NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

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

Budapest, October 2005

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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	*3*	414,492	399,401	287,275
Placements with other banks, net of allowance for placement losses	*4*	140,072	200,100	129,783
Financial assets at fair value through statements of operations	*5*	44,283	22,059	21,733
Securities available-for-sale	*6*	363,385	324,130	324,127
Loans, net of allowance for loan losses	*7*	1,368,110	1,276,241	1,139,104
Accrued interest receivable		35,305	41,180	37,862
Investments in subsidiaries	*8*	214,457	154,298	139,332
Securities held-to-maturity	*9*	481,033	507,503	534,761
Premises, equipment and intangible assets, net	*10*	98,728	96,538	88,024
Other assets	*11*	43,254	33,025	33,732
TOTAL ASSETS		**3,203,119**	**3,054,475**	**2,735,733**
Due to banks and deposits from the National Bank of Hungary and other banks	*12*	307,530	203,777	164,929
Deposits from customers	*13*	2,296,156	2,340,924	2,127,500
Liabilities from issued securities	*14*	1,988	1,997	2,013
Accrued interest payable		12,690	9,414	18,483
Other liabilities	*15*	112,600	94,987	84,266
Subordinated bonds and loans	*16*	46,002	14,324	15,295
TOTAL LIABILITIES		**2,776,966**	**2,665,423**	**2,412,486**
Share capital	*17*	28,000	28,000	28,000
Retained earnings and reserves	*18*	417,535	374,860	308,589
Treasury shares	*19*	(19,382)	(13,808)	(13,342)
TOTAL SHAREHOLDERS' EQUITY		**426,153**	**389,052**	**323,247**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,203,119**	**3,054,475**	**2,735,733**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED 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
Interest Income:				
Loans		71,410	65,116	136,968
Placements with other banks		18,507	20,524	40,634
Due from banks and balances with the National Bank of Hungary		16,175	15,405	30,872
Securities held for trading		1,226	1,482	2,581
Securities available-for sale		13,700	13,312	26,677
Securities held-to-maturity		21,398	28,466	53,203
Total Interest Income		*142,416*	*144,305*	*290,935*
Interest Expense:				
Due to banks and deposits from the National Bank of Hungary and other banks		14,092	8,010	19,699
Deposits from customers		48,673	61,910	119,116
Liabilities from issued securities		79	83	167
Subordinated bonds and loans		728	399	870
Total Interest Expense		*63,572*	*70,402*	*139,852*
NET INTEREST INCOME		**78,844**	**73,903**	**151,083**
Provision for loan and placement losses	*4, 7*	6,416	3,895	8,628
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**72,428**	**70,008**	**142,455**
Non-Interest Income:				
Fees and commissions		60,194	53,632	113,299
Foreign exchange (losses)/gains, net		(2,066)	571	914
Gains on securities, net		2,943	205	1,081
Losses on real estate transactions, net		(18)	(60)	(103)
Dividend income		13,937	8,075	8,500
Other		1,342	1,200	2,654
Total Non-Interest Income		*76,332*	*63,623*	*126,345*
Non-Interest Expenses:				
Fees and commissions		5,821	4,601	9,692
Personnel expenses		28,944	24,690	54,342
Depreciation and amortization		6,984	6,483	13,401
Other	*20*	26,414	25,612	59,006
Total Non-Interest Expenses		*68,163*	*61,386*	*136,441*
INCOME BEFORE INCOME TAXES		**80,597**	**72,245**	**132,359**
Income taxes	*21*	10,681	9,572	18,882
NET INCOME AFTER INCOME TAXES		**69,916**	**62,673**	**113,477**
Earnings per share (in HUF)				
Basic	*32*	259	234	420
Diluted	*32*	258	234	418

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2005 AND 2004 (UNAUDITED)
(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
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Income tax paid		(8,177)	(4,892)	(19,508)
Depreciation and amortization		6,984	6,483	13,401
Provision for loan and placement losses		6,416	3,895	8,628
Release of provision for permanent diminution in value of investments in subsidiaries	*8*	(1,909)	(81)	(253)
(Credit)/provision for losses of other assets	*11*	(173)	(743)	(1,314)
(Credit)/provision for losses on off-balance sheet commitments and contingent liabilities, net	*15*	(2,650)	2,557	901
Share-based payment	*1.2, 24*	2,853	1,174	2,348
Unrealised (gains)/losses on fair value adjustment of securities held for trading		(477)	169	23
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments		1,284	(663)	(635)
Changes in operating assets and liabilities:				
Net changes in financial assets through statements of operations		(13,439)	27,238	34,070
Net decrease/(increase) in accrued interest receivable		5,875	(6,070)	(9,388)
Net (increase)/decrease in other assets, excluding advances for investments and before provisions for losses		(10,649)	14,408	12,495
Net increase in accrued interest payable		3,276	10,588	1,519
Net increase in other liabilities		6,895	2,528	16,585
Net cash provided by operating activities		**76,706**	**128,836**	**191,231**
INVESTING ACTIVITIES				
Net decrease/(increase) in placements with other banks, before provision for placement losses		60,029	35,433	(34,710)
Unrealised gains on fair value adjustment of securities available-for-sale		(1,248)	(697)	(1,095)
Net increase in securities available-for-sale		(26,889)	(60,351)	(47,056)
Net increase in investments in subsidiaries, before provision for permanent diminution in value		(58,250)	(443)	(15,237)
Net decrease in securities held-to-maturity		26,470	90,548	117,806
Net (decrease)/increase in advances for investments included in other assets		(3)	18	33
Net increase in loans, before provision for possible loan losses		(98,286)	(72,581)	(214,625)
Net additions to premises, equipment and intangible assets		(9,174)	(8,107)	(23,539)
Net cash used in investing activities		**(107,351)**	**(16,180)**	**(218,423)**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2005 AND 2004 (UNAUDITED)
(in HUF mn) [continued]

