# OTP Bank Rt.

# 2003 Stock Exchange Report

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

**Budapest, February 13, 2004**

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

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

## *HIGHLIGHTS*

### HAR

OTP Bank's HAR after-tax profits for 2003 were HUF71,506 million, HUF24,309 million or 51.5% higher than in 2002. OTP Group's consolidated after-tax profits were HUF83,063 million, an increase of 51.1% over 2002, and16.2% higher than the figure of the Bank.

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

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

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

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

## IFRS

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

Over the 12 months period ending 31 December 2003, total IFRS Bank assets grew to HUF2,736,427 million or by 14.5%, and this figure is 4.6% higher than 3 months earlier. Total assets for the group were HUF3,469,513 million on 31 December 2003, which represented a year-on-year growth of 27.7%, and it was 26.8% higher than total assets of the Bank on 31 December 2003.

| 2002 | 2003 Bank | Change | **Financial highlights** IFRS | 2002 | 2003 Group | Change |
|---|---|---|---|---|---|---|
| 2,390.0 | 2,736.4 | 14.5% | Total assets (HUF bn) | 2,716.6 | 3,469.5 | 27.7% |
| 995.0 | 1,070.5 | 7.6% | Total loans and advances (HUF bn) | 1,280.7 | 1,985.2 | 55.0% |
| 2,045.7 | 2,264.5 | 10.7% | Total deposits (HUF bn) | 2,151.2 | 2,689.8 | 25.0% |
| 48.6% | 47.3% | -1.4% | Loan/deposit ratio | 59.5% | 73.8% | 14.3% |
| 203.5 | 276.2 | 35.7% | Shareholders equity (HUF bn) | 223.6 | 311.5 | 39.3% |
| 11.7 | 9.9 | -15.7% | Balance sheet gearing | 12.1 | 11.1 | -8.3% |
| 39.9% | 49.6% | 9.7% | Share of non interest income in total income | 49.8% | 46.1% | -3.7% |
| 60.9% | 57.5% | -3.4% | Cost to income ratio | 68.3% | 66.1% | -2.2% |
| 63.0 | 84.5 | 34.2% | Pre-tax profits (HUF bn) | 73.1 | 102.7 | 40.4% |
| 51.9 | 70.2 | 35.2% | After tax profits (HUF bn) | 59.2 | 83.1 | 40.4% |
| 196.82 | 261.56 | 32.9% | EPS base[4] (HUF)[1] | 241.21 | 334.05 | 38.5% |
| 196.23 | 260.53 | 32.8% | EPS fully diluted (HUF)[1] | 240.57 | 332.62 | 38.3% |
| 2.31% | 2.74% | 0.43% | Return on Assets[5] | 2.36% | 2.69% | 0.33% |
| 29.2% | 29.3% | 0.0% | Return on Equity[4] | 30.3% | 31.1% | 0.8% |
| 23.9% | 24.6% | 0.6% | Real Return on Equity[4] | 25.0% | 26.4% | 1.4% |
| 2,246.8 | 2,563.2 | 14.1% | Average assets (HUF bn)[4] | 2,503.1 | 3,093.1 | 23.6% |
| 108.9 | 112.2 | 3.0% | Net interest income (HUF bn) | 134.3 | 176.4 | 31.4% |
| 4.57% | 4.10% | -0.47% | Net interest margin[2] | 5.01% | 5.49% | 0.48% |

## MAJOR TENDENCIES FOR THE FOURTH QUARTER OF 2003

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

### Balance Sheet

| **Main financial indicators of the Bank** | | | | 31/12/2003 vs. | |
|---|---|---|---|---|---|
| HAR | 31/12/2002 | 30/09/2003 | 31/12/2003 | 31/12/2002 | 30/09/2003 |
| Total assets (HUF bn) | 2,390.1 | 2,635.9 | 2,763.2 | 15.6% | 4.8% |
| Average assets (HUF bn)[4] | 2,313.6 | 2,595.4 | 2,666.7 | 15.3% | 2.7% |
| Total loans and advances (HUF bn) | 951.7 | 1,024.6 | 1,088.3 | 14.3% | 6.2% |
| Total deposits (HUF bn) | 2,011.0 | 2,061.5 | 2,234.9 | 11.1% | 8.4% |
| Loan/deposit ratio | 47.3% | 49.7% | 48.7% | 1.4% | -1.0% |
| Shareholders equity (HUF bn) | 205.8 | 256.8 | 262.5 | 27.6% | 2.2% |
| Balance sheet gearing | 11.6 | 10.3 | 10.5 | -9.4% | 2.5% |

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

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

Customer receivables grew by HUF63.7 billion or 6.2% mainly due to the 9.0% growth of loans to corporate customers. Volume of retail loans decreased by 1.4% during the fourth quarter due to the transmission of housing loans to OTP Mortgage Bank and to the redemption of old housing loans.

[4] calculated based on IAS 33

[5] annualized

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

Liabilities to credit institutions decreased by 8.5%, within this liabilities at sight were 7.3% lower, liabilities with defined maturity declined by HUF8.1 billion. Liabilities to customers increased by 8.4% or by HUF173.4 billion, within this retail deposits increased by 8.4% or HUF128.5 billion, corporate deposits by HUF45.9 billion while municipal deposits decreased by HUF1.0 billion compared to 30 September 2003. After having generated the dividend base for the period, the Bank's shareholders' equity increased by HUF5.7 billion or 2.2% since 30 September 2003.

**Profit and Loss account**

| **HAR** (in HUF million) | **4Q2002** | **3Q2003** | **4Q2003** | **4Q03/4Q02** | **4Q03/3Q03** |
|---|---|---|---|---|---|
| Total interest income | 49,994 | 51,907 | 58,568 | 17.2% | 12.8% |
| Total interest expense | 22,844 | 21,947 | 27,086 | 18.6% | 23.4% |
| Net interest income | 27,150 | 29,960 | 31,482 | 16.0% | 5.1% |
| Non interest income | 20,187 | 19,812 | 23,883 | 18.3% | 20.5% |
| Share of non interest income in total income | 42,6% | 39,8% | 43,1% | 0.5% | 3.3% |
| Total income | 47,337 | 49,772 | 55,365 | 17.0% | 11.2% |
| Operating costs | 27,877 | 24,343 | 35,950 | 29.0% | 47.7% |
| Operating income | 19,460 | 25,429 | 19,415 | -0.2% | -23.7% |
| Dividend received | 4 | 437 | 0 | -100.0% | -100.0% |
| Accounting for acquisition goodwill | 3,996 | -779 | 5,783 | 44.7% | -842.4% |
| Diminution in value, provisions and loan losses | 362 | 190 | -1,829 | | |
| Pre-tax profits | 15,830 | 26,835 | 11,803 | -25.4% | -56.0% |
| After tax profits | 12,583 | 22,121 | 9,062 | -28.0% | -59.0% |
| EPS undiluted (HUF) | 47.6 | 83.1 | 34.0 | -28.7% | -59.1% |
| EPS fully diluted (HUF) | 45.0 | 79.0 | 32.4 | -28.2% | -59.0% |
| Cost to income ratio | 58.9% | 48.9% | 64.9% | 6.0% | 16.0% |
| Return on Assets | 2.17% | 3.43% | 1.34% | -0.8% | -2.1% |
| Return on Equity | 25.7% | 35.7% | 14.0% | -11.8% | -21.8% |
| Net interest margin | 4.69% | 4.62% | 4.72% | 0.0% | 0.1% |

In the fourth quarter of 2003 the net interest income reached HUF31,482 million, which was 16.0% higher than a year earlier and 5.1% higher than in the third quarter of 2003. Compared to the fourth quarter of 2002 interest income grew by 17.2% and interest expenses by 18.6%. Compared to the third quarter of 2003 interest income increased by 12.8% and interest expenses grew by 23.4%. Average balance sheet of the Bank was 15.3% higher than in the similar period in 2002. Average interest earned on assets was 8.79% while average cost of funding reached 4.06%. Interest spread increased by 8 bps to 5.39% and net interest margin by 3 bps to 4.72%. Spread was 31 bps and margin was 10 bps higher than in 3Q 2003.

Non-interest income grew by 18.3% to HUF 23,883 million, by 20.5% compared to the third quarter of 2003. Net fees and commissions were 30.5% higher than in fourth quarter 2002. and 8.5% higher than in the third quarter of 2003. The Bank posted HUF1.1 billion loss on securities trading in the fourth quarter of 2003. Within this the loss on trading activities was HUF1.4 billion, the profit on exchange rate was HUF400 million and the profit from realized and accrued depreciation of premium amounted to HUF56 million. The proportion of non-interest income in total income reached 43.1%, which was 42.6% in the same period of 2002. Total income of the Bank grew by 17.0% to HUF 55,365 million.

