OTP BANK
(NATIONAL SAVINGS AND COMMERCIAL BANK LTD.)

CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS

FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2003

Budapest, September 30, 2003

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

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NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2003 (UNAUDITED), DECEMBER 31, 2002 (AUDITED) AND JUNE 30, 2002 (UNAUDITED)
(in HUF mn)

	June 30, 2003	*December 31, 2002*	*June 30, 2002*
Cash, due from banks and balances with the National Bank of Hungary	236,345	355,440	283,278
Placements with other banks, net of allowance for possible placement losses	242,614	295,892	289,609
Securities held for trading and available-for-sale	298,053	220,091	256,669
Loans, net of allowance for possible loan losses	1,529,035	1,280,710	980,246
Accrued interest receivable	25,938	26,195	26,498
Equity investments	4,206	5,464	5,481
Securities held-to-maturity	346,608	352,916	389,630
Premises, equipment and intangible assets, net	98,834	93,568	86,958
Other assets	84,282	86,315	134,350
TOTAL ASSETS	**2,865,915**	**2,716,591**	**2,452,719**
Due to banks and deposits from the National Bank of Hungary and other banks	120,039	79,060	89,295
Deposits from customers	2,166,685	2,151,169	1,922,851
Liabilities from issued securities	86,565	84,862	40,935
Accrued interest payable	20,264	12,627	22,533
Other liabilities	187,249	149,345	167,882
Subordinated bonds and loans	16,229	15,511	16,297
TOTAL LIABILITIES	**2,597,031**	**2,492,574**	**2,259,793**
Share capital	28,000	28,000	28,000
Retained earnings and reserves	265,893	223,412	193,821
Treasury shares	(25,472)	(27,800)	(29,232)
TOTAL SHAREHOLDERS' EQUITY	**268,421**	**223,612**	**192,589**
MINORITY INTEREST	**463**	**405**	**337**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,865,915**	**2,716,591**	**2,452,719**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2002 (UNAUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2002 (AUDITED)
(in HUF mn)

	Six month period ended June 30, 2003	*Six month period ended June 30, 2002*	*Year ended December 31, 2002*
Interest Income:			
Loans	69,804	60,931	129,711
Placements with other banks	11,123	18,223	26,653
Due from banks and balances with the National Bank of Hungary	9,161	11,688	19,251
Securities held for trading and available-for-sale	22,226	8,363	21,879
Securities held-to-maturity	14,730	18,624	32,822
Total Interest Income	*127,044*	*117,829*	*230,316*
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks	16,741	3,099	6,440
Deposits from customers	36,504	42,803	85,445
Liabilities from issued securities	2,991	1,581	3,193
Subordinated bonds and loans	419	503	963
Total Interest Expense	*56,655*	*47,986*	*96,041*
NET INTEREST INCOME	**70,389**	**69,843**	**134,275**
Provision for possible loan and placement losses	3,048	3,776	8,817
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	**67,341**	**66,067**	**125,458**
Non-Interest Income:			
Fees and commissions	36,752	29,589	63,618
Foreign exchange gains and losses, net	11,220	(6,613)	(2,768)
Losses and gains on securities, net	(2,888)	(2,205)	1,062
Gains on real estate transactions, net	328	664	809
Dividend income	(41)	527	600
Insurance premiums	28,362	26,732	49,715
Other	5,088	3,832	11,545
Total Non-Interest Income	*78,821*	*52,526*	*124,581*
Non-Interest Expenses:			
Fees and commissions	8,043	5,457	12,965
Personnel expenses	25,886	22,079	50,241
Depreciation and amortization	9,111	8,112	17,021
Insurance expenses	21,739	20,916	39,752
Other	30,481	27,234	56,932
Total Non-Interest Expense	*95,260*	*83,798*	*176,911*
INCOME BEFORE INCOME TAXES	**50,902**	**34,795**	**73,128**
Income taxes	(9,682)	(5,820)	(13,952)
NET INCOME AFTER INCOME TAXES	**41,220**	**28,975**	**59,176**
Minority interest	(4)	--	55
NET INCOME	**41,216**	**28,975**	**59,231**
Consolidated earnings per share (in HUF)			
basic	**159**	**112**	**231**
diluted	**159**	**112**	**231**

The accompanying notes to consolidated financial statements on pages 7 to 38 form an integral part of these consolidated financial statements.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2002 (UNAUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2002 (AUDITED)
(in HUF mn)

	Six month period ended June 30, 2003	*Six month period ended June 30, 2002*	*Year ended December 31, 2002*
OPERATING ACTIVITIES			
Income before income taxes	**50,902**	**34,795**	**73,128**
Adjustments to reconcile Net Income before income taxes to net cash provided by operating activities			
Income tax paid	(5,757)	(5,187)	(15,436)
Depreciation and amortization	9,111	8,112	17,021
Provision for possible loan and placement losses	3,048	3,776	8,817
Provision for permanent diminution in value of held-to-maturity investments	--	--	26
Credit for permanent diminution in value of equity investments	(149)	(16)	(1,548)
Provision/(credit) for possible losses on other assets	82	(402)	(1,317)
Provision for possible losses on off-balance sheet commitments and contingent liabilities, net	679	850	2,355
Net (loss)/income from accounting for associates under the equity method of accounting	(357)	218	160
Net increase in insurance reserves	9,322	10,243	16,316
Unrealised loss/(gains) on fair value adjustment of securities held for trading and available-for-sale	3,868	1,029	(369)
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments	10,311	(10,408)	(5,610)
Effect of deferred taxes	(63)	(71)	82
Minority interest	(4)	--	55
Changes in operating assets and liabilities			
Net decrease in accrued interest receivable	257	3,625	3,928
Net increase in other assets, excluding advances for investments and before provision for possible losses	(4,114)	(55,265)	(12,410)
Net increase/(decrease) in accrued interest payable	7,637	9,176	(730)
Net increase in other liabilities	19,909	36,638	10,201
Net Cash Provided by Operating Activities	**104,682**	**37,113**	**94,669**
INVESTING ACTIVITIES			
Net decrease/(increase) in placements with other banks, before provision for possible placement losses	53,257	54,799	48,522
Net (increase)/decrease in securities held for trading and available-for-sale, before unrealised gains or losses	(81,830)	5,652	32,265
Net decrease/(increase) in equity investments, before provision for permanent diminution in value	1,764	(2,478)	(861)
Purchase of investment in subsidiary, net	--	(3,292)	(3,288)
Net decrease in debt securities held-to-maturity	6,308	12,026	48,740
Net (increase)/decrease in advances for investments, included in other assets	(106)	1	17
Net increase in loans, before provision for possible loan losses	(251,352)	(157,741)	(448,152)
Net additions to premises, equipment and intangible assets	(14,377)	(16,648)	(31,791)
Net Cash Used in Investing Activities	**(286,336)**	**(107,681)**	**(354,548)**

