



**OTP Bank Rt.**

# **2003 Stock Exchange Report**

**(English translation of the original report submitted to the Budapest Stock Exchange)**

**Budapest, February 13, 2004**

OTP Bank's 2003 Stock Exchange Report 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 non-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 HUF71,506 million, HUF24,309 million or 51.5% higher than in 2002. OTP Group's consolidated after-tax profits were HUF83,063 million, an increase of 51.1% over 2002, and 16.2% higher than the figure of the Bank.

For 2003 OTP Bank's HAR pre-tax profits were HUF86,708 million, 49.3% higher than in 2002. OTP Group's consolidated pre-tax profits were HUF103,091 million, an increase of 51.2% over 2002 and 18.9% higher than the figure of the Bank.

Over the 12 months period ending 31 December 2003, total Bank assets grew to HUF2,763,205 million or by 15.6%, and this figure is 4.8% higher than 3 months earlier. Total assets for the group were HUF3,511,163 million on 31 December 2003, which represented a year-on-year growth of 28.4%, and it was 27.1% higher than total assets of the Bank on 31 December 2003.

2002	2003	Change	Financial highlights	2002	2003	Change
	Bank			HAR	Group	
2,390.1	2,763.2	15.6%	Total assets (HUF bn)	2,734.1	3,511.2	28.4%
951.7	1,088.3	14.3%	Total loans and advances (HUF bn)	1,322.6	2,032.0	53.6%
2,011.0	2,234.9	11.1%	Total deposits (HUF bn)	2,140.4	2,704.5	26.4%
47.3%	48.7%	1.4%	Loan/deposit ratio	61.8%	75.1%	13.3%
205.8	262.5	27.5%	Shareholders equity (HUF bn)	237.5	306.4	29.0%
11.6	10.5	-9.4%	Balance sheet gearing	11.5	11.5	-0.4%
			Share of non interest income in			
38.2%	42.0%	3.8%	total income	50.7%	42.7%	-8.0%
57.5%	54.1%	-3.4%	Cost to income ratio	67.6%	62.7%	-4.9%
58.1	86.7	49.3%	Pre-tax profits (HUF bn)	68.2	103.1	51.2%
47.2	71.5	51.5%	After tax profits (HUF bn)	55.0	83.1	51.1%
179.0	269.0	50.3%	EPS undiluted (HUF) <sup>1</sup>	214.6	322.1	50.0%
168.6	255.4	51.5%	EPS fully diluted (HUF) <sup>2</sup>	196.4	296.7	51.1%
2.09%	2.78%	0.69%	Return on Assets <sup>3</sup>	2.18%	2.66%	0.48%
25.9%	30.5%	4.6%	Return on Equity <sup>3</sup>	26.2%	30.5%	4.3%
20.6%	25.8%	5.2%	Real Return on Equity <sup>3</sup>	20.9%	25.8%	4.9%
2,187.1	2,550.0	16.6%	Average assets (HUF bn)	2,527.5	3,122.6	23.5%
102.7	118.2	15.0%	Net interest income (HUF bn)	123.4	177.0	43.4%
4.70%	4.63%	-0.06%	Net interest margin <sup>1</sup>	4.88%	5.67%	0.79%

<sup>1</sup> Calculation method of undiluted earnings per share: post-tax profit/(ordinary shares -shareholders` equity)

<sup>2</sup> Calculation method of diluted earnings per share: (post-tax profit)/ (ordinary shares)

<sup>3</sup> annualized

## IFRS

OTP Bank's IFRS after-tax profits for 2003 were HUF70,181 million, HUF18,280 million or 35.2% higher than in 2002. OTP Group's consolidated net profit was HUF83,087 million, increase of 40.3% over 2002, and 18.4% higher than the figure of the Bank.

Over the 12 months period ending 31 December 2003, total IFRS Bank assets grew to HUF2,736,427 million or by 14.5%, and this figure is 4.6% higher than 3 months earlier. Total assets for the group were HUF3,469,513 million on 31 December 2003, which represented a year-on-year growth of 27.7%, and it was 26.8% 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	2,736.4	14.5%	Total assets (HUF bn)	2,716.6	3,469.5	27.7%
995.0	1,070.5	7.6%	Total loans and advances (HUF bn)	1,280.7	1,985.2	55.0%
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%	73.8%	14.3%
203.5	276.2	35.7%	Shareholders equity (HUF bn)	223.6	311.5	39.3%
11.7	9.9	-15.7%	Balance sheet gearing	12.1	11.1	-8.3%
39.9%	49.6%	9.7%	Share of non interest income in total income	49.8%	46.1%	-3.7%
60.9%	57.5%	-3.4%	Cost to income ratio	68.3%	66.1%	-2.2%
63.0	84.5	34.2%	Pre-tax profits (HUF bn)	73.1	102.7	40.4%
51.9	70.2	35.2%	After tax profits (HUF bn)	59.2	83.1	40.4%
196.82	261.56	32.9%	EPS base <sup>4</sup> (HUF) <sup>1</sup>	241.21	334.05	38.5%
196.23	260.53	32.8%	EPS fully diluted (HUF) <sup>1</sup>	240.57	332.62	38.3%
2.31%	2.74%	0.43%	Return on Assets <sup>5</sup>	2.36%	2.69%	0.33%
29.2%	29.3%	0.0%	Return on Equity <sup>4</sup>	30.3%	31.1%	0.8%
23.9%	24.6%	0.6%	Real Return on Equity <sup>4</sup>	25.0%	26.4%	1.4%
2,246.8	2,563.2	14.1%	Average assets (HUF bn) <sup>4</sup>	2,503.1	3,093.1	23.6%
108.9	112.2	3.0%	Net interest income (HUF bn)	134.3	176.4	31.4%
4.57%	4.10%	-0.47%	Net interest margin <sup>2</sup>	5.01%	5.49%	0.48%

## 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.				
	31/12/2002	30/09/2003	31/12/2003	31/12/2002	30/09/2003
HAR					
Total assets (HUF bn)	2,390.1	2,635.9	2,763.2	15.6%	4.8%
Average assets (HUF bn) <sup>4</sup>	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	262.5	27.6%	2.2%
Balance sheet gearing	11.6	10.3	10.5	-9.4%	2.5%

Total assets of the Bank increased by HUF127.3 billion (4.8%) during fourth quarter 2003. This rate was lower than during the fourth quarter 2002 (5.9%).

Among the assets the 5.9% increase in cash (HUF14.1 bn) and 0.3% increase (HUF1.4 bn) in government securities were noticeable. Loans to credit institutions decreased by 29.6%.

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 1.4% during the fourth quarter due to the transmission of housing loans to OTP Mortgage Bank and to the redemption of old housing loans.

<sup>4</sup> calculated based on IAS 33

<sup>5</sup> 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 HUF5.7 billion or 2.2% 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	58,568	17.2%	12.8%
Total interest expense	22,844	21,947	27,086	18.6%	23.4%
Net interest income	27,150	29,960	31,482	16.0%	5.1%
Non interest income	20,187	19,812	23,883	18.3%	20.5%
Share of non interest income in total income	42,6%	39,8%	43,1%	0.5%	3.3%
Total income	47,337	49,772	55,365	17.0%	11.2%
Operating costs	27,877	24,343	35,950	29.0%	47.7%
Operating income	19,460	25,429	19,415	-0.2%	-23.7%
Dividend received	4	437	0	-100.0%	-100.0%
Accounting for acquisition goodwill	3,996	-779	5,783	44.7%	-842.4%
Diminution in value, provisions and loan losses	362	190	-1,829		
Pre-tax profits	15,830	26,835	11,803	-25.4%	-56.0%
After tax profits	12,583	22,121	9,062	-28.0%	-59.0%
EPS undiluted (HUF)	47.6	83.1	34.0	-28.7%	-59.1%
EPS fully diluted (HUF)	45.0	79.0	32.4	-28.2%	-59.0%
Cost to income ratio	58.9%	48.9%	64.9%	6.0%	16.0%
Return on Assets	2.17%	3.43%	1.34%	-0.8%	-2.1%
Return on Equity	25.7%	35.7%	14.0%	-11.8%	-21.8%
Net interest margin	4.69%	4.62%	4.72%	0.0%	0.1%

In the fourth quarter of 2003 the net interest income reached HUF31,482 million, which was 16.0% higher than a year earlier and 5.1% higher than in the third quarter of 2003. Compared to the fourth quarter of 2002 interest income grew by 17.2% and interest expenses by 18.6%. Compared to the third quarter of 2003 interest income increased by 12.8% and interest expenses grew by 23.4%. 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 18.3% to HUF 23,883 million, by 20.5% compared to the third quarter of 2003. Net fees and commissions were 30.5% higher than in fourth quarter 2002. and 8.5% 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 17.0% to HUF 55,365 million.

Non-interest expenses grew by 29.0% to HUF35,950 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 10.6% 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 3.5% or HUF507 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 10.0% while the qualified receivables were higher by HUF40 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	64	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 HUF19,415 million operating income, HUF5,783 million provisioning and loan losses and HUF-1,829 million accounting for acquisition goodwill. Compared to the same period in 2002 this represented a 0.2% decline in operating income and 44.7% 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 HUF11,803 million, a 25.4% 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 HUF9,062 million, a 28.0% decrease compared to the fourth quarter 2002, and by 59.0% (58.2%) lower than in the third quarter 2003.

Undiluted earning per share (EPS) for the period was HUF33.96, and diluted was HUF32.36. 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 1.34%, on average equity 14.0%, 82 bps and 1,177 bps lower than for the same period in 2002, and 209 bps (-202 bps) and 2,177 bps (-2,107 bps) lower than in the third quarter of 2003.

## MAJOR NON-CONSOLIDATED FIGURES FOR 2003

OTP Bank's **pre-tax profit** for 2003 was HUF86,708 million (HUF79,017 million), a 49.3% (36.8%) increase from a year earlier. This profit was obtained as a result of HUF93,562 million **operating income**, HUF7,691 million received dividends, HUF13,288 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 1.7% 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 HUF71,506 million (HUF63,815), HUF24,309 million (HUF16,950 million), or 51.5% (36.2%) higher than in 2002.

After having generated the HUF7,151 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 HUF48,349 million, an increase of 13.8% over the year earlier. (There was no dividend payment after the results of the year 2002.)

Earnings per share for the period were HUF269.00 undiluted (HUF240.06), HUF255.38 diluted (HUF227.91), which is 50.3% (35.1%) and 51.5% (36.2%) higher than for 2002. US dollar equivalents are USD 1.20 (USD 1.07) and USD 1.14 (USD 1.02) respectively, 72.9% (55.4%) and 74.3% (56.7%) 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 30.5% (27.2%), 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 25.8% (22.5%) - 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, 15.0% higher than in 2002. The net interest income was a result of HUF205.6 billion interest income (8.9% increase) and HUF87.4 billion interest expenses (1.6% increase).

Interest earned on interbank accounts was 16.8% lower due to the 27.9% decline of the average placement and the increasing of the inter-bank interest rate level. In interbank interest incomes HUF10.7 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 66.7% in municipal lending, meanwhile the interest level fell, too and the growth in volume was 12.2% and 89.2%, 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 HUF5.8 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. The total impact on the result was HUF5.9 billion in 2002.

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	+13.4%	-148	-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 8.6% higher (increase in customer qualified receivables reached also 8.6%), 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	1,272,492	100.0%	1,234,772	100.0%	3.1%	
Performing loans	1,216,671	95.6%	1,183,374	95.8%	2.8%	-0.22%
To be monitored	14,080	1.1%	17,939	1.5%	-21.5%	-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	55,823	4.4%	51,398	4.2%	8.6%	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 74.8% 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%	0.3%
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 HUF10,540 million (an increase of 19.7% from a year earlier).

The HUF10.5 billion loan loss provisioning represented 1.00% (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	13,288	-1.7%
HAR mandatory	8,811	10,544	19.7%
General risk provision	3,324	2,734	-17.7%
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 34.8% over 2002, and reached HUF85,625 million. Net fees and commissions represented HUF85,170 million, a 49.8% increase (fees and commissions received increased by 48.6% or HUF31.4 billion, fees and commissions paid were 39.3% 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 HUF1,404 million for 2003, in 2002 the profit was HUF3,552 million. 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 HUF118 million compared to losses of HUF22 million a year earlier.

Other non interest income of HUF2,915 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 HUF203,784 million, a 22.6% increase; well above the inflation.

## NON-INTEREST EXPENSES

During year 2003, non-interest expenses reached HUF110,222 million, 15.3% 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 HUF9,611 million higher than a year earlier. Within these, the most important items are the material type of costs that grew by HUF5,735 million or 18.1%. Within these items, the material costs fell by HUF417 million. Technical equipments service fees grew by HUF569 million and fees paid for domestic other services increased by HUF440 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 HUF4,326 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 12.5% 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%, 339 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, HUF2,734 million (-17.7%), 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 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 HUF2,763,205 million, 15.6% 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 20.4% 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 27.3% 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 36.9% 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 39.4% (39.9% 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 11.0%. 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<sup>6</sup>** of the Bank **in lending** showed a varied picture. Based on preliminary data, 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% (23.3%) of household, 11.9% (12.5%) of corporate and 54.4% (55.8%) of municipal loans. The bank's market share in housing lending was 12.3% (27.3%) and in consumer lending (includes mortgage-based home equity loans too) 17.5% (18.8%).

On 31 December 2003, **customer deposits** represented 80.9% 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 HUF79.4 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 32.3% in HUF and grew by 5.3% 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).

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<sup>6</sup> 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 HUF262.5 billion, an increase of 27.5% compared to the same period a year ago. The increase of HUF56.7 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 HUF5.9 billion growth in net profits. Non-audited book value of 1 share on 31 December 2003 was HUF937.6.

On 31 December 2003, the HAR **guarantee capital** of the Bank stood at HUF139,485 million (HUF144,520 million including after tax profits for the period). With HUF1,360.9 billion risk weighted assets (a 19.8% growth compared to 31 December 2002) the **capital adequacy ratio** - calculated according to Hungarian regulations with "intra-year method" (it includes the results of the first 9 months of 2003) - was 10.25% as at 31 December 2003 (10.62% including after tax profits for the period), in excess of the 8% required by the Banking Act, meeting the requirements of the Bank's Management.

## OTHER

The number of retail **current accounts**, the leading product of the Bank, expanded by 112 thousand or 4.1% to 2,856.3 thousand. The number of time deposits connected to current accounts reached 722 thousand in December. In December 2003 1,197 thousand salary and pension transfers have been sent to the accounts. The number of transfers from the accounts exceeded 1.5 million.

The number of **cards** issued connected to retail accounts exceeded 3,162 thousand on 31 December 2003, compared to 3,023 thousand (4.6% growth) at the end of December 2002. Within this number, the identification cards issued for current account owners was 162.4 thousand, the number of B-loan cards connected to retail current accounts was 173.4 thousand and the number of C-loan cards was 135.9 thousand on 31 December 2003. Including corporate and FX based cards, the total number of cards issued approached 3,599 thousand, an increase of 5.6% over 2002. The Bank's estimated market share of cards issued was almost 60%.