	Note	Six month period ended June 30, 2005	Restated six month period ended June 30, 2004	Restated year ended December 31, 2004
FINANCING ACTIVITIES				
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		103,753	73,848	112,696
Net (decrease)/increase in deposits from customers		(44,768)	(137,028)	76,396
Net decrease in liabilities from issued securities		(9)	(26)	(42)
Increase/(decrease) in subordinated bonds and loans		31,678	(118)	(1,089)
Net change in treasury shares		(3,801)	1,730	2,480
Net (decrease)/increase in the compulsory reserve established by the National Bank of Hungary		(9,215)	3,363	3,816
Dividends paid		(41,117)	(16,762)	(16,823)
Net cash used in/(provided by) financing activities		**36,521**	**(74,993)**	**177,434**
Net increase in cash and cash equivalents		**5,876**	**37,663**	**150,242**
Cash and cash equivalents at the beginning of the Period		293,685	143,443	143,443
Cash and cash equivalents at the end of the period		**299,561**	**181,106**	**293,685**

Analysis of cash and cash equivalents

	Note	Six month period ended June 30, 2005	Restated six month period ended June 30, 2004	Restated year ended December 31, 2004
Cash, due from banks and balances with the National Bank of Hungary		399,401	252,975	252,975
Compulsory reserve established by the National Bank of Hungary		(105,716)	(109,532)	(109,532)
Cash and cash equivalents at the beginning of the period		**293,685**	**143,443**	**143,443**
Cash, due from banks and balances with the National Bank of Hungary	*3,26*	414,492	287,275	399,401
Compulsory reserve established by the National Bank of Hungary	*3,26*	(114,931)	(106,169)	(105,716)
Cash and cash equivalents at the end of the period		**299,561**	**181,106**	**293,685**

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 (Restated)	**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)
Profit on sale of treasury shares	-	744	-	744
Change in carrying value of treasury shares	-	-	986	986
Balance as at June 30, 2004 (Restated)	**28,000**	**308,589**	**(13,342)**	**323,247**
Balance as at January 1, 2005 (Restated)	**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	**28,000**	**417,535**	**(19,382)**	**426,153**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

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

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

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

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

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

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

As at June 30, 2005 approximately 91.1% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (2.7%) and the Bank (6.2%).

The Bank provides a full range of commercial banking services through a nationwide network of 375 branches in Hungary.

As at June 30, 2005 the number of employees at the Bank was 7,957. The average number of employees for the six month period ended June 30, 2005 was 7,796.

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

1.2. Accounting

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

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

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts (see Note 33), 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 revised IAS 39 ("Financial Instruments: Recognition and Measurement"), and 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

IAS 39 Revised, which is effective after January 1, 2005 changes the category held for trading instruments by introducing a new category „a financial asset at fair value through statements of operations". In this category is classified previously held for trading assets and other instruments which upon initial recognition are designated by the entity as to be held at fair value through statements of operations.

Due to the retrospective application of IAS 39 Revised, 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, from what was previoiusly reported.

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 has been adopted retrospectively from January 1, 2005 in respect of options which have a grant date later than November 7, 2002.

The Annual General Meeting for the year 2000 approved a five year share option and bonus program for the years 2000 to 2004 granting options and bonus shares on an annual basis. For the options for the years 2003 and 2004, the grant date is December 31, 2002.

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)

Due to the retrospective application of IFRS 2, an opening adjustment of HUF 2,085 million is presented separetly in retained earnings and reserves as of January 1, 2004. Due to restatement of prior periods, 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

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

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

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)

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

2.2. Foreign currency translation

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

2.3. Consolidated financial statements

These financial statements present the Bank's unconsolidated financial position and results of operations. Consolidated financial statements are currently being prepared by the Bank and consolidated net income and shareholders' equity may differ significantly from that presented in these unconsolidated financial statements. See Note 2.7 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements.

2.4. Securities held-to-maturity

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Financial assets at fair value through statements of operations

2.5.1 Securities held for trading

Investments in securities are accounted on a settlement date basis and are initially measured at cost. Held for trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities is recognised in profit/loss and included in the Unconsolidated Statement of Operations for the period. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in commercial companies, shares in investment funds.

2.5.2. Derivative financial instruments

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

Derivative financial instruments are initially measured at cost and at subsequent reporting dates 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 profit/loss and included in the Unconsolidated Statement of Operation for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.5.3. Derivative financial instruments designated as a fair-value or cash-flow hedge

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Securities available-for-sale

Investments in securities are accounted on a settlement date basis and are initially measured at cost. Available-for-sale investments are measured at subsequent reporting dates at fair value. 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. Such securities consist of discounted Treasury bills, Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, bonds issued by companies and foreign government bonds.

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

Those 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 loan and placement losses

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

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

The allowances for 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. Investments in subsidiaries

Investments in subsidiaries representing a controlling interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to govern the financial and operating policies of the investee.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Investments in subsidiaries [continued]

Investments in subsidiaries representing a controlling interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to govern the financial and operating policies of the investee.

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

2.9. Sale and repurchase agreements

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Leases

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

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

2.12. Treasury shares

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

2.13. Income taxes

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

2.14. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit and letters of credit and transactions with financial instruments. The allowance for losses on commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.15. Share-based payments

The Bank has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.16. Unconsolidated statement of cash flows

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

2.17. Comparative figures

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

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

	June 30, 2005	December 31, 2004
Cash on hand:		
In HUF	50,375	53,122
In foreign currency	2,293	2,743
	52,668	55,865
Due from banks and balances with NBH:		
Within one year:		
In HUF	359,627	341,940
In foreign currency	2,197	1,596
	361,824	343,536
Total	414,492	399,401

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 114,931 million and HUF 105,716 million as at June 30, 2005 and as at December 31 2004, respectively.

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

	June 30, 2005	December 31, 2004
Within one year:		
In HUF	30,982	127,437
In foreign currency	64,649	61,339
	95,631	188,776
Over one year:		
In HUF	3,300	300
In foreign currency	41,141	11,025
	44,441	11,325
Total	140,072	200,101
Allowance for placement losses	-	(1)
	140,072	200,100

Placements with other banks in foreign currency as at June 30, 2005 and as at December 31, 2004 bear interest rates in the range from 0.1% to 5.6% and from 0.4% to 7%, respectively.

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

Placements with other banks in HUF as at June 30, 2005 and as at December 31, 2004 bear interest rates in the range from 7% to 8.2% and from 9% to 12.5%, respectively.

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

	June 30, 2005	December 31, 2004
Balance as at January 1	1	182
Release of provision for placement losses	(1)	(181)
Closing balance	-	1

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS (in HUF mn)

	June 30, 2005	Restated 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	111	171
	32,674	18,758
Derivative financial instruments designated as held for trading	11,609	3,301
Total	44,283	22,059

Approximately 99.5% and 98.1% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at June 30, 2005 and as at December 31, 2004, respectively.