The accompanying notes to consolidated financial statements on pages 7 to 38 form an integral part of these consolidated financial statements.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2002 (UNAUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2002 (AUDITED)
(in HUF mn)
[continued]

	Six month period ended June 30, 2003	*Six month period ended June 30, 2002*	*Year ended December 31, 2002*
FINANCING ACTIVITIES			
Net increase in due to banks and deposits from the National Bank of Hungary and other banks	40,979	17,050	6,815
Net (decrease)/increase in deposits from customers	15,515	(33,602)	194,716
Net increase/(decrease) in liabilities from issued securities	1,703	(337)	43,590
Increase/(decrease) in subordinated bonds and loans	718	(996)	(1,782)
Minority interest	58	337	24
Foreign currency translation gains/(losses)	1,746	(486)	(360)
Loss on sale of treasury shares	(480)	(393)	(1,102)
Decrease/(increase) in treasury shares	2,328	(2,875)	(1,443)
Net (increase)/decrease in compulsory reserves at National Bank of Hungary	(9,545)	(7,039)	15,055
Dividends paid	(8)	(6,625)	(6,912)
Net Cash (Used in)/Provided by Financing Activities	**53,014**	**(34,966)**	**248,601**
Net Decrease in Cash and Cash Equivalents	**(128,640)**	**(105,534)**	**(11,278)**
Cash and cash equivalents at the beginning of the year	260,226	271,504	271,504
Cash and Cash Equivalents at end of the period	**131,586**	**165,970**	**260,226**

Analysis of cash and cash equivalents opening and closing balance

Cash, due from banks and balances with the National Bank of Hungary	355,440	381,773	381,773
Compulsory reserve established by the National Bank of Hungary	(95,214)	(110,269)	(110,269)
Cash and cash equivalents opening balance	**260,226**	**271,504**	**271,504**
Cash, due from banks and balances with the National Bank of Hungary	236,345	283,278	355,440
Compulsory reserve established by the National Bank of Hungary	(104,759)	(117,308)	(95,214)
Cash and cash equivalents closing balance	**131,586**	**165,970**	**260,226**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2002
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2002	**28,000**	**165,643**	**(26,357)**	**167,286**
Net income	--	28,975	--	28,975
Loss on sale of treasury shares	--	(393)	--	(393)
Change in carrying value of treasury shares	--	--	(2,875)	(2,875)
Dividends	--	82	--	82
Foreign currency translation	--	(486)	--	(486)
Balance as at June 30, 2002	**28,000**	**193,821**	**(29,232)**	**192,589**
Balance as at January 1, 2003	**28,000**	**223,412**	**(27,800)**	**223612**
Net income	--	41,216	--	41,216
Loss on sale of treasury shares	--	(480)	--	(480)
Change in carrying value of treasury shares	--	--	2,328	2,328
Foreign currency translation	--	1,745	--	1,745
Balance as at June 30, 2003	**28,000**	**265,893**	**(25,472)**	**268,421**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2003 (UNAUDITED)

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General

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

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

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

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

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

The Annual General Meeting on April 25, 2001 approved resolution No. 6/1/2001 concerning the conversion of HUF 1,150 million nominal value preference shares issued by the Bank to common shares.

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

As at June 30, 2003 approximately 92.1% of the Bank’s shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (2.9%) and the Bank (5%).

The Bank provides a full range of commercial banking services through a nationwide network of 431 branches in Hungary.

As at June 30, 2003 the number of employees at the Bank and its subsidiary companies (together the “Group”) was 12,707. The average number of employees for the six months period ended June 30, 2003 was 12,612.

1.2. Accounting

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

2.2. Foreign Currency Translation

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

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

2.3. Principles of Consolidation

Included in these consolidated financial statements are the accounts of those subsidiaries in which the Bank holds a controlling interest. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 26. However, certain subsidiaries in which the Bank holds a controlling interest have not been consolidated in accordance with IFRS because it is either intended that the shares shall be disposed of in the near future or the effect of consolidating such companies is immaterial to the consolidated financial statements as a whole (see Note 2.9.).

2.4. Accounting for Acquisitions

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

Goodwill, which represents the residual cost of the acquisition after recognizing the acquirer's interest in the fair value of the identifiable assets and liabilities acquired, is held as an intangible asset and amortized to the consolidated Statement of Operations, in anticipation of future economic benefits, on a straight-line basis over a period not exceeding five years or until the date of disposal of the acquired company, whichever is shorter. The value of any goodwill held in the consolidated balance sheet is reassessed on an annual basis, determined on the basis of specific identification of the investment. If it is no longer probable that the goodwill will be recovered from future economic benefits, it is recognized immediately as an expense.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for Acquisitions [continued]

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

2.5. Debt securities held-to-maturity

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

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

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

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Sale and repurchase agreements

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

2.9. Equity investments

Companies where the Bank has a significant interest are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because the effect of using the equity method to account for such companies is immaterial to the consolidated financial statements as a whole. From January 1, 2001 shares which it is intended shall be disposed of are included among securities available for sale.

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

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

2.10. Premises, equipment and intangible assets

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

Buildings	1-6%
Machinery and equipment	3.4-28.6%
Vehicles	14.5-33%
Leased assets	16.7-33.3%
Goodwill and negative goodwill	20%
Software	14.5-33%
Property rights	14.2-28.6%

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

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

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

2.11. Leases

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Leases [continued]

The Group as lessor

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

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the Consolidated Balance Sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charge to the Consolidated Statement of Operations over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the Consolidated Statement of Operations on a straight-line basis over the terms of the relevant lease.

2.12. Properties held for resale

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

2.13. Insurance reserves

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

2.14. Treasury shares

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

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

2.15. Income taxes

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation.

