



OTP BANK LTD.

**DOCUMENTATION FOR THE COMPANY'S
ANNUAL GENERAL MEETING**

(ENGLISH TRANSLATION)

APRIL 26, 2002



AGENDA OF THE AGM

THE AGENDA OF THE GENERAL MEETING:

1. Report presented by the Board of Directors concerning the Company's 2001 business activities; acceptance of the 2001 Financial Report prepared according to HAR; decision on the distribution of after tax profits.
2. Report of the Supervisory Commission concerning the 2001 Financial Report prepared according to HAR and on the proposal of the Board of Directors regarding the distribution of after tax profits.
3. Report of the Bank's auditor concerning the results of the audit of the 2001 financial report prepared according to HAR.
4. Report of the Board of Directors on the Bank's Business Policy for 2002.
5. Election of the Company's auditor, approval of the appointment of official responsible for auditing, setting the remuneration.
6. Election of a member of the Board of Directors.
7. Election of the members of the Supervisory Board.
8. Establishing the remuneration of the members of the Board of Directors and Supervisory Board.
9. Modification of Section 4 of the By-Laws. (The amendment of the By-Laws requires $\frac{3}{4}$ th majority of votes.)
10. Modification of the management option share program concerning 2000-2004 due to the splitting of the share's face value.
11. Decision concerning the acquisition of own shares, specifying the maximum number and the purchase price thereof.



**THE 2000 BUSINESS REPORT OF THE
BOARD OF DIRECTORS OF OTP BANK
LTD.**

**(BASED ON NON-CONSOLIDATED AUDITED
HAR FINANCIAL STATEMENTS)**

THE 2001 BUSINESS REPORT OF OTP BANK LTD.

The National Savings and Commercial Bank Ltd. (hereinafter: the Bank) closed an outstandingly successful year in 2001: besides a significant increase in its profitability, it was able to retain its market-leading position.

As of 31 December 2001, the **consolidated balance sheet total** of the Bank was HUF 2,321 billion; 11.8%, or HUF 244 billion, higher than that of the previous year, and 9.1% higher than the balance sheet total of the parent company in the same period. In line with the strategy and business policy formulated by the Bank's management, the largest contribution to the growth of the balance sheet total was made by OTP Garancia Insurance Ltd., Merkantil Bank Ltd. and OTP Building Society Ltd.

The 2001 **consolidated pre-tax profit** of the Bank was HUF 57.3 billion; 20.4% higher than in the previous year and 20.9% higher than the pre-tax profit of the parent company in the year under review. The Bank's consolidated return on average assets (ROAA) was 2.11% and its return on average equity (ROAE) was 28.5% (2000: 1.95% and 30.5% respectively).

The parent company, the Bank, which made the largest contribution to both the consolidated balance sheet total and profits, may look back with satisfaction on what was a successful year based on its non-consolidated profits, too. The profitability and performance indicators of the Bank continued to improve in 2001. This was achieved through a dynamic increase in net interest income and in total income, which grew by 13.2% and 12.2% respectively, an improvement in the expense/income ratio and a lower ratio of provisions, value losses and lending losses (i.e., a drop in provisions, value losses and lending losses relative to the average value of placements). On the basis of the absolute size of its profits, the Bank retained its leading position among the banks, with its pre-tax profit accounting for nearly one third (32.8%) of the aggregate total pre-tax profit of the banking sector, and in terms of return on both assets and equity the Bank is in the front rank of the Hungarian banks.

The Bank's outstanding performance was reflected in the positive development of its share price and also in the number of both Hungarian and international awards that it received. A number of renowned international business and financial journals, such as Global Finance, Euromoney and The Banker, awarded it the title of "Best Hungarian Bank", and, according to a vote taken at the Budapest Stock Exchange, the Bank was the best issuer in 2001 and OTP stock the best security investment of 2001.

The price of OTP Bank's shares grew 4.1% in 2001, reaching HUF 16,500, while in the same one-year period the share index of the Budapest Stock Exchange, the BUX, fell 9.2% to 7,131 points. These changes are precisely in line with the price trends experienced in the previous years: between year-end 1997 and the end of February 2002, the price of OTP stock grew 170.6%, reaching HUF 21,000, while – in no small measure thanks to the Bank – the BUX remained close to 8,000 points in the same period. The increase in the price of OTP stock shows that the Bank is in a good position to participate in the consolidation of the local and regional financial sectors.

BALANCE SHEET

The Bank is still the largest bank in the Hungarian banking sector: its **balance sheet total** of HUF 2,172.2 billion represents 22.3% of the total assets of the banking sector and is more than HUF 1,000 billion higher than the balance sheet of the second largest bank. The HUF 196-billion, or 10.1%-growth in the Bank's balance sheet during 2001 represents a significant, 3.3%, growth in real terms (Dec./Dec. inflation: 6.8%), and is only slightly lower than the Hungarian banking sector average (12.7%). If we include the market share of the Bank's fully owned subsidiaries carrying on credit-institution activities, at the end of 2001 the Bank had a 32% share of the total deposits of the banking sector, and a 17% share of total loans.

Again in 2001, the Bank's growth resulted from the increase in collected funds, but besides this, a significant change occurred in the loan/deposit and the loan/balance-sheet-total ratios. The major part of the Bank's **sources** continued to be customer deposits, accounting for 85.1% of the Bank's total liabilities as at year-end 2001. Total customer deposits reached HUF 1,811.3 billion, surpassing the

previous year's figure by HUF 178.4 billion, or 10.9%. With an increase of the 13.2%, or HUF 169-billion in Forint deposits, exceeding the rate of increase of all other forms of customer funding, these deposits represented 80.2% of the customer-deposit total as at the end of 2001. Foreign currency deposits grew by HUF 9.4 billion, representing a 2.7% increase, and their share of total of customer deposits was 19.8%. Compared with the previous year, there was virtually no change in the distribution of customer deposits by customer group. Retail deposits accounted for 77.6% of total customer deposits (in 2000: 80.1%), whereas the share of corporate and municipality deposits was 14.0% and 8.4% respectively.

Within total liabilities, the volume of provisions increased from HUF 11.3 billion in 2001 to HUF 16.6 billion at the end of 2000. Pursuant to the provisions of the Act on Credit Institutions, by 31 December the Bank had completed the accumulation of the general risk reserve, its balance reaching HUF 10.9 billion, which represents an increase of 27.8% over the previous year. By year-end 2001, the provisions set aside for contingent and future liabilities had grown by a substantial 70.5%, reaching HUF 2.0 billion. The balance of other provisions grew 3.9%, reaching HUF 1.6 billion at year-end 2001.

In line with the Bank's business policy, in the year 2001, due to an increase of HUF 155.7 billion, or 25.4%, **the proportion of loans within the total of assets** increased from 31.8% to 36.2%. Within customer lending, loan placements to the retail sector displayed an increase well above the average. At year-end 2001, the balance of retail loans was HUF 258.2 billion; up 43.3% over the previous year. Continued economic growth, decreasing interest rates and the growth in housing subsidies all had a favourable impact on retail lending activity, which had already been accelerating rapidly in 2000. During 2001, the total value of housing loans grew by 44.8%, thus reaching HUF 150.8 billion by the end of the year. The pace of growth in consumer loans was also considerable, with their total value also increasing by more than 40%. Loans to the corporate sector grew by 18.2% during the year, with the balance of such loans standing at HUF 464.8 billion on 31 December 2001. The volume of loans granted to municipalities grew 14.9% during 2001. Within total customer placements, the share of corporate loans dropped from 64.0% to 60.4%, while that of retail loans grew from 29.3% to 33.5%. As at year-end 2001, municipality loans accounted for 6.1% of total customer placements.

Receivables from banks increased by 41.1%, and represented 15.5% of the Bank's total assets as at year-end 2001. The most important categories among interbank placements, of which more than 90% are of less than one-year's maturity, are foreign exchange deposits with foreign banks, Forint loans granted to domestic banks or foreign currency deposits placed with them.

Compared with the previous year, the share of **government securities** within the Bank's portfolio remained essentially unchanged (down from 22.7% to 22.6%). On 31 December 2001, this portfolio amounted to HUF 481.1 billion, representing a HUF 42.0 billion, or 9.6%, increase over the previous year. Within the total portfolio of government securities, the balance of trading securities dropped by a significant HUF 50 billion, and consequently, as at year-end 2001 the value of trading securities was HUF 136.3 billion, representing 28.3% of the total government securities portfolio. In 2001 the total value of investment securities grew by nearly 40%, or HUF 88.8 billion, as a result of which the share of this type of security within the total government securities portfolio grew to 71.7%. In response to the change in reserve regulations, the balance of **liquid assets** decreased significantly, by nearly HUF 110 billion, amounting to HUF 372.6 billion on 31 December 2001, or to 17.5% of total assets.

PROFIT AND LOSS ACCOUNT

The success of the Bank's efforts aimed at improving its profitability is indicated by the fact that in the year 2001 its **pre-tax profit** was HUF 47.4 billion, which 17.8% higher than that of 2000. This pre-tax profit results from the HUF 55.9 billion in operating profits and from the combined amount of HUF 8.5 billion in provisions, value losses and loan losses. Relative to the base period, operating profits grew by 16.1%, while provisions and value losses increased just 7.6% compared with the previous year.

Helped by a slight fall in the tax rate compared to 2000 (from 19.2% to 18.9%), the Bank's **after-tax profit** was HUF 38.4 billion in 2001, representing a HUF 5.9 billion, or 18.2%, increase over the previous year.

After setting aside HUF 3.8 billion for general risk provisions and setting up dividend funds to be proposed to the General Meeting, the **balance sheet profit** of OTP Bank Ltd. for the year 2001 amounts to HUF 27.3 billion, exceeding last year's figure by 13.8%.

Undiluted earnings per share (EPS)¹ in 2001 was HUF 1,454.67, while the diluted² figure was HUF 1,371.35, respectively 17.4% and 18.2% higher than in 2000.

The Bank's average return on assets (**ROAA**) in 2001 was **1.89%**, while the average return on equity (**ROAE**) was **26.9%** (in 2000: 1.76% and 28.5% respectively). The ROAE³ in real terms was 17.7%, in contrast to 18.7% in 2000. This decrease is attributable to the sharp, 25.4%, increase in average equity, as well as an inflation rate (9.2%) that was higher than expected. Both the asset and equity-related profitability indicators are in line with the Bank's plans, and are within the targeted range (respectively, above 1.75% and between 16-20%).

Net interest income of the Bank in 2001 amounted to HUF 98.3 billion, representing an increase of 13.2% over the previous year. Under conditions of a general decline in interest rates, the net increase in interest income originates from an interest income figure of HUF 193.8 billion (representing a 3.6% increase over the previous year) and an interest expense figure of HUF 95.5 billion (representing a 4.8% decline over the previous year).

In the year 2001 the interest differential (i.e. the net interest margin) computed on the average total assets and liabilities (HUF 1,936.9 billion) was 5.08%, or 30 basis points higher than in 2000.

In the year 2001, the Bank placed on average 26% of its liquid assets on the interbank market and with the National Bank of Hungary (NBH). With the average value of interbank placements decreasing by 13.3% and with a slight fall in the interest rate on these placements – which was nonetheless a smaller decline than that of interest rates on other forms of placements – the net interest income from interbank placements dropped by 14.8%. As a consequence, the ratio of interbank interest income within total interest income dropped to 24.2%. Due to the 27.4% increase in the average volume of retail deposits, and despite the significant, 2%-age-point, drop in the interest margin, the net interest income realised on retail accounts increased 15%, reaching a proportion of 22.4% of the total interest income. As a consequence of the increase in corporate and municipal lending, the net interest income realised on these accounts grew by 14.0% and 4.6% respectively, reaching a proportion of 22.2% and 3% within the total interest income. Compared to that of 2000, the interest earned from securities increased by 20.3%, or HUF 8.5 billion, reflecting the substantial, more than 30%, growth in the portfolio on the one hand and the effects of declining yields on government securities on the other. Interest on securities represented 25.9% of total interest income. In 2001, the yields on total average interest-bearing assets in Forint and foreign currency reached 10.93%, which is 24 basis points lower than in 2000.

Despite the increase in volumes, **interest expenses** decreased in all the account groups, with the exception of municipality and interbank accounts. Interest paid on municipality accounts increased by 2.8% due to a significant, more than 20%, increase in the average total balance of these accounts. The 13.8% increase in the interest paid on interbank accounts in spite of the significant, close to 40%, drop in the average balance, reflects the impact of rising funding costs. Interest paid on securities and on corporate accounts fell by the largest margin (by 48.8% and 13.7% respectively). Interest expense related to retail funding dropped by 3.1%, while the average balance of retail funds increased by 6.2%. The share of interest paid on retail funds within the total of interest expense was 78.3%, which is in harmony with the Bank's funding structure. In 2001, the cost of funds calculated on average interest-bearing Forint and foreign currency funding amounted to 5.53%, or 62 basis points down from the 2000 figure. The interest spread calculated on the total interest-bearing assets and liabilities was 5.39% in 2001, or 37 basis points higher than in 2000.

¹ The method for calculating undiluted earnings per share: adjusted after-tax profit/ (ordinary shares – own shares)

² Calculation method: (adjusted after-tax profit + preference dividend)/ (ordinary shares + preference shares)

³ Calculation method: ROAE – inflation (%)

In 2001 non-interest income increased by 9.8% to HUF 42.8 billion. A role was played in the more modest growth in 2001 of non-interest income by the loss generated by securities trading, the largest part of which is attributable to the one-off result of accounting changes. As a consequence of the dynamic growth in net interest income and the somewhat slower growth in non-interest income, the portion of non-interest income within total income dropped from 31.0% to 30.3%. From among the various types of non-interest income, **net commission and fee income increased by 24.9%**, from HUF 32.0 billion to HUF 40.0 billion. Compared with the previous year, in the course of 2001 commissions and fees received rose by 21.5%, while the increase in commissions and fees paid was just 3.9%. Among the commissions and fees received, income from the bankcard business rose by a significant 44.1%, totalling more than HUF 13 billion. Over 55% of the HUF 4.0-billion increase in card revenues originated from ATM cash withdrawal transaction fees, while 20% and 21% respectively was attributable to the increase in commission revenues from merchants and from the increase in card-fee revenues. Fee revenues in connection with Forint transactions grew 24.2% in 2001. Within this figure, commission revenues on Forint loans revealed a particularly high increase (37.5%). The increase in commissions on money transactions was 9.5%. Commission revenues on retail current accounts, which contribute nearly 90% of total commission revenues on deposits, increased 17.1% during 2001. Fee and commission revenue on foreign currency transactions decreased 5.4% in 2001. The **net result of securities trading** showed a loss of HUF 1.6 billion. The net gain from **FX trading** was HUF 3.0 billion, or 4.0% lower than that of the previous year.

The Bank's **total income** in 2001 amounted to HUF 141.1 billion, which, compared with last year, represents an increase of 12.2%.

In 2001 the Bank's **non-interest expenses** increased 9.7%, reaching HUF 85.2 billion, and this was the first time for many years that the rate of increase was higher than the rate of inflation. The effect of continued process rationalisation notwithstanding, this cost increase is attributable to increased outlays due to various development projects and to changes in accounting. **Personnel expenses** were 20.3% higher in 2001 than in the previous year. Besides the 10% employee salary increase at the start of 2001, this increase is attributable to a change in the settlement rules related to the option and bonus programmes, due to which the Bank's expenses of 2001 include the costs of the option and bonus programmes for two years. In 2001 the Bank's personnel expenses absorbed 23.1% of its total revenue, compared to 21.5% in 2000. At the end of 2001, the Bank's total **headcount** was 8,293, i.e. 156, or 1.9%, more than in 2000. Of this, 24 of the new employees consisted of those taken over from OTP Securities Ltd. due to the integration of securities trading into the Bank's activities. The average headcount for the period, however, fell by 247 persons, or by 2.9%.

Depreciation – partly due to the IT investments – was 7.3% higher than in 2000, amounting to HUF 11.1 billion. The ratio of depreciation to total income was 7.9%, compared to 8.2% a year earlier. Other non-interest expenses were 3.2% higher than in 2000.

As a result of the 12.2% rise in total income and a 9.7% increase in non-interest income, the Bank's **expense/income ratio** improved by 1.3 percentage points, from 61.7% to 60.4%.

The **quality of the Bank's receivables** improved compared to the previous year. As of 31 December 2001, qualified loans accounted for only 4.0% of total outstanding loans, whereas the same figure for year-end 2000 was 4.6%.

