,254</u>	<u>33,025</u>	<u>33,732</u>
TOTAL ASSETS		<u>3,203,119</u>	<u>3,054,475</u>	<u>2,735,733</u>
Due to banks and deposits from the National Bank of Hungary and other banks		307,530	203,777	164,929
Deposits from customers	9	2,296,156	2,340,924	2,127,500
Liabilities from issued securities		1,988	1,997	2,013
Accrued interest payable		12,690	9,414	18,483
Other liabilities		112,600	94,987	84,266
Subordinated bonds and loans		<u>46,002</u>	<u>14,324</u>	<u>15,295</u>
TOTAL LIABILITIES		<u>2,776,966</u>	<u>2,665,423</u>	<u>2,412,486</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		417,535	374,860	308,589
Treasury shares		<u>(19,382)</u>	<u>(13,808)</u>	<u>(13,342)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>426,153</u>	<u>389,052</u>	<u>323,247</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,203,119</u>	<u>3,054,475</u>	<u>2,735,733</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS FOR THE SIX MONTH
PERIODS ENDED JUNE 30, 2005 AND 2004 (UNAUDITED) AND FOR THE YEAR ENDED
DECEMBER 31, 2004 (AUDITED)
(in HUF mn)

	Note	Six month period ended June 30, 2005	Restated six month period ended June 30, 2004	Restated year ended December 31, 2004
<i>Interest Income</i>	<i>11</i>	<u>142,416</u>	<u>144,305</u>	<u>290,935</u>
<i>Interest Expense</i>	<i>11</i>	<u>63,572</u>	<u>70,402</u>	<u>139,852</u>
NET INTEREST INCOME	11	78,844	73,903	151,083
Provision for possible loan and placement losses	6, 7	<u>6,416</u>	<u>3,895</u>	<u>8,628</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		72,428	70,008	142,455
<i>Non-Interest Income</i>		<u>76,332</u>	<u>63,623</u>	<u>126,345</u>
<i>Non-Interest Expenses</i>		<u>68,163</u>	<u>61,386</u>	<u>136,441</u>
INCOME BEFORE INCOME TAXES		80,597	72,245	132,359
Income taxes		<u>10,681</u>	<u>9,572</u>	<u>18,882</u>
NET INCOME AFTER INCOME TAXES		<u>69,916</u>	<u>62,673</u>	<u>113,477</u>
Earnings per share (in HUF)				
Basic		<u>259</u>	<u>234</u>	<u>420</u>
Diluted		<u>258</u>	<u>234</u>	<u>418</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS FOR THE
SIX MONTH PERIODS ENDED JUNE 30, 2005, AND 2004 (UNAUDITED) AND FOR
THE YEAR ENDED DECEMBER 31, 2004 (AUDITED)
(in HUF mn)