Deferred taxation is provided on temporary differences in the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted at the date of the Consolidated Balance Sheet.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.16. Off-balance sheet commitments and contingent liabilities

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

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

2.17. Derivative financial instruments

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

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

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

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

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

2.18. Consolidated statement of cash flow

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

2.19. Segmental Reporting

Condensed financial statements of subsidiaries, representing segments of business, other than banking, are not presented due to their immateriality to the consolidated financial statements as a whole. The Group has no significant operations outside of Hungary.

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

	June 30, 2003	*December 31, 2002*
Cash on hand:		
In HUF	39,524	42,114
In foreign currency	5,314	3,570
	44,838	45,684
Due from banks and balances with the National Bank of Hungary:		
Within one year:		
In HUF	185,115	306,003
In foreign currency	6,392	3,319
	191,507	309,322
Over one year:		
In foreign currency	--	434
Total	236,345	355,440

Based on the requirements for compulsory reserve set by the National Bank of Hungary, the balance of compulsory reserves maintained by the Group amounted to approximately HUF 104,759 million and HUF 95,214 million as at June 30, 2003 and December 31, 2002, respectively.

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

	June 30, 2003	*December 31, 2002*
Within one year:		
In HUF	98,363	148,158
In foreign currency	131,030	134,175
	229,393	282,333
Over one year:		
In HUF	7,700	8,000
In foreign currency	5,705	5,722
	13,405	13,722
	242,798	296,055
Allowance for possible placement losses	(184)	(163)
Total	242,614	295,892

Placements with other banks in foreign currency as at June 30, 2003 and December 31, 2002 bear interest rates in the range from 0.3% to 9.2% and from 0.1% to 9.2%, respectively.

Placements with other banks in HUF as at June 30, 2003 and December 31, 2002 bear interest rates in the range from 6.2% to 10% and from 7.5% to 11.2%, respectively.

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

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

	June 30, 2003	*December 31, 2002*
Balance as at January 1	163	170
Provision/(credit) for possible placement losses	21	(7)
Balance at end of period	184	163

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

	June 30, 2003	*December 31, 2002*
Held for trading securities:		
Hungarian Government discounted Treasury bills	42,301	46,335
Hungarian Government interest bearing Treasury bills	2,125	1,945
Government bonds	92,606	60,837
Other securities	12,432	7,615
	149,464	116,732
Available-for-sale securities:		
Government bonds	98,072	74,747
Hungarian Government discounted Treasury bills	20,259	--
Other bonds	25,543	23,660
Mortgage bonds	339	331
Other securities	4,376	4,621
	148,589	103,359
Total	298,053	220,091

Approximately 86.6% and 85% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at June 30, 2003 and December 31, 2002, respectively.

Approximately 11% and 12% of the government bonds were denominated in foreign currency as at June 30, 2003 and December 31, 2002, respectively. Approximately 1%, 9%, 2.6%, 1.7% and 85.7% of this portfolio was denominated in USD, JPY, EUR, GBP and other currencies as at June 30, 2003 and 15.4%, 11%, 0.2%, 2.3% and 71.1% of this portfolio was denominated in USD, JPY, EUR, GBP and other currencies as at December 31, 2002.

Interest rates on securities held for trading are ranged from 1.3% to 13% and from 2.3% to 13% as at June 30, 2003 and December 31, 2002, respectively.

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

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

	June 30, 2003	*December 31, 2002*
Within five years		
with variable interest	63,108	50,669
with fixed interest	194,916	103,242
	258,024	153,911
Over five years		
with variable interest	4,114	17,950
with fixed interest	17,495	26,215
	21,609	44,165
Non-interest bearing securities	18,420	22,015
Total	298,053	220,091

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

	June 30, 2003	*December 31, 2002*
Loans and trade bills within one year	412,162	401,895
Loans and trade bills over one year	1,174,010	935,050
	1,586,172	1,336,945
Allowance for possible loan losses	(57,137)	(56,235)
Total	1,529,035	1,280,710

Foreign currency loans represent approximately 22% and 18% of the total loan portfolio, before allowance for possible losses, as June 30, 2003 and December 31, 2002, respectively.

Loans denominated in HUF, with maturity within one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 8% to 28% and from 9.5% to 33%, respectively.

Loans denominated in HUF, with maturity over one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 3% to 17.8% and from 4% to 20%, respectively.

Approximately 4.7% and 6.3% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2003 and December 31, 2002, respectively.

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

	June 30, 2003		*December 31, 2002*	
Commercial loans	668,094	42%	629,309	47%
Municipality loans	109,502	7%	128,255	10%
Housing loans	586,709	37%	411,838	31%
Consumer loans	221,867	14%	167,543	12%
	1,586,172	100%	1,336,945	100%

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

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

	June 30, 2003	*December 31, 2002*
Balance as at January 1	56,235	50,371
Provision for possible loan losses	3,027	8,824
Write-offs	(2,188)	(2,960)
Foreign currency translation loss	63	--
Balance at end of period	57,137	56,235

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	June 30, 2003	*December 31, 2002*
Equity investments:		
Unconsolidated subsidiaries	2,765	1,450
Associated companies	1,645	4,357
Other	1,203	1,194
	5,613	7,001
Allowance for permanent diminution in value	(1,407)	(1,537)
Total	4,206	5,464
Total assets of unconsolidated subsidiaries	8,931	4,738

As at June 30, 2003 and December 31, 2002, except as follows all investments are in companies incorporated in Hungary. As at June 30, 2003 and December 31, 2002 the Bank held an investment in a company with a book value of HUF 5 million, incorporated in the Republic of Austria, a company incorporated in Romania with a book value of HUF 0. As at June 30, 2003, ten companies are incorporated in Slovakia with a total net book value of HUF 346 million.

