NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONTENTS

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2004 (UNAUDITED), DECEMBER 31, 2003 (AUDITED) AND JUNE 30, 2003 (UNAUDITED)
(in HUF mn)

	Note	*June 30, 2004*	*December 31, 2003*	*June 30, 2003*
Cash, due from banks and balances with the National Bank of Hungary	3	311,011	276,501	236,345
Placements with other banks, net of allowance for possible placement losses	4	184,786	252,335	242,614
Securities held for trading and available-for-sale	5	350,170	377,016	298,053
Loans, net of allowance for possible loan losses	6	2,227,127	1,982,587	1,529,035
Accrued interest receivable		27,842	32,432	25,938
Equity investments	7	5,968	5,878	4,206
Securities held-to-maturity	8	270,624	299,772	346,608
Premises, equipment and intangible assets, net	9	163,695	167,337	98,834
Other assets	10	68,017	66,981	84,282
TOTAL ASSETS		**3,609,240**	**3,460,839**	**2,865,915**
Due to banks and deposits from the National Bank of Hungary and other banks	11	178,899	126,402	120,039
Deposits from customers	12	2,585,648	2,689,833	2,166,685
Liabilities from issued securities	13	238,633	124,887	86,565
Accrued interest payable		30,065	16,395	20,264
Other liabilities	14	198,297	175,677	187,249
Subordinated bonds and loans	15	15,295	15,413	16,229
TOTAL LIABILITIES		**3,246,837**	**3,148,607**	**2,597,031**
Share capital	16	28,000	28,000	28,000
Retained earnings and reserves	17	358,917	309,220	265,893
Treasury shares	18	(24,959)	(25,420)	(25,472)
TOTAL SHAREHOLDERS' EQUITY		**361,958**	**311,800**	**268,421**
MINORITY INTEREST	19	**445**	**432**	**463**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,609,240**	**3,460,839**	**2,865,915**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003 (UNAUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2003 (AUDITED)
(in HUF mn)

	Note	*Six month period ended June 30, 2004*	*Six month period ended June 30, 2003*	*Year ended December 31, 2003*
Interest Income:				
Loans		114,355	69,804	159,054
Placements with other banks		20,733	11,123	20,820
Due from banks and balances with the National Bank of Hungary		16,968	9,161	18,499
Securities held for trading and available-for-sale		43,574	22,226	56,874
Securities held-to-maturity		13,834	14,730	28,155
Total Interest Income		*209,464*	*127,044*	*283,402*
Interest Expense:				
Due to banks and deposits from the National Bank of Hungary and other banks		8,323	16,741	18,096
Deposits from customers		67,636	36,504	81,418
Liabilities from issued securities		7,596	2,991	7,044
Subordinated bonds and loans		437	419	748
Total Interest Expense		*83,992*	*56,655*	*107,306*
NET INTEREST INCOME		**125,472**	**70,389**	**176,096**
Provision for possible loan and placement losses	4, 6	8,472	3,048	10,817
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		**117,000**	**67,341**	**165,279**
Non-Interest Income:				
Fees and commissions		42,748	36,752	81,644
Foreign exchange gains, net		1,770	11,220	5,167
Gains and losses on securities, net		1,511	(2,888)	(7,591)
Gains on real estate transactions, net		526	328	1,473
Dividend income and gains and losses of associated companies		331	(41)	437
Insurance premiums		25,172	28,362	56,269
Other		6,302	5,088	12,249
Total Non-Interest Income		*78,360*	*78,821*	*149,648*
Non-Interest Expenses:				
Fees and commissions		11,462	8,043	19,944
Personnel expenses		34,568	25,886	61,303
Depreciation and amortization	9	14,210	9,111	19,793
Insurance expenses		20,220	21,739	41,825
Other	20	35,269	30,481	69,401
Total Non-Interest Expense		*115,729*	*95,260*	*212,266*
INCOME BEFORE INCOME TAXES		**79,631**	**50,902**	**102,661**
Income taxes	21	(12,435)	(9,682)	(19,324)
NET INCOME AFTER INCOME TAXES		**67,196**	**41,220**	**83,337**
Minority interest		(15)	(4)	(1)
NET INCOME		**67,181**	**41,216**	**83,336**
Consolidated earnings per share (in HUF)				
basic	33	**259**	**159**	**320**
diluted	33	**258**	**159**	**319**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003 (UNAUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2003 (AUDITED)
(in HUF mn)

	Note	*Six month period ended June 30, 2004*	*Six month period ended June 30, 2003*	*Year ended December 31, 2003*
OPERATING ACTIVITIES				
Income before income taxes		**79,631**	**50,902**	**102,661**
Adjustments to reconcile Net Income before income taxes to net cash provided by operating activities				
Income tax paid		(7,394)	(5,757)	(20,276)
Depreciation and amortization	9	14,210	9,111	19,793
Provision for possible loan and placement losses	4, 6	8,472	3,048	10,817
Provision/(credit) for permanent diminution in value of equity investments	7	32	(149)	34
Provision for possible losses on other assets	10	292	82	1,507
Provision for possible losses on off-balance sheet commitments and contingent liabilities, net	14	529	679	997
Net income from accounting for associates under the equity method of accounting		--	(357)	(268)
Net increase in insurance reserves		7,407	9,322	15,657
Unrealised (gains)/losses on fair value adjustment of securities held for trading and available-for-sale		(610)	3,868	6,263
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments		(666)	10,311	2,860
Changes in operating assets and liabilities				
Net decrease/(increase) in accrued interest receivable		4,590	257	(3,481)
Net (increase)/decrease in other assets, excluding advances for investments and before allowance for possible losses		(404)	(4,177)	12,444
Net increase in accrued interest payable		13,670	7,637	1,385
Net increase in other liabilities		9,299	19,905	9,436
Net Cash Provided by Operating Activities		**129,058**	**104,682**	**159,829**
INVESTING ACTIVITIES				
Net decrease in placements with other banks, before provision for possible placement losses		67,556	53,257	100,523
Net decrease/(increase) in securities held for trading and available-for-sale, before unrealised gains or losses		27,456	(81,830)	(111,346)
Net (increase)/decrease in equity investments, before provision for permanent diminution in value		(122)	1,764	554
Purchase of investment in subsidiary, net		--	--	(67,908)
Net decrease in debt securities held-to-maturity		29,148	6,308	70,183
Net decrease/(increase) in advances for investments, included in other assets		34	(106)	(74)
Net increase in loans, before provision for possible loan losses		(253,019)	(251,352)	(564,303)
Net additions to premises, equipment and intangible assets		(10,568)	(14,377)	(36,289)
Net Cash Used in Investing Activities		**(139,515)**	**(286,336)**	**(608,660)**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003 (UNAUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2003 (AUDITED)
(in HUF mn)
[continued]