The number of the Bank's **ATMs** expanded from 1,168 a year earlier to 1,305, the number represented approximately 40% of ATMs operating in Hungary and almost half of the ATMs operated by banks. The number of transactions executed by the Bank's card owners, performed through the Bank's ATMs, reached 65.0 million in 2003, while the turnover of these transactions was HUF1,594.2 billion, an increase of 5.6% and 17.8%, resp. over 2002. The number of **POS terminals** on 31 December 2003 stood at 20,452, 2,411 more than one year earlier. Out of them 2,773 were operating in the Bank's branches and 12,640 at commercial establishments, which include gas stations. The number of withdrawal transactions on the Bank's own POS network was 6.7 million, the turnover was HUF1,084.8 billion. The number of purchases on POS terminals at merchants was 42.8 million (34.1% increase) valuing HUF351.4 billion (34.1% increase). The number of client terminals operating through telephone lines reached 11,996 on 31 December 2003. At the end of December 2003 the number of contracted customers for the telephone banking service surpassed 537,000, for mobile banking service 200,000 and for internet banking service 277,000. The number of transactions arranged through the electronic distribution network of the Bank in 2003 was 120.8 million valuing HUF3,225.2 billion. More than 70% of the turnover in withdrawal transactions and almost half of the purchases in the country were arranged through the network of OTP Bank.

The number of OTP Bank staff decreased by 9.0% compared to 31 December 2002. The closing staff number decreased by 388 during the fourth quarter of 2003 and on 31 December 2003 was 790 lower than a year earlier. During 2003 the staff increased by more than 500 persons at the Headquarters due to the in the frame of SAP project accomplished centralization in accounting and due to the BOR project. The staff decreased by 1,312 persons in the branch network as a result of the already started but not yet finished rationalization. The transfers from the branch network to the Back Office Directorate were significant besides the cut-back in the branch network. In the first quarter of 2004 further cut-back is expected as a result of the closing of projects.

Trend in the number of OTP Bank staff:

	31 December 2002	30 September 2003	31 December 2003	Change (%) Over 31 December 2002
Average number of employees	8,569	8,618	8,501	-0.8
Employees at the end of period	8,770	8,368	7,980	-9.0

## CONSOLIDATED NON 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
<b>OTP Bank Ltd.</b>	205,843	262,530	2,390,120	2,763,205	58,082	86,708
Subsidiaries total	75,778	149,095	658,043	1,553,348	10,044	25,335
Total (non consolidated)	281,621	411,625	3,048,163	4,316,553	68,126	112,043
<b>Consolidated</b>	<b>237,536</b>	<b>306,421</b>	<b>2,734,082</b>	<b>3,511,163</b>	<b>68,175</b>	<b>103,091</b>

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.

In preparing the Stock Exchange Report of 31 December 2003, the bank applied the following methodology:

Fully consolidated subsidiaries	23
Equity consolidated companies	23
of which	
- daughter companies	17
- mutually managed companies	--
- associated companies	6

## CONSOLIDATED BALANCE SHEET

Total assets of the group as at 31 December 2003 were HUF3,511 billion, 27.1% higher than total assets of the Bank. The consolidated balance sheet total for the Group increased by HUF777 billion or 28.4% from a year earlier. Preliminary market share of the OTP Banking Group based on aggregate balance sheet is 25% in the banking system and 23.4% in the credit institution system (banks and credit cooperatives).

Compared to 31 December 2002, excluding the consolidation steps, the HUF460.8 billion growth of OTP Mortgage Bank's balance sheet total and the newly consolidated DSK Group (HUF323.7 billion) was the largest contributor. Due to its booming finance leasing business and foreign currency denominated loans, Merkantil-Car's assets rose by HUF28.5 billion. OTP Banka Slovensko's (OBS) total assets, expressed in HUF, grew by HUF51.8 billion. Balance sheet total of OTP Garancia Insurance Ltd. increased by HUF20.4 billion.

The change in the consolidated balance sheet on the asset side was the result of the increase of the current assets (HUF87.8 billion), the growth of the invested assets (HUF688.1 billion) and accruals (HUF1.1 billion).

In the consolidated balance sheet as of 31 December 2003, the proportion of the current assets is 38.3% and invested assets are 60.7%. A year ago, these values were 45.9% and 52.6%, respectively.

In the consolidated report, the increase of current assets was a result of the increase of short term receivables (HUF92.7 bn), securities (HUF72.7 billion) and the decrease of cash (HUF78.2 billion). Within the 22.1% decrease of consolidated cash and balances with banks, the most significant amounts were the HUF107.2 billion decrease of the balances with NBH at OTP Bank.

The 34% increase in consolidated volume of trading securities was mostly caused by the HUF68.9 billion higher volumes of government securities. At OTP Bank, the volume of government papers increased by HUF23.9 billion. The HUF26.3 billion growth in the security portfolio of OTP Mortgage Bank meant a significant increase in the consolidated figures compared to 2002. Of the HUF25.4 billion volume of own shares in current year, OTP Bank holds 56.4% according to the book value, while the rest is owned by three subsidiaries.

In the consolidated balance sheet of 31 December 2003, the volume of short-term receivables increased by HUF92.7 billion compared to 2002. Receivables from customers rose by HUF130.8 billion (34.5%) while other receivables decreased by HUF3.5 billion (11.2%), receivables from credit institutions declined by HUF34.6 billion (2.95%).

On 31 December 2003 within the consolidated loan portfolio of HUF2079.4 bn the corporate customers represented 38.1% (HUF792.1 bn); retail clients 58% (HUF 1207 bn) and municipality loans 3.9% (HUF80.3 bn). 14,1% of all loans (HUF293.7 bn) were carried on the books of the foreign subsidiaries of OTP Bank as opposed to 6.8% (HUF92.6 bn) at the end of 2002.

In spite of the rapid growth, the quality of the loan portfolio on a consolidated level remained the same, and is good. In the loan portfolio, the no-problem loans grew by 55.6% and represented 85.1% (85.6% in 2002) while 9.9% (7.6% in 2002) belongs to the to-be-monitored category which grew by 104.8%. From the HUF103.9 billion problem loans representing 5% (6.8% in 2002), HUF25.9 billion is below-average, HUF18.9 is doubtful and HUF59.1 billion is qualified as bad. Consolidated provisions created on HUF310.8 billion qualified loans was HUF76.9 billion, which means 24.7% coverage ratio. (On 31 December 2002 it was 37.2%). Estimated Group market share in household loans was 50.1% of which share on housing related (including mortgage) loans grew to 57.4%. Group share in corporate loans was 12.6%; in municipality loans 56.9%.

Based on aggregate volumes of the Group members, part of the Hungarian banking system, the groups estimated market share at the end of 2003 were 20.9% in total loans (19.9 in 2002), 50.1% in total retail loans (48.4% in 2002), 57.3% in housing and mortgage loans (58.7% in 2002), 12.7% in corporate loans (13.3% in 2002) and 55.9% in municipal loans (56% in 2002).

The change of the consolidated volume of receivables from credit institutions reflects the decrease at OTP Bank that is moderated by the increase at OBS and the volume of DSK.

Compared to 2002, the volume of investments was 47.8% higher in the consolidated balance sheet. The receivables from customers maturing over a year grew with largest amount (HUF578.6 billion), the change was influenced considerably by the OTP Bank (HUF44.7 billion), by OTP Mortgage Bank (HUF392.7 billion) and the consolidation of DSK (HUF107.3 billion).

Consolidated value of tangible assets increased by HUF34 billion as mainly the result of the growth at OTP Bank, the consolidation of DSK and NIMO 2002.

On the liability side, the increase of the consolidated balance sheet total compared to the previous period was the result of HUF676.2 billion increase of liabilities, HUF21.6 billion increase of provisions, HUF68.9 billion increase of shareholders' equity, and HUF10.3 billion increase in accrued liabilities.

Within liabilities short-term liabilities increased by 26.3% (HUF585.9 billion) and long-term liabilities by 61.9% (HUF90.3 billion).

In short-term liabilities, the largest growth was caused by the consolidation of DSK Group (HUF274.3 bn) followed by OTP Bank (HUF256.4 billion). Besides sizeable growth was at OBS (HUF44.2 billion), OTP Mortgage Bank (HUF135.4 billion). Short term liabilities to customers grew by HUF556.1 billion, caused mainly by DSK (HUF272.3 bn) and the change in OTP Bank's deposits volume (HUF244.9 billion) and the growth of deposits at OBS (HUF43.2 billion).

The change in long-term liabilities was due to a larger increase at OTP Bank (HUF50.1 billion), Mercantil Car (HUF30.5 bn) and at OTP Mortgage Bank (HUF289.6 billion), which was decreased by impact of HUF263.9 billion increase of consolidation effect on mortgage bonds that were issued and subscribed within the consolidation circle. The proportion of customer liabilities within total liabilities on a consolidated level was 88.7% as at 31 December 2003 and 90.2% as at 31 December 2002.

On 31 December 2003 within the consolidated deposits of HUF2,647.6 bn the corporate customers represented 18.3% (HUF485.4 bn); retail clients 74.8% (HUF 1,981.1 bn) and municipality deposits 6.8% (HUF181.1 bn). 14,5% of all deposits were carried on the books of the foreign subsidiaries of OTP Bank.

Based on aggregate volumes of the Group members, part of the Hungarian banking system, the groups estimated market share at the end of 2003 were 32.3% in total deposits (31.7 in 2002), 44.9% in total retail deposits (47.1% in 2002), 15% in corporate (13.8% in 2002) and 78.8% in municipal deposits (69.6% in 2002).

Provisions on the liability side in the consolidated balance sheet rose by HUF21.6 billion compared to 31 December 2002. The growth came from the following sources: provisions for pensions and severance payments HUF0.5 billion, general risk provisions by HUF5.3 billion, provisions for contingent

and future liabilities by HUF1.2 billion, and other provisions increased by HUF14.6 billion. Within the latter, growth in reserves of OTP-Garancia Insurance Ltd. (HUF15.7 billion) were the major part.

Consolidated shareholders' equity was HUF306.4 billion (29% growth) at the end of December 2003 representing 8.7% of balance sheet total same as in 2002.

## **CONSOLIDATED RESULTS**

Consolidated *pre-tax profit* for 2003 was HUF103.1 billion, 51.2% higher than consolidated pre-tax profit for 2002 and 18.9% higher than pre-tax profit of the parent company. Consolidated *after-tax profit* for 2003 was HUF83.1 billion, 51.1% higher than consolidated after-tax profit for 2002 and 16.2% higher than after-tax profit of the parent company.

Consolidated *after tax earnings per share* calculated for 2003 were HUF322.06 undiluted, whereas diluted EPS was HUF296.65. US dollar equivalents were USD1.44 and USD1.32 respectively, based on the National Bank's average middle exchange rate between 1 January and 31 December 2003 (i.e. 224.33 HUF/USD).

Consolidated net interest income for 2003, reached HUF177 billion, 43.4% higher than in 2002 and 49.8% more than that of the Bank. This can be explained mainly by interest income of OTP Mortgage Bank from retail business and securities, the interest income of credit and leasing receivables of Merkantil Group and the successful operation of OBS, and the consolidation of DSK Bank. Consolidated interest income was 26.2% higher and expenses grew by 4.5% compared to 2002.

Within consolidated interest income retail accounts hold the biggest part (33.4%). Interest income from corporate accounts (20.4%) and from securities (28.7) was considerable as well. To the growth of the consolidated interest income compared to the previous year, the retail interest income growth (HUF27.9 billion) and interest income growth from securities (HUF31.2 billion) made the largest contribution.

Within interest expenses the interests paid on retail deposits represented the largest part (58.7%). Concerning interest expenses, the 14% decrease in the interest paid for retail deposits (HUF9.8 billion decline) was the most significant.

Consolidated non-interest income increased by 4.5%. Within this, consolidated net fees and commissions grew by 23.2% which is lower than at the parent bank, due to deconsolidation of commissions from the Mortgage Bank to OTP. Insurance income grew by 12.5% from HUF53.1 billion in 2002 to HUF59.7 billion in 2003. Income from security trading (HUF-1,9 bn) and from FX transactions (HUF-2.1 bn) showed losses due to volatile interest and exchange rate environment and depreciation of the HUF, opposed to gains in 2002.

Consolidated total income amounted to HUF308.9 billion in 2003, a 23.7% increase year on year.

The growth in non interest expenses was 13.4%. Within this, personnel expenses rose by 21.6% that was influenced, beside the salary increase, by the growth of the average personnel and expansion of the group. Other non interest expenses increased by 16.6%. Insurance expenses were 5% higher, depreciation 2.7% lower than in 2002.

The consolidated cost/income ratio changed from 67.6% in 2002 to 62.7% in 2003.

Consolidated operating income was HUF36.6 billion (45.4%) higher; provisioning and loan losses were by HUF0.2 billion (1.3%) lower than in 2002. In 2003 provisioning and loan losses represented 10.8% of the operating income; in 2002 they were 16%.

Preliminary consolidated annualized ROAA in 2003 reached 2.66% (2.18% in 2002). Meantime consolidated ROAE was 30.5% (26.2% in 2002), that, based on an average annual inflation of 4.7% in 2003, means a 25.8% real ROAE (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	2,644	11.3%
Merkantil-Car Ltd.	629	1,454	131.2%
Merkantil Bérlet Ltd.	82	159	93.9%
NIMO 2002 Ltd. <sup>7</sup>	-	-37	
<b>Merkantil Group</b>	<b>3,086</b>	<b>4,220</b>	<b>36.7%</b>
OTP Building Society Ltd.	1,604	365	-77.2%
OTP Mortgage Bank Ltd.	651	8,545	1212.6%
OTP Banka Slovensko a. s. <sup>8</sup>	-3,504	-230	93.4%
DSK Bank EAD	-	2,050	-
DSK subsidiaries	-	-14	-
<b>DSK Group<sup>9</sup></b>	<b>-</b>	<b>2,036</b>	<b>-</b>
OTP-Garancia Insurance Ltd.	1,602	2,294	43.2%
OTP Fund Management Ltd.	3,501	4,381	25.1%
HIF Ltd.	236	259	9.7%
OTP Real Estate Ltd.	1,076	1,305	21.3%
OTP Factoring Management Ltd.	177	64	-63.8%
OTP Factoring Ltd.	880	1,328	50.9%
<b>OTP Factoring Group</b>	<b>1,057</b>	<b>1,392</b>	<b>31.7%</b>
Bank Center No. 1. Ltd.	639	81	-87.3%
OTP Fund Servicing and Consulting Ltd.	19	221	1063.2%
Other subsidiaries	77	466	505.2%
<b>Subsidiaries total</b>	<b>10,044</b>	<b>25,335</b>	<b>152.2%</b>

Noteworthy highlights pertaining to the fully consolidated major subsidiaries are as follows

The aggregated balance sheet total of **Merkantil Group** reached HUF161.6 billion on 31 December 2003. Pretax profit of the Group surpassed HUF 4.2 bn an increase of 36.7% over 2002. Members of the Group have financed 54,630 car purchases during 2003, of which 23,887 (7903 new and 15984 used cars) were bank loans at Merkantil Bank, 29,692 were FX loans (17202 new and 12490 used cars); 876 financial leases at Merkantil Car and 175 operating leases at Merkantil Bérlet. Total volume of new financing represented HUF74.5 bn.