Approximately 0.7% and 4.2% of the government bonds were denominated in foreign currency as at June 30, 2005 and as at December 31, 2004, respectively. The 100% of this portfolio was denominated in USD as at June 30, 2005. Approximately 90% and 10% of this portfolio was denominated in USD and EUR as at December 31, 2004.

Interest rates on securities held for trading ranged from 3% to 12.3% and from 3% to 13.4% as at June 30, 2005 and as at December 31 2004, respectively.

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS (in HUF mn) [continued]

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

	June 30, 2005	Restated December 31, 2004
Within five years:		
variable interest	612	768
fixed interest	19,689	11,547
	20,301	12,315
Over five years:		
variable interest	205	141
fixed interest	12,057	6,147
	12,262	6,288
Non interest-bearing securities	111	155
Total	32,674	18,758

NOTE 6: AVAILABLE-FOR-SALE SECURITIES (in HUF mn)

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

Approximately 93.9% and 94.9% of the available-for-sale securities portfolio was denominated in HUF as at June 30, 2005 and as at December 31, 2004, respectively.

100% of the government bonds were denominated in HUF as at June 30, 2005 and as at December 31, 2004, respectively.

Interest rates on avaible-for-sale securities ranged from 1.6% to 12% and from 2.9% to 12.3% as at June 30, 2005 and as at December 31 2004, respectively.

NOTE 6: AVAILABLE-FOR-SALE SECURITIES (in HUF mn) [continued]

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

	June 30, 2005	Restated December 31, 2004
Within five years:		
variable interest	94,490	88,770
fixed interest	89,851	110,913
	184,341	199,683
Over five years:		
variable interest	22,553	21,044
fixed interest	146,911	94,339
	169,464	115,383
Non interest-bearing securities	9,580	9,064
Total	363,385	324,130

NOTE 7: LOANS AND ALLOWANCE FOR 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)	898,375	804,842
	1,386,424	1,296,051
Allowance for loan losses	(18,314)	(19,810)
	1,368,110	1,276,241

Foreign currency loans represent approximately 37% and 34% of the loan portfolio, before allowance for losses, as at June 30, 2005 and as at December 31, 2004, respectively.

Loans denominated in HUF, with a maturity within one year as at June 30, 2005 and as at December 31 2004 bear interest rates in the range from 12.3% to 29% and from 13.8% to 32%, respectively.

Loans denominated in HUF, with a maturity over one year as at June 30, 2005 and as at December 31, 2004 bear interest rates in the range from 4% to 22.8%.

Foreign currency loans as at June 30, 2005 and as at December 31, 2004, bear interest rates in the range from 2.3% to 16.5% and from 1.9% to 8.4%, respectively.

NOTE 7: LOANS AND ALLOWANCE FOR LOAN LOSSES (in HUF mn) [continued]

Approximately 1.9% and 2.5% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2005 and as at December 31, 2004, respectively.

An analysis of the loan portfolio by type, before allowances for 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	22,621	2%	24,236	2%
	1,386,424	100%	1,296,051	100%

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

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

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd, see Note 25.

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

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

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn) [continued]

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

	June 30, 2005		December 31, 2004	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
OTP Garancia Insurance Ltd.	100.00%	7,472	100.00%	7,472
OTP Real Estate Ltd.	100.00%	1,228	100.00%	1,228
OTP Real Estate Management Ltd.	-	-	100.00%	750
Merkantil Bank Ltd..	100.00%	1,600	100.00%	1,600
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
HIF Ltd. (United Kingdom)	100.00%	1,132	100.00%	1,132
Bank Center No. 1. Ltd.	100.00%	9,364	100.00%	9,364
OTP Factoring Ltd.	100.00%	150	100.00%	150
INGA One Ltd.	100.00%	407	100.00%	407
INGA Two Ltd.	100.00%	5,892	100.00%	5,892
OTP Fund Servicing and Consulting Ltd.	100.00%	1,372	100.00%	1,372
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
OTP Mortgage Bank Company Ltd.	100.00%	20,000	100.00%	20,000
AIR-Invest Ltd.	100.00%	3,674	100.00%	3,524
DSK Bank EAD (Bulgaria)	100.00%	79,162	100.00%	79,162
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,037	97.23%	10,037
Robank S. A. (Romania)	100.00%	12,273	100.00%	12,273
Nova Banka d.d (Croatia)	93.63%	58,811	-	-
OTP Card Factory Ltd.	100.00%	450	100.00%	450
Other	-	144	-	105
Total		216,771		158,521

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.

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
Release of provision for permanent diminution in value	(1,909)	(253)
Closing balance	3,508	5,417

NOTE 9: 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	700	700
	481,033	507,503

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

	June 30, 2005	December 31, 2004
Within five years:		
variable interest	66,783	66,778
fixed interest	297,361	283,114
	364,144	349,892
Over five years:		
variable interest	38,982	40,642
fixed interest	77,907	116,969
	116,889	157,611
Total	481,033	507,503

Approximately 99.6% of the debt securities portfolio was denominated in HUF as at June 30, 2005 and as at December 31, 2004. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 6.3% to 10 as at June 30, 2005 and as at December 31, 2004. 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 501,191 million and HUF 508,581 million as at June 30, 2005 and as at December 31, 2004, respectively.

NOTE 10: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the six month period ended June 30, 2005:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2005	38,501	52,778	56,574	10,127	157,980
Net additions	6,792	1,719	3,545	-	12,056
Net disposals	(67)	(182)	(1,302)	(2,634)	(4,185)
Balance as at June 30, 2005	45,226	54,315	58,817	7,493	165,851
Depreciation and Amortization					
Balance as at January 1, 2005	18,534	7,501	35,407	-	61,442
Net additions	3,005	576	3,403	-	6,984
Net disposals	(1)	(42)	(1,260)	-	(1,303)
Balance as at June 30, 2005	21,538	8,035	37,550	-	67,123
Net book value					
Balance as at January 1, 2005	19,967	45,277	21,167	10,127	96,538
Balance as at June 30, 2005	23,688	46,280	21,267	7,493	98,728

NOTE 10: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS [continued] (in HUF mn)

