ASSURANCE & ADVISORY
BUSINESS SERVICES

Szamla *10105981* 2006

Kereskedelmi és Hitelbank Rt.

Consolidated Annual Financial Statements prepared in accordance with
International Financial Reporting Standards
for the year ended 31 December 2004
with the Report of Independent Auditors

ERNST & YOUNG
Quality In Everything We Do

Kereskedelmi és Hitelbank Rt.

Consolidated Annual Financial Statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2004 with the Report of Independent Auditors

Table of Contents

Ernst & Young

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Report of Independent Auditors

To the Shareholders of Kereskedelmi és Hitelbank Rt.

We have audited the accompanying balance sheet of Kereskedelmi és Hitelbank Rt. and its subsidiaries ("the Group") as at 31 December 2004, and the related statements of operations, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2004, and of the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to note 13 of these financial statements. In 2003 a significant fraud was discovered at K&H Equities, a member of the Group. As at 31 December 2004 the Group has a provision of HUF 11,430 million for its potential liability to clients as a result of the fraud. The ultimate outcome of this matter cannot presently be determined and due to its fundamental uncertainty the actual loss incurred by the Group might be significantly different from the provision created.

Ernst & Young

Ernst & Young Kft.
Budapest, Hungary
19 March 2005

KERESKEDELMI ÉS HITELBANK RT.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEAR ENDED 31 DECEMBER 2004

WITH THE REPORT OF INDEPENDENT AUDITORS

BALANCE SHEET

	Notes	31 December 2004 MHUF	31 December 2003 MHUF
ASSETS			
Cash and balances with the National Bank of Hungary	3	79 254	68 149
Balances due from other banks		197 635	68 947
Loans to customers	4	1 102 668	957 391
Trading and investment securities	5	252 765	244 126
Derivative financial instruments	6	28 926	24 253
Accrued interest receivable		16 287	14 532
Bank premises and equipment	7	36 053	34 539
Intangible assets	8	595	494
Other assets	9	19 309	23 059
Total assets		1 733 492	1 435 490
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and certificates of deposits	10	984 955	848 610
Balances due to banks	11	332 801	216 389
Refinancing credits	12	171 959	148 966
Derivative financial instruments	6	30 212	34 416
Accrued interest payable		7 809	11 703
Subordinated debt	14	14 551	15 203
Other liabilities	13	49 106	39 966
Total liabilities		1 591 393	1 315 253
Share capital	15	52 507	52 507
Share premium		48 775	48 775
Statutory risk reserve	17	3 144	924
Available for sale reserve		175	(1 467)
Cash flow reserve		917	-
Accumulated profit		36 581	19 498
Total shareholders' equity		142 099	120 237
Total liabilities and shareholders' equity		1 733 492	1 435 490
MEMORANDUM ITEMS			
Credit commitments and credit contingent liabilities	33	452 238	416 853

John Hollows
Chief Executive Officer

Dr. Ágnes Bába
Chief Financial Officer

The accompanying notes on pages 6 to 44 are an integral part of these financial statements.

STATEMENT OF OPERATIONS

	Notes	31 December 2004 MHUF	31 December 2003 MHUF
Interest income		129 429	96 766
Interest expense		(72 867)	(44 930)
Net interest income	19	56 562	51 836
Net commission and fee income	20	20 398	17 124
Gain less losses on trading securities		467	(196)
Gain less losses on foreign exchange		19 393	14 528
Dividend income		34	35
Other operating income/(losses)		1 922	(102)
Operating income		98 776	83 225
Operating expenses	21	(67 693)	(60 782)
Operating profit before provisions and exceptional items		31 083	22 443
Provision for possible loan and commitment losses	22	(4 843)	(4 803)
Exceptional provision and loss	22	(3 744)	(8 600)
Gain on investments	23	711	113
Gain on property, plant and equipment		184	580
Profit before income taxes		23 391	9 733
Income taxes	24	(4 085)	(1 638)
Net profit for the year		19 306	8 095
Earnings per share (HUF)	25	0.37	0.19

John Hollows
Chief Executive Officer

Dr. Ágnes Bába
Chief Financial Officer

The accompanying notes on pages 6 to 44 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital MHUF	Share premium MHUF	Statutory risk reserve MHUF	Available for sale reserve MHUF	Cash flow reserve MHUF	Accumulated profit MHUF	Total MHUF
Balance at 31 December 2002	42 507	36 074	642	26	-	11 685	90 934
Contribution by shareholder	10 000	12 701	-	-	-	-	22 701
Transfer from accumulated profit to statutory risk reserve	-	-	282	-	-	(282)	-
Revaluation reserve on AFS investments	-	-	-	(1 493)	-	-	(1 493)
Net profit for the year	-	-	-	-	-	8 095	8 095
Balance at 31 December 2003	52 507	48 775	924	(1 467)	-	19 498	120 237
Purchase of treasury shares	-	-	-	-	-	(3)	(3)
Transfer from accumulated profit to statutory risk reserve	-	-	2 220	-	-	(2 220)	-
Revaluation reserve on AFS investments	-	-	-	1 642	-	-	1642
Cash flow hedge reserve on FX options	-	-	-	-	917	-	917
Net profit for the year	-	-	-	-	-	19 306	19 306
Balance at 31 December 2004	52 507	48 775	3 144	175	917	36 581	142 099

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income taxes		23 391	9 733
Adjustments for:			
Depreciation, amortisation and impairment	21	10 049	9 322
Provision for credit losses		4 843	4 803
Exceptional provision for expected losses		2 830	8 600
Provision for other liabilities		(785)	(538)
Unrealised revaluations		(8 119)	5 908
Gain on investments	23	(711)	(113)
Gain on property, plant and equipment		(184)	(580)
(Increase)/decrease in operating assets:			
Loans to customers		(150 844)	(207 833)
Balances due from NBH and other banks		(19 890)	(2 583)
Trading securities		2 528	(2 589)
Other assets		3 805	(2 747)
Accrued interest receivable		(1 755)	(2 227)
Increase/(decrease) in operating liabilities:			
Deposits and certificates of deposits		136 345	(48 143)
Balances due to other banks		116 412	194 630
Refinancing credits		22 993	53 129
Other liabilities		7 398	(41 211)
Accrued interest payable		(3 894)	4 617
Taxes paid	24	(3 226)	(2 132)
Net cash used in operating activities		141 186	(19 954)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/ (increase) in investment securities		(14 514)	(43 594)
Purchase of property, plant and equipment		(15 187)	(8 922)
Disposal of property, plant and equipment		3 707	3 633
Net cash used in investing activities		(25 994)	(48 883)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in subordinated debt		(652)	(1 411)
Shareholders' contribution to the equity		-	22 701
Purchase of Treasury shares		(3)	-
Net cash (used in) / provided by financing activities		(655)	21 290
Net decrease in cash and cash equivalents		114 537	(47 547)
Cash and cash equivalents at beginning of year	3	115 050	162 597
Cash and cash equivalents at end of year	3	229 587	115 050

The cash flow does not disclose interest and dividends received and interest paid since these items are classified as operating activities in a financial institution.
The accompanying notes on pages 6 to 44 are an integral part of these statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL

The consolidated financial statements of Kereskedelmi és Hitelbank Bank Rt and its subsidiaries for the year ended 31 December 2004 were authorised by Management on 19 March 2004.

Kereskedelmi és Hitelbank Bank Rt (K&H Bank) is a limited liability company incorporated in the Republic of Hungary. K&H Bank and its subsidiaries ("the Group") provide a full range of banking services through a nation-wide network of 153 branches. K&H Bank's registered office is at Vigadó tér 1, Budapest.

NOTE 2 – ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below.

Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations of the Standing Interpretations Committee.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of certain financial assets and liabilities.

The Group maintains its accounting records and prepares its statutory accounts in accordance with commercial, banking and fiscal regulations prevailing in Hungary. The Group's functional currency is the Hungarian Forint ("HUF"). All balances are presented in millions of Hungarian Forints ("MHUF") unless otherwise stated.

