OTP Bank Rt.

Extracts of the Annual Report 2003

(English translation of the original report)

Budapest, April 30, 2004

The excerpt of OTP Bank's Annual Report for contains the HAR and IFRS (former IAS) non consolidated and consolidated balance sheet and profit and loss account for the 12 months ending 31 December 2003. For the sake of easier analysis by international investors, we present both the HAR non-consolidated and consolidated figures in a format that is closer to the international format. Data for the year 2003 in the report are audited.

In 2003 in order to enhance the use of the available capital within the group, the bank has made some capital restructuring. Within this framework during the second Quarter 2003 a total HUF 7,235 million of extraordinary dividends were paid mostly by the subsidiaries possessing excess capital. Since this is considered to be a one time action which did not appeared earlier and not even in the third or fourth quarter and is not expected to return regularly in the future, the bank, apart from its regular profit and loss account, has prepared one where in order to show reasonable comparison, shows the dividend income after the PAT line. As a consequence some profitability indicators of the bank (EPS, ROAA and ROAE) show different result after this reclassification. Those data which are resulted in the calculation without the dividend income are shown in parentheses after the data based on traditional calculation.

HIGHLIGHTS

HAR

OTP Bank's HAR after-tax profits for 2003 were HUF71,562 million, HUF24,365 million or 51.6% higher than in 2002. OTP Group's consolidated after-tax profits were HUF83,022 million, an increase of 51.0% over 2002, and 16.0% higher than the figure of the Bank.

For 2003 OTP Bank's HAR pre-tax profits were HUF86,701 million, 49.3% higher than in 2002. OTP Group's consolidated pre-tax profits were HUF102,751 million, an increase of 50.7% over 2002 and 18.5% higher than the figure of the Bank.

Over the 12 months period ending 31 December 2003, total Bank assets grew to HUF2,758,606 million or by 15.4%, and this figure is 4.7% higher than 3 months earlier. Total assets for the group were HUF3,502,663 million on 31 December 2003, which represented a year-on-year growth of 28.1%, and it was 27.0% higher than total assets of the Bank on 31 December 2003.

2002	2003 Bank	Change	**Financial highlights** HAR	2002	2003 Group	Change
2,390.1	2,758.6	15.4%	Total assets (HUF bn)	2,734.1	3,502.7	28.1%
951.7	1,088.3	14.3%	Total loans and advances (HUF bn)	1,322.6	2,025.7	53.2%
2,011.0	2,234.9	11.1%	Total deposits (HUF bn)	2,140.4	2,697.8	26.0%
47.3%	48.7%	1.4%	Loan/deposit ratio	61.8%	75.1%	13.3%
205.8	261.8	27.2%	Shareholders equity (HUF bn)	237.5	305.1	28.5%
11.6	10.5	-9.2%	Balance sheet gearing	11.5	11.5	-0.3%
38.2%	42.0%	3.8%	Share of non interest income in total income	50.7%	42.8%	-7.9%
57.5%	54.1%	-3.4%	Cost to income ratio	67.6%	62.0%	-5.6%
58.1	86.7	49.3%	Pre-tax profits (HUF bn)	68.2	102.8	50.7%
47.2	71.6	51.6%	After tax profits (HUF bn)	55.0	83.0	50,9%
179.0	269.2	50.4%	EPS undiluted (HUF)[1]	214.6	321.9	50.0%
168.6	255.6	51.6%	EPS fully diluted (HUF)[2]	196.4	296.5	51.0%
2.09%	2.78%	0.69%	Return on Assets[3]	2.18%	2.66%	0.48%
25.9%	30.6%	4.7%	Return on Equity[3]	26.2%	30.6%	4.4%
20.6%	25.9%	5.3%	Real Return on Equity[3]	20.9%	25.9%	5.0%
2,187.1	2,550.0	16.6%	Average assets (HUF bn)	2,527.5	3,118.4	23.4%
102.7	118.2	15.1%	Net interest income (HUF bn)	123.4	177.1	43.5%
4.70%	4.63%	-0.06%	Net interest margin[1]	4.88%	5.68%	0.80%

[1] Calculation method of undiluted earnings per share: post-tax profit/(ordinary shares -shareholders` equity)
[2] Calculation method of diluted earnings per share: (post-tax profit)/ (ordinary shares)
[3] annualized

IFRS

OTP Bank's IFRS after-tax profits for 2003 were HUF70,141 million, HUF18,240 million or 35.1% higher than in 2002. OTP Group's consolidated net profit was HUF83,337 million, increase of 40.8% over 2002, and 18.8% higher than the figure of the Bank.

Over the 12 months period ending 31 December 2003, total IFRS Bank assets grew to HUF2,731,628 million or by 14.3%, and this figure is 4.4% higher than 3 months earlier. Total assets for the group were HUF3,460,839 million on 31 December 2003, which represented a year-on-year growth of 27.4%, and it was 26.7% higher than total assets of the Bank on 31 December 2003.

2002	2003 Bank	Change	**Financial highlights** IFRS	2002	2003 Group	Change
2,390.0	2,731.6	14.3%	Total assets (HUF bn)	2,716.6	3,460.8	27.4%
995.0	1,070.4	7.6%	Total loans and advances (HUF bn)	1,280.7	1,982.6	54.8%
2,045.7	2,264.5	10.7%	Total deposits (HUF bn)	2,151.2	2,689.8	25.0%
48.6%	47.3%	-1.4%	Loan/deposit ratio	59.5%	73.7%	14.2%
203.5	276.2	35.7%	Shareholders equity (HUF bn)	223.6	311.8	39.4%
11.7	9.9	-15.8%	Balance sheet gearing	12.1	11.1	-8.6%
39.9%	49.8%	9.9%	Share of non interest income in total income	49.8%	47.5%	-2.3%
60.9%	57.5%	-3.5%	Cost to income ratio	68.3%	65.2%	-3.1%
63.0	84.5	34.2%	Pre-tax profits (HUF bn)	73.1	102.7	40.4%
51.9	70.1	35.1%	After tax profits (HUF bn)	59.2	83.3	40.8%
196.82	261.41	32.8%	EPS base[4] (HUF)[1]	228.57	320.02	40.0%
196.23	260.38	32.7%	EPS fully diluted (HUF)[1]	227.99	318.73	39.8%
2.31%	2.74%	0.43%	Return on Assets[5]	2.36%	2.70%	0.34%
29.2%	29.2%	0.0%	Return on Equity[4]	30.3%	31.1%	0.8%
23.9%	24.5%	0.6%	Real Return on Equity[4]	25.0%	26.4%	1.4%
2,246.8	2,560.8	14.0%	Average assets (HUF bn)[4]	2,503.1	3,088.7	23.4%
108.9	111.5	2.4%	Net interest income (HUF bn)	134.3	176.1	31.1%
4.57%	4.08%	-0.49%	Net interest margin[2]	5.01%	5.35%	0.34%

MAJOR TENDENCIES FOR THE FOURTH QUARTER OF 2003

Below we summarize and present the major performance data for 4Q 2003 and compare it to the performance of the bank during 3Q 2003 and 4Q 2002:

Balance Sheet

Main financial indicators of the Bank				31/12/2003 vs.	
HAR	31/12/2002	30/09/2003	31/12/2003	31/12/2002	30/09/2003
Total assets (HUF bn)	2,390.1	2,635.9	2,758.6	15.4%	4.7%
Average assets (HUF bn)[4]	2,313.6	2,595.4	2,666.7	15.3%	2.7%
Total loans and advances (HUF bn)	951.7	1,024.6	1,088.3	14.3%	6.2%
Total deposits (HUF bn)	2,011.0	2,061.5	2,234.9	11.1%	8.4%
Loan/deposit ratio	47.3%	49.7%	48.7%	1.4%	-1.0%
Shareholders equity (HUF bn)	205.8	256.8	261.8	27.2%	1.9%
Balance sheet gearing	11.6	10.3	10.5	-9.3%	2.7%

Total assets of the Bank increased by HUF122.7 billion (4.7%) during fourth quarter 2003. This rate was lower than during the fourth quarter 2002 (5.9%).

Among the assets the 6.3% increase in cash (HUF14.9 bn) and 0.3% increase (HUF1.4 bn) in government securities were noticeable. Loans to credit institutions decreased by 29.9%.

Customer receivables grew by HUF63.7 billion or 6.2% mainly due to the 9.0% growth of loans to corporate customers. Volume of retail loans decreased by 1.5% during the fourth quarter due to the transmission of housing loans to OTP Mortgage Bank and to the redemption of old housing loans.

[4] calculated based on IAS 33

[5] annualized

Consumer loans increased in this quarter year by 5.1%. On 31 December municipal loans were 16.7% higher than on 30 September 2003.

Liabilities to credit institutions decreased by 8.5%, within this liabilities at sight were 7.3% lower, liabilities with defined maturity declined by HUF8.1 billion. Liabilities to customers increased by 8.4% or by HUF173.4 billion, within this retail deposits increased by 8.4% or HUF128.5 billion, corporate deposits by HUF45.9 billion while municipal deposits decreased by HUF1.0 billion compared to 30 September 2003. After having generated the dividend base for the period, the Bank's shareholders' equity increased by HUF5.0 billion or 1.9% since 30 September 2003.

Profit and Loss account

HAR (in HUF million)	**4Q2002**	**3Q2003**	**4Q2003**	**4Q03/4Q02**	**4Q03/3Q03**
Total interest income	49,994	51,907	58,641	17.3%	13.0%
Total interest expense	22,844	21,947	27,136	18.8%	23.6%
Net interest income	27,150	29,960	31,505	16.0%	5.2%
Non interest income	20,187	19,812	23,838	18.1%	20.3%
Share of non interest income in total income	42.6%	39.8%	43.1%	0.4%	3.3%
Total income	47,337	49,772	55,343	16.9%	11.2%
Operating costs	27,877	24,343	35,962	29.0%	47.7%
Operating income	19,460	25,429	19,381	-0.4%	-23.8%
Dividend received	4	437	0	-100.0%	-100.0%
Accounting for acquisition goodwill	3,996	-779	5,756	44.0%	-838.9%
Diminution in value, provisions and loan losses	362	190	-1,829	-605.2%	-1062.6%
Pre-tax profits	15,830	26,835	11,796	-25.5%	-56.0%
After tax profits	12,583	22,121	9,118	-27.5%	-58.8%
EPS undiluted (HUF)	47.6	83.1	34.2	-28.3%	-58.9%
EPS fully diluted (HUF)	45.0	79.0	32.6	-27.7%	-58.8%
Cost to income ratio	58.9%	48.9%	65.0%	6.1%	16.1%
Return on Assets	2.17%	3.43%	1.35%	-0.8%	-2.1%
Return on Equity	25.7%	35.7%	14.1%	-11.7%	-21.7%
Net interest margin	4.69%	4.62%	4.73%	0.0%	0.1%

In the fourth quarter of 2003 the net interest income reached HUF31,505 million, which was 16.0% higher than a year earlier and 5.2% higher than in the third quarter of 2003. Compared to the fourth quarter of 2002 interest income grew by 17.3% and interest expenses by 18.8%. Compared to the third quarter of 2003 interest income increased by 13.0% and interest expenses grew by 23.6%. Average balance sheet of the Bank was 15.3% higher than in the similar period in 2002. Average interest earned on assets was 8.79% while average cost of funding reached 4.06%. Interest spread increased by 8 bps to 5.39% and net interest margin by 3 bps to 4.72%. Spread was 31 bps and margin was 10 bps higher than in 3Q 2003.

Non-interest income grew by 18.1% to HUF 23,838 million, by 20.3% compared to the third quarter of 2003. Net fees and commissions were 30.3% higher than in fourth quarter 2002. and 8.3% higher than in the third quarter of 2003. The Bank posted HUF1.1 billion loss on securities trading in the fourth quarter of 2003. Within this the loss on trading activities was HUF1.4 billion, the profit on exchange rate was HUF400 million and the profit from realized and accrued depreciation of premium amounted to HUF56 million. The proportion of non-interest income in total income reached 43.1%, which was 42.6% in the same period of 2002. Total income of the Bank grew by 16.9% to HUF 55,343 million.

Non-interest expenses grew by 29.0% to HUF35,962 million compared to the fourth quarter of 2002, due to the remarkable seasonality of several expenses, to the costs related to the closing of actual phases of BOR and DSK projects, to the second salary increase of the employees in 2003 and the bonus for sale of subsidiaries' services and due to the once occurred costs connected to the considerable cut-back. Considerable one-time payments were made for rental fees and for fees to specialists, due to the accelerated implementation of the projects. One-time payments amounted to HUF2 billion.

The overall quality of the loan portfolio deteriorated in the **fourth quarter of 2003**. Qualified portion of total receivables represented 4.4%, on 31 December 2003 while it was 3.9% on 30 September 2003. This is due to the fact that while decrease in total loans was 0.9% in 4Q 2003 and no-problem loans declined by 1.4%, qualified loans increased by 10.5% to HUF55.8 billion. Problem loans (which do not include to-be-monitored loans) grew in the fourth quarter by HUF5.9 billion or by 16.3%. The ratio of non performing loans therefore increased from 2.8% to 3.3%.

Within total receivables, to-be-monitored loans fell by 3.9% or HUF572 million, volume of below-average loans increased by 59.5% or HUF7,187 million, bad loans were by 17.1% or HUF1,110 million higher than on 30 September 2003. Decrease of doubtful loans was 14.0% or HUF2,432 million. During the fourth quarter, within total receivables, customer receivables increased by 5.4%.

