



OTP Bank

**2003 Audited Performance  
Based on HAR**

**Presented by:  
Dr. Zoltán Spéder CFO**

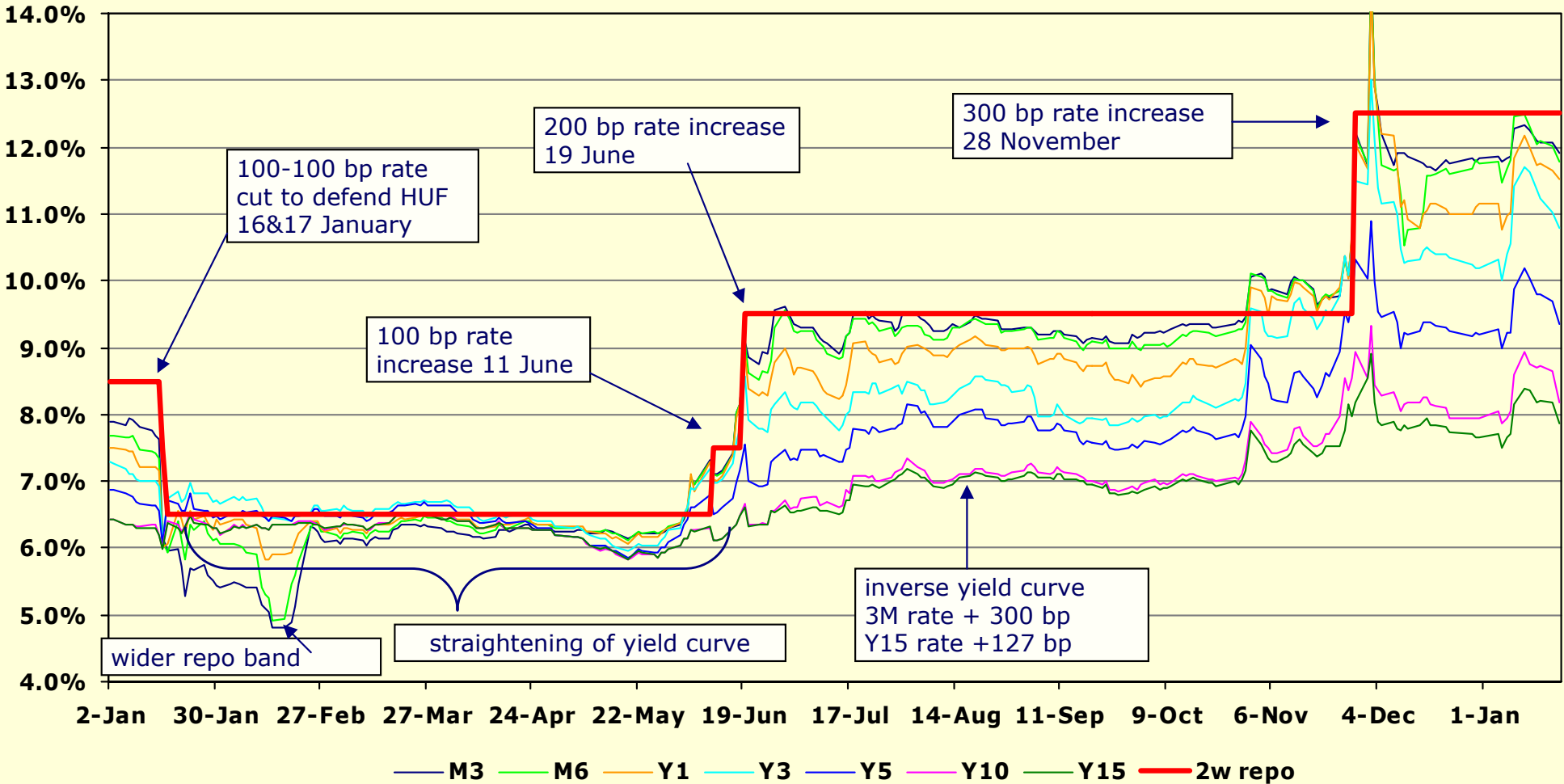
**April 2004**

# Forward looking statements

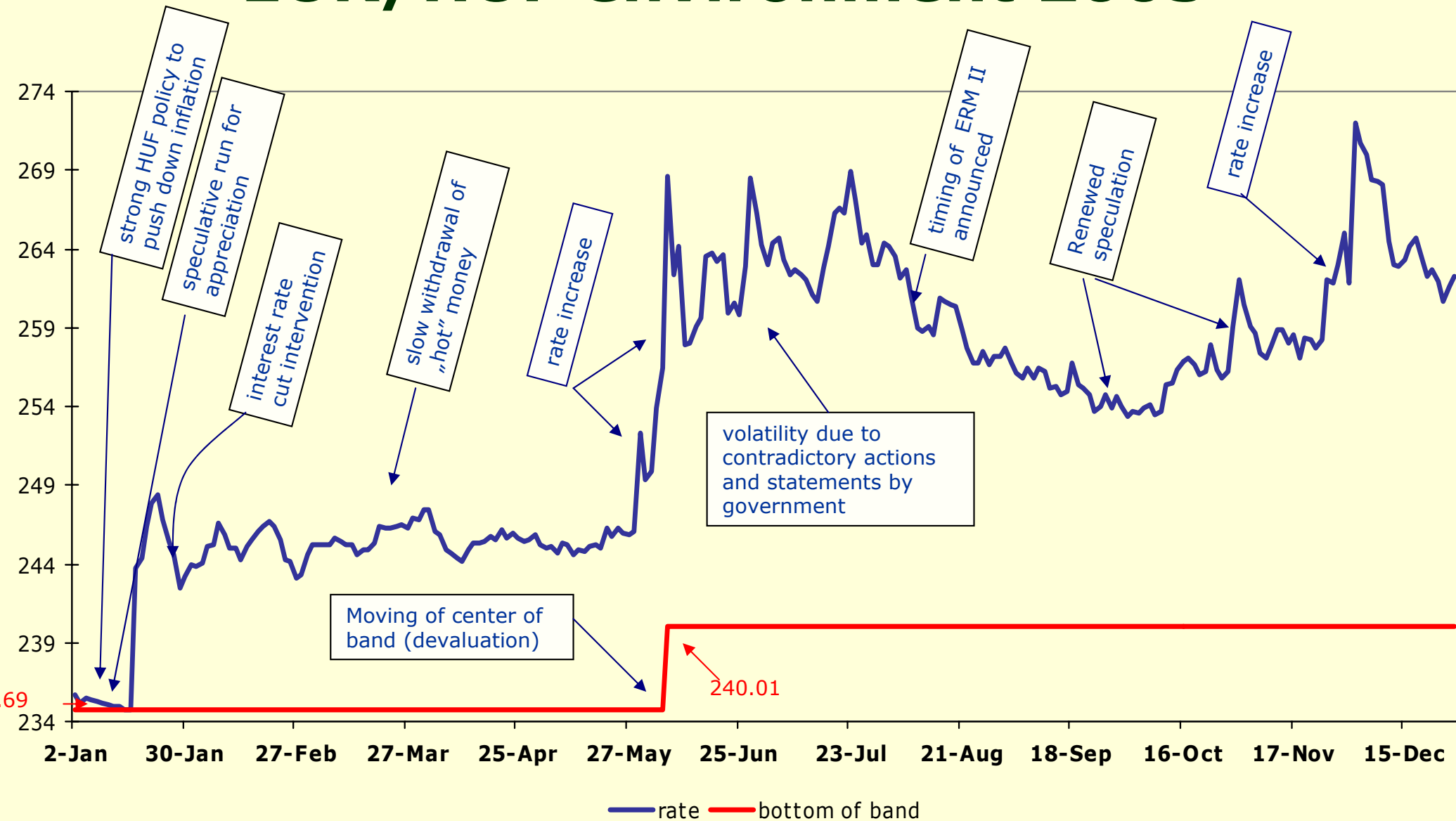
This presentation contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of OTP Bank. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this announcement should be construed as a profit forecast.



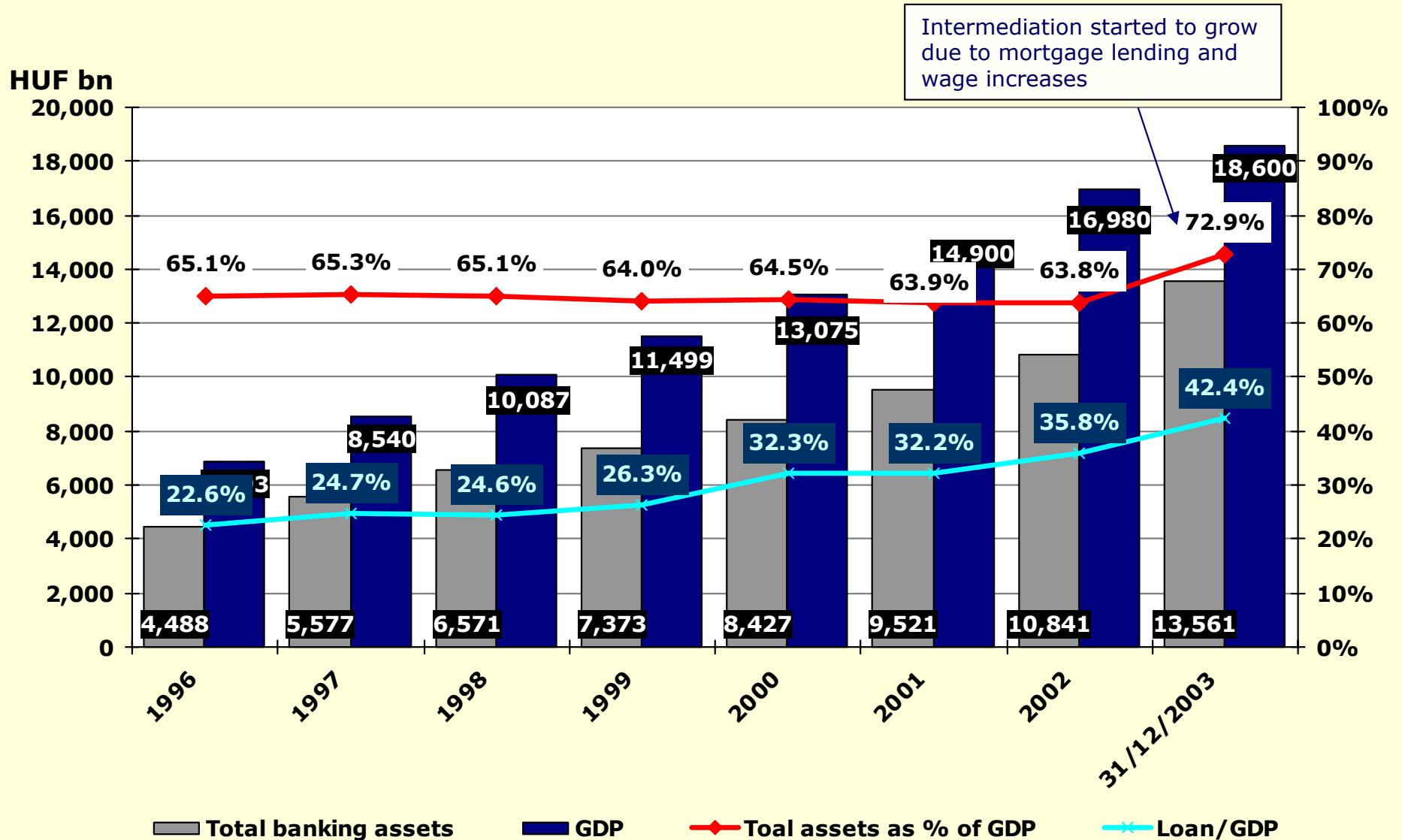
# Interest rate environment 2003



# EUR/HUF environment 2003



# Evolution of banking system

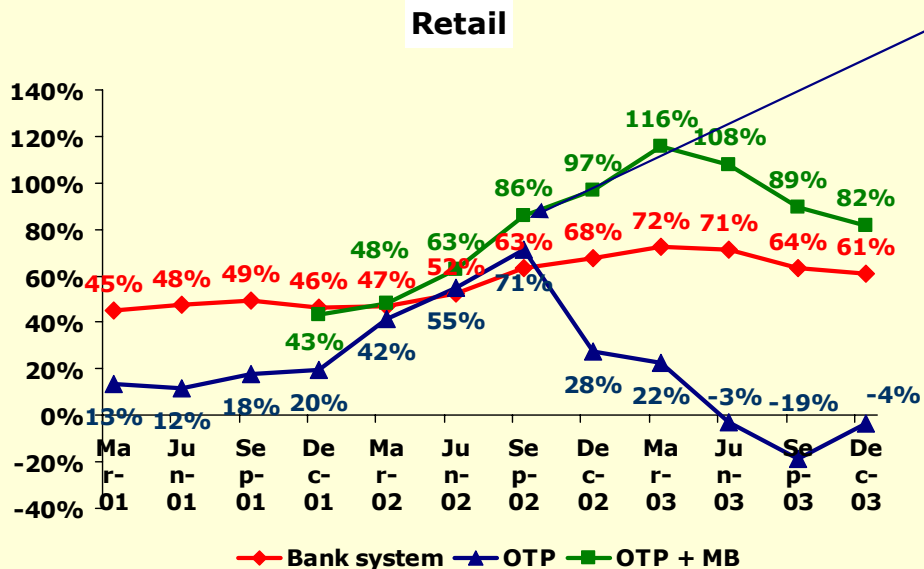
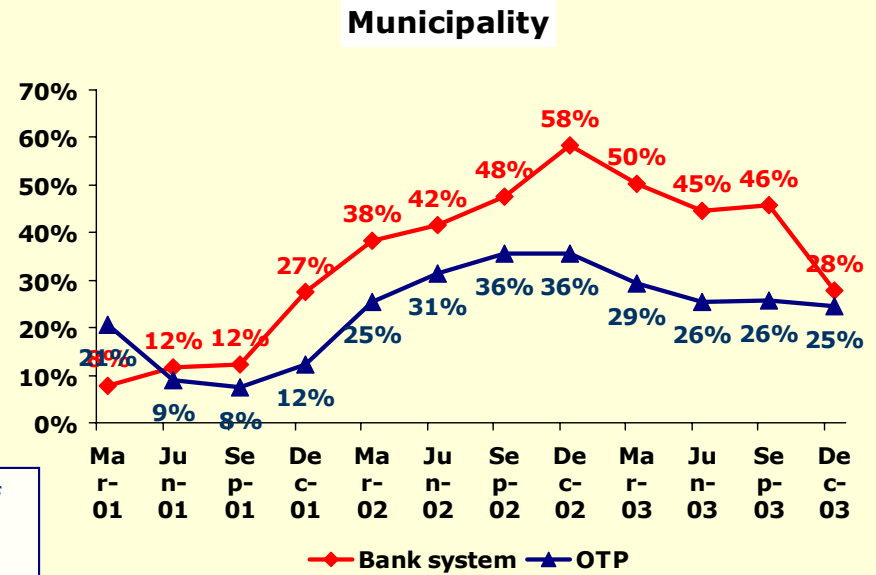
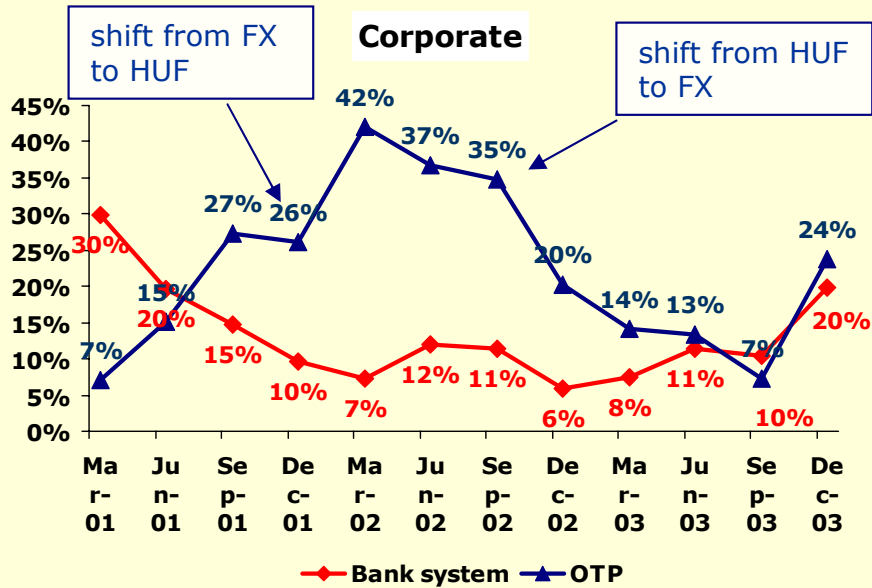