Certain accounting principles prescribed for statutory purposes are different from those generally recognised in international financial markets. In order to present the financial position and results of operations of the Group in accordance with International Financial Reporting Standards ("IFRS"), certain adjustments have been made to the Group's Hungarian consolidated statutory accounts. Details on these adjustments are presented in note 36.

Revenue recognition

Interest income is recognised on a time proportionate basis, taking account of the principal outstanding and the rate applicable. Other fees receivable or payable are recognised when earned. Dividend income is recognised when the right to receive payment is established.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary as at the date of the balance sheet. 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.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Bank and all significant entities it controlled as at 31 December 2004. The Bank and the entities which it controls are referred to collectively as "the Group". Control is presumed to exist where the Bank holds, directly or indirectly, more than 50% of the registered capital or where the Bank can exercise more than 50% of the voting rights or where the Bank can appoint or dismiss a majority of the members of the Board of Directors. The effects of all material intercompany balances and transactions are eliminated.

An investment in an associate is one in which the Bank holds, directly or indirectly, 20% to 50% of the voting rights and over which the Group exercises significant influence but which it does not control. Associates are accounted for under the equity method of accounting, and the pro-rata share of their income (loss) is included in the income statement. The Group's interest in an associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate.

Joint ventures are companies where the Bank and another party exercise joint control. Joint ventures are accounted for using the proportionate consolidation method.

NOTE 2 –ACCOUNTING POLICIES (continued)

Certain subsidiaries in which K&H Bank holds a controlling interest have not been consolidated because it is intended that the shares shall be disposed of in the near future.

A list of subsidiary and associated companies is provided in Note 34.

Acquisitions

Upon acquisition, subsidiaries are accounted for using the fair value method of accounting for acquisitions. Goodwill and negative goodwill, which represents the residual cost of the acquisition after recognising the acquirer's interest in the fair value of the identifiable assets and liabilities acquired, is held as an intangible asset or liability and amortised to the consolidated statement of operations on a straight-line basis over a period not exceeding five years or until the date of disposal of the acquired company, whichever is shorter. 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 recognised immediately as an expense.

Trading securities

Trading securities consist of discounted and interest bearing Treasury bills, Hungarian Government and commercial companies bonds and shares in commercial companies and investment funds.

These are carried at fair value with any gain or loss arising from a change in fair value being included in the consolidated statement of operations in the period in which it arises. Interest earned on trading securities is recognized in the consolidated statement of operations as interest income.

Investment securities

These are classified as follows:

- Available for sale
- Held to maturity
- Originated by the Group

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Premiums and discounts on debt instruments are amortised using th effective interest method and taken to interest income.

Available for sale

After initial recognition, investments which are classified "available for sale" are remeasured at fair value. Unless unrealised gains and losses on remeasurement to fair value are part of an effective hedging relationship, they are reported as a separate component of equity entitled the available for sale reserve until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations for the period.

Any gain or loss arising from a change in fair value of available for sale investments which are part of an effective hedging relationship is recognised directly in the statement of operations to the extent of the changes in fair value being hedged.

Held to maturity

Investments which have fixed or determinable payments and which are intended to be held to maturity, are subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition.

Originated by the Group

Investments in debt securities which are funded directly to the issuer are stated at amortised cost less provision for impairment. An adjustment is made to such investments where effective fair value hedges have been made to adjust the value of the

NOTE 2 –ACCOUNTING POLICIES (continued)

investment for the fair value being hedged with the resultant gains or losses being recognised in the consolidated statement of operations.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated balance sheet and are measured in accordance with accounting policies for trading securities or investment securities if the repurchase price is not fair value at the time of reacquisition. The counterparty liability for amounts received under these agreements is included in due to banks and other financial institutions or customers' deposits, as appropriate. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in deposits with banks and other financial institutions or loans and advances to customers, as appropriate. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repo agreement.

Deposits with banks and other financial institutions and other money market placements

Deposits with banks and other financial institutions and other money market placements are stated at cost less any amounts written off and provision for impairment. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged. Resultant gains or losses are recognised in the consolidated statement of operations.

Loans, placements with banks

Loans and placements with banks are stated at amortised cost less provision for impairment. Interest is accrued and credited to the statement of operations using the effective interest method.

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on anticipated cash flows discounted at original interest rates is, recognised in the consolidated statement of operations.

In addition to allowances for specifically identified impaired loans and advances, an allowance is made for incurred but not specifically identified impairment based on the Group's historical loss experience.

Deposits

All money market and customer deposits are initially recognised at cost. After initial recognition, all interest bearing deposits, other than liabilities held for trading, are subsequently measured at amortised cost, less amounts repaid. Amortised cost is calculated by taking into account any discount or premium on settlement. Premiums and discounts are amortised on a systematic basis to maturity using the effective interest method and taken to interest income. For liabilities carried at amortised cost (which are not part of a hedging relationship), any gain or loss is recognised in the consolidated statement of operations when liability is derecognised or impaired.

NOTE 2 –ACCOUNTING POLICIES (continued)

Premises and equipment

All items of premises and equipment are initially recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of all premises and equipment, other than freehold land which is deemed to have an indefinite life. Depreciation is calculated using the following rates.

Buildings	1 - 3%
Leasehold improvements	6%
Furniture, fixtures and equipment	7 - 33%
Software	20%

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset, are capitalised. Repairs and maintenance are charged to the consolidated statement of operations as incurred. Where the carrying value of bank premises and equipment is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is computed using the straight-line method over the estimated useful lives of the assets based on the following rates:

Goodwill	20 – 100%
Leasehold rights	2%

Leasehold rights represent the right to lease certain buildings indefinitely. The carrying value of each intangible asset is reviewed annually and adjusted for permanent impairment to its carrying value, where it is considered necessary.

Commitments, contingent liabilities

In the ordinary course of its business, the Group enters into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit, warranties and transactions with financial instruments. These commitments are recorded in the financial statements if and when they become payable.

An allowance for losses on commitments and contingent liabilities is maintained at a level estimated by management to be 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.

Taxation

Taxation is provided for in accordance with the fiscal regulations of the Republic of Hungary.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and it is based on tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) 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 amount of the obligation.

NOTE 2 – ACCOUNTING POLICIES (continued)

Derivatives

The Group enters into derivative instruments including FRA's, forwards, swaps and options in the foreign exchange and capital markets. Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Derivatives with positive market values (unrealised gains) are included in assets and derivatives with negative market values (unrealised losses) are included in liabilities in the balance sheet. Gains and losses are recognised in the statement of operations.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in the consolidated statement of operations. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the statement of operations.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in equity in the cash flow reserve and the ineffective portion is recognised in the consolidated statement of operations. The gains or losses on effective cash flow hedges recognised initially in equity are either transferred to the consolidated statement of operations in the period in which the hedged transaction impacts the statement of operations or included in the initial measurement of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated statement of operations for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on a cash flow hedge is recognised in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of operations for the period. Also at that time an item subject to a fair value hedge ceases to be revalued.

Cash flows from hedging activities are classified in the same line in the consolidated statement of cash flows as the item being hedged.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not assets of the Group and accordingly are not included in these financial statements.

Leases

Where a Group company is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in the consolidated statement of operations.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense or income in the consolidated statement of operations on a straight-line basis over the lease term.

NOTE 2 –ACCOUNTING POLICIES (continued)

Where a Group company is the lessor

When assets held are subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease so as to achieve a constant rate of interest on the remaining balance of the receivable.

Assets subject to operating leases (investment properties) are included in property, plant and equipment in the balance sheet and lease payments received are presented as income in the consolidated statement of operations.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purposes of reporting cash flows, cash and cash equivalents comprise balances with less than 90 days maturity, including cash, due from banks and balances with the National Bank of Hungary (including obligatory reserves), balances with other banks and trading securities.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to the counterparty. Regular way purchases or sales are purchases are those that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Collateral pending sale

The Group occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the net realisable value of the loans and advances and the current fair value of such assets. Gains or losses on disposal, and unrealised losses on revaluation, are recognised in the consolidated statement of operations.

Reclassification

Certain comparative information has been reclassified in these accounts for presentation purposes.