For the year ended December 31, 2004:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2004	30,666	49,366	62,452	4,386	146,870
Net additions	10,285	4,198	15,494	5,741	35,718
Net disposals	(2,450)	(786)	(21,372)	-	(24,608)
Balance as at December 31, 2004	38,501	52,778	56,574	10,127	157,980
Depreciation and Amortization					
Balance as at January 1, 2004	14,830	6,369	39,271	-	60,470
Net additions	4,888	1,263	7,352	-	13,503
Net disposals	(1,184)	(131)	(11,216)	-	(12,531)
Balance as at December 31, 2004	18,534	7,501	35,407	-	61,442
Net book value					
Balance as at January 1, 2004	15,836	42,997	23,181	4,386	86,400
Balance as at December 31, 2004	19,967	45,277	21,167	10,127	96,538

NOTE 11: OTHER ASSETS (in HUF mn)

	June 30, 2005	Restated December 31, 2004
Receivables due to collection of Hungarian Government securities	-	33
Property held for sale	205	205
Due from Government for interest subsidies	10,980	5,619
Trade receivables	4,500	2,621
Advances for securities and investments	498	495
Taxes recoverable	632	2
Inventories	563	784
Other advances	2,329	638
Credits sold under deferred payment scheme	290	176
Receivables from OTP Mortgage Bank Company Ltd.	13,709	13,216
Accounts with Investment Funds and Pension Funds	112	-
Receivables from investing services	150	203
Prepayments and accrued incomes	6,489	5,749
Fair value of derivative financial instruments designated as hedge accounting relationships	216	812
Other	3,306	3,371
	43,979	33,924
Allowance for losses on other assets	(725)	(899)
	43,254	33,025

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

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

	June 30, 2005	December 31, 2004
Balance as at January 1	899	2,213
Release of provison for losses	(173)	(1,314)
Balance as at December 31	726	899

NOTE 12: DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	June 30, 2005	December 31, 2004
Within one year:		
In HUF	61,986	22,334
In foreign currency	128,967	86,356
	190,953	108,690
Over one year:		
In HUF	9,343	8,491
In foreign currency	107,234	86,596
	116,577	95,087
Total	307,530	203,777

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2005 and as at December 31, 2004, bear interest rates in the range from 6% to 8% and from 8.9% to 12%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at June 30, 2005 and as at December 31, 2004, bear interest rates in the range from 3% to 5.3% and from 3% to 9.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at June 30, 2005 and as at December 31, 2004, bear interest rates in the range from 0.6% to 4.8% and from 0.5% to 4.9%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at June 30, 2005 as at December 31, 2004, bear interest rates in the range form 0.5% to 3.3% and from 0.5% to 5%, respectively.

NOTE 13: 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	274,509	269,900
	2,276,700	2,319,948
Over one year:		
In HUF	19,456	20,976
	19,456	20,976
Total	2,296,156	2,340,924

Deposits from customers payable in HUF within one year as at June 30, 2005 and as at December 31, 2004, bear interest rates in the range from 0.3% to 7% and from 0.5% to 9.9%, respectively.

Deposits from customers payable in HUF over one year as at June 30, 2005 and as at December 31, 2004, bear interest rates in the range from 2% to 4.3% and from 4.3% to 6.5%, respectively.

Deposits from customers payable in foreign currency as at June 30, 2005 and as at December 31, 2004, bear interest rates in the range from 0.1% to 4.8% and from 0.1% to 5%, respectively.

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	1,781,051	78%	1,738,572	74%
	2,296,156	100%	2,340,924	100%

NOTE 14: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	June 30, 2005	December 31, 2004
With original maturity:		
Within one year	1,988	1,997
Over one year	-	-
	1,988	1,997

Liabilities from issued securities are denominated in HUF at interest rates in the range from 0.3% to 1% and from 2% to 2.8% as at June 30, 2005 and as at December 31, 2004, respectively.

NOTE 15: OTHER LIABILITIES (in HUF mn)

	June 30, 2005	Restated December 31, 2004
Taxes payable	14,804	4,992
Deferred tax liabilities	3,423	1,761
Giro clearing accounts	24,021	7,603
Accounts payable	4,846	10,799
Salaries and social security payable	6,253	8,038
Liabilities from security trading	16,011	17,040
Allowances for losses on off-balance sheet commitments, contingent liabilities	7,216	9,866
Margin account balance	-	87
Dividends payable	706	617
Accrued expenses	12,078	10,242
Suspense accounts	2,686	846
Loans for collection	1,999	2,005
Fair value of derivative financial instruments designated as hedge accounting relationships	1,721	400
Fair value of derivative financial instruments designated as held for trading	8,853	1,178
Liabilities from trading activities (repurchase agreement)	-	12,523
Other	7,983	6,990
	112,600	94,987

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

	June 30, 2005	December 31, 2004
Allowance for litigation	1,190	1,414
Allowance for other off-balance sheet commitments, contingent liabilities	6,026	7,588
Other allowances for expected liabilities	-	864
Total	7,216	9,866

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

NOTE 15: OTHER LIABILITIES (in HUF mn) [continued]

As part of its operations, until 1991, the Bank financed and constructed residential accommodations for resale on which it was required to provide a ten year guarantee against defective workmanship. The Bank has recourse against the constructors for any claims. The recovery of such claims is, however, dependent upon the financial status of the constructors, which is impaired in certain cases. An allowance has been recorded to account for the estimated possible future losses due to housing warranties. The allowance for housing warranties were reversed until December 31, 2004 in line with the expenses related to housing warranties.

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

	June 30, 2005	December 31, 2004
Balance as at January 1	9,866	9,041
(Credit)/allowance for off-balance sheet commitments and contingent liabilities, net	(2,650)	901
Release of allowance for housing warranties	-	(76)
Closing balance	7,216	9,866

NOTE 16: 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, 6.05% as at December 20, 2004, and 5,46% as at June 20, 2005. 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.

On March 4, 2005, the Bank issued EUR 125 million in bonds, which are subordinated to the other liabilities of the Bank. Interest on subordinated bonds is variable and payable at three-month EURIBOR + 0.55% quarterly. The original maturity of the bonds is 10 years.