Non-interest expenses grew by 29.0% to HUF35,950 million compared to the fourth quarter of 2002, due to the remarkable seasonality of several expenses, to the costs related to the closing of actual phases of BOR and DSK projects, to the second salary increase of the employees in 2003 and the bonus for sale of subsidiaries' services and due to the once occurred costs connected to the considerable cut-back. Considerable one-time payments were made for rental fees and for fees to specialists, due to the accelerated implementation of the projects. One-time payments amounted to HUF2 billion.

The overall quality of the loan portfolio deteriorated in the **fourth quarter of 2003**. Qualified portion of total receivables represented 4.4%, on 31 December 2003 while it was 3.9% on 30 September 2003. This is due to the fact that while decrease in total loans was 0.9% in 4Q 2003 and no-problem loans declined by 1.4%, qualified loans increased by 10.6% to HUF55.8 billion. Problem loans (which do not include to-be-monitored loans) grew in the fourth quarter by HUF5.9 billion or by 16.3%. The ratio of non performing loans therefore increased from 2.8% to 3.3%.

Within total receivables, to-be-monitored loans fell by 3.5% or HUF507 million, volume of below-average loans increased by 59.5% or HUF7,187 million, bad loans were by 17.1% or HUF1,110 million higher than on 30 September 2003. Decrease of doubtful loans was 14.0% or HUF2,432 million. During the fourth quarter, within total receivables, customer receivables increased by 5.4%.

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

In the retail business, receivables decreased by 1.4%, qualified receivables by 1.0%, which was caused by the decline in the to be monitored and below average loans and by the slight growth in the doubtful and bad categories. In the municipality business, receivables were higher by 10.0% while the qualified receivables were higher by HUF40 million compared to 30 September 2003. The volume of qualified loans to credit institutions increased by HUF5 million.

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

| | To be monitored | Below average | Doubtful | Bad |
|---|---|---|---|---|
| Corporate | -101 | 7,203 | -2,661 | 983 |
| Retail | -470 | -16 | 253 | 121 |
| Municipal | 64 | 0 | -24 | 0 |

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

Fourth quarter pre-tax profits for the Bank were the result of HUF19,415 million operating income, HUF5,783 million provisioning and loan losses and HUF-1,829 million accounting for acquisition goodwill. Compared to the same period in 2002 this represented a 0.2% decline in operating income and 44,7% higher provisioning. In the fourth quarter of 2003 the bank did not realize dividend, contrary to the HUF7,235 million received dividends in the second quarter of 2003 which is considered outstanding but a one time action.

OTP Bank's pre-tax profit for the fourth quarter of 2003 was HUF11,803 million, a 25.4% decrease from fourth quarter of 2002, and 56.0% (55.3%) less than in the third quarter of 2003. After tax profit of the bank in the fourth quarter 2003 was HUF9,062 million, a 28.0% decrease compared to the fourth quarter 2002, and by 59.0% (58.2%) lower than in the third quarter 2003.

Undiluted earning per share (EPS) for the period was HUF33.96, and diluted was HUF32.36. US dollar equivalents are USD 0.16 and USD 0.15 respectively, based on the central banks average middle exchange rate between 30 September and 31 December 2003 (218.28 HUF/USD).

Annualized return on average assets for the period was 1.34%, on average equity 14.0%, 82 bps and 1,177 bps lower than for the same period in 2002, and 209 bps (-202 bps) and 2,177 bps (-2,107 bps) lower than in the third quarter of 2003.

## MAJOR NON-CONSOLIDATED FIGURES FOR 2003

OTP Bank's **pre-tax profit** for 2003 was HUF86,708 million (HUF79,017 million), a 49.3% (36.8%) increase from a year earlier. This profit was obtained as a result of HUF93,562 million **operating income**, HUF7,691 million received dividends, HUF13,288 million of diminution in value and provisions and HUF-1,257 million acquisition goodwill. Compared to the base period, this represents 32.3% increase in operating income and 1.7% lower diminution in value and provisioning expenses. The gained dividends increased by HUF7,359 million, from HUF332 million in 2002. The acquisition goodwill (OBS, DSK) was HUF-1,257 million compared to HUF572 million in 2002.

After tax profit was HUF71,506 million (HUF63,815), HUF24,309 million (HUF16,950 million), or 51.5% (36.2%) higher than in 2002.

After having generated the HUF7,151 million of general reserves and the dividend fund for the period, representing 60% dividend over the face value of the shares (HUF60 per share), the Bank's retained earnings for the year 2003 were HUF48,349 million, an increase of 13.8% over the year earlier. (There was no dividend payment after the results of the year 2002.)

Earnings per share for the period were HUF269.00 undiluted (HUF240.06), HUF255.38 diluted (HUF227.91), which is 50.3% (35.1%) and 51.5% (36.2%) higher than for 2002. US dollar equivalents are USD 1.20 (USD 1.07) and USD 1.14 (USD 1.02) respectively, 72.9% (55.4%) and 74.3% (56.7%) higher than in 2003, based on the central banks average middle exchange rate between 31 December 2002 and 31 December 2003 (224.33 HUF/USD).

Annualized return on average equity (ROE) for 2003 was 30.5% (27.2%), on average assets (ROA) 2.78% (2.48%) [25.9% (25.7%) and 2.09% (2.07%) resp. in 2002]. Non consolidated real ROE (ROE less inflation) reached 25.8% (22.5%) - as a result of the growth in equity and declining inflation (to 4.7% from 5.3% y-on-y) – and was higher than in 2002 and exceeded the long term target of the Bank.

## NET INTEREST INCOME

The bank's net interest income for 2003 was HUF118.2 billion, 15.0% higher than in 2002. The net interest income was a result of HUF205.6 billion interest income (8.9% increase) and HUF87.4 billion interest expenses (1.6% increase).

Interest earned on interbank accounts was 16.8% lower due to the 27.9% decline of the average placement and the increasing of the inter-bank interest rate level. In interbank interest incomes HUF10.7 billion FX and interest swap income was accounted. Income from securities increased by 49.1% accompanied by the increase of their average volumes (64.5%) and the fall in the yields compared to 2002. OTP Bank's portfolio of HUF506.1 billion from the mortgage bonds issued by the OTP Mortgage Bank contributed to the growth of interest income and volume, too. In line with the 0.1% decrease in average volume and with 93 bps decline in rates, interest income from retail accounts fell by 5.7%. The interest income decreased by 5.5% in corporate lending and increased by 66.7% in municipal lending, meanwhile the interest level fell, too and the growth in volume was 12.2% and 89.2%, respectively. 23.8% of interest income was earned on retail accounts and 22.0% on corporate accounts and 31.1% on securities.

While the volume of customer liabilities is growing, interest expenses decreased on retail accounts, mainly due to the growing share of sight deposits, and increased on corporate and municipal accounts. Interest paid on interbank accounts grew both in HUF and in foreign exchange. The growth was caused, in HUF, by the HUF6.7 billion loss on interest swap deals (mainly counterbalanced by the HUF5.8 billion profit accounted in interest income) and, in foreign currency, by the interest expenses of the syndicated loans. Interest expenses on securities fell by 42.0%. Interest paid on retail accounts fell by 16.5% and their share in total interest expenses was 62.7% in line with the decrease in the interest rate level and the liability structure.

The result of the FX and interest swap deals – accounted in interbank interest incomes and expenses – improved the net interest income of the Bank by HUF2.8 billion. The profit of the swaps charged in HUF was HUF3.3 billion, charged in FX was HUF0.4 billion while interest swaps reduced the net interest income by HUF0.9 billion. The total impact on the result was HUF5.9 billion in 2002.

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

| | Average volume | Interest income/expense | Yield (bps) |
|---|---|---|---|
| Customer receivables | +13.4% | -148 | -1.4% |
| Total assets | +16.6% | -57 | +8.9% |
| Customer liabilities | +13.7% | -78 | -6.6% |
| Total liabilities | +16.6% | -51 | +1.6% |

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

## QUALITY OF LOAN PORTFOLIO, PROVISIONS

**Compared to 31 December 2002**, total receivables increased by 3.1% (customer receivables by 13.7%), total qualified outstanding was 8.6% higher (increase in customer qualified receivables reached also 8.6%), thus portion of qualified receivables changed from 4.2% to 4.4% over 31 December 2002. Problem loans increased from HUF33.5 billion as on 31 December 2002 to HUF41.7 billion or by 24.8%, mainly due to the HUF12.7 billion increase in below average corporate loans, and the decrease of doubtful corporate loans (by HUF3.6 billion) and of bad corporate loans (by HUF1.4 billion). For HUF55.8 billion of qualified outstanding, total provisions created were HUF20.6 billion resulting, in harmony with the structural change of the qualified portfolio, in a falling coverage ratio to 36.9% (40.1% at the end of December 2002). Provisions created on HUF41.7 billion problem loans was HUF19.7 billion, which means 47.2% coverage ratio.

| | 31 December 2003 | | 31 December 2002 | | Change % | |
|---|---|---|---|---|---|---|
| | HUF mn | Distribution | HUF mn | Distribution | volume | Distribution |
| Total of loans | 1,272,492 | 100.0% | 1,234,772 | 100.0% | 3.1% | |
| Performing loans | 1,216,671 | 95.6% | 1,183,374 | 95.8% | 2.8% | -0.22% |
| To be monitored | 14,080 | 1.1% | 17,939 | 1.5% | -21.5% | -0.35% |
| Below average | 19,267 | 1.5% | 6,489 | 0.5% | 196.9% | 0.99% |
| Doubtful | 14,885 | 1.2% | 18,037 | 1.5% | -17.5% | -0.29% |
| Bad | 7,591 | 0.6% | 8,933 | 0.7% | -15.0% | -0.13% |
| Qualified | 55,823 | 4.4% | 51,398 | 4.2% | 8.6% | 0.22% |
| Provision | 20,593 | | 20,606 | | -0.1% | |
| Coverage ratio | 36.9% | | 40.1% | | -3.2% | |
| Of which NPL | 41,743 | | 33,459 | | 24.8% | |
| Provision | 19,713 | | 19,362 | | 1.8% | |
| Coverage ratio | 47.2% | | 57.9% | | 10.7% | |

Since 31 December 2002, the share of the corporate business in the qualified portfolio grew from 74.8% to 78.8%, and, parallel with this, the proportion of retail business line in the qualified portfolio fell from 21.4% to 20.6%. At the same time 66.5% of the provisions were generated in the corporate and 32.3% in the retail business.