In the corporate business there was an 8.3% increase in receivables during the fourth quarter, while the qualified volume was 14.1% higher. Within these, doubtful category declined by HUF2,661 million and to-be-monitored items by HUF101 million, bad loans increased by HUF983 million, and below average by HUF7,203 million.

In the retail business, receivables decreased by 1.4%, qualified receivables by 1.0%, which was caused by the decline in the to be monitored and below average loans and by the slight growth in the doubtful and bad categories. In the municipality business, receivables were higher by 9.9% while the qualified receivables were lower by HUF25 million compared to 30 September 2003. The volume of qualified loans to credit institutions increased by HUF5 million.

Change of qualified loans by business lines between 30 September 2003 and 31 December 2003 (in HUF million):

	To be monitored	Below average	Doubtful	Bad
Corporate	-101	7,203	-2,661	983
Retail	-470	-16	253	121
Municipal	-1	0	-24	0

During the fourth quarter of 2003 the bank has not experienced any major event regarding their customers which would have caused a significant increase in provisioning. In the same time some factor of the monetary policy – primarily the change of central bank base rate and of HUF rate – indicated to enforce stronger prudential banking behavior in the case of some corporate loan and to account the required loan losses on the increased risks. The bank has continued reserve generation for the loans sold to the Mortgage bank which are covered by repurchase guarantee, in a way that the HUF24.4 billion loans on 31 December 2003 expected to be repurchased after a 60 days of delay (the cutoff date of guarantee) and the volume of which is established using statistical methods, are subjected to a 10% provisioning. Such provisions reached HUF2.4 billion level and from this the bank generated HUF1.4 billion in the fourth quarter. Such methods and provisioning shall be used in future quarters.

Fourth quarter pre-tax profits for the Bank were the result of HUF19,381 million operating income, HUF5,756 million provisioning and loan losses and HUF-1,829 million accounting for acquisition goodwill. Compared to the same period in 2002 this represented a 0.4% decline in operating income and 44,0% higher provisioning. In the fourth quarter of 2003 the bank did not realize dividend, contrary to the HUF7,235 million received dividends in the second quarter of 2003 which is considered outstanding but a one time action.

OTP Bank's pre-tax profit for the fourth quarter of 2003 was HUF11,796 million, a 25.5% decrease from fourth quarter of 2002, and 56.0% (55.3%) less than in the third quarter of 2003. After tax profit of the bank in the fourth quarter 2003 was HUF9,118 million, a 27.5% decrease compared to the fourth quarter 2002, and by 58.8% (58.0%) lower than in the third quarter 2003.

Undiluted earning per share (EPS) for the period was HUF34.17, and diluted was HUF32.56. US dollar equivalents are USD 0.16 and USD 0.15 respectively, based on the central banks average middle exchange rate between 30 September and 31 December 2003 (218.28 HUF/USD).

Annualized return on average assets for the period was 1.35%, on average equity 14.1%, 81 bps and 1,167 bps lower than for the same period in 2002, and 208 bps (-201 bps) and 2,167 bps (-2,096 bps) lower than in the third quarter of 2003.

MAJOR NON-CONSOLIDATED FIGURES FOR 2003

OTP Bank's **pre-tax profit** for 2003 was HUF86,701 million (HUF79,010 million), a 49.3% (36.8%) increase from a year earlier. This profit was obtained as a result of HUF93,528 million **operating income**, HUF7,691 million received dividends, HUF13,261 million of diminution in value and provisions and HUF-1,257 million acquisition goodwill. Compared to the base period, this represents 32.3% increase in operating income and 1.9% lower diminution in value and provisioning expenses. The gained dividends increased by HUF7,359 million, from HUF332 million in 2002. The acquisition goodwill (OBS, DSK) was HUF-1,257 million compared to HUF572 million in 2002.

After tax profit was HUF71,562 million (HUF63,871), HUF24,365 million (HUF17,006 million), or 51.6% (36.3%) higher than in 2002.

After having generated the HUF7,156 million of general reserves and the dividend fund for the period, representing 60% dividend over the face value of the shares (HUF60 per share), the Bank's retained earnings for the year 2003 were HUF47,606 million, an increase of 12.1% over the year earlier. (There was no dividend payment after the results of the year 2002.)

Earnings per share for the period were HUF269.21 undiluted (HUF240.28), HUF255.58 diluted (HUF228.11), which is 50.4% (35.2%) and 51.6% (36.3%) higher than for 2002. US dollar equivalents are USD 1.20 (USD 1.07) and USD 1.14 (USD 1.02) respectively, 73.1% (55.6%) and 74.5% (56.8%) higher than in 2003, based on the central banks average middle exchange rate between 31 December 2002 and 31 December 2003 (224.33 HUF/USD).

Annualized return on average equity (ROE) for 2003 was 30.6% (27.3%), on average assets (ROA) 2.78% (2.48%) [25.9% (25.7%) and 2.09% (2.07%) resp. in 2002]. Non consolidated real ROE (ROE less inflation) reached 25.9% (22.6%) - as a result of the growth in equity and declining inflation (to 4.7% from 5.3% y-on-y) – and was higher than in 2002 and exceeded the long term target of the Bank.

NET INTEREST INCOME

The bank's net interest income for 2003 was HUF118.2 billion, 15.1% higher than in 2002. The net interest income was a result of HUF205.6 billion interest income (8.9% increase) and HUF87.5 billion interest expenses (1.6% increase).

Interest earned on interbank accounts was 16.5% lower due to the 16.6% decline of the average placement and the decreasing of the inter-bank interest rate level. In interbank interest incomes HUF10.8 billion FX and interest swap income was accounted. Income from securities increased by 49.1% accompanied by the increase of their average volumes (64.5%) and the fall in the yields compared to 2002. OTP Bank's portfolio of HUF506.1 billion from the mortgage bonds issued by the OTP Mortgage Bank contributed to the growth of interest income and volume, too. In line with the 0.1% decrease in average volume and with 93 bps decline in rates, interest income from retail accounts fell by 5.7%. The interest income decreased by 5.5% in corporate lending and increased by 66.0% in municipal lending, meanwhile the interest level fell, too and the growth in volume was 12.2% and 13.5%, respectively. 23.8% of interest income was earned on retail accounts and 22.0% on corporate accounts and 31.1% on securities.

While the volume of customer liabilities is growing, interest expenses decreased on retail accounts, mainly due to the growing share of sight deposits, and increased on corporate and municipal accounts. Interest paid on interbank accounts grew both in HUF and in foreign exchange. The growth was caused, in HUF, by the HUF6.7 billion loss on interest swap deals (mainly counterbalanced by the HUF5.9 billion profit accounted in interest income) and, in foreign currency, by the interest expenses of the syndicated loans. Interest expenses on securities fell by 42.0%. Interest paid on retail accounts fell by 16.5% and their share in total interest expenses was 62.7% in line with the decrease in the interest rate level and the liability structure.

The result of the FX and interest swap deals – accounted in interbank interest incomes and expenses – improved the net interest income of the Bank by HUF2.8 billion. The profit of the swaps charged in HUF was HUF3.3 billion, charged in FX was HUF0.4 billion while interest swaps reduced the net interest income by HUF0.9 billion.

Changes in average volume of customer receivables, customer liabilities, of interest income and expense and yield compared to 2002:

	Average volume	Interest income/expense	Yield (bps)
Customer receivables	+8.2%	-101	-1.4%
Total assets	+16.6%	-57	+8.9%
Customer liabilities	+13.7%	-78	-6.6%
Total liabilities	+16.6%	-51	+1.6%

In 2003, yield on average interest earning assets represented 9.09% rate and interest paid on interest bearing liabilities represented 3.98% rate. The interest spread between average interest bearing liabilities and interest earning assets was 5.10% 5 bps lower than a year earlier. Average assets were 16.6% higher than a year earlier, average yield on assets declined by 57 bps to 8.06%; and average cost of funds fell by 51 bps to 3.43%. Interest margin over total average assets was 4.63% a decrease of 6 bps from a year earlier. This decrease is in line with the projection in the Bank's strategy.

QUALITY OF LOAN PORTFOLIO, PROVISIONS

Compared to 31 December 2002, total receivables increased by 3.1% (customer receivables by 13.7%), total qualified outstanding was 8.5% higher (increase in customer qualified receivables reached also 8.5%), thus portion of qualified receivables changed from 4.2% to 4.4% over 31 December 2002. Problem loans increased from HUF33.5 billion as on 31 December 2002 to HUF41.7 billion or by 24.8%, mainly due to the HUF12.7 billion increase in below average corporate loans, and the decrease of doubtful corporate loans (by HUF3.6 billion) and of bad corporate loans (by HUF1.4 billion). For HUF55.8 billion of qualified outstanding, total provisions created were HUF20.6 billion resulting, in harmony with the structural change of the qualified portfolio, in a falling coverage ratio to 36.9% (40.1% at the end of December 2002). Provisions created on HUF41.7 billion problem loans was HUF19.7 billion, which means 47.2% coverage ratio.

	31 December 2003		31 December 2002		Change %	
	HUF mn	Distribution	HUF mn	Distribution	volume	Distribution
Total of loans	1,272,442	100.0%	1,234,772	100.0%	3.1%	
Performing loans	1,216,685	95.6%	1,183,374	95.8%	2.8%	-0.22%
To be monitored	14,015	1.1%	17,939	1.5%	-21.9%	-0.35%
Below average	19,267	1.5%	6,489	0.5%	196.9%	0.99%
Doubtful	14,885	1.2%	18,037	1.5%	-17.5%	-0.29%
Bad	7,591	0.6%	8,933	0.7%	-15.0%	-0.13%
Qualified	55,758	4.4%	51,398	4.2%	8.5%	0.22%
Provision	20,593		20,606		-0.1%	
Coverage ratio	36.9%		40.1%		-3.2%	
Of which NPL	41,743		33,459		24.8%	
Provision	19,713		19,362		1.8%	
Coverage ratio	47.2%		57.9%		-10.7%	

Since 31 December 2002, the share of the corporate business in the qualified portfolio grew from 74.6% to 78.8%, and, parallel with this, the proportion of retail business line in the qualified portfolio fell from 21.4% to 20.6%. At the same time 66.5% of the provisions were generated in the corporate and 32.3% in the retail business.

The breakdown of receivables, qualified loans and provisions by businesses were at 31 December 2003 and 2002 as below:

31 December 2003	Retail	Corporate	Interbank	Municipal
Total	25.2%	53.9%	12.9%	8.0%
No problem	25.5%	52.8%	13.5%	8.3%
Qualified	20.6%	78.8%	0.3%	0.2%
Provisions	32.3%	66.5%	0.9%	0.3%

31 December 2002	Retail	Corporate	Interbank	Municipal
Total	27.0%	45.1%	21.0%	6.9%
No problem	27.2%	43.8%	21.9%	7.1%
Qualified	21.4%	74.6%	0.3%	3.6%
Provisions	31.1%	67.2%	0.8%	0.9%

The provisioning and loan losses on customer receivables for 2003 were HUF10,448 million (an increase of 18.6% from a year earlier).

The HUF10.5 billion loan loss provisioning represented 0.99% (annualized) of the average customer receivables (HUF1,054.8 billion) compared to 0.95% for 2002.

Provisions/loan losses in HUF millions:

	2002	2003	Change
Provision/depreciation and loan losses	13,524	13,261	-1.9%
HAR mandatory	8,811	10,448	18.6%
General risk provision	3,324	2,803	-15.7%
Provision on uncovered derivative positions (without options)	985	-708	-171.9%
Provision on option deals	-	0	-
Provision for early retirements and severance payments	1,000	545	-45.5%
Other provision	-596	173	129.0%

NON-INTEREST INCOME

During 2003 non-interest income increased by 34.7% over 2002, and reached HUF85,580 million. Net fees and commissions represented HUF85,137 million, a 49.8% increase (fees and commissions received increased by 48.6% or HUF31.4 billion, fees and commissions paid were 39.7% or HUF3.0 billion higher).

The fees on loans grew by 159.5% to HUF34.5 billion. Corporate lending growth positively influenced HUF and FX related fee income. Meanwhile in the retail lending, the growth was sizeable from fees concerning the Forras loans from own and consortia funding, and loans transferred to Mortgage Bank, also from fees related to the repurchase obligations and besides the agent fees received from the Mortgage Bank. On the level of the Bank, almost HUF28.8 billion fee income is mortgage-related, from this HUF25.1 billion (HUF5.5 billion in 2002) is from OTP Mortgage Bank, from which the transfer fee for the loan sold was almost HUF5.5 billion (HUF3.8 billion in 2002). The fees from the card business were 17.7% higher than in 2002 exceeding HUF21.5 billion. Cash withdrawal (from ATM and POS) and merchant fees increased significantly as a result of the increased turnover. Fee income from retail current accounts increased by 7.8% to HUF9.4 billion. Deposit business fee income increased by 165.2% to HUF5.4 billion, mainly due to the growth in corporate HUF deposit volume. Securities transaction fees grew by 27.4% to HUF7.8 billion partly because of the listing fees of the mortgage bonds of the Mortgage Bank, and because of the fees connected with OTP funds.

Net loss on securities trading in 2003 was HUF938 million compared to HUF617 million in 2002. In 2003 the Bank realized HUF2,148 million losses from the Hungarian Government Bonds compared to a loss of HUF1,138 million a year earlier. From this, HUF1,613 million came from the trading activities and HUF535.4 million losses from realized and accrued depreciation of premium on government bonds purchased above face value. The Bank realized HUF171.2 million higher profits on the Treasury Bills than in 2002. From the Mortgage Bonds the profit was HUF233.1 million, HUF189.7 million more than in 2002. All in all, the Bank posted HUF334.6 million profits on shares and stakes, and around HUF1,012.7 million losses on trading activities. Meanwhile the Bank realized HUF170.9 million discounts and accrued HUF89.1 million premiums on the portfolio.

