# OTP BANK LTD.

# DOCUMENTATION FOR THE COMPANY'S ANNUAL GENERAL MEETING

**(ENGLISH TRANSLATION)**

APRIL 29, 2005

## THE AGENDA OF THE GENERAL MEETING

1. Report presented by the Board of Directors concerning the Company's 2004 business activities; acceptance of the 2004 Financial Reports (non consolidated and consolidated) prepared according to HAR; decision on the distribution of after tax profits.

2. Report of the Supervisory Board concerning its activity in 2004 and the 2004 Financial Reports (non consolidated and consolidated) prepared according to HAR and on the proposal regarding the distribution of after tax profits.

3. Report of the Bank's auditor concerning the results of the audit of the 2004 Financial Reports (non consolidated and consolidated) prepared according to HAR.

4. Report of the Board of Directors on the Bank's Business Policy for 2005.

5. Election of the Company's auditor, approval of the appointment of official responsible for auditing, setting the remuneration.

6. Election of members of the Supervisory Board.

7. Establishing the remuneration of the members of the Board of Directors and Supervisory Board.

8. Modification of the rules of procedure of the Supervisory Board.

9. Approval of the management share options programme for the years from 2005 to 2009.

10. Modification of points 5.16, 13.7, 13.8 of the By-Laws. (The amendment of the By-Laws requires ¾th majority of votes.)

11. Authorization of the Board of Directors to the acquisition of own shares.

# THE 2004 BUSINESS REPORT OF THE BOARD OF DIRECTORS OF OTP BANK LTD.

## BASED ON NON-CONSOLIDATED AND CONSOLIDATED AUDITED HAR FINANCIAL STATEMENTS

## THE 2004 BUSINESS REPORT OF THE BOARD OF DIRECTORS OF OTP BANK LTD.

The National Savings and Commercial Bank Rt. (hereinafter: the Bank) closed an outstandingly successful year in 2004. By considerably increasing the intensity of its business activity and improving its profitability, it strengthened its position among the premier banks in the region.

As at 31 December 2004, the Bank's **consolidated balance sheet total was HUF 4,182.4 billion**, up by 19.4%, or HUF 679.8 billion, from a year earlier, and exceeding the parent company's balance sheet total by 37.4% compared to a year earlier.

The 2004 **consolidated after tax profit** of the Bank was **HUF 125.9 billion**, 51.6% higher than in the previous year and 20.1% higher than the after tax profit of the parent company in the year under review. The Bank's consolidated return on average assets (ROAA) and consolidated return on average equity (ROAE) in 2004 were 3.28% and 36.3% respectively (in 2003: 2.66% and 30.6%).

In terms of its non-consolidated profits, the parent company, the largest contributor to the consolidated balance sheet total and profits, can also look back with satisfaction on what was a highly successful year. The Bank's profitability and performance indicators further improved in 2004. This was attributable to a robust increase in non-interest income and total income, which grew by 32.2% and 28.1% respectively, and a significant improvement in the expense-to-income ratio. The dividend income of HUF 8.5 billion from its investments also contributed to the Bank's results in 2004. The Bank retained its leading position based on the absolute size of its profits, with its pre-tax earnings accounting for 37% of the banking sector's estimated aggregate total pre-tax profit. In terms of ROA and ROE, it is outstanding not only in Hungary, but in the region as a whole.

The Bank's excellent performance was reflected in the number of Hungarian and international awards it won, as well as in the favourable development of its share price. In 2004, several renowned international business and financial journals, such as *Global Finance*, *Euromoney* and *The Banker*, awarded OTP Bank the title of 'Best and Most Dynamically Growing Bank', with the Bank's outstanding financial performance and successful cross-border expansion among the reasons for their choice. *Emerging Markets* awarded OTP Bank the titles of 'Best Universal Bank', 'Best Trade Finance Bank' and 'Best Project Finance Bank' in the European Union. The US business journal *Forbes* added OTP Bank to its list of the top 400 large corporations representing the world's most attractive investment opportunities.

The price of OTP Bank's shares more than doubled in 2004, from HUF 2,675 at the end of 2003 to HUF 5,570 at the end of 2004, while the share index of the Budapest Stock Exchange, the BUX, rose by 57%, from 9,380 to 14,683 points during the same period. Over the past years, the price of OTP Bank's shares has been rising at a higher rate than that of other shares listed on the Budapest Stock Exchange. The price of OTP shares grew by a factor of almost 60 from the end of 1995 to the end of December 2004 (representing an average annual growth of 57%). By comparison, the BUX index rose close to 10-fold (representing an average annual growth of 29%) during the same period – due mainly, it should be added, to the performance of OTP Bank. As at the end of December 2004, the market value of the Bank had risen to HUF 1,560 billion, or EUR 6.3 billion, and thus, based on its market capitalisation, it has entered the ranks of the European blue chips.

## THE FINANCIAL PERFORMANCE OF OTP BANK LTD. IN 2004[1]

### CONSOLIDATED FINANCIAL PERFORMANCE

#### Consolidated balance sheet

As at 31 December 2004, the Bank's consolidated balance sheet total stood at HUF 4,182.4 billion, up 19.4%, or HUF 679.8 billion, from a year earlier, exceeding the Bank's year-end 2004 non-consolidated balance sheet total by 37.4%.

Primary **liability-side** factors behind the 2004 growth in the consolidated balance sheet total included a HUF 557.0 billion increase in liabilities and, within this, a rise of HUF 212.5 billion in liabilities towards customers and of HUF 128.3 billion in liabilities towards credit institutions, as well as a HUF 84.2 billion and a HUF 19.1 billion increase respectively in equity and provisions. Liabilities rose by 18.3% compared with a year earlier, and, within this, long-term liabilities saw the most pronounced increase, with the total of such liabilities exceeding the year-end 2003 figure by 71.7%. As a result, the share of short-term liabilities fell slightly in 2004, although they still accounted for 87.6% of total liabilities. Liabilities to customers accounted for over 80% of total liabilities, with a total volume of HUF 2,910.4 billion at the end of 2004. The volume of customer deposits rose by 7.8%, amounting to HUF 2,914.8 billion at year-end, with retail deposits making up more than 75% of this total. The share of corporate and municipality deposits was 18.5% and 6.4% respectively at the end of the year. The share of foreign subsidiaries in the consolidated deposit total was HUF 500 billion, or 17.2%, up by 3 percentage points on the year-end 2003 figure (HUF 384.7 billion, or 14.2%). Although liabilities from credit institutions more than doubled, to HUF 254.6 billion, their share within total liabilities was just 6.1%. Of the liabilities included in the consolidated balance sheet, provisions grew by HUF 19.1 billion, to HUF 135.3 billion. Equity rose by HUF 84.2 billion, or 27.6%, in the year under review, accounting for 9.3% of liabilities as of the end of 2004 (compared to 8.7% at the end of 2003).

The most significant change in the **assets** of the consolidated balance sheet is a 24.0%, or HUF 485.4 billion, increase in receivables from customers, as a result of which their share within total assets rose from 57.8% in 2003 to 60.0%. The share of retail loans within a HUF 2,583.4 billion portfolio of customer loans was 60.4%, with the volume of such loans amounting to HUF 1,559.7 billion. The HUF 927.1 billion in loans to the corporate sector accounted for 35.9% of the total portfolio, while loans granted to municipalities amounted to HUF 96.6 billion, accounting for 3.7% of the portfolio. Receivables from credit institutions grew by 24.7%, to HUF 314.7 billion, and liquid assets were up from HUF 276.5 billion at the end of 2003 to HUF 425.3 billion, representing a more than 1.5-fold increase. Government securities, having decreased by 13.0%, accounted for 13.1% of total assets at the end of 2004, with the volume of these securities amounting to HUF 548.9 billion. Of the government securities portfolio, 60% consisted of securities held for investment purposes.

The Bank's market share – measured on bank group level, i.e. taking into account the market share of its fully-owned Hungarian subsidiaries pursuing credit-institution activities – in the balance sheet total, total deposits and total loan portfolio of the Hungarian banking sector was 25.8%, 30,8% and 21.4% respectively at end-2004. The bank group managed over 30% of household savings, including mutual fund shares, but net of other non-credit institution securities.

#### Consolidated profit

The Bank's consolidated pre-tax profit for 2004 was HUF 151.4 billion, up 47.3% from a year earlier and 22.5% higher than the parent company's pre-tax profit for the year under review. This is attributable to the HUF 177.4 billion in operating profits, HUF 0.6 billion in dividend income, HUF 18.0 billion in provisions, impairment and loan losses, and HUF 8.6 billion in losses from goodwill

[1] Based on Hungarian Accounting Standards

write-offs. Compared to the base period, operating profit grew by 50.9% and provisioning and loan losses by 34.0% compared with a year earlier, while the loss arising from goodwill write-offs increased by HUF 6.6 billion.

The Group's net interest income was HUF 250.9 billion, up 41.7% from a year earlier. The increase in net interest income was the result of HUF 424.1 billion in interest income (representing an increase of 52.0%) and HUF 173.2 billion in interest expenses (representing an increase of 69.8%). Non-interest income increased by 13.0%, to HUF 149.5 billion. Within non-interest income, income from securities and foreign-exchange trading grew the most notably, with net gains on stock-exchange prices and net exchange-rate gains up by HUF 9.4 billion and HUF 7.0 billion respectively, and profit on real estate sales increasing by 22.1%. By contrast, income from insurance premiums and other non-interest income fell (by 9.3% and 24.6% respectively). Thus, the Group's total revenues grew from HUF 309.4 billion to HUF 400.4 billion, representing a 29.4% increase, of which non-interest income accounted for 37.3%. The Group's non-interest expenses, which grew at a considerably lower rate than did income, rose by 16.2%. As a result, the group level expense-to-income ratio improved significantly, by 630 basis points, from 62.0% to 55.7%.

Partly owing to the fact that actual tax rates were lower in 2004 (16.8%) than in 2003 (19.3%), the Bank's **consolidated after-tax profit amounted to HUF 125.9 billion**, up by HUF 42.9 billion, or 51.6%, from 2003.

In 2004, **undiluted consolidated earnings per share[2] (EPS)** were HUF 483, while the diluted[3] figure was HUF 450, up by 50.2% and 51.6% from a year earlier.

In 2004, the Bank's consolidated return on average assets **(ROAA)** and consolidated return on average equity **(ROAE)** in 2004 were **3.28%** and **36.3%** respectively (2003: 2.66% and 30.6%). Return on real equity[4] was 29.5%, compared to 25.9% in 2003.

## NON-CONSOLIDATED FINANCIAL RESULTS OF OTP BANK LTD.

### BALANCE SHEET

OTP remains the largest bank in the Hungarian banking sector: its **balance sheet tota**l of HUF 3,044.8 billion represents 19.4% of the total assets of the banking sector. The HUF 286 billion, or 10.4%, growth in the Bank's balance sheet during 2004 represents significant, 4.9%, growth in real terms (Dec./Dec. inflation: 5.5%), but is lower than the Hungarian bank sector average (15.9%). At the end of 2004, the Bank had a 29.5% share of the total deposits of the bank sector, and a 13.1% share of total loans.

The major share of the Bank's **funding sources** continued to be customer deposits, which accounted for 76.2% of the Bank's total liabilities as at year-end 2004. Total customer deposits exceeded HUF 2,318.5 billion, surpassing the previous year's figure by HUF 83.7 billion, or by 3.7%. Forint deposits, which grew at a pace that outstripped the growth of total customer funding sources, accounted for 88.4% of customer deposits at year-end (end of the previous year: 87.5%). As a result of the more favourable interest paid on forint savings, the total of foreign currency deposits decreased from HUF 279.3 billion to HUF 269.8 billion, and thus the their share within the Bank's customer liabilities fell to 11.6%. The distribution of customer deposits by customer group changed slightly. Owing to a volume drop of 0.1%, the share of corporate deposits within total customer deposits fell from 18.9% in 2003 to 18.2%. Retail deposits grew 4.9% and accounted for 75.0% of total customer deposits (in

[2] The method for calculating undiluted earnings per share: adjusted after-tax profit/ (ordinary shares - own shares)
[3] Calculation method: (adjusted after-tax profit + preference dividend)/ (ordinary shares + preference shares).
[4] Calculation method: ROAE – inflation (%)

2003: 74.1%). Owing to a below-average volume increase of 1.6%, the share of municipality deposits decreased slightly, from 7.0% to 6.9%.

Increasing from HUF 112.8 billion to HUF 203.9 billion, interbank liabilities accounted for 6.7% of the Bank's overall liabilities at year-end 2004.

Within the Bank's total liabilities, the volume of provisions increased from HUF 26.8 billion at year-end 2003 to HUF 32.6 billion in 2004. In compliance with the provisions of the Credit Institutions Act, by 31 December 2004 the Bank had fully completed the accumulation of the general risk reserve of HUF 21.6 billion, which represents an increase of 26.5% over the previous year. The portfolio of provisions generated for contingent and future liabilities grew by 23.4%, to HUF 9.0 billion. The total of other provisions fell by HUF 0.4 billion in the course of the year, amounting to HUF 2.0 billion at year-end 2004. Of this amount, HUF 0.7 billion was set aside for early retirement and severance payments.

In 2004, due to a volume increase of HUF 183.8 billion, or 16.9%, the **proportion of loans to customers within the Bank's total assets** reached 41.8%. Within customer lending, the volume of loan placements to municipalities increased at an above-average rate, by 19.9%, amounting to HUF 94.6 billion at year-end. The volume of retail loans increased by HUF 53.1 billion, amounting to HUF 371.3 billion at the end of the year, which represents a 16.7% growth over the previous year. Within retail loans, the volume of housing loans fell by 7.2%, to HUF 170.4 billion, due to the sale to the Mortgage Bank of already disbursed loans. By contrast, the volume of consumer loans grew by nearly 50%, to HUF 200.9 billion. Loans to the corporate sector grew by 16.6%, to stand at HUF 806.3 billion on 31 December 2004. The composition lf business loans did not change significantly during the year. Within total customer placements, the share of corporate loans was 63.4%, while the same figure for retail loans and municipality loans was 29.2% and 7.4% respectively at year-end 2004.

**Receivables from banks** represented 6.2% of the Bank's total assets as at year-end 2004, having increased in volume by 13.7%, or HUF 188.0 billion over the year.

Compared with the previous year, the share of **government securities** within the Bank's portfolio decreased considerably (from 14.6% to 9.7%). On 31 December 2004, this portfolio amounted to HUF 294.8 billion – HUF 107.7 billion, or 26.8%, less than in the previous year. No significant change occurred in the composition of the government securities portfolio. The stock of investment securities decreased by nearly HUF 59 billion, or 22.0%, and consequently, as at year-end 2004 the value of trading securities was HUF 208.6 billion, representing 70.8% of the total government securities portfolio (year-end 2003: 66.5%). The total value of trading securities dropped by 36.2%, or HUF 48.8 billion, and the share of this type of security within the total government securities portfolio was 29.2% at the end of the year (2003: 33.5%). The balance of mortgage bonds issued by OTP Mortgage Bank, at more favourable yields than those on government securities, increased, reaching a volume of HUF 518.8 billion and representing 17.0% of total assets as at year-end 2004. **Liquid assets** grew by HUF 146.4 billion, amounting to HUF 399.4 billion at the end of December 2004, which represented 13.1% of total assets.

## PROFIT

The Bank's **pre-tax profit** for 2003 was HUF **123.5** billion, which was HUF 36.8 billion, or 42.5%, higher than in 2003. This pre-tax profit results from HUF 136.0 billion in operating profits, and from the combined amount of HUF 8.5 billion in dividend income, HUF 13.4 billion in provisions, impairment and lending loss, as well as HUF 7.7 billion in losses from goodwill write-offs. Compared to the base period, operating profit increased by HUF 42.5 billion, or 45.5%, whereas provisioning, impairment and lending loss did not change significantly (up 0.7%). The dividend income from the Bank's investments rose from HUF 7.7 billion in the previous year to HUF 8.5 billion. Goodwill write-offs (OBS, DSK) amounted to HUF -7.7 billion in 2004, compared to HUF -1.3 billion in 2003.

Helped by a fall in the tax rate compared to 2003 (from 17.5% to 15.1%), the Bank's **after-tax profit** was HUF 104.8 billion, representing a HUF 33.3 billion, or 46.5%, increase over the previous year.

After setting aside HUF 10.5 billion for general risk provisions and generating a dividend reserve equal to 146% of the nominal value of all shares outstanding (HUF 41.2 billion), **the balance sheet profit** of OTP Bank for the year 2004 amounted to HUF 53.1 billion.

**Undiluted earnings per share (EPS)**[5] in 2004 were HUF 391, while the diluted[6] figure was HUF 374, respectively 45.1% and 46.5% higher than in 2003.

The Bank's return on average assets **(ROAA)** in 2004 was **3.61%,** while the return on average equity (**ROAE**) was **35.7%** (in 2003: 2.78% and 30.6% respectively). The inflation-adjusted ROAE[7] amounted to 29.0%, in contrast to 25.9% in 2003. Both the ROAA and the inflation-adjusted ROAE are in line with the Bank's targets.

The Bank's **net interest income** amounted to HUF 148.0 billion in 2004, representing a rise of 25.2% over the previous year. The increase in net interest income – achieved in a year characterised by considerable interest rate volatility – originates from an interest revenue figure of HUF 288.2 billion (a 40.1% increase over the previous year) and an interest expense figure of HUF 140.2 billion (a 60.3% increase).

In the year 2004 the interest difference (i.e. the interest margin) calculated on the average of total assets (HUF 2,785.4 billion) was 5.31%, or 68 basis points, higher than in 2003.

**Interest income** from interbank placements grew by 91.7% – while the income from swap deals increased by HUF 16.8 billion – owing to a 1.1% growth in the average value of interbank placements and the increase of the interbank interest rate. As a consequence, the ratio of interbank interest income within total interest income rose from 14.3% to 19.5%. Due to the 7.7% increase in the average volume of retail deposits and the significant interest margin reduction of an annual average of 318 basis points, the net interest income realised on retail accounts fell by 29.4%, to 22.0% of total interest income. As a result of the dynamic, over 17.4%, growth in corporate lending, and an interest margin increase of 106 basis points, the net interest income realised on these accounts grew by 34.6%, giving it a share of 21.1% within the total of interest income. Net interest income from municipal lending grew by HUF 3.3 billion to HUF 13.5 billion over the course of the year. Compared to 2003, the interest earned from securities increased by 28.4%, or over HUF 18 billion, due to the 11.3% growth of the average portfolio size and a 340-basis point increase in the average yield. Interest on securities accounted for 28.5% of total interest income. In 2004, the yields on total average interest-bearing assets in forint and foreign currency reached 11.63%, which is 254 basis points higher than in 2003.

With the exception of own-issued securities, **interest expenses** increased significantly in all the account groups. Interest paid on interbank accounts increased by HUF 8.7 billion, or 77.2%, over the previous year, which was, besides a significant growth of the average portfolio, due to the higher losses recorded here owing to the increased volume of swap deals (HUF 7.4 billion). The greatest increase was shown by the interest paid on municipality and retail accounts (75.3% and 61.6% respectively). Interest paid on corporate accounts increased by 41.6%. The share of interest paid on retail accounts within the total of interest expense was 63.2%, which is in harmony with the Bank's funding structure. In 2004, the cost of funds calculated on average interest-bearing forint and foreign currency funding amounted to 5.96%, or 197 basis points more than the 2003 figure. The interest margin calculated on total interest-bearing assets and liabilities was 5.68% in 2004, or 57 basis points higher than in 2003.

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[5] The method for calculating undiluted earnings per share: adjusted after-tax profit/ (ordinary shares - own shares)
[6] Calculation method: (adjusted after-tax profit + preference dividend)/ (ordinary shares + preference shares)
[7] Calculation method: ROAE – inflation (%)

**In 2004 the Bank's non-interest income increased by 32.2%, reaching HUF 113.1 billion.** The share of non-interest income within total income rose from 42.0% to 43.3%. Of the various types of non-interest income, **net commission and fee income increased by 22.1%,** from HUF 85.1 billion in 2003 to HUF 103.9 billion in 2004. Compared to 2003, commissions and fees received rose by 18.3%, while commissions and fees paid fell by 11.2% over the previous year. Owing to the dynamic growth in lending activities, commission revenues on loans showed a particularly high increase, of 36.6%. The high rate of growth in corporate lending also led to a rise in commission revenues on forint and foreign-currency loans, while the growth in "Forrás" ("Liability") Loans (provided from the Bank's own funds or through a consortium), as well as in agency fees related to the handover of loans sold on behalf of OTP Mortgage Bank, fees related to repurchase obligations and other commission fees received from the Mortgage Bank, was considerable. Of the Bank's commission revenues, mortgage lending accounts for HUF 40.9 billion, HUF 37.4 billion of which was received from the Mortgage Bank (in 2003: HUF 25.1 billion). Within commission revenues, card fee revenues increased significantly, by 26.4%, to exceed HUF 27.2 billion. The nearly HUF 6 billion increase in card fee revenues primarily originated from ATM cash withdrawal transaction fees and – due to an increase in the number of purchases made using bankcards – from merchants' commission revenues. Commission revenues on retail current accounts increased by 13.6% during 2004. Commission revenue related to deposits increased by 10.5%, to HUF 5.9 billion, while commissions on current accounts were up by 3.8%. Commission revenue from securities trading was 3.8% down on the previous year's figure, dropping to HUF 7.5 billion, primarily owing to the decrease in custody fees and arrangement-fee income related to securities issuing. The **net result of securities trading** showed a profit of HUF 3.0 billion, compared to a loss of HUF 0.9 billion in 2003. The net exchange rate gain from **FX trading** was HUF 4.5 billion in 2004, against a net loss of HUF 1.4 billion in 2003. Other non-interest revenues decreased by HUF 1.1 billion, to HUF 1.8 billion.

The Bank's **total income** in 2004 amounted to HUF 261.1 billion, which represents an increase of 28.1% compared with 2003.

In 2004 the Bank's **non-interest expenses** increased by 13.5%, reaching HUF 125.1 billion. Due to various development projects, this cost increase exceeded the rate of inflation, but remained well below the rate of revenue increase. **Personnel expenses** were 19.3% higher in 2003 than in the previous year. In 2004 the Bank's personnel expenses absorbed less of its total income, that is, 20.0%, compared to 22.5% in 2003. At the end of 2004, the Bank's total **headcount** was 7,777, i.e. 203, or 2.5% less than a year previously. The average headcount for the period decreased by 350 persons, or 4.1%.

**Depreciation** amounted to HUF 9.6 billion, while the ratio of depreciation to total income was 3.7%, compared to 4.9% a year earlier. Other non-interest expenses were 11.7% higher than in 2003.

As a result of the 28.1% rise in total income and a 13.5% increase in non-interest income, the Bank's **cost/income ratio** improved by 6.2 percentage points from 54.1% to 47.9%.

The **quality of the Bank's receivables** deteriorated slightly in comparison to the previous year. As of 31 December 2004, qualified loans accounted for 4.8% of total outstanding loans, whereas the same figure for year-end 2003 was 4.4%. However, the distribution of qualified loans by the various categories of qualification changed significantly during 2004. While there was a substantial increase in the "to be monitored" and "bad" category (156.1% and 17.0% respectively), the volume of receivables in the "below average" and "doubtful" categories decreased significantly (24.3% and 18.1% respectively). Non performing loans decreased by 14.6% and were 2.4% of total receivables.

While in 2004 total receivables grew by 17.3% (within which customer receivables increased by 17.9%), the volume of qualified receivables (all of which were due from customers in 2004) increased by 28.3%. Within the total of receivables, the share of the qualified customer receivables portfolio grew from 5.0% to 5.5%, while no receivables due from banks presented any problems. Within customer receivables, the share of the qualified portfolio within the retail business increased from 3.6% in 2003 to 4.8% in 2004, while in the corporate division the same figure was up from 6.4% to 6.6%. The share of receivables within the municipalities division continued to be of excellent quality.