**Merkantil Bank Ltd.** closed 2003 with total assets of HUF65.6 billion an increase of 7.7% over 2002. Within total assets car loans represented 75.2%, dealer financing 11.7% and factoring 10.1%. Outstanding balances of car loans reached HUF49.3 billion, an increase of HUF 5.4 billion or 12.1% over 31 December 2002. On the liability side of balance sheet customers current account, Stabil and Mobil CDs represented almost 70% or HUF42.4 billion and were 9% higher the a year earlier. Over 90% of the Mobil CDs were sold at the branches of the parent bank. Shareholder equity (with dividends to be paid to the parent bank) surpassed HUF10 billion.

Main financial data of the bank in HUF millions:

	2002	2003	Change
Total interest income	10,223	9,783	-4.3%
Total interest expense	3,351	2,886	-13.9%
Net interest income	6,872	6,898	0.4%
Non interest income	-518	-995	92.1%
Total income	6,354	5,902	-7.1%
Non interest expense	3,538	2,818	-20.4%
Operating income	2,816	3,085	9.6%
Dividend income	5	22	340.0%
Diminution in value, provisions and loan losses	447	463	3.6%
Income before income taxes	2,375	2,645	11.4%
After tax profits	1,816	2,317	27.6%

<sup>7</sup> NIMO 2002 became fully consolidated on 3 November 2003. Pre-tax profit for consolidation purposes from November and December is HUF-37 million. Full year pretax profit reached HUF1 million.

<sup>8</sup> Pre-tax profit of OBS according to Slovakian GAAP in 2003 reached HUF81 million and HUF-2,607 in 2002.

<sup>9</sup> 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 HUF2,036 million, according to Bulgarian GAAP HUF2,171 million. Full year pre tax profits of the group according to HAR HUF 8,297 million, according to Bulgarian GAAP HUF8,433.

	2002	2003	Change
Average balance sheet	58,937	63,981	8.6%
Average equity	7,851	9,875	25.8%
ROAA	3.08%	3.60%	0.52%
ROAE	23.13%	23.47%	0.34%
Net interest margin	11.70%	10.80%	-0.90%

Return on average assets for 2003 was 3.57%, return on average equity 23.7%. Capital adequacy under HAR reached 12.82%, with guarantee capital of HUF9.8 bn and risk weighted assets of HUF71.4 bn.

Total assets of **Merkantil Car** were HUF90.7 billion at the end of December 2003. The net volume of car-leasing and loans reached HUF83 billion, 46% or HUF26.4 billion higher than a year earlier. The volume of capital goods leasing business was 17.1% higher than a year ago, reaching HUF6.6 billion. In the 12 months prior to 31 December 2003 the company's shareholders' equity rose by 24.5% to HUF1.4 billion.

Cost/income ratio was 36.6% compared to 28.2% in 2002. Pre-tax profit reached HUF1.5 billion for 2003.

**OTP Building Society** granted 27,073 loans until 31 December 2003, the volume of the loans issued in 2003 amounted to HUF3.4 billion. The volume of customer deposits was almost HUF46.6 billion on 31 December 2003.

Net interest income declined by 19.1%, total income by 35.9% from a year earlier. Part of the reason was that parallel with increased volume of low rate loans, the volume of securities earning market rate declined. Due to its aggressive marketing policy, the commissions paid grew by 85.4% over 2002. Non interest expenses increased by 27.3%, resulting in operating income 80% below that of 2002, and cost income ratio reached 81.6% from 41.1% in 2002. The company closed 2003 with HUF365 million pre-tax profits and a balance sheet total of HUF52.6 billion.

**OTP Mortgage Bank** started its operation on 1 February, 2002 as a specialized lending institution. Its business target is to purchase high quality housing loans from the Bank and finance it with the issuance of mortgage bonds. On 31 December 2003 OTP Mortgage Bank's receivables from customers were HUF604.7 billion purchased totally from OTP Bank's loan portfolio. Meanwhile, by 31 December 2003, the face value of the Bank's issued mortgage bonds reached HUF599 billion. At the end of the year the bank kept on its book 139,889 loans, 70% of which were loans with less than HUF5 million value each.

Total assets were HUF674.2 billion and its pre-tax profit reached HUF8.5 billion. Net interest income was over HUF23.7 billion, cost/income ratio was 27.6%. Its market share among the mortgage banks based on loan volume reached 64% and by mortgage bonds issued it was 65%.

Selected data of OTP Mortgage Bank's balance sheet in HUF millions

	31-Dec-02	30-Sep-03	31-Dec-03	Change 2003/2002
<b>TOTAL ASSETS</b>	213,368	542,538	674,211	216.0%
Customer receivables	186,666	493,764	604,672	223.9%
Retail	186,666	493,764	604,672	223.9%
<b>TOTAL LIABILITIES</b>	213,368	542,538	674,211	216.0%
Securities	177,100	488,500	599,000	238.2%
Shareholders' Equity	5,553	20,607	24,709	345.1%
Capital adequacy	9.17%	8.42%	9.19%	0.0%
Guarantee capital	7,740	18,190	25,046	223.7%
Risk weighted assets	84,442	215,932	272,533	222.7%

Selected financial data of OTP Mortgage Bank in HUF millions

	2002	2003	change 2003/2002	
Net interest income	3,060	23,691	20,631	674.2%
Non interest income	-1,356	-11,890	-10,534	776.8%
<i>Share of non interest income in total income</i>	-79.60%	-100.80%	0	26.6%
Total income	1,704	11,801	10,097	592.5%
Personnel expenses	178	574	396	222.5%
Depreciation	10	25	15	138.8%
Other non interest expenses	865	2,654	1,789	206.8%
Non interest expenses	1,053	3,253	2,200	208.8%
<i>Cost/income ratio %</i>	61.80%	27.60%	0	-55.4%
Pre-tax profit	651	8,548	7,897	1214.0%
After-tax profit	534	7,064	6,530	1224.0%
ROA	0.50%	1.59%	1.09%	
ROE	12.3%	46.7%	34.4%	
Real ROE	7.0%	42.0%	35.0%	

The Bratislava-based **OTP Banka Slovensko a.s. (OBS)** is member of the OTP Group since 4 April 2002. Since middle of 2002 dynamic changes took place in the business operations of the company - the most significant project is the transforming of the retail banking services.

Main financial data of OBS according to HAR in HUF millions:

	2002	2003	Change 2003/2002	
Total interest income	9,505.3	9,495.8	-0.1%	-10
Total interest expense	6,212.3	4,823.3	-22.4%	-1389
Net interest income	3,293.0	4,672.5	41.9%	1380
Net fees and commissions	777.9	1,032.4	32.7%	255
Non interest income	1,344.7	1,881.7	39.9%	537
<i>Share of non interest income in total income</i>	29.0%	28.7%		-0.3%
Total income	4,637.7	6,554.2	41.3%	1917
Personnel expenses	1,989.5	2,237.9	12.5%	248
Depreciation	644.5	721.0	11.9%	77
Other non interest expenses	7,162.5	3,837.0	-46.4%	-3326
Non interest expense	9,796.5	6,795.9	-30.6%	-3001
<i>Cost/income ratio %</i>	211.2%	103.7%		-107.5%
Operating income	-5,158.8	-241.7	-95.3%	4917
Dividends received	0.0	49.5		50
Diminution in value, provisions and loan losses	-1,654.9	38.3		1693
Income before income taxes	-3,503.9	-230.5	-93.4%	3273
After tax profits	-3,503.9	-230.5	-93.4%	3273

Based on HAR, in 2003, the Bank realized HUF9.5 billion interest income and HUF4.8 billion interest expenses resulting in a nearly HUF4.7 billion net interest income. Interest income was 0.1%, interest expenses 22.4% lower than a year earlier resulting in net income growth of 41.9%. Based on average total assets, the margin was 3.52% and it was 68 bps higher than the figures for 2002. Non interest income grew by 39.9% within which net fees and commissions surpassed the figure of 2002 by 32.7%. Total income was 41.3% higher, non interest expenses 30.6% lower than in 2002. The cost/income ratio was 103.7% in 2003 and 211.2% in 2002. As a result of HUF241.7 million operating income, HUF49.5 million dividend received and HUF38.3 million provisioning, the pre-tax losses of the Bank reached HUF230 million in 2003.

On 31 December 2003 OBS's total assets were HUF161.9 billion representing a 47% growth over 2002. Customer receivables were over HUF100 billion, which represents 61.8% of total assets.

Based on Slovakian GAAP total assets of OBS were SKK25.4 billion (2.53% market share) at the end of 2003 a 31.1% increase. The loan volume reached SKK17.5 billion (up by 20.2%). Within it corporate loans were SKK15.4 billion (7.4% increase), retail loans were SKK2 billion (1095.9% increase). Municipal loans grew by 24.6% to SKK117 million.

## OTP Bank Rt. 2003 Stock Exchange Report

The Bank's deposits increased, during the same period, by 44.6% to SKK17.6 billion. Within this, retail deposits grew by 32.9% to SKK9.1 billion. Municipal deposits grew by 169.4% to SKK1.8 billion, corporate deposits decreased by 43.9% to SKK6.7 billion from the previous year.

Number of retail current accounts grew by 48% to 94,000; loan accounts to over 10,000 (+471%). The number of cards issued surpassed 86,000 (131.7 increase) and the Bank operated 90 ATMs and 565 POS terminals at the end of September 2003.

Estimated market shares are as below:

	31-Dec-02	31-Mar-03	20-Jun-03	30-Sep-03	31-Dec-03
<i>Deposits</i>	1.7%	1.9%	2.0%	2.2%	2.5%
retail	1.7%	2.1%	2.1%	2.1%	2.4%
SKK	1.8%	2.2%	2.2%	2.2%	2.5%
FX	1.2%	1.3%	1.4%	1.5%	1.7%
Securities	10.9%	17.2%	24.6%	25.8%	18.6%
Municipal	1.6%	1.8%	3.0%	3.7%	4.3%
Corporate	1.7%	1.6%	1.6%	2.1%	2.2%
<i>Loans</i>	4.3%	4.2%	4.3%	4.6%	4.5%
retail	0.3%	0.5%	0.9%	1.6%	2.4%
consumer	1.8%	2.5%	3.6%	4.3%	4.9%
Municipal	0.8%	0.9%	0.9%	1.3%	1.0%
Corporate	5.3%	5.2%	5.2%	5.5%	5.2%

DSK Bank is a fully owned subsidiary of OTP Bank since the beginning of October 2003., where a transformation program was started by the parent bank. During 4Q2003 DSK realized HUF6.5 bn interest income and HUF1.7 bn interest expenses, resulting in net interest income of HUF4.8 bn. Pretax profit for the same period reached HUF2.1 bn.

Following are the main data of DSK for the 4<sup>th</sup> Quarter under HAR (in HUF million):

	2003 Q 4
Total interest income	6,519.3
Total interest expense	1,699.0
Net interest income	4,820.3
Net fees and commissions	1,004.5
Non interest income	1,789.3
Share of non interest income in total income	27.1%
Total income	6,609.6
Personnel expenses	1,916.2
Depreciation	828.9
Other non interest expenses	1,575.3
Non interest expense	4,320.5
Cost/income ratio %	65.4%
Operating income	2,289.1
Dividends received	0.3
Diminution in value, provisions and loan losses	253.2
Income before income taxes	2,036.2
After tax profits	1,467.9

On 31 December 2003 total assets of DSK were HUF322 billion, of which HUF166.5 bn or 51.6% were customer receivables., HUF58.2 bn or 18.2% were government papers.

Evolution of DSK Bank's market shares:

	31/12/2002	30/09/2003	31/12/2003
Deposits	15.8%	16.3%	15.3%
Retail	25.5%	26.0%	26.2%
BGN	56.3%	51.6%	49.4%
FX	8.4%	9.6%	10.1%
Corporate	6.5%	7.1%	4.6%

	31/12/2002	30/09/2003	31/12/2003
Loans	15.3%	14.4%	13.8%
Retail	64.8%	49.7%	45.4%
Consumer	66.6%	51.3%	47.8%
Housing	56.4%	46.7%	42.2%
Corporate	3.2%	3.5%	3.9%
Gov. Securities	21.0%	19.0%	17.9%

DSK Rodina AD, 06.4% owned subsidiary of DSK Bank is managing 2 mandatory and 1 voluntary pension funds. Balance sheet of Rodina at the end of 2003 reached HUF355 million, 4Q2003 results were HUF10 million losses. Pretax profits for the full year 2003 reached HUF-82.8 million.

DSK Trans Security EOD is a fully owned subsidiary of DSK Bank, providing security and cash transport services for the Bank. Income generated from the parent bank only, resulting in pretax profit of HUF11 million for 4Q2003 and HUF43.3 million for 2003.

At the beginning of 2003 DSK Bank founded DSK Tours which had total assets of HUF1.3 billion at the end of 2003, 80.2% of which were represented by real tourism related estate. During 4Q2003 the company realized HUF15 million losses, losses for full 2003 reached HUF54.3 million.

Aggregate total assets of DSK Group were HUF324 billion at the end of 2003 and realized HUF2,036 million pretax profits during 4Q2003. Cost income ratio reached 65.4%. Full year 2003 results were close to HUF8.3 billion.

DSK Bank EAD's key financial indicators according to the requirements of the BNB unconsolidated preliminary data, BGN million

	2003	2002	change	
			BGN	%
Interest income	189.50	152.75	36.76	24.1%
Interest expense	48.53	33.39	15.14	45.4%
Net interest income	140.97	119.36	21.62	18.1%
Non interest income	26.29	26.32	-0.03	-0.1%
Share of non interest income in total income %	15.7%	18.1%	-2.35%	-13.0%
Total income	167.26	145.67	21.59	14.8%
Operating costs	104.45	91.79	12.66	13.8%
Cost income ratio %	62.5%	63.0%	-0.6%	-0.9%
Operating income	62.81	53.88	8.92	16.6%
Provisions and loan losses	-1.08	0.97	-2.05	-211.7%
Income before income taxes	63.89	52.92	10.97	20.7%
Dividend received	0.00	0.00	0.00	
After tax profit	48.52	40.68	7.84	19.3%
ROAA	2.2%	2.3%	-0.1%	-5.2%
ROAE	17.2%	20.1%	-2.9%	-14.5%

**OTP Garancia Insurance** reached over HUF2.3 billion pre-tax-profit in 2003, it was 43.2% higher than in 2002. Compared to a premium income of HUF53.9 billion in 2002, the insurance company realized more than HUF60.6 billion in 2003, which is a 12.4% increase. Market share is expected to remain unchanged at 11%. The premium income in life and bank assurance business grew by 6.1% and reached HUF28.7 billion, in non-life business HUF31.9 billion equaling to a 18.6% growth. Fees from unit linked insurance were 7.4% higher than in the highly successful 2002. Traditional life insurance fees in line with strategy of the company grew by 43.8% from a year earlier. Sizeable growth was experience in home, travel, agricultural and full CASCO car insurance lines.