	Note	Six month period ended June 30, 2005	Restated six month period ended June 30, 2004	Restated year ended December 31, 2004
OPERATING ACTIVITIES				
Income before income taxes		80,597	72,245	132,359
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i>				
Income tax paid		(8,177)	(4,892)	(19,508)
Depreciation and amortization		6,984	6,483	13,401
Provision	6, 7	1,684	5,628	7,962
Share-based payment	1	2,853	1,174	2,348
Unrealised gains on fair value adjustment of securities held-for-trading		618	169	23
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments		1,284	(663)	(635)
Other changes in operating assets and liabilities		<u>5,396</u>	<u>21,454</u>	<u>(21,211)</u>
Net cash provided by operating activities		<u>91,239</u>	<u>101,598</u>	<u>157,161</u>
Net cash (used in)/provided by investing activities		<u>(121,884)</u>	<u>11,058</u>	<u>(184,353)</u>
Net cash provided by/(used in) financing activities		<u>36,521</u>	<u>(74,993)</u>	<u>177,434</u>
Net increase in cash and cash equivalents		<u>5,876</u>	<u>37,663</u>	<u>150,242</u>
Cash and cash equivalents at the beginning of the period		<u>293,685</u>	<u>143,443</u>	<u>143,443</u>
Cash and cash equivalents at the end of the period		<u>299,561</u>	<u>181,106</u>	<u>293,685</u>
<i>Analysis of cash and cash equivalents opening and closing balance</i>				
Cash, due from banks and balances with the National Bank of Hungary		399,401	252,975	252,975
Compulsory reverse established by National Bank of Hungary		<u>(105,716)</u>	<u>(109,532)</u>	<u>(109,532)</u>
Cash and Cash equivalents opening balance		<u>293,685</u>	<u>143,443</u>	<u>143,443</u>
Cash, due from banks and balances with the National Bank of Hungary		414,492	287,275	399,401
Compulsory reverse established by National Bank of Hungary		<u>(114,931)</u>	<u>(106,169)</u>	<u>(105,716)</u>
Cash and Cash equivalents closing balance		<u>299,561</u>	<u>181,106</u>	<u>293,685</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE SIX MONTH PERIODS ENDED
JUNE 30, 2005 AND 2004 (UNAUDITED)
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2004	28,000	262,504	(14,328)	276,176
Net income after income taxes	-	62,673	-	62,673
Fair value adjustment of securities available-for-sale recognised directly through equity	-	(1,706)	-	(1,706)
Share-based payment		1,174		1,174
Dividend for the year 2003	-	(16,800)	-	(16,800)
Loss on sale of treasury shares	-	744	-	744
Change in carrying value of treasury shares	-	-	986	986
Balance as at June 30, 2004	<u>28,000</u>	<u>308,589</u>	<u>(13,342)</u>	<u>323,247</u>
Balance as at January 1, 2005	28,000	374,860	(13,808)	389,052
Net income after income taxes	-	69,916	-	69,916
Fair value adjustment of securities available-for-sale recognised directly through equity	-	9,339	-	9,339
Share-based payment	-	2,853		2,853
Dividend for the year 2004	-	(41,206)	-	(41,206)
Profit on sale of treasury shares	-	1,773	-	1,773
Change in carrying value of treasury shares	-	-	(5,574)	(5,574)
Balance as at June 30, 2005	<u>28,000</u>	<u>417,535</u>	<u>(19,382)</u>	<u>426,153</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

These interim condensed financial statements had been prepared in accordance with the prescriptions of IAS 34.

1.2. Accounting

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

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

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

1.2.1. The effect of adopting revised International Financial Reporting Standards effective from January 1, 2005 on the 2004 financial statements

Effective from January 1, 2005 the Bank adopted the revised IAS 39 ("Financial Instruments: Recognition and Measurement"), and the IFRS 2 ("Share-based payment"). Revisions to a number of other IAS also took effect in the unconsolidated condensed financial statements of the Bank, but those revisions concerned matters of detailed application which have no significant effect on amounts reported.

IAS 39 Financial Instruments: Recognition and Measurement

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

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

1.2.1. The effect of adopting revised International Financial Reporting Standards effective from January 1, 2005 on the 2004 financial statements (continued)

Previously changes in fair value of available-for-sale assets could have been 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 must 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.

Due to the retrospective application of modified IAS 39, an opening adjustment of HUF 5,297 million has been presented in retained earnings and reserves as of January 1, 2004. Due to restatement of prior periods, income after income tax decreased by HUF 11,371 million and HUF 1,706 million for the year ended December 31, 2004, and the six month period ended June 30, 2004, respectively.

IFRS 2 Share based payments

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

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

Due to the retrospective application of IFRS 2, an opening adjustment of HUF 2,085 million is presented separately in the retained earnings and reserves as of January 1, 2004. Due to restatement of prior periods, the income after income tax was decreased by HUF 2,348 million and HUF 1,174 million for the year ended December 31, 2004, and for the six month period ended June 30, 2004, respectively

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

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

1.2.1. The effect of adopting revised International Financial Reporting Standards effective from January 1, 2005 on the 2004 financial statements (continued)

A summary of the effects of introduction of revised IAS 39 and IFRS 2 for the six month period ended June 30, 2004 is as follows:

	Original reported six month period ended June 30, 2004	Restated six month period ended June 30, 2004 due to IFRS Revised
Fair value adjustment of available-for-sale securities recognized in profit and loss	(1,334)	697
Deferred tax effect	<u>213</u>	<u>(112)</u>
Contribution to net income	<u>(1,121)</u>	<u>585</u>
Share based compensation	<u>-</u>	<u>(1,174)</u>
Net income after income taxes	<u>62,141</u>	<u>62,673</u>
Fair value adjustment of available-for-sale securities recognized directly through equity	-	(2,031)
Deferred tax effect	<u>-</u>	<u>325</u>
Effect to equity	<u>-</u>	<u>(1,706)</u>
Share based compensation directly through equity	<u>-</u>	<u>1,174</u>
Total Shareholders' equity	<u>323,247</u>	<u>323,247</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