While total receivables grew by 27.1% in 2001 (and within this, customer receivables by 36.8%), the volume of qualified receivables (99.6% of which were due from customers) increased by 9.6%. Within the total of customer receivables, the share of qualified receivables from customers dropped from 6.3% to 5.6%, while the qualified portion of receivables due from banks did not change (0.1%). Within customer receivables, the portion of the qualified receivables in the corporate division dropped from 7.5% at year-end 2000 to 6.3% at the end of 2001. A slight increase in the qualified portion of receivables occurred in the retail and municipality divisions (from 5.5% to 5.7% and from 0.2% to 0.5% respectively).

The distribution of qualified loans by the various categories of qualification underwent a major transformation during the year. A substantial increase occurred in the "to be monitored" and "bad" categories (234.3% and 48.4% respectively), whereas the volume of receivables belonging to the categories "below average" and "doubtful" dropped significantly (by 57.9% and 57.8% respectively).

On the qualified portfolio of HUF 44.6 billion the Bank set aside a loan risk provision of HUF 21.7 billion, which corresponds to a coverage ratio of 48.6%.

Within the total amount of qualified loans, the share of corporate loans was 65.4% and the share of retail loans 33.5%. From the total of provisions the Bank set aside 52.3% for the corporate and 46.0% for the retail business. The quality of municipality loans continues to be excellent. Within this line of business, the proportion of qualified loans is just 0.5% of the total loan portfolio.

The value losses, risk provisions and loan losses that were recorded in connection with the Bank's customer receivables represented a charge of HUF 5.7 billion to the profit and loss account of 2001, with this amount representing 0.82% of the annual average loan balance in 2001, i.e. substantially lower than in 2000 (1.29%). The Bank also set aside, in accordance with the stipulations of the Act on Credit Institutions, a mandatory reserve (HUF 2.4 billion). The Bank – in line with the changes in the legal regulations – stopped setting aside a country risk provision and an exchange rate risk provision in 2001. The setting aside of other provisions reduced the Bank's result by HUF 0.5 billion.

As of 31 December 2001, the **equity** of OTP Bank amounted to HUF 158.5 billion, representing an increase of 24.3% since a year earlier. The increase of HUF 31.0 billion represents the net result of the HUF 3.8-billion growth in the general reserves, the increase of HUF 15.2 billion in the profit reserve, the HUF 8.7 increase in the legal reserves and the HUF 3.3 billion increase in the balance sheet profit. The equity per share, with a nominal value of HUF 1, 000, was HUF 5,661.

The **adjusted capital** of the Bank on 31 December 2001 was HUF 122.9 billion.

As of 31 December 2001, the **capital adequacy ratio** calculated according to Hungarian regulations was 14.11%; well in excess of the 8% required by the Act on Credit Institutions.

MAJOR 2001 FINANCIAL DATA OF OTP BANK LTD.⁴

Non-consolidated	2000 audited HUF mn	2001 audited HUF mn	Change
Interest income from interbank accounts	55,017	46,885	-14.8%
Interest income from retail accounts	37,830	43,488	15.0%
Interest income from corporate accounts	37,673	42,960	14.0%
Interest income from municipal accounts	5,572	5,830	4.6%
Interest income from securities	41,736	50,189	20.3%
Interest income from the mandatory reserve	9,271	4,450	-52.0%
Total interest income	187,099	193,802	3.6%
Interest expenses on interbank accounts	3,037	3,456	13.8%
Interest expenses on retail accounts	77,209	74,780	-3.1%
Interest expenses on corporate accounts	9,733	8,397	-13.7%
Interest expenses on municipal accounts	5,795	5,959	2.8%
Interest expenses on securities	2,881	1,476	-48.8%
Interest expenses on subordinated loans	1,591	1,392	-12.5%
Total interest expense	100,246	95,460	-4.8%
Net interest income	86,853	98,342	13.2%
Fees and commissions received	38,220	46,436	21.5%
Fees and commissions paid	6,172	6,414	3.9%
Net fees and commissions	32,048	40,022	24.9%
Net gain from securities trading	2,081	-1,642	-178.9%
Net gain from foreign exchange trading	3,123	2,999	-4.0%
Loss from real estate sales	-391	-168	-57.0%
Other non-interest income	2,104	1,564	-25.7%
Total non-interest income	38,965	42,775	9.8%
Share of non-interest income within total income	31,0%	30,3%	-2.1%
Total income	125,818	141,117	12.2%
Personnel expenses	27,066	32,551	20.3%
Depreciation	10,371	11,129	7.3%
Other non-interest expenses	40,232	41,534	3.2%
Total non-interest expenses	77,669	85,214	9.7%
Expense/Income ratio	61,7%	60,4%	-2.2%
Operating income	48,149	55,903	16.1%
Provisions/Value losses and lending losses	7,933	8,534	7.6%
Profit before taxation	40,216	47,369	17.8%
Tax liability	7,733	8,971	16.0%
Tax rate %	19.2%	18.9%	-1.5%
After-tax profit	32,483	38,398	18.2%

⁴ Data derived from the Bank's 2001 non-consolidated financial statements prepared according to HAS and from the 2000 HAS audited financial statements in a breakdown that approximates international accounting standards.

INSTITUTIONAL ACHIEVEMENTS

DISTRIBUTION CHANNELS

BRANCH NETWORK

The development of OTP's sales channels continued in 2001. After the Budapest branch offices, the Bank also began refurbishing the county-seat branches. Special mention should be made of the project aimed at replacing the branch façade logo systems of 50 high-priority branch offices, which began in the second half of 2001. As of year-end 2001, OTP was serving its customers from a total of 424 branch offices throughout Hungary (in 74 of which customs cashier services were also available), 26 customs branches and 55 automated customs branch offices.

ELECTRONIC SALES CHANNELS

Electronic sales channels, which had until then been separated from each other also in terms of business policy, were united in the middle of 2001 under one uniform brand, with OTPdirekt being introduced as a trademark name. In the area of electronic sales channels, the Bank continues to play a dominant role in the market. Estimates put the Bank's market share with respect to all of the electronic sales channels between 60-80%. By the end of 2001, the number of customers with a TeleBank Center contract had reached 344,000; up 92% from the previous year. The services offered by HÁZIB@NK were being used by 132,000 customers (a growth of 120%) and Mobil TeleBANK by 97,000 customers (a growth of 177%).

In 2001, the range of electronic services expanded with respect to all the electronic channels, and the quality parameters of the services improved further. The Junior website of the Bank won the "Website of the Year" award, and OTP was awarded the title "Internet Bank of 2001" for its internet-based service, OTPdirekt. In 2001, the range of services offered via the internet was extended to include the management of foreign currency accounts. It became possible to give on-line instructions for the re-transfer of time deposits to the current account, as well as to initiate transfers from a securities account. Since October 2001, customers have been able to initiate transactions in respect of their savings accounts and mobile deposits via the telephone-based and internet channels of OTPdirekt. Since November, it has also been possible for customers to change their bankcard purchase limit via the telephone or mobile phone.

In 2001 independent sub-portals were set up on the internet for Junior customers and for small and medium-sized companies.

In 2001 the range of services other than cash withdrawals that may be accessed via ATMs was expanded to include the requesting of account balances, the changing of the PIN code, and transfer services.

INFORMATION TECHNOLOGY

In order to retain the Bank's competitiveness in 2001, preparations began for the creation of a data warehouse. In connection with the data warehouse, it will become possible to identify the customers consistently throughout all the systems.

In order to ensure that a uniform, integrated IT system supporting the administrative processes is in place, the introduction of a complex corporate management system is underway. In the framework of the SAP project that was launched in 2001, the accounting and controlling systems will be upgraded, and the mandatory reports will be generated faster and automatically. The IT support systems needed for efficient tangible asset and inventory management, customer acquisition and treasury back office activities will be implemented. As a part of the SAP project, an integrated management information system will also be created.

The installation of the SUBA system throughout the branch network was commenced in 2001 and will be completed this year. This new, state-of-the-art branch system is capable of fully replacing the current system and of accessing the IT systems of the Bank's other businesses on one screen.

BUSINESS LINE RESULTS

RETAIL BANKING

OTP Bank has retained its dominant position in Hungary's retail banking market. It manages 38% of household savings and 31% of household loans.⁵

RETAIL DEPOSITS

By year-end 2001 the volume of retail deposits managed by the Bank had reached HUF 1,406 billion, representing a 7.6% increase over last year's figure. The Bank's share of the HUF deposit market was 39.1%, and its share of the foreign currency deposit market 36.3%.

Within HUF deposits, the balance of retail current account deposits increased the most significantly – by HUF 109.5 billion, or 21.0% – and their share of total retail HUF deposits increased from 53.6% to 58.5%. The volume of time deposits held on current accounts was 19.2% higher than a year earlier.

By year-end 2001, the number of retail current accounts had grown 3.6%, reaching 2.6 million. This growth occurred in spite of the closing of a large number of dormant accounts and accounts with a negative balance, primarily due to the fact that in April of 2001 the Junior account product was extended to include those aged 7 to 14 and, in November, also those under the age of 7.

On 1 October 2001 the Bank introduced the Retail Savings Account, which represents a flexibly accessible facility for customers with relatively large savings (at least HUF 2 million). The success of the product is indicated by the fact that by year-end customers had deposited a total of HUF 5.6 billion on 2,295 of these accounts.

The volume of foreign currency deposits grew by 2.1%, to HUF 328.9 billion, while at the same time there was a marked decrease, of 24.7%, in the number of **accounts**, which meant that, in line with the Bank's objectives, the average account balance continued to increase. The main reason for the fall in the number of foreign currency accounts was the automatic conversion of accounts into euro due to the pending withdrawal of the "in-currencies", while the strengthening of the Forint also played a role in the decrease.

As of year-end 2001 the volume of **securities and deposit certificates** was HUF 14.9 billion, down 24.2% from the previous year. Of the CDs issued by the Bank, Deposit Notes represented the largest share (96.3%), with the volume of these Notes standing at HUF 14.3 billion as at year-end, down 23.0% from the previous year.

RETAIL LOANS

2001 saw a continuation of the dynamic expansion of the retail loan market. In the **housing loans market**, where a multitude of players had appeared, OTP's most important objective was to retain its leading position in spite of fierce competition.

On 1 August 2001 the Bank added two new, favourable-interest-rate facilities to its range of housing loan products; the subsidised and the non-subsidised Forrás-hitel (Source Loan), which could be

⁵ Due to the change in statistical methodology introduced on 31 May 2001, these data are not comparable with those to be found in the business reports of earlier years.

applied for with a simplified income test. As of 1 November 2001 the interest rate on subsidised housing loans was reduced to 2.75%, which gave a further impetus to the growth in the volume of housing loans.

As at year-end 2001, the combined value of Lakáshitelek 2000 (Housing Loans 2000) and of Forráshitelek (Source Loans) was HUF 78.6 billion, which represents a growth of 206% compared with the HUF 25.7 billion of the previous year. Due to the dynamic growth in volume, the Bank was able to check the previous downward trend in the volume of the older-type housing loans, more than compensating this decline with the new loan placements.

By 31 December 2001, the volume of **consumer loans** had reached HUF 107.4 billion, representing an increase of HUF 31.4 billion, or 41.3%, over the previous year. Based on this substantial increase in volume, the Bank succeeded in retaining its market share, which remained at 21% in 2001 too.

The growth in the volume of consumer loans was in large part attributable to the fact that – due to a continuous product development effort – mortgage loans retained their competitiveness. As of 31 December 2001, the volume of mortgage loans was HUF 46.3 billion; up 72.4% on the HUF 26.9 billion of the previous year.

Loans connected to retail current accounts, i.e. those of on overdraft type, continue to be very popular with the Bank's customers due to their attractively low interest rate, their accessibility with a bankcard and to their "revolving" nature. While at year-end 2000 the volume of these loans was HUF 41.9 billion, by the end of December 2001 this figure had reached HUF 56.6 billion, representing an increase of 35.4%.

The number of retail overdraft facility contracts increased substantially during 2001. While at the start of 2001 the Bank was managing 700,000 overdraft accounts, by the end of the year this figure had reached nearly 940,000 (a growth of 34%). Partly due to the Spring DM campaign related to the A Loan, the number of A-Loan contracts grew from 477,000 to 638,000, while that of C-Loan contracts grew from 23,000 to 73,000. In line with the Bank's plans, in 2001 the number of B-Loan contracts grew at a more modest rate (from 201,000 to 227,000).

BANKCARD BUSINESS

With a growth of 7.4%, the number of bankcards issued by the Bank reached 3,095 thousand by 31 December 2001, enabling the Bank to retain its market share of more than 60%.

The number of bankcards issued in conjunction with retail accounts grew by 6.4% in 2001, a similar rate to that of the previous year, reaching 3,016 thousand by year-end. Within the category of retail bankcards, the number of Forint-based cards grew 7.4% in 2001, reaching 2,937 thousand; the number of foreign currency cards was in excess of 4,000; while the number of cards used purely for customer identification purposes, decreasing at a similar rate to that of previous years, fell to close to 75,000 by the end of the year.

The change in the number of cards issued for non-retail customers was characterised in 2001 by the same, dynamic growth rate of the previous years. As of 31 December 2001, the number of these cards stood at 79,000, which represents a 66.8% increase over the previous year.

In October 2001, Multipont, the Bank's new co-branded card, was introduced. The success of this product is indicated by the fact that the number of cards issued during the last two months of 2001 was in excess of 14,000. Further developments in 2001 included the transformation of the range of products developed for the Junior age-group, as well as the extension of the number of services that may be accessed via ATMs, which meant that customers could use ATMs to initiate transfer orders, inquire about the latest balance on their accounts, or to change their PIN code.

By year-end 2001, the number of ATMs owned by the Bank had reached 1,094 (up 2.4%), and this means that the Bank now owns 43% of all the ATMs operated in Hungary. The number of transactions

carried out on ATMs was 62.6 million in 2001, and the transacted volume was HUF 1,246.1 billion, representing an increase of 11.2% and 26.5% respectively over the previous year.

By 31 December 2001, the number of POS terminals had reached 16,330, representing an increase of 7.5%. The Bank operated 2,467 of these terminals in its own branch offices, and 9,536 were operated at commercial outlets, with this latter representing a market share of 50%.

In 2001 the number of cash withdrawal transactions made in OTP Bank's own POS network was 2.8 million, and the transacted volume was close to HUF 605 billion, with the latter being an increase of 23.7% over the previous year. In 2001 the turnover transacted on commercial POS terminals continued to grow dynamically. By the end of 2001, the number of purchases had reached 22.4 million, up 41% over the previous year, and the transacted volume was HUF 183.5 billion, which represents an increase of 40.2% over the previous year.

INVESTMENT SERVICES

The Bank's investment services business was set up, as an independent area, in July 2001, and includes (an expanded range of) securities trading and private banking activities.

SECURITIES TRADING AND SECURITIES ACCOUNT MANAGEMENT

The number of securities and capital accounts managed by the Bank did not change significantly compared with the previous year, while with respect to the investment volume managed on the accounts, a substantial growth of some 30% occurred in 2001.

Compared with the previous year, commission revenue from securities services showed a modest growth, and within this revenue the proportion of revenue coming from custody services increased, while that from agency-type activity decreased. The main reasons for this are the low turnover on the Stock Exchange, the decreasing number of orders and the relatively high account management fees.

The range of securities distributed by the Bank was extended by several new products in 2001:

- As at year-end 2001, the recorded volume on customer accounts of government bonds issued by OECD member states was close to HUF 700 million.
- The range of securities products sold through the branch network was extended in mid-2001, with the introduction of auction orders. Although there was a growing interest in auction orders, this did not dampen the demand for Kamatozó Kincstárjegyek (Interest-Bearing Treasury Bonds).
- During the last days of 2001, OTP Fund Management Ltd. began the distribution of two foreign currency-based investment funds via the internet.

PRIVATE BANKING SERVICES

In 2001, the number of private banking clients dropped to 6,807, from 7,067 at year-end 2000. The assets of private banking clients grew by 5.7%, reaching close to HUF 100 billion and offsetting the effect of the 3.7% drop in client numbers. As a result, the average asset portfolio size per client increased by 9.7% over the year.

The change in the asset structure of the clients' portfolios continued. In addition to the traditional banking products (retail current account, foreign currency), the clients increasingly chose securities-type investments.

In the second half of 2001, the Bank's management decided that the entire concept underlying the investment services business would have to be reviewed. Consequently, in the first half of 2002 private banking services will be repositioned (i.e. a new value proposition; new products; new pricing policy; strengthening of the advisory side of the service; consistent, high-quality service developed and instituted).

CORPORATE BANKING

Partly by taking account of the changes made in 2001 by the NBH in relation to the divisional breakdown of banks' corporate-customer clientele, OTP managed to strengthen its market positions, and by the end of the year, the Bank had attained an 11.7% share of the corporate deposit market, and an 11.8% share of the loans market.