In of 2003, total insurance income reached HUF63.9 billion, expenses amounted to HUF62 billion. Within expenses, damages were HUF31.5 billion. Thus, the damage to premium ratio in the non life insurance business reached together with the change in reserves 60.5%. This ratio in the life business was 83.3%. Insurance technical reserves increased by 22.8% to HUF84.3 billion in accordance with the long term strategic and business policy goals of the company. Total assets of the company

increased by 25.4% from the corresponding period of last year from HUF80.4 billion to HUF100.8 billion. Shareholders' equity increased from HUF8.5 billion to HUF10.3 billion.

Main components of OTP-Garancia's P&L in HUF millions:

	2002	2003	Change
<b>Total insurance income</b>	<b>54,401.2</b>	<b>63,940.3</b>	<b>17.5%</b>
<b>Expenses related to damages</b>	<b>-28,043.2</b>	<b>-31,523.7</b>	<b>12.4%</b>
<b>Operating and other expenses</b>	<b>-25,482.5</b>	<b>-30,518.0</b>	<b>19.8%</b>
<b>Insurance expenses total</b>	<b>-53,525.7</b>	<b>-62,041.7</b>	<b>15.9%</b>
<b>Insurance technical results</b>	<b>875.6</b>	<b>1,898.6</b>	<b>116.8%</b>
<b>Balance of other income/expenses</b>	<b>340.4</b>	<b>-462.1</b>	<b>-235.8%</b>
<b>Insurance business operating income</b>	<b>535.1</b>	<b>1,436.5</b>	<b>168.5%</b>
<b>Investment income</b>	<b>989.4</b>	<b>927.1</b>	<b>-6.3%</b>
<b>Non insurance operating income</b>	<b>77.7</b>	<b>85.0</b>	<b>9.4%</b>
<b>Operating income</b>	<b>1,602.2</b>	<b>2,448.6</b>	<b>52.8%</b>
<b>Extraordinary income/(losses)</b>	<b>0.1</b>	<b>-154.6</b>	<b>-154700.0%</b>
<b>Non insurance technical income</b>	<b>726.8</b>	<b>550.1</b>	<b>-24.3%</b>
<b>Pretax profits</b>	<b>1,602.3</b>	<b>2,294.0</b>	<b>43.2%</b>
<b>Tax</b>	<b>-244.7</b>	<b>-483.9</b>	<b>97.8%</b>
<b>After tax profits</b>	<b>1,357.6</b>	<b>1,810.1</b>	<b>33.3%</b>

**OTP Fund Management** is continuously improving its results. Pre-tax profit for 2003 was almost HUF4.4 billion, which is 25.1% higher than in 2002. By the end of December 2003, due to sudden shift in customer preferences from funds to bank deposits (mainly due to net asset value drop after 2 consecutive rate increases by the NBH) the assets managed by the company declined from HUF474.4 billion by 16.5% to HUF396.2 billion. The market share of the company remained close to 50%. The assets of the managed pension funds grew by 35.7% from HUF144.7 billion to HUF196.4 billion by the end of December 2003 partially by receiving new mandates.

Development of assets of funds managed by the Company in 2002 in HUF million:

	2002	2003	Change	
US Dollar	1.555	2.528	973	62,6%
Euro	1.884	4.391	2.507	133,1%
Maxima	3.860	8.410	4.550	117,9%
Optima	438.630	347.216	-91.414	-20,8%
Paletta	2.872	2.639	-233	-8,1%
OTP-UBS fund of funds	10.655	10.100	-555	-5,2%
Quality	14.943	20.897	5.954	39,8%
Total	474.399	396.181	-78.218	-16,5%

In 2003, net sales of **OTP Real Estate** surpassed HUF15.5 billion. Its pre-tax profit reached HUF1.3 billion. The 72.6% cost/income ratio, which is higher than in 2002, reflects the results. The company's total assets were HUF17.1 billion. Current assets amounted to HUF14.2 billion of which inventories represented HUF10.2 billion.

**OTP Factoring** concluded contracts with OTP Bank for the purchase of almost 43,000 receivables in a gross value of HUF13.9 billion until 31 December 2003. From third parties, the company purchased 15,000 contracts, mainly (Chamber of Commerce and telecommunication industry) receivables with a small contractual value. In 2003, the gross income was HUF6.5 billion and the net factoring income reached HUF2.6 billion.

Due to the favorable development of the incomes, in 2003, pre tax profit of the company was HUF1.3 billion and the cost/income ratio was 47.7%.

## **NON CONSOLIDATED AND CONSOLIDATED, NON 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, non 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 HUF2,736.4 billion on 31 December 2003, which was 14.5% 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 HUF667.6 billion, their proportion was to 61.3%. The volume of provisions was 1.2% higher than a year earlier, reached HUF18.6 billion. The net volume of loans was HUF1,070.5 billion, 7.6% growth year on year. Within loans, loans to enterprises amounted to HUF679 billion (22.3% growth), loans to municipalities HUF91.6 billion (28.5% decline), consumer loans HUF135.9 billion (15.1% growth) while housing loans amounted to HUF182.7 billion (13.9% decline) at the end of December 2003. Corporate loans represented 62%, retail loans 30% 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, mortgage bonds were HUF346.1 billion. The net volume of other assets decreased by 9.9%.

On the liability side, the 10.7% increase of customer deposits was significant, thus the share of customer deposits in total liabilities decreased to 82.8% (85.6% in 2002). Within HUF2,264.5 billion customer deposits, deposits with maturity over one year amounted to HUF10.7 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 8.6% (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 HUF112.2 billion, which was 3.0% higher than in 2002. This was a result of 5.0% increase in interest income and 7.5% 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 2.4% lower.

The results of the swap transaction show up on the interest income and expenses on bank accounts line. Due to the fact that the HUF exchange rate fluctuated sorely in a wide band during 2003 the accounting after IFRS 39 resulted that these interest incomes (profits) decreased by HUF2.7 billion while expenses (losses) increased by HUF11.1 billion. Thus the change in results of swaps caused HUF13.8 billion lower net interest income. This decline in result was HUF9.8 billion higher than after HAR (HUF3,9 billion) and highly contributed to that IFRS net interest margin was lower than after HAR. The significant swap expenses (loss-write back) are partly compensated by the significant

improvement (worsening) of the FX transaction accounts (HUF9.3 billion better in 2003 than in 2002). Within the difference between HAR and IFRS (HUF7.3 billion) there was an increase in result because of the fair value adjustment after IFRS 39.

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 51.6% to HUF103.5 billion. Within this, dividends received were HUF7.7 billion, net FX profits reached HUF5.9 billion, fees and commissions amounted to HUF96 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 26.5% to HUF2.9 billion.

Non-interest expenses altogether were 14.9% higher than a year earlier and reached HUF124.0 billion. Within these the personnel expenses grew by 16.6% to HUF43.8 billion, fees and commissions paid by 40.0% to HUF11.0 billion and depreciation decreased by 2.6% to HUF12.7 billion. Other non-interest type expenses increased by 14.2%.

Pre-tax profit of the Bank according to IFRS was HUF84.5 billion which represented a 34.2% growth. After-tax profit grew by 35.2% to HUF70.2 billion. Basic earnings per share reached HUF262 (in 2002 HUF197), while fully diluted were HUF261 (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 4.38% in 2003, its net interest margin 4.1%, 47 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 29.3% (in 2002: 29.2%). Net asset value per share of the Bank (diluted) grew by 35.8% to HUF987.

## **CONSOLIDATED BALANCE SHEET**

On 31 December 2003 the consolidated IFRS total assets of the Bank were HUF3,469.5 billion, representing a 27.7% increase over the same period a year earlier. The IFRS total assets of the Group were 26.8% 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 HUF311.5 billion, 39.3% higher than the consolidated shareholders' equity as of 31 December 2002, and 12.8% 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 14.8% lower due to the change in the structure of placements.

Volume of trading and available for sale securities increased by 71.2% to HUF376.8 billion. This volume was 20.6% higher than non-consolidated figure of the Bank, due to securities held by OTP-Garancia Insurance, OTP Building Society and OTP Mortgage Bank subsidiaries.

Volume of loans, net of allowance for possible loan losses grew by 55% from HUF1,280.7 billion to HUF1,985.2 billion as of 31 December 2003.

Volume of debt securities held-to-maturity decreased by 15.1% to HUF299.8 billion.

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. Volume of issued securities was 47.2% higher than a year earlier and reached HUF124.9 billion.

## **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 HUF83.1 billion, HUF23.9 billion or 40.3% higher than for 2002 and 18.3% or HUF12.9 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 HUF176.4 billion representing a 31.4% increase from 2002 and was 57.3% higher than at the Bank. Consolidated interest income amounted to HUF283.7 billion, 23.2% above 2002 levels. Increase in interest income was particularly significant from loans (23.1% increase), securities held for trading and available-for-sale (159.8% higher) in line with changes in volumes and with dynamically growing mortgage lending. Interest income from interbank accounts fell by 22%, from the accounts with NBH and other banks decreased (3.9%), from debt securities held-to-maturity also declined (15.1%).

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 4.8% 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 foreign subsidiaries.

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 5.49% compared to 5.01% for the year 2002.

Non-interest income was 16.8% higher than in the previous year and reached HUF145.5 billion. Within non-interest income the increase in fee and commission income to HUF81.7 billion, by 28.5%, was significant. It was 14.7% lower than net fees and commissions at the Bank, due to the consolidation of fees from OTP Mortgage Bank. Losses on securities trading were HUF7.5 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 HUF1.3 billion. Consolidated non-interest income was 40.6% higher than at the Bank, partly due to the insurance premium of HUF56 billion (an increase of 12.6%) at OTP-Garancia Insurance subsidiary. Other income decreased by 27.4% to HUF8.4 billion.

Consolidated non-interest expenses reached HUF212.8 billion and were 20.3% higher than during 2002 and 71.6% above the figures of the Bank. Consolidated fee and commission expenses grew by 51.1% and were 79.1% higher than at the Bank. Consolidated personnel expenses were 22.2% higher than a year earlier, and 40.1% above the Bank's figures. Insurance expenses grew by 6.1% and other expenses by 10.3%.

Consolidated cost-income ratio was 66.1% down 2.2% from 2002 (cost income ratio similar to HAR was 63.9%, 2.8% less than in 2002). Consolidated ROAA on average total assets grew considerably to 2.69% (2.36% in 2002), while consolidated ROAE reached 31.1% nominal, 0.8%points higher than a year earlier. Real ROAE increased from 25.0% to 26.4%. Consolidated net asset value per share was HUF1,113 on 31 December 2003. Basic earnings per share (EPS) reached HUF334, HUF93 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, the Supervisory Board and the Board of Directors of the Bank did not change.

Budapest, 13 February 2004

***FINANCIAL DATA***

**SELECTED NON-CONSOLIDATED FINANCIAL DATA (HUF MILLIONS)**

	<b>2002 audited</b>	<b>2003 preliminary</b>	<b>Change in %</b>
Interest from interbank accounts	35,128	29,235	-16.8
Interest from customer accounts	51,898	48,960	-5.7
Interest from corporate accounts	47,865	45,245	-5.5
Interest from municipal accounts	6,152	10,253	66.7
Interest from bonds	42,879	63,919	49.1
Interest from mandatory reserves	4,858	7,949	63.6
<b>Total interest income</b>	<b>188,780</b>	<b>205,561</b>	<b>8.9</b>
Interest on interbank accounts	4,087	11,203	174.1
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
<b>Total interest expense</b>	<b>86,065</b>	<b>87,402</b>	<b>1.6</b>
<b>Net interest income</b>	<b>102,715</b>	<b>118,159</b>	<b>15.0</b>
Fees & commissions income	64,626	96,009	48.6
Fees & commissions paid	7,780	10,839	39.3
Net fees & commissions	56,846	85,170	49.8
Gains (losses) on securities trading	-617	-938	52.0
Gains (losses) on forex trading	3,552	-1,404	-139.5
Gains (losses) on property transactions	22	-118	-636.4
Other	3,740	2,915	-22.1
<b>Non interest income</b>	<b>63,543</b>	<b>85,625</b>	<b>34.8</b>
<i>Share of non interest income in total income</i>	<i>38.2%</i>	<i>42.0%</i>	<i>3.8</i>
<b>Total income</b>	<b>166,258</b>	<b>203,784</b>	<b>22.6</b>
Staff costs	37,570	43,819	16.6
Depreciation	11,088	9,893	-10.8
Other operating expenses	46,899	56,510	20.5
<b>Operating costs</b>	<b>95,557</b>	<b>110,222</b>	<b>15.3</b>
<i>Cost/Income ratio %</i>	<i>57.5%</i>	<i>54.1%</i>	<i>-3.4</i>
<b>Operating income</b>	<b>70,701</b>	<b>93,562</b>	<b>32.3</b>
Dividend received	332	7,691	2,216.6
Diminution in value, provisions and loan losses	13,523	13,288	-1.7
Accounting for acquisition goodwill	572	-1,257	-319.8
<b>Income before income taxes</b>	<b>58,082</b>	<b>86,708</b>	<b>49.3</b>
Taxes	10,885	15,202	39.7
Tax rate %	18.7%	17.5%	-1.2
<b>After tax profits</b>	<b>47,197</b>	<b>71,506</b>	<b>51.5</b>

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

**SELECTED NON-CONSOLIDATED FINANCIAL DATA (USD '000S)**

	<b>2002 audited</b>	<b>2003 preliminary</b>	<b>Change in %</b>
Interest from interbank accounts	136,089	130,321	-4.2
Interest from customer accounts	201,055	218,248	8.6
Interest from corporate accounts	185,429	201,692	8.8
Interest from municipal accounts	23,832	45,705	91.8
Interest from bonds	166,113	284,932	71.5
Interest from mandatory reserves	18,820	35,436	88.3
Total interest income	731,338	916,334	25.3
Interest on interbank accounts	15,833	49,938	215.4
Interest on customer accounts	254,352	244,282	-4.0
Interest on corporate accounts	35,519	64,737	82.3
Interest on municipal accounts	21,215	25,477	20.1
Interest on bonds	2,766	1,845	-33.3
Interest on long term debt	3,732	3,333	-10.7
Total interest expense	333,417	389,612	16.9
<b>Net interest income</b>	<b>397,921</b>	<b>526,722</b>	<b>32.4</b>
Fees & commissions income	250,365	427,977	70.9
Fees & commissions paid	30,140	48,316	60.3
Net fees & commissions	220,225	379,661	72.4
Gains (losses) on securities trading	-2,386	-4,182	75.3
Gains (losses) on forex trading	13,756	-6,255	-145.5
Gains (losses) on property transactions	93	-529	-668.8
Other	14,484	12,998	-10.3
<b>Non interest income</b>	<b>246,172</b>	<b>381,693</b>	<b>55.1</b>
<i>Share of non interest income in total income</i>	<i>38.4%</i>	<i>42.2%</i>	<i>3.8</i>
<b>Total income</b>	<b>644,093</b>	<b>908,415</b>	<b>41.0</b>
Staff costs	145,550	195,334	34.2
Depreciation	42,954	44,100	2.7
Other operating expenses	181,686	251,913	38.7
<b>Operating costs</b>	<b>370,190</b>	<b>491,347</b>	<b>32.7</b>
<i>Cost/Income ratio %</i>	<i>57.5%</i>	<i>54.1%</i>	<i>-3.4</i>
<b>Operating income</b>	<b>273,903</b>	<b>417,068</b>	<b>52.3</b>
Dividend received	1,285	34,285	2,568.1
Diminution in value, provisions and loan losses	52,392	59,231	13.1
Accounting for acquisition goodwill	2,216	-5,604	-352.9
<b>Income before income taxes</b>	<b>225,012</b>	<b>386,518</b>	<b>71.8</b>
Taxes	42,168	67,766	60.7
Tax rate %	18.7%	17.5%	-1.2
<b>After tax profits</b>	<b>182,844</b>	<b>318,752</b>	<b>74.3</b>

The US Dollar amounts are solely for convenience of readers outside Hungary. The rate used for USD amounts is. 258.13 HUF/USD for 2002, 224.33 HUF/USD for 2003.

