OTP BANK LTD.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

May 2004

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONTENTS

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INDEPENDENT AUDITORS' OPINION

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

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

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

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

Budapest, April 7, 2004

Deloitte

Deloitte

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

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

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

	2003	*2002*
Interest Income:		
Loans	159,054	129,711
Placements with other banks	20,820	26,653
Due from banks and balances with the National Bank of Hungary	18,499	19,251
Securities held for trading and available-for-sale	56,874	21,879
Securities held-to-maturity	28,155	32,822
Total Interest Income	*283,402*	*230,316*
Interest Expense:		
Due to banks and deposits from the National Bank of Hungary and other banks	18,096	6,440
Deposits from customers	81,418	85,445
Liabilities from issued securities	7,044	3,193
Subordinated bonds and loans	748	963
Total Interest Expense	*107,306*	*96,041*
NET INTEREST INCOME	**176,096**	**134,275**
Provision for possible loan and placement losses	10,817	8,817
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	**165,279**	**125,458**
Non-Interest Income:		
Fees and commissions	81,644	63,618
Foreign exchange gains and losses, net	5,167	(2,768)
Losses and gains on securities, net	(7,591)	1,062
Gains on real estate transactions, net	1,473	809
Dividend income	437	600
Insurance premiums	56,269	49,715
Other	12,249	11,545
Total Non-Interest Income	*149,648*	*124,581*
Non-Interest Expenses:		
Fees and commissions	19,944	12,965
Personnel expenses	61,303	50,241
Depreciation and amortization	19,793	17,021
Insurance expenses	41,825	39,752
Other	69,401	56,932
Total Non-Interest Expense	*212,266*	*176,911*
INCOME BEFORE INCOME TAXES	**102,661**	**73,128**
Income taxes	(19,324)	(13,952)
NET INCOME AFTER INCOME TAXES	**83,337**	**59,176**
Minority interest	(1)	55
NET INCOME	**83,336**	**59,231**
Consolidated earnings per share (in HUF)		
basic	**320**	**229**
diluted	**319**	**228**

The accompanying notes to consolidated financial statements on pages 7 to 39 form an integral part of these consolidated financial statements.

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

	2003	*2002*
OPERATING ACTIVITIES		
Income before income taxes	**102,661**	**73,128**
Adjustments to reconcile Net Income before income taxes to net cash provided by operating activities		
Income tax paid	(20,276)	(15,381)
Depreciation and amortization	19,793	17,021
Provision for possible loan and placement losses	10,817	8,817
Provision for permanent diminution in value of held-to-maturity investments	--	26
Provision/(credit) for permanent diminution in value of equity investments	34	(1,548)
Provision/(credit) for possible losses on other assets	1,507	(1,317)
Provision for possible losses on off-balance sheet commitments and contingent liabilities, net	997	2,355
Net (income)/loss from accounting for associates under the equity method of accounting	(268)	160
Net increase in insurance reserves	15,657	16,316
Unrealised losses/(gains) on fair value adjustment of securities held for trading and available-for-sale	6,263	(369)
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments	2,860	(5,610)
Changes in operating assets and liabilities		
Net (increase)/decrease in accrued interest receivable	(3,481)	3,928
Net decrease/(increase) in other assets, excluding advances for investments and before allowance for possible losses	12,444	(12,328)
Net increase/(decrease) in accrued interest payable	1,385	(730)
Net increase in other liabilities	9,436	10,201
Net Cash Provided by Operating Activities	**159,829**	**94,669**
INVESTING ACTIVITIES		
Net decrease in placements with other banks, before provision for possible placement losses	100,523	48,522
Net (increase)/decrease in securities held for trading and available-for-sale, before unrealised gains or losses	(111,346)	32,265
Net decrease/(increase) in equity investments, before provision for permanent diminution in value	554	(861)
Purchase of investment in subsidiary, net	(67,908)	(3,288)
Net decrease in debt securities held-to-maturity	70,183	48,740
Net (increase)/decrease in advances for investments, included in other assets	(74)	17
Net increase in loans, before provision for possible loan losses	(564,303)	(448,152)
Net additions to premises, equipment and intangible assets	(36,289)	(31,791)
Net Cash Used in Investing Activities	**(608,660)**	**(354,548)**