On the qualified portfolio of HUF 71.6 billion, the Bank set aside a loan risk provision of HUF 20.8 billion, which represents a coverage ratio of 29.0%.

The share of corporate loans within the total of qualified loans was 74.7%, while the share of retail loans was 25.2%. Of total impairment and risk reserve, 58.7% was generated in the corporate division and 41.2% in the retail division. The quality of municipality loans remains excellent. In this business area, qualified loans accounted for less than 0.1% of the total loan portfolio.

The impairment, risk reserves and lending losses recorded in relation to the Bank's customer receivables represented a charge of HUF 7.9 billion to the profit and loss account in 2004, which is equivalent to 0.67% of the average loan portfolio for the year, an improvement on the 2003 level (0.78%). The Bank also set aside, in accordance with the provisions of the Credit Institutions Act, a general risk reserve (HUF 4.5 billion). Provisions generated for non-hedge forward transactions (without option deals) increased by HUF 395 million, and from the provisions set aside for early retirement and severance payments, HUF 806 million, while from other provisions HUF 80 million was released.

As of 31 December 2004, the **equity** of OTP Bank amounted to HUF 325.0 billion, representing a growth of 24.1% year on year. The HUF 63.2 billion increase is the net result of the HUF 10.5 billion growth in the general reserves, the HUF 46.9 billion increase in the profit reserve, the HUF 0.3 billion growth in committed reserves and the balance sheet profit of HUF 53.1 billion. Equity per share, with a nominal value per share of HUF 100, was HUF 1,160.6.

As of year-end 2004, the balance of repurchased own shares was HUF 13.8 billion, down by HUF 0.5 billion from the end of the previous year.

The **regulatory capital** of the Bank on 31 December 2004 was HUF 193.0 billion, risk weighted assets were HUF 1,725.7 billion.

As of 31 December 2004, the **solvency ratio** calculated according to Hungarian regulations was 11.19%, which is well in excess of the 8% required by the Credit Institutions Act.

## RESULTS AT INSTITUTIONAL AND DIVISIONAL LEVEL

### MAIN DEVELOPMENTS IN 2004

In 2003 the Bank continued to implement large-scale capital projects aimed at strengthening its competitiveness, rationalising and streamlining operations, cutting costs and improving the quality of services.

In the second phase of the Back-Office Rationalisation Project, the process of developing background operations, begun in 2003 by centralising loans account-management at a central back-office department, continued. During the course of the year a number of tasks were assigned to the new back-office centre, including responsibility for handling multiple direct debit orders and managing credit-limit breaches, while important advances were made in terms of automating the dispatching of various transaction certificates.

2004 saw the launch, as well as the completion, of the *START* project, which was aimed at identifying branch sales opportunities and motivating staff to take advantage of them. Building on the existing product range and infrastructure, the Bank set the objective of increasing the number of products sold by as great an extent as possible, and of strengthening sales while at the same time reinforcing a customer-oriented attitude. In order to more effectively support branch sales and improve active customer acquisition, daily internal-information updates and a new performance-measurement system were introduced, and the branch managers and officers are from now on to be assisted in their work by sales consultants. At the end of 2004, the development of a new incentive system for network staff began.

Also in 2004, the development of the *Transaction Data Warehouse (TDW)* system, used to support product development and sales, continued. After completion of the major technical developments, the emphasis in 2004 was on the cleaning and expansion of the data-content of the warehouse, the inputting of data from new systems, and the enhancement of reports. From 2004 the data warehouse has been assisting analyst-users in their work, and has helped considerably in the development of the Mini CRM project. The Mini CRM system, the purpose of which is to support sales through product offers adapted to the specific needs of customers, is currently being applied successfully in most of the branches. The expansion of the data-content of the data warehouse may in the near future be extended to include information from the subsidiaries.

The purpose of the Back-Office Rationalisation, the START, the Network-Optimisation and the Branch Management projects has been to improve service levels, shorten queuing time, and ensure a better exploitation of the business potential inherent in cross selling. The operation of these projects in the 100 largest branches has brought about significant changes, even in 2004, and in the course of 2005 the branch-management methods will be introduced in the Bank's other branches.

In 2004 the introduction of the SAP system continued according to plan, with the purpose of the project being to modernise the Bank's management and managerial-decision support systems, to improve the quality of information generation and processing, and to rationalise and centralise financial processes and ensure strict cost control. Phase II of the SAP Project was completed in 2004, and all the SAP modules are currently in use. During the year, checks were conducted to ensure that the various modules were operating correctly, and based on feedback, the necessary modifications were made. Part of the SAP Project is that the system should also be introduced at the subsidiaries, and accordingly, it has begun to be installed at OBS.

In 2004, OTP Bank continued with the refurbishment and upgrading of its branches, spending 70-76% more on branch investments and the related equipment procurements than it had in 2003. Of the various IT projects and enhancements in 2004, the most notable were the development of the card and ATM systems, the improvement of the transaction data warehouse, the further development of the UNISYS and the SAP system, and, for sheer size and scope, the branch-related equipment procurements.

### RETAIL DIVISION

OTP Bank continues to be the largest participant in Hungary's retail banking market. Based on the combined balance sheet total of financial institutions, at year-end 2004 the Bank had a market share of 33.3% in household forint deposits (in 2003: 35.8%), 36.0% in foreign-currency deposits (in 2003: 35.9%), and 13.0% in household loans (in 2003: 14.2%).

#### Retail deposits

By year-end 2004, the volume of retail deposits managed by the Bank had reached HUF 1,737.8 billion, representing a 4.9% increase over the previous year's figure.

Within retail deposits, forint deposits increased by 6.8%, or HUF 95.9 billion, to HUF 1,506.0 billion in 2004. The proportion of retail current account deposits – a key product line – within forint deposits was 75.1% (in 2003: 70.6%). Following an 11.2% fall over the year, the total balance of passbook deposits amounted to HUF 339.8 billion as at 31 December 2004, representing a 22.5% share within forint deposits. The volume of fixed-term deposits with a maturity of less than 1 year was HUF 236.8 billion, which represents a fall of 9.5%.

The volume of foreign currency deposits fell by 5.9%, or HUF 14.5 billion, to HUF 231.7 billion, accounting for a modest 13.3% of retail deposits as at year-end 2004 (in 2003: 14.9%). Although the decline in the volume of foreign currency deposits slowed significantly in 2004, it did not stop. The reduction was mainly due to the favourable interest rates on retail forint deposits and to a strengthening of the forint exchange rate.

**Retail loans**

At the end of December 2004, the volume of housing loans provided by the Bank was HUF 371.3 billion, 16.7% higher than at year-end 2003, which can be attributed to a close to 50% rise in consumer loans. Similarly to 2003, the volume of housing loans decreased, as the overwhelming majority of the loans extended by the Bank were transferred to OTP Mortgage Bank.

The latest change to the subsidised housing-loan scheme triggered an upsurge in demand for loans in December 2003, with the majority of the loans extended under this scheme being disbursed by the banks, OTP included, in the first quarter of 2004. After this, the demand for housing loans fell significantly nationwide, which also affected the Bank, and the market was then characterised by a predominant demand for foreign-currency-based housing loans. Consequently, in the middle of 2004, OTP Bank joined its competitors in offering EUR and CHF-based housing-loan products.

By year-end 2004, the volume of housing loans in OTP Bank's balance sheet had decreased by 7.2%, to HUF 170.4 billion, giving the Bank a 9.0% market share of the housing-loans market. The volume of the nearly 62,000 syndicated housing loans transferred to OTP Mortgage Bank was HUF 210.2 billion, down by 52.9% on a year earlier. The total market share held by OTP bank group – including the loans provided by OTP Mortgage Bank and OTP Building Society – was 49.7%.

In 2004 the volume of consumer loans provided by the Bank increased by 49.2%, to HUF 200.9 billion, exceeding the rate of growth of the market as a whole by 16.6 percentage points. Thus, the Bank's market share rose to 26.8% by the end of 2004.

The portfolio of personal loans, introduced in the previous year, reached HUF 78.3 billion by the end of 2004, gradually replacing the "*B*-" and "*C-Hitel*" overdraft facilities, the volume of which fell steadily throughout the year, by 27.0% to HUF 50.8 billion.

The volume of "*A-Hitel"* overdraft facilities on retail current accounts, improved and relaunched in 2003, grew dynamically, by 52.6%, amounting to HUF 31.5 as at 31 December 2004. Owing to the high HUF interest rates, the volume of mortgage-backed loans decreased by 33.1% against the previous year, to HUF 20.9 billion at year-end 2004.

The volume of durable-goods loans was HUF 7.1 billion and that of loans associated with the Bank's 52,000 credit cards was approximately HUF 4.8 billion as at 31 December 2004.

### INVESTMENT SERVICES

#### Securities trading and securities account management

Overall, the investment market was still recovering from the impact of adverse changes to the macroeconomic environment in 2003. The June, and especially the November, increases in the central bank base rate, and the abolition of tax credit on investments, caused the volume of investment funds, especially bond and money market funds, to plummet. In 2004, following a frenzy of capital withdrawal of over HUF 150 billion early on in the year owing to year-end changes to the central bank base rate, the combined portfolio of the OTP Funds began to grow dynamically again, and by the end of the year, had effectively returned to the end-2003 value.

The Bank launched what was a unique product in the retail market – mortgage bonds with maturities of 1 and 3 years issued specifically for private individuals, as well as a similarly unique product in the domestic savings market – 10-year “OTP Járadék” annuity bonds, and in addition, it began offering foreign-equities trading via the Xetra Dax to its private banking clients.

The market value of the investment portfolio managed by the Bank exceeded HUF 1,525 billion as at year-end 2004, which represents an increase of 36%. Commission revenues on securities trading were up by 14.6%, amounting to 6.5 billion.

#### Private Banking

The in 2003 renewed private banking service of the Bank met the requirements of the customers, which is reflected in the significantly growing customer base. By the end of 2004 around 9,600 customers used the Bank’s private banking services. The average assets per private banking customer reached HUF 25.2 million in 2004, representing an increase of 23% over 2003. The closing volume of the private banking portfolio on 31 December 2004 was HUF 241.8 billion, representing an increase of 42%, or HUF 71.6 billion over the one-year period.

Based on competitor analyses prepared during the course of the year as well as NBH statistics and other, independent, reports, it can be estimated that in a domestic private banking market thought to consist of around 25,000 clients and HUF 700 billion in assets, the Bank has a market share in terms of customer numbers of 36-38% and a share of some 33-34% of total assets under management.

Net interest and non-interest revenue realised in the private banking and key private-banking segment grew by some 50% in 2004, exceeding HUF 3 billion.

### BANKCARD BUSINESS

At year-end 2004, the number of bankcards issued by the Bank was 3,641,000, a 3.4% increase over the previous year’s figure (3,522,000).

At year-end 2004, the number of forint-based bankcards issued in the retail sector was close to 3,530,000, representing a rise of 3.1% compared to the 3,423,000 cards at year-end 2003. Within this, the number of the conventional debit cards issued to current-account holders was 2,865,000, the number of Multipont cards was 274,000 and the combined number of cards associated with “B-Hitel” and “C-Hitel” overdraft facilities was 227,000 at year-end 2004. The number of conventional credit cards, launched in the final months of 2003, was close to 28,000 at year-end 2004. Among the products that the Bank has been distributing for longer, the highest growth, over 30%, was achieved with regard to the Multipont and “Arany” (Gold) debit cards. In 2004 the Bank further expanded its credit-card portfolio, and now targets virtually every segment of the consumer market. By the end of the year, a total of 232 “Arany” (Gold) credit cards had been issued to customers at their request since the product's launch in June 2004, and since their introduction in November, 251 MC Multipont credit cards had been distributed, while a total of 23,000 "Komfort" credit cards, issued in July, had been requested. In 2004 the Bank further enhanced the quality of customer service by introducing and extending its account and card-monitoring service.

At year-end 2004, the number of business cards was close to 103,000, representing an increase of 11.7% (or 12,000). The great majority of these (a total of 78,000) were domestic corporate and business cards. Széchenyi Cards continued to be a great success, with their number more than doubling by the end of 2004, to nearly 7,000.

The number of foreign-currency-based cards issued by the Bank increased by 30.5% over the year, to nearly 9,000.

By year-end 2004, the number of OTP-operated ATMs had increased to 1,400, from 1,305 in the previous year. In 2004 the number of transactions carried out using ATMs owned by OTP was 75.2 million, and the total volume of these transactions was HUF 2,028 billion. The number of ATM transactions carried out using cards issued by the Bank was 70.7 million, with a total volume of HUF 1,855.7 billion. Compared to the previous year, the number of transactions increased by 4.1% and 1.6%, and turnover rose by 11.3% and 9.3%, respectively on the acceptor and issuer side.

As at 31 December 2004, the number of POS terminals was 21,744, representing an increase of 1,292 compared to the previous year. The Bank operated 2,990 of these terminals at its own branches, 13,812 at commercial outlets and 4,942 at post offices. The number of POS terminals at commercial outlets grew by 9.3%. In 2004, the number of transactions made using OTP Bank's own POS network was 51.9 million, with a volume of HUF 433 billion, which represents a 22% rise in the number of transactions and a 23% increase in turnover. On the issuer side, both the number of transactions and turnover increased by 22% compared to 2003. Thus, the 42.5 million transactions carried out by OTP Bank's customers resulted in a turnover of HUF 316 billion.

### ELECTRONIC SERVICES

The Bank retained its market-leading position with respect to all electronic banking channels (estimated market share: 74% in internet services, 43% in mobile banking and 41% in telephone banking services). The number of customers with a contract for the use of the Bank's electronic channels increased sharply in 2003.
Some 613,000 customers made over 1 million phone calls to the telephone held desk over the year. The 312,000 users of internet banking services initiated nearly 6 million transactions online, while 270,000 customers used mobile phone-based services.

During the course of 2004 a uniform contract record-keeping system related to customers that use the electronic channels was introduced, which has enabled records to be kept on individual customers and all information about customers' use of electronic services to be accessed. The range of electronic services was expanded further in 2004. It is now possible, using the Bank's internet services, to access account statements and to top up prepaid cards online. At the same time, the "Mobil Aláírás" (Mobile Signature) function was introduced, and the range of mobile-phone-based services was extended to include the "Beszedés Kontroll" (Direct Debit Control) service.

### COMMERCIAL BANKING DIVISION

### Corporate Division

The Bank's corporate division was again among the market leaders in 2004. The volume of deposits from corporate clients accounted for 13.2% of the national total as at 31 December 2003, and the corporate loan portfolio, 12.1%.

At HUF 421.1 billion, total **corporate deposits** stood at the same volume on 31 December 2004 as they had in December 2003. Of the deposit total, 46% was made up of the deposits of incorporated business entities, which represented an increase of 23.9% over the course of one year. Foreign-currency deposits of incorporated business entities nearly doubled in 2004, growing to HUF 20.0 billion.

The volume of deposits held by small enterprises fell by 20.1% over 2004, to HUF 39.6 billion, and that of sole traders by 7.2%, to HUF 21.8 billion.

The **corporate loan portfolio** grew by 16.6%, to HUF 806.3 billion, more than half of which was accounted for by the foreign-currency loan portfolio, which expanded by nearly 40% over the year.

The loan portfolio of non-financial enterprises grew by 9.2%, to HUF 596.9 billion, while the foreign-currency loans of this customer group rose by 28.4%, to HUF 267.8 billion. The portfolio of small-enterprise loans more than doubled, to HUF 24.4 billion, with the volume of foreign currency loans extended to them rising more than six-fold. Loans held by sole traders grew by 25.7%, to HUF 14.0 billion.

At the end of 2004 the largest single portion of the loan portfolio, 18.0%, consisted of loans extended to the real estate and business services sector. 15.9% went to electricity, gas, heat and water supply companies, 14.7% to enterprises engaged in trade, 12.9% to manufacturing entities, and 9.6% to transport, warehousing, postal and telecommunications companies. The agricultural sector accounted for 4.5% of the total loan portfolio.

Over the year, it was loans to enterprises in the electricity, gas, heat and water supply sector that grew by the greatest extent, HUF 22.7 billion, although a substantial growth (of HUF 16.0%) also occurred in the volume of loans to the trading sector.

In 2004 the Bank continued to steadily develop and enhance its commercial banking services, paying particular attention to its SME customer base, and to the change in financing regulations brought about by EU accession. During the course of the year, the corporate customer terminal was improved and expanded to include new services, and the prefinancing of approved bids for EU funding was introduced for corporate clients.

**Municipality Division**

The Bank again succeeded in retaining its leading role in municipality banking in 2004. Its client base grew by more than 77.1% over the year, with a total of 2,456 municipalities, including the institutions that they finance, choosing to keep their current accounts with OTP Bank.

At the end of 2004, the volume of deposits held by municipalities was HUF 159.7 billion, which was 1.6% more than at the end of 2003. With regard to the deposit total, as a result of strenuous efforts on the part of competitors to acquire market share, the Bank's share of the market fell from 74.9% to 66.2%. At the same time, the Bank's portfolio of municipality loans grew steadily from the end of 2003 – by 19.9% – to HUF 94.6 billion, bringing its share of this segment of the loans market to 52.0%.
The number of those among the municipalities and their institutions using the Bank's customer terminals rose continuously over the year (from 3,972 in 2003 to 4,581 at the end of 2004), while the number of municipality customers using the Small Treasury and the Cash Management systems also grew.

### Treasury and Structured Finance

With respect to treasury's principal activity, liquidity management, a notable shift in focus occurred in 2004: the previous main task had been the placement of surplus forint liquidity, whereas in 2004 the management of the lack of foreign-currency funds came to the fore, as a result of the substantial increase in foreign currency lending in both the retail and the corporate division. It was treasury that assured the availability of some 39% of foreign-currency sources at the Bank's disposal during the year through foreign funds (e.g. syndicated loans, bilateral loans, HUF-FX swaps).

In 2004 the average value of the Bank's portfolio of securities held for investment purposes was HUF 321 billion. The portfolio of securities held for trading amounted to an average of HUF 28 billion, and the Bank realised a gain of HUF 2.7 billion on its securities trading operations.

Net commission revenue on capital-market transactions was HUF 741 million in 2004, compared to the HUF 1,700 million achieved in 2003. The fall was due to the decrease in arrangement-fee revenue originating from the sharp drop in mortgage-bond issues, as well as the growth in commission expense stemming from the significant rise in fund-raising.

Among the division's successful projects were the setting up of a EUR 1 billion EMTN (Euro Medium-Term Note) program for OTP Mortgage Bank, of which EUR 200 million was issued in December 2004, as well as corporate acquisition advice provided to EVN (one of the largest Austrian energy service providers) in relation to the privatisation of the Bulgarian energy sector.

Again in 2004, the Bank retained its market-leading position in the Hungarian syndicated lending market, participating in a total of 21 loan transactions during the year.

### Project Finance

In the area of project finance, the growth in the financing of power plants continued in 2004, with this sector accounting for 27% of the outstanding loan portfolio, which represents a growth of 33% compared to 2003.

The division's total portfolio stood at HUF 176.3 billion at the close of 2004. Among the more significant transactions of the year were the refinancing of Budapest Power Plant, Toptorony Rt. and the Mammut Shopping and Leisure Centre. In addition to these and other domestic transactions, the Bank also arranged a number of highly important foreign deals, and was involved in most of the Bulgarian privatisation transactions.

## EQUITY PARTICIPATIONS

The gross book value of OTP Bank's share in various companies grew from HUF 106.8 billion to HUF 115.4 billion in 2004. The value of the investments of the bank group, which account for the largest share of the Bank's strategic investments, stood at HUF 114.2 billion on 31 December 2004.

International expansion has been afforded considerable emphasis in OTP Bank's medium-term strategy, in the interests of increasing shareholder value, retaining the Bank's profitability over the medium term, and improving its regional position. In 2004 the Bank purchased the Romanian RoBank, which from mid-2005 is expected to continue its operations under the name OTP Bank Romania, and the acquisition of the Croatian Nova Banka also began, with the transaction having been successfully concluded in March 2005.

## RESULTS OF THE MAIN SUBSIDIARIES

The operations of the subsidiaries in 2004 were essentially in line with the Bank's requirements and with the owners' expectations. The combined, fully consolidated balance sheet of the subsidiaries rose from HUF 1,550 billion to HUF 2,010 billion, or by 29.7% (of which the balance sheet of RoBank, purchased in 2004, was HUF 44.6 billion).

In 2004 the fully consolidated total pre-tax profit of the subsidiaries was HUF 39.4 billion, which is HUF 14.2 billion, or 56.4%, higher than that of 2003.

### OTP Mortgage Bank Ltd.

As a result of the tightening of the housing-support scheme in 2003, the pace of growth in housing loans fell in 2004, and thus the volume of state-subsidised housing loans placed within the OTP Bank network was lower than that of previous years. During the course of 2004 some HUF 214 billion in housing loans were granted, which was less than in the previous year. Thus, by the end of 2004, OTP Mortgage Bank's housing-loan portfolio had topped HUF 770 billion (compared to HUF 605 billion at the end of 2003). The liability outstanding due to issued mortgage bonds had grown by HUF 190.5 billion by the end of 2004, to HUF 789.5 billion. In terms of loans and mortgage bonds, the Company continued to occupy the leading position among the three Hungarian mortgage-lending institutions (OTP, FHB, HVB), with a market share of over 60%.

In the wake of the expansion in lending activity, the Company's profits also developed favourably. The pre-tax profit of OTP Mortgage Bank increased to HUF 12.7 billion compared to HUF 8.5 billion at the end of 2003, while the after-tax profit was HUF 10.7 billion in 2004. The Company's balance sheet total as at 31 December 2004 was HUF 885.9 billion, 31.4% higher than a year earlier. The need to comply with the provisions on prudence with respect to the loan portfolio prompted OTP Mortgage Bank to implement a capital raise in the course of 2003, which was only registered in the beginning of 2004. As a result of this measure, the Mortgage Bank's registered capital increased to HUF 20 billion by the end of 2004, and its equity to HUF 31.4 billion.

Return on average assets (ROAA) was 1.37%, while return on average equity (ROAE) fell from 46.7% to 38.0% in 2004.

In addition to the HUF 38 billion in commission revenue that was paid to OTP Bank in 2004, OTP Mortgage Bank plans to pay a dividend of HUF 7 billion on its 2004 profits to OTP Bank.

### Merkantil Group

In 2004 the Merkantil Group was able, despite strong competition, to intensify its activity, and therefore strengthen its position, in a market that was characterised by stagnation in car sales and that saw a 5% drop in sales of commercial vehicles.

At Merkantil Group in 2004, more than 60,000 vehicle-financing contracts were concluded, which is 10.6%, or 6,000 contracts, more than in 2003. The volume of new placements was HUF 94.9 billion, exceeding the total for 2003 by HUF 20.3 billion. In the market for new-car sales financed through a loan, Merkantil Group's market share was around 20% in 2004. Placement volume per car was HUF 1.6 million, or 15.0% higher than in the previous year.

The bulk of new contracts consisted of foreign currency loans, which accounted for 90.6% of the portfolio and 82.7% of the total number of transactions. In the case of foreign currency loans, placement volume per car was almost twice as high as the average amount of forint loans.

**Merkantil Bank Ltd.**

Merkantil Bank closed the year 2004 with a pre-tax profit of HUF 3.1 billion, which was 17.1% higher than that of the previous year. In 2004 the Company's balance sheet total – due to a restructuring that saw vehicle contracts pass to Merkantil Car – fell to HUF 58.9 billion, a drop of 10.0%. The loan portfolio decreased to HUF 50.5 billion (by 18.0%) by the end of 2004, while total deposits fell to HUF 39.7 billion (by 15.5%).

Merkantil Bank's equity was HUF 11.4 billion as at 31 December 2004, which was 13.4% higher than it had been at the close of the previous year. The bank's capital adequacy ratio was 19.69% at the end of the year. The Company plans to pay a dividend on its 2004 profits of HUF 1.4 billion to OTP Bank.

