OTP Bank Rt.

First Half 2004 Stock Exchange Report

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

Budapest, August 12, 2004

OTP Bank's first half 2004 Stock Exchange Report contains the HAR and IFRS (former IAS) non consolidated and consolidated balance sheet and profit and loss account for the 6 months ending June 30, 2004. For the sake of easier analysis by international investors, we present both the HAR non-consolidated and consolidated figures in a format that is closer to the international format. HAR and IFRS data for the year 2004 in the report are non-audited.

HIGHLIGHTS

HAR

OTP Bank's HAR after-tax profits for the first half of 2004 were HUF58,511 million, HUF18,188 million or 45.1% higher than in 2003. OTP Group's consolidated after-tax profits were HUF63,848 million, an increase of 56.0% over 2003, and 9.1% higher than the figure of the Bank.

For the first half of 2004 OTP Bank's HAR pre-tax profits were HUF68,214 million, 41.9% higher than in 2003. OTP Group's consolidated pre-tax profits were HUF76,887 million, an increase of 51.4% over 2003 and 12.7% higher than the figure of the Bank.

Over the 12 months period ending June 30, 2004, total Bank assets grew to HUF2,758,218 million or by 9.4%, and this figure is 0.9% lower than 3 months earlier. Total assets for the group were HUF3,648,357 million on June 30, 2004, which represented a year-on-year growth of 25.7%, and it was 32.3% higher than total assets of the Bank on June 30, 2004.

1H 2003	1H 2004 Bank	Change	**Financial highlights** HAR	1H 2003	1H 2004 Group	Change
2,522.1	2,758.2	9.4%	Total assets (HUF bn)	2,903.5	3,648.4	25.7%
997.0	1,136.5	14.0%	Total loans and advances (HUF bn)	1,567.2	2,240.7	43.0%
2,007.6	2,104.3	4.8%	Total deposits (HUF bn)	2,160.3	2,589.2	19.9%
49.7%	54.0%	4.3%	Loan/deposit ratio	72.5%	86.5%	14.0%
238.4	299.6	25.7%	Shareholders' equity (HUF bn)	271.2	347.6	28.2%
10.6	9.2	-13.0%	Balance sheet gearing	10.7	10.5	-2.0%
42.5%	42.8%	0.3%	Share of non interest income in total income	46.6%	37.2%	-9.4%
50.6%	42.8%	-7.8%	Cost to income ratio	60.3%	52.7%	-7.6%
48.1	68.2	41.9%	Pre-tax profits (HUF bn)	50.8	76.9	51.4%
40.3	58.5	45.1%	After tax profits (HUF bn)	40.9	63.8	56.0%
152.1	218.7	43.8%	EPS undiluted (HUF)	159.2	246.0	54.5%
144.0	209.0	45.1%	EPS fully diluted (HUF)	146.2	228.0	56.0%
3.28%	4.24%	0.96%	Return on Assets	2.90%	3.57%	0.67%
36.3%	41.7%	5.4%	Return on Equity	32.2%	39.1%	6.9%
32.0%	34.6%	2.6%	Real Return on Equity	27.9%	32.0%	4.1%
2,468.9	2,749.3	11.4%	Average assets (HUF bn)	2,818.8	3,575.5	26.8%
56.7	72.2	27.3%	Net interest income (HUF bn)	78.2	120.2	53.8%
4.59%	5.25%	0.66%	Net interest margin	5.55%	6.72%	1.18%

IFRS

OTP Bank's IFRS after-tax profits for the first half of 2004 were HUF62,141 million, HUF20,790 million or 50.3% higher than in 1H 2003. OTP Group's consolidated net profit was HUF67,196 million, increase of 63.0% over 2003, and 8.1% higher than the figure of the Bank.

Over the 12 months period ending June 30, 2004, total IFRS Bank assets grew to HUF2,735,733 million or by 9.3%. Total assets for the group were HUF3,609,240 million on June 30, 2004, which represented a year-on-year growth of 25.9%, and it was 31.9% higher than total assets of the Bank on June 30, 2004.

1H 2003	1H 2004 Bank	Change	**Financial highlights** IFRS	1H 2003	1H 2004 Group	Change
2,502.1	2,735.7	9.3%	Total assets (HUF bn)	2,865.9	3,609.2	25.9%
1,017.6	1,139.1	11.9%	Total loans and advances (HUF bn)	1,529.0	2,227.1	45.7%
2,042.1	2,127.5	4.2%	Total deposits (HUF bn)	2,166.7	2,585.6	19.3%
49.8%	53.5%	3.7%	Loan/deposit ratio	70.6%	86.1%	15.6%
246.7	323.2	31.0%	Shareholders' equity (HUF bn)	268.4	362.0	34.8%
10.1	8.5	-16.6%	Balance sheet gearing	10.7	10.0	-6.6%
58.0%	47.4%	-10.6%	Share of non interest income in total income	53.9%	40.1%	-13.8%
51.9%	45.0%	-6.9%	Cost to income ratio	63.8%	56.8%	-7.1%
49.3	71.4	44.9%	Pre-tax profits (HUF bn)	50.9	79.6	56.4%
41.4	62.1	50.3%	After tax profits (HUF bn)	41.2	67.2	63.0%
155.03	232.31	49.8%	EPS base (HUF)	159.27	258.86	99.6%
154.77	231.88	49.8%	EPS fully diluted (HUF)	159.00	258.37	99.4%
3.38%	4.55%	1.17%	Return on Assets	2.95%	3.80%	0.85%
36.7%	41.5%	4.7%	Return on Equity	33.5%	39.9%	6.4%
32.4%	34.4%	1.9%	Real Return on Equity	29.2%	32.8%	3.6%
2,446.0	2,733.7	11.8%	Average assets (HUF bn)	2,791.3	3,535.0	26.6%
46.7	73.9	58.3%	Net interest income (HUF bn)	70.4	125.5	78.3%
3.61%	5.12%	1.51%	Net interest margin	4.83%	6.62%	1.79%

MAJOR TENDENCIES FOR THE SECOND QUARTER OF 2004

Below we summarize and present the major performance data for 2Q 2004 and compare it to the performance of the bank during 2Q 2003 and 1Q 2004:

Balance Sheet

Main financial indicators of the Bank				30/06/2004 vs.	
HAR	31/12/2003	31/03/2004	30/06/2004	31/12/2003	31/03/2004
Total assets (HUF bn)	2,758.6	2,782.1	2,758.2	0.0%	-0.9%
Average assets (HUF bn)	2,666.7	2,776.4	2,722.2	2.1%	-2.0%
Total loans and advances (HUF bn)	1,088.3	1,076.7	1,136.5	4.4%	5.5%
Total deposits (HUF bn)	2,234.9	2,213.1	2,104.3	-5.8%	-4.9%
Loan/deposit ratio	48.7%	48.7%	54.0%	5.3%	5.4%
Shareholders' equity (HUF bn)	261.8	277.2	299.6	14.5%	8.1%
Balance sheet gearing	10.5	10.0	9.2	-12.6%	-8.3%

Total assets of the Bank decreased by HUF23.9 billion (0.9%) during second quarter 2004. This rate was 0.5% during the second quarter of 2003.

Among the assets the 7.2% decrease in cash (HUF22.2 bn) and 9.3% decline (HUF34.3 bn) in government securities were noticeable. Loans to credit institutions decreased by 26.4%.

Customer receivables grew by HUF59.7 billion or 5.5% mainly due to the 5.8% growth of loans to corporate customers. Volume of retail loans increased by 3.2% during the second quarter. Within this the consumer loans increased in this quarter year by 21.5%. On June 30 municipal loans were 13.0% higher than on March 31, 2004.

Liabilities to credit institutions decreased by 63.5%, within this liabilities at sight were 32.4% lower, liabilities with defined maturity increased by HUF67.3 billion or 74.1%. Liabilities to customers decreased by 4.9% or by HUF108.8 billion, within this retail deposits decreased by HUF0.7 billion, corporate deposits by HUF63.6 billion while municipal deposits declined by HUF44.6 billion compared to March 31, 2004. After having generated the dividend base for the period, the Bank's shareholders' equity increased by HUF22.5 billion or 8.1% since March 31, 2004.

Profit and Loss account

HAR (in HUF million)	2Q 2003	1Q 2004	2Q 2004	2Q 04/2Q 03	2Q 04/1Q 04
Total interest income	47,774	70,212	72,364	51.5%	3.1%
Total interest expense	17,413	35,858	34,491	98.1%	-3.8%
Net interest income	30,361	34,354	37,873	24.7%	10.2%
Non interest income	21,174	27,031	26,938	27.2%	-0.3%
Share of non interest income in total income	41.1%	44.0%	41.6%	0.5%	-2.5%
Total income	51,535	61,385	64,811	25.8%	5.6%
Operating costs	27,195	24,961	29,046	6.8%	16.4%
Operating income	24,340	36,424	35,765	46.9%	-1.8%
Dividend received	7,235	0	8,075	11.6%	-
Accounting for acquisition goodwill	5,330	3,996	4,450	-16.5%	11.4%
Diminution in value, provisions and loan losses	191	-1,802	-1,802	-1043.5%	0.0%
Pre-tax profits	26,436	30,626	37,588	42.2%	22.7%
After tax profits	22,759	25,664	32,847	44.3%	28.0%
EPS undiluted (HUF)	85.7	96.2	122.5	43.0%	27.4%
EPS fully diluted (HUF)	81.3	91.7	117.3	44.3%	28.0%
Cost to income ratio	52.8%	40.7%	44.8%	-8.0%	4.2%
Return on Assets	3.60%	3.71%	4.74%	1.1%	1.0%
Return on Equity	39.8%	38.1%	45.6%	5.8%	7.5%
Net interest margin	4.88%	4.95%	5.57%	0.7%	0.6%

In the second quarter of 2004 the net interest income reached HUF37,873 million, which was 24.7% higher than a year earlier and 10.2% higher than in the first quarter of 2004. Compared to the second quarter of 2003 interest income grew by 51.5% and interest expenses by 98.1%. Compared to the first quarter of 2004 interest income increased by 3.1% and interest expenses decreased by 3.8%. Average balance sheet of the Bank was 9.3% higher than in the similar period in 2003. Average interest earned on assets was 10.63% while average cost of funding reached 5.05%. Net interest margin grew by 69 bps to 5.57% and was 62 bps higher than in the first quarter of 2004.

Non-interest income grew by 27.2% to HUF 26,938 million, declined by 0.3% compared to the first quarter of 2004. Net fees and commissions were 15.9% higher than in second quarter 2003, and 0.8% higher than in the first quarter of 2004. The Bank earned HUF1.1 billion on securities trading in the second quarter of 2004. Within this the profit on trading activities was HUF268 million, the profit on exchange rate was HUF716 million and the profit from realized and accrued depreciation of premium amounted to HUF112 million. The proportion of non-interest income in total income reached 41.6%, which was 41.1% in the same period of 2003. Total income of the Bank grew by 25.8% to HUF64,811 million compared to the second quarter of 2003.

The overall quality of the loan portfolio slightly deteriorated in the **second quarter of 2004**. Qualified portion of total receivables represented 5.2%, on June 30, 2004 while it was 5.0% on March 31, 2003. This is due to the fact that while increase in total loans was 2.5% in 2Q 2004 and no-problem loans grew by 2.3%, qualified loans increased by 6.6% to HUF67.4 billion. Problem loans (which do not include to-be-monitored loans) declined by HUF2.7 billion or by 6.4% in the second quarter. The ratio of non performing loans was 3.0% compared to the 3.3% in the first quarter of 2004.

	1Q 2004		2Q 2004		change	
	HUF million	Proportion	HUF million	Proportion	HUF million	Proportion
Total receivables	1,268,048	100.0%	1,299,757	100.0%	31,709	
No problem loans	1,204,851	95.0%	1,232,401	94.8%	27,550	-0.2%
Total qualified	63,197	5.0%	67,356	5.2%	4,159	0.2%
To-be-monitored loans	20,836	1.6%	27,718	2.1%	6,882	0.5%
Non-performing loans	42,361	3.3%	39,638	3.0%	-2,723	-0.3%
Below average	18,329	1.4%	15,971	1.2%	-2,358	-0.2%
Doubtful	16,776	1.3%	15,874	1.2%	-902	-0.1%
Bad	7,256	0.6%	7,793	0.6%	537	0.0%

Within total qualified loans, to-be-monitored loans grew by 33.0% or HUF6,882 million, volume of bad loans by 7.4% or by HUF537. Doubtful loans declined by 5.4% or HUF902 million, below-average loans were by 12.9% or HUF2,358 million lower than on March 31, 2004. During the second quarter, within total receivables, customer receivables increased by 7.3%.

In the corporate business there was a 9.0% increase in receivables during the second quarter, while the qualified volume was 9.8% higher and within this to-be-monitored loans grew by HUF6,991 million or by 39.6%. In the retail business, receivables decreased by 3.1%, qualified receivables by 5.4%, receivables declined in all of the four qualified categories. In the municipality business, receivables were higher by 9.5% and the qualified receivables were higher by HUF9 million compared to March 31, 2004. The volume of qualified loans to credit institutions increased by HUF3 million.

Change of qualified loans by business lines between March 31, 2004 and June 30, 2004 (in HUF million):

	To-be-monitored	Below-average	Doubtful	Bad
Corporate	+39.6%	-13.5%	-3.7%	+41.8%
Retail	-5.0%	-3.6%	-10.6%	-2.7%
Municipal	-	0.0%	-41.4%	0.0%

During the second quarter of 2004 – as a consequence of market changes as a result of modification of the subsidies for mortgage loans starting December 22, 2003 - the bank put into to be monitored category and created the relevant provisioning for corporate loans - issued to finance residential construction for sale - to those constructors whose equity was low.

The bank has continued reserve generation for the loans sold to the Mortgage bank which are covered by repurchase guarantee, in a way that the on loans in delay of payment, including those expected to be repurchased after a 60 days of delay (the cut-off date of guarantee), it generates 10% provisions. On June 30, 2004 HUF45.2 billion loans were in delay, of which HUF9.9 billion were more than 30 days overdue. In connection with the increase in overdue volumes the Bank generated HUF1.1 billion new provisions in 2Q 2004. Such method of provisioning shall be continued in future quarters. On June 30, 2004 from the total volume of HUF672.4 billion loans to the amount of 6.3% were qualified, compared to 4.2% on June 30, 2003 and 5.1% on March 31, 2004.

Second quarter of 2004 pre-tax profits for the Bank were the result of HUF35,765 million operating income, HUF4,450 million provisioning and loan losses, HUF-1,802 million accounting for acquisition goodwill, and HUF8,075 million dividend income. Compared to the same period in 2003 this represented a 46.9% increase in operating income, 16.5% higher provisioning and 11.6% higher dividend income.

OTP Bank's pre-tax profit for the second quarter of 2004 was HUF37,588 million, a 42.2% increase from second quarter of 2003, and 22.7% more than in the first quarter of 2004. After tax profit of the bank in the second quarter 2004 was HUF32,847 million, a 44.3% increase compared to the second quarter 2003, and by 28.0% higher than in the first quarter 2004. (Not counting the dividend income, pre-tax profit of the bank was HUF29,513 million, after tax profit was 24,772 million in the second quarter 2004. These show 53.7% and 59.6% increase from the second quarter of 2003 and 3.6% and 3.5% decline compared to the first quarter 2004.)

Undiluted earning per share (EPS) for the period was HUF122.49, and diluted was HUF117.31. US dollar equivalents are USD0.59 and USD0.56 respectively, based on the central banks average middle exchange rate between March 31 and June 30, 2004 (209.09 HUF/USD). (Not counting the dividend income undiluted EPS was HUF92.38 and diluted EPS HUF88.47 or USD0.44 and USD0.42 in the second quarter of 2004.)

Annualized return on average assets for the period was 4.74%, on average equity 45.6%, 114 bps and 579 bps higher than for the same period in 2003, and 104 bps and 746 bps higher than in the first quarter of 2004. (Not counting the dividend income average ROA was 3.58% and ROE 34.4% in the second quarter of 2004, 112 bps and 723 bps higher than in the second quarter of 2003 and 13 bps and 374 bps lower than in the first quarter of 2004.)

MAJOR NON-CONSOLIDATED FIGURES FOR THE FIRST HALF OF 2004

OTP Bank's **pre-tax profit** for the first half of 2004 was HUF68,214 million, a 41.9% increase from a year earlier. This profit was obtained as a result of HUF72,189 million **operating income**, HUF8,446 million of diminution in value and provisions, HUF-3,604 million acquisition goodwill and HUF8,075 million dividend income. Compared to the base period, this represents 48.2% increase in operating income, 2.0% higher diminution in value and provisioning expenses and dividend income grew by 11.3%. The acquisition goodwill (OBS, DSK) was HUF-3.6 billion compared to HUF0.4 billion in 1H 2003.

After tax profit was HUF58,511 million, HUF18,188 million, or 45.1% higher than in 1H 2003. (Not counting the dividend income, pre-tax profit of the bank was HUF60,139 million, after tax profit was HUF50,436 million, 47.3% and 52.5% higher than in the first half of 2003.)

After having generated the HUF5,852 million of general reserves and the dividend fund for the period, representing 35.1% payout ratio (estimated at HUF146 per share for the full year), the Bank's retained earnings for the first half of 2004 were HUF32,128 million, an increase of 13.5% over the year earlier.

Earnings per share for the period were HUF218.74 undiluted, HUF208.97 diluted, which is 43.8% and 45.1% higher than for 1H 2003. US dollar equivalents are USD 1.05 and USD1.00 respectively, 54.5% and 55.9% higher than in 2003, based on the central banks average middle exchange rate between December 31, 2003 and June 30, 2004 (208.57 HUF/USD). (Not counting the dividend income the undiluted EPS was HUF188.55, diluted EPS was HUF180.13 (51.2% and 52.5% increase year-on-year), and USD0.90 and USD0.86.)