	Note	*Six month period ended June 30, 2004*	*Six month period ended June 30, 2003*	*Year ended December 31, 2003*
FINANCING ACTIVITIES				
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		52,497	40,979	47,259
Net (decrease)/increase in deposits from customers		(104,185)	15,515	277,847
Net increase in liabilities from issued securities		113,746	1,703	40,025
(Decrease)/Increase in subordinated bonds and loans		(118)	718	(98)
Increase of minority interest		13	58	15
Foreign currency translation (losses)/gains		(1,429)	1,746	2,467
Net change in treasury shares		1,205	1,848	2,385
Net decrease /(increase) in compulsory reserves at National Bank of Hungary	3	212	(9,545)	(16,627)
Dividends paid		(16,762)	(8)	(8)
Net Cash Provided by Financing Activities		**45,179**	**53,014**	**353,265**
Net Increase/(Decrease) in Cash and Cash Equivalents		**34,722**	**(128,640)**	**(95,566)**
Cash and cash equivalents as at January 1		164,660	260,226	260,226
Cash and Cash Equivalents as at end of period		**199,382**	**131,586**	**164,660**

Analysis of cash and cash equivalents opening and closing balance

	Note			
Cash, due from banks and balances with the National Bank of Hungary	3	276,501	355,440	355,440
Compulsory reserve established by the National Bank of Hungary	3	(111,841)	(95,214)	(95,214)
Cash and cash equivalents as at January 1		**164,660**	**260,226**	**260,226**
Cash, due from banks and balances with the National Bank of Hungary	3	311,011	236,345	276,501
Compulsory reserve established by the National Bank of Hungary	3	(111,629)	(104,759)	(111,841)
Cash and cash equivalents as at end of period		**199,382**	**131,586**	**164,660**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2003	**28,000**	**223,412**	**(27,800)**	**223,612**
Net income after income taxes	--	41,216	--	41,216
Loss on sale of treasury shares	--	(480)	--	(480)
Change in carrying value of treasury shares	--	--	2,328	2,328
Foreign currency translation gain	--	1,745	--	1,745
Balance as at June 30, 2003	**28,000**	**265,893**	**(25,472)**	**268,421**
Balance as at January 1, 2004	**28,000**	**309,220**	**(25,420)**	**311,800**
Net income after income taxes	--	67,181	--	67,181
Dividend payable for the year 2003	--	(16,800)	--	(16,800)
Gain on sale of treasury shares	--	744	--	744
Change in carrying value of treasury shares	--	--	461	461
Foreign currency translation loss	--	(1,428)	--	(1,428)
Balance as at June 30, 2004	**28,000**	**358,917**	**(24,959)**	**361,958**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General

National Savings and Commercial Bank Ltd. (the "Bank" or "OTP") was established on December 31, 1990, when the predecessor State-owned company was transformed into a limited liability company.

The Bank's registered office address is 16 Nador street, Budapest 1051.

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

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

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

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

As at June 30, 2004 approximately 90.1% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (3.2%) and the Bank (6.7%).

The Bank provides a full range of commercial banking services through a wide network of 813 branches, thereof 430 branches are in Hungary, 323 branches are in Bulgaria and 60 branches are in Slovakia.

As at June 30, 2004 the number of employees at the Bank and its subsidiary companies (together the "Group") was 16,950. The average number of employees for the year ended June 30, 2004 was 16,879.

1.2. Accounting

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

2.2. Foreign currency translation

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

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

2.3. Principles of consolidation

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

2.4. Accounting for acquisitions

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions [continued]

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

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

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

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

Income, expenses, profits and losses of subsidiaries after the date of acquisition are included in the Bank's Consolidated Statements of Operations.

2.5. Securities held-to-maturity

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

Held-to-maturity investments include securities, which the Group is able and has the intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government.

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

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

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

Those held for trading and available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less allowance for permanent diminution in value, when appropriate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Loans, placements with other banks and allowance for possible loan and placement losses

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

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

The allowances for possible loan and placement losses are maintained at levels adequate to absorb probable future losses. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors.

2.8. Sale and repurchase agreements

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

2.9. Equity investments

Companies where the Bank has a significant interest are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because the effect of using the equity method to account for such companies is immaterial to the consolidated financial statements as a whole. Shares which are intended to be disposed of are included among securities available-for-sale.

Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a controlling or significant interest are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.

Gains and losses on the sale of equity investments are determined on the basis of the specific identification of the cost of each investment.

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	1-8%
Machinery and equipment	3.4-50%
Vehicles	14.2-25%
Leased assets	16.7-33.3%
Goodwill and negative goodwill	20%
Software	14.2-50%
Property rights	14.2-33%

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Premises, equipment and intangible assets [continued]

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

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

Where the carrying value of premises, equipment and other tangible fixed assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

2.11. Leases

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

The Group as lessor

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

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

The Group as lessee

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

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

2.12. Properties held for resale

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Insurance reserves

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

2.14. Treasury shares

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

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

2.15. Income taxes

The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation.

Deferred taxation is accounted for, using the balance sheet liability method in respect of temporary differences in the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realised or the liability is settled.

2.16. Off-balance sheet commitments and contingent liabilities

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

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

2.17. Derivative financial instruments

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

Derivative financial instruments are initially recognised at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Statement of Operations as they arise. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.17. Derivative financial instruments [continued]

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

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

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

2.18. Consolidated Statement of Cash Flow

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

2.19. Segmental reporting

Condensed financial statements of subsidiaries, representing segments of business, other than banking, are not presented due to their immateriality to the consolidated financial statements as a whole. The major non banking segment is insurance operations.

Major part of the Group's income and expenses for the six month period ended June 30, 2004 and for the year ended December 31, 2003 originated in Hungary.

2.20. Comparative figures

Certain amounts in the 2003 consolidated financial statements have been reclassified to conform to the current year presentation.

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

	June 30, 2004	*December 31, 2003*
Cash on hand:		
In HUF	41,684	55,073
In foreign currency	16,556	21,730
	58,240	76,803
Due from banks and balances with the National Bank of Hungary:		
Within one year:		
In HUF	249,726	195,402
In foreign currency	3,045	4,296
	252,771	199,698
Total	311,011	276,501

Based on the requirements for compulsory reserve set by the National Bank of Hungary, the balance of compulsory reserves maintained by the Group amounted to HUF 111,629 million and HUF 111,841 million as at June 30, 2004 and December 31, 2003, respectively.