In 2004 Merkantil Bank's return on average assets (ROAA) was 4.42%, and its return on average equity (ROAE) was 25.5%.

**Merkantil Car Ltd.**

Interest in foreign currency loans continued unabated in 2004, and as a result, the share of foreign currency loan facilities in the product structure exceeded 99%. Merkantil Car financed a total of 50,003 vehicles in 2004.

Merkantil Car's balance sheet total was HUF 135.4 billion at the end of 2004, which exceeded that of the previous year by 49.1%. The growth was thanks to the increase in the vehicle portfolio. The Company's equity was HUF 1.9 billion.

The Company's after-tax profit grew by 29.7%, to HUF 916 million, by the end of 2004. Its ROAA was 0.81%, and its ROAE was 54.6%.

**OTP Building Society Ltd.**

OTP Building Society Ltd. closed 2004 with a balance sheet total of HUF 65.8 billion and a pre-tax profit of HUF 783 million. Its ROAA was 1.12%, and its ROAE was 26.3%.

The Company exceeded its target in 2004, concluding nearly 113,500 contracts, in a combined value of HUF 158.3 billion. As the net result of contractual deposit taking and disbursements, the Society's deposit portfolio increased by 27.7%, to HUF 59.5 billion, while – due to a lower-than-expected demand for credit resulting from the more attractive terms offered on state-subsidised loans – its loan portfolio fell by HUF 796 million, to HUF 7.9 billion. During the course of the year, the proportion of contracts concluded within the OTP Bank network decreased (to 30.6% in terms of contractual amount, and to 27% in terms of contract numbers). OTP Bank received HUF 669 million from the fees paid for cross sales.

OTP Building Society Ltd. achieved an estimated market share of the building-society savings market, which has come to be dominated by two main players, of 50.2% in terms of contract numbers, 47.9% in terms of contract volume, and 46.0% with respect to deposits.
The Company will pay dividends of HUF 600 million on its 2004 profits to its owner, OTP Bank.

**DSK Bank EAD**

DSK Bank achieved major successes in its first full financial year as a member of the OTP group. The bank's after-tax profit in 2004 was HUF 9.1 billion, which represents an increase of 51% compared to its results in 2003. Its ROAA as of the end of the year was 2.49% and its ROAE was 20.2%.

DSK Bank's balance sheet total on 31 December 2004 stood at more than HUF 408 billion, or 27% higher than the year-end 2003 figure, and its equity at the end of 2004 was HUF 48.9 billion (a growth of 18%). The bank's loans and deposits grew by 63% and 22% respectively in 2004, with the loan portfolio totalling HUF 274.1 by the end of the year, and deposits HUF 331.3 billion.

In 2004 DSK Bank acquired a market-leading position in terms of total business volume, on both the deposit and the loan market. Despite this, DSK Bank's market share according to balance sheet total fell from 13.8% at the end of 2003 to 13.1% by the end of 2004, which is largely explained by the withdrawal of a number of state deposits at the end of the year and the temporary placement of certain privatisation revenues at another bank. Based on its balance sheet total, at the end of 2004 DSK Bank was the second largest bank on the Bulgarian banking market, after Bulbank.

The bank significantly broadened its range of retail banking products, introducing no less than 20 new or revamped products to the market. These included a credit card, a student card, a foreign currency account, long-term deposits, consumer loans, a savings account with tiered interest rates, new electronic services and a customer terminal. At the end of 2004, DSK Bank was serving customers through a network of more than 320 branches. The number of retail bankcards issued by the bank stood at nearly 700,000 at the end of the year, which equates to an increase of close to 53% compared to the end of 2003. The number of ATMs grew by 44%, and the number of POS terminals by 76%, and thus, by the end of the year, there were 351 and 462 of them respectively.

The transformation project aimed at restructuring DSK, improving its competitiveness, and integrating it effectively into the OTP Bank group had been commenced as early as in the summer of 2003, and the key tasks and measures that would need to be carried out had been defined, while the implementation of these tasks began immediately following the takeover. The tasks set for 2004 were all fulfilled.

Accordingly, the organisational changes required to ensure efficient operation began, and within 9 months the tasks related to the introduction of the bank's new integrated IT system had been completed. The rationalisation of the branch network also began, as did preparations for the regional consolidation and the centralisation of support activities. The number of employees at DSK Bank in 2004 was just under 300, representing a fall of some 8%. With the assistance of OTP Bank, continuous, and more intensive, marketing campaigns are underway to promote the bank's new products and to accompany the change in its image; since the beginning of February 2004 DSK Bank's new corporate image, consistent with its membership of the OTP Bank group, has been present on the market.

In the interests of building teams of financial experts, DSK Bank, jointly with OTP Garancia Insurance, established Bulgarian-based life and non-life insurance companies. The life insurance company (DSK Garancia Life AD) began operating in September, while the non-life insurer is in the process of obtaining its operating licenses from the Bulgarian supervisory authority. In early 2005, DSK Bank acquired a 66% stake in DSK Asset Management AD, founded by OTP Fund Management Ltd. In parallel with its establishment of the previously mentioned companies, the bank sold its minority stake in Bulstrad DSK Life AD during the year, and effected a capital raise of BGN 1 million in DSK Rodina AD.

**OTP Banka Slovensko, a. s.**

The Slovak bank's balance sheet total stood at HUF 215.1 billion at the end of 2004, which represents an increase of 34% compared to the end of 2003, and this growth gave the bank a share of 2.8% of the Slovak banking market. The bank's equity rose over the same period by 1.4%, to HUF 14.2 billion. OBS's after-tax result for 2004 according to Hungarian accounting standards was a loss of HUF 57 million, which represented an improvement compared to the previous year's loss of HUF 207 million. The bank's ROAA at the end of 2004 was -0.03%, and its ROAE was -0.4%. OBS achieved an after-tax profit according to Slovak accounting standards of more than HUF 500 million in 2004.

In 2004 OBS launched several new products on the Slovak banking market. Among them were the Solvent Biznis Card, a product similar to the Széchenyi Card, which it issues for corporate customers, and also in 2004 it introduced the Europackage, a savings account, and various sub-account products, as well as a structured offer for home owners.

In 2004 both mortgage lending and consumer lending expanded dynamically, with total retail loans amounting to HUF 26.7 billion at the end of the year. Following a year of similarly notable growth in corporate and municipality lending, the commercial banking portfolio stood at HUF 115.9 billion at the end of the period. The bank's deposit portfolio was HUF 139.9 billion at the end of 2004, which corresponds to a growth of 25%.

During the course of 2004 the number of the bank's customers increased by over 9,000, to more than 156,000, with retail customers accounting for more than 139,000 of this total.

The number of bankcards issued by OBS was more than 100,000 at the end of 2004, which represents a growth of 16% compared to the end of 2003. This total was made up of nearly 91,000 retail, and 9,600 corporate, bankcards. The bank's ATMs numbered 102 at the end of the year, with the number of transactions effected via these ATMs totalling some 1.6 million – 13% more than in 2003. The number of proprietary POS terminals at the end of 2004 was 479, and the volume of POS transactions increased by 120% over the course of the year.

The Slovak bank opened 8 new branches during the year, bringing the total number of branches in its network to 68 at the end of 2004.

**Robank SA**

Robank and its subsidiary, Robinv S.A., were officially acquired by OTP Bank (99.99%) and its subsidiaries (0.01%) on 30 July 2004. Following the acquisition, OTP Bank effected a capital raise of EUR 10 million in the company, as a result of which the bank's registered capital nearly doubled, rising to HUF 5.3 billion.

As part of the change of image and transformation, OTP Bank changed the company's name to OTP Bank Romania S.A. at its shareholders' meeting of 15 February 2005.

The Romanian bank's balance sheet total was HUF 44.6 billion at the end of 2004, which equates to a market share of 0.8%. Following its acquisition, the bank achieved an after-tax profit of HUF 52 million in 2004.

The Bank's loan portfolio was HUF 16 billion at the end of 2004, 98.5% of which are corporate placements, while its deposit total stood at HUF 28.7 billion, with close to half consisting of retail deposits. The bank's equity nearly doubled as a result of the capital increase, and amounted to HUF 7.7 billion at the end of 2004.

**OTP Garancia Insurance Ltd.**

OTP Garancia Insurance Ltd. achieved premium revenue of HUF 55.6 billion in 2004, which was 9.1%, or HUF 5.5 billion, lower than in the previous year. Its market share of total insurance-premium revenue fell from 10.9% in the previous year to 9.3%, although it remained the fifth largest player on the market. Premium revenues from the life and bank insurance business were HUF 26.7 billion, which gave the Company an 11% share of the life-insurance market (compared to 12.9% in 2003). Of life-insurance revenues, revenues from regular-premium life-insurance policies grew dynamically, by 28%, while premium revenue from one-off premium-payment life-insurance policies fell by 31%, or

HUF 5.6 billion, compared to 2003. Revenues of the non-life division were HUF 28.9 billion in 2004, which represents a decrease of HUF 3.1 billion, or 9.9%. This was largely attributable to a fall – due to unfavourable changes in the law – in the number of agricultural-sector insurance policies. At the same time, however, premium revenues from home, property and liability insurance policies grew considerably. The Company's market share fell in 2004 from 9.6% to 8.1% in the non-life division. OTP Garancia Insurance was the fourth largest player in the life-insurance market, and third in the non-life sector.

The proportion of OTP Garancia Insurance's premium revenue that comes from insurance policies sold within the Bank's network remained high, at above 30%.

The value of gross damages paid out did not change significantly compared to the previous year, at HUF 27.0 billion. Within this total, damage expenses in the life business rose by 37%, due to the increase in repurchases of one-off premium policies, while the value of non-life damages fell by 28%, due to the relative drop in damage payments to the agricultural sector. The ratio of damages to premium revenue, together with changes in reserves, was 48.1% in the life business. The increase in reserves amounted to HUF 14.5 billion, which represents a rise of 17.2% compared to the previous year-end figure, and thus total insurance technical reserves stood at HUF 98.7 billion as at 31 December 2004.

The Company's balance sheet total grew by 17.4% compared to the previous year, to HUF 116.3 billion, and its equity increased from the previous year's HUF 10.7 billion to HUF 12.0 billion. The Company's pre-tax profit was more than one-and-a-half times that of the previous year, rising to HUF 4,049 million, while its return on average assets (ROAA) increased from 2.41% to 3.16%, and its return on average equity (ROAE) rose from 22.6% to 30.0%. The Company intends to pay a dividend of HUF 2.0 billion from its 2004 profits to OTP Bank.

**OTP Fund Management Ltd.**

On the securities funds market, in the first two months of the year the withdrawal of capital that had marked the year 2003 continued, followed by stagnation in the second and third quarters and then by a further major capital outflow in the fourth quarter. Investors, reacting to a series of rate cuts by the central bank, did not begin to return to bond funds until the last two months of the year. Households, preferring lower-risk forms of investment, opted for money-market funds, and it was thanks to this that the weight of these significantly increased within the securities funds, at the expense of bond funds: The growth in assets held in the higher-risk equity funds was due rather to purchases by institutional investors and to the favourable development in their yields.

The trends characteristic of the market as a whole were also discernible with regard to the funds managed by OTP Fund Management, and thus, following a significant fall in the first quarter, the assets of the Optima Fund, the Company's flagship product, stagnated until the end of October, and then began to grow again in the fourth quarter. In 2004 the Fund Manager launched two new funds: the Fantázia closed-end equity fund in the first quarter, and the Private Institutional Equity Fund in the second quarter.
The net asset value of the funds managed by the Fund Manager amounted to HUF 391 billion at the end of 2004, which is 1% lower that the year-end 2003 figure. Within this total, the net asset value of the Optima Fund stood at HUF 318 billion at year-end, which represented a fall of 9%. The assets of the Maxima, Paletta, Euró and Dollár Funds also fell, while the assets held in the Quality Equity Fund and the UBS Fund of Funds grew over the course of 2004. At the end of the year, the Fund Manager's market share of the securities funds market was 40.8% (compared to 47.6% at the end of 2003).

With respect to the pension fund market, no major change occurred: the Fund Manager maintained its approximately 18-19% share of total assets under management in 2004, with assets of HUF 295 billion, which was 50.1% higher than the year-end 2003 total. It managed additional assets of HUF 75 billion in the context of other portfolio-management activities, which was 45.8% more than in the previous year.

The Fund Manager achieved an after-tax profit of HUF 2,775 million in 2004, which resulted in return on average assets (ROAA) of 27.3% and a 47.3% return on average equity (ROAE). The Company's cost/income ratio was 20.2% in 2004. The Fund Manager intends to pay HUF 1.8 billion in dividends to OTP Bank on its profits of 2004.

**OTP Factoring Asset Management Ltd.**

OTP Factoring Ltd. is the largest company of its kind in the country, engaged in the purchase and collection of overdue claims. Its activities are primarily determined by the loans it assumes from OTP Bank, although it also purchases overdue bank and other claims from outside sources.

In 2004 the Company purchased a total of 49,000 overdue receivables from the Bank, in a combined gross value of HUF 13.8 billion, and a further 6,000 claims from other sources, totalling some HUF 16.4 billion.

The Company's net revenue, adjusted for impairment, was 27.8% higher than in the previous year, at HUF 2.3 billion. Its balance sheet total at the end of the year exceeded HUF 7.8 billion, and its pre-tax profit was HUF 0.8 billion. OTP Factoring's return on assets (ROAA) was 7.40%, and its return on average equity (ROAE) was 23.4% as at the end of 2004.

The Company will be paying a dividend of HUF 450 million to its owners on its 2004 profits.

## Key 2004 financial data of OTP Bank Ltd.[8]

| HUF million | Non-consolidated | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | **2003 Audited** | **2004 Audited** | **Change** | **2003 Audited** | **2004 Audited** | **Change** |
| Interest income from interbank accounts | 29,347 | 56,261 | 91.7% | 30,911 | 59,986 | 94.1% |
| Interest income from retail accounts | 48,961 | 63,369 | 29.4% | 93,200 | 149,773 | 60.7% |
| Interest income from corporate accounts | 45,248 | 60,900 | 34.6% | 56,577 | 78,651 | 39.0% |
| Interest income from municipal accounts | 10,210 | 13,529 | 32.5% | 10,269 | 13,591 | 32.3% |
| Interest income from securities | 63,919 | 82,057 | 28.4% | 79,966 | 109,146 | 36.5% |
| Interest income from the mandatory reserve | 7,949 | 12,069 | 51.8% | 8,164 | 12,973 | 58.9% |
| Total interest income | 205,634 | 288,185 | 40.1% | 279,087 | 424,120 | 52.0% |
| | | | | | | |
| Interest expenses on interbank accounts | 11,253 | 19,939 | 77.2% | 12,838 | 21,014 | 63.7% |
| Interest expenses on retail accounts | 54,799 | 88,567 | 61.6% | 59,855 | 98,559 | 64.7% |
| Interest expenses on corporate accounts | 14,522 | 20,564 | 41.6% | 15,105 | 22,531 | 49.2% |
| Interest expenses on municipal accounts | 5,716 | 10,021 | 75.3% | 6,188 | 10,705 | 73.0% |
| Interest expenses on securities | 414 | 238 | -42.5% | 7,291 | 19,453 | 166.8% |
| Interest expenses on subordinated loans | 748 | 870 | 16.3% | 748 | 943 | 26.1% |
| Total interest expense | 87,452 | 140,199 | 60.3% | 102,025 | 173,205 | 69.8% |
| **Net interest income** | **118,182** | **147,986** | **25.2%** | **177,062** | **250,915** | **41.7%** |
| | | | | | | |
| Fees and commissions received | 96,009 | 113,596 | 18.3% | 81,810 | 91,826 | 12.2% |
| Fees and commissions paid | 10,872 | 9,656 | -11.2% | 19,715 | 20,514 | 4.1% |
| Net fees and commissions | 85,137 | 103,940 | 22.1% | 62,095 | 71,312 | 14.8% |
| Net gain from securities trading | -938 | 2,976 | - | -1,878 | 7,528 | - |
| Net gain from foreign exchange trading | -1,402 | 4,540 | - | -2,106 | 4,885 | - |
| Loss from real estate sales | -129 | -115 | - | 1,382 | 1,688 | 22.1% |
| Insurance premium revenue | | | | 60,171 | 54,547 | -9.3% |
| Other non-interest income | 2,912 | 1,790 | -38.5% | 12,688 | 9,570 | -24.6% |
| **Total non-interest income** | **85,580** | **113,131** | **32.2%** | **132,352** | **149,530** | **13.0%** |
| *Share of non-interest income within total income* | *42.0%* | *43.3%* | *1.3% point* | *42.8%* | *37.3%* | *-5.5% point* |
| | | | | | | |
| **Total income** | **203,762** | **261,117** | **28.1%** | **309,414** | **400,445** | **29.4%** |
| | | | | | | |
| Personnel expenses | 43,820 | 52,280 | 19.3% | 61,530 | 77,454 | 25.9% |
| Depreciation | 9,893 | 9,646 | -2.5% | 15,734 | 18,075 | 14.9% |
| Insurance expenses | | | | 42,810 | 41,390 | -3.3% |
| Other non-interest expenses | 56,521 | 63,150 | 11.7% | 71,825 | 86,140 | 19.9% |
| | | | | | | |
| **Total non-interest expenses** | **110,234** | **125,076** | **13.5%** | **191,899** | **223,059** | **16.2%** |
| *Cost/Income ratio %* | *54.1%* | *47.9%* | *-6.2% point* | *62.0%* | *55.7%* | *-6.3% point* |
| **Operating income** | **93,528** | **136,041** | **45.5%** | **117,515** | **177,386** | **50.9%** |
| Dividend income | 7,691 | 8,500 | 10.5% | 668 | 572 | -14.4% |
| Provisions/Impairment and lending losses | 13,261 | 13,357 | 0.7% | 13,412 | 17,975 | 34.0% |
| Goodwill | -1,257 | -7,663 | 509.6% | -2,020 | -8,618 | -326.6% |
| **Profit before taxation** | **86,701** | **123,521** | **42.5%** | **102,751** | **151,365** | **47.3%** |
| Tax liability | 15,139 | 18,703 | 23.5% | 19,956 | 25,756 | 29.1% |
| Corporate tax rate difference originating from consolidation | | | | -227 | -266 | -17.2% |
| Tax rate | *17.5%* | *15.1%* | *-2.4% point* | *19.2%* | *16.8%* | *-2.4% point* |
| **After-tax profit** | **71,562** | **104,818** | **46.5%** | **83,022** | **125,875** | **51.6%** |

8 Figures are taken from the Bank's 2004 non-consolidated and consolidated financial statements prepared according to HAS, and from the 2003 HAS audited financial statements, and are presented in a breakdown that approximates international accounting standards.

# PROPOSAL FOR THE DISTRIBUTION OF THE 2004 PROFITS OF OTP BANK LTD.

## PROPOSAL FOR THE DISTRIBUTION OF THE 2004 PROFIT OF OTP BANK LTD. AND FOR DIVIDEND PAYMENT

| | HUF million |
|---|---|
| PROFITS BEFORE TAX | 123,521 |
| TAX PAYMENT LIABILITY | 18,703 |
| PROFITS AFTER TAX | 104,818 |
| GENERAL PROVISIONS | 10,482 |
| USE OF ACCUMULATED RETAINED EARNINGS FOR DIVIDENDS OR PARTICIPATION | 0 |
| DIVIDEND* | 41,206 |
| BALANCE SHEET PROFIT FOR THE FINANCIAL YEAR | 53,130 |

* The Board of Directors of the Bank proposes to the General Meeting that the value of dividends for the shares be 146% of the face value of the shares. The exact amount of dividend payable to the shareholders will be calculated and paid in pursuance of the By-Laws of the Bank.

# Balance Sheets, Income Statements and Cash Flow Statement of OTP Bank Ltd.

**NON-CONSOLIDATED**

## Non-Consolidated Balance Sheet

**1 0 5 3 7 9 1 4 6 5 1 2 1 1 4 0 1**

**statistical register number**

**6 5 1 2**

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

**ASSETS**

in HUF million

| non-consolidated | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| **BALANCE SHEET** | | | |
| ***ASSETS:*** | | | |
| **1. Cash in hand, balances with central banks** | **252,975** | | **399,401** |
| **2. Treasury bills** | **402,543** | | **294,802** |
| a) held for trade | 135,011 | | 86,187 |
| b) held as financial fixed assets (for long term investment) | 267,532 | | 208,615 |
| 2/A. Difference due to valuation of Treasury bills | | | |
| **3. Loans and advances to credit institutions** | **165,209** | | **188,033** |
| a) repayable on demand | 4,700 | | 4,191 |
| b) other receivables from financial services | 160,509 | | 183,789 |
| ba) maturity not more than one year | 149,978 | | 172,463 |
| From this: – by affiliated undertaking | 3,053 | | 16,605 |
| – by undertaking with which the credit institution is linked by virtue of participating | 13,025 | | 21,000 |
| – by Hungarian National Bank | | | |
| – by clearing house | | | |
| bb) maturity more than one year | 10,531 | | 11,326 |
| From this: – by affiliated undertaking | 300 | | 1,266 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by Hungarian National Bank | | | |
| – by clearing house | | | |
| c) receivables from investment services | | | 53 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by clearing house | | | |
| 3/A. Difference due to valuation of loans and advances to credit institutions | | | |
| **4. Loans and advances to customers** | **1,089,158** | | **1,264,489** |
| a) receivables from financial services | 1,088,064 | | 1,264,375 |
| aa) maturity not more than one year | 399,920 | -14 | 463,122 |
| From this: – by affiliated undertaking | 58,577 | | 59,063 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| ab) maturity more than one year | 688,144 | 14 | 801,253 |
| From this: – by affiliated undertaking | 55,690 | | 102,843 |
| – by undertaking with which the credit institution is linked by virtue of participating | 283 | | 7,906 |
| b) receivables from investment services | 1,094 | | 114 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| ba) receivables from investment service activities on the on the stock exchange | | | |
| bb) receivables from over-the-counter investment service activities | | | |
| bc) receivables from clients for investment service activities | 1,094 | | 114 |
| bd) receivables from clearing houses | | | |
| be) other receivables from investment service | | | |
| 4/A. Difference due to valuation of loans and advances to customers | | | |
| **5. Debt securities including fixed-income securities** | **533,136** | | **540,175** |
| a) securities issued by local self-governing bodies and by other public bodi (not include the treasury bills issued by Hungarian state and securities issued by Hungarian National Bank) | 1,300 | | 700 |
| aa) held for trade | 600 | | |
| ab) held as financial fixed assets (for long term investment) | 700 | | 700 |
| b) securities issued by other bodies | 531,836 | | 539,475 |
| ba) held for trade | 124,406 | | 2,509 |
| From this: – by affiliated undertaking | 119,194 | | 1,547 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – own-debt securities (own issued and repurchased) | 299 | | 299 |
| bb) held as financial fixed assets (for long term investment) | 407,430 | | 536,966 |
| From this: – by affiliated undertaking | 389,667 | | 517,296 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| 5/A. Difference due to valuation of debt securities including fixed-income securities | | | |
| **6. Shares and other variable-yield securities** | **7,628** | | **7,639** |
| a) shares and participations for trade | 90 | | 119 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| b) other variable-yield securities | 7,538 | | 7,520 |
| ba) held for trade | 4 | | 5 |
| bb) held as financial fixed assets (for long term investment) | 7,534 | | 7,515 |
| 6/A. Difference due to valuation of shares and other variable-yield securities | | | |

| | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| **7. Sares and participating interest as financial fixed assets** | **754** | | **999** |
| a) shares and participating interest as financial fixed assets | 754 | | 999 |
| From this: – shares and participating interest in credit institutions | 1 | | 1 |
| b) revaluation surplus on shares and participating interests | | | |
| From this: – revaluation surplus on shares and on participating interests in credit institutions | | | |
| 7/A. Difference due to valuation of shares and participating interest as financial fixed assets | | | |
| **8. Shares and participating interest in affiliated undertakings** | **100,199** | | **108,749** |
| a) shares and participating interest in affiliated undertakings | 100,199 | | 108,749 |
| From this: – shares and participating interest in credit institutions | 72,833 | | 81,112 |
| b) revaluation surplus on shares and participating interests | | | |
| From this: – revaluation surplus on shares and on participating interests in credit institutions | | | |
| **9. Intangible assets** | **43,961** | **292** | **52,231** |
| a) intangible assets | 43,961 | 292 | 52,231 |
| b) revaluation surplus on intangible assets | | | |
| **10. Tangible assets** | **63,589** | **-63** | **69,592** |
| a) tangible assets for financial and investment services | 60,450 | -60 | 66,682 |
| aa) land and buildings | 40,247 | -37 | 42,966 |
| ab) technical equipment, fittings and vehicles | 16,042 | -25 | 18,748 |
| ac) investment | 4,159 | 2 | 4,952 |
| ad) advance payments on investment | 2 | | 16 |
| b) tangible assets not for directly financial and investment services | 3,139 | -3 | 2,910 |
| ba) land and buildings | 2,751 | -3 | 2,312 |
| bb) technical equipment, fittings and vehicles | 176 | | 214 |
| bc) investment | 212 | | 384 |
| bd) advance payments on investment | | | |
| c) revaluation surplus on tangible assets | | | |
| **11. Own shares** | **14,328** | | **13,808** |
| **12. Other assets** | **45,070** | **-811** | **49,906** |
| a) stocks (inventories) | 995 | -24 | 973 |
| b) other receivables (not from financial and investment securities) | 44,075 | -787 | 48,933 |
| From this: – by affiliated undertaking | 33,443 | 5 | 17,791 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| 12/A. Difference due to valuation of other assets | | | |
| 12/B. Difference due to positive valuation of derivative deals | | | |
| **13. Prepayments and accrued income** | **40,056** | **-68** | **54,948** |
| a) accrued income | 37,630 | -82 | 52,152 |
| b) prepayments | 2,426 | 14 | 2,796 |
| c) deffered charges | | | |
| ***TOTAL ASSETS*** | **2,758,606** | **-650** | **3,044,772** |
| ***From this:*** | | | |
| *- CURRENT ASSETS (1+2/a+3/c+3/a+3/ba+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12+ 2/A, 3/A, 4/A, 5/A, 6/A, 12/A, 12/B)* | *1,128,176* | *-825* | *1,191,878* |
| *- FIXED ASSETS 2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10+ 2/A, 3/A, 4/A, 5/A, 6/A, 7/A,12/A és 12/B)* | *1,590,374* | *243* | *1,797,946* |