NOTE 17: SHARE CAPITAL (in HUF mn)

	June 30, 2005	December 31, 2004
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 18: RETAINED EARNINGS AND RESERVES (in HUF mn)

	June 30, 2005	December 31, 2004
Balance as at January 1	374,860	262,504
Net income after income taxes	69,916	113,477
Fair value adjustment of available-for-sale securities recognised through equity	9,339	11,371
Share-based payment	2,853	2,348
Profit on sale of Treasury Shares	1,773	1,960
Dividend	(41,206)	(16,800)
Closing balance	417,535	374,860

The Bank's reserves under Hungarian Accounting Standards were HUF 303,985 million and HUF 243,848 million as at June 30, 2005 and as at December 31, 2004, respectively. Of these amounts, legal reserves represent HUF 79,288 million and HUF 66,395 million as at June 30, 2005 and as at December 31, 2004, respectively. The legal reserves are not available for distribution.

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

Dividends of HUF 41,206 million for the year ended December 31, 2004 were proposed and approved by the Annual General Meeting on April 29, 2004.

NOTE 19: TREASURY SHARES (in HUF mn)

	June 30, 2005	December 31, 2004
Nominal Value	944	1,010
Carrying Value at aquisition cost	19,382	13,808

NOTE 20: OTHER EXPENSES (in HUF mn)

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Release provision for permanent diminution in value of investments in subsidiaries	(1,909)	(81)
Release provision for other assets	(173)	(743)
(Credit)/Provision for possible losses on off-balance sheet commitments, contingent liabilities	(2,650)	2,557
Administration expenses, including rent	9,625	8,578
Advertising	1,831	1,256
Taxes, other than income	5,750	5,186
Special tax for banks	4,784	-
Services	7,234	7,114
Professional fees	1,241	1,165
Other	681	580
	26,414	25,612

NOTE 21: INCOME TAXES (in HUF mn)

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

A reconciliation of the income tax is as follows:

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Current tax	10,798	9,703
Deferred tax	(117)	(131)
	10,681	9,572

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

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Balance as at January 1	(1,761)	559
Deferred tax charge	117	131
Tax effect of fair value adjustment of available-for-sale securities recognised through equity	(1,779)	325
Closing balance	(3,423)	1,015

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

A reconciliation of the income tax charge is as follows:

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Net income before income taxes	80,597	72,245
Income tax with statuory tax rate (16%)	12,896	11,559
Permanent differences due to movements in statutory provisions	(196)	(324)
Reversal of statutory goodwill and negative goodwill	(653)	(577)
Revaluation of investments denominated in foreign currency to historical cost	421	(200)
Profit on sale of Treasury Shares	284	119
Dividend income	(2,230)	(1,292)
Other permanent differences	159	287
Income tax	10,681	9,572

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

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Premium and discount amortization on investment securities	106	87
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	5	5
Difference in accounting for finance leases	92	69
Fair value adjustment of derivative financial instruments	438	-
Fair value adjustment of held for trading and available-for-sale financial assets	-	967
Repurchase agreement	2	-
Deferred tax asset	643	1,128
Fair value adjustment of held for trading and available-for-sale financial assets	(3,666)	-
Fair value adjustment of derivative financial instruments	-	(113)
Difference in depreciation and amortization	(400)	-
Deferred tax liability	(4,066)	(113)
Net deferred tax (liability)/asset	(3,423)	1,015

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 Bank. The most significant risks the Bank faces include:

Credit risk

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Market risk

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

Liquidity risk

See Note 29.

Foreign currency risk

See Note 30.

Interest rate risk

See Note 31.

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

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

(a) Contingent liabilities and commitments

	June 30, 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
Contingent liabilities related to OTP Mortgage Bank Company Ltd.	41,180	38,783
Other	123	102
	642,133	582,974

Commitments to extend credit, from guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

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

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

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

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

Legal disputes

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

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

Contingent liabilities related to OTP Mortgage Bank Company Ltd.

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

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

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

	June 30, 2005	December 31, 2004
Foreign currency contracts designated as held for trading		
Assets	29,915	32,604
Liabilities	31,475	35,320
Net	(1,560)	(2,716)
Net fair value	(3,034)	(3,627)
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	417,965	207,207
Liabilities	408,895	196,856
Net	9,070	10,351
Net fair value	10,613	13,386
Interest rate swaps designated in hedge accounting relationships		
Assets	35,346	27,873
Liabilities	32,394	21,672
Net	2,952	6,201
Net fair value	4,134	6,612
Option contracts		
Assets	2,205	2,205
Liabilities	-	-
Net	2,205	2,205
Net fair value	2,205	2,205
Other options		
Assets	-	6,834
Liabilities	-	-
Net	-	6,834
Net fair value	-	6,834

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

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

As 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 designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2004 are HUF 4,113 million and HUF 1,578 million.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

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

Forward rate agreements

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

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

For an analysis of the allowance for possible losses on off balance sheet commitments and contingent liabilities, see Note 15.

NOTE 24: SHARE-BASED PAYMENTS

The 2001 Annual General Meeting approved a five year share option and bonus program for the years 2000 to 2004 granting options and bonus shares on an annual basis. For the options for the years 2003 and 2004, the grant date is December 31, 2002.

The exercise price of the share options related to the years 2003 and 2004 is equal to half of the average market price of the month before the Annual General Meeting.

The 2005 Annual General Meeting approved a five year share option program for the years 2005 to 2009 under which options are granted annually. Such options are subject to IFRS 2 and have a grant date of April 29, 2005. The maximum number of shares which are available is 2.92 million in a year.

The exercise prices of the options for each year for the years 2005 to 2009 is equal to the average market price of OTP shares in the two month period ending on the last day of the month of the Annual General Meeting.

NOTE 24: SHARE-BASED PAYMENTS [continued]

The exercise period of the share options granted for the years of 2003 and 2004 is one year and of the five year share option program for the years 2005 to 2009 is two years. The exercise period of the option program for the years 2005 to 2009 must be opened after the actual year but not later than August 31. If the options remain unexercised before the end of the exercise period, such options expire. Additionally, options are forfeited if the employee leaves the Bank before the options vest.

