OTP Bank Ltd.

IFRS Financial Data 2002.
(Summarized, unconsolidated, audited)

Budapest, May 15, 2003

Audited IFRS report of OTP Bank Ltd. for the year 2002

The National Savings and Commercial Bank Ltd. has prepared its unconsolidated, audited IFRS report for 2002[1]. Below we present the summarized financial statements derived from the unconsolidated IFRS financial statements of December 31, 2002[2]. As the differences between HAR and IFRS data are not significant, we presented these dfferences summarized in the end of the report.

BALANCE SHEET

Total assets of the Bank were HUF2,390,006 million on December 31, 2002, which was 13.6% higher than a year earlier.

On the **asset** side, the volume of cash decreased by 7.2%. The volume of trading securities grew by 92.4% to HUF204.4 billion, however their structure has changed significantly. The volume of discounted treasury bills fell by HUF2.5 billion or by 33.8%, the volume of interest bearing treasury bills increased by HUF0.6 billion or by 45.9% and at the same time the NBH bonds disappeared. The volume of securities for sale grew by 195.7% mainly due to the HUF125.2 billion volume of mortgage bonds issued by OTP Mortgage Bank.

The gross volume of loans grew by HUF233.7 billion or by 30%. Within this the loans maturing over a year increased by 42%, their proportion grew to 62.4%. The volume of provisions was 5.7% lower than a year earlier thus the net volume of loans was 30.9% higher than on 31 December 2001. Within loans, loans to enterprises increased by 19.6% to HUF555.1 billion, while loans to municipalities were 129.7%, consumer loans 7.1% and housing loans 41.9% higher than at the end of 2001. Corporate loans represented 54.8% of total loans on 31 December 2002.

The gross volume of shares and investments was 47.4% higher than in the end of 2001.

The volume of debt securities kept until maturity decreased by HUF36.7 billion or by 9.2% to HUF362 billion. Within these, treasury bills decreased by 8.4%. The volume of bonds with maturity within 5 years increased by 15.7% to HUF272.8 billion, within these, those bearing variable interests decreased by 23.7% while the volume of fixed rate bonds was 7.3% lower than a year earlier. The volume of securities with maturity over 5 years increased by 18.8% to HUF89.2 billion, within these, however, the volume of fixed rate bonds was 71.3% higher than in the end of 2001. As a whole the volume of variable rate bonds decreased by 19.7% and fixed rate bonds increased, by 3.3% and reached HUF187.7 billion. The proportion of securities with maturity in 5 years represented 77.7%, while the variable rate securities represented 49.3% of total.

The net volume of other assets increased by 207.7%, within this the most significant increase was represented by loans sold to the mortgage bank with deferred payment, accounts with investment and pension funds, and fair value of derivative financial instruments.

On the **liability** side, the 11% increase of customer deposits was significant. As a result the share of customer deposits in total assets decreased to 85.6%, and in total liabilities to 93.6%. Within customer deposits, deposits with maturity less than a year grew by 11.4%, and deposits with maturity over one year decreased further, by 28.1%. The 18.1% increase of HUF deposits was accompanied by the 18.2% decrease of FX deposits. The liabilities from issued securities increased by 269.4%.

[1] The full report with auditors note is available upon request to the address provided at the end of the report
[2] Please note, that the IFRS report forms the Bank's Non-consolidated IFRS Financial Report only accompanied by the Accessory Supplement and Notes of the report

The shareholders' equity of the Bank was 34% higher than in the end of 2001 due to the 35.9% increase of reserves and the 4.9% decrease of own shares and its volume of HUF203.5 billion represented 8.5% of total assets.

STATEMENT OF OPERATIONS (PROFIT AND LOSS ACCOUNT)

The net interest income of the Bank according to IFRS was HUF108,917 million, which was 12.5% higher than in 2001. This was a result of 1.9% increase in interest income and 8.9% decline in interest expenses.