Annualized return on average equity (ROE) for the first half of 2004 was 41.7%, on average assets (ROA) 4.24% (36.3% and 3.28% resp. in 2003). Non consolidated real ROE (ROE less inflation) reached 34.6% - as a result of the growth in equity - and was higher than in 2003 and exceeded the long term target of the Bank. (Not counting the dividend income, ROA was 3.66%, ROE was 35.9% for the first half of 2004, were 96 bps and 616 bps higher than in the first half of 2003.)

NET INTEREST INCOME

The bank's net interest income for the first 6 months of 2004 was HUF72.2 billion, 27.3% higher than in 2003. The net interest income was a result of HUF142.6 billion interest income (49.9% increase) and HUF70.3 billion interest expenses (83.3% increase).

Interest earned on interbank accounts was 82.0% higher due to the decline of the average placement and the increasing of the inter-bank interest rate level. In interbank interest incomes HUF13.3 billion FX and interest swap income was accounted compared to the HUF4.8 billion income in the first half of 2003. Income from securities increased by 50.2% accompanied by the decrease of their average volumes and the increase of the yields compared to 2003. OTP Bank's portfolio of HUF517.9 billion from the mortgage bonds issued by the OTP Mortgage Bank contributed to the growth of interest income and volume, too. In line with the 0.5% decrease in average volume and with the increase in rates, interest income from retail accounts grew by 24.1%. The interest income increased by 54.3% in corporate lending and by 19.7% in municipal lending, meanwhile the interest level grew and the growth in volume was 20.6% in corporate business and the decline in municipal volume was 23.9%. 20.6% of interest income was earned on retail accounts and 21.6% on corporate accounts and 29.8% on securities.

The volume of customer liabilities is growing, interest expenses increased by 74.0% on retail accounts in line with the increase in the interest rate level and the liability structure, and increased by 106.3% on corporate and by 132.0% on municipal accounts. Interest paid on interbank accounts grew both in HUF and in foreign exchange. The growth was caused, in HUF, by the HUF5.0 billion loss on interest swap deals and, in foreign currency, by the interest expenses of the syndicated loans. Interest expenses on securities fell by 40.8%. Share of interest paid on retail accounts was 63.1%

The result of the FX and interest swap deals – accounted in interbank interest incomes and expenses – improved the net interest income of the Bank by HUF7.4 billion, HUF5.1 billion higher than in 1H 2003), and improved the net interest margin by 54 bps. The profit of the swaps charged in HUF was HUF6.0 billion, charged in FX was HUF0.9 billion while interest swaps increased the net interest income by HUF460 million.

Changes in average volume of customer receivables, customer liabilities, of interest income and expense and yield compared to 1H 2003:

	Average volume	Interest income/expense	Yield (bps)
Customer receivables	+8.6%	+239	+36.1%
Total assets	+11.4%	+267	+49.9%
Customer liabilities	+6.3%	+237	+83.6%
Total liabilities	+11.6%	+200	+83.3%

In the first half of 2004, yield on average interest earning assets represented 11.69% rate and interest paid on interest bearing liabilities represented 6.02% rate. The interest spread between average interest bearing liabilities and interest earning assets was 5.67% 70 bps higher than a year earlier. Average assets were 11.4% higher than a year earlier, average yield on assets increased by 267 bps to 10.37%; and average cost of funds grew by 200 bps to 5.11%. Interest margin over total average assets was 5.25% an increase of 66 bps from a year earlier.

QUALITY OF LOAN PORTFOLIO, PROVISIONS

Compared to June 30, 2003, total receivables increased by 5.1% (customer receivables by 14.9%), total qualified outstanding was 22.5% higher (increase in customer qualified receivables reached 22.6%), thus portion of qualified receivables changed from 4.4% to 5.2% over June 30, 2003. Problem loans increased from HUF38.0 billion as on June 30, 2003 to HUF39.6 billion or by 4.3%, mainly due to the HUF3,288 million increase in below average corporate loans, to the HUF750 million growth of doubtful retail loans and the decrease of doubtful corporate loans (by HUF1,805 million). For HUF67.4 billion of qualified outstanding, total provisions created were HUF21.5 billion resulting, in harmony with the structural change of the qualified portfolio, in a falling coverage ratio to 31.9% (37.3% at the end of June 2003). Provisions created on HUF39.6 billion problem loans was HUF19.3 billion, which means 48.6% coverage ratio (51.2% at the end of June 2003).

	June 30, 2004		June 30, 2003		Change %	
	HUF mn	Distribution	HUF mn	Distribution	volume	Distribution
Total of loans	1,299,757	100.0%	1,236,361	100.0%	5.1%	
Performing loans	1,232,401	94.8%	1,181,369	95.6%	4.3%	-0.8%
To-be-monitored	27,718	2.1%	16,990	1.4%	63.1%	0.7%
Below average	15,971	1.2%	12,861	1.0%	24.2%	0.2%
Doubtful	15,874	1.2%	17,034	1.4%	-6.8%	-0.2%
Bad	7,793	0.6%	8,106	0.7%	-3.9%	-0.1%
Qualified	67,356	5.2%	54,991	4.4%	22.5%	0.8%
Provision	21,499		20,530		4.7%	
Coverage ratio	31.9%		37.3%		-5.4%	
Of which NPL	39,638		38,001		4.3%	
Provision	19,268		19,467		-1.0%	
Coverage ratio	48.6%		51.2%		2.6%	

Since June 30, 2003, the share of the corporate business in the qualified portfolio grew from 78.1% to 80.9%, and, parallel with this, the proportion of retail business line in the qualified portfolio fell from 21.1% to 18.6%. At the same time 67.0% of the provisions were generated in the corporate and 32.0% in the retail business.

The breakdown of receivables, qualified loans and provisions by businesses were at June 30, 2004 and 2003 as below:

June 30, 2004	Retail	Corporate	Interbank	Municipal
Total	25.8%	56.0%	9.7%	8.5%
No problem	26.2%	54.6%	10.2%	9.0%
Qualified	18.6%	80.9%	0.3%	0.2%
Provisions	32.0%	67.0%	0.8%	0.2%

June 30, 2003	Retail	Corporate	Interbank	Municipal
Total	25.2%	50.2%	17.4%	7.2%
No problem	25.4%	48.9%	18.2%	7.5%
Qualified	21.1%	78.1%	0.3%	0.4%
Provisions	30.5%	67.8%	0.9%	0.8%

The provisioning and loan losses on customer receivables for the first half of 2004 were HUF6,256 million (an increase of 70.5% from a year earlier).

The HUF4.2 billion loan loss provisioning represented 0.75% (annualized) of the average customer receivables (HUF1,113.6 billion) compared to 0.72% for 1H 2003.

Provisions/loan losses in HUF millions:

	1H 2003	1H 2004	Change
Provision/depreciation and loan losses	8,285	8,446	1.9%
HAR mandatory	3,671	6,256	70.4%
From this provision on loans at OTP Mortgage Bank with repurchase guarantee		2,072	-

General risk provision	1,574	2,026	28.7%
Provision on uncovered derivative positions (without options)	1,108	484	-56.3%
Provision on option deals	2,155	0	-
Provision for early retirements and severance payments	-220	-205	-
Other provision	-3	-115	-

NON-INTEREST INCOME

During the first 6 months of 2004 non-interest income was 28.7% higher than in 1H 2003, and reached HUF53,969 million. Net fees and commissions represented HUF48,970 million, a 22.5% increase (fees and commissions received increased by 20.1% or HUF8,960 million, fees and commissions paid were 1.1% or HUF49 million lower).

The fees on loans grew by 37.2% to HUF21.5 billion. Corporate lending growth positively influenced HUF and FX related fee income. Meanwhile in the retail lending, the growth was sizeable from fees concerning the mortgage loans from own and consortia funding, and also from fees related to the repurchase obligations and besides the agent fees received from the Mortgage Bank, but fees from loans transferred to Mortgage Bank decreased. On the level of the Bank, almost HUF18.9 billion fee income is mortgage-related, from this HUF17.1 billion (HUF11.1 billion in 1H 2003) is from OTP Mortgage Bank, from which the transfer fee for the loan sold was almost HUF9.9 billion (HUF4.3 billion in 1H 2003). The fees from the card business were 27.3% higher than in 2003 and was more than HUF12.8 billion. Cash withdrawal (from ATM and POS) and merchant fees increased significantly as a result of the increased turnover. Fee income from retail current accounts increased by 15.1% to HUF5.2 billion. Deposit business fee income increased by 9.9% to HUF2.9 billion, mainly due to the growth in corporate HUF deposit volume. Securities transaction fees grew by 6.8% to HUF4.1 billion partly because of the fees connected with funds managed by OTP Fund Management Ltd. and of the agent fees from Government Debt Management Agency Ltd.

Net result on securities trading in the first half of 2004 was HUF1,290 million compared to HUF201 million profit in 1H 2003. In 1H 2004 the Bank realized HUF65 million loss from the Hungarian Government Bonds compared to the loss of HUF58 million a year earlier. From this, HUF150 million came from the trading activities and HUF215 million loss from realized and accrued depreciation of premium on government bonds purchased above face value. The Bank realized HUF209 million higher profits on the Treasury Bills than in the first half of 2003. From the mortgage bonds the profit was HUF258 million, HUF150 million more than in 1H 2003. All in all, the Bank posted HUF744 million profits on shares and stakes, and around HUF410 million profits on trading activities. Meanwhile the Bank realized HUF71 million discounts and accrued HUF65 million premiums on the portfolio.

Foreign exchange profits totalled at HUF2,841 million for the first 6 months of 2004, in 1H 2003 the earning was HUF128 million. The result on the revaluation of the asset-liability items were HUF1,808 million higher reaching HUF1,458 million. The Bank held a significantly larger long average FX position in its balance sheet (HUF114.2 billion average volume in 1H 2004, HUF29.9 billion in 1H 2003). The overall net FX open position was also higher, it reached HUF14.7 billion average, compared to HUF4.0 billion averages in 1H 2003.

Losses on real estate transactions were HUF94 million compared to the HUF3 million loss in the first 6 months of 2003.

Other non interest income of HUF962 million was 41.4% lower than in 1H 2003. From this, income of the mortgage loans sold to OTP Mortgage Bank was HUF236 million in 1H 2004.

Non-interest income represented 42.8% of total income, 0.3%-point lower than a year earlier.

Total income for the Bank reached HUF126,196 million, a 27.9% increase; well above the inflation.

NON-INTEREST EXPENSES

During the first half of year 2004, non-interest expenses reached HUF54,007 million, 8.2% higher than a year earlier and below the growth rate of the income.

Personnel expenses were 24.6% higher than in 1H 2003. The growth was caused by carry-over effect of salary raises of the employees and of the management in 2003 and the 10% salary increase effective March 1, 2004 to the employees; by the expenses related to personnel cuts, by the increased business activity. The significant part of additional expenses is related to extra performance. Also different, linear accrual of bonuses and the cost of the share option program (which in itself increase due to share price appreciation) were also important. Personnel expenses represented 18.6% of total income compared to 19.1% during 1H 2003. Depreciation was HUF4,506 million, HUF1,284 million or 22.2% lower than a year ago reflecting the impact of the outsourced IT equipments.

The other non-interest expenses were by 2.9% or HUF723 million higher than a year earlier. Within these, the most important items are the material type of costs that grew by HUF2,058 million or 12.8%, with the material costs increasing by HUF393 million. Technical equipments service fees grew by HUF506 million and fees paid for domestic other services increased by HUF275 million, fees paid for domestic specialist by HUF301 million. Fees paid for foreign specialist declined by 74.1% or by HUF275 million. Other rental expenses grew by 39.1% to HUF2,272 million, real estate rental fees decreased by 20.8% to HUF858 million. Local taxes increased by 16.8% to HUF2.7 billion, value added tax on the result was HUF2,228 million, 26.6% lower than a year earlier. Advertising expenses grew in line with the competition and activities by 11.2% year to year.

The Bank's cost/income ratio for the first half of 2004 was 42.8%, 782 bps lower than in 1H 2003, and lower than the projected figure for the year.

NON-CONSOLIDATED HAR BALANCE SHEET AS AT JUNE 30, 2004

OTP Bank's total assets as at June 30, 2004 were HUF2,758,218 billion, 9.4% higher than a year earlier. The increase is higher than the inflation resulting in real asset growth for the preceding 12 months, but the growth did not reach the average growth rate of the banking sector. Based on total assets, the Bank had 19.0% of the banking system's total assets (20.7% on June 30, 2003).

Since June 30, 2003 within banking assets, cash and banks increased by 25.1% driven by the increase of NBH account balance by 34.7%, in HUF cash by 5.4% and in short-term HUF placements with NBH by 31.3% and by the decrease in foreign currencies by 20.8%.

The volume of government securities on June 30, 2004 was HUF334.6 billion, 24.9% lower than a year earlier. Trading securities decreased by HUF77.7 billion, or 45.5% to HUF92.9 billion, investment securities fell by HUF33.0 billion or 12.0% to HUF241.7 billion. From the above-mentioned, the HUF29.0 billion decrease in the Hungarian Government Bonds is sizeable.

The volume of the interbank placements decreased by 39.6% since the June 30, 2003 and represented 4.7% of total assets. Within this decrease, the FX deposits with domestic banks and the HUF loans for domestic banks represented the most significant part.

Within total assets, **receivables from customers** represented 41.2% (39.5% on June 30, 2003), and were HUF1,136.5 billion, which was 14.0% higher than a year earlier. Within the commercial loan portfolio, in the last 12 months, retail lending grew by 7.2%, corporate lending by 15.2%. Loans to municipalities increased by 34.1%. In the loan portfolio, the share of retail loans was 29.2%, corporate loans represented 63.0% and municipal loans 7.9%.

Within **corporate lending** reaching HUF715.5 billion by the end of June 2004, loans extended to economic entities was 15% higher than a year earlier reaching HUF666.9 billion. Loans for investment purposes fell by 5.1% to HUF62.1 billion, the share of investment loans changed to 9.3%. Current asset financing loans fell by 19.0% and represented a 13.2% proportion in loans to economic entities. Foreign currency loans grew by 21.7% to HUF230.3 billion and represented 34.5% of total compared to 32.6% a year earlier. Overdrafts decreased by 9.8% to HUF43.6 billion during the past 12 months. Loans granted to other financial agents grew to HUF121 billion from HUF83.1 billion as at the end of June 2003. Loans granted to small businesses and individual entrepreneurs increased by 41.1% or by HUF7.4 billion, the share of loans to small and individual businesses within the corporate loan portfolio was 3.5%, compared to the 2.9% share a year earlier.

Retail loans increased by 7.2% to HUF331.8 billion from a year earlier. Within this, the volume of housing loans declined by 9.9% to HUF168.3 billion. The volume of mortgage loans remaining with the Bank (Forrás loans and 2003 and 2004 condition loans) amounted to HUF56.7 billion on June 30, 2004. The volume of 2000 condition loans decreased by 16.8% to HUF64.9 billion during 12 months to June 2004. Old loans continued to decline, all in all, to HUF31.2 billion. The granted building society loans grew from HUF1.2 billion on June 30, 2003 to HUF15.1 billion on June 30, 2004. Volume of mortgage-based home equity loans fell by 29.7% to HUF26.5 billion over last 12 months.

Consumer loans were 61.3% higher and reached HUF136.9 billion at the end of June 2004. Within consumer loans current account related loans increased by 14.8% reaching HUF94.8 billion. Loans financing consumer purchases increased by 185.6% to HUF4.1 billion, personal loans – due to the in the spring introduced new product – increased vigorously from HUF13 million a year earlier to HUF26.5 billion at the end of June 2004. Volume of lombard loans grew from HUF0.2 billion as on June 30, 2003 to HUF8.8 billion as on June 30, 2004.

The volume of **municipal loans** increased further and reached HUF89.2 billion from HUF66.5 billion. Loans to budgetary organizations decreased to HUF10.9 billion by the end of June 2004.

At the end of June 2004 the **market share** of the Bank **in lending** showed a varied picture. Based on preliminary data, on June 30, 2004 the market share of the Bank was 12.8% in overall lending (14.0% on June 30, 2003), and it granted 13.0% (17.4%) of household, 11.5% (11.7%) of corporate and 55.5% (55.5%) of municipal loans. The bank's market share in housing lending was 9.9% (17.1%) and in consumer lending (includes mortgage-based home equity loans too) 18.8% (17.8%).

On June 30, 2004, **customer deposits** represented 76.3% of the Bank's liabilities. Their volume was HUF96.7 billion or 4.8% higher than a year earlier and reached HUF2,104.3 billion. The increase in retail business was HUF97.6 billion, in municipal business was HUF10.8 billion, deposits in corporate business fell by HUF11.6 billion.

Volume of **retail deposits** increased by 6.3% to HUF1,645.4 billion during 12 months, their share within customer deposits represented 78.2%. HUF retail deposits increased by HUF130.3 billion or by 10.2%, while FX deposits expressed in HUF declined by HUF32.7 billion or by 12.2%. At the end of June 2004 the Bank managed 33.8% of retail HUF (37.5% in 2003), and 36.2% of retail foreign currency deposits (36.0%).

Within HUF deposits, passbook deposits decreased by 10.3%. Current account deposits, the leading retail product of the Bank increased significantly - in line with the business policy announced by the management - from HUF868.5 billion to HUF1,037.1 billion or by 19.4% and their share in retail deposits grew from 67.9% to 73.6%. The increase of sight deposits exceeded the increase of term deposits.

Volume of **corporate deposits** decreased by 3.2% to HUF347.7 billion from a year earlier. Deposits of legal entities decreased by 12.7% in HUF and grew by 11.2% in foreign currencies. HUF deposits of small businesses and individual entrepreneurs declined by 7.8%, and grew by 89.2% in foreign currency. The Bank's market share of corporate deposits was 11.7% (14.3% at the end of June 2003).

Municipal deposits increased by 10.7% and were HUF111.2 billion on June 30, 2004. Local governments placed 61.6% of their deposits at the Bank (74.9% at the end of June 2003).

