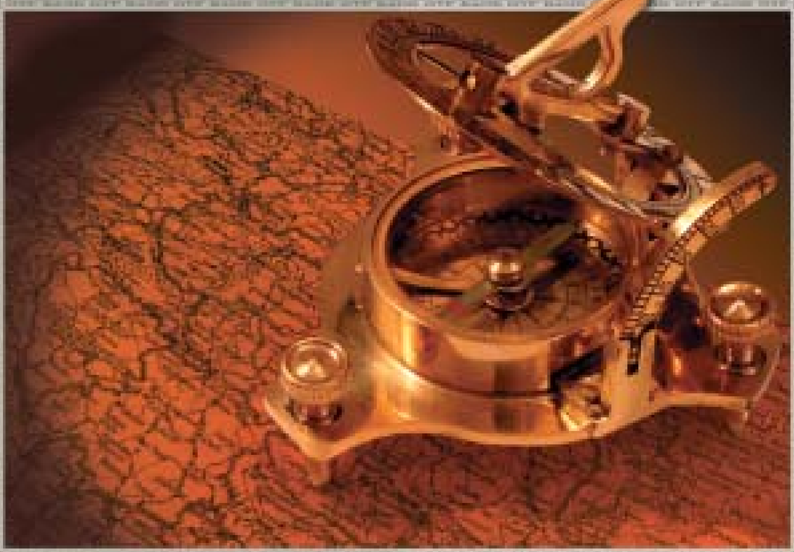

ANNUAL REPORT

2004

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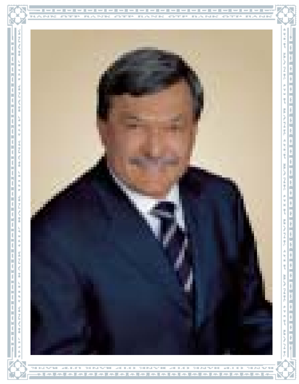
SENIOR MANAGEMENT OF OTP BANK LTD.



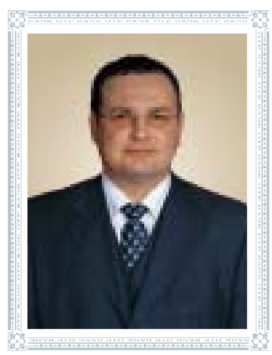
DR. SÁNDOR CSÁNYI

Chairman-CEO

DR. ZOLTÁN SPÉDER

Vice Chairman, Deputy CEO

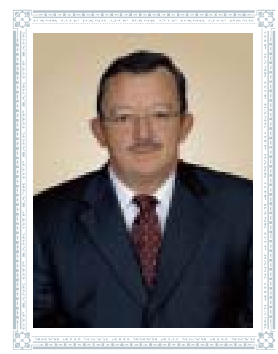
STRATEGIC AND FINANCIAL DIVISION



CSABA LANTOS

Deputy CEO

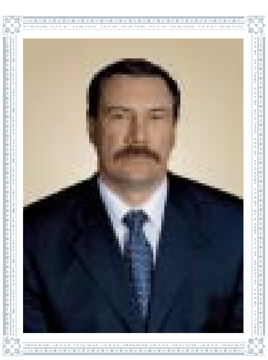
RETAIL BANKING DIVISION



GÉZA LENK

Deputy CEO

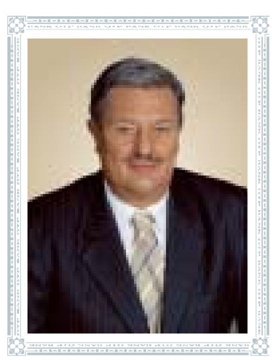
CREDIT APPROVAL AND RISK MANAGEMENT DIVISION



GYULA PAP

Deputy CEO

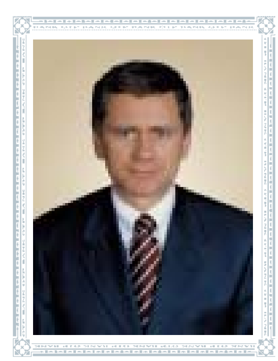
IT AND LOGISTICS DIVISION



DR. ANTAL PONGRÁCZ

Deputy CEO

STAFF DIVISION

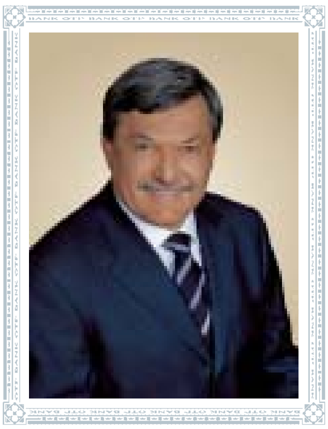


LÁSZLÓ WOLF

Deputy CEO

COMMERCIAL BANKING DIVISION

MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Dear Shareholders,

OTP Bank reached another important milestone in 2004, as it joined the exclusive “club” of the world’s best large corporations. Business Week listed OTP Bank among the world’s largest companies by stock-market value, and Forbes rated it among large corporations representing the world’s most attractive investment opportunities. The Bank also earned the recognition of the profession: besides winning the title of best Hungarian bank again in 2004 (Euromoney, Global Finance, The Banker), it was included in Morgan Stanley’s global model portfolio for banks. OTP Bank is today not only regarded as the largest and best Hungarian bank, but as one of the world’s most successful financial institutions.