Within interest income, reflecting the change in the asset structure, the decrease of interests on NBH and interbank accounts was significant, while interest income from placements on the interbank market and with the NBH grew. With the increasing volume of loans, interest income from customer loans grew by 16.5%. Interest income from trading securities increased considerably while from securities held to maturity decreased.

Interests paid on customer deposits decreased by 10.6%, partly because of the change in the structure of the deposits.

Provisioning for possible loan losses decreased by 6.3%. Net interest income after provisions made for possible loan and placement losses was 14.0% higher than in 2001. Provisioning on average volume of loans was 0.71% compared to 0.82% in 2001.

Non-interest income grew by 41.1%, within this fees and commissions increased very dynamically, by HUF18.3 billion or by 39.5%. Net profit on securities trading reached HUF2.6 billion while net FX losses were HUF3.4 billion. In case of both items, these was a HUF5 billion change in the opposite direction in the trend. Other non-interest income grew by 95.8% to HUF4.0 billion.

Non-interest expenses altogether were 22.4% higher than a year earlier. Within these the personnel expenses grew by 15.4%, fees and commissions paid by 22.6% and depreciation by 4.9%. Other non-interest type expenses decreased by 34.8%. Within these, provisions generated on shares and investments increased by HUF4.4 billion. Provisions for contingent and future liabilities and for off balance sheet items increased as well. Taxes (excluding the corporate tax) and fees paid for services increased by 15.3% and 2.2%, respectively.

Pre-tax profit of the Bank according to IFRS was HUF63,001 million which represented a 25.0% growth. After-tax profit grew by 26.1% to HUF51,901 million. Basic earnings per share reached HUF197 (in 2001: 1,563 for a share with HUF1,000 face value), while fully diluted were HUF196 (in 2001: 1,559 for a share with HUF1,000 face value).

Calculated cost to income ratio for 2002 was 60.9%, 0.2% higher than in 2001. The gross interest margin of the Bank according to IFRS calculated on the mathematical average of total assets was 4.85% in 2002, its net interest margin 4.58%, 3 and 10 basis points higher than in 2001. ROA calculated on the average total assets was 2.31% (in 2001: 2.05%), while ROE calculated on average shareholders' equity was 29.2% (in 2001: 29.6%). Net asset value per share of the Bank (diluted) grew by 34% to HUF726.7.

DIFFERENCIES BETWEEN THE PROFIT AND LOSS ACCOUNTS PREPARED ACCORDING TO THE INTERNATIONAL AND THE HUNGARIAN ACCOUNTING STANDARDS IN THE YEAR ENDING DECEMBER 31, 2002.

The after-tax profit of the Bank prepared according to the Hungarian Accounting Rules (HAR) and presented in a structure approximating the international standards developed as follows after the amendments according to the International Financial Reporting Standards (IFRS):

HUF millions

	HAR	IFRS amendments	IFRS
Pre-tax profits	58,083	4,918	63,001
Taxes (deferred taxes in IFRS) (-)	-10,885	-215	-11,100
After-tax profits	47,198	4,703	51,901

Profits after taxes according to IFRS were HUF4,703 million higher than according to HAR in 2002.

Generating/releasing the general risk provision, the provisions for exchange rate losses and country risk provisions

General risk provisions of HUF 3,324 million was generated in 2002 in the HAR profit and loss accounts based on the value of the risk weighted total assets.

The above provisions generated and released are not recognized by IFRS, thus the provisions generated and released were reversed which resulted in a HUF3,324 million profit increasing item in the IFRS profit and loss accounts.

Amortisation of the premiums and discounts on investment securities

According to the IFRS, for debt securities for investment purposes purchased above the par value, the loss equal to the difference between the par value and the cost shall be amortized on a straight-line basis from acquisition to maturity and the sum of the amortization shall be accounted against the income.

Similar regulations exist under HAR.