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

	2003	*2002*
FINANCING ACTIVITIES		
Net increase in due to banks and deposits from the National Bank of Hungary and other banks	47,259	6,815
Net increase in deposits from customers	277,847	194,716
Net increase in liabilities from issued securities	40,025	43,590
Decrease in subordinated bonds and loans	(98)	(1,782)
Minority interest	15	24
Foreign currency translation gains/(losses)	2,467	(360)
Net change in treasury shares	2,385	(2,545)
Net (increase)/decrease in compulsory reserves at National Bank of Hungary	(16,627)	15,055
Dividends paid	(8)	(6,912)
Net Cash Provided by Financing Activities	**353,265**	**248,601**
Net Decrease in Cash and Cash Equivalents	**(95,566)**	**(11,278)**
Cash and cash equivalents as at January 1	260,226	271,504
Cash and Cash Equivalents as at December 31	**164,660**	**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
Compulsory reserve established by the National Bank of Hungary	(95,214)	(110,269)
Cash and cash equivalents as at January 1	**260,226**	**271,504**
Cash, due from banks and balances with the National Bank of Hungary	276,501	355,440
Compulsory reserve established by the National Bank of Hungary	(111,841)	(95,214)
Cash and cash equivalents as at December 31	**164,660**	**260,226**

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

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2002	**28,000**	**165,643**	**(26,357)**	**167,286**
Net income after income taxes	--	59,231	--	59,231
Loss on sale of treasury shares	--	(1,102)	--	(1,102)
Change in carrying value of treasury shares	--	--	(1,443)	(1,443)
Foreign currency translation gain	--	(360)	--	(360)
Balance as at December 31, 2002	**28,000**	**223,412**	**(27,800)**	**223,612**
Net income after income taxes	--	83,336	--	83,336
Gain on sale of treasury shares	--	5	--	5
Change in carrying value of treasury shares	--	--	2,380	2,380
Foreign currency translation gain	--	2,467	--	2,467
Balance as at December 31, 2003	**28,000**	**309,220**	**(25,420)**	**311,800**

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.

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

The Bank provides a full range of commercial banking services through a wide network of 761 branches, thereof 432 branches are in Hungary, 271 branches are in Bulgaria and 58 branches are in Slovakia.

As at December 31, 2003 the number of employees at the Bank and its subsidiary companies (together the "Group") was 16,992. The average number of employees for the year ended December 31, 2003 was 17,311.

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 (IAS).

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 recorded as Depreciation and amortization in the Consolidated Statement of Operations, in anticipation of future economic benefits, on a straight-line basis over a period of five years. 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 among intangible assets.

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 Other income in the Consolidated Statement of Operations 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 other income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets.

Income, expenses, profits and losses of subsidiaries after the date of acquisition are included in the Bank's Consolidated Statements of Operations.

2.5. Securities held-to-maturity

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

Held-to-maturity investments include securities, which the 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 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 amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

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

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. Shares which are intended to be disposed of are included among securities available-for-sale.

Unconsolidated subsidiaries and 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	3.4-50%
Vehicles	10-33%
Leased assets	16.7-33.3%
Goodwill and negative goodwill	4-20%
Software	14.2-50%
Property rights	14.2-33%

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

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

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

2.12. 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 other countries where insurance operations are conducted and is based upon mortality tables approved by regulatory authorities.

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 at acquisiton cost 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.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

2.15. Income taxes

The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation.

Deferred taxation is accounted for, using the balance sheet liability method in respect of temporary differences in the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realised or the liability is settled.

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 IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Operations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 major non banking segment is insurance operations.

Over 90% of Group's income and expense for the years ended December 31, 2003 and 2002 originated in Hungary.

2.20. Comparative figures

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

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

	2003	*2002*
Cash on hand:		
In HUF	55,073	42,114
In foreign currency	21,730	3,570
	76,803	45,684
Due from banks and balances with the National Bank of Hungary:		
Within one year:		
In HUF	195,402	306,003
In foreign currency	4,296	3,319
	199,698	309,322
Over one year:		
In foreign currency	--	434
Total	276,501	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 HUF 111,841 million and HUF 95,214 million as at December 31, 2003 and 2002, respectively.

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

	2003	*2002*
Within one year:		
In HUF	99,079	148,158
In foreign currency	143,127	134,175
	242,206	282,333
Over one year:		
In HUF	3,000	8,000
In foreign currency	7,311	5,722
	10,311	13,722
	252,517	296,055
Allowance for possible placement losses	(182)	(163)
Total	252,335	295,892

Placements of OTP Banka Slovensko, a.s. with the National Bank of Slovakia amounted to HUF 21,940 million and HUF 13,847 million as at December 31, 2003 and 2002, respectively.