A major reason for our winning these coveted accolades was certainly the record performance of the Bank and the Bank Group in 2004. The consolidated balance sheet total of the Bank Group was HUF 4,182.4 billion at the end of the 2004, which represents a growth of 19.4% compared to the end of the previous year. Consolidated after-tax profit amounted to HUF 125.9 billion, or 51.6% more than in the previous year. Profitability indicators also improved further: consolidated return on average assets in 2004 was 3.28%, and consolidated return on average equity was 36.3%, compared to 2.66% and 30.6% respectively in 2003.

Based on its non-consolidated results, the parent company, OTP Bank, also had a successful year. The Bank’s operating profit and efficiency improved further in 2004. This was achieved through a dynamic, 28.1%, growth in its revenues, and a significant improvement in the cost/income ratio. A major contribution to the Bank’s results in 2004 came from the HUF 8.5 billion in dividends received from its subsidiaries. Based on the absolute size of its profit, the Bank has maintained its leading position among the Hungarian banks. Its pre-tax result accounted for 38% of the entire pre-tax profits of the bank sector, while its ROA and ROE were exceptional not just among the domestic banks but in the region as a whole.

As in previous years, in 2004 OTP Bank once again carried out several major developments aimed at boosting its competitiveness, streamlining its operations, improving efficiency, reducing costs and raising the standard of services. Besides continuing and extending the reach of projects launched earlier, a key project aimed at identifying and exploiting branch sales opportunities was launched and completed in 2004. Building on its existing product base and infrastructure, the Bank set itself the goal of achieving the highest possible increase in the number of products sold, and reinforcing a sales-oriented – and at the same time, a customer-orientated – approach among its staff. In the interests of effectively supporting branch sales and improving active customer acquisition, an internal information system providing daily information updates, and a new performance-measurement system, were introduced. In addition, the branch managers and officers will in the future be assisted in their work by sales consultants. In the autumn of 2004, development began on the new incentive system for branch staff, which will be launched in April 2005.

The objectives of the Back-Office Rationalisation, the START, the Network-Optimisation and the Branch Management projects were to improve the standard of service, reduce customer waiting times and to better exploit the business potential inherent in cross-selling. The projects resulted in significant changes, even in 2004, and during 2005 the newly elaborated procedures will be introduced in the other branches of the Bank.

Besides the results it has achieved on the domestic market, the Group’s regional expansion is playing an increasingly important role in investors’ assessment of the Bank Group. Through its subsidiaries OTP Bank was present in four east-central European countries in 2004 – Slovakia, Bulgaria, Romania and Croatia, while negotations on the prospective purchase of Romania’s Robank and Croatia’s Nova Banka continued during the year under review. The performance of DSK Bank, acquired in 2002–2003, and of OTP Banka Slovensko, improved markedly in 2004 thanks to the restructuring projects carried out to enhance their competitiveness, and their market share rose in all the important market segments. Among the foreign subsidiaries, the Bulgarian DSK Bank contributed most to the consolidated result, with a cosolidated pre-tax profit of HUF 11 billion.

The main measure of shareholder value is, of course, share price, and the growth in the market value of the OTP Bank Group. The price of OTP Bank’s shares more than doubled in 2004, rising from HUF 2,675 at the end of December 2003 to HUF 5,570 at the end of 2004, while the share index of the Budapest Stock Exchange, the BUX, rose by 57% over the same period. The 140% increase in the price of OTP Bank shares in US dollar terms over the year was superlative, even by international standards and exceeded both the average share-price increase of east-central European banks, at 88%, and the average 23% appreciation in European bank stocks. By the end of December 2004, the market value of the Bank's shares had risen to HUF 1,560 billion, and thus, based on its market capitalisation, the Bank can now truly be regard as one of the European blue chips.

In order to assure continuous development and growth, and through this the retention of shareholder confidence, the Bank Group has fully prepared itself for the challenges of the future. Once again, the key strategic objectives for the 2005–2009 period are to maximise shareholder value and achieve group-level performance that will ensure the Bank remains among the front-runners in Europe. The foremost goal of the OTP Bank Group for the future is to be the leading financial service provider in Hungary, and a player of central importance in the region as a whole. In Hungary the Group aims to achieve, or to retain, a market-leading or a dominant position in all segments of the financial services market, and to become a decisive player in the markets of its foreign subsidiaries. According to the goals set, the Bank Group's profitability will improve further through a rise in product-usage rates among existing customers, and the increase in profit-generating capacity that this will engender, and as a result of an improvement in the market share and efficiency of the foreign subsidiaries. The harmonisation and rationalisation of operating processes within the group will continue to be of key importance, and will be achieved through an improvement in the operating and cost efficiency of the various members of the group, leveraging synergies between group members, coordinated development projects and the integration of certain activities. To offer the comprehensive financial service that customers in Hungary have already come to expect, we have begun to establish integrated financial groups in our foreign markets too, specialising in the provision of complex, structured services combining elements of insurance, fund management and leasing. Steady profit growth will firstly assure shareholders of regular dividend payments, and secondly will serve as a source of cash, supplemented by various other forms of fund-raising, to further our plans for expansion abroad through additional acquisitions.

The OTP Bank Group's operations and results of the year 2004, and its strategy – which sets ground-breaking performance targets even by international standards – combined with the various developments already under way, all serve as a guarantee that the Group will, in the coming years, continue to create a level of shareholder value unparalleled in the Hungarian bank sector. I hope this will allow us to retain the confidence of our esteemed shareholders and that, besides our staff – whom I would like to thank for their dedication and hard work throughout the year – you too will be a part of the successes of the Bank and of the Bank Group in the future.