Modifications under IFRS are as follows:

- Release of IFRS accruals for the previous year of HUF 3million
- Release of HAR accruals of HUF 797 million
- IFRS accruals on 31 December 2002 of minus HUF845 million
- Total minus HUF45 million

The IFRS accruals from the last year are released and afterwards the new accrual calculation is done for the actual security portfolio taking into account the HAR reporting basis as follows:

1. first the HAR accruals are released, then
2. the new IFRS accruals are calculated.

In 2002, the difference between HAR and IFRS data is not significant, either, due to the fact that, major part of the non-amortizing securities categorized under the trading items was purchased by the Bank at face value.

The above items decreased the IFRS profit by HUF45 million in total.

Release of provisions for contingent and future liabilities

Within its business activities, the Bank financed and made built dwelling houses for sale, and in connection with this it was obliged to guarantee against possible workmanship faults for 10 years. The Bank's guarantee liability related to the dwelling houses will stand until 2007.

In the previous years, in IFRS, HUF 1,500 million provisions were generated for the possible losses arising from the house-guarantee claims.

In 1999, HUF 700 million, in 2000 HUF350 million, in 2001 HUF153 million and in 2002 HUF69 million was released from the provisions generated in the previous years. The latter was equal to the expenses paid by the Bank. The above items increased the IFRS profit by HUF69 million.

Accounting of finance leases

The Bank leased and paid rental fees for computers and other equipments since 1995. Contrary to the HAR, IFRS considers these transactions as finance leases, and the equipment is registered among tangible assets. Parts of these are equipments leased from AXIAL, and parts of them are the leases of ATMs.

IFRS takes out the items accounted according to HAR and accounts them according to the international standards.

The above items related to lease transactions decreased the IFRS profit by HUF486 million in total.

From this amount, cca. HUF 207 million came from the terminated contracts in 1Q 2002. The depreciation on the whole maturity of the finance leases almost equals the sum of the rent and the interest and fees from the loans in HAR. As the result of the termination of the contracts - coming from the timing difference of the rent payment obligation and the accounting of the amortisation - the item decreasing the profit was realised already in the first quarter IFRS profit

In the first quarter of 2002, the Bank sold tangible and intangible assets to AXIAL Ltd. that leased back from 1 April 2002. The maturity of the rent is 60 months. During the selling, the Bank realised HUF 205 million profit in its HAR reports. In IFRS, this amount is - considered as finance leases – accrued for the maturity, for 60 months.

Valuation of financial instruments according to IFRS 39

Starting 1 January 2002 the IFRS 39 standard is introducing valuation principles, which differ from HAR. At the Bank this resulted in modification of value relating to securities and off balance sheet financial instruments. Within securities a new category has been introduced and included into the balance sheet called: “Trading and sellable securities”.

1. Trading and sellable securities and participations.

The trading and sellable securities and sellable participations have to be presented in the balance sheet on market value. This market valuation difference based on 31 December 2002, increased the IFRS results by HUF2,949 million in 2002. From this growth, HUF 2,928 is explained by the market value of the mortgage bonds issued by OTP Mortgage Bank.

2. Difference in accounting for off balance sheet financial instruments

Because IFRS39 is marking these off-balance sheet financial instruments to market, the following items in HAR (non-covered derivative instruments, accrual of the revaluation result of the sport leg of the swap deals, accrued interest income and expense concerning the swap deals) have to be cancelled in IFRS and fair market valuation has to be made.

In IFRS the following modifications have been carried out:

- Reversal of IFRS accruals of minus HUF318 million
- Reversal of HAR provisions for non covered futures instruments of HUF1,459 million

- Reversal of accrual of the revaluation loss of the sport leg of the swap deals of minus HUF6,506
- Reversal of accrued interest income and expense concerning the swap deals of minus HU 1,497 million

Totaling minus HUF6,862 million

The futures, swaps and derivative type options are considered a trading instruments and liabilities, therefore their value in the balance sheet should be their fair market value. The results from marking to market reached HUF5,610 million. Consequently the modifications in the valuation of off balance sheet financial instruments (minus HUF 6,862 million plus HUF 5,610 million equaling minus HUF1,252 million) decreased IFRS results altogether by HUF1,252 million.