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

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

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

The provisioning and loan losses on customer receivables for 2003 were HUF10,540 million (an increase of 19.7% from a year earlier).

The HUF10.5 billion loan loss provisioning represented 1.00% (annualized) of the average customer receivables (HUF1,054.8 billion) compared to 0.95% for 2002.

Provisions/loan losses in HUF millions:

| | 2002 | 2003 | Change |
|---|---|---|---|
| Provision/depreciation and loan losses | 13,524 | 13,288 | -1.7% |
| HAR mandatory | 8,811 | 10,544 | 19.7% |
| General risk provision | 3,324 | 2,734 | -17.7% |
| Provision on uncovered derivative positions (without options) | 985 | -708 | -171.9% |
| Provision on option deals | - | 0 | - |
| Provision for early retirements and severance payments | 1,000 | 545 | -45.5% |
| Other provision | -596 | 173 | 129.0% |

## NON-INTEREST INCOME

During 2003 non-interest income increased by 34.8% over 2002, and reached HUF85,625 million. Net fees and commissions represented HUF85,170 million, a 49.8% increase (fees and commissions received increased by 48.6% or HUF31.4 billion, fees and commissions paid were 39.3% or HUF3.0 billion higher).

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

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

Foreign exchange loss totaled at HUF1,404 million for 2003, in 2002 the profit was HUF3,552 million. The losses on the revaluation of the asset-liability items were worse by HUF3,763 million reaching a loss of HUF4,405 million. The Bank suffered significant FX losses resulting from its EURO position taken in preparation for the acquisition of DSK Bank and on the option trading on proprietary account. The Bank, in spite of the significantly lower volume of HUF/FX swaps and of the positions generated by the acquisitions (OBS, DSK) held a significantly smaller long average FX position in its balance sheet (HUF57 billion average volume, HUF81 billion in 2002). In the same time the overall net FX open position was higher, but without the acquisition positions it reached HUF13.7 billion average, compared to HUF7.5 billion averages in 2002.

Losses on real estate transactions were HUF118 million compared to losses of HUF22 million a year earlier.

Other non interest income of HUF2,915 million was 22.1% lower than in 2002. From this, income from the repurchased old housing loans in the framework of the debt restructuring program represents roughly HUF1 billion. Other income of the Forrás loans sold to OTP Mortgage Bank was HUF745 million in 2003.

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

Total income for the Bank reached HUF203,784 million, a 22.6% increase; well above the inflation.

## NON-INTEREST EXPENSES

During year 2003, non-interest expenses reached HUF110,222 million, 15.3% higher than a year earlier and below the growth rate of the income.

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

The other non-interest expenses were by 20.5% or HUF9,611 million higher than a year earlier. Within these, the most important items are the material type of costs that grew by HUF5,735 million or 18.1%. Within these items, the material costs fell by HUF417 million. Technical equipments service fees grew by HUF569 million and fees paid for domestic other services increased by HUF440 million, fees paid for domestic specialist by HUF2,590 million or by 197.1%, fees paid for foreign specialist by 123.0% to HUF504 million. Other rental expenses grew by 12.1% to HUF4,326 million. Local taxes increased by 15.4% to HUF4.8 billion. Value added tax on the result was HUF6,407 million, HUF2,833 million higher than a year earlier. The outsourced equipments had a considerable role in the growth of rental expenses and of value added tax on the result. Advertising expenses grew in line with the competition and activities by 12.5% year to year. HUF2 billion from the growth of costs is considered as extraordinary expense.

The Bank's cost/income ratio for the year 2003 was 54.1%, 339 bps lower than in 2002, and lower than the projected figure for the year.

Beyond the provisions related to credit risks, the Bank also generated the required proportional general risk provisions, HUF2,734 million (-17.7%), on the basis of the 2003 increase of the risk weighted assets of the Bank.

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

## NON-CONSOLIDATED HAR BALANCE SHEET AS AT 31 DECEMBER 2003

OTP Bank's total assets as at 31 December 2003 were HUF2,763,205 million, 15.6% higher than a year earlier. The increase is higher than the inflation resulting in real asset growth for the preceding 12 months. Based on total assets, the Bank had 20.4% of the banking system's total assets (on 31 December 2002 22.1%).

Since 31 December 2002 within banking assets, cash and banks decreased by 27.3% driven by the decrease of NBH account balance by 14.2% and 45.8% decline in short-term placements with NBH and 12.6% decline in foreign currencies. The increase in HUF cash was 39.1%.

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

The volume of the interbank placements decreased by 36.9% since the 31 December 2002 and represented 6.0% of total assets. Within this decrease, the FX deposits with foreign banks represented the most significant part. HUF loans with domestic banks grew by 17.8% to HUF11.5 billion.

Within total assets, **receivables from customers** represented 39.4% (39.9% on 31 December 2002), and were HUF1,088.3 billion, which was 14.3% higher than a year earlier. Within the commercial loan portfolio, in the last 12 months, retail lending fell by 3.5%, corporate lending grew by 23.7%. Loans to municipalities grew by 24.6%. In the loan portfolio, the share of retail loans was 29.2%, corporate loans represented 63.5%, and municipal loans 7.3%.

Within **corporate lending** reaching HUF691.2 billion by the end of December 2003, loans extended to economic entities was 24.3% higher than a year earlier reaching HUF644.9 billion. Loans for investment purposes grew by 5.1% to HUF75.8 billion, the share of investment loans changed to 11.0%. Current asset financing loans fell by 8.6% and represented a 16.8% proportion in loans to economic entities. Foreign currency loans grew by 46.3% to HUF208.6 billion and represented 32.3% of total compared to 27.5% a year earlier. Overdrafts increased by 21.0% to HUF47.5 billion during the past 12 months. Loans granted to small businesses and individual entrepreneurs increased by 24.2%, to HUF20.7 billion, the share of loans to small and individual businesses within the corporate loan portfolio was 3.0%, same as a year earlier.

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

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

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

At the end of December 2003 the **market share**[6] of the Bank **in lending** showed a varied picture. Based on preliminary data, on 31 December 2003 the market share of the Bank was 13.4% in overall lending (16.0% on 31 December 2002), and it granted 14.2% (23.3%) of household, 11.9% (12.5%) of corporate and 54.4% (55.8%) of municipal loans. The bank's market share in housing lending was 12.3% (27.3%) and in consumer lending (includes mortgage-based home equity loans too) 17.5% (18.8%).

On 31 December 2003, **customer deposits** represented 80.9% of the Bank's liabilities. Their volume was HUF223.8 billion or 11.1% higher than a year earlier and reached HUF2,234.9 billion. The increase in retail business was HUF132.6 billion, in corporate business was HUF79.4 billion, deposits of municipalities grew by HUF11.8 billion.

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

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

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

Volume of **corporate deposits** increased by 23.2% to HUF421.4 billion from a year earlier. Deposits of legal entities increased by 32.3% in HUF and grew by 5.3% in foreign currencies. HUF deposits of small businesses and individual entrepreneurs grew by 13.9%, and declined by 35.1% in foreign currency. The Bank's market share of corporate deposits was 14.3%, with 1.8% above the market share at the end of December 2002.

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

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

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

## SHAREHOLDERS' EQUITY

**Shareholders' equity** of OTP Bank on 31 December 2003 reached HUF262.5 billion, an increase of 27.5% compared to the same period a year ago. The increase of HUF56.7 billion was a result of an additional HUF7.2 billion in general reserves, as well as a HUF46.2 billion increase in retained earnings, a HUF2.6 billion decrease in fixed reserves and a HUF5.9 billion growth in net profits. Non-audited book value of 1 share on 31 December 2003 was HUF937.6.