**SELECTED CONSOLIDATED FINANCIAL DATA (HUF MILLIONS)**

	2002 audited	2003 preliminary	Change in %
Interest from interbank accounts	36,061	30,799	-14.6
Interest from customer accounts	65,331	93,196	42.7
Interest from corporate accounts	59,622	56,546	-5.2
Interest from municipal accounts	6,218	10,312	65.8
Interest from bonds	48,775	79,966	63.9
Interest from mandatory reserves	4,980	8,164	63.9
Total interest income	220,987	278,983	26.2
Interest to interbank accounts	7,061	12,788	81.1
Interest on customer accounts	69,612	59,855	-14.0
Interest on corporate accounts	10,572	15,086	42.7
Interest on municipal accounts	5,569	6,189	11.1
Interest on bonds	3,796	7,291	92.1
Interest on subordinated loan	964	748	-22.5
Total interest expense	97,574	101,957	4.5
<b>Net interest income</b>	<b>123,413</b>	<b>177,026</b>	<b>43.4</b>
Fees & commissions income	63,575	81,895	28.8
Fees & commissions paid	12,937	19,501	50.7
Net fees & commissions	50,638	62,394	23.2
Securities trading	561	-1,874	-433.8
Forex trading	4,342	-2,132	-149.1
Losses on property transactions	590	1,176	99.4
Insurance fee income	53,058	59,671	12.5
Other	17,048	12,654	-25.8
<b>Non interest income</b>	<b>126,237</b>	<b>131,889</b>	<b>4.5</b>
<i>Ratio of non interest income</i>	<i>50.7%</i>	<i>42.7%</i>	<i>-8.0</i>
<b>Total income</b>	<b>249,650</b>	<b>308,915</b>	<b>23.7</b>
Staff costs	50,501	61,397	21.6
Depreciation	16,102	15,669	-2.7
Insurance costs	41,140	43,210	5.0
Other costs	61,319	71,496	16.6
<b>Operating costs</b>	<b>169,062</b>	<b>191,772</b>	<b>13.4</b>
<i>Cost/income ratio</i>	<i>67.6%</i>	<i>62.7%</i>	<i>-4.9</i>
<b>Operating income/Profit</b>	<b>80,588</b>	<b>117,143</b>	<b>45.4</b>
Dividend received	458	668	45.8
Diminution in value, provisions and loan losses	12,871	12,700	-1.3
Accounting for acquisition goodwill	--	-2,020	
<b>Pre-tax profit</b>	<b>68,175</b>	<b>103,091</b>	<b>51.2</b>
Taxes	13,599	20,258	49.0
Taxes due to consolidation	-409	-230	-43.6
Tax rate	19.3%	19.4%	0.1
<b>After tax profits</b>	<b>54,985</b>	<b>83,063</b>	<b>51.1</b>

The Bank's 2002 audited and 2003 preliminary 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 (USD '000S)**

	<b>2002 audited</b>	<b>2003 preliminary</b>	<b>Change in %</b>
Interest from interbank accounts	139,699	137,295	-1.7
Interest from customer accounts	253,095	415,440	64.1
Interest from corporate accounts	230,978	252,066	9.1
Interest from municipal accounts	24,087	45,967	90.8
Interest from bonds	188,955	356,465	88.7
Interest from mandatory reserves	19,294	36,394	88.6
<b>Total interest income</b>	<b>856,108</b>	<b>1,243,627</b>	<b>45.3</b>
Interest to interbank accounts	27,354	57,006	108.4
Interest on customer accounts	269,678	266,816	-1.1
Interest on corporate accounts	40,957	67,251	64.2
Interest on municipal accounts	21,574	27,586	27.9
Interest on bonds	14,707	32,502	121.0
Interest on subordinated loan	3,732	3,333	-10.7
<b>Total interest expense</b>	<b>378,002</b>	<b>454,494</b>	<b>20.2</b>
<b>Net interest income</b>	<b>478,106</b>	<b>789,133</b>	<b>65.1</b>
Fees & commissions income	246,290	365,065	48.2
Fees & commissions paid	50,119	86,931	73.5
Net fees & commissions	196,171	278,134	41.8
Securities trading	2,175	-8,354	-484.1
Forex trading	16,821	-9,505	-156.5
Losses on property transactions	2,285	5,242	129.4
Insurance fee income	205,549	265,998	29.4
Other	66,044	56,410	-14.6
<b>Non interest income</b>	<b>489,045</b>	<b>587,925</b>	<b>20.2</b>
<i>Ratio of non interest income</i>	<i>50.7%</i>	<i>42.7%</i>	<i>-8.0</i>
<b>Total income</b>	<b>967,151</b>	<b>1,377,058</b>	<b>42.4</b>
Staff costs	195,644	273,689	39.9
Depreciation	62,380	69,849	12.0
Insurance costs	159,376	192,618	20.9
Other costs	237,550	318,709	34.2
<b>Operating costs</b>	<b>654,950</b>	<b>854,865</b>	<b>30.5</b>
<i>Cost/income ratio</i>	<i>67.6%</i>	<i>62.7%</i>	<i>-4.9</i>
<b>Operating income/Profit</b>	<b>312,201</b>	<b>522,193</b>	<b>67.3</b>
Dividend received	1,773	2,977	67.9
Diminution in value, provisions and loan losses	49,864	56,616	13.5
Accounting for acquisition goodwill	--	-9,005	
<b>Pre-tax profit</b>	<b>264,110</b>	<b>459,549</b>	<b>74.0</b>
Taxes	52,681	90,306	71.4
Taxes due to consolidation	-1,583	-1,026	-35.2
Tax rate	19.3%	19.4%	0.1
<b>After tax profits</b>	<b>213,012</b>	<b>370,269</b>	<b>73.8</b>

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## OTP Bank Rt. 2003 Stock Exchange Report

### PK3. Balance Sheet

#### BALANCE SHEET

(unconsolidated and consolidated, based on HAR) as at 31 December 2003

	in HUF million					
	31-Dec-2002	31-Dec-2002	Change	31-Dec-2002	31-Dec-2002	Change
	OTP Bank	OTP Bank	(%)	Consolidated	Consolidated	(%)
<b>ASSETS:</b>						
<b>1. Cash in hand, balances with central banks</b>	<b>346,963</b>	<b>252,212</b>	<b>-27.3%</b>	<b>353,980</b>	<b>275,740</b>	<b>-22.1%</b>
<b>2. Treasury bills</b>	<b>401,855</b>	<b>402,543</b>	<b>0.2%</b>	<b>531,896</b>	<b>630,642</b>	<b>18.6%</b>
a) held for trade	111,072	135,011	21.6%	177,986	246,869	38.7%
b) held as financial fixed assets (for long term investment)	290,783	267,532	-8.0%	353,910	383,773	8.4%
<b>3. Loans and advances to credit institutions</b>	<b>263,157</b>	<b>165,972</b>	<b>-36.9%</b>	<b>281,400</b>	<b>253,084</b>	<b>-10.1%</b>
a) repayable on demand	5,317	5,463	2.7%	5,319	10,678	100.8%
b) other receivables from financial services	257,840	160,509	-37.7%	276,081	242,406	-12.2%
ba) maturity not more than one year	243,385	149,978	-38.4%	261,925	221,962	-15.3%
bb) maturity more than one year	14,455	10,531	-27.1%	14,156	20,444	44.4%
c) receivables from investment services						
<b>4. Loans and advances to customers</b>	<b>1,010,197</b>	<b>1,093,902</b>	<b>8.3%</b>	<b>1,322,587</b>	<b>2,032,017</b>	<b>53.6%</b>
a) receivables from financial services	1,007,900	1,088,077	8.0%	1,320,264	2,026,166	53.5%
aa) maturity not more than one year	376,659	412,109	9.4%	377,148	504,426	33.7%
ab) maturity more than one year	631,241	675,968	7.1%	943,116	1,521,740	61.4%
b) receivables from investment services	2,297	5,825	153.6%	2,323	5,851	151.9%
<b>5. Debt securities including fixed-income securities</b>	<b>153,188</b>	<b>533,136</b>	<b>248.0%</b>	<b>21,108</b>	<b>32,596</b>	<b>54.4%</b>
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)	1,300	1,300	0.0%	1,300	1,559	19.9%
b) securities issued by other bodies	151,888	531,836	250.2%	19,808	31,037	56.7%
ba) held for trade	1,322	124,406	9,310.4%	1,368	7,369	438.7%
bb) held as financial fixed assets (for long term investment)	150,566	407,430	170.6%	18,440	23,668	28.4%
<b>6. Shares and other variable-yield securities</b>	<b>5,682</b>	<b>7,628</b>	<b>34.2%</b>	<b>11,578</b>	<b>12,797</b>	<b>10.5%</b>
a) shares and participations for trade	92	90	-2.2%	101	93	-7.9%
b) other variable-yield securities	5,590	7,538	34.8%	11,477	12,704	10.7%
ba) held for trade		4		5,387	4,538	-15.8%
bb) held as financial fixed assets (for long term investment)	5,590	7,534	34.8%	6,090	8,166	34.1%
<b>7. Shares and participating interest as financial fixed assets</b>	<b>622</b>	<b>754</b>	<b>21.2%</b>	<b>5,681</b>	<b>6,438</b>	<b>13.3%</b>
a) shares and participating interest as financial fixed assets	622	754	21.2%	5,681	6,438	13.3%
b) revaluation surplus on shares and participating interests						
<b>8. Shares and participating interest in affiliated undertakings</b>	<b>42,908</b>	<b>100,189</b>	<b>133.5%</b>	<b>5,260</b>	<b>43,693</b>	<b>730.7%</b>
a) shares and participating interest in affiliated undertakings	42,908	100,189	133.5%	5,194	4,956	-4.6%
b) revaluation surplus on shares and participating interests						
c) capital consolidation difference				66	38,737	58,592.4%
<b>9. Intangible assets</b>	<b>13,793</b>	<b>43,961</b>	<b>218.7%</b>	<b>16,248</b>	<b>9,480</b>	<b>-41.7%</b>
<b>10. Tangible assets</b>	<b>49,886</b>	<b>63,589</b>	<b>27.5%</b>	<b>74,861</b>	<b>108,862</b>	<b>45.4%</b>
a) tangible assets for financial and investment services	47,027	60,450	28.5%	61,141	92,886	51.9%
b) tangible assets not for directly financial and investment services	2,859	3,139	9.8%	13,720	15,976	16.4%
c) revaluation surplus on tangible assets						
<b>11. Own shares</b>	<b>16,883</b>	<b>14,328</b>	<b>-15.1%</b>	<b>27,800</b>	<b>25,420</b>	<b>-8.6%</b>
<b>12. Other assets</b>	<b>50,371</b>	<b>45,041</b>	<b>-10.6%</b>	<b>42,474</b>	<b>40,106</b>	<b>-5.6%</b>
a) stocks (inventories)	1,181	995	-15.7%	11,340	12,470	10.0%
b) other receivables (not from financial and investment securities)	49,190	44,046	-10.5%	31,134	27,636	-11.2%
<b>13. Prepayments and accrued income</b>	<b>34,615</b>	<b>39,950</b>	<b>15.4%</b>	<b>39,209</b>	<b>40,288</b>	<b>2.8%</b>
<b>TOTAL ASSETS</b>	<b>2,390,120</b>	<b>2,763,205</b>	<b>15.6%</b>	<b>2,734,082</b>	<b>3,511,163</b>	<b>28.4%</b>
<b>From this:</b>						
- CURENT ASSETS	1,154,361	1,145,067	-0.8%	1,255,811	1,343,592	7.0%
- FIXED ASSETS	1,201,144	1,578,188	31.4%	1,439,062	2,127,223	47.8%