Changes in accounting policies

There have been no changes in accounting policies for the year ended 31 December 2004. The International Accounting Standards Board (IASB) introduced many changes to the binding accounting standards and issued new standards during 2004 that will be valid from 1 January 2005. Therefore, it is possible that the IFRS financial statements for the year ended 31 December 2005 will contain comparative data for the year 2004 that will differ from the data presented in these financial statements. The Group is currently assessing the impact that new or revised standards will have on the Group accounting policies and financial data presented.

NOTE 3 - CASH AND BALANCES WITH THE NATIONAL BANK OF HUNGARY

	31 December 2004 MHUF	31 December 2003 MHUF
Cash in hand	10 973	14 771
Balances with the National Bank of Hungary		
- less than 90 days	68 281	48 504
- equal or greater than 90 days	-	4 874
	79 254	68 149

Balances with the National Bank of Hungary include the Bank's obligatory reserves. In Hungary obligatory reserve requirements are based on average monthly balances and as a result daily balances may fluctuate. The required average monthly balance for the month of December 2004 was HUF 53 403 million (HUF 49 637 million for December 2003).

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	31 December 2004 MHUF	31 December 2003 MHUF
Cash and balances with the National Bank of Hungary	79 254	63 275
Balances less than 90 days maturity with other banks	149 651	45 727
Trading securities (see note 5)	682	6 048
Cash and cash equivalents	229 587	115 050

NOTE 4 – LOANS TO CUSTOMERS

	31 December 2004 MHUF	31 December 2003 MHUF
Industry sector		
Service industry	179 156	202 799
Agriculture	116 482	79 937
Manufacturing and building	149 268	144 410
Food processing	61 796	60 611
Wholesale and retail	146 427	127 299
Power industry	63 590	51 121
Other	66 465	69 402
Individuals	344 936	243 610
Gross loans	1 128 120	979 189
Allowance for incurred but not specifically identified credit losses	(2 261)	(4 229)
Allowance for specifically identified credit losses	(23 191)	(17 569)
Allowance for incurred credit losses on loans (see Note 22)	(25 452)	(21 798)
Loans to customers	1 102 668	957 391

Analysis of loans by type

	31 December 2004 MHUF	31 December 2003 MHUF
Corporate loans		
Current account advances	67 701	56 105
Term loans to 1 year	165 626	177 493
Term loans over 1 year	484 483	446 244
Corporate loans	717 810	679 842
Retail loans		
Current account advances	5 099	3 908
Term loans to 1 year	2 804	2 248
Term loans over 1 year	242 983	145 679
Retail loans	250 886	151 835
Lease receivables	40 558	44 710
Loans originated by lease companies	103 978	98 046
Other loans (factoring, trade bills & acceptances, etc.)	14 918	4 756
Gross loans	1 128 120	979 189

NOTE 5 – TRADING AND INVESTMENT SECURITIES

	31 December 2004 MHUF	31 December 2003 MHUF
Trading securities	6 905	14 799
Investment securities – available for sale	186 670	177 824
Investment securities – held to maturity	55 079	47 809
Investment in associates	4 111	3 694
	252 765	244 126

	31 December 2004 MHUF	31 December 2003 MHUF
Trading securities		
Treasury bills		
- maturing in less than 90 days	682	6 048
- maturing in 90 days or more	1 258	3 715
Government bonds	4 822	4 855
Other unlisted bonds	-	6
Listed shares	143	175
	6 905	14 799

	31 December 2004 MHUF	31 December 2003 MHUF
Investment securities – available for sale		
Treasury bills	-	8 037
Consolidation bonds issued in HUF (see (b) below)	110 655	110 654
Other government bonds issued in HUF	72 546	56 219
Other bonds – listed issued in HUF	599	595
Listed shares	549	227
Unlisted shares (see (c) below)	2 302	2 073
Other	19	19
Available for sale investment securities	186 670	177 824

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – TRADING AND INVESTMENT SECURITIES (continued)

	31 December 2004 MHUF	31 December 2003 MHUF
Investment securities – held to maturity		
Treasury bills	-	618
Government bonds		
- issued in HUF	42 502	23 515
- issued in foreign currencies (see (d) below)	12 577	23 676
Held to maturity investment securities	55 079	47 809

(a) Government bonds and treasury bills as at 31 December 2004 include securities with a face value of HUF 95 704 million (HUF 15 235 million at 31 December 2003) that the Bank has sold and agreed to repurchase.

(b) Consolidation bonds were acquired as part of the 1992-1994 consolidation programs. These bonds expire in 2013 and 2014, bear a market rate of interest equivalent to the State of Hungary's treasury bill rates and reprice annually or semi-annually. As there is not yet a liquid market for these instruments in Hungary they are carried at amortised historical cost. As they reprice regularly management believe that amortised historical cost is the most appropriate estimation of their fair value.

(c) Unlisted shares include 25% of the shares of HAGE Rt., a company incorporated in Hungary. This investment (HUF 542 million at 31 December 2004 and 2003) is not classified as an associate because it is held for resale. This investment and other investments in unlisted shares are accounted for on a cost basis as it is not possible to reliably estimate their fair value.

(d) Government bonds issued in foreign currencies are hedged with variable interest rate cross currency swaps and are recorded at their fair value.

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December 2004			Year ended 31 December 2003		
	Notional amount	Positive fair value Assets	Negative fair value Liabilities	Notional amount	Positive fair value Assets	Negative fair value Liabilities
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Derivatives held for trading						
Foreign exchange derivatives						
Currency forwards	115 966	1 952	(5 186)	137 693	2 990	(1 980)
Currency swaps	608 431	22 265	(17 845)	693 174	20 494	(24 972)
Currency options bought and sold	183 259	454	(307)	47 951	588	(588)
Total foreign exchange derivatives	907 656	24 671	(23 338)	878 818	24 072	(27 540)
Interest rate derivatives						
Interest rate swaps	74 119	2 720	(2 123)	14 435	181	(536)
Interest rate options	42 546	74	(74)	-	-	-
Forward rate agreements	19 065	52	(25)	-	-	-
Total interest rate derivatives	135 730	2 846	(2 222)	14 435	181	(536)
Total derivatives held for trading	1 043 386	27 517	(25 560)	893 253	24 253	(28 076)
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	2 435	-	(287)	6 410	-	(389)
Cross currency interest rate swaps	10 885	-	(4 163)	20 753	-	(5 951)
Derivatives designated as cash flow hedges						
Currency options	47 636	1 409	(202)	-	-	-
Total derivatives held for hedging	60 956	1 409	(4 652)	27 163	-	(6 340)
Total derivative financial instruments	1 104 342	28 926	(30 212)	920 416	24 253	(34 416)

Derivatives designated as fair value hedges

Interest rate swaps

In 2000 the Group entered into interest rate swaps that mature in 2010 to cover the interest rate risk of a long term fixed rate loan originated by the Group to a corporate customer. A fixed EURO interest rate of 7.38% was swapped for the term of the loan to 3-month EURIBOR with a margin. Swap counterparties belong to major international banking groups.

Cross currency interest rate swaps

In 1997 and 1998, the Group purchased long term fixed rate bonds denominated in JPY that mature between 2004 and 2015. Cross currency interest rate swaps with exchanges of principal were entered into for the term of the bond whereby the Group pays semi- annually or annually the coupon of the bonds and receives USD 1 to 3-month LIBOR plus a margin to cover the Group's interest rate and foreign currency risk. At the maturity of the swaps, which coincides with the repayment of the bonds, notional capital amounts are exchanged. Swap counterparties belong to major international banking groups.

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives designated as cash flow hedges

Currency options

In 2004 the Group entered into currency options to cover the foreign currency risk deriving from future currency cash flows of leasing companies of the Group.