Dr. Sándor Csányi
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

(unconsolidated, according to HAR)

PROFIT AND LOSS ACCOUNT	2003 HUF million	2004 HUF million	CHANGE %
Net interest income	118,182	147,986	25.2
Non-interest income	85,580	113,131	32.2
Total income	203,762	261,117	28.1
Non-interest expenses	110,234	125,076	13.5
Operating profits	93,528	136,041	45.5
Increase in provisions	13,261	13,357	0.7
Profit before taxation	86,701	123,521	42.5
Profit after taxation	71,562	104,818	46.5

BALANCE SHEET*	2003 HUF billion	2004 HUF billion	CHANGE %
Total Assets	2,758.6	3,044.8	10.4
Loans and advances to customers	1,088.3	1,272.1	16.9
Retail loans	318.2	371.3	16.7
Corporate loans	691.2	806.3	16.7
Municipal loans	78.9	94.6	19.9
Interbank loans and advances	165.4	188.0	13.7
Government securities in the Bank's portfolio	402.5	294.8	(26.8)
Deposits from customers	2,234.9	2,318.5	3.7
Retail deposits	1,656.3	1,737.8	4.9
Corporate deposits	421.4	421.1	(0.1)
Municipal deposits	157.2	159.7	1.6
Total loans and advances	1,272.5	1,492.7	17.3
Performing loans	1,216.7	1,421.1	16.8
Qualified loans	55.7	71.6	28.5
Provisions for possible loan losses	26.8	20.8	(22.4)
Shareholders' equity	261.8	325.0	24.1

PERFORMANCE RATIOS	2003	2004
Cost/income ratio, %	54.10	47.90
Return on Average Equity (ROAE), %	30.60	35.73
Return on Average Assets (ROAA), %	2.78	3.61
Capital Adequacy Ratio*, %	10.54	11.19
Undiluted EPS (HUF)	269.21	390.64
Diluted EPS (HUF)	255.58	374.35
Total Assets per employee* (HUF millions)	345.70	391.50
Total income per employee (HUF thousand)	23,986.00	32,746.00

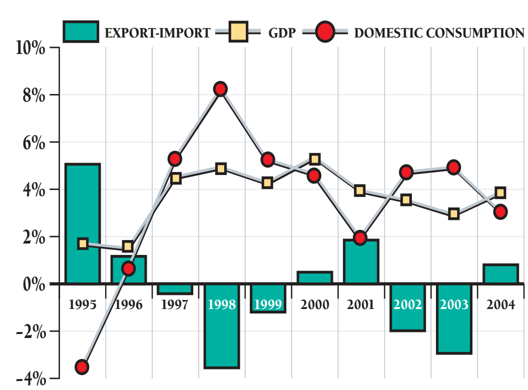
MARKET SHARE*	2003	2004
Retail deposits, %	36	34
Retail loans, %	14	13
Corporate deposits, %	14	13
Corporate loans, %	12	12
Municipal deposits, %	75	66
Municipal loans, %	54	52

* on December 31

MACROECONOMIC AND MONETARY ENVIRONMENT IN 2004

In 2004, a certain degree of equilibrium was restored to the economy, with the structure of economic growth becoming more balanced. However, these tendencies, which were favourable in terms of business activity and the economy's structure, were accompanied by a temporary but substantial increase in inflation and interest rates. Hungary's accession to the European Union on May 1, 2004 was a historic event, and one that will have a profound effect on the country's economic development over the coming years.

Last year, similarly to the leading west-European economies, Hungary experienced an increase in the rate of GDP growth, from 3% in the previous year to 4% in 2004. Although the growth continued to be mainly driven by a rise in domestic consumption, the rate of GDP growth exceeded that of domestic consumption for the first time since 2001. On the production side, the excellent grain crop contributed to an unprecedented increase in the added value of agricultural output, with the result that agriculture accounted for one third of the growth, while one half of the remaining two thirds was generated by industry and construction, and the other by the service industry.



The structure of GDP growth

The economy, which began to pick up speed from the end of the previous year, displayed the most spectacular growth in the first half of the year, before running out of steam in the second half owing to a slowdown in the increases of both domestic and foreign demand. The wage increases that had driven domestic demand in previous years came to an end in 2004, as real earnings fell by 1% in the wake of restrained nominal pay increases in the state sector and the jump in inflation. The decline in real wages had a perceptibly cooling effect on the hitherto accelerated pace of growth in household consumption, and this, accompanied by a fall in the real value of social benefits, ultimately led to a drop in the rate of household consumption growth, from 7.6% at the end of the previous year, to 2.8%.

The loss of momentum experienced in the second half was primarily attributable to the slowing of growth in the economies of western Europe. The effects of this slump were also manifest in the export and corporate-investment trends observed in the course of the year. While the first half was characterised by growth of over 15% in exports and capital investments, in the second half export growth slowed to around 10%, while capital investments, after such a brisk start to the year, had stalled completely by the last quarter. On the other hand, the majority of the 44,000 new homes handed over last year resulted from the completion of development projects commenced in the previous period. In this manner, including ongoing state-financed road construction projects, the rate of growth in capital investments at national-economy level far exceeded that of GDP growth, at 8.3%.