On June 30, 2004 the market share of the Bank was 26.8% in total deposits with banks (28.9% at the end of June 2003).

Within the Bank's liabilities the volume of provisions grew from HUF26.7 billion at the end of June 2003 to HUF31.8 billion on June 30, 2004.

SHAREHOLDERS' EQUITY

Shareholders' equity of OTP Bank on June 30, 2004 reached HUF299.6 billion, an increase of 25.7% compared to the same period a year ago. The increase of HUF61.2 billion was a result of an additional HUF9.0 billion in general reserves, as well as a HUF49.6 billion increase in retained earnings, a HUF1.2 billion decrease in fixed reserves and a HUF3.8 billion growth in net profits. Non-audited book value of 1 share on June 30, 2004 was HUF1,070.2.

On June 30, 2004, the HAR **guarantee capital** of the Bank stood at HUF162,183 million (HUF184,764 million including after tax profits for the period).

With HUF1,525.8 billion risk weighted assets (a 20.2% growth compared to June 30, 2003) the **capital adequacy ratio** - calculated according to Hungarian regulations with "intra-year method" (but it includes the results of the first quarter of 2004) - was 10.63% as at June 30, 2004 (12.11% including after tax profits for the period), in excess of the 8% required by the Banking Act.

OTHER

The number of retail **current accounts**, the leading product of the Bank, expanded by 102 thousand or 3.7% to 2,885 thousand. The number of time deposits connected to current accounts reached 746 thousand at the end of June 2004. In June 2004 965 thousand salary and pension transfers have been sent to the accounts. The number of transfers from the accounts exceeded 1.6 million.

The number of **bank cards** issued connected to retail accounts exceeded 3.2 million on June 30, 2004, compared to 3.0 million (8.3% growth) at the end of June 2003. Within this number, the identification cards issued for current account owners was 84 thousand, the number credit cards was 322 thousand on June 30, 2004. Including corporate and FX based cards, the total number of cards issued approached 3,702 thousand, an increase of 8.6% over 2003. The Bank's estimated market share of cards issued was almost 60%.

The number of the Bank's **ATMs** expanded from 1,228 a year earlier to 1,324, the number represented approximately 40% of ATMs operating in Hungary and almost half of the ATMs operated by banks. The number of transactions executed by the Bank's card owners, performed through the Bank's ATMs, reached 33.3 million in 1H 2004, while the turnover of these transactions was HUF850.9 billion, an increase of 6.1% and 14.3%, resp. over 1H 2003. The number of **POS terminals** on June 30, 2004 stood at 20,770, 1,437 more than one year earlier. Out of them 2,795 were operating in the Bank's branches and 12,936 at commercial establishments, which include gas stations as well. The number of withdrawal transactions on the Bank's own POS network was 3.0 million, the turnover was HUF501.8 billion. The number of purchases on POS terminals at merchants was 24.3 million (25.9% increase) valuing HUF195.5 billion (27.7% increase). The number of client terminals operating through telephone lines reached 12,478 on June 30, 2004. At the end of June 2004 the number of contracted customers for the telephone banking service surpassed 546,000, for mobile banking service 228,000 and for internet banking service 291,000. The number of transactions arranged through the electronic distribution network of the Bank in 1H 2004 was 63.9 million valuing HUF1,661 billion.

More than 70% of the turnover in withdrawal transactions and almost half of the purchases in the country were arranged through the network of OTP Bank.

The closing number of OTP Bank staff was 8,024 persons on June 30, 2004, 6.1% or 524 persons lower than at the end of June 2003 and 1.7% or 136 persons higher than at the end of March 2004. In the second quarter half of 2004 the staff in the branch network increased by 57 persons owing to the filling of the vacancies. In the Headquarters the staff increased by 79 persons.

Number of OTP Bank's staff[1]	June 30, 2003	December 31, 2003	June 30, 2004	Change Over June 30, 2003
Employees at the end of period	8,548	7,894	8,024	-6.1%

[1] Trend in the number of OTP Bank staff based on the newly modified method of the Hungarian Central Statistical Office

NON AUDITED CONSOLIDATED HAR FIGURES AS OF JUNE 30, 2004

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

1H 2003 and 1H 2004 consolidated data of the OTP Group in HUF million:

	Shareholders' Equity		Total assets		Pre-tax profits	
	30-June-03	30-June-04	30-June-03	30-June-04	1H 2003	1H 2004
OTP Bank Ltd.	238,438	299,644	2,522,064	2,758,218	48,070	68,214
Subsidiaries total	100,873	166,598	940,366	1,738,096	10,274	19,135
Total (non consolidated)	339,311	466,242	3,462,430	4,496,314	58,344	87,349
Consolidated	271,189	347,592	2,903,541	3,648,357	50,774	76,887

Compared to the same period of the previous year, the circle of fully consolidated subsidiaries has changed, since starting 4Q 2003 the Bulgarian bank DSK Bank EAD and its 3 subsidiaries (DSK Rodina AD, DSK Trans Security EOOD and DSK Tours EOOD) and the company NIMO 2002 Ltd. (member of the Merkantil Group) are consolidated.

In preparing the Stock Exchange Report of June 30, 2004, the bank applied the following methodology:

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

CONSOLIDATED BALANCE SHEET

Total assets of the group as at June 30, 2004 were HUF 3,648 billion, 32.3% higher than total assets of the Bank. Preliminary market share of the OTP Banking Group based on aggregate balance sheet is 25% in the banking system and 23.4% in the credit institution system (banks and credit cooperatives).

The consolidated balance sheet total for the Group increased by HUF 744.8 billion or 25.7% from a year earlier. Compared to June 30, 2003, excluding the consolidation steps, the HUF 349.6 billion growth of OTP Mortgage Bank's balance sheet total and the newly consolidated DSK Group (HUF 347.9 billion) was the largest contributor. Due to its booming finance leasing business and foreign currency denominated loans, Merkantil-Car's assets rose by HUF 37.4 billion. OTP Banka Slovensko's (OBS) total assets, expressed in HUF, grew by HUF 39.8 billion. Balance sheet total of OTP-Garancia Insurance Ltd. increased by HUF 16.3 billion.

The change in the consolidated balance sheet on the asset side was the result of the increase of the current assets (HUF 65.9 billion), the growth of the invested assets (HUF 670.7 billion).

In the consolidated balance sheet as of June 30, 2004, the proportion of the current assets is 35.4% and invested assets are 63.5%. A year ago, these values were 42.1% and 56.7%, respectively.

In the consolidated report, the increase of current assets was a result of the increase of cash (HUF 75.2 billion), short term receivables (HUF 51.3 billion), compensated by the decrease of securities (HUF 64 billion). Within the 31.9% increase of consolidated cash and balances with banks, the most significant amounts were the HUF 59.7 billion expansion of the balances with NBH at OTP Bank.

The 21.4% decrease in consolidated volume of trading securities was mostly caused by the HUF 57 billion fall in government securities. At OTP Bank, the volume of government papers decreased by HUF 77.7 billion. The securities portfolio grew at OTP Building Society by HUF 5.2 billion; and newly consolidated volume at DSK stood at HUF 15.4 billion. Of the HUF 25 billion volume of own shares, OTP Bank holds 53.5% according to the book value, while the rest is owned by three subsidiaries.

In the consolidated balance sheet of June 30, 2004, the volume of short-term receivables increased by HUF 51.3 billion compared to 2003. Receivables from customers rose by HUF 105.9 billion (26.3%) while other receivables decreased by HUF 1.1 billion (2.5%), receivables from credit institutions declined by HUF 53.5 billion (23.3%).

On June 30, 2004 within the consolidated loan portfolio of HUF 2,303.2 billion the corporate customers represented 35.5% (HUF 816.9 billion); retail clients 60.6% (HUF 1,395.8 billion) and municipality loans 3.9% (HUF 90.5 billion). 15.5% of all loans (HUF 357 billion) were carried on the books of the foreign subsidiaries of OTP Bank as opposed to 13.4% (HUF 273.9 billion) at the end of December 2003.

In spite of the 7.0% growth since March 31, 2004, the quality of the loan portfolio on a consolidated basis remained the same. In the loan portfolio, the no-problem loans grew by 9.7% and represented 87.1% (84.9% on March 31, 2004) while 8.3% (10.1% on March 31, 2004) belongs to the to-be-monitored category, the volume of which declined by 11.8%. From the HUF 104.7 billion problem loans representing 4.5% (5.0% on March 31, 2004), HUF 24.7 billion is below-average, HUF 21.8 is doubtful and HUF 58.3 billion is qualified as bad. Consolidated provisions created on HUF 297 billion qualified loans was HUF 82.1 billion, which meant 27.6% coverage ratio. 12.9% of qualified and 15.8% of problem loans was on the books of foreign subsidiaries (33.9% and 19.1% at the end of June 2003).

Based on aggregate volumes of the domestic Group members, part of the Hungarian banking system, the group's estimated market share at the end of June 2004 was 21.0% in total loans (19.9% at the end of June 2003), 47.5% in total retail loans (50.0% at the end of June 2003), 56.2% in housing and mortgage loans (58.3% at the end of June 2003), 12.2% in corporate loans (12.4 at the end of June 2003) and 56.9% in municipal loans (56.9 at the end of June 2003).

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

In short-term receivables from customers, the largest growth was caused by the consolidation of DSK Group (HUF 70.1 billion). Besides DSK sizeable growth was generated at OBS (HUF 15.8 billion), OTP Mortgage Bank (HUF 28.4 billion), while volume declined at OTP Bank (HUF 20.4 billion).

Compared to June 30, 2003, the volume of investments was 40.8% higher in the consolidated balance sheet.

The receivables from customers maturing over a year grew by HUF 567.6 billion, the change was influenced considerably by the OTP Bank (HUF 123.3 billion), by OTP Mortgage Bank (HUF 296.5 billion) and the consolidation of DSK (HUF 141.4 billion).

Consolidated value of tangible assets increased by HUF 26.5 billion as mainly the result of the growth at OTP Bank, the consolidation of DSK (HUF 16.4 billion) and NIMO 2002.

On the liability side, the increase of the consolidated balance sheet total compared to the previous period was the result of HUF 635.6 billion increase of liabilities, HUF 14.6 billion increase in provisions, HUF 76.4 billion increase of shareholders' equity, and HUF 18.2 billion increase in accrued liabilities.

Within liabilities, short-term liabilities increased by 19.3% (HUF 433.9 billion) and long-term liabilities by 88.5% (HUF 201.7 billion).

Growth of short term liabilities to customers was caused mainly by DSK and subsidiaries (HUF 294.5 billion) and the change in OTP Bank's deposits volume (HUF 80.9 billion) and the growth of deposits at OBS (HUF 37.9 billion). Short term liabilities to customers grew by HUF 422.1 billion.

The change in long-term liabilities was due to a larger increase at OTP Bank (HUF 80.1 billion), Merkantil Car (HUF 37 billion) and at OTP Mortgage Bank (HUF 283.2 billion), which was decreased by impact of HUF 172.9 billion increase of consolidation effect on mortgage bonds that were issued and subscribed within the consolidation circle. The proportion of customer liabilities within total liabilities on a consolidated level was 83.2% as at June 30, 2004 and 87.2% as at June 30, 2003.

On June 30, 2004 within the consolidated deposits of HUF 2,603.8 billion (a decline of 3% since March 31, 2004) the corporate customers represented 16.1% (HUF 420.2 billion; a decline of 10.5 in Q2); retail clients 78.8% (HUF 2,051 billion and increase of 0.7% in Q2) and municipality deposits 5.1% (HUF 132.6 billion; a decline of 26.2% in Q2 - due partially to seasonality reasons). 15.6% of all deposits (14.2% on March 31, 2004) were carried on the books of the foreign subsidiaries of OTP Bank.

Based on aggregate volumes of the domestic Group members, part of the Hungarian banking system, the group's estimated market share at the end of June 2004 was 30.1% in total deposits (31.6 at the end of June 2003), 42.9% in total retail deposits (46.6% at the end of June 2003), 12.4% in corporate (13.7% at the end of June 2003) and 65.9% in municipal deposits (64.0% at the end of June 2003).

Liability side provisions rose by HUF 14.6 billion from June 30, 2003. The growth came from the following sources: provisions for pensions and severance payments HUF 0.6 billion, general risk provisions by HUF 6.5 billion and other provisions increased by HUF 6.6 billion. Within the latter, HUF 13.8 billion growth in reserves of OTP-Garancia Insurance were important.

Consolidated shareholders' equity was HUF 347.6 billion (28.2% growth) at the end of June 2004 representing 9.5% of balance sheet total compared to 9.3% in 2003.

CONSOLIDATED RESULTS

Consolidated *pre-tax profit* for first half 2004 was HUF 76.9 billion, 51.4% higher than same period in 2003 and 12.7% higher than pre-tax profit of the parent company.

Consolidated *after-tax profit* for first half 2004 was HUF 63.8 billion, 56% higher than consolidated after-tax profit for the first half of 2003 and 9.1% higher than after-tax profit of the parent company.

Consolidated *after tax earnings per share* calculated for first half 2004 were HUF 245.97 undiluted, whereas diluted EPS was HUF 228.03. US dollar equivalents were USD 1.18 and USD 1.09 respectively, based on the National Bank's average middle exchange rate between January 1, and June 30, 2004 (i.e. 208.57 HUF /USD).

Consolidated net interest income for first half 2004, reached HUF 120.2 billion, 53.8% higher than in 2003 and 66.4% more than at the Bank. This can be explained mainly by interest income of OTP Mortgage Bank from retail business and securities, the interest income of credit and leasing receivables of Merkantil Group, the successful operation of OBS, and the consolidation of DSK Bank.

Consolidated interest income was 65.9% higher and expenses grew by 87.1% compared to first half 2003.

Within consolidated interest income of HUF 204.1 billion, retail accounts hold the biggest part (HUF 71 billion). Interest income from corporate accounts and from securities was considerable as well. To the growth of the consolidated interest income compared to the previous year, the retail interest income growth (HUF 31.8 billion) and interest income growth from securities (HUF 18.5 billion) made the largest contribution.

Within interest expenses of HUF 83.9 billion, the interests paid on retail deposits represented the largest part (HUF 49 billion) and also represented bulk of the increase (HUF 21.2 billion)

Consolidated non-interest income increased by 4.6%. Within this, consolidated net fees and commissions grew by 4.9% which is lower that at the parent bank, due to deconsolidation of commissions from the Mortgage Bank to OTP. Despite strong performance in Q2, insurance income declined by 7.7% from HUF 30.4 billion in first half 2003 to HUF 28.1 billion in first half 2004. Compared to 1H 2003 both income from security trading (HUF 2.5 billion) and from FX transactions (HUF 2.6 billion) increased due to different interest and exchange rate environment.

Consolidated total income amounted to HUF 191.5 billion in first half 2004, a 30.9% increase year on year.

The year-on-year growth in non interest expenses was 14.2%. Within this, personnel expenses rose by 33.3% to HUF 34.5 billion, that was influenced, beside the salary increase, by the expansion of the Group and growth of the average personal income due to qualitative improvement in employment. Other non interest expenses increased by 16.1%. Insurance expenses were 7.1% lower, depreciation 4.3% higher than in 2003. Due to consolidation of DSK Bank, purchased at a premium, goodwill depreciation increased by HUF 4 billion from 1H 2003.

The consolidated cost/income ratio improved from 60.3% in 1H 2003 to 52.7% in the first half of 2004.

Consolidated operating income was HUF 90.7 billion, 56.2% higher than a year earlier; provisioning and loan losses were by HUF 10 billion (33.0% increase). In the first half 2004 provisioning and loan losses represented 11.1% of the operating income; in 2003 these were 13%.

Consolidated annualized ROAA in first half of 2004 reached 3.57% (2.90% in 1H 2003). Meantime consolidated ROAE was 39.1% (32.2% in 1H 2003), that, based on an average annualized inflation of 7.1% in first half 2004, means a 27.9% real ROAE (27.9% in 1H 2003).

SUBSIDIARIES

The pre-tax profits of the fully consolidated major subsidiaries affecting the profit figures of the consolidated report are as follows for the 6 months ending on June 30, 2004 (in HUF millions):

	1H 2003	1H 2004	Change
Merkantil Bank Ltd.	*1,111*	*1,688*	*51.9%*
Merkantil-Car Ltd.	*505*	*972*	*92.5%*
Merkantil Bérlet Ltd.	*71*	*255*	*259.2%*
NIMO 2002 Ltd.	*--*	*1*	*--*
Merkantil Group	***1,687***	***2,916***	***72.9%***
OTP Building Society Ltd.	334	344	3.0%
OTP Mortgage Bank Ltd.	3,511	5,377	53.1%
OTP Banka Slovensko a. s.[2]	102	347	240.2%
DSK Bank EAD	--	*5,726*	--
DSK subsidiaries		*-66*	
DSK Group[3]	***--***	***5,660***	***--***
OTP-Garancia Insurance Ltd.	1,032	1,590	54.1%
OTP Fund Management Ltd.	2,068	1,650	-20.2%
HIF Ltd.	148	79	-46.6%
OTP Real Estate Ltd.	649	483	-25.6%
OTP Factoring Real Estate Ltd.	24	4	-83.3%
OTP Factoring Ltd.	*382*	*367*	*-3.9%*
OTP Factoring Group	***406***	***371***	***-8.6%***
Bank Center No. I. Ltd.	42	82	95.2%
OTP Fund Servicing and Consulting Ltd.	20	81	305.0%
OTP Mérleg Ltd.	53	36	-32.1%
Inga Ltd.'s	49	73	49.0%
Concordia Info Ltd.	173	46	-73.4%
Subsidiaries total	***10,274***	***19,135***	***86.2%***

The aggregated balance sheet total of **Merkantil Group** reached HUF 185.2 billion on June 30, 2004. Pre-tax profit of the Group reached over HUF 2.9 billion; an increase of 72.9% over 1H 2003. Members of the Group have financed 30,749 car purchases during 1H 2004 (an increase of 4,787 contracts over 1H 2003) at HUF 48.9 billion value, of which 5,817 were bank loans at Merkantil Bank, 24,819 were FX loans; 63 financial leases at Merkantil Car and 50 operating leases at Merkantil Bérlet. HUF denominated new loans represented 19.3% of total during 1H 2004.