Placements of DSK Bank EAD with the National Bank of Bulgaria amounted to HUF 15,226 million as at December 31, 2003.

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

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

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

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

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

	2003	*2002*
Held for trading securities:		
Discounted Treasury bills	60,178	46,335
Hungarian Government interest bearing Treasury bills	473	1,945
Government bonds	105,804	60,837
Mortgage bonds	1,476	--
Other securities	5,539	7,615
	173,470	116,732
Available-for-sale securities:		
Government bonds	142,952	74,747
Discounted Treasury bills	21,993	--
Other bonds	31,959	23,660
Mortgage bonds	1,443	331
Other securities	5,199	4,621
	203,546	103,359
Total	377,016	220,091

Approximately 76% and 85% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at December 31, 2003 and 2002, respectively.

Approximately 26% and 12% of the government bonds were denominated in foreign currency as at December 31, 2003 and 2002, respectively. Approximately 9.3%, 2.3%, 0.4%, 31.6%, 27.1% and 29.3% of this portfolio was denominated in USD, JPY, GBP, EUR, SKK and BGN as at December 31, 2003 and 15.4%, 11%, 2.3%, 0.2% and 71.1% of this portfolio was denominated in USD, JPY, GBP, EUR and SKK as at December 31, 2002.

Interest rates on securities held for trading are ranged from 1.2% to 13.1% and from 2.3% to 13% as at December 31, 2003 and 2002, respectively.

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

	2003	*2002*
Within five years		
with variable interest	64,609	50,669
with fixed interest	223,443	103,242
	288,052	153,911
Over five years		
with variable interest	8,184	17,950
with fixed interest	60,033	26,215
	68,217	44,165
Non-interest bearing securities	20,747	22,015
Total	377,016	220,091

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

	2003	*2002*
Loans and trade bills within one year	519,671	401,895
Loans and trade bills over one year	1,527,072	935,050
	2,046,743	1,336,945
Allowance for possible loan losses	(64,156)	(56,235)
Total	1,982,587	1,280,710

Foreign currency loans represent approximately 24.6% and 18% of the total loan portfolio, before allowance for possible losses, as December 31, 2003 and 2002, respectively.

Loans denominated in HUF, with maturity within one year as at December 31, 2003 and 2002, bear interest rates in the range from 6% to 32% and from 9.5% to 33%, respectively.

Loans denominated in HUF, with maturity over one year as at December 31, 2003 and 2002, bear interest rates in the range from 4% to 22.8% and from 4% to 20%, respectively.

Approximately 3% and 6.3% of the gross loan portfolio represented loans on which interest is not being accrued as at December 31, 2003 and 2002, respectively.

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

	2003		*2002*	
Commercial loans	764,864	37%	629,309	47%
Municipality loans	92,774	5%	128,255	10%
Housing loans	826,808	40%	411,838	31%
Consumer loans	362,297	18%	167,543	12%
	2,046,743	100%	1,336,945	100%

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

	2003	*2002*
Balance as at January 1	56,235	50,371
Provision for possible loan losses	9,648	8,824
Write-offs	(1,670)	(2,960)
Foreign currency translation loss	(57)	--
Balance as at December 31	64,156	56,235

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	2003	2002
Equity investments:		
Unconsolidated subsidiaries	3,673	1,450
Associated companies	2,065	4,357
Other	1,692	1,194
	7,430	7,001
Allowance for permanent diminution in value	(1,552)	(1,537)
Total	5,878	5,464
Total assets of unconsolidated subsidiaries	13,626	4,738

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

	2003	2002
Balance as at January 1	1,537	3,085
Provision/(credit) for permanent diminution in value	34	(1,548)
Foreign currency translation loss	(19)	--
Balance as at December 31	1,552	1,537

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

	2003	2002
Government securities	293,388	347,880
Hungarian Government discounted Treasury Bills	987	3,689
Other debt securities	5,427	1,373
	299,802	352,942
Allowance for permanent diminution in value	(30)	(26)
Total	299,772	352,916

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

	2003	2002
Within five years		
with variable interest	93,081	128,540
with fixed interest	125,151	145,809
	218,232	274,349
Over five years		
with variable interest	46,222	48,736
with fixed interest	35,348	29,857
	81,570	78,593
Total	299,802	352,942

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

Approximately 93.5% and 98.5% of the debt securities portfolio was denominated in HUF as at December 31, 2003 and 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 10.5% and from 6.3% to 13% as at December 31, 2003 and 2002, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of held-to-maturity investments was HUF 302,738 million and HUF 358,468 million as at December 31, 2003 and 2002, respectively.