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

	June 30, 2003	*December 31, 2002*
Balance as at January 1	1,537	3,085
Credit for permanent diminution in value	(149)	(1,548)
Foreign currency translation loss	19	--
Balance at end of period	1,407	1,537

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

	June 30, 2003	*December 31, 2002*
Government securities	315,613	347,880
Hungarian Government discounted Treasury Bills	29,695	3,689
Other debt securities	1,330	1,373
	346,638	352,942
Allowance for permanent diminution in value	(30)	(26)
Total	346,608	352,916

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

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

	June 30, 2003	*December 31, 2002*
Within five years		
with variable interest	105,640	128,540
with fixed interest	163,968	145,809
	269,608	274,349
Over five years		
with variable interest	47,084	48,736
with fixed interest	29,946	29,857
	77,030	78,593
Total	346,638	352,942

Approximately 98.3% and 99% of the debt securities portfolio was denominated in HUF as at June 30, 2003 and December 31, 2002, respectively. In most cases, interests on variable rate bonds are based on the interest rates of 90-day Hungarian Government Treasury bills and are adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF are ranged from 6.3% to 13% as at June 30, 2003 and December 31, 2002, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

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

	June 30, 2003	*December 31, 2002*
Balance as at January 1	26	--
Provision for possible losses	--	26
Foreign currency translation loss	4	--
Balance at end of period	30	26

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

	June 30, 2003	*December 31, 2002*
Land and buildings	61,729	59,357
Machinery and equipment, vehicles, leased assets	80,424	79,403
Construction in progress	12,507	7,326
Intangible assets	32,093	33,909
Goodwill and negative goodwill	(3,154)	(3,154)
	183,599	176,841
Accumulated depreciation and amortization	(84,765)	(83,273)
Total	98,834	93,568

NOTE 10: OTHER ASSETS (in HUF mn)

	June 30, 2003	*December 31, 2002*
Receivables due from collection of Hungarian Government securities	49	45
Property held for sale	9,960	10,244
Due from Hungarian Government for interest subsidies	529	876
Trade receivables and other advances	6,405	3,511
Advances for securities and investments	585	479
Taxes recoverable	415	821
Inventories	1,291	962
Credits sold under deferred payment scheme	334	503
Receivables from leasing activities	26,444	28,752
Receivables due from insurance bond holders	3,005	2,039
Margin account balance	--	240
Receivables due from pension funds and fund management	714	12,707
Settlement accounts	4,962	925
Prepayments and accrued income	7,475	4,773
Receivables from investing services	1,126	2,335
Advances for aquisition of subsidiary undertaking	8,292	4
Fair value of derivative financial instruments	2,253	8,476
Other	12,955	11,094
	86,794	88,786
Allowance for possible losses on other assets	(2,512)	(2,471)
Total	84,282	86,315

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

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

	June 30, 2003	*December 31, 2002*
Balance as at January 1	2,471	3,788
Provision/(credit) for possible losses on other assets	82	(1,317)
Foreign currency translation gain	(41)	--
Balance at end of period	2,512	2,471

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

	June 30, 2003	*December 31, 2002*
Within one year:		
In HUF	5,155	27,323
In foreign currency	41,870	31,213
	47,025	58,536
Over one year:		
In HUF	3,798	4,774
In foreign currency	69,216	15,750
	73,014	20,524
Total	120,039	79,060

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

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 8.6% to 9.5% and from 7.5% to 9.7%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 3% to 9.5% and from 3% to 9.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 0.2% to 6.4% and from 0.7% to 8.4%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 1.1% to 9.2% and from 1.4% to 9.2%, respectively.

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2003	*December 31, 2002*
Within one year:		
In HUF	1,735,918	1,756,724
In foreign currency	378,644	360,327
	2,114,562	2,117,051
Over one year:		
In HUF	51,371	33,693
In foreign currency	752	425
	52,123	34,118
Total	2,166,685	2,151,169

Deposits from customers payable in HUF within one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 0.3% to 8.8% and from 0% to 9.1%, respectively.

Deposits from customers payable in HUF over one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 3% to 5% and from 3% to 7.6%, respectively.

Deposits from customers payable in foreign currency within one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 0.1% to 6.3% and from 0% to 5.3%, respectively.

Deposits from customers payable in foreign currency over one year as at June 30, 2003 and December 31, 2002, bear interest rates in the range from 0% to 3% and from 0.1% to 5.4%, respectively.

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

	June 30, 2003		*December 31, 2002*	
Commercial deposits	395,019	18%	381,242	18%
Municipality deposits	121,692	6%	156,365	7%
Consumer deposits	1,649,974	76%	1,613,562	75%
	2,166,685	100%	2,151,169	100%

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

	June 30, 2003	*December 31, 2002*
With original maturity:		
Within one year	6,009	12,312
Over one year	80,556	72,550
Total	86,565	84,862

Liabilities from issued securities are denominated mainly in HUF and as at June 30, 2003 and December 31, 2002, bear interest at rates in the range from 2% to 8.3% and from 6.4% to 9.3%, respectively.

NOTE 14: OTHER LIABILITIES (in HUF mn)

	June 30, 2003	*December 31, 2002*
Deferred tax liabilities	636	699
Taxes payable	8,698	2,340
Giro clearing accounts	29,773	23,916
Accounts payable	4,206	7,981
Insurance reserves	77,866	68,544
Salaries and social security payable	7,115	7,398
Liability from security trading	5,201	5,431
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	8,151	7,511
Margin account balance	82	--
Dividends payable	591	598
Advances received from customers	3,200	1,681
Accrued expenses	13,383	6,941
Loan for collection	2,243	1,567
Suspense accounts	7,058	2,543
Fair value of derivative financial instruments	7,790	3,713
Other	11,256	8,482
Total	187,249	149,345

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

	June 30, 2003	*December 31, 2002*
Allowance for litigation	1,552	1,591
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	4,385	3,212
Other allowances (for expected liabilities)	1,777	2,232
Allowance for housing warranties	437	476
Balance at end of period	8,151	7,511

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

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

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

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

	June 30, 2003	*December 31, 2002*
Balance as at January 1	7,511	5,225
Provision for possible off-balance sheet commitments and contingent liabilities, net	679	2,355
Allowance for housing warranties	(39)	(69)
Balance at end of period	8,151	7,511

Movements in insurance reserves can be summarized as follows:

	June 30, 2003	*December 31, 2002*
Balance as at January 1	68,544	52,228
Net increase in insurance reserves	9,322	16,316
Balance at end of period	77,866	68,544

NOTE 15: SUBORDINATED BONDS AND LOANS

In 1993, the Bank issued HUF 5 billion in bonds, which are subordinated to the other liabilities of the Bank and subscribed by the Hungarian Ministry of Finance. Interest on subordinated bonds and the frequency of payment of interests are based on condition of interest of 2013/C credit consolidated government bonds, which is a variable-rate bond, the interest payable and the rate of interest are fixed twice a year. The semi-annual interest payable was 5.19% as at June 20, 2002, 4.36% as at December 20, 2002, and 3.25% as at June 20, 2003. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

In December 1996, the Bank obtained a USD 30 million and DEM 31.14 million (15.92 million in EUR) subordinated loan from the European Bank for Reconstruction and Development. The loan is unsecured, subordinate to the other liabilities and has a ten-year maturity, with interest payable at six-month LIBOR + 1.4% from December 27, 1996 until December 29, 1997, at six-month LIBOR + 1.0% from December 29, 1997 until June 28, 1999, at six-month LIBOR + 1.7% from June 28, 1999 until December 27, 2004 and at six-month LIBOR + 2.5% from December 27, 2004 until December 27, 2006. The original maturity of the subordinated loan was 10 years, but was prolonged on August 22, 2003 until August 27, 2008.