Foreign exchange loss totaled at HUF1.4 billion for 2003, in 2002 the profit was HUF3.6 billion. The losses on the revaluation of the asset-liability items were worse by HUF3,763 million reaching a loss of HUF4,405 million. The Bank suffered significant FX losses resulting from its EURO position taken in preparation for the acquisition of DSK Bank and on the option trading on proprietary account. The Bank, in spite of the significantly lower volume of HUF/FX swaps and of the positions generated by the acquisitions (OBS, DSK) held a significantly smaller long average FX position in its balance sheet (HUF57 billion average volume, HUF81 billion in 2002). In the same time the overall net FX open position was higher, but without the acquisition positions it reached HUF13.7 billion average, compared to HUF7.5 billion averages in 2002.

Losses on real estate transactions were HUF129 million compared to losses of HUF22 million a year earlier.

Other non interest income of HUF2,912 million was 22.1% lower than in 2002. From this, income from the repurchased old housing loans in the framework of the debt restructuring program represents roughly HUF1 billion. Other income of the Forrás loans sold to OTP Mortgage Bank was HUF745 million in 2003.

Non-interest income represented 42.0% of total income, 3.8%-point higher than a year earlier.

Total income for the Bank reached HUF203,762 million, a 22.6% increase; well above the inflation.

NON-INTEREST EXPENSES

During year 2003, non-interest expenses reached HUF110,234 million, 15.4% higher than a year earlier and below the growth rate of the income.

Personnel expenses were 16.6% higher than in 2002. The growth was in part caused by the 6-6% average salary increase of the employees of March and of October 2003 and the salary increase of the management in October, by the personnel expenses of cut-back, by the increased business activity and by the growing amount applied to the appreciation and incitement of work in on-going and closed projects in 2003. The significant part of additional expenses is related to extra achievement, to extra income or to remunerate these (to close BOR, SAP projects before deadline, DSK project etc). The certain part of these expenses occurred only once and will not recur. Personnel expenses represented 21.5% of total income compared to 22.6% during 2002. Depreciation was HUF9,893 million, HUF1,195 million or 10.8% lower than a year ago reflecting the impact of the outsourced IT equipments.

The other non-interest expenses were by 20.5% or HUF9,622 million higher than a year earlier. Within these, the most important items are the material type of costs that grew by HUF5,748 million or 18.2%. Within these items, the material costs fell by HUF414 million. Technical equipments service fees grew by HUF574 million and fees paid for domestic other services increased by HUF447 million, fees paid for domestic specialist by HUF2,590 million or by 197.1%, fees paid for foreign specialist by 123.0% to HUF504 million. Other rental expenses grew by 12.1% to HUF4,327 million. Local taxes increased by 15.4% to HUF4.8 billion. Value added tax on the result was HUF6,407 million, HUF2,833 million higher than a year earlier. The outsourced equipments had a considerable role in the growth of rental expenses and of value added tax on the result. Advertising expenses grew in line with the competition and activities by 12.6% year to year. HUF2 billion from the growth of costs is considered as extraordinary expense.

The Bank's cost/income ratio for the year 2003 was 54.1%, 338 bps lower than in 2002, and lower than the projected figure for the year.

Beyond the provisions related to credit risks, the Bank also generated the required proportional general risk provisions, HUF2,803 million (-15.7%), on the basis of the 2003 increase of the risk weighted assets of the Bank.

The bank created provisions in the second quarter 2003 on the expected losses of the uncovered open derivative positions because of the shift of the center of parity in June 2003 and the depreciation of the HUF. These provisions were written back in the third and fourth quarter. The Bank wrote back HUF714 million of the provisions for early retirements and severance payments created in 2002, and generated HUF1,260 million new provisions for the purpose of the planned cut-back in 2004.

NON-CONSOLIDATED HAR BALANCE SHEET AS AT 31 DECEMBER 2003

OTP Bank's total assets as at 31 December 2003 were HUF2,758,606 million, 15.4% higher than a year earlier. The increase is higher than the inflation resulting in real asset growth for the preceding 12 months. Based on total assets, the Bank had 20.3% of the banking system's total assets (on 31 December 2002 22.1%).

Since 31 December 2002 within banking assets, cash and banks decreased by 27.1% driven by the decrease of NBH account balance by 14.2% and 45.8% decline in short-term placements with NBH and 12.6% decline in foreign currencies. The increase in HUF cash was 39.1%.

The volume of government securities on 31 December 2003 was HUF402.5 billion, 0.2% higher than a year earlier. Trading securities increased by HUF23.9 billion, or 21.6% to HUF135.0 billion, investment securities fell by HUF23.3 billion or 8.0% to HUF267.5 billion. From the above-mentioned, the HUF17.6 billion decrease in the Hungarian Government Bonds is sizeable.

The volume of the interbank placements decreased by 37.2% since the 31 December 2002 and represented 6.0% of total assets. Within this decrease, the FX deposits with foreign banks represented the most significant part. HUF loans with domestic banks grew by 17.8% to HUF11.5 billion.

Within total assets, **receivables from customers** represented 39.5% (39.8% on 31 December 2002), and were HUF1,088.3 billion, which was 14.3% higher than a year earlier. Within the commercial loan portfolio, in the last 12 months, retail lending fell by 3.5%, corporate lending grew by 23.7%. Loans to municipalities grew by 24.6%. In the loan portfolio, the share of retail loans was 29.2%, corporate loans represented 63.5%, and municipal loans 7.3%.

Within **corporate lending** reaching HUF691.2 billion by the end of December 2003, loans extended to economic entities was 24.3% higher than a year earlier reaching HUF644.9 billion. Loans for investment purposes grew by 5.1% to HUF75.8 billion, the share of investment loans changed to 11.8%. Current asset financing loans fell by 8.6% and represented a 16.8% proportion in loans to economic entities. Foreign currency loans grew by 46.3% to HUF208.6 billion and represented 32.3% of total compared to 27.5% a year earlier. Overdrafts increased by 21.0% to HUF47.5 billion during the past 12 months. Loans granted to small businesses and individual entrepreneurs increased by 24.2%, to HUF20.7 billion, the share of loans to small and individual businesses within the corporate loan portfolio was 3.0%, same as a year earlier.

Retail loans decreased by 3.5% to HUF318.2 billion from a year earlier. Within this, the volume of housing loans declined by 13.6% to HUF183.6 billion. The volume of mortgage loans remaining with the Bank (Forrás loans and 2003 condition loans) amounted to HUF69.8 billion on 31 December 2003. The volume of 2000 condition loans decreased by 12.7% to HUF70.0 billion during 12 months to December 2003. Old loans continued to decline, all in all, to HUF33.6 billion. The granted building society loans grew from HUF1.8 billion on 31 December 2002 to HUF10.1 billion on 31 December 2003. Volume of mortgage-based home equity loans fell by 31.2% to HUF31.3 billion over last 12 months.

Consumer loans were 43.5% higher and reached HUF103.4 billion at the end of December 2003. Within consumer loans current account related loans increased by 30.4% reaching HUF91 billion. Loans financing consumer purchases increased by 83.3%, personal loans declined further, volume of Lombard loans grew from HUF0.3 billion as on 31 December 2002 to HUF8.8 billion as on 31 December 2003.

The volume of **municipal loans** increased further and reached HUF78.9 billion from HUF63.3 billion. Loans to budgetary organizations decreased to HUF11.6 billion by the end of December 2003.

At the end of December 2003 the **market share**[6] of the Bank **in lending** showed a varied picture. On 31 December 2003 the market share of the Bank was 13.4% in overall lending (16.0% on 31 December 2002), and it granted 14.2% (23.5%) of household, 12.0% (12.5%) of corporate and 54.3% (54.9%) of municipal loans. The bank's market share in housing lending was 12.3% (27.4%) and in consumer lending (includes mortgage-based home equity loans too) 17.5% (18.9%).

On 31 December 2003, **customer deposits** represented 81.0% of the Bank's liabilities. Their volume was HUF223.8 billion or 11.1% higher than a year earlier and reached HUF2,234.9 billion. The increase in retail business was HUF132.6 billion, in corporate business was HUF79.5 billion, deposits of municipalities grew by HUF11.8 billion.

Volume of **retail deposits** increased by 8.7% to HUF1,656.3 billion during 12 months, their share within customer deposits represented 74.1%. HUF retail deposits increased by HUF151.5 billion or by 12.0%, while FX deposits expressed in HUF declined by HUF18.9 billion or by 7.1%. On 31 December 2003 the market share of the Bank was 29.1% in total deposits with banks (29.2% at the end of December 2002).

Within HUF deposits, passbook deposits slightly decreased. Current account deposits, the leading retail product of the Bank increased significantly - in line with the business policy announced by the management - from HUF834.4 billion to HUF996.2 billion or by 19.4% and their share in retail deposits grew from 66.3% to 70.6%. The increase of sight deposits exceeded the increase of term deposits.

At the end of December 2003 the Bank managed 35.8% of retail HUF (38.0% in 2002), and 36.0% of retail foreign currency deposits (35.8%).

Volume of **corporate deposits** increased by 23.2% to HUF421.4 billion from a year earlier. Deposits of legal entities increased by 31.6% in HUF and grew by 5.9% in foreign currencies. HUF deposits of small businesses and individual entrepreneurs grew by 13.9%, and declined by 35.1% in foreign currency. The Bank's market share of corporate deposits was 14.3%, with 1.8% above the market share at the end of December 2002.

Municipal deposits increased by 8.1% and were HUF157.2 billion on 31 December 2003. Local governments placed 74.9% of their deposits at the Bank (66.2% at the end of December 2002).

[6] Because of the change in the statistical calculation of the performance of the banking system and the different timing of their central bank and other reports, the 2002 and 2003 market shares have a limited comparability. So we can only present a limited overview on the market shares of business branches, products and bank-savings and non-bank savings in contrast with the previous practice. During June 2003 the NBH introduced yet another reporting structure to which the Bank is now adapting.

Within the Bank's liabilities the volume of provisions grew from HUF21.0 billion at the end of December 2002 to HUF26.8 billion on 31 December 2003.

SHAREHOLDERS' EQUITY

Shareholders' equity of OTP Bank on 31 December 2003 reached HUF261.8 billion, an increase of 27.2% compared to the same period a year ago. The increase of HUF55.9 billion was a result of an additional HUF7.2 billion in general reserves, as well as a HUF46.2 billion increase in retained earnings, a HUF2.6 billion decrease in fixed reserves and a HUF5.1 billion growth in net profits. Non-audited book value of 1 share on 31 December 2003 was HUF934.9.

On 31 December 2003, the HAR **guarantee capital** of the Bank stood at HUF143,817 million including after tax profits for the period.

With HUF1,364.6 billion risk weighted assets (a 20.1% growth compared to 31 December 2002) the **capital adequacy ratio** - calculated according to Hungarian regulations - was 10.54% as at 31 December 2003, in excess of the 8% required by the Banking Act, meeting the requirements of the Bank's Management.

CONSOLIDATED AUDITED HAR FIGURES AS OF 31 DECEMBER 2003

The guiding principle in consolidating the balance sheets and profit and loss accounts prepared by OTP Bank's fully integrated subsidiaries, in line with the Bank's consolidation accounting policy, was to restructure the subsidiaries' asset, liability, income and expense items under non-banking and investment activities.

2002 and 2003 consolidated data of the OTP Group in HUF million:

	Equity		Total assets		Pre-tax profits	
	31-December-02	31-December-03	31-December-02	31-December-03	2002	2003
OTP Bank Ltd.	205,843	261,776	2,390,120	2,758,606	58,082	86,701
Subsidiaries total	75,778	148,871	658,043	1,550,021	10,044	25,200
Total (non consolidated)	281,621	410,647	3,048,163	4,308,627	68,126	111,901
Consolidated	237,536	305,120	2,734,082	3,502,663	68,175	102,751

Compared to the previous year the circle of fully consolidated subsidiaries has changed, since starting 4q2003 the Bulgarian bank DSK Bank EAD and her 3 subsidiaries (DSK Rodina AD, DSK Trans Security EOOD and DSK Tours EOOD) and the company NIMO 2002 Ltd. (member of the Merkantil Group) are consolidated.

CONSOLIDATED BALANCE SHEET

As of 31 December 2003, the **consolidated balance sheet total** of the concern was HUF 3,502.7 billion; 28.1%, or HUF 769 billion, higher than that of the previous year, and 27.0% higher than the Bank's non-consolidated balance sheet total for 2003.

On the **liabilities side**, the major contributing factor to the 2003 increase in the consolidated balance sheet total were the HUF 672 billion increase in liabilities, and within this a HUF 557 billion increase in liabilities to customers, a HUF 68 billion increase in equity and a HUF 20 billion increase in provisions. Compared to the previous year, liabilities increased by 28.3%, within which long-term liabilities saw the most dynamic increase, with 77.9% year-on-year volume growth. Consequently, although the share of short-term liabilities within total liabilities decreased slightly in 2003, it nevertheless remained close to 91%. Liabilities to customers accounted for over 88.6% of total liabilities, with a volume of over HUF 2,698 billion at year-end 2003. The volume of funds originating from credit institutions was over twice the previous year's, reaching HUF 126 billion. However, their share within total liabilities was just 3.6%. Among the consolidated balance sheet liabilities, provisions increased by HUF 19.6 billion to HUF 116 billion. In the course of 2003, equity increased by HUF 67.6 billion, or 28.5%, and, at year-end 2003, represented 8.7% of liabilities, similarly to year-end 2002.