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

1.2.1. The effect of adopting revised International Financial Reporting Standards effective from January 1, 2005 on the 2004 financial statements (continued)

A summary of the effects of introduction of revised IAS 39 and IFRS 2 for the year ended December 31, 2004 is as follows:

	Original reported year ended December 31, 2004	Restated 2004 due to IFRS Revised
Fair value adjustment of available-for-sale securities recognized in profit and loss	14,632	1,095
Deferred tax effect	<u>(2,341)</u>	<u>(175)</u>
Contribution to net income	<u>12,291</u>	<u>920</u>
Share based compensation	<u>-</u>	<u>(2,348)</u>
Net income after income taxes	<u>127,196</u>	<u>113,477</u>
Fair value adjustment of available-for-sale securities recognized directly through equity	-	13,537
Deferred tax effect	<u>-</u>	<u>(2,166)</u>
Effect to equity	<u>-</u>	<u>11,371</u>
Share based compensation directly through equity	<u>-</u>	<u>2,348</u>
Total Shareholders' equity	<u>389,052</u>	<u>389,052</u>

1.2.2. Share-based payment

The Annual General Meeting of the year of 2005 approved a five year share option program for the years 2005 to 2009 which are granted on an annual basis. For the options after the years 2005-2009, which are under the scope of IFRS 2, the grant date is April 29, 2005.

In connection with the share-based payment programs accepted by the Bank and applying IFRS 2, HUF 2,853 million has been recognised through profit and loss for the first half of the year 2005.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

NOTE 2: SIGNIFICANT EVENTS IN THE FIRST HALF OF 2005

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

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

The Bank issued EUR 500 million floating subordinated notes due July 2010 on July 1, 2005.

NOTE 3: DIVIDENDS PAID

Dividends paid on common shares in the first half of 2005 and 2004:

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Dividends paid on common shares	<u>41,117</u>	<u>16,762</u>

**NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND
LOSS (in HUF mn)**

	June 30, 2005	December 31, 2004
Securities held for trading		
Hungarian Government discounted Treasury bills	3,083	5,055
Hungarian Government interest bearing Treasury bills	2,198	2,756
Government bonds	25,021	8,538
Mortgage bonds	2,261	2,238
Other securities	<u>111</u>	<u>171</u>
	<u>32,674</u>	<u>18,758</u>
Derivative financial instruments	<u>11,609</u>	<u>3,301</u>
Total	<u>44,283</u>	<u>22,059</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

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

	June 30, 2005	December 31, 2004
Government bonds	67,533	60,252
Hungarian Government discounted Treasury bills	9,145	-
Mortgage bonds	250,648	235,405
Other securities	<u>36,059</u>	<u>28,473</u>
	<u>363,385</u>	<u>324,130</u>

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

	June 30, 2005	December 31, 2004
Short-term loans and trade bills (within one year)	488,049	491,209
Long-term loans and trade bills (over one year)	<u>898,375</u>	<u>804,842</u>
	<u>1,386,424</u>	<u>1,296,051</u>
Allowance for possible loan losses	<u>(18,314)</u>	<u>(19,810)</u>
	<u>1,368,110</u>	<u>1,276,241</u>

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

	June 30, 2005		December 31, 2004	
Commercial loans	851,779	61%	805,804	62%
Municipality loans	114,501	8%	116,175	9%
Housing loans	196,383	14%	169,415	13%
Consumer loans	201,140	15%	180,421	14%
Mortgage loans	<u>22,621</u>	<u>2%</u>	<u>24,236</u>	<u>2%</u>
	<u>1,386,424</u>	<u>100%</u>	<u>1,296,051</u>	<u>100%</u>

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

	June 30, 2005	December 31, 2004
Balance as at January 1	19,810	18,636
Provision for possible loan losses	6,417	8,809
Write-offs	<u>(7,913)</u>	<u>(7,635)</u>
Closing balance	<u>18,314</u>	<u>19,810</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	June 30, 2005	December 31, 2004
Equity investments:		
Controlling interest	216,771	158,521
Significant interest	75	75
Other	<u>1,119</u>	<u>1,119</u>
	<u>217,965</u>	<u>159,715</u>
Allowance for permanent diminution in value	<u>(3,508)</u>	<u>(5,417)</u>
	<u>214,457</u>	<u>154,298</u>

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

	June 30, 2005	December 31, 2004
Balance as at January 1	5,417	5,670
Credit for permanent diminution in value	<u>(1,909)</u>	<u>(253)</u>
Closing balance	<u>3,508</u>	<u>5,417</u>