Source: NBH, NSB, OTP

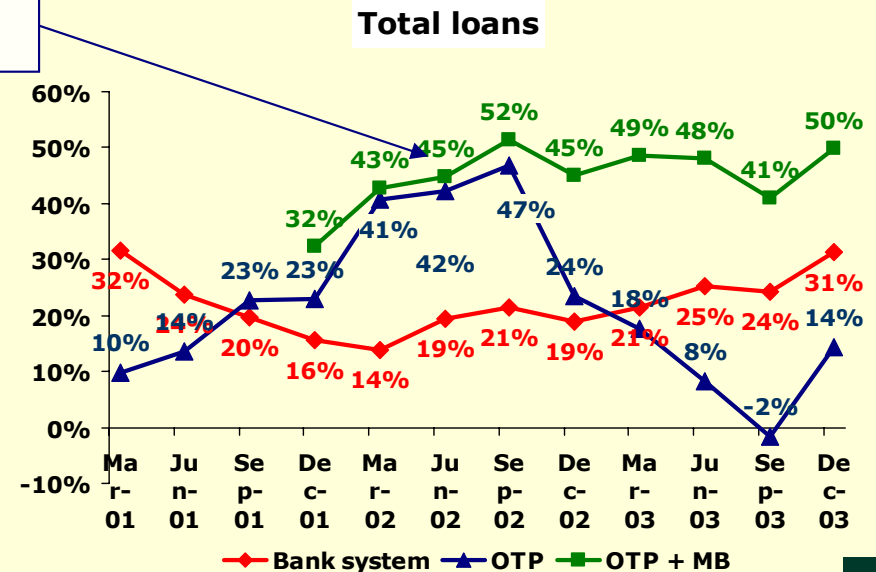
Note: GDP data for 2003 is estimated



# Loan growth in 2003\* (Y-on-Y)



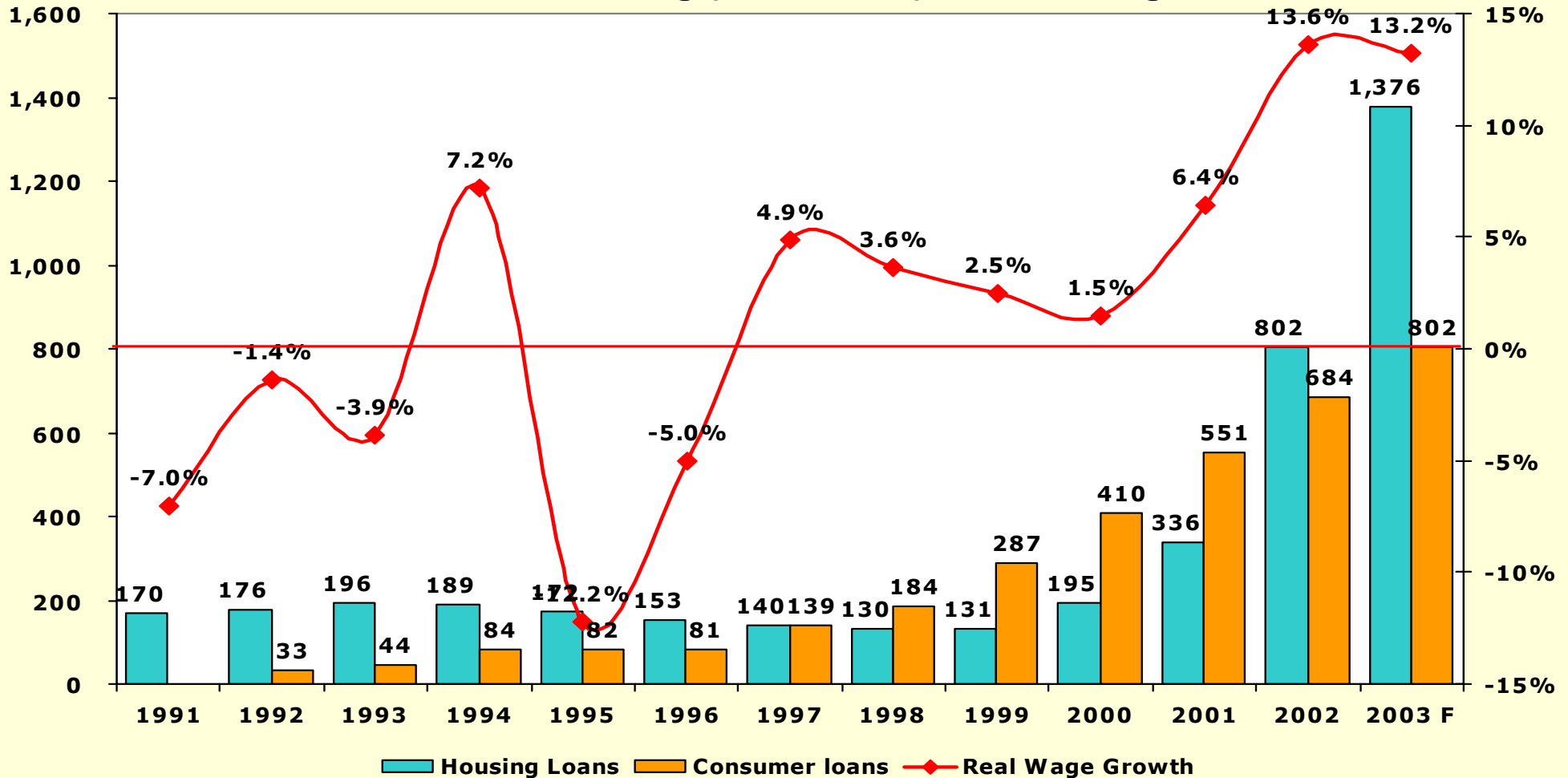
transfer of mortgage loans to mortgage bank



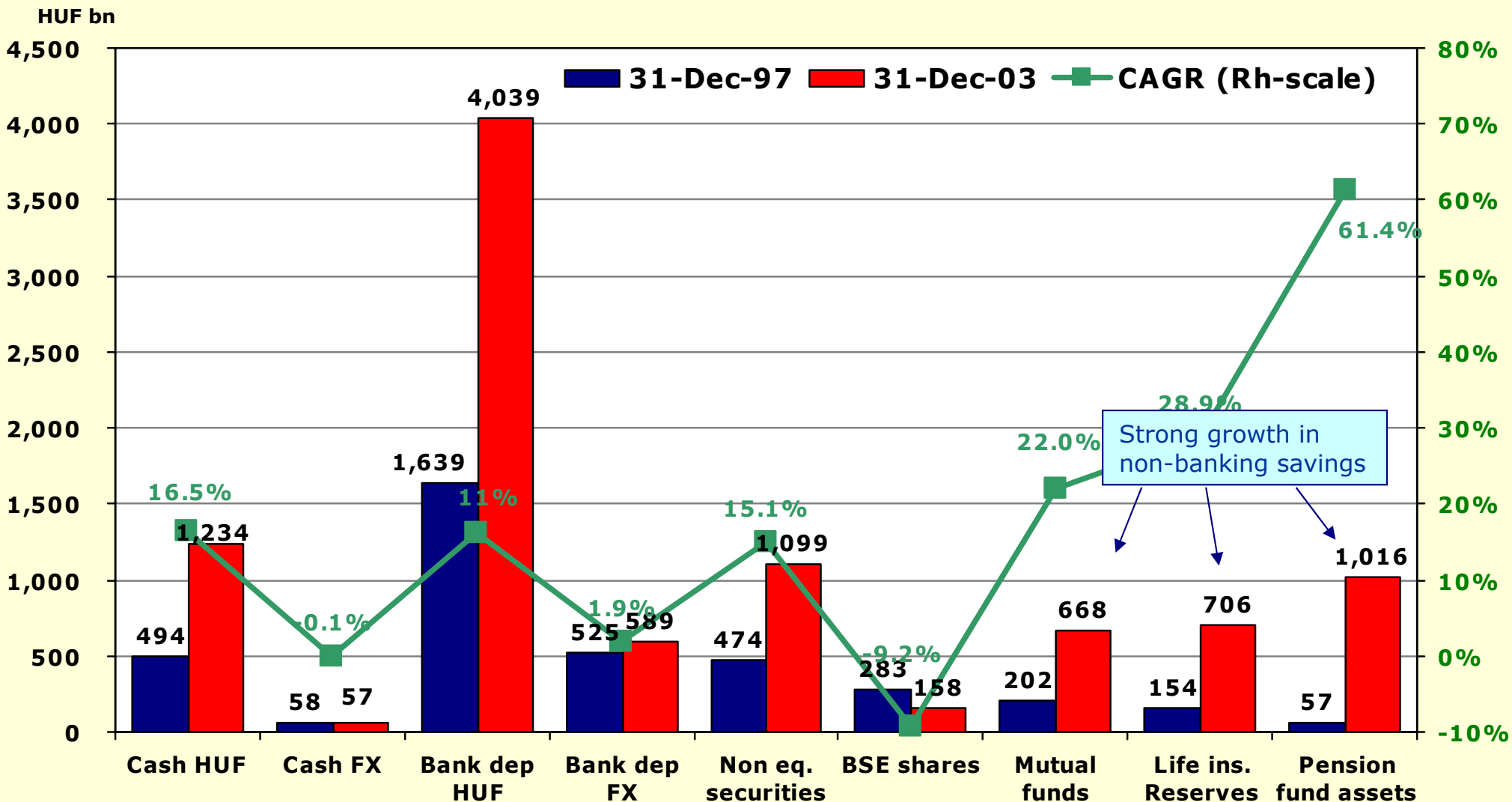
based on new NBH specification used since 1 January 2000. Source for sector data: NBH

# Rising Real Wages

Retail Loans Outstanding (HUF billion) vs. Real Wage Growth



# Macro: Selected components of RFA





# Macro assessment

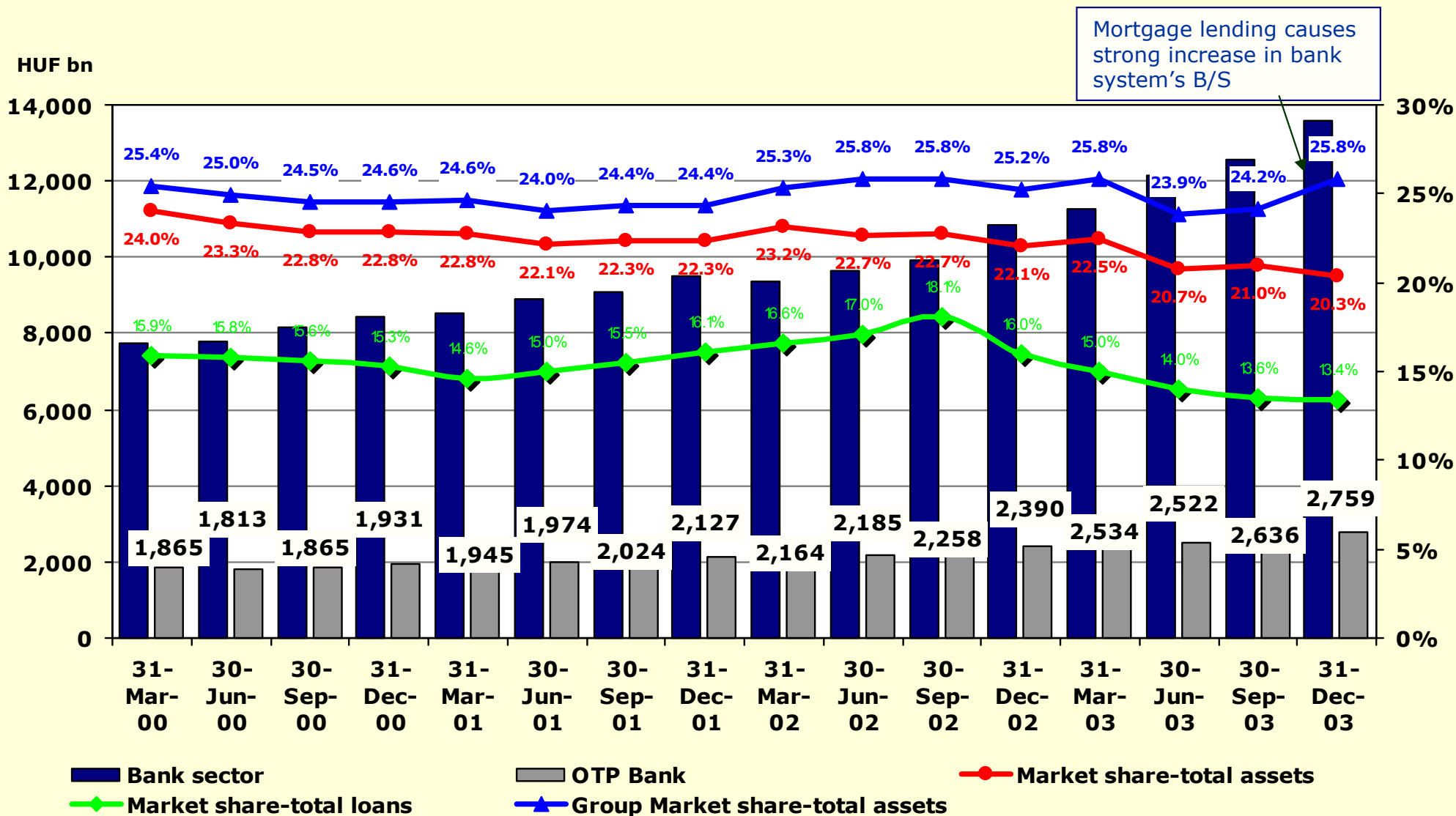
	2002	2003E	2004F
<b>Real GDP growth</b>	<b>3.5%</b>	<b>2.8%</b>	<b>3.0%</b>
<b>Inflation (average)</b>	<b>5.3%</b>	<b>4.7%</b>	<b>7.2%</b>
<b>Nominal wage increase</b>	<b>16.0%</b>	<b>8.0%</b>	<b>7.0%</b>
<b>Final consumption</b>	<b>5.0%</b>	<b>5.7%</b>	<b>0.8%</b>
<b>Household consumption</b>	<b>9.4%</b>	<b>7.1%</b>	<b>2.5%</b>
<b>Investment growth</b>	<b>7.2%</b>	<b>3.0%</b>	<b>3.7%</b>
<b>Budget deficit (cash flow based)</b>	<b>HUF -1,616 bn</b>	<b>HUF -1,064 bn</b>	<b>HUF -1,285 bn</b>
<b>as a % of GDP</b>	<b>-9.3%</b>	<b>-5.7%</b>	<b>-6.3%</b>
<b>Current Account Balance*</b>	<b>EUR -5.0 bn</b>	<b>EUR -5.8 bn</b>	<b>EUR -5.7 bn</b>
<b>as a % of GDP</b>	<b>-7.2%</b>	<b>-7.9%</b>	<b>-7.1%</b>
<b>1yr T-bill yield (average)</b>	<b>8.9%</b>	<b>8.0%</b>	<b>10.4%</b>

\* Reinvested earnings calculated as FDI

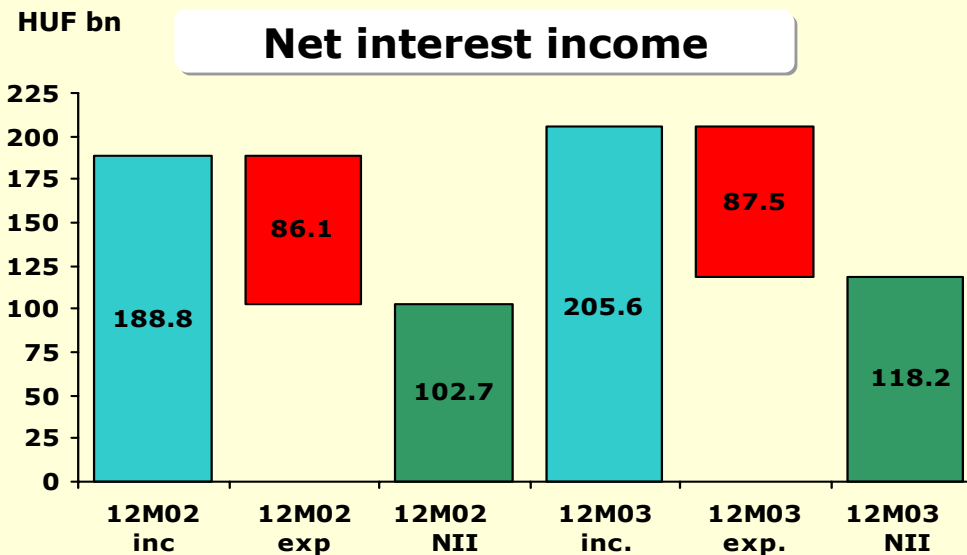
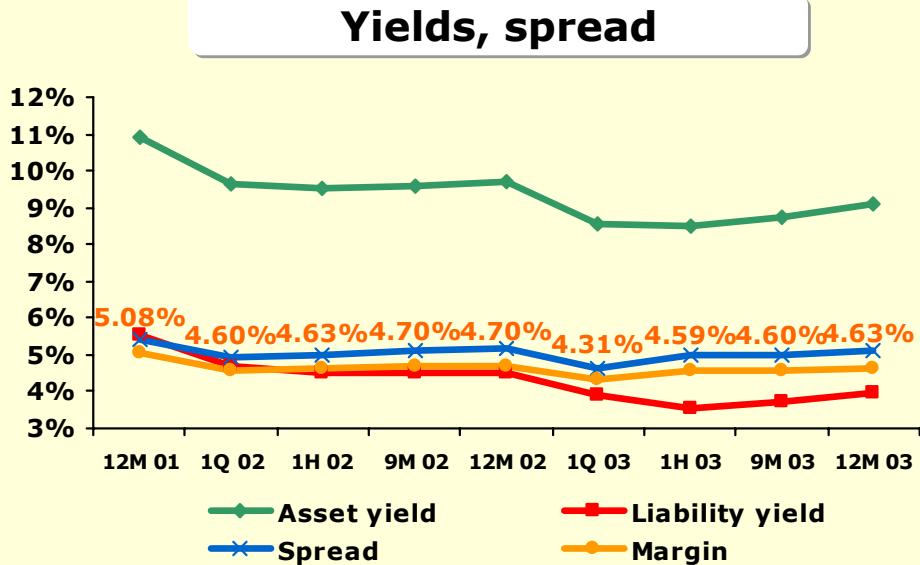
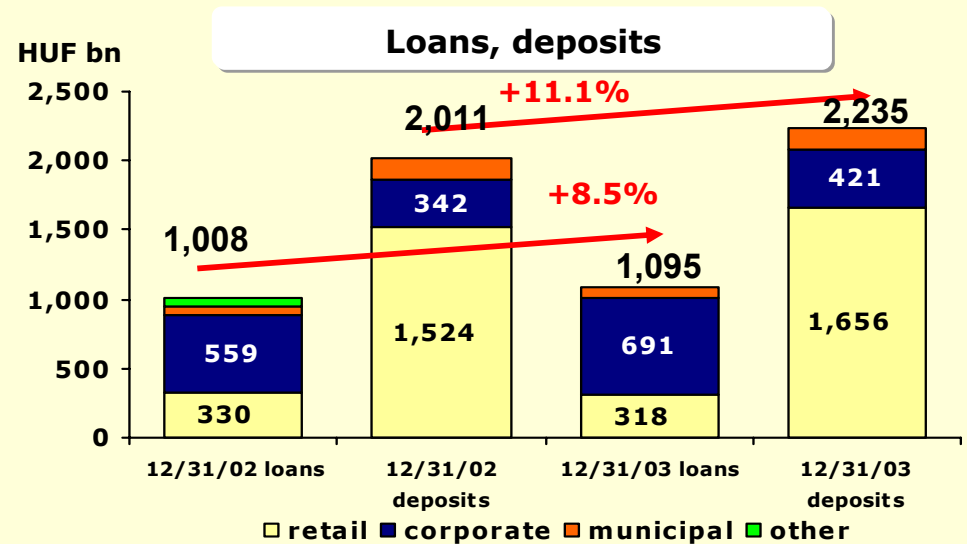
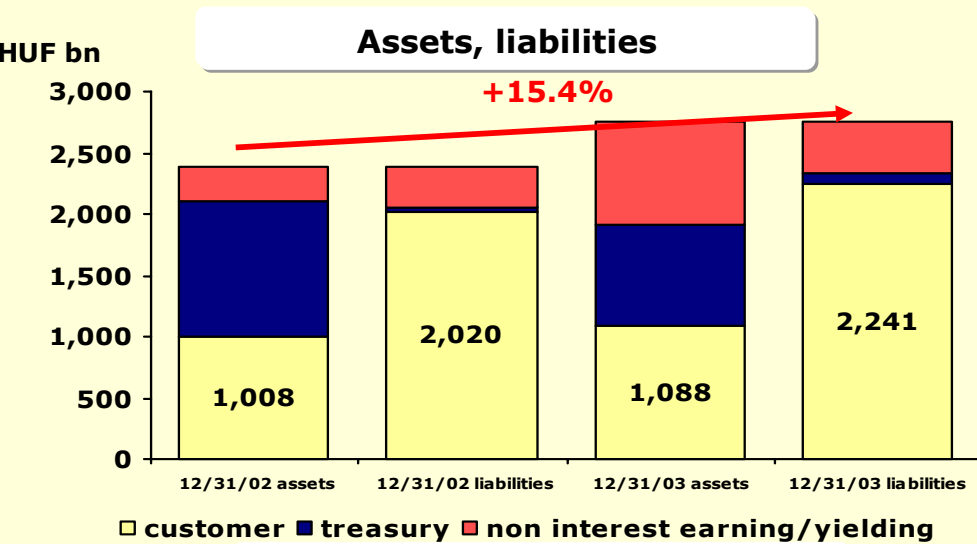
Prepared by OTP Research Center based on sources from NSB, NBH