	For the six month period ended June 30, 2004		For the six month period ended June 30, 2005	
	Options (piece of shares)	Weighted average exercise price (in HUF)	Options (piece of shares)	Weighted average exercise price (in HUF)
Outstanding at beginning of period	3,599,930	2,548	3,575,930	2,552
Granted during the period	-	-	3,350,000	6,075
Forfeited during the period	-	-	-	-
Exercised during the period	24,000	1,980	1,767,930	1,984
Expired during the period	-	-	-	-
Outstanding at the end of the period	3,575,930	2,552	5,158,000	5,035
Exercisable at the end of the period	1,761,930	1,980	2,258,000	3,107

The weighted average share price at the date of exercise for share options of the year of 2003 exercised during the six month period ended June 30, 2005 was HUF 6,116. The options outstanding at 30 June 2005 had a weighted average exercise price of HUF 5,035 with a weighted average remaining contractual life of 26 months.

The inputs into the Binominal model are as follows:

	2003	**2004**	**2005**
Weighted average share price (HUF)	2,210	2,210	6,060
Weighted average exercise price (HUF)	1,211	1,264	6,536
Expected volatility (%)	25	30	35
Expected life (average year)	2,42	3,42	3,34
Risk free rate (%)	7,30	7,17	7,46
Expected dividends (%)	1,24	1,24	2,41

Expected volatility was determined by calculating the historical volatility of the Bank's share price over the previous three months. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

In connection with the share-based payment programs approved by the Bank and applying IFRS 2, HUF 2,853 million and HUF 1,174 million has been recognised as an expense for the six month periods ended June 30, 2005 and 2004, respectively.

NOTE 25: RELATED PARTY TRANSACTIONS

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

During the six month periods ended June 30, 2005 and 2004 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 4,028 million and HUF 1,714 million, respectively. The gross book value of such credits was HUF 11,630 million and HUF 4,180 million, respectively, with a corresponding allowance for loan losses of HUF 2,548 million and HUF 1,327 million, respectively. The underlying mortgage rights were also transferred to OTP Factoring. Losses related to such transactions are recorded in the unconsolidated financial statements, among period for loans and placement losses.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 580 million and HUF 579 million for the six month periods ended June 30, 2005 and 2004, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 1,070 million and HUF 569 million for the six month periods ended June 30, 2005 and 2004, respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 242 million and HUF 166 million in relation to trading activity were HUF 1,999 million and HUF 1,540 million for the six month periods ended June 30, 2005 and 2004, respectively.

Commissions paid by the Bank to OTP Real Estate in relation to its activity were HUF 1,323 million and HUF 1,487 million for the six month periods ended June 30, 2005 and 2004, respectively.

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 52,114 million and 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.
During the six month period ended June 30, 2005 the Bank received HUF 20,270 million in fees and commissions 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.

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

The members of the Board of Directors and the Supervisory Board have credit lines of HUF 225 million and HUF 184 million as at June 30, 2005 and as at December 31, 2004, respectively. Such credit is made available at normal market conditions.

In the normal course of business, the Bank gives loans and provides services to other related parties at normal market conditions. The amount of these loans was HUF 296 million and HUF 294 million, with commitments to extend credit and guarantees of HUF 115 million and HUF 126 million as at June 30, 2005 and as at December 31, 2004, respectively.

NOTE 26: CASH AND CASH EQUIVALENTS (in HUF mn)

	June 30, 2005	December 31, 2004
Cash, due from banks and balances with the NBH	414,492	399,401
Compulsory reserve established by the NBH	(114,931)	(105,716)
	299,561	293,685

NOTE 27: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 46,435 million and HUF 47,301 million as at June 30, 2005 and as at December 31, 2004, respectively.

NOTE 28: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 21% of the Bank's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at June 30, 2005 and as at December 31, 2004, respectively. Approximately 17% of the Bank's total assets consisted of securities issued by the OTP Mortgage Bank Company Ltd. as at June 30, 2005 and as at December 31, 2004, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at June 30, 2005 and as at December 31, 2004, respectively.

NOTE 29: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

NOTE 29: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at June 30, 2005	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	414,492	-	-	-	414,492
Placements with other banks, net of allowance for placement losses	82,099	13,532	44,441	-	140,072
Financial assets at fair value through statements of operations	5,972	4,877	19,265	14,169	44,283
Securities available-for-sale	2,806	49,803	131,732	179,044	363,385
Loans, net of allowance for loan losses	190,297	288,256	596,572	292,985	1,368,110
Accrued interest receivable	35,266	39	-	-	35,305
Investments in subsidiaries	-	-	-	214,457	214,457
Securities held-to-maturity	29,282	53,542	281,320	116,889	481,033
Premises, equipment and intangible assets, net	-	-	61,614	37,114	98,728
Other assets	41,285	1,753	-	216	43,254
TOTAL ASSETS	**801,499**	**411,802**	**1,134,943**	**854,875**	**3,203,119**
Due to banks and deposits from the National Bank of Hungary and other banks	120,368	70,585	99,479	17,098	307,530
Deposits from customers	2,148,432	128,268	19,456	-	2,296,156
Liabilities from issued securities	1,988	-	-	-	1,988
Accrued interest payable	11,648	1,042	-	-	12,690
Other liabilities	91,619	10,172	7,387	3,422	112,600
Subordinated bonds and loans	-	-	10,082	35,920	46,002
TOTAL LIABILITIES	**2,374,055**	**210,067**	**136,404**	**56,440**	**2,776,966**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	417,535	417,535
Treasury shares	(100)	(3,000)	(16,282)	-	(19,382)
TOTAL SHAREHOLDERS' EQUITY	**(100)**	**(3,000)**	**(16,282)**	**445,535**	**426,153**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,373,955**	**207,067**	**120,122**	**501,975**	**3,203,119**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,572,456)**	**(204,735)**	**(1,014,821)**	**352,900**	**-**

