



**OTP BANK  
(NATIONAL SAVING AND  
COMMERCIAL BANK LTD.)**

***UNCONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
FOR THE HALF YEAR ENDED 30. JUNE 2003.***

**Budapest, 14 August 2003**

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

	June 30, 2003	December 31, 2002	June 30, 2002
Cash, due from banks and balances with the National Bank of Hungary	230,165	348,424	277,311
Placements with other banks, net of allowance for possible placement losses	214,686	277,627	271,813
Securities held for trading and available-for-sale	252,705	204,408	111,698
Loans, net of allowance for possible loan losses	1,017,631	994,994	902,970
Accrued interest receivable	30,392	23,407	23,177
Equity investments	54,550	48,888	39,791
Securities held-to-maturity	572,576	362,045	386,723
Premises, equipment and intangible assets, net	75,821	71,305	64,536
Other assets	<u>53,537</u>	<u>58,908</u>	<u>82,072</u>
<b>TOTAL ASSETS</b>	<b><u>2,502,063</u></b>	<b><u>2,390,006</u></b>	<b><u>2,160,091</u></b>
Due to banks and deposits from the National Bank of Hungary and other banks	88,101	46,401	44,817
Deposits from customers	2,042,094	2,045,653	1,815,300
Liabilities from issued securities	2,091	2,054	389
Accrued interest payable	13,611	7,479	17,213
Other liabilities	93,260	69,433	91,488
Subordinated bonds and loans	<u>16,229</u>	<u>15,511</u>	<u>16,297</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,255,386</u></b>	<b><u>2,186,531</u></b>	<b><u>1,985,504</u></b>
Share capital	28,000	28,000	28,000
Retained earnings and reserves	232,229	192,358	165,806
Treasury shares	<u>(14,552)</u>	<u>(16,833)</u>	<u>(19,219)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>246,677</u></b>	<b><u>203,475</u></b>	<b><u>174,587</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>2,502,063</u></b>	<b><u>2,390,006</u></b>	<b><u>2,160,091</u></b>

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

	Six month period ended June 30, 2003	Six month period ended June 30, 2002	Year ended December 31, 2002
<i>Interest Income</i>	<u>96,863</u>	<u>100,817</u>	<u>195,131</u>
<i>Interest Expense</i>	<u>50,184</u>	<u>41,972</u>	<u>86,214</u>
<b>NET INTEREST INCOME</b>	<b>46,679</b>	<b>58,845</b>	<b>108,917</b>
vision for possible loan and placement losses	2,497	3,820	6,214
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>	<b>44,182</b>	<b>55,025</b>	<b>102,703</b>
<i>Non-Interest Income</i>	<u>60,965</u>	<u>21,887</u>	<u>68,248</u>
<i>Non-Interest Expenses</i>	<u>55,890</u>	<u>47,297</u>	<u>107,950</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>49,257</b>	<b>29,615</b>	<b>63,001</b>
Income taxes	<u>7,906</u>	<u>4,975</u>	<u>11,100</u>
<b>NET INCOME AFTER INCOME TAXES</b>	<b><u>41,351</u></b>	<b><u>24,640</u></b>	<b><u>51,901</u></b>
Earnings per share (in HUF)			
Basic	<u>155</u>	<u>94</u>	<u>197</u>
Diluted	<u>155</u>	<u>94</u>	<u>196</u>

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

	Six month period ended June 30, 2003	Six month period ended June 30, 2002	Year ended December 31, 2002
<b>OPERATING ACTIVITIES</b>			
Income before income taxes	49,257	29,615	63,001
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i>			
Income tax paid	(2,243)	(4,396)	(11,873)
Depreciation and amortization	6,978	6,175	13,085
Provision	3,463	3800	9,584
Unrealised gains on fair value adjustment of securities held-for-trading and available-for-sale	(2,275)	(344)	(2,949)
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments	10,311	(10,423)	(5,610)
Effect of deferred taxes	(159)	(133)	215
Other changes in operating assets and liabilities	<u>(50,484)</u>	<u>(402)</u>	<u>(14,885)</u>
<b>Net cash provided by operating activities</b>	<b><u>15,166</u></b>	<b><u>24,846</u></b>	<b><u>50,568</u></b>
<b>Net cash (used in)/provided by investing activities</b>	<b><u>(174,164)</u></b>	<b><u>(105,471)</u></b>	<b><u>(294,254)</u></b>
<b>Net cash provided by financing activities</b>	<b><u>31,310</u></b>	<b><u>(24,425)</u></b>	<b><u>231,040</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b><u>(127,688)</u></b>	<b><u>(105,050)</u></b>	<b><u>(12,646)</u></b>
Cash and cash equivalents at the beginning of the Period	255,357	268,003	268,003
<b>sh and cash equivalents at the end of the period</b>	<b><u>127,669</u></b>	<b><u>162,953</u></b>	<b><u>255,357</u></b>