NOTE 16: SHARE CAPITAL (in HUF mn)

	June 30, 2003	*December 31, 2002*
Authorized, issued and fully paid:		
Common shares	28,000	28,000
	28,000	28,000

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

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

	June 30, 2003	*December 31, 2002*
Balance as at January 1	223,412	165,643
Net income	41,216	59,231
Loss on sale of treasury shares	(480)	(1,102)
Foreign currency translation gain/(loss)	1,745	(360)
Balance at end of period	265,893	223,412

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 210,438 million and HUF 177,843 million as at June 30, 2003 and December 31, 2002, respectively. Of these amounts, legal reserves represent HUF 38,202 million and HUF 34,169 million, respectively. The legal reserve is not available for distribution.

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

NOTE 18: TREASURY SHARES (in HUF mn)

	June 30, 2003	*December 31, 2002*
Nominal value (Common Shares)	2,177	2,334
Carrying value	25,472	27,800

NOTE 19: MINORITY INTEREST

	June 30, 2003	*December 31, 2002*
Balance as at January 1	405	--
Minority interest purchased	--	381
Minority interest deriving from capital increase	--	79
Foreign currency translation gain	54	--
Minority interest included in net income	4	(55)
Balance at end of period	463	405

NOTE 20: OTHER EXPENSES (in HUF mn)

	Six month period ended June 30, 2003	*Six month period ended June 30, 2002*
Credit for permanent diminution in value of equity investments	(149)	(16)
Provision (credit) for other assets	82	(402)
Provision for off-balance sheet commitments and contingent liabilities	679	850
Administration expenses, including rent	10,579	11,188
Advertising	1,986	1,375
Taxes, other than income taxes	6,169	4,060
Services	8,351	7,396
Professional fees	1,596	1,206
Other	1,188	1,577
Total	30,481	27,234

NOTE 21: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates of 18%, 25% and 30% of taxable income. The 18% rate relates to the Bank and its subsidiaries incorporated in Hungary. The 25% rate relates to the Bank's subsidiary incorporated in Slovakia and the 30% rate relates to the Bank's United Kingdom subsidiary.

A reconciliation of the income tax charges is as follows:

	Six month period ended June 30, 2003	*Six month period ended June 30, 2002*
Current tax	9,745	5,891
Deferred tax	(63)	(71)
Total	9,682	5,820

A reconciliation of the deferred tax liability is as follows:

	Six month period ended June 30, 2003	*Six month period ended June 30, 2002*
Balance as at January 1	(699)	(617)
Deferred tax credit	63	71
Balance at end of period	(636)	(546)

A reconciliation of the income tax charge is as follows:

	Six month period ended June 30, 2003	*Six month period ended June 30, 2002*
Income before income taxes	50,902	34,795
Permanent timing differences	2,923	(1,053)
Adjusted income before income taxes	53,825	33,742
Income taxes	9,682	5,820

NOTE 22: FINANCIAL INSTRUMENTS

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

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

NOTE 22: FINANCIAL INSTRUMENTS [continued]

Credit risk

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

Market risk

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

Foreign currency risk

See Note 29.

Liquidity risk

See Note 30.

Interest rate risk

See Note 31.

NOTE 23: OFF-BALANCE SHEET COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL INSTRUMENTS (in HUF mn)

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

(a) Contingent liabilities

	June 30, 2003	*December 31, 2002*
Commitments to extend credit	342,301	312,249
Guarantees arising from banking activities	46,510	47,204
Confirmed letters of credit	816	787
Commitments to acquire subsidiary	74,561	--
Legal disputes	4,937	4,846
Others	1,489	27,049
Total	470,614	392,135

NOTE 23: OFF-BALANCE SHEET COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Commitments to acquire subsidiary

On May 13, 2003 it was announced that the Bank was the winner of the privatisation of DSK, a Bulgarian bank, for a purchase price of EUR 311.1 million. On May 19, 2003 10% of the purchase price has been paid in advance. The acquisition was completed on October 1, 2003.

Commitments from guarantees and letters of credit

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

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

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

Legal disputes

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

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

NOTE 23: OFF-BALANCE SHEET COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(b) Derivatives

	June 30, 2003	*December 31, 2002*
Foreign currency contracts		
Assets	177,825	57,743
Liabilities	(177,277)	(63,581)
	548	(5,838)
Foreign exchange swaps and interest rate swaps		
Assets	128,360	161,347
Liabilities	(130,315)	(150,126)
	(1,955)	11,221
Option contracts		
Assets	366,693	183,322
Liabilities	(354,030)	(164,999)
	12,663	18,323
Forward rate agreements		
Assets	17,000	41,700
Liabilities	(8,000)	(26,500)
	9,000	15,200

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

As at June 30, 2003, the Group has derivative instruments with positive fair values of 2,253 million and negative fair values of 7,790 million. Corresponding figures as at December 31, 2002 are 8,476 million and 3,713 million.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

NOTE 23: OFF-BALANCE SHEET COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Foreign exchange swaps and interest rate swaps [continued]

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

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

Forward rate agreements

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

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

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

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

	June 30, 2003	*December 31, 2002*
Cash, due from banks and balances with the National Bank of Hungary	236,345	355,440
Compulsory reserve established by the National Bank of Hungary	(104,759)	(95,214)
	131,586	260,226