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

	2003	*2002*
Balance as at January 1	26	--
Provision for permanent diminution in value	--	26
Foreign currency translation loss	4	--
Balance as at December 31	30	26

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

For the year ended December 31, 2003:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2003	30,755	59,357	79,403	7,326	176,841
Additions	56,719	29,418	18,704	23,974	128,815
Foreign currency translation differences	118	1,513	927	23	2,581
Disposals	(19,204)	(291)	(8,339)	(24,821)	(52,655)
Balance as at December 31, 2003	68,388	89,997	90,695	6,502	255,582
Depreciation and Amortization					
Balance as at January 1, 2003	20,191	11,451	51,631	--	83,273
Charge	7,405	1,634	10,754	--	19,793
Foreign currency translation differences	104	579	826	--	1,509
Disposals	(9,176)	(272)	(6,882)	--	(16,330)
Balance as at December 31, 2003	18,524	13,392	56,329	--	88,245
Net book value					
Balance as at January 1, 2003	10,566	47,906	27,772	7,326	93,568
Balance as at December 31, 2003	49,864	76,605	34,366	6,502	167,337

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

An analysis of the changes in the goodwill and negative goodwill for the year ended December 31, 2003 is as follows:

	Goodwill	Negative goodwill
Cost		
Balance as at January 1, 2003	1,062	(4,216)
Additions	38,226	--
Balance as at December 31, 2003	39,288	(4,216)
Depreciation and Amortization		
Balance as at January 1, 2003	1,009	(892)
Charge	1,955	(148)
Balance as at December 31, 2003	2,964	(1,040)
Net book value		
Balance as at January 1, 2003	53	(3,324)
Balance as at December 31, 2003	36,324	(3,176)

NOTE 10: OTHER ASSETS (in HUF mn)

	2003	*2002*
Receivables due from collection of Hungarian Government securities	69	45
Property held for sale	10,641	10,244
Due from Hungarian Government for interest subsidies	1,885	876
Trade receivables and other advances	5,803	3,511
Advances for securities and investments	553	479
Taxes recoverable	2,400	821
Inventories	1,587	962
Credits sold under deferred payment scheme	45	503
Receivables from leasing activities	21,023	28,752
Receivables due from insurance bond holders	2,136	2,039
Margin account balance	--	240
Receivables due from pension funds and fund management	1,195	12,707
Settlement accounts	6	925
Prepayments and accrued income	7,307	4,773
Receivables from investing services	1,139	2,335
Fair value of derivative financial instruments	1,993	8,476
Other	13,138	11,098
	70,920	88,786
Allowance for possible losses on other assets	(3,939)	(2,471)
Total	66,981	86,315

NOTE 10: OTHER ASSETS (in HUF mn) [continued]

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:

	2003	*2002*
Balance as at January 1	2,471	3,788
Provision/(credit) for possible losses on other assets	1,507	(1,317)
Foreign currency translation gain	(39)	--
Balance as at December 31	3,939	2,471

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

	2003	*2002*
Within one year:		
In HUF	2,417	27,323
In foreign currency	55,357	31,213
	57,774	58,536
Over one year:		
In HUF	4,291	4,774
In foreign currency	64,337	15,750
	68,628	20,524
Total	126,402	79,060

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

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at December 31, 2003 and 2002, bear interest rates in the range from 3% to 9.4% and from 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 December 31, 2003 and 2002, bear interest rates in the range from 0.2% to 6% 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 December 31, 2003 and 2002, bear interest rates in the range from 0.5% to 8% and from 1.4% to 9.2%, respectively.

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2003	*2002*
Within one year:		
In HUF	1,961,435	1,756,724
In foreign currency	661,761	360,327
	2,623,196	2,117,051
Over one year:		
In HUF	66,049	33,693
In foreign currency	588	425
	66,637	34,118
Total	2,689,833	2,151,169

Deposits from customers payable in HUF within one year as at December 31, 2003 and 2002, bear interest rates in the range from 0.8% to 11% and from 0% to 9.1%, respectively.

Deposits from customers payable in HUF over one year as at December 31, 2003 and 2002, bear interest rates in the range from 3% to 8.8% and from 3% to 7.6%, respectively.

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

Deposits from customers payable in foreign currency over one year as at December 31, 2003 and 2002, bear interest rates in the range from 0% to 6% and from 0.1% to 5.4%, respectively.