Inflation rose as a result of the increases in indirect tax rates, which came into effect from the beginning of the year, and by mid-year the annual consumer price index approached 8%. In the second half – partly due to high interest rates and a strengthening of the forint, and partly to favourable trends in the prices of foodstuffs across Europe – the inflation rate began to decline, falling to 5.5% by the end of the year. Despite the drop in inflation that occurred in the second half, the average annual rate increased to 6.8%, from the previous year's 4.7%.

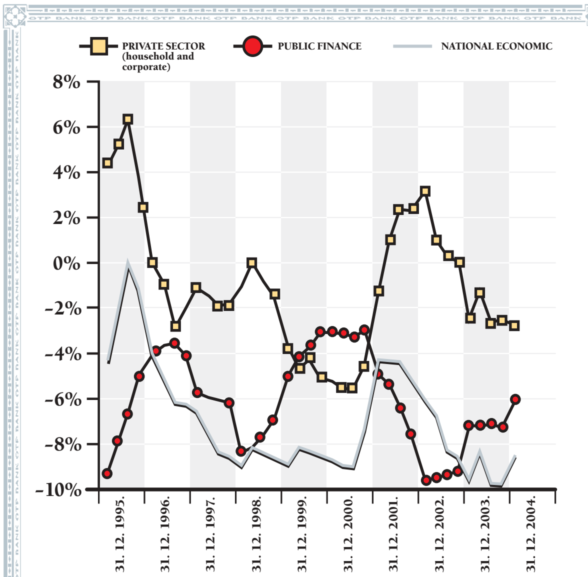
Following the mid-year reversal of the inflationary trend, the pace at which the National Bank of Hungary lowered its benchmark interest rates also picked up. The central bank base rate, which started the year at 12.5% and stood at 11.5% at the end of the first half, had fallen to 9.5% by the end of the year.

As a result of the wage expenditure restraints, the improvements in the structure of economic growth and the rise in inflation that resulted from the tax increases, the public finance deficit – which had grown in the previous two years – fell to 5.3% of GDP. Despite the contracting budget deficit, the fact that the current account deficit remained high over the year as a whole, at close to 9% of GDP, points to an imbalance in the economy, notably inadequate levels of domestic savings. However, the structure of financing took a turn for the better, since in 2004 the large deficit was financed from more equity-type, and fewer debt-type funding sources.

The deterioration in the net savings position of the economy resulted from an acceleration in the rate at which the indebtedness of its various domestic sectors increased. Last year the growth in state-sector debt was accompanied by a rise in private sector borrowing. The continuing buoyant demand for credit in the private sector, accompanied by wider interest margins, created a favourable business environment for banks.

The upward curve in lending to corporations, which began in the previous year, continued in 2004, driven by high investment demand and a rate of growth in corporate loans which, at 13%, was well in excess of the GDP growth rate. The volume of corporate loans with longer maturities, and of foreign-currency-based loans in general, increased at above the average rate. Besides the increase in demand for loans, the greater funding requirement in the corporate sector was also reflected by a slowing in the growth of corporate bank deposits. The volume of deposits by businesses operating outside of the financial sector only grew by 5% in 2004.

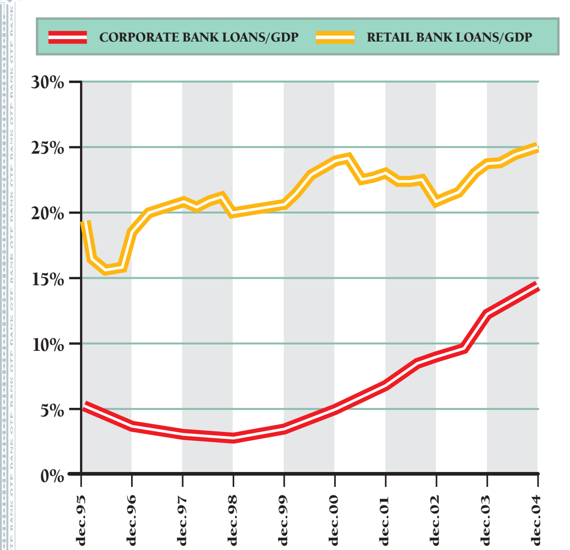
The 28% increase in the aggregate portfolio of retail loans far exceeded the rate of nominal GDP growth. The volume of housing loans increased by 27%, partly as the result of loan applications submitted towards the end of the previous year, while the volume of consumer and other loans rose by 29%. In the case of both consumer and housing loans, the growth in demand for foreign-currency-based loans was spectacular. This could be partly attributable to the wide gap between the interest rates of forint and foreign-currency-based loans. Some 43% of last year's growth in retail lending was generated by loans denominated in foreign currency.



Net savings by economic sector, as a percentage of GDP

In the area of retail savings, the high forint interest rates boosted the popularity of forint bank deposits. Consequently, although the rate of growth in forint deposits failed to match that of forint loans, the total volume of deposits increased by 12%, exceeding the rate of GDP growth, while within this figure the rate of growth in fixed-term forint deposits was outstanding, at 22%. Besides the high interest on fixed-term deposits, the stagnation in current-account deposits also reflected the fact that wage increases were lower than in previous years.

While the total volume of domestic loans increased by 22% last year, the banks' portfolio of domestic deposits grew more modestly, by 13%, in comparison to the previous year. Besides domestic deposits, the expansion in lending that powered the bank sector's growth last year was financed from a 20% increase in foreign liabilities and a 23% rise in capital and reserves.