NOTE 7 - BANK PREMISES AND EQUIPMENT

	Land and Buildings MHUF	Leasehold improvements MHUF	Furniture, fixtures and equipment MHUF	Software MHUF	Construction in progress MHUF	Total MHUF
At 31 December 2003						
Cost	14 676	5 487	22 616	29 866	2 374	75 019
Accumulated depreciation	(6 817)	(1 240)	(12 841)	(19 582)	-	(40 480)
Net book value	7 859	4 247	9 775	10 284	2 374	34 539
Movements in 2004						
Additions	673	-	3 041	251	11 222	15 186
Disposals - net	(211)	(778)	(2 122)	(5)	(398)	(3 514)
Transfers	339	726	6 985	2 395	(10 695)	(250)
Impairment charge	(4)	(7)	(91)	-	(10)	(111)
Depreciation charge	(277)	(347)	(5 369)	(3 804)	-	(9 797)
Closing net book value	8 379	3 841	12 219	9 121	2 493	36 053
At 31 December 2004						
Cost	12 870	4 145	17 790	31 115	2 493	68 413
Accumulated depreciation	(4 491)	(304)	(5 571)	(21 994)	-	(32 360)
Net book value	8 379	3 841	12 219	9 121	2 493	36 053

NOTE 8 - INTANGIBLE ASSETS

	Leasehold rights MHUF
At 31 December 2003	
Cost	1 475
Accumulated amortisation	(981)
Net book value	494
Movements in 2004	
Disposals - net	(9)
Transfers	250
Amortisation charge	(140)
Closing net book value	595
At 31 December 2004	
Cost	1 623
Accumulated amortisation	(1 028)
Net book value	595

NOTE 9 - OTHER ASSETS

	31 December 2004 MHUF	31 December 2003 MHUF
Receivables from investment services	485	327
Prepayments and taxes receivable	2 261	3 925
Trade receivables	1 249	931
Receivables from employees	16	100
Receivables from bankcard service	1 411	1 535
Items in transit due to payment services	728	6 589
Items in transit due to trading in securities	114	240
Other accruals	9 833	7 781
Other inventories	1 468	820
Other receivables	1 744	811
	19 309	23 059

NOTE 10 - DEPOSITS AND CERTIFICATES OF DEPOSITS

	31 December 2004 MHUF	31 December 2003 MHUF
Individuals		
- current accounts	57 198	53 140
- term deposits, savings accounts	487 504	418 097
Corporations		
- current accounts	184 517	186 792
- term deposit	198 885	162 793
- liabilities to repurchase securities sold	-	1 063
Other entities		
- current accounts	10 430	9 255
- term deposits	45 966	16 842
	984 500	847 982
Certificates of deposits	455	628
	984 955	848 610

NOTE 11 – BALANCES DUE TO BANKS

	31 December 2004 MHUF	31 December 2003 MHUF
Current/settlements accounts	3 816	2 733
Term deposits	230 457	199 072
Liabilities to repurchase securities sold	98 528	14 584
	332 801	216 389

NOTE 12 – REFINANCING CREDITS

	31 December 2004 MHUF	31 December 2003 MHUF
Refinancing credits from National Bank of Hungary	5 260	5 227
Other refinancing credits	166 699	139 495
Swap facility with the National Bank of Hungary	-	4 244
	171 959	148 966

NOTE 12 – REFINANCING CREDITS (continued)

K&H Bank has entered into several refinancing credit facilities with the National Bank of Hungary (NBH) and other financial institutions (such as the EBRD and World Bank, FHB – Mortgage Bank) for the purpose of funding portions of the Bank's activities. There are several covenants governing the determination of qualified recipients, the on-going monitoring process of the ultimate recipients and the repayment process. In all cases the Bank assumes all credit risk related to the ultimate borrower and must check compliance with all covenants. At 31 December 2004, management believes that the Bank is in compliance with all significant covenants.

For refinancing credits or other sources denominated in foreign currency, the Bank uses the foreign currency - HUF deposit swap facility provided by the NBH to place foreign currency deposits with the NBH (included in cash and balances with NBH) and receive HUF deposits from the NBH. The HUF source is then lent to the customer resulting in a matched currency position for the Bank.

NOTE 13 - OTHER LIABILITIES

	31 December 2004 MHUF	31 December 2003 MHUF
Allowance for commitments and guarantees issued	205	739
Allowance for losses from legal cases	442	465
Provision for expected losses	11 430	8 600
Other provisions	1 302	1 910
Trade creditors	3 383	2 943
Lease liabilities	519	897
Items in transit due to payment services	9 569	14 817
Vostro accounts	3 189	1 256
Items in transit due to lending activity	2 507	804
Items in transit due to trading in securities	465	610
Receivables from bankcard service	1 111	954
Liabilities from brokerage services	1 637	2 520
Deferred tax liability	1 986	448
Other liabilities	11 361	3 003
	49 106	39 966

Other provisions include provision for the cancellation of lease contracts totalling HUF 973 million (HUF 1 191 million as at 31 December 2003). The release of these provisions in this financial year relates to expenditure incurred. In 2004 other provisions relating to provision for merger related restructuring costs in amount of HUF 483 million were released, of which HUF 320 million relates to expenditure incurred.

In 2003 the Group created a provision of HUF 8 600 million for its liability to clients as a result of the fraud that occurred at K&H Equities for which the Group at that time had a 50% ownership share. In 2004 the Group acquired the ownership stake held by ABN Amro N.V. and became the sole owner of Company. In 2004 the Group revised its previous estimate and increased the provision by HUF 3 744 million.

In 2004 an extensive reconciliation of all client accounts involved in the case was finalised. Following this process some clients were offered a settlement of which some accepted. For the majority of claims, criminal investigations were launched which are likely be litigated in Court. Some contested claims have already been determined by the Courts which K&H Equities Rt. subsequently paid. In total K&H Equities has incurred and charged against the provision HUF 914 million in 2004.

The further timing and the final decisions of the Courts are uncertain. As a result of this the amount of the provision may be subject to changes in the years ahead. However after careful consideration, based on comprehensive investigation and substantiated legal opinions the Group believes that the amount of provision raised is the best possible estimate and is at this moment adequate to cover actual losses. This provision does not include legal and ancillary costs of settling claims as the Group is not in a position that allows it to reliably estimate them.

NOTE 13 - OTHER LIABILITIES (continued)

The two shareholders of the Bank KBC N.V. and ABN AMRO N.V. issued a letter of commitment that they will maintain the legally required level of equity in K&H Bank Rt. The Bank also issued a letter of commitment that it will maintain the legally required level of equity at K&H Equities.

NOTE 14 - SUBORDINATED DEBT

	31 December 2004 MHUF	31 December 2003 MHUF
Subordinated loan from KBC Group	9 837	10 489
Bonds issued to the State	4 714	4 714
	14 551	15 203

In September 1999 the Group borrowed EUR 40 million of subordinated debt from Irish Intercontinental Bank, a member of the KBC Group. The loan matures on 31 July 2006 and bears a variable interest rate of 3 month-EURIBOR plus 1.625 percent per annum.

K&H Bank also issued subordinated debt in the form of bonds to the State in December 1994 and bought long-term state bonds from the proceeds. Interest on the bonds issued is the same as on the state bonds acquired. Both securities mature in 2014.

NOTE 15 - SHARE CAPITAL

	31 December 2004 MHUF	31 December 2003 MHUF
Ordinary shares issued and outstanding	52 507	52 507

The nominal value of the ordinary shares issued and outstanding at 31 December 2004 is HUF 1 per share (2003: HUF 1).

Shareholders of the Bank:

	2004 Shares held (M)	2004 Shareholding %	2003 Shareholding %
KBC Bank N. V.	31 220	59.46%	59.43%
ABN Amro N.V.	21 123	40.23%	40.23%
Other shareholders	164	0.31%	0.34%
	52 507	100.0%	100.0%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – CAPITAL ADEQUACY

The Group capital adequacy calculation shown below was prepared based on the international guidelines set forth by the Basle Committee on Banking Regulations and Supervisory Practices. The Bank is also subject to separate Hungarian capital adequacy regulations calculated from the statutory accounts. According to these, the Bank's capital adequacy ratio at 31 December 2004 was 12.00% (10.98% at 31 December 2003). The minimum ratio according to Hungarian regulations is 8.00%.