## OTP Bank Rt. 2003 Stock Exchange Report

in HUF million

	31-Dec-2002 OTP Bank	31-Dec-2002 OTP Bank	Change (%)	31-Dec-2002 Consolidated	31-Dec-2002 Consolidated	Change (%)
<b>LIABILITIES</b>						
<b>1. Liabilities to credit institutions</b>	<b>28,220</b>	<b>91,080</b>	<b>222.7%</b>	<b>60,832</b>	<b>126,353</b>	<b>107.7%</b>
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	54,895	47.1%
bb) more than one year	9,382	60,912	549.2%	21,915	68,629	213.2%
c) liabilities from investment services						
<b>2. Liabilities to customers</b>	<b>1,992,081</b>	<b>2,234,936</b>	<b>12.2%</b>	<b>2,140,397</b>	<b>2,704,503</b>	<b>26.4%</b>
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	1,888,286	15.3%	1,780,969	2,261,470	27.0%
ba) repayable on demand	644,844	819,959	27.2%	663,124	894,948	35.0%
bb) maturity not more than one year	989,153	1,066,089	7.8%	1,060,141	1,296,219	22.3%
bc) maturity more than one year	4,279	2,238	-47.7%	57,704	70,303	21.8%
c) liabilities from investment services	502	878	74.9%	502	878	74.9%
<b>3. Liabilities from issued debt securities</b>	<b>62,689</b>	<b>58,130</b>	<b>-7.3%</b>	<b>102,689</b>	<b>136,661</b>	<b>33.1%</b>
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	50,969	-9.3%	56,185	50,969	-9.3%
cb) maturity more than one year	4,151	4,822	16.2%	4,151	4,822	16.2%
<b>4. Other liabilities</b>	<b>41,694</b>	<b>47,177</b>	<b>13.2%</b>	<b>48,988</b>	<b>61,688</b>	<b>25.9%</b>
a) maturity not more than one year	41,694	47,177	13.2%	48,564	59,005	21.5%
b) maturity more than one year				24	2,513	10,370.8%
c) (Calculated ) Corporate tax difference due to consolidation				400	170	-57.5%
<b>5. Accruals and deferred income</b>	<b>23,108</b>	<b>27,145</b>	<b>17.5%</b>	<b>27,227</b>	<b>37,549</b>	<b>37.9%</b>
<b>6. Provisions</b>	<b>20,974</b>	<b>26,794</b>	<b>27.7%</b>	<b>96,634</b>	<b>118,277</b>	<b>22.4%</b>
a) provisions for pensions and similar obligations	1,000	1,545	54.5%	1,000	1,545	54.5%
b) risk provision for off-balance sheet items (for pending and future liabilities)	3,732	7,385	97.9%	4,346	5,579	28.4%
c) general risk provision	14,254	16,988	19.2%	15,294	20,550	34.4%
d) other provision	1,988	876	-55.9%	75,994	90,603	19.2%
<b>7. Subordinated liabilities</b>	<b>15,511</b>	<b>15,413</b>	<b>-0.6%</b>	<b>19,779</b>	<b>19,711</b>	<b>-0.3%</b>
a) subordinated loan capital	15,511	15,413	-0.6%	15,511	15,413	-0.6%
aa) equity consolidation difference				4,268	4,298	0.7%
b) pecuniary contribution of members at credit institutions operating as credit cooperatives						
c) other subordinated liabilities						
<b>8. Subscribed capital</b>	<b>28,000</b>	<b>28,000</b>	<b>0.0%</b>	<b>28,000</b>	<b>28,000</b>	<b>0.0%</b>
From this: repurchased own shares at face value	1,543	1,324	-14.2%	2,334	2,115	-9.4%
<b>9. Subscribed but unpaid capital (-)</b>						
<b>10. Capital reserves</b>	<b>52</b>	<b>52</b>	<b>0.0%</b>	<b>52</b>	<b>52</b>	<b>0.0%</b>
a) premium (from share issue)						
b) other	52	52	0.0%	52	52	0.0%
<b>11. General reserves</b>	<b>34,169</b>	<b>41,320</b>	<b>20.9%</b>	<b>34,170</b>	<b>41,320</b>	<b>20.9%</b>
<b>12. Retained earnings (accumulated profit reserve) (+)</b>	<b>84,261</b>	<b>130,481</b>	<b>54.9%</b>	<b>86,232</b>	<b>132,748</b>	<b>53.9%</b>
<b>13. Legal reserves</b>	<b>16,883</b>	<b>14,328</b>	<b>-15.1%</b>	<b>16,883</b>	<b>14,328</b>	<b>-15.1%</b>
<b>14. Revaluation reserve</b>						
<b>15. Profit or loss for the financial year according to the balance sheet (+)</b>	<b>42,478</b>	<b>48,349</b>	<b>13.8%</b>	<b>49,899</b>	<b>59,421</b>	<b>19.1%</b>
<b>16. Subsidiaries' equity increases/decreases (+-)*</b>				<b>19,246</b>	<b>29,284</b>	<b>52.2%</b>
<b>17. Increases/decreases due to consolidation (+-)</b>				<b>2,770</b>	<b>851</b>	<b>-69.3%</b>
- from debt consolidation difference				4,687	6,646	41.8%
- from intermediate result difference				-1,917	-5,795	202.3%
<b>18. Participation of outside members (other owners)</b>				<b>284</b>	<b>417</b>	<b>46.8%</b>
<b>19. Difference from exchange rate</b>						
<b>TOTAL LIABILITIES</b>	<b>2,390,120</b>	<b>2,763,205</b>	<b>15.6%</b>	<b>2,734,082</b>	<b>3,511,163</b>	<b>28.4%</b>
<b>From this:</b>						
- SHORT-TERM LIABILITIES	2,104,797	2,361,198	12.2%	2,226,799	2,812,711	26.3%
- LONG-TERM LIABILITIES	35,398	85,538	141.6%	145,886	236,205	61.9%
- EQUITY (CAPITAL AND RESERVES)	205,843	262,530	27.5%	237,536	306,421	29.0%

\* Book value of shares owned by subsidiaries

10,917      11,092      1.6%

## OTP Bank Rt. 2003 Stock Exchange Report

### PK3. Balance Sheet

#### BALANCE SHEET

(unconsolidated and consolidated, based on HAR) as at 31 December 2003

in '000 USD

	31-Dec-2002 OTP Bank	31-Dec-2002 OTP Bank	Change (%)	31-Dec-2002 Consolidated	31-Dec-2002 Consolidated	Change (%)
<b>ASSETS:</b>						
<b>1. Cash in hand, balances with central banks</b>	<b>1,540,964</b>	<b>1,213,025</b>	<b>-21.3%</b>	<b>1,572,124</b>	<b>1,326,180</b>	<b>-15.6%</b>
<b>2. Treasury bills</b>	<b>1,784,755</b>	<b>1,936,045</b>	<b>8.5%</b>	<b>2,362,301</b>	<b>3,033,100</b>	<b>28.4%</b>
a) held for trade	493,303	649,338	31.6%	790,484	1,187,327	50.2%
b) held as financial fixed assets (for long term investment)	1,291,452	1,286,707	-0.4%	1,571,817	1,845,773	17.4%
<b>3. Loans and advances to credit institutions</b>	<b>1,168,757</b>	<b>798,251</b>	<b>-31.7%</b>	<b>1,249,777</b>	<b>1,217,216</b>	<b>-2.6%</b>
a) repayable on demand	23,615	26,276	11.3%	23,625	51,355	117.4%
b) other receivables from financial services	1,145,142	771,975	-32.6%	1,226,152	1,165,861	-4.9%
ba) maturity not more than one year	1,080,941	721,324	-33.3%	1,163,284	1,067,537	-8.2%
bb) maturity more than one year	64,201	50,651	-21.1%	62,868	98,324	56.4%
c) receivables from investment services						
<b>4. Loans and advances to customers</b>	<b>4,486,572</b>	<b>5,261,168</b>	<b>17.3%</b>	<b>5,873,987</b>	<b>9,773,073</b>	<b>66.4%</b>
a) receivables from financial services	4,476,370	5,233,152	16.9%	5,863,670	9,744,932	66.2%
aa) maturity not more than one year	1,672,850	1,982,055	18.5%	1,675,021	2,426,058	44.8%
ab) maturity more than one year	2,803,520	3,251,097	16.0%	4,188,649	7,318,874	74.7%
b) receivables from investment services	10,202	28,016	174.6%	10,317	28,141	172.8%
<b>5. Debt securities including fixed-income securities</b>	<b>680,350</b>	<b>2,564,141</b>	<b>276.9%</b>	<b>93,745</b>	<b>156,775</b>	<b>67.2%</b>
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)	5,774	6,252	8.3%	5,774	7,499	29.9%
b) securities issued by other bodies	674,576	2,557,889	279.2%	87,971	149,276	69.7%
ba) held for trade	5,869	598,338	10,094.9%	6,077	35,443	483.2%
bb) held as financial fixed assets (for long term investment)	668,707	1,959,551	193.0%	81,894	113,833	39.0%
<b>6. Shares and other variable-yield securities</b>	<b>25,236</b>	<b>36,688</b>	<b>45.4%</b>	<b>51,422</b>	<b>61,549</b>	<b>19.7%</b>
a) shares and participations for trade	410	432	5.4%	448	450	0.4%
b) other variable-yield securities	24,826	36,256	46.0%	50,974	61,099	19.9%
ba) held for trade		19		23,927	21,826	-8.8%
bb) held as financial fixed assets (for long term investment)	24,826	36,237	46.0%	27,047	39,273	45.2%
<b>7. Shares and participating interest as financial fixed assets</b>	<b>2,763</b>	<b>3,627</b>	<b>31.3%</b>	<b>25,231</b>	<b>30,962</b>	<b>22.7%</b>
a) shares and participating interest as financial fixed assets	2,763	3,627	31.3%	25,231	30,962	22.7%
b) revaluation surplus on shares and participating interests						
<b>8. Shares and participating interest in affiliated undertakings</b>	<b>190,565</b>	<b>481,862</b>	<b>152.9%</b>	<b>23,362</b>	<b>210,142</b>	<b>799.5%</b>
a) shares and participating interest in affiliated undertakings	190,565	481,862	152.9%	23,067	23,835	3.3%
b) revaluation surplus on shares and participating interests						
c) capital consolidation difference				295	186,307	63,054.9%
<b>9. Intangible assets</b>	<b>61,258</b>	<b>211,434</b>	<b>245.2%</b>	<b>72,164</b>	<b>45,594</b>	<b>-36.8%</b>
<b>10. Tangible assets</b>	<b>221,559</b>	<b>305,831</b>	<b>38.0%</b>	<b>332,481</b>	<b>523,577</b>	<b>57.5%</b>
a) tangible assets for financial and investment services	208,859	290,735	39.2%	271,543	446,740	64.5%
b) tangible assets not for directly financial and investment services	12,700	15,096	18.9%	60,938	76,837	26.1%
c) revaluation surplus on tangible assets						
<b>11. Own shares</b>	<b>74,981</b>	<b>68,913</b>	<b>-8.1%</b>	<b>123,466</b>	<b>122,256</b>	<b>-1.0%</b>
<b>12. Other assets</b>	<b>223,711</b>	<b>216,624</b>	<b>-3.2%</b>	<b>188,639</b>	<b>192,893</b>	<b>2.3%</b>
a) stocks (inventories)	5,243	4,785	-8.7%	50,363	59,977	19.1%
b) other receivables (not from financial and investment securities)	218,468	211,839	-3.0%	138,276	132,916	-3.9%
<b>13. Prepayments and accrued income</b>	<b>153,735</b>	<b>192,140</b>	<b>25.0%</b>	<b>174,141</b>	<b>193,767</b>	<b>11.3%</b>
<b>TOTAL ASSETS</b>	<b>10,615,206</b>	<b>13,289,749</b>	<b>25.2%</b>	<b>12,142,840</b>	<b>16,887,084</b>	<b>39.1%</b>
<b>From this:</b>						
- <i>CURRENT ASSETS</i>	5,126,846	5,506,957	7.4%	5,577,412	6,462,352	15.9%
- <i>FIXED ASSETS</i>	5,334,625	7,590,363	42.3%	6,391,287	10,230,965	60.1%

## OTP Bank Rt. 2003 Stock Exchange Report

in '000 USD

	31-Dec-2002 OTP Bank	31-Dec-2002 OTP Bank	Change (%)	31-Dec-2002 Consolidated	31-Dec-2002 Consolidated	Change (%)
<b>LIABILITIES</b>						
<b>1. Liabilities to credit institutions</b>	<b>125,334</b>	<b>438,056</b>	<b>249.5%</b>	<b>270,170</b>	<b>607,697</b>	<b>124.9%</b>
a) repayable on demand	7,554	26,119	245.8%	7,152	13,605	90.2%
b) liabilities from financial services with maturity dates or periods of notice	117,780	411,937	249.8%	263,018	594,092	125.9%
ba) not more than one year	76,113	118,977	56.3%	165,690	264,021	59.3%
bb) more than one year	41,667	292,960	603.1%	97,328	330,071	239.1%
c) liabilities from investment services						
<b>2. Liabilities to customers</b>	<b>8,847,400</b>	<b>10,749,017</b>	<b>21.5%</b>	<b>9,506,117</b>	<b>13,007,422</b>	<b>36.8%</b>
a) saving deposits	1,569,117	1,663,007	6.0%	1,594,092	2,126,563	33.4%
aa) repayable on demand	195,473	225,307	15.3%	201,193	659,020	227.6%
ab) maturity not more than one year	1,373,377	1,437,450	4.7%	1,391,574	1,466,380	5.4%
ac) maturity more than one year	267	250	-6.4%	1,325	1,163	-12.2%
b) other liabilities from financial services	7,276,054	9,081,789	24.8%	7,909,796	10,876,637	37.5%
ba) repayable on demand	2,863,935	3,943,625	37.7%	2,945,124	4,304,289	46.1%
bb) maturity not more than one year	4,393,113	5,127,398	16.7%	4,708,393	6,234,223	32.4%
bc) maturity more than one year	19,006	10,766	-43.4%	256,279	338,125	31.9%
c) liabilities from investment services	2,229	4,221	89.4%	2,229	4,222	89.4%
<b>3. Liabilities from issued debt securities</b>	<b>278,420</b>	<b>279,579</b>	<b>0.4%</b>	<b>456,071</b>	<b>657,278</b>	<b>44.1%</b>
a) issued bond	8,951	10,104	12.9%	8,950	5,309	-40.7%
aa) maturity not more than one year						
ab) maturity more than one year	8,951	10,104	12.9%	8,950	5,309	-40.7%
b) issued other debt securities	1,501	1,145	-23.7%	179,152	383,639	114.1%
ba) maturity not more than one year	1,501	1,145	-23.7%	1,501	52,350	3,387.7%
bb) maturity more than one year				177,651	331,289	86.5%
c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities	267,968	268,330	0.1%	267,969	268,330	0.1%
ca) maturity not more than one year	249,532	245,136	-1.8%	249,533	245,136	-1.8%
cb) maturity more than one year	18,436	23,194	25.8%	18,436	23,194	25.8%
<b>4. Other liabilities</b>	<b>185,177</b>	<b>226,898</b>	<b>22.5%</b>	<b>217,571</b>	<b>296,689</b>	<b>36.4%</b>
a) maturity not more than one year	185,177	226,898	22.5%	215,686	283,786	31.6%
b) maturity more than one year				107	12,085	11,194.4%
c) (Calculated ) Corporate tax difference due to consolidation				1,778	818	-54.0%
<b>5. Accruals and deferred income</b>	<b>102,629</b>	<b>130,556</b>	<b>27.2%</b>	<b>120,925</b>	<b>180,592</b>	<b>49.3%</b>
<b>6. Provisions</b>	<b>93,150</b>	<b>128,866</b>	<b>38.3%</b>	<b>429,180</b>	<b>568,860</b>	<b>32.5%</b>
a) provisions for pensions and similar obligations	4,441	7,433	67.4%	4,441	7,433	67.4%
b) risk provision for off-balance sheet items (for pending and future liabilities)	16,572	35,516	114.3%	19,301	26,830	39.0%
c) general risk provision	63,307	81,704	29.1%	67,927	98,837	45.5%
d) other provision	8,830	4,213	-52.3%	337,511	435,760	29.1%
<b>7. Subordinated liabilities</b>	<b>68,888</b>	<b>74,128</b>	<b>7.6%</b>	<b>87,845</b>	<b>94,802</b>	<b>7.9%</b>
a) subordinated loan capital	68,888	74,128	7.6%	68,888	74,128	7.6%
aa) equity consolidation difference				18,957	20,674	9.1%
b) pecuniary contribution of members at credit institutions operating as credit cooperatives						
c) other subordinated liabilities						
<b>8. Subscribed capital</b>	<b>277,148</b>	<b>277,148</b>	<b>0.0%</b>	<b>277,148</b>	<b>277,148</b>	<b>0.0%</b>
From this: repurchased own shares at face value	15,272	13,104	-14.2%	23,105	20,937	-9.4%
<b>9. Subscribed but unpaid capital (-)</b>						
<b>10. Capital reserves</b>	<b>373</b>	<b>373</b>	<b>0.0%</b>	<b>373</b>	<b>373</b>	<b>0.0%</b>
a) premium (from share issue)						
b) other	373	373	0.0%	373	373	0.0%
<b>11. General reserves</b>	<b>216,811</b>	<b>248,512</b>	<b>14.6%</b>	<b>216,811</b>	<b>248,512</b>	<b>14.6%</b>
<b>12. Retained earnings (accumulated profit reserve) (+)</b>	<b>349,589</b>	<b>525,507</b>	<b>50.3%</b>	<b>360,231</b>	<b>536,922</b>	<b>49.0%</b>
<b>13. Legal reserves</b>	<b>74,981</b>	<b>68,913</b>	<b>-8.1%</b>	<b>74,981</b>	<b>68,913</b>	<b>-8.1%</b>
<b>14. Revaluation reserve</b>						
<b>15. Profit or loss for the financial year according to the balance sheet (+)</b>	<b>164,560</b>	<b>215,528</b>	<b>31.0%</b>	<b>193,308</b>	<b>264,882</b>	<b>37.0%</b>
<b>16. Subsidiaries' equity increases/decreases (+-)*</b>				<b>71,454</b>	<b>110,886</b>	<b>55.2%</b>
<b>17. Increases/decreases due to consolidation (+-)</b>				<b>14,519</b>	<b>7,083</b>	<b>-51.2%</b>
- from debt consolidation difference				26,104	33,696	29.1%
- from intermediate result difference				-11,585	-26,613	129.7%
<b>18. Participation of outside members (other owners)</b>				<b>1,100</b>	<b>1,691</b>	<b>53.7%</b>
<b>19. Difference from exchange rate</b>	<b>-169,254</b>	<b>-73,332</b>	<b>-56.7%</b>	<b>-154,964</b>	<b>-42,666</b>	<b>-72.5%</b>
<b>TOTAL LIABILITIES</b>	<b>10,615,206</b>	<b>13,289,749</b>	<b>25.2%</b>	<b>12,142,840</b>	<b>16,887,084</b>	<b>39.1%</b>
<b>From this:</b>						
- SHORT-TERM LIABILITIES	9,348,004	11,356,276	21.5%	9,889,853	13,527,850	36.8%
- LONG-TERM LIABILITIES	157,215	411,402	161.7%	647,921	1,136,038	75.3%
- EQUITY (CAPITAL AND RESERVES)	914,208	1,262,649	38.1%	1,054,961	1,473,744	39.7%
* Book value of shares owned by subsidiaries				48,485	53,343	10.0%