**Budapest, March 11, 2005**

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**statistical register number**

**6 5 1 2**

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)**

**EQUITY AND LIABILITIES**

in HUF million

| non-consolidated | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| **1. Liabilities to credit instiutions** | **91,080** | | **203,864** |
| a) repayable on demand | 5,430 | | 2,596 |
| b) liabilities from financial services with maturity dates or periods of notice | 85,650 | | 201,181 |
| ba) not more than one year | 24,738 | | 106,094 |
| From this: – by affiliated undertaking | 20 | | 4,475 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by Hungarian National Bank | 166 | | 128 |
| – by clearing house | | | |
| bb) more than one year | 60,912 | | 95,087 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by Hungarian National Bank | 1,212 | | 1,066 |
| – by clearing house | | | |
| c) liabilities from investment services | | | 87 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by clearing house | | | |
| 1/A. Difference due to valuation of liabilities to credit institutions | | | |
| **2. Liabilities to customers** | **2,228,287** | **-8** | **2,314,092** |
| a) saving deposits | 345,772 | | 318,628 |
| aa) repayable on demand | 46,846 | | 45,818 |
| ab) maturity not more than one year | 298,874 | | 272,810 |
| ac) maturity more than one year | 52 | | |
| b) other liabilities from financial services | 1,881,637 | -8 | 1,994,846 |
| ba) repayable on demand | 819,959 | -9 | 835,206 |
| From this: – by affiliated undertaking | 2,610 | | 6,791 |
| – by undertaking with which the credit institution is linked by virtue of participating | 236 | | 1,125 |
| bb) maturity not more than one year | 1,060,963 | 1 | 1,159,562 |
| From this: – by affiliated undertaking | 8,409 | | 3,050 |
| – by undertaking with which the credit institution is linked by virtue of participating | 255 | | 1,518 |
| bc) maturity more than one year | 715 | | 78 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| c) liabilities from investment services | 878 | | 618 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| ca) liabilities from investment service activities on the on the stock exchange | | | |
| cb) liabilities from over-the-counter investment service activities | | | |
| cc) liabilities from clients for investment service activities | 878 | | 618 |
| cd) liabilities from clearing houses | | | |
| ce) other liabilities from investment service | | | |
| 2/A. Difference due to valuation of liabilities to customers | | | |
| **3. Liabilities from issued debt securities** | **58,130** | | **49,756** |
| a) issued bond | 2,101 | | 2,101 |
| aa) maturity not more than one year | | | 2,101 |
| From this: – by affiliated undertaking | | | 1,000 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| ab) maturity more than one year | 2,101 | | |
| From this: – by affiliated undertaking | 1,000 | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| b) issued other debt securities | 238 | | 196 |
| ba) maturity not more than one year | 238 | | 196 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| bb) maturity more than one year | | | |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |

| | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities | 55,791 | | 47,459 |
| ca) maturity not more than one year | 18,444 | | 26,561 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| cb) maturity more than one year | 37,347 | | 20,898 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| **4. Other liabilities** | **49,879** | **-198** | **74,393** |
| a) maturity not more than one year | 49,879 | -198 | 74,393 |
| From this: – by affiliated undertaking | 3,337 | 2 | 3,419 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | 83 |
| b) maturity more than one year | | | |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participatin | | | |
| 4/A. Difference due to negative valuation of derivative deals | | | |
| **5. Accruals and deferred income** | **27,268** | **-34** | **30,781** |
| a) accrued liabilities | 338 | | 241 |
| b) accrued costs and expenses | 24,450 | -34 | 28,823 |
| c) deferred income | 2,480 | | 1,717 |
| **6. Provisions** | **26,773** | | **32,584** |
| a) provisions for pensions and similar obligtions | 1,546 | | 740 |
| b) risk provision for off-balance sheet items (for pending and future labilities) | 7,294 | | 9,002 |
| c) general risk provision | 17,057 | | 21,571 |
| d) other provision | 876 | | 1,271 |
| **7. Subordinated liabilities** | **15,413** | | **14,324** |
| a) subordinated loan capital | 15,413 | | 14,324 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participation | | | |
| b) pencuniary contribution of members at credit institutions operating as credit cooperatives | | | |
| c) other subordinated liabilities | | | |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participation | | | |
| **8. Subcribed capital** | **28,000** | | **28,000** |
| From this: repurchased own shares at face value | 1,324 | | 1,010 |
| **9. Subcribed but unpaid capital (-)** | | | |
| **10. Capital reserves** | **52** | | **52** |
| a) premium (from share issue) | | | |
| b) other | 52 | | 52 |
| **11. General reserves** | **41,325** | | **51,807** |
| **12. Retained earnings (accumulated profit reserve) (±)** | **130,465** | | **177,401** |
| **13. Legal reserves** | **14,328** | | **14,588** |
| **14. Revaluation reserve** | | | |
| a) valuation reserve for correction | | | |
| b) valuation reserve for fair value adjustment | | | |
| **15. Profit or loss for the financial year according to the balance sheet (+/-)** | **47,606** | **-410** | **53,130** |
| | | | |
| ***TOTAL LIABILITIES*** | **2,758,606** | **-650** | **3,044,772** |
| From this: | | | |
| *- SHORT-TERM LIABILITIES* | 2,326,249 | -206 | 2,526,042 |
| *(1/a+1/ba+1/c+2/aa+2/ab+2/ba+2/bb+2/c+3/aa+3/ba+3/ca +4/a)* | | | |
| *- LONG-TERM LIABILITIES* | 116,540 | | 130,387 |
| *(1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)* | | | |
| *- EQUITY (CAPITAL AND RESERVES) (8-9+10+11 ±12+13+14 ±15)* | 261,776 | -410 | 324,978 |

| | | | |
|---|---|---|---|
| OFF-BALANCE SHEET COMMITMENTS | **776,970** | | **938,850** |
| **1. Contingent liabilities** | 503,429 | | 684,995 |
| **2. Future liabilities** | 273,541 | | 253,855 |

| | | | |
|---|---|---|---|
| OFF-BALANCE SHEET ASSETS | **2,400,843** | | **2,430,856** |
| **1. Contingent assets** | 2,114,732 | | 2,163,165 |
| **2. Future assets** | 286,111 | | 267,691 |

**Budapest, March 11, 2005**

## Non-Consolidated Profit and Loss Account

**1 0 5 3 7 9 1 4 6 5 1 2 1 1 4 0 1**

**statistical register number**

**6 5 1 2**

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)**

**PROFIT AND LOSS ACCOUNT**

**non-consolidated** in HUF million

| | | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|---|
| 1. | Interest received and interest-type income | 205,634 | -77 | 288,185 |
| | a) interest received on securities with fixed-interest signifying a creditor | 63,919 | 17 | 82,057 |
| | Including: - from related companies | 27,920 | | 47,866 |
| | - from other participation companies | | | |
| | b) other interest received and interest-type income | 141,715 | -94 | 206,128 |
| | Including: - from related companies | 4,219 | | 4,236 |
| | - from other participation companies | 816 | | 2,116 |
| 2. | Interest paid and interest-type expenses | 87,452 | -67 | 140,199 |
| | Including: - to related companies | 1,119 | | 1,722 |
| | - to other participation companies | 168 | | 286 |
| | **INTEREST DIFFERENCE (1-2)** | **118,182** | **-10** | **147,986** |
| 3. | Incomes from securities | 7,691 | | 8,500 |
| | a) from trading securities and participations (dividend, profit participation) | | | 2 |
| | b) from related companies (dividend, profit participation) | 7,670 | | 8,232 |
| | c) from other participation companies (dividend, profit participation) | 21 | | 266 |
| 4. | Fees and Commission received | 94,680 | -387 | 112,507 |
| | a) revenues from other financial services | 87,446 | -41 | 105,411 |
| | Including: - from related companies | 27,200 | 5 | 39,666 |
| | - from other participation companies | 2 | | 2 |
| | b) revenues from investment services (except incomes from trading activities) | 7,234 | -346 | 7,096 |
| | Including: - from related companies | 3,909 | | 3,648 |
| | - from other participation companies | | | |
| 5. | Fees and Commission paid | 10,872 | -35 | 9,656 |
| | a) expenses on other financial services | 10,536 | -35 | 9,335 |
| | Including: - to related companies | 1,017 | 1 | 655 |
| | - to other participation companies | | | 954 |
| | b) expenses on investment services (except expenses from trading activities) | 336 | | 321 |
| | Including: - to related companies | | | |
| | - to other participation companies | | | |
| 6. | Profit or loss from financial transactions (6/a-6/b+6/c-6/d) | -5,194 | 9 | 4,868 |
| | a) revenues from other financial services | 14,393 | -12 | 12,466 |
| | Including: - from related companies | 770 | | -9,044 |
| | - from other participation companies | 66 | | -349 |
| | - difference due to valuation | | | |
| | b) expenses on other financial services | 19,315 | -21 | 8,833 |
| | Including: - from related companies | -8,950 | | 735 |
| | - from other participation companies | 1,695 | | 75 |
| | - difference due to valuation | | | |
| | c) revenues from investment services (revenues from trading activities) | 11,961 | | 7,702 |
| | Including: - from related companies | 94 | | 16 |
| | - from other participation companies | | | 199 |
| | - reversal of write-off of trading securities | | | |
| | - difference due to valuation | | | |
| | d) expenses on investment services (expenses from trading activities) | 12,233 | | 6,467 |
| | Including: - to related companies | 165 | | 1 |
| | - to other participation companies | | | 115 |
| | - write-off of trading securities | | | |
| | - difference due to valuation | | | |

in HUF million

| | | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|---|
| 7. | Other incomes from business | 475,008 | 414 | 229,636 |
| | a) incomes from non financial and investment services | 8,389 | -1 | 7,841 |
| | Including: - from related companies | 2,047 | | 2,521 |
| | - from other participation companies | 2 | | |
| | b) other revenues | 466,619 | 415 | 221,795 |
| | Including: - from related companies | 451,996 | -16 | 217,906 |
| | - from other participation companies | | | |
| | -reversal of write-off of inventory | | | 32 |
| 8. | General administration expenses | 81,204 | -130 | 92,489 |
| | a) personnel expenses | 43,820 | -286 | 52,280 |
| | aa) wage costs | 25,455 | -259 | 27,850 |
| | ab) other payments to personnel | 7,346 | 41 | 9,716 |
| | Including: - social security expenses | 2,690 | | 2,908 |
| | - pension related expenses | 1,992 | | 2,077 |
| | ac) contributions on wages and salaries | 11,019 | -68 | 14,714 |
| | Including: - social security expenses | 9,735 | -64 | 13,046 |
| | - pension related expenses | 5,352 | -41 | 7,399 |
| | b) other administration expenses | 37,384 | 156 | 40,209 |
| 9. | Depreciation and amortization | 11,913 | 107 | 18,072 |
| 10. | Other expenses from business | 493,849 | 476 | 254,757 |
| | a) expenses from non-financial and investment services | 7,049 | 7 | 6,609 |
| | Including: - to related companies | 2,817 | 1 | 1,542 |
| | - to other participation companies | | | 21 |
| | b) other expenses | 486,800 | 469 | 248,148 |
| | Including: - to related companies | 52 | | 59 |
| | - to other participation companies | | | |
| | - write-off of inventory | 49 | | |
| 11. | write-off of loans and provision for contingent and future liabilities | 17,114 | | 16,517 |
| | a) write-off of loans | 11,152 | | 11,520 |
| | b) provision for contingent and future liabilities | 5,962 | | 4,997 |
| 12. | Reversal of write-off of loans and credit for contingent and future liabilities | 13,895 | | 15,481 |
| | a) reversal of write-off of loans | 11,394 | | 12,248 |
| | b) credit for contingent and future liabilities | 2,501 | | 3,233 |
| 12/A. | Difference between the creation and write-off of general risk provision | -2,803 | | -4,514 |
| 13. | write-off of securities for investing purposes, signifying a creditor relationship, | 97 | | 2 |
| 14. | Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity investments in associated or other company | 322 | | 257 |

**Budapest, March 11, 2005**

**1 0 5 3 7 9 1 4 6 5 1 2 1 1 4 0 1**

**statistical register number**

**6 5 1 2**

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)**

**PROFIT AND LOSS ACCOUNT**

**non-consolidated** in HUF million

| | | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|---|
| **15.** | **Result of ordinary business activities** | **86,732** | **-392** | **123,228** |
| | Icluding: -RESULT OF FINANCIAL AND INVESTMENT SERVICES (1-2+3+4- | 85,392 | -384 | 121,996 |
| | - RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES (7/a-10/a) | 1,340 | -8 | 1,232 |
| 16. | Extraordinary revenues | 1,735 | 7 | 2,220 |
| 17. | Extraordinary expenses | 1,766 | | 1,927 |
| 18. | Extraordinary profit or loss (16-17) | -31 | 7 | 293 |
| **19.** | **Profit or loss before tax (±15±18)** | **86,701** | **-385** | **123,521** |
| 20. | Tax liabilities | 15,139 | 25 | 18,703 |
| **21.** | **After-tax profit or loss (±19-20)** | **71,562** | **-410** | **104,818** |
| 22. | Formation and utilization of general reserves (±) | -7,156 | | -10,482 |
| 23. | Use of accumulated profit reserve for dividends and profit-sharings | | | |
| 24. | Dividends and profit-sharings paid (approved) | 16,800 | | 41,206 |
| | Including: - to related companies | | | |
| | - to other participation companies | | | |
| **25.** | **Balance-sheet profit or loss figure (±21±22+23-24)** | **47,606** | **-410** | **53,130** |

**Budapest, March 11, 2005**

## Non-Consolidated Cash Flow Statement

in HUF million

| | DESCRIPTION | 2003. év | 2004. év |
|---|---|---|---|
| 1. | Interest income | 205,634 | 288,185 |
| 2. | + Revenues from other financial services (except for write back of diminuition of value on securities) | 101,821 | 117,821 |
| 3. | + Other revenues (except for utilization of provisions and re-entry of surplus provisions; losses on inventory; and write back of above planned provisions) | 463,390 | 218,702 |
| 4. | + Revenues from investment services (except for write back of diminuition of value on securities) | 19,195 | 14,798 |
| 5. | + Revenues from non-financial and investment services | 8,389 | 7,841 |
| 6. | + Dividend income | 7,691 | 8,500 |
| 7. | + Extraordinary Revenues | 76 | 551 |
| 8. | - Interest expenses | -87,452 | -140,199 |
| 9. | - Expenses on other financial services (except for write back of diminuition of value on securities) | -29,261 | -18,563 |
| 10. | - Other expenses (except for the formation of provisions ; losses on inventory; and write back of above planned provisions) | -481,516 | -238,315 |
| 11. | - Expenses on investment services (except for write back of diminuition of value on securities) | -12,569 | -6,788 |
| 12. | - Expenses on non-financial and investment services | -7,049 | -6,609 |
| 13. | - General administration expenses | -93,117 | -92,489 |
| 14. | - Extraordinary expenses (not including the Amount of corporate tax liabilities in the subject year) | -234 | -218 |
| 15. | - Corporate tax liabilities in the subject year | -15,139 | -18,703 |
| 16. | - Dividends paid | -9 | -16,823 |
| **17.** | **OPERATING CASH FLOW** | **79,850** | **117,691** |
| 18. | ± Change in stock of liabilities (if increase +, if decrease -) | 286,086 | 189,462 |
| 19. | ± Change in stock of receivables (if increase -, if decrease +) | 24,578 | -204,018 |
| 20. | ± Change in stock of inventories (if increase -, if decrease +) | 130 | 29 |
| 21. | ± Change in stock of securities reported under current assets (if increase -, if decrease +) | -37,434 | 108,659 |
| 22. | ± Change in stock of securities reported as investment assets (if increase -, if decrease +) | -399,769 | -16,042 |
| 23. | ± Change in stock of investments (including advances) (if increase -, if decrease +) | 2,578 | -1,002 |
| 24. | ± Change in stock of intangible assets (if increase -, if decrease +) | -32,064 | -19,378 |
| 25. | ± Change in the value of tangible assets (except for investments and advances on investments) (if increase -, if decrease +) | -16,395 | -17,562 |
| 26. | ± Change in stock of deferred expenses and accrued income (if increase -, if decrease +) | -6,049 | -14,960 |
| 27. | ± Change in stock of accrued expenses and deferred income (if increase +, if decrease -) | 4,501 | 3,547 |
| 28. | + Issue of shares at Sales price | 0 | 0 |
| 29. | + Liquid assets received definitively on the basis of legal regulation | 0 | 0 |
| 30. | - Liquid assets transferred definitively on the basis of legal regulation | 0 | 0 |
| 31. | - Nominal value of shares or share notes withdrawn | 0 | 0 |
| **32.** | **NET CASH FLOW** | **-93,988** | **146,426** |
| | of which: | | |
| 33. | - change in stock of cash on hand (cash in forints and foreign currency, checks) | 14,961 | -2,160 |
| 34. | - change in stock of account cash (NBH forint and foreign exchange clearing and deposit accounts with a maturity of less than one year, as well as current deposit accounts kept in forints with another financial institution on the basis of a separate legal | -108,949 | 148,586 |

# BALANCE SHEETS, INCOME STATEMENTS AND CASH FLOW STATEMENT OF OTP BANK LTD.

## CONSOLIDATED

## Consolidated Balance Sheet

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**statistical register number**

**6 5 1 2**

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)**

**ASSETS**

in HUF million

| | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| **BALANCE SHEET** | | | |
| ***ASSETS:*** | | | |
| **1. Cash in hand, balances with central banks** | **276,501** | | **425,263** |
| **2. Treasury bills** | **630,642** | | **548,900** |
| a) held for trade | 246,870 | | 220,831 |
| b) held as financial fixed assets (for long term investment) | 383,772 | | 328,069 |
| 2/A. Difference due to valuation of Treasury bills | | | |
| **3. Loans and advances to credit institutions** | **252,314** | | **314,726** |
| a) repayable on demand | 9,915 | | 9,136 |
| b) other receivables from financial services | 242,399 | | 305,536 |
| ba) maturity not more than one year | 232,088 | | 295,407 |
| From this: – by affiliated undertaking | 1 | | |
| – by undertaking with which the credit institution is linked by virtue of participating | 13,025 | | 21,000 |
| – by Hungarian National Bank | 13,070 | | 40,624 |
| – by clearing house | | | |
| bb) maturity more than one year | 10,311 | | 10,129 |
| From this: – by affiliated undertaking | | | 1 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by Hungarian National Bank | | | |
| – by clearing house | | | |
| c) receivables from investment services | | | 54 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by clearing house | | | |
| 3/A. Difference due to valuation of loans and advances to credit institutions | | | |
| **4. Loans and advances to customers** | **2,025,694** | | **2,511,101** |
| a) receivables from financial services | 2,024,574 | | 2,510,960 |
| aa) maturity not more than one year | 505,539 | -14 | 645,440 |
| From this: – by affiliated undertaking | 836 | | 3,958 |
| – by undertaking with which the credit institution is linked by virtue of participating | 40 | | |
| ab) maturity more than one year | 1,519,035 | 14 | 1,865,520 |
| From this: – by affiliated undertaking | 20,805 | | 24,898 |
| – by undertaking with which the credit institution is linked by virtue of participating | 284 | | 7,906 |
| b) receivables from investment services | 1,120 | | 141 |
| From this: – by affiliated undertaking | -1 | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| ba) receivables from investment service activities on the on the stock exchange | | | |
| bb) receivables from over-the-counter investment service activities | | | |
| bc) receivables from clients for investment service activities | 1,120 | | 141 |
| bd) receivables from clearing houses | | | |
| be) other receivables from investment service | | | |
| 4/A. Difference due to valuation of loans and advances to customers | | | |
| **5. Debt securities including fixed-income securities** | **32,590** | | **38,871** |
| a) securities issued by local self-governing bodies and by other public bodi (not include the treasury bills issued by Hungarian state and securities issued by Hungarian National Bank) | 1,559 | | 700 |
| aa) held for trade | 600 | | |
| ab) held as financial fixed assets (for long term investment) | 959 | | 700 |
| b) securities issued by other bodies | 31,031 | | 38,171 |
| ba) held for trade | 7,362 | | 3,042 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – own-debt securities (own issued and repurchased) | 299 | | 299 |
| bb) held as financial fixed assets (for long term investment) | 23,669 | | 35,129 |
| From this: – by affiliated undertaking | 62 | | 21 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| 5/A. Difference due to valuation of debt securities including fixed-income securities | | | |
| **6. Shares and other variable-yield securities** | **12,762** | | **9,541** |
| a) shares and participations for trade | 94 | | 123 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | 1 | | 4 |
| b) other variable-yield securities | 12,668 | | 9,418 |
| ba) held for trade | 4,502 | | 1,067 |
| bb) held as financial fixed assets (for long term investment) | 8,166 | | 8,351 |
| 6/A. Difference due to valuation of shares and other variable-yield securities | | | |

| | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| **7. Sares and participating interest as financial fixed assets** | **6,396** | | **7,379** |
| a) shares and participating interest as financial fixed assets | 6,396 | | 7,379 |
| From this: – shares and participating interest in credit institutions | 345 | | 1 |
| b) revaluation surplus on shares and participating interests | | | |
| From this: – revaluation surplus on shares and on participating interests in credit institutions | | | |
| 7/A. Difference due to valuation of shares and participating interest as financial fixed assets | | | |
| **8. Shares and participating interest in affiliated undertakings** | **43,663** | | **39,668** |
| a) shares and participating interest in affiliated undertakings | 4,926 | | 4,589 |
| From this: – shares and participating interest in credit institutions | | | |
| b) revaluation surplus on shares and participating interests | | | |
| From this: – revaluation surplus on shares and on participating interests in credit institutions | | | |
| c) capital consolidation difference | 38,737 | | 35,079 |
| - from subsidiaries and joint managed companies | 38,737 | | 35,079 |
| - from affiliated companies | | | |
| **9. Intangible assets** | **9,569** | **292** | **21,738** |
| a) intangible assets | 9,569 | 292 | 21,738 |
| b) revaluation surplus on intangible assets | | | |
| **10. Tangible assets** | **108,698** | **-63** | **114,243** |
| a) tangible assets for financial and investment services | 93,544 | -60 | 100,890 |
| aa) land and buildings | 67,897 | -37 | 70,068 |
| ab) technical equipment, fittings and vehicles | 19,719 | -25 | 23,945 |
| ac) investment | 5,910 | 2 | 6,828 |
| ad) advance payments on investment | 18 | | 49 |
| b) tangible assets not for directly financial and investment services | 15,037 | -3 | 13,243 |
| ba) land and buildings | 8,880 | -3 | 8,943 |
| bb) technical equipment, fittings and vehicles | 5,680 | | 3,826 |
| bc) investment | 476 | | 474 |
| bd) advance payments on investment | 1 | | |
| c) revaluation surplus on tangible assets | 117 | | 110 |
| **11. Own shares** | **25,420** | | **25,867** |
| **12. Other assets** | **39,241** | **-811** | **76,544** |
| a) stocks (inventories) | 12,763 | -24 | 15,381 |
| b) other receivables (not from financial and investment securities) | 26,478 | -787 | 61,071 |
| From this: – by affiliated undertaking | 1,100 | 5 | 3,836 |
| – by undertaking with which the credit institution is linked by virtue of participating | 2 | | 62 |
| b.1.) receivables of consolidated financial and investment service companies | 20,884 | | 54,401 |
| b.2.) receivables of consolidated insurance companies | 2,367 | | 2,397 |
| b.3.) receivables of consolidated other companies | 3,227 | | 4,273 |
| c) receivables from income tax due to consolidation (calculates) | | | 92 |
| 12/A. Difference due to valuation of other assets | | | |
| 12/B. Difference due to positive valuation of derivative deals | | | |
| **13. Prepayments and accrued income** | **39,173** | **-68** | **48,603** |
| a) accrued income | 32,965 | -82 | 41,692 |
| b) prepayments | 6,208 | 14 | 6,911 |
| c) deffered charges | | | |
| | | | |
| ***TOTAL ASSETS*** | ***3,502,663*** | ***-650*** | ***4,182,444*** |
| | | | |
| ***From this:*** | | | |
| *- CURRENT ASSETS (1+2/a+3/a+3/ba+3/c+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12 + 2/A, 3/A, 4/A, 5/A, 6/A, 12/A és 12/B)* | *1,349,252* | *-825* | *1,702,915* |
| *- FIXED ASSETS (2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10+ 2/A, 3/A, 4/A, 5/A, 6/A, 7/A, 12/A és 12/B)* | *2,114,238* | *243* | *2,430,926* |