The total effect of modifications based on IFRS 39 increased IFRS results by HUF1,697 million.

Gains on repurchased own shares

According to HAR, the loss of HUF 1,576 million from the sale of repurchased own shares and the HUF 474 million exchange value difference paid to the Bank because of the transformation of the shares are posted in the HAR annual profit. All in all, it decreased the profit. IFRS, however, posts them directly into the reserves, thus this change increased IFRS profit by HUF 1,102 million.

Badwill

According HAR rules, when certain conditions coexist, a so-called badwill must be presented in the balance sheet of the acquiring company. The preconditions are as follows:

- the purchased company is not listed on stock exchange
- the buyer acquires, in the given company, a direct control by the purchase and
- the purchase price paid by the buyer is considerably lower than the share of the owners' equity for these investment.

The badwill is the difference between purchase price paid by the buyer and the share of the owners' equity for the investment.

Another HAR regulation is that badwill must be amortized against the result in 5 years (60 months).

Because of the Investicna a Rozvojova Banka (IRB, whose name changed from 1 August 2002. to OTP Banka Slovensko (OBS)) purchased by OTP Bank on 4 April 2002., badwill was accounted in the annual HAR report as follows:

- the actualized whole amount of badwill, on 31 December 2002. HUF3,815 million, of which
- HUF 572 million was charged to the annual result (nine sixtieth (9/60) part of the whole amount, namely the proportional value of the 9 months that passed between the purchase and 31 December 2002).

The IFRS regulations concerning badwill partly differ from that of the HAR. Participations can be evaluated in IFRS and show in the reports:

- purchased value, or
- equity value, or
- according to IFRS 39 value.

The Bank showed its participations so far at purchased value in its special IFRS report, therefore, based on the principle of consistency, it is justified to report IRB at purchased value, too. Consequently, in the Bank's special IFRS report, no badwill must be taken into account.

The IFRS modification - that was necessary because of this - decreased the profit by HUF 572 million.

Participations kept in the books in foreign exchange

According to HAR, the participations that are kept in the books in foreign currency must be revalued at the NBH rate on the last day of the month. Due to revaluation of the foreign investments in the participation (HIF Ltd., TVM S.A, OBS), in 2002, the Bank realized HUF 281 million loss.

According to IFRS, these participations kept in the books in foreign exchange must be evaluated at the original purchase price, on the exchange rate valid on the date of the transaction. The IFRS result had to be modified by the accounted HAR revaluation difference. This increased IFRS profit the by HUF 281 million.

Delivery repo modifications according to IFRS 39

The delivery repo deals are managed differently by IFRS and HAR. Please, find enclosed, the relating HAR regulation and, relating IFRS39, the guidelines issued by the IFRS Committee and the summary detailing the difference between the two regulations.

Because of the settlement rules of the repo deals, the IFRS profit is decreased altogether by HUF41 million, of which HUF73 million fall appears in the interest result and HUF113 million growth appears in the exchange results.

Self-audit and items accounted directly against reserves

According to HAR, corrections due to self-audit are accounted against profit reserves. IFRS does not consider the items discovered in the course of the Bank's self-audit a serious error, thus it posted the amount of HUF411 million decreasing the current year's profit.

Deferred taxes

HAR does not, while IFRS recognize and apply deferred taxation, where taxes are considered the same as other expenses and thus are subject to the principle of accrual and comparison.

In the Bank's case, deferred taxation effects items in the IFRS accounts that will, in all probability, be realized on Hungarian accounts in the future, i.e. be posted either as a cost or as income. As a result of their accounting, tax payable may change in both way.