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

	June 30, 2004	*December 31, 2003*
Within one year:		
In HUF	51,532	99,079
In foreign currency	124,605	143,127
	176,137	242,206
Over one year:		
In HUF	3,000	3,000
In foreign currency	5,824	7,311
	8,824	10,311
	184,961	252,517
Allowance for possible placement losses	(175)	(182)
Total	184,786	252,335

Placements of OTP Banka Slovensko, a.s. with the National Bank of Slovakia amounted to HUF 10,330 million and HUF 21,940 million as at June 30, 2004 and December 31, 2003, respectively.

Placements of DSK Bank EAD with the National Bank of Bulgaria amounted to HUF 12,019 million and HUF 15,226 million as at June 30, 2004 and December 31, 2003, respectively.

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

Placements with other banks in foreign currency as at June 30, 2004 and December 31, 2003 bear interest rates in the range from 0.2% to 6.4% and from 0.3% to 5.1%, respectively.

Placements with other banks in HUF as at June 30, 2004 and December 31, 2003 bear interest rates in the range from 8.3% to 13.4% and from 9.6% to 13.7%, respectively.

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

	June 30, 2004	*December 31, 2003*
Balance as at January 1	182	163
(Credit)/provision for possible placement losses	(7)	19
Closing balance	175	182

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

	June 30, 2004	*December 31, 2003*
Held for trading securities:		
Discounted Treasury bills	70,854	60,178
Hungarian Government interest bearing Treasury bills	2,726	473
Government bonds	72,551	105,804
Mortgage bonds	1,380	1,476
Other securities	1,566	5,539
	149,077	173,470
Available-for-sale securities:		
Government bonds	148,081	142,952
Discounted Treasury bills	11,757	21,993
Other bonds	34,160	31,959
Mortgage bonds	1,424	1,443
Other securities	5,671	5,199
	201,093	203,546
Total	350,170	377,016

Approximately 74.2% and 76% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at June 30, 2004 and December 31, 2003, respectively.

Approximately 30% and 26% of the government bonds were denominated in foreign currency as at June 30, 2004 and December 31, 2003, respectively. Approximately 9.1%, 32.1%, 26.7%, and 32.1% of this portfolio was denominated in USD, EUR, SKK and BGN as at June 30, 2004 and 9.3%, 2.3%, 0.4%, 31.6%, 27.1% and 29.3% of this portfolio was denominated in USD, JPY, GBP, EUR, SKK and BGN as at December 31, 2003.

Interest rates on securities held for trading are ranged from 1.2% to 13.4% and from 1.2% to 13.1% as at June 30, 2004 and December 31, 2003, respectively.

NOTE 5: SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE (in HUF mn) [continued]

Interest conditions and the remaining maturities of held for trading and available-for-sale financial assets can be analyzed as follows:

	June 30, 2004	*December 31, 2003*
Within five years		
with variable interest	63,447	64,609
with fixed interest	222,045	223,443
	285,492	288,052
Over five years		
with variable interest	7,669	8,184
with fixed interest	41,378	60,033
	49,047	68,217
Non-interest bearing securities	15,631	20,747
Total	350,170	377,016

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

	June 30, 2004	*December 31, 2003*
Loans and trade bills within one year	544,527	519,671
Loans and trade bills over one year	1,754,303	1,527,072
	2,298,830	2,046,743
Allowance for possible loan losses	(71,703)	(64,156)
Total	2,227,127	1,982,587

Foreign currency loans represent approximately 30% and 24.6% of the total loan portfolio, before allowance for possible losses, as June 30, 2004 and December 31, 2003, respectively.

Loans denominated in HUF, with maturity within one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 3% to 31% and from 6% to 32%, respectively.

Loans denominated in HUF, with maturity over one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 3% to 22.8% and from 4% to 22.8%, respectively.

Approximately 3.8% and 3% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2004 and December 31, 2003, respectively.

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

	June 30, 2004		*December 31, 2003*	
Commercial loans	795,030	35%	764,864	37%
Municipality loans	120,538	5%	92,774	5%
Housing loans	934,182	40%	826,808	40%
Consumer loans	449,080	20%	362,297	18%
	2,298,830	100%	2,046,743	100%

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

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

	June 30, 2004	*December 31, 2003*
Balance as at January 1	64,156	56,235
Provision for possible loan losses	8,479	9,648
Write-offs	(835)	(1,670)
Foreign currency translation loss	(97)	(57)
Closing balance	71,703	64,156

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	June 30, 2004	*December 31, 2003*
Equity investments:		
Unconsolidated subsidiaries	4,406	3,673
Associated companies	1,792	2,065
Other	1,355	1,692
	7,553	7,430
Allowance for permanent diminution in value	(1,585)	(1,552)
Total	5,968	5,878
Total assets of unconsolidated subsidiaries	21,542	13,626

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

	June 30, 2004	*December 31, 2003*
Balance as at January 1	1,552	1,537
Provision for permanent diminution in value	32	34
Foreign currency translation gain/(loss)	1	(19)
Closing balance	1,585	1,552

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

	June 30, 2004	*December 31, 2003*
Government securities	238,692	293,388
Hungarian Government discounted Treasury Bills	22,062	987
Other debt securities	9,899	5,427
	270,653	299,802
Allowance for permanent diminution in value	(29)	(30)
Total	270,624	299,772

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

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

	June 30, 2004	*December 31, 2003*
Within five years		
with variable interest	70,079	93,081
with fixed interest	134,248	125,151
	204,327	218,232
Over five years		
with variable interest	44,671	46,222
with fixed interest	21,655	35,348
	66,326	81,570
Total	270,653	299,802

Approximately 90.7% and 93.5% of the debt securities portfolio was denominated in HUF as at June 30, 2004 and December 31, 2003, respectively. In most cases, interests on variable rate bonds are based on the interest rates of 90-day Hungarian Government Treasury bills and are adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF are ranged from 3.3% to 9.5% and from 6.3% to 10.5% as at June 30, 2004 and December 31, 2003, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of held-to-maturity investments was HUF 266,523 million and HUF 302,738 million as at June 30, 2004 and December 31, 2003, respectively.