# Market share–total assets

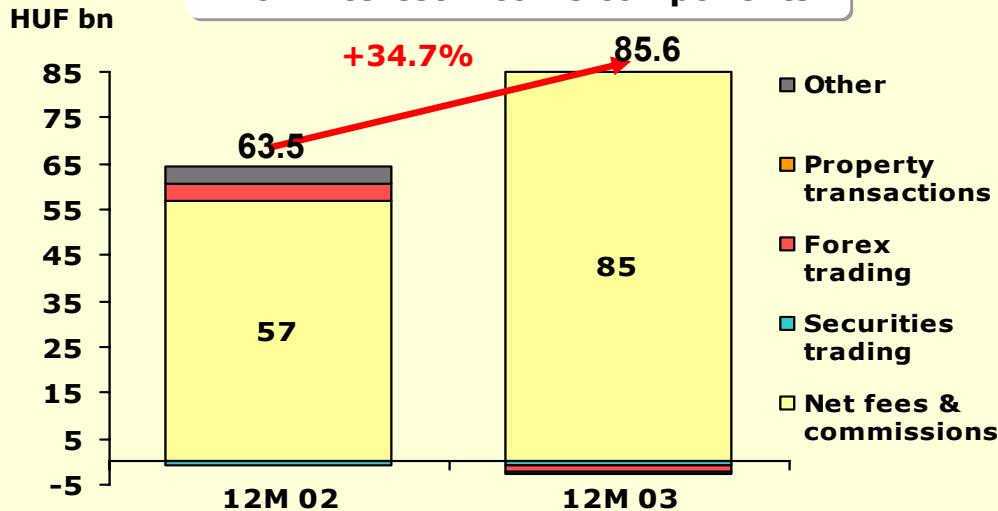


# Balance sheet, interest income

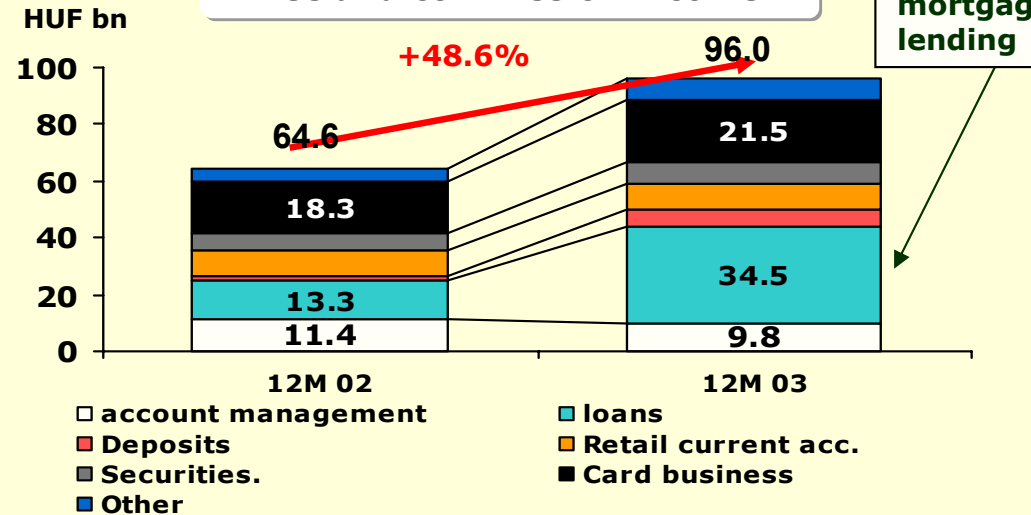


# Non interest income

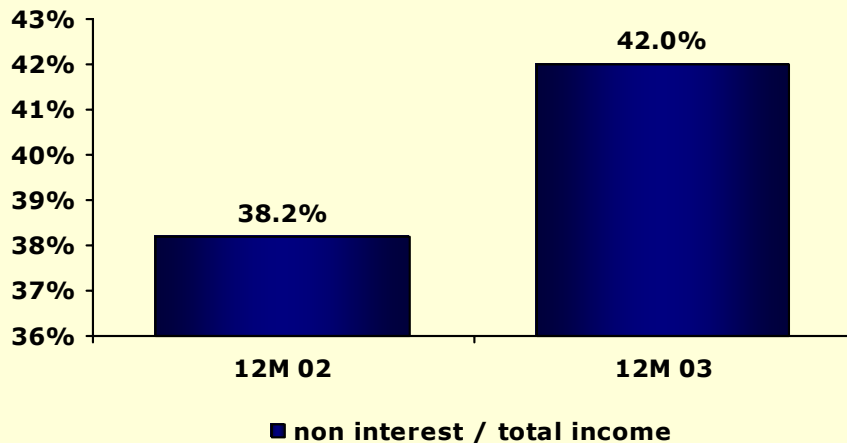
Non interest income components



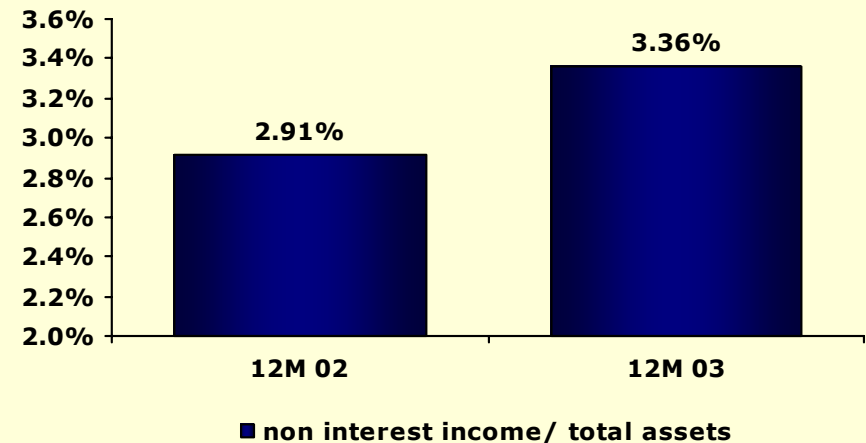
Fee and commission income



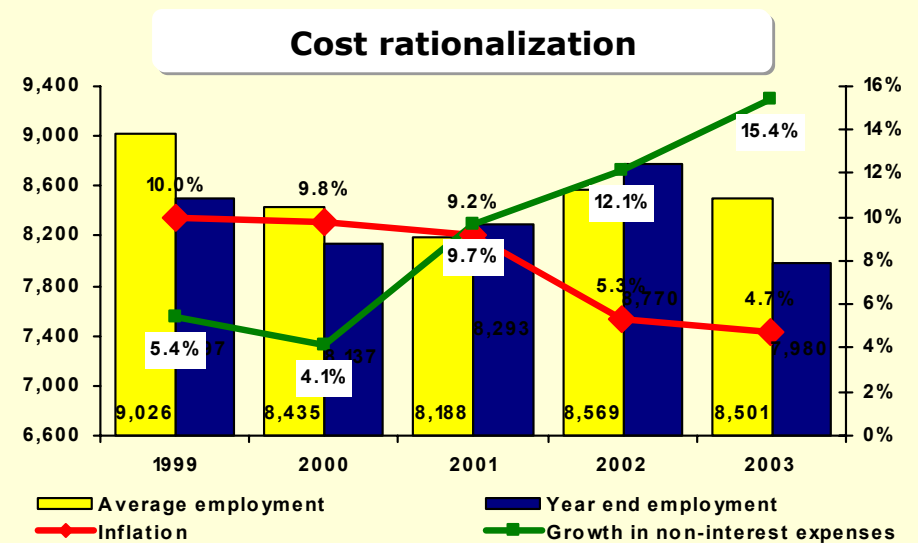
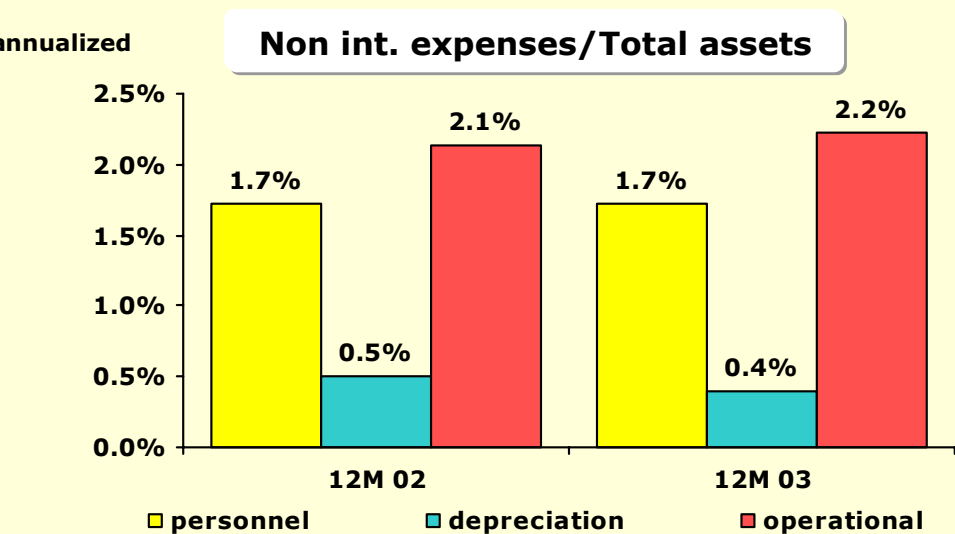
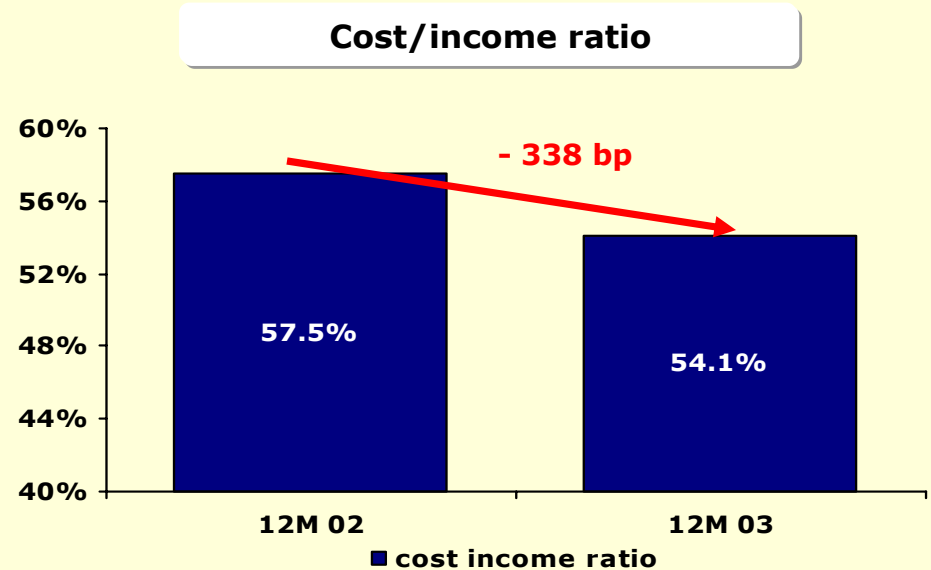
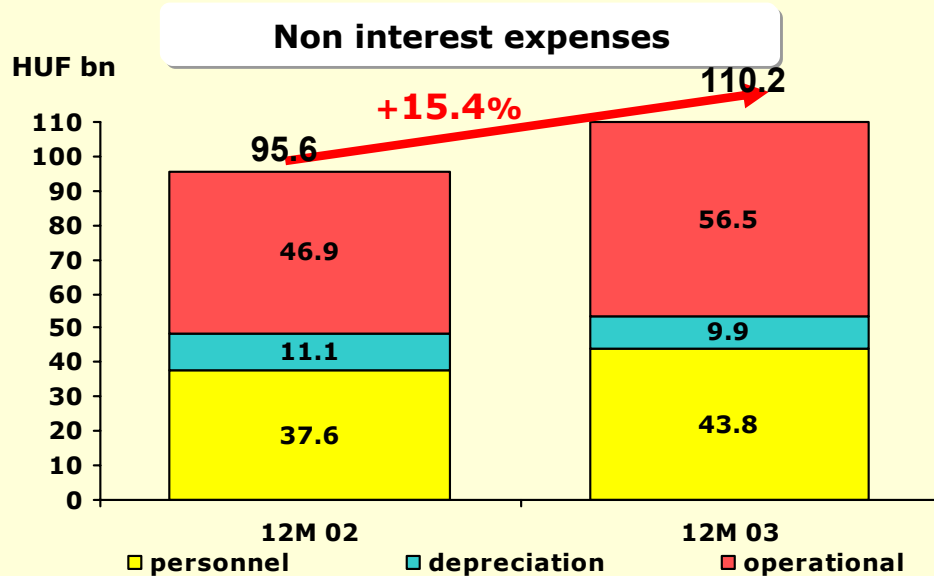
Non int. income/Total income



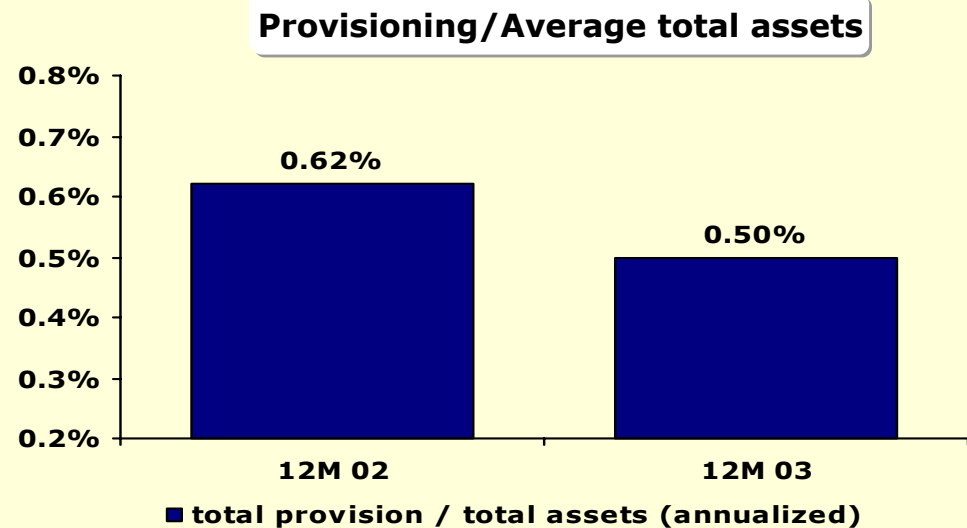
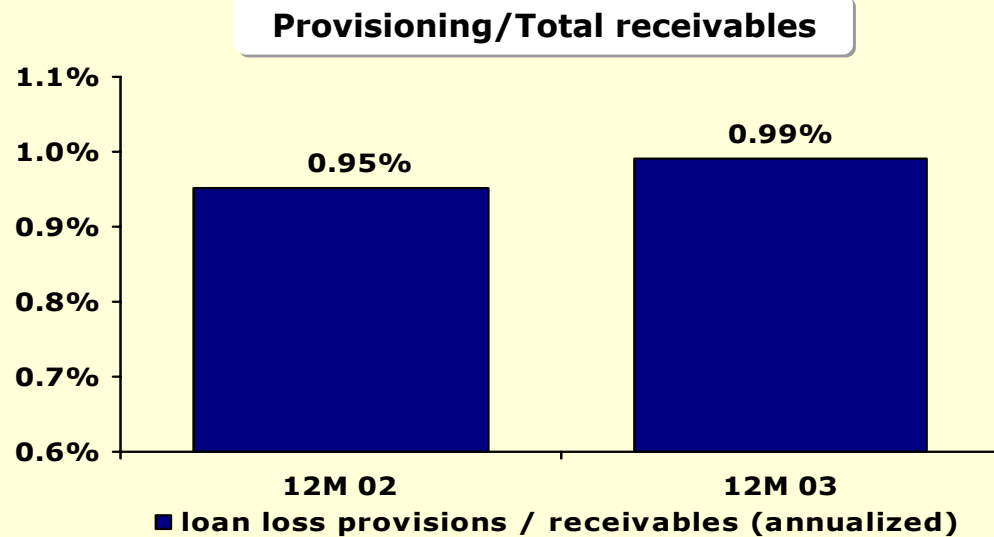
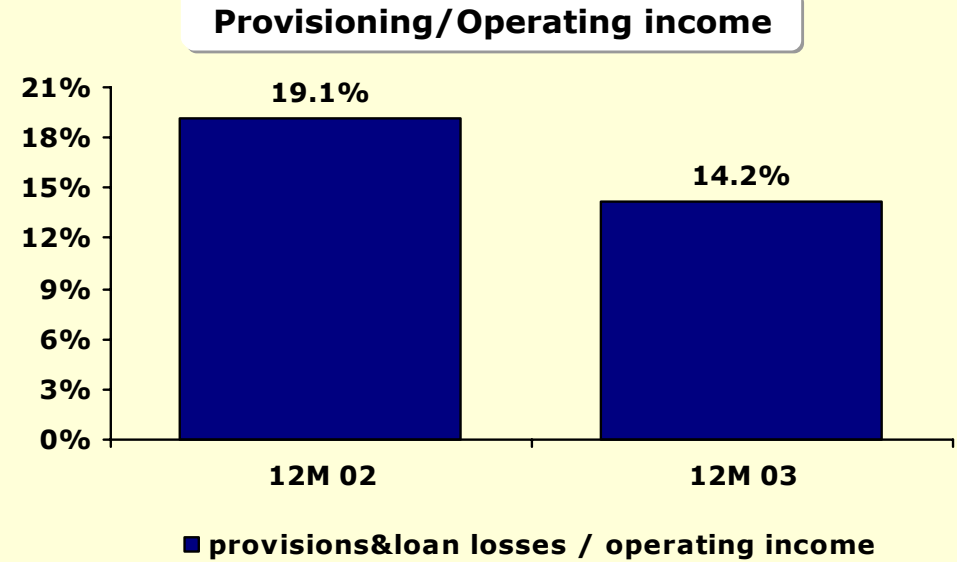
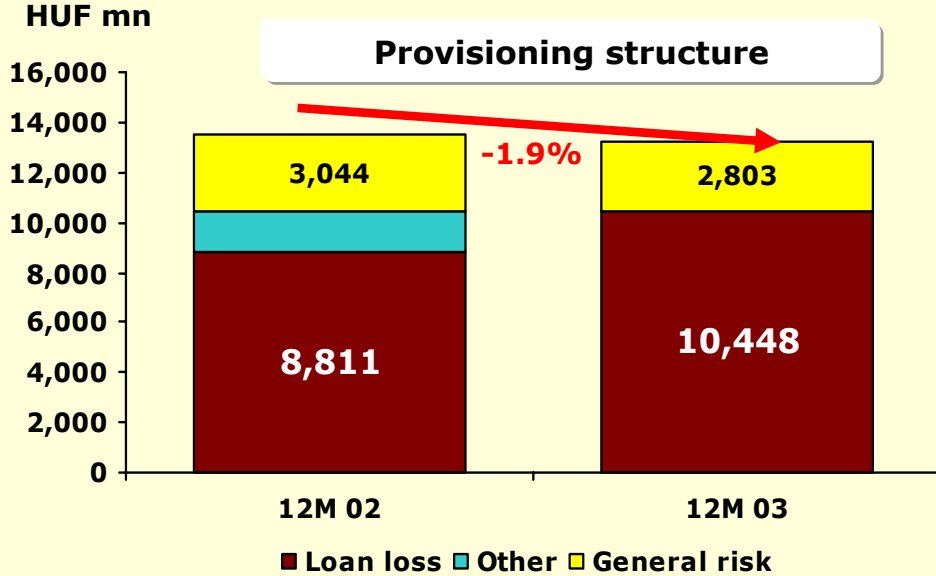
Non int. income/Average total assets