The volume of corporate deposits stood at HUF 253.6 billion at the end of 2001, representing a 20.3% increase over the previous year. The share of foreign currency deposits within the total of corporate deposits was 5.9%. Nearly 50% of the total of deposits came from corporations, 20% from non-profit organisations, 14% from small enterprises, and 10% from homeowners' associations.

The volume of corporate loans at the end of 2001 stood at HUF 464.8 billion, representing an increase of 18.2% over the previous year. The share of FCY loans within the total of corporate loans was 23.7%. As of year-end 2001, FCY loans amounted to HUF 110.2 billion, down 11.7% from the previous year.

At the end of 2001, loans granted to businesses were in excess of HUF 386 billion, up 18.5% over the previous year. 28% of these loans were in foreign currency. Within loans to businesses, the growth in capital project loans amounted to 69%, while current account (overdraft) loans grew by HUF 8.6 billion, current asset loans by HUF 7.7 billion, and loans for the realisation of commercial housing projects stood at HUF 4.8 billion.

As of year-end 2001, the total value of loans granted to small enterprises was HUF 15.7 billion, up 18.1% over the previous year. 56.1% of this amount was granted to private entrepreneurs. As of 31 December 2001, the volume of OTP's Quick Loans amounted to 20.5% of the loans granted to small enterprises.

As of year-end 2001, the volume of the loans of financial and investment service companies had increased to HUF 35.2 billion, while the loan portfolio of non-profit organisations was HUF 27.7 billion; down 1.1% from the previous year's figure.

As of year-end 2001, 20.0% of the business loans had been granted to companies in the financial services sector, 18.2% to companies in the manufacturing sector and 14.1% to transport and telecommunications companies. By the end of 2001, the share of agriculture within the Bank's loan portfolio had dropped to 6.7%, although within this amount, the volume of loans secured with what is regarded as first-class collateral public warehouse bonds, had doubled.

Loan placements increased by the largest extent in the construction industry (by HUF 19.9 billion), in transport and telecommunications (by HUF 18.0 billion) and in financial services (by HUF 15.1 billion).

In 2001 the range of products offered to OTP's corporate customers expanded further. The small business mortgage loan was introduced primarily for small and medium-sized enterprises, and the Bank also took part in lending and the provision of bank guarantees in relation to the Széchenyi programme. At the same time, a number of corporate loan products were redesigned and enhanced (e.g. the small business "Quick" Loan, the Lombard Loan, loans for financing commercial housing projects, agricultural loans and EXIM loans).

In order to speed up and to simplify the loan application appraisal process, a corporate creditworthiness scoring system was developed, and is expected to be introduced in the first half of 2002.

With respect to its corporate clientele, the Bank is also placing considerable emphasis on the development of electronic banking channels, including the development of the products offered on these channels: in 2001 we introduced the "OTP e-Forint" electronic bank account, and the SME

website linked to OTP's website was greatly enhanced, and now contains several new, customer-friendly services.

MUNICIPALITY BANKING

OTP once again retained its leading role in municipality banking in 2001. During the year, close to 85% of this customer group, i.e. 2,694 municipalities, together with the institutions that are financed by them, kept their current accounts with OTP Bank.

At year-end 2001, the volume of the deposits of the municipalities and their institutions was HUF 152 billion, up 33.4% over the previous year. The size of this increase is attributable to non-typical increases in central-budget settlements and to the exceptionally high growth in FCY deposits. By year-end 2001, the balance of municipality loans had reached HUF 47 billion, up close to 15% on the previous year. The Bank's market share of municipality deposits was 78%, while it had 65% of the market of municipality loans.

Of the available electronic services, a growing number of customers from among the municipalities and their institutions are using the client terminal system for transacting payments, as well as the Cash Management and the Treasury systems for preparing municipality budgets. The use of cash-substitute payment instruments is also becoming more common among our municipality customers, and this is reflected by the fact that the number of cards issued to the municipalities increased by 28% in 2001.

In 2001 the Bank did not introduce any new deposit products specifically for municipality customers, but it did extend the range of loans offered to them with a number of new financing facilities related to the Széchenyi project, including loans for housing, energy saving and tourism development.

The importance of the municipality banking division is increasing with the growing emphasis that is being placed on the utilisation of synergies within the Bank and the bank group. Through its municipality customers, the Bank has been able to make substantial progress in expanding both its retail and corporate clientele and also in the cross-selling of products offered by certain members of the group (such as OTP Building Society Ltd., OTP Fund Services Ltd. and OTP Garancia Insurance Ltd.)

INTERNATIONAL BANKING

In 2001 OTP Bank transacted international payments in a total value of HUF 823.4 billion, or 21.1% higher than in the previous year. The volume of commission revenue grew 30.5%, and reached HUF 0.8 billion.

Thanks to the changes in Hungary's FX regulations, the Bank was able to introduce a new product to the international market: in June 2001 the Bank made offers to foreign banks with respect to managing HUF accounts for them and clearing international payments, in response to which a number of the world's largest banks opened accounts with OTP.

The high professional standard of the Bank's services was underlined by the fact that JP Morgan Chase Bank chose OTP Bank to receive its US Dollar Funds Transfer Quality Recognition Award in 2001.

CUSTOMS SERVICES

In 2001 OTP's customs services division strengthened its market-leading position. By year-end, the division's services were available at 155 locations throughout Hungary, with the number of its outlets growing by 20% in the course of 2001.

In 2001, more than 35,000 customers settled a total volume of HUF 260.9 million in customs duties/customs guarantee payments via the Bank. Compared with the previous year, the number of customers grew 68.5%, total turnover by 37.9% and commission revenue by 38.9%.

The use of Customs Cards spread further. By year-end 2001, their number had grown by 37.7%, to nearly 2,000, and during 2001, 58% of the total payment turnover was transacted with the cards, compared to a figure for the previous year of 38%.

By year-end 2001, the number of Automated Cashier System (AVR) units had grown by 57%, to 55, and during the year more than HUF 21 billion in payment turnover was transacted via the AVR units – 64% more than in the previous year.

The bank guarantees and the assumption of liabilities in connection with customs clearance procedures was HUF 7.7 billion, and the related commission revenue was close to HUF 82 million.

TREASURY AND STRUCTURED FINANCE

TRADING

The Bank successfully dealt with the challenges of 2001. The exchange rate system was changed, which meant an increase in exposure and the loss of a stable source of revenue. The liberalisation of FX regulations brought a number of foreign banks, which are powerful competitors, to the Forint market. 2001 saw the integration of the securities trading activities of OTP Securities Ltd., together with the related organisational changes, and an expansion in the product range.

In 2001 Treasury's profit from FX trading was HUF 630 million. The profit from securities trading was HUF 122 million and, of these two results, treasury sales accounted for HUF 140 million. The profit from money market deals was HUF 388 million.

In 2001 the Bank succeeded – in the face of what was also increasingly strong international competition – in retaining its market-leading position in the Hungarian FX market. OTP Bank is currently among the 10 largest traders (with seven of them foreign companies) in the Hungarian spot FX market. OTP Bank was the first of Hungary's banks to have entered the international HUF options market, and it continues to be the largest player in the forward section.

Even after liberalisation, OTP Bank managed to retain its market-leading position in the Forint interbank market, and substantially increased its FX swap volume following the entry of the foreign banks. On the Forint market the most important event of 2001 was the introduction of the full liberalisation of the Forint and the resultant substantial increase in the number of OTP's (foreign) counter parties, despite conditions of a continuous decline in attainable Forint interest rates. Due to the combined effect of a fall in volume and in market interest rates, the annual interest revenue of 2001 decreased to HUF 34.7 billion, from HUF 42.8 billion in the previous year, and the interest margin dropped from 1.14% in 2000 to 1.12% in 2001.

STRUCTURED FINANCE

In spite of a recession in the world economy (including in European markets) and the adverse impact that the September 11th terror attacks had on the global economy, the growth-oriented economic policy implemented in Hungary, and an increased number of infrastructure projects, had a beneficial effect on the syndicated lending market, as there was an increased need for funding among the market players. By capitalising on the favourable circumstances afforded by the economic environment, the Bank greatly increased its activities on the syndicated loans market.

The Bank again retained its market-leading position in 2001. OTP Bank acted as the lead arranger of syndicated lending projects for ÁÉB Rt. (General Banking and Trust Co. Ltd.), Pannon GSM Ltd., Kőolaj és Kőolajtermék Készletező Szövetség (The Association for the Storage of Petrol and Petrochemical

Products), Budapesti Közlekedési Vállalat (Budapest Transport Company). The Bank was also the lead arranger of the Hungarian market's largest ever, HUF 180-billion, syndicated loan, given to Nemzeti Autópálya Rt. (National Highways Ltd.) in the framework of Hungary's 15-year highway construction programme.

Taking into account the trends in international financial markets, abroad it was primarily in the target market of the East-Central European region that the Bank chose to assume state-guaranteed as well as leading-financial-institution risks. OTP bank participated as co-arranger in the syndicated loan given to Nova Ljubljanska Banka, and it also participated in the consortium loan granted to HBOR and Hanvit Bank.

As a result of the activities of 2001, the commission revenue of the structured finance division was HUF 520 billion, and the volume of newly concluded deals was HUF 111.3 billion. Own-portfolio funds managed and drawn down amounted to HUF 101.7 billion, and contributed HUF 42.6 billion to the regional profit centres' corporate loan placements in the course of 2001. In 2001 the net interest revenue on the Bank's own portfolio was HUF 1.5 billion, while with respect to the volume transferred to regional profit centres it was HUF 420 million.

As the first step in integrating the activities of OTP Securities Ltd. into the Bank, the Department of Capital Market Products was formed on 1 October 2001. The two most important tasks of the department are the arrangement of securities issues on the capital markets for both domestic and international issuers wishing to enter the capital markets, and the elaboration of new bond programmes that are perceived by the market as innovative and that will also satisfy investors' individual and special needs.

In the course of 2001, OTP's structured finance division, acting as lead manager, successfully elaborated MOL's bond issue programme aimed at raising a total of HUF 50 billion in funding. As a part of the overall programme, the first bond series of HUF 15 billion was issued, and OTP was not only the lead manager of the issue, but was also the primary distributor of the bonds. The success of the transaction is indicated by the fact that the final subscription price was twice as high as the original offer.

PROJECT FINANCING

In the course of 2001, the number of project financing deals increased considerably, with 14 new projects in all. In 2001 the contractual (signed) volume increased from HUF 82.2 billion to HUF 122.7 billion, which represents an increase of 49.2%. In the same period, outstanding loans from project financing grew 46.2%, from HUF 59 billion to HUF 86.4 billion.

In 2001 the project financing division realised HUF 391 million in commission, fee and other revenues. Commission, fee and other revenues realised in 2001 are more than HUF 85 million higher than the revenue of HUF 305.7 billion realised in 2000. In 2001 the net interest revenue realised from deals was HUF 1,032 million, while in 2000 it was HUF 783.6 million. Within net interest revenue, interest revenue from FCY loans amounted to three-quarters of the total net interest revenue.

With regard to HUF loans, the average net interest margin, i.e. the difference between the fixed interest rate of a given interest period and the internal interest rate, was 1.4%, which is virtually the same as the average interest margin of 2000.

INVESTMENTS

In 2001 the gross book value of the Bank's stakes held in various companies grew from HUF 34.7 billion to HUF 40.5 billion. The growth in the investment portfolio is primarily attributable to the increase in the capital of strategic investments and to the foundation of new companies. The capital made available to these companies was intended for covering the cost of operation, to contribute to

their development and to increase the companies' market share. The major proportion of the Bank's strategic investments consists of members of the OTP Group. With the ultimate goal being to satisfy customers' needs to the fullest possible extent, the purpose of these investments was and still is the establishment of subsidiaries for activities that, for regulatory reasons, cannot be carried out within the Bank, and the conducting of these activities in a bank-group framework, and also to offset the effect of disintermediation, i.e. to keep the funds that are flowing out of the banking system and to retain management over those funds within the bank group. The success of this strategy is clearly demonstrated by the fact that as at year-end 2001 the OTP Group was managing more than 36% of all retail savings excluding cash, government securities and equities. In what follows, we describe the measures that were taken in 2001 in relation to building the group, and we also present brief reports on the operations of the major subsidiaries' in 2001.

OTP BANK GROUP

During 2001, several new subsidiaries were added to the OTP Bank Group that will be launching their business operations as members of the group in 2002:

- In order to increase its share of the housing lending market, and wishing to capitalise on the new opportunities created by the government housing subsidies, the Bank decided to establish a mortgage company, which began its operation as **OTP Mortgage Bank Ltd.** in February 2002.
- The organisation of **OTP National Health Fund** has begun, with the aim being to provide and arrange for health and health-protection services that will complement or replace public health services and that are intended for use by fund members. The fund was established in January 2002.
- In 2001, OTP Bank performed due diligence with regard to **Investična a Rozvojová Banka (IRB)** and decided to acquire it. The IRB shareholder's meeting will be held in April 2002, during which the new managing bodies will be elected. Following this, a development project for the bank may be launched and efforts may be made to integrate the bank into the OTP Group.

OTP GARANCIA INSURANCE LTD.

In 2001 OTP Garancia Insurance Ltd. earned total premium income of HUF 42.3 billion (up 8.8%), which meant that its market share remained stable, at about 10%. The premium income from the life and bank insurance division amounted to HUF 21.5 billion (up 1.3%), giving the division a market share of 12.5% and making the Company the third largest life insurer in 2001. The premium income of the non-life division in 2001 was HUF 20.7 billion, or 17.9% higher than in 2000, and this represented a market share of 8.5%.

Total gross damage claims were HUF 20.4 billion in 2001. The ratio of claim settlements to premium income in the non-life division was 53.2%, while when adjusted for changes in reserves, the damage ratio was 60.9%. The change in the reserves amounted to HUF 12.5 billion, which represents a fall of 21.9% compared with the previous year.

The Company's balance sheet total increased by 34.1% to HUF 61.7 billion, while pre-tax profits rose 43.5%, amounting to HUF 1,254 million for the year.

MERKANTIL GROUP

Merkantil Group once again retained its leading position in the car financing market. The growth in the total number of vehicle financing contracts, including those concluded within the group, was 13.9%.

Merkantil Bank Ltd.

In 2001, the Company's balance sheet total reached HUF 59.4 billion and its pre-tax profit was HUF 1,925 million; 14.5% higher than in the previous year. Of the Company's assets, gross car loans represented 79.1%, while dealer financing accounted for 8.9%. The total volume of car loans increased by HUF 5.8 billion compared to the year-end figure of the previous year, and amounted to HUF 47.5

billion as at 31 December. In the car financing business, the demand for Forint-based loans and foreign currency leasing facilities were similar, and the share of loans associated with used cars increased within the portfolio. The number of car financing transactions within Merkantil Group was 39,000, with more than 22,000 new car financing transactions and 15,000 foreign currency based leasing transactions. According to estimates, the Group has acquired a 25% share in the car financing market.

Merkantil Car Ltd.

The relative weight of financial leasing transactions in Merkantil Car Ltd.'s books has continued to increase within the product structure of Merkantil Group. The reason for this is the reduction of interest rates on foreign currency based products and the successful introduction of the well-received CHF-based facility. The balance sheet total of the Company increased by HUF 11 billion in 2001, which means there was a 47.8% increase in assets compared with 2000. The value of the financial leasing portfolio rose from HUF 19.2 billion to HUF 31.9 billion (i.e. by 66%). According to Merkantil Car's books, the total value of production-asset financing deals concluded by year-end was over HUF 3.7 billion, which represents a doubling of the portfolio. The Company's pre-tax profit in 2001 was HUF 462 million.

Merkant Ház Ltd.

The balance sheet total of Merkant Ház Ltd. increased to HUF 6.6 billion (i.e. by 24.6%) in 2001. As of 31 December 2001, the value of long-term car lease contracts taken over from Merkantil Car Ltd., as well as the value of such contracts concluded by Merkant Ház since March 1999, amounted to HUF 1,946 million. The Company's pre-tax profit in 2001 was HUF 64 million.

OTP FUND MANAGEMENT LTD.

The total value of fund assets managed by OTP Fund Management Ltd. continued to increase at a pace that outstripped the growth of the market, more specifically by 34.3% (from HUF 273.4 billion to HUF 367.3 billion), which is considerably higher than the 23.6% growth in the market. However, the growth in both the market and in OTP Fund Management's assets was below the growth rates seen in the previous year. The Company increased its market share from 48.5% in 2000 to over 52% in 2001.

The value of the pension fund's assets that have been managed by the firm since October 2000 increased by 44.7% in 2001 (from HUF 70.3 billion to HUF 101.7 billion).

The Company's preliminary pre-tax profit was HUF 2,413 million, which exceeds the HUF 1,655 million of previous year by 45.8%.

OTP FUND SERVICES LTD.