The most significant change to the **asset** side of the consolidated balance sheet was the 53.2%, or HUF 703 billion, increase in receivables from customers, with the result that their weight in the balance sheet rose from 48.4% in 2002 to 57.8% in 2003. Some 58.1% of customer receivables were retail loans, the volume of which reached HUF 1,208 billion. Corporate loans accounted for 38.0% of the portfolio, with a volume of HUF 791 billion, whereas municipality loans amounted to HUF 80 billion, giving them a 3.9% share of the portfolio. Simultaneously, the totals of receivables from credit institutions and liquid assets decreased, the latter falling from HUF 354 million at year-end 2002 to HUF 277 billion, representing a reduction of 21.9% while the former showed a moderate decline, of HUF 29 billion or 10.3%, to HUF 252 billion at the end of 2003. Owing to a volume increase of 18.6%, government securities represented 18.0% of total assets at year-end 2003, while their volume amounted to HUF 631 billion. Almost 61% of government securities were investment securities.

CONSOLIDATED RESULTS

The Bank's **consolidated pre-tax profit** was HUF 102.8 billion in 2003; 50.7% higher than in the previous year and 18.5% higher than the pre-tax profit of the parent company in the year under review. The consolidated pre-tax profit is the combined result of HUF 117.5 billion operating income, HUF 668 million dividend income, and a combined provision, value loss and lending loss of HUF 13.4 billion and a loss of HUF 2.0 billion on recorded goodwill. Compared to the base period, operating profit increased 45.8%, while provision and value loss were 4.2% up on the previous year's figure.

In 2003, the concern's net interest income was HUF 177.1 billion, 43.5% up on the previous year. The increase in net interest income was the result of HUF 279.1 billion (+26.3%) in interest revenue and HUF 102.0 billion (-4.6%) in interest expenses. Non-interest type income grew dynamically, by 4.8%, to reach

HUF 132.4 billion. The most important items within this figure are the increase in net fees and commissions, insurance premium revenue and real estate sales. Consequently, the concern's total income grew from HUF 249.7 billion to HUF 309.4 billion, corresponding to an increase of 23.9%. Within total income, the share of non-interest income was 42.8%. The concern's non-interest expenses increased by 13.5%, lagging behind growth in income, thus improving the concern's the expense/income ratio considerably from 67.7% to 62.0%.

Alongside a slight decrease in the tax rate, from 19.3% to 19.2%, **consolidated after-tax profit** was HUF 83.0 billion, which corresponds to an increase of HUF 28.0 billion, or 51.0%, compared to 2002.

Consolidated undiluted earnings per share (EPS)[7] were HUF 321.9 in 2003, while the diluted figure[8] was HUF 296.5; respectively 50,0%%, and 51.0% higher than in the previous year.

The 2003 Bank's consolidated return on average assets **(ROAA)** was **2.66%,** while its return on average equity **(ROAE)** was **30.6%** (in 2002: 2.18% and 26.2% respectively). The ROAE in real terms[9] was 25.9% in contrast to 20.9% in 2002.

SUBSIDIARIES

The pre-tax profits of the fully consolidated major subsidiaries affecting the profit figures of the consolidated report are as follows for the 12 months ending on 31 December 2003 (in HUF millions):

	2002	2003	Change
Merkantil Bank Ltd.	2,375	2,646	11.4%
Merkantil-Car Ltd.	629	1,452	130.8%
Merkantil Bérlet Ltd.	82	158	92.7%
NIMO 2002 Ltd.[10]	-	-38	
Merkantil Group	*3,086*	*4,218*	*36.7%*
OTP Building Society Ltd.	1,604	360	-77.6%
OTP Mortgage Bank Ltd.	651	8,548	1213.1%
OTP Banka Slovensko a. s.[11]	-3,504	-207	94.1%
DSK Bank EAD	-	1,587	-
DSK subsidiaries	-	-14	-
DSK Group[12]	*-*	*1,573*	-
OTP-Garancia Insurance Ltd.	1,602	2,605	62.6%
OTP Fund Management Ltd.	3,501	4,338	23.9%
HIF Ltd.	236	259	9.7%
OTP Real Estate Ltd.	1,076	1,347	25.2%
OTP Factoring Management Ltd.	177	64	-63.8%
OTP Factoring Ltd.	880	1,321	50.1%
OTP Factoring Group	*1,057*	*1,385*	*31.0%*
Bank Center No. I. Ltd.	639	81	-87.3%
OTP Fund Servicing and Consulting Ltd.	19	225	1084.2%
Other subsidiaries	77	468	507.8%
Subsidiaries total	10,044	25,200	150.9%

The number of cars financed by **Merkantil Group** accounted for 10% of new car sales in Hungary, including cash sales. Based on the assumption that 50-60% of total car sales in Hungary are financed, the Group held an estimated 20% share of the market, thus maintaining its position as a major participant in the car financing market. In the course of 2003 Merkantil Group concluded 54,630 car financing contracts, representing a year-on-year increase of 11.3%, or 5,567 contracts. The volume of loans provided was HUF 74.5 billion, which exceeded the 2002 volume by HUF 7 billion. The average loan per car amounted to HUF 1.4 million, which is approximately the same as in 2002.

[7] The method for calculating undiluted earnings per share: adjusted after-tax profit/ (ordinary shares – own shares)

[8] Calculation method: (adjusted after-tax profit + preference dividend)/ (ordinary shares + preference shares)

[9] Calculation method: ROAE – inflation (%)

[10] NIMO 2002 became fully consolidated on 3 November 2003. Pre-tax profit for consolidation purposes from November and December is HUF-38 million. Full year pretax profit reached HUF1 million.

[11] Pre-tax profit of OBS according to Slovakian GAAP in 2003 reached HUF81 million and HUF-3,607 in 2002.

[12] DSK Group, consisting of DSK Bank, DSK Rodina, DSK Trans Security and DSK Tours is fully consolidates since 1 October 2003. Pre-tax profits for consolidation purposes are according to HAR HUF1,573 million, according to Bulgarian GAAP HUF1,774 million. Full year pre tax profits of the group according to HAR HUF 7,842 million, according to Bulgarian GAAP HUF8,122.

Merkantil Bank achieved an interest rate margin of HUF 6,866 million, representing a decrease of 0.1%, or HUF 6 million, compared to the previous year. Revenues from vehicle loans continue to account for nearly 80% of all interest and interest-type revenues.

In 2003, the Group's balance sheet total, pre-tax profit and after-tax profit were HUF 65,483 million (in 2002: HUF 60,904 million), HUF 2,646 million (in 2002: HUF 2,375) and HUF 2,359 million (in 2002: HUF 1,816 million) respectively. Merkantil Bank will pay to OTP Bank dividend of HUF 1 billion from its 2003 profits. Merkantil Bank's equity was HUF 10,092 million as at 31 December 2003, 15.2% up on the previous year's closing volume. Its capital adequacy ratio was 15.6% in 2003, compared to 16.4% in 2002.

Merkantil Bank's return on average assets (ROAA) was 3.69% (in 2002: 3.08%), and its return on average equity (ROAE) was 24.1% (in 2002: 23.1%).

Trends in vehicle financing reflected a high demand for foreign currency loans in 2003. Accordingly, the bulk of the increase in the number of new contracts concluded in 2003 were recorded on the books of **Merkantil Car**. In 2003 Merkantil Car financed the purchase of a total of 30,568 vehicles. More than 97% of these loans were foreign currency-based. In accordance with the decision of OTP Bank, the production tools leasing business of Merkantil Car finances the Bank's purchases of ATMs within the framework of an open-ended financial leasing agreement. The total value of contracts signed in this respect in 2003 was HUF 2,262.

As of year-end 2003, the Merkantil Car's balance sheet total was HUF 90.8 billion, which corresponds to an increase of 46% in the company's assets over the year. This increase clearly results from the increase in the size of the vehicle portfolio. Merkantil Car's equity was HUF 1.4 billion at year-end 2003. By year-end, interest revenues had reached HUF 10.4 billion, while interest expenses amounted to HUF 2.4 billion. The Company's commission and fee expenses were HUF 3.2 billion, of which 94% were commissions to dealers. The Company's pre-tax profits were HUF 1,452 million (in 2002: HUF 629 million) while after-tax profits were HUF 706 million (in 2002: HUF 407 million), from which a total dividend of HUF 400 million will be paid to the owners.

OTP Building Society Ltd. closed 2003 with a balance sheet total of HUF 52.6 billion and pre-tax profits of HUF 360 million (in 2002: HUF 1,604 million). Its return on average assets (ROAA) was 0.58% and its return on average equity (ROAE) was 11.1%. The deterioration in the results is primarily attributable to a HUF 1,244 million reduction in operating profit (an increase of HUF 1, 089 million in general administrative costs, a decrease of HUF 613 million in interest revenues and a decrease of HUF 461 million in commission and fee revenues).

Exceeding its target, OTP Building Society concluded close to 98,000 contracts, in a combined value of HUF 117.4 billion. As the net result of contractual deposit taking and disbursements, the Society's deposit portfolio grew by 9.4% to HUF 46.6 billion, while – due to a lower-than-expected demand for credit resulting from the more attractive terms offered on state-subsidised loans – its loan portfolio increased by only HUF 683 million, to HUF 8.7 billion.

At **OTP Mortgage Bank Ltd.** despite the stricter regulations, the volume of subsidised housing loans provided through OTP Bank's network increased dynamically, and by year-end 2003 receivables from customers exceeded HUF 605 billion (in 2002: HUF 187 billion). The Company's liabilities from mortgage bonds issued had increased by a similarly impressive HUF 422 billion, to HUF 599 billion. The Company's market share in terms of loans and mortgage bonds was 65%, which continues to secure it a leading position among the three mortgage lending institutions (OTP, FHB and HVB).

The dynamic growth in the loan portfolio also had a beneficial effect on the Company's profits. Pre-tax profits increased from HUF 651 million at year-end 2002 to HUF 8,548 million as at year-end 2003, while after-tax profit was HUF 7,063 million. The Company's balance sheet total was HUF 674.2 billion as at 31 December 2003, representing an increase of 216% over the previous year. In order to meet the prudential requirements for loan portfolios, OTP Mortgage Bank increased its capital on several occasions in the course of 2003, resulting in a total HUF 17 billion rise in its subscribed capital. The Company's equity reached HUF 24.7 billion.

The Company's return on average assets (ROAA) grew from 0.50% in 2002 to 1.59% in 2003, while its return on average equity (ROAE) from 12.3% to 46.7%.

OTP Banka Slovensko achieved impressive results in its first full financial year as a member of OTP Group. The volume of its customer deposits grew from HUF 69.2 billion in 2002 to HUF 112.2 billion at year-end 2003. Within this, the volume of retail deposits rose to HUF 61.6 billion and corporate deposits to HUF 39.2 billion. The volume of municipality deposits increased sharply, reaching HUF 11.4 billion and accounting for 10.2% of total customer liabilities at year-end 2003.

The volume of the Slovakian Bank's customer placements increased by HUF 28.8 billion, or 34.8%, to reach HUF 111.6 billion. On this basis the Bank's market share was 4.4%. Within customer placements, both the retail and the corporate loan portfolio grew dynamically. The retail loan portfolio increased more than fourteen-fold, reaching a volume of HUF 13.4 billion at year-end 2003. The volume of corporate loans increased by 19.8%, reaching HUF 97.4 billion, while municipality loans increased by HUF 214 million to HUF 746 million. In the course of 2003, the number of customers increased by over 43,000 to 147,000 persons, of which 131,000 were retail customers.

OBS issued over 86,500 bankcards in 2003, more than double the figure for the previous year. The number of ATMs operated by the Bank rose from 78 in 2002 to 90., The number of ATM transactions in 2003 was 1.4 million, with a transaction turnover of SKK 2,910 million, respectively 14.6% and 23.7% up on the previous year. The number of the Bank's POS terminals was 171 at year-end 2003, which is 21 more than the year before.

As of 31 December 2003, the Bank's balance sheet total was SKK 25,106 million, representing an increase of 20.2% year on year, and giving it a 2.5% share of the Slovakian market. Under the accounting standards applicable in Slovakia, the Company closed 2002 with a profit of SKK 12.7 million. Its ROAA grew from –3.00% to 0.06%, and its ROAE from –41.3% to 0.6% in 2003.

The purchase of Bulgaria's **DKS Bank Group** in 2003 was an important step towards the successful implementation of OTP Bank's acquisition strategy. DSK Bank and its subsidiaries came under the ownership of OTP Bank in early October 2003.

A transformation project aimed at restructuring DSK, improving its competitiveness and integrating it into the OTP Bank Group was launched as early as the summer of 2003. The project identified the most important tasks to be implemented following the acquisition.

In line with the objectives of the project, organisational restructuring was carried out in the interest of improving efficiency, an IT development programme was launched, the network of branch offices was streamlined and a number of new products (e.g. the MasterCard credit card, FX-based debit cards, long-term savings products and corporate customer terminals) were introduced in the various business areas. In conjunction with OTP Bank, marketing campaigns aimed at promoting new products and reinforcing the Bank's corporate image are being conducted on an ongoing basis, and on an unprecedented scale. On 1 February 2004, DSK Bank unveiled its new image, which reflects its status as a member of the OTP Bank Group.

At year-end 2003, DSK Group's aggregate balance sheet total was HUF 323.7 billion, and its after-tax profits amounted to HUF 5,931 million (its 2003 Q4 profits were HUF 1.2 billion). Based on its balance sheet total, the Bank's market share grew from 13.9% at year-end 2002 to 15.1%.