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

	June 30, 2004	*December 31, 2003*
Balance as at January 1	30	26
Foreign currency translation (gain)/loss	(1)	4
Closing balance	29	30

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

For the six month period ended June 30, 2004:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2004	68,388	89,997	90,695	6,502	255,582
Additions	12,454	1,440	5,647	6,767	26,308
Foreign currency translation differences	(41)	(514)	(135)	(25)	(715)
Disposals	(8,962)	(455)	(3,887)	(6,442)	(19,746)
Balance as at June 30, 2004	71,839	90,468	92,320	6,802	261,429
Depreciation and Amortization					
Balance as at January 1, 2004	18,524	13,392	56,329	--	88,245
Charge	6,866	1,132	6,212	--	14,210
Foreign currency translation differences	(19)	(34)	(61)	--	(114)
Disposals	(1,375)	(101)	(3,131)	--	(4,607)
Balance as at June 30, 2004	23,996	14,389	59,349	--	97,734
Net book value					
Balance as at January 1, 2004	49,864	76,605	34,366	6,502	167,337
Balance as at June 30, 2004	47,843	76,079	32,971	6,802	163,695

An analysis of the changes in the goodwill and negative goodwill for the period of six months ended June 30, 2004 is as follows:

Cost	Goodwill	Negative goodwill
Balance as at January 1, 2004	39,288	4,216
Additions	--	--
Balance as at June 30, 2004	39,288	4,216
Depreciation and Amortization		
Balance as at January 1, 2004	2,964	1,040
Charge	3,817	66
Balance as at June 30, 2004	6,781	1,106
Net book value		
Balance as at January 1, 2004	36,324	3,176
Balance as at June 30, 2004	32,507	3,110

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

For the year ended December 31, 2003:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2003	30,755	59,357	79,403	7,326	176,841
Additions	56,719	29,418	18,704	23,974	128,815
Foreign currency translation differences	118	1,513	927	23	2,581
Disposals	(19,204)	(291)	(8,339)	(24,821)	(52,655)
Balance as at December 31, 2003	68,388	89,997	90,695	6,502	255,582
Depreciation and Amortization					
Balance as at January 1, 2003	20,191	11,451	51,631	--	83,273
Charge	7,405	1,634	10,754	--	19,793
Foreign currency translation differences	104	579	826	--	1,509
Disposals	(9,176)	(272)	(6,882)	--	(16,330)
Balance as at December 31, 2003	18,524	13,392	56,329	--	88,245
Net book value					
Balance as at January 1, 2003	10,566	47,906	27,772	7,326	93,568
Balance as at December 31, 2003	49,864	76,605	34,366	6,502	167,337

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

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

NOTE 10: OTHER ASSETS (in HUF mn)

	June 30, 2004	*December 31, 2003*
Receivables due from collection of Hungarian Government securities	48	69
Property held for sale	12,338	10,641
Due from Hungarian Government for interest subsidies	1,825	1,885
Trade receivables	5,082	3,240
Advances for securities and investments	519	553
Taxes recoverable	1,681	2,400
Inventories	1,884	1,587
Other advances	5,212	2,563
Credits sold under deferred payment scheme	--	45
Receivables from leasing activities	16,353	21,023
Receivables due from insurance bond holders	2,180	2,136
Margin account balance	252	--
Receivables due from pension funds and fund management	781	1,195
Settlement accounts	168	6
Prepayments and accrued income	9,610	7,307
Receivables from investing services	1,104	1,139
Receivables from investments	1,983	--
Fair value of derivative financial instruments	2,951	1,993
Other	8,265	13,138
	72,236	70,920
Allowance for possible losses on other assets	(4,219)	(3,939)
Total	68,017	66,981

Allowance for possible losses on other assets mainly consists of allowances for property held for sale, trade receivables, receivables from leasing activities and reinsurance receivables.

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

	June 30, 2004	*December 31, 2003*
Balance as at January 1	3,939	2,471
Provision for possible losses on other assets	292	1,507
Foreign currency translation gain	(12)	(39)
Closing balance	4,219	3,939

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

	June 30, 2004	*December 31, 2003*
Within one year:		
In HUF	5,611	2,417
In foreign currency	53,107	55,357
	58,718	57,774
Over one year:		
In HUF	5,561	4,291
In foreign currency	114,620	64,337
	120,181	68,628
Total	178,899	126,402

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

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 9.5% to 13.4% and from 11.4% to 12.9%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 3% to 12.3% and from 3% to 9.4%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 0.7% to 5.5% and from 0.2% to 6%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 0.5% to 5.5% and from 0.5% to 8%, respectively.

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2004	*December 31, 2003*
Within one year:		
In HUF	1,820,644	1,961,435
In foreign currency	677,022	661,761
	2,497,666	2,623,196
Over one year:		
In HUF	87,228	66,049
In foreign currency	754	588
	87,982	66,637
Total	2,585,648	2,689,833

Deposits from customers payable in HUF within one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 0.5% to 10.5% and from 0.8% to 11%, respectively.

Deposits from customers payable in HUF over one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 3% to 10.5% and from 3% to 8.8%, respectively.

Deposits from customers payable in foreign currency within one year as at June 30, 2004 bear interest rates in the range from 0% to 18% December 31, 2003 and from 0% to 5.3%, respectively.

Deposits from customers payable in foreign currency over one year as at June 30, 2004 and December 31, 2003, bear interest rates in the range from 0% to 15.5% and from 0% to 6%, respectively.

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

	June 30, 2004		*December 31, 2003*	
Commercial deposits	430,453	17%	501,371	19%
Municipality deposits	143,935	5%	188,487	7%
Consumer deposits	2,011,260	78%	1,999,975	74%
	2,585,648	100%	2,689,833	100%

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

	June 30, 2004	*December 31, 2003*
With original maturity:		
Within one year	39,124	23,161
Over one year	199,509	101,726
Total	238,633	124,887

Liabilities from issued securities are denominated mainly in HUF and as at June 30, 2004 and December 31, 2003, bear interest at rates in the range from 1.2% to 12% and from 2% to 9.3%, respectively.

NOTE 14: OTHER LIABILITIES (in HUF mn)

	June 30, 2004	*December 31, 2003*
Deferred tax liabilities	1,776	2,579
Taxes payable	6,007	3,231
Giro clearing accounts	25,036	13,191
Accounts payable	5,200	11,723
Insurance reserves	91,608	84,201
Salaries and social security payable	9,364	8,082
Liability from security trading	9,965	15,876
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	8,809	8,357
Margin account balance	--	34
Dividends payable	626	588
Advances received from customers	4,201	3,863
Accrued expenses	22,552	11,366
Loan for collection	2,001	2,202
Suspense accounts	702	2,083
Fair value of derivative financial instruments	382	90
Other	10,068	8,211
Total	198,297	175,677

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

	June 30, 2004	*December 31, 2003*
Allowance for litigation	1,390	1,509
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	5,148	4,463
Other allowances (for expected liabilities)	2,008	2,046
Allowance for housing warranties	263	339
Closing balance	8,809	8,357

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

NOTE 14: OTHER LIABILITIES (in HUF mn) [continued]

As part of its operations, until 1991, the Group financed and constructed residential accommodations for resale on which it was required to provide a ten year guarantee against defective workmanship. The Group 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 June 30, 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, 2004	*December 31, 2003*
Balance as at January 1	8,357	7,511
Allowance for possible off-balance sheet commitments and contingent liabilities	529	998
Release of allowance for housing warranties	(76)	(152)
Foreign currency translation gain	(1)	--
Closing balance	8,809	8,357