OTP Fund Services Ltd. retained its dominance over the market in terms of the number of individual accounts and the assets of the funds managed. At the end of 2001, the Company was managing 764,000 individual accounts and total fund assets of HUF 100 billion. At the end of 2001, the Company's market share in terms of number of accounts was 22.3%, and 18.7% in terms of fund assets managed. The Company closed the year with a profit of HUF 77 million, and its balance sheet total was HUF 1,510.8 million.

The number of members of OTP Private Pension Fund grew from 567,000 to 609,000, the Fund's assets rising from HUF 39 billion to nearly HUF 67 billion. The Company's market share increased by 26.0% in terms of membership numbers, and 24.6% in terms of assets under management. The number of members of OTP Voluntary Pension Fund grew from 117,000 to 149,000, with its assets rising from HUF 22.5 billion to HUF 31.0 billion. The Company's membership-based market share reached 13%, while its assets-based market share was 11.3%.

OTP BUILDING SOCIETY LTD.

In 2001, OTP Building Society Ltd. concluded nearly 77,000 new contracts in the value of HUF 49.4 billion. With these figures, the Company retained its market leading position both in terms of the number and the total value of contracts. On the whole, OTP Building Society had a successful year. The total value of deposits and the balance sheet total were higher than expected, partly because the retirement of saving deposits took place at a slower rate than expected: of the 4,567 expired contracts, only 2,294 clients had withdrawn their savings by 31 December, while 957 clients had taken advantage of the opportunity to apply for loans. As of 31 December 2001, the total deposit balance stood at HUF 48.1 billion, which represents a market share of nearly 50%. The Company's balance sheet total was HUF 54.1 billion, and its pre-tax profit amounted to HUF 1,652 million.

HUNGARIAN INTERNATIONAL FINANCE LTD.

The performance of the London-based HIF Ltd. in 2001 was in most respects in line with its plan. At the end of December, the Company's equity exceeded HUF 1,841 million (GBP 4.5 million). The Company successfully replaced its maturing assets, increased its portfolio and improved its position in the market. The Company's pre-tax profit amounted to HUF 184 million (GBP 451 thousand).

The Company's business strategy continues to focus primarily on the Central and Eastern European market, with 66.1% of the total asset, liability and guarantee portfolio originating in this region. Of the liability portfolio, the value of transactions concluded in Central and South American markets was over 10.2%, and the value of transactions concluded in the Middle East and North America exceeded 15.5% at the end of the reporting period.

OTP REAL ESTATE LTD.

OTP Real Estate's pre-tax profit was HUF 856 million in 2001, which represents a 12.8% increase compared to 2000. The Company's net sales revenues amounted to HUF 10.6 billion, which is 34.2% higher than in the previous year (HUF 7.9 billion). This increase was primarily a result of successful sales activities in the fourth quarter (Budapest, Péterhegy block T.4.; Budapest, Pusztadomb; Miskolc, Ruzsin stages II-III.). The Company's profit from financial transactions amounted to HUF 34.9 million in 2001, and its balance sheet total had reached HUF 11.5 billion as at the end of the year. From all the successful companies in the real estate business, the Hungarian Real Estate Association once again awarded OTP Real Estate the title of Property Developer of the Year award for 2001.

OTP FACTORING LTD.

OTP Factoring Ltd. concluded assignment contracts for receivables in a gross value of HUF 11,557 million, of which the value of receivables purchased from OTP Bank Rt. amounted to HUF 8,642 million. OTP Factoring Ltd.'s business operations have retained their high level of profitability. The increase in the number of successful collections, as well as the income from a number of deals initiated during the last months of the previous year and closed at the start of 2001, contributed to the Company's achieving an income well in excess of target. Owing to this, the Company's pre-tax profit was HUF 635 million in 2001.

OTP REAL ESTATE ASSET MANAGEMENT LTD.

The Company is engaged in the collection of small receivables and housing loans secured with state guarantees, and conducts this activity on the basis of commission from OTP Bank Ltd. and OTP Factoring Ltd. The portfolio of properties purchased or received as collateral increased by HUF 323 million, and the number of housing loans granted under the old conditions that were taken over for management by the Company from OTP branches was 769. The Company's pre-tax profit for 2001 was HUF 273 million, which is more than two-and-a-half times higher than the previous years' figure.

OTP TRAVEL LTD.

The unfavourable influences affecting the tourism industry in general also had a considerable impact on OTP Travel Ltd.'s operations in 2001. OTP Travel's pre-tax profit amounted to HUF 12.1 million, one third of the figure for 2000, and its balance sheet total fell by 4.5%, to HUF 512.3 million.



**PROPOSAL FOR THE DISTRIBUTION OF
THE 2001 PROFITS OF OTP BANK LTD.**

PROPOSAL

for the distribution of the 2001 profits of Országos Takarékpénztár és Kereskedelmi Bank Rt.

	HUF million
Profits before tax	47,369
Tax payment liability	8,971
Profits after tax	38,398
General provisions	3,840
Use of accumulated retained earnings for dividends or participation	0
Dividend*	7,275
Balance sheet profit for the financial year	27,283

* The value of dividends to be paid is 27.5% for both the voting preference share and the ordinary shares.

The Board of Directors propose the AGM to declare dividend of HUF 27.50 or 27.5% over the HUF 100 face value of the ordinary shares and HUF 275 or 27.5% over the HUF 1,000 face value of the voting preference share .



**BALANCE SHEET, INCOME STATEMENT
AND CASH FLOW STATEMENT OF OTP
BANK LTD.**

BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

1 0 5 3 7 9 1 4 6 5 1 2 1 1 4 0 1
statistical register number

NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK) ASSETS

in HUF million

	31-Dec-2000	Self revision	31-Dec-2001
BALANCE SHEET			
ASSETS:			
1. Cash in hand, balances with central banks	482,350	0	372,593
2. Treasury bills	440,201	0	481,079
a) held for trade	184,275		136,325
b) held as financial fixed assets (for long term investment)	255,926		344,754
3. Loans and advances to credit institutions	233,739	0	329,778
a) repayable on demand	3,667		6,415
b) other receivables from financial services	230,072	0	323,363
ba) maturity not more than one year	207,672		303,293
From this: – by affiliated undertaking	6,950		1,650
– by undertaking with which the credit institution is linked by virtue of participating	25,634		29,291
– by Hungarian National Bank	5,826		1,217
bb) maturity more than one year	22,400		20,070
From this: – by affiliated undertaking	300		300
– by undertaking with which the credit institution is linked by virtue of participating			
– by Hungarian National Bank	4,333		1,731
c) receivables from investment services			
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
4. Loans and advances to customers	627,633	222	765,998
a) receivables from financial services	627,087	222	765,364
aa) maturity not more than one year	299,827	-22	326,797
From this: – by affiliated undertaking	29,545	11	33,191
– by undertaking with which the credit institution is linked by virtue of participating			114
ab) maturity more than one year	327,260	244	438,567
From this: – by affiliated undertaking	5,039		19,654
– by undertaking with which the credit institution is linked by virtue of participating	2,720		473
b) receivables from investment services	546	0	634
From this: – by affiliated undertaking			533
– by undertaking with which the credit institution is linked by virtue of participating			
ba) receivables from investment service activities on the on the stock exchange			
bb) receivables from over-the-counter investment service activities			
bc) receivables from clients for investment service activities	546		634
bd) receivables from clearing houses			
be) other receivables from investment service			
5. Debt securities including fixed-income securities	11,317	0	17,636
a) securities issued by local self-governing bodies and by other public bodi (not include the treasury bills issued by Hungarian state and securities issued by Hungarian National Bank)	0	0	0
aa) held for trade			
ab) held as financial fixed assets (for long term investment)	0		0
b) securities issued by other bodies	11,317	0	17,636
ba) held for trade	1,070		113
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
– own-debt securities (own issued and repurchased)			
bb) held as financial fixed assets (for long term investment)	10,247		17,523
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			

BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

	31-Dec-2000	Self revision	31-Dec-2001
b) other variable-yield securities	1,420	0	1,683
ba) held for trade	1,420		
bb) held as financial fixed assets (for long term investment)	0		1,683
7. Sares and participating interest as financial fixed assets	590	0	877
a) shares and participating interest as financial fixed assets	590		877
From this: – shares and participating interest in credit institutions	0		0
b) revaluation surplus on shares and participating interests			
From this: – revaluation surplus on shares and on participating interests in credit institutions			
8. Shares and participating interest in affiliated undertakings	25,036	0	28,815
a) shares and participating interest in affiliated undertakings	25,036		28,815
From this: – shares and participating interest in credit institutions	2,600		5,600
b) revaluation surplus on shares and participating interests			
From this: – revaluation surplus on shares and on participating interests in credit institutions			
9. Intangible assets	10,624	-1	11,866
a) intangible assets	10,624	-1	11,866
b) revaluation surplus on intangible assets			
10. Tangible assets	42,066	5	42,380
a) tangible assets for financial and investment services	38,686	5	39,914
aa) land and buildings	25,520	14	27,029
ab) technical equipment, fittings and vehicles	11,554	-9	10,036
ac) investment	1,595	0	2,831
ad) advance payments on investment	17		18
b) tangible assets not for directly financial and investment services	3,380	0	2,466
ba) land and buildings	3,227	0	2,243
bb) technical equipment, fittings and vehicles	125	-1	130
bc) investment	28	1	93
bd) advance payments on investment			
c) revaluation surplus on tangible assets			
11. Own shares	9,067		17,750
12. Other assets	18,569	-137	19,595
a) stocks (inventories)	2,251	-58	2,123
b) other receivables (not from financial and investment securities)	16,318	-79	17,472
From this: – by affiliated undertaking	1,582	14	3,895
– by undertaking with which the credit institution is linked by virtue of participating			
13. Prepayments and accrued income	28,660	-44	31,529
a) accrued income	28,399	-44	31,300
b) prepayments	261	0	229
c) deferred charges			
TOTAL ASSETS	1,931,272	45	2,127,158
<i>From this:</i>			
- <i>CURRENT ASSETS A102</i>	<i>1,208,463</i>	<i>-159</i>	<i>1,189,094</i>
<i>(1+2/a+3/c+3/a+3/ba+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12)</i>			
- <i>FIXED ASSETS</i>	<i>694,149</i>	<i>248</i>	<i>906,535</i>
<i>(2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10)</i>			

Budapest, 22. March 2002

BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

1 0 5 3 7 9 1 4 6 5 1 2 1 1 4 0 1
statistical register number

NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK) EQUITY AND LIABILITIES

in HUF million

	31-Dec-2000	Self revision	31-Dec-2001
LIABILITIES			
1. Liabilities to credit institutions	44,415	0	25,133
a) repayable on demand	591		2,595
b) liabilities from financial services with maturity dates or periods of notice	43,824	0	22,538
ba) not more than one year	26,338		5,609
From this: – by affiliated undertaking			2
– by undertaking with which the credit institution is linked by virtue of participating	200		400
– by Hungarian National Bank	3,312		1,618
bb) more than one year	17,486		16,929
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
– by Hungarian National Bank	10,027		7,804
c) liabilities from investment services			
From this: – by affiliated undertaking	1,600,265	14	1,778,685
– by undertaking with which the credit institution is linked by virtue of participating	366,672	5	363,961
2. Liabilities to customers	41,753	-1	42,831
a) saving deposits	314,672	1	321,130
aa) repayable on demand	10,247	5	0
ab) maturity not more than one year	1,226,492	9	1,413,015
ac) maturity more than one year	455,678	7	561,105
b) other liabilities from financial services	1,977	0	1,844
ba) repayable on demand	8		375
bb) maturity not more than one year	760,979	2	842,742
From this: – by affiliated undertaking	2,589		3,668
– by undertaking with which the credit institution is linked by virtue of participating	0		
bc) maturity more than one year	9,835	0	9,168
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
c) liabilities from investment services	7,101	0	1,709
From this: – by affiliated undertaking	1		
– by undertaking with which the credit institution is linked by virtue of participating			
ba) liabilities from investment service activities on the stock exchange			
bb) liabilities from over-the-counter investment service activities			
bc) liabilities from clients for investment service activities	7,101		1,709
bd) liabilities from clearing houses			
be) other liabilities from investment service			
3. Liabilities from issued debt securities	77,022	0	73,734
a) issued bond	1	0	1
aa) maturity not more than one year			
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
ab) maturity more than one year	1		1
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
b) issued other debt securities	1,032	0	554
ba) maturity not more than one year	883		537
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
bb) maturity more than one year	149		17
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			

BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

	31-Dec-2000	Self-revision	31-Dec-2001
c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities	75,989	0	73,179
ca) maturity not more than one year	71,170		69,076
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
cb) maturity more than one year	4,819		4,103
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
4. Other liabilities	36,861	141	36,912
a) maturity not more than one year	36,861	141	36,912
From this: – by affiliated undertaking	751	4	1,398
– by undertaking with which the credit institution is linked by virtue of participating	23		15
– by pecuniary contribution of members at credit institutions operating as credit cooperatives			
b) maturity more than one year			
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
5. Accruals and deferred income	16,130	-1	22,288
a) accrued liabilities	327		385
b) accrued costs and expenses	15,803	-1	21,903
c) deferred income			
6. Provisions	11,317	0	14,598
a) provisions for pensions and similar obligations			
b) risk provision for off-balance sheet items (for pending and future liabilities)	1,192		2,032
c) general risk provision	8,550		10,930
d) other provision	1,575		1,636
7. Subordinated liabilities	17,760	0	17,293
a) subordinated loan capital	17,760		17,293
b) pecuniary contribution of members at credit institutions operating as credit cooperatives			
c) other subordinated liabilities			
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
8. Subscribed capital	28,000		28,000
From this: repurchased own shares at face value	813		1,542
9. Subscribed but unpaid capital (-)			
10. Capital reserves	52	0	52
a) premium (from share issue)			
b) other	52		52
11. General reserves	25,610		29,450
12. Retained earnings (accumulated profit reserve) (±)	40,790	-109	55,981
13. Legal reserves	9,067		17,750
14. Revaluation reserve			
15. Profit or loss for the financial year according to the balance sheet (+)	23,983		27,282
(balance-sheet profit or loss figure)			
TOTAL LIABILITIES	1,931,272	45	2,127,158
From this:	0	0	0
- SHORT-TERM LIABILITIES	1,716,026	150	1,884,246
(1/a+1/ba+1/c+2/aa+2/ab+2/ba+2/bb+2/c+3/aa+3/ba+3/ca +4/a)			
- LONG-TERM LIABILITIES	60,297	5	47,511
(1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)			
- EQUITY (CAPITAL AND RESERVES) (8-9+10+11 ±12+13+14 ±15)	127,502	-109	158,515
OFF-BALANCE SHEET COMMITMENTS	235,137	0	507,800
Contingent liabilities	187,833		318,713
Future liabilities	47,304		189,087

Budapest, 22 March 2002

BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

1 0 5 3 7 9 1 4 6 5 1 2 1 1 4 0 1
statistical register number

NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)

ASSETS

in HUF million

	31-Dec-2000	Self revision	31-Dec-2001
1. Interest received and interest-type income	187,099	41	193,802
a) interest received on securities with fixed-interest signifying a creditor relationship	41,736	29	50,189
Including: - from related companies	0	0	0
- from other participation companies	0	0	0
b) other interest received and interest-type income	145,363	12	143,613
Including: - from related companies	2,455	0	2,507
- from other participation companies	2,530	0	2,931
2. Interest paid and interest-type expenses	100,246	-2	95,460
Including: - to related companies	681	0	425
- to other participation companies	157	0	149
Interest difference (1-2)	86,853	43	98,342
3. Incomes from securities	160	0	127
a) from trading securities and participations (dividend, profit participation)	0	0	0
b) from related companies (dividend, profit participation)	151	0	127
c) from other participation companies (dividend, profit participation)	9	0	0
4. Fees and Commission received	37,722	-4	45,684
a) revenues from other financial services	33,826	-5	41,441
Including: - from related companies	830	0	1,248
- from other participation companies	1	0	2
b) revenues from investment services (except incomes from trading activities)	3,896	1	4,243
Including: - from related companies	2,344	0	2,381
- from other participation companies	0	0	0
5. Fees and Commission paid	6,172	0	6,414
a) expenses on other financial services	6,164	0	6,189
Including: - to related companies	1,480	0	1,270
- to other participation companies	0	0	0
b) expenses on investment services (except expenses from trading activities)	8	0	225
Including: - to related companies	0	0	32
- to other participation companies	0	0	0
6. Profit or loss from financial transactions (6/a-6/b+6/c-6/d)	2,167	-6	-5,555
a) revenues from other financial services	8,252	0	26,897
Including: - from related companies	332	0	51
- from other participation companies	96	0	12
b) expenses on other financial services	8,522	6	29,778
Including: - from related companies	-465	0	5,317
- from other participation companies	0	0	30
c) revenues from investment services (revenues from trading activities)	7,273	0	3,732
Including: - from related companies	1,854	0	329
- from other participation companies	27	0	0
Including: - reversal of write-off of trading securities	0	0	0
b) expenses on investment services (expenses from trading activities)	4,836	0	6,406
Including: - to related companies	1,054	0	239
- to other participation companies	18	0	0
Including: - write-off of trading securities	0	0	0

BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

		in HUF million		
		31-Dec-2000	Self revision	31-Dec-2001
7.	Other incomes from business	16,027	-6	15,766
	a) incomes from non financial and investment services	4,407	-13	4,923
	Including: - from related companies	889	11	1,106
	- from other participation companies	1	0	5
	b) other revenues	11,620	7	10,843
	Including: - from related companies	5,628	0	1,463
	- from other participation companies	0	0	0
	Including: -reversal of write-off of inventory	52	0	16
8.	General administration expenses	50,611	156	60,063
	a) personnel expenses	27,066	6	32,551
	aa) wage costs	16,364	0	20,100
	ab) other payments to personnel	3,318	4	3,732
	Including: - social security expenses	1,678	0	1,756
	- pension related expenses	1,555	0	1,686
	ac) contributions on wages and salaries	7,384	2	8,719
	Including: - social security expenses	6,563	1	7,738
	- pension related expenses	4,094	0	4,410
	b) other administration expenses	23,545	150	27,512
9.	Depreciation and amortization	10,371	-18	11,129
10.	Other expenses from business	37,048	-14	33,712
	a) expenses from non-financial and investment services	6,603	8	3,951
	Including: - to related companies	920	-1	731
	- to other participation companies	33	0	83
	b) other expenses	30,445	-22	29,761
	Including: - to related companies	13,751	-147	7,675
	- to other participation companies	0	0	0
	Including: -write-off of inventory	0	0	7
11.	write-off of loans and provision for contingent and future liabilities	7,807	0	12,577
	a) write-off of loans	8,854	0	11,280
	b) provision for contingent and future liabilities	-1,047	0	1,297
12.	Reversal of write-off of loans and credit for contingent and future liabilities	10,159	0	13,293
	a) reversal of write-off of loans	10,159	0	12,841
	b) credit for contingent and future liabilities	0	0	452
13.	write-off of securities for investing purposes, signifying a creditor relationship, equity investments in associated or other company	1,475	0	272
14.	Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity investments in associated or other company	681	0	4,098

BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

1 0 5 3 7 9 1 4 6 5 1 2 1 1 4 0 1
 statistical register number

NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)

PROFIT AND LOSS ACCOUNT

in HUF million

	31-Dec-2000	Self revision	31-Dec-2001
15. Result of ordinary business activities	40,285	-97	47,588
Including: -RESULT OF FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-5±6+7/b-8-9-10/b-11+12-13+14)	42,481	-76	46,616
- RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES (7/a-10/a)	-2,196	-21	972
16. Extraordinary revenues	6	0	214
17. Extraordinary expenses	75	0	433
18. Extraordinary profit or loss (16-17)	-69	0	-219
19. Profit or loss before tax (±15±18)	40,216	-97	47,369
20. Tax liabilities	-7,733	12	8,971
21. After-tax profit or loss (±19-20)	32,483	-109	38,398
22. Formation and utilization of general reserves (±)	-3,248	0	-3,840
23. Use of accumulated profit reserve for dividends and profit-sharings	0	0	0
24. Dividends and profit-sharings paid (approved)	5,252	0	7,276
Including: - to related companies	151	0	238
- to other participation companies	0	0	0
25. Balance-sheet profit or loss figure (±21±22+23-24)	23,983	-109	27,282

Budapest, 22 March 2002

CASH-FLOW STATEMENT

	in HUF million		in HUF million	
	DESCRIPTION	2000	DESCRIPTION	2001
1.	Interest income	214,142	Interest income	193 802
2.	+ Revenues from other financial services	42,078	+ Revenues from other financial services (except for write back of diminution of value on securities)	68 119
3.	+ Other revenues (except for utilization of provisions and re-entry of surplus provisions)	6,810	+ Other revenues (except for utilization of provisions and re-entry of surplus provisions; losses on inventory; and write back of above planned provisions)	6 450
4.	+ Revenues from investment services	11,168	+ Revenues from investment services (except for write back of diminution of value on securities)	7 975
5.	+ Revenues from non-financial and investment services	4,407	+ Revenues from non-financial and investment services	4 923
6.	+ Dividend income	160	+ Dividend income	127
7.	+ Extraordinary Revenues	18	+ Extraordinary Revenues	214
8.	- Interest expenses	-127,289	- Interest expenses	-95 460
9.	- Expenses on other financial services	-14,686	- Expenses on other financial services (except for write back of diminution of value on securities)	-35 966
10.	- Other expenses (except for the formation of provisions)	-23,723	- Other expenses (except for the formation of provisions ; losses on inventory; and write back of above planned provisions)	-21 891
11.	- Expenses on investment services	-4,844	- Expenses on investment services (except for write back of diminution of value on securities)	-6 631
12.	- Expenses on non-financial and investment services	-3,964	- Expenses on non-financial and investment services	-3 951
13.	- Cost of financial and investment services	-63,612	- General administration expenses	-71 192
14.	- Extraordinary expenses (not including the Amount of corporate tax liabilities in the subject year)	-215	- Extraordinary expenses (not including the Amount of corporate tax liabilities in the subject year)	-433
15.	- Corporate tax liabilities in the subject year	-7,733	- Corporate tax liabilities in the subject year	-8 971
16.	- Dividends paid	-4,786	- Dividends paid	-5 305
17.	OPERATING CASH-FLOW	27,932	OPERATING CASH-FLOW	31 810

BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

	DESCRIPTION	2000	DESCRIPTION	2001
18.	± Change in stock of liabilities (if increase +, if decrease -)	138,940	± Change in stock of liabilities (if increase +, if decrease -)	153 309
19.	± Change in stock of receivables (if increase -, if decrease +)	-85,469	± Change in stock of receivables (if increase -, if decrease +)	-234 524
20.	± Change in stock of inventories (if increase -, if decrease +)	542	± Change in stock of inventories (if increase -, if decrease +)	78
21.	± Change in stock of securities reported under current assets (if increase -, if decrease +)	-23,903	± Change in stock of securities reported under current assets (if increase -, if decrease +)	44 028
22.	± Change in stock of financial investments (if increase -, if decrease +)	-124,736	± Change in stock of securities reported as investment assets (if increase -, if decrease +)	-105 986
23.	± Change in stock of investments (including advances) (if increase -, if decrease +)	3,555	± Change in stock of investments (including advances) (if increase -, if decrease +)	-1 301
24.	± Change in stock of intangible assets (if increase -, if decrease +)	-208	± Change in stock of intangible assets (if increase -, if decrease +)	-1 261
25.	± Change in the net value of tangible assets (except for investments and advances on investments) (if increase -, if decrease +)	-4,042	± Change in the value of tangible assets (except for investments and advances on investments) (if increase -, if decrease +)	844
26.	± Change in stock of deferred expenses and accrued income (if increase -, if decrease +)	-4,683	± Change in stock of deferred expenses and accrued income (if increase -, if decrease +)	-2 913
27.	± Change in stock of accrued expenses and deferred income (if increase +, if decrease -)	-2,945	± Change in stock of accrued expenses and deferred income (if increase +, if decrease -)	6 159
28.	+ Issue of shares at Sales price	0	+ Issue of shares at Sales price	0
29.	+ Liquid assets received definitively on the basis of legal regulation	2	+ Liquid assets received definitively on the basis of legal regulation	0
30.	- Liquid assets transferred definitively on the basis of legal regulation	0	- Liquid assets transferred definitively on the basis of legal regulation	0
31.	- Nominal value of shares or share notes withdrawn	0	- Nominal value of shares or share notes withdrawn	0
32.	NET CASH-FLOW	-75,015	NET CASH-FLOW	-109 757
	of which:	0	of which:	
	- change in stock of cash on hand (cash in forints and foreign currency, checks)	-14,876	- change in stock of cash on hand (cash in forints and foreign currency, checks)	10 885
	- change in stock of account cash (HNB forint and foreign exchange clearing and deposit accounts with a maturity of less than one year, as well as current deposit accounts kept in forints with another financial institution on the basis of a separate legal	-60,139	- change in stock of account cash (HNB forint and foreign exchange clearing and deposit accounts with a maturity of less than one year, as well as current deposit accounts kept in forints with another financial institution on the basis of a separate legal	-120 642



**REPORT OF THE SUPERVISORY BOARD
ABOUT THE 2000 BUSINESS AND
FINANCIAL REPORT AND THE PROFIT
DISTRIBUTION PROPOSAL**

(Verbal Proposal)

THE SUPERVISORY BOARD'S REPORT ON OTP LTD.'S 2001 ANNUAL FINANCIAL STATEMENTS AND THE PROPOSAL ON THE DISTRIBUTION OF THE COMPANY'S AFTER-TAX PROFIT

As in previous years, in 2001 the Supervisory Board carried out its activities and fulfilled its task pursuant to the provisions of the Act on Credit Institutions and Financial Service Providers and of the Companies Act.

Again in 2001, the Supervisory Board asserted its control function in order to safeguard the Bank's and its customers' assets and the interests of the Bank's owners.

The Supervisory Board held six sessions in 2001, and its chairman or one of its members regularly attended the meetings of the Board of Directors.

During these sessions, the Supervisory Board continuously

- monitored the business operations of OTP Bank Ltd.,
- called upon the Board of Directors to present its report, and
- requested information on topical issues related to the Bank's operation.

On the basis of the various reports, the Supervisory Board was able to monitor

- trends in the performance figures included in the Stock Exchange flash reports,
- compliance with the provisions of the Act on Credit Institutions and Financial Service Providers,
- the volume and the composition of the qualified loan portfolio, and compliance with the Bank's obligation to account for value losses and to set side provisions;

The Supervisory Board listened to reports on

- OTP Bank Ltd's strategy for the years 2001-2005,
- the implementation of the business policy objectives of 2001, and
- the business policy plans for 2002.

Prior to the General Meeting, the Supervisory Board examined all the significant business policy reports that are included in the General Meeting's agenda and all those submitted materials that relate to matters belonging to the exclusive jurisdiction of the company's supreme decision-making body. The Supervisory Board familiarised itself with the contents of the audited annual financial statements and the consolidated annual financial statements and also listened to the auditor's report.

The Supervisory Board's managing role was asserted in compliance with the provisions of the Credit Institutions Act, through audits conducted by a uniformly operating control organisation (Internal Audit). The Supervisory Board carries out the professional management of Internal Audit.

The Supervisory Board determined the most important review areas for the Internal Control Directorate and decided what the most important control tasks should be.

Internal Audit prepared its annual draft review plan, which the Supervisory Board first passed an opinion on and then approved.

Based on the annual control plan and pursuant to other non-scheduled tasks, Internal Audit carried out 236 reviews and took part in 11 projects in 2001.

The Supervisory Board asked the Internal Control Directorate to give an account of the reviews that it had carried out on a quarterly basis. As a part of these reports, Internal Audit gave an account of the review findings and of the recommendations made to the reviewed units, as well as of the implementation of approved recommendations. The reports on the review findings and recommendations were discussed and evaluated by the Supervisory Board on a regular basis.

The reviewed organisational units acknowledged that 99% of the problems that were identified in the course of the supervisory organisation's reviews did actually exist, and they took, or are currently taking, the necessary measures to correct the errors and to eliminate the problems.

The Supervisory Board considered it necessary that a top-priority **review** of 4 business lines and bank operation areas, regarded highly as risky, be carried out.

In line with this request, a review of the corporate lending business took place, in the course of which the entire operational process of this activity was examined. The change in the volume of qualified loan receivables, together with its effect on the profit and loss account, was analysed.

We considered it necessary to ask Internal Audit to subject the entire **retail lending** activities to a review, applying the same criteria to the ones used in the corporate lending audit.

Staff members from the Control Directorate carried out **bank safety reviews** at a significant number of OTP Ltd.'s branch offices. Not only did these reviews involve checking compliance with, and the quality of, the internal regulations on bank safety and cash and valuables-handling, but – through a check compliance with respect to the statutory provisions on Data Protection and Information Safety – they also covered the protection of customers' interests.

Similarly to the previous year, the Supervisory Board attached great importance to evaluating the standard of quality of the Bank's activities and services from the customers' point of view. For this reason, it asked for a review to be carried out on the **handling of customer complaints related to the Bank's services**.

The Supervisory Board discussed in detail, evaluated and approved the findings and recommendations of the high-priority reviews. It also monitored the subsequent implementation of the recommendations that had been accepted from the reports.

Pursuant to the Act on Credit Institutions and Financial Service Providers, the State Supervisory Authority for Financial Institutions carried out an on-site review at OTP Bank Ltd. Following the review, the Supervisory Authority obliged the Bank to take certain measures, and it imposed a fine of HUF 500,000 for the violation of the provisions of Act CXI of 1996 on the obligation to provide information, a fine of HUF 5,000,000 for the violation of the statutory provisions on the handling of sovereign risk and another fine of HUF 1,000,000 for the violation of the obligation to provide information as provided for by § 69 (1) of the Securities Act. These measures of the Supervisory Authority were announced in Magyar Tőkepiac.

Partly using the reports of the management and partly on the basis of the reports of Internal Audit, the Supervisory Board monitored the implementation of the audits carried out by the external organisations, or, more precisely, the points included in the action plans prepared based on the resolutions and findings of these organisations.

In the course of 2001, Internal Audit investigated and replied to the **customer statements** made to the Supervisory Board and the Financial Supervisory Authority. Based on the reviews carried out by Internal Audit and a report on how such statements are handled, the Supervisory Board pointed out that, as with the number of such statements that were found to have been justified, the number of registered statements decreased in 2001. The Bank managed to achieve these positive changes despite the fact that in 2001 other major tasks, critical for the Bank's customers and at the same time representing a considerable workload for the branch offices, also had to be carried out.

Based on the documentation made available to it, the Supervisory Board found that OTP Bank Ltd. had prepared its annual financial statements pursuant to Act CXII of 1996 on Credit Institutions and Financial Service Providers, Act C of 2000 on Accounting, and Government Decree 250/2000 (XII.24) on the accounting practices and annual financial statements of credit institutions and financial service providers.

The Supervisory Board of OTP Bank Ltd. is of the opinion that, in the course of the 2001 activities of OTP Bank Ltd., the statutory requirements and the shareholders' interests were respectively met and protected, and that the development in the Bank's performance indicators were favourable.

DRAFT RESOLUTION

1. The Supervisory Board of OTP Bank Ltd., having accepted the business report and financial statements for the 2001 business year, these being identical with the contents of the auditor's report,
 - with a balance sheet total of HUF 2,127 billion, 158 million;
 - and having accepted the proposal concerning the distribution of the after-tax profit of HUF 38 billion HUF 398 million,as well as the business report of the Board of Directors, hereby moves that the company's Shareholders' Meeting approve the balance sheet total and the distribution of the profit.
2. The Supervisory Board agrees with the Board of Director's proposal to pay a dividend of 27.5%.



**REPORT OF THE AUDITOR ON THE
RESULTS OF THE AUDIT OF THE 2000
HAR FINANCIAL REPORT**

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FÜGGETLEN KÖNYVVIZSGÁLÓI JELENTÉS

Az Országos Takarékpénztár és Kereskedelmi Bank Rt. tulajdonosai részére

Elvégeztük az Országos Takarékpénztár és Kereskedelmi Bank Rt. (a "Bank") 2001. december 31-i mérlegének - melyben az eszközök és források egyező végösszege 2.127.158 millió Ft, a mérleg szerinti eredmény 27.283 millió Ft nyereség - valamint a 2001. évi eredménykimutatásának és kiegészítő mellékletének (továbbiakban a mérleg, az eredménykimutatás és a kiegészítő melléklet együtt: pénzügyi kimutatás) vizsgálatát, melyeket a Bank 2001. évi éves beszámolója tartalmaz. Az éves beszámoló elkészítése az ügyvezetés feladata. A vizsgált éves beszámoló a soron következő éves közgyűlésén történő jóváhagyás céljából készült, s mint ilyen nem tartalmazza a közgyűlésen hozandó döntések esetleges hatásait. A mi feladatunk a pénzügyi kimutatás hitelesítése könyvvizsgálatunk alapján, valamint annak megítélése, hogy az üzleti jelentésben közölt számviteli információk összhangban vannak-e a pénzügyi kimutatásban foglaltakkal.

