



**NATIONAL SAVINGS AND  
COMMERCIAL BANK LTD.**

**UNCONSOLIDATED CONDENSED FINANCIAL STATEMENTS IN  
ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2005**

**Budapest, May 13, 2005**

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

	<b>March 31, 2005</b>	<b>Restated December 31, 2004</b>	<b>Restated March 31, 2004</b>
Cash, due from banks and balances with the National Bank of Hungary	562,961	399,401	309,503
Placements with other banks, net of allowance for possible placement losses	165,288	200,100	176,646
Financial assets at fair value through profit and loss	58,146	22,871	47,193
Securities available-for-sale	336,976	324,130	291,270
Loans, net of allowance for possible loan losses	1,309,095	1,276,241	1,059,013
Accrued interest receivable	39,249	41,180	33,813
Investments in subsidiaries	211,201	154,298	138,793
Securities held-to-maturity	506,655	507,503	594,671
Premises, equipment and intangible assets, net	96,461	96,538	86,190
Other assets	<u>46,826</u>	<u>32,213</u>	<u>25,301</u>
<b>TOTAL ASSETS</b>	<b><u>3,332,858</u></b>	<b><u>3,054,475</u></b>	<b><u>2,762,393</u></b>
Due to banks and deposits from the National Bank of Hungary and other banks	264,102	203,777	100,878
Deposits from customers	2,461,185	2,340,924	2,244,425
Liabilities from issued securities	1,991	1,997	2,023
Accrued interest payable	12,597	9,414	15,080
Other liabilities	157,056	94,987	93,588
Subordinated bonds and loans	<u>45,557</u>	<u>14,324</u>	<u>15,073</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,942,488</u></b>	<b><u>2,665,423</u></b>	<b><u>2,471,067</u></b>
Share capital	28,000	28,000	28,000
Retained earnings and reserves	382,998	374,860	277,539
Treasury shares	<u>(20,628)</u>	<u>(13,808)</u>	<u>(14,213)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>390,370</u></b>	<b><u>389,052</u></b>	<b><u>291,326</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>3,332,858</u></b>	<b><u>3,054,475</u></b>	<b><u>2,762,393</u></b>

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

	<b>Three month period ended March 31, 2005</b>	<b>Restated three month period ended March 31, 2004</b>	<b>Restated year ended December 31, 2004</b>
<i>Interest Income</i>	<u>71,089</u>	<u>75,843</u>	<u>290,935</u>
<i>Interest Expense</i>	<u>35,182</u>	<u>36,529</u>	<u>139,852</u>
<b>NET INTEREST INCOME</b>	<b>35,907</b>	<b>39,314</b>	<b>151,083</b>
Provision for possible loan and placement losses	<u>3,244</u>	<u>2,241</u>	<u>8,628</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>	<b>32,663</b>	<b>37,073</b>	<b>142,455</b>
<i>Non-Interest Income</i>	<u>44,885</u>	<u>24,008</u>	<u>126,345</u>
<i>Non-Interest Expenses</i>	<u>29,794</u>	<u>28,089</u>	<u>136,441</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>47,754</b>	<b>32,992</b>	<b>132,359</b>
Income taxes	<u>5,077</u>	<u>4,793</u>	<u>18,882</u>
<b>NET INCOME AFTER INCOME TAXES</b>	<b><u>42,677</u></b>	<b><u>28,199</u></b>	<b><u>113,477</u></b>
Earnings per share (in HUF)			
Basic	<u>157</u>	<u>106</u>	<u>420</u>
Diluted	<u>157</u>	<u>106</u>	<u>418</u>