NOTE 29: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at December 31, 2004	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	399,401	-	-	-	399,401
Placements with other banks, net of allowance for placement losses	171,652	17,123	11,013	312	200,100
Financial assets at fair value through statements of operations	5,828	8,518	1,278	6,435	22,059
Securities available-for-sale	-	5,866	193,817	124,447	324,130
Loans, net of allowance for loan losses	207,259	274,298	568,366	226,318	1,276,241
Accrued interest receivable	41,176	4	-	-	41,180
Investments in subsidiaries	-	-	-	154,298	154,298
Securities held-to-maturity	1,334	61,614	286,944	157,611	507,503
Premises, equipment and intangible assets, net	-	-	42,941	53,597	96,538
Other assets	31,465	1,560	-	-	33,025
TOTAL ASSETS	**858,115**	**368,983**	**1,104,359**	**723,018**	**3,054,475**
Due to banks and deposits from the National Bank of Hungary and other banks	54,443	54,247	77,762	17,325	203,777
Deposits from customers	2,177,994	141,954	20,976	-	2,340,924
Liabilities from issued securities	196	1,801	-	-	1,997
Accrued interest payable	7,714	1,700	-	-	9,414
Other liabilities	84,546	10,441	-	-	94,987
Subordinated bonds and loans	-	-	9,324	5,000	14,324
TOTAL LIABILITIES	**2,324,893**	**210,143**	**108,062**	**22,325**	**2,665,423**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	374,860	374,860
Treasury shares	(327)	(2,600)	(1,300)	(9,581)	(13,808)
TOTAL SHAREHOLDERS' EQUITY	**(327)**	**(2,600)**	**(1,300)**	**393,279**	**389,052**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,324,566**	**207,543**	**106,762**	**415,604**	**3,054,475**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,466,451)**	**161,440**	**997,597**	**307,414**	**-**

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

As at June 30, 2005

	USD	EUR	Others	Total
Assets	81,193	407,592	251,419	740,204
Liabilities	(84,507)	(350,080)	(119,334)	(553,921)
Off-balance sheet assets and liabilities, net	(5,666)	(112,347)	(42,361)	(160,374)
Net position	**(8,980)**	**(54,835)**	**89,724**	**25,909**

As at December 31, 2004

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

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

NOTE 31: INTEREST RATE RISK MANAGEMENT

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

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

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

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

NOTE 31: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at June 30, 2005

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**359,627**	**2,197**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50,375**	**2,293**	**410,002**	**4,490**	**414,492**
fixed interest	359,627	2,197	-	-	-	-	-	-	-	-	-	-	359,627	2,197	**361,824**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	50,375	2,293	50,375	2,293	**52,668**
Placements with other banks	**30,982**	**64,649**	**-**	**-**	**-**	**-**	**3,300**	**-**	**-**	**41,141**	**-**	**-**	**34,282**	**105,790**	**140,072**
fixed interest	30,982	64,649	-	-	-	-	3,300	-	-	41,141	-	-	34,282	105,790	**140,072**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held for trading	**204**	**-**	**3,683**	**-**	**4,569**	**-**	**2,150**	**-**	**21,785**	**172**	**111**	**-**	**32,502**	**172**	**32,674**
fixed interest	204	-	2,947	-	4,480	-	2,150	-	21,785	172	-	-	31,566	172	**31,738**
variable interest	-	-	736	-	89	-	-	-	-	-	-	-	825	-	**825**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	111	-	111	-	**111**
Securities available-for-sale	**23,046**	**4,095**	**37,392**	**10,058**	**60,952**	**8,286**	**5,075**	**-**	**203,862**	**1,039**	**9,336**	**244**	**339,663**	**23,722**	**363,385**
fixed interest	-	-	2,806	-	23,979	-	5,075	-	203,862	1,039	-	-	235,722	1,039	**236,761**
variable interest	23,046	4,095	34,586	10,058	36,973	8,286	-	-	-	-	-	-	94,605	22,439	**117,044**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,336	244	9,336	244	**9,580**
Loans	**632,379**	**196,093**	**3,537**	**26,547**	**192,324**	**291,124**	**1,211**	**38**	**24,707**	**150**	**-**	**-**	**854,158**	**513,952**	**1,368,110**
fixed interest	65	-	568	-	1,005	2,003	1,186	38	7,403	150	-	-	10,227	2,191	**12,418**
variable interest	632,314	196,093	2,969	26,547	191,319	289,121	25	-	17,304	-	-	-	843,931	511,761	**1,355,692**
Securities held-to-maturity	**-**	**-**	**28,446**	**-**	**116,114**	**2,046**	**9,884**	**-**	**324,543**	**-**	**-**	**-**	**478,987**	**2,046**	**481,033**
fixed interest	-	-	11,672	-	27,124	2,046	9,884	-	324,543	-	-	-	373,223	2,046	**375,269**
variable interest	-	-	16,774	-	88,990	-	-	-	-	-	-	-	105,764	-	**105,764**
Fair value of derivative financial instruments	**118,268**	**91,643**	**40,247**	**52,635**	**93,187**	**2,236**	**5,131**	**-**	**15,174**	**3,972**	**-**	**-**	**272,007**	**150,486**	**422,493**
fixed interest	116,400	82,489	25,247	9,359	64,169	2,005	5,131	-	15,174	3,972	-	-	226,121	97,825	**323,946**
variable interest	1,868	9,154	15,000	43,276	29,018	231	-	-	-	-	-	-	45,886	52,661	**98,547**

NOTE 31: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at June 30, 2005

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**70,579**	**54,293**	**-**	**55,500**	**750**	**19,179**	**-**	**13,150**	**-**	**94,079**	**-**	**-**	**71,329**	**236,201**	**307,530**
fixed interest	57,252	54,082	-	55,500	-	19,179	-	13,150	-	94,079	-	-	57,252	235,990	**293,242**
variable interest	13,327	211	-	-	750	-	-	-	-	-	-	-	14,077	211	**14,288**
Deposits from customers	**1,782,070**	**221,326**	**222,774**	**36,120**	**16,803**	**17,063**	**-**	**-**	**-**	**-**	**-**	**-**	**2,021,647**	**274,509**	**2,296,156**
fixed interest	635,177	160,434	222,774	36,120	16,803	17,063	-	-	-	-	-	-	874,754	213,617	**1,088,371**
variable interest	1,146,893	60,892	-	-	-	-	-	-	-	-	-	-	1,146,893	60,892	**1,207,785**
Liabilities from issued securities	**-**	**-**	**1,988**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,988**	**-**	**1,988**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	-	-	1,988	-	-	-	-	-	-	-	-	-	1,988	-	1,988
Fair value of derivative financial instruments in other liabilities	**27,871**	**177,272**	**32,482**	**59,204**	**31,983**	**37,540**	**4,994**	**-**	**45,747**	**4,149**	**-**	**-**	**143,077**	**278,165**	**421,242**
fixed interest	26,724	171,246	21,803	12,869	26,121	37,540	4,994	-	45,747	4,149	-	-	125,389	225,804	**351,193**
variable interest	1,147	6,026	10,679	46,335	5,862	-	-		-	-	-	-	17,688	52,361	**70,049**
Subordinated bonds and loans	**-**	**-**	**-**	**30,920**	**5,000**	**10,082**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**41,002**	**46,002**
variable interest	-	-	-	30,920	5,000	10,082	-	-	-	-	-	-	5,000	41,002	**46,002**
NET POSITION	**(716,014)**	**(94,214)**	**(143,939)**	**(92,504)**	**412,610**	**219,828**	**21,757**	**(13,112)**	**544,324**	**(51,754)**	**59,822**	**2,537**	**178,560**	**(29,219)**	**149,341**