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

## OTHER

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

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

The number of the Bank's **ATMs** expanded from 1,168 a year earlier to 1,305, the number represented approximately 40% of ATMs operating in Hungary and almost half of the ATMs operated by banks. The number of transactions executed by the Bank's card owners, performed through the Bank's ATMs, reached 65.0 million in 2003, while the turnover of these transactions was HUF1,594.2 billion, an increase of 5.6% and 17.8%, resp. over 2002. The number of **POS terminals** on 31 December 2003 stood at 20,452, 2,411 more than one year earlier. Out of them 2,773 were operating in the Bank's branches and 12.640 at commercial establishments, which include gas stations. The number of withdrawal transactions on the Bank's own POS network was 6.7 million, the turnover was HUF1,084.8 billion. The number of purchases on POS terminals at merchants was 42.8 million (34.1% increase) valuing HUF351.4 billion (34.1% increase). The number of client terminals operating through telephone lines reached 11,996 on 31 December 2003. At the end of December 2003 the number of contracted customers for the telephone banking service surpassed 537,000, for mobile banking service 200,000 and for internet banking service 277,000. The number of transactions arranged through the electronic distribution network of the Bank in 2003 was 120.8 million valuing HUF3,225.2 billion. More than 70% of the turnover in withdrawal transactions and almost half of the purchases in the country were arranged through the network of OTP Bank.

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

Trend in the number of OTP Bank staff:

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

## CONSOLIDATED NON AUDITED HAR FIGURES AS OF 31 DECEMBER 2003

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

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

| | Equity | | Total assets | | Pre-tax profits | |
|---|---|---|---|---|---|---|
| | 31-December-02 | 31-December-03 | 31-December-02 | 31-December-03 | 2002 | 2003 |
| **OTP Bank Ltd.** | 205,843 | 262,530 | 2,390,120 | 2,763,205 | 58,082 | 86,708 |
| Subsidiaries total | 75,778 | 149,095 | 658,043 | 1,553,348 | 10,044 | 25,335 |
| Total (non consolidated) | 281,621 | 411,625 | 3,048,163 | 4,316,553 | 68,126 | 112,043 |
| **Consolidated** | 237,536 | 306,421 | 2,734,082 | 3,511,163 | 68,175 | 103,091 |

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

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

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

## CONSOLIDATED BALANCE SHEET

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

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

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

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

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

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

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

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

In spite of the rapid growth, the quality of the loan portfolio on a consolidated level remained the same, and is good. In the loan portfolio, to the no-problem loans grew by 55.6% and represented 85.1% (85.6% in 2002) while 9.9% (7.6% in 2002) belongs to the to-be-monitored category which grew by 104.8%. From the HUF103.9 billion problem loans representing 5% (6.8% in 2002), HUF25.9 billion is below-average, HUF18.9 is doubtful and HUF59.1 billion is qualified as bad. Consolidated provisions created on HUF288.4 billion qualified loans was HUF74.8 billion, which means 25.9% coverage ratio. (On 30 June 2003 it was 27.1%). Estimated Group market share in household loans was 50.1% of which share on housing related (including mortgage) loans grew to 57.4%. Group share in corporate loans was 12.6%; in municipality loans 56.9%.

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

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

Compared to 2002, the volume of investments was 47.8% higher in the consolidated balance sheet. The receivables from customers maturing over a year grew with largest amount (HUF578.6 billion), the change was influenced considerably by the OTP Bank (HU44.7 billion), by OTP Mortgage Bank (HUF392.7 billion) and the consolidation of DSK (HUF107.3 billion).

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

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

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

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

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

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

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

Provisions on the liability side in the consolidated balance sheet rose by HUF21.6 billion compared to 31 December 2002. The growth came from the following sources: provisions for pensions and severance payments HUF0.5 billion, general risk provisions by HUF5.3 billion, provisions for contingent and future liabilities by HUF1.2 billion, and other provisions increased by HUF14.6 billion. Within the latter, growth in reserves of OTP-Garancia Insurance Ltd. (HUF15.7 billion) were the major part.

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

## CONSOLIDATED RESULTS

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

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

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

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

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

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

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

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

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

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

Preliminary consolidated annualized ROAA in 2003 reached 2.66% (2.18% in 2002). Meantime consolidated ROAE was 30.5% (26.2% in 2002), that, based on an average annual inflation of 4.7% in 2003, means a 25.8% real ROAE (20.9% in 2002).

## SUBSIDIARIES

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

| | 2002 | 2003 | Change |
|---|---|---|---|
| Merkantil Bank Ltd. | 2,375 | 2,644 | 11.3% |
| Merkantil-Car Ltd. | 629 | 1,454 | 131.2% |
| Merkantil Bérlet Ltd. | 82 | 159 | 93.9% |
| NIMO 2002 Ltd.[7] | - | -37 | |
| Merkantil Group | *3,086* | *4220* | *36.7%* |
| OTP Building Society Ltd. | 1,604 | 365 | -77.2% |
| OTP Mortgage Bank Ltd. | 651 | 8,545 | 1212.6% |
| OTP Banka Slovensko a. s.[8] | -3,504 | -230 | 93.4% |
| DSK Bank EAD | - | 2,050 | - |
| DSK subsidiaries | - | -14 | - |
| DSK Group[9] | - | *2,036* | - |
| OTP-Garancia Insurance Ltd. | 1,602 | 2,294 | 43.2% |
| OTP Fund Management Ltd. | 3,501 | 4,381 | 25.1% |
| HIF Ltd. | 236 | 259 | 9.7% |
| OTP Real Estate Ltd. | 1,076 | 1,305 | 21.3% |
| OTP Factoring Management Ltd. | 177 | 64 | -63.8% |
| OTP Factoring Ltd. | 880 | 1,328 | 50.9% |
| OTP Factoring Group | *1,057* | *1,392* | *31.7%* |
| Bank Center No. I. Ltd. | 639 | 81 | -87.3% |
| OTP Fund Servicing and Consulting Ltd. | 19 | 221 | 1063.2% |
| Other subsidiaries | 77 | 466 | 505.2% |
| **Subsidiaries total** | 10,044 | 25,335 | 152.2% |

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

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

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

Main financial data of the bank in HUF millions:

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

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

[8] Pre-tax profit of OBS according to Slovakian GAAP in 2003 reached HUF81 million and HUF-2,607 in 2002.

[9] DSK Group, consisting of DSK Bank, DSK Rodina, DSK Trans Security and DSK Tours is fully consolidates since 1 October 2003. Pre-tax profits for consolidation purposes are according to HAR HUF2,036 million, according to Bulgarian GAAP HUF2,171 million. Full year pre tax profits of the group according to HAR HUF 8,297 million, according to Bulgarian GAAP HUF8,433.

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

Return on average assets for 2003 was 3.57%, return on average equity 23,7%. Capital adequacy under HAR reached 12.82%, with guarantee capital of HUF9.8 bn and risk weighted assets of HUF71.4 bn.

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

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

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

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

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

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

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

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

Selected financial data of OTP Mortgage Bank in HUF millions

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

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

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

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

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

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

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

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

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

Estimated market shares are as below:

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

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

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

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

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

Evolution of DSK Bank's market shares:

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

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

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

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

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

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

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

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

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

In of 2003, total insurance income reached HUF63.9 billion, expenses amounted to HUF62 billion. Within expenses, damages were HUF31.5 billion. Thus, the damage to premium ratio in the non life insurance business reached together with the change in reserves 60.5%. This ratio in the life business was 83.3%. Insurance technical reserves increased by 22.8% to HUF84.3 billion in accordance with the long term strategic and business policy goals of the company. Total assets of the company increased by 25.4% from the corresponding period of last year from HUF80.4 billion to HUF100.8 billion. Shareholders' equity increased from HUF8.5 billion to HUF10.3 billion.

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

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

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

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

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

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

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

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

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

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

## NON CONSOLIDATED BALANCE SHEET

Total assets of the Bank were HUF2,736.4 billion on 31 December 2003, which was 14.5% higher than a year earlier.

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

The gross volume of loans grew by 7.5% to HUF1,089.1 billion. Within this the loans maturing over a year amounted to HUF667.6 billion, their proportion was to 61.3%. The volume of provisions was 1.2% higher than a year earlier, reached HUF18.6 billion. The net volume of loans was HUF1,070.5 billion, 7.6% growth year on year. Within loans, loans to enterprises amounted to HUF679 billion (22.3% growth), loans to municipalities HUF91.6 billion (28.5% decline), consumer loans HUF135.9 billion(15.1% growth) while housing loans amounted to HUF182.7 billion (13.9% decline)at the end of December 2003. Corporate loans represented 62%, retail loans 30% of total loans on 31 December 2003.

The volume of debt securities kept until maturity increased by 72.7% to HUF625.3 billion. Within these, the volume of treasury bills was HUF276.9 billion, mortgage bonds were HUF346.1 billion. The net volume of other assets decreased by 9.9%.