**Budapest, March 18, 2005**

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**statistical register number**

**6 5 1 2**

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)**

**EQUITY AND LIABILITIES**

in HUF million

| consolidated | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| **1. Liabilities to credit instiutions** | **126,353** | | **254,646** |
| a) repayable on demand | 2,829 | | 3,347 |
| b) liabilities from financial services with maturity dates or periods of notice | 123,524 | | 251,212 |
| ba) not more than one year | 54,896 | | 135,079 |
| From this: – by affiliated undertaking | | | 121 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by Hungarian National Bank | 166 | | 128 |
| – by clearing house | | | |
| bb) more than one year | 68,628 | | 116,133 |
| From this: – by affiliated undertaking | | | 6 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| – by Hungarian National Bank | 1,212 | | 1,066 |
| – by clearing house | | | |
| c) liabilities from investment services | | | 87 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| 1/A. Difference due to valuation of liabilities to credit institutions | | | |
| **2. Liabilities to customers** | **2,697,843** | **-8** | **2,910,378** |
| a) saving deposits | 442,155 | | 425,510 |
| aa) repayable on demand | 137,023 | | 146,312 |
| ab) maturity not more than one year | 304,890 | | 279,008 |
| ac) maturity more than one year | 242 | | 190 |
| b) other liabilities from financial services | 2,254,810 | -8 | 2,484,249 |
| ba) repayable on demand | 894,949 | -9 | 961,761 |
| From this: – by affiliated undertaking | 2,371 | | 4,911 |
| – by undertaking with which the credit institution is linked by virtue of participating | 288 | | 1,181 |
| bb) maturity not more than one year | 1,298,772 | 1 | 1,453,433 |
| From this: – by affiliated undertaking | 2,130 | | 3,422 |
| – by undertaking with which the credit institution is linked by virtue of participating | 433 | | 2,298 |
| bc) maturity more than one year | 61,089 | | 69,055 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| c) liabilities from investment services | 878 | | 619 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| ca) liabilities from investment service activities on the on the stock exchange | | | |
| cb) liabilities from over-the-counter investment service activities | | | |
| cc) liabilities from clients for investment service activities | 878 | | 619 |
| cd) liabilities from clearing houses | | | |
| ce) other liabilities from investment service | | | |
| 2/A. Difference due to valuation of liabilities to customers | | | |
| **3. Liabilities from issued debt securities** | **136,661** | | **326,580** |
| a) issued bond | 1,104 | | 1,104 |
| aa) maturity not more than one year | | | 1,104 |
| From this: – by affiliated undertaking | | | 3 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| ab) maturity more than one year | 1,104 | | |
| From this: – by affiliated undertaking | 3 | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| b) issued other debt securities | 79,766 | | 278,016 |
| ba) maturity not more than one year | 10,885 | | 58,776 |
| From this: – by affiliated undertaking | 10,000 | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| bb) maturity more than one year | 68,881 | | 219,240 |
| From this: – by affiliated undertaking | 2,539 | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |

| | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities | 55,791 | | 47,460 |
| ca) maturity not more than one year | 18,444 | | 26,562 |
| From this: – by affiliated undertaking | | | |
| participating | | | |
| cb) maturity more than one year | 37,347 | | 20,898 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participating | | | |
| **4. Other liabilities** | **63,645** | **-198** | **91,027** |
| a) maturity not more than one year | 60,942 | -198 | 89,470 |
| From this: – by affiliated undertaking | 237 | 2 | 1,053 |
| – by undertaking with which the credit institution is linked by virtue of participating | | | 85 |
| a.1.) receivables of consolidated financial and investment service companies | 50,880 | | 80,254 |
| a.2.) receivables of consolidated insurance companies | 3,320 | | 2,963 |
| a.3.) receivables of consolidated other companies | 6,742 | | 6,253 |
| b) maturity more than one year | 2,530 | | 1,557 |
| From this: – by affiliated undertaking | | | 51 |
| – by undertaking with which the credit institution is linked by virtue of participatin | | | |
| b.1.) receivables of consolidated financial and investment service companies | 2,530 | | 1,511 |
| b.2.) receivables of consolidated insurance companies | | | |
| b.3.) receivables of consolidated other companies | | | 46 |
| c) calculated income tax difference due to consolidation | 173 | | |
| 4/A. Difference due to negative valuation of derivative deals | | | |
| **5. Accruals and deferred income** | **37,089** | **-34** | **56,513** |
| a) accrued liabilities | 2,442 | | 7,918 |
| b) accrued costs and expenses | 34,607 | -34 | 48,564 |
| c) deferred income | 40 | | 31 |
| **6. Provisions** | **116,232** | | **135,329** |
| a) provisions for pensions and similar obligtions | 1,546 | | 748 |
| b) risk provision for off-balance sheet items (for pending and future labilities) | 5,492 | | 5,851 |
| c) general risk provision | 20,738 | | 26,588 |
| d) other provision | 88,456 | | 102,142 |
| d.1.) receivables of consolidated financial and investment service companies | 3,481 | | 2,964 |
| d.2.) receivables of consolidated insurance companies | 84,188 | | 98,578 |
| d.3.) receivables of consolidated other companies | 787 | | 600 |
| **7. Subordinated liabilities** | **19,720** | | **18,617** |
| a) subordinated loan capital | 15,413 | | 14,324 |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participation | | | |
| aa) capital consolidation difference | 4,307 | | 4,293 |
| - from subsidiaries and joint management companies | 4,307 | | 4,293 |
| b) pencuniary contribution of members at credit institutions operating as credit cooperatives | | | |
| c) other subordinated liabilities | | | |
| From this: – by affiliated undertaking | | | |
| – by undertaking with which the credit institution is linked by virtue of participation | | | |
| **8. Subcribed capital** | **28,000** | | **28,000** |
| From this: repurchased own shares at face value | 2,115 | | 1,801 |
| **9. Subcribed but unpaid capital (-)** | | | |
| **10. Capital reserves** | **52** | | **52** |
| a) premium (from share issue) | | | |
| b) other | 52 | | 52 |
| **11. General reserves** | **41,325** | | **51,807** |
| **12. Retained earnings (accumulated profit reserve) (±)** | **132,733** | | **178,946** |
| a) retained earnings | 130,699 | | 178,281 |
| b) changes in equity of equity consolidated subsidiaries | 2,034 | | 665 |
| **13. Legal reserves** | **14,328** | | **14,588** |
| **14. Revaluation reserve** | | | |
| a) valuation reserve for correction | | | |
| b) valuation reserve for fair value adjustment | | | |
| **15. Profit or loss for the financial year according to the balance sheet (+/-)** | **58,101** | **-410** | **72,783** |
| **16. Changes in equity of subsidiaries and joint managed companies (+/-)** | **29,313** | | **39,938** |

**Budapest, March 18, 2005**

**1 5 3 7 9 1 4 6 5 1 2 1 1 4 1**

statistical register number

**6 5 1 2**

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)**

**EQUITY AND LIABILITIES**

in HUF million

| consolidated | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|
| **17. Changes due to consolidation (+/-)** | **851** | | **2,837** |
| - debt consolidation | 6,646 | | 6,748 |
| - difference of intermediate results | -5,795 | | -3,911 |
| **18. Shares of other outside owners** | **417** | | **403** |
| **19 .Difference from exchange rate** | | | |
| | | | |
| ***TOTAL LIABILITIES*** | ***3,502,663*** | ***-650*** | ***4,182,444*** |
| | | | |
| From this: | | | |
| *- SHORT-TERM LIABILITIES* | *2,784,681* | *-206* | *3,155,558* |
| *(1/a+1/ba+1/c+1/A+2/aa+2/ab+2/ba+2/bb+2/c+2/A+3/aa+3/b)* | | | |
| ***- LONG-TERM LIABILITIES*** | *259,541* | | *445,690* |
| *(1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)* | | | |
| *- EQUITY (CAPITAL AND RESERVES) (8-9+10+11±12+13+14±15±16±17+18)* | *305,120* | *-410* | *389,354* |

| | | | |
|---|---|---|---|
| OFF-BALANCE SHEET COMMITMENTS | **796,571** | | **995,198** |
| **1. Contingent liabilities** | 520,106 | | 686,646 |
| **2. Future liabilities** | 276,465 | | 308,552 |

| | | | |
|---|---|---|---|
| OFF-BALANCE SHEET ASSETS | **4,022,812** | | **4,908,095** |
| **1. Contingent assets** | 3,733,732 | | 4,585,867 |
| **2. Future assets** | 289,080 | | 322,228 |

**Budapest, March 18, 2005**

# Consolidated Profit and Loss Account

**1 0 5 3 7 9 1 4 6 5 1 2 1 1 4 0 1**

**statistical register number**

**6 5 1 2**

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)**

**PROFIT AND LOSS ACCOUNT**

in HUF million

| | consolidated | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|---|
| 1. | Interest received and interest-type income | *279,087* | *-77* | *424,120* |
| | a) interest received on securities with fixed-interest signifying a creditor relationship | 79,965 | 17 | 109,146 |
| | Including: - from related companies | 32 | | |
| | - from other participation companies | | | |
| | b) other interest received and interest-type income | 199,122 | -94 | 314,974 |
| | Including: - from related companies | 1,560 | | 1,717 |
| | - from other participation companies | 818 | | 2,116 |
| 2. | Interest paid and interest-type expenses | *102,025* | *-67* | *173,205* |
| | Including: - to related companies | 350 | | 723 |
| | - to other participation companies | 169 | | 315 |
| | **Interest difference (1-2)** | **177,062** | **-10** | **250,915** |
| 3. | Incomes from securities | *668* | | *572* |
| | a) from trading securities and participations (dividend, profit participation) | | | 98 |
| | b) from related companies (dividend, profit participation) | 522 | | 44 |
| | c) from other participation companies (dividend, profit participation) | 146 | | 430 |
| 4. | Fees and Commission received | *73,825* | *-387* | *85,275* |
| | a) revenues from other financial services | 70,427 | -41 | 81,712 |
| | Including: - from related companies | 47 | 5 | 212 |
| | - from other participation companies | 3 | | 3 |
| | b) revenues from investment services (except incomes from trading activities) | 3,398 | -346 | 3,563 |
| | Including: - from related companies | 65 | | 105 |
| | - from other participation companies | | | |
| 5. | Fees and Commission paid | *15,620* | *-35* | *16,329* |
| | a) expenses on other financial services | 15,279 | -35 | 15,993 |
| | Including: - to related companies | 688 | 1 | 547 |
| | - to other participation companies | 115 | | 968 |
| | b) expenses on investment services (except expenses from trading activities) | 341 | | 336 |
| | Including: - to related companies | | | |
| | - to other participation companies | | | |
| 6. | Profit or loss from financial transactions (6/a-6/b+6/c-6/d) | *-5,854* | *9* | *5,196* |
| | a) revenues from other financial services | 20,872 | -12 | 22,145 |
| | Including: - from related companies | -1,139 | | -3,736 |
| | - from other participation companies | 67 | | -349 |
| | - difference due to valuation | | | |
| | b) expenses on other financial services | 26,328 | -21 | 17,961 |
| | Including: - from related companies | -3,712 | | 54 |
| | - from other participation companies | 1,695 | | 77 |
| | - difference due to valuation | | | |
| | c) revenues from investment services (revenues from trading activities) | 11,920 | | 8,032 |
| | Including: - from related companies | 45 | | 116 |
| | - from other participation companies | | | 199 |
| | - reversal of write-off of trading securities | | | |
| | - difference due to valuation | | | |
| | d) expenses on investment services (expenses from trading activities) | 12,318 | | 7,020 |
| | Including: - to related companies | 116 | | 52 |
| | - to other participation companies | 43 | | 115 |
| | - write-off of trading securities | | | 403 |
| | - difference due to valuation | | | |
| 7. | Other incomes from business | *119,768* | *414* | *104,961* |
| | a) incomes from non financial and investment services | 99,505 | -1 | 97,498 |
| | Including: - from related companies | 851 | | 3,234 |
| | - from other participation companies | 5 | | 932 |
| | a.1.) income of consolidated investment service providers | 12,230 | -1 | 11,026 |
| | a.2.) income of consolidated insurance companies | 61,662 | | 61,055 |
| | a.3.) income of other consolidated companies | 25,613 | | 25,417 |

| | | 31 December 2003 | Self revision | 31 December 2004 |
|---|---|---|---|---|
| | b) other revenues | 20,102 | 415 | 7,227 |
| | Including: - from related companies | 965 | -16 | 496 |
| | - from other participation companies | | | |
| | -reversal of write-off of inventory | 7 | | 34 |
| | b.1.) income of consolidated investment service providers | 19,186 | 415 | 4,922 |
| | b.2.) income of consolidated insurance companies | 107 | | 127 |
| | b.3.) income of other consolidated companies | 809 | | 2,178 |
| | ba) consolidation difference income due to debtor consolidation | | | 9 |
| | bb) other income due to consolidation | 161 | | 227 |
| 8. | General administration expenses | *94,632* | *-130* | *116,821* |
| | a) personnel expenses | 51,707 | -286 | 66,797 |
| | aa) wage costs | 30,849 | -259 | 38,554 |
| | ab) other payments to personnel | 8,156 | 41 | 10,825 |
| | Including: - social security expenses | 2,971 | | 3,552 |
| | - pension related expenses | 2,183 | | 2,413 |
| | ac) contributions on wages and salaries | 12,702 | -68 | 17,418 |
| | Including: - social security expenses | 10,763 | -64 | 14,946 |
| | - pension related expenses | 5,986 | -41 | 8,705 |
| | b) other administration expenses | 42,925 | 156 | 50,024 |
| 9. | Depreciation and amortization | *11,613* | *107* | *14,282* |
| 10. | Other expenses from business | *132,828* | *476* | *135,996* |
| | a) expenses from non-financial and investment services | 52,013 | 7 | 50,519 |
| | Including: - to related companies | 52 | 1 | 144 |
| | - to other participation companies | | | 21 |
| | a.1.) expense of consolidated investment service providers | 9,803 | 7 | 10,429 |
| | a.2.) expense of consolidated insurance companies | 42,184 | | 40,021 |
| | a.3.) expense of other consolidated companies | 26 | | 69 |
| | b) other expenses | 42,422 | 469 | 38,423 |
| | Including: - to related companies | 35 | | 63 |
| | - to other participation companies | | | |
| | - write-off of inventory | 49 | | 199 |
| | b.1.) expense of consolidated investment service providers | 40,668 | 469 | 34,908 |
| | b.2.) expense of consolidated insurance companies | 541 | | 621 |
| | b.3.) expense of other consolidated companies | 1,213 | | 2,894 |
| | ba) consolidation difference expinse due to debtor consolidation | 11 | | |
| | bb) other expense due to consolidation | 2,378 | | 9,371 |
| | c) expense of consolidated investment service providers | 36,004 | | 37,683 |
| | c.1.) expense of consolidated insurance companies | 15,668 | | 16,308 |
| | c.2.) expense of other consolidated companies | 20,336 | | 21,375 |
| 11. | write-off of loans and provision for contingent and future liabilities | *31,417* | | *40,842* |
| | a) write-off of loans | 27,314 | | 36,822 |
| | b) provision for contingent and future liabilities | 4,103 | | 4,020 |
| 12. | Reversal of write-off of loans and credit for contingent and future liabilities | *27,012* | | *34,829* |
| | a) reversal of write-off of loans | 23,875 | | 31,202 |
| | b) credit for contingent and future liabilities | 3,137 | | 3,627 |
| 12/A. | Difference between the creation and write-off of general risk provision | *-3,189* | | *-6,004* |
| 13. | write-off of securities for investing purposes, signifying a creditor relationship, | *183* | | *2* |
| 14. | Reversal of write-off of securities for investing purposes, signifying a creditor | *349* | | *84* |
| **15.** | **Result of ordinary business activities** | **103,348** | **-392** | **151,556** |
| | Icluding: -RESULT OF FINANCIAL AND INVESTMENT SERVICES [1.-2.+3.+4.-5.±6.+7.b1.+7.ba.+7.bb.-8.-9.-10.b1.-10.ba.-10.bb.-11.+12.±12/A.-13.+14.] | 92,698 | -384 | 143,470 |
| | - RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES (7/a- | 10,650 | -8 | 8,086 |

**Budapest, March 18, 2005**

## Consolidated Cash Flow Statement

in HUF million

| | DESCRIPTION | 2003 | 2004 |
|---|---|---|---|
| 1. | Interest income | 279,087 | 424,120 |
| 2. | + Revenues from other financial services (except for write back of diminuition of value on securities) | 91,465 | 104,795 |
| 3. | + Other revenues (except for utilization of provisions and re-entry of surplus provisions; losses on inventory; and write back of above planned provisions) | 13,026 | 967 |
| 4. | + Revenues from investment services (except for write back of diminuition of value on securities) | 15,318 | 11,998 |
| 5. | + Revenues from non-financial and investment services | 100,765 | 99,218 |
| 6. | + Dividend income | 668 | 572 |
| 7. | + Extraordinary Revenues | 32 | 47 |
| 8. | - Interest expenses | -102,025 | -173,205 |
| 9. | - Expenses on other financial services (except for write back of diminuition of value on securities) | -41,085 | -34,424 |
| 10. | - Other expenses (except for the formation of provisions ; losses on inventory; and write back of above planned provisions) | -33,583 | -34,565 |
| 11. | - Expenses on investment services (except for write back of diminuition of value on securities) | -12,659 | -7,356 |
| 12. | - Expenses on non-financial and investment services | -74,548 | -73,070 |
| 13. | - General administration expenses | -106,245 | -116,828 |
| 14. | - Extraordinary expenses (not including the Amount of corporate tax liabilities in the subject year) | -461 | -227 |
| 15. | - Corporate tax liabilities in the subject year | -19,729 | -25,490 |
| 16. | - Dividends paid | -1,123 | -16,177 |
| **17.** | **OPERATING CASH FLOW** | **108,903** | **160,375** |

in HUF million

| | DESCRIPTION | 2003 | 2004 |
|---|---|---|---|
| 18. | ± Change in stock of liabilities (if increase +, if decrease -) | 658,897 | 532,226 |
| 19. | ± Change in stock of receivables (if increase -, if decrease +) | -674,684 | -590,284 |
| 20. | ± Change in stock of inventories (if increase -, if decrease +) | -1,432 | -2,665 |
| 21. | ± Change in stock of securities reported under current assets (if increase -, if decrease +) | 35,393 | -29,638 |
| 22. | ± Change in stock of securities reported as investment assets (if increase -, if decrease +) | -184,134 | 110,172 |
| 23. | ± Change in stock of investments (including advances) (if increase -, if decrease +) | 826 | -967 |
| 24. | ± Change in stock of intangible assets (if increase -, if decrease +) | 4,784 | -16,752 |
| 25. | ± Change in the value of tangible assets (except for investments and advances on investments) (if increase -, if decrease +) | -35,796 | -23,651 |
| 26. | ± Change in stock of deferred expenses and accrued income (if increase -, if decrease +) | -571 | -9,498 |
| 27. | ± Change in stock of accrued expenses and deferred income (if increase +, if decrease -) | 10,203 | 19,458 |
| 28. | + Issue of shares at Sales price | 0 | 0 |
| 29. | + Liquid assets received definitively on the basis of legal regulation | 0 | 0 |
| 30. | - Liquid assets transferred definitively on the basis of legal regulation | 0 | 0 |
| 31. | - Nominal value of shares or share notes withdrawn | 0 | 0 |
| 32. | ± Share of outside members (other shareholders) (if increase +, if decrease -) | 133 | -14 |
| **33.** | **NET CASH FLOW** | **-77,478** | **148,762** |
| | of which: | | |
| 34. | - change in stock of cash on hand (cash in forints and foreign currency, checks) | 31,887 | -4,907 |
| 35. | - change in stock of account cash (HNB forint and foreign exchange clearing and deposit accounts with a maturity of less than one year, as well as current deposit accounts kept in forints with another financial institution on the basis of a separate legal | -109,365 | 153,669 |

# REPORT OF THE SUPERVISORY BOARD ABOUT THE 2004 BUSINESS AND FINANCIAL REPORTS AND THE PROFIT DISTRIBUTION PROPOSAL

## REPORT OF THE SUPERVISORY BOARD CONCERNING ITS ACTIVITY IN 2004 AND THE 2004 FINANCIAL REPORTS (NON CONSOLIDATED AND CONSOLIDATED) PREPARED ACCORDING TO HAR AND ON THE PROPOSAL REGARDING THE DISTRIBUTION OF AFTER TAX PROFITS.