	31 December 2004 MHUF	31 December 2003 MHUF
Cash and balances with the National Bank of Hungary	210	490
Balances with other banks	35 446	13 789
Loans to customers	798 711	754 172
Trading and investment securities	3 195	3 658
Derivative financial instruments	12 408	33 491
Accrued interest receivable	7 220	13 417
Bank premises and equipment	36 053	34 539
Intangible assets	595	494
Other assets	21 708	23 041
Total risk-weighted assets	915 545	877 091
Risk-weighted off-balance sheet items	182 341	179 132
Total risk-weighted assets and off balance sheet items	1 097 886	1 056 223

	31 December 2004 MHUF	31 December 2003 MHUF
Shareholders' equity	141 007	121 704
less: goodwill		-
Capital requirement for trading book	(2 060)	(1 737)
Tier 1 capital	138 947	119 967
Available for sale reserve	175	(1 467)
Cash flow reserve	917	-
Subordinated debt	8 649	11 007
Tier 2 capital	9 741	9 540
Tier 1+ Tier 2 capital	148 688	129 507
Capital adequacy: Tier 1	12.66%	11.36%
Capital adequacy: Tier 1 + Tier 2	13.54%	12.26%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 – STATUTORY RISK RESERVE

The Bank is required to set aside 10% of its profit calculated in accordance with Hungarian Accounting standards as a non-distributable reserve for use against future losses. The balance of this reserve as at 31 December 2004 was 3 144 million HUF (924 million HUF as at 31 December 2003).

NOTE 18 – DISTRIBUTABLE RESERVES

According to Hungarian corporate and banking law, only profit for the current period and the retained earnings included in the statutory standalone financial statements and calculated using Hungarian accounting principles may be distributed to shareholders. Additionally, this can occur only after the Group establishes the required minimum level of statutory risk reserve (see note 17).

Accordingly, the Bank had distributable reserves of HUF 40 153 million as at 31 December 2004 (HUF 20 181 million as at 31 December 2003).

NOTE 19 – NET INTEREST INCOME

	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
Interest from credit institutions	11 706	8 061
Interest on loans	93 482	70 329
Interest on trading securities	1 104	1 531
Interest on investment securities	22 510	15 721
Loan origination fees	627	1 124
Interest income	129 429	96 766
Interest on deposits and certificates of deposits	(61 591)	(36 932)
Interest paid to credit institutions	(6 248)	(3 372)
Interest on refinancing credits	(4 130)	(3 663)
Interest on subordinated debt	(898)	(963)
Interest expense	(72 867)	(44 930)
Net interest income	56 562	51 836

NOTE 20 – NET FEE INCOME

	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
Payment transactions	16 383	16 076
Card services	5 712	4 976
Brokerage services	3 351	2 680
Credit and guarantee fee income	6 123	4 636
Other	602	777
Commission and fee income	32 171	29 145
Payment transactions	(3 827)	(3 173)
Card services	(2 855)	(2 512)
Brokerage services	(597)	(416)
Credit and guarantee fee expense	(532)	(359)
Insurance services	(653)	(540)
Commission paid to exchange agents	(3 207)	(4 676)
Other	(102)	(345)
Commission and fee expense	(11 773)	(12 021)
Net fee income	20 398	17 124

Commission paid to exchange agents is matched with an exchange gain recognised in consolidated statement of operations in gains less losses on foreign exchange. On a net basis these fees have no impact on the Group profitability.

In 2004 activity with exchange agents was closed.

NOTE 21 – OPERATING EXPENSES

	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
Personnel costs	27 145	23 654
Operations	9 035	10 131
Depreciation and amortisation	9 937	9 322
Technology costs	9 313	8 601
Taxes and duties	4 665	3 609
Marketing cost	1 592	1 417
Other expenses	6 006	4 048
	67 693	60 782

The average number of employees in 2004 was 3 874 (3 787 in 2003).

NOTE 22 – ALLOWANCE FOR POSSIBLE LOAN AND COMMITMENT LOSSES

Movements in allowance for possible loan and commitment losses are the following:

	Allowance for incurred credit losses on loans		Commitments and contingent liabilities		
	Not specifically identified MHUF	Specifically identified MHUF	Not specifically identified MHUF	Specifically identified MHUF	Total MHUF
Balance at 31 December 2003	4 229	17 569	556	9 248	31 602
Additions	918	8 946	-	3 960	13 824
Reversals	(2 886)	(1 712)	(419)	(350)	(5 367)
Write offs	-	(1 374)	-	(914)	(2 288)
Foreign exchange revaluation	-	(238)	-	(4)	(242)
Balance at 31 December 2004	2 261	23 191	137	11 940	37 529

The allowance for commitments and contingent liabilities totalling HUF 12 077 million at 31 December 2004 (HUF 9 804 million at 31 December 2003) is included under separate headings of Allowance for commitments and guarantees issued, Allowance for losses from legal cases and provision for expected losses (see note 13).

NOTE 23 – GAIN/(LOSS) ON INVESTMENTS

	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
Gain/(Loss) on sale of investments	(8)	171
Revaluation of investments	(240)	(2 111)
Share in gain of associates	959	2 053
Total	711	113

Revaluation of investments includes a loss of HUF (694) million in 2004 (HUF 2 397 million in 2003) on the mark to market valuation of bonds denominated in foreign currency issued by the National Bank of Hungary. This loss is offset by a gain of HUF 652 million in 2004 (HUF 2 042 million in 2003) on bond related foreign exchange swaps included in the gains less losses on foreign exchange in the consolidated statement of operations.

The Group revised the accounting treatment of its investment in GIRO Elszámolásforgalmi Rt. from a historical cost basis to the equity method in 2003 with the resulting gain of HUF 1 469 million included within "Share in gain of associates".

NOTE 24 - INCOME TAXES

	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
Statutory income tax expense	3 171	2 132
Deferred taxation (credit)/charge	914	(494)
Income tax charge	4 085	1 638

Statutory income tax expense

Corporate income tax is payable at 16% on taxable statutory profits with an additional 20% tax on dividends, a percentage that foreign shareholders may be able to further reduce under double taxation treaties.

There is no procedure for final agreement of tax assessments in Hungary. The tax authorities may examine the accounting records and revise assessments for up to five years after the period to which they relate. Consequently, the K&H Group may be subject to further assessments in the event of an audit by the tax authorities. The corporate tax returns for K&H have been closed off for the years up to 2001. Management is not aware of any additional significant unaccrued potential tax liability which might arise relating to years not audited by the tax authorities.

Deferred income taxes

	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
Deferred tax liability / (asset) at the beginning of the year	448	1 227
Deferred tax effect of AFS investments	334	(285)
Deferred tax effect of cash flow hedge	290	-
Deferred tax (credit)/charge	914	(494)
Deferred tax liability / (asset) at the end of the year	1 986	448

Deferred income taxes are calculated on all temporary differences under the asset and liability method using a principal rate of 16%. On temporary differences with maturity less than two years further 8% banking tax is calculated. The resulting deferred tax asset is included in other assets (see note 9).

According to the Hungarian Tax Law, any operating losses incurred for income tax purposes by the Bank are not eligible for carry forward against future years' income. Deferred income tax for tax loss carry forwards is calculated only for non-banking subsidiaries to the extent that realisation of the related tax benefit is assessed as probable.

NOTE 24 - INCOME TAXES (continued)

Deferred income tax assets and liabilities are attributable to the following items:

	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
Deferred income tax assets		
Differences between taxation and IFRS book values		
- revaluation of property and leasehold rights	(496)	(688)
- available for sales assets adjustments recognised in equity	-	(279)
- other provisions	(292)	(1 585)
- holiday accruals	(117)	-
Total deferred income tax assets	(905)	(2 552)
Deferred income tax liabilities		
Differences between taxation and IFRS book values		
- general provision for loan losses	1 770	1 263
- fair value evaluation of financing instruments	613	1 467
- available for sales assets adjustments recognised in equity	55	-
- cash flow hedge adjustments recognised in equity	290	-
- other	163	270
Total deferred tax liabilities	2 891	3 000
Net deferred tax liability	1 986	448

Deferred tax income comprises the following temporary differences:

	Year ended 31 December 2004 MHUF	Year ended 31 December 2003 MHUF
General provision for loan losses	506	163
Revaluation of real estates and leasehold rights	192	162
Other provisions	1 293	(984)
Fair value evaluation of financing instruments	(854)	280
Holiday accruals	(117)	-
Other	(106)	(115)
Deferred tax (credit)/charge	914	(494)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - INCOME TAXES (continued)

The effective income tax rate varied from the statutory income tax rate due to the following items:

	Year ended 31 December 2004 MHUF	Tax rate	Year ended 31 December 2003 MHUF	Tax rate
Income before income taxes	23 391		9 733	
Tax at statutory rate of 16%	3 743	16.00%	1 752	18.00%
Tax of temporary differences less than two years	180	0.77%	-	-
Tax effect of permanent differences	162	0.69%	(114)	-1.00%
Tax charge for the period	4 085	17.46%	1 638	17.00%

NOTE 25 - EARNINGS PER SHARE

Earnings per share is the profit attributable to shareholders of the Group divided by the weighted average number of shares outstanding during the period, excluding treasury shares. There were no other potentially dilutive securities in existence at 31 December 2004 and 2003. The following amounts were used in the calculation of earnings per share:

	31 December 2004	31 December 2003
Net profit attributable to shareholders (MHUF)	19 306	8 095
Weighted average shares outstanding (in millions)	52 507	42 891
Earnings per share (HUF)	0.37	0.19

NOTE 26 - RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, related parties include all enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the reporting enterprise (this includes parents, subsidiaries and fellow subsidiaries), key management and associated companies.