Movements in insurance reserves can be summarized as follows:

	June 30, 2004	*December 31, 2003*
Balance as at January 1	84,201	68,544
Net increase in insurance reserves	7,407	15,657
Closing balance	91,608	84,201

NOTE 15: SUBORDINATED BONDS AND LOANS

In 1993, the Bank issued HUF 5 billion in bonds, which are subordinated to the other liabilities of the Bank and subscribed by the Hungarian Ministry of Finance. Interest on subordinated bonds and the frequency of payment of interests are based on condition of interest of 2013/C credit consolidated government bonds, which is a variable-rate bond, the interest payable and the rate of interest are fixed twice a year. The semi-annual interest payable was 4.36% as at December 20, 2002, 3.25% as at June 20, 2003, 4.8% as at December 20, 2003, and 4.8% as at June 20, 2004. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

In December 1996, the Bank obtained a USD 30 million and DEM 31.14 million (15.92 million in EUR) subordinated loan from the European Bank for Reconstruction and Development with the original mauturity of December 27, 2006. The maturity date was modified to August 27, 2008 on August 22, 2003. The loan is unsecured, subordinate to the other liabilities and has a twelve-year maturity, with interest payable at six-month LIBOR + 1.4% from December 27, 1996 until December 29, 1997, at six-month LIBOR + 1.0% from December 29, 1997 until June 28, 1999, at six-month LIBOR + 1.7% from June 28, 1999 until December 27, 2003 and at six-month LIBOR + 1.35% from December 28, 2003 until August 27, 2008.

NOTE 16: SHARE CAPITAL (in HUF mn)

	June 30, 2004	December 31, 2003
Authorized, issued and fully paid:		
Common shares	28,000	28,000
	28,000	28,000

From September 3, 1997, the Bank has one preferential voting share (the "Special Share") outstanding with a nominal value of HUF 1 thousand (see Note 1.1).

NOTE 17: RETAINED EARNINGS AND RESERVES (in HUF mn)

	June 30, 2004	December 31, 2003
Balance as at January 1	309,220	223,412
Net income after income taxes	67,181	83,336
Profit on sale of treasury shares	744	5
Foreign currency translation (loss)/gain	(1,428)	2,467
Dividends approved by Annual General Meeting	(16,800)	--
Closing balance	358,917	309,220

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 271,644 million and HUF 233,776 million as at June 30, 2004 and December 31, 2003, respectively. Of these amounts, legal reserves represent HUF 47,177 million and HUF 41,325 million as at June 30, 2004 and December 31, 2003, respectively. The legal reserves are not available for distribution.

The Annual General Meeting on April 25, 2003 decided that the Bank would not pay a dividend for the year ended December 31, 2002.

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.

NOTE 18: TREASURY SHARES (in HUF mn)

	June 30, 2004	December 31, 2003
Nominal value (Common Shares)	1,890	2,115
Carrying value at acquisition cost	24,959	25,420

NOTE 19: MINORITY INTEREST

	June 30, 2004	December 31, 2003
Balance as at January 1	432	405
Minority interest purchased	--	(23)
Foreign currency translation gain	(2)	49
Minority interest included in net income	15	1
Closing balance	445	432

NOTE 20: OTHER EXPENSES (in HUF mn)

	Six month period ended June 30, 2004	*Six month period ended June 30, 2003*
Provision/(credit) for permanent diminution in value of equity investments	32	(149)
Provision for other assets	292	82
Provision for off-balance sheet commitments and contingent liabilities	529	679
Administration expenses, including rent	12,262	10,579
Advertising	2,332	1,986
Taxes, other than income taxes	6,895	6,169
Services	9,745	8,351
Professional fees	2,050	1,596
Other	1,132	1,188
Total	35,269	30,481

NOTE 21: INCOME TAXES (in HUF mn)

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

Deferred tax is calculated at the income tax rate of 16% in Hungary and 19.5% in Bulgaria.

A reconciliation of the income tax charges is as follows:

	Six month period ended June 30, 2004	*Six month period ended June 30, 2003*
Current tax	13,187	9,745
Deferred tax	(752)	(63)
Total	12,435	9,682

A reconciliation of the deferred tax liability is as follows:

	Six month period ended June 30, 2004	*Six month period ended June 30, 2003*
Balance as at January 1	(2,579)	(699)
Foreign currency translation gain	51	--
Deferred tax income	752	63
Closing balance	(1,776)	(636)

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

A reconciliation of the income tax charge is as follows:

	Six month period ended June 30, 2004	*Six month period ended June 30, 2003*
Income before income taxes	79,631	50,902
Timing differences	(963)	2,923
Adjusted income before income taxes	78,669	53,825
Income taxes	12,435	9,682

NOTE 22: FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

Credit risk

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Market risk

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

Foreign currency risk

See Note 30.

Liquidity risk

See Note 31.

Interest rate risk

See Note 32.

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

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

(a) Contingent liabilities

	June 30, 2004	*December 31, 2003*
Commitments to extend credit	477,789	414,543
Guarantees arising from banking activities	60,779	65,727
Confirmed letters of credit	1,755	983
Legal disputes	2,705	2,893
Others	128	2,263
Total	543,156	486,409

Commitments to extend credit, from guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

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

Commitments to extend credit, from guarantees and letters of credit [continued]

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

Legal disputes

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

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

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

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

	June 30, 2004	*December 31, 2003*
Foreign currency contracts		
Assets	68,245	57,763
Liabilities	(71,894)	(59,244)
Net	(3,649)	(1,481)
Net fair value	(3,790)	(189)
Foreign exchange swaps and interest rate swaps		
Assets	240,502	231,222
Liabilities	(222,619)	(217,210)
Net	17,883	14,012
Net fair value	20,593	14,713
Option contracts		
Assets	2,205	20,029
Liabilities	--	(18,184)
Net	2,205	1,845
Net fair value	2,205	1,755
Other options		
Assets	5,203	5,373
Liabilities	(704)	(772)
Net	4,499	4,601
Forward rate agreements		
Assets	--	--
Liabilities	--	(1)
Net	--	(1)
Net fair value	--	(1)

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

As at June 30, 2004, the Group has derivative instruments with positive fair values of HUF 2,951 million and negative fair values of HUF 382 million. Corresponding figures as at December 31, 2003 are HUF 1,993 million and HUF 90 million.

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

Forward rate agreements

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates. The Group limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Group's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

For an analysis of the allowance for possible losses on off balance sheet commitments and contingent liabilities, see Note 14.