A könyvvizsgálatot a magyar Nemzeti és Nemzetközi Könyvvizsgálói Standardok és Magyarországon a könyvvizsgálatra vonatkozó érvényes törvények és egyéb jogszabályok alapján hajtottuk végre. A fenti szabványok értelmében a könyvvizsgálat tervezése és elvégzése révén kellő bizonyosságot kell szereztünk arról, hogy a pénzügyi kimutatás nem tartalmaz-e jelentős mértékű tévedéseket. A könyvvizsgálat magában foglalja a pénzügyi kimutatás tényezőit alátámasztó bizonylatok mintavételre alapuló vizsgálatát. Emellett tartalmazza az alkalmazott számviteli alapelvek és az ügyvezetés lényegesebb becsléseinek, valamint a pénzügyi kimutatás bemutatásának értékelését. Az üzleti jelentéssel kapcsolatos munkánk a fent említett területre korlátozódott és nem tartalmaz egyéb, a vállalkozás nem auditált számviteli nyilvántartásaiból levezetett információk áttekintését. Meggyőződésünk, hogy munkánk megfelelő alapot nyújt a független könyvvizsgálói jelentés megadásához.

Záradék:

A könyvvizsgálat során a Bank éves beszámolóját, annak részeit és tételeit, azok könyvelési és bizonylati alátámasztását az érvényes nemzeti könyvvizsgálói standardokban foglaltak szerint felülvizsgáltuk, és ennek alapján elegendő és megfelelő bizonyosságot szereztünk arról, hogy az éves beszámolót a számviteli törvényben foglaltak és az általános számviteli elvek szerint készítették el.

Véleményünk szerint az éves beszámoló az Országos Takarékpénztár és Kereskedelmi Bank Rt. 2001. december 31-én fennálló vagyoni, pénzügyi és jövedelmi helyzetéről megbízható és valós képet ad. Az üzleti jelentés az éves beszámoló adataival összhangban van.

Budapest, 2002. március 22.


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**REPORT OF THE BOARD OF DIRECTORS
CONCERNING THE BANK'S BUSINESS
POLICY FOR 2002**

SUMMARY

In line with its medium-term strategy – in view of the expected development in environmental conditions, assuming an expansion in the various markets, and in light of the strengthening in competition characteristic of every area of the financial sector – the main business policy objectives of OTP Bank Ltd. in 2002 are as follows:

FINANCIAL OBJECTIVES

In order to achieve the main strategic objectives in 2002, the level of the key profitability indicators will need to be:

- real return on equity (ROAE): 19.3%
- average return on assets (ROAA): 2.10%
- proportion of non-interest income: 37.4%
- cost/income ratio: 60.1%
- ratio of loan write-offs to total customer placements: 1.1%

MARKET POSITION

In order to achieve the main strategic objectives, and in particular to realise the profitability goals of the 2002 annual business policy, a growth in the Bank's balance sheet total above the rate of inflation, approaching that of the bank sector as a whole, is necessary, and provided this is achieved, a slight erosion of market share in terms of balance sheet total is acceptable.

To achieve this growth, it is essential that the share, on group level, of retail savings be maintained, and that market share in the area of retail consumer loans, corporate deposits and corporate loans, as well as international payments and the related services, grow. The planned growth in lending activity implies an increase in the proportion of customer placements within the Bank's assets to 38.8%.

CUSTOMER-RELATED OBJECTIVES

In the interest of realising the strategic objectives, in 2002 in addition to maintaining and increasing the number of customers, a growth in the number of products per customer and an improvement of the product-utilisation indicators are necessary. The preconditions for achieving these goals are:

- a growth in the number and ratio of well-to-do middle class, young people, and small and medium-sized enterprises within the customer base
- exploitation of the further opportunities inherent in cross-selling both on the bank and group level
- launch of product-usage incentive and customer loyalty programs.

OBJECTIVES RELATED TO OPERATIONAL PROCESSES

Besides continuing/launching the development projects specified in the medium-term strategy, considerable emphasis will be placed in 2002 on the development of retail and SME lending processes, the acceleration of the product-development process based on customer needs and a knowledge of customers, and an increase in the level of support for product sales in terms of IT and other tools.

OBJECTIVES RELATED TO ORGANISATIONAL DEVELOPMENT AND STAFF TRAINING

The most important tasks in 2002 related to developments aimed at enhancing the Bank's adaptability and flexibility are as follows:

- human resources development: assuring the personnel-related conditions necessary for the realisation of the divisional goals, in particular, implementing skills-development training that will foster a substantial enhancement in sales culture
- development of internal communication:

- increased utilisation of user, or customer-relations, experience
- promoting the adoption of "best practice" within the bank.

MAIN TOOLS FOR ATTAINING THE BUSINESS POLICY OBJECTIVES

- The increase in income:
 - Growth in the number of products used per customer in all business lines
 - Dynamic expansion in product and service sales (i.e. in electronic services, retail loans, services offered to SMEs, project finance, syndicated lending, international payments, foreign trade financing and the related specialist transactions, in new, value-added services, as well as in agency, arranger and other service activities)
 - Growth in transaction numbers – most importantly, in the number of card purchases – and an increase in the intensity of product-use in connection with account-services
 - Increased exploitation of cross-selling opportunities.
- The increase in operational efficiency:
 - Modernisation of back-office activities, reduction in and centralisation of the administrative activities conducted in the branches (SAP, BOR)
 - Development of IT support for clerical work (SUBA)
 - Switchover to the electronic processing of bulk transactions
 - More intensive exploitation of synergies within the group and the bank.

THE KEY TASKS REQUIRED FOR REALISING THE BUSINESS POLICY

1. IT developments
 - creation of a transaction database and of the decision-supporting system based on it
 - further development of electronic channels and services, expanding the range of services offered through these channels
 - creation of an integrated IT support system for lending activities
 - development of IT support systems for the commercial banking area.
2. In order to ensure the necessary personnel-related conditions: the further development of the education and training system; preparation for the introduction of the SAP HR module.
3. The focus of marketing activity:
 - acquisition of corporate customers, with a particular emphasis on SME and "junior" customers
 - widespread promotion of electronic products and services; educating customers about their benefits
 - segmentation of the market into the various target customer groups
 - elaboration of schemes aimed at increasing product usage rates and customer loyalty
 - increased use of targeted direct marketing
 - reinforcement of cross-selling activity
 - strengthening of internal PR.

EXPECTED TRENDS IN EXTERNAL CONDITIONS

MACROECONOMIC TRENDS IN 2001 AND PROSPECTS FOR 2002

The development of the Hungarian economy in 2001 was determined largely by international events. The international economic downturn was much more pronounced than had been forecast at the beginning of the year. The crisis, which soon spread to become a scourge on a global scale, also slowed the dynamic growth of the domestic economy, although the slowdown was somewhat less severe than in the more developed market economies.

Hungarian **GDP** growth (3.8%) was significantly lower than in the previous year, but still well above that of the other countries of the region, and was also significantly in excess of the EU average in 2001. It was above all domestic factors that contributed to this growth. Household consumption increased in excess of GDP, while the growth in capital investment spending declined sharply.

The favourable development in the **external balance** indicators was accompanied by a decelerating/declining trend in foreign trade. The growth in export volumes far exceeded that of imports over the year as a whole, and consequently the end-of-year deficit amounted to just EUR 3.6 billion, or EUR 0.8 billion less than the negative balance of the previous year. **The current account balance**, too, showed a deficit of EUR 0.2 billion less than it had a year earlier.

The 3% **government debt** to GDP ratio in 2001 was also an improvement on the previous year, and better than had been projected.

In 2001 **inflation**, which had been stuck at around the 10% mark, was finally dislodged and began shifting in the right direction. The growth in consumer prices slowed as a result of a number of favourable conditions and measures, and by the end of the year had fallen to 6.8%. The average price-level increase for the year of 9.2% was 0.5% lower than it had been 2000. According to our projections, the declining trend in inflation will be sustainable in 2002 as well, and we forecast a 6.5% average CPI for the year, and a 5.9% figure for year-end.

In 2002 Hungarian economic growth and the development in its balance indicators will again be determined by external factors. While we do not expect to see a rapid return to previous levels of growth, a modest economic upswing could well occur in the second half of 2002. We project a 3.5-4% GDP growth, a further decline in inflation, and stable internal and external balance indicators in 2002.

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MONETARY POLICY

Through an inflation-reduction program applied in a gradual but persistent manner over a period of several years, the central bank wishes to achieve long-term price-stability, which it sees as corresponding to an annual inflation rate of 2%. In accordance with this plan, the goal for this year is to reduce the rate of inflation from its 6.8% level at the end of 2001 to 4.5% by December 2002.

In order to facilitate an effective anti-inflationary policy, the exchange rate mechanism needed to be changed, and in this context the fluctuation band of the Forint was widened, all restrictions preventing full Forint convertibility were lifted, and the old crawling peg devaluation regime was ended.

Already back in 2000, the National Bank of Hungary (NBH) had begun to bring its economic policy tools more into line with EU norms, resulting in quantity auctions replacing free auctions, previously applied periodical acceptance returning to replace tenders, and in the NBH's abolishing the overnight active repo bracket as well as its providing continuous acceptance with currency swap tools.

The mandatory reserve rate was cut gradually in 2001, from 11% to 6%, and at the same time differentiated interest rate compensation on mandatory reserves set aside on Forint and foreign currency funds were uniformly cut to 4.25%.

No major changes are expected in 2001 in terms of the policy tool-set employed until now.

MARKET COMPETITION

In 2002, increasingly intensive competition is expected in retail services, particularly in the areas of lending, services for small and medium-sized enterprises (SMEs), and major project financing. It is expected that K&H and Postabank – who, like OTP Bank, both emphasise their universal banking character – will launch a powerful attack on the retail front, with K&H being active in the area of SME services as well.

In the area of housing loans – given identical, or broadly similar, products and conditions – the main competitive factor will continue to be the level of service, and availability and speed, while in the case of consumer loans we need to reckon on a powerful market showing on the part of the major players (Credigen, Cetelem, BB, Citibank, K&H's (integrated) leasing company and MKB's subsidiary).

The traditional branch network as a whole in Hungary is unlikely to grow much. However, by exploiting its post office sales channel, Postabank is planning to significantly increase the availability of its products, which represents a source of competition primarily for OTP's deposits managed at post offices. In 2002 the most dynamic area of development will be in the electronic sales channels, and significant development is also expected in the field of customer acquisition and sales based on co-operation with non-bank partners.

By integrating their previously separate investment service activities into the main body of the bank, a number of universal banks offering the full range of services are being created. Several of OTP Bank's competitors also possess a full range of products and services, including group-products, and consequently, OTP Bank's competitive advantage is gradually eroding.

Due to the dynamic increase in the number of financial services, as well as to the growing complexity of products, we can expect to see an increasing demand for advisory-type services. By this, we do not only mean advice to help customers choose between banking products, but also supplementary services that will provide additional business-related or legal advice to clients.

OTP Bank's 2002 BUSINESS POLICY OBJECTIVES AND TASKS

BANK-LEVEL OBJECTIVES

MARKET POSITION

The Bank's strategic objective is to retain its leading position within the Hungarian banking sector and its advantage in terms of balance sheet total over the banks that follow it in the rankings. In order to achieve this goal, a growth in the Bank's balance sheet total above inflation and close to that of the banking sector is necessary, and, provided this is achieved, a slight fall in market share in terms of balance sheet total is acceptable. The objective – given the maximum 0.5 percentage-point drip in market share approved for 2002 in the medium-term strategy – is to attain a balance sheet total of HUF 2,275 billion by the end of 2002, and to achieve an increase in the group's (i.e. the consolidated) balance sheet total greater than that of the bank.

In line with the approved strategy:

- a significant increase in market share is required in the area of retail lending;
- it is necessary to increase the Bank's share of the corporate market (both on the deposits and loans side, but to a greater extent in the case of loans; and among the various categories of corporate customer, an increase in market share in the area of SME services is required);
- in the area of group-services, the goal is to strengthen the market position of the financial institutions that collect retail savings outside the bank, and to increase their market share (pension-fund savings, life insurance and pension policies, investment funds, etc.) in such a

way that the entire bank group's share of retail savings (including bank savings) at least remain the same, and preferably increase;

- it is necessary to increase, through OTP Befektetési Alapkezelő Rt. (Investment Fund Management Ltd.), our share of the institutional asset management market;
- in the other business areas (retail deposits, municipality deposits and loans), the task is to maintain our market position.

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FINANCIAL OBJECTIVES

The volume and profitability targets of the 2002 business policy are as follows:

- In order to achieve its targeted market share, the Bank intends to increase its balance sheet total by a nominal value of at least HUF 148 billion.
- The planned increase in the balance sheet total in 2002 can primarily be assured through the increase in customer funds. Of the total growth planned, HUF 77 billion will come from a growth in retail deposits placed at the Bank, HUF 27 billion from additional corporate deposits, and HUF 33 billion from an increase in equity capital.
- On the assets side of the balance sheet, achieving the target market shares in the loan markets means that the ratio of customer placements (excluding the loans of the mortgage bank) to total assets must be increased to 38.8%.
- The business policy plan assumes a fall in the Bank's interest margin of 43 basis points in 2002.
- The planned growth in non-interest income – not including the fees paid by the mortgage bank and the state subsidies related to the transfer of loans to the mortgage bank – is more than 20%, and the difference between this and the projected level of inflation will need to come from an increase in product-usage and in the intensity of product-usage. Besides the dynamic growth in fee and commission income, the business policy plan also reckons on an increase in profits from FX trading and securities trading.
- In addition to the planned balance sheet total and the projected 4.65% interest margin (representing a 43-basis-point decrease compared to 2001), the projected net interest income is HUF 98 billion and non-interest income HUF 58 billions. Thus, with total planned income of HUF 156 billion, the ratio of planned non-interest income to total income is 37.4% billion, or slightly in excess of the level prescribed in the medium-term strategy (36%).
- Besides the realisation of the above-mentioned total-income target, in order for the planned cost/income ratio to be achieved, the increase in non-interest-type expenses cannot – assuming parallel costs savings – exceed 10%.
- The Bank's pre-tax profit target of HUF 54 billion for 2002 and its after-tax profit target of HUF 44 billion assume a maximum ratio of provisioning and value loss to average customer placements of 1.1%.
- The amount of the taxed profit calculated in accordance with the above satisfies the expectations articulated, both with respect to growth and the various profitability indicators, i.e. average return on assets (ROAA) of 2.10%, average return on equity (ROAE) of 25.8% and inflation-adjusted ROAE of 19.3%.
- Assuming a dividend-payment rate of 25% (HUF 395/share) as determined in the strategic plan, the Bank's equity capital will stand at HUF 192 billion at the end of the year.

CUSTOMER-RELATED GOALS

In keeping with its mid-term strategy, the Bank will focus on the following segments in particular in 2002:

- Within the retail-banking segment, the goal is to increase the number and ratio of the well-to-do middle class with relatively high incomes.
- Because of increasing competition, we must focus on attracting potential "junior" customers and increasing the number of customers who most frequently use banking services.
- Due to the low margins achievable in corporate banking, small and medium-sized enterprises with improving creditworthiness have become more important, and we must increase the number of such clients by offering them an improved and expanded range of services.

In 2002, in addition to the acquisition of new customers, the Bank wishes to increase product usage, that is, the number of products per customer. We must examine the opportunities for improving product usage through pricing methods or an incentive system similar to the Multipont program.

In order to keep profitable customers, our objective continues to be to improve customer satisfaction and strengthen customer loyalty. For this purpose we need to create in 2002 loyalty programs that will ensure long-term customer loyalty both on the bank and the group level.

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OPERATIONS

Technological developments, IT

In this highly competitive environment, the Bank's ability to acquire market share and to maintain its competitive edge is largely depend on modern banking IT systems.

In 2002 the Bank plans to implement the following developments in order to preserve its competitiveness:

- creation of a transaction database primarily to serve the purpose of customer segmentation, customer profitability calculations, and sales and cross-sales support
- introduction of individual modules of a complex business management system in order to create an integrated and unified information technology support for operational processes
- introduction of a new, modern integrated branch system (SUBA)
- as part of the Back Office rationalisation program, the modernisation of back-office operations and the reduction and centralisation of administrative activities in the branches
- consolidation of its IT assets
- IT support for new business activities

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Sales network development

As electronic channels are used more frequently, so the roles that branches play are changing too: in addition to the fast and efficient execution of financial transactions, the focus will shift to consultation, product sales and the promotion of new products, all of which makes it essential that branches be transformed. In line with the changing nature of tasks, separate advisory and product-sales desks as well as customer meeting rooms should be created in the branches, separated from the transaction counters that allow for fast and efficient service, as well as from desks where complaints are handled.

Branches must provide comprehensive access to the web pages of the Bank and the bank group, as well as to HaziB@NK, since this will enable our representatives to familiarise themselves with them and to therefore be able to recommend them and explain their use to customers.