The banking transactions entered into with related parties in the normal course of business including loans and deposits were carried out on normal commercial terms and conditions and at market rates. All the loans and advances to related parties are performing advances and are free of any provision for possible loan losses.

The year-end balances with related parties included in the financial statements are as follows:

	31 December 2004 MHUF	31 December 2003 MHUF
Assets		
Balances due from KBC and ABN Amro entities	116 085	13 640
Liabilities		
Balances due to KBC and ABN Amro entities	95 747	171 461
Subordinated debt	9 837	10 489
Other liabilities (lease liabilities)	-	862
	105 584	182 812
Commitments and contingent liabilities	5 153	4 079
Guarantees received*	7 470	4 769
Nominal principal of derivatives	289 263	204 894

*Excluding guarantees received in relation to the Talentum case

The income and expenses in respect of related parties included in the financial statements are as follows:

	31 December 2004 MHUF	31 December 2003 MHUF
Interest income	1 354	875
Interest expense	(1 821)	(1 678)
Net interest income	(467)	(803)

As of 31 December 2004 the total amount of loans made by the Bank to the members of the Management, Board of Directors and Supervisory Board amounted to HUF 21 million.

NOTE 27 - CURRENCY EXPOSURE

The Group had the following exposure in the most significant currencies:

	HUF MHUF	EURO MHUF	USD MHUF	JPY MHUF	Other MHUF	Total MHUF
At 31 December 2004						
Assets						
Cash and balances with MNB	78 193	635	291	8	127	79 254
Balances with other banks	33 132	45 396	112 131	344	6 632	197 635
Loans to customers	611 976	237 056	20 239	-	233 397	1 102 668
Trading and investment securities	240 188	-	-	12 577	-	252 765
Derivative financial instruments	28 670	187	69	-	-	28 926
Accrued interest receivable	13 497	921	223	509	1 137	16 287
Bank premises and equipment	36 053	-	-	-	-	36 053
Intangible assets	595	-	-	-	-	595
Other assets	18 449	575	285	-	-	19 309
Total assets	1 060 753	284 770	133 238	13 438	241 293	1 733 492
Liabilities						
Deposits and certificate of deposits	809 126	121 208	45 915	125	8 581	984 955
Balances to other banks	102 632	86 584	2	-	143 583	332 801
Refinancing credits	113 908	55 304	2 747	-	-	171 959
Derivative financial instruments	25 541	465	34	4 163	9	30 212
Accrued interest payable	6 822	429	95	295	168	7 809
Subordinated debt	4 714	9 837	-	-	-	14 551
Other liabilities	40 279	4 528	2 392	717	1 190	49 106
Total liabilities and subordinated debt	1 103 022	278 355	51 185	5 300	153 531	1 591 393
Net balance sheet position	(42 269)	6 415	82 053	8 138	87 762	142 099
Credit commitments and contingent liabilities	345 073	77 742	17 749	-	11 674	452 238
Net position of foreign exchange derivatives	196 570	(10 447)	(82 047)	(10 548)	(94 600)	(1 072)

NOTE 27 - CURRENCY EXPOSURE (continued)

	HUF	EURO	USD	JPY	Other	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
At 31 December 2003						
Assets						
Cash and balances with MNB	61 245	1 881	4 655	7	361	68 149
Balances with other banks	43 249	13 782	7 234	575	4 107	68 947
Loans to customers	541 718	269 870	29 976	18	115 809	957 391
Trading and investment securities	220 450	-	-	23 676	-	244 126
Derivative financial instruments	24 231	2	20	-	-	24 253
Accrued interest receivable	11 803	1 026	201	642	860	14 532
Bank premises and equipment	34 539	-	-	-	-	34 539
Intangible assets	494	-	-	-	-	494
Other assets	20 881	1 319	307	-	552	23 059
Total assets	958 610	287 880	42 393	24 918	121 689	1 435 490
Liabilities						
Deposits and certificate of deposits	679 751	99 438	59 478	379	9 563	848 609
Balances to other banks	10 181	88 587	18 943	-	98 678	216 389
Refinancing credits	103 346	42 321	3 300	-	-	148 967
Derivative financial instruments	28 069	396	-	5 951	-	34 416
Accrued interest payable	10 792	303	61	507	40	11 703
Subordinated debt	4 714	10 489	-	-	-	15 203
Other liabilities	32 158	3 491	2 983	864	470	39 966
Total liabilities and subordinated debt	869 011	245 025	84 765	7 701	108 751	1 315 253
Net balance sheet position	89 599	42 855	(42 372)	17 217	12 938	120 237
Credit commitments and contingent liabilities	347 770	54 095	8 039	2	6 947	416 853
Net position of foreign exchange derivatives	37 835	(52 543)	40 868	(20 753)	(13 811)	(8 404)

NOTE 28 – INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The substantial majority of the Group's assets and liabilities reprice within one year. Accordingly there is a limited exposure to interest rate risk.

The tables below detail the Group's interest exposure as amended by interest rate swap derivatives on a total basis.

	Below 1 month MHUF	1-3 months MHUF	3-12 months MHUF	Over 1 year MHUF	Not interest bearing MHUF	Total MHUF
Cash and balances with the National Bank	68 281	-	-	-	10 973	79 254
Balances due to banks	192 522	5 113	-	-	-	197 635
Loans to customers	595 635	288 395	88 984	129 654	-	1 102 668
Trading and investment securities	22 012	38 692	109 899	77 908	4 254	252 765
Derivative financial instruments	-	-	-	-	28 926	28 926
Accrued interest receivable	-	-	-	-	16 287	16 287
Bank premisses and equipment	-	-	-	-	36 053	36 053
Intangible assets	-	-	-	-	595	595
Other assets	-	-	-	-	19 309	19 309
Total assets	878 450	332 200	198 883	207 562	116 397	1 733 492

	Below 1 month MHUF	1-3 months MHUF	3-12 months MHUF	Over 1 year MHUF	Not interest bearing MHUF	Total MHUF
Deposits and certificate of deposits	657 063	283 853	43 989	50	-	984 955
Balance due to banks	158 735	174 066	-	-	-	332 801
Refinancing credits	-	96 715	2 734	72 510	-	171 959
Derivative financial intsruments	-	-	-	-	30 212	30 212
Accrued interest payable	-	-	-	-	7 809	7 809
Subordinated debt	-	9 837	4 714	-	-	14 551
Other liabilities	-	-	-	-	49 106	49 106
Shareholder's equity	-	-	-	-	142 099	142 099
Total liabilities	815 798	564 471	51 437	72 560	229 226	1 733 492

NOTE 28 – INTEREST RATE RISK (continued)

Interest bearing HUF assets and liabilities at 31 December 2003:

	Below 1 month MHUF	1-3 months MHUF	3-12 months MHUF	Over 1 year MHUF	Total MHUF
Assets	534 692	121 894	126 825	38 284	821 695
Liabilities	(587 651)	(207 952)	(80 030)	(4 087)	(879 720)
	(52 959)	(86 058)	46 795	34 197	(58 025)

Interest bearing FX assets and liabilities at 31 December 2003:

	Below 1 month MHUF	1-3 months MHUF	3-12 months MHUF	Over 1 year MHUF	Total MHUF
Assets	342 330	107 944	85 854	46 225	582 353
Liabilities	(302 224)	(118 230)	(15 998)	(22 629)	(459 081)
	40 106	(10 286)	69 856	23 596	123 272

NOTES TO THE FINANCIAL STATEMENTS

NOTE 29 – LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the bank's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the year end are based on contractual repayment arrangements.