NOTE 31: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2004 restated

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**342,214**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,848**	**4,339**	**395,062**	**4,339**	**399,401**
fixed interest	342,214	-	-	-	-	-	-	-	-	-	-	-	342,214	-	**342,214**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	52,848	4,339	52,848	4,339	**57,187**
Placements with other banks	**122,774**	**43,995**	**800**	**17,838**	**200**	**10,035**	**-**	**-**	**-**	**-**	**3,962**	**496**	**127,736**	**72,364**	**200,100**
fixed interest	119,704	39,635	500	5,066	200	4,802	-	-	-	-	-	-	120,404	49,503	**169,907**
variable interest	3,070	4,360	300	12,772	-	5,233	-	-	-	-	-	-	3,370	22,365	**25,735**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	3,962	496	3,962	496	**4,458**
Secutities held for trading	**937**	**1,747**	**2,159**	**3,864**	**447**	**1,676**	**73**	**-**	**6,512**	**1,188**	**155**	**-**	**10,283**	**8,525**	**18,758**
fixed interest	937	-	1,321	202	373	-	73	-	6,512	1,188	-	-	9,216	1,390	**10,606**
variable interest	-	1,747	838	3,662	74	1,676	-	-	-	-	-	-	912	7,085	**7,997**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	155	-	155	-	**155**
Securities available-for-sale	**43,862**	**1,859**	**13,538**	**5,409**	**51,012**	**1,028**	**16,288**	**-**	**182,071**	**-**	**8,835**	**229**	**315,605**	**8,475**	**324,130**
fixed interest	-	-	-	-	13,981	-	16,288	-	182,071	-	-	-	212,340	-	**212,340**
variable interest	43,862	1,859	13,538	5,409	37,030	1,028	-	-	-	-	-	-	94,430	8,296	**102,726**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8,835	229	8,835	229	**9,064**
Loans	**434,790**	**30,831**	**386,288**	**392,852**	**11,403**	**16,163**	**512**	**1,691**	**1,711**	**-**	**-**	**-**	**834,704**	**441,537**	**1,276,241**
fixed interest	5,215	-	14,043	174	1,126	890	511	984	1,711	-	-	-	22,606	2,048	**24,654**
variable interest	429,575	30,831	372,245	392,678	10,277	15,273	1	707	-	-	-	-	812,098	439,489	**1,251,587**
Securities held-to-maturity	**23,196**	**-**	**74,601**	**-**	**52,462**	**-**	**26,167**	**1,801**	**329,276**	**-**	**-**	**-**	**505,702**	**1,801**	**507,503**
fixed interest	499	-	-	-	42,340	-	26,167	1,801	329,276	-	-	-	398,282	1,801	**400,083**
variable interest	22,697	-	74,601	-	10,122	-	-	-	-	-	-	-	107,420	-	**107,420**
Fair value of derivative financial instruments	**74,029**	**26,963**	**70,431**	**17,475**	**53,073**	**19,693**	**24,000**	**3,935**	**29,261**	**6,099**	**-**	**-**	**250,794**	**74,165**	**324,959**
fixed interest	53,729	26,963	255	17,475	14,312	18,709	24,000	3,935	29,261	6,099	-	-	121,557	73,181	**194,738**
variable interest	20,300	-	70,176	-	38,761	984	-	-	-	-	-	-	129,237	984	**130,221**

NOTE 31: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2004

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

NOTE 32: EARNINGS PER SHARE

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

	June 30, 2005	Restated June 30, 2004
Income after income taxes (in HUF mn)	69,916	62,673
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	270,379,943	267,495,529
Basic Earnings per share (in HUF)	259	234
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	271,218,479	267,992,755
Diluted Earnings per share (in HUF)	258	234

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

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

NOTE 33: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IAS (in HUF mn)

	Retained Earnings and Reserves January 1, 2005	Net income for the six month period ended June 30, 2005	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as At June 30, 2005
Hungarian financial statements	**296,978**	**73,461**	**(23,766)**	**(339)**	**346,334**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	21,570	1,228	-	-	22,798
Premium and discount amortization on investment securities	(709)	59	-	-	(650)
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Differences in carrying value of subsidiaries	799	-	-	-	799
Difference in accounting for finance leases	(336)	(197)	-	-	(533)
Fair value adjustment of held for trading and available-for-sale financial assets	9,636	1,725	-	11,118	22,479
Fair value adjustment of derivative financial instruments	451	(2,978)	-	-	(2,527)
Gain on sale of Treasury Shares	-	(1,773)	-	1,773	-
Reversal of statutory goodwill and negative goodwill	8,348	4,082	-	-	12,430
Revaluation of investments denominated in foreign currency to historical cost	39	(2,631)	-	-	(2,592)
Difference in accounting of repo transactions	(21)	15	-	-	(6)
Reclassification of direct charges	-	(339)	-	339	-
Share-based payment	-	(2,853)	-	2,853	-
Deferred taxation	(1,761)	117	-	(1,779)	(3,423)
Dividend for the year 2004	41,206	-	(41,206)	-	-
Dividend payable for the year 2005 proposed at the Annual General Meeting	-	-	23,766	-	23,766
International financial statements	**374,860**	**69,916**	**(41,206)**	**13,965**	**417,535**

NOTE 34: POST BALANCE SHEET EVENTS

On June 29 the Bank entered into a EUR 1 billion Euro Medium Term Note Programme (The "Programme"), under which the Bank may from time to time issue notes denominated in any currency agreed between the Bank and the relevant Dealer. The maximum aggregate nominal amount of all notes from time to time outstanding under the Programme will not exceed EUR 1 billion. Under the Programme the Bank issued EUR 500 million variable-rate bonds at three month EURIBOR + 0,16% quarterly, due July 2010 on July 1, 2005.

The fiancial statements for the six months period ended June 30, 2005 do not include any adjustments for these matters.