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

	2003		*2002*	
Commercial deposits	501,371	19%	381,242	18%
Municipality deposits	188,487	7%	156,365	7%
Consumer deposits	1,999,975	74%	1,613,562	75%
	2,689,833	100%	2,151,169	100%

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

	2003	*2002*
With original maturity:		
Within one year	23,161	12,312
Over one year	101,726	72,550
Total	124,887	84,862

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

NOTE 14: OTHER LIABILITIES (in HUF mn)

	2003	*2002*
Deferred tax liabilities	2,579	699
Taxes payable	3,231	2,340
Giro clearing accounts	13,191	23,916
Accounts payable	11,723	7,981
Insurance reserves	84,201	68,544
Salaries and social security payable	8,082	7,398
Liability from security trading	15,876	5,431
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	8,357	7,511
Margin account balance	34	--
Dividends payable	588	598
Advances received from customers	3,863	1,681
Accrued expenses	11,366	6,941
Loan for collection	2,202	1,567
Suspense accounts	2,083	2,543
Fair value of derivative financial instruments	90	3,713
Other	8,211	8,482
Total	175,677	149,345

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

	2003	*2002*
Allowance for litigation	1,509	1,591
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	4,463	3,212
Other allowances (for expected liabilities)	2,046	2,232
Allowance for housing warranties	339	476
Balance as at December 31	8,357	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.

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:

	2003	*2002*
Balance as at January 1	7,511	5,225
Allowance for possible off-balance sheet commitments and contingent liabilities	998	2,355
Write-offs	(152)	(69)
Balance as at December 31	8,357	7,511

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

Movements in insurance reserves can be summarized as follows:

	2003	*2002*
Balance as at January 1	68,544	52,228
Net increase in insurance reserves	15,657	16,316
Balance as at December 31	84,201	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 4.36% as at December 20, 2002, 3.25% as at June 20, 2003, and 4.8% as at December 20, 2003. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

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

NOTE 16: SHARE CAPITAL (in HUF mn)

	2003	*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)

	2003	*2002*
Balance as at January 1	223,412	165,643
Net income after income taxes	83,336	59,231
Profit/(loss) on sale of treasury shares	5	(1,102)
Foreign currency translation gain/(loss)	2,467	(360)
Balance as at December 31	309,220	223,412

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

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

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

Dividends for the year ended December 31, 2003 will be proposed at the Annual General Meeting in April 2004.

NOTE 18: TREASURY SHARES (in HUF mn)

	2003	*2002*
Nominal value (Common Shares)	2,115	2,334
Carrying value at acquisition cost	25,420	27,800

NOTE 19: MINORITY INTEREST

	2003	*2002*
Balance as at January 1	405	--
Minority interest purchased	(23)	381
Minority interest deriving from capital increase	--	79
Foreign currency translation gain	49	--
Minority interest included in net income	1	(55)
Balance as at December 31	432	405

NOTE 20: OTHER EXPENSES (in HUF mn)

	2003	*2002*
Provision for permanent diminution in value of held-to-maturity investments	--	26
Provision/(credit) for permanent diminution in value of equity investments	34	(1,548)
Provision/(credit) for other assets	1,507	(1,317)
Provision for off-balance sheet commitments and contingent liabilities	997	2,355
Administration expenses, including rent	23,290	21,070
Advertising	5,071	4,272
Taxes, other than income taxes	13,774	9,540
Services	19,211	15,037
Professional fees	2,884	2,769
Other	2,633	4,728
Total	69,401	56,932

NOTE 21: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates of 18%, 23.5%, 25% and 30% of taxable income. The 18% rate relates to the Bank and its subsidiaries incorporated in Hungary. The 23.5% rate relates to the Bank's subsidiary incorporated in Bulgaria. The 25% rate relates to the Bank's subsidiary incorporated in Slovakia and the 30% rate relates to the Bank's United Kingdom subsidiary.

Deferred tax is calculated at the income tax rate of 16% in Hungary and 23.5% in Bulgaria.

A reconciliation of the income tax charges is as follows:

	2003	*2002*
Current tax	20,164	13,870
Deferred tax	(840)	82
Total	19,324	13,952

A reconciliation of the deferred tax liability is as follows:

	2003	*2002*
Balance as at January 1	(699)	(617)
Effect of purchase of subsidiary undertakings	(2,720)	--
Deferred tax charge/(credit)	840	(82)
Balance as at December 31	(2,579)	(699)

A reconciliation of the income tax charge is as follows:

	2003	*2002*
Income before income taxes	102,661	73,128
Timing differences	4,073	4,397
Adjusted income before income taxes	106,734	77,525
Income taxes	19,324	13,952

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:

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.