NOTE 24: RELATED PARTY TRANSACTIONS

The members of the Board of Directors and the Supervisory Board had credit lines of HUF 164 million and HUF 139 million as at June 30, 2004 and December 31, 2003. Such credit is made available at normal market conditions.

In the normal course of business, the Bank gives loans and provides services to other related parties at normal market conditions. The amount of these loans was HUF 2,526 million and HUF 1,700 million, with commitments to extend credit and guarantees of HUF 295 million and HUF 135 million as at June 30, 2004 and December 31, 2003, respectively.

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

	June 30, 2004	*December 31, 2003*
Cash, due from banks and balances with the National Bank of Hungary	311,011	276,501
Compulsory reserve established by the National Bank of Hungary	(111,629)	(111,841)
	199,382	164,660

NOTE 26: CASH-FLOW STATEMENT

a. Purchase and consolidation of subsidiary undertakings (in HUF mn):

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

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

	Year ended December 31, 2003
Cash, due from banks, and balances with the National Bank	(11,405)
Placements with other banks, net of allowance for possible placement losses	(56,985)
Securities held for trading and available-for-sale	(51,842)
Loans, net of allowance for possible loan losses	(148,372)
Accrued interest receivable	(2,756)
Equity investment	(734)
Debt securities held-to-maturity	(17,039)
Premises, equipment and intangible assets	(19,047)
Other assets	(1,026)
Due to banks and deposits from the National Bank and other banks	83
Deposits from customers	260,817
Accrued interest payable	2,383
Other liabilities	4,824
Minority interest	12
	(41,087)
Goodwill	(38,226)
Cash consideration	(79,313)

NOTE 26: CASH-FLOW STATEMENT [continued]

b. Analysis of net outflow of cash in respect of purchase of subsidiaries (in HUF mn):

	Year ended December 31, 2003
Cash consideration	(79,313)
Cash acquired	11,405
Net cash outflow	(67,908)

NOTE 27: MAJOR SUBSIDIARIES

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

Name	Ownership (Direct and Indirect)		Activity
	June 30, 2004	*December 31, 2003*	
OTP Garancia Insurance Ltd.	100.00%	100.00%	insurance
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
OTP Real Estate Management Ltd.	100.00%	100.00%	real estate management
HIF Ltd. (United Kingdom)	100.00%	100.00%	forfeiting
Merkantil Bank Ltd.	100.00%	100.00%	financing car purchases
Merkantil Car Ltd.	100.00%	100.00%	financing car purchases, leasing
OTP Building Society	100.00%	100.00%	financing flat purchase and reconstruction
Bank Center No. 1. LLC	100.00%	100.00%	letting real estates
OTP Factoring Ltd.	100.00%	100.00%	work-out
Inga Companies	100.00%	100.00%	property management
OTP Fund Management Ltd.	100.00%	100.00%	fund management
OTP Mortgage Bank Company Ltd.	100.00%	100.00%	mortgage loaning
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Banka Slovensko, a. s. (Slovakia)	97.10%	97.10%	commercial banking services
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services

For details of the acquisition of DSK Bank EAD in 2003 refer to Note 26.

NOTE 28: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Consolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 45,777 million and HUF 46,187 million as at June 30, 2004 and December 31, 2003, respectively.

NOTE 29: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 20.8% and 21.8% of the Group's total assets consist of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at June 30, 2004 and December 31, 2003, respectively.

As at June 30, 2004 and December 31, 2003 85.2% and 85.7% of the Group's total assets were held by companies incorporated in Hungary. There were no other significant concentrations of the Group's assets or liabilities as at June 30, 2004 and December 31, 2003.

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

As at June 30, 2004

	USD	EUR	Others	Total
Assets	120,097	376,504	472,192	968,793
Liabilities	(121,580)	(321,175)	(441,331)	(884,086)
Off-balance sheet assets and liabilities, net	(4,624)	(67,558)	(48,568)	(120,750)
Net position	**(6,107)**	**(12,229)**	**(17,707)**	**(36,043)**

As at December 31, 2003

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

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

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

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

As at June 30, 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	311,011	--	--	--	311,011
Placements with other banks, net of allowance for possible placement losses	159,169	16,793	8,420	404	184,786
Securities held for trading and available-for-sale	49,572	63,269	123,786	113,543	350,170
Loans, net of allowance for possible loan losses	145,877	352,172	943,189	785,889	2,227,127
Accrued interest receivable	24,200	2,752	574	316	27,842
Equity investments	--	--	--	5,968	5,968
Debt securities held-to-maturity	20,759	39,845	140,355	69,665	270,624
Premises, equipment and intangible assets, net	2,323	7,192	47,584	106,596	163,695
Other assets	26,674	20,326	17,938	3,079	68,017
TOTAL ASSETS	**739,585**	**502,349**	**1,281,846**	**1,085,460**	**3,609,240**
Due to banks and deposits from the National Bank of Hungary and other banks	38,248	17,465	119,265	3,921	178,899
Deposits from customers	2,208,448	308,157	64,300	4,743	2,585,648
Liabilities from issued securities	5,109	40,454	41,702	151,368	238,633
Accrued interest payable	14,784	12,889	2,392	--	30,065
Other liabilities	93,418	10,881	24,841	69,157	198,297
Subordinated bonds and loans	--	--	10,295	5,000	15,295
TOTAL LIABILITIES	**2,360,007**	**389,846**	**262,795**	**234,189**	**3,246,837**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	358,917	358,917
Treasury shares	(158)	(14,617)	(3,200)	(6,984)	(24,959)
TOTAL SHAREHOLDERS' EQUITY	**(158)**	**(14,617)**	**(3,200)**	**379,933**	**361,958**
MINORITY INTEREST	**--**	**--**	**--**	**445**	**445**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,359,849**	**375,229**	**259,595**	**614,567**	**3,609,240**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,620,264)**	**127,120**	**1,022,251**	**470,893**	**--**

