



OTP BANK

**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

***UNCONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS***

***FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002***

May 2004

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INDEPENDENT AUDITORS' OPINION

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To the Shareholders and Board of Directors of National Savings and Commercial Bank Ltd.

We have audited the accompanying unconsolidated balance sheets of National Savings and Commercial Bank Ltd. ("the Bank") as at December 31, 2003 and 2002, and the related unconsolidated statements of operations, cash flows and changes in shareholders' equity for the years then ended. These unconsolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these unconsolidated financial statements based on our audits.

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

Consolidated financial statements have not been presented at the date of this report, as required by International Accounting Standard No. 27. We draw attention to Notes 2.3 and 2.7 to the unconsolidated financial statements, which explain why consolidated financial statements have not been presented and the method of accounting for unconsolidated subsidiaries, respectively.

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2003 and 2002, and the unconsolidated results of its operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Financial Reporting Standards.

Budapest, March 19, 2004


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Deloitte Touche Tohmatsu

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT
DECEMBER 31, 2003 AND 2002
(in HUF mn)**

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

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

	2003	2002
Interest Income:		
Loans	103,415	106,555
Placements with other banks	20,350	26,473
Due from banks and balances with the National Bank of Hungary	17,148	18,488
Securities held for trading or available- for-sale	19,553	11,075
Securities held-to-maturity	<u>43,779</u>	<u>32,540</u>
<i>Total Interest Income</i>	<u>204,245</u>	<u>195,131</u>
Interest Expense:		
Due to banks and deposits from the National Bank of Hungary and other banks	16,508	4,189
Deposits from customers	75,311	80,988
Liabilities from issued securities	169	74
Subordinated bonds and loans	<u>748</u>	<u>963</u>
<i>Total Interest Expense</i>	<u>92,736</u>	<u>86,214</u>
NET INTEREST INCOME	111,509	108,917
Provision for possible loan and placement losses	<u>7,053</u>	<u>6,214</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	104,456	102,703
Non-Interest Income:		
Fees and commissions	95,850	64,741
Foreign exchange gains and losses, net	5,903	(3,400)
Losses and gains on securities, net	(8,909)	2,600
Losses on real estate transactions, net	(35)	(14)
Dividend income	7,691	332
Other	<u>3,266</u>	<u>3,989</u>
<i>Total Non-Interest Income</i>	<u>103,766</u>	<u>68,248</u>
Non-Interest Expenses:		
Fees and commissions	11,067	7,854
Personnel expenses	43,555	37,571
Depreciation and amortization	12,745	13,085
Other	<u>56,327</u>	<u>49,440</u>
<i>Total Non-Interest Expenses</i>	<u>123,694</u>	<u>107,950</u>
INCOME BEFORE INCOME TAXES	84,528	63,001
Income taxes	<u>14,387</u>	<u>11,100</u>
NET INCOME AFTER INCOME TAXES	<u>70,141</u>	<u>51,901</u>
Earnings per share (in HUF)		
Basic	<u>261</u>	<u>197</u>
Diluted	<u>260</u>	<u>196</u>

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
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i>		
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)
<i>Changes in operating assets and liabilities:</i>		
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	<u>6,387</u>	<u>15,115</u>
Net cash provided by operating activities	<u>106,031</u>	<u>50,568</u>
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	<u>(27,840)</u>	<u>(27,663)</u>
Net cash used in investing activities	<u>(467,473)</u>	<u>(294,254)</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002
(in HUF mn) [continued]

	2003	2002
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	<u>(9)</u>	<u>(7,110)</u>
Net cash provided by financing activities	<u>249,528</u>	<u>231,040</u>
Net decrease in cash and cash equivalents	(111,914)	(12,646)
Cash and cash equivalents as at January 1	<u>255,357</u>	<u>268,003</u>
Cash and cash equivalents balance as at December 31	<u>143,443</u>	<u>255,357</u>
 <i>Analysis of cash and cash equivalents</i>		
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	<u>(93,067)</u>	<u>(107,537)</u>
Cash and cash equivalents as at January 1	<u>255,357</u>	<u>268,003</u>
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	<u>(109,532)</u>	<u>(93,067)</u>
Cash and cash equivalents as at December 31	<u>143,443</u>	<u>255,357</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(in HUF mn)**

	Share Capital	Retained Earnings and Reserves	Treasury Share	Total
Balance as at January 1, 2002	28,000	141,559	(17,750)	151,809
Net income after income taxes	-	51,901	-	51,901
Loss on sale of treasury shares	-	(1,102)	-	(1,102)
Change in carrying value of treasury shares	-	-	867	867
Balance as at December 31, 2002	<u>28,000</u>	<u>192,358</u>	<u>(16,883)</u>	<u>203,475</u>
Net income after income taxes	-	70,141	-	70,141
Gain on sale of treasury shares	-	5	-	5
Change in carrying value of treasury shares	-	-	2,555	2,555
Balance as at December 31, 2003	<u>28,000</u>	<u>262,504</u>	<u>(14,328)</u>	<u>276,176</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

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

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

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

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

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

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

As at December 31, 2003 approximately 92.4% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (2.9%) and the Bank (4.7%).

The Bank provides a full range of commercial banking services through a nationwide network of 432 branches in Hungary.

As at December 31, 2003 the number of employees at the Bank was 7,986. The average number of employees for the year ended December 31, 2003 was 8,495.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

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

1.2. Accounting

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

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

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts (see Note 31), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

2.2. Foreign currency translation

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

2.3. Consolidated financial statements

These financial statements present the Bank's unconsolidated financial position and results of operations. Consolidated financial statements are currently being prepared by the Bank. See Note 2.7 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Securities held-to-maturity

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

2.7. Equity investments

Investments comprise equity investments and equity securities. Equity investments with a controlling or significant interest include investments in companies in which the Bank holds an equity share of 10% or more and investments made for strategic, regulatory or operational purposes. Equity investments representing a controlling interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to govern the financial and operating policies of the investee. Equity investments representing a significant interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to participate in the financial and operating policies of the investee but not to control those activities. Other equity securities comprise shareholdings, which do not meet the preceding criteria.