There is no need to increase the number of branches significantly. However, changes in customer-traffic data and customer demand, as well as changes brought about through the realisation of town and village-development programs, mean that it will be necessary to move or open a few branches. In addition, the upgrading and modernisation of branches in regional or county centres must be continued intensively in 2002.

With respect to electronic channels, the Bank's goal is to maintain its position and role as market leader. The developments that have been commenced in relation to the realisation of strategic goals, as well as the tasks for 2002, are as follows:

- developing the OTP website and continuously integrating and updating group-member sites in order to assure a uniform internet presence
- offering transactions and information in English through electronic channels
- offering on-line loan applications
- introducing securities transactions with deferred settlement
- reinforcing our new electronic brand, OTPdirect
- creating middleware (unified customer database) in order to integrate the various channels
- creating an intranet network to improve the internal information flow and training

- creating a call centre
- active mobile bank transactions
- developments in connection with digital signature (PKI)
- examining the possibility of further expanding ATM functions (e.g. account activity enquiries)

In addition to improving the banking group's sales network, we need to explore and use other agents as well.

TRAINING AND DEVELOPMENT

Human resources development

In order to realise the strategic goals related to HR development in 2002 – in the second phase of the SAP project – the creation of an HR module has begun, which will provide a modern, up-to-date and integrated information base to support the realisation of HR management goals (employee, payroll, HR development and training information). As part of the preparations for the introduction of the HR module, a new system of job descriptions, which will assure transparency in relation to tasks and responsibilities, is being created, and at the same time serve as a basis for the development of a more effective performance-based remuneration system. In addition to the job-description module, a new management competency system is being developed, which will allow the expected competency profile (skills, abilities) of each position to be determined and that will enable the creation of an effective HR development system based on employee competence appraisals.

Additional tasks of importance in 2002:

- Training required for the achievement of the divisional objectives and due to product and technological developments, especially:
 - training personnel for the housing loans business
 - preparing users and operators for the introduction of SAP
 - mass training in connection with the introduction of SUBA
 - Launching of skills-development training in high-priority skill-gap areas (sales techniques, communication and complaints handling)
 - Creation of the conceptual framework for advisors' training and beginning the training
 - Increasing training efficiency
 - forms of mixed training, wider use of distance learning, introduction of e-learning
 - creating regional training centres and providing the necessary personnel (selection and preparation of internal trainers), as well as the material conditions for them (classrooms, educational tools)
 - Retrain and redirect to business areas those employees whose positions have been made superfluous by the introduction of SAP
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Internal communication

Improving communication between the management and the employees, as well as the head office and the network, contributes to an improvement in the Bank's performance and operational effectiveness. In 2002 the most important tasks related to improving internal communication are:

- providing information to those affected on the goals, expected results and the process of company projects affecting employees
- encouraging the use of "best banking practices" (here, the criteria and the standard methods for determining what qualifies as "best practice" need to be identified) by monitoring performance and building on the experience accumulated within the network
- collecting and using in developments the experience and ideas accumulated within the network in connection with products, banking processes, regulations, as well as customer expectations, changes in habits and behaviours.

BUSINESS LINE OBJECTIVES AND TASKS

RETAIL BANKING

RETAIL DEPOSITS

In accordance with its medium-term strategy, in 2002 the Bank wishes to achieve a growth in total retail deposits that is at least equal to the expected rate of inflation.

In addition to increasing the volume of existing products, the achievement of the market-position related objectives requires the development and introduction of new products, such as medium- and long-term savings forms. (In the case of time deposits with tenors of more than 2 years, for example, no central-bank reserves need to be set aside). These products must represent a competitive alternative for customers relative to the savings products offered by other players entering the financial services market.

In accordance with bank-level objectives, the ratio of fee and commission income must also be increased in relation to retail deposits. The main means for doing so is encouraging greater current-account usage on the part of customers, resulting in an increase in the number of transactions they execute through their accounts.

Pushing sales of more profitable products, such as savings notes, and phasing out loss-making products, such as securities issued by the Bank, could contribute to an improvement in the profitability of the division.

In the interests of achieving loan portfolio objectives, in addition to continuous customer-acquisition efforts, special attention must be given to increasing the number of products sold per customer as well as the intensity of product use.

The Bank's objective is, on the one hand, to increase the number of its "junior" customers, who are the most open to new offers and who most readily use cash-substitute payment instruments and electronic services – and who may, in the future, become a profitable and active customer group. At the same time, the Bank is striving to increase the number of its 35-44 year-old customers, who are generally the most frequent users of bank services.

In 2002 emphasis must be placed on "cleansing" existing customer data, in the context of which – and also because the law now calls for it – anonymous deposit-holders will have to be named, and deficiencies (such as inadequate data content) stemming from the integration of former data management systems will also have to be remedied.

RETAIL LOANS

In order to achieve the strategic objectives, it will be necessary to increase – together with the Mortgage Bank – the total value of both housing loans and consumer loans by approximately 30% in 2002. Housing loans and mortgage-bank "liability loans" provided under year-2000 conditions, and, among other loans, the disbursement of mortgage loans, will have a key contribution to make towards increasing the overall loan portfolio, as will the growth in the volume of loans drawn down from credit lines and the recently recommenced consumer-goods lending activity.

In order to increase the volume of loans, both the number of customers (i.e. loan agreements) and the average volume of loans (i.e. the volume of loans per agreement) will have to be increased. Efforts must be made to increase the number of current-account holders who have already been extended A loans, and, in the case of A, B and C loans, to increase the utilisation of credit limits.

In order to achieve the Bank's profitability objectives, the proportion of retail loans within total assets will have to be increased. Furthermore, with the onset of building society fund and mortgage bank lending, the proportion and importance of commission income is increasing.

The profitability of the division can be improved through a reduction in risk-related costs, and therefore, in the case of housing loans, on-going portfolio cleaning (the transfer of bad loans to either OTP Factoring Rt. or OTP Ingatlan Vagyonkezelő Kft.) is needed and the volume of low-risk, new loans must be increased. In the case of consumer loans, risk-related costs can be reduced by modernising debtor rating and collection activities.

In order to improve the quality of housing loans, a research project was conducted in 2001, which resulted in a series of recommendations on the modification of existing loan facilities, the transformation and standardisation of the loan approval and disbursement process, and on how to increase the availability of housing loans, especially in Budapest. Besides implementing these recommendations, the tasks scheduled for 2002 include the improvement of the IT system that supports housing loan activity.

Based on a decision of the Bank, the modernisation of consumer lending is to begin with the transformation of consumer goods lending. In connection with consumer-goods lending returning to the market, IT support for consumer lending will have to be created (a new, central account-management system), a scoring-based creditworthiness appraisal system introduced, the practice of "soft" collection established, and an efficient marketing strategy devised for the "comeback" (e.g. ensuring a presence in the catalogues of the big retail chains).

An expansion in the availability of housing loans and the planned boosting of consumer goods lending are feasible only if headcount is increased. This will be solved partly through the transfer of employees within the bank (e.g. as a result of the introduction of SAP, which will render certain jobs unnecessary) and partly through the recruitment of new employees. In both cases, particular emphasis will have to be given to training, in particular to the transfer of product knowledge, so that the new employees will be able as soon as possible to carry out their duties in a highly competent manner.

INVESTMENT SERVICES

The Bank offers investment services to its retail customers in three easily distinguishable segments. Now that OTP Értékpapír Rt. (OTP Securities Ltd.) has merged with the Bank, securities distribution will take place entirely through the Bank's distribution channels. OTP Group has always been among the major players in this area, and before the merger OTP Értékpapír Rt. – with its sales being conducted through the branch offices of the Bank – was market leader in the distribution of government bonds. The Bank's objective in this market segment is to maintain the position that the Group has had until now.

Maintaining market position is also an objective in private banking (where the Bank is among the top three players in the market), although until now the Bank has not offered its highly important private banking clients any separate, special services. In the case of the latter segment, the size of the market is restricted, and choice is highly influenced by the image of the banks. In view of this, OTP Bank is aiming at 'making a name for itself' in this segment and providing high-level services to clients who are linked to the Bank in some other way (e.g. through corporate connections).

The merging of the activities of OTP Értékpapír Rt. into the Bank and increasing client numbers in the targeted segments mean that the entire investment service activity must be reconsidered and placed on a new footing, that the product offering must be transformed, the advisory aspect of the services strengthened and, if possible, financial advice should be supplemented with advice related to other areas (e.g. legal and taxation issues, property investment, art purchases, etc).

BANKCARD BUSINESS

The bankcard market in Hungary can be considered mature in terms of quantity, and thus no significant increase in the number of cards can be expected. OTP Bank has an adequately large market share, and therefore, besides maintaining its position in the domestic bankcard market, the Bank's primary concern is not so much to increase the number of the cards issued as it is to increase the intensity of their use.

The Bank's objective for 2002 in the bankcard business is nonetheless to increase the number of issued cards by 4.6%, and within this, the number of business cards is by 21.1% and the number of retail cards by 3.8%.

The bankcard business will contribute to achieving the Bank's profitability goals through a raise in the annual card fee as well as in transaction fees. In 2002, the goal is to increase card revenues by 20%, with at least half of this growth to come from an increase in the number of cards and in the intensity of their use.

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COMMERCIAL BANKING

CORPORATE BANKING DIVISION

The Bank's objective in 2002 is to achieve a slight increase in its market share in terms of both corporate deposits and loans. To this end, besides acquiring new customers, the volume of transactions effected by existing customers through OTP Bank is to be increased.

Due to the differing characteristics of the four groups in the corporate division's client base, a different approach is required on the part of the Bank for each, both in terms of the products and services offered and the business policy adopted:

- With respect to large corporate clients, the goal is to maintain and increase client-level profitability by providing the widest possible array of products and utilising the opportunities for cross-selling that present themselves.
- In the medium-sized corporate segment, the Bank must strive to increase its presence. It is this client group, also very much the object of the attentions of rival banks, that represents the main target of our expansion.
- In the case of small and micro-enterprises, the goals include maintenance of the Bank's dominant market share, the sale of account management services and related products and, supported by the scoring-based system introduced in early 2002, a dynamic increase in the number of safe loan placements.
- Non-profit and other organisations are a low-cost source of funds, and provide low-risk loan placement opportunities for the Bank. As the profitability of both sides is considerable, the goals with respect to this market segment are ensuring the Bank's presence, as well as maintaining its position and its traditionally good relations with these clients.

Meeting profitability targets will be served by an improvement in the product usage indicators, with a special emphasis on e-products and services as well as on maximising the opportunities for cross-selling. To enhance the effectiveness of customer relations, product-oriented sales campaigns are needed, and in the interest of the successful execution of such campaigns, target-based incentives must be provided for customer relations officers.

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In order for the division to attain its goals, the (further) development of IT support for the division is essential, with a particular emphasis to be placed on:

- the scoring-based system, which makes small- and micro-enterprise lending faster and more flexible, and which facilitates the adjustment of risk management to the particular characteristics of the enterprises;
- the FOKUSZ system, which serves to optimise per-customer profitability;
- solving the problem of having independent IT systems (EHKR, VHKR, FOKUSZ), and accelerating the development of the EHKR system.

In order to broaden and maintain the level of expertise of corporate banking employees, the two-tier corporate finance training system must be retained. At the same time, besides utilising the potential of the Intranet that is about to be introduced, there needs to be a gradual changeover to distance learning.

Further emphasis must be placed on marketing support for corporate banking: awareness of the Bank's corporate banking services and products among existing and potential customers must be increased.

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CUSTOMS SERVICES

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Currently, OTP Bank is a market leader in the area of customs cashier services, and it intends to maintain its leading position in 2002. Based on what has been achieved so far and on what still remains to be done, the following tasks must be performed in 2002:

- increasing product usage and promoting cross-selling
- optimising the capacity of branch offices providing customs cashier services
- measuring customer satisfaction
- developing product risk-based customs guarantee packages
- exploring and analysing EU customs payment practice.

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INTERNATIONAL BANKING

The Bank's most important objective is to achieve a market share in the area of international payments and related services that approximates the overall market share of the Bank, with special regard to foreign trade financing and, within this, to letter of credit transactions and guarantees.

The primary goal is to increase the number of transactions and the volume transacted turnover, and thereby to significantly augmenting the commission income generated from the division's activities. This can be achieved by increasing the number of customers as well as the volume of services they use, which in turn necessitates the acquisition of new customers and the retention of existing ones.

In order to be able to provide customers with a high level of service, the use of FX products via on-line systems (such as customer terminals and [Házib@nk](mailto:Hazib@nk)) must be made possible on a wide scale.

In response to customer needs, the possibility of the Bank's effecting international payments also in the currencies of the neighbouring countries (CZK, PLN, SKK) will have to be examined.

MUNICIPALITY BANKING

The Bank's objective in 2002 is to maintain its leading position in municipality banking and to minimise loss in market share.

An important means of satisfying customer needs is the development of products offered via electronic channels (e.g. customer terminals, cash management systems, etc), with a special emphasis on the Internet. In connection with this, the first task is to stimulate a change in attitude and approach on the part of the municipalities. After the necessary technical conditions have been created, awareness of internet banking among municipalities will have to be spread, and then an internet banking "culture" will need to be fostered. The objective with respect to this customer group, too, is to considerably increase the use of electronic channels and services.

The development of the FÓKUSZ system in 2002 will help the Bank to measure the profitability of the various municipalities.

The professional forums that we organise provide an opportunity to learn about the needs of the municipalities, to discuss general problems that surface and to jointly think through possible solutions. Sponsoring various municipality events is also an effective way of acquiring new customer and strengthening existing relations.

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TREASURY AND STRUCTURED FINANCE

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The Bank has a leading position in the Hungarian financial markets (largest lender), and maintaining this position is one of its primary objectives. In accordance with the approved investment strategy, at most only a slight increase in the total volume of securities is expected in 2002.

The Bank's treasury activity is presently characterised by a shift towards the serving of customers. In the area of syndicated lending, the Bank's objective is to retain its market position, while in the area of corporate finance, it aims to acquire a dominant position. In the case of syndicated lending, this objective can be achieved only if, in addition to domestic transactions, the Bank actively participates in safe international transactions.

The importance of speculative deals is expected to decline in the future, and the Bank's goal is to increase fixed commission income. In achieving this objective, syndicated lending activity, structured finance products, corporate financing, and securities distribution through the Bank's branch network will have an important role to play, and will all need to be stepped up.

In Treasury, the past few years have seen the emphasis placed on the liquidity management of the Bank and on the management of the investment portfolio. In the future, due to changes in the relative weight and role assigned to the Bank's various activities, as well as to the launch of new services, the importance of customer contacts and relationships will grow. To this end, both marketing support and the co-operation of the branch offices are needed.

In order to acquire and keep key customers, the existing range of products will have to be expanded, which presupposes the purchase by clients of customised treasury products and the development of the contractual terms and conditions related to them.

An important task for 2002 is the completion of OTP Értékpapír Rt.'s integration (affecting partly Treasury, and partly Investment Services), which includes obtaining the necessary permits from the supervisory authority and providing for both the material and personnel-related conditions.

Some of the existing technical problems will be solved through the uniform Treasury Back Office system that is to be introduced within the framework of the SAP project. This system ensures the keeping of the sub-ledger records related to investment-purpose transactions, and from the second of the implementation of the SAP controlling module, it will be possible to measure the profitability of individual transactions.

In Treasury and, within that, particularly in the area of structured financing, there is a continuous stream of new products appearing on the international market. The Bank, owing to its market position and capital strength, will be able to assume a major role in introducing such products to the Hungarian market and in promoting their widespread use (e.g. interest rate derivatives and swaps, interest rate options, securitisation, etc). By ensuring that it appears with such products on the market in good time, the Bank should be able to acquire a leading market position and realise additional profits. Therefore, the opportunities offered by new structured products must be continuously monitored.

PROJECT FINANCE

The Bank's objective in this area is to maintain and strengthen the market position it has acquired over the past years. This can be achieved through the Bank's actively taking part in (what are expected to be increasingly numerous) large-scale projects being implemented with the participation of both the public and private sectors, and by its participation in the safe segments of the dynamically developing real-estate financing market. In addition, the Bank needs to take advantage of its extensive network to acquire an appropriate slice of the increasingly numerous smaller-scale projects that are to be implemented (e.g. in the areas of infrastructure, the energy sector and real-estate financing).

The goals set for 2002 also specify the inclusion of the services provided by the independent engineers and appraisers of the Bank and the OTP Group, mainly those of OTP Ingatlan Rt., as well as the asset insurance services of OTP Garancia Biztosító Rt. during the implementation and operation of the projects.

In order to achieve the objectives related to market position as well as the financial objectives, the number of transactions per customer must be significantly increased. Other major tasks include keeping customers who have already been financed even after the cross-financing phase, acquiring new customers through refinancing, as well as establishing a close (if possible), "family banker" type relationship with customers so that further business can be done with them.