# Non interest expenses

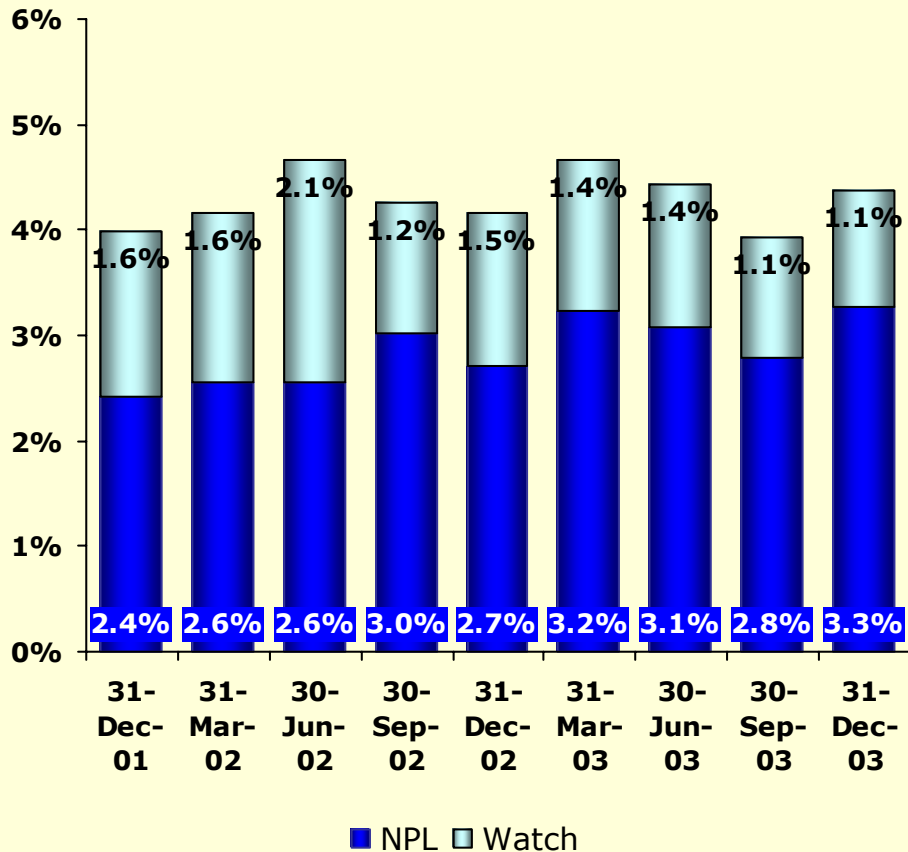


# Provisioning/loan losses

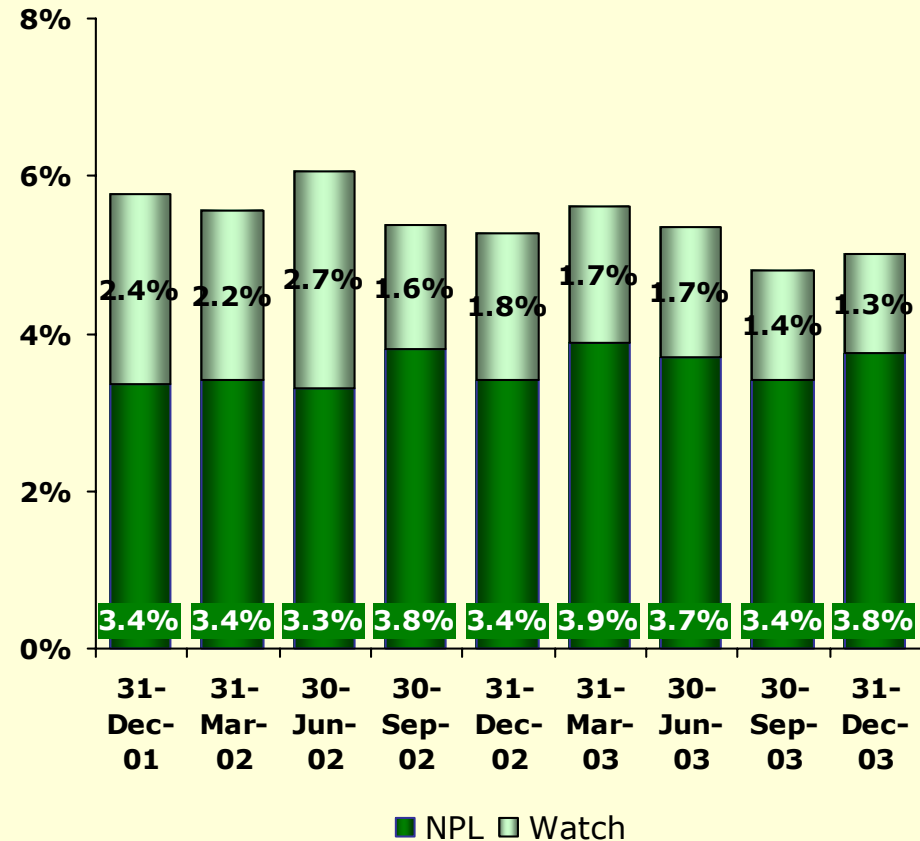


# Loan quality

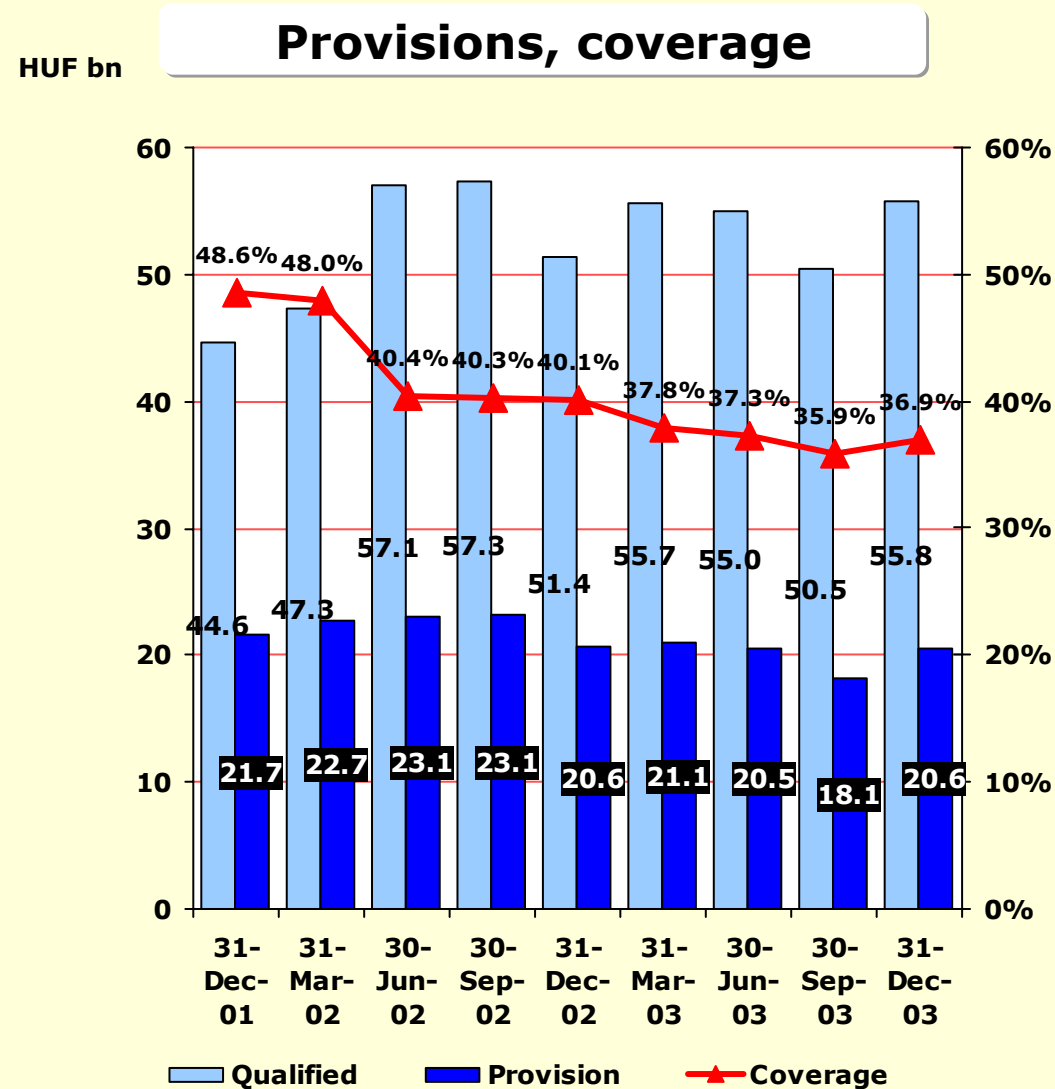
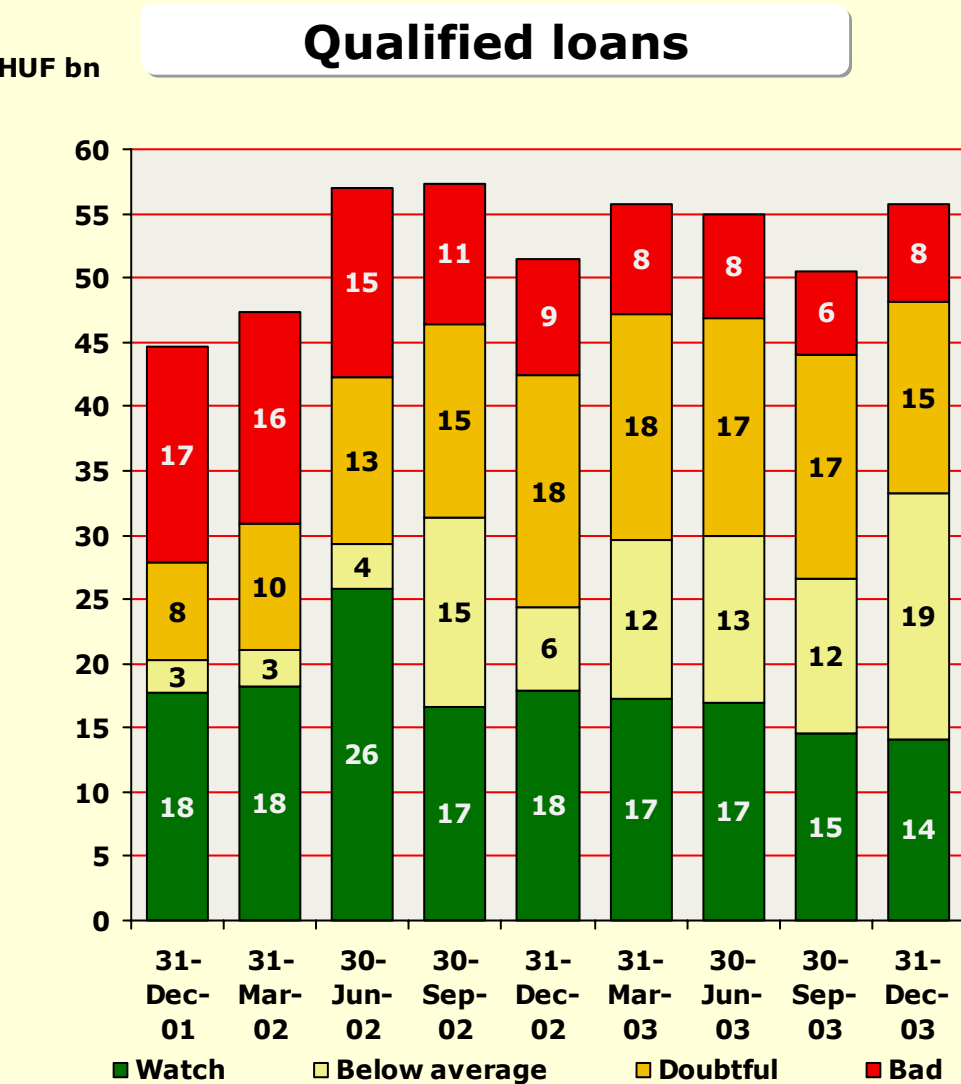
Qualified receivables as % of total receivables



Qualified receivables as % of customer receivables

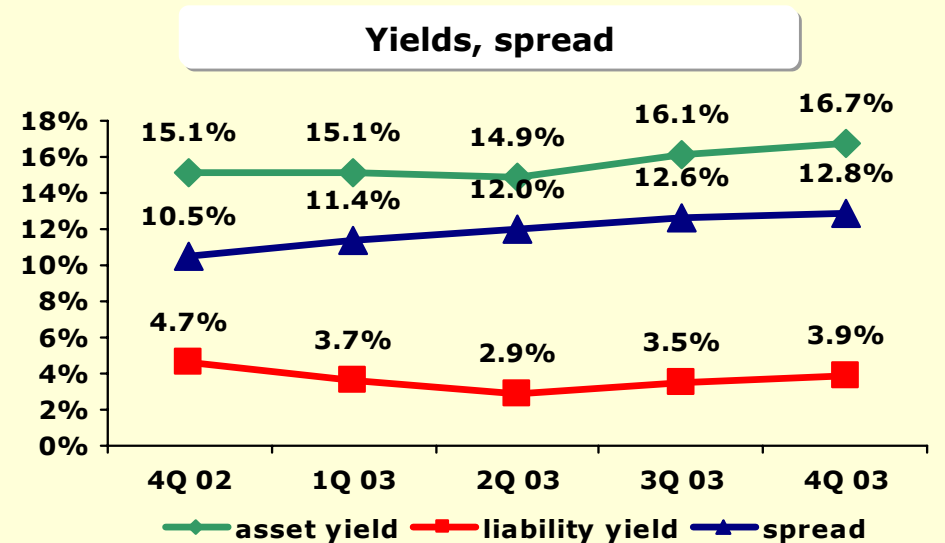
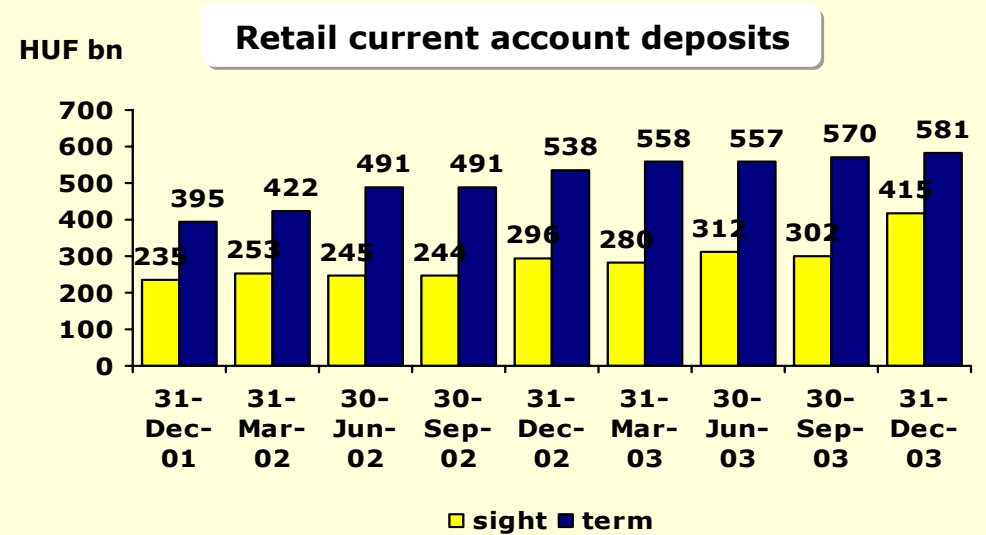
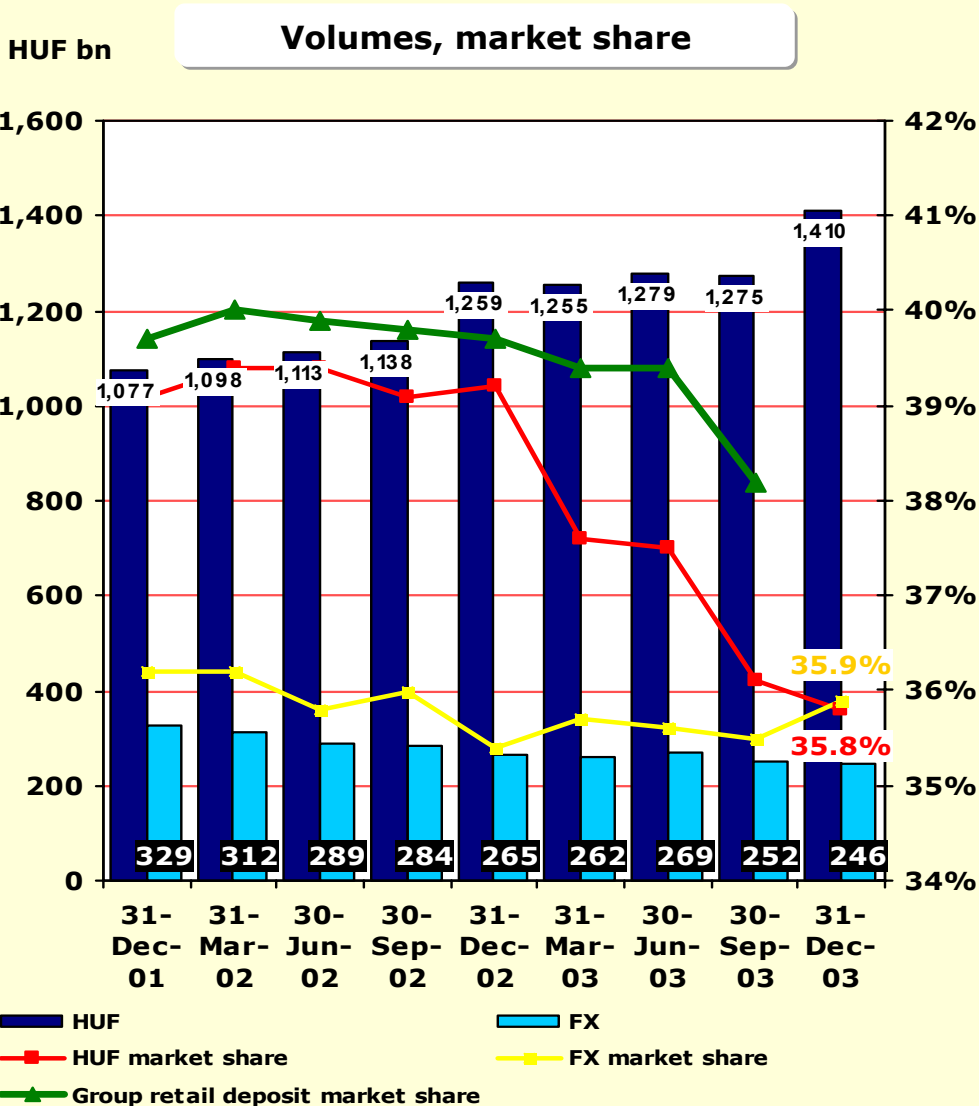