On June 30, ***Merkantil Bank Ltd.*** had total assets over HUF 63 billion and 1H 2004 pre-tax profits of HUF 1,688 million. Net interest income for the first half 2004 reached HUF 3.4 billion. Cost income ratio improved to 49.7% from 53.9% a year earlier.

Within total assets car loans represented 70.3%, dealer financing 12.4%. Outstanding balances of car loans reached HUF 44.3 billion. On the liability side Stabil and Mobil CDs represented 64.5% or HUF 40.7 billion. Equity of the Bank grew by 19.8% to HUF 11.6 billion.

Main financial data of the bank for 1H 2003 and 1H 2004 in HUF millions:

	2Q 2003	1H 2003	1Q 2004	2Q 2004	1H 2004	2Q 2004 Y-o-Y (%)	1H 2004 Y-o-Y (%)	2Q 2004 Q-o-Q (%)
Total interest income	2,276	4,541	2,746	2,615	5,361	14.9%	18.1%	-4.8%
Total interest expense	593	1,351	963	966	1,929	62.8%	42.7%	0.3%
Net interest income	1,683	3,189	1,783	1,649	3,432	-2.0%	7.6%	-7.5%
Net fees and commissions	-505	-766	-301	-266	-567	-47.4%	-26.1%	-11.8%
Non interest income	-303	-507	-291	358	67	-218.3%	-113.2%	-223.0%
Total income	1,380	2,683	1,492	2,007	3,499	45.4%	30.4%	34.5%
Non interest expense	714	1,434	741	822	1,563	15.2%	9.0%	11.0%
Cost/income ratio	51.7%	53.4%	49.7%	41.0%	44.7%	-10.7%	-8.8%	-8.7%
Operating income	667	1,249	751	1,185	1,936	77.7%	54.9%	57.7%

[2] Pre-tax profit of OBS according to Slovakian GAAP for first half 2004 reached HUF 591 million and HUF 141 in 1H 2003.

[3] Pre-tax profits of DSK Group, consisting of DSK Bank, POK DSK-Rodina, DSK Trans Security EOOD and DSK Tours EOOD were for 1H 2004 according to Bulgarian GAAP HUF 5,815 million.

Diminution in value, provisions and loan losses	103	139	145	102	247	-0.6%	78.5%	-29.4%
Income before income taxes	564	1,111	606	1,082	1,688	92.0%	52.0%	78.6%
After tax profits	495	944	509	1,008	1,517	103.4%	60.7%	98.0%
Average balance sheet	66,351	62,644	67,200	62,302	64,751	14.0%	5.0%	-7.3%
Average equity	10,693	9,272	10,346	11,264	10,805	31.8%	4.8%	8.9%
ROAA	2.99%	3.01%	3.03%	6.47%	4.70%	3.48%	1.69%	3.44%
ROAE	18.5%	20.4%	19.7%	35.8%	28.3%	17.2%	7.9%	16.1%

Capital adequacy under HAR reached 16.05%, compared to 15.52% at the end of 2003.

Total assets of ***Merkantil Car*** were HUF 117.6 billion at the end of June 2004 and increase of 29% year-to-date, of which FX financial leasing of cars was HUF 11.4 billion (decline of 40%), FX car loans HUF 96.9 billion (up 48%) and leasing of equipment remained 6.6 billion. Net interest income was HUF 5.1 billion an increase of 80% over 2003. Cost/income ratio was 37.8% compared to 28.1% in 2003. Pre-tax profit of the period reached HUF 972 million. In the 12 months prior to June 30, 2004 the company's shareholders' equity rose by 43.5% to HUF 2.1 billion.

OTP Building Society granted 1,814 loans until June 30, 2004, the volume of the loans issued in 2004 amounted to HUF 1,043 million. The volume of customer deposits was more than HUF 52.5 billion on June 30, 2004.

Total assets surpassed HUF 58 billion. Net interest income was over HUF 1,781 million. Cost income ratio reached 64.9%. The company generated close to HUF 344 million pre-tax profits.

On June 30, 2004 ***OTP Mortgage Bank's*** receivables from customers were HUF 715.1 billion purchased totally from OTP Bank's loan portfolio. The number of loans was over 161 thousand, of which more than 110 thousand was below HUF 5 million each. Meanwhile, by June 30, 2004, the face value of the Bank's issued mortgage bonds reached HUF 713.3 billion, of which bonds at HUF 597.1 billion were purchased by the parent bank.

Total assets of OTP MB were HUF 791.2 billion and its pre-tax profit reached HUF 5.4 billion. Net interest income was over HUF 16.7 billion, producing net interest margin of 4.56% (during first half 2003 it was 7.23%). Yield of loans was over 15%, but funding cost increased from 7.5% to 9.2% due to higher interest rate environment. During 1H 2004 Mortgage Bank paid fees and commissions and cost remuneration to the parent bank to the tune of HUF 17 billion, an increase of 115.8% over 1H 2003. Cost/income ratio was 23.6% (31.7% in 1H 2003), capital adequacy was maintained at 9.9%. For the first 6 months of 2004 annualized ROA was 1.23% (1.76% in 2003), nominal ROE reached 31.8% (49.9% in 2003) while real ROE stayed at 23.7%.

Loan volume at the bank grew by HUF 45.6 billion during 2Q 2004 of which HUF 9.4 billion carried both asset and liability side subsidies, while HUF 31.2 billion was the liability subsidized new volume. The volume of loans on it book issued based on post December 22, 2003 conditions reached HUF 13.1 billion.

It market share among the mortgage banks based on loan volume reached 68.1%.

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

	30/06/2003	3/31/2004	30/06/2004	Change 2004/2003	Change from 3/31/2004
TOTAL ASSETS	441,586	731,630	791,206	*79.2%*	8.1%
Customer receivables	390,182	669,439	715,083	*83.3%*	6.8%
Retail	390,182	669,439	715,083	*83.3%*	6.8%
TOTAL LIABILITIES	441,586	731,630	791,206	*79.2%*	8.1%
Securities	395,500	674,624	713,261	*80.3%*	5.7%
Shareholders' Equity	17,532	29,272	32,034	*82.7%*	9.4%
Capital adequacy	9.14%	10.17%	9.93%	0.79%	-0.24%
Guarantee capital	15,636	27,360	28,618	83.0%	4.6%
Risk weighted assets	171,058	268,898	288,147	68.4%	7.2%

Selected financial data of OTP Mortgage Bank in HUF millions

	2Q 2003	1H 2003	1Q 2004	2Q 2004	1H 2004	1H04/1H03	2Q04/1Q04
Net interest income	6,849.4	11,831.0	7,699.3	8,991.9	16,691.3	41.1%	16.8%
Non interest income	-3,916.7	-6,693.5	-5,133.5	-4,522.1	-9,655.5	-11.9%	88.1%
Total income	2,932.8	5,137.5	2,565.9	4,469.9	7,035.7	36.9%	74.2%
Personnel expenses	98.0	218.9	139.6	110.4	250.0	14.2%	-20.9%
Depreciation	4.8	8.8	15.2	16	31.2	254.5%	5.3%
Other non interest expenses	786.5	1398.9	559.7	817.6	1377.3	-1.5%	46.1%
Non interest expenses	889.1	1626.5	714.5	944	1658.5	2.0%	32.1%
Cost/income ratio %	30.3%	31.7%	27.8%	21.1%	23.6%	-25.6%	-24.0%
Pre-tax profit	2,043.6	3,511.0	1,851.4	3,525.9	5,377.3	53.2%	90.4%
After-tax profit	1,675.8	2,879.0	1,555.2	2,961.7	4,516.9	56.9%	90.4%
ROA	1.81%	1.76%	0.88%	1.56%	1.23%	-0.53%	0.67%
ROE	46.4%	49.9%	22.9%	38.5%	31.8%	7.3%	15.5%

DSK Bank is a fully owned subsidiary of OTP Bank since the beginning of October 2003, where a transformation program was started by the parent bank. At the end of May 2004 the market share of DSK by total assets stood at 13.5%. The Bank managed for 3.7 million clients 6.3 million retail and 527 thousand corporate accounts.

During 1H 2004 DSK realized HUF 14.1 billion interest income and HUF 2.9 billion interest expenses, resulting in net interest income of HUF 11.2 billion resulting in an interest margin (according to HAR) of 7.07% (6.27% in 2003). Pre-tax profit for the same period reached HUF 5.7 billion.

On June 30, 2004 total assets of DSK reached HUF 346.5 billion, of which 61% or HUF 211.5 billion were customer receivables.

Following are the main data of DSK for the 1st Half 2004 under HAR (in HUF million):

	1Q 2004	2Q 2004	Change	1H 2004
Total interest income	6,700.8	7,396.8	10.4%	14,097.6
Total interest expense	1,526.3	1,401.1	-8.2%	2,927.4
Net interest income	5,174.5	5,995.7	15.9%	11,170.2
Net fees and commissions	1,364.2	1,642.2	20.4%	3,006.4
Non interest income	1,620.0	2,153.0	32.9%	3,773.0
Share of non interest income in total income	23.8%	26.4%	2.6%	25.2%
Total income	6,794.5	8,148.7	19.9%	14,943.2
Personnel expenses	1,318.1	1,707.0	29.5%	3,025.1
Depreciation	831.1	899.7	8.2%	1,730.8
Other non interest expenses	1,708.8	1,695.6	-0.8%	3,404.4
Non interest expense	3,858.0	4,302.3	11.5%	8,160.3
Cost/income ratio %	56.8%	52.8%	-4.0%	54.6%
Operating income	2,936.5	3,846.4	31.0%	6,782.9
Diminution in value, provisions and loan losses	225.4	897.4	298.1%	1,122.8
Pre-tax profits	2,711.1	2,949.0	8.8%	5,660.1
After tax profits	2,072.0	2,256.5	8.9%	4,328.5

On June 30, 2004 IFRS total assets of DSK were 3.2% higher than at the end of 2004 and 18.1% above the figure of June 30, 2003. Net loans were 17.8% and 55% higher resp. Loan to assets ratio grew to 61.1%. Retail loans stood at BGN 1,303 million (an increase of 17.1% and 46.1% resp.), representing 78.5% of total loans. Corporate loans grew by 19.4% and 90% resp. and reached BGN 350.1 million. Quality of the loan book is very good, on June 30, 2004 though after write-back of provision in 1Q 2004, there was BGN 6.7 million provisioning charge during the quarter; mainly in retail business line. The provisioning during 1H 2004 represented 0.9% annualized ratio of average loans.

Customer deposits were BGN 2,228.7 million representing an increase of 16.9% y-o-y and 3.8% q-o-q. Annual growth of retail deposits was 29% while corporate deposits were 20.1% lower than a year earlier despite an increase during 2Q 2004.

Loan to deposit ratio of DSK changed to 72.6% from 54.8% at the end of June 2003.

IFRS balance sheet of DSK is presented below in BGN million:

					change from	
	30-Jun-03	31-Dec-03	31-Mar-04	30-Jun-04	30-Jun-03	31-Mar-04
Cash, due from banks and balances with the National Bank of Bulgaria	180.1	224.2	222.1	179.3	-0.4%	-19.3%
Placements with other banks	304.5	264.3	252.1	171.1	-43.8%	-32.1%
Repo receivable	17.2	13.3	13.4	5.9	-65.7%	-56.0%
Securities held for trading and available-for-sale	131.3	118.0	118.0	113.0	-13.9%	-4.2%
Debt securities held-to-maturity	379.5	390.0	428.7	410.3	8.1%	-4.3%
Loans, net of allowance for possible loan losses	1,044.4	1,222.0	1,373.6	1,618.7	55.0%	17.8%
Assets held for sale	0.2	0.2	0.2	0.2	0.0%	0.0%
Equity investments	17.8	19.1	19.1	14.9	-16.3%	-22.0%
Other assets	33.6	4.6	10.9	8.8	-73.8%	-19.3%
Premises, equipment and intangible assets, net	136.1	133.0	131.1	129.2	-5.1%	-1.4%
TOTAL ASSETS	2,244.7	2,388.8	2,569.3	2,651.4	18.1%	3.2%
Due to banks and deposits from the National Bank of Bulgaria and other banks	3.3	7.4	53.8	40.5	1127.3%	-24.7%
Deposits from customers	1,906.4	2,044.3	2,148.1	2,228.7	16.9%	3.8%
Other liabilities	50.6	32.8	39.6	39.7	-21.5%	0.3%
TOTAL LIABILITIES	1,960.3	2,084.5	2,241.5	2,308.9	17.8%	3.0%
TOTAL SHAREHOLDERS' EQUITY	284.4	304.3	327.8	342.5	20.4%	4.5%
Share capital	94.0	94.0	94.0	94.0	0.0%	0.0%
Retained earnings and reserves	102.4	121.8	141.8	179.0	74.8%	26.2%
Revaluation of intangible assets	88.0	88.5	92.0	69.5	-21.0%	-24.5%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,244.7	2,388.8	2,569.3	2,651.4	18.1%	3.2%

1H 2004 IFRS results of DSK were outstanding. Interest income grew by 24.8% and interest expenses were 3.3% below 1H 2003 figures. Yield on interest earning assets reached 10.2% while cost of funding at interest bearing liabilities was 2.1% resulting in a spread of 8.1% and margin over total assets of 7.1% (6.3% in 1H 2003). Non interest income grew by 39.7% y-o-y partially as a result of repricing in February 2004 and the dynamically increasing loan volumes.

Below we present IFRS main financial data of DSK Group in BGN million.

	2Q 2003	1H 2003	1Q 2004	2Q 2004	1H 2004	1H 04/ 1H 03	2Q 04/ 2Q 03	2Q 04/ 1Q 04
Interest income	46.4	89.8	53	59	112	24.8%	27.1%	11.4%
Interest expense	11.8	23.2	11.6	10.8	22.4	-3.3%	-8.4%	-6.5%
Net interest income	34.6	66.6	41.4	48.2	89.6	34.5%	39.1%	16.4%
Non interest income	7.4	15.5	10.8	11	21.8	40.3%	48.6%	2.5%
Non interest income in total income %	17.6%	18.9%	20.6%	18.6%	19.6%	0.7%	1.0%	-2.0%
Total income	42	82.1	52.2	59.2	111.4	35.6%	40.8%	13.5%
Operating costs	23.2	47.3	27.9	32	59.9	26.5%	37.8%	14.8%
Cost income ratio %	55.2%	57.7%	53.5%	54.2%	53.8%	-3.9%	-1.0%	0.4%
Operating income	18.8	34.8	24.3	27.2	51.5	48.0%	44.5%	12.1%
Provisions and loan losses	-2.4	0.9	0.6	-6.7	-6.1		181.8%	
Income before income taxes	16.4	35.7	24.8	20.5	45.3	27.1%	24.6%	-17.5%
After tax profit	12.6	27.3	20	15.2	35.2	28.9%	20.6%	-24.2%
ROAA	2.32%	2.57%	3.23%	2.32%	2.79%	0.22%	0.0%	-0.91%
ROAE	18.2%	20.1%	25.2%	18.2%	21.6%	1.5%	0.0%	-7.1%

During 2Q 2004 the DSK Group reached 16.4% higher net interest income and 1.6% higher non interest income than in 1Q 2004. Net fees and commissions were 29.1% above those of 1Q 2004 and during 1H 2004 they were 89.1% above the figures of 1H 2003. Total income was 13.3% above the performance of 1Q 2004. Expenses in the meantime were 2.6% higher only and the resulting cost to income ratio dropped to 48.4% (53.5% in 1Q 2004). Part of the results came from the sale of participation in Postabank and Bulstrad resulting in BGN 1.3 million profits. Operating results of BGN 30.5 million during 2Q 2004 were 62.1% higher than in 2Q 2003 and 25.6% above operating profits of 1Q 2004.

Due to BGN 6.7 million provisioning in 2Q 2004 as opposed to BGN 0.6 million write back in 1Q, the pre tax profits were 23.8 million which is 4.2% below the results of 1Q 2004. After 36.3% calculated tax burden after tax results reached 15.2 million, 24.2% lower than in 1Q 2004.

ROA for 1H 2004 reached 2.79% (2.32% in 2Q) and ROE was 21.7% (18.1% in 2Q) with real ROE above 20.3%. Risk weight4eed assets were BGN 1,659 million resulting in capital adequacy

Evolution of DSK Bank's market shares:

	31-Mar-03	30-Jun-03	30-Sep-03	31-Dec-03	31-Mar-04	31-May-04
Deposits	17.1%	17.3%	16.8%	16.2%	16.1%	16.0%
Retail	25.6%	25.5%	25.5%	25.8%	25.5%	25.6%
BGN	54.1%	51.5%	49.7%	47.7%	46.7%	46.6%
FX	8.8%	9.0%	9.4%	9.9%	10.2%	10.3%
Corporate	17.1%	17.3%	16.8%	16.2%	3.9%	3.9%
Loans	15.1%	14.3%	14.2%	13.6%	13.8%	14.1%
Retail	58.4%	52.4%	47.7%	42.9%	42.7%	42.2%
Consumer	66.1%	58.6%	53.5%	49.4%	49.4%	48.9%
Housing	56.6%	52.7%	48.8%	43.6%	39.5%	37.7%
Corporate	2.4%	2.3%	2.4%	2.9%	3.0%	3.2%

The number of retail current accounts increased during the second quarter by 60 thousand and reached 860 thousand at the end of June 2004, which was 44% above the figure for June 30, 2003. Within current accounts 192 thousand received salary transfers, an increase of 80% year-on-year. On the dynamically growing bank card market DSK market share was 19.6% at the end of June, a decline from 20.3% at the end of 2003. The number of debit cards issued surpassed 621 thousand an increase of almost 60 thousand. During 2Q 2004 the number of ATMs of the bank grew by 4 to 258 and the bank operated POS terminals increased to 355 reaching 17.5% and 7.1% market share resp.