NOTE 25: CASH FLOW STATEMENT

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

	June 30, 2003	*December 31, 2002*
Cash, due from banks, and balances with the National Bank	--	1,052
Placements with other banks, net of allowance for possible placement losses	--	12,319
Securities held for trading and available-for-sale	--	16,978
Loans, net of allowance for possible loan losses	--	70,048
Accrued interest receivable	--	326
Equity investment	--	399
Debt securities held-to-maturity	--	53
Premises, equipment and intangible assets	--	9,680
Other assets	--	656
Due to banks and deposits from the National Bank and other banks	--	(35,293)
Deposits from customers	--	(64,941)
Liabilities from issued securities	--	(1,198)
Accrued interest payable	--	(731)
Other liabilities	--	(411)
Minority interest	--	(381)
	--	8,556
Negative goodwill	--	(4,216)
Total	--	4,340

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

	June 30, 2003	*December 31, 2002*
Cash consideration	--	4,340
Cash acquired	--	(1,052)
Net cash outflow	--	3,288

NOTE 26: MAJOR SUBSIDIARIES

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

Name	Ownership (Direct and Indirect)		Activity
	June 30, 2003	*December 31, 2002*	
OTP-Garancia Biztosító Ltd.	100.00%	100.00%	insurance
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
OTP Real Estate Management *	100.00%	100.00%	real estate management
HIF Ltd. (United Kingdom)	100.00%	100.00%	forfeiting
Merkantil Bank Ltd.	100.00%	100.00%	financing car purchases
Merkantil Car Ltd.	100.00%	100.00%	financing car purchases, leasing
OTP Building Society Ltd.	100.00%	100.00%	financing flat purchase and reconstruction
Bank Center No. 1. Ltd.	100.00%	100.00%	letting real estates
OTP Factoring Ltd.	100.00%	100.00%	work-out
Inga Companies	100.00%	100.00%	property management
OTP Fund Management Ltd.	100.00%	100.00%	fund management
OTP Mortgage Bank Company Ltd.	100.00%	100.00%	mortgage loaning
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Banka Slovensko, a. s. (Slovakia)	96.86%	96.86%	commercial banking services

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

NOTE 27: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying consolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 45,335 million and HUF 46,745 million as at June 30, 2003 and December 31, 2002, respectively.

NOTE 28: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 27% and 30% of the Group's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at June 30, 2003 and December 31, 2002, respectively.

As at June 30, 2003 and December 31, 2002, 95.1% and 95.7% of the Group’s total assets were held by companies incorporated in Hungary. There were no other significant concentrations of the Group's assets or liabilities as at June 30, 2003 and December 31, 2002.

NOTE 29: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at June 30, 2003

	USD	EUR	Others	Total
Assets	146,573	189,657	172,580	508,810
Liabilities	(114,144)	(238,963)	(152,916)	(506,023)
Off-balance sheet assets and liabilities, net	(40,219)	31,881	(3,228)	(11,566)
Net position	**(7,790)**	**(17,425)**	**16,436**	**(8,779)**

As at December 31, 2002

	USD	EUR	Others	Total
Assets	160,805	131,151	139,708	431,664
Liabilities	(116,739)	(177,792)	(122,342)	(416,873)
Off-balance sheet assets and liabilities, net	(44,412)	(4,103)	(3,208)	(51,723)
Net position	**(346)**	**(50,744)**	**14,158**	**(36,932)**

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

NOTE 30: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

As at June 30, 2003	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	232,833	3,512	--	--	236,345
Placements with other banks, net of allowance for possible placement losses	218,746	10,463	13,280	125	242,614
Securities held for trading and available-for-sale	67,317	38,434	165,717	26,585	298,053
Loans, net of allowance for possible loan losses	171,545	206,792	535,321	615,377	1,529,035
Accrued interest receivable	23,594	1,199	894	251	25,938
Equity investments	--	--	--	4,206	4,206
Debt securities held-to-maturity	45,367	75,278	148,933	77,030	346,608
Premises, equipment and intangible assets, net	190	862	34,729	63,053	98,834
Other assets	40,340	17,287	25,449	1,206	84,282
TOTAL ASSETS	**799,932**	**353,827**	**924,323**	**787,833**	**2,865,915**
Due to banks and deposits from the National Bank of Hungary and other banks	17,126	30,014	71,747	1,152	120,039
Deposits from customers	1,754,085	381,113	28,602	2,885	2,166,685
Liabilities from issued securities	5,318	8,367	32,880	40,000	86,565
Accrued interest payable	9,482	8,225	2,513	44	20,264
Other liabilities	93,669	13,846	17,758	61,976	187,249
Subordinated bonds and loans	--	--	11,229	5,000	16,229
TOTAL LIABILITIES	**1,879,680**	**441,565**	**164,729**	**111,057**	**2,597,031**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	265,893	265,893
Treasury shares	--	(25,472)	--	--	(25,472)
TOTAL SHAREHOLDERS' EQUITY	**--**	**(25,472)**	**--**	**293,893**	**268,421**
MINORITY INTEREST	**--**	**--**	**--**	**463**	**463**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,879,680**	**416,093**	**164,729**	**405,413**	**2,865,915**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,079,748)**	**(62,266)**	**759,594**	**382,420**	**--**

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NOTE 30: **MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]**

As at December 31, 2002	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	349,939	5,067	307	127	355,440
Placements with other banks, net of allowance for possible placement losses	236,358	45,812	13,722	--	295,892
Securities held for trading and available-for-sale	35,289	46,382	89,126	49,294	220,091
Loans, net of allowance for possible loan losses	104,848	238,784	488,148	448,930	1,280,710
Accrued interest receivable	22,977	2,859	93	266	26,195
Equity investments	--	--	--	5,464	5,464
Debt securities held-to-maturity	24,186	56,606	193,531	78,593	352,916
Premises, equipment and intangible assets, net	276	1,135	32,878	59,279	93,568
Other assets	43,474	18,141	23,849	851	86,315
TOTAL ASSETS	**817,347**	**414,786**	**841,654**	**642,804**	**2,716,591**
Due to banks and deposits from the National Bank of Hungary and other banks	31,753	26,898	18,741	1,668	79,060
Deposits from customers	1,727,023	390,027	19,914	14,205	2,151,169
Liabilities from issued securities	3,133	9,180	32,506	40,043	84,862
Accrued interest payable	6,003	3,691	2,900	33	12,627
Other liabilities	69,410	9,955	15,415	54,565	149,345
Subordinated bonds and loans	--	--	10,511	5,000	15,511
TOTAL LIABILITIES	**1,837,322**	**439,751**	**99,987**	**115,514**	**2,492,574**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	223,412	223,412
Treasury shares	--	(27,800)	--	--	(27,800)
TOTAL SHAREHOLDERS' EQUITY	**--**	**(27,800)**	**--**	**251,412**	**223,612**
MINORITY INTEREST	**--**	**--**	**--**	**405**	**405**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,837,322**	**411,951**	**99,987**	**367,331**	**2,716,591**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,019,975)**	**2,835**	**741,667**	**275,473**	**--**