# Loan quality



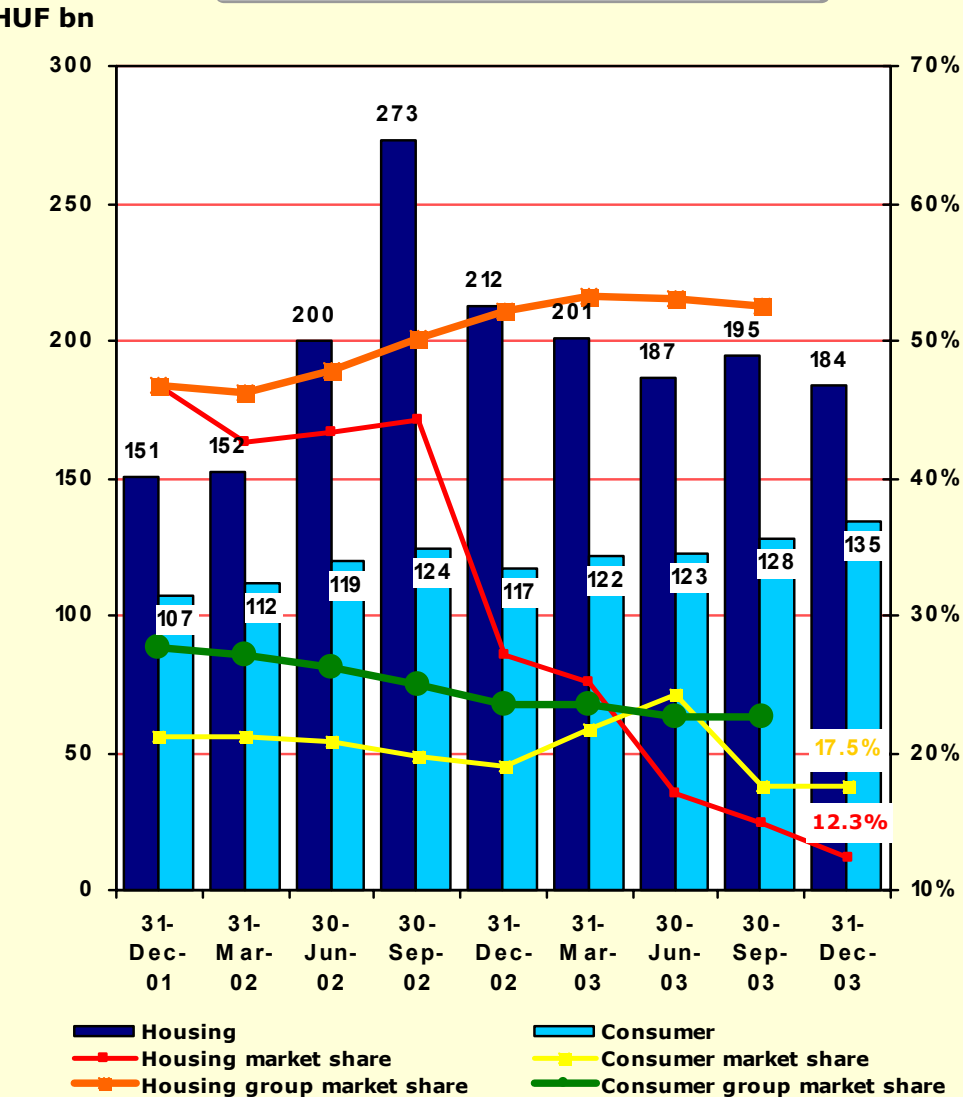


# Retail deposits



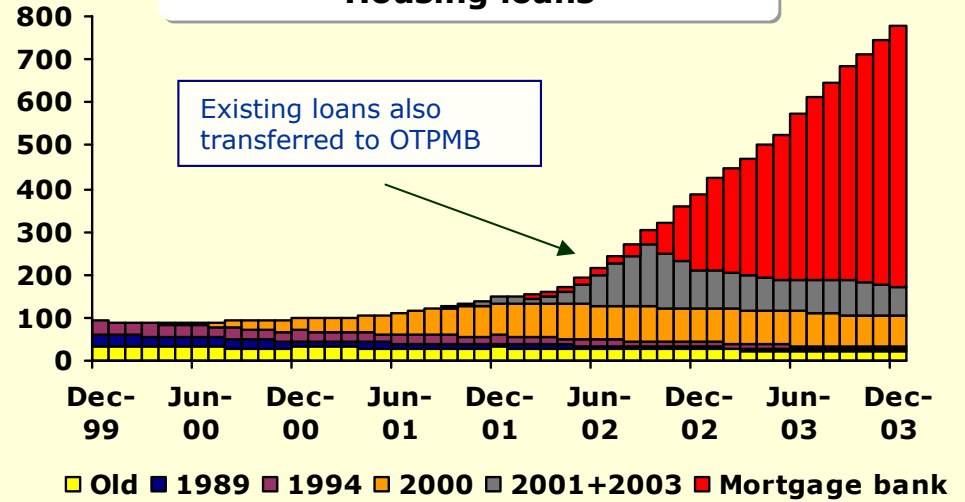
# Retail loans

## Volumes, market share



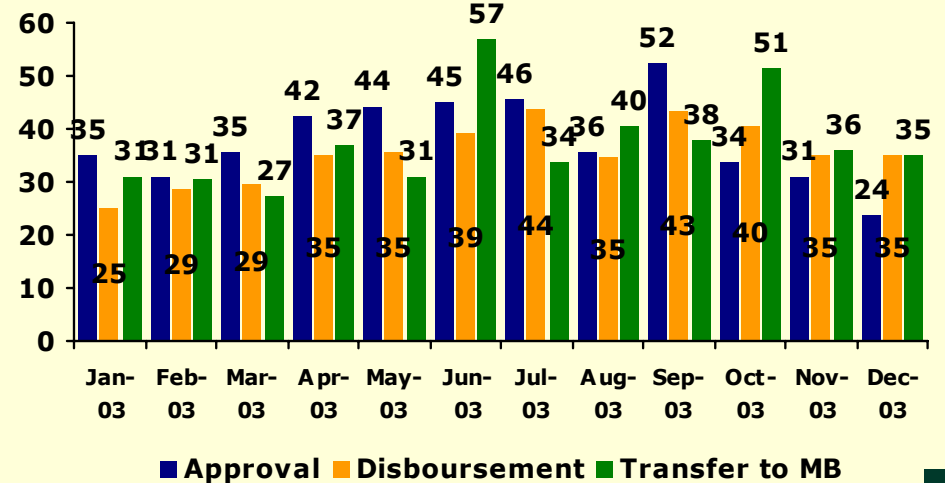
## HUF bn

## Housing loans



## HUF bn

## Subsidized housing loans

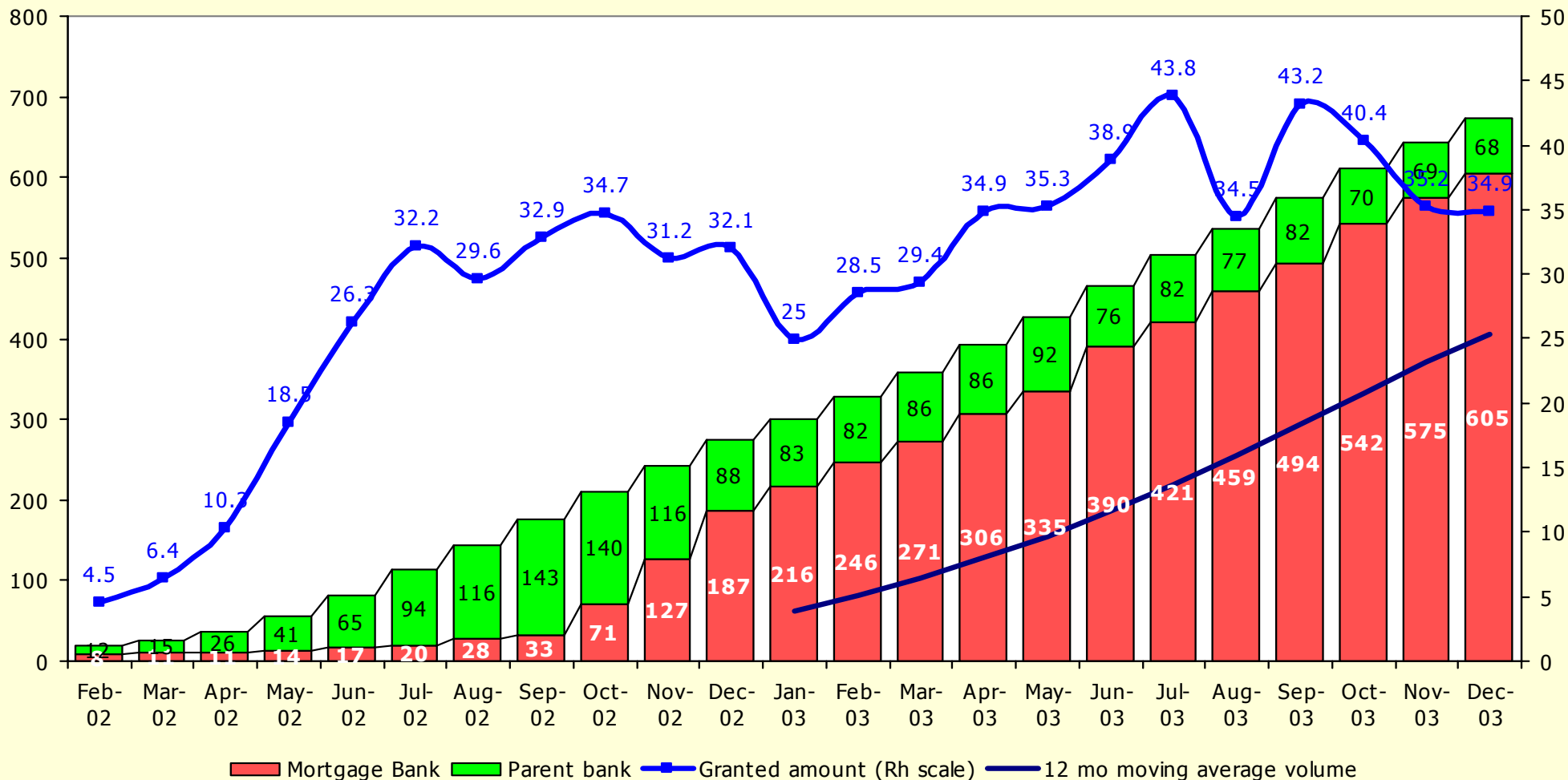


# Mortgage Loans at OTP Group

Cumulative

HUF bn.

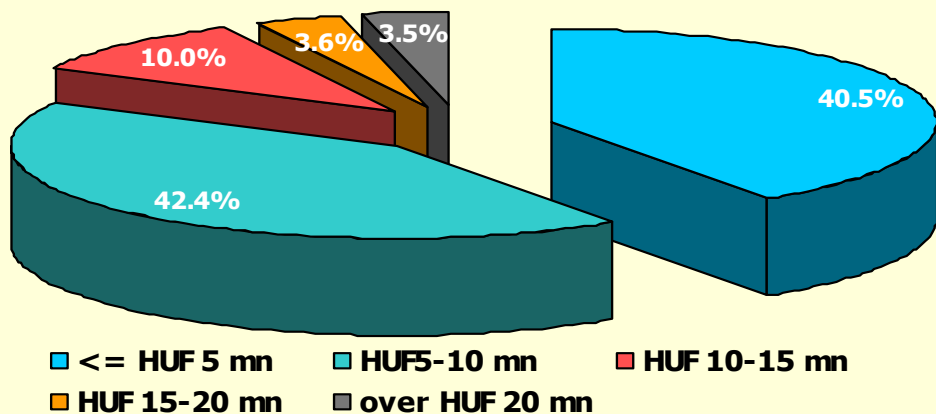
Monthly



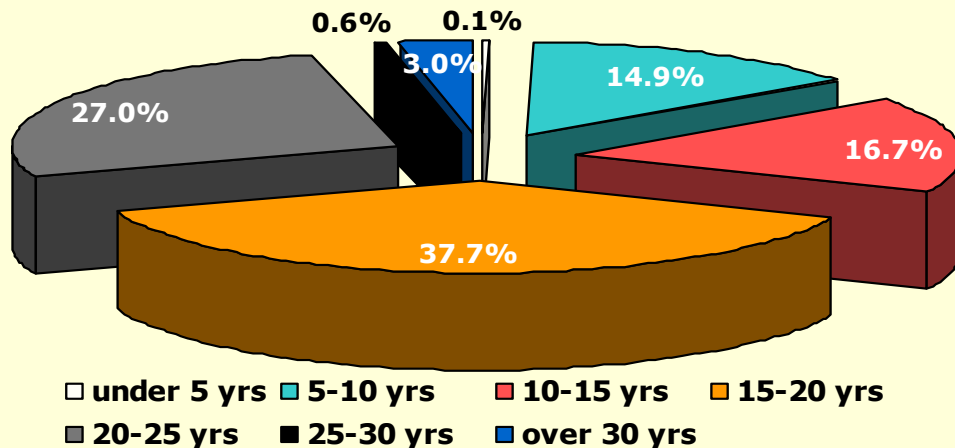
# OTP Mortgage Bank selected data

All data as of 31 December 2003

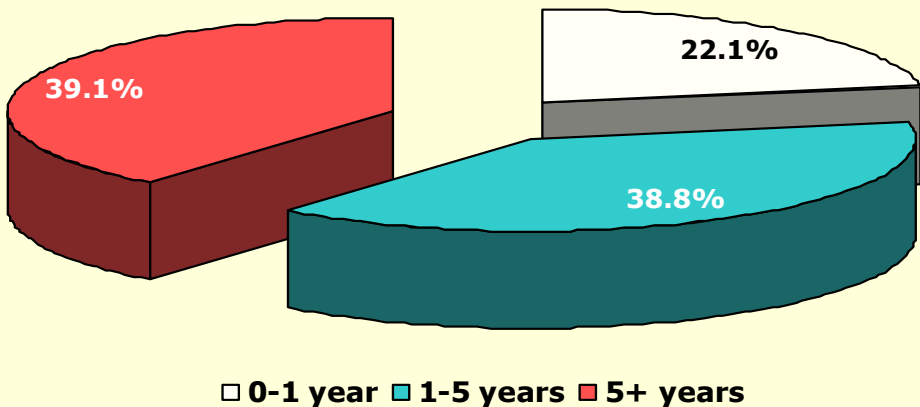
Distribution of mortgage portfolio by size



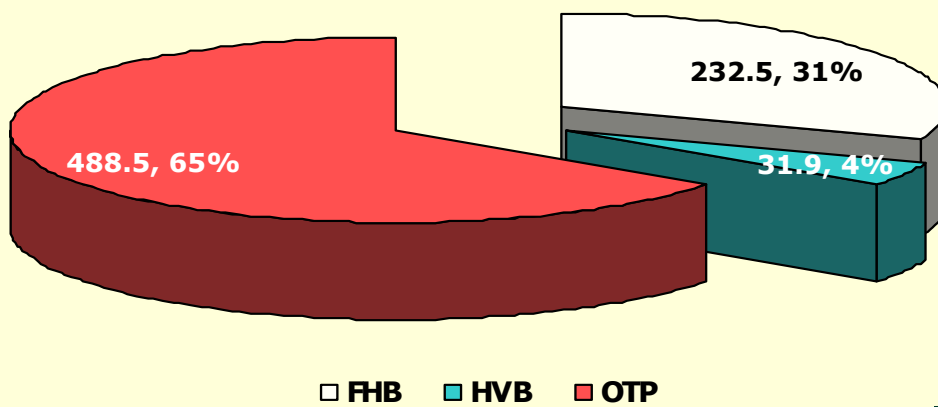
Distribution of portfolio by maturity



Mortgage bond maturity distribution



Market share of mortgage banks



# Representative margin on mortgage loans

Validity	before 16 June 2003	after 16 June 2003	after 22 December 2003
Rate paid by customer	<b>6%</b> (4+2%) max.	<b>5%</b> (3+2%) max.	<b>8%**</b> (max. GBBY * 1.1 + 4% - GBBY * 0.6)
Liability side subsidy	<b>10%</b> (CMB coupon + 2% but max. 10%)	<b>9.03%</b> (GBBY * 1.05)	<b>5.16%</b> (GBBY* 0.6)
Total bank interest income	<b>16%</b> max.	<b>14.03%</b> max.	<b>13.46%</b> (max GBBY * 1.1 +4%)
GBBY	8,60%	8,60%	8,60%
CMB spread over GBBY	100 bp.	100 bp.	100 bp.
Coupon of CMB	8%	8%	8%
Funding cost (Yield of CMB)	<b>9.6%</b> (8.6% + 1%)	<b>9.6%</b> (8.6% + 1%)	<b>9.6%</b> (8.6% + 1%)
<b>Margin (asset side, CMB funded)</b>	<b>6,40%</b>	<b>4,43%</b>	<b>3,86%</b>
<b>Loan volume 31 December 2003</b>	<b>HUF521.3 bn.</b>	<b>HUF83.4 bn.</b>	-