On the liability side, the 10.7% increase of customer deposits was significant, thus the share of customer deposits in total liabilities decreased to 82.8% (85.6% in 2002). Within HUF2,264.5 billion customer deposits, deposits with maturity over one year amounted to HUF10.7 billion. 73.3% of the total deposits was retail (HUF1,659.9 billion volume; 8.4% increase), 19.4% corporate (21.7% increase in volume) and 8.6% (7.9% increase in volume) was municipal deposit. The liabilities from issued securities decreased by 0.7%.

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

## NON CONSOLIDATED STATEMENT OF OPERATIONS (PROFIT AND LOSS ACCOUNT)

The net interest income of the Bank according to IFRS was HUF112.2 billion, which was 3.0% higher than in 2002. This was a result of 5.0% increase in interest income and 7.5% increase in interest expenses.

Within interest income, reflecting the change in the asset structure, the 23.1% decrease of interests on interbank accounts was significant, partly due to the disparate run of swap deals. Interest income from trading securities increased significantly, by 76.6%, while interest income from lending was 2.4% lower.

The results of the swap transaction show up on the interest income and expenses on bank accounts line. Due to the fact that the HUF exchange rate fluctuated sorely in a wide band during 2003 the accounting after IFRS 39 resulted that these interest incomes (profits) decreased by HUF2.7 billion while expenses (losses) increased by HUF11.1 billion. Thus the change in results of swaps caused HUF13.8 billion lower net interest income. This decline in result was HUF9.8 billion higher than after HAR (HUF3,9 billion) and highly contributed to that IRFS net interest margin was lower than after HAR. The significant swap expenses (loss-write back) are partly compensated by the significant improvement (worsening) of the FX transaction accounts (HUF9.3 billion better in 2003 than in 2002). Within the difference between HAR and IFRS (HUF7.3 billion) there was an increase in result because of the fair value adjustment after IFRS 39.

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

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

Non-interest income grew by HUF35.2 billion or 51.6% to HUF103.5 billion. Within this, dividends received were HUF7.7 billion, net FX profits reached HUF5.9 billion, fees and commissions amounted to HUF96 billion. Net loss on securities trading was HUF8.9 billion which is HUF11.5 billion decline compared to 2002. Other non-interest income fell by 26.5% to HUF2.9 billion.

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

Pre-tax profit of the Bank according to IFRS was HUF84.5 billion which represented a 34.2% growth. After-tax profit grew by 35.2% to HUF70.2 billion. Basic earnings per share reached HUF262 (in 2002 HUF197), while fully diluted were HUF261(in 2002: HUF196).

Calculated cost to income ratio for 2003 was 57.5%, 3.4% lower than in 2002. (After the calculation similar to the Hungarian standards, cost/income ratio was 55.2% for 2003, 59.1% in 2002.) The gross interest margin of the Bank according to IFRS calculated on the mathematical average of total assets was 4.38% in 2003, its net interest margin 4.1%, 47 bps lower than in 2002, due to the result of swap deals occurred on different lines. ROA calculated on the average total assets was 2.74% (in 2002: 2.31%), while ROE calculated on average shareholders' equity was 29.3% (in 2002: 29.2%). Net asset value per share of the Bank (diluted) grew by 35.8% to HUF987.

## CONSOLIDATED BALANCE SHEET

On 31 December 2003 the consolidated IFRS total assets of the Bank were HUF3,469.5 billion, representing a 27.7% increase over the same period a year earlier. The IFRS total assets of the Group were 26.8% higher on 31 December 2003 than that of the Bank, thus confirming the overwhelming position of the Bank within the Group.

The Bank’s consolidated shareholder’s equity on 31 December 2003 was HUF311.5 billion, 39.3% higher than the consolidated shareholders’ equity as of 31 December 2002, and 12.8% higher than the unconsolidated shareholders’ equity. The increase was caused by the creation of capital reserves from the considerable part of the profit after tax.

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

On 31 December 2003 the volume of interbank placements was 14.8% lower due to the change in the structure of placements.

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

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

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

On the liability side, customer deposits grew by 25% reaching HUF2,689.8 billion on 31 December 2003 and were 18.8% higher than the volume at the Bank. Volume of issued securities was 47.2% higher than a year earlier and reached HUF124.9 billion.

## CONSOLIDATED STATEMENT OF OPERATIONS (PROFIT AND LOSS ACCOUNT)

Confirming the success of the subsidiaries and the efforts aiming at increase the profitability, the 2003 consolidated IFRS net income of OTP Bank was HUF83.1 billion, HUF23.9 billion or 40.3% higher than for 2002 and 18.3% or HUF12.9 billion higher than the non-consolidated after-tax profit for the same period. Income before income taxes grew by 40.4% to HUF102.7 billion.

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

Interest expense was HUF107.3 billion, 11.7% higher than in 2002, and was 15.7% above the interest expenses of the Bank. Interest paid on customers' deposits declined by 4.8% to HUF81.4 billion and was 8.1% above the Bank's figure. Interest on issued securities was 120.6% higher. Consolidated interest expenses on securities were HUF6.9 billion above the Bank due to securities issued by Merkantil Bank and OTP Mortgage Bank and foreign subsidiaries.

Gross consolidated interest margin over average total assets improved further during the fourth quarter of 2003 and was 5.70%, 34 bps above 2002 figure. Net interest margin diminished in the fourth quarter and was 5.49% compared to 5.01% for the year 2002.

Non-interest income was 16.8% higher than in the previous year and reached HUF145.5 billion. Within non-interest income the increase in fee and commission income to HUF81.7 billion, by 28.5%, was significant. It was 14.7% lower than net fees and commissions at the Bank, due to the consolidation of fees from OTP Mortgage Bank. Losses on securities trading were HUF7.5 billion contrary to the profit of HUF1.1 billion in 2002. Net profit on foreign exchange transactions was HUF5.2 billion while it was HUF2.8 billion loss in 2002. Real estate transactions results were HUF1.3 billion. Consolidated non-interest income was 40.6% higher than at the Bank, partly due to the insurance premium of HUF56 billion (an increase of 12.6%) at OTP-Garancia Insurance subsidiary. Other income decreased by 27.4% to HUF8.4 billion.

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

Consolidated cost-income ratio was 66.1% down 2.2% from 2002 (cost income ratio similar to HAR was 63.9%, 2.8% less than in 2002). Consolidated ROAA on average total assets grew considerably to 2.69% (2.36% in 2002), while consolidated ROAE reached 31.1% nominal, 0.8%points higher than a year earlier. Real ROAE increased form 25.0% to 26.4%. Consolidated net asset value per share was HUF1,113 on 31 December 2003. Basic earnings per share (EPS) reached HUF334, HUF93 above 2002 data.

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

During the fourth quarter of 2003, the Top Management, the Auditor, the Supervisory Board and the Board of Directors of the Bank did not change.

Budapest, 13 February 2004

*FINANCIAL DATA*

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

| | 2002 audited | 2003 preliminary | Change in % |
|---|---|---|---|
| Interest from interbank accounts | 35,128 | 29,235 | -16.8 |
| Interest from customer accounts | 51,898 | 48,960 | -5.7 |
| Interest from corporate accounts | 47,865 | 45,245 | -5.5 |
| Interest from municipal accounts | 6,152 | 10,253 | 66.7 |
| Interest from bonds | 42,879 | 63,919 | 49.1 |
| Interest from mandatory reserves | 4,858 | 7,949 | 63.6 |
| Total interest income | 188,780 | 205,561 | 8.9 |
| Interest on interbank accounts | 4,087 | 11,203 | 174.1 |
| Interest on customer accounts | 65,656 | 54,799 | -16.5 |
| Interest on corporate accounts | 9,168 | 14,522 | 58.4 |
| Interest on municipal accounts | 5,476 | 5,716 | 4.4 |
| Interest on bonds | 714 | 414 | -42.0 |
| Interest on long term debt | 964 | 748 | -22.4 |
| Total interest expense | 86,065 | 87,402 | 1.6 |
| **Net interest income** | **102,715** | **118,159** | **15.0** |
| Fees & commissions income | 64,626 | 96,009 | 48.6 |
| Fees & commissions paid | 7,780 | 10,839 | 39.3 |
| Net fees & commissions | 56,846 | 85,170 | 49.8 |
| Gains (losses) on securities trading | -617 | -938 | 52.0 |
| Gains (losses) on forex trading | 3,552 | -1,404 | -139.5 |
| Gains (losses) on property transactions | 22 | -118 | -636.4 |
| Other | 3,740 | 2,915 | -22.1 |
| **Non interest income** | **63,543** | **85,625** | **34.8** |
| *Share of non interest income in total income* | *38.2%* | *42.0%* | *3.8* |
| **Total income** | **166,258** | **203,784** | **22.6** |
| Staff costs | 37,570 | 43,819 | 16.6 |
| Depreciation | 11,088 | 9,893 | -10.8 |
| Other operating expenses | 46,899 | 56,510 | 20.5 |
| **Operating costs** | **95,557** | **110,222** | **15.3** |
| *Cost/Income ratio %* | *57.5%* | *54.1%* | *-3.4* |
| **Operating income** | **70,701** | **93,562** | **32.3** |
| Dividend received | 332 | 7,691 | 2,216.6 |
| Diminution in value, provisions and loan losses | 13,523 | 13,288 | -1.7 |
| Accounting for acquisition goodwill | 572 | -1,257 | -319.8 |
| **Income before income taxes** | **58,082** | **86,708** | **49.3** |
| Taxes | 10,885 | 15,202 | 39.7 |
| Tax rate % | 18.7% | 17.5% | -1.2 |
| **After tax profits** | **47,197** | **71,506** | **51.5** |