The number of employees at DSK Bank was 4.052 and 4.785 at the Group level.

DSK Rodina AD, 96.4% owned subsidiary of DSK Bank is managing 2 mandatory and 1 voluntary pension funds. Balance sheet of Rodina at the end of June 2004 reached HUF 301 million, 1H 2004 results were HUF 46 million losses.

At the beginning of 2003 DSK Bank founded DSK Tours which had total assets of HUF 1.5 billion at the end of June 2004, 66% of which were represented by tourism related real estate. During 1H 2004 the company realized HUF 48 million losses.

The holding of DSK in DSK Trans Security EOD was sold during 2Q 2004 to DSK Tours. DSK Trans Security EOD is providing security and cash transport services for the Bank. Income generated from the parent bank only, resulting in pre-tax profit of HUF 28 million for 1H 2004 with total assets of HUF 399 million.

Aggregate total assets of DSK Group based on HAR were HUF 348.7 billion at the end of June 2004 and realized HUF 5.660 million pre-tax profits during 1H 2004. Cost income ratio reached 54.6%

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

During 1H 2004, the Bank realized HUF 5.2 billion interest income and HUF 2.5 billion interest expenses resulting in a nearly HUF 2.7 billion net interest income. Interest income was 16.9%, interest expenses 8.9% higher than a year earlier resulting in net income growth of 25.3%. Based on average total assets, the margin was 3.49% and it was 9 bp lower than the figures for 2003. Non interest income grew by 27.5% within which net fees and commissions surpassed the figure of 2003 by 43.9%. Total income was 26%, non interest expenses 11.7% higher than in 1H 2003, mainly due to the 25.5% increase of the personnel expenses.

As a result of HUF 222 million operating income and HUF 116 million provision write back, the pre-tax profits of the Bank reached HUF 347 million. (During 2Q 2004 operating losses were HUF 35 million which with HUF 9 million dividend incomes and HUF 281 million provision write back produced HUF 255 million pre tax profits for the quarter.)

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

	2Q 03	1H 03	1Q 04	2Q 04	1H 04	2Q 2004 Y-o-Y (%)	1H 2004 Y-o-Y (%)	2Q 2004 Q-o-Q (%)
Total interest income	2,294	4,440	2,596	2,592	5,188	13.0%	16.9%	-0.2%
Total interest expense	1,146	2,292	1,321	1,176	2,496	2.5%	8.9%	-11.0%
Net interest income	1,148	2,148	1,276	1,416	2,692	23.4%	25.3%	11.0%
Net fees and commissions	262	449	303	343	646	30.9%	43.9%	13.1%
Non interest income	560	861	496	601	1,097	7.3%	27.5%	21.0%
Share of non interest income in total income	32.8%	28.6%	28.0%	29.8%	29.0%	-3.0%	0.4%	1.8%
Total income	1,708	3,008	1,772	2,017	3,789	18.1%	26.0%	13.8%

Personnel expenses	540	958	505	698	1,203	29.3%	25.5%	38.2%
Depreciation	203	398	170	181	352	-10.8%	-11.6%	6.5%
Other non interest expenses	1,113	1,836	840	1,173	2,013	5.4%	9.6%	39.7%
Non interest expense	1,856	3,192	1,515	2,052	3,567	10.6%	11.7%	35.5%
Cost/income ratio %	108.7%	106.1%	85.5%	101.7%	94.1%	-7.0%	-12.0%	16.2%
Operating income	-148	-184	257	-35	222	-76.5%	-220.7%	-113.6%
Diminution in value, provisions and loan losses	-201	-270	165	-281	-116	40.0%	-57.1%	-269.9%
Income before income taxes	-17	-17	0	-9	-9	-47.1%	-47.1%	
After tax profits	69	102	92	255	347	270.1%	239.1%	178.1%
ROA	0.30%	0.43%	0.53%	0.94%	1.43%	0.6%	1.0%	0.4%
ROE	2.7%	4.4%	5.6%	9.9%	7.8%	7.2%	3.4%	4.3%

Return on assets of OBS was 1.43% and annualized return on equities was 15.6% at the end of first half 2004. Guarantee capital of OBS was SKK2.4 billion and risk weighted assets were SKK10.1 billion, thus capital adequacy based on SAS was 23.8% at the end of June 2004.

On June 30, 2004 OBS's total assets were HUF 173.4 billion representing a 29.8% growth over June 30, 2003. Customer receivables were over HUF 116.3 billion, which represents 67.1% of total assets.

Total assets of the Bank based on SAS were SKK27.3 billion (2.61% market share) and increased by 31.4%, net customer receivables were SKK18.3 billion, which means 44.8% growth y-on-y. Within customer receivables corporate loans amounted to SKK15.0 billion (25.7% increase), retail loans grew by 409.1% to SKK3.2 billion. Municipal loans increased by 9.7% to SKK87.8 million.

IFRS balance sheet of OBS in SKK millions:

				change from	
	30-Jun-03	31-Mar-04	30-Jun-04	30-Jun-03	31-Mar-04
Cash, due from banks and balances with the National Bank of Slovakia	2,991	2,385	2,277	-23.9%	-4.5%
Placements with other banks	236	159	942	299.4%	492.9%
Securities held for trading and available-for-sale	2,972	2,946	2,956	-0.5%	0.3%
Loans, net of allowance for possible loan losses	12,324	16,712	18,323	48.7%	9.6%
Accrued interest receivable	82	61	129	57.6%	112.1%
Equity investments	92	86	108	17.2%	26.2%
Debt securities held-to-maturity	-	-	740	--	--
Premises, equipment and intangible assets, net	1,522	1,679	1,729	13.6%	3.0%
Other assets	122	610	114	-7.1%	-81.4%
TOTAL ASSETS	20,341	24,638	27,318	34.3%	10.9%
	-	-	-		
Due to banks and deposits from the National Bank of Slovakia and other banks	4,131	3,425	4,295	4.0%	25.4%
Deposits from customers	13,312	17,395	18,514	39.1%	6.4%
Issued securities	432	1,371	1,945	350.7%	41.9%
Accrued interest payable	53	54	62	16.6%	15.4%
Other liabilities	117	79	128	9.6%	62.7%
TOTAL LIABILITIES	18,045	22,324	24,944	38.2%	11.7%
TOTAL SHAREHOLDERS' EQUITY	2,296	2,315	2,374	3.4%	2.5%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,341	24,638	27,318	34.3%	10.9%

The quality of the loan portfolio improved significantly. In the second quarter of 2004 to-be-monitored loans decreased by SKK9.1 billion due to the reclassifying loans to no problem portfolio (it resulted some provision write-back). Non performing loans declined by SKK0.2 billion. Rate of qualified portfolio reached 13.7%, NPL 1% on June 30, 2004 while these rates were 63.8% and 11.7% on March 31, 2004. The coverage of qualified loans grew to 70% from 18.7% as it was at the end of March 2004.

The Bank's deposits increased, during the same period, by 35.6% to SKK 18.6 billion. Within this, retail deposits grew by 15.6% to SKK 9.4 billion. Municipal deposits grew by 73.7% to SKK 2.2 billion, corporate deposits increased by 61.5% to SKK 7.0 billion from the previous year. Since March 31, 2004, balance sheet grew by 10.4%, deposits were 5.8% and loans by 8.9% higher.

Number of retail current accounts exceeded 87,000; loan accounts to over 14,400. The number of cards issued was close to 90,000 and the Bank operated 82 ATMs and 519 POS terminals at the end of June 2004.

Estimated market shares are as below:

	31-Mar-03	30-Jun-03	30-Sep-03	31-Dec-03	31-Mar-04	30-Jun-04
Deposits	1.9%	2.0%	2.2%	2.5%	2.5%	2.2%
retail	2.1%	2.1%	2.1%	2.4%	2.5%	2.6%
SKK	2.2%	2.2%	2.2%	2.5%	2.6%	2.7%
FX	1.3%	1.4%	1.5%	1.7%	1.8%	1.8%
Securities	17.2%	24.6%	25.8%	18.6%	16.2%	15.3%
Municipal	1.8%	3.0%	3.7%	4.3%	2.8%	1.2%
Corporate	1.6%	1.6%	2.1%	2.2%	2.4%	2.2%
Loans	4.2%	4.3%	4.6%	4.5%	4.6%	4.8%
retail	0.5%	0.9%	1.6%	2.4%	2.9%	3.3%
housing					3.0%	3.5%
consumer	2.5%	3.6%	4.3%	4.9%	4.8%	3.1%
Municipal	0.9%	0.9%	1.3%	1.0%	0.6%	0.3%
Corporate	5.2%	5.2%	5.5%	5.2%	5.5%	5.7%

Number of employees of OBS stood at 745 on June 30, 2004, a decline of 6 employees over the quarter.

OTP-Garancia Insurance pre-tax profit for 1H 2004 reached almost HUF 1.6 billion in 1H 2003. Compared to fee income of HUF 30.8 billion in 1H 2003 in 1H 2004 the realized income was close to HUF 28.6 billion. In life and banc-assurance business line fee income reached HUF 14.6 billion, in non life HUF 14 billion.

Total expenses in 1H 2004 were close to HUF 29.4 billion, within which gross damages exceeded HUF 13.3 billion. Insurance technical reserves were 17.7% higher than a year earlier reaching HUF 91.7 billion, up from HUF 77.9 billion, in line with long term strategic goals of the company.

Total assets grew by 17.7% from HUF 92.3 billion on June 30, 2003 to HUF 108.6 billion at the end of March 2004.

Premium income was 7% lower than in 1H 2003 and reached HUF 28.6 billion, driven by the decline in non banking savings and low demand for bank assurance products. Life insurance premium fee fell by 1% caused by a 18% decline in single payment unit linked insurance products. Annuity type life insurance grew by 33% Non life fee income was 13% lower than a year earlier, caused by 83% drop in agricultural insurance due unfavourable changes in the regulatory environment. Significant gains were achieved in residential property (15%) CASCO (11%) and property and liability (12%) products.

Market share of Garancia by total insurance premium income was 9.5% (total market grew from 1H 2003 by 8.3%) down from 11% a year earlier. Market share in life business was 12.4% (from 13.7% in 2003) whithin which annuity business reached 7% (5.9% in 2003) and single payment business had 36% (46% in 2004) market share. Non life business market share also declined, from 9.4% in 1H 2003 to 7.6% in 1H 2004.

Insurance expenses in non-life business declined by 27% from 1H 2003 (mainly for the lack of agricultural damages) while in life business due to maturity and repurchase of single payment unit linked products expenses grew by 70%, totaling in 2.7% growth for the company. In non life business the damages and changes in reserves represented 47.6% of 1H 2004 premium income.

Existing volume of annuity type life and bank assurance was HUF 15.2 billion an increase of 10% during 1H 2004. Premium income on single payment life and bank assurance products reached HUF 7.8 billion a decline from HUF 9.6 billion in 1H 2003.

Closing volume of non life policies was HUF 28.5 billion a decline of 8% from closing value in 2003, mainly driven by a decline in agricultural insurance (from HUF 7.6 billion to HUF 3.9 billion), while volume of other products increased by HUF 1.5 million or 7%.

Shareholder equity grew by 29% year on year to HUF 12.0 billion, and the company meets excess solvency requirements of the Hungarian regulations.

Insurance technical reserves were at HUF 91.7 billion, of which increase in 1H 2004 represented HUF 7.5 billion. Closing reserves of unit linked policies grew by HUF 4.7 billion and reached HUF 67.7 billion.

Main components of OTP-Garancia's balance sheet (HAR) in HUF millions:

	31-Dec-03	31-Mar-04	30-Jun-04	change from 31-Mar-04
A. Intangible assets	188	211	197	4.7%
B. Investments	30,211	31,574	34,554	14.4%
C. Investment on behalf of unit linked insurance	62,918	64,114	67,666	7.5%
D. Receivables	2,381	2,692	2,757	15.8%
E. Other assets	1,031	1,091	960	-6.9%
F. Prepayments and accrued income	2,324	2,231	2,461	5.9%
Total Assets	**99,053**	**101,913**	**108,595**	**9.6%**
A. Shareholders' equity	10,650	11,288	11,985	12.5%
C. Insurance technical reserves	21,309	22,909	24,019	12.7%
D. Insurance technical reserves on behalf of unit linked insurance	62,917	64,114	67,666	7.5%
G. Liabilities	3,663	2,515	3,688	0.7%
H. Accruals and deferred income	514	1,087	1,237	140.7%
Total Liabilities	**99,053**	**101,913**	**108,595**	**9.6%**

Main components of OTP-Garancia's P&L (HAR) by sectors in HUF millions:

	Total			Life			Non-life		
	1H 03	1H 04	change	1H 03	1H 04	change	1H 03	1H 04	change
Insurance fee income	28,518	25,490	-10.6%	14,525	14,184	-2.3%	13,993	11,306	-19.2%
from this: gross fees	30,842	28,590	-7.3%	14,662	14,555	-0.7%	16,180	14,035	-13.3%
Insurance technical income	1,706	4,355	155.3%	1,706	4,355	155.3%	0	0	0.0%
Expenses related to damages	-13,498	-14,319	6.1%	-4,560	-7,769	70.4%	-8,938	-6,550	-26.7%
Changes in reserves	-8,501	-6,273	-26.2%	-7,315	-6,093	-16.7%	-1,186	-180	-84.8%
Net operating costs	-7,050	-7,294	3.5%	-3,192	-2,959	-7.3%	-3,858	-4,336	12.4%
Insurance technical expenses from investments	-99	-325	229.0%	-99	-325	229.0%	0	0	0.0%
Other insurance technical expenses	-300	-282	-5.9%	0	0	0.0%	-300	-282	-5.9%
Insurance technical result	777	1,353	74.1%	1,066	1,393	30.8%	-289	-41	-85.9%
Investment income	491	511	4.1%			0.0%	491	511	4.1%
Balance of other income/expenses	-235	-149	-36.6%	-112	-76	-32.1%	-124	-73	-40.7%
Operating income	1,033	1,715	66.0%	954	1,317	38.1%	79	397	402.0%
Extraordinary income/(losses)	-1	-125	-	-1	-64	-	0	-61	-
Pre-tax profits	1,032	1,590	54.0%	953	1,254	31.5%	79	336	326.2%
Tax	-205	-254	23.9%	-189	-201	5.8%	-16	-54	242.7%
After tax profits	827	1,335	61.5%	764	1,053	37.9%	63	282	346.9%

Main performance data and indicators of OTP-Garancia (HAR) in HUF million:

	2Q 03	1H 03	1Q 04	2Q 04	1H 04	2Q04 / 2Q03	2Q04 / 1Q04	1H04 / 1H03
Fee income from life insurances	7,455.0	14,662.0	5,202.0	9,352.9	14,554.9	25.5%	79.8%	-0.7%
Fee income from non-life insurances	8,962.4	16,179.4	7,079.0	6,955.4	14,034.4	-22.4%	-1.7%	-13.3%
Total fee income	16,417.5	30,841.5	12,281.0	16,308.3	28,589.3	-0.7%	32.8%	-7.3%
Incomes from investments	795.9	2,335.9	2,612.0	2,592.4	5,204.4	225.7%	-0.8%	122.8%
Other incomes	24.8	55.8	15.0	34.5	49.5	39.3%	130.2%	-11.2%
Total income	17,238.2	33,233.3	14,908.0	18,935.2	33,843.2	9.8%	27.0%	1.8%
Pre-tax profits from life insurances	867.2	953.2	78.0	1,176.1	1,254.1	35.6%	1407.9%	31.6%
Pre-tax profits from non-life insurances	-337.7	79.3	682.0	-346.2	335.8	2.5%	-150.8%	323.6%
Pre-tax profits	529.5	1,032.5	760.0	829.9	1,589.9	56.8%	9.2%	54.0%
After tax profits	419.6	826.6	638.0	697.1	1,335.1	66.1%	9.3%	61.5%
Combined ratio (%)	96.8	97.3	105.1	99.9	102.5	310.0%	-520.0%	520.0%
Total assets	92,259.6	92,259.6	101,913.0	108,594.7	108,594.7	17.7%	6.6%	17.7%

Pre-tax profit of ***OTP Fund Management*** for 1H 2004 was over HUF 1,650 million, which is 20.2% lower than in 1H 2003. Cost income ratio grew to 18.9% from 15.7%. Total assets were close to HUF 7.5 billion.

The decline of assets at fund management companies which started in 2003 and continued in 2Q 2004 changed to stagnation. The assets of the funds managed by OTP Fund Management stood at HUF 320.3 billion at the end of June 2004 an increase of 3.5% in 2Q 2004. The market share of the company on funds investing in securities was 41.8% at the end of 1H 2004. During 2Q 2004 the company introduced capital guaranteed closed end fund, and gained one pension fund management mandate.

The assets managed by the company for pension funds reached HUF 233.4 billion while other institutional assets were HUF 61.4 billion on June 30, 2004. Total assets under management reached

HUF 615.1 billion an increase of 5.2% over March 31, 2004. Managed assets in investment funds increased by 3.5%, in pension funds by 7.5%, funds in other assets grew by 6%.

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

				change from			
	30-Jun-03	31-Mar-04	30-Jun-04	30-Jun-04		31-Mar-03	
Optima	482,533	251,508	255,730	-226,803	-47.0%	4,222	1.7%
Maxima	12,947	5,520	4,699	-8,247	-63.7%	-820	-14.9%
Euro	3,768	4,394	3,887	120	3.2%	-507	-11.5%
US Dollar	3,229	2,315	2,141	-1,088	-33.7%	-174	-7.5%
Paletta	2,656	2,342	2,261	-395	-14.9%	-81	-3.4%
Quality	18,029	23,312	23,806	5,777	32.0%	493	2.1%
OTP-UBS fund of funds	9,325	19,007	19,678	10,354	111.0%	671	3.5%
Fantazia		1,077	1,065	1,065		-11	-1.0%
Institutional equity			7,076	7,076		7,076	
Total	532,485	309,475	320,344	-212,142	-39.8%	10,869	3.5%

In 1H 2004, net sales of ***OTP Real Estate*** were close to HUF 6.8 billion. Its pre-tax profit reached HUF 483 million. The 81.7% cost/income ratio, which is higher than in 1H 2003. The company's total assets were HUF 18 billion. Current assets amounted to HUF 15.1 billion of which inventories represented HUF 11.8 billion.