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

2.8. Sale and repurchase agreements

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.9. Premises, equipment and intangible assets

Premises, equipment and intangible assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

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

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

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

2.10. Leases

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

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

2.11. Treasury shares

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Income taxes

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

2.13. Off-balance sheet commitments and contingent liabilities

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

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

2.14. Derivative financial instruments

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Derivative financial instruments [continued]

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

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

2.15. Unconsolidated statement of cash flows

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

2.16. Comparative figures

Certain amounts in the 2002 unconsolidated financial statements have been reclassified to conform with the current year presentation.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

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

	2003	2002
Cash on hand:		
In HUF	54,918	39,460
In foreign currency	<u>3,111</u>	<u>3,570</u>
	<u>58,029</u>	<u>43,030</u>
Due from banks and balances with NBH:		
Within one year:		
In HUF	191,911	301,709
In foreign currency	<u>3,035</u>	<u>3,251</u>
	<u>194,946</u>	<u>304,960</u>
Over one year:		
In foreign currency	<u>-</u>	<u>434</u>
	<u>-</u>	<u>434</u>
Total	<u>252,975</u>	<u>348,424</u>

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 109,532 million and HUF 93,067 million as at December 31, 2003 and 2002, respectively.

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

	2003	2002
Within one year:		
In HUF	85,141	146,576
In foreign currency	<u>69,719</u>	<u>117,192</u>
	<u>154,860</u>	<u>263,768</u>
Over one year:		
In HUF	3,300	8,300
In foreign currency	<u>7,231</u>	<u>5,722</u>
	<u>10,531</u>	<u>14,022</u>
Total	<u>165,391</u>	<u>277,790</u>
Allowance for possible placement losses	<u>(182)</u>	<u>(163)</u>
	<u>165,209</u>	<u>277,627</u>

Placements with other banks in foreign currency as at December 31, 2003 and 2002 bear interest rates in the range from 0.3% to 5.1% and from 0.1% to 9.2%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

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

Placements with other banks in HUF as at December 31, 2003 and 2002 bear interest rates in the range from 9.6% to 13.7% and from 7.5% to 11.2%, respectively.

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

	2003	2002
Balance as at January 1	163	170
Provision/(credit) for possible placement losses	<u>19</u>	<u>(7)</u>
Balance as at December 31	<u>182</u>	<u>163</u>

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

	2003	2002
Securities held for trading		
Hungarian Government discounted Treasury bills	2,632	4,996
Hungarian Government interest bearing Treasury bills	473	1,945
Government bonds	42,331	10,002
Mortgage bonds	4,260	-
Other securities	<u>257</u>	<u>1,148</u>
	<u>49,953</u>	<u>18,091</u>
Securities available-for-sale		
Government bonds	56,336	38,881
Hungarian Government discounted Treasury bills	20,293	-
Mortgage bonds	156,929	125,244
Other securities	<u>28,884</u>	<u>22,192</u>
	<u>262,442</u>	<u>186,317</u>
Total	<u>312,395</u>	<u>204,408</u>

Approximately 93% and 90% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at December 31, 2003 and 2002, respectively.

Approximately 2% and 10% of the government bonds were denominated in foreign currency as at December 31, 2003 and 2002. Approximately 75%, 2%, 15%, 8% of this portfolio was denominated in JPY, EUR, GBP, USD as at December 31, 2003 and 37%, 1%, 8% and 54% of this portfolio was denominated in JPY, EUR, GBP, USD as at December 31, 2002, respectively.

Interest rates on securities held for trading ranged from 2.1% to 13.1% and from 2.3% to 10.5% as at December 31, 2003 and 2002, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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**NOTE 5: SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE
(in HUF mn) [continued]**

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

	2003	2002
Within five years:		
variable interest	91,041	42,837
fixed interest	<u>141,561</u>	<u>15,260</u>
	<u>232,602</u>	<u>58,097</u>
Over five years:		
variable interest	21,489	29,772
fixed interest	<u>50,169</u>	<u>105,193</u>
	<u>71,658</u>	<u>134,965</u>
Non interest-bearing securities	<u>8,135</u>	<u>11,346</u>
Total	<u>312,395</u>	<u>204,408</u>

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

	2003	2002
Short-term loans and trade bills (within one year)	406,091	381,364
Long-term loans and trade bills (over one year)	<u>682,970</u>	<u>632,048</u>
	<u>1,089,061</u>	<u>1,013,412</u>
Allowance for possible loan losses	<u>(18,636)</u>	<u>(18,418)</u>
	<u>1,070,425</u>	<u>994,994</u>

Foreign currency loans represent approximately 29% and 21% of the loan portfolio, before allowance for possible losses, as at December 31, 2003 and 2002, respectively.

Loans denominated in HUF, with a maturity within one year as at December 31, 2003 and 2002 bear interest rates in the range from 15.8% to 32% and from 12.3% to 33% respectively.

Loans denominated in HUF, with a maturity over one year as at December 31, 2003 and 2002 bear interest rates in the range from 4% to 22.8% and from 4% to 19.8%, respectively.

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

Approximately 1.6% and 1.7% of the gross loan portfolio represented loans on which interest is not being accrued as at December 31, 2003 and 2002, respectively.

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

	2003		2002	
Commercial loans	678,986	62%	555,099	55%
Municipality loans	91,529	8%	128,057	13%
Housing loans	182,640	17%	212,150	20%
Consumer loans	<u>135,906</u>	<u>13%</u>	<u>118,106</u>	<u>12%</u>
	<u>1,089,061</u>	<u>100%</u>	<u>1,013,412</u>	<u>100%</u>

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

	2003	2002
Balance as at January 1	18,418	19,540
Provision for possible loan losses	7,034	6,221
Write-offs	<u>(6,816)</u>	<u>(7,343)</u>
Balance as at December 31	<u>18,636</u>	<u>18,418</u>

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd, see Note 23.