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

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

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

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

## SELECTED CONSOLIDATED FINANCIAL DATA (HUF MILLIONS)

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

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

## SELECTED CONSOLIDATED FINANCIAL DATA (USD '000S)

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

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

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

in HUF million

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

in HUF million

| | 31-Dec-2002 OTP Bank | 31-Dec-2002 OTP Bank | Change (%) | 31-Dec-2002 Consolidated | 31-Dec-2002 Consolidated | Change (%) |
|---|---|---|---|---|---|---|
| ***LIABILITIES*** | | | | | | |
| **1. Liabilities to credit institutions** | **28,220** | **91,080** | **222.7%** | **60,832** | **126,353** | **107.7%** |
| a) repayable on demand | 1,701 | 5,430 | 219.2% | 1,610 | 2,829 | 75.7% |
| b) liabilities from financial services with maturity dates or periods of notice | 26,519 | 85,650 | 223.0% | 59,222 | 123,524 | 108.6% |
| ba) not more than one year | 17,137 | 24,738 | 44.4% | 37,307 | 54,895 | 47.1% |
| bb) more than one year | 9,382 | 60,912 | 549.2% | 21,915 | 68,629 | 213.2% |
| c) liabilities from investment services | | | | | | |
| **2. Liabilities to customers** | **1,992,081** | **2,234,936** | **12.2%** | **2,140,397** | **2,704,503** | **26.4%** |
| a) saving deposits | 353,303 | 345,772 | -2.1% | 358,926 | 442,155 | 23.2% |
| aa) repayable on demand | 44,013 | 46,846 | 6.4% | 45,301 | 137,023 | 202.5% |
| ab) maturity not more than one year | 309,230 | 298,874 | -3.3% | 313,327 | 304,890 | -2.7% |
| ac) maturity more than one year | 60 | 52 | -13.3% | 298 | 242 | -18.8% |
| b) other liabilities from financial services | 1,638,276 | 1,888,286 | 15.3% | 1,780,969 | 2,261,470 | 27.0% |
| ba) repayable on demand | 644,844 | 819,959 | 27.2% | 663,124 | 894,948 | 35.0% |
| bb) maturity not more than one year | 989,153 | 1,066,089 | 7.8% | 1,060,141 | 1,296,219 | 22.3% |
| bc) maturity more than one year | 4,279 | 2,238 | -47.7% | 57,704 | 70,303 | 21.8% |
| c) liabilities from investment services | 502 | 878 | 74.9% | 502 | 878 | 74.9% |
| **3. Liabilities from issued debt securities** | **62,689** | **58,130** | **-7.3%** | **102,689** | **136,661** | **33.1%** |
| a) issued bond | 2,015 | 2,101 | 4.3% | 2,015 | 1,104 | -45.2% |
| aa) maturity not more than one year | | | | | | |
| ab) maturity more than one year | 2,015 | 2,101 | 4.3% | 2,015 | 1,104 | -45.2% |
| b) issued other debt securities | 338 | 238 | -29.6% | 40,338 | 79,766 | 97.7% |
| ba) maturity not more than one year | 338 | 238 | -29.6% | 338 | 10,885 | 3,120.4% |
| bb) maturity more than one year | | | | 40,000 | 68,881 | 72.2% |
| c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities | 60,336 | 55,791 | -7.5% | 60,336 | 55,791 | -7.5% |
| ca) maturity not more than one year | 56,185 | 50,969 | -9.3% | 56,185 | 50,969 | -9.3% |
| cb) maturity more than one year | 4,151 | 4,822 | 16.2% | 4,151 | 4,822 | 16.2% |
| **4. Other liabilities** | **41,694** | **47,177** | **13.2%** | **48,988** | **61,688** | **25.9%** |
| a) maturity not more than one year | 41,694 | 47,177 | 13.2% | 48,564 | 59,005 | 21.5% |
| b) maturity more than one year | | | | 24 | 2,513 | 10,370.8% |
| c) (Calculated ) Corporate tax difference due to consolidation | | | | 400 | 170 | -57.5% |
| **5. Accruals and deferred income** | **23,108** | **27,145** | **17.5%** | **27,227** | **37,549** | **37.9%** |
| **6. Provisions** | **20,974** | **26,794** | **27.7%** | **96,634** | **118,277** | **22.4%** |
| a) provisions for pensions and similar obligations | 1,000 | 1,545 | 54.5% | 1,000 | 1,545 | 54.5% |
| b) risk provision for off-balance sheet items (for pending and future liabilities) | 3,732 | 7,385 | 97.9% | 4,346 | 5,579 | 28.4% |
| c) general risk provision | 14,254 | 16,988 | 19.2% | 15,294 | 20,550 | 34.4% |
| d) other provision | 1,988 | 876 | -55.9% | 75,994 | 90,603 | 19.2% |
| **7. Subordinated liabilities** | **15,511** | **15,413** | **-0.6%** | **19,779** | **19,711** | **-0.3%** |
| a) subordinated loan capital | 15,511 | 15,413 | -0.6% | 15,511 | 15,413 | -0.6% |
| aa) equity consolidation difference | | | | 4,268 | 4,298 | 0.7% |
| b) pecuniary contribution of members at credit institutions operating as credit cooperatives | | | | | | |
| c) other subordinated liabilities | | | | | | |
| **8. Subscribed capital** | **28,000** | **28,000** | **0.0%** | **28,000** | **28,000** | **0.0%** |
| From this: repurchased own shares at face value | 1,543 | 1,324 | -14.2% | 2,334 | 2,115 | -9.4% |
| **9. Subscribed but unpaid capital (-)** | | | | | | |
| **10. Capital reserves** | **52** | **52** | **0.0%** | **52** | **52** | **0.0%** |
| a) premium (from share issue) | | | | | | |
| b) other | 52 | 52 | 0.0% | 52 | 52 | 0.0% |
| **11. General reserves** | **34,169** | **41,320** | **20.9%** | **34,170** | **41,320** | **20.9%** |
| **12. Retained earnings (accumulated profit reserve) (+)** | **84,261** | **130,481** | **54.9%** | **86,232** | **132,748** | **53.9%** |
| **13. Legal reserves** | **16,883** | **14,328** | **-15.1%** | **16,883** | **14,328** | **-15.1%** |
| **14. Revaluation reserve** | | | | | | |
| **15. Profit or loss for the financial year according to the balance sheet (+)** | **42,478** | **48,349** | **13.8%** | **49,899** | **59,421** | **19.1%** |
| **16. Subsidiaries' equity increases/decreases (+-)*** | | | | **19,246** | **29,284** | **52.2%** |
| **17. Increases/decreases due to consolidation (+-)** | | | | **2,770** | **851** | **-69.3%** |
| - from debt consolidation difference | | | | 4,687 | 6,646 | 41.8% |
| - from intermediate result difference | | | | -1,917 | -5,795 | 202.3% |
| **18. Participation of outside members (other owners)** | | | | **284** | **417** | **46.8%** |
| **19 .Difference from exchange rate** | | | | | | |
| TOTAL LIABILITIES | ***2,390,120*** | ***2,763,205*** | ***15.6%*** | ***2,734,082*** | ***3,511,163*** | ***28.4%*** |
| ***From this:*** | | | | | | |
| *- SHORT-TERM LIABILITIES* | *2,104,797* | *2,361,198* | *12.2%* | *2,226,799* | *2,812,711* | *26.3%* |
| *- LONG-TERM LIABILITIES* | *35,398* | *85,538* | *141.6%* | *145,886* | *236,205* | *61.9%* |
| *- EQUITY (CAPITAL AND RESERVES)* | *205,843* | *262,530* | *27.5%* | *237,536* | *306,421* | *29.0%* |
| * Book value of shares owned by subsidiaries | | | | 10,917 | 11,092 | 1.6% |