The US Dollar amounts are solely for convenience of readers outside Hungary. The rate used for USD amounts is. 225.16HUF/USD for 31 December 2002, 207.92HUF/USD for 31 December 2003.

# OTP Bank Rt. 2003 Stock Exchange Report

## 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 OTP Bank	2003	Change %	2002 Consolidated	2003	Change %
1. <i>Interest received and interest-type income</i>	188,780	205,561	8.9%	220,987	278,983	26.2%
a) interest received on securities with fixed-interest signifying a creditor relationship	42,879	63,919	49.1%	48,775	79,966	63.9%
b) other interest received and interest-type income	145,901	141,642	-2.9%	172,212	199,017	15.6%
2. <i>Interest paid and interest-type expenses</i>	86,065	87,402	1.6%	97,574	101,957	4.5%
<b>Interest difference (1-2)</b>	<b>102,715</b>	<b>118,159</b>	<b>15.0%</b>	<b>123,413</b>	<b>177,026</b>	<b>43.4%</b>
3. <i>Incomes from securities</i>	332	7,691	2,216.6%	458	668	45.9%
4. <i>Fees and Commission received</i>	63,545	94,680	49.0%	55,921	73,818	32.0%
a) revenues from other financial services	57,872	87,446	51.1%	53,005	70,420	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. <i>Fees and Commission paid</i>	7,780	10,839	39.3%	10,609	15,679	47.8%
a) expenses on other financial services	7,442	10,503	41.1%	10,275	15,339	49.3%
b) expenses on investment services (except expenses from trading activities)	338	336	-0.6%	334	340	1.8%
6. <i>Profit or loss from financial transactions (6/a-6/b+6/c-6/d)</i>	1,748	-5,192	-397.0%	3,289	-5,799	-276.3%
a) revenues from other financial services	34,592	14,393	-58.4%	34,226	20,615	-39.8%
b) expenses on other financial services	31,304	19,313	-38.3%	29,751	26,016	-12.6%
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. <i>Other incomes from business</i>	211,587	479,692	126.7%	112,271	121,635	8.3%
a) incomes from non financial and investment services	7,681	8,387	9.2%	94,770	98,976	4.4%
a1) income of consolidated investment service providers				20,506	12,363	-39.7%
a2) income of consolidated insurance companies				55,160	61,205	11.0%
a3) income of other consolidated companies				19,104	25,408	33.0%
b) other revenues	203,906	471,305	131.1%	15,327	22,497	46.8%
b1) income of consolidated investment service providers				13,666	21,523	57.5%
b2) income of consolidated insurance companies				97	137	41.2%
b3) income of other consolidated companies				1,564	837	-46.5%
ba) consolidation difference income due to debtor consolidation				10		-100.0%
bb) other income due to consolidation				2,164	162	-92.5%
8. <i>General administration expenses</i>	67,824	81,190	19.7%	76,334	94,502	23.8%
a) personnel expenses	36,188	43,819	21.1%	41,254	51,682	25.3%
b) other administration expenses	31,636	37,371	18.1%	35,080	42,820	22.1%
9. <i>Depreciation and amortization</i>	11,088	11,913	7.4%	12,045	11,556	-4.1%
10. <i>Other expenses from business</i>	231,335	501,254	116.7%	122,972	138,853	12.9%
a) expenses from non-financial and investment services	6,156	7,025	14.1%	58,048	52,564	-9.4%
a1) expense of consolidated investment service providers				18,353	9,815	-46.5%
a2) expense of consolidated insurance companies				39,670	42,731	7.7%
a3) expense of other consolidated companies				25	18	-28.0%
b) other expenses	225,179	494,229	119.5%	37,408	48,502	29.7%
b1) expense of consolidated investment service providers				34,785	46,835	34.6%
b2) expense of consolidated insurance companies				422	570	35.1%
b3) expense of other consolidated companies				2,201	1,097	-50.2%
ba) consolidation difference expense due to debtor consolidation					11	
bb) other expense due to consolidation				60	2,471	4,018.3%
c) expense of consolidated investment service providers				27,456	35,305	28.6%
c1) expense of consolidated insurance companies				12,730	15,043	18.2%
c2) expense of other consolidated companies				14,726	20,262	37.6%
11. <i>Write-off of loans and provision for contingent and future liabilities</i>	15,134	17,203	13.7%	22,483	29,916	33.1%
a) write-off of loans	12,737	11,151	-12.5%	19,123	25,550	33.6%
b) provision for contingent and future liabilities	2,397	6,052	152.5%	3,360	4,366	29.9%
12. <i>Reversal of write-off of loans and credit for contingent and future liabilities</i>	13,306	13,894	4.4%	19,042	26,488	39.1%
a) reversal of write-off of loans	12,672	11,394	-10.1%	16,872	23,357	38.4%
b) credit for contingent and future liabilities	634	2,500	294.3%	2,170	3,131	44.3%
13. <i>Write-off of securities for investing purposes, signifying a creditor relationship, equity investments in associated</i>	1,992	103	-94.8%	320	20	-93.8%
14. <i>Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity</i>	1,349	322	-76.1%	60	349	481.7%
<b>15. Result of ordinary business activities</b>	<b>59,429</b>	<b>86,744</b>	<b>46.0%</b>	<b>69,691</b>	<b>103,659</b>	<b>48.7%</b>
Including: -RESULT OF FINANCIAL AND INVESTMENT SERVICES	57,904	85,382	47.5%	61,387	93,245	51.9%
- RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES	1,525	1,362	-10.7%	8,304	10,414	25.4%
16. <i>Extraordinary revenues</i>	39	1,730	4,335.9%	53	141	166.0%
17. <i>Extraordinary expenses</i>	1,386	1,766	27.4%	1,569	709	-54.8%
<b>18. Extraordinary profit or loss (16-17)</b>	<b>-1,347</b>	<b>-36</b>	<b>-97.3%</b>	<b>-1,516</b>	<b>-568</b>	<b>-62.5%</b>
<b>19. Profit or loss before tax (±15±18)</b>	<b>58,082</b>	<b>86,708</b>	<b>49.3%</b>	<b>68,175</b>	<b>103,091</b>	<b>51.2%</b>
20. Tax liabilities	10,885	15,202	39.7%	13,599	20,258	49.0%
Tax difference due to consolidation				-409	-230	-43.8%
<b>21. After-tax profit or loss (±19-20)</b>	<b>47,197</b>	<b>71,506</b>	<b>51.5%</b>	<b>54,985</b>	<b>83,063</b>	<b>51.1%</b>
22. Formation and utilization of general reserves (±)	-4,719	-7,151	51.5%	-5,086	-8,118	59.6%
23. Use of accumulated profit reserve for dividends and profit-sharings						
24. Dividends and profit-sharings paid (approved)		16,006			15,524	
<b>25. Balance-sheet profit or loss figure (±21±22+23-24)</b>	<b>42,478</b>	<b>48,349</b>	<b>13.8%</b>	<b>49,899</b>	<b>59,421</b>	<b>19.1%</b>

**PK4. Profit and Loss Statement**  
**PROFIT AND LOSS ACCOUNT**

**OTP Bank Rt. 2003 Stock Exchange Report**

(unconsolidated and consolidated, based on HAR) for the year ended 31 December 2003

	in '000 USD					
	2002	2003	Change	2002	2003	Change
	OTP Bank		%	Consolidated		%
1. <i>Interest received and interest-type income</i>	731,338	916,334	25.3%	856,108	1,243,627	45.3%
a) interest received on securities with fixed-interest signifying a creditor relationship	166,113	284,932	71.5%	188,955	356,464	88.7%
b) other interest received and interest-type income	565,225	631,402	11.7%	667,153	887,163	33.0%
2. <i>Interest paid and interest-type expenses</i>	333,417	389,612	16.9%	378,002	454,494	20.2%
<b>Interest difference (1-2)</b>	<b>397,921</b>	<b>526,722</b>	<b>32.4%</b>	<b>478,106</b>	<b>789,133</b>	<b>65.1%</b>
3. <i>Incomes from securities</i>	1,285	34,285	2,568.1%	1,773	2,977	67.9%
4. <i>Fees and Commission received</i>	246,176	422,056	71.4%	216,641	329,058	51.9%
a) revenues from other financial services	224,198	389,808	73.9%	205,342	313,909	52.9%
b) revenues from investment services (except incomes from trading activities)	21,978	32,248	46.7%	11,299	15,149	34.1%
5. <i>Fees and Commission paid</i>	30,140	48,316	60.3%	41,098	69,891	70.1%
a) expenses on other financial services	28,830	46,819	62.4%	39,806	68,376	71.8%
b) expenses on investment services (except expenses from trading activities)	1,310	1,497	14.3%	1,292	1,515	17.3%
6. <i>Profit or loss from financial transactions (6/a-6/b+6/c-6/d)</i>	6,773	-23,143	-441.7%	12,741	-25,851	-302.9%
a) revenues from other financial services	134,011	64,158	-52.1%	132,593	91,895	-30.7%
b) expenses on other financial services	121,271	86,092	-29.0%	115,257	115,970	0.6%
c) revenues from investment services (revenues from trading activities)	24,514	53,322	117.5%	26,353	53,137	101.6%
d) expenses on investment services (expenses from trading activities)	30,481	54,531	78.9%	30,948	54,913	77.4%
7. <i>Other incomes from business</i>	819,689	2,138,332	160.9%	434,939	542,214	24.7%
a) incomes from non financial and investment services	29,755	37,387	25.6%	367,141	441,207	20.2%
a1) income of consolidated investment service providers				79,442	55,110	-30.6%
a2) income of consolidated insurance companies				213,690	272,833	27.7%
a3) income of other consolidated companies				74,009	113,264	53.0%
b) other revenues	789,934	2,100,945	166.0%	59,377	100,287	68.9%
b1) income of consolidated investment service providers				52,942	95,946	81.2%
b2) income of consolidated insurance companies				377	610	61.8%
b3) income of other consolidated companies				6,058	3,731	-38.4%
ba) consolidation difference income due to debtor consolidation				37		-100.0%
bb) other income due to consolidation				8,384	720	-91.4%
8. <i>General administration expenses</i>	262,752	361,923	37.7%	295,720	421,264	42.5%
a) personnel expenses	140,194	195,334	39.3%	159,820	230,383	44.2%
b) other administration expenses	122,558	166,589	35.9%	135,900	190,881	40.5%
9. <i>Depreciation and amortization</i>	42,954	53,106	23.6%	46,663	51,516	10.4%
10. <i>Other expenses from business</i>	896,198	2,234,452	149.3%	476,395	618,963	29.9%
a) expenses from non-financial and investment services	23,848	31,318	31.3%	224,880	234,314	4.2%
a1) expense of consolidated investment service providers				71,101	43,750	-38.5%
a2) expense of consolidated insurance companies				153,684	190,485	23.9%
a3) expense of other consolidated companies				95	79	-16.8%
b) other expenses	872,350	2,203,134	152.6%	144,917	216,208	49.2%
b1) expense of consolidated investment service providers				134,757	208,777	54.9%
b2) expense of consolidated insurance companies				1,633	2,539	55.5%
b3) expense of other consolidated companies				8,527	4,892	-42.6%
ba) consolidation difference expense due to debtor consolidation					47	
bb) other expense due to consolidation				233	11,013	4,626.6%
c) expense of consolidated investment service providers				106,365	157,381	48.0%
c1) expense of consolidated insurance companies				49,317	67,059	36.0%
c2) expense of other consolidated companies				57,048	90,322	58.3%
11. <i>Write-off of loans and provision for contingent and future liabilities</i>	58,629	76,690	30.8%	87,101	133,359	53.1%
a) write-off of loans	49,342	49,710	0.7%	74,083	113,894	53.7%
b) provision for contingent and future liabilities	9,287	26,980	190.5%	13,018	19,465	49.5%
12. <i>Reversal of write-off of loans and credit for contingent and future liabilities</i>	51,549	61,935	20.1%	73,767	118,074	60.1%
a) reversal of write-off of loans	49,090	50,789	3.5%	65,361	104,115	59.3%
b) credit for contingent and future liabilities	2,459	11,146	353.3%	8,406	13,959	66.1%
13. <i>investments in associated or other company</i>	7,717	461	-94.0%	1,238	87	-93.0%
14. <i>relationship, and equity investments in associated or other company</i>	5,226	1,438	-72.5%	232	1,558	571.6%
<b>15. Result of ordinary business activities</b>	<b>230,229</b>	<b>386,677</b>	<b>68.0%</b>	<b>269,984</b>	<b>462,083</b>	<b>71.2%</b>
Including: -RESULT OF FINANCIAL AND INVESTMENT SERVICES	224,322	380,608	69.7%	237,813	415,661	74.8%
- RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES	5,907	6,069	2.7%	32,171	46,422	44.3%
16. <i>Extraordinary revenues</i>	151	7,712	5,007.3%	204	629	208.3%
17. <i>Extraordinary expenses</i>	5,368	7,871	46.6%	6,078	3,163	-48.0%
<b>18. Extraordinary profit or loss (16-17)</b>	<b>-5,217</b>	<b>-1,159</b>	<b>-97.0%</b>	<b>-5,874</b>	<b>-2,534</b>	<b>-56.9%</b>
<b>19. Profit or loss before tax (±15±18)</b>	<b>225,012</b>	<b>386,518</b>	<b>71.8%</b>	<b>264,110</b>	<b>459,549</b>	<b>74.0%</b>
20. Tax liabilities	42,168	67,766	60.7%	52,681	90,306	71.4%
Tax difference due to consolidation				-1,583	-1,026	-35.2%
<b>21. After-tax profit or loss (±19-20)</b>	<b>182,844</b>	<b>318,752</b>	<b>74.3%</b>	<b>213,012</b>	<b>370,269</b>	<b>73.8%</b>
22. Formation and utilization of general reserves (±)	-18,284	-31,875	74.3%	-19,704	-36,186	83.6%
23. Use of accumulated profit reserve for dividends and profit-sharings						
24. Dividends and profit-sharings paid (approved)		71,349			69,201	
<b>25. Balance-sheet profit or loss figure (±21±22+23-24)</b>	<b>164,560</b>	<b>215,528</b>	<b>31.0%</b>	<b>193,308</b>	<b>264,882</b>	<b>37.0%</b>