Key banking-sector portfolios, as a percentage of GDP

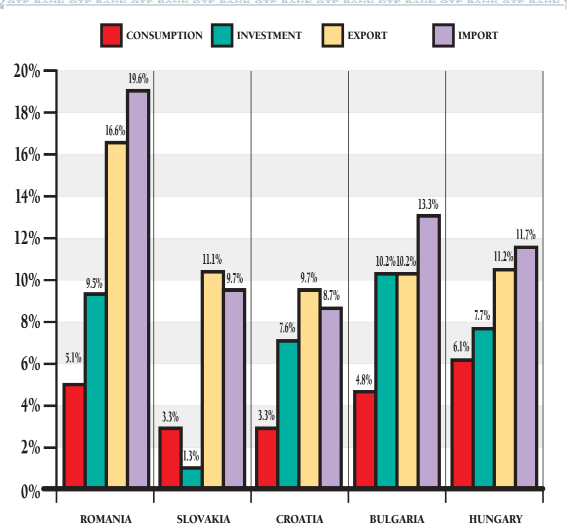
MACROECONOMIC TRENDS IN THE COUNTRIES OF THE FOREIGN SUBSIDIARIES

The emerging economies in which OTP Bank's foreign subsidiaries operate expanded at a rate in excess of the European – and in the case of Croatia, the Hungarian – average. Economic growth in all four of these countries was predominantly driven by investment and exports, as a result of the capital projects undertaken by multinational corporations attracted by the undercapitalised markets and ready supply of cheap labour. Owing to the labour-intensive nature of the multinational companies that established industrial facilities in these countries, the growth in exports was accompanied by a significant increase in imports – a tendency that was compounded by the rise in household consumption.

Besides the capital projects undertaken in the corporate sector, state-funded infrastructure developments also contributed to the average 8–10% accumulation of fixed capital. The exception to this rule was Slovakia, which has had a below-average rate of investment over the past five years, since, apart from the impetus provided by the arrival of foreign car manufacturers, the rate of growth in capital investment has remained uninspiring in other sectors of the economy.

Consumption, in respect of per-capita GDP, lags farthest behind in Romania, and grew fastest in Bulgaria last year, at a rate of around 5%. Apart from the low base figure, this was also attributable to the dynamic growth in real wages and an expansion in the range of lending products available to households. In Romania, owing to the rapid deceleration in the rate of inflation, real wages rose at above the average rate, which in turn – as consumption stabilises – has enabled household consumption to increase by 7–9% over the past two years, resulting in GDP growth that exceeds even that of the region. The rate of consumption growth in Croatia, which was below the regional average and is less cyclical, declined to 2.3% last year.

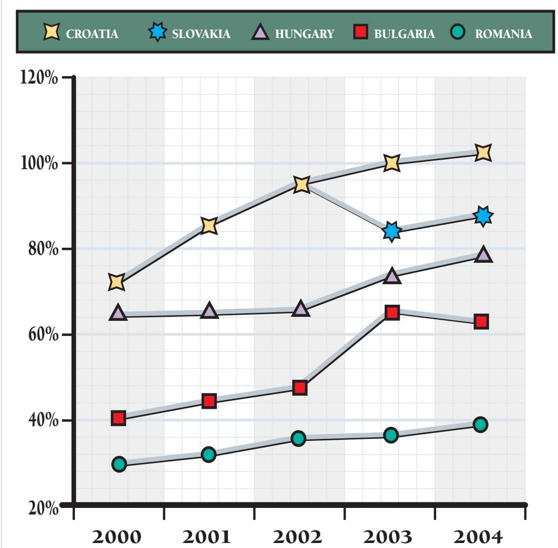
The national banks of the aforementioned countries were successful in their committed efforts to reduce inflation, which in turn enabled them to lower their benchmark interest rates. It was only in Bulgaria that the consumer price index rose by any significant extent, but even this increase cannot be regarded as exceptionally high in comparison to the regional average, and is chiefly attributable to the enforcement of a fixed, centrally-determined nominal exchange rate, which results in any productivity gains being fully translated into inflationary pressure, since the national currency is unable to appreciate in value.



Average growth in the components of GDP usage between 2000 and 2004

In terms of the economic balance, the countries of the four foreign subsidiaries are in a more favourable situation than Hungary, since, with the exception of Croatia, budget expenditure is less dominated by accumulated debt service liabilities. In Slovakia the deficit of 5.3% of GDP, which is higher than in previous years, was the result of one-off factors, and therefore in the long term only Croatia faces the possibility of problems in meeting the Maastricht criteria. However, the external balance is deteriorating steadily as a result of burgeoning household consumption and the substantial external financing requirement of corporate investments, especially in Romania and Bulgaria, which otherwise manage their budgets in a highly disciplined manner.

Bank sector penetration in the countries concerned is well below the EU average. The financial intermediation system is more deeply rooted in Croatia and Slovakia than in Hungary, but, as a result of the expansion in lending, Hungary was able to match the rate at which penetration grew in these countries. The most marked increase in the depth of the banking system occurred in Romania, which has the shallowest penetration of all the countries concerned, and where the balance sheet total of the banking sector was also boosted by a rise in the volume of deposits. The Bulgarian banking system, which is also less well-developed than Hungary's, was the only one – among the four countries in which OTP has foreign subsidiaries – to expand at below the rate of GDP growth in 2004. However, the dynamic increase in the volume of both loans and deposits in the private sector is a clear sign that the decline in penetration resulted from consolidation in the banking sector and a reduction in public-sector borrowing.