According to international accounting standards (IFRS) the consolidated total assets of DSK Group was BGN 2,386 million, profits before tax was BGN 59.8 million, its return on average assets (ROAA) was 2.07%, whereas its return on average equity (ROAE) was 16.3%, or 14.0% in real terms in 2003.

In 2003, **OTP-Garancia Insurance Ltd.** achieved premium revenue of HUF 61.1 billion, 13.3% up on the previous year's figure. Since the rate of this increase was matched by the rate of market growth, the Company's share total insurance premiums paid remained unchanged (10.9%), making it the fifth largest participant in the insurance market in 2003. Premium revenue from life and bank insurance rose by 7.4% to HUF 29.0 billion, increasing the Company's share of the life insurance market to 12.9%. Revenue from non-life insurance was HUF 32.1 billion, which is the result of an outstandingly high growth rate of 19.2%. As a result, the Company increased its share of the non-life insurance market from 9.2% to 9.6% in 2003, making it the third largest player both in the life and non-life markets.

In 2003, gross damages totalled HUF 27.1 billion. Together with the change in reserves, damage payments amounted to 56.6% of premium revenues in the non-life business, and 84.9% in the life business. Reserves increased by HUF 15.6 billion, or 23%, compared to the previous year, to reach HUF 84.2 billion as at 31 December 2003.

Compared to the previous year, by the end of 2003 the Company's balance sheet total had grown 23.2%, reaching HUF 99.1 billion, while equity capital increased from HUF 8.5 billion to HUF 10.7 billion. The balance sheet profits contributed to a HUF 2.2 billion increase in the Company's equity capital in the reporting year. The Company's pre-tax profit increased by 62.5% to HUF 2,605 million in 2003, while the return on average assets (ROAA) increased from 1.91% to 2.41% and return on average equity (ROAE) from 19.2% to 22.6%.

2003 was the worst year to date in the history of the investment funds, and the first in which the market had to sustain a portfolio loss. **OTP Fund Management** also suffered as a result of the unfavourable developments. Owing to withdrawals of capital in November and December, the total volume of managed assets was HUF 644 billion at year-end 2003, representing an increase of only 1.6% in the course of 2003.

The volume of assets managed in the investment funds decreased by 16.5%, or HUF 78.2 billion, while the market shrank by 8%. As a result, OTP Fund Management lost 4.3 percentage points of its market share in 2003. Thus, its market share at year-end 2003 was 47.6%. Its total annual fund management fee revenue exceeded target figures, at HUF 6,429 million, despite the adverse conditions.

In 2003 OTP Fund Management received a number of new commissions on the institutional asset management market, including contracts to provide services to OTP Health Fund, the Hungarian Business Development Fund, OTP Building Society Ltd. and the Gas Suppliers' Pension Fund. It also won an asset management tender organised by Hungarian Export Credit Insurance Ltd. (MEHIB), with work scheduled to begin in 2004. As a result, the number of institutional investors grew from 7 in 2002 to 12 at year-end 2003.

The Company's total revenue amounted to HUF 5,260 million in 2003. Non-interest expenses reached HUF 886 million. OTP Fund Management's pre-tax profit was HUF 4,338 million, and after-tax profit was HUF 3,516 million, which represent year-on-year increases of 23.9% and 21.5% respectively.

OTP Fund Management's balance sheet total was HUF 11,744 million at year-end 2003, while its equity stood at HUF 5,378 million. The former represents an increase of 6.1%, and the latter a decrease of HUF 2 billion. The reason for the fall in equity was that, in addition to the entire profits for 2003, the Shareholders' Meeting decided to pay a further HUF 2 billion as dividend from the profit reserve.

In 2003, the Company's return on average assets (ROAA) was 30.8% (in 2002: 30.3%) and its return on average equity (ROAE) was 55.1% (in 2002: 39.2%).

OTP Real Estate's pre-tax profit in 2003 was HUF 1,347 million, which represents rise of 25.2% over 2002. Return on average assets (ROAA) was 6.63%, while return on average equity (ROAE) was 20.5%. Both ratios increased compared to previous years.

The Company's net sales revenue was HUF 15,732 million. The largest share of the net sales revenue originated from real estate investments and sales (55.7%) and real estate appraisal activities (16.6%).

As of year-end 2002, the Company's balance sheet total was HUF 17.5 billion, of which the largest item on the asset side was the HUF 14.6 billion portfolio of current assets.

In 2003, **OTP Factoring** bought 43.5 thousand qualified receivables from the Bank, in a gross value of HUF 14.5 billion. The gross value of the 15,000 receivables purchased from third parties, and that of 3,600 not-yet-overdue receivables from municipalities exceeded HUF 1.5 billion and HUF 1 billion respectively.

Due to the rapid purchase of cancelled loans and early commencement of their recovery, the Company's net income exceeded its target figures for 2003 by 43%.

By the end of 2003 the Company's balance sheet total had exceeded HUF 8 billion and pre-tax profits were more than HUF 1.3 billion, the latter representing a 1.5-increase over the previous year. The Company will pay its owners a dividend of HUF 900 million.

NON CONSOLIDATED AND CONSOLIDATED, AUDITED IFRS REPORTS OF OTP BANK LTD. FOR OF THE YEAR ENDED 31 DECEMBER 2003

OTP Bank Ltd. has prepared its non consolidated and consolidated, audited IFRS report for 31 December 2003. Below we present the shortened financial statements derived from the unconsolidated and the consolidated IFRS financial statements of December 31, 2003. The differences between HAR and IFRS data we presented summarized in the end of the report.

NON CONSOLIDATED BALANCE SHEET

Total assets of the Bank were HUF2,731.6 billion on 31 December 2003, which was 14.3% higher than a year earlier.

On the asset side, the volume of cash, due from banks and balances with the National Bank of Hungary decreased by 27.4%, placements with other banks declined by 40.5% compared to 2002. The volume of trading securities grew by 52.8% to HUF312.4 billion; however their structure has changed significantly. Within Securities held for trading the volume of discounted treasury bills was HUF2.6 billion; the volume of Government Bonds was HUF42.3 billion, mortgage bonds reached HUF4.3 billion. Within securities available-for-sale the volume of discounted treasury bills was HUF20.3 billion, Government Bonds was HUF56.3 billion and mortgage bonds reached HUF156.9 billion.

The gross volume of loans grew by 7.5% to HUF1,089.1 billion. Within this the loans maturing over a year amounted to HUF682.9 billion, their proportion was to 62.7%. The volume of provisions was 1.2% higher than a year earlier, reached HUF18.6 billion. The net volume of loans was HUF1,070.4 billion, 7.6% growth year on year. Within loans, loans to enterprises amounted to HUF679 billion (22.3% growth), loans to municipalities HUF91.5 billion (28.5% decline), consumer loans HUF135.9 billion(15.1% growth) while housing loans amounted to HUF182.6 billion (13.9% decline)at the end of December 2003. Corporate loans represented 62.3%, retail loans 29.3% of total loans on 31 December 2003.

The volume of debt securities kept until maturity increased by 72.7% to HUF625.3 billion. Within these, the volume of treasury bills was HUF276.9 billion (-19.7%), mortgage bonds were HUF346.1 billion (+2,778%). The net volume of other assets decreased by 18%.

On the liability side, the 10.7% increase of customer deposits was significant, thus the share of customer deposits in total liabilities decreased to 82.9% (85.6% in 2002). Within HUF2,264.5 billion customer deposits, deposits with maturity over one year amounted to HUF38.1 billion. 73.3% of the total deposits was retail (HUF1,659.9 billion volume; 8.4% increase), 19.4% corporate (21.7% increase in volume) and 7.3% (7.9% increase in volume) was municipal deposit. The liabilities from issued securities decreased by 0.7%.

The shareholders' equity of the Bank was 35.7% higher than in the same period of 2002 due to the 36.5% increase of reserves and the 15.1% decrease of own shares and its volume of HUF276.2 billion represented 10.1% of total assets.

NON CONSOLIDATED STATEMENT OF OPERATIONS (PROFIT AND LOSS ACCOUNT)

The net interest income of the Bank according to IFRS was HUF111.5 billion, which was 2.4% higher than in 2002. This was a result of 4.7% increase in interest income and 7.6% increase in interest expenses.

Within interest income, reflecting the change in the asset structure, the 23.1% decrease of interests on interbank accounts was significant, partly due to the disparate run of swap deals. Interest income from trading securities increased significantly, by 76.6%, while interest income from lending was 2.9% lower.

Interests paid on customer deposits decreased by 7.0%, partly because of the fall in interest rate level and partly because of the change in the structure of the deposits.

Provisioning for possible loan losses increased by 13.5% and reached HUF7.1 billion. Provisioning on average volume of loans was 0.68% compared to 0.71% in 2002.

Non-interest income grew by HUF35.2 billion or 52% to HUF103.8 billion. Within this, dividends received were HUF7.7 billion, net FX profits reached HUF5.9 billion, fees and commissions amounted to HUF95.9 billion. Net loss on securities trading was HUF8.9 billion which is HUF11.5 billion decline compared to 2002. Other non-interest income fell by 18.1% to HUF3.3 billion.

Non-interest expenses altogether were 14.6% higher than a year earlier and reached HUF123.7 billion. Within these the personnel expenses grew by 15.9% to HUF43.6 billion, fees and commissions paid by 40.9% to HUF11.1 billion and depreciation decreased by 2.6% to HUF12.7 billion. Other non-interest type expenses increased by 13.9% and amounted to HUF56.3 billion.

Pre-tax profit of the Bank according to IFRS was HUF84.5 billion which represented a 34.2% growth. After-tax profit grew by 35.1% to HUF70.1 billion. Basic earnings per share reached HUF261 (in 2002 HUF197), while fully diluted were HUF260 (in 2002: HUF196).

Calculated cost to income ratio for 2003 was 57.5%, 3.4% lower than in 2002. (After the calculation similar to the Hungarian standards, cost/income ratio was 55.2% for 2003, 59.1% in 2002.) The gross interest margin of the Bank according to IFRS calculated on the mathematical average of total assets was 4.35% in 2003, its net interest margin 4.08%, 49 bps lower than in 2002, due to the result of swap deals occurred on different lines. ROA calculated on the average total assets was 2.74% (in 2002: 2.31%), while ROE calculated on average shareholders' equity was 29.2% (in 2002: 29.2%). Net asset value per share of the Bank (diluted) grew by 35.8% to HUF986.

CONSOLIDATED BALANCE SHEET

On 31 December 2003 the consolidated IFRS total assets of the Bank were HUF3,460.8 billion, representing a 27.4% increase over the same period a year earlier. The IFRS total assets of the Group were 26.7% higher on 31 December 2003 than that of the Bank, thus confirming the overwhelming position of the Bank within the Group.

The Bank's consolidated shareholder's equity on 31 December 2003 was HUF311.8 billion, 39.4% higher than the consolidated shareholders' equity as of 31 December 2002, and 12.9% higher than the unconsolidated shareholders' equity. The increase was caused by the creation of capital reserves from the considerable part of the profit after tax.

On the asset side, cash, deposits and balances with the NBH decreased by 22.2% compared to 2002, due mainly to the significant drop in short-term HUF and foreign currencies placements with the NBH.

On 31 December 2003 the volume of interbank placements was 14.7% lower due to the change in the structure of placements.

Volume of trading and available for sale securities increased by 71.3% to HUF377.0 billion. This volume was 20.7% higher than non-consolidated figure of the Bank, due to securities held by OTP-Garancia Insurance, OTP Building Society, DSK and OTP Mortgage Bank subsidiaries.

The gross volume of loans was HUF2,046.7 billion, 53.1% higher tan a year earlier while net of allowance for possible loan losses grew by 54.8% from HUF1,280.7 billion to HUF1,982.6 billion as of 31 December 2003. Provisions increased by 14.1% to HUF64.2 billion.

Volume of debt securities held-to-maturity decreased by 15.1% to HUF299.8 billion. The share of government papers was 97.9%. 72.8% fo the debt securities were securities with less than 5 years maturity and 53.5% of debt securities were securities with fixed interest.

On the liability side, customer deposits grew by 25% reaching HUF2,689.8 billion on 31 December 2003 and were 18.8% higher than the volume at the Bank. 97.5% of deposits were with maturity within one year and 75.4% of deposits were denominated in HUF. 18.6% of the deposit volume was from corporate 7.0% from municipal and 74.4% was from retail customers. Volume of issued securities was 47.2% higher than a year earlier and reached HUF124.9 billion, 81.5% of the securities were with maturity within one year.

Net foreign currency position and foreign currency risk 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**

Maturity analysis of assets and liabilities and liquidity risk as at December 31, 2003 (in HUF mn)

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Total Assets	742,869	518,444	1,190,501	1,009,025	3,460,839
Total Liabilities	2,358,466	448,750	198,974	142,417	3,148,607
Total Liabilities and shareholders' equtiy	2,358,466	423,330	198,974	480,069	3,460,839
Liquidity (deficiency)/excess	-1,615,597	95,114	991,527	528,956	--

CONSOLIDATED STATEMENT OF OPERATIONS (PROFIT AND LOSS ACCOUNT)

Confirming the success of the subsidiaries and the efforts aiming at increase the profitability, the 2003 consolidated IFRS net income of OTP Bank was HUF83.3 billion, HUF24.1 billion or 40.7% higher than for 2002 and 18.8% or HUF13.2 billion higher than the non-consolidated after-tax profit for the same period. Income before income taxes grew by 40.4% to HUF102.7 billion.