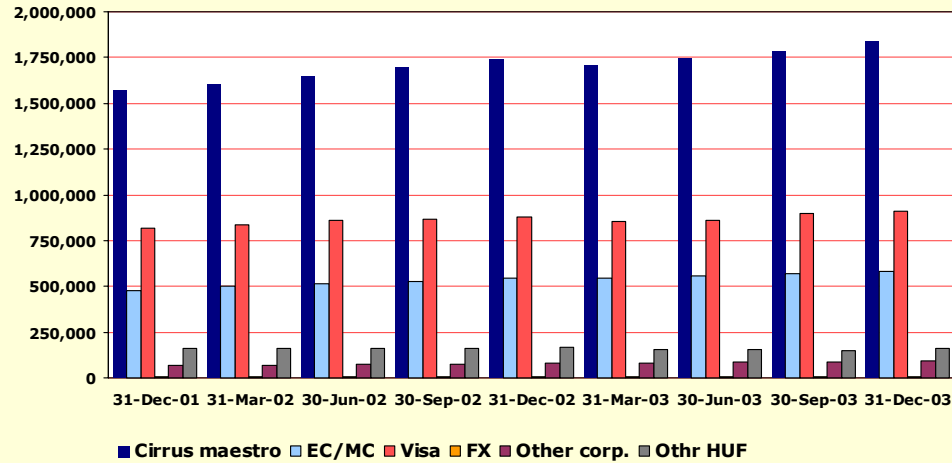
\*GBBY = Government Bond Benchmark Yield based on CMB maturity