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

As at December 31, 2003	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	276,501	--	--	--	276,501
Placements with other banks, net of allowance for possible placement losses	234,145	7,879	9,874	437	252,335
Securities held for trading and available-for-sale	63,994	70,756	176,078	66,188	377,016
Loans, net of allowance for possible loan losses	93,074	363,600	780,960	744,953	1,982,587
Accrued interest receivable	22,761	4,813	1,563	3,295	32,432
Equity investments	--	--	--	5,878	5,878
Debt securities held-to-maturity	24,821	44,069	149,314	81,568	299,772
Premises, equipment and intangible assets, net	2,135	6,892	53,320	104,990	167,337
Other assets	25,438	20,435	19,392	1,716	66,981
TOTAL ASSETS	**742,869**	**518,444**	**1,190,501**	**1,009,025**	**3,460,839**
Due to banks and deposits from the National Bank of Hungary and other banks	26,909	30,533	66,217	2,743	126,402
Deposits from customers	2,239,798	383,401	63,017	3,617	2,689,833
Liabilities from issued securities	6,505	16,655	32,845	68,882	124,887
Accrued interest payable	9,352	4,613	2,382	48	16,395
Other liabilities	75,902	13,548	24,100	62,127	175,677
Subordinated bonds and loans	--	--	10,413	5,000	15,413
TOTAL LIABILITIES	**2,358,466**	**448,750**	**198,974**	**142,417**	**3,148,607**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	309,220	309,220
Treasury shares	--	(25,420)	--	--	(25,420)
TOTAL SHAREHOLDERS' EQUITY	**--**	**(25,420)**	**--**	**337,220**	**311,800**
MINORITY INTEREST	**--**	**--**	**--**	**432**	**432**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,358,466**	**423,330**	**198,974**	**480,069**	**3,460,839**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,615,597)**	**95,114**	**991,527**	**528,956**	**--**

NOTE 32: INTEREST RATE RISK MANAGEMENT

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

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

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

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

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

As at June 30, 2004

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, due from banks and balances with the National Bank of Hungary	**249,725**	**2,777**	**4**	**1**	--	--	--	--	--	--	**41,681**	**16,823**	**291,410**	**19,601**	**311,011**
fixed rate	246,438	2,710	--	1	--	--	--	--	--	--	--	--	246,438	2,711	249,149
variable rate	3,287	67	4	--	--	--	--	--	--	--	--	--	3,291	67	3,358
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	41,681	16,823	41,681	16,823	58,504
Placements with other banks, net of allowance for possible placement losses	**49,115**	**99,485**	--	**12,223**	**700**	**5,751**	--	--	**24**	--	**4,693**	**12,795**	**54,532**	**130,254**	**184,786**
fixed rate	46,115	91,648	--	3,766	700	1,001	--	--	24	--	--	--	46,839	96,415	143,254
variable rate	3,000	7,837	--	8,457	--	4,750	--	--	--	--	--	--	3,000	21,044	24,044
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	4,693	12,795	4,693	12,795	17,488
Securities held for trading and available-for-sale	**18,229**	**8,297**	**42,352**	**12,176**	**79,558**	**15,121**	**48,310**	**7,594**	**56,292**	**46,610**	**14,783**	**848**	**259,524**	**90,646**	**350,170**
fixed rate	5,859	254	37,503	1,910	57,245	1,846	48,310	7,594	56,292	46,610	--	--	205,209	58,214	263,423
variable rate	12,370	8,043	4,849	10,266	22,313	13,275	--	--	--	--	--	--	39,532	31,584	71,116
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	14,783	848	14,783	848	15,631
Loans	**652,678**	**418,358**	**181,502**	**197,612**	**54,461**	**44,351**	**31,665**	**9,662**	**620,944**	**11,527**	**2,805**	**1,562**	**1,544,055**	**683,072**	**2,227,127**
fixed rate	4,659	4,395	8,441	1,816	7,723	5,333	5,081	7,831	19,046	9,077	--	--	44,950	28,452	73,402
variable rate	648,019	413,963	173,061	195,796	46,738	39,018	26,584	1,831	601,898	2,450	--	--	1,496,300	653,058	2,149,358
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	2,805	1,562	2,805	1,562	4,367
Debt securities held-to-maturity	**41,263**	**2,186**	**36,691**	--	**92,321**	**583**	**35,768**	**1,932**	**39,552**	**20,328**	--	--	**245,595**	**25,029**	**270,624**
fixed rate	18,069	--	1,342	--	38,406	506	35,768	1,932	39,552	20,328	--	--	133,137	22,766	155,903
variable rate	23,194	2,186	35,349	--	53,915	77	--	--	--	--	--	--	112,458	2,263	114,721
Fair value of derivative financial instruments in other assets	**59,133**	**38,018**	**48,004**	**20,776**	**59,011**	**14,668**	**19,042**	**5,060**	**34,230**	**9,722**	--	**6**	**219,420**	**88,250**	**307,670**
fixed rate	54,898	38,018	30,263	20,776	9,857	14,668	19,042	5,060	34,230	9,722	--	--	148,290	88,244	236,534
variable rate	4,235	--	17,741	--	49,154	--	--	--	--	--	--	--	71,130	--	71,130
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	6	--	6	6

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

As at June 30, 2004

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Due to banks and deposits from the National Bank of Hungary and other banks	**5,337**	**102,136**	**3,214**	**39,116**	**1,053**	**15,050**	**5**	**3,685**	**991**	**2,103**	**572**	**5,637**	**11,172**	**167,727**	**178,899**
fixed rate	953	16,988	--	6,335	2	9,793	5	2,419	991	39	--	--	1,951	35,574	37,525
variable rate	4,384	85,148	3,214	32,781	1,051	5,257	--	1,266	--	2,064	--	--	8,649	126,516	135,165
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	572	5,637	572	5,637	6,209
Deposits from customers	**1,478,053**	**446,342**	**370,873**	**192,794**	**29,472**	**32,555**	**10,878**	**1,446**	**18,593**	**6**	**3**	**4,633**	**1,907,872**	**677,776**	**2,585,648**
fixed rate	287,886	150,733	370,873	192,794	13,973	32,555	10,878	1,446	18,593	6	--	--	702,203	377,534	1,079,737
variable rate	1,190,167	295,609	--	--	15,499	--	--	--	--	--	--	--	1,205,666	295,609	1,501,275
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	3	4,633	3	4,633	4,636
Liabilities from issued securities	**14,153**	**1,808**	**26,319**	**280**	**34,699**	**716**	**804**	**84**	**150,321**	**9,445**	**4**	--	**226,300**	**12,333**	**238,633**
fixed rate	337	1,808	528	280	34,699	716	804	84	150,321	9,445	--	--	186,689	12,333	199,022
variable rate	13,816	--	25,791	--	--	--	--	--	--	--	--	--	39,607	--	39,607
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	4	--	4	--	4
Fair value of derivative financial instruments in other liabilities	**13,890**	**72,169**	**34,420**	**36,501**	**53,413**	**5,587**	**38,146**	--	**34,536**	--	--	--	**174,405**	**114,257**	**288,662**
fixed rate	4,378	72,169	10,006	36,501	21,042	5,587	38,146	--	34,536	--	--	--	108,108	114,257	222,365
variable rate	9,512	--	24,414	--	32,371	--	--	--	--	--	--	--	66,297	--	66,297
Subordinated bonds and loans	--	--	--	--	**5,000**	**10,295**	--	--	--	--	--	--	**5,000**	**10,295**	**15,295**
variable rate	--	--	--	--	5,000	10,295	--	--	--	--	--	--	5,000	10,295	15,295