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	2003	2002
Equity investments:		
Controlling interest	143,158	51,051
Significant interest	371	2,623
Other	<u>949</u>	<u>995</u>
	<u>144,478</u>	<u>54,669</u>
Allowance for permanent diminution in value	<u>(5,670)</u>	<u>(5,781)</u>
	<u>138,808</u>	<u>48,888</u>

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NOTE 7: EQUITY INVESTMENTS (in HUF mn) [continued]

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

	2003		2002	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
OTP Garancia Insurance Ltd.	100.00%	7,472	100.00%	7,472
OTP Real Estate Ltd.	100.00%	1,228	100.00%	1,228
OTP Real Estate Management Ltd.*	100.00%	750	100.00%	750
Merkantil Bank Rt.	100.00%	1,600	100.00%	1,600
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
HIF Ltd. (United Kingdom)	100.00%	1,132	100.00%	1,132
Bank Center No. 1. Ltd.	100.00%	9,364	100.00%	9,364
OTP Factoring Ltd.	100.00%	150	100.00%	150
INGA One Ltd.	100.00%	407	100.00%	407
INGA Two Ltd.	100.00%	5,892	100.00%	5,892
OTP Fund Servicing and Consulting Ltd.	100.00%	1,317	100.00%	1,317
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
OTP Mortgage Bank Company Ltd.	100.00%	20,000	100.00%	7,100
AIR-Invest Ltd.	100.00%	1,000	100.00%	1,000
DSK Bank EAD (Bulgaria)	100.00%	79,162	-	-
OTP Banka Slovensko a.s. (Slovakia)	97.10%	10,006	96.86%	9,970
Other	-	<u>75</u>	-	<u>66</u>
Total		<u>143,158</u>		<u>51,051</u>

*OTP Securities Ltd. was renamed to OTP Real Estate Management on March 11, 2003.

On October 1, 2003, The Bank completed the acquisition of DSK Bank EAD, a leading universal bank in Bulgaria with total assets of approximately HUF 306,615 million in accordance with Bulgarian Accounting Standards.

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

	2003	2002
Balance as at January 1	5,781	5,226
(Credit)/provision for permanent diminution in value	<u>(111)</u>	<u>555</u>
Balance as at December 31	<u>5,670</u>	<u>5,781</u>

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

	2003	2002
Government securities	276,892	345,024
Hungarian Government discounted Treasury bills	987	3,689
Mortgage bonds	346,130	12,032
Other debt securities	<u>1,300</u>	<u>1,300</u>
	<u>625,309</u>	<u>362,045</u>

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

	2003	2002
Within five years, variable interest	90,234	127,014
Within five years, fixed interest	<u>351,908</u>	<u>145,809</u>
	<u>442,142</u>	<u>272,823</u>
Over five years, variable interest	43,995	47,333
Over five years, fixed interest	<u>139,172</u>	<u>41,889</u>
	<u>183,167</u>	<u>89,222</u>
Total	<u>625,309</u>	<u>362,045</u>

A portfolio of mortgage bonds with a fair value of HUF 216,957 million issued by OTP Mortgage Bank Company Ltd were reclassified as of June 30, 2003 from available-for-sale to the held-to-maturity as management decided and has the intention to hold such securities until maturity.

Approximately 99.7% and 98.6% of the debt securities portfolio was denominated in HUF as at December 31, 2003 and 2002, respectively. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 6.3% to 10.5% and from 6.3% to 13% as at December 31, 2003 and 2002, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of held-to maturity investments was HUF 610,189 million and HUF 367,644 million as at December 31, 2003 and 2002, respectively

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

For the year ended December 31, 2003:

<u>Cost</u>	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at					
January 1, 2003	32,655	37,241	54,609	6,951	131,456
Additions	17,190	12,325	11,251	19,630	60,396
Disposals	<u>(19,165)</u>	<u>(200)</u>	<u>(3,408)</u>	<u>(22,209)</u>	<u>(44,982)</u>
Balance as at					
December 31, 2003	<u>30,680</u>	<u>49,366</u>	<u>62,452</u>	<u>4,372</u>	<u>146,870</u>
 <u>Depreciation and</u>					
<u>Amortization</u>					
Balance as at					
January 1, 2003	18,862	5,475	35,814	-	60,151
Additions	4,998	940	6,807	-	12,745
Disposals	<u>(9,030)</u>	<u>(46)</u>	<u>(3,350)</u>	<u>-</u>	<u>(12,426)</u>
Balance as at					
December 31, 2003	<u>14,830</u>	<u>6,369</u>	<u>39,271</u>	<u>-</u>	<u>60,470</u>
 <u>Net book value</u>					
Balance as at					
January 1, 2003	<u>13,793</u>	<u>31,766</u>	<u>18,795</u>	<u>6,951</u>	<u>71,305</u>
Balance as at					
December 31, 2003	<u>15,850</u>	<u>42,997</u>	<u>23,181</u>	<u>4,372</u>	<u>86,400</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 9: **PREMISES, EQUIPMENT AND INTANGIBLE ASSETS [continued]
(in HUF mn)**

For the year ended December 31, 2002:

<u>Cost</u>	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at					
January 1, 2002	26,197	33,982	50,319	2,942	113,440
Additions	18,545	3,397	13,423	15,027	50,392
Disposals	<u>(12,087)</u>	<u>(138)</u>	<u>(9,133)</u>	<u>(11,018)</u>	<u>(32,376)</u>
Balance as at					
December 31, 2002	<u>32,655</u>	<u>37,241</u>	<u>54,609</u>	<u>6,951</u>	<u>131,456</u>
<u>Depreciation and</u>					
<u>Amortization</u>					
Balance as at					
January 1, 2002	14,331	4,709	37,673	-	56,713
Additions	5,590	794	6,701	-	13,085
Disposals	<u>(1,059)</u>	<u>(28)</u>	<u>(8,560)</u>	<u>-</u>	<u>(9,647)</u>
Balance as at					
December 31, 2002	<u>18,862</u>	<u>5,475</u>	<u>35,814</u>	<u>-</u>	<u>60,151</u>
<u>Net book value</u>					
Balance as at					
January 1, 2002	<u>11,866</u>	<u>29,273</u>	<u>12,646</u>	<u>2,942</u>	<u>56,727</u>
Balance as at					
December 31, 2002	<u>13,793</u>	<u>31,766</u>	<u>18,795</u>	<u>6,951</u>	<u>71,305</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 10: OTHER ASSETS (in HUF mn)

	2003	2002
Receivables due to collection of Hungarian Government securities	69	45
Property held for sale	307	455
Due from Government for interest subsidies	1,885	876
Trade receivables	1,716	2,740
Advances for securities and investments	528	475
Deferred tax assets	559	-
Taxes recoverable	821	278
Inventories	736	724
Other advances	327	334
Credits sold under deferred payment scheme	4,453	5,931
Loans sold under deferred payment scheme to OTP Mortgage Bank Company Ltd.	28,186	15,947
Margin account balance	-	240
Accounts with investment funds and pension funds	-	12,014
Settlement accounts	6	925
Receivables from investing services	1,139	2,335
Prepayments and accrued incomes	3,935	2,843
Fair value of derivative financial instruments	1,990	8,469
Other	<u>3,871</u>	<u>6,695</u>
	<u>50,528</u>	<u>61,326</u>
 Allowance for possible losses on other assets	 <u>(2,213)</u>	 <u>(2,418)</u>
	<u>48,315</u>	<u>58,908</u>

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

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

	2003	2002
Balance as at January 1	2,418	1,669
(Credit)/provision for possible losses	<u>(205)</u>	<u>749</u>
Balance as at December 31	<u>2,213</u>	<u>2,418</u>

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

	2003	2002
Within one year:		
In HUF	7,478	29,920
In foreign currency	<u>22,690</u>	<u>7,100</u>
	<u>30,168</u>	<u>37,020</u>
Over one year:		
In HUF	4,291	4,774
In foreign currency	<u>56,622</u>	<u>4,607</u>
	<u>60,913</u>	<u>9,381</u>
Total	<u>91,081</u>	<u>46,401</u>

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at December 31, 2003 and 2002, bear interest rates in the range from 11.4% to 12.9% and from 7.5% to 9.7%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at December 31, 2003 and 2002, bear interest rates in the range from 3% to 9.4% and from 9% to 9.5% respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at December 31, 2003 and 2002, bear interest rates in the range from 0.3% to 2.7% and from 0.7% and 7.2%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at December 31, 2003 and 2002, bear interest rates in the range form 0.5% to 4.7% and from 1.4% and 9.2%, respectively.

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NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2003	2002
Within one year:		
In HUF	1,947,081	1,740,583
In foreign currency	<u>279,332</u>	<u>293,597</u>
	<u>2,226,413</u>	<u>2,034,180</u>
Over one year:		
In HUF	<u>38,115</u>	<u>11,473</u>
	<u>38,115</u>	<u>11,473</u>
Total	<u>2,264,528</u>	<u>2,045,653</u>

Deposits from customers payable in HUF within one year as at December 31, 2003 and 2002, bear interest rates in the range from 0.8% to 11% and from 0.5% to 8%, respectively.

Deposits from customers payable in HUF over one year as at December 31, 2003 and 2002, bear interest rates in the range from 5.3% to 8.8% and from 5% to 7.6%, respectively.

Deposits from customers payable in foreign currency as at December 31, 2003 and 2002, bear interest rates in the range from 0.1% to 4.1% and from 0.1% to 1.6%, respectively.

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

	2003		2002	
Commercial deposits	440,034	20%	361,749	18%
Municipality deposits	164,571	7%	152,590	7%
Consumer deposits	<u>1,659,923</u>	<u>73%</u>	<u>1,531,314</u>	<u>75%</u>
	<u>2,264,528</u>	<u>100%</u>	<u>2,045,653</u>	<u>100%</u>

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

	2003	2002
With original maturity:		
Within one year	238	338
Over one year	<u>1,801</u>	<u>1,716</u>
	<u>2,039</u>	<u>2,054</u>

Liabilities from issued securities are denominated in HUF at interest rates in the range from 2% to 4.3% and from 2% to 6.3% as at December 31, 2003 and 2002, respectively.

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NOTE 14: OTHER LIABILITIES (in HUF mn)

	2003	2002
Taxes payable	2,044	1,608
Deferred tax liabilities	-	193
Giro clearing accounts	12,604	23,541
Accounts payable	8,145	5,656
Salaries and social security payable	5,882	6,153
Liabilities from security trading	15,852	5,431
Allowances for possible losses on off-balance sheet commitments, contingent liabilities	9,041	5,488
Margin account balance	34	-
Dividends payable	639	649
Accrued expenses	8,484	4,692
Suspense accounts	2,083	2,543
Loans for collection	2,202	1,567
Fair value of derivative financial instruments	90	3,680
Other	<u>7,396</u>	<u>8,232</u>
	<u>74,496</u>	<u>69,433</u>

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

	2003	2002
Allowance for litigation	1,509	1,591
Allowance for other off-balance sheet commitments, contingent liabilities	5,785	2,140
Other allowances for expected liabilities	1,671	1,529
Allowance for housing warranties	<u>76</u>	<u>228</u>
Total	<u>9,041</u>	<u>5,488</u>

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 14: OTHER LIABILITIES (in HUF mn) [continued]

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

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

	2003	2002
Balance as at January 1	5,488	3,491
Allowance for off-balance sheet commitments and contingent liabilities, net	3,705	2,066
Release of allowance for housing warranties	<u>(152)</u>	<u>(69)</u>
Balance as at December 31	<u>9,041</u>	<u>5,488</u>