The Supervisory Board of OTP Bank Ltd. in agreement with those included in the auditors reports, proposes to the AGM to accept the report on the performance of the Bank in 2004 and the financial reports prepared under HAR with the following main figures:

**Unconsolidated balance sheet total of HUF3,044,772 million**,

**Consolidated balance sheet total of HUF4,182,444 million**, and

to accept the proposal concerning **the distribution of the HUF104,818 million after-tax profits.**

The Supervisory Board agrees with the Board of Directors' proposal to pay dividends for the ordinary shares HUF146 each and HUF1,460 for the voting preference share, i.e. 146% of the face value of the shares. The exact amount of dividend payable to the shareholders has to be calculated and paid in pursuance of the By-Laws of the Bank.

# REPORT OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE 2004 HAR FINANCIAL REPORTS

## NON-CONSOLIDATED

FREE TRANSLATION OF THE HUNGARIAN ORIGINAL

**Deloitte.**

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Auditing and Consulting Ltd.
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***Free translation of the Hungarian original***

*INDEPENDENT AUDITORS' REPORT*

To the Shareholders of National Savings and Commercial Bank Ltd.

We have audited the accompanying balance sheet of National Savings and Commercial Bank Ltd. (the "Bank") as at December 31, 2004, which shows total assets of HUF 3,044,772 million and a retained profit for the year of HUF 53,130 million, the related profit and loss account for the year then ended and the supplement (hereinafter the balance sheet, the profit and loss account and the supplement, collectively "the financial statements") included in the Bank's 2004 Annual Report. The Annual Report and the Business Report is the responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statements based on our audit. In addition, it is our responsibility to assess whether the accounting information in the Business Report is consistent with that contained in the financial statements.

With reference to our auditors' report relating to the 2003 financial statements issued on March 19, 2004, we issued an unqualified auditors' report based on our audit of the previous year.

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. Our work with respect to the Business Report was limited to checking it within the aforementioned scope, and did not include a review of any information other than that drawn from the audited accounting records of the Bank. We believe that our audit provides a reasonable basis for our opinion.

These financial statements have been prepared for the consideration of shareholders at the forthcoming General Meeting and do not reflect the effects, if any, of resolutions that might be adopted at that meeting. The Bank shows a dividend of HUF 41,206 million in its financial statements, but the final amount of the dividend will approved by the forthcoming General Meeting.

Clause
We have audited National Savings and Commercial Bank Ltd.'s financial statements, including its sections and items and the supporting accounting records and certificates thereof in accordance with the applicable National Standards on Auditing and have obtained reasonable assurance that - except for the effects on the financial statements of the resolutions to be adopted at the forthcoming General Meeting, if any - the financial statements have been prepared pursuant to the Accounting Act and generally accepted accounting principles.

In our opinion, the financial statements give a true and fair view of the financial position of National Savings and Commercial Bank Ltd. as at December 31, 2004 and of the results of its operations for the year then ended. The Business Report corresponds to the figures included in the financial statements.

Budapest, March 11, 2005

*Hungarian version has been signed*

| | |
|---|---|
| ............................................... | ............................................... |
| Alastair Teare | Zoltán Nagy |
| Deloitte | registered auditor |
| Auditing and Consulting Ltd. | 005027 |
| 000083 | |

# REPORT OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE 2004 HAR FINANCIAL REPORTS

## CONSOLIDATED

FREE TRANSLATION OF THE HUNGARIAN ORIGINAL

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***Free translation of the Hungarian original***

## *INDEPENDENT AUDITORS' REPORT*

To the Shareholders of National Savings and Commercial Bank Ltd.

We have audited the accompanying consolidated balance sheet of National Savings and Commercial Bank Ltd. and its subsidiaries (the "Bank") as at December 31, 2004, which shows total assets of HUF 4,182,444 million and a consolidated retained profit for the year of HUF 72,783 million , the consolidated related profit and loss account for the year then ended and the consolidated supplement (hereinafter the balance sheet, the profit and loss account and the supplement, collectively "the consolidated financial statements") included in the Bank's 2004 consolidated Annual Report. The consolidated Annual Report and the consolidated Business Report, is the responsibility of the Bank's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. In addition, it is our responsibility to assess whether the accounting information in the consolidated Business Report is consistent with that contained in the consolidated financial statements.

With reference to our auditors' report relating to the 2003 consolidated financial statements issued on March 23, 2004, we issued an unqualified auditors' report based on our audit of the previous year.

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidation financial statements' presentation. Our work with respect to the consolidated Business Report was limited to checking it within the aforementioned scope, and did not include a review of any information other than that drawn from the audited accounting records of the Bank. We believe that our audit provides a reasonable basis for our opinion.

Audit.Tax.Consulting.Financial Advisory

A member firm of
**Deloitte Touche Tohmatsu**

Registered by the Budapest Court of Registration
Company Reg. No.: 01-09-071057

These consolidation financial statements have been prepared for the consideration of shareholders at the forthcoming General Meeting and do not reflect the effects, if any, of resolutions that might be adopted at that meeting. The Bank shows a dividend of HUF 41,202 million in its consolidated financial statements, but the final amount of the dividend will approved by the forthcoming General Meeting.

Clause

We have audited National Savings and Commercial Bank Ltd.'s consolidated financial statements, including its sections and items and the supporting accounting records and certificates thereof in accordance with the applicable National Standards on Auditing and have obtained reasonable assurance that - except for the effects on the consolidated financial statements of the resolutions to be adopted at the forthcoming General Meeting, if any - the consolidated financial statements have been prepared pursuant to the Accounting Act and generally accepted accounting principles.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of National Savings and Commercial Bank Ltd. as at December 31, 2004 and of the results of its operations for the year then ended. The consolidated Business Report corresponds to the figures included in the consolidated financial statements.

Budapest, March 18, 2005

*Hungarian version has been signed*

| ............................................ | ............................................ |
|---|---|
| Alastair Teare | Zoltán Nagy |
| Deloitte | registered auditor |
| Auditing and Consulting Ltd. | 005027 |
| 000083 | |

# REPORT OF THE BOARD OF DIRECTORS CONCERNING THE BANK'S BUSINESS POLICY FOR 2005

# REPORT OF THE BOARD OF DIRECTORS CONCERNING THE BANK'S BUSINESS POLICY PLAN FOR 2005

## SUMMARY

### FORECASTS RELATED TO THE MACROECONOMIC ENVIRONMENT IN 2005

Economic growth is expected to slow somewhat in 2005, as the external and internal drivers of growth lose some of their force. GDP is expected to grow by 3.5% this year, compared to 4% in 2004. As the European economic upswing temporarily loses momentum and the rate of increase in exports and imports declines, there is likely to be a more modest expansion this year in capital investments. The pace of growth in consumption will slow further, and thus domestic demand will also gradually wane.

The external balance position may improve slightly in 2005. Due to the high public finance deficit and to the low level of savings on the part of households, the external funding requirement of the Hungarian economy will be high, and for this reason the current account deficit this year as well as next is likely to be around 9% of GDP.

Inflation will fall significantly, probably to a level of around 3% by mid-2005, then, following a slight increase in the second half of the year, annual inflation is expected to be about 3.5%. Disinflation in the first half of the year will enable the national bank to reduce the benchmark interest rate, while, due to persisting deficit problems, there will be little room left to make further rate cuts in the second half of the year.

In the countries where the Bank's subsidiaries are located, and in the acquisition target countries, we expect to see a continuation of economic growth and a further improvement in the macroeconomic indicators.

### OUTLOOK FOR GROWTH IN THE BANK'S INDIVIDUAL MARKETS AND THE BANK SECTOR

The borrowing requirement of the various participants in the economy continues to be high, but the saving positions of the individual sectors will be characterised by contradictory trends. Although the net savings position of households will increase in 2005, a portion of household savings will bypass the bank sector and be channelled into different forms of saving, primarily securities, pension funds and insurance. The growth in bank savings is expected to lag behind the growth in lending to households, which means that net household debt towards the banking sector will increase.

The net savings position of businesses will decline amid conditions of an economic upswing characterised by an increase in exports and capital expenditure. The increase in the borrowing requirement will result partly in a reduction in the previously accumulated liquid assets of the corporate sector, and at the same time will lead to fresh loans being taken up. For this reason, corporate deposits are expected to increase at a rate that is close to the nominal rate of growth of GDP, while the demand for credit on the part of businesses will increase by an extent greater than this.

The need for funding on the part of municipalities will also increase in the coming period, which will be reinforced by the co-financing requirement associated with EU-funded projects. For this reason municipal deposits will increase by a relatively modest extent, while there will be greater potential for growth on the lending side.

In accordance with the above trends, the growth of the bank sector is likely to be determined by lending that is partly financed from foreign sources, and we expect to see a slight increase in the bank sector's total assets as a percentage of GDP.

### OBJECTIVES RELATED TO MARKET POSITION

The objective of the OTP Bank Group is to retain its position in markets where it is the dominant player, and to strengthen its presence in segments where its market share is currently low compared to the other sub-markets. However, when pursuing market-share objectives it is important to restrict the fall in margins and maintain profitability at the expected levels.

In the retail savings market, the Bank Group's market-share target for the end of 2005 is 31.1% (2004: 30.8%). With regard to the household loans market, the goal is to increase the Bank Group's market share from 40.2% to 43.3%. Within this, the objective is to retain market share in the housing-loan market and to do so by increasing market share in the area of foreign-currency housing loans. In the rapidly growing market of consumer loans, the aim is to further increase the Bank's share.

With respect to corporate lending and deposit collection, the objective is to maintain market share, while in the municipality market, besides maintaining market share at above 50% on the deposits side, the goal is to increase the Bank's share of the market on the loans side.

Based on the market share to be achieved in the various customer markets, the Bank's target market share, calculated on the basis of balance sheet total, is 20.3% for the end of 2005, which is 0.9 percentage points higher than the year-end 2004 figure. The plan is to increase the market share of the Hungarian banking group from 25.8% to 27.7%.

According to plans, DSK Bank will increase its market share based on balance sheet total from 13.7% to 15% in 2005, and OBS from 3.0% to 3.3%, while Robank is also expected to achieve growth in market share.

### MAIN FINANCIAL OBJECTIVES IN 2005

The Bank Group's after-tax profit target for 2005 is HUF 138.8 billion, which represents an increase of 10.3% compared to 2004. The Bank's after-tax profit target is HUF 118.8 billion, which equates to an increase of 13.4% over 2004. Without the bank tax, the increase in the after-tax profit would be 21.3% at the Bank, and on a consolidated basis, 22.2%.

As a result of a fall in margins across the market and of competition, the Bank's interest margin will decrease by 29 basis points, to 5.01%.

The Bank's revenue will increase by 12.1% and within total revenue the share of non-interest income is set to rise from 41.1% to 43.6%. The cost/income ratio, which measures cost efficiency, will fall from 47.9% to 44.4%.

The Bank's real average return on equity (ROAE), which was 29.0% in 2004, will increase to 29.5% in 2005, while the real average return on equity (ROAE) of the Bank Group will decrease from 29.5% in 2004 to 28.4% in 2005.

The Bank Group's earnings per share calculated according to Hungarian accounting standards will be HUF 496.

The Bank plans to distribute 40% of its after-tax profits in 2005 among its shareholders. Taking into account the planned acquisitions and the dividend ratio, the Bank's capital adequacy ratio will be about 10% at the end of 2005, safely above the 8% requirement.

### OBJECTIVES RELATED TO CUSTOMERS

The Bank intends to continue to refine its market segmentation method, which enables it to create customer groups that can be treated in a differentiated manner, that have differing needs, and that vary from one another also in terms of profitability. The Bank will prepare analyses at predetermined intervals on the composition of its customer base by market segment, as well as on the characteristics of the various customer groups, and the findings will be incorporated into the segment-determination criteria.

The differing treatment of the individual segments – differentiated value proposals, cross-selling product proposals, pricing, maintaining of contact, communication, service level – is a vital tool in the Bank's efforts to retain its existing clientele and enhance customer value. The Bank intends to greatly increase the proportion of customers receiving cross-selling proposals, and to this end it is stepping up its support for the work of staff involved in sales, by, for example, further developing the branch CRM interface, preparing sales-support literature, and by training front-line staff.

#### OBJECTIVES RELATED TO OPERATIONAL PROCESSES

In order to ensure the comprehensive and concerted development of sales activity, work that began in 2004 in the branch network will continue in 2005. The objective of the branch-operations optimisation program, which is made up of several projects (namely the Back-Office Rationalisation, the START, and the Branch Management projects), is to improve the standard of customer service, reduce waiting time, and to better exploit the business potential inherent in cross-selling. In the interest of supporting branch-office sales more effectively and of improving active customer-acquisition activities, the work of branch managers and officers is assisted through a weekly performance-measurement and reporting system, generated without manual data input, as well as by sales consultants.

With regard to the development of its electronic banking channels, the Bank intends to remain a formative force in the market. Since the underlying service structure is of an international standard, only minor changes are to be expected in 2005. At the same time, a significant enhancement of service levels may be expected as a result of the introduction of a centralised telephone-based information system and of a customer-complaints registry and complaints-processing procedure, which are just the latest steps in a several-year development effort aimed at alleviating the workload of the branches and strengthening their sales focus.

In 2005 the expansion of the data-content of the Transaction Data Warehouse will continue, as will development of the related applications.

A high-priority task for 2005 is to prepare for Basel II. The processes to be developed in the course of the implementation project, however, will not only allow the Bank to meet the requirement for regulatory compliance, but will also involve the processes of loan approval, the management of overdue receivables and cancelled loans, the flow of data between IT systems, risk-based pricing, performance measurement, and capital allocation based on market considerations. In 2005 a department specifically dealing with operational risks will also need to be established.

Similarly to previous years, in 2005 one of the top-priority tasks will be to optimise operational costs, explore cost-saving opportunities, and implement IT developments that will help achieve a more economical operation. With the aim of raising efficiency levels still further, the Bank Group will be elaborating a new medium-term telecommunication-development strategy in the course of 2005.

#### OBJECTIVES RELATED TO TRAINING AND DEVELOPMENT

The tasks related to human resource management in 2005 will be determined by the projects that were implemented last year, with the most important task being the management of the rationalisation processes elaborated the various projects.

In order to improve sales performance, the sales skills of branch managers and officers must be further developed. Besides the new sales-support training program developed in 2004, basic and specialist professional knowledge-related courses will be held in 2005.

With the change in the role of the training department, the Bank's human resources function will take on new personnel-development activities, which will allow the Bank to monitor employees' progress in relation to their individualised career paths.

## EXPECTED TRENDS IN THE MACROECONOMIC ENVIRONMENT

We expect economic growth in Hungary to outstrip the EU average in 2005 and that there will be a decline in inflation, which will likely be accompanied by a fall in general interest rates.

### EXPECTED MACROECONOMIC TRENDS IN 2005

The real value of GDP is expected to increase by 3.5% in 2005, in line with longer-term growth trends. As economic growth in Europe temporarily loses momentum, and exports and imports slow, we can expect to see a more modest expansion in capital investments this year. Due to lower wage increases, the rate of growth of consumption will be limited, and thus domestic demand will also gradually lose some of its vibrancy. Despite this, the structure of growth will continue to be favourable and, with a decline in the import requirement, net exports may become the driving force for growth.

As regards the production sectors, in agriculture it is not likely that excellent harvests in 2004 – which were due in part to exceptionally good weather conditions – will be repeated in 2005, and we can expect the rate of growth in the sector to normalise. The driving force in the economy is likely to be export-led manufacturing, while the construction industry may receive an impetus from a number of large-scale road-construction projects. The service sectors are particularly exposed to the lower growth rate that is expected in internal demand, and to public-sector wage increases that are likely to be more modest than in previous years.

Given the projected growth rate, which is close to the long-term average, and given the structure of growth, we do not expect employment figures to improve in 2005. In the public sector, budgetary targets do not allow for an increase in employee numbers, but rather suggest there will be a fall in the number of those on the state payroll, while the private sector will only be able to absorb a part of the excess labour supply thus released.

There will be a pronounced fall in the rate of inflation in the first half of the year, and by the middle of the year inflation is expected to be at around 3%, which may be followed in the second half of the year by a modest rise. Average inflation for the year will almost certainly be below 4%, and is more likely be close to 3.5%.

### MONETARY ENVIRONMENT IN 2005

Following the substantial fall in inflation last year, market interest rates began to decline as early as at the end of 2004, in turn allowing a reduction in the central-bank rate, and this means that after last year's double-digit interest rates, this year could see average rates in the region of 7-8%. Due to economy's persistently high external financing requirement and to the expected rise in foreign interest rates, there will be less room to reduce rates further in the second half of the year.

For the Hungarian national bank (NBH), exchange-rate policy remains central to the fulfilment of its inflationary objectives. According to projections, the inflation targets appear to be compatible with a slightly weaker forint as was seen at the end of last year, and accordingly, the projected interest rates imply an accompanying exchange-rate forecast of between 250 and 260 forints to the euro.

## MAIN TRENDS EXPECTED IN THE FINANCIAL MARKETS IN 2005

Net savings in the economy as a whole are expected to increase compared with last year: households will provide a larger share of the modestly increasing financing requirement of the corporate sector (a rate of increase that will remain below that of GDP) and of the falling borrowing requirement of the state. In line with the slowdown in economic growth and the fall in the rate of inflation, the rate of growth in most financial-asset portfolios is, however, expected to remain below the outstandingly high figures of the previous year.

The demand for credit on the part of the corporate sector is expected to remain high, and given that there will likely be an increase in exports and capital investments in excess of the rate of growth of GDP, we expect to see a double-digit increase in total loans this year. Growth in total corporate deposits is likely to be lower than this, expanding at a rate that is close to the approximately 7% nominal projected rate of growth in GDP.

The improvement in net household savings is expected to occur by virtue of the fact that the increase in total household loans as a percentage of aggregate household income will not be as great as that seen in previous years. The pace of growth in lending for housing purposes will be limited by the fact that the value of housing development projects is highly unlikely to exceed the outstandingly high figure of the previous year, but nonetheless, a volume increase of more than 10% is probable, as a result of which the total value of housing loans would be likely to exceed 10% of GDP by the end of the year. Within retail loans, we expect to see a dynamic, double-digit, growth in consumer credit, which would bring the aggregate year-end volume of consumer loans to nearly 6% of GDP.

Aggregate financial assets of households are expected to grow at a rate of approximately 12% in 2005. Due to falling interest rates, fixed-term bank deposits are likely to represent a smaller share within the total growth of financial assets this year than previously, whereas the total value of securities held will grow at a rate exceeding the average growth rate for financial assets as a whole. Similarly, we can expect a further increase in penetration with respect to investment fund assets and insurance premium reserves.

## THE BUSINESS POLICY PLAN OF OTP BANK FOR 2005

### MARKET POSITION

Both with regard to the Bank and on group level the objective is to increase the balance sheet total by an extent that exceeds the growth rate of the bank sector as a whole. The growth in the Bank Group's balance sheet will primarily be driven by the growth in customer loans.

In 2005, as far as OTP Bank is concerned, a somewhat more modest growth may be expected than in previous periods, while at the subsidiaries, a more pronounced expansion in portfolio volumes is likely to occur. The largest contribution to the increase in the consolidated loan portfolio will come from OTP Mortgage Bank, while the decisive share of the increase in the consolidated deposit total will be attributable to the portfolio expansion of OTP Bank.

### RETAIL DIVISION

In the household deposits and household bank savings market, the aim of the Bank Group is to retain its approximately 36% share of the market. The Bank Group must achieve this objective in a market that is characterised by strong competition, aggressive marketing campaigns and price-based promotions, and a narrowing of interest margins. For this reason, in 2005 every effort must be made to monitor market trends and developments in the interest-rate environment.

In the household loans market, the objective is to maintain the Bank Group's share of the housing-loan market and to further increase its market share of consumer loans.

In order to retain its market share in the housing-loan market (amounting to about 50% on group level), it will be necessary to attain a higher share of the foreign-currency (FCY) segment. The most decisive change in housing-related lending in 2004 was the increasingly widespread popularity of FCY-based housing loans, with the share of such loans amounting to 25% of estimated total housing-loan disbursements for the year as a whole. This was to a large extent explained by the intensive marketing activities of the Bank's competitors, and by the difference between the interest terms and the size of the repayment instalments between forint and FCY-based loans. The significant share of FCY-based loans within total housing-loan disbursements is expected to increase further in 2005, and according to our projections, will be around 35-50% by year-end.

Growth of market share in the bank consumer-loans market can be partially secured through increasing market share in the area of personal loans, credit cards and durable-goods loans, and partly through a strengthening of FCY-based consumer lending. From 2005, the Bank Group's share of the FCY loans market will be increased not only through the Bank's consumer loans but also through the FCY loans of Merkantil Bank.

The multi-product and multi-player consumer loans market continues to be characterised by intense competition. Definitive in this respect is the personal loan, while the importance of credit cards and shopping cards is increasing to the detriment of durable-goods lending. The selling of durable-goods loans is characterised by intensive co-operation with merchants, aggressive advertising, and promotional campaigns organised jointly with the merchants and/or offering price discounts. The car-financing market is characterised by a strengthening in the position of non-bank players, the preponderance of CHF-based financing, and strong competition with regard to dealer commissions.

#### CORPORATE DIVISION

With respect to corporate deposits, the aim is to attain a market share exceeding 12%, while with regard to corporate loans the objective is to maintain the present 11-12% market share. In the large and medium-sized corporations segment, this can be achieved by stepping up the sale of previously developed products, and by increasing customer numbers and the intensity of product use. During efforts to increase volume, however, the results of the enhanced customer and product-profitability calculations must also be considered. After all, certain segments of the corporate lending market belong to a small but significant category of sub-markets where margins in Hungary are below the EU average.

A key objective in the micro and small-enterprise (MSE) segment is to strengthen market position. As a response to the competition that is increasingly coming to characterise this segment as well, the Bank plans to:

- develop special account packages for the various customer groups in the segment
- expand the range of loan products it offers
- improve service quality

With regard to smaller-sized companies, an increasingly significant opportunity lies in the sale of loan products related to EU-funding tenders.

#### MUNICIPALITY DIVISION

In the municipality market, the objective is to maintain market share by reducing the number of account-holding municipalities that leave the Bank. Provided it retains its market share in respect of deposits, the Bank should be able to increase its market share on the loans side.

#### BANKCARD BUSINESS

In the course of 2004, as a result of increasingly strong competition, OTP Bank lost some of its market share both in the retail card and the business card area. In the retail sector, a marked shift can be observed away from debit cards towards credit cards as well as loyalty and co-branded cards offering special services.

The Bank's aim is to increase the number of credit cards and corporate cards, and with regard to the number of credit cards, to increase its market share. In the retail segment, the objective is to stop the fall in, and to preserve, market share, to broaden the range of services, and to increase market share in credit cards. In the business card market, the aim is to reverse the decline in market share.

#### PRIVATE BANKING

In line with the requirements of the market, in private banking the emphasis must be placed on providing customers with a high quality of service. The Bank intends to strengthen its service in the area of customised investment advice, an objective that is supported by the enhancement of the CRM system. With respect to private banking and key private banking customers, the aim is to acquire new clients, and to have 10,700 customers by the end of the year, and, based on international benchmark figures, to restrict the churn rate to a maximum of 3-6%.

#### INVESTMENT FUNDS

In the investment fund market, the aim is to maintain market share in respect of investment fund management and household-owned investment funds. The shrinkage in the investment fund market, which is related to the unfavourable trends in the capital markets, led to an intensification of competition among fund managers in 2003-2004. While maintaining its dominant position in the market, the OTP Group lost some of its market share, mainly due to a decline in the portfolio of OTP Optima. In 2005 – primarily in the first half of the year – we expect to see a more favourable market environment, which the OTP Group must take advantage of if it is to strengthen its market position. Of the various tasks that are required in order to maintain market share, of particular importance is the launch of products that are currently missing from the portfolio, as is the expansion of the product offering (to include, for example, structured funds), and the development of the IT support systems for the securities business.