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

in '000 USD

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

in '000 USD

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

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

**PK4. Profit and Loss Statement**

## PROFIT AND LOSS ACCOUNT

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

**in HUF million**

| | | 2002 | 2003 | Change | 2002 | 2003 | Change |
|---|---|---|---|---|---|---|---|
| | | OTP Bank | | % | Consolidated | | % |
| *1.* | *Interest received and interest-type income* | *188,780* | *205,561* | *8.9%* | *220,987* | *278,983* | *26.2%* |
| | a) interest received on securities with fixed-interest signifying a creditor relationship | 42,879 | 63,919 | 49.1% | 48,775 | 79,966 | 63.9% |
| | b) other interest received and interest-type income | 145,901 | 141,642 | -2.9% | 172,212 | 199,017 | 15.6% |
| *2.* | *Interest paid and interest-type expenses* | *86,065* | *87,402* | *1.6%* | *97,574* | *101,957* | *4.5%* |
| | **Interest difference (1-2)** | **102,715** | **118,159** | **15.0%** | **123,413** | **177,026** | **43.4%** |
| *3.* | *Incomes from securities* | *332* | *7,691* | *2,216.6%* | *458* | *668* | *45.9%* |
| *4.* | *Fees and Commission received* | *63,545* | *94,680* | *49.0%* | *55,921* | *73,818* | *32.0%* |
| | a) revenues from other financial services | 57,872 | 87,446 | 51.1% | 53,005 | 70,420 | 32.9% |
| | b) revenues from investment services (except incomes from trading activities) | 5,673 | 7,234 | 27.5% | 2,916 | 3,398 | 16.5% |
| *5.* | *Fees and Commission paid* | *7,780* | *10,839* | *39.3%* | *10,609* | *15,679* | *47.8%* |
| | a) expenses on other financial services | 7,442 | 10,503 | 41.1% | 10,275 | 15,339 | 49.3% |
| | b) expenses on investment services (except expenses from trading activities) | 338 | 336 | -0.6% | 334 | 340 | 1.8% |
| *6.* | *Profit or loss from financial transactions (6/a-6/b+6/c-6/d)* | *1,748* | *-5,192* | *-397.0%* | *3,289* | *-5,799* | *-276.3%* |
| | a) revenues from other financial services | 34,592 | 14,393 | -58.4% | 34,226 | 20,615 | -39.8% |
| | b) expenses on other financial services | 31,304 | 19,313 | -38.3% | 29,751 | 26,016 | -12.6% |
| | c) revenues from investment services (revenues from trading activities) | 6,328 | 11,961 | 89.0% | 6,802 | 11,920 | 75.2% |
| | d) expenses on investment services (expenses from trading activities) | 7,868 | 12,233 | 55.5% | 7,988 | 12,318 | 54.2% |
| *7.* | *Other incomes from business* | *211,587* | *479,692* | *126.7%* | *112,271* | *121,635* | *8.3%* |
| | a) incomes from non financial and investment services | 7,681 | 8,387 | 9.2% | 94,770 | 98,976 | 4.4% |
| | a1) income of consolidated investment service providers | | | | 20,506 | 12,363 | -39.7% |
| | a2) income of consolidated insurance companies | | | | 55,160 | 61,205 | 11.0% |
| | a3) income of other consolidated companies | | | | 19,104 | 25,408 | 33.0% |
| | b) other revenues | 203,906 | 471,305 | 131.1% | 15,327 | 22,497 | 46.8% |
| | b1) income of consolidated investment service providers | | | | 13,666 | 21,523 | 57.5% |
| | b2) income of consolidated insurance companies | | | | 97 | 137 | 41.2% |
| | b3) income of other consolidated companies | | | | 1,564 | 837 | -46.5% |
| | ba) consolidation difference income due to debtor consolidation | | | | 10 | | -100.0% |
| | bb) other income due to consolidation | | | | 2,164 | 162 | -92.5% |
| *8.* | *General administration expenses* | *67,824* | *81,190* | *19.7%* | *76,334* | *94,502* | *23.8%* |
| | a) personnel expenses | 36,188 | 43,819 | 21.1% | 41,254 | 51,682 | 25.3% |
| | b) other administration expenses | 31,636 | 37,371 | 18.1% | 35,080 | 42,820 | 22.1% |
| *9.* | *Depreciation and amortization* | *11,088* | *11,913* | *7.4%* | *12,045* | *11,556* | *-4.1%* |
| *10.* | *Other expenses from business* | *231,335* | *501,254* | *116.7%* | *122,972* | *138,853* | *12.9%* |
| | a) expenses from non-financial and investment services | 6,156 | 7,025 | 14.1% | 58,048 | 52,564 | -9.4% |
| | a1) expense of consolidated investment service providers | | | | 18,353 | 9,815 | -46.5% |
| | a2) expense of consolidated insurance companies | | | | 39,670 | 42,731 | 7.7% |
| | a3) expense of other consolidated companies | | | | 25 | 18 | -28.0% |
| | b) other expenses | 225,179 | 494,229 | 119.5% | 37,408 | 48,502 | 29.7% |
| | b1) expense of consolidated investment service providers | | | | 34,785 | 46,835 | 34.6% |
| | b2) expense of consolidated insurance companies | | | | 422 | 570 | 35.1% |
| | b3) expense of other consolidated companies | | | | 2,201 | 1,097 | -50.2% |
| | ba) consolidation difference expense due to debtor consolidation | | | | | 11 | |
| | bb) other expense due to consolidation | | | | 60 | 2,471 | 4,018.3% |
| | c) expense of consolidated investment service providers | | | | 27,456 | 35,305 | 28.6% |
| | c1) expense of consolidated insurance companies | | | | 12,730 | 15,043 | 18.2% |
| | c2) expense of other consolidated companies | | | | 14,726 | 20,262 | 37.6% |
| *11.* | *Write-off of loans and provision for contingent and future liabilities* | *15,134* | *17,203* | *13.7%* | *22,483* | *29,916* | *33.1%* |
| | a) write-off of loans | 12,737 | 11,151 | -12.5% | 19,123 | 25,550 | 33.6% |
| | b) provision for contingent and future liabilities | 2,397 | 6,052 | 152.5% | 3,360 | 4,366 | 29.9% |
| *12.* | *Reversal of write-off of loans and credit for contingent and future liabilities* | *13,306* | *13,894* | *4.4%* | *19,042* | *26,488* | *39.1%* |
| | a) reversal of write-off of loans | 12,672 | 11,394 | -10.1% | 16,872 | 23,357 | 38.4% |
| | b) credit for contingent and future liabilities | 634 | 2,500 | 294.3% | 2,170 | 3,131 | 44.3% |
| *13.* | *Write-off of securities for investing purposes, signifying a creditor relationship, equity investments in associated* | *1,992* | *103* | *-94.8%* | *320* | *20* | *-93.8%* |
| *14.* | *Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity* | *1,349* | *322* | *-76.1%* | *60* | *349* | *481.7%* |
| **15.** | **Result of ordinary business activities** | **59,429** | **86,744** | **46.0%** | **69,691** | **103,659** | **48.7%** |
| | Including: -RESULT OF FINANCIAL AND INVESTMENT SERVICES | 57,904 | 85,382 | 47.5% | 61,387 | 93,245 | 51.9% |
| | - RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES | 1,525 | 1,362 | -10.7% | 8,304 | 10,414 | 25.4% |
| *16.* | *Extraordinary revenues* | *39* | *1,730* | *4,335.9%* | *53* | *141* | *166.0%* |
| *17.* | *Extraordinary expenses* | *1,386* | *1,766* | *27.4%* | *1,569* | *709* | *-54.8%* |
| **18.** | **Extraordinary profit or loss (16-17)** | **-1,347** | **-36** | **-97.3%** | **-1,516** | **-568** | **-62.5%** |
| **19.** | **Profit or loss before tax (±15±18)** | **58,082** | **86,708** | **49.3%** | **68,175** | **103,091** | **51.2%** |
| *20.* | Tax liabilities | 10,885 | 15,202 | 39.7% | 13,599 | 20,258 | 49.0% |
| | Tax difference due to consolidation | | | | -409 | -230 | -43.8% |
| **21.** | **After-tax profit or loss (±19-20)** | **47,197** | **71,506** | **51.5%** | **54,985** | **83,063** | **51.1%** |
| *22.* | Formation and utilization of general reserves (±) | -4,719 | -7,151 | 51.5% | -5,086 | -8,118 | 59.6% |
| *23.* | Use of accumulated profit reserve for dividends and profit-sharings | | | | | | |
| *24.* | Dividends and profit-sharings paid (approved) | | 16,006 | | | 15,524 | |
| **25.** | **Balance-sheet profit or loss figure (±21±22+23-24)** | **42,478** | **48,349** | **13.8%** | **49,899** | **59,421** | **19.1%** |