NOTE 31: INTEREST RATE RISK MANAGEMENT

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

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

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

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

NOTE 30: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at June 30, 2003

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, due from banks and balances with the National Bank of Hungary	**184.948**	**5.873**	**371**	--	--	**494**	--	--	--	--	**39.349**	**5.310**	**224.668**	**11.677**	**236.345**
fixed rate	184.945	5.873	--	--	--	102	--	--	--	--	--	--	184.945	5.975	190.920
variable rate	3	--	371	--	--	392	--	--	--	--	--	--	374	392	766
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	39.349	5.310	39.349	5.310	44.659
Placements with other banks, net of allowance for possible placement losses	**83.745**	**123.438**	**13.700**	**5.013**	**4.000**	**7.195**	--	**23**	**24**	--	**4.413**	**1.063**	**105.882**	**136.732**	**242.614**
fixed rate	76.045	120.224	13.700	429	4.000	1.292	--	23	24	--	--	--	93.769	121.968	215.737
variable rate	7.700	3.214	--	4.584	--	5.903	--	--	--	--	--	--	7.700	13.701	21.401
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	4.413	1.063	4.413	1.063	5.476
Securities held for trading and available-for-sale	**33.456**	**2.863**	**66.194**	**12.965**	**31.335**	**12.686**	**18.169**	**3.836**	**90.886**	**7.208**	**18.055**	**400**	**258.095**	**39.958**	**298.053**
fixed rate	10.742	533	51.798	--	27.787	2.414	18.169	3.836	89.889	7.208	--	--	198.385	13.991	212.376
variable rate	22.714	2.330	14.396	12.965	3.548	10.272	--	--	997	--	--	--	41.655	25.567	67.222
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	18.055	400	18.055	400	18.455
Loans	**588.319**	**240.748**	**171.977**	**45.946**	**80.279**	**34.977**	**23.710**	**3.840**	**335.229**	**2.094**	**1.782**	**134**	**1.201.296**	**327.739**	**1.529.035**
fixed rate	14.820	417	8.866	920	7.089	3.246	6.976	2.407	22.189	1.421	--	--	59.940	8.411	68.351
variable rate	573.499	240.331	163.111	45.026	73.190	31.731	16.734	1.433	313.040	673	--	--	1.139.574	319.194	1.458.768
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	1.782	134	1.782	134	1.916
Debt securities held-to-maturity	**26.164**	--	**100.625**	**899**	**103.351**	**2.199**	**36.090**	--	**74.956**	**2.324**	--	--	**341.186**	**5.422**	**346.608**
fixed rate	2.972	--	35.851	899	38.849	2.199	36.090	--	74.956	2.324	--	--	188.718	5.422	194.140
variable rate	23.192	--	64.774	--	64.502	--	--	--	--	--	--	--	152.468	--	152.468
Fair value of derivative financial instruments in other assets	**66.341**	**59.787**	**43.115**	**35.051**	**109.895**	**49.621**	**7.831**	**8.342**	**20.599**	**7.847**	--	--	**247.781**	**160.648**	**408.429**
fixed rate	65.307	59.787	27.876	33.273	54.132	49.621	4.869	8.342	18.907	7.847	--	--	171.091	158.870	329.961
variable rate	1.034	--	15.239	1.778	55.763	--	2.962	--	1.692	--	--	--	76.690	1.778	78.468

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NOTE 30: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at June 30, 2003

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Due to banks and deposits from the National Bank of Hungary and other banks	**9.156**	**15.720**	--	**62.162**	**293**	**14.280**	**1**	**11.297**	**1.309**	**2.659**	**669**	**2.493**	**11.428**	**108.611**	**120.039**
fixed rate	5.180	15.324	--	1.059	--	12.571	1	5.845	1.309	2.659	--	--	6.490	37.458	43.948
variable rate	3.976	396	--	61.103	293	1.709	--	5.452	--	--	--	--	4.269	68.660	72.929
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	669	2.493	669	2.493	3.162
Deposits from customers	**1.661.438**	**110.121**	**63.337**	**227.807**	**41.621**	**37.110**	**7.504**	**1.461**	**13.278**	**16**	**110**	**2.882**	**1.787.288**	**379.397**	**2.166.685**
fixed rate	460.976	78.768	63.337	225.881	19.505	37.110	7.504	1.461	13.278	16	--	--	564.600	343.236	907.836
variable rate	1.200.462	31.353	--	1.926	22.116	--	--	--	--	--	--	--	1.222.578	33.279	1.255.857
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	110	2.882	110	2.882	2.992
Liabilities from issued securities	**15.253**	**273**	**25.917**	**757**	**819**	**1.416**	--	**325**	**41.801**	--	**4**	--	**83.794**	**2.771**	**86.565**
fixed rate	716	273	954	757	819	1.416	--	325	41.801	--	--	--	44.290	2.771	47.061
variable rate	14.537	--	24.963	--	--	--	--	--	--	--	--	--	39.500	--	39.500
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	4	--	4	--	4
Fair value of derivative financial instruments in other liabilities	**43.136**	**89.444**	**28.337**	**27.547**	**70.982**	**57.300**	**13.100**	--	**77.705**	--	--	--	**233.260**	**174.291**	**407.551**
fixed rate	36.935	89.444	24.295	27.547	57.956	57.300	13.100	--	77.705	--	--	--	209.991	174.291	384.282
variable rate	6.201	--	4.042	--	13.026	--	--	--	--	--	--	--	23.269	--	23.269
Subordinated bonds and loans	--	--	--	--	**5.000**	**11.229**	--	--	--	--	--	--	**5.000**	**11.229**	**16.229**
fixed rate	--	--	--	--	5.000	11.229	--	--	--	--	--	--	5.000	11.229	16.229