#### INSURANCE BUSINESS

Increasing market share is the objective as regards insurance-premium revenues and household insurance savings. An improvement of market position and an increase of market share in the stable-premium-generating, dynamically expanding segments are possible through the forging of long-term relations with customers. In 2005 the expectation is that the OTP Group should attain a share of around 11% of life insurance premiums, and a close to 10% share of non-life premiums, and achieve a 9.6% market share of insurance premium reserves. Again in 2005 an important role is accorded to the Bank's branch network in the sale of insurance policies.

#### INVESTMENT FUND ASSETS UNDER MANAGEMENT

In 2005 the OTP Group's market share of the fund management market must be increased both in terms of membership numbers and assets under management. The objectives are to acquire customers from higher income brackets, and to retain fund members whose investments have matured, together with their investment portfolios.

#### FOREIGN MARKETS

### Bulgaria

In the dynamically growing Bulgarian banking market, DSK aims to increase its market share in all the major product groups, while attaining profitability levels characteristic of those of the Hungarian bank:

- The increase in housing-related lending is expected to continue in 2005, as the proportion of properties financed through loans is still low, and interest rates on housing loans are falling. DSK will be assisted in increasing its market share not only by the sales efforts of the branch network but also by the contacts it has established with real estate agencies.
- In the consumer loans segment, the planned growth in the portfolio will be possible, despite increased competition, by leveraging the extensive sales network, increasing product take-up and use on the part of already existing customers, and by varying prices according to product and customer type.
- A third of the planned growth in corporate lending will come from the HUF 13 billion target increase in lending to the SME segment.
- Retail deposit collection will be supported in 2005 through product innovation, marketing campaigns, the introduction of account packages, as well as through an increase of around 25% in the number of current accounts and a more than 30% increase in the number of debit cards.

**Slovakia**

In the case of OBS, the primary expectation of the owners is an improvement in profitability:

- We expect OBS to increase its retail customer base by up to 15% in 2005. In order to achieve this, the bank needs to continue implementation of the co-branded and loyalty programs, and commence the sale of investment fund units issued by OTP Asset Management, while simultaneously strengthening its cross-selling of leasing, factoring and insurance products. The bank must retain and consolidate its position as one of the leading banks in the market for mortgage-based lending.
- The goal in the corporate division is to acquire at least 3,000 new customers.
- In 2005 the bank has the task of creating new savings products by combining deposit and insurance products, while in the area of lending, customers need to be offered complex service packages, and co-operative partnerships must be formed with domestic and international enterprise development agencies. Besides this, the bank should participate in providing support for projects aimed at leveraging EU funding sources, offering a comprehensive range of services within the framework of the “EUROCSOMAG” service package.

**Rumania**

Robank’s most important objective in 2005 is to launch retail banking services, and to provide the basic conditions for doing so, by commencing development of its branch network:

- We expect the Romanian banking market to be characterised by shrinking margins, fierce competition and growing market opportunities for derivative products. It is in this environment that the bank will have to begin developing its branch network (27 new branches) and building up its portfolios. Branches must commence operation within six months of the properties being acquired, and this period will have to be reduced to three months by the end of the year.
- In the corporate banking division the objective is to expand the range of products on offer, grow the customer base and increase the proportion of SME customers in the targeted sectors of industry. A restructuring of the existing product range and the launch of new products will make it possible to achieve a structured business approach to dealing with companies of varying size and with differing requirements. In this way, we plan to target the SME sector with standardised products in order to improve the efficiency of lending and increase the size of the bank’s loan portfolio. It will be necessary to launch investment loans and project financing products with the aim of increasing the volume of long-term placements. We also see business opportunities in the launch new products (e.g. instant transfers) for Romanian companies with Hungarian connections.
- The bank will launch its retail banking services in 2005. The objective is to begin effective customer acquisition and banking operations – without discriminatory pricing – by offering a competitive range of high quality services. The IT integration of the bank/front-office systems with the SUBA and GWB systems of OTP Bank has to be implemented in 2005, and the hiring and training of branch staff must also begin. In the second half of the year the bank will begin issuing bankcards to its retail customers.

## FINANCIAL OBJECTIVES

The OTP Group's consolidated pre-tax profit target of HUF 175.4 billion is HUF 24.0 billion higher than the profit achieved for 2004, and represents a planned increase of 15.8%. The combined pre-tax profit of the subsidiaries at the end of 2004 was HUF 39.4 billion, while the target figure for 2005 is HUF 44.0 billion. Foreign group members are making a growing contribution to the combined profits of the subsidiaries. However, the work and costs related to restructuring will reduce the extent of this contribution in 2005. In order to increase the rate of growth, it is imperative that the restructuring begin to have a positive effect on profits by the following year.

While the consolidated pre-tax profit will rise by 15.8% according to the business plan for 2005, OTP Bank's pre-tax profit will increase by 18.6%:
- OTP Bank plans to achieve pre-tax profit of HUF 146.5 billion, and the after tax will be HUF 118.8 billion.
- Without the special banking tax for the years 2005 to 2006, the Bank's after-tax profit would increase by 21.3% instead of 13.4% in 2005, a difference of around HUF 8 billion.
- The Bank's net interest income will rise by 11.7%, while the net interest margin will narrow by 29 basis points compared to 2004, to 5.01%.
- The Bank's share of non-interest revenues within total income will grow from 41.1% to 43.6%, largely owing to the HUF 48 billion in commission revenues expected from OTP Mortgage Bank.
- Non-interest expenses will increase by 4.0% in 2005. Within this figure, personnel-related costs will rise by 15.6%, and degreciation by 39%. Other non-interest expenses – as a result of previously completed rationalisation projects and other cost-saving measures – will fall by 1.7%.

The annual rate of growth in the consolidated balance sheet total will rise to 26.9% in 2005, and the growth rate of the subsidiaries will continue to considerably outstrip that of the Bank. The consolidated to non-consolidated ratio of the balance sheet total will rise from 137% to 150% in 2005. In 2004 the Bank's market share in terms of its balance sheet total fell slightly to 19.4%. The goal for 2005 is to increase this share to 20.3%. The OTP Group's share of the Hungarian banking market, in terms of its balance sheet total, was 25.8% in 2004. In 2005 the Group aims to achieve a share of approximately 27.7%.

The growth in the OTP Group's consolidated balance sheet will be driven by the inclusion of Nova Banka, and the increase in customer loans. As a result of the upswing in foreign-currency-based lending, OTP Bank's loan portfolio will grow by 9.2%, and the aggregate loan portfolio of the subsidiaries by 41%. Owing to the availability of more favourable opportunities for obtaining foreign-currency-based funding sources (through the issue of mortgage bonds), from 2005 onwards foreign-currency-based housing and mortgage loans will also be transferred to OTP Mortgage Bank. The rise in the consolidated portfolio of deposits will be largely attributable to the growth (HUF 205.0 billion) in OTP Bank's own portfolio, while the combined volume of deposits at the subsidiaries is expected to increase by HUF 356 billion, or 59.4%.

The Bank and the OTP Group aim to further improve their efficiency ratios:
- The Bank aims to achieve at least a 30% return on equity.
- The Bank's return on assets will remain stable at 3.62%. Without the net impact of the tax on not-interest income, this figure would be 3.87%.
- Following the exceptionally high figure of 29.0% in 2004, OTP Bank's inflation-adjusted ROAE will rise to 29.5%, while the consolidated real ROAE will fall from 29.5% to 28.4%. (In 2004 the Bank's ROE was 35.7%, with a target of 33.0% for 2005, while the consolidated figures are 36.3% and 31.9% respectively.)
- The target cost/income ratio will decrease from the 47.9% in 2004, to 44.5%.
- Fully diluted earnings per share in 2005 will be HUF 424 at OTP Bank, and HUF 496 at consolidated level.

- The Bank plans to distribute 40% of its 2005 profits among shareholders. With the planned acquisitions and distribution of profits, the Bank's capital adequacy ratio will be around 10% at the end of 2005, safely in excess of the 8% statutory minimum.
- All the subsidiaries have the objective of improving their profitability and efficiency. In order to achieve this:
  - in the case of DSK, the commenced rationalisation and modernisation projects need to continue (strengthening of sales activities, standardising of processes, IT and risk-management development). Under the plans, the DSK Group's cost/income ratio will fall by four percentage points in 2005, to 56%, while the more than 25% growth in taxed profit will push the ROAE above 20%;
  - in the case of OTP Banka Slovensko, besides strengthening sales and improving operational efficiency, a key objective for 2005 is to reduce the high proportion of non-liquid assets (real estate), with the assistance of OTP Bank and OTP Real Slovensko a.s. As a part of this process, 2005 will see the formulation of a new, comprehensive real-estate asset management strategy;
  - according to plans, the expense-to-income ratio of OBS will drop by more than ten percentage points, to 88%, after-tax profit will reach HUF 1 billion, and the ROAE will exceed 7%.

### CUSTOMER-RELATED OBJECTIVES

In the present market environment – with relatively high market penetration by the banks, with the result that only a limited number of new customers can be acquired, and at a high cost – OTP Bank is primarily able to meet its market-position and income targets by increasing sales to existing customers, and by retaining its valued clientele.

In 2004 we formulated a methodology for the market segmentation of our retail customer base, thus enabling us to differentiate between groups with a variety of needs and revenue potential. In order to improve the efficiency of segmentation for the purposes of product development, campaign planning, and customer service, we need to continuously develop the techniques applied, by steadily incorporating the new data made available through the expansion of our databases (e.g. the inputting of securities-related data) into the methodology. Market research will be necessary to obtain information regarding those characteristics and attitudes of our customers and customer groups that it is not possible to ascertain purely on the basis of banking data.
The three main aspects of strategic market segmentation are the importance of the given customer groups, the risk of customer churn and the extent to which customer requirements are fulfilled. We need to periodically examine the composition of the customer base by market segment, and study the characteristics and behaviour of each customer group. The findings of the analyses must also be incorporated into the criteria for defining the various market segments. With regard to customer-service segments, we need to improve the churn-model and the methodology for calculating customer value, which, besides the introduction of new data, also entails expanding the scope of products and the customer base surveyed. The differentiated approach to the various customer-service segments consists of the following elements: product offering and pricing, contact and communication, proactive activities, reactive activities, and service level.

Segmentation enables the Bank to increase the volume of cross selling and the intensity of product use through marketing campaigns that target specific segments. We can increase the "value" of customers by encouraging the more frequent use of our products. Based on the need-related segments and variables examined in the course of the segmentation process we are now able to generate sales offers that are better suited to the needs of the target group, thereby improving the efficiency of sales. By the end of the year we need to achieve an increase of almost 30% in the number of customers targeted with a cross-selling offer, by using the results of these developments to assist the branches in their communication with customers.

We can increase the efficiency of marketing campaigns by selecting and narrowing down the target group, based on the results of the market segmentation analysis. From 2005, in order to improve the efficiency of implementing marketing campaigns, and to ensure the appropriate utilisation of available capacities, the decisions regarding the launching of campaigns, the specification of the target group and the necessary resources, as well as the timing of promotional drives, will be made based on a uniform planning and prioritisation system.

The Bank’s strategy treats improving the quality of services offered to micro and small businesses, and boosting the efficiency of customer management, as key objectives. The Micro and Small Enterprises (MSE) project is continuing in order to further enhance the Bank's value proposal to prospective and existing customers.

## OPERATIONAL PROCESSES

### DEVELOPMENT OF THE SALES NETWORK

A comprehensive and co-ordinated program to develop our sales activities commenced in the branches in 2004, and continues in 2005. The objective of the package of measures aimed at optimising branch operations, which consists of several projects (Bank Office Rationalisation, START, and the Branch Management Project) is to improve the quality of service, reduce waiting times, and leverage cross-selling opportunities to a greater extent. In order to provide more efficient support for branch sales activities and to boost the effectiveness of active customer acquisition, branch managers and staff have access to new information channels, an internal daily electronic news-sheet, a weekly measurement and report-generating system that requires no manual input, and the assistance of sales consultants. In 2005 we need to ensure the widespread usage of the new support, promote best branch practices and implement a training program focused on sales techniques.

The system of incentives for branch employees will also be modified in 2005. The new system is based on measurement of the individual performance of all branch sales staff. The performance appraisal system used to determine the level of remuneration is based on objective criteria related to product sales. There is no limit on the performance-related pay that can be earned by branch sales staff, and sales results are summarised on a monthly basis.

The Bank wishes to retain its role as a market-leader with respect to the development of electronic channels. However, as in 2004 progress in this area will be less spectacular than in previous years. This is because, in terms of technological advancement, Hungary has now reached international standards, and the basic service structure is now in place. Consequently, both OTP Bank and its domestic competitors will introduce only “minor” enhancements to the services they offer.

In 2005 the Bank will focus on the following key tasks:

- Centralising telephone-based product information services and the handling of customer complaints;
- Adding credit recovery to the Call Centre’s scope of activities and integrating it into the network;
- Enhancing the functions of the electronic channel (e.g. with the addition of multiple signatures), and exploring new opportunities for cross-selling;
- Linking the agency network to the internet system for concluding contracts online.

In 2005, restructuring the system for handling customer complaints will be a major task, because the Bank does not yet have a unified complaints management system. The restructuring requires the creation of a customer database that makes it possible to monitor customer complaints and the quality of customer service, and which ensures that the responses to complaints remain consistent.

With regard to certain products, such as retail housing loans, the ability to create and maintain contacts with other intermediaries is a decisive factor in the success of the division. Therefore, in 2005 the strengthening of sales through the agency network – especially the OTP Group’s existing network of agents (Garancia agents, Merkantil Bank’s dealer network) – and providing the organisational background for this activity, the institutionalisation of co-operation between the branches, regions and agent networks, and the creation of agent recruitment channels (e.g. region heads) will be important.

**RISK MANAGEMENT**

In the coming years, the greatest challenge facing risk management will be to prepare for the Basel II accord, which is expected to enter into force in 1996, and to adapt the Bank's regulations accordingly. Besides fulfilling the requirements of the accord, the Basel II risk management system will also be an important tool for product pricing and the formulation of policies regarding capital:

- Based on the preliminary analyses, the Bank will begin its preparations using standard solutions to determine the capital requirements of banking and sovereign risks, and alternative standard solutions with regard to operational risks, and will use the basic IRB method for assessing credit risks. (A decision regarding the final reporting service methodology is expected at the end of 2005).
- As a consequence of the Basel II regulations, the introduction of debtor rating and risk-based pricing is expected in 2005-2006, and the basic framework for this system must be finalised in 2005.
- In 2005 the role, place within the organisation, and the duties of the department formed to deal with operational risk must be finalised, and the preparations commenced. This department will be responsible for managing the risks of IT, controlling, and division processes, as well as HR risks.

In 2005 we will continue to introduce the Bank's risk management practices at the subsidiaries, and to improve country and counterparty risk management at group level:

- In 2005, partly in order to comply with the requirements of the new capital accord, the method of rating countries and professional money and capital-market participants must be modified. Another task is to harmonise the rating and limit-management methods of the new group members with OTP Bank's risk management operations.
- In 2005 the risk management regulations of subsidiaries will be reviewed once again, taking into consideration the changes in the activities of each group member, the guidelines issued by the State Financial Supervisory Authority with respect to asset liability management and market risk management, as well as the latest developments in the money and capital markets. The most important task in 2005 is to integrate RoBank, and planned future acquisitions, into the group's risk management system.
- By the end of 2005 the Bank and all of its subsidiaries will be able to continuously monitor the utilisation of the interest, FX, liquidity and securities risk limits specified with respect to their respective treasury portfolios.
- The new capital accord (Basel II) does not require that capital be set aside to cover risks related to the asset-liability structure. Both the BIS and the Financial Supervisory Authority methodology guidelines, which are based on the BIS, recommend improving the method for measuring the bank's book interest risk, and determining the capital requirements, based on which the method used for measuring the bank's book interest risk must be further improved.
- Since 2004, the Quant computer system has enabled OTP Bank Rt. to determine on a daily basis, both with respect to the entire group and to each individual member, the market and risk-weighted value (VaR), and the capital requirements based on the internal model of the portfolio that is most exposed to market risks. In accordance with the standard (BIS) model, the Quant system is capable of meeting the daily, monthly and one-off reporting obligations to the supervisory authorities with respect to the trading book, both at the level of the group and of its individual members. In 2005 a survey must be prepared regarding the IT developments required for meeting the expectations of the supervisory authorities in connection with non-trading book portfolios to be determined by Basel II, and the possibilities of expanding the Quant system.
- The experiences of the past few years, the IT developments currently under way, the implementation of the Kondor position management system and the increase in the number of partners that have limits with OTP group members have made it necessary to further develop the limit management methodology and its IT support, and to review the related software on the market.

- In 2004 the rating, information and monitoring module of EHKR was completed, durable-goods loan and credit card scoring was finalised, the follow-up survey of personal loan scoring was launched, and the unified credit-check system was completed.
- In 2004, a key task in the area of credit risk management was the adaptation and integration into OTP Bank's system of the risk management regulations of new group members. This will remain an important task in the coming years with respect to the Bank's acquisition strategy.
- In 2005, after the legal obstacles are removed (data protection), the concept of the "group-level ban" must be introduced, and access to the lists of banned information and customer data must be provided on the group level.

### BACKGROUND AREAS

One of the Bank's key objectives is to utilise the IT systems as efficiently as possible. In order to ensure this:

- business processes, structures and reporting requirements need to be reviewed on a regular basis, and superfluous activities need to be discontinued;
- the opportunities for optimising running times, database structures, and data transfer systems need to be regularly explored;
- the Bank needs to exercise more control over the development of the IT systems of its subsidiaries, the Bank needs to take a more hands-on approach, with unified solutions applied as broadly as possible, and centralised systems must be created and used in compliance with the legal restrictions.

In 2005 a key task of the IT area is to prepare the mid-term strategy for telecommunications development at the Bank and at group level. This requires preparation of an inventory of the data and speech communication systems and resources of the Bank Group (e.g. level of technological advancement, composition, telecommunications assets, and service contract portfolio).

Phase II of the SAP Project was concluded in 2004, and all the SAP modules are operational. In the course of the year we reviewed the operation of each module, and made any necessary modifications based on the feedback. The next phase of SAP development is to implement the system at the subsidiaries. As the first step in this process, preparations began for implementation at OBS in 2004, and the SAP system is expected to go live at the Slovakian subsidiary from the beginning of 2005. At OTP Bank our task is to ensure the continuous operation of the SAP system, to improve data content and reports, and improve compatibility with other banking systems.

### TRAINING AND DEVELOPMENT

The HR management tasks for 2005 consist mainly of the measures required to implement the branch operation model formulated under a series of projects completed in the past year. Consequently, the main targets in this area of operation are as follows:

- To manage the rationalisation processes that formulated within the framework of various projects (management of staff downsizing requirement revealed by BOR II, fulfilling the resource requirements of the START Project).
- In 2005 the remuneration system created based on the results of the Incentives Project must be implemented.

In order to boost sales performance, the sales skills of both branch managers and staff are in need of further improvement. On the basis of the new training program, the branch managers will receive the first round of training in the first half of 2005, with the emphasis being on improving their management and motivational skills. This will be followed by the launch of training courses for other branch employees.

Besides the training carried out within the framework of the START Project, courses offering basic and advanced specialist skills (e.g. advanced business financing, EU advisor training, the complex training of private banking staff) and general skills-oriented training courses (e.g. communications training, language learning) are of key importance. Due to the growing importance of cross-selling, we need new, more efficient, harmonised and comprehensive product-oriented training for the members of the entire banking group, primarily for administrators.

**BALANCE SHEET, INCOME STATEMENT* AND KEY RATIOS OF OTP BANK AND THE BANK GROUP****

ACCORDING TO HAR

| HUF bn | OTP Bank non consolidated | | | | OTP Bank consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2004 actual | 31/12/2005 plan | Change HUF bn | Change % | 31/12/2004 actual | 31/12/2005 plan | Change HUF bn | Change % |
| Total assets | 3,044.8 | 3,526.8 | 482.0 | 15.8% | 4,182.4 | 5,306.2 | 1,123.7 | 26.9% |
| Loans | 1,272.1 | 1,388.8 | 116.7 | 9.2% | 2,582.4 | 3,255.5 | 673.2 | 26.1% |
| Deposits | 2,318.5 | 2,523.8 | 205.3 | 8.9% | 2,914.7 | 3,467.4 | 552.7 | 19.0% |
| Shareholders' Equity | 325.0 | 396.2 | 71.2 | 21.9% | 389.4 | 476.4 | 87.0 | 22.3% |
| Loans/total assets | 41.8% | 39.4% | | | 61.7% | 61.4% | | |
| Deposits/total liabilities | 76.1% | 71.6% | | | 69.7% | 65.3% | | |
| Loans/deposits | 54.9% | 55.0% | | | 88.6% | 93.9% | | |
| Equity/total assets | 10.7% | 11.2% | | | 9.3% | 9.0% | | |

| HUF mn | 2004 actual | 2005 plan | Change HUF mn | Change % | 2004 actual | 2005 plan | Change HUF mn | Change % |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 153,842 | 164,615 | 10,773 | 7.0% | 257,189 | 297,574 | 40,385 | 15.7% |
| Non-interest income | 107,275 | 127,365 | 20,090 | 18.7% | 143,256 | 177,720 | 34,464 | 24.1% |
| Total income | 261,117 | 291,980 | 31,626 | 12.1% | 400,445 | 475,294 | 74,849 | 18.7% |
| Non-interest expenses | 125,076 | 130,066 | 4,990 | 4.0% | 223,059 | 257,274 | 34,215 | 15.3% |
| Operating profit | 136,041 | 161,914 | 26,635 | 19.6% | 177,386 | 218,020 | 40,634 | 22.9% |
| Dividend income | 8,500 | 13,824 | 5,324 | 62.6% | 572 | 30 | -542 | -94.8% |
| Diminution in value, provisions and loan losses | 13,357 | 13,197 | -160 | -1.2% | 17,975 | 25,931 | 7,956 | 44.3% |
| Accounting for acquisition goodwill | -7,663 | -16,009 | -8,346 | 108.9% | -8,618 | -16,772 | -8,154 | 94.6% |
| Pre-tax profit | 123,521 | 146,531 | 23,010 | 18.6% | 151,365 | 175,347 | 23,982 | 15.8% |
| Net extra bank tax | | 8,297 | 8,297 | | | 9,625 | 9,625 | |
| Corporation tax | 18,703 | 19,409 | 706 | 3.8% | 25,490 | 26,907 | 1,417 | 5.6% |
| After-tax profit | 104,818 | 118,825 | 14,007 | 13.4% | 125,875 | 138,815 | 12,940 | 10.3% |
| Inflation | 6.8% | 3.5% | | | 6.8% | 3.5% | | |
| ROAA | 3.61% | 3.62% | | | 3.28% | 2.93% | | |
| ROAE | 35.7% | 33.0% | | | 36.3% | 31.9% | | |
| Real ROAE | 29.0% | 29.5% | | | 29.5% | 28.4% | | |
| Cost/income ratio | 47.9% | 44.5% | | | 55.7% | 54.1% | | |

* Starting from 2005, due to changes in settlement regulations, certain commission-type revenues must be presented as interest-type revenues by the Bank. We have presented the net interest revenues in 2004 and the non-interest type revenues comparatively, in accordance with the regulations that will be effective in 2005.

** including Nova Banka

## 2005-2009 ANNUAL STRATEGIC PLAN OF OTP BANK AND THE OTP GROUP

OTP Bank has prepared a five-year strategic plan, outlining its concept for the organic growth of the existing group of companies.

The Bank's key strategic goal continues to be to maximise shareholder value and the Bank's market value. OTP Bank – similarly to the financial groups listed on the stock exchanges of countries with mature economies – is analysed and judged by investors based on its performance at consolidated level, and the results of its subsidiaries are an increasingly important factor in the way the company is perceived. At the same time, the OTP Group is present in a growing number of geographical areas and product segments, which differ greatly in terms of their business characteristics. Owing to the differing growth curves and turnover volumes of companies within the group, the financial plans for the period 2005-2009 have been prepared individually in respect of OTP Bank and each of its most important subsidiaries, and the results of this process have been subsequently consolidated.