NOTE 15: SUBORDINATED BONDS AND LOANS

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

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

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NOTE 16: SHARE CAPITAL (in HUF mn)

	2003	2002
<u>Authorized, issued and fully paid:</u>		
Common shares	<u>28,000</u>	<u>28,000</u>
	<u>28,000</u>	<u>28,000</u>

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

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

	2003	2002
Balance as at January 1	192,358	141,559
Net income after income taxes	70,141	51,901
Gain/(loss) on sale of Treasury Shares	<u>5</u>	<u>(1,102)</u>
Balance as at December 31	<u>262,504</u>	<u>192,358</u>

The Bank's reserves under Hungarian Accounting Standards were HUF 234,415 million and HUF 177,843 million as at December 31, 2003 and 2002, respectively. Of these amounts, legal reserves represent HUF 41,326 million and HUF 34,169 million as at December 31, 2003 and 2002, respectively. The legal reserves are not available for distribution.

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

Dividends for the year ended December 31, 2003 will be proposed at the Annual General Meeting in April 2004. The proposed dividend for the year 2003 is HUF 16,800 million.

NOTE 18: TREASURY SHARES (in HUF mn)

	2003	2002
Nominal Value	<u>1,324</u>	<u>1,543</u>
Carrying Value at acquisition cost	<u>14,328</u>	<u>16,883</u>

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NOTE 19: OTHER EXPENSES (in HUF mn)

	2003	2002
(Credit)/provision for permanent diminution in value of equity investments	(111)	555
(Credit)/provision for other assets	(205)	749
Provision for possible losses on off-balance sheet commitments, contingent liabilities	3,705	2,066
Administration expenses, including rent	18,329	17,960
Advertising	3,406	3,024
Taxes, other than income	11,184	7,864
Services	15,062	11,758
Professional fees	2,305	2,586
Other	<u>2,652</u>	<u>2,878</u>
	<u>56,327</u>	<u>49,440</u>

NOTE 20: INCOME TAXES (in HUF mn)

The Bank is presently liable for income tax at a rate of 18% of taxable income. Deferred tax is calculated at 16%, which is the income tax rate effect from January 1, 2004.

A reconciliation of the income tax is as follows:

	2003	2002
Current tax	15,139	10,885
Deferred tax	<u>(752)</u>	<u>215</u>
	<u>14,387</u>	<u>11,100</u>

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

	2003	2002
Balance as at January 1	(193)	22
Deferred tax charge/ (credit)	<u>752</u>	<u>(215)</u>
Balance as at December 31	<u>559</u>	<u>(193)</u>

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NOTE 20: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax charge is as follows:

	2003	2002
Net income before income taxes	84,528	63,001
Permanent differences due to movements in statutory provisions	(1,360)	(3,033)
Dividend income	(7,691)	(332)
Other permanent differences	<u>3,929</u>	<u>2,030</u>
Adjusted tax base	<u>79,406</u>	<u>61,666</u>
Income tax	<u>14,387</u>	<u>11,100</u>

NOTE 21: FINANCIAL INSTRUMENTS

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

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

Credit risk

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

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

Market risk

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

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NOTE 21: FINANCIAL INSTRUMENTS [continued]

Liquidity risk

See Note 27.

Foreign currency risk

See Note 28.

Interest rate risk

See Note 29.

NOTE 22: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

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

(a) *Contingent liabilities and commitments*

	2003	2002
Commitments to extend credit	392,308	314,127
Guarantees arising from banking activities	65,010	47,401
Confirmed letters of credit	956	787
Other	24,502	20,051
Legal disputes	<u>2,469</u>	<u>4,846</u>
	<u>485,245</u>	<u>387,212</u>

Commitments to extend credit, from guarantees and letters of credit

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

NOTE 22: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

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

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

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

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

Legal disputes

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

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

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NOTE 22: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

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

	2003	2002
Foreign currency contracts		
Assets	55,164	55,869
Liabilities	<u>56,691</u>	<u>58,743</u>
Net	<u>(1,527)</u>	<u>(2,874)</u>
Net fair value	<u>(235)</u>	<u>(4,181)</u>
Foreign exchange swaps and interest rate swaps		
Assets	230,852	161,347
Liabilities	<u>216,839</u>	<u>150,126</u>
Net	<u>14,013</u>	<u>11,221</u>
Net fair value	<u>14,711</u>	<u>17,210</u>
Option contracts		
Assets	25,402	183,322
Liabilities	<u>18,184</u>	<u>164,658</u>
Net	<u>7,218</u>	<u>18,664</u>
Net fair value	<u>7,128</u>	<u>18,805</u>
Forward rate agreements		
Assets	-	41,700
Liabilities	<u>-</u>	<u>26,500</u>
Net	<u>-</u>	<u>15,200</u>
Net fair value	<u>-</u>	<u>15,166</u>

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

As at December 31, 2003, the Bank has derivative instruments with positive fair values of HUF 1,990 million and negative fair values of HUF 90 million. Positive fair values of derivative instruments are included in other assets, while negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2002 are HUF 8,469 million and HUF 3,680 million.

NOTE 22: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

Forward rate agreements

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

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

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

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NOTE 23: RELATED PARTY TRANSACTIONS

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

During the years ended December 31, 2003 and 2002 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 3,634 million and HUF 4,961 million, respectively. The gross book value of such credits was HUF 10,043 million and HUF 12,238 million, respectively, with a corresponding allowance for possible loan losses of HUF 5,503 million and HUF 9,603 million, respectively. The underlying mortgage rights were also transferred to OTP Factoring. Gains or losses related to such transactions are included in the unconsolidated financial statements.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 924 million and HUF 481 million for the years ended December 31, 2003 and 2002, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 1,054 million and HUF 841 million for the years ended December 31, 2003 and 2002, respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 509 million and HUF 438 million in relation to trading activity were HUF 2,445 million and HUF 2,116 million for the years ended December 31, 2003 and 2002, respectively.