The following table shows a breakdown of the balance sheet by maturity at 31 December 2004:

	Loans	Other assets	Total Assets	Deposits and certif. of deposits	Other liabilities	Total liabilities	Net coverage
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
1-7 days	109 893	227 303	337 196	(431 911)	(231 049)	(662 960)	(325 764)
1-2 weeks	15 621	13 864	29 485	(84 282)	(5 957)	(90 239)	(60 754)
2-4 weeks	9 101	4 772	13 873	(136 353)	(3 428)	(139 781)	(125 908)
1-3 months	71 731	30 879	102 610	(257 376)	(93 882)	(351 258)	(248 648)
4-6 months	80 945	17 390	98 335	(17 822)	(8 183)	(26 005)	72 330
7-12 months	124 965	31 785	156 750	(12 624)	(13 403)	(26 027)	130 723
1-2 years	126 604	43 079	169 683	(21 875)	(57 661)	(79 536)	90 147
2-5 years	309 044	70 343	379 387	(22 712)	(123 082)	(145 794)	233 593
Over 5 years	280 216	191 409	471 625	-	(56 414)	(56 414)	415 211
Subtotal	1 128 120	630 824	1 758 944	(984 955)	(593 059)	(1 578 014)	180 930
Allowance/Equity	(25 452)	-	(25 452)	-	(155 478)	(155 478)	(180 930)
Total	1 102 668	630 824	1 733 492	(984 955)	(748 537)	(1 733 492)	-

NOTE 29 – LIQUIDITY RISK (continued)

The following table shows a breakdown of the balance sheet by maturity at 31 December 2003:

	Loans	Other assets	Total Assets	Deposits and certif. of deposits	Other liabilities	Total liabilities	Net coverage
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
1-7 days	82 614	72 960	155 574	(394 817)	(175 639)	(570 455)	(414 882)
1-2 weeks	6 970	3 163	10 133	(76 737)	(18 782)	(95 519)	(85 386)
2-4 weeks	16 457	82 545	99 002	(131 646)	(77 621)	(209 267)	(110 265)
1-3 months	43 118	35 108	78 226	(202 696)	(77 545)	(280 241)	(202 015)
4-6 months	79 806	9 085	88 891	(13 162)	(7 225)	(20 387)	68 504
7-12 months	147 923	10 191	158 114	(14 326)	(12 371)	(26 697)	131 417
1-2 years	123 083	23 360	146 443	(4 646)	(21 339)	(25 985)	120 458
2-5 years	280 126	54 080	334 206	(8 084)	(23 906)	(31 990)	302 216
Over 5 years	199 092	187 607	386 699	(2 496)	(40 500)	(42 996)	343 703
Subtotal	979 189	478 099	1 457 288	(848 610)	(454 928)	(1 303 537)	153 750
Allowance/ Equity	(21 798)	-	(21 798)	-	(131 952)	(131 952)	(153 750)
Total	957 391	478 099	1 435 490	(848 610)	(586 880)	(1 435 490)	-

NOTE 30 – FAIR VALUE

Substantially all the Group's monetary assets and liabilities are carried at their fair values as of December 31, 2004 and 2003.

Underlying the definition of fair value is the presumption that the bank is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Balances with other banks

The carrying amount of these balances approximate their fair value, as balances with other banks are short term placements at market interest rates.

Loans to customers

Loans to customers are carried net of incurred credit losses. The estimated fair value of loans should be the amount of estimated future cash flows expected to be received, discounted at market rates. As the majority of loans are repriced quarterly, management believes that the carrying value approximates the fair value.

Loans with a net book value of HUF 72 billion are refinanced through facilities with the FHB on substantially the same terms and conditions. As such any difference in the fair values from the carrying value will be largely offset by a corresponding variance between the carrying value and the fair value of refinancing credits that were used to finance the loans.

NOTE 30 – FAIR VALUE (continued)

Investments

Trading securities and available for sale investments are carried at their market value.

Consolidation bonds classified as available for sale do not have observable market prices. As the interest rate of these securities follows the market rate for treasury bills and they reprice regularly the carrying value approximates their fair value.

Bonds and other investments held to maturity are carried at amortised cost except for bonds denominated in foreign currency issued by the National Bank of Hungary. As the cross currency interest rate swaps relating to the bonds are valued at fair value, these bonds are also carried at fair value.

Deposits and certificates of deposits

The estimated fair value of deposits on demand is the carrying value. Due to the short-term maturity of fixed interest bearing deposits, the carrying value approximates the fair value.

The carrying value of fixed interest bearing deposits approximates fair value as interest rates are usually fixed only for periods up to 3 months.

Balances due to banks

The carrying amounts of these balances approximate their fair value, as balances with banks are short term placements with market interest rates.

As detailed under loans to customers any difference between the carrying value and the fair value of refinancing credits from the FHB will be largely offset by a corresponding variance between the carrying value and the fair value of the loans granted to customers that these funds were used to finance.

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities (interest receivable, liability to repurchase securities sold, interest payable) approximate their fair values.

Fair value of derivatives

All derivatives are carried at their fair value. Fair values of trading derivative financial instruments, such as forward foreign exchange, currency swaps and options, forward rate agreements and default swaps are marked to market, based on international money and capital market price quotations.

Fair values of derivative financial instruments designated as fair value hedges, such as interest rate swaps and cross currency swaps are determined by discounted cash flow using prevailing market rates.

NOTE 31 - CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

Details on the industrial concentration of the Group's loans to customers is provided in Note 4.

The distribution of assets, liabilities, and off-balance sheet items by geographic region was as follows:

	Total assets	Equity and liabilities	Credit commitment and credit contingent liabilities
	MHUF	MHUF	MHUF
As at 31 December 2004			
Hungary	1 573 353	1 376 359	442 907
Euro countries	128 341	308 432	1 458
East-European countries	8 809	6 458	6
Russia	223	2 017	-
Other European countries	18 119	29 483	5 036
Non – European Countries	4 647	10 743	2 831
	1 733 492	1 733 492	452 238
As at 31 December 2003			
Hungary	1 387 104	1 141 371	416 802
Euro countries	19 363	245 446	-
East-European countries	2 001	8 402	-
Russia	3 062	2 063	-
Other European countries	15 267	21 606	51
Non – European countries	8 693	16 602	-
	1 435 490	1 435 490	416 853

NOTE 32 – FINANCE AND OPERATING LEASES

The Group has the follow finance leases:

	31 December 2004 MHUF	31 December 2003 MHUF
Net carrying amount of leased assets in the Balance Sheet		
Bank premises and equipment-software	1 125	1 746
Bank premises and equipment-hardware	-	84
	1 125	1 830
Finance lease liabilities-minimum lease payments		
less than one year	293	880
one to five years	171	757
	464	1 637
The present value of finance lease liabilities may be analysed As follows:		
less than one year	443	754
one to five years	-	108
	443	862

The Group has entered into property lease agreements which are accounted for as operating leases. The Group has the following commitments for the remaining term of the contracts:

	31 December 2004 MHUF	31 December 2003 MHUF
Total of future minimum lease payments under non-cancellable Operating leases:		
less than one year	1 453	1 461
one to five years	6 639	6 111
more than five years	2 946	3 544
	11 038	11 116

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32 – FINANCE AND OPERATING LEASES (continued)

	31 December 2004 MHUF	31 December 2003 MHUF
Lease and sublease payments recognised in income for the period		
minimum lease payments	4 041	4 920
sublease payments	(97)	(70)

The leasing subsidiaries of the Bank operate in the domestic leasing market and provide both finance and operating lease products to customers. The following tables indicate the key amounts of this activity:

Finance leases

	31 December 2004 MHUF	31 December 2003 MHUF
Total of gross investment in the lease:		
less than one year	13 689	16 827
one to five years	46 726	34 082
more than five years	4 186	1 346
	64 601	52 255
The present value of minimum lease payments receivables:		
less than one year	15 095	14 629
one to five years	24 555	29 098
more than five years	908	983
	40 558	44 710
Unearned finance income	24 043	7 545
Non-guaranteed residual values	1 671	-
Accumulated allowance on minimum lease payments receivable	2 203	1 017

The term of the contracts are between 12 and 72 months, and the interest rates are in a range BUBOR, EURIBOR or LIBOR plus a margin of 3%-8.5%.