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

	<b>Three month period ended March 31, 2005</b>	<b>Restated three month period ended March 31, 2004</b>	<b>Restated year ended December 31, 2004</b>
<b>OPERATING ACTIVITIES</b>			
Income before income taxes	47,754	32,992	132,359
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i>			
Income tax paid	(3,738)	(2,190)	(19,508)
Depreciation and amortization	3,284	3,452	13,401
Provision	454	2,902	7,962
Share-based payment	1,160	587	2,348
Unrealised gains on fair value adjustment of securities held-for-trading	(177)	(207)	23
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments	1,863	(3,743)	(635)
Other changes in operating assets and liabilities	<u>5,825</u>	<u>19,368</u>	<u>(21,986)</u>
<b>Net cash provided by operating activities</b>	<b><u>56,425</u></b>	<b><u>53,161</u></b>	<b><u>157,936</u></b>
<b>Net cash (used in)/provided by investing activities</b>	<b><u>(98,358)</u></b>	<b><u>13,887</u></b>	<b><u>(185,128)</u></b>
<b>Net cash provided by/(used in) financing activities</b>	<b><u>198,063</u></b>	<b><u>(16,372)</u></b>	<b><u>177,434</u></b>
<b>Net increase in cash and cash equivalents</b>	<b><u>156,130</u></b>	<b><u>50,676</u></b>	<b><u>150,242</u></b>
Cash and cash equivalents at the beginning of the period	<u>293,685</u>	<u>143,443</u>	<u>143,443</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>449,815</u></b>	<b><u>194,119</u></b>	<b><u>293,685</u></b>
<i>Analysis of cash and cash equivalents opening and closing balance</i>			
Cash, due from banks and balances with the National Bank of Hungary	399,401	252,975	252,975
Compulsory reverse established by National Bank of Hungary	(105,716)	(109,531)	(109,532)
<b>Cash and Cash equivalents opening balance</b>	<b><u>293,685</u></b>	<b><u>143,444</u></b>	<b><u>143,443</u></b>
Cash, due from banks and balances with the National Bank of Hungary	562,961	309,503	399,401
Compulsory reverse established by National Bank of Hungary	(113,146)	(115,384)	(105,716)
<b>Cash and Cash equivalents closing balance</b>	<b><u>449,815</u></b>	<b><u>194,119</u></b>	<b><u>293,685</u></b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**  
**UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'**  
**EQUITY FOR THE THREE MONTH PERIODS ENDED**  
**MARCH 31, 2005 AND 2004 (UNAUDITED)**  
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
<b>Balance as at January 1, 2004</b>	<b>28,000</b>	<b>262,504</b>	<b>(14,328)</b>	<b>276,176</b>
Net income after income taxes	-	28,199	-	28,199
Fair value adjustment of securities available-for-sale recognised directly through equity	-	3,021	-	3,021
Share-based payment		587		587
Dividend for the year 2003	-	(16,800)	-	(16,800)
Profit on sale of treasury shares	-	28	-	28
Change in carrying value of treasury shares	-	-	115	115
<b>Balance as at March 31, 2004</b>	<b><u>28,000</u></b>	<b><u>277,539</u></b>	<b><u>(14,213)</u></b>	<b><u>291,326</u></b>
<b>Balance as at January 1, 2005</b>	<b>28,000</b>	<b>374,860</b>	<b>(13,808)</b>	<b>389,052</b>
Net income after income taxes	-	42,677	-	42,677
Fair value adjustment of securities available-for-sale recognised directly through equity	-	5,006	-	5,006
Share-based payment	-	1,160		1,160
Dividend for the year 2004	-	(41,206)	-	(41,206)
Profit on sale of treasury shares	-	501	-	501
Change in carrying value of treasury shares	-	-	(6,820)	(6,820)
<b>Balance as at March 31, 2005</b>	<b><u>28,000</u></b>	<b><u>382,998</u></b>	<b><u>(20,628)</u></b>	<b><u>390,370</u></b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

**NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS**

**1.1. General**

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

**1.2. Accounting**

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

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

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

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

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

**IAS 39 Financial Instruments: Recognition and Measurement**

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

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

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

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

Due to the retrospective application of modified IAS 39, an opening adjustment of HUF 5,297 million has been presented in retained earnings and reserves as of January 1, 2004. Due to restatement of prior periods, income after income tax decreased by HUF 11,371 million and HUF 3,021 million for the year ended December 31, 2004, and the three month period ended March 31, 2004, respectively.