Commissions paid by the Bank to OTP Real Estate in relation to its activity were HUF 3,735 million and HUF 3,071 million for the years ended December 31, 2003 and 2002, respectively.

The Bank sold mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 448,034 million and HUF 189,785 million during the years ended December 31, 2003 and 2002 (including interest). The book value of these receivables were HUF 447,289 million and HUF 189,430 million.

During the year ended December 31, 2003 the Bank received HUF 25,072 million in commissions from OTP Mortgage Bank Company Ltd. For the year ended December 31, 2002 such commissions were HUF 5,250 million. Such commissions are related to loans originally provided by the Bank and subsequently sold to OTP Mortgage Bank Company Ltd.

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

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

In the normal course of business, the Bank gives loans and provides services to other related parties at normal market conditions. The amount of these loans was HUF 1,700 million and HUF 1,762 million, with commitments to extend credit and guarantees of HUF 135 million and HUF 173 million as at December 31, 2003 and 2002, respectively.

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NOTE 24: CASH AND CASH EQUIVALENTS (in HUF mn)

	2003	2002
Cash, due from banks and balances with the NBH	252,975	348,424
Compulsory reserve established by the NBH	(109,532)	(93,067)
	<u>143,443</u>	<u>255,357</u>

NOTE 25: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 46,187 million and HUF 46,745 million as at December 31, 2003 and 2002, respectively.

NOTE 26: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 22% and 30% of the Bank's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at December 31, 2003 and 2002, respectively. Approximately 19% and 6% of the Bank's total assets consisted securities issued by the OTP Mortgage Bank Company Ltd. as at December 31, 2003 and 2002, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at December 31, 2003 and 2002, respectively.

NOTE 27: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

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**NOTE 27: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND
LIQUIDITY RISK (in HUF mn) [continued]**

As at December 31, 2003	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	252,975	-	-	-	252,975
Placements with other banks, net of allowance for possible placement losses	146,823	7,855	10,174	357	165,209
Securities held for trading and available-for-sale	12,105	27,740	200,892	71,658	312,395
Loans, net of allowance for possible loan losses	109,641	285,516	461,162	214,106	1,070,425
Accrued interest receivable	31,789	1	2	-	31,792
Equity investments	-	-	-	138,808	138,808
Securities held-to-maturity	115,358	69,298	257,486	183,167	625,309
Premises, equipment and intangible assets, net	-	-	20,540	65,860	86,400
Other assets	<u>44,389</u>	<u>3,926</u>	<u>-</u>	<u>-</u>	<u>48,315</u>
TOTAL ASSETS	<u>713,080</u>	<u>394,336</u>	<u>950,256</u>	<u>673,956</u>	<u>2,731,628</u>
Due to banks and deposits from the National Bank of Hungary and other banks	15,336	14,832	58,258	2,655	91,081
Deposits from customers	1,905,485	320,928	38,115	-	2,264,528
Liabilities from issued securities	238	-	1,801	-	2,039
Accrued interest payable	5,697	2,198	-	-	7,895
Other liabilities	63,762	10,734	-	-	74,496
Subordinated bonds and loans	<u>-</u>	<u>-</u>	<u>10,413</u>	<u>5,000</u>	<u>15,413</u>
TOTAL LIABILITIES	<u>1,990,518</u>	<u>348,692</u>	<u>108,587</u>	<u>7,655</u>	<u>2,455,452</u>
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	262,504	262,504
Treasury shares	<u>-</u>	<u>(14,328)</u>	<u>-</u>	<u>-</u>	<u>(14,328)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>-</u>	<u>(14,328)</u>	<u>-</u>	<u>290,504</u>	<u>276,176</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,990,518</u>	<u>334,364</u>	<u>108,587</u>	<u>298,159</u>	<u>2,731,628</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(1,277,438)</u>	<u>59,972</u>	<u>841,669</u>	<u>375,797</u>	<u>-</u>

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**NOTE 27: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND
LIQUIDITY RISK (in HUF mn) [continued]**

As at December 31, 2002	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	346,964	1,026	307	127	348,424
Placements with other banks, net of allowance for possible placement losses	217,817	45,788	13,722	300	277,627
Securities held for trading and available-for-sale	9,957	6,185	53,301	134,965	204,408
Loans, net of allowance for possible loan losses	150,122	225,304	338,292	281,276	994,994
Accrued interest receivable	21,979	1,395	33	-	23,407
Equity investments	-	-	-	48,888	48,888
Securities held-to-maturity	24,165	56,598	192,060	89,222	362,045
Premises, equipment and intangible assets, net	-	-	28,282	43,023	71,305
Other assets	<u>51,408</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>58,908</u>
TOTAL ASSETS	<u>822,412</u>	<u>343,796</u>	<u>625,997</u>	<u>597,801</u>	<u>2,390,006</u>
Due to banks and deposits from the National Bank of Hungary and other banks	27,445	9,575	7,737	1,644	46,401
Deposits from customers	1,671,710	362,470	11,473	-	2,045,653
Liabilities from issued securities	174	164	1,716	-	2,054
Accrued interest payable	4,810	2,669	-	-	7,479
Other liabilities	61,881	6,114	1,171	267	69,433
Subordinated bonds and loans	<u>-</u>	<u>-</u>	<u>10,511</u>	<u>5,000</u>	<u>15,511</u>
TOTAL LIABILITIES	<u>1,766,020</u>	<u>380,992</u>	<u>32,608</u>	<u>6,911</u>	<u>2,186,531</u>
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	192,358	192,358
Treasury shares	<u>-</u>	<u>(16,883)</u>	<u>-</u>	<u>-</u>	<u>(16,883)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>-</u>	<u>(16,883)</u>	<u>-</u>	<u>220,358</u>	<u>203,475</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,766,020</u>	<u>364,109</u>	<u>32,608</u>	<u>227,269</u>	<u>2,390,006</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(943,608)</u>	<u>(20,313)</u>	<u>593,389</u>	<u>370,532</u>	<u>-</u>