Banking penetration as a percentage of GDP

Generally, the volume of bank deposits expanded at the same rate as GDP, except in Slovakia, where the total of non-private sector deposits increased by 73%, a rate well in excess of the regional and the Hungarian average. The dynamic growth in corporate investments brought with it an increase in demand for bank financing that exceeded the rate of GDP growth, again with the exception of Slovakia, where funding was typically secured in the form of foreign direct investment or loans from parent companies. The rapid rate of expansion in domestic consumption was partly a consequence of the broadening range of lending products available to households, which was further expanded by the appearance of low-interest foreign-currency-based loans. Despite the many-fold increases in the volume of household loans in Romania, Slovakia and Bulgaria, all of which remain below the Hungarian average, they had not reached 10% of GDP by the end of 2004. In Croatia the ratio of retail loans to GDP is above average. Following the outstanding growth of the period between 2001 and 2003 the rate of increase in this ratio dropped to one percentage point in 2004, and thus the ratio rose to 29% of GDP, or more than double the figure achieved by the Hungarian banking sector.

BUSINESS REVIEW

BUSINESS REVIEW OF THE OTP BANK GROUP

BRIEF DESCRIPTION OF THE BANK GROUP'S OPERATIONS AND RESULTS

OTP Bank and the Bank Group closed an outstandingly successful business year in 2004. The volume of customer loans and deposits displayed considerable growth, the Bank Group's margins widened as a consequence of the favourable interest conditions and changes to the structure of the balance sheet, operational efficiency improved, and the record profits achieved in 2003 rose exponentially.

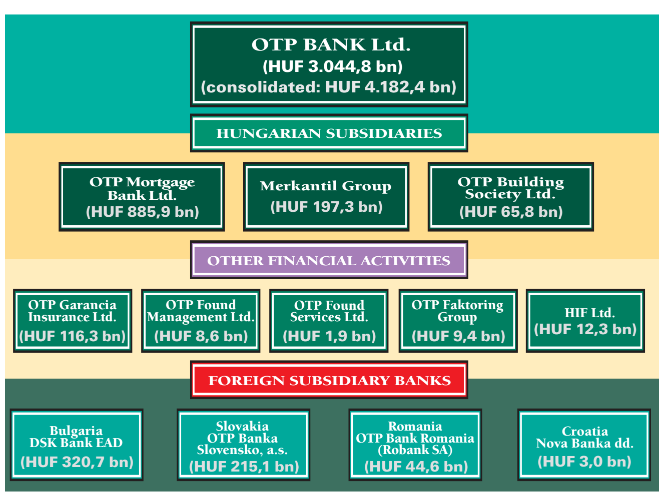
FINANCIAL RESULTS OF THE BANK GROUP IN 2004

Consolidated pre-tax profit was HUF 151.4 billion in 2004, which was 47.3% higher than in the previous year, and 22.5% higher than the pre-tax profit of the parent bank. The 2004 consolidated return on average assets (ROAA) was 3.28%, and the consolidated return on average equity (ROAE) was 36.3% respectively (in 2003: 2.66% and 30.6% respectively).

OTP Bank's consolidated balance sheet total was HUF 4,182.4 billion at year-end 2004, an increase of 19.4%, or HUF 679.8 billion, compared to the previous year, and 37.4% higher than the total assets of the parent bank in the same period.

As of December 31, 2004, the aggregate balance sheet total of those members of the OTP Group that are engaged in banking activities (OTP Bank, Merkantil Bank, OTP Building Society and OTP Mortgage Bank) accounted for 24.2% of total banking sector assets.

The year 2004 witnessed further improvements in the profitability and performance ratios of the parent company, which was the greatest contributor to the consolidated balance sheet total and profit. Based on the absolute size of its profits, OTP has retained its leading position among the banks. Its pretax earnings account for 38% of the banking sector's total pre-tax profits, and in terms of ROA and ROE, it is the clear front-runner, not only in Hungary, but in the region as a whole.



OTP Bank and its major fully-consolidated subsidiaries, and their total assets as at year-end 2004

Among the subsidiaries, OTP Mortgage Bank performed outstandingly in 2004. Despite intense competition, it increased its portfolio of housing loans by 27%. Together, OTP Mortgage Bank and OTP Bank control close to half of the housing loans market. Despite a stagnation in sales in the vehicles market, the Merkantil Group increased the number of its car loans by over 10% and increased its market share to an estimated 20%. The assets and membership of OTP Savings Funds also increased significantly, and the share of OTP Savings Funds within household savings was approximately 20% at the end of 2004.

The foreign subsidiaries also achieved considerable growth. In 2004 DSK Bank's loan portfolio grew by 63%, and its deposit portfolio by 22%, the number of bankcards issued reached 700,000, and intensive development was also conducted in the area of electronic banking services. In Slovakia, OBS issued 100,000 bankcards in 2004, and increased the size of its deposit portfolio by 25%.

INTERNATIONAL DEVELOPMENT OF THE BANK GROUP IN 2004

In 2004 the Bank purchased the Romania's Robank which, from 2005, will continue its activities under the name of OTP Bank Romania. The acquisition of Nova Banka in Croatia also commenced last year, and was concluded in March 2005.