**IFRS 2 Share based payments**

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

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

Due to the retrospective application of IFRS 2, an opening adjustment of HUF 2,085 million is presented separately in the retained earnings and reserves as of January 1, 2004. Due to restatement of prior periods, the income after income tax was decreased by HUF 2,348 million and HUF 587 million for the year ended December 31, 2004, and for the three month period ended March 31, 2004, respectively



**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

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

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

A summary of the effects of introduction of revised IAS 39 and IFRS 2 for the three month period ended March 31, 2004 is as follows:

	<b>Original reported three month period ended March 31, 2004</b>	<b>Restated three month period ended March 31, 2004 due to IFRS Revised</b>
Fair value adjustment of available-for-sale securities recognized in profit and loss	3,657	61
Deferred tax effect	<u>(585)</u>	<u>(10)</u>
Contribution to net income	<u>3,072</u>	<u>51</u>
Share based compensation	<u>-</u>	<u>(587)</u>
<b>Net income after income taxes</b>	<b><u>31,807</u></b>	<b><u>28,199</u></b>
Fair value adjustment of available-for-sale securities recognized directly through equity	-	3,596
Deferred tax effect	<u>-</u>	<u>(575)</u>
Effect to equity	<u>-</u>	<u>3,021</u>
Share based compensation directly through equity	<u>-</u>	<u>587</u>
<b>Total Shareholders' equity</b>	<b><u>291,326</u></b>	<b><u>291,326</u></b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

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

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

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

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

**1.2.2. Share-based payment**

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

Due to applying IFRS 2, HUF 1,160 million has been recognised through profit and loss for the first quarter of the year 2005.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

**NOTE 2: SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2005**

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

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

**NOTE 3: DIVIDENDS PAID**

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

	<b>Three month period ended March 31, 2005</b>	<b>Three month period ended March 31, 2004</b>
Dividends paid on common shares	<u>1</u>	<u>1</u>

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

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Securities held for trading		
Hungarian Government discounted Treasury bills	5,539	5,055
Hungarian Government interest bearing Treasury bills	2,014	2,756
Government bonds	41,002	8,538
Mortgage bonds	2,132	2,238
Other securities	<u>173</u>	<u>171</u>
	<u>50,860</u>	<u>18,758</u>
Derivative financial instruments	<u>7,286</u>	<u>4,113</u>
Total	<u>58,146</u>	<u>22,871</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

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

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Government bonds	60,515	60,252
Mortgage bonds	245,400	235,405
Other securities	<u>31,061</u>	<u>28,473</u>
	<u>336,976</u>	<u>324,130</u>

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

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Short-term loans and trade bills (within one year)	493,736	491,209
Long-term loans and trade bills (over one year)	<u>834,222</u>	<u>804,842</u>
	<u>1,327,958</u>	<u>1,296,051</u>
Allowance for possible loan losses	<u>(18,863)</u>	<u>(19,810)</u>
	<u>1,309,095</u>	<u>1,276,241</u>

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

	<b>March 31, 2005</b>		<b>December 31, 2004</b>	
Commercial loans	840,444	63%	805,804	62%
Municipality loans	95,157	7%	116,175	9%
Housing loans	180,464	14%	169,415	13%
Consumer loans	188,076	14%	180,421	14%
Mortgage loans	<u>23,817</u>	<u>2%</u>	<u>24,236</u>	<u>2%</u>
	<u>1,327,958</u>	<u>100%</u>	<u>1,296,051</u>	<u>100%</u>

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

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Balance as at January 1	19,810	18,636
Provision for possible loan losses	3,245	8,809
Write-offs	<u>(4,192)</u>	<u>(7,635)</u>
Closing balance	<u>18,863</u>	<u>19,810</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

**NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)**

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Equity investments:		
Controlling interest	214,421	158,521
Significant interest	75	75
Other	<u>1,119</u>	<u>1,119</u>
	<u>215,615</u>	<u>159,715</u>
Allowance for permanent diminution in value	<u>(4,414)</u>	<u>(5,417)</u>
	<u>211,201</u>	<u>154,298</u>

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

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Balance as at January 1	5,417	5,670
Credit for permanent diminution in value	<u>(1,003)</u>	<u>(253)</u>
Closing balance	<u>4,414</u>	<u>5,417</u>

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

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Government securities	210,119	210,891
Hungarian Government discounted Treasury bills	5,775	6,125
Mortgage bonds	290,061	289,787
Other debt securities	<u>700</u>	<u>700</u>
	<u>506,655</u>	<u>507,503</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

**NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)**

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Within one year:		
In HUF	2,165,623	2,050,048
In foreign currency	<u>275,247</u>	<u>269,900</u>
	<u>2,440,870</u>	<u>2,319,948</u>
Over one year:		
In HUF	<u>20,315</u>	<u>20,976</u>
	<u>20,315</u>	<u>20,976</u>
Total	<u>2,461,185</u>	<u>2,340,924</u>

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

	<b>March 31, 2005</b>		<b>December 31, 2004</b>	
Commercial deposits	520,654	22%	431,921	19%
Municipality deposits	183,315	7%	170,431	7%
Consumer deposits	<u>1,757,216</u>	<u>71%</u>	<u>1,738,572</u>	<u>74%</u>
	<u>2,461,185</u>	<u>100%</u>	<u>2,340,924</u>	<u>100%</u>

**NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS**

**(a) *Contingent liabilities and commitments***

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Commitments to extend credit	441,378	446,702
Guarantees arising from banking activities	128,193	92,780
Confirmed letters of credit	1,505	2,480
Legal disputes	2,123	2,115
Other	<u>44,445</u>	<u>38,885</u>
	<u>617,644</u>	<u>582,962</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

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

**(b) Derivatives**

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Foreign currency contracts		
Assets	38,253	32,604
Liabilities	<u>40,781</u>	<u>35,320</u>
Net	<u>(2,528)</u>	<u>(2,716)</u>
Net fair value	<u>(3,806)</u>	<u>(3,627)</u>
Foreign exchange swaps and interest rate swaps		
Assets	303,401	235,080
Liabilities	<u>290,306</u>	<u>218,528</u>
Net	<u>13,095</u>	<u>16,552</u>
Net fair value	<u>15,044</u>	<u>19,998</u>
Option contracts		
Assets	2,205	2,205
Liabilities	<u>-</u>	<u>-</u>
Net	<u>2,205</u>	<u>2,205</u>
Net fair value	<u>2,205</u>	<u>2,205</u>
Other Options		
Assets	6,840	6,834
Liabilities	<u>-</u>	<u>-</u>
Net	<u>6,840</u>	<u>6,834</u>
Net fair value	<u>6,840</u>	<u>6,834</u>

As at March 31, 2005 the Bank has derivative instruments with positive fair values of HUF 7,286 million and negative fair values of HUF 6,615 million. Positive fair values of derivative instruments are included in financial assets at fair value through profit and loss, while negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2004 were HUF 4,113 million and HUF 1,578 million.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTH  
PERIOD ENDED MARCH 31, 2005**

**NOTE 11: NET INTEREST INCOME (in HUF mn)**

	<b>Three month period ended March 31, 2005</b>	<b>Three month period ended March 31, 2004</b>
Interest income		
Loans	35,226	31,862
Placements with other banks	9,532	15,058
Due from banks and balances with National Bank of Hungary	8,649	6,674
Securities held-for-trading	302	853
Securities available-for-sale	6,151	6,084
Debt securities held-to-maturity	<u>11,229</u>	<u>15,312</u>
<i>Total Interest Income</i>	<u>71,089</u>	<u>75,843</u>
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	8,059	3,886
Deposits from customers	26,792	32,402
Liabilities from issued securities	40	42
Subordinated bonds and loans	<u>291</u>	<u>199</u>
<i>Total Interest Expense</i>	<u>35,182</u>	<u>36,529</u>
<b>NET INTEREST INCOME</b>	<b><u>35,907</u></b>	<b><u>39,314</u></b>

**NOTE 12: RELATED PARTY TRANSACTIONS**

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

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

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 15,497 million and HUF 74,427 million during the three month periods ended March 31, 2004 and 2003 (including interest). The book value of these receivables were HUF 15,458 million and HUF 74,296 million.

During the three month period ended March 31, 2005 the Bank received HUF 10,065 million fees and commission from OTP Mortgage Bank Company Ltd. For the three month period ended March 31, 2004 such fees and commissions were HUF 8,684 million. Such fees and commissions are related to services provided to OTP Mortgage Bank Company Ltd. under the syndication agreement.