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NOTE 28: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at December 31, 2003

	USD	EUR	Others	Total
Assets	75,018	301,021	93,382	469,421
Liabilities	(91,700)	(244,969)	(34,086)	(370,755)
Off-balance sheet assets and liabilities, net	<u>19,596</u>	<u>(91,036)</u>	<u>(7,094)</u>	<u>(78,534)</u>
Net position	<u>2,914</u>	<u>(34,984)</u>	<u>52,202</u>	<u>20,132</u>

As at December 31, 2002

	USD	EUR	Others	Total
Assets	155,937	173,721	53,140	382,798
Liabilities	(112,482)	(170,049)	(34,211)	(316,742)
Off-balance sheet assets and liabilities, net	<u>(42,961)</u>	<u>(4,656)</u>	<u>(4,067)</u>	<u>(51,684)</u>
Net position	<u>494</u>	<u>(984)</u>	<u>14,862</u>	<u>14,372</u>

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

NOTE 29: INTEREST RATE RISK MANAGEMENT

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

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

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

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

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NOTE 29: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2003

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	191,911	3,035	-	-	-	-	-	-	-	-	54,918	3,111	246,829	6,146	252,975
<i>fixed interest</i>	191,911	3,035	-	-	-	-	-	-	-	-	-	-	191,911	3,035	194,946
<i>variable interest</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	54,918	3,111	54,918	3,111	58,029
Placements with other banks	79,358	65,084	2,500	5,815	2,500	4,913	-	-	-	-	3,901	1,138	88,259	76,950	165,209
<i>fixed interest</i>	76,058	60,994	2,500	1,010	2,500	-	-	-	-	-	-	-	81,058	62,004	143,062
<i>variable interest</i>	3,300	4,090	-	4,805	-	4,913	-	-	-	-	-	-	3,300	13,808	17,108
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	3,901	1,138	3,901	1,138	5,039
Securities held for trading and available-for-sale	22,622	-	37,418	13,583	61,451	6,453	10,698	242	151,793	-	7,885	250	291,867	20,528	312,395
<i>fixed interest</i>	8	-	1,137	1,828	23,729	2,295	10,698	242	151,793	-	-	-	187,365	4,365	191,730
<i>variable interest</i>	22,614	-	36,281	11,755	37,722	4,158	-	-	-	-	-	-	96,617	15,913	112,530
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	7,885	250	7,885	250	8,135
Loans	567,096	99,490	147,573	188,929	18,758	21,103	-	-	27,476	-	-	-	760,903	309,522	1,070,425
<i>fixed interest</i>	10,980	8	-	125	1,751	-	-	-	27,476	-	-	-	40,207	133	40,340
<i>variable interest</i>	556,116	99,482	147,573	188,804	17,007	21,103	-	-	-	-	-	-	720,696	309,389	1,030,085
Securities held-to-maturity	22,697	-	192,665	-	76,875	-	36,672	-	294,325	2,075	-	-	623,234	2,075	625,309
<i>fixed interest</i>	-	-	91,255	-	66,753	-	36,672	-	294,325	2,075	-	-	489,005	2,075	491,080
<i>variable interest</i>	22,697	-	101,410	-	10,122	-	-	-	-	-	-	-	134,229	-	134,229
Fair value of derivative financial instruments in other assets	43,526	50,501	112,327	16,869	45,652	25,189	10,805	7,567	43,314	3,893	-	-	255,624	104,019	359,643
<i>fixed interest</i>	23,569	50,501	46,725	15,118	5,288	25,189	10,805	7,567	43,314	3,893	-	-	129,701	102,268	231,969
<i>variable interest</i>	19,957	-	65,602	1,751	40,364	-	-	-	-	-	-	-	125,923	1,751	127,674

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NOTE 29: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2003

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total	
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency
Due to banks and deposits with the National Bank of Hungary	9,901	47,332	-	25,524	-	4,916	6	-	1,198	-	1,540	664	1,540	91,081
<i>fixed interest</i>	5,389	7,998	-	7,769	-	3,409	6	-	1,198	-	-	-	-	25,769
<i>variable interest</i>	4,512	39,334	-	17,755	-	1,507	-	-	-	-	-	-	-	63,108
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	664	1,540	664	2,204
Deposits from customers	1,761,203	51,075	216,332	197,519	7,661	29,451	-	1,287	-	-	1,985,196	279,332	1,985,196	2,264,528
<i>fixed interest</i>	358,313	51,075	216,332	197,519	7,661	29,451	-	1,287	-	-	582,306	279,332	582,306	861,638
<i>variable interest</i>	1,402,890	-	-	-	-	-	-	-	-	-	1,402,890	-	1,402,890	1,402,890
Liabilities from issued securities	143	-	-	-	-	-	1,801	-	-	-	95	-	2,039	2,039
<i>fixed interest</i>	-	-	-	-	-	-	1,801	-	-	-	-	-	1,801	1,801
<i>variable interest</i>	143	-	-	-	-	-	-	-	-	-	-	-	143	143
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	95	-	95	95
Fair value of derivative financial instruments in other liabilities	14,301	85,576	23,510	90,428	56,382	6,696	41,579	-	42,766	-	178,538	182,700	178,538	361,238
<i>fixed interest</i>	8,054	67,063	5,102	59,384	24,026	6,696	41,579	-	42,766	-	121,527	133,143	121,527	254,670
<i>variable interest</i>	6,247	18,513	18,408	31,044	32,356	-	-	-	-	-	57,011	49,557	57,011	106,568
Subordinated bonds and loans	-	-	-	-	5,000	10,413	-	-	-	-	5,000	10,413	5,000	15,413
<i>variable interest</i>	-	-	-	-	5,000	10,413	-	-	-	-	5,000	10,413	5,000	15,413