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

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
<b>Balance as at January 1, 2002</b>	<b>28,000</b>	<b>141,559</b>	<b>(17,750)</b>	<b>151,809</b>
Net income after income taxes	-	24,640	-	24,640
Profit on sale of treasury shares	-	(393)	-	(393)
Change in carrying value of treasury shares	<u>-</u>	<u>-</u>	<u>(1,469)</u>	<u>(1,469)</u>
<b>Balance as at June 30, 2002</b>	<b><u>28,000</u></b>	<b><u>165,806</u></b>	<b><u>(19,219)</u></b>	<b><u>174,587</u></b>
<b>Balance as at January 1, 2003</b>	<b>28,000</b>	<b>192,358</b>	<b>(16,883)</b>	<b>203,475</b>
Net income after income taxes	-	41,351	-	41,351
Loss on sale of treasury shares	-	(480)	-	(480)
Change in carrying value of treasury shares	<u>-</u>	<u>-</u>	<u>2,331</u>	<u>2,331</u>
<b>Balance as at June 30, 2003</b>	<b><u>28,000</u></b>	<b><u>233,229</u></b>	<b><u>(14,552)</u></b>	<b><u>246,677</u></b>

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

**NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS**

**1.1. General**

These financial statements were prepared in accordance with the prescriptions of IFRS 34.

**1.2. Accounting**

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

The Bank's functional currency is the Hungarian Forint ("HUF").

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

Preparing these financial statements the Bank followed the same accounting policies and methods as are applied in the annual financial statements of the year ended December 31, 2002 and were prepared according to the International Financial Reporting Standards.

**NOTE 2: SIGNIFICANT AND UNUSUAL EVENTS OCCURED DURING THE FIRST HALF OF 2003**

On May 13, 2003 it was announced that the Bank was the winner of the privatisation of DSK, the Bulgarian bank for a purchase price of EUR 311.1 million.

**NOTE 3: DIVIDENDS PAID**

**Dividends paid on common shares in the first half of 2003 and 2002**

	Six month period ended June 30, 2003	Six month period ended June 30, 2002
Dividends paid on common shares	<u>8</u>	<u>6.841</u>

**NOTE 4: SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE (in HUF mn)**

	June 30, 2003	December 31, 2002
Securities held for trading		
Hungarian Government discounted Treasury Bills	23,952	4,996
Hungarian Government interest bearing Treasury bills	2,097	1,945
Government bonds	20,709	10,002
Other securities	<u>3,911</u>	<u>1,148</u>
	<u>50,669</u>	<u>18,091</u>
Securities available -for-sale		
Government bonds	53,254	38,881
Other securities	23,282	22,192
Mortgage bonds	<u>125,500</u>	<u>125,244</u>
	<u>202,036</u>	<u>186,317</u>
Total	<u>252,705</u>	<u>204,408</u>

**NOTE 5: LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES**

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

	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Short-term loans and trade bills (within one year)	403,993	381,364
Long-term loans and trade bills (over one year)	<u>631,986</u>	<u>632,048</u>
	<u>1,035,979</u>	<u>1,013,412</u>
Allowance for possible loan losses	<u>(18,348)</u>	<u>(18,418)</u>
	<u>1,017,631</u>	<u>994,994</u>

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

	<b>June 30, 2003</b>		<b>December 31, 2002</b>	
Commercial loans	618,348	60%	555,099	55%
Municipality loans	108,446	10%	128,057	13%
Housing loans	186,288	18%	212,150	20%
Consumer loans	<u>122,897</u>	<u>12%</u>	<u>118,106</u>	<u>12%</u>
	1,035,979	100%	1,013,412	100%

**NOTE 5: LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES  
(in HUF mn) [continued]**

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

	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Balance as at January 1	18,418	19,540
Provision for possible loan losses	2,476	6,221
Write-offs	<u>(2,546)</u>	<u>(7,343)</u>
Balance as at June 30	<u>18,348</u>	<u>18,418</u>

**NOTE 6: EQUITY INVESTMENTS (in HUF mn)**

	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Equity investments:		
Controlling interest	58,960	51,051
Significant interest	351	2,623
Other	<u>853</u>	<u>995</u>
	<u>60,164</u>	<u>54,669</u>
Allowance for permanent diminution in value	<u>(5,614)</u>	<u>(5,781)</u>
	<u>54,550</u>	<u>48,888</u>