NOTE 22: FINANCIAL INSTRUMENTS [continued]

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 ITEMS AND DERIVATIVE 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

	2003	*2002*
Commitments to extend credit	414,543	310,559
Guarantees arising from banking activities	65,727	137,469
Confirmed letters of credit	983	787
Legal disputes	2,893	4,846
Others	2,263	22,467
Total	486,409	476,128

Commitments to extend credit, from guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the 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.

NOTE 23: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

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

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.

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

	2003	*2002*
Foreign currency contracts		
Assets	57,763	57,743
Liabilities	(59,244)	(63,581)
Net	(1,481)	(5,838)
Net fair value	(189)	(7,171)
Foreign exchange swaps and interest rate swaps		
Assets	231,222	161,347
Liabilities	(217,210)	(150,126)
Net	14,012	11,221
Net fair value	14,713	17,210
Option contracts		
Assets	25,402	183,322
Liabilities	(18,956)	(164,999)
Net	6,446	18,323
Net fair value	6,356	18,464
Forward rate agreements		
Assets	--	41,700
Liabilities	(1)	(26,500)
Net	(1)	15,200
Net fair value	(1)	15,166

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.

NOTE 23: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(b) Derivatives [continued]

As at December 31, 2003, the Group has derivative instruments with positive fair values of HUF 1,933 million and negative fair values of HUF 90 million. Corresponding figures as at December 31, 2002 are HUF 8,476 million and HUF 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.

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 counterparties. 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: RELATED PARTY TRANSACTIONS

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

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

NOTE 25: CASH AND CASH EQUIVALENTS (in HUF mn)

	2003	2002
Cash, due from banks and balances with the National Bank of Hungary	276,501	355,440
Compulsory reserve established by the National Bank of Hungary	(111,841)	(95,214)
	164,660	260,226

NOTE 26: CASH-FLOW STATEMENT

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

On October 1, 2003 the Bank completed the acquisition of 100% of the shares of DSK Bank EAD, a leading universal bank in Bulgaria. The purchase price of DSK Bank EAD was EUR 311 million, which was provided in cash.

During 2001, the Bank has entered into a sale purchase agreement to aquire 92.6% interest in OTP Banka Slovensko, a. s. (OBS), whose former name was Investična a rozvojová banka, a universal bank in Slovakia. The acquisition was closed on April 4, 2002. The cost of the transaction was SKK 700 million, which was provided in cash. Subsequently the Bank increased the capital of OBS and acquired some minority interest which resulted in 97.1% ownership as at December 31, 2003.

The fair values of the assets and liabilities acquired, and related goodwill and negative goodwill are as follows:

	2003	2002
Cash, due from banks, and balances with the National Bank	(11,405)	(1,052)
Placements with other banks, net of allowance for possible placement losses	(56,985)	(12,319)
Securities held for trading and available-for-sale	(51,842)	(16,978)
Loans, net of allowance for possible loan losses	(148,372)	(70,048)
Accrued interest receivable	(2,756)	(326)
Equity investment	(734)	(399)
Debt securities held-to-maturity	(17,039)	(53)
Premises, equipment and intangible assets	(19,047)	(9,680)
Other assets	(1,026)	(656)
Due to banks and deposits from the National Bank and other banks	83	35,293
Deposits from customers	260,817	64,941
Liabilities from issued securities	--	1,198
Accrued interest payable	2,383	731
Other liabilities	4,824	411
Minority interest	12	381
	(41,087)	(8,556)
(Goodwill)/Negative goodwill	(38,226)	4,216
Cash consideration	(79,313)	(4,340)

NOTE 26: CASH-FLOW STATEMENT [continued]

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

	2003	*2002*
Cash consideration	(79,313)	(4,340)
Cash acquired	11,405	1,052
Net cash outflow	(67,908)	(3,288)

NOTE 27: 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
	2003	*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)	97.10%	96.86%	commercial banking services
DSK Bank EAD (Bulgaria)	100.00%	--%	commercial banking services

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

For details of the acquisition of DSK Bank EAD in 2003 and OTP Banka Slovensko, a. s. in 2002 refer to Note 26.

NOTE 28: 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 46,187 million and HUF 46,745 million as at December 31, 2003 and 2002, respectively.