## PROFIT AND LOSS ACCOUNT

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

in '000 USD

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

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

# *IFRS FINANCIAL REPORTS*

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

(in HUF mn)

| | **2003** | **2002** | **change** |
|---|---|---|---|
| Cash, due from banks and balances with the National Bank of Hungary | 252,975 | 348,424 | -27.4% |
| Placements with other banks, net of allowance for possible placement losses | 165,209 | 277,627 | -40.5% |
| Securities held for trading and available-for-sale | 312,395 | 204,408 | 52.8% |
| Loans, net of allowance for possible loan losses | 1,070,476 | 994,994 | 7.6% |
| Accrued interest receivable | 31,798 | 23,407 | 35.8% |
| Equity investments | 138,802 | 48,888 | 183.9% |
| Debt securities held-to-maturity | 625,309 | 362,045 | 72.7% |
| Premises, equipment and intangible assets, net | 86,400 | 71,305 | 21.2% |
| Other assets | 53,063 | 58,908 | -9.9% |
| **TOTAL ASSETS** | **2,736,427** | **2,390,006** | **14.5%** |
| Due to banks and deposits from the National Bank of Hungary and other banks | 91,081 | 46,401 | 96.3% |
| Deposits from customers | 2,264,528 | 2,045,653 | 10.7% |
| Liabilities from issued securities | 2,039 | 2,054 | -0.7% |
| Accrued interest payable | 7,895 | 7,479 | 5.6% |
| Other liabilities | 79,255 | 69,433 | 14.1% |
| Subordinated bonds and loans | 15,413 | 15,511 | -0.6% |
| **TOTAL LIABILITIES** | **2,460,211** | **2,186,531** | **12.5%** |
| Share capital | 28,000 | 28,000 | 0.0% |
| Retained earnings and reserves | 262,544 | 192,358 | 36.5% |
| Treasury shares | -14,328 | -16,883 | -15.1% |
| **TOTAL SHAREHOLDERS' EQUITY** | **276,216** | **203,475** | **35.7%** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **2,736,427** | **2,390,006** | **14.5%** |

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

(in HUF mn)

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

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

(in HUF mn)

| | Retained Earnings and Reserves January 1, 2003 | Income for the period ended December 31, 2003 | Dividend | Direct Movements on Reserves | Retained Earnings and Reserves December 31, 2003 |
|---|---|---|---|---|---|
| **Hungarian financial statements** | **177,844** | **71,506** | **-** | **1,186** | **250,536** |
| *Adjustments to Hungarian financial statements:* | | | | | |
| Reversal of statutory general provision | 14,253 | 2,734 | - | - | 16,987 |
| Premium and discount amortization on investment securities | -48 | -300 | - | - | -348 |
| Allowance for possible loan losses | -1,340 | - | - | - | -1,340 |
| Allowance for possible losses on off-balance sheet commitments and contingent liabilities | -228 | 152 | - | - | -76 |
| Increase of investment in subsidiary, recorded as an expense in the Hungarian financial statements | 1,012 | - | - | - | 1,012 |
| Difference in accounting for finance leases | -337 | -128 | - | - | -465 |
| Fair value adjustment of held for trading and available-for-sale financial assets (IFRS 39) | 3,481 | -8,454 | - | - | -4,973 |
| Fair value adjustment of derivative financial instruments (IFRS 39) | -1,754 | 4,004 | - | - | 2,250 |
| Profit/loss on sale of Treasury Shares | - | -5 | - | 5 | 0 |
| Correction of business/company value | -572 | 1,257 | - | - | 685 |
| Correction of investment in foreign currencies to cost | 281 | -2,405 | - | - | -2,124 |
| Book value adjustment due to subsidiary company transformation | - | -290 | - | - | -290 |
| Correction due to repo | -41 | 89 | - | - | 48 |
| Expenses charged directly to equity | - | 1,186 | - | -1,186 | 0 |
| Deferred taxation | -193 | 835 | - | - | 642 |
| **International financial statements** | **192,358** | **70,181** | **-** | **5** | **262,544** |

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

(in HUF mn)

| | 2003 | 2002 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Income before income taxes | 84,548 | 63,001 |
| *Adjustments to reconcile income before income taxes to net cash provided by operating activities:* | | |
| Income tax paid | -15,817 | -11,873 |
| Depreciation and amortization | 12,747 | 13,085 |
| Provisions | 10,537 | 9,584 |
| Unrealised losses/(gains) on fair value adjustment of securities held-for-trading and available-for-sale | 8,454 | -2,949 |
| Unrealised losses/(gains) on fair value adjustment of derivative financial instruments | 2,889 | -5,610 |
| Effect of deferred taxes | -835 | 215 |
| Other changes in operating assets and liabilities | 3,560 | -14,885 |
| **Net cash provided by operating activities** | **106,083** | **50,568** |
| **Net cash used in investing activities** | **-467,525** | **-294,254** |
| **Net cash provided by financing activities** | **249,528** | **231,040** |
| **Net decrease in cash and cash equivalents** | **-111,914** | **-12,646** |
| Cash and cash equivalents opening balance | 255,357 | 268,003 |
| **Cash and cash equivalents closing balance** | **143,443** | **255,357** |
| ***Analysis of cash and cash equivalents opening and closing balance*** | | |
| Cash, due from banks and balances with the National Bank of Hungary | 348,424 | 375,540 |
| Compulsory reverse established by National Bank of Hungary | -93,067 | -107,537 |
| **Cash and Cash equivalents opening balance** | **255,357** | **268,003** |
| Cash, due from banks and balances with the National Bank of Hungary | 252,975 | 348,424 |
| Compulsory reverse established by National Bank of Hungary | -109,532 | -93,067 |
| **Cash and Cash equivalents closing balance** | **143,443** | **255,357** |

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

(in HUF mn)

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

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

(in HUF mn)

| | **2003** | **2002** | **Change** |
|---|---|---|---|
| Interest Income: | | | |
| Loans | 159,639 | 129,711 | 23.1% |
| Placements with other banks | 20,799 | 26,653 | -22.0% |
| Due from banks and balances with the National Bank of Hungary | 18,500 | 19,251 | -3.9% |
| Securities held for trading and available-for-sale | 56,845 | 21,879 | 159.8% |
| Debt securities held-to-maturity | 27,870 | 32,822 | -15.1% |
| *Total Interest Income* | *283,653* | *230,316* | *23.2%* |
| | | | |
| Interest Expense: | | | |
| Due to banks and deposits from the National Bank of Hungary and other banks | 18,096 | 6,440 | 181.0% |
| Deposits from customers | 81,368 | 85,441 | -4.8% |
| Liabilities from issued securities | 7,044 | 3,193 | 120.6% |
| Subordinated bonds and loans | 748 | 963 | -22.3% |
| Other enterpreneurs | 0 | 4 | -100.0% |
| *Total Interest Expense* | *107,256* | *96,041* | *11.7%* |
| | | | |
| **NET INTEREST INCOME** | **176,397** | **134,275** | **31.4%** |
| | | | |
| Provision for possible loan losses | 6,463 | 8,817 | -26.7% |
| | | | |
| **NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES** | **169,934** | **125,458** | **35.5%** |
| | | | |
| Non-Interest Income: | | | |
| Fees and commissions | 81,748 | 63,618 | 28.5% |
| Foreign exchange gains and losses, net | 5,161 | -2,768 | -286.5% |
| Gains and losses on securities, net | -7,527 | 1,062 | -808.8% |
| Gains and losses on real estate transactions, net | 1,323 | 809 | 63.5% |
| Dividend income | 437 | 600 | -27.2% |
| Insurance premiums | 55,964 | 49,715 | 12.6% |
| Other | 8,382 | 11,545 | -27.4% |
| *Total Non-Interest Income* | *145,488* | *124,581* | *16.8%* |
| | | | |
| Non-Interest Expenses: | | | |
| Fees and commissions | 19,690 | 12,965 | 51.9% |
| Personnel expenses | 61,386 | 50,241 | 22.2% |
| Depreciation and amortization | 19,733 | 17,021 | 15.9% |
| Insurance expenses | 42,173 | 39,752 | 6.1% |
| Other | 69,783 | 56,932 | 22.6% |
| *Total Non-Interest Expense* | *212,765* | *176,911* | *20.3%* |
| | | | |
| **INCOME BEFORE INCOME TAXES** | 102,657 | 73,128 | 40.4% |
| Income taxes | 19,569 | 13,952 | 40.3% |
| **INCOME AFTER INCOME TAXES** | **83,088** | **59,176** | **40.4%** |
| Minorities | 1 | -55 | -101.8% |
| **NET INCOME** | **83,087** | **59,231** | **40.3%** |

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

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

[10] Shares and stakes considered as financial assets available for sale and securities held for trading and available for sale shall be presented in the IFRS balance sheet on fair market value. The write back of fair valuation of securities held for trading and available for sale, which increased previous year's results, decreased the result by HUF496 million, and reporting year's fair valuation decreased it aggregately by HUF4,656 million.
The fair valuation for the reporting year as on 31 December 2003 modified the result to the highest degree at OTP-Garancia Insurance Ltd. (HUF-733 million), at OTP Mortgage Bank Ltd. (HUF-3,407 million), at OTP Building Society Ltd. (HUF-536 million), at OTP Fund Management Ltd. (HUF46 million) and at OTP Banka Slovensko a. s. (HUF-26 million).
Difference in result: HUF-5,152 million

Fair valuation of mortgage bonds issued by OTP Mortgage Bank Ltd. and kept on the books of the parent bank, diminished the result in its individual IFRS report. With the filtering of the intra-company relations in the consolidated report the depreciation was wrote back as well. The write back of the previous year's result reducing filtering impact increased the results by HUF2,928 million. The filtering of the valuation in the actual year increased the result with HUF4,276 million.
Difference in result: HUF7,204 million
Total difference: HUF2,052 million

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