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

As at December 31, 2003

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, due from banks and balances with the National Bank of Hungary	**195,058**	**3,979**	**481**	--	--	--	--	--	--	--	**55,004**	**21,979**	**250,543**	**25,958**	**276,501**
fixed rate	195,004	3,875	--	--	--	--	--	--	--	--	--	--	195,004	3,875	198,879
variable rate	54	104	481	--	--	--	--	--	--	--	--	--	535	104	639
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	55,004	21,979	55,004	21,979	76,983
Placements with other banks, net of allowance for possible placement losses	**92,972**	**121,031**	**2,500**	**8,130**	**2,500**	**4,913**	--	--	**24**	--	**3,901**	**16,364**	**101,897**	**150,438**	**252,335**
fixed rate	89,972	116,862	2,500	3,325	2,500	--	--	--	24	--	--	--	94,996	120,187	215,183
variable rate	3,000	4,169	--	4,805	--	4,913	--	--	--	--	--	--	3,000	13,887	16,887
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	3,901	16,364	3,901	16,364	20,265
Securities held for trading and available-for-sale	**25,933**	**5,130**	**48,751**	**14,540**	**61,112**	**17,045**	**40,292**	**6,588**	**93,575**	**44,030**	**17,689**	**2,331**	**287,352**	**89,664**	**377,016**
fixed rate	3,218	1,370	31,498	2,577	60,098	2,688	40,292	6,588	93,575	44,030	--	--	228,681	57,253	285,934
variable rate	22,715	3,760	17,253	11,963	1,014	14,357	--	--	--	--	--	--	40,982	30,080	71,062
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	17,689	2,331	17,689	2,331	20,020
Loans	**741,583**	**374,414**	**154,269**	**142,550**	**34,258**	**31,417**	**25,970**	**3,752**	**462,898**	**8,252**	**2,229**	**995**	**1,421,207**	**561,380**	**1,982,587**
fixed rate	14,022	2,119	3,813	907	5,029	6,083	5,482	1,700	44,835	4,545	--	--	73,181	15,354	88,535
variable rate	727,561	372,295	150,456	141,643	29,229	25,334	20,488	2,052	418,063	3,707	--	--	1,345,797	545,031	1,890,828
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	2,229	995	2,229	995	3,224
Debt securities held-to-maturity	**22,697**	**2,272**	**103,867**	--	**51,083**	**662**	**36,672**	**2,065**	**65,640**	**14,348**	--	**466**	**279,959**	**19,813**	**299,772**
fixed rate	--	--	766	--	39,798	571	36,672	2,065	65,640	14,348	--	--	142,876	16,984	159,860
variable rate	22,697	2,272	103,101	--	11,285	91	--	--	--	--	--	--	137,083	2,363	139,446
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	466	--	466	466
Fair value of derivative financial instruments in other assets	**43,526**	**50,501**	**112,327**	**16,869**	**45,652**	**25,189**	**10,805**	**7,567**	**43,314**	**3,893**	--	**3**	**255,624**	**104,022**	**359,646**
fixed rate	23,569	50,501	46,725	15,118	5,288	25,189	10,805	7,567	43,314	3,893	--	--	129,701	102,268	231,969
variable rate	19,957	--	65,602	1,751	40,364	--	--	--	--	--	--	--	125,923	1,751	127,674
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	3	--	3	3

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

As at December 31, 2003

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Due to banks and deposits from the National Bank of Hungary and other banks	**8,815**	**59,451**	--	**28,190**	--	**16,739**	**6**	**7,435**	**1,198**	**2,363**	**665**	**1,540**	**10,684**	**115,718**	**126,402**
fixed rate	2,807	20,232	--	8,421	--	9,298	6	6,129	1,198	281	--	--	4,011	44,361	48,372
variable rate	6,008	39,219	--	19,769	--	7,441	--	1,306	--	2,082	--	--	6,008	69,817	75,825
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	665	1,540	665	1,540	2,205
Deposits from customers	**1,769,174**	**399,843**	**217,867**	**217,323**	**14,613**	**39,239**	**9,075**	**1,543**	**16,753**	**13**	**3**	**4,387**	**2,027,485**	**662,348**	**2,689,833**
fixed rate	364,763	127,753	217,867	217,323	14,613	39,239	9,075	1,543	16,753	13	--	--	623,071	385,871	1,008,942
variable rate	1,404,411	272,090	--	--	--	--	--	--	--	--	--	--	1,404,411	272,090	1,676,501
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	3	4,387	3	4,387	4,390
Liabilities from issued securities	**16,879**	**249**	**25,562**	**1,018**	**10,467**	**828**	**1,801**	**97**	**64,698**	**3,187**	**101**	--	**119,508**	**5,379**	**124,887**
fixed rate	609	249	761	1,018	10,467	828	1,801	97	64,698	3,187	--	--	78,336	5,379	83,715
variable rate	16,270	--	24,801	--	--	--	--	--	--	--	--	--	41,071	--	41,071
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	101	--	101	--	101
Fair value of derivative financial instruments in other liabilities	**14,301**	**85,576**	**23,510**	**90,428**	**56,382**	**6,696**	**41,579**	--	**42,766**	--	--	--	**178,538**	**182,700**	**361,238**
fixed rate	8,054	67,063	5,102	59,384	24,026	6,696	41,579	--	42,766	--	--	--	121,527	133,143	254,670
variable rate	6,247	18,513	18,408	31,044	32,356	--	--	--	--	--	--	--	57,011	49,557	106,568
Subordinated bonds and loans	--	--	--	--	**5,000**	**10,413**	--	--	--	--	--	--	**5,000**	**10,413**	**15,413**
variable rate	--	--	--	--	5,000	10,413	--	--	--	--	--	--	5,000	10,413	15,413

NOTE 33: EARNINGS PER SHARE

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

	Six month period ended June 30, 2004	*Six month period ended June 30, 2003*
Consolidated net income (in HUF mn)	67,196	41,220
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	259,581,509	258,810,824
Consolidated Basic Earnings per share (in HUF)	259	159
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	260,078,735	259,237,232
Consolidated Diluted Earnings per share (in HUF)	258	159

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

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

NOTE 34: POST BALANCE SHEET EVENTS

On April 28, 2004 the Bank signed a contract to purchase 100 % of the shares of the Banca Comerciala RoBank S.A. (RoBank) in Bucharest. The purchase price was USD 47.5 million. 20 % of the purchase price was transfered before June 30, 2004 while the remaning was transfered by July 26, 2004. OTP Bank obtained control of RoBank on July 30, 2004.