The US Dollar amounts are solely for convenience of readers outside Hungary. The rate used for USD amounts is. 258.13HUF/USD for year 2002, 224.33HUF/USD for year 2003.

**IFRS FINANCIAL REPORTS**

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

	<b>2003</b>	<b>2002</b>	<b>change</b>
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	1,070,476	994,994	7.6%
Accrued interest receivable	31,798	23,407	35.8%
Equity investments	138,802	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	53,063	58,908	-9.9%
<b>TOTAL ASSETS</b>	<b>2,736,427</b>	<b>2,390,006</b>	<b>14.5%</b>
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	79,255	69,433	14.1%
Subordinated bonds and loans	15,413	15,511	-0.6%
<b>TOTAL LIABILITIES</b>	<b>2,460,211</b>	<b>2,186,531</b>	<b>12.5%</b>
Share capital	28,000	28,000	0.0%
Retained earnings and reserves	262,544	192,358	36.5%
Treasury shares	-14,328	-16,883	-15.1%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>276,216</b>	<b>203,475</b>	<b>35.7%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,736,427</b>	<b>2,390,006</b>	<b>14.5%</b>

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

	<b>2003</b>	<b>2002</b>	<b>Change</b>
<i>Interest Income</i>	<i>204,862</i>	<i>195,131</i>	<i>5.0%</i>
<i>Interest Expense</i>	<i>92,710</i>	<i>86,214</i>	<i>7.5%</i>
<b>NET INTEREST INCOME</b>	<b>112,152</b>	<b>108,917</b>	<b>3.0%</b>
Provision for possible loan and placement losses	7,053	6,214	13.5%
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>	<b>105,099</b>	<b>102,703</b>	<b>2.3%</b>
<i>Non-Interest Income</i>	<i>103,449</i>	<i>68,248</i>	<i>51.6%</i>
<i>Total Non-Interest Expense</i>	<i>124,000</i>	<i>107,950</i>	<i>14.9%</i>
<b>INCOME BEFORE INCOME TAXES</b>	<b>84,548</b>	<b>63,001</b>	<b>34.2%</b>
Income taxes	14,367	11,100	29.4%
<b>INCOME AFTER INCOME TAXES</b>	<b><u>70,181</u></b>	<b><u>51,901</u></b>	<b><u>35.2%</u></b>
Earnings per share (in HUF)			
Basic	<u>262</u>	<u>197</u>	<u>33.0%</u>
Diluted	<u>261</u>	<u>196</u>	<u>33.2%</u>

**RECONCILIATION OF FINANCIAL STATEMENTS PREPARED  
UNDER HUNGARIAN ACCOUNTING STANDARDS  
AND FINANCIAL STATEMENTS PREPARED UNDER IFRS**

(in HUF mn)

	<b>Retained Earnings and Reserves January 1, 2003</b>	<b>Income for the period ended December 31, 2003</b>	<b>Dividen d</b>	<b>Direct Movements on Reserves</b>	<b>Retained Earnings and Reserves December 31, 2003</b>
<b>Hungarian financial statements</b>	<b>177,844</b>	<b>71,506</b>	-	<b>1,186</b>	<b>250,536</b>
<i>Adjustments to Hungarian financial statements:</i>					
Reversal of statutory general provision	14,253	2,734	-	-	16,987
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
Increase of investment in subsidiary, recorded as an expense in the Hungarian financial statements	1,012	-	-	-	1,012
Difference in accounting for finance leases	-337	-128	-	-	-465
Fair value adjustment of held for trading and available-for-sale financial assets (IFRS 39)	3,481	-8,454	-	-	-4,973
Fair value adjustment of derivative financial instruments (IFRS 39)	-1,754	4,004	-	-	2,250
Profit/loss on sale of Treasury Shares	-	-5	-	5	0
Correction of business/company value	-572	1,257	-	-	685
Correction of investment in foreign currencies to cost	281	-2,405	-	-	-2,124
Book value adjustment due to subsidiary company transformation	-	-290	-	-	-290
Correction due to repo	-41	89	-	-	48
Expenses charged directly to equity	-	1,186	-	-1,186	0
Deferred taxation	-193	835	-	-	642
<b>International financial statements</b>	<b>192,358</b>	<b>70,181</b>	-	<b>5</b>	<b>262,544</b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**  
**UNCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003, (UNAUDITED)**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2002 (AUDITED)**  
(in HUF mn)

	<b>2003</b>	<b>2002</b>
<b>OPERATING ACTIVITIES</b>		
Income before income taxes	84,548	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	12,747	13,085
Provisions	10,537	9,584
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
Effect of deferred taxes	-835	215
Other changes in operating assets and liabilities	<u>3,560</u>	<u>-14,885</u>
<b>Net cash provided by operating activities</b>	<b><u>106,083</u></b>	<b><u>50,568</u></b>
<b>Net cash used in investing activities</b>	<b><u>-467,525</u></b>	<b><u>-294,254</u></b>
<b>Net cash provided by financing activities</b>	<b><u>249,528</u></b>	<b><u>231,040</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b><u>-111,914</u></b>	<b><u>-12,646</u></b>
Cash and cash equivalents opening balance	255,357	268,003
<b>Cash and cash equivalents closing balance</b>	<b><u>143,443</u></b>	<b><u>255,357</u></b>
<b><i>Analysis of cash and cash equivalents opening and closing balance</i></b>		
Cash, due from banks and balances with the National Bank of Hungary	348,424	375,540
Compulsory reverse established by National Bank of Hungary	<u>-93,067</u>	<u>-107,537</u>
<b>Cash and Cash equivalents opening balance</b>	<b><u>255,357</u></b>	<b><u>268,003</u></b>
Cash, due from banks and balances with the National Bank of Hungary	252,975	348,424
Compulsory reverse established by National Bank of Hungary	<u>-109,532</u>	<u>-93,067</u>
<b>Cash and Cash equivalents closing balance</b>	<b><u>143,443</u></b>	<b><u>255,357</u></b>

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

	<b>2003</b>	<b>2002</b>	<b>change</b>
Cash, due from banks and balances with the National Bank of Hungary	276,655	355,440	-22.2%
Placements with other banks, net of allowance for possible placement losses	252,189	295,892	-14.8%
Securities held for trading and available-for-sale	376,797	220,091	71.2%
Loans, net of allowance for possible loan losses	1,985,235	1,280,710	55.0%
Accrued interest receivable	32,427	26,195	23.8%
Equity investments	5,935	5,464	8.6%
Debt securities held-to-maturity	299,771	352,916	-15.1%
Premises, equipment and intangible assets, net	166,789	93,568	78.3%
Other assets	73,715	86,315	-14.6%
<b>TOTAL ASSETS</b>	<b><u>3,469,513</u></b>	<b><u>2,716,591</u></b>	<b><u>27.7%</u></b>
Due to banks and deposits from the National Bank of Hungary and other banks	126,401	79,060	59.9%
Deposits from customers	2,689,849	2,151,169	25.0%
Liabilities from issued securities	124,887	84,862	47.2%
Accrued interest payable	16,388	12,627	29.8%
Other liabilities	184,594	149,345	23.6%
Subordinated bonds and loans	15,413	15,511	-0.6%
<b>TOTAL LIABILITIES</b>	<b><u>3,157,532</u></b>	<b><u>2,492,574</u></b>	<b><u>26.7%</u></b>
Share capital	28,000	28,000	0.0%
Retained earnings and reserves	308,968	223,412	38.3%
Treasury shares	-25,419	-27,800	-8.6%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>311,549</u></b>	<b><u>223,612</u></b>	<b><u>39.3%</u></b>
<b>MINORITIES</b>	432	405	6.7%
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>3,469,513</u></b>	<b><u>2,716,591</u></b>	<b><u>27.7%</u></b>

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

	<b>2003</b>	<b>2002</b>	<b>Change</b>
Interest Income:			
Loans	159,639	129,711	23.1%
Placements with other banks	20,799	26,653	-22.0%
Due from banks and balances with the National Bank of Hungary	18,500	19,251	-3.9%
Securities held for trading and available-for-sale	56,845	21,879	159.8%
Debt securities held-to-maturity	<u>27,870</u>	<u>32,822</u>	-15.1%
<i>Total Interest Income</i>	<i>283,653</i>	<i>230,316</i>	<i>23.2%</i>
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	81,368	85,441	-4.8%
Liabilities from issued securities	7,044	3,193	120.6%
Subordinated bonds and loans	<u>748</u>	<u>963</u>	-22.3%
Other entrepreneurs	<u>0</u>	<u>4</u>	-100.0%
<i>Total Interest Expense</i>	<i>107,256</i>	<i>96,041</i>	<i>11.7%</i>
<b>NET INTEREST INCOME</b>	<b>176,397</b>	<b>134,275</b>	<b>31.4%</b>
Provision for possible loan losses	6,463	8,817	-26.7%
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>	<b>169,934</b>	<b>125,458</b>	<b>35.5%</b>
Non-Interest Income:			
Fees and commissions	81,748	63,618	28.5%
Foreign exchange gains and losses, net	5,161	-2,768	-286.5%
Gains and losses on securities, net	-7,527	1,062	-808.8%
Gains and losses on real estate transactions, net	1,323	809	63.5%
Dividend income	437	600	-27.2%
Insurance premiums	55,964	49,715	12.6%
Other	<u>8,382</u>	<u>11,545</u>	-27.4%
<i>Total Non-Interest Income</i>	<i>145,488</i>	<i>124,581</i>	<i>16.8%</i>
Non-Interest Expenses:			
Fees and commissions	19,690	12,965	51.9%
Personnel expenses	61,386	50,241	22.2%
Depreciation and amortization	19,733	17,021	15.9%
Insurance expenses	42,173	39,752	6.1%
Other	<u>69,783</u>	<u>56,932</u>	22.6%
<i>Total Non-Interest Expense</i>	<i>212,765</i>	<i>176,911</i>	<i>20.3%</i>
<b>INCOME BEFORE INCOME TAXES</b>	<b>102,657</b>	<b>73,128</b>	<b>40.4%</b>
Income taxes	19,569	13,952	40.3%
<b>INCOME AFTER INCOME TAXES</b>	<b><u>83,088</u></b>	<b><u>59,176</u></b>	<b>40.4%</b>
Minorities	1	-55	-101.8%
<b>NET INCOME</b>	<b><u>83,087</u></b>	<b><u>59,231</u></b>	<b>40.3%</b>

**MAJOR DIFFERENCES IN THE HAR AND IFRS NON AUDITED FINANCIAL  
REPORTS FOR THE YEAR ENDED DECEMBER 31, 2003  
CALCULATION OF THE CONSOLIDATED PRE TAX PROFITS**  
(in HUF mn)

	<b>HAR</b>	<b>IFRS</b>	<b>Difference</b>
<b>OTP Bank Ltd.</b>	<b>86,708</b>	<b>84,548</b>	<b>-2,160</b>
Merkantil Group	4,220	4,197	-23
HIF Ltd.	259	259	0
OTP-Garancia Insurance Ltd.	2,294	2,556	262
Concordia-Info Ltd.	167	167	0
OTP Real Estate Ltd.	1,305	1,305	0
OTP Mérleg Ltd.	196	196	0
OTP Faktoring Asset Management Ltd.	64	64	0
OTP Faktoring Ltd.	1,328	1,328	0
OTP Building Society Ltd.	365	322	-43
Bank Center No I. Ltd.	81	81	0
Inga Ltd.-s	104	104	0
OTP Fund Services Ltd.	221	221	0
OTP Mortgage Bank Ltd.	8,545	8,545	0
OTP Fund Management Ltd.	4,381	4,381	0
OTP Banka Slovensko, a. s.	-231	76	307
DSK Group	2,036	2,110	74
<b>I. Aggregated pre tax profit</b>	<b>112,043</b>	<b>110,460</b>	<b>-1,583</b>
<i>Difference from OTP Bank</i>	<i>25,335</i>	<i>25,912</i>	
Equity consolidation	-251	-268	-17
Capital consolidation	-9,026	-9,709	-683
Filtering of intra-company relations	325	122	-203
<b>II. Total consolidation effect</b>	<b>-8,952</b>	<b>-9,855</b>	<b>-903</b>
<b>III. Effect of other differences (IFRS 39)<sup>10</sup></b>	<b>--</b>	<b>2,052</b>	<b>2,052</b>
<b>Consolidated pre tax profits</b>	<b>103,091</b>	<b>102,657</b>	<b>-434</b>

<sup>10</sup> 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 HUF4,656 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-733 million), at OTP Mortgage Bank Ltd. (HUF-3,407 million), at OTP Building Society Ltd. (HUF-536 million), at OTP Fund Management Ltd. (HUF46 million) and at OTP Banka Slovensko a. s. (HUF-26 million).

Difference in result: HUF-5,152 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 HUF4,276 million.

Difference in result: HUF7,204 million  
Total difference: HUF2,052 million



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