\*\* for new lending varies monthly

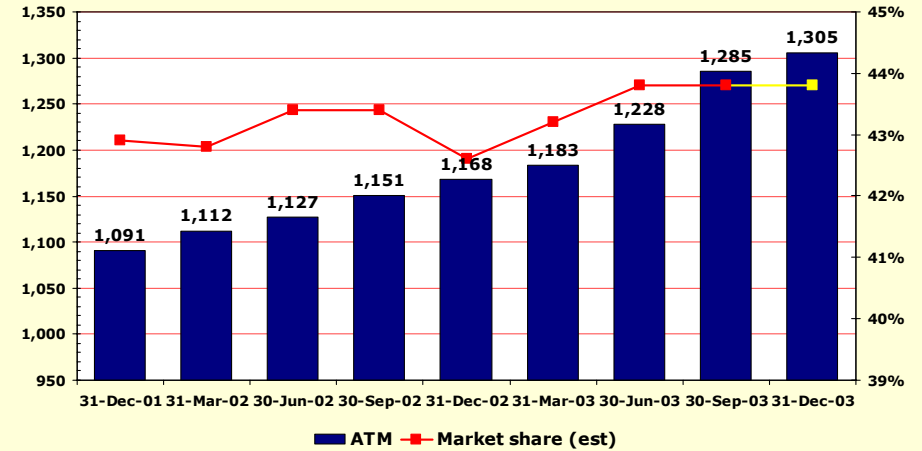


# Distribution technology

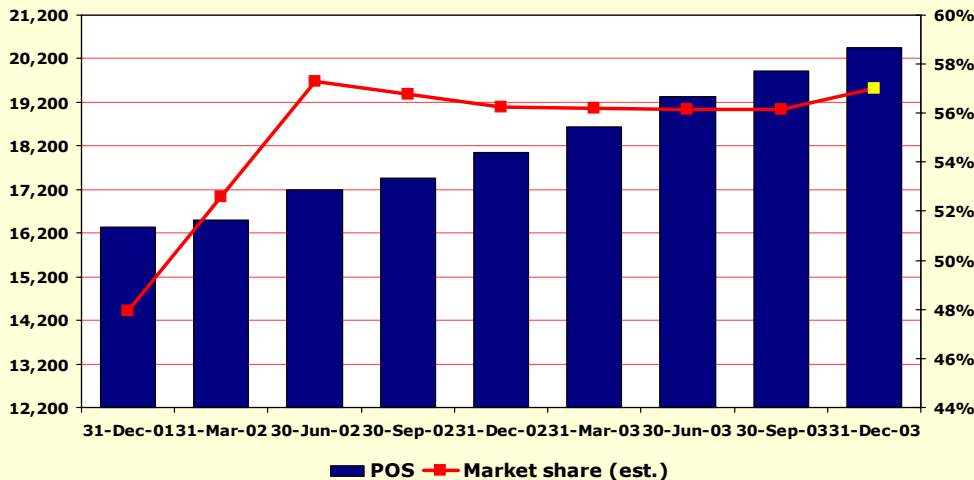
## Bank cards



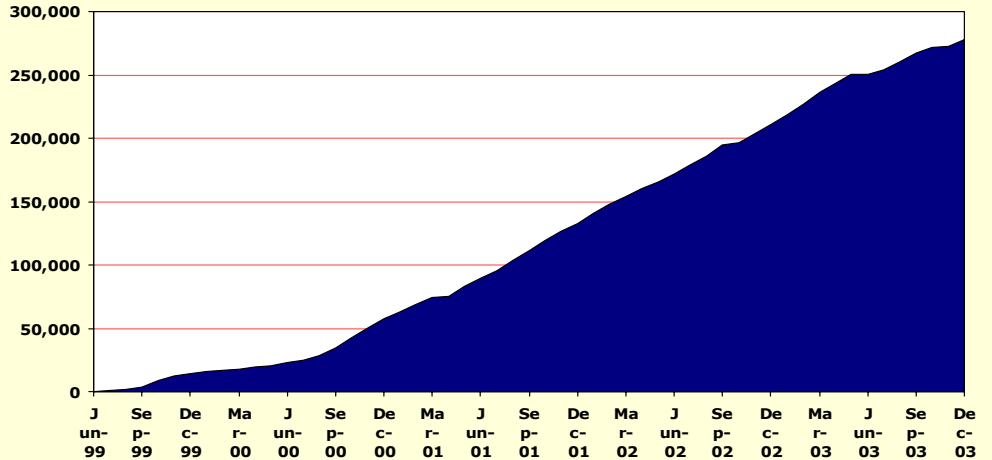
## ATMs



## POS terminals



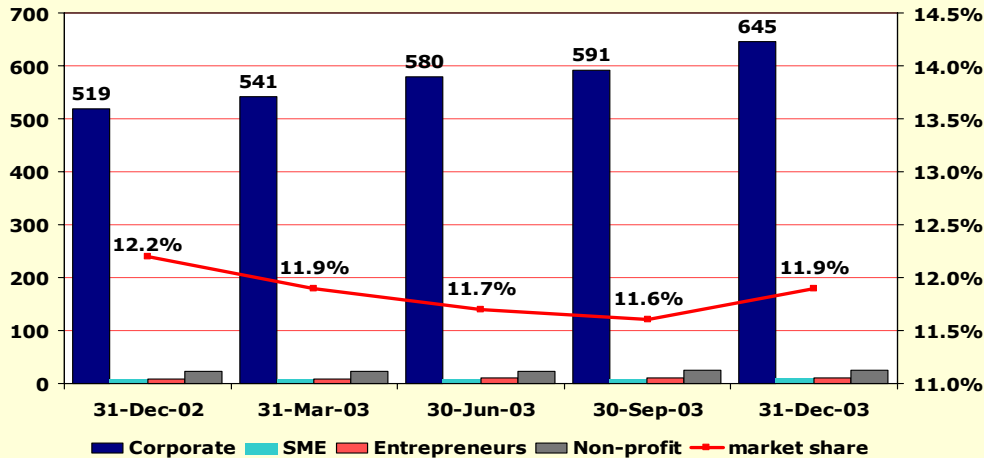
## HáziB@NK users



# Corporate business

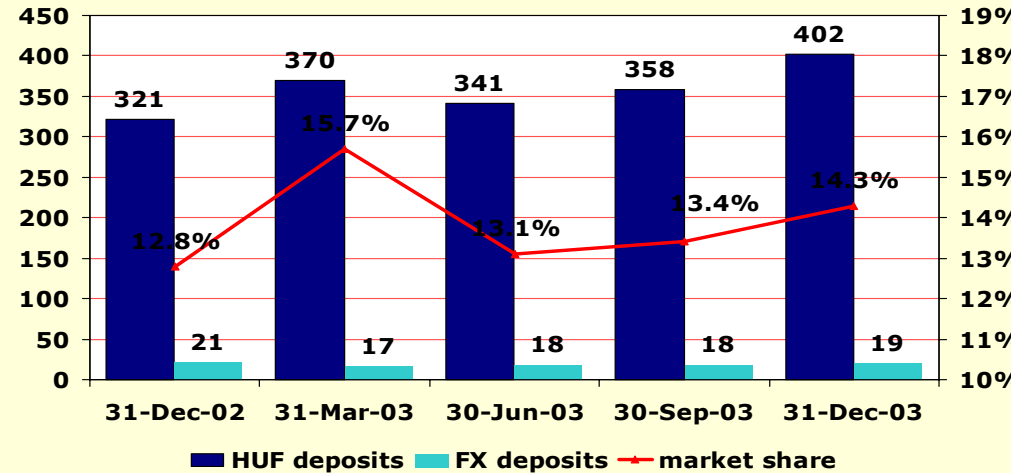
HUF bn

## Corporate loans



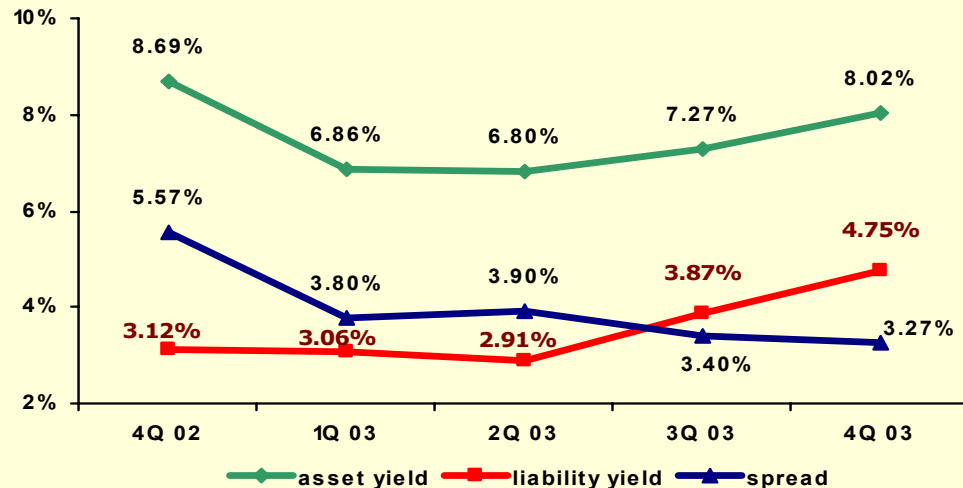
HUF bn

## Corporate deposits



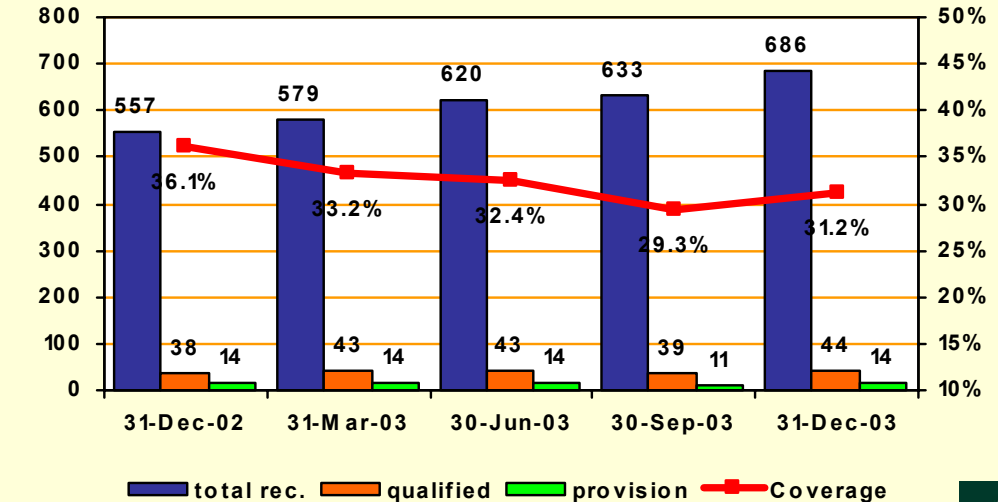
HUF bn

## Yields, spread



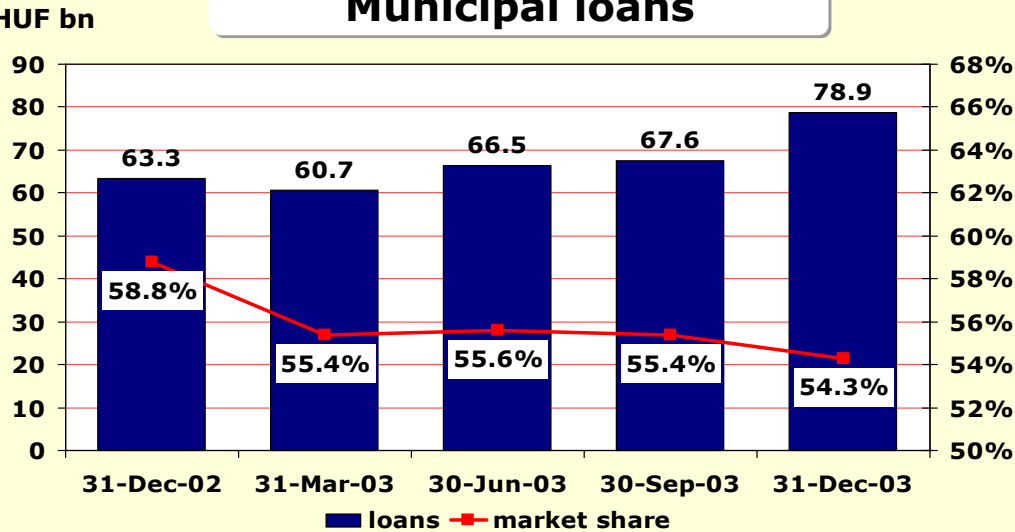
HUF bn

## Loan quality

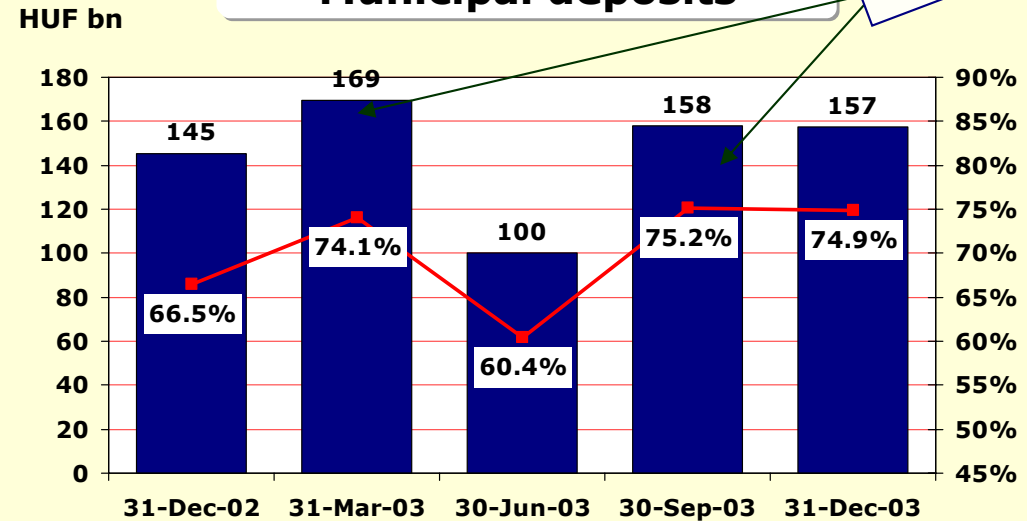


# Municipality business

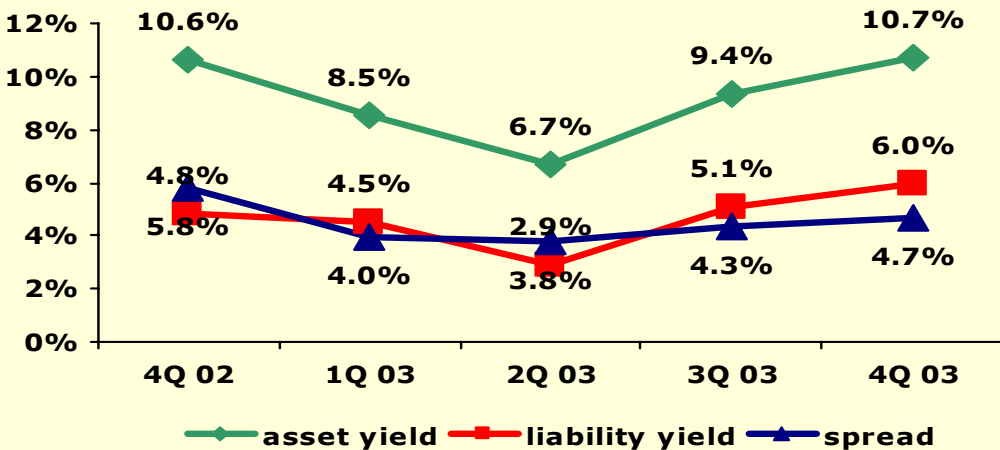
## Municipal loans



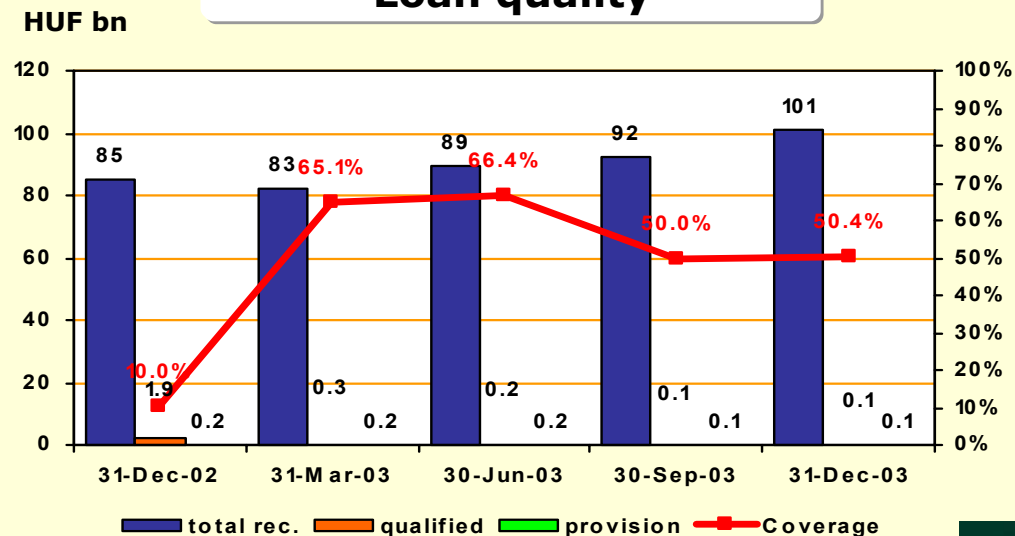
## Municipal deposits



## Yields, spread



## Loan quality

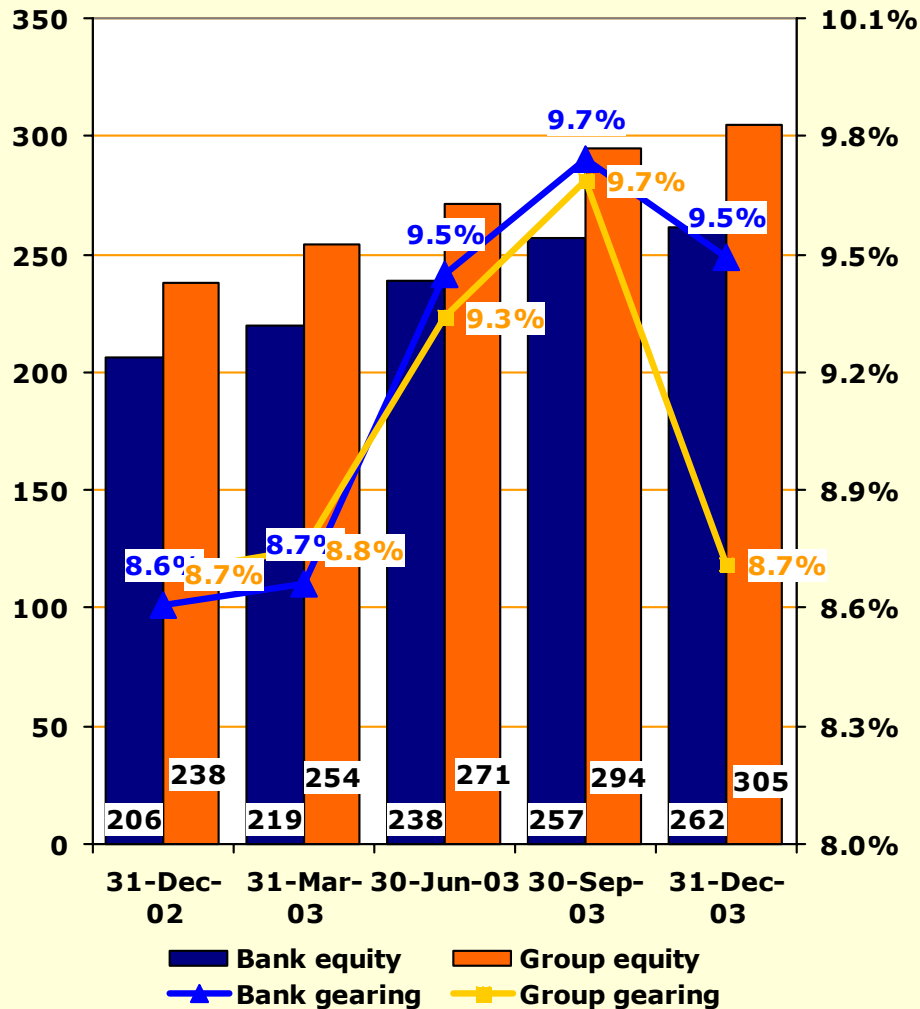




# Equity, CAR

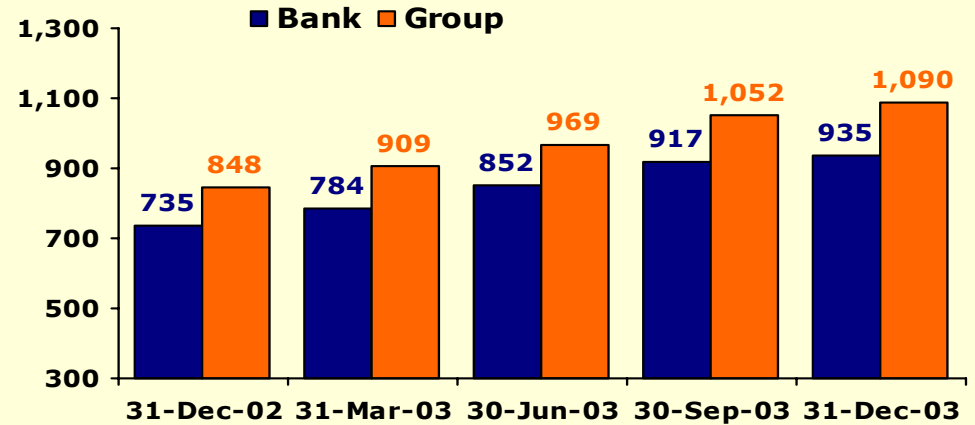
HUF bn

Equity, gearing

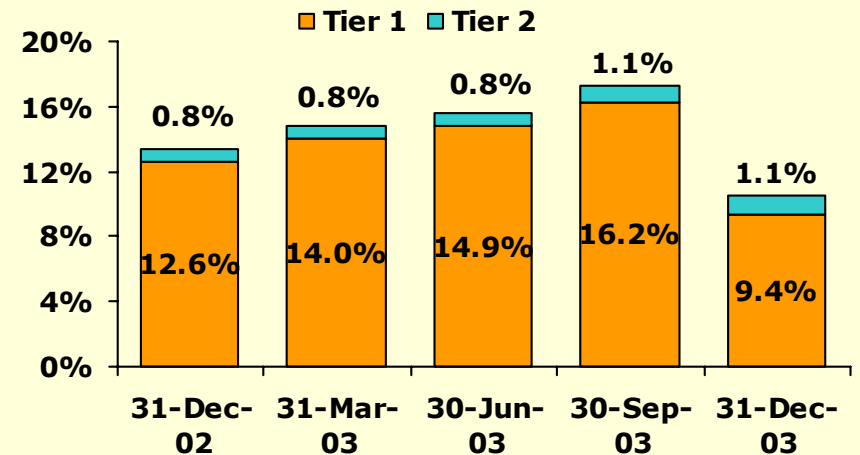


HUF

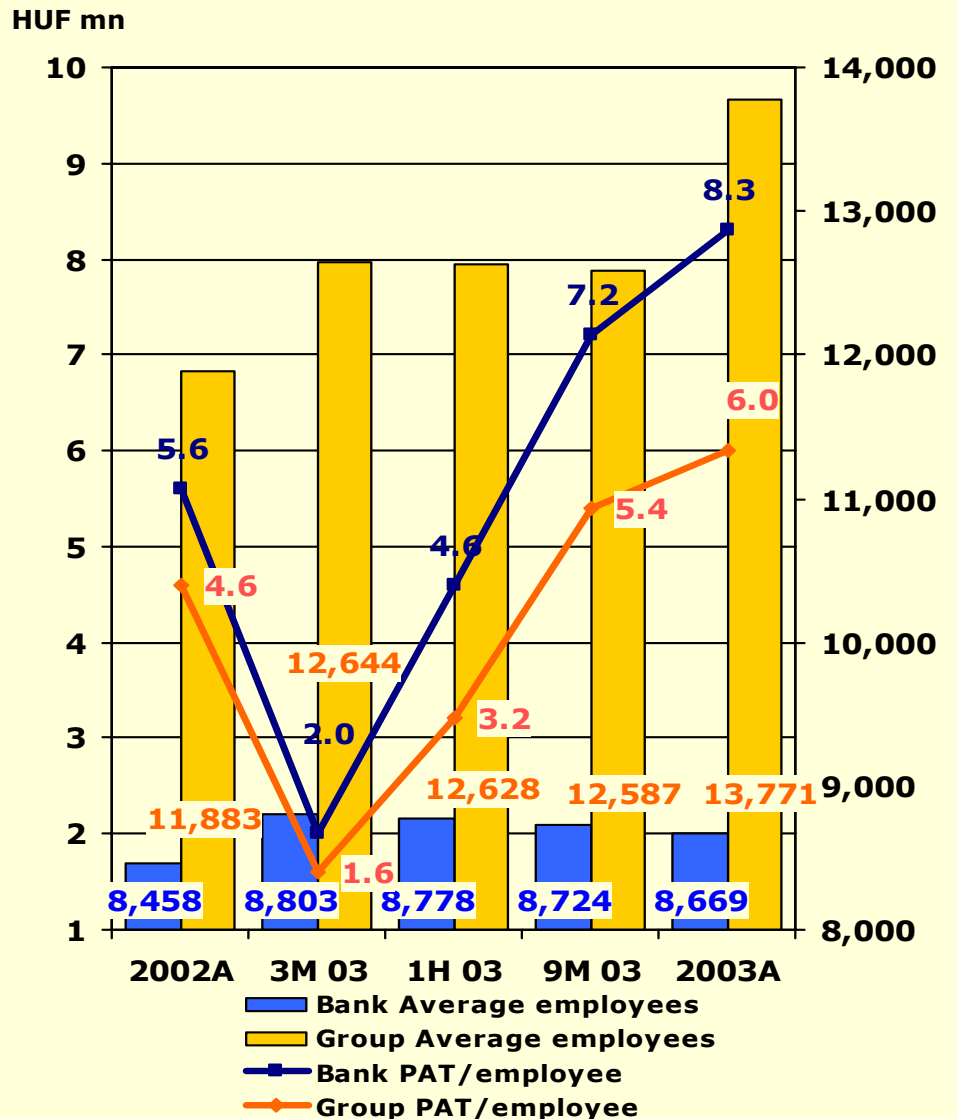
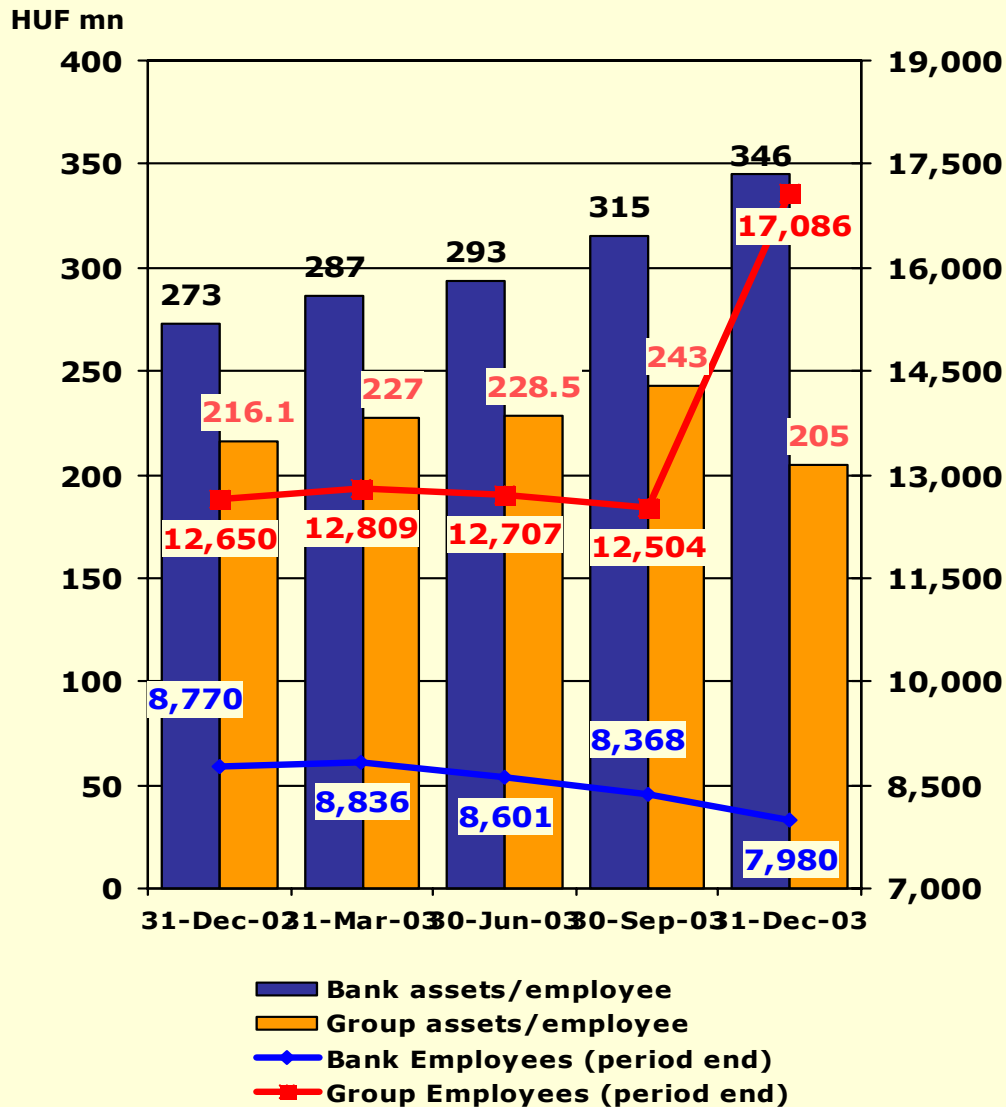
Book value per share