OTP Factoring concluded contracts with OTP Bank for the purchase of 19 thousand receivables in a gross value of HUF 6 billion until June 30, 2004. From third parties, the company purchased 3,200 contracts. Gross income was HUF 2.9 billion and the net factoring income reached HUF 1.4 million.

Due to the favorable development of the incomes, pre tax profit of the company for 1H 2004 was HUF 367 million and the cost/income ratio was 46.9%.

NON CONSOLIDATED AND CONSOLIDATED, NON AUDITED IFRS REPORTS OF OTP BANK LTD. FOR OF THE PERIOD ENDED JUNE 30, 2004

OTP Bank Ltd. has prepared its non consolidated and consolidated, non audited IFRS report for June 30, 2004. Below we present our analysis derived from the unconsolidated and the consolidated condensed IFRS financial statements of June 30, 2004. The differences between HAR and IFRS data presented are summarized in the end of the report.

NON CONSOLIDATED IFRS BALANCE SHEET

Total assets of the Bank were HUF2,735.7 billion on June 30, 2004, which was 9.3% higher than a year earlier and 1.0% higher than on March 31, 2004 and HUF22.5 billion less than the HAR total assets of the Bank.

On the asset side, the volume of cash, due from banks and balances with the National Bank of Hungary increased by 24.8%, placements with other banks declined by 39.5% compared to June 30, 2003. The volume of trading securities grew by 36.4% to HUF344.7 billion; however their structure has changed significantly. Within Securities held-for-trading the volume of discounted treasury bills was HUF6.3 billion; the volume of Government Bonds was HUF9.4 billion, mortgage bonds reached HUF2.0 billion. Within securities available-for-sale the volume of discounted treasury bills was HUF11.8 billion, Government Bonds was HUF59.2 billion and mortgage bonds reached HUF221.3 billion.

The gross volume of loans grew by 11.9% y-o-y to HUF1,159.1 billion. Within this the loans maturing over a year amounted to HUF752.8 billion, their proportion was to 64.9%. The volume of provisions was 8.9% higher than a year earlier, reached HUF20 billion. The net volume of loans was HUF1,139.1 billion, 11.9% growth year on year. Within loans, loans to enterprises amounted to HUF707.8 billion (14.5% growth), loans to municipalities HUF119.3 billion (10.0% decline), consumer loans HUF164.8 billion (34.1% growth) while housing loans amounted to HUF167.2 billion (10.3% decline) at the end of June 2004. Corporate loans represented 61.1%, retail loans 28.6% of total loans on June 30, 2004.

The volume of debt securities kept until maturity decreased by 6.6% to HUF534.8 billion. Within these, the volume of government securities was HUF221.5 billion, mortgage bonds were HUF289.9 billion.

On the liability side, the 4.2% year on year increase of customer deposits was significant, thus the share of customer deposits in total liabilities decreased to 77.8% (81.6% in 2003). Within HUF2,127.5

billion customer deposits, deposits with maturity over one year amounted to HUF34.8 billion. 77.4% of the total deposits was retail (HUF1,647.4 billion volume; 6.0% increase), 16.8% corporate (4.6% decline in volume) and 5.8% (7.9% increase in volume) was municipal deposit. The liabilities from issued securities decreased by 3.7%.

The shareholders' equity of the Bank was 31.0% higher than in the same period of 2003 due to the 32.3% increase of reserves and the 8.3% decrease of own shares at book value. Shareholders' equity reached HUF323.2 billion and represented 11.8% of total assets.

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

The net interest income of the Bank according to IFRS was HUF73.9 billion, which was 58.3% higher than in 1H 2003. This was a result of 49.0% increase in interest income and 40.3% increase in interest expenses.

Interest income from interbank accounts increased significantly by 92.8%, due to the disparate volume of swap deals. The HUF9.1 billion results of the swap transaction show up on the interest income and expenses on interbank accounts lines and were HUF17.6 billion higher than in 1H 2003 (HUF8.5 billion loss). Since during 1H 2004 the medium term swap volumes were already significant, the fact that the HUF exchange rate fluctuated sorely in a wide band influenced significantly the results of these lines. The fair value adjustments based on IAS 39 resulted that the interest income on swaps was HUF1,815 million higher and interest expenses (losses) on swaps was HUF118 million higher than in HAR. Thus the change in results of swaps improved by HUF1.7 billion the IFRS net interest income and highly contributed to that IRFS net interest margin was higher than in HAR. The fair value adjustment of swap deals and the net FX rate results are moving reversely thus the swap income was partly compensated by the HUF2.1 billion worsening of the FX transaction accounts.

Within interest income, increase from securities and from due from banks and balances with the NBH and from loans was significant, due to the increase of the interest rate level and/or the volume.

Interests paid on customer deposits increased by 82.9%, partly because of the rise in interest rate level and partly because of the change in the structure of the deposits.

Provisioning for possible loan and placement losses increased by 57.6% and reached HUF3.9 billion. Provisioning on average volume of loans was 0.71% compared to 0.49% in 1H 2003.

Non-interest income grew by HUF2.1 billion or 3.4% to HUF63.0 billion. Within this, net FX results reached HUF2.0 billion, fees and commissions income amounted to HUF53.6 billion (27.1% increase) and within this HUF17.1 billion (54.4%) income came from OTP Mortgage Bank. Net fees and commissions grew by 26.7% compared to 1H 2003 and reached HUF47.6 billion. Net loss on securities trading was HUF1.8 billion which is HUF0.4 billion worsened compared to 1H 2003 and HUF6.0 billion worse than in 1Q 2004. Main part of the loss was caused by the fair value adjustment of the fixed income mortgage bonds held in the portfolio of the Bank. The Bank collected HUF8.1 billion dividend from its subsidiaries in the first half of 2004 which is HUF821 million or 11.3% higher than in the first half of 2003. Other non-interest income fell by 44.9% to HUF1.2 billion compared to 1H 2003.

Non-interest expenses altogether were HUF61.6 billion; 10.3% higher than a year earlier. Within these the personnel expenses grew by 24.8% to HUF23.5 billion, fees and commissions paid by 29.6% to HUF6.0 billion and depreciation decreased by 7.1% to HUF6.5 billion. Other non-interest type expenses increased by 0.8% y-o-y to HUF25.6 billion.

IFRS pre-tax profit of the Bank was HUF71.4 billion which represented a 44.9 growth y-o-y. After-tax profit grew by 50.3% to HUF62.1 billion. The decline of the nominal and effective tax rate had a share in the profit growth too (the effective rate was 13.0% in 1H 2004 and 16.1% in 1H 2003). Basic and diluted earnings per share reached HUF232.31 (in 1H 2003 HUF155.03), while fully diluted were HUF231.88 (in 1H 2003: HUF154.77).

Calculated cost to income ratio for 1H 2004 was 45.0%, 6.9% lower than in 1H 2003. (After the calculation similar to the Hungarian standards, cost/income ratio was 42.5% for 1H 2004, 49.7% in 1H 2003.)

The gross interest margin of the Bank according to IFRS calculated on the mathematical average of total assets was 5.38% in 1H 2004, its net interest margin 5.1%, and partially due to the swap result 156 and 148 bps higher than in 1H 2003. Disregarding the results of swaps the gross margin in 1H 2004 was 4.72% and the net margin 4.43% which is 20 and 12 bps higher than in 1H 2003.

ROA calculated on the average total assets was 4.55% (in 1H 2003: 3.38%), while ROE calculated on average shareholders' equity was 41.5% (in 1H 2003: 36.7%). Real ROE of the Bank grew from 32.4% to 34.4%. Net asset value per share of the Bank (diluted) grew by 31.0% to HUF1,154.5.

CONSOLIDATED IFRS BALANCE SHEET

On June 30, 2004 the consolidated IFRS total assets of the Bank were HUF3,609.2 billion, representing a HUF743.3 billion or 25.9% increase over the same period a year earlier. The IFRS total assets of the Group were 31.9% higher on June 30, 2004 than that of the Bank. The high increase from a year earlier was caused by the consolidation of DSK Bank. Total assets of the Group were HUF61.2 billion or 1.7% higher than on December 31, 2003.

The Bank's consolidated shareholder's equity on June 30, 2004 was HUF361,958 million, 34.8% higher than the consolidated shareholders' equity as of June 30, 2003, and 12% higher than the unconsolidated shareholders' equity. The increase was caused by the creation of capital reserves from considerable part of the profits after taxes.

On the asset side, cash, deposits and balances with the NBH increased by 31.6% compared to 1H 2003, due to the low basis of short term HUF and FX deposits with the NBH. Compared to 1Q 2004 the decline was 5.8%.

On June 30, 2004 the volume of interbank placements was 23.8% lower y-o-y due to the change in the structure of placements, and 27.5% lower than in 1Q 2004.

Volume of trading and available-for-sale securities increased by 17.5% to HUF350.2 billion. This volume was 1.6% higher than non-consolidated figure of the Bank, due to securities held by OTP-Garancia Insurance, OTP Building Society, DSK Bank and OTP Mortgage Bank subsidiaries and to the consolidation effect of mortgage bonds held by the Bank. Within this held-for-trading securities decreased by 0.3% to HUF149.1 billion and available-for-sale securities grew by 35.3% to HUF201.1 billion y-o-y.

Volume of loans, net of allowance for possible loan losses grew by 45.7% from HUF1,529 billion to HUF2,227.1 billion as of June 30, 2004. The increase in the second quarter of 2004 was HUF169.5 billion or 8.2%. In the second quarter of 2004 corporate loans increased by 4.9%, mortgage and housing loans by 4.9% and consumer loans by 16.5%. Volume of municipal loans grew by 30.5%.

Within consolidated gross loan volume of HUF2,298.8 billion, corporate loans represented 34.6% (HUF795 billion); retail loans 60.2% (HUF1,383.3 billion) and municipality loans 5.2% (HUF120.5 billion). 14.9% of total loans (HUF343.5 billion) were carried on the books of foreign subsidiaries on June 30, 2004.

Quality of the loan book under IFRS was good at the end of June 2004; performing portion represented 88.7% of total, 7.7% was to be monitored and problem loans were 3.6% of total. 9.8% of qualified loans and 5.0% of problem loans were in the books of foreign subsidiaries. The consolidated loan loss provisioning of 71.7 billion represented 27.6% coverage over the qualified loans. During the second quarter of 2004 performing loans grew by HUF198 billion, qualified loans by HUF25 billion (due to the reclassification to performing loans at the OBS and to the creation for new FX loans at Merkantil Car) and non performing loans decreased by HUF2 billion. In the same time provisions increased by HUF3 billion, coverage by 3.5%.

Volume of debt securities held-to-maturity decreased further by 21.9% to HUF270.6 billion y-o-y, and by 2.8% since March 31, 2004.

On the liability side, customer deposits grew by 19.3 reaching HUF2,585.6 billion on June 30, 2004 and were 21.5% higher than the volume at the Bank. 16.6% of deposits came from corporate; 77.8% from retail and 5.6% from municipality sector customers. In the second quarter of 2004 deposits declined by 3.2%, mainly due to the decrease of corporate and municipal loans at the parent bank which was not counterbalanced by the increase of deposits at the subsidiaries. Foreign subsidiaries collected 15.7% of total deposits as at June 30, 2004 (14.3% on March 31, 2004).

Volume of issued securities was 175.7% higher than a year earlier and reached HUF238.6 billion, in the second quarter of 2004 increase was HUF55.7 billion or 30.5% due to issuance of mortgage bonds to third parties.

CONSOLIDATED IFRS STATEMENT OF OPERATIONS (PROFIT AND LOSS ACCOUNT)

Confirming the success of the subsidiaries and the efforts aiming at increase the profitability, the 1H 2004 consolidated IFRS net income of OTP Bank was HUF67.2 billion, HUF26 billion or 63% higher than for 1H 2003 and 8.1% or HUF5 billion higher than the non-consolidated after-tax profit for the same period. Income before income taxes grew by 56.4% to HUF79.6 billion. In 2Q 2004 income before income taxes was HUF38.4 billion and net income was HUF32.1 billion, 6.8% and 8.7% less than in 1Q 2004.

The consolidated net interest income reached HUF125.5 billion representing a 78.3% increase from 1H 2003 and was 69.8% higher than at the Bank. HUF61.6 billion net interest income for 2Q 2004 was 3.2% below the performance of 1Q 2004. Consolidated interest income amounted to HUF209.5 billion, 64.9% above 1H 2003 levels. Increase in interest income was particularly significant from interbank accounts (+86.4%), loans (+63.8%), securities held-for-trading and available-for-sale (+96%) partly in line with changes in volumes and with the structure of balance sheet, with the dynamically growing mortgage lending and partly reflect the high result impact on the line of interest income from other banks because of the fair value adjustment of swaps. Interest income from accounts with NBH and other banks increased (85.2%), from debt securities held-to-maturity declined (6.1%).

Interest expense was HUF84 billion, 48.3% higher than in 1H 2003. Interest paid on customers' deposits grew by 85.2% to HUF67.6 billion and was 9.2% above the Bank's figure. In 2Q 2004 interest paid on customers' deposits was 8.8% lower than in 1Q 2004, reflecting the declining interest rate level and the drop in deposits. Interest expenses on issued securities was 154% higher and were HUF7.5 billion above the Bank due to securities issued by Merkantil Bank, OTP Mortgage Bank and foreign subsidiaries.

Gross consolidated interest margin over mathematical average total assets improved further during the first half of 2004 and was 7.1%, 206 bps above 1H 2003 figure. Net interest margin also grew in the first half and was 6.62% compared to 4.83% for 1H 2003. Adjusting for the effects of swaps (writing back IAS 39 adjustments) gross margin in 1H 2004 was 6.58% and net margin was 6.10% which was 93 bps and 67 bps higher than in 1H 2003 owing to the advantageous impact of the higher average interest rate level on the liability side spreads. In 2Q 2004 margins without swap results are above the figures in 1Q 2004 and nominal margins are lower than in the first quarter of 2004 due to the declining swap results.

Non-interest income was 0.6% lower than a year earlier and reached HUF78.4 billion. Within non-interest income the increase in fee and commission income was 16.3% to HUF42.7 billion. 1H 2004 fee income was 20.3% lower than net fees and commissions at the Bank, due to the consolidation effect of fees from OTP Mortgage Bank. Net fees and commissions reached HUF31.3 billion in the first half of 2004, which is 9% increase compared to 1H 2003, and were HUF17 billion in 2Q 2004, 18.8% above the 1Q 2004 data. Gains on securities trading were HUF1.5 billion contrary to the loss of HUF2.9 billion in 1H 2003. In the second quarter of 2004 securities portfolio caused HUF1.3 billion loss. Net profits on foreign exchange transactions were HUF1.8 billion while it reported HUF11.2 billion gains in 1H 2003. In 2Q 2004 the profits on FX transactions amounted to HUF3.8 billion partly due to the change of the result of swap positions. Real estate transactions resulted HUF0.5 billion. The insurance premium amounted to HUF14.4 billion in 2Q 2004 which is 34.3% higher than in the first quarter. Therefore the HUF25.2 billion IFRS insurance premium income was only 11.2% below the 1H 2003 performance. Other income increased by 23.9% to HUF6.3 billion.

Consolidated non-interest expenses reached HUF115.7 billion and were 21.5% higher than during 1H 2003 and 87.7% above the figures of the Bank. Non-interest expenses grew by 13.5% compared to 1Q 2004.

Consolidated fees and commission expenses increased by 42.5 y-o-y, and were 47% higher than at the Bank. Consolidated personnel expenses were 33.5% higher than a year earlier, and 90% above the Bank's figures. Personnel expenses were 17% higher than in 1Q 2004. Insurance expenses declined by 7.0%, while other expenses were 15.7% higher than in 1H 2003.

Consolidated cost-income ratio was 56.8%, 7% less than in 1H 2003 (cost income ratio similar to HAR was 54.2%, 7.6% less than in 1H 2003).

Consolidated ROAA on average total assets grew considerably to 3.80% (2.95% in 1H 2004), while consolidated ROAE reached 39.9% nominal, 6.4%-points higher than a year earlier. Real ROAE increased form 29.2% in 1H 2003 to 32.8% in 1H 2004. Consolidated net asset value per share was HUF1,293 on June 30, 2004. Basic earnings per share (EPS) reached HUF258.86, HUF99.6 above 1H 2003 data.

PERSONNEL AND ORGANIZATIONAL CHANGES DURING THE SECOND QUARTER OF 2004 AT OTP BANK LTD.

During the second quarter of 2004, the Top Management, the Auditor and the Board of Directors of the Bank did not change. The Annual General Meeting of OTP Bank Ltd. held on 29th of April 2004 elected Mr. Antal Kovács a member of the Company's Supervisory Board till the date of Annual General Meeting for the business year 2004.

THE EXPECTED DEVELOPMENT OF THE BANK IN YEAR 2004

The business policy of the bank was made public during the AGM held on April 29, 2004 which projected the expected performance of the Bank and the Group under HAR. The 1H 2004 achievement of the BANK and the Group is higher than the pro rata figures which could be derived from the business policy with volumes so far sizeably lower (especially on the liability size) to those projected. Both development is related to the macro environment; the high interest rate level helped the Group to realize favourable margin, but at the same time held back the growth in customer asset creation and the increased competition especially for funding and the modification of the mortgage lending subsidies had a negative effect on volumes, both on asset and liability sides.

The Bank is forecasted to meaningfully surpass the unconsolidated pre tax profit declared on the AGM. Net interest income expected to be above plans, since the expected fallout of interest income due to lower than projected retail deposits will be compensated by better than expected income from retail loans due to volume growth and favourable effect of swaps on interest income. Non interest income is also expected to better the plan. Operating a risk expenses are expected to develop according to projections.