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NOTE 29: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2002

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total	
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency		
Cash due from banks and balances with the National Bank of Hungary	299,113	2,224	-	939	-	76	-	-	446	-	446	42,056	3,570	341,169	7,255	348,424
<i>fixed interest</i>	299,113	2,224	-	197	-	-	-	-	446	-	446	-	-	299,113	2,867	301,980
<i>variable interest</i>	-	-	-	742	-	76	-	-	-	-	-	-	-	-	818	818
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	42,056	3,570	42,056	3,570	45,626
Placements with other banks	105,037	106,711	21,500	7,062	23,780	7,932	-	-	-	-	4,396	1,209	1,209	154,713	122,914	277,627
<i>fixed interest</i>	94,237	103,682	14,000	1,396	23,780	5,629	-	-	-	-	-	-	-	132,017	110,707	242,724
<i>variable interest</i>	10,800	3,029	7,500	5,666	-	2,303	-	-	-	-	-	-	-	18,300	10,998	29,298
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	4,396	1,209	4,396	1,209	5,605
Securities held for trading and available-for-sale	23,142	-	14,637	14,631	27,981	2,252	177	3,873	111,485	271	5,719	240	240	183,141	21,267	204,408
<i>fixed interest</i>	445	-	1,277	2,275	6,036	-	177	3,873	111,485	271	-	-	-	119,420	6,419	125,839
<i>variable interest</i>	22,697	-	13,360	12,356	21,945	2,252	-	-	-	-	-	-	-	58,002	14,608	72,610
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	5,719	240	5,719	240	5,959
Loans	533,805	64,293	153,310	90,335	57,563	28,638	2,762	1,817	62,471	-	-	-	-	809,911	185,083	994,994
<i>fixed interest</i>	1,983	-	9,984	-	621	2,142	91	1,297	735	-	-	-	-	13,414	3,439	16,853
<i>variable interest</i>	531,822	64,293	143,326	90,335	56,942	26,496	2,671	520	61,736	-	-	-	-	796,497	181,644	978,141
Securities held-to-maturity	22,697	-	131,693	-	53,509	2,954	37,509	-	111,438	2,245	-	-	-	356,846	5,199	362,045
<i>fixed interest</i>	-	-	1,853	-	35,387	2,954	37,509	-	111,438	2,245	-	-	-	186,187	5,199	191,386
<i>variable interest</i>	22,697	-	129,840	-	18,122	-	-	-	-	-	-	-	-	170,659	-	170,659
Fair value of derivative financial instruments in other assets	70,579	67,224	37,131	13,521	114,176	21,545	-	8,458	1,162	-	-	-	-	223,048	110,748	333,796
<i>fixed interest</i>	69,532	67,224	20,551	11,952	81,576	21,545	-	8,458	1,162	-	-	-	-	172,821	109,179	282,000
<i>variable interest</i>	1,047	-	16,580	1,569	32,600	-	-	-	-	-	-	-	-	50,227	1,569	51,796

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NOTE 29: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2002

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	Total
Due to banks and deposits with the National Bank of Hungary	25,318	3,687	2,887	7,073	3,498	197	-	-	1,573	446	1,418	304	34,694	11,707	46,401
<i>fixed interest</i>	20,850	3,097	2,300	893	3,036	197	-	-	1,573	446	-	-	27,759	4,633	32,392
<i>variable interest</i>	4,468	590	587	6,180	462	-	-	-	-	-	-	-	5,517	6,770	12,287
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	1,418	304	1,418	304	1,722
Deposits from customers	1,669,931	43,941	49,532	209,817	21,120	39,839	11,473	-	-	-	-	-	1,752,056	293,597	2,045,653
<i>fixed interest</i>	449,726	43,941	49,532	209,817	9,128	39,839	11,473	-	-	-	-	-	519,859	293,597	813,456
<i>variable interest</i>	1,220,205	-	-	-	11,992	-	-	-	-	-	-	-	1,232,197	-	1,232,197
Liabilities from issued securities	339	-	-	-	-	-	-	-	1,715	-	-	-	2,054	-	2,054
<i>fixed interest</i>	-	-	-	-	-	-	-	-	1,715	-	-	-	1,715	-	1,715
<i>variable interest</i>	339	-	-	-	-	-	-	-	-	-	-	-	339	-	339
Fair value of derivative financial instruments in other liabilities	22,398	110,834	13,951	18,027	68,920	32,188	9,407	1,842	52,546	-	-	-	167,222	162,891	330,113
<i>fixed interest</i>	21,350	110,834	13,951	18,027	68,920	32,188	9,407	1,842	52,546	-	-	-	166,174	162,891	329,065
<i>variable interest</i>	1,048	-	-	-	-	-	-	-	-	-	-	-	1,048	-	1,048
Subordinated bonds and loans	-	-	-	-	5,000	10,511	-	-	-	-	-	-	5,000	10,511	15,511
<i>variable interest</i>	-	-	-	-	5,000	10,511	-	-	-	-	-	-	5,000	10,511	15,511

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 30: EARNINGS PER SHARE

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

	2003	2002
Income after income taxes (in HUF mn)	70,141	51,901
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	268,322,068	263,700,791
Basic Earnings per share (in HUF)	<u>261</u>	<u>197</u>
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	269,377,589	264,488,644
Diluted Earnings per share (in HUF)	<u>260</u>	<u>196</u>

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 31: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IAS (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
<i>Adjustments to Hungarian financial statements:</i>					
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 goodwill	(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	-	(1,170)	-
Deferred taxation	(193)	752	-	-	559
Dividend payable for the year 2003 proposed at the Annual General Meeting	-	-	<u>16,800</u>	-	<u>16,800</u>
International financial statements	<u>192,358</u>	<u>70,141</u>	<u>-</u>	<u>5</u>	<u>262,504</u>