NOTE 29: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 21.8% and 30.4% of the Group's total assets consist of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at December 31, 2003 and 2002, respectively.

As at December 31, 2003 and 2002 85.7% 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 December 31, 2003 and 2002.

NOTE 30: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at December 31, 2003

	USD	EUR	Others	Total
Assets	110,933	300,078	411,599	822,610
Liabilities	(125,574)	(287,008)	(394,605)	(807,187)
Off-balance sheet assets and liabilities, net	18,097	(93,515)	(121,109)	(196,527)
Net position	**3,456**	**(80,445)**	**(104,115)**	**(181,104)**

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 31: 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 December 31, 2003	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	276,501	--	--	--	276,501
Placements with other banks, net of allowance for possible placement losses	234,145	7,879	9,874	437	252,335
Securities held for trading and available-for-sale	63,994	70,756	176,078	66,188	377,016
Loans, net of allowance for possible loan losses	93,074	363,600	780,960	744,953	1,982,587
Accrued interest receivable	22,761	4,813	1,563	3,295	32,432
Equity investments	--	--	--	5,878	5,878
Debt securities held-to-maturity	24,821	44,069	149,314	81,568	299,772
Premises, equipment and intangible assets, net	2,135	6,892	53,320	104,990	167,337
Other assets	25,438	20,435	19,392	1,716	66,981
TOTAL ASSETS	**742,869**	**518,444**	**1,190,501**	**1,009,025**	**3,460,839**
Due to banks and deposits from the National Bank of Hungary and other banks	26,909	30,533	66,217	2,743	126,402
Deposits from customers	2,239,798	383,401	63,017	3,617	2,689,833
Liabilities from issued securities	6,505	16,655	32,845	68,882	124,887
Accrued interest payable	9,352	4,613	2,382	48	16,395
Other liabilities	75,902	13,548	24,100	62,127	175,677
Subordinated bonds and loans	--	--	10,413	5,000	15,413
TOTAL LIABILITIES	**2,358,466**	**448,750**	**198,974**	**142,417**	**3,148,607**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	309,220	309,220
Treasury shares	--	(25,420)	--	--	(25,420)
TOTAL SHAREHOLDERS' EQUITY	**--**	**(25,420)**	**--**	**337,220**	**311,800**
MINORITY INTEREST	**--**	**--**	**--**	**432**	**432**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,358,466**	**423,330**	**198,974**	**480,069**	**3,460,839**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,615,597)**	**95,114**	**991,527**	**528,956**	**--**

NOTE 31: 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 32: 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 table presents 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 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 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	**195.058**	**3.979**	**481**	--	--	--	--	--	--	--	**55.004**	**21.979**	**250.543**	**25.958**	**276.501**
fixed rate	195.004	3.875	--	--	--	--	--	--	--	--	--	--	195.004	3.875	198.879
variable rate	54	104	481	--	--	--	--	--	--	--	--	--	535	104	639
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	55.004	21.979	55.004	21.979	76.983
Placements with other banks, net of allowance for possible placement losses	**92.972**	**121.031**	**2.500**	**8.130**	**2.500**	**4.913**	--	--	**24**	--	**3.901**	**16.364**	**101.897**	**150.438**	**252.335**
fixed rate	89.972	116.862	2.500	3.325	2.500	--	--	--	24	--	--	--	94.996	120.187	215.183
variable rate	3.000	4.169	--	4.805	--	4.913	--	--	--	--	--	--	3.000	13.887	16.887
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	3.901	16.364	3.901	16.364	20.265
Securities held for trading and available-for-sale	**25.933**	**5.130**	**48.751**	**14.540**	**61.112**	**17.045**	**40.292**	**6.588**	**93.575**	**44.030**	**17.689**	**2.331**	**287.352**	**89.664**	**377.016**
fixed rate	3.218	1.370	31.498	2.577	60.098	2.688	40.292	6.588	93.575	44.030	--	--	228.681	57.253	285.934
variable rate	22.715	3.760	17.253	11.963	1.014	14.357	--	--	--	--	--	--	40.982	30.080	71.062
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	17.689	2.331	17.689	2.331	20.020
Loans	**741.583**	**374.414**	**154.269**	**142.550**	**34.258**	**31.417**	**25.970**	**3.752**	**462.898**	**8.252**	**2.229**	**995**	**1.421.207**	**561.380**	**1.982.587**
fixed rate	14.022	2.119	3.813	907	5.029	6.083	5.482	1.700	44.835	4.545	--	--	73.181	15.354	88.535
variable rate	727.561	372.295	150.456	141.643	29.229	25.334	20.488	2.052	418.063	3.707	--	--	1.345.797	545.031	1.890.828
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	2.229	995	2.229	995	3.224
Debt securities held-to-maturity	**22.697**	**2.272**	**103.867**	--	**51.083**	**662**	**36.672**	**2.065**	**65.640**	**14.348**	--	**466**	**279.959**	**19.813**	**299.772**
fixed rate	--	--	766	--	39.798	571	36.672	2.065	65.640	14.348	--	--	142.876	16.984	159.860
variable rate	22.697	2.272	103.101	--	11.285	91	--	--	--	--	--	--	137.083	2.363	139.446
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	466	--	466	466
Fair value of derivative financial instruments in other assets	**43.526**	**50.501**	**112.327**	**16.869**	**45.652**	**25.189**	**10.805**	**7.567**	**43.314**	**3.893**	--	**3**	**255.624**	**104.022**	**359.646**
fixed rate	23.569	50.501	46.725	15.118	5.288	25.189	10.805	7.567	43.314	3.893	--	--	129.701	102.268	231.969
variable rate	19.957	--	65.602	1.751	40.364	--	--	--	--	--	--	--	125.923	1.751	127.674
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	3	--	3	3