The consolidated net interest income reached HUF176.1 billion representing a 31.1% increase from 2002 and was 57.9% higher than at the Bank. Consolidated interest income amounted to HUF283.4 billion, 23.0% above 2002 levels. Increase in interest income was particularly significant from loans (22.6% increase), securities held for trading and available-for-sale (159.9% higher) in line with changes in volumes and with dynamically growing mortgage lending. Interest income from interbank accounts fell by 21.9%, from the accounts with NBH and other banks decreased (3.9%), from debt securities held-to-maturity also declined (14.2%).

Interest expense was HUF107.3 billion, 11.7% higher than in 2002, and was 15.7% above the interest expenses of the Bank. Interest paid on customers' deposits declined by 4.7% to HUF81.4 billion and was 8.1% above the Bank's figure. Interest on issued securities was 120.6% higher. Consolidated interest expenses on securities were HUF6.9 billion above the Bank due to securities issued by Merkantil Bank and OTP Mortgage Bank and OBS.

Provision for possible loan and placement losses amounted to HUF10.8 billion by 22.7% more than in 2002 and it is HUF4.4 billion higher than it was in the first 9 month of 2003, partly because of the reclassification of provisions of qualified loans at OTP Mortgage Bank. The loan loss ofprovisioning represented 0.66% of the annual average loans compared to 1.38% for 2002.

Gross consolidated interest margin over average total assets improved further during the fourth quarter of 2003 and was 5.70%, 34 bps above 2002 figure. Net interest margin diminished in the fourth quarter and was 5.35% compared to 5.01% for the year 2002.

Non-interest income was 20.1% higher than in the previous year and reached HUF149.6 billion. Within non-interest income the increase in fee and commission income to HUF81.6 billion, by 28.3%, was significant. It was 14.8% lower than net fees and commissions at the Bank, due to the consolidation of fees from OTP Mortgage Bank. Losses on securities trading were HUF7.6 billion contrary to the profit of HUF1.1 billion in 2002. Net profit on foreign exchange transactions was HUF5.2 billion while it was HUF2.8 billion loss in 2002. Real estate transactions results were HUF1.5 billion. Consolidated non-interest income was 44.2% higher than at the Bank, partly due to the insurance premium of HUF56.3 billion (an increase of 13.2%) at OTP-Garancia Insurance subsidiary. Other income increased by 6.1% to HUF12.2 billion.

Consolidated non-interest expenses reached HUF212.3 billion and were 20.0% higher than during 2002 and 71.6% above the figures of the Bank. Consolidated fee and commission expenses grew by 53.8% and were 80.2% higher than at the Bank. Consolidated personnel expenses were 22.0% higher than a year earlier, and 40.7% above the Bank's figures. Insurance expenses grew by 5.2% and other expenses by 21.9%.

Consolidated cost-income ratio was 65.2% down 3.1% from 2002 (cost income ratio similar to HAR was 62.9%, 3.8% less than in 2002). Consolidated ROAA on average total assets grew considerably to 2.70% (2.36% in 2002), while consolidated ROAE reached 31.1% nominal, 0.8%points higher than a year earlier. Real ROAE increased form 25.0% to 26.4%. Consolidated net asset value per share was HUF1,114 on 31 December 2003. Basic earnings per share (EPS) reached HUF320, HUF91 above 2002 data.

PERSONNEL AND ORGANIZATIONAL CHANGES DURING THE FOURTH QUARTER OF 2003 AT OTP BANK LTD.

During the fourth quarter of 2003, the Top Management, the Auditor, and the Board of Directors of the Bank did not change. The Annual General Meeting of OTP Bank Ltd. held on 25th of April 2003 elected dr. Sándor Pintér a member of the Company's Supervisory Board till the date of Annual General Meeting for the business year 2004.

Budapest, 30 April 2004

FINANCIAL DATA

SELECTED NON-CONSOLIDATED FINANCIAL DATA (HUF MILLIONS)

	2002	2003	Change %
Interest from interbank accounts	35,128	29,347	-16.5
Interest from customer accounts	51,898	48,961	-5.7
Interest from corporate accounts	47,865	45,248	-5.5
Interest from municipal accounts	6,152	10,210	66.0
Interest from bonds	42,879	63,919	49.1
Interest from mandatory reserves	4,858	7,949	63.6
Total interest income	188,780	205,634	8.9
Interest on interbank accounts	4,087	11,253	175.3
Interest on customer accounts	65,656	54,799	-16.5
Interest on corporate accounts	9,168	14,522	58.4
Interest on municipal accounts	5,476	5,716	4.4
Interest on bonds	714	414	-42.0
Interest on long term debt	964	748	-22.4
Total interest expense	86,065	87,452	1.6
Net interest income	**102,715**	**118,182**	**15.1**
Fees & commissions income	64,626	96,009	48.6
Fees & commissions paid	7,780	10,872	39.7
Net fees & commissions	56,846	85,137	49.8
Gains (losses) on securities trading	-617	-938	52.0
Gains (losses) on forex trading	3,552	-1,402	-139.5
Gains (losses) on property transactions	22	-129	-686.4
Other	3,740	2,912	-22.1
Non interest income	**63,543**	**85,580**	**34.7**
Share of non interest income in total income	*38.2%*	*42.0%*	*3.8*
Total income	**166,258**	**203,762**	**22.6**
Staff costs	37,570	43,820	16.6
Depreciation	11,088	9,893	-10.8
Other operating expenses	46,899	56,521	20.5
Operating costs	**95,557**	**110,234**	**15.4**
Cost/Income ratio %	*57.5%*	*54.1%*	*-3.4*
Operating income	**70,701**	**93,528**	**32.3**
Dividend received	332	7,691	2,216.6
Diminution in value, provisions and loan losses	13,523	13,261	-1.9
Accounting for acquisition goodwill	572	-1,257	-319.8
Income before income taxes	**58,082**	**86,701**	**49.3**
Taxes	10,885	15,139	39.1
Tax rate %	18.7%	17.5%	-1.2
After tax profits	**47,197**	**71,562**	**51.6**

The Bank's 2002 audited and 2003 audited financial statements were prepared on the basis of Hungarian Accounting Rules and are here presented in a structure closer to international practice

SELECTED CONSOLIDATED FINANCIAL DATA (HUF MILLIONS)

	2002	2003	Change %
Interest from interbank accounts	36,061	30,911	-14.3
Interest from customer accounts	65,331	93,200	42.7
Interest from corporate accounts	59,622	56,577	-5.1
Interest from municipal accounts	6,218	10,269	65.1
Interest from bonds	48,775	79,966	63.9
Interest from mandatory reserves	4,980	8,164	63.9
Total interest income	220,987	279,087	26.3
Interest to interbank accounts	7,061	12,838	81.8
Interest on customer accounts	69,612	59,855	-14.0
Interest on corporate accounts	10,572	15,105	42.9
Interest on municipal accounts	5,569	6,188	11.1
Interest on bonds	3,796	7,291	92.1
Interest on subordinated loan	964	748	-22.4
Total interest expense	97,574	102,025	4.6
Net interest income	**123,413**	**177,062**	**43.5**
Fees & commissions income	63,575	81,810	28.7
Fees & commissions paid	12,937	19,715	52.4
Net fees & commissions	50,638	62,095	22.6
Securities trading	561	-1,878	-434.8
Forex trading	4,342	-2,106	-148.5
Losses on property transactions	590	1,382	134.2
Insurance fee income	53,058	60,171	13.4
Other	17,048	12,688	-25.6
Non interest income	**126,237**	**132,352**	**4.8**
Ratio of non interest income	*50.6%*	*42.8%*	*-7.8*
Total income	**249,650**	**309,414**	**23.9**
Staff costs	50,501	61,530	21.8
Depreciation	16,102	15,734	-2.3
Insurance costs	41,140	42,810	4.1
Other costs	61,319	71,825	17.1
Operating costs	**169,062**	**191,899**	**13.5**
Cost/income ratio	*67.7%*	*62.0%*	*-5.7*
Operating income/Profit	**80,588**	**117,515**	**45.8**
Dividend received	458	668	45.9
Diminution in value, provisions and loan losses	12,871	13,412	4.2
Accounting for acquisition goodwill		-2,020	
Pre-tax profit	**68,175**	**102,751**	**50.7**
Taxes	13,599	19,956	46.7
Taxes due to consolidation	-409	-227	-44.5
Tax rate	19.3%	19.2%	-0.1
After tax profits	**54,985**	**83,022**	**51.0**

The Bank's 2002 audited and 2003 audited financial statements were prepared on the basis of Hungarian Accounting Rules and are here presented in a structure closer to international practice

PK3. Balance Sheet
BALANCE SHEET
(unconsolidated and consolidated, based on HAR) as at 31 December 2003

in HUF million

	31-Dec-2002 OTP Bank	31-Dec-2003 OTP Bank	Change	31-Dec-2002 Consolidated	31-Dec-2003 Consolidated	Change
ASSETS:						
1. Cash in hand, balances with central banks	**346,963**	**252,975**	**-27.1%**	**353,980**	**276,501**	**-21.9%**
2. Treasury bills	**401,855**	**402,543**	**0.2%**	**531,896**	**630,642**	**18.6%**
a) held for trade	111,072	135,011	21.6%	177,986	246,870	38.7%
b) held as financial fixed assets (for long term investment)	290,783	267,532	-8.0%	353,910	383,772	8.4%
3. Loans and advances to credit institutions	**263,157**	**165,209**	**-37.2%**	**281,400**	**252,314**	**-10.3%**
a) repayable on demand	5,317	4,700	-11.6%	5,319	9,915	86.4%
b) other receivables from financial services	257,840	160,509	-37.7%	276,081	242,399	-12.2%
ba) maturity not more than one year	243,385	149,978	-38.4%	261,925	232,088	-11.4%
bb) maturity more than one year	14,455	10,531	-27.1%	14,156	10,311	-27.2%
c) receivables from investment services						
4. Loans and advances to customers	**1,010,197**	**1,089,158**	**7.8%**	**1,322,587**	**2,025,694**	**53.2%**
a) receivables from financial services	1,007,900	1,088,064	8.0%	1,320,264	2,024,574	53.3%
aa) maturity not more than one year	376,659	399,920	6.2%	377,148	505,539	34.0%
ab) maturity more than one year	631,241	688,144	9.0%	943,116	1,519,035	61.1%
b) receivables from investment services	2,297	1,094	-52.4%	2,323	1,120	-51.8%
5. Debt securities including fixed-income securities	**153,188**	**533,136**	**248.0%**	**21,108**	**32,590**	**54.4%**
a) securities issued by local self-governing bodies and by other public body (not include the treasury bills issued by Hungarian state and securities issued by Hungarian National Bank)	0	1,300	0.0%	0	1,559	
b) securities issued by other bodies	153,888	531,836	247.2%	21,108	31,031	47.0%
ba) held for trade	1,322	124,406	9,310.4%	1,368	7,362	438.2%
bb) held as financial fixed assets (for long term investment)	151,866	407,430	168.3%	19,740	23,669	19.9%
6. Shares and other variable-yield securities	**5,682**	**7,628**	**34.2%**	**11,578**	**12,762**	**10.2%**
a) shares and participations for trade	92	90	-2.2%	101	94	-6.9%
b) other variable-yield securities	5,590	7,538	34.8%	11,477	12,668	10.4%
ba) held for trade		4		5,387	4,502	-16.4%
bb) held as financial fixed assets (for long term investment)	5,590	7,534	34.8%	6,090	8,166	34.1%
7. Shares and participating interest as financial fixed assets	**622**	**754**	**21.2%**	**5,681**	**6,396**	**12.6%**
a) shares and participating interest as financial fixed assets	622	754	21.2%	5,681	6,396	12.6%
b) revaluation surplus on shares and participating interests						
8. Shares and participating interest in affiliated undertakings	**42,908**	**100,199**	**133.5%**	**5,260**	**43,663**	**730.1%**
a) shares and participating interest in affiliated undertakings	42,908	100,199	133.5%	5,194	4,926	-5.2%
b) revaluation surplus on shares and participating interests						
c) capital consolidation difference				66	38,737	58,592.4%
9. Intangible assets	**13,793**	**43,961**	**218.7%**	**16,248**	**9,569**	**-41.1%**
10. Tangible assets	**49,886**	**63,589**	**27.5%**	**74,861**	**108,698**	**45.2%**
a) tangible assets for financial and investment services	47,027	60,450	28.5%	61,141	93,544	53.0%
b) tangible assets not for directly financial and investment services	2,859	3,139	9.8%	13,720	15,037	9.6%
c) revaluation surplus on tangible assets					117	
11. Own shares	**16,883**	**14,328**	**-15.1%**	**27,800**	**25,420**	**-8.6%**
12. Other assets	**50,371**	**45,070**	**-10.5%**	**42,474**	**39,241**	**-7.6%**
a) stocks (inventories)	1,181	995	-15.7%	11,340	12,763	12.5%
b) other receivables (not from financial and investment securities)	49,190	44,075	-10.4%	31,134	26,478	-15.0%
13. Prepayments and accrued income	**34,615**	**40,056**	**15.7%**	**39,209**	**39,173**	**-0.1%**
TOTAL ASSETS	***2,390,120***	***2,758,606***	***15.4%***	***2,734,082***	***3,502,663***	***28.1%***
From this:						
-CURENT ASSETS	*1,154,361*	*1,128,176*	*-2.3%*	*1,255,811*	*1,349,252*	*7.4%*
- FIXED ASSETS	*1,201,144*	*1,590,374*	*32.4%*	*1,439,062*	*2,114,238*	*46.9%*