NOTE 32 – FINANCE AND OPERATING LEASES (continued)

Operating leases

	31 December 2004	31 December 2003
	MHUF	MHUF
Gross carrying amount of equipment for operating leases	4 363	4 212
Accumulated depreciation of equipment for operating leases	(1 123)	(1 577)
	3 240	2 635
Depreciation recognised in income for the period	924	609

Machinery, other equipment, passenger and commercial vehicles are subjected to operating leases. The term of the contracts are generally between 6 and 48 months with interest rates in a range of BUBOR, EURIBOR or LIBOR plus a margin of 1.5%-5.5%. All lease contracts are non-cancellable and lease payments do not contain contingent rents.

NOTE 33 – CREDIT COMMITMENTS AND CREDIT CONTINGENT LIABILITIES

In the normal course of business, the Group is a party to credit related financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit, financial guarantees and commercial letters of credit. These instruments involve elements of credit risk in excess of the amounts recognized in the balance sheet.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Commitments are contractual agreements to extend credit which generally have fixed expiration dates or other termination requirements and may require payment of a fee. A significant proportion of the Group's commitments to extend credit are not irrevocable as they are contingent upon the prospective borrower maintaining specific credit standards at the time of loan funding. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. The credit risk involved in issuing guarantees is essentially the same as that involved in extending facilities to other customers. The Group applies similar principles as those applied in assessing the required allowance for losses under other credit facilities when assessing the likelihood of loss under the guarantee.

NOTE 33 – CREDIT COMMITMENTS AND CREDIT CONTINGENT LIABILITIES (continued)

Trade finance commitments represent a financing transaction by a Group to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction.

The Bank has the following credit related commitments:

	31 December 2004		31 December 2003	
	Amount MHUF	Allowance MHUF	Amount MHUF	Allowance MHUF
Commitments to extend credit	304 934	56	292 775	70
Guarantees	144 341	149	119 012	669
Trade finance commitments	2 444	-	4 074	-
Other	519	-	992	-
Credit commitment and credit contingent liabilities	452 238	205	416 853	739

The K&H Group is party to litigation and claims arising in the normal course of business. An allowance of HUF 442 million at 31 December 2004 (HUF 463 million at 31 December 2003) for possible losses from legal cases has been made relating to these contingencies and included in other liabilities. Management believes that adequate allowance has been made in the financial statements for potential losses from litigation.

A subsidiary of ABN Amro Magyar Bank Rt. acted as distributor in a local public offering by an issuer which subsequently became bankrupt. To cover possible losses as a result of litigation against the subsidiary ABN Amro N.V. issued an irrevocable payment guarantee in the amount of HUF 3 560 million for the potential liability in September 2000. The litigation was completed in 2001 and the Bank is obliged to pay the amounts arising from properly authenticated claims covered by the court order. In December 2002 an additional guarantee of HUF 1 600 million was received from ABN Amro N.V. to cover any losses in excess of the guarantee initially provided.

The settlement process of the claim was mainly finished in 2003. No new guarantees were made. The management believes that the two guarantees are adequate to settle with all bondholders.

NOTE 34 - SUBSIDIARIES AND ASSOCIATES

	Effective Shareholding 2004	Effective Shareholding 2003
Fully consolidated subsidiaries	%	%
K&H Lízing Rt.	100	100
K&H Lízingház Rt.	100	100
K&H Alkusz Kft.	100	100
K&H Kártyaprogramok Kft.	100	100
Pannonlízing Pü-I Szolg. Rt.	100	100
K&H DLH Lizing Kft	100	100
K&H Autófin Pü-I Szolg. Rt.	100	100
K&H Letét Kft.	100	100
K&H Box Bt.	100	100
K&H Autópark Bérleti és Szolg. Kft.	100	100
K&H Eszkölizing Gép- és Tehergépjármű Bérleti Kft.	100	100
K&H Eszközfinanszírozó Kft.	100	100
K&H Lízingadminisztrációs Rt.	100	100
K&H Vagyonkezelési Holding Kft.	100	100
K&H Értékpapir Befeketési Alapkezelö Rt.	100	100
AA Pénztárszolgáltató Kft.	-	100
K&H Általános Tanácsadó Rt	100	100
K&H Beruházó Kft.	-	100
K&H Gondnok Kft.	-	100
Talentum Rt.	100	100
MHB Work Out Kft.	100	100
Kvantum Követeléskezelő és Befektetési Rt.	100	100
Fordat Kft.	100	100
K&H Equities Rt.	100	-
Proportionally consolidated subsidiaries		
K&H Equities Rt.	-	50
Associates consolidated using the equity method		
AA International Treasury Szolg. Kft.	49	49
K&H Életbiztosító Rt.	50	50
Giro Bankkártya Rt.	75	75
Giro Elszámolásforgalmi Rt.	21	21
Budatrend III. Ingatlanhasznosító Rt.	34	34
Subsidiaries in voluntary liquidation		
Optimum Rt.	100	100
K&H Communication Rt.	100	100
K&H Pénztárszolgáltató Kft.	100	100
Risk Kft.	100	100

During 2003 Magyar Factor Rt. was sold. Giro Elszámolásforgalmi Rt. is consolidated using the equity method for the first time in the current year (see note 23). The stake of the Bank in Nemzetközi Bankárképző Központ Rt. has been transformed into a new company share named Budatrend III. Ingatlanhasznosító Rt.

In first quarter of 2005 the voluntary liquidation process of K&H Box Bt. and K&H Letét Kft. was closed.

NOTE 35 – SUBSEQUENT EVENTS

There were no material subsequent events.

NOTE 36 - RECONCILIATION OF STATUTORY ACCOUNTS TO IFRS ACCOUNTS

	Profit/(loss) for the year	Shareholders' equity [1]	Assets	Subordinated debt and liabilities
	MHUF	MHUF	MHUF	MHUF
K&H Bank accounts prepared under Hungarian Accounting Rules	22 195	101 679	1 607 228	1 483 354
Adjustments for IAS accounts				
Capitalization of VAT	6	177	2 243	2 060
Capitalization of financial leases	(265)	967	1 125	422
Accrual of sold investment with deferred payment	2	(2)	-	-
Allowance for incurred but not specifically identified credit losses	4 088	7 894	(1 343)	(13 325)
Allowance for specifically identified credit losses	(68)	-	(68)	-
Revaluation of real estates	(9)	111	102	-
Adjustment on delivery repos	(1 064)	2 415	100 164	98 818
Fair valuation of trading portfolio and derivatives	(5 400)	6 988	22 932	21 342
Cash flow hedge on FX options	-	1 207	1 409	202
Holiday accruals	(729)	-	-	729
Deferred tax	(1 127)	(985)	-	2 112
K&H Bank standalone IAS adjustments	(4 566)	18 772	126 564	112 360
Subsidiaries accounts prepared under Hungarian Accounting Standards	(1 207)	8 446	174 696	167 457
Adjustments for IAS accounts				
Allowance for incurred but not specifically identified credit losses	(918)	-	(918)	-
Financial leases	(542)	673	(21)	(153)
Mark to market evaluation of trading portfolio	(57)	61	-	(4)
Deferred tax	213	(87)	-	(126)
Subsidiaries standalone IAS adjustments	(1 304)	646	(939)	(283)
Adjustments for consolidation	4 188	(6 750)	(174 057)	(171 495)
Balance per IAS report	19 306	122 793	1 733 492	1 591 393

[1] Excluding the current year profit / (loss)