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

	June 30, 2005	December 31, 2004
Government securities	187,392	210,891
Hungarian Government discounted Treasury bills	2,972	6,125
Mortgage bonds	289,969	289,787
Other debt securities	<u>700</u>	<u>700</u>
	<u>481,033</u>	<u>507,503</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2005	December 31, 2004
Within one year:		
In HUF	2,002,191	2,050,048
In foreign currency	<u>274,509</u>	<u>269,900</u>
	<u>2,276,700</u>	<u>2,319,948</u>
Over one year:		
In HUF	<u>19,456</u>	<u>20,976</u>
	<u>19,456</u>	<u>20,976</u>
Total	<u>2,296,156</u>	<u>2,340,924</u>

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

	June 30, 2005		December 31, 2004	
Commercial deposits	401,323	17%	431,921	19%
Municipality deposits	113,782	5%	170,431	7%
Consumer deposits	<u>1,781,051</u>	<u>78%</u>	<u>1,738,572</u>	<u>74%</u>
	<u>2,296,156</u>	<u>100%</u>	<u>2,340,924</u>	<u>100%</u>

NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) *Contingent liabilities and commitments*

	June 30, 2005	December 31, 2004
Commitments to extend credit	482,486	446,702
Guarantees arising from banking activities	114,037	92,780
Confirmed letters of credit	2,167	2,480
Legal disputes	2,140	2,127
Other	<u>41,303</u>	<u>38,885</u>
	<u>642,133</u>	<u>582,974</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS [continued]

(b) Derivatives

	June 30, 2005	December 31, 2004
Foreign currency contracts		
Assets	29,915	32,604
Liabilities	<u>31,475</u>	<u>35,320</u>
Net	<u>(1,560)</u>	<u>(2,716)</u>
Net fair value	<u>(3,034)</u>	<u>(3,627)</u>
Foreign exchange swaps and interest rate swaps		
Assets	453,311	235,080
Liabilities	<u>441,289</u>	<u>218,528</u>
Net	<u>12,022</u>	<u>16,552</u>
Net fair value	<u>14,747</u>	<u>19,998</u>
Option contracts		
Assets	2,205	2,205
Liabilities	<u>-</u>	<u>-</u>
Net	<u>2,205</u>	<u>2,205</u>
Net fair value	<u>2,205</u>	<u>2,205</u>
Other Options		
Assets	4,882	6,834
Liabilities	<u>-</u>	<u>-</u>
Net	<u>4,882</u>	<u>6,834</u>
Net fair value	<u>4,882</u>	<u>6,834</u>

As at June 30, 2005 the Bank has derivative instruments with positive fair values of HUF 11,825 million and negative fair values of HUF 10,574 million. Positive fair values of derivative instruments are included in financial assets at fair value through profit and loss, while negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2004 were HUF 4,113 million and HUF 1,578 million respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2005**

NOTE 11: NET INTEREST INCOME (in HUF mn)

	Six month period ended June 30, 2005	Restated six month period ended June 30, 2004
Interest income		
Loans	71,410	65,116
Placements with other banks	18,507	20,524
Due from banks and balances with National Bank of Hungary	16,175	15,405
Securities held-for-trading	1,226	1,482
Securities available-for-sale	13,700	13,312
Debt securities held-to-maturity	<u>21,398</u>	<u>28,466</u>
<i>Total Interest Income</i>	<u>142,416</u>	<u>144,305</u>
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	14,092	8,010
Deposits from customers	48,673	61,910
Liabilities from issued securities	79	83
Subordinated bonds and loans	<u>728</u>	<u>399</u>
<i>Total Interest Expense</i>	<u>63,572</u>	<u>70,402</u>
NET INTEREST INCOME	<u>78,844</u>	<u>73,903</u>

NOTE 12: RELATED PARTY TRANSACTIONS

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

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

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 52,114 million and HUF 130,756 million during the six month periods ended June 30, 2005 and 2004 (including interest). The book value of these receivables were HUF 52,026 million and HUF 130,519 million respectively.

During the six month period ended June 30, 2005 the Bank received HUF 20,270 million fees and commission from OTP Mortgage Bank Company Ltd. For the six month period ended June 30, 2004 such fees and commissions were HUF 17,094 million. Such fees and commissions are related to services provided to OTP Mortgage Bank Company Ltd. under the syndication agreement.