The Bank started to apply deferred taxation under its IFRS accounts in 1994. Considering the 2002 profit changing items and the corporate tax rate of 18%, the assets resulting from deferred tax payment amounted to HUF215 million worsening the profit.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NON-CONSOLIDATED IFRS BALANCE SHEET
AS AT DECEMBER 31, 2002 AND 2001
Figures in HUF million

	2002	2001
Cash, due from banks and balances with the National Bank of Hungary	348,424	375,540
Placements with other banks, net of allowance for possible placement losses	277,627	326,830
Securities held for trading and available-for-sale	204,408	106,255
Loans, net of allowance for possible loan losses	994,994	760,164
Accrued interest receivable	23,407	26,999
Equity investments	48,888	33,175
Securities held-to-maturity	362,045	398,746
Premises, equipment and intangible assets, net	71,305	56,727
Other assets	58,908	19,144
TOTAL ASSETS	**2,390,006**	**2,103,580**
Due to banks and deposits from the National Bank of Hungary and other banks	46,401	25,133
Deposits from customers	2,045,653	1,842,722
Liabilities from issued securities	2,054	556
Accrued interest payable	7,479	8,770
Other liabilities	69,433	57,297
Subordinated bonds and loans	15,511	17,293
TOTAL LIABILITIES	**2,186,531**	**1,951,771**
Share capital	28,000	28,000
Retained earnings and reserves	192,358	141,559
Treasury shares	(16,883)	(17,750)
TOTAL SHAREHOLDERS' EQUITY	**203,475**	**151,809**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,390,006**	**2,103,580**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NON-CONSOLIDATED IFRS STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Figures in HUF million

	2002	2001
Interest Income:		
Loans	106,555	91,571
Placements with other banks	26,473	17,700
Due from banks and balances with theNational Bank of Hungary	18,488	33,017
Securities held for trading or available-for-sale	11,075	8,316
Securities held-to-maturity	32,540	40,860
Total Interest Income	*195,131*	*191,464*
Interest Expense:		
Due to banks and deposits from the National Bank of Hungary and other banks	4,189	2,670
Deposits from customers	80,988	90,570
Liabilities from issued securities	74	45
Subordinated bonds and loans	963	1,391
Total Interest Expense	*86,214*	*94,676*
NET INTEREST INCOME	**108,917**	**96,788**
Provision for possible loan and placement losses	6,214	6,627
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	**102,703**	**90,161**
Non-Interest Income:		
Fees and commissions	64,741	46,404
Foreign exchange losses and gains, net	(3,400)	2,421
Gains and losses on securities, net	2,600	(2,549)
Losses on real estate transactions, net	(14)	(59)
Dividend income	332	127
Other	3,989	2,037
Total Non-Interest Income	*68,248*	*48,381*
Non-Interest Expenses:		
Fees and commissions	7,854	6,406
Personnel expenses	37,571	32,551
Depreciation and amortization	13,085	12,475
Other	49,440	36,703
Total Non-Interest Expenses	*107,950*	*88,135*
INCOME BEFORE INCOME TAXES	63,001	50,407
Income taxes	11,100	9,239
NET INCOME AFTER INCOME TAXES	**51,901**	**41,168**
Earnings per share (in HUF)		
basic	197	1,563
diluted	196	1,559

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NON-CONSOLIDATED IFRS STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Figures in HUF million

	2002	2001
OPERATING ACTIVITIES		
Income before income taxes	63,001	50,407
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Income tax paid	(11,873)	(10,428)
Depreciation and amortization	13,085	12,475
Provision for possible loan and placement losses	6,214	6,627
Provision/(credit) for permanent diminution in value of investments	555	(3,829)
Provision/(credit) for possible losses of other assets	749	(1,239)
Provision for possible losses on off-balance sheet commitments and contingent liabilities net	2,066	1,299
Unrealised gains on fair value adjustment of securities held-for-trading and available-for-sale	(2,949)	(667)
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments	(5,610)	773
Effect of deferred taxes	215	268
Changes in operating assets and liabilities:		
Net decrease/(increase) in accrued interest receivable	3,592	(117)
Net increase in other assets, excluding advances for investments and before provisions for possible losses	(32,108)	(1,233)
Net decrease in accrued interest payable	(1,291)	(2,323)
Net increase/(decrease) in other liabilities	14,922	(2,850)
Net cash provided by operating activities	**50,568**	**49,163**
INVESTING ACTIVITIES		
Net decrease/(increase) in placements with other banks, before provision for possible placement losses	49,210	(103,237)
Net Increase in securities held for trading or available-for-sale before unrealised gains/lower of cost and market adjustment	(95,204)	(15,251)
Net increase in equity investments, before provision for permanent diminution in value	(16,268)	(2,708)
Net decrease/(increase) in securities held-to- maturity	36,701	(36,775)
Net decrease in advances for investments included in other assets	21	38
Net increase in loans, before provision for possible loan losses	(241,051)	(141,131)
Net additions to premises, equipment and intangible assets	(27,663)	(13,529)
Net cash used in investing activities	**(294,254)**	**(312,593)**