THE GROWTH IN OTP'S MARKET VALUE IN 2004

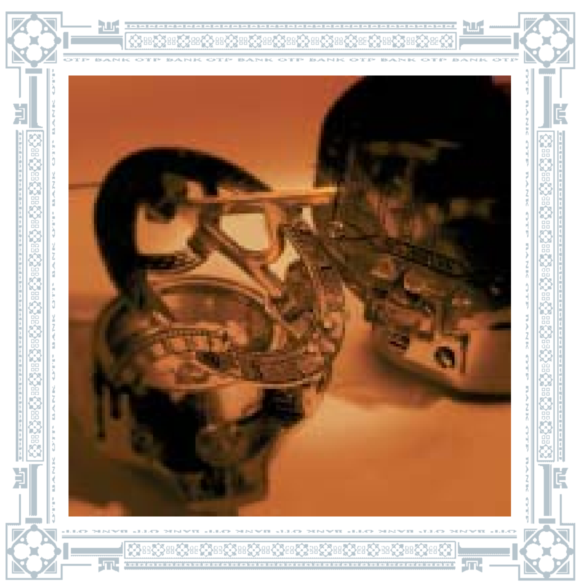
The price of OTP Bank's shares more than doubled in 2004, to reach HUF 5,570, while the BUX, the share index of the Budapest Stock Exchange, grew by 57% over the year. By the end of December 2004, the total market value of the Bank's shares was HUF 1,560 billion, or EUR 6.3 billion, with the result that, based on its market capitalisation, the Bank is now regarded as one of Europe's blue chips.

KEY DEVELOPMENTS AT OTP BANK IN 2004

In 2004 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 its services.

The second phase of the Back-Office Rationalisation project saw a continuation of developments in respect of background operations, commenced in 2003 with the centralisation of loan-related account management. In the course of the year a number of tasks were delegated to the central back-office department, including the management of multiple direct debit orders and unauthorised overdrafts, while significant advances were made in the automation of the sending of various transaction receipts.

The year 2004 saw the launch and completion of the START project, which involved identifying branch sales opportunities and motivating staff to take advantage of them, with the emphasis on strengthening a customer-centred sales approach. In order to provide more effective support for branch sales and improve active customer acquisition, daily internal-information updates and a new performance-appraisal system were introduced, and branch managers and officers are now assisted in their work by sales consultants. At the end of 2004, a new incentives system for branch staff began to be developed.



Development of the Transaction Data Warehouse (TDW) system, used to support product development and sales, continued, and from 2004 has been assisting analysts in their work, and has helped considerably in the development of the Mini CRM. The Mini CRM system, which aims to support sales through the adaptation of product offers to suit customers' individual requirements, is currently being used successfully in most of the branches.

The objectives of the Back-Office Rationalisation, START, Network-Optimisation and Branch Management projects have been to improve service levels, shorten waiting times and ensure the better leveraging of cross-selling opportunities. The implementation of these projects in the 100 largest branches led to significant improvements in 2004, and in the course of 2005 the branch-management methods will be introduced at the Bank's remaining branches.

Introduction of the SAP system continued according to plan in 2004, with the purpose of modernising the Bank's management and management-support systems, improving the quality of information generation and processing, and streamlining and centralising financial processes while ensuring strict cost control. The SAP Project also extends to cover introduction of the system at the subsidiaries, and in line with these plans it has begun to be installed at OBS.

In 2004, OTP Bank continued refurbishing and upgrading its branches, spending 70–76% more on branch-related investments and the procurement of the necessary equipment than in 2003. Of the various IT projects and enhancements in 2004, the most notable were improvements made to the bankcard and ATM systems, the further development of the transaction data warehouse, the UNISYS and the SAP system, and – in terms of sheer size and scope – the procurement of new equipment at the central office and branches.

The range of electronic services was expanded further in 2004. The Bank's internet banking service now enables customers to access account statements and top up pay-as-you-go mobile telephone subscriptions online. The "Mobile Signature" function was introduced as an additional security feature, and the range of mobile-phone-based services was extended to include the Direct Debit Control service. The Card Control service, a popular service hitherto only associated with debit cards, was made available to holders of credit cards in 2004, and an English-language version of the telephone-based account balance enquiry service was launched.

BASIC RETAIL SERVICES

OTP Bank continues to be Hungary's best known and safest bank. In a survey conducted by the GFK Market Research Institute, two-thirds of those interviewed mentioned OTP Bank as the best known bank, and two-thirds consider it to be a safe and stable bank.

As a result of the growing competition and media exposure, OTP Bank makes a considerable effort to prevent customers migration and to increase customer satisfaction. In order to offer more tailored and higher-quality services, OTP Bank has developed its unique Transaction Data Warehouse system, began to forge more personalised relationships with its customers, and introduced a CRM system that facilitates cross selling.

ACCOUNT MANAGEMENT, BANKING TRANSACTIONS

At the end of 2004, OTP Bank had 5.4 million retail customers, 23,000 more than a year earlier. At the end of 2004, customers held over more than 3 million forint-denominated current accounts at the Bank.

With respect to account management, OTP Bank plans to implement an increasing number of measures to simplify everyday banking transactions for its customers. The process of refurbishing and modernising the branches has continued as in previous years. Most branches now have 24-hour ATM machines offering an increasing number of services, which are located in safe, well-lit environments and monitored by security cameras. The OTPdirekt internet banking service, which gained several new convenient functions in 2004, is also growing in popularity.

At the end of 2004, our retail banking division had more than 584,000 active OTPdirekt telephone service subscriptions, close to 252,000 Mobilbank subscriptions, 279,000 internet banking service contracts, and almost 29,000 subscribers to the active text message, WAP and automatic telephone-based transfer services. The constant modernisation and development work, and the modular pricing that can be flexibly adapted to suit customers' needs, makes daily financial transactions simple, transparent and convenient for the users of electronic services.