As the Bank's network becoming increasingly instrumental in acquiring and transacting project financing deals, appropriate training for branch employees is required, as is close co-operation between the head office and the branch offices.

CAPITAL INVESTMENTS

OTP Bank is once again planning to implement purely strategic investments in 2002, while it has no intention of increasing its other shareholdings, i.e. those that do not support or complement the Group's activity.

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The main target of strategic acquisitions is the purchase of the shareholdings, business lines or business portfolios of domestic and international banks. In addition to this, the Bank is continuously screening opportunities that arise both in Hungary and the neighbouring countries. The Bank will undertake further bank-related acquisitions only if the prospect transaction promises to be sufficiently profitable – e.g. through capitalising on synergies – and if the level of risk involved in the purchase and operation is acceptable to the Bank.

THE OTP BANK GROUP

In 2002 the OTP Group will expand to include OTP Jelzálogbank (Mortgage Bank) Rt., IRB, Merkantil Ingatlan Lízing (Real Estate Leasing) Kft. and OTP Országos Egészségpénztár (National Health Fund).

The Bank's chief goal is to increase group-level market share, preserve its market position in the individual markets and augment its market share, while producing an ROAA and ROAE in excess of those of the bank. The primary expectation with respect to each member of the Bank Group/Company Group continues to be that they achieve a level of profitability that is equal in terms of return on equity, assets and revenues to that of the bank or at least to the average of their respective sectors.

Main objectives:

- the development of the TIKO system supporting legal compliance with prohibitions and large risk exposures
- harmonising distribution channels, paying particular attention to presenting a consistent image on the Internet that reflects the Bank's group approach, and to the expansion of the services available via the Internet
- streamlining processes and rendering them less time-consuming (e.g. the time needed for appraising housing loan applications, concluding insurance contracts, etc)

- establishing better co-ordinated and more flexible connections with the members of the group, and, to this end, ensuring the technology needed for efficient information flow
- improving the conditions of cross-selling: the basis for efficient cross-selling is the creation of a bank-level data warehouse and its linking to the respective systems of the group members; and the establishment of a uniform customer identification system, which will ensure that the products offered to a given customer will always match the particular stage of his life-cycle and his pattern of product use. Moreover, the incentive schemes already in place must be fine-tuned and some of their elements actually changed. In 2002, it is the bank-level data warehouse that will be created. In order that a group-level data warehouse can be set up later, the Bank's uniform customer identification system must be developed in such a way that it also satisfies group-level requirements. At the same time, legal solutions must be worked out (in respect of the Data Protection Act).

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TASKS OF THE GROUP MEMBERS

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In 2002 the most important objective with respect to **OTP Garancia Biztosító Rt. (OTP Garancia Insurance Ltd.)** is that it increase its market share to 11% and its premium income to HUF 52 billion. Dynamic growth is expected to occur mainly in the life and bank insurance markets. Financial objectives include an increase in return on assets and return on equity, a reduction in the level of costs and the replenishment of reserves.

The main tasks that need to be carried out in order to realise these objectives are as follows:

- increasing premium income from continuous-premium-payment insurance policies
- giving a new impetus to the sales of insurance policies with a one-off premium payment
- improving the profitability of vehicle liability insurance policies, reducing losses
- increased sales of life insurance policies
- an even greater utilisation of the sales network provided by OTP Bank
- a more efficient utilisation of cross-selling; improving co-operation with other group members.

The Bank expects **Merkantil Bank Group** to preserve its market-leading position (25% market share) in the area of vehicle financing, and to maintain the level of profitability it has achieved. These objectives can be achieved by further expanding its customer base, broadening the range of its services, further exploiting the still-untapped potential in dealer financing, as well as pursuing a carefully considered marketing and customer acquisition strategy. In addition to vehicle financing, special attention needs to be paid to production-asset financing, an activity that has significant market potential.

In 2002, too, **OTP Alapkezelő Rt. (OTP Fund Management Ltd.)** would like to preserve the market position it has acquired in investment fund management, and is planning to increase its share of the institutional asset management market. These efforts will be facilitated by the new capital market law that took effect on 1 January 2002, which allows more room for fund management companies to introduce new products and expand the scope of their asset management activities, although the appearance of the products of foreign investment funds could weaken the growth impetus of domestic funds and force Hungarian asset management companies to reduce their fees.

The business operations of **OTP Pénztárszolgáltató Kft. (OTP Pension Fund Ltd.)** in 2002 may be influenced by possible modifications in regulations and by changes in the investment environment, which could affect the number of fund members and, as a result, also the growth in assets. Consequently, the primary goal, in addition to preserving the company's market position, is to improve the quality of services and to increase the satisfaction of fund members and employers. To achieve this goal, yields must be increased. This, in turn, calls for major developments, including the transformation of processes, the upgrading of data-processing systems and the integration of new electronic equipment.

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The objective of **OTP Lakástakarékpénztár Rt. (OTP Home Savings Fund Ltd.)** in 2002 is again to preserve its market share, which currently stands at 40%. The operation of home savings funds in 2002 will be heavily influenced by the interest rates offered by the government's housing-support

programme. As housing loans are being provided at an ever-decreasing rate of interest, home-savings-fund facilities are losing their appeal.

The Company made the first disbursement of savings and granted the first housing loans on the disbursement date of 31 October. The Company projects that it will make a considerable volume of disbursements in 2002, which will also mean an additional task for the Bank's branch offices, too, since payments are effected there. Therefore, the (previously-mentioned) planned increase in the number of employees dealing with housing loans is entirely justified.

PSZÁF (the state financial supervisory authority), in a resolution of September 2001, approved the foundation of **OTP Jelzálogbank Rt. (OTP Mortgage Bank Ltd.)**, which commenced its operation in early 2002. By establishing OTP Jelzálogbank, the Bank aims to provide its customers with the broadest possible range of housing loans and to utilise the advantages offered by the housing subsidy scheme. Accordingly, the aim is to dynamically increase the volume of Forráshitelek (Source Loans) and the group-level share in housing loans. In 2002 costs must be kept to a minimum, and a positive bottom-line figure attained.

The major objectives and tasks of **OTP Ingatlan Rt. (OTP Real Estate Ltd.)** in 2002 include:

- maintaining stability and balanced growth
- increasing the number of the houses either to be completed or in the preparatory phase during the year
- ensuring the real estate portfolio needed for the developments in the coming years
- ensuring that the benefits offered by the housing subsidy scheme are utilised by an increasingly wide circle of people
- in connection with housing construction, participating in the publicity campaign and placement of retail loans
- contributing to the improvement of the Bank's activity in the area of housing loans by improving the standard of and cutting the time needed for real estate appraisal.

In addition to increasing income, the aim of **OTP Faktoring Rt. (OTP Factoring Ltd.)** and **OTP Ingatlan Vagyonkezelő Kft. (OTP Real Estate Asset Management Ltd.)** remains to improve the efficiency of receivables collection. Profit levels will be determined by the revenue that can be obtained from the collection of receivables that have already been bought. In this respect, the most significant task in 2002 is the collection of housing loans. One of the main tasks of the asset management operation is the creation of an inventory of freely available flats as part of a home-swap scheme, which will help assure the efficient collection of housing loans.

Due to a marked drop in the volume of bad loans taken over from the branch offices of OTP Bank, new market areas – OTP Bank excluded – must be found, as the opportunities offered by the market are far from being fully utilised. To this effect, a new business line engaged in factoring the loans provided by local governments is to be launched. The possibility of expanding the scope of business activity to include purchasing the receivables of SMEs owed to them by large companies with excellent credit ratings should be looked into in 2002.

The sales of flight tickets continue to account for nearly two-thirds of **OTP Travel Kft.**'s planned earnings for 2002, despite the fact that a marked decline is evident in the sector. In order to offset these general negative effects, OTP Travel is attaching great importance to increasing the number of its sales outlets, on further increasing its sales through the OTP Bank network, and on implementing an online sales facility. In 2002, the company is focusing its efforts on developing its domestic travel business, organising customised tours and, as a new element, involving all the regional units of the Bank in sales.

OTP Bank's acquisition in Slovakia, for which preparations were made in 2001, took place in the first quarter of 2002. OTP Bank purchased **Investicna a Rozvojova Banka A.S.** for SK 700 million, thus acquiring a 92.55% ownership stake. Within one year following the purchase, a SK 1 billion capital increase will need to be implemented. With respect to 2002, the main objective is to restructure the Slovak bank, while at the same time formulating the details of, and implementing, its planned product

development programme, and also to lay the foundations for the acquired bank's efficient and profitable operation. Besides the new management appointed to lead IRB, the relevant divisions of OTP Bank will also be participating in the development of the new product structure.

A new member of the group organised around the Bank is **OTP Országos Egészségpénztár (OTP National Health Fund)**, established to provide health fund services (both in-kind and financial), and the limited company linked to it and carrying out related activities. One of the company's most important synergetic effects is the expansion of the market for OTP Garancia Biztosító Rt.'s related services.

KEY FIGURES FOR THE 2002 BUSINESS POLICY PLAN

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		31 Dec 2001	31 Dec 2002	Change	
		Actual	plan	HUF bn	%
Balance sheet total	HUF billion	2,127	2,275	148	6.9
Loans	HUF billion	770	882	112	14.6
Deposits	HUF billion	1,811	1,883	72	4.0
Equity capital	HUF billion	159	192	33	20.9

		2001	2002	Change	
		Actual	plan	HUF Million	%
Net interest income	HUF million	98,300	97,800	-500	-0.5
Non-interest income	HUF million	42,800	58,600	15,800	36.9
Total income	HUF million	141,100	156,400	15,300	10.8
Non-interest expense	HUF million	85,200	94,100	8,800	10.4
Operating profit	HUF million	55,900	62,300	6,400	11.5
Provisions	HUF million	8,500	8,400	-100	-1.7
Pre-tax profit	HUF million	47,400	53,900	6,600	13.8
CPI		9.2%	6.5%		
ROAA (nominal)		1.89%	2.10%		
ROAE (nominal)		26.9%	25.8%		
Real ROAE		17.7%	19.3%		
NAV/share	HUF	5.661	6.844		
Non-interest income/total income		30.3%	37.4%		
Cost/income		60.4%	60.1%		
Loans/total assets		36.2%	38.8%		



**ELECTION OF THE COMPANY'S AUDITOR,
APPROVAL OF THE APPOINTED OFFICIAL
RESPONSIBLE FOR AUDITING, SETTING
THE REMUNERATION**

ELECTION OF THE COMPANY'S AUDITOR, APPROVAL OF THE OFFICIAL APPOINTED FOR BEING RESPONSIBLE FOR AUDITING, SETTING THE REMUNERATION

Based on Section 3 Para 66 of Law CXII of 1996 (Law on Credit Institutions and Financial Enterprises) the Supervisory Board after consultation with the Board of Directors proposes that the General Meeting elects Deloitte & Touche Auditing Ltd. (000083) to be the Company's auditor, to audit the company's non-consolidated and consolidated 2002. accounts. Also proposes that the General Meeting approves the appointment of Gyula Köbli (005394) chartered auditor, as the individual in charge of auditing. In the event any circumstance should arise which ultimately precludes the activities of as appointed auditor in this capacity, proposes the appointment of Zoltán Nagy (005027) chartered auditor, to be the individual in charge of auditing.

The General Meeting establishes the total amount of forty-three million six hundred and forty thousand Hungarian Forints (HUF 43,640,000) + VAT as the auditor's remuneration for the audit of the annual accounts of 2002, prepared pursuant to Hungarian accounting regulations as applicable to credit institutions and the audit of the consolidated annual accounts to be performed in accordance with Act C. of 2000 on Accounting, of which HUF 37,690,000 + VAT shall be paid in consideration of the audit of the non-consolidated annual accounts, and HUF 5,950,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.



**PROPOSAL FOR AN AMENDMENT TO THE
BY-LAWS**

PROPOSAL FOR AN AMENDMENT TO THE BYLAWS

The proposal concerning the amendment to OTP Bank Ltd.'s By-Laws affect Chapter 4 of the By-Laws, i.e. the areas of activity. The amendment is required in the light of two circumstances.

Since last year, the State Supervisory Authority for Financial Institutions has issued a licence to OTP Bank Ltd. to perform investment services and supplementary investment services, and these new areas of activity must be included in the By-Laws.

The new Act on Capital Markets, which went into force on 1 January 2002, defines certain investment and supplementary investment service activities under a new name, while leaving the contents of these activities unchanged. These new definitions also need to be included in the By-Laws.

The proposed amendments to the text of the By-Laws are as follows:

⇒ The provisions of point 4.5 of the By-Laws to be replaced with the following wording:

"TEÁOR 65.23: miscellaneous financial activities not listed elsewhere, more specifically:

- commission agent and trading activities in respect of all investment assets;
- the customised management of private portfolios based on the investor's instructions (portfolio management);
- assumption of guarantee for the subscription of securities;
- investment advisory services;
- granting of investment loans to investors;
- management of securities accounts;
- management of customer accounts;
- custodial services;
- securities safe-keeping and management of the related records."

⇒ The second indented paragraph of point 4.6 of the By-Laws to be replaced with the following provision:

- " - the arrangement of securities offerings, and the arrangement of the acquisition of stakes in companies limited by shares by way of a public purchase bid, as well as the related services;"

⇒ Point 4.6 of the By-Laws to be supplemented with the following new, indented, paragraph:

- " - advisory services for companies on matters related to equity structure and business strategy, as well as the provision of services related to corporate mergers and acquisitions."



ELECTION OF MEMBER OF THE BOARD OF DIRECTORS.

VERBAL PROPOSAL



ELECTION OF MEMBERS OF THE SUPERVISORY BOARD

VERBAL PROPOSAL



**ESTABLISHING THE REMUNERATION OF
THE MEMBERS OF THE BOARD OF
DIRECTORS AND SUPERVISORY BOARD.**

PROPOSAL FOR THE ESTABLISHING THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

The Board of Directors in Agreement with the Supervisory Board proposes to the AGM that the monthly remuneration for the Members of the Board of Directors be established as of May 1, 2002 as follows:

Chairman	HUF 460,000
Vice-Chairman	HUF 460,000
Member	HUF 400,000

The Board of Directors in Agreement with the Supervisory Board proposes to the AGM that the monthly remuneration for the Members of the Supervisory Board be established as of May 1, 2002 as follows:

Chairman	HUF 330,000
Vice-Chairman	HUF 330,000
Member	HUF 265,000

The above proposal takes into consideration the continuous improved performance of the Bank and the 10% average wage increase for the employees granted as of March 1, 2002.



**MODIFICATION OF THE 2000-2004
SHARE OPTION PROGRAM IN
CONNECTION WITH THE SHARE SPLIT**

MODIFICATION OF THE 2000-2004 SHARE OPTION PROGRAM IN CONNECTION WITH THE SHARE SPLIT

The AGM of OTP Bank held in 2000 has established under Resolution 8/2000 the regulations of the share option program. This resolution established the number of shares to be purchased by the participants in the framework of the program. These numbers were based on the face value of the share existing at the time of the resolution, i.e. HUF 1000 per share.

The AGM of the Bank held in 2001 established under Resolution 8/2001 the dematerialization and the change of face value of the shares (share split). As a consequence of the resolution, on March 11, 2002 the 28,000,000 ordinary shares of HUF 1000 face value each have been exchanged for 280,000,000 ordinary shares of HUF 100 face value each.

In order to maintain the original ratio of shares in the capital of the Bank and in the share option program for 2000-2004, it is proposed that the program be modified by multiplying the share numbers in the program by 10, which is the exchange rate used at the share split.



**DECISION CONCERNING THE
ACQUISITION OF OWN SHARES**

DECISION ON THE ACQUISITION OF OWN SHARES

Pursuant to subsection k), Article 233 of the Companies Act the decision on the acquisition of own shares pertains to the exclusive authority of the General Meeting.

At OTP Bank Ltd., a program of option shares for the management and one of bonus shares for employees, which were approved by the General Meeting, are in operation, based on which OTP Bank managers and employees were and are able to purchase shares from the Bank according to regulations approved by the Board of Directors. An essential element of the system is that in the event that such shareholders wish to sell their shares so purchased, OTP Bank Ltd. shall be entitled to a pre-emptive right.

According to the referenced regulation of the new Companies Act, the unimpeded exercise of the pre-emptive right, the creation of demand necessary for the administration of the option and bonus share programs and the prevention of price fluctuations of the shares require that the General Meeting make a decision on the acquisition of these shares by the Company as of now.

The Board of the Bank proposes to the shareholders to authorize the management of the Bank to purchase up to 28,000,000 shares for the treasury of the company where the purchase price of the shares at each transaction shall not be higher than 110% of the average price registered on the BSE one day prior to the transaction.