	2002	2001
FINANCING ACTIVITIES		
Net increase/(decrease) in due to banks and deposits from the National Bank of Hungary and other banks	21,268	(19,282)
Net increase in deposits from customers	202,931	178,790
Net increase/(decrease) in liabilities from issued securities	1,498	(477)
Decrease in subordinated bonds and loans	(1,782)	(467)
Profit on sale of treasury shares	(1,102)	72
Decrease/(increase) in treasury shares	867	(8,683)
Net decrease in the compulsory reserve established by the National Bank of Hungary	14,470	75,611
Dividends paid	(7,110)	(3,492)
Net cash provided by financing activities	**231,040**	**222,072**
Net decrease in cash and cash equivalents	**(12,646)**	**(41,358)**
Cash and cash equivalents at the beginning of the year	268,003	309,361
Cash and cash equivalents at the end of the year	**255,357**	**268,003**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NON-CONSOLIDATED IFRS STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Figures in HUF million

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2001	**28,000**	**107,402**	**(9,067)**	**126,335**
Net income after income taxes	-	41,168	-	41,168
Profit on sale of treasury shares	-	72	-	72
Change in carrying value of treasury shares	-	-	(8,683)	(8,683)
Effects of adoption of IFRS 39	-	192	-	192
Dividends declared on common shares	-	(7,275)	-	(7,275)
Balance as at December 31, 2001	**28,000**	**141,559**	**(17,750)**	**151,809**
Net income after income taxes	-	51,901	-	51,901
Loss on sale of treasury shares	-	(1,102)	-	(1,102)
Change in carrying value of treasury shares	-	-	867	867
Balance as at December 31, 2002	**28,000**	**192,358**	**(16,883)**	**203,475**

RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS
(in HUF mn)

	Retained Earnings and Reserves January 1, 2002	Net Income for the year ended December 31, 2002	Dividends	Direct Movements on Reserves	Retained Earnings and Reserves December 31, 2002
Hungarian financial statements	130,515	47,198	-	131	177,844
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	10,929	3,324	-	-	14,253
Premium and discount amortization on investment securities	(3)	(45)	-	-	(48)
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	(297)	69	-	-	(228)
Increase of investment in subsidiary, recorded as an expense in the Hungarian financial statements	1,012	-	-	-	1,012
Difference in accounting for finance leases	149	(486)	-	-	(337)
Fair value adjustment of held for trading and available-for-sale financial assets	532	2,949	-	-	3,481
Fair value adjustment of derivative financial instruments	(502)	(1,252)	-	-	(1,754)
Loss on sale of Treasury Shares	-	1,102	-	(1,102)	-
Revesal of negative goodwill	-	(572)	-	-	(572)
Revaluation of investments denominated in foreign currency to historical cost	-	281	-	-	281
Difference in accounting for repo transactions	-	(41)	-	-	(41)
Reclassification of direct charges	-	(411)	-	411	-
Deferred taxation	22	(215)	-	-	(193)
Reclassification of direct charge related to local tax	542	-	-	(542)	-
International financial statements	141,559	51,901	-	(1,102)	192,358

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