Capital adequacy

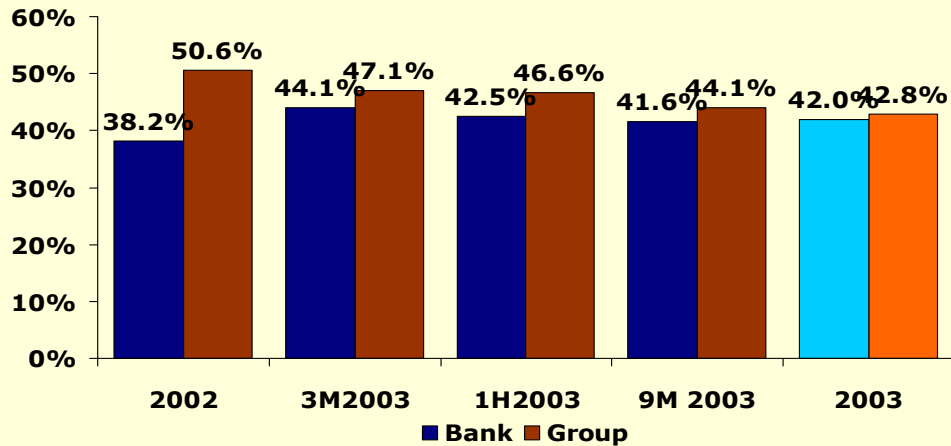


# Efficiency, productivity

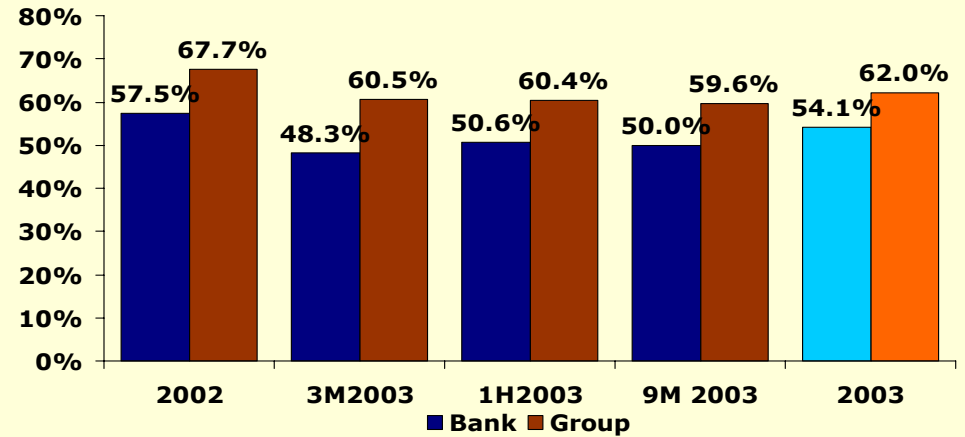


# Performance indicators

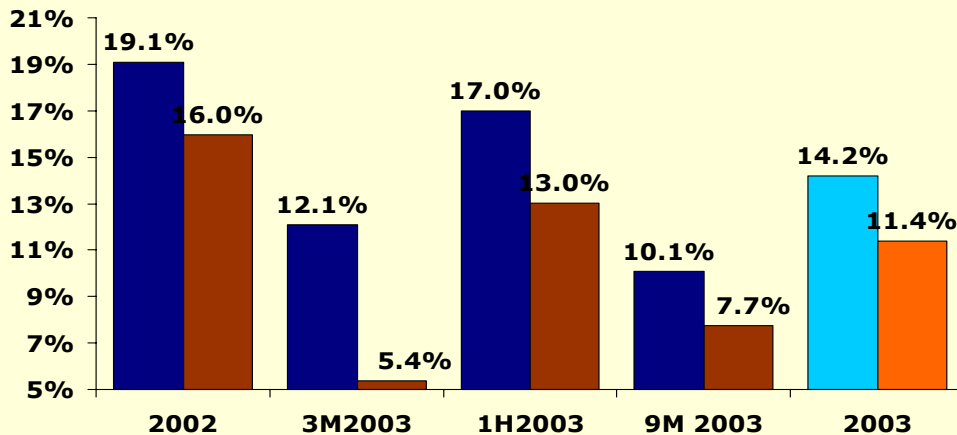
## Non-interest vs. total income



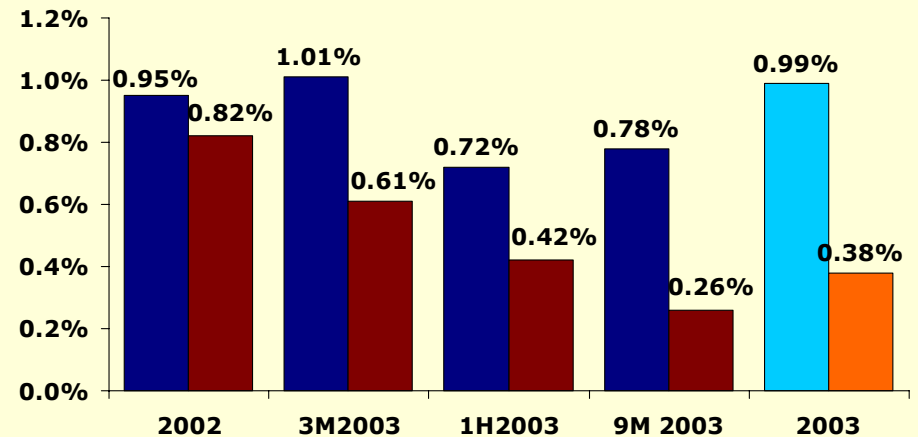
## Cost income ratio



## Provisioning vs. operating income

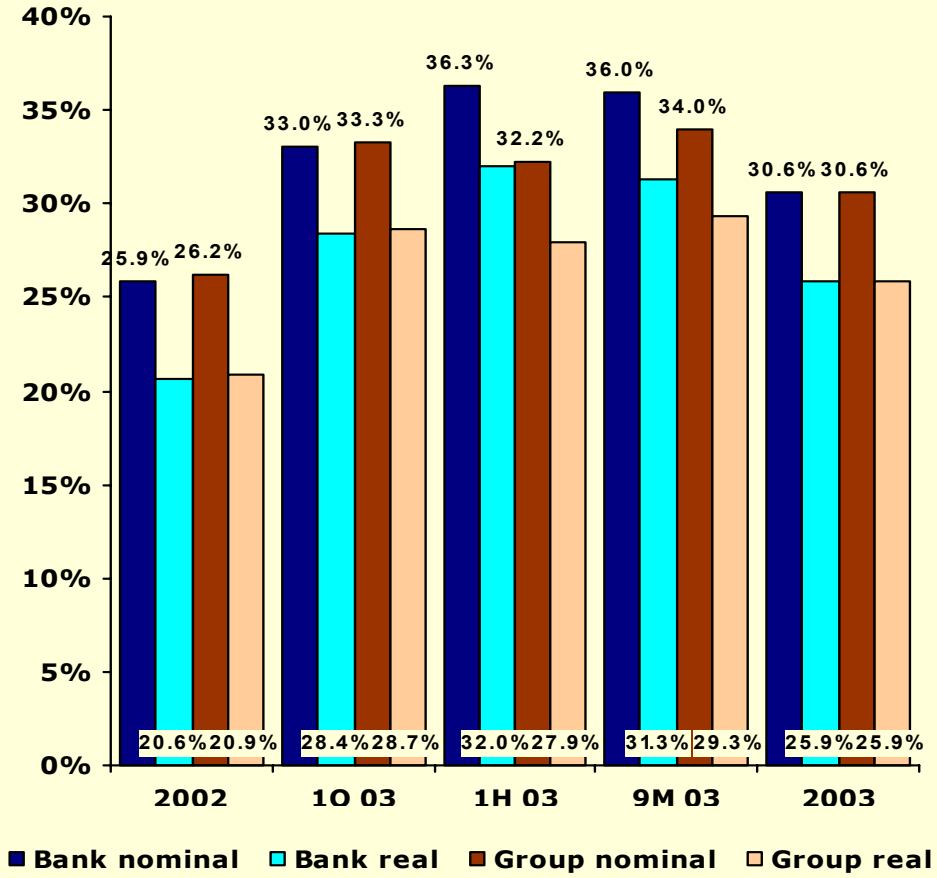


## Provisioning vs. customer receivables

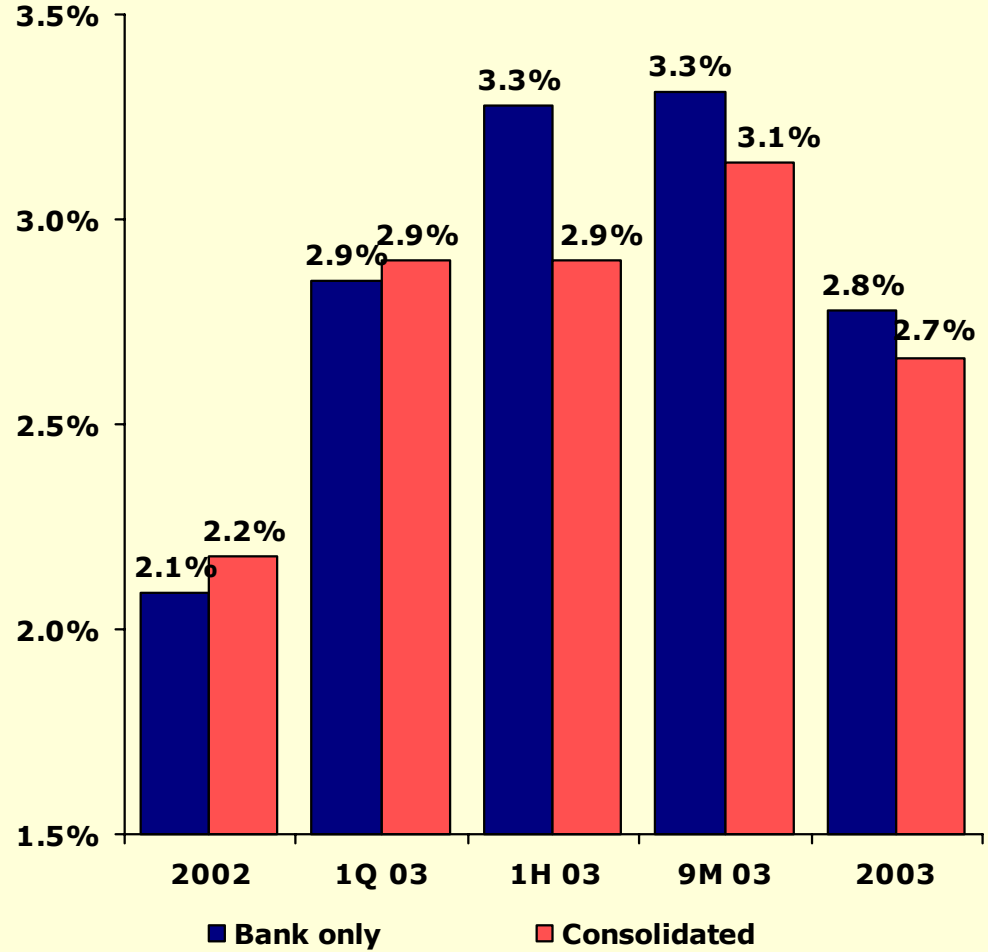


# ROA, ROE

**ROAE annualized**



**ROAA annualized**



# Consolidated subsidiaries

<i>HUF million rounded</i>	<i>2002</i>	<i>2003A</i>	<i>2003/2002</i>
<i>Merkantil Bank Ltd.</i>	2,375	2,646	11.4%
<i>Merkantil Car Ltd.</i>	629	1,452	130.8%
<i>Merkantil Bérlet Ltd.</i>	82	158	92.7%
<i>NIMO 2002 Ltd..</i>	-	(38)	
<i>Merkantil Group</i>	<u>3,086</u>	<u>4,218</u>	<u>36.7%</u>
<i>OTP Building Society Ltd.</i>	1,604	360	-77.6%
<i>OTP Mortgage Bank</i>	651	8,548	1213.1%
<i>OTP Banka Slovensko a. s.</i>	(3,504)	(207)	-94.1%
<i>DSK Bank EAD</i>	-	1,587	
<i>DSK subsidiaries</i>	-	(14)	
<i>DSK Group</i>	<u>-</u>	<u>1,573</u>	
<i>OTP-Garancia Insurance Ltd.</i>	1,602	2,605	62.6%
<i>OTP Fund Management Ltd.</i>	3,501	4,338	23.9%
<i>HIF Ltd.</i>	236	259	9.7%
<i>OTP Real Estate Ltd.</i>	1,076	1,347	25.2%
<i>OTP Factoring Management Ltd.</i>	177	64	-63.8%
<i>OTP Factoring Ltd.</i>	880	1,321	50.1%
<i>OTP Factoring Group</i>	<u>1,057</u>	<u>1,385</u>	<u>31.0%</u>
<i>Bank Center No I. Ltd.</i>	639	81	-87.3%
<i>OTP Fund Servicing and Consulting Ltd.</i>	19	225	1084.2%
<i>Other subsidiaries</i>	77	468	507.8%
<b><i>Pre-tax profits of subsidiaries</i></b>	<b>10,044</b>	<b>25,200</b>	<b>150.9%</b>
<b><i>Consolidated pre-tax profits</i></b>	<b>68,175</b>	<b>102,751</b>	<b>50.7%</b>
<b><i>Subsidiaries' proportion</i></b>	<b>14.7%</b>	<b>24.5%</b>	<b>9.8%</b>



# The 2008 vision for DSK Bank is a vision of leadership

## Vision

- ❖ The performance leader in Bulgarian banking
- ❖ Bulgaria's largest bank
- ❖ The undisputed #1 in retail banking
- ❖ Among top 3 banks in corporate banking
- ❖ Innovation engine in Bulgarian banking
- ❖ The bank most respected by customers

## Definition of success

- ❖ Pre-tax profit > EUR 100 mn
- ❖ ROE after tax > 25%
- ❖ Cost to indome ratio ~50%
- ❖ Market share by assets > 18%
- ❖ Number of cards and current accounts ~1.7 million
- ❖ Retail loans market share ~ 42%
- ❖ Retail deposits market share ~ 30%
- ❖ Corporate loans market share 8-10%
- ❖ Introduction of new products and upgrades to existing products at least once a month
- ❖ Customer satisfaction index > 80%

## Key strategic direction

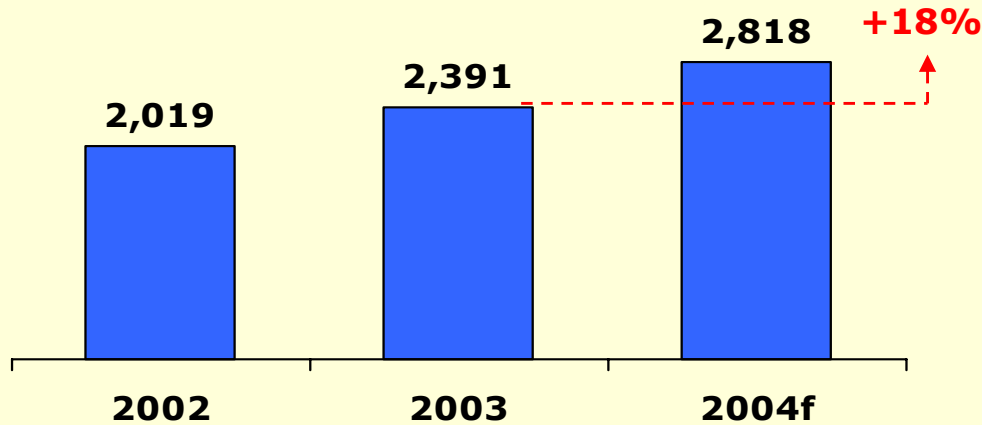
1. Retain the leading role in household savings market
2. Remain the top lender to households in Bulgaria
3. Expand market position in households transaction banking
4. Achieve market position in SME banking that is in line with the infrastructural market share
5. Establish a significant position large and midsize corporate banking
6. Introduce promptly new financial services for households and corporates



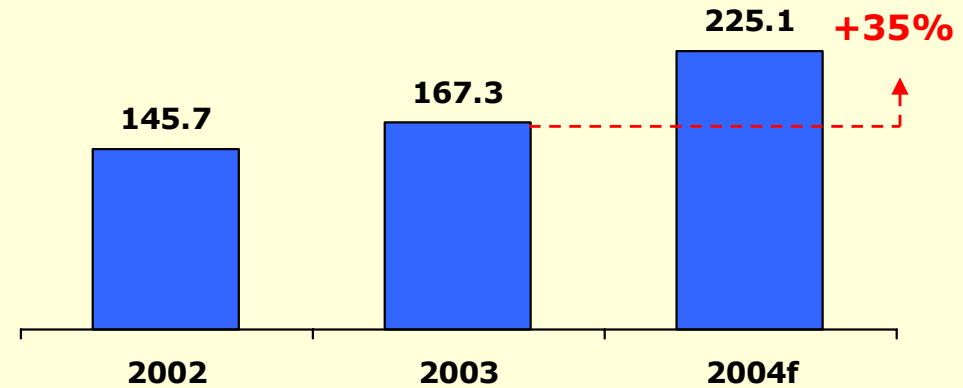
# In 2004, DSK will continue its aggressive growth

BGN millions

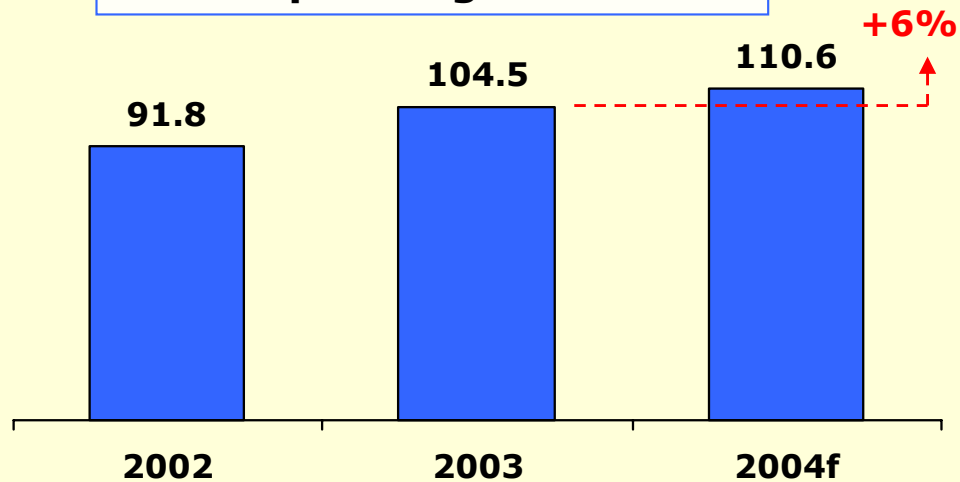
## Total assets



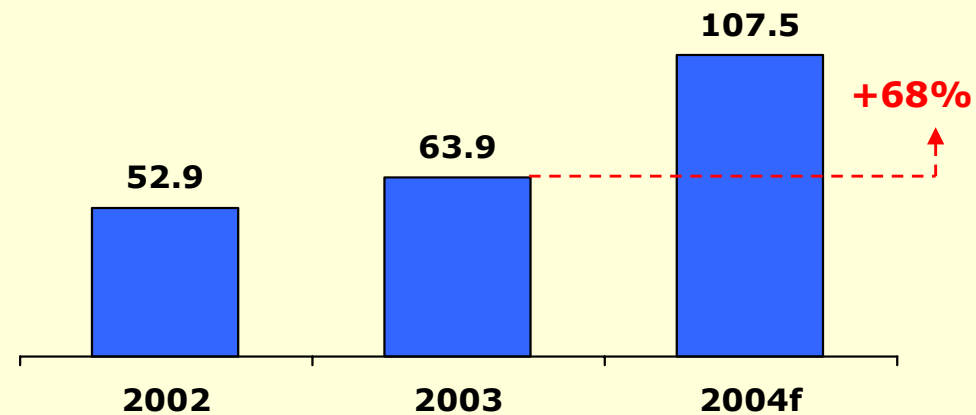
## Net revenues \*



## Operating costs



## Operating profit (no restructuring and tax)



\* Includes currency revaluation adjustments but does not include provisions



# 2004 financial targets of DSK Bank

<b>Financial indicators (BGN millions)</b>	<b>2003</b>	<b>2004</b>	<b>Change y-o-y %</b>
Net interest income	141.0	177.6	+26
Net non-interest income*	26.3	47.5	+81
Total revenues	167.3	225.1	+35
Operating cost	104.4	110.6**	+6
Gross operating income	62.8	114.5	+82
Net provisions/write downs	-1.1	7.0	n.m.
Operating profit before restr. costs, taxes	63.9	107.5	+68
Restructuring cost, investment, taxes		30.5	n.m.
<i>Pre-tax profits</i>	63.9	77.0	+21
<b>Selected ratios</b>			
Net interest income/Average earning assets	6.4%	6.8%	+0.4***
Net non-interest income/Total revenues	15.7%	21.1%	+5.4***
Cost income (operating costs/total revenues)	62.5%	49.1%	-13.4***
ROAA	2.2%	2.4%	+0.2 ***
ROAE	17.2%	18.5%	+1.3 ***

25% of the increase due to pricing changes  
75% are due to volume increase

Repricing, new fee carrying products, penetration

Cost control, personnel cuts, efficiency gains through integrated IT

Higher prudent level

\* Includes net commissions, trading income and currency revaluation adjustments. Fees based on BAS, not IFRS

\*\* Excluding restructuring cost, restructuring-related reserves and taxes

\*\*\* Represents percentage-points change





# 2004 target growth rates

Balance sheet related growth rates	Bank		Consolidated	
	HUF bn	Growth rate	HUF bn	Growth rate
Total assets	3,162.4	14.6%	4,087.0	16.7%
Total loans	1,168.0	7.3%	2,385.6	17.8%
Corporate loans	767.1	11.0%		
Retail loans	327.6	3.0%		
Mortgage loans	166.3	-9.4%		20.0%
Consumer loans	161.3	19.8%		
Municipality loans	73.3	-7.0%		
Total deposits	2,462.0	10.2%	2,987.9	10.5%
<b>P&amp;L related growth rates</b>				
Net interest income	133.2	12.7%	196.3	10.9%
Non interest income	105.4	23.2%	181.7	37.3%
Fee & commission income	104.1	22.3%		15.0%
Insurance fee income		n.a.		12.0%
Real estate trading income		n.a.		100.0%
Total income	238.6	17.1%	378.0	22.2%
Cost base with goodwill	127.6	14.4%	240.7	24.1%
Cost base without goodwill	117.3	6.4%	230.5	20.1%
Personnel expenses	48.4	10.5%		8.0%
Other expenses	58.3	3.2%		7-8%
Other expenses w/o DSK		n.a.		5.0%
Provisions	13.7	3.2%	14.3	6.7%
Profits before taxes (incl dividend received)	108.2	28.4%	123.0	19.7%
Profits after taxes (incl dividend received)	92.9	29.8%	102.8	23.9%
<b>Profit related performance indicators</b>				
ROE	32.1%	+ 146 bp	30.7%	+ 10 bp
ROA	3.14%	+36 bp	2.71%	+ 5 bp
Cost/income ratio	51.1%	-300 bp	61.0%	- 100 bp
Net interest margin	4.50%	-15 bp	5.7-5.8%	