The management of the Bank prepared the strategic plan based on a thorough investigation of the Hungarian and international trends of banking market, on the analysis of the changes in customer attitude and on the consideration of the macroeconomic environment and the expected market competition. The numerical data in the prognosis are derived from the course deemed most probable and the targets defined thereof. Therefore projected data contained in this strategic plan, by their nature involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances that may or may not occur in the future.

The purpose of the strategic plan is to summarise the predicted changes to the economic environments in which the group members operate, forecast the likely growth of their markets, and set targets with respect to their market share, revenues, costs and profits. The balance-sheet and income-statement data contained in the plan were prepared in accordance with Hungarian accounting standards.

The strategic plan gives an overview of our expectations with regard to the organic growth of the existing group members, including Nova Banka. Under the methodology applied in the plan, the free cash-flow generated at the various subsidiaries will be pooled at OTP Bank, and the portion of equity in excess of that required for maintaining capital adequacy at a safe level will be removed from the balance sheet in the form of potential dividend or funding for acquisitions. In other words, the possible free cash-flow generated on an annual basis will have no impact on profits over the coming years. Also, as a result of the revenue-side strategy, the plan only accounts for goodwill amortisation on current investments. It contains no quantifiable assumptions with regard to future planned acquisitions.

### CHANGES TO THE MACRO-ECONOMIC ENVIRONMENT BETWEEN 2005 AND 2009

In line with the European cycle of business activity, the Hungarian economy is expected to grow at a rate of 3-4% a year, which is two percentage points above the average EU rate. As a result, per-capita GDP will have risen from today's 55% of the EU average, to 60% by the end of the decade.

Over the coming five years the nature of our macroeconomic environment will be determined by the convergence program implemented with the aim of introducing the euro in 2010. Owing to the need to reduce the public finance deficit and the national debt, as well as the rate of inflation, we expect a corrective tightening of the budget following the 2006 elections, which will temporarily slow the rate of growth.

The need to fulfil convergence criteria will shift the focus within the structure of economic growth towards exports and investments, and we expect this to lead to growth in savings and investment rates. The ratio of household consumption to GDP will probably fall from its outstandingly high level of the past years.

Inflation and interest rates will gradually converge with foreign interest rates, which are expected to rise, but interest rates could be affected by frequent fluctuations in risk premiums. With respect to interest-rate convergence, we are expecting the trend in risk premiums to resemble the post-accession tendencies of Portugal and Greece, rather than those of Ireland or Spain. According to our expectations, from mid-2008 the inflation rate will fall sustainably to within the limits set by the Maastricht Treaty.

As a result of all the above factors combined, although the economy will continue to be highly dependent on foreign financing, this dependence will be reduced to a certain extent. From 2007, the increased availability of EU funding sources will provide an additional means of supplementing domestic savings, which will remain inadequate for the purposes of funding capital investments.

In the countries of the group's foreign subsidiaries, the rate of economic growth will outstrip that of Hungary in the medium term. All of these nations are likely to join the European Union in the next five years, and this could be followed at the end of the period by introduction of the common European currency. As in Hungary, these are the factors that will determine macro-economic tendencies in these countries. Consequently, we expect the public finance deficits to fall to within the limits stipulated in the Maastricht treaty in these nations too, against a backdrop of falling inflation and interest rates.

## DEVELOPMENT OF BANKING MARKETS

In Hungary, we expect to see a steady increase in banking penetration, with the ratio of total assets/GDP rising from 78% in 2004 to 94% in 2009. This growth will be primarily driven by the burgeoning demand for credit, with the fastest rate of growth occurring in the area of household borrowing. In the corporate and municipality sectors, besides the general economic expansion, the increasing volumes of EU funding will give an added impetus to growth. However, penetration in this market, both in terms of banking in general and specific products, will remain – on average 50% – below the EU average.

The increase in product penetration will be most marked in the case of housing loans, investment fund units and life insurance. We predict that the average annual growth rate in the markets for all the aforementioned products will exceed 15% between 2004 and 2009.

Also in OTP Group's foreign markets, we expect the increase in banking penetration to be spearheaded by an upswing in lending. The rate of market growth in this area is highest in Bulgaria and Romania, where the average annual rise in the volume of loans could be as high as 15-20% over the coming five years. The shift in the structure of savings, towards securities and insurance products, is also gaining momentum in the OTP Group's foreign markets, but even by the end of the five-year period, will remain significantly less marked than in Hungary.

## THE OTP GROUP'S OBJECTIVES FOR 2005-2009

The OTP Group aims to consolidate and increase its market share in terms of total assets. In the case of foreign subsidiaries, the objective is to achieve substantial gains in market share over the coming five years. In comparison to the end of 2004, the target is a rise of five percentage points in DSK Bank Bulgaria's market share in terms of total assets, and a two-percentage-point increase in RoBank Romania's market share.

As competition intensifies in the Hungarian banking sector, a slight erosion of OTP Bank's market share is to be expected in most segments of the retail market. An exception is the market for consumer loans, where – in a continuation of the previous year's trend – the Group aims to gain five percentage points. Of the planned increases in the market share of foreign subsidiaries, it is worth noting those in respect of DSK and RoBank's share of the market for retail deposits (+5 percentage points over the five-year period), OBS's slice of its housing loans market (+5.8 percentage points), DSK's share of the local corporate-deposits market (+5 percentage points) and RoBank's share of its retail and corporate lending markets (+5 and +3 percentage points respectively).

Members of the OTP Group in all countries are likely to be operating in an environment characterised by falling interest rates. Despite this, by transforming its asset structure Nova Banka has a chance of raising its net interest margin. In the case of OTP Bank, DSK, OBS and RoBank, we expect a reduction (of 20-250 basis points) in the interest margin, which, at OTP Bank, OBS and Nova Banka, will be partially offset by a higher commission margin.

The OTP Group aims to further improve cost-effectiveness, with the expense/income ratio falling from its 2004 level of 55.7%, to 50%.

Between 2004 and 2009 the OTP Group aims to grow its pre-tax profit by an average of 14% per annum. The average rate of increase in after-tax profit will also be 14%, but this growth will be less consistent, as a result of the "bank tax."

OTP Bank will continue to be the main contributor to the results of the OTP Group, with its share of total profits remaining at approximately 70%. However, the structure of growth in group-level profits will alter considerably. While in 2004 some 71% of growth was contributed by OTP Bank, by 2009 this percentage will fall to 45%. In 2009, foreign subsidiary banks will contribute 40% of the increase in OTP Group's profit.

Based on the target figures, the after-tax profit of the existing members of the OTP Group, calculated according to Hungarian accounting standards, will rise from HUF 126 billion in 2004 to somewhere in the region of HUF 246 billion in 2009. Owing to the differences in the current accounting regulations, the profit calculated according to international accounting standards is likely to exceed this figure by a further HUF 14 billion.

Our calculations are based on the assumption that the subsidiaries will pay their profits in excess of those necessary to meet capital adequacy requirements to the Bank in the form of dividend. The portion of the Bank's profits in excess of the funds it needs to fulfil capital adequacy requirements may be removed from the Bank's balance sheet partly as dividend, and partly in the form of funds set aside as potential sources of financing acquisitions. We estimate that with dividend payments amounting to 30% of profits, the Bank will have several hundred billion forints to invest in acquisitions between 2005 and 2009. By maintaining an efficient capital structure, OTP Group will be able to continuously maintain its ROAE at above 30% for the duration of the coming five-year period.

## BALANCE SHEET, INCOME STATEMENT* AND KEY RATIOS OF OTP BANK AND THE BANK GROUP IN 2004 AND 2009

ACCORDING TO HAR

| HUF bn | OTP Bank non consolidated | | | OTP Bank consolidated | | |
|---|---|---|---|---|---|---|
| | 31/12/2004 actual | 31/12/2009 plan | 5yr CAGR | 31/12/2004 actual | 31/12/2009 plan | 5yr CAGR |
| Total assets | 3,044.8 | 5,030.8 | 10.6% | 4,182.4 | 9,665.3 | 18.2% |
| Loans | 1,272.1 | 2,246.7 | 12.0% | 2,582.4 | 6,789.1 | 21.3% |
| Deposits | 2,318.5 | 3,056.2 | 5.7% | 2,914.7 | 5,123.6 | 11.9% |
| Shareholders' Equity | 325.0 | 497.9 | 8.9% | 389.4 | 736.1 | 13.6% |
| Loans/total assets | 41.8% | 44.7% | | 61.7% | 70.2% | |
| Deposits/total liabilities | 76.1% | 60.8% | | 69.7% | 53.0% | |
| Loans/deposits | 54.9% | 73.5% | | 88.6% | 132.5% | |
| Equity/total assets | 10.7% | 9.9% | | 9.3% | 7.6% | |

| HUF mn | 2004 actual | 2009 plan | 5yr CAGR | 2004 actual | 2009 plan | 5yr CAGR |
|---|---|---|---|---|---|---|
| Net interest income | 153,842 | 197,239 | 5.1% | 257,189 | 417,300 | 10.2% |
| Non-interest income | 107,275 | 192,776 | 12.4% | 143,256 | 290,859 | 15.2% |
| Total income | 261,117 | 390,014 | 8.4% | 400,445 | 708,159 | 12.1% |
| Non-interest expenses | 125,076 | 159,079 | 4.9% | 223,059 | 353,513 | 9.6% |
| Operating profit | 136,041 | 230,935 | 11.2% | 177,386 | 354,646 | 14.9% |
| Dividend income | 8,500 | 29,906 | 28.6% | 572 | 773 | 6.2% |
| Diminution in value, provisions and loan losses | 13,357 | 29,576 | 17.2% | 17,975 | 48,158 | 21.8% |
| Accounting for acquisition goodwill | -7,663 | -11,925 | 9.2% | -8,618 | -12,881 | 8.4% |
| Pre-tax profit | 123,521 | 219,341 | 12.2% | 151,365 | 294,378 | 14.2% |
| Corporation tax | 18,703 | 30,310 | 10.1% | 25,490 | 48,486 | 13.7% |
| After-tax profit | 104,818 | 189,031 | 12.5% | 125,875 | 245,892 | 14.3% |
| Inflation | 6.8% | 3.0% | | 6.8% | 3.0% | |
| ROAA | 3.61% | 3.94% | | 3.28% | 2.73% | |
| ROAE | 35.7% | 38.9% | | 36.3% | 35.5% | |
| Real ROAE | 29.0% | 35.9% | | 29.5% | 32.5% | |
| Cost/income ratio | 47.9% | 40.8% | | 55.7% | 49.9% | |

* Starting from 2005, due to changes in settlement regulations, certain commission-type revenues must be presented as interest-type revenues by the Bank. We have presented the net interest revenues in 2004 and the non-interest type revenues comparatively, in accordance with the regulations that will be effective in 2005.

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

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

Based on Section 3 Para 66 Law CXII of 1996 (Law on Credit Institutions and Financial Enterprises) the Supervisory Board proposes – concerning the audit of the OTP Bank Ltd.'s non-consolidated and consolidated 2005 accounts – that the General Meeting:

1. elects Deloitte Auditing and Consulting Ltd.
   (000083)
   H-1051 Budapest, Nádor u. 21.

   and approves the appointment of Zoltán Nagy (005027) chartered auditor, as the individual in charge of auditing

   In the event any circumstance should arise which ultimately precludes the activities of as appointed auditor in this capacity, proposes the appointment of Zsuzsanna Szépfalvi (005313) chartered auditor, to be the individual in charge of auditing.

2. The General Meeting establishes the total amount of forty-five million Hungarian Forint (HUF 45,000,000) + VAT as the auditor's remuneration for the audit of the annual accounts of 2005, prepared pursuant to Hungarian accounting regulations as applicable to credit institutions and the audit of the consolidated annual accounts to be performed in accordance with Act C of 2000 on Accounting, of which HUF39,000,000 + VAT shall be paid in consideration of the audit of the non-consolidated annual accounts, and HUF6,000,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.

# ELECTION OF MEMBERS OF THE SUPERVISORY BOARD

VERBAL PROPOSAL

# ESTABLISHING THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

## THE ESTABLISHING THE REMUNAERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD.

The Board of Directors in agreement with the Supervisory Board proposes to the AGM that the monthly remuneration for the members of the Board of Directors and of the Supervisory Board to establish a honorarium increase as below, whereas the Bank plans to increase of the salary of the employees 7% as an average during the year, and that the Bank proposes the same salary increase at the main subsidiaries. The proposal takes into consideration the rounding differences to five thousand forint as well.

Accordingly the monthly remuneration is proposed to establish as of May 1, 2005 as follows:

| | Actual | Proposed | change |
|---|---|---|---|
| Chairman and Vice-Chairman of the Board of Directors | HUF 535,000 | HUF575,000 | 7.40% |
| Members of the Board of Directors | HUF 465,000 | HUF500,000 | 7.52% |
| Chairman and Vice-Chairman of the Supervisory Board | HUF 385,000 | HUF415,000 | 7.79% |
| Members of the Supervisory Board | HUF 310,000 | HUF335,000 | 8.06% |

# MODIFICATION OF THE PROCEDURAL RULES OF THE SUPERVISORY BOARD

## PROCEDURAL RULES OF THE SUPERVISORY BOARD

1. Rights and obligations of the Supervisory Board

The Supervisory Board oversees the management and business operations of OTP Bank Ltd. Within this framework, it may request reports or information from senior office-holders and executives, examine the company's accounts and documents, or cause them to be examined by an expert.

The Supervisory Board is obliged to examine all material business-policy reports included in the agenda of General Meetings of OTP Bank Ltd., as well as any proposals related to matters that fall under the exclusive authority of the General Meeting. The General Meeting may only pass resolutions regarding the financial statements made pursuant to the Accounting Act, or regarding the utilisation of after-tax profits, in possession of the Supervisory Board's written report.

The Supervisory Committee makes decisions with regard to all matters submitted to it for decision-making or review by the General Meeting or members of the Supervisory Board. In urgent cases, the chairman of the Supervisory Board has the authority to unilaterally make a preliminary decision and retrospectively obtain the approval of the Supervisory Board.

The members of the Supervisory Board participate in General Meetings, and may propose agenda items.

If the unanimous opinion of the employee representatives differs from that of the majority opinion of the Supervisory Board, then the General Meeting must be informed of the minority opinion of the employee representatives.

The chairman or a designated member of the Supervisory Board may participate in meetings of the Board of Directors, in an advisory capacity. The chairman or designated member of the Supervisory Board subsequently briefs the Supervisory Board, at its next meeting, on the events of the Board of Directors' meeting.

The Supervisory Board may exercise its rights as an executive body or through its members. It may delegate supervisory duties among its members, even on a permanent basis.
The delegation of specific supervisory tasks shall not affect the responsibilities of the members of the Supervisory Board, nor shall it affect their rights to extend their supervisory activities to include other areas of operation that are also overseen by the Supervisory Board.

The duties of the Supervisory Board include, but are not limited to:

a) ensuring that OTP Bank Ltd. possesses a comprehensive controlling system, which operates effectively,

b) making proposals to the General Meeting – with the prior approval of the Board of Directors – regarding the person and remuneration of the auditor to be appointed,

c) checking of the annual and interim financial statements of OTP Bank Ltd.,

d) management of the Internal Audit Department, by performing the following tasks:
   - approving the Internal Audit Department's annual auditing schedule, agreed with the Board of Directors,
   - discussing, at least once every six months, the reports prepared by the Internal Audit Department, and monitoring implementation of the necessary measures recommended therein,
   - if necessary, assisting the work of the Internal Audit Department by commissioning an external consultant,

- making proposals regarding changes to the number of employees of the Internal Audit Department,

e) formulating requested protocols and recommendations based on the conclusions of internal audits and on the Supervisory Board's own observations,

f) ensuring compliance with §92 (4) of the Credit Institutions Act, notably providing for the satisfactory operation of credit institutions, financial enterprises and investment service providers in which OTP Bank Ltd. holds a controlling stake, by performing the following tasks:
   - reviewing and approving the annual auditing schedules of subsidiaries – prior to approval by the competent executive body of the given subsidiary – and where necessary, making proposals with regard to their supplementation or amendment,
   - evaluating the annual audit reports of subsidiaries – prior to approval by the competent executive body of the given subsidiary – and either endorsing them with an approval clause or supplementing them with professional comments,
   - discussing in detail the area-specific audit conducted by the Internal Audit Department in the operation and regulation of internal auditing departments at subsidiaries, and requesting that the competent executive bodies of the given subsidiaries implement the necessary measures.

g) regular liaison with the elected auditor,

h) performing all other duties that fall within its scope of authority pursuant to a statutory provision or the Articles of Association.

The prior agreement of the Supervisory Board is required in order to make decisions regarding the creation or termination of an employment relationship with the managers and employees of the Internal Audit Department, or regarding their remuneration. The Supervisory Board exercises these rights through its chairman.

2. Rights and obligations of Supervisory Board members

All members of the Supervisory Board are elected by the General Meeting. The General Meeting is obliged to elect one third of the members of the Supervisory Board based on the nominations of the council of employees' representatives, unless there is a legal impediment to the election of a given nominee.

The Supervisory Board has between three and nine members.

Members of the Supervisory Board are obliged to conduct themselves with the diligence expected of an elected office-holder. They shall be held liable under the general provisions of civil law for any damages arising from a breach of this obligation, even if they are subject to an employment relationship with OTP Bank Ltd. The employer of members of the Supervisory Board may issue instructions to them in respect of activities performed in their capacity as Supervisory Board member.

Members of the Supervisory Board are obliged to treat all information regarding the Company's affairs that comes into their possession as a banking or securities secret.

3. The chairman and deputy chairman of the Supervisory Board

The chairman and deputy chairman of the Supervisory Board are elected by the members of the Supervisory Board from among themselves. The mandate of chairman and the deputy chairman of the Supervisory Board shall have the same duration as that of the Supervisory Board.

Meetings of the Supervisory Board are chaired by the chairman.

If the chairman of the Supervisory Board is unable to chair a meeting, then he shall be substituted by the deputy chairman.

4. Operation of the Supervisory Board

The Supervisory Board meets at least once every two months, and performs its duties according to a specified work schedule.

Meetings of the Supervisory Board are convened by the chairman. Any member of the Supervisory Board may request the convening of a Supervisory Board meeting, in writing, indicating the reasons for the request and the purpose of the meeting.

The chairman of the Supervisory Board is obliged to inform the members of the Supervisory Board of the place, time and agenda of the meeting, at least eight days in advance.

The chairman of the Board of Directors and the Chief Executive Officer must be invited to all meetings of the Supervisory Board.

The chairman of the Supervisory Board may invite employees, members of the Board of Directors and the auditor of OTP Bank Ltd. to attend Supervisory Board meetings in an advisory capacity.

Meetings of the Supervisory Board are regarded as quorum if two thirds of its members are present. Resolutions are passed with a simple majority, under a verbal system of voting. In the course of voting, each member of the Supervisory Board has one vote.

The Supervisory Board passes resolutions by open vote. The results of the voting shall be recorded in the minutes. In the event of tied votes, the chairman has the casting vote.

Resolutions may also be passed in writing (by fax, telex or registered letter), if, under special circumstances, the chairman orders the passing of a resolution in this manner and, in the given case, none of the members of the Supervisory Board raise any written objections within three days of receiving such an order.

The resolutions of the Supervisory Board must be identified by a sequential number, using modern western numerals, and an indication of the year in which they were passed.

Minutes shall be kept of the meetings of the Supervisory Board, which shall contain a summary of the comments and responses made, the name of the person making them, the proposed resolutions, the results of voting and decisions made, including an indication of any deadlines and the responsible persons.

If a member of the Supervisory Board so requests, opinions that differ from the resolution passed must also be included in the minutes of the meeting. At the request of the chairman of the Supervisory Board, the member who requests this is obliged to personally sign the differing opinion after it has been transcribed.

The minutes must be prepared within eight days following the meeting, and must be signed by the chairman and the keeper of the minutes and forwarded – within two weeks – to the members of the Supervisory Board, and to all other persons invited to the meeting.

Any errors in the minutes must be corrected, at the proposal of any member of the Supervisory Board, at the following meeting.

Within ten days following the Supervisory Board meeting the chairman of the Supervisory Board shall send to the State Financial Supervisory Authority any minutes, proposals or reports related to agenda items discussed by the Supervisory Board regarding a serious breach of the Company's internal regulations or any instances of gross misconduct with regard to the Company's direction or management.

# APPROVAL OF THE MANAGEMENT SHARE OPTIONS PROGRAMME FOR THE YEARS FROM 2005 TO 2009

VERBAL PROPOSAL

# PROPOSAL FOR AMENDMENTS TO BY-LAWS

## PROPOSAL FOR AMENDMENTS TO THE BY-LAWS

(By-Laws of OTP Bank Ltd. are available for downloading at www.otpbank.hu)

**1./ The point 5.16. d) of the By-Laws to be replaced with the wording**

'Deleted'.

(Current wording of the point 5.16.: 'The entry into the Share of the shares may be requested by the transferee from the Board of Directors in writing after the share transfer in its favour. The written application shall be accompanied with the following:

d) as well as a statement by the representative, stating for the shareholder to undertake that, in case following the application for the entry into the Share Register there would be such a change in its ownership status by which the proportion of ownership or the voting right entitling one person to vote, comes up to or exceeds 25%, he shall inform the Board of Directors in writing before exercising any of its shareholders rights;')

**2./ The point 13.7. of the By-Laws to be replaced with the following provision**

'The shareholders shall be informed through announcement on the order of paying the dividends in pursuance of point 13.8. of the By-Laws.'

(Current wording of the point 13.7.: 'The shareholders shall be informed through announcement on the date of beginning to pay the dividends as well as on the places of payment and on the order of paying the dividends, 30 days before the date of beginning the payment.')

**3./ The point 13.8. of the By-Laws to be replaced with the following provision**

'The Company shall reckon the dividend related to the shares considered own (treasury) shares in the proportion of the shares owned by shareholders entitled to dividend payment (shall be split between the shareholders entitled to dividend payment). The announcement based on the resolution defining the amount of the dividend and the first day of dividend payment containing the exact amount of dividend to be paid for each share after correction by the dividend which is related to the number of shares to be considered own shares shall be published at least 10 working days before the first day of dividend payment. During the period between the publishing of the announcement and the first day of the dividend payment the Company proceeds in a manner that ensures that the volume of own shares shall not change.'

(Current wording of the point 13.8.: 'According to the dividend policy of the company as approved and made public the dividend to be set based on the results of the Company each year shall be corrected by the dividend which is related to the number of shares to be considered own shares as established based on the ownership registry on the first day of the dividend payment after the results of FY 2003 to be paid in 2004. The Board of Directors of the Company shall propose to the General Meeting payment of such increased dividend which includes the dividend on those shares to be considered own shares.')

***Proposal for resolutions***

*'The General Meeting accepts the amendments of the Company's By-Laws in accordance with the proposal.'*

# AUTHORIZATION OF THE BOARD OF DIRECTORS TO THE ACQUISITION OF OWN SHARES

## AUTHORIZATION OF THE BOARD OF DIRECTORS TO THE ACQUISITION OF OWN SHARES

Pursuant to the Companies Act the authorization of the Board of Directors to the acquisition of own shares pertains to the exclusive authority of the General Meeting.

The creation of supply necessary for the administration of the option and bonus share programs operating at the OTP Bank Ltd. and the prevention of price fluctuations of the shares require that the General Meeting authorize the Board of Directors to the acquisition of own shares.

***Proposal for resolutions***

The General Meeting authorize the Board of Directors in order to create the necessary supply for the administration of the option and bonus share programs operating at the OTP Bank Ltd. and to prevent the price fluctuations of the shares to purchase up to 28,000,000 shares issued by OTP Bank on the Budapest Stock Exchange. The purchase price of the shares at each transaction shall not be lower than the face value of the share and not be higher than 150% of the highest price registered on the BSE on the day before the transaction. The Board of Directors is entitled to the acquisition of own shares until April 30, 2006.