in HUF million

	31-Dec-2002 OTP Bank	31-Dec-2002 OTP Bank	Change	31-Dec-2002 Consolidated	31-Dec-2002 Consolidated	Change
LIABILITIES						
1. Liabilities to credit institutions	**28,220**	**91,080**	**222.7%**	**60,832**	**126,353**	**107.7%**
a) repayable on demand	1,701	5,430	219.2%	1,610	2,829	75.7%
b) liabilities from financial services with maturity dates or periods of notice	26,519	85,650	223.0%	59,222	123,524	108.6%
ba) not more than one year	17,137	24,738	44.4%	37,307	54,896	47.1%
bb) more than one year	9,382	60,912	549.2%	21,915	68,628	213.2%
c) liabilities from investment services						
2. Liabilities to customers	**1,992,081**	**2,228,287**	**11.9%**	**2,140,397**	**2,697,843**	**26.0%**
a) saving deposits	353,303	345,772	-2.1%	358,926	442,155	23.2%
aa) repayable on demand	44,013	46,846	6.4%	45,301	137,023	202.5%
ab) maturity not more than one year	309,230	298,874	-3.3%	313,327	304,890	-2.7%
ac) maturity more than one year	60	52	-13.3%	298	242	-18.8%
b) other liabilities from financial services	1,638,276	1,881,637	14.9%	1,780,969	2,254,810	26.6%
ba) repayable on demand	644,844	819,959	27.2%	663,124	894,949	35.0%
bb) maturity not more than one year	989,153	1,060,963	7.3%	1,060,141	1,298,772	22.5%
bc) maturity more than one year	4,279	715	-83.3%	57,704	61,089	5.9%
c) liabilities from investment services	502	878	74.9%	502	878	74.9%
3. Liabilities from issued debt securities	**62,689**	**58,130**	**-7.3%**	**102,689**	**136,661**	**33.1%**
a) issued bond	2,015	2,101	4.3%	2,015	1,104	-45.2%
aa) maturity not more than one year						
ab) maturity more than one year	2,015	2,101	4.3%	2,015	1,104	-45.2%
b) issued other debt securities	338	238	-29.6%	40,338	79,766	97.7%
ba) maturity not more than one year	338	238	-29.6%	338	10,885	3,120.4%
bb) maturity more than one year				40,000	68,881	72.2%
c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities	60,336	55,791	-7.5%	60,336	55,791	-7.5%
ca) maturity not more than one year	56,185	18,444	-67.2%	56,185	18,444	-67.2%
cb) maturity more than one year	4,151	37,347	799.7%	4,151	37,347	799.7%
4. Other liabilities	**41,694**	**49,879**	**19.6%**	**48,988**	**63,645**	**29.9%**
a) maturity not more than one year	41,694	49,879	19.6%	48,564	60,942	25.5%
b) maturity more than one year				24	2,530	10,441.7%
c) (Calculated) Corporate tax difference due to consolidation				400	173	-56.8%
5. Accruals and deferred income	**23,108**	**27,268**	**18.0%**	**27,227**	**37,089**	**36.2%**
6. Provisions	**20,974**	**26,773**	**27.6%**	**96,634**	**116,232**	**20.3%**
a) provisions for pensions and similar obligations	1,000	1,546	54.6%	1,000	1,546	54.6%
b) risk provision for off-balance sheet items (for pending and future liabilities)	3,732	7,294	95.4%	4,346	5,492	26.4%
c) general risk provision	14,254	17,057	19.7%	15,294	20,738	35.6%
d) other provision	1,988	876	-55.9%	75,994	88,456	16.4%
7. Subordinated liabilities	**15,511**	**15,413**	**-0.6%**	**19,779**	**19,720**	**-0.3%**
a) subordinated loan capital	15,511	15,413	-0.6%	15,511	15,413	-0.6%
aa) equity consolidation difference				4,268	4,307	0.9%
b) pecuniary contribution of members at credit institutions operating as credit cooperatives						
c) other subordinated liabilities						
8. Subscribed capital	**28,000**	**28,000**	**0.0%**	**28,000**	**28,000**	**0.0%**
From this: repurchased own shares at face value	1,543	1,324	-14.2%	2,334	2,115	-9.4%
9. Subscribed but unpaid capital (-)						
10. Capital reserves	**52**	**52**	**0.0%**	**52**	**52**	**0.0%**
a) premium (from share issue)						
b) other	52	52	0.0%	52	52	0.0%
11. General reserves	**34,169**	**41,325**	**20.9%**	**34,170**	**41,325**	**20.9%**
12. Retained earnings (accumulated profit reserve) (+)	**84,261**	**130,465**	**54.8%**	**86,232**	**132,733**	**53.9%**
13. Legal reserves	**16,883**	**14,328**	**-15.1%**	**16,883**	**14,328**	**-15.1%**
14. Revaluation reserve						
15. Profit or loss for the financial year according to the balance sheet (+)	**42,478**	**47,606**	**12.1%**	**49,899**	**58,101**	**16.4%**
16. Subsidiaries' equity increases/decreases (+-)*				**19,246**	**29,313**	**52.3%**
17. Increases/decreases due to consolidation (+-)				**2,770**	**851**	**-69.3%**
- from debt consolidation difference				4,687	6,646	41.8%
- from intermediate result difference				-1,917	-5,795	202.3%
18. Participation of outside members (other owners)				**284**	**417**	**46.8%**
19 .Difference from exchange rate						
TOTAL LIABILITIES	***2,390,120***	***2,758,606***	***15.4%***	***2,734,082***	***3,502,663***	***28.1%***
From this:						
- SHORT-TERM LIABILITIES	*2,104,797*	*2,326,249*	*10.5%*	*2,226,799*	*2,784,681*	*25.1%*
- LONG-TERM LIABILITIES	*35,398*	*116,540*	*229.2%*	*145,886*	*259,541*	*77.9%*
- EQUITY (CAPITAL AND RESERVES)	*205,843*	*261,776*	*27.2%*	*237,536*	*305,120*	*28.5%*
* Book value of shares owned by subsidiaries				10,917	11,092	

PK4. Profit and Loss Statement
PROFIT AND LOSS ACCOUNT
(unconsolidated and consolidated, based on HAR) for the year ended 31 December 2003

in HUF million

	2002	2003	Change	2002	2003	Change
	OTP Bank			Consolidated		
1. Interest received and interest-type income	*188,780*	*205,634*	*8.9%*	*220,987*	*279,087*	*26.3%*
a) interest received on securities with fixed-interest signifying a creditor relationship	42,879	63,919	49.1%	48,775	79,965	63.9%
b) other interest received and interest-type income	145,901	141,715	-2.9%	172,212	199,122	15.6%
2. Interest paid and interest-type expenses	*86,065*	*87,452*	*1.6%*	*97,574*	*102,025*	*4.6%*
Interest difference (1-2)	**102,715**	**118,182**	**15.1%**	**123,413**	**177,062**	**43.5%**
3. Incomes from securities	*332*	*7,691*	*2,216.6%*	*458*	*668*	*45.9%*
4. Fees and Commission received	*63,545*	*94,680*	*49.0%*	*55,921*	*73,825*	*32.0%*
a) revenues from other financial services	57,872	87,446	51.1%	53,005	70,427	32.9%
b) revenues from investment services (except incomes from trading activities)	5,673	7,234	27.5%	2,916	3,398	16.5%
5. Fees and Commission paid	*7,780*	*10,872*	*39.7%*	*10,609*	*15,620*	*47.2%*
a) expenses on other financial services	7,442	10,536	41.6%	10,275	15,279	48.7%
b) expenses on investment services (except expenses from trading activities)	338	336	-0.6%	334	341	2.1%
6. Profit or loss from financial transactions (6/a-6/b+6/c-6/d)	*1,748*	*-5,194*	*-397.1%*	*3,289*	*-5,854*	*-278.0%*
a) revenues from other financial services	34,592	14,393	-58.4%	34,226	20,872	-39.0%
b) expenses on other financial services	31,304	19,315	-38.3%	29,751	26,328	-11.5%
c) revenues from investment services (revenues from trading activities)	6,328	11,961	89.0%	6,802	11,920	75.2%
d) expenses on investment services (expenses from trading activities)	7,868	12,233	55.5%	7,988	12,318	54.2%
7. Other incomes from business	*211,587*	*479,693*	*126.7%*	*112,271*	*124,496*	*10.9%*
a) incomes from non financial and investment services	7,681	8,389	9.2%	94,770	99,505	5.0%
a1) income of consolidated investment service providers				20,506	12,230	-40.4%
a2) income of consolidated insurance companies				55,160	61,662	11.8%
a3) income of other consolidated companies				19,104	25,613	34.1%
b) other revenues	203,906	471,304	131.1%	15,327	24,830	62.0%
b1) income of consolidated investment service providers				13,666	23,914	75.0%
b2) income of consolidated insurance companies				97	107	10.3%
b3) income of other consolidated companies				1,564	809	-48.3%
ba) consolidation difference income due to debtor consolidation				10		-100.0%
bb) other income due to consolidation				2,164	161	-92.6%
8. General administration expenses	*67,824*	*81,204*	*19.7%*	*76,334*	*94,632*	*24.0%*
a) personnel expenses	36,188	43,820	21.1%	41,254	51,707	25.3%
b) other administration expenses	31,636	37,384	18.2%	35,080	42,925	22.4%
9. Depreciation and amortization	*11,088*	*11,913*	*7.4%*	*12,045*	*11,613*	*-3.6%*
10. Other expenses from business	*231,335*	*501,337*	*116.7%*	*122,972*	*140,745*	*14.5%*
a) expenses from non-financial and investment services	6,156	7,049	14.5%	58,048	52,013	-10.4%
a1) expense of consolidated investment service providers				18,353	9,803	-46.6%
a2) expense of consolidated insurance companies				39,670	42,184	6.3%
a3) expense of other consolidated companies				25	26	4.0%
b) other expenses	225,179	494,288	119.5%	37,408	50,339	34.6%
b1) expense of consolidated investment service providers				34,785	48,585	39.7%
b2) expense of consolidated insurance companies				422	541	28.2%
b3) expense of other consolidated companies				2,201	1,213	-44.9%
ba) consolidation difference expense due to debtor consolidation					11	
bb) other expense due to consolidation				60	2,378	3,863.3%
c) expense of consolidated investment service providers				27,456	36,004	31.1%
c1) expense of consolidated insurance companies				12,730	15,668	23.1%
c2) expense of other consolidated companies				14,726	20,336	38.1%
11. Write-off of loans and provision for contingent and future liabilities	*15,134*	*17,114*	*13.1%*	*22,483*	*31,417*	*39.7%*
a) write-off of loans	12,737	11,152	-12.4%	19,123	27,314	42.8%
b) provision for contingent and future liabilities	2,397	5,962	148.7%	3,360	4,103	22.1%
12. Reversal of write-off of loans and credit for contingent and future liabilities	*13,306*	*13,895*	*4.4%*	*19,042*	*27,012*	*41.9%*
a) reversal of write-off of loans	12,672	11,394	-10.1%	16,872	23,875	41.5%
b) credit for contingent and future liabilities	634	2,501	294.5%	2,170	3,137	44.6%
13. Write-off of securities for investing purposes, signifying a creditor relationship, equity investments in associated or other company	*1,992*	*97*	*-95.1%*	*320*	*183*	*-42.8%*
14. Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity investments in associated or other company	*1,349*	*322*	*-76.1%*	*60*	*349*	*481.7%*
15. Result of ordinary business activities	**59,429**	**86,732**	**45.9%**	**69,691**	**103,348**	**48.3%**
Including: -RESULT OF FINANCIAL AND INVESTMENT SERVICES	*57,904*	*85,392*	*47.5%*	*61,387*	*92,698*	*51.0%*
- RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES	*1,525*	*1,340*	*-12.1%*	*8,304*	*10,650*	*28.3%*
16. Extraordinary revenues	*39*	*1,735*	*4,348.7%*	*53*	*141*	*166.0%*
17. Extraordinary expenses	*1,386*	*1,766*	*27.4%*	*1,569*	*738*	*-53.0%*
18. Extraordinary profit or loss (16-17)	**-1,347**	**-31**	**-97.7%**	**-1,516**	**-597**	**-60.6%**
19. Profit or loss before tax (±15±18)	**58,082**	**86,701**	**49.3%**	**68,175**	**102,751**	**50.7%**
20. Tax liabilities	*10,885*	*15,139*	*39.1%*	*13,599*	*19,956*	*46.7%*
Tax difference due to consolidation				-409	-227	-44.5%
21. After-tax profit or loss (±19-20)	**47,197**	**71,562**	**51.6%**	**54,985**	**83,022**	**51.0%**
22. Formation and utilization of general reserves (±)	*-4,719*	*-7,156*	*51.6%*	*-5,086*	*-8,128*	*59.8%*
23. Use of accumulated profit reserve for dividends and profit-sharings						
24. Dividends and profit-sharings paid (approved)		*16,800*			*16,793*	
25. Balance-sheet profit or loss figure (±21±22+23-24)	***42,478***	***47,606***	***12.1%***	***49,899***	***58,101***	***16.4%***

IFRS FINANCIAL REPORTS

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT
DECEMBER 31, 2003 AND 2002

(in HUF mn)