Total assets and interest bearing and earning volumes are expected to be developing unfavourable compared to the projections, due to lower growth under higher interest and fierce competitive environment.

On consolidated level (under HAR) the HUF 123 billion projected pre tax income sis expected to be surpassed by over 15%, to reach HUF 140-145 billion; which is a result of higher than expected margin, the faster than forecasted transformation and stronger performance of DSK.

Both Bank and Group performance projections have several risk factors and are subject to unforeseen circumstance during the second half of 2004. These may come from the development of the international and Hungarian economy; the Hungarian macro indicators, inflation, interest and exchange rates; volatility of money and capital market instruments etc. since these can significantly influence the performance (volume growth, margins and profitability) of the Bank and individual members of the group. Also traditional seasonality of the Bank's and the Group's performance (mainly in the expenses) should be considered as a factor.

Budapest, August 11, 2004

OTP Bank

FINANCIAL DATA

Selected non-consolidated financial data (HUF millions)

	1H 2003	1H 2004	Change %
Interest from interbank accounts	15,259	27,764	82.0
Interest from customer accounts	23,658	29,364	24.1
Interest from corporate accounts	19,930	30,748	54.3
Interest from municipal accounts	4,840	5,794	19.7
Interest from bonds	28,337	42,556	50.2
Interest from mandatory reserves	3,062	6,350	107.4
Total interest income	95,086	142,576	49.9
Interest on interbank accounts	4,026	7,939	97.2
Interest on customer accounts	25,527	44,416	74.0
Interest on corporate accounts	5,810	11,988	106.3
Interest on municipal accounts	2,359	5,472	132.0
Interest on bonds	228	135	-40.8
Interest on subordinated loan	419	399	-4.8
Total interest expense	38,369	70,349	83.3
Net interest income	**56,717**	**72,227**	**27.3**
Fees & commissions income	44,619	53,579	20.1
Fees & commissions paid	4,658	4,609	-1.1
Net fees & commissions	39,961	48,970	22.5
Gains (losses) on securities trading	201	1,290	541.8
Gains (losses) on forex trading	128	2,841	2,119.5
Gains (losses) on property transactions	-3	-94	3,033.3
Other	1,643	962	-41.4
Non interest income	**41,930**	**53,969**	**28.7**
Share of non interest income in total income	*42.5%*	*42.8%*	*0.3*
Total income	**98,647**	**126,196**	**27.9**
Staff costs	18,846	23,485	24.6
Depreciation	5,790	4,506	-22.2
Other operating expenses	25.293	26.016	2.9
Operating costs	**49,929**	**54,007**	**8.2**
Cost/Income ratio	*50.6%*	*42.8%*	*-7.8*
Operating income	**48,718**	**72,189**	**48.2**
Diminution in value, provisions and loan losses	8,284	8,446	2.0
Dividend received	7,254	8,075	11.3
Accounting for acquisition goodwill	382	-3,604	-1,043.5
Income before income taxes	**48,070**	**68,214**	**41.9**
Taxes	7.747	9.703	25.2
Tax rate	-16.1%	-14.2%	1.9
After tax profits	**40,323**	**58,511**	**45.1**

The Bank's 1H 2003 and 1H 2004 financial statements were prepared on the basis of Hungarian Accounting Rules and are here presented in a structure closer to international practice

Selected consolidated financial data (HUF millions)

	1H 2003	1H 2004	Change %
Interest from interbank accounts	16,091	28,789	78.9
Interest from customer accounts	39,161	71,005	81.3
Interest from corporate accounts	24,897	38,254	53.6
Interest from municipal accounts	4,867	5,825	19.7
Interest from bonds	34,835	53,299	53.0
Interest from mandatory reserves	3,147	6,895	119.1
Total interest income	122,998	204,067	65.9
Interest on interbank accounts	4,927	8,239	67.2
Interest on customer accounts	27,825	49,021	76.2
Interest on corporate accounts	6,066	12,704	109.4
Interest on municipal accounts	2,464	5,822	136.3
Interest on bonds	3,137	7,647	143.8
Interest on subordinated loan	419	437	4.3
Total interest expense	44,838	83,870	87.1
Net interest income	**78,160**	**120,197**	**53.8**
Fees & commissions income	39,160	42,677	9.0
Fees & commissions paid	8,047	10,027	24.6
Net fees & commissions	31,113	32,650	4.9
Gains (losses) on securities trading	76	2,482	3,165.8
Gains (losses) on forex trading	614	2,602	323.8
Gains (losses) on property transactions	293	472	61.1
Insurance fee income	30,430	28,081	-7.7
Other	5,662	5,048	-10.8
Non interest income	**68,188**	**71,335**	**4.6**
Share of non interest income in total income	*46.6%*	*37.2%*	*-9.3*
Total income	**146,348**	**191,532**	**30.9**
Staff costs	25,883	34,513	33.3
Depreciation	8,251	8,603	4.3
Insurance costs	22,297	20,725	-7.1
Other operating expenses	31,869	37,005	16.1
Operating costs	**88,300**	**100,846**	**14.2**
Cost/Income ratio	*60.3%*	*52.7%*	*-7.7*
Operating income	**58,048**	**90,686**	**56.2**
Diminution in value, provisions and loan losses	7,552	10,044	33.0
Dividend received	316	331	4.7
Accounting for acquisition goodwill	-38	-4,086	10,652.6
Income before income taxes	**50,774**	**76,887**	**51.4**
Taxes	9,745	13,168	35.1
Taxes due to consolidation	90	-129	-243.3
Tax rate %	19.4%	17.0%	-2.4
After tax profits	**40,939**	**63,848**	**56.0**

The Bank's 1H 2003 and 1H 2004 financial statements were prepared on the basis of Hungarian Accounting Rules and are here presented in a structure closer to international practice

PK3. Balance Sheet
BALANCE SHEET
(unconsolidated and consolidated, based on HAR) as at June 30, 2004

in HUF million

	30-Jun-2003 OTP Bank	30-Jun-2004 OTP Bank	Change	30-Jun-2003 Consolidated	30-Jun-2004 Consolidated	Change
ASSETS						
1. Cash in hand, balances with central banks	**229,654**	**287,275**	**25.1%**	**235,827**	**311,011**	**31.9%**
2. Treasury bills	**445,311**	**334,591**	**-24.9%**	**604,953**	**571,021**	**-5.6%**
a) held for trade	170,618	92,904	-45.5%	260,058	203,045	-21.9%
b) held as financial fixed assets (for long term investment)	274,693	241,687	-12.0%	344,895	367,976	6.7%
3. Loans and advances to credit institutions	**215,197**	**130,061**	**-39.6%**	**243,410**	**185,050**	**-24.0%**
a) repayable on demand	5,032	5,265	4.6%	5,035	8,044	59.8%
b) other receivables from financial services	210,165	124,518	-40.8%	238,375	176,728	-25.9%
ba) maturity not more than one year	196,160	115,452	-41.1%	224,670	167,904	-25.3%
bb) maturity more than one year	14,005	9,066	-35.3%	13,705	8,824	-35.6%
c) receivables from investment services		278			278	
4. Loans and advances to customers	**1,031,964**	**1,134,701**	**10.0%**	**1,567,163**	**2,240,651**	**43.0%**
a) receivables from financial services	1,030,882	1,133,674	10.0%	1,566,054	2,239,598	43.0%
aa) maturity not more than one year	400,254	379,872	-5.1%	401,347	507,322	26.4%
ab) maturity more than one year	630,628	753,802	19.5%	1,164,707	1,732,276	48.7%
b) receivables from investment services	1,082	1,027	-5.1%	1,109	1,053	-5.0%
5. Debt securities including fixed-income securities	**374,367**	**544,734**	**45.5%**	**25,708**	**38,802**	**50.9%**
a) securities issued by local self-governing bodies and by other public body (not include the treasury bills issued by Hungarian state and securities issued by Hungarian National Bank)	0	1,300	0.0%	0	1,300	0.0%
b) securities issued by other bodies	374,367	543,434	45.2%	25,708	37,502	45.9%
ba) held for trade	5,074	4,237	-16.5%	6,269	5,835	-6.9%
bb) held as financial fixed assets (for long term investment)	369,293	539,197	46.0%	19,439	31,667	62.9%
6. Shares and other variable-yield securities	**5,646**	**7,648**	**35.5%**	**13,490**	**8,992**	**-33.3%**
a) shares and participations for trade	93	111	19.4%	96	115	19.8%
b) other variable-yield securities	5,553	7,537	35.7%	13,394	8,877	-33.7%
ba) held for trade		4		7,216	570	-92.1%
bb) held as financial fixed assets (for long term investment)	5,553	7,533	35.7%	6,178	8,307	34.5%
7. Shares and participating interest as financial fixed assets	**672**	**1,009**	**50.1%**	**5,530**	**6,455**	**16.7%**
a) shares and participating interest as financial fixed assets	672	1,009	50.1%	5,530	6,455	16.7%
b) revaluation surplus on shares and participating interests						
8. Shares and participating interest in affiliated undertakings	**57,023**	**102,219**	**79.3%**	**3,754**	**38,301**	**920.3%**
a) shares and participating interest in affiliated undertakings	57,023	102,219	79.3%	3,713	3,634	-2.1%
b) revaluation surplus on shares and participating interests						
c) capital consolidation difference				41	34,667	84,453.7%
9. Intangible assets	**3,629**	**45,025**	**1,140.7%**	**6,185**	**14,090**	**127.8%**
10. Tangible assets	**55,776**	**63,691**	**14.2%**	**81,203**	**107,659**	**32.6%**
a) tangible assets for financial and investment services	52,619	60,991	15.9%	66,951	94,096	40.5%
b) tangible assets not for directly financial and investment services	3,157	2,700	-14.5%	14,252	13,449	-5.6%
c) revaluation surplus on tangible assets					114	
11. Own shares	**14,552**	**13,341**	**-8.3%**	**25,472**	**24,959**	**-2.0%**
12. Other assets	**50,911**	**44,415**	**-12.8%**	**56,738**	**58,984**	**4.0%**
a) stocks (inventories)	1,371	1,096	-20.1%	11,318	14,687	29.8%
b) other receivables (not from financial and investment securities)	49,540	43,319	-12.6%	45,420	44,297	-2.5%
13. Prepayments and accrued income	**37,362**	**49,508**	**32.5%**	**34,108**	**42,382**	**24.3%**
TOTAL ASSETS	***2,522,064***	***2,758,218***	***9.4%***	***2,903,541***	***3,648,357***	***25.7%***
From this:						
-CURENT ASSETS	*1,073,430*	*944,781*	*-12.0%*	*1,223,837*	*1,289,720*	*5.4%*
- FIXED ASSETS	*1,411,272*	*1,763,929*	*25.0%*	*1,645,596*	*2,316,255*	*40.8%*

in HUF million

	30-Jun-2003 OTP Bank	30-Jun-2004 OTP Bank	Change	30-Jun-2003 Consolidated	30-Jun-2004 Consolidated	Change
LIABILITIES						
1. Liabilities to credit institutions	**88,101**	**164,929**	**87.2%**	**119,990**	**179,160**	**49.3%**
a) repayable on demand	4,231	6,812	61.0%	1,729	6,826	294.8%
b) liabilities from financial services with maturity dates or periods of notice	83,870	158,117	88.5%	118,261	172,334	45.7%
ba) not more than one year	23,422	43,063	83.9%	43,858	52,199	19.0%
bb) more than one year	60,448	115,054	90.3%	74,403	120,135	61.5%
c) liabilities from investment services						
2. Liabilities to customers	**1,991,289**	**2,089,657**	**4.9%**	**2,160,349**	**2,589,220**	**19.9%**
a) saving deposits	340,178	313,028	-8.0%	347,922	415,348	19.4%
aa) repayable on demand	44,930	44,222	-1.6%	46,611	140,031	200.4%
ab) maturity not more than one year	295,193	268,760	-9.0%	301,062	275,083	-8.6%
ac) maturity more than one year	55	46	-16.4%	249	234	-6.0%
b) other liabilities from financial services	1,650,540	1,776,042	7.6%	1,811,856	2,173,285	19.9%
ba) repayable on demand	624,736	750,403	20.1%	650,041	834,584	28.4%
bb) maturity not more than one year	1,022,518	1,025,225	0.3%	1,076,304	1,246,385	15.8%
bc) maturity more than one year	3,286	414	-87.4%	85,511	92,316	8.0%
c) liabilities from investment services	571	587	2.8%	571	587	2.8%
3. Liabilities from issued debt securities	**61,521**	**53,647**	**-12.8%**	**101,521**	**248,396**	**144.7%**
a) issued bond	2,100	2,101	0.0%	2,100	1,104	-47.4%
aa) maturity not more than one year						
ab) maturity more than one year	2,100	2,101	0.0%	2,100	1,104	-47.4%
b) issued other debt securities	290	212	-26.9%	40,290	195,958	386.4%
ba) maturity not more than one year	290	212	-26.9%	290	36,191	12,379.7%
bb) maturity more than one year				40,000	159,767	299.4%
c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities	59,131	51,334	-13.2%	59,131	51,334	-13.2%
ca) maturity not more than one year	54,030	16,963	-68.6%	54,030	16,963	-68.6%
cb) maturity more than one year	5,101	34,371	573.8%	5,101	34,371	573.8%
4. Other liabilities	**65,085**	**59,629**	**-8.4%**	**75,340**	**76,906**	**2.1%**
a) maturity not more than one year	65,085	59,629	-8.4%	74,825	74,814	0.0%
b) maturity more than one year				24	2,048	8,433.3%
c) (Calculated) Corporate tax difference due to consolidation				491	44	-91.0%
5. Accruals and deferred income	**34,724**	**43,577**	**25.5%**	**42,762**	**60,967**	**42.6%**
6. Provisions	**26,677**	**31,841**	**19.4%**	**111,893**	**126,515**	**13.1%**
a) provisions for pensions and similar obligations	780	1,340	71.8%	780	1,345	72.4%
b) risk provision for off-balance sheet items (for pending and future liabilities)	4,753	10,058	111.6%	5,430	6,290	15.8%
c) general risk provision	15,828	19,083	20.6%	16,940	23,488	38.7%
d) other provision	5,316	1,360	-74.4%	88,743	95,392	7.5%
7. Subordinated liabilities	**16,229**	**15,294**	**-5.8%**	**20,497**	**19,601**	**-4.4%**
a) subordinated loan capital	16,229	15,294	-5.8%	16,229	15,294	-5.8%
aa) equity consolidation difference	0			4,268	4,307	0.9%
b) pecuniary contribution of members at credit institutions operating as credit cooperatives						
c) other subordinated liabilities						
8. Subscribed capital	**28,000**	**28,000**	**0.0%**	**28,000**	**28,000**	**0.0%**
From this: repurchased own shares at face value	1,385	1,099	-20.6%	2,177	1,890	-13.2%
9. Subscribed but unpaid capital (-)						
10. Capital reserves	**52**	**52**	**0.0%**	**52**	**52**	**0.0%**
a) premium (from share issue)						
b) other	52	52	0.0%	52	52	0.0%
11. General reserves	**38,202**	**47,177**	**23.5%**	**38,202**	**47,177**	**23.5%**
12. Retained earnings (accumulated profit reserve) (+)	**129,325**	**178,946**	**38.4%**	**131,535**	**180,361**	**37.1%**
13. Legal reserves	**14,552**	**13,341**	**-8.3%**	**14,552**	**13,341**	**-8.3%**
14. Revaluation reserve						
15. Profit or loss for the financial year according to the balance sheet (+)	**28,307**	**32,128**	**13.5%**	**28,759**	**36,825**	**28.0%**
16. Subsidiaries' equity increases/decreases (+-)*				**28,787**	**38,572**	**34.0%**
17. Increases/decreases due to consolidation (+-)				**850**	**2,836**	**233.6%**
- from debt consolidation difference				6,646	6,747	1.5%
- from intermediate result difference				-5,796	-3,911	-32.5%
18. Participation of outside members (other owners)				**452**	**428**	**-5.3%**
19 .Difference from exchange rate						
TOTAL LIABILITIES	***2,522,064***	***2,758,218***	***9.4%***	***2,903,541***	***3,648,357***	***25.7%***
From this:						
- SHORT-TERM LIABILITIES	*2,135,006*	*2,215,876*	*3.8%*	*2,249,812*	*2,683,707*	*19.3%*
- LONG-TERM LIABILITIES	*87,219*	*167,280*	*91.8%*	*227,885*	*429,576*	*88.5%*
- EQUITY (CAPITAL AND RESERVES)	*238,438*	*299,644*	*25.7%*	*271,189*	*347,592*	*28.2%*
* Book value of shares owned by subsidiaries				*10,920*	*11,618*	