NOTE 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 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	**8.815**	**59.451**	--	**28.190**	--	**16.739**	**6**	**7.435**	**1.198**	**2.363**	**665**	**1.540**	**10.684**	**115.718**	**126.402**
fixed rate	2.807	20.232	--	8.421	--	9.298	6	6.129	1.198	281	--	--	4.011	44.361	48.372
variable rate	6.008	39.219	--	19.769	--	7.441	--	1.306	--	2.082	--	--	6.008	69.817	75.825
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	665	1.540	665	1.540	2.205
Deposits from customers	**1.769.174**	**399.843**	**217.867**	**217.323**	**14.613**	**39.239**	**9.075**	**1.543**	**16.753**	**13**	**3**	**4.387**	**2.027.485**	**662.348**	**2.689.833**
fixed rate	364.763	127.753	217.867	217.323	14.613	39.239	9.075	1.543	16.753	13	--	--	623.071	385.871	1.008.942
variable rate	1.404.411	272.090	--	--	--	--	--	--	--	--	--	--	1.404.411	272.090	1.676.501
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	3	4.387	3	4.387	4.390
Liabilities from issued securities	**16.879**	**249**	**25.562**	**1.018**	**10.467**	**828**	**1.801**	**97**	**64.698**	**3.187**	**101**	--	**119.508**	**5.379**	**124.887**
fixed rate	609	249	761	1.018	10.467	828	1.801	97	64.698	3.187	--	--	78.336	5.379	83.715
variable rate	16.270	--	24.801	--	--	--	--	--	--	--	--	--	41.071	--	41.071
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	101	--	101	--	101
Fair value of derivative financial instruments in other liabilities	**14.301**	**85.576**	**23.510**	**90.428**	**56.382**	**6.696**	**41.579**	--	**42.766**	--	--	--	**178.538**	**182.700**	**361.238**
fixed rate	8.054	67.063	5.102	59.384	24.026	6.696	41.579	--	42.766	--	--	--	121.527	133.143	254.670
variable rate	6.247	18.513	18.408	31.044	32.356	--	--	--	--	--	--	--	57.011	49.557	106.568
Subordinated bonds and loans	--	--	--	--	**5.000**	**10.413**	--	--	--	--	--	--	**5.000**	**10.413**	**15.413**
variable rate	--	--	--	--	5.000	10.413	--	--	--	--	--	--	5.000	10.413	15.413

NOTE 32: 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	**303.158**	**2.224**	**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	**106.857**	**118.429**	**21.200**	**7.336**	**23.780**	**8.829**	--	**9**	**24**	**773**	**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	**26.609**	--	**39.168**	**23.719**	**46.100**	**2.252**	**11.626**	**6.340**	**52.907**	**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**	**63.034**	**32.066**	**9.928**	**6.525**	**216.549**	**1.798**	**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 32: 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	**25.242**	**22.994**	**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	**1.683.028**	**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	**12.840**	**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 33: 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.

	2003	*2002*
Consolidated net income (in HUF mn)	83,336	59,231
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	260,408,048	258,901,972
Consolidated Basic Earnings per share (in HUF)	320	229
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	261,463,569	259,550,274
Consolidated Diluted Earnings per share (in HUF)	319	228

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

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