	2003	2002	change
Cash, due from banks and balances with the National Bank of Hungary	252,975	348,424	-27.4%
Placements with other banks, net of allowance for possible placement losses	165,209	277,627	-40.5%
Securities held for trading and available-for-sale	312,395	204,408	52.8%
Loans, net of allowance for possible loan losses	1,070,425	994,994	7.6%
Accrued interest receivable	31,792	23,407	35.8%
Equity investments	138,808	48,888	183.9%
Debt securities held-to-maturity	625,309	362,045	72.7%
Premises, equipment and intangible assets, net	86,400	71,305	21.2%
Other assets	48,315	58,908	-18.0%
TOTAL ASSETS	**2,731,628**	**2,390,006**	**14.3%**
Due to banks and deposits from the National Bank of Hungary and other banks	91,081	46,401	96.3%
Deposits from customers	2,264,528	2,045,653	10.7%
Liabilities from issued securities	2,039	2,054	-0.7%
Accrued interest payable	7,895	7,479	5.6%
Other liabilities	74,496	69,433	7.3%
Subordinated bonds and loans	15,413	15,511	-0.6%
TOTAL LIABILITIES	**2,455,452**	**2,186,531**	**12.3%**
Share capital	28,000	28,000	0.0%
Retained earnings and reserves	262,504	192,358	36.5%
Treasury shares	-14,328	-16,883	-15.1%
TOTAL SHAREHOLDERS' EQUITY	**276,176**	**203,475**	**35.7%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,731,628**	**2,390,006**	**14.3%**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(in HUF mn)

	2003	2002	Change
Interest Income:			
Loans	103,415	106,555	-2.9%
Placements with other banks	20,350	26,473	-23.1%
Due from banks and balances with the National Bank of Hungary	17,148	18,488	-7.2%
Securities held for trading and available-for-sale	19,553	11,075	76.6%
Securities held-to-maturity	43,779	32,540	34.5%
Total Interest Income	***204,245***	***195,131***	***4.7%***
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks	16,508	4,189	294.1%
Deposits from customers	75,311	80,988	-7.0%
Liabilities from issued securities	169	74	128.4%
Subordinated bonds and loans	748	963	-22.3%
Total Interest Expense	***92,736***	***86,214***	***7.6%***
NET INTEREST INCOME	**111,509**	**108,917**	**2.4%**
Provision for possible loan and placement losses	***7,053***	***6,214***	***13.5%***
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	**104,456**	**102,703**	**1.7%**
Non-Interest Income:			
Fees and commissions	95,850	64,741	48.1%
Foreign exchange gains and losses, net	5,903	-3,400	-273.6%
Losses and gains on securities, net	-8,909	2,600	-442.7%
Losses on real estate transactions, net	-35	-14	150.0%
Dividend income	7,691	332	2216.6%
Other	3,266	3,989	-18.1%
Total Non-Interest Income	***103,766***	***68,248***	***52.0%***
Non-Interest Expenses:			
Fees and commissions	11,067	7,854	40.9%
Personnel expenses	43,555	37,571	15.9%
Depreciation and amortization	12,745	13,085	-2.6%
Other	56,327	49,440	13.9%
Total Non-Interest Expense	***123,694***	***107,950***	***14.6%***
INCOME BEFORE INCOME TAXES	**84,528**	**63,001**	**34.2%**
Income taxes	14,387	11,100	29.6%
NET INCOME AFTER INCOME TAXES	**70,141**	**51,901**	**35.1%**

RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)

	Retained Earnings and Reserves January 1, 2003	Net income for the year ended December 31, 2003	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves December 31, 2003
Hungarian financial statements	**177,844**	**71,562**	**(16,800)**	**1,170**	**233,776**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	14,253	2,803	-	-	17,056
Premium and discount amortization on investment securities	(48)	(300)	-	-	(348)
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	(228)	152	-	-	(76)
Differences in carrying value of subsidiaries	1,012	(295)	-	-	717
Difference in accounting for finance leases	(337)	(128)	-	-	(465)
Fair value adjustment of held for trading and available-for-sale financial assets	3,481	(8,454)	-	-	(4,973)
Fair value adjustment of derivative financial instruments	(1,754)	3,943	-	-	2,189
Gain on sale of Treasury Shares	-	(5)	-	5	-
Reversal of goodwill and negative goodwil	(572)	1,257	-	-	685
Revaluation of investments denominated in foreign currency to historical cost	281	(2,405)	-	-	(2,124)
Difference in accounting of repo transactions	(41)	89	-	-	48
Reclassification of direct charges	-	1,170	-	(1,17(	-
Deferred taxation	(193)	752	-	-	559
Dividend payable for the year 2003 proposed at the Annual General Meeting	-	-	16,800	-	16,800
International financial statements	**192,358**	**70,141**	**-**	**5**	**262,504**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(in HUF mn)

	2003	2002
OPERATING ACTIVITIES		
Income before income taxes	84,528	63,001
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Income tax paid	-15,817	-11,873
Depreciation and amortization	12,745	13,085
Provision for possible loan and placement losses	7,053	6,214
(Credit)/provision for permanent diminution in value equity investments	-111	555
(Credit)/provision for possible losses of other assets	-205	749
Provision for possible losses on off-balance sheet commitments and contingent liabilities, net	3,705	2,066
Unrealised losses/(gains) on fair value adjustment of securities held for trading and available-for-sale	8,454	-2,949
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments	2,889	-5,610
Changes in operating assets and liabilities:		
Net (increase)/decrease in accrued interest receivable	-8,385	3,592
Net decrease/(increase) in other assets, excluding advances for investments and before provisions for possible losses	4,372	-32,086
Net increase/(decrease) in accrued interest payable	416	-1,291
Net increase in other liabilities	6,387	15,115
Net cash provided by operating activities	**106,031**	**50,568**
INVESTING ACTIVITIES		
Net decrease in placements with other banks, before provision for possible placement losses	112,399	49,210
Net increase in securities held for trading or available-for-sale before unrealised gains/lower of cost and market adjustment	-116,441	-95,204
Net increase in equity investments, before provision for permanent diminution in value	-89,809	-16,268
Net (increase)/decrease in securities held-to-maturity	-263,264	36,701
Net (increase)/decrease in advances for investments included in other assets	-53	21
Net increase in loans, before provision for possible loan losses	-82,465	-241,051
Net additions to premises, equipment and intangible assets	-27,840	-27,663
Net cash used in investing activities	**-467,473**	**-294,254**
FINANCING ACTIVITIES		
Net increase in due to banks and deposits from the National Bank of Hungary and other banks	44,680	21,268
Net increase in deposits from customers	218,875	202,931
Net (decrease)/increase in liabilities from issued securities	-15	1,498
Decrease in subordinated bonds and loans	-98	-1,782
Net change in treasury shares	2,560	-235
Net (increase)/decrease in the compulsory reserve established by the National Bank of Hungary	-16,465	14,470
Dividends paid	-9	-7,110
Net cash provided by financing activities	**249,528**	**231,040**
Net decrease in cash and cash equivalents	**-111,914**	**-12,646**
Cash and cash equivalents as at January 1	***255,357***	***268,003***
Cash and cash equivalents balance as at December 31	**143,443**	**255,357**

Analysis of cash and cash equivalents

Cash, due from banks and balances with the National Bank of Hungary	348,424	375,540
Compulsory reserve established by the National Bank of Hungary	-93,067	-107,537
Cash and cash equivalents as at January 1	**255,357**	**268,003**
Cash, due from banks and balances with the National Bank of Hungary	252,975	348,424
Compulsory reserve established by the National Bank of Hungary	-109,532	-93,067
Cash and cash equivalents as at December 31	**143,443**	**255,357**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2003 AND 2002

(in HUF mn)

	2003	**2002**	**change**
Cash, due from banks and balances with the National Bank of Hungary	276,501	355,440	-22.2%
Placements with other banks, net of allowance for possible placement losses	252,335	295,892	-14.7%
Securities held for trading and available-for-sale	377,016	220,091	71.3%
Loans, net of allowance for possible loan losses	1,982,587	1,280,710	54.8%
Accrued interest receivable	32,432	26,195	23.8%
Equity investments	5,878	5,464	7.6%
Securities held-to-maturity	299,772	352,916	-15.1%
Premises, equipment and intangible assets, net	167,337	93,568	78.8%
Other assets	66,981	86,315	-22.4%
TOTAL ASSETS	**3,460,839**	**2,716,591**	**27.4%**
Due to banks and deposits from the National Bank of Hungary and other banks	126,402	79,060	59.9%
Deposits from customers	2,689,833	2,151,169	25.0%
Liabilities from issued securities	124,887	84,862	47.2%
Accrued interest payable	16,395	12,627	29.8%
Other liabilities	175,677	149,345	17.6%
Subordinated bonds and loans	15,413	15,511	-0.6%
TOTAL LIABILITIES	3,148,607	2,492,574	26.3%
Share capital	28,000	28,000	0.0%
Retained earnings and reserves	309,220	223,412	38.4%
Treasury shares	-25,420	-27,800	-8.6%
TOTAL SHAREHOLDERS' EQUITY	311,800	223,612	39.4%
MINORITY INTEREST	432	405	6.7%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,460,839**	**2,716,591**	**27.4%**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(in HUF mn)

	2003	2002	Change
Interest Income:			
Loans	159,054	129,711	22.6%
Placements with other banks	20,820	26,653	-21.9%
Due from banks and balances with the National Bank of Hungary	18,499	19,251	-3.9%
Securities held for trading and available-for-sale	56,874	21,879	159.9%
Securities held-to-maturity	28,155	32,822	-14.2%
Total Interest Income	*283,402*	*230,316*	*23.0%*
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks	18,096	6,440	181.0%
Deposits from customers	81,418	85,445	-4.7%
Liabilities from issued securities	7,044	3,193	120.6%
Subordinated bonds and loans	748	963	-22.3%
Total Interest Expense	*107,306*	*96,041*	*11.7%*
NET INTEREST INCOME	**176,096**	**134,275**	**31.1%**
Provision for possible loan and placement losses	10,817	8,817	22.7%
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	**165,279**	**125,458**	**31.7%**
Non-Interest Income:			
Fees and commissions	81,644	63,618	28.3%
Foreign exchange gains and losses, net	5,167	-2,768	-286.7%
Losses and gains on securities, net	-7,591	1,062	-814.8%
Gains on real estate transactions, net	1,473	809	82.1%
Dividend income	437	600	-27.2%
Insurance premiums	56,269	49,715	13.2%
Other	12,249	11,545	6.1%
Total Non-Interest Income	*149,648*	*124,581*	*20.1%*
Non-Interest Expenses:			
Fees and commissions	19,944	12,965	53.8%
Personnel expenses	61,303	50,241	22.0%
Depreciation and amortization	19,793	17,021	16.3%
Insurance expenses	41,825	39,752	5.2%
Other	69,401	56,932	21.9%
Total Non-Interest Expense	*212,266*	*176,911*	*20.0%*
INCOME BEFORE INCOME TAXES	**102,661**	**73,128**	**40.4%**
Income taxes	-19,324	-13,952	38.5%
NET INCOME AFTER INCOME TAXES	**83,337**	**59,176**	**40.8%**
Minority interest	-1	55	-101.8%
NET INCOME	**83,336**	**59,231**	**40.7%**

MAJOR DIFFERENCES IN THE HAR AND IFRS AUDITED FINANCIAL REPORTS FOR THE YEAR ENDED DECEMBER 31, 2003 CALCULATION OF THE CONSOLIDATED PRE TAX PROFITS

(in HUF mn)

	HAR	IFRS	Difference
OTP Bank Ltd.	**86,701**	**84,528**	**-2,173**
Merkantil Group	4,219	4,340	121
HIF Ltd.	259	259	0
OTP-Garancia Insurance Ltd.	2,605	2,846	241
Concordia-Info Ltd.	168	168	0
OTP Real Estate Ltd.	1,347	1,347	0
OTP Mérleg Ltd.	195	148	-47
OTP Faktoring Asset Management Ltd.	64	64	0
OTP Faktoring Ltd.	1,321	1,321	0
OTP Building Society Ltd.	360	317	-43
Bank Center No I. Ltd.	81	81	0
Inga Ltd.-s	104	104	0
OTP Fund Services Ltd.	225	225	0
OTP Mortgage Bank Ltd.	8,548	8,548	0
OTP Fund Management Ltd.	4,338	4,338	0
OTP Banka Slovensko, a. s.	-207	76	283
DSK Group	1,573	1,678	105
I. Aggregated pre tax profit	**111,901**	**110,388**	**-1,513**
Difference from OTP Bank	*25,200*	*25,860*	
Equity consolidation	-282	-268	-14
Capital consolidation	-9,032	-9,705	-673
Filtering of intra-company relations	164	-39	-203
II. Total consolidation effect	**-9,150**	**-10,012**	**-862**
III. Effect of other differences (IAS 39)[13]	**--**	**2,285**	**2,285**
Consolidated pre tax profits	**102,751**	**102,661**	**-90**

[13] Shares and stakes considered as financial assets available for sale and securities held for trading and available for sale shall be presented in the IFRS balance sheet on fair market value. The write back of fair valuation of securities held for trading and available for sale, which increased previous year's results, decreased the result by HUF496 million, and reporting year's fair valuation decreased it aggregately by HUF4,424 million.
The fair valuation for the reporting year as on 31 December 2003 modified the result to the highest degree at OTP-Garancia Insurance Ltd. (HUF-723 million), at OTP Mortgage Bank Ltd. (HUF-3,407 million), at OTP Building Society Ltd. (HUF-536 million), at OTP Fund Management Ltd. (HUF82 million), at DSK (HUF187 million) and at OTP Banka Slovensko a. s. (HUF-27 million).

Difference in result: HUF-4,920 million

Fair valuation of mortgage bonds issued by OTP Mortgage Bank Ltd. and kept on the books of the parent bank, diminished the result in its individual IFRS report. With the filtering of the intra-company relations in the consolidated report the depreciation was wrote back as well. The write back of the previous year's result reducing filtering impact increased the results by HUF2,928 million. The filtering of the valuation in the actual year increased the result with HUF4,277 million.

Difference in result: HUF7,205 million
Total difference: HUF2,285 million

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