PK4. Profit and Loss Statement
PROFIT AND LOSS ACCOUNT
(unconsolidated and consolidated, based on HAR) for the half year ended June 30, 2004

in HUF million

	1H 2003 OTP Bank	1H 2004 OTP Bank	Change	1H 2003 Consolidated	1H 2004 Consolidated	Change
1. Interest received and interest-type income	*95,086*	*142,576*	*49.9%*	*122,998*	*204,067*	*65.9%*
a) interest received on securities with fixed-interest signifying a creditor relationship	28,337	42,556	50.2%	34,835	53,299	53.0%
b) other interest received and interest-type income	66,749	100,020	49.8%	88,163	150,768	71.0%
2. Interest paid and interest-type expenses	*38,369*	*70,349*	*83.3%*	*44,838*	*83,870*	*87.1%*
Interest difference	**56,717**	**72,227**	**27.3%**	**78,160**	**120,197**	**53.8%**
3. Incomes from securities	*7,254*	*8,075*	*11.3%*	*316*	*331*	*4.7%*
4. Fees and Commission received	*43,815*	*53,090*	*21.2%*	*35,251*	*39,114*	*11.0%*
a) revenues from other financial services	40,259	49,187	22.2%	33,906	37,233	9.8%
b) revenues from investment services (except incomes from trading activities)	3,556	3,903	9.8%	1,345	1,881	39.9%
5. Fees and Commission paid	*4,658*	*4,609*	*-1.1%*	*6,598*	*7,697*	*16.7%*
a) expenses on other financial services	4,543	4,471	-1.6%	6,483	7,554	16.5%
b) expenses on investment services (except expenses from trading activities)	115	138	20.0%	115	143	24.3%
6. Profit or loss from financial transactions (6/a-6/b+6/c-6/d)	*-1,016*	*2,746*	*-370.3%*	*-263*	*2,798*	*-1,163.9%*
a) revenues from other financial services	9,259	6,533	-29.4%	16,762	9,475	-43.5%
b) expenses on other financial services	10,606	4,401	-58.5%	17,266	7,340	-57.5%
c) revenues from investment services (revenues from trading activities)	5,804	3,525	-39.3%	5,672	3,687	-35.0%
d) expenses on investment services (expenses from trading activities)	5,473	2,911	-46.8%	5,431	3,024	-44.3%
7. Other incomes from business	*232,105*	*138,306*	*-40.4%*	*61,059*	*50,443*	*-17.4%*
a) incomes from non financial and investment services	4,040	3,524	-12.8%	47,843	47,061	-1.6%
a1) income of consolidated investment service providers				5,852	5,509	-5.9%
a2) income of consolidated insurance companies				30,280	29,545	-2.4%
a3) income of other consolidated companies				11,711	12,007	2.5%
b) other revenues	228,065	134,782	-40.9%	13,160	3,258	-75.2%
b1) income of consolidated investment service providers				12,682	2,927	-76.9%
b2) income of consolidated insurance companies				81	75	-7.4%
b3) income of other consolidated companies				397	256	-35.5%
ba) consolidation difference income due to debtor consolidation					9	
bb) other income due to consolidation				56	115	105.4%
8. General administration expenses	*34,929*	*41,626*	*19.2%*	*39,817*	*52,565*	*32.0%*
a) personnel expenses	18,846	23,485	24.6%	21,509	29,335	36.4%
b) other administration expenses	16,083	18,141	12.8%	18,308	23,230	26.9%
9. Depreciation and amortization	*5,790*	*8,492*	*46.7%*	*6,246*	*6,645*	*6.4%*
10. Other expenses from business	*243,297*	*146,656*	*-39.7%*	*68,717*	*60,681*	*-11.7%*
a) expenses from non-financial and investment services	3,286	3,234	-1.6%	26,135	25,230	-3.5%
a1) expense of consolidated investment service providers				4,445	5,020	12.9%
a2) expense of consolidated insurance companies				21,672	20,177	-6.9%
a3) expense of other consolidated companies				18	33	83.3%
b) other expenses	240,011	143,422	-40.2%	25,815	13,476	-47.8%
b1) expense of consolidated investment service providers				24,971	12,758	-48.9%
b2) expense of consolidated insurance companies				315	297	-5.7%
b3) expense of other consolidated companies				529	421	-20.4%
ba) consolidation difference expense due to debtor consolidation				1		
bb) other expense due to consolidation				644	4,353	575.9%
c) expense of consolidated investment service providers				16,122	17,622	9.3%
c1) expense of consolidated insurance companies				6,849	7,776	13.5%
c2) expense of other consolidated companies				9,273	9,846	6.2%
11. Write-off of loans and provision for contingent and future liabilities	*7,022*	*11,945*	*70.1%*	*13,796*	*25,248*	*83.0%*
a) write-off of loans	5,348	7,516	40.5%	11,751	22,522	91.7%
b) provision for contingent and future liabilities	1,674	4,429	164.6%	2,045	2,726	33.3%
12. Reversal of write-off of loans and credit for contingent and future liabilities	*6,477*	*8,671*	*33.9%*	*13,112*	*19,679*	*50.1%*
a) reversal of write-off of loans	5,702	7,010	22.9%	12,028	17,756	47.6%
b) credit for contingent and future liabilities	775	1,661	114.3%	1,084	1,923	77.4%
12/A. Difference between the creation and write-off of general risk provision	*-1,574*	*-2,026*	*28.7%*	*-1,612*	*-2,821*	*75.0%*
13. Write-off of securities for investing purposes, signifying a creditor relationship, equity investments in associated or other company	*21*	*34*	*61.9%*	*21*	*34*	*61.9%*
14. Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity investments in associated or other company	*235*	*116*	*-50.6%*	*276*	*5*	*-98.2%*
15. Result of ordinary business activities	**48,296**	**67,843**	**40.5%**	**51,104**	**76,876**	**50.4%**
Including: -RESULT OF FINANCIAL AND INVESTMENT SERVICES	*47,542*	*67,553*	*42.1%*	*45,884*	*73,054*	*59.2%*
- RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES	*754*	*290*	*-61.5%*	*5,220*	*3,822*	*-26.8%*
16. Extraordinary revenues	*12*	*473*	*3,841.7%*	*12*	*118*	*883.3%*
17. Extraordinary expenses	*238*	*102*	*-57.1%*	*342*	*107*	*-68.7%*
18. Extraordinary profit or loss (16-17)	**-226**	**371**	**-264.2%**	**-330**	**11**	**-103.3%**
19. Profit or loss before tax (±15±18)	**48,070**	**68,214**	**41.9%**	**50,774**	**76,887**	**51.4%**
20. Tax liabilities	*7,747*	*9,703*	*25.2%*	*9,745*	*13,168*	*35.1%*
a) Tax difference due to consolidation				90	-129	-243.3%
21. After-tax profit or loss (±19-20+20/a)	**40,323**	**58,511**	**45.1%**	**40,939**	**63,848**	**56.0%**
22. Formation and utilization of general reserves (±)	*-4,032*	*-5,852*	*45.1%*	*-4,433*	*-6,483*	*46.2%*
23. Use of accumulated profit reserve for dividends and profit-sharings						
24. Dividends and profit-sharings paid (approved)	*7,984*	*20,531*	*157.2%*	*7,747*	*20,540*	*165.1%*
25. Balance-sheet profit or loss figure (±21±22+23-24)	***28,307***	***32,128***	***13.5%***	***28,759***	***36,825***	***28.0%***

IFRS FINANCIAL REPORTS

Unconsolidated, IFRS Balance Sheets (in HUF mn)

	June 30, 2004	June 30, 2003	change
Cash, due from banks and balances with the National Bank of Hungary	287,275	230,165	24.8%
Placements with other banks, net of allowance for possible placement losses	129,783	214,686	-39.5%
Securities held for trading and available-for-sale	344,731	252,705	36.4%
Loans, net of allowance for possible loan losses	1,139,104	1,017,631	11.9%
Accrued interest receivable	37,862	30,392	24.6%
Equity investments	139,332	54,550	155.4%
Debt securities held-to-maturity	534,761	572,576	-6.6%
Premises, equipment and intangible assets, net	88,024	75,821	16.1%
Other assets	34,861	53,537	-34.9%
TOTAL ASSETS	**2,735,733**	**2,502,063**	**9.3%**
Due to banks and deposits from the National Bank of Hungary and other banks	164,929	88,101	87.2%
Deposits from customers	2,127,500	2,042,094	4.2%
Liabilities from issued securities	2,013	2,091	-3.7%
Accrued interest payable	18,483	13,611	35.8%
Other liabilities	84,266	93,260	-9.6%
Subordinated bonds and loans	15,295	16,229	-5.8%
TOTAL LIABILITIES	**2,412,486**	**2,255,386**	**7.0%**
Share capital	28,000	28,000	0.0%
Retained earnings and reserves	308,589	233,229	32.3%
Treasury shares	-13,342	-14,552	-8.3%
TOTAL SHAREHOLDERS' EQUITY	**323,247**	**246,677**	**31.0%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,735,733**	**2,502,063**	**9.3%**

Unconsolidated, IFRS Statements of Operations (in HUF mn)

for the half year ended June 30, 2004 and 2003

	2004	**2003**	**change**
Interest Income:			
Loans	65,116	49,243	32.2%
Placements with other banks	20,524	10,645	92.8%
Due from banks and balances with the National Bank of Hungary	15,405	8,709	76.9%
Securities held-for-trading and available-for-sale	14,794	8,760	68.9%
Securities held-to-maturity	28,466	19,506	45.9%
Total Interest Income	***144,305***	***96,863***	***49.0%***
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks	8,010	15,838	-49.4%
Deposits from customers	61,910	33,843	82.9%
Liabilities from issued securities	83	84	-1.2%
Subordinated bonds and loans	399	419	-4.8%
Total Interest Expense	***70,402***	***50,184***	***40.3%***
NET INTEREST INCOME	**73,903**	**46,679**	**58.3%**
Provision for possible loan losses	3,902	2,476	57.6%
Provision for possible placement losses	-7	21	-133.3%
Provision for possible loan and placement losses	***3,895***	***2,497***	***56.0%***
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	**70,008**	**44,182**	**58.5%**
Non-Interest Income:			
Fees and commissions	53,632	42,209	27.1%
Foreign exchange gains and losses, net	2,003	10,722	-81.3%
Losses and gains on securities, net	-1,826	-1,401	30.3%
Losses on real estate transactions, net	-60	3	
Dividend income	8,075	7,254	11.3%
Other	1,200	2,178	-44.9%
Total Non-Interest Income	***63,024***	***60,965***	***3.4%***
Non-Interest Expenses:			
Fees and commissions	6,033	4,654	29.6%
Personnel expenses	23,516	18,846	24.8%
Depreciation and amortization	6,483	6,978	-7.1%
Other	25,612	25,412	0.8%
Total Non-Interest Expense	***61,644***	***55,890***	***10.3%***
INCOME BEFORE INCOME TAXES	**71,388**	**49,257**	**44.9%**
Income taxes	9,247	7,906	17.0%
NET INCOME AFTER INCOME TAXES	**62,141**	**41,351**	**50.3%**

Reconciliation of Financial Statements prepared under Hungarian Accounting Standards and Financial Statements prepared under IFRS (in HUF mn)

	Retained Earnings and Reserves January 1, 2004	Income for the period ended June 30, 2004	Dividend	Direct Movement on Reserves	Retained Earnings and reserves June 30, 2004
Hungarian financial statements	**233,776**	**58,511**	**-20,531**	**-112**	**271,644**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	17,056	2,026	-	-	19,082
Premium and discount amortization on investment securities	-348	-189	-	-	-537
Allowance for possible loan losses	-1,340	-	-	-	-1,340
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	-76	76	-	-	-
Increase of investment in subsidiaries	1,012	-	-	-	1,012
Difference in accounting for finance leases	-465	72	-	-	-393
Fair value adjustment of held for trading and available-for-sale financial assets (IAS 39)	-4,973	-1,503	-	-	-6,476
Fair value adjustment of derivative financial instruments (IAS 39)	2,189	-1,262	-	-	927
Profit/loss on sale of Treasury Shares	-	-744	-	744	-
Correction of business/company value	685	3,604	-	-	4,289
Correction of investment in foreign currencies to cost	-2,124	1,250	-	-	-874
Correction of company value due to transformation	-295	-	-	-	-295
Correction due to repo	48	-44	-	-	4
Expenses charged directly to equity	-	-112	-	112	-
Deferred taxation	559	456	-	-	1,015
Dividend payable for the year 2003 decided at the AGM	16,800	-	-16,800	-	-
Dividend payable for the 1H 2004 accounted in the Hungarian report	-	-	20,531	-	20,531
International financial statements	**262,504**	**62,141**	**-16,800**	**744**	**308,589**

Consolidated, IFRS Balance Sheets (in HUF mn)

	June 30, 2004	June 30, 2003	change
Cash, due from banks and balances with the National Bank of Hungary	311,011	236,345	31.6%
Placements with other banks, net of allowance for possible placement losses	184,786	242,614	-23.8%
Securities held-for-trading and available-for-sale	350,170	298,053	17.5%
Loans, net of allowance for possible loan losses	2,227,127	1,529,035	45.7%
Accrued interest receivable	27,842	25,938	7.3%
Equity investments	5,968	4,206	41.9%
Debt securities held-to-maturity	270,624	346,608	-21.9%
Premises, equipment and intangible assets, net	163,695	98,834	65.6%
Other assets	68,017	84,282	-19.3%
TOTAL ASSETS	**3,609,240**	**2,865,915**	**25.9%**
Due to banks and deposits from the National Bank of Hungary and other banks	178,899	120,039	49.0%
Deposits from customers	2,585,648	2,166,685	19.3%
Liabilities from issued securities	238,633	86,565	175.7%
Accrued interest payable	30,065	20,264	48.4%
Other liabilities	198,297	187,249	5.9%
Subordinated bonds and loans	15,295	16,229	-5.8%
TOTAL LIABILITIES	**3,246,837**	**2,597,031**	**25.0%**
Share capital	28,000	28,000	0.0%
Retained earnings and reserves	291,736	224,677	29.8%
Result on ordinary business activities	67,181	41,216	63.0%
Treasury shares	-24,959	-25,472	-2.0%
TOTAL SHAREHOLDERS' EQUITY	**361,958**	**268,421**	**34.8%**
MINORITIES	445	463	-3.9%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,609,240**	**2,865,915**	**25.9%**

Consolidated, IFRS Statements of Operations (in HUF mn)

for the half year ended June 30, 2004 and 2003

	2004	2003	change
Interest Income:			
Loans	114,355	69,804	63.8%
Placements with other banks	20,733	11,123	86.4%
Due from banks and balances with the National Bank of Hungary	16,968	9,161	85.2%
Securities held-for-trading and available-for-sale	43,574	22,226	96.0%
Debt securities held-to-maturity	13,834	14,730	-6.1%
Total Interest Income	***209,464***	***127,044***	***64.9%***
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks	8,323	16,741	-50.3%
Deposits from customers	67,607	36,504	85.2%
Liabilities from issued securities	7,596	2,991	154.0%
Subordinated bonds and loans	437	419	4.3%
Other enterpreneurs	29	0	
Total Interest Expense	***83,992***	***56,655***	**48.3%**
NET INTEREST INCOME	**125,472**	**70,389**	**78.3%**
Provision for possible loan losses	8,472	3,048	178.0%
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	**117,000**	**67,341**	**73.7%**
Non-Interest Income:			
Fees and commissions	42,748	36,752	16.3%
Foreign exchange gains and losses, net	1,770	11,220	-84.2%
Gains and losses on securities, net	1,511	-2,888	-152.3%
Gains and losses on real estate transactions, net	526	328	60.4%
Dividend income	331	-41	-907.3%
Insurance premiums	25,172	28,362	-11.2%
Other	6,302	5,088	23.9%
Total Non-Interest Income	***78,360***	***78,821***	***-0.6%***
Non-Interest Expenses:			
Fees and commissions	11,462	8,043	42.5%
Personnel expenses	34,568	25,886	33.5%
Depreciation and amortization	14,210	9,111	56.0%
Insurance expenses	20,220	21,739	-7.0%
Other	35,269	30,481	15.7%
Total Non-Interest Expense	***115,729***	***95,260***	***21.5%***
INCOME BEFORE INCOME TAXES	**79,631**	**50,902**	**56.4%**
Income taxes	12,435	9,682	28.4%
INCOME AFTER INCOME TAXES	**67,196**	**41,220**	**63.0%**
Minorities	15	4	275.0%
NET INCOME	**67,181**	**41,216**	**63.0%**

MAJOR DIFFERENCES IN THE HAR AND IFRS NON AUDITED FINANCIAL REPORTS FOR THE HALF YEAR ENDED JUNE 30, 2004

CALCULATION OF THE CONSOLIDATED PRE-TAX PROFITS

(in HUF mn)

	HAR	IFRS	Difference
OTP Bank Ltd.	**68,214**	**71,388**	**3,174**
Merkantil Group	2,916	2,911	-5
OTP Building Society Ltd.	344	218	-126
OTP Mortgage Bank Ltd.	5,377	5,750	373
OTP Banka Slovensko, a. s.	347	582	235
DSK Group	5,660	5,995	335
OTP-Garancia Insurance Ltd.	1,590	1,587	-3
OTP Fund Management Ltd.	1,650	1,567	-83
HIF Ltd.	79	79	0
OTP Real Estate Ltd.	483	483	0
OTP Faktoring Ltd.	367	367	0
OTP Faktoring Asset Management Ltd.	4	4	0
Bank Center No I. Ltd.	82	82	0
OTP Fund Services Ltd.	81	81	0
OTP Mérleg Ltd.	36	36	0
Inga Ltd.-s	73	77	4
Concordia-Info Ltd.	46	46	0
I. Aggregated pre-tax profit	**87,349**	**91,253**	**3,904**
Difference from OTP Bank	*19,135*	*19,865*	
Equity consolidation	-167	0	167
Capital consolidation	-9,362	-12,648	-3,286
Filtering of intra-company relations	-933	-923	10
II. Total consolidation effect	**-10,462**	**-13,571**	**-3,109**
III. Filtering due to trading and available-for-sale mortgage bonds[4]	**--**	**1,949**	**1,949**
Consolidated pre-tax profits	**76,887**	**79,631**	**2,744**

[4] Fair valuation adjustment of mortgage bonds issued by OTP Mortgage Bank Ltd. and kept on the books of the parent bank, decreased the result in its individual IFRS report. With the filtering of the intra-company relations in the consolidated report the appreciation was wrote back as well. With the write back of the previous year's result increasing consolidation impact decreased the result by **HUF5,457 million**, and the filtering of the valuation for the current period increased the result with **HUF7,406 million**.

Difference in result: HUF+1,949 million

FOR FURTHER INFORMATION, PLEASE CONTACT:

OTP Bank Ltd.
Investor Relations
George Fenyo, Director

H-1051 Budapest, Nádor u. 16.
Phone: + 36 1 269 1693
Fax:+ 36 1 331 6312
e-mail: FenyoG@otpbank.hu
investor.relations@otpbank.hu
www.otpbank.hu