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

	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Balance as at January 1	5,781	5,226
(Credit)/Provision for permanent diminution in value	<u>(167)</u>	<u>555</u>
Balance as at June 30	<u>5,614</u>	<u>5,781</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO UNAUDITED, UNCONSOLIDATED  
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PERIOD ENDED JUNE 30, 2003**

**NOTE 7: HELD-TO-MATURITY INVESTMENTS (in HUF mn)**

	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Government securities	312,758	345,024
Hungarian Government discounted Treasury bills	29,695	3,689
Mortgage bonds	228,823	12,032
Other debt securities	<u>1,300</u>	<u>1,300</u>
	<u><u>572,576</u></u>	<u><u>362,045</u></u>

**NOTE 8: DEPOSITS FROM CUSTOMERS (in HUF mn)**

	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Within one year:		
In HUF	1,736,352	1,740,583
In foreign currency	<u>293,963</u>	<u>293,597</u>
	<u><u>2,030,315</u></u>	<u><u>2,034,180</u></u>
Over one year:		
In HUF	<u>11,779</u>	<u>11,473</u>
	<u>11,779</u>	<u>11,473</u>
Total	<u><u>2,042,094</u></u>	<u><u>2,045,653</u></u>

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

	<b>June 30, 2003</b>		<b>December 31, 2002</b>	
Commercial deposits	374,907	18%	361,749	18%
Municipality deposits	113,544	6%	152,590	7%
Consumer deposits	<u>1,553,643</u>	<u>76%</u>	<u>1,531,314</u>	<u>75%</u>
	2,042,094	100%	2,045,653	100%

**NOTE 9: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)**

**(a) Contingent liabilities and commitments**

	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Commitments to extend credit	321,891	314,127
Guarantees arising from banking activities	50,615	47,401
Confirmed letters of credit	816	787
Other	39	20,051
Legal disputes	<u>4,937</u>	<u>4,846</u>
	<u><u>378,298</u></u>	<u><u>387,212</u></u>



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

**(b) Derivatives**

	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Foreign currency contracts		
Assets	175,903	55,869
Liabilities	<u>176,630</u>	<u>58,743</u>
	<u>(727)</u>	<u>(2,874)</u>
Foreign exchange swaps and interest rate swaps		
Assets	128,360	161,347
Liabilities	<u>130,315</u>	<u>150,126</u>
	<u>(1,955)</u>	<u>11,221</u>
Option contracts		
Assets	366,693	183,322
Liabilities	<u>353,326</u>	<u>164,658</u>
	<u>13,367</u>	<u>18,664</u>
Forward rate agreements		
Assets	17,000	41,700
Liabilities	<u>8,000</u>	<u>26,500</u>
	<u>9,000</u>	<u>15,200</u>
 Total	 <u>19,685</u>	 <u>42,211</u>

**NOTE 10: NET INTEREST INCOME (in HUF mn)**

	<b>Six month period ended June 30, 2003</b>	<b>Six month period ended June 30, 2002</b>
Interest income		
Loans	49,243	49,586
Placements with other banks	10,645	17,982
Due from banks and balances with National Bank of Hungary	8,709	11,223
Securities held for trading and available-for-sale	8,760	3,539
Debt securities held-to-maturity	<u>19,506</u>	<u>18,487</u>
<i>Total Interest Income</i>	<u>96,863</u>	<u>100,817</u>
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	15,838	1,489
Deposits from customers	33,843	39,959
Liabilities from issued securities	84	21
Subordinated bonds and loans	<u>419</u>	<u>503</u>
<i>Total Interest Expense</i>	<u>50,184</u>	<u>41,972</u>
 <b>NET INTEREST INCOME</b>	 <b><u>46,679</u></b>	 <b><u>58,845</u></b>

**NOTE 11: RELATED PARTY TRANSACTIONS**

The Bank enters into transactions for services with a number of subsidiaries. Such transactions are conducted at rates which approximate market conditions.

The Bank sells non-performing loans to a work-out subsidiary. Such loans are transferred at amounts which approximate the net carrying value of such loans.

The Bank sold mortgage bonds with recourse to OTP Mortgage Bank Company Ltd. for the amount of HUF 213,795 million and 17,109 million at the six month periods ended June 30, 2003 and 2002 (including interest). The gross book value of these receivables was HUF 213,427 million and 17,109 million.

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

During the six month period ended June 30, 2003 the Bank received HUF 11,072 million commission from OTP Mortgage Bank Company Ltd. For the six month period ended June 30, 2002 such commissions were HUF 516 million. Such commissions are related to loans originally provided by the Bank and subsequently sold to OTP Mortgage Bank Company Ltd.