NOTE 30: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2002

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, due from banks and balances with the National Bank of Hungary	**345.248**	**8.368**	**363**	**939**	--	**76**	--	--	--	**446**	**42.090**	**6.144**	**345.611**	**9.829**	**355.440**
fixed rate	303.154	2.224	363	197	--	--	--	--	--	446	--	--	303.517	2.867	306.384
variable rate	4	--	--	742	--	76	--	--	--	--	--	--	4	818	822
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	42.090	6.144	42.090	6.144	48.234
Placements with other banks, net of allowance for possible placement losses	**111.281**	**119.638**	**21.200**	**7.336**	**23.780**	**8.829**	--	**9**	**25**	**3.794**	**4.425**	**4.230**	**156.286**	**139.606**	**295.892**
fixed rate	106.057	115.400	14.000	1.670	23.780	6.526	--	9	24	773	--	--	143.861	124.378	268.239
variable rate	800	3.029	7.200	5.666	--	2.303	--	--	--	--	--	--	8.000	10.998	18.998
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	4.425	4.230	4.425	4.230	8.655
Securities held for trading and available-for-sale	**32.342**	**240**	**39.168**	**23.719**	**46.100**	**2.252**	**11.626**	**6.340**	**58.028**	**276**	**10.854**	**240**	**187.264**	**32.827**	**220.091**
fixed rate	2.403	--	18.851	2.275	44.629	--	11.626	6.340	51.910	276	--	--	129.419	8.891	138.310
variable rate	24.206	--	20.317	21.444	1.471	2.252	--	--	997	--	--	--	46.991	23.696	70.687
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	10.854	240	10.854	240	11.094
Loans	**629.640**	**101.702**	**155.248**	**62.425**	**63.646**	**32.066**	**10.720**	**6.525**	**216.549**	**2.189**	**1.404**	**391**	**1.075.803**	**204.907**	**1.280.710**
fixed rate	6.554	88	11.890	201	5.964	4.726	7.150	3.138	157.165	1.316	--	--	188.723	9.469	198.192
variable rate	623.086	101.614	143.358	62.224	57.070	27.340	2.778	3.387	59.384	482	--	--	885.676	195.047	1.080.723
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	1.404	391	1.404	391	1.795
Debt securities held-to-maturity	**23.193**	--	**132.675**	**47**	**42.855**	**2.954**	**37.509**	--	**111.438**	**2.245**	--	--	**347.670**	**5.246**	**352.916**
fixed rate	--	--	1.853	--	35.387	2.954	37.509	--	111.438	2.245	--	--	186.187	5.199	191.386
variable rate	23.193	--	130.822	47	7.468	--	--	--	--	--	--	--	161.483	47	161.530
Fair value of derivative financial instruments in other assets	**70.579**	**67.224**	**37.131**	**13.521**	**114.176**	**21.545**	--	**8.458**	**1.162**	--	--	--	**223.048**	**110.748**	**333.796**
fixed rate	69.532	67.224	20.551	11.952	81.576	21.545	--	8.458	1.162	--	--	--	172.821	109.179	282.000
variable rate	1.047	--	16.580	1.569	32.600	--	--	--	--	--	--	--	50.227	1.569	51.796

NOTE 30: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2002

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Due to banks and deposits from the National Bank of Hungary and other banks	**26.615**	**23.385**	**2.887**	**11.430**	**3.498**	**6.266**	--	**2.797**	**1.573**	**609**	**1.373**	**391**	**34.573**	**44.487**	**79.060**
fixed rate	20.774	21.492	2.300	906	3.036	5.249	--	66	1.573	609	--	--	27.683	28.322	56.005
variable rate	4.468	1.502	587	10.524	462	1.017	--	2.731	--	--	--	--	5.517	15.774	21.291
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	1.373	391	1.373	391	1.764
Deposits from customers	**1.683.059**	**96.839**	**49.207**	**218.293**	**26.802**	**45.265**	**18.539**	**299**	**12.841**	**25**	**31**	--	**1.790.448**	**360.721**	**2.151.169**
fixed rate	463.213	62.128	49.207	218.293	14.810	45.265	18.539	299	12.841	25	--	--	558.610	326.010	884.620
variable rate	1.219.815	34.711	--	--	11.992	--	--	--	--	--	--	--	1.231.807	34.711	1.266.518
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	31	--	31	--	31
Liabilities from issued securities	**12.877**	**207**	**27.521**	**346**	**642**	**1.253**	--	**258**	**41.758**	--	**37**	--	**82.798**	**2.064**	**84.862**
fixed rate	770	207	1.311	346	642	1.253	--	258	41.758	--	--	--	44.481	2.064	46.545
variable rate	12.070	--	26.210	--	--	--	--	--	--	--	--	--	38.280	--	38.280
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	37	--	37	--	37
Fair value of derivative financial instruments in other liabilities	**22.398**	**110.834**	**13.951**	**18.027**	**68.920**	**32.188**	**9.407**	**1.842**	**52.546**	--	--	--	**167.222**	**162.891**	**330.113**
fixed rate	21.350	110.834	13.951	18.027	68.920	32.188	9.407	1.842	52.546	--	--	--	166.174	162.891	329.065
variable rate	1.048	--	--	--	--	--	--	--	--	--	--	--	1.048	--	1.048
Subordinated bonds and loans	--	--	--	--	**5.000**	**10.511**	--	--	--	--	--	--	**5.000**	**10.511**	**15.511**
variable rate	--	--	--	--	5.000	10.511	--	--	--	--	--	--	5.000	10.511	15.511

NOTE 32: EARNINGS PER SHARE

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

	June 30, 2003	*June 30, 2002*
Consolidated net income after income taxes (in HUF mn)	41,220	28,975
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	258,810,824	257,692,330
Consolidated Basic Earnings per share (in HUF)	159	112
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	259,265,392	258,055,558
Consolidated Diluted Earnings per share (in HUF)	159	112

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

NOTE 33: POST BALANCE SHEET EVENTS

On September 11, 2003 OTP received the official written notice from the Bulgarian National Bank (BNB) stating that the Bulgarian bank supervisory authority approved the purchase of the state owned share portfolio of DSK Bank. The permission of BNB came into force, consequently OTP has obtained all authority approvals required for the closing. In cooperation with the Bulgarian Bank Consolidation Company acting on behalf of the Bulgarian State, the acquisition was completed on October 1, 2003.

In December 1996, the Bank obtained a USD 30 million and DEM 31.14 million (15.92 million in EUR) subordinated loan from the European Bank for Reconstruction and Development. The original maturity of the loan was 10 years, but was prolonged on August 22, 2003 until August 27, 2008.