BANKCARDS

At year-end 2004, the number of bankcards issued by OTP Bank was 3,641,000, a 3.4% increase over the previous year's figure (3,522,000). This gives OTP Bank a share of almost 56% of the Hungarian bankcard market.

At year-end 2004, the number of forint-based bankcards issued by the retail division was close to 3,530,000, which represents an increase of 3.1% compared to the 3,423,000 cards issued by the end of 2003.

Within this figure, the number of conventional debit cards issued to current-account holders was 2,865,000, the number of "Multipont" co-branded cards was 274,000 and the total number of cards linked to "B-Hitel" and "C-Hitel" overdraft facilities was 227,000 at year-end 2004. Among the Bank's longer-established products, the highest growth, of over 30%, was achieved by the "Multipont" and Gold debit cards. The number of foreign-currency-based debit cards issued by the Bank was close to 9,000, which represents a 30.5% increase.

In 2004 the Bank further expanded the range of credit cards it offers, with the Gold, MC "Multipont" and "Komfort" credit cards, this targeting every segment of the retail market. At the end of 2004 more than 52,000 credit cards issued by the retail division were in circulation.

In the course of the year the Bank installed almost 100 new ATMs, increasing the number of OTP-operated cash dispensers from 1,305 in the previous year to 1,400. In 2004 a total of 75.2 million transactions were carried out using ATMs owned by OTP, in a total value of 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 card-based transactions increased by 4.1% and 1.6%, and the turnover from these transactions rose by 11.3% on the acceptor side and 9.3% on the issuer side.

The number of retail acceptance points has also increased, thus making shopping, customer service and customer identification safer and more convenient. As at December 31, 2004, the number of POS terminals was 21,744, which represents an increase of 1,292 compared to the previous year. Some 2,990 of these terminals were located at the Bank's own branches, 13,812 at commercial outlets and 4,942 at post offices. In the course of 2004, the number of POS terminals at retail outlets rose by 9.3%.

In 2004, a total of 51.9 million transactions were made using OTP Bank's own network of POS terminals, in a value 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.

SAVINGS, INVESTMENTS

At year-end 2004 the OTP Bank Group managed more than 29% of household savings in Hungary. In addition to OTP Bank, OTP Fund Management and OTP Savings Funds also maintained their leading positions in their respective market segments, and OTP Garancia Insurance remains one of the premier insurance companies in Hungary. At year-end 2004 the Bank Group had a 35.3% share of the market for household forint deposits, and 36.0% of the market for foreign-currency deposits, based on the combined balance sheet total of monetary institutions in Hungary. Within the group, the following subsidiaries offer retail deposit products: OTP Bank (HUF 1,737.8 billion), Merkantil Bank (HUF 37.6 billion) and OTP Building Society (HUF 57.0 billion).

BANK SAVINGS

At year end 2004, the volume of retail deposits managed by OTP Bank was HUF 1,737.8 billion, which represents a 4.9% increase over the previous year's figure, while the volume of retail current accounts was HUF 1,130.4 billion, representing a 13.5% increase.

Within retail deposits, forint deposits increased by 6.8%, or HUF 95.9 billion, to HUF 1,506.0 billion in 2004, to represent almost 87% of the deposit portfolio. The share of retail current account deposits – a key product line – within retail forint deposits was 75.1%, which represents a considerable increase over 2003's figure of 70.6%. The total balance of passbook deposits fell by 11.2% to HUF 339.8 billion as at December 31, 2004, representing a 22.5% share of the total portfolio of forint deposits.

The volume of foreign currency deposits fell by 11.1%, or HUF 29.1 billion, to HUF 231.7 billion, thus accounting for a modest 13.3% of all retail deposits at the end of 2004 (in 2003: 14.9%). Although the decline in the volume of foreign currency deposits slowed considerably in 2004, it did not come to a complete halt. The downward trend was mainly due to favourable interest rates on retail forint deposits and a strengthening of the forint.

As a result of new contracts and contractual deposit payments and disbursements, OTP Building Society's deposits grew by 27.7% to HUF 59.9 billion, almost 96% of which consisted of retail deposits. In the course of the year the Building Society exceeded its business target, concluding over 113,000 contracts in a value of HUF 158.3 billion. In a market that has come to be dominated by two players, OTP Building Society achieved an estimated market share of 52.4% in terms of the number of contracts, 49.7% in terms of the value of contracts, and 46.0% with respect to deposits.

INVESTMENT FUNDS, SECURITIES

Through OTP Fund Management Ltd., the OTP Group is one of the most important service providers in the fund management market. The Bank Group's share of the securities funds market was 40.8% at the end of 2004.

In the securities funds market, the first two months of the year saw a continuation of the withdrawal of capital that had marked the previous year, followed by stagnation in the second and third quarters, and then by a further major capital inflow in the fourth quarter. Investors, reacting to a series of interest-rate cuts by the central bank, did not begin returning to bond funds until the last two months of the year. Households displayed a preference for lower-risk forms of investment, such as money-market funds, with the result that the weight of these grew considerably within the total of securities-based investment funds, at the expense of bond funds. The growth in the assets of the higher-risk equity funds resulted from purchases by institutional investors, and the favourable development of their yields.

The general market trends were also reflected in the performance of the funds managed by the OTP Group. Thus, after a substantial decrease in the first quarter, the assets of the Optima Fund, the Company's flagship product, stagnated until the end of October, before beginning to grow again in the fourth quarter. In 2004 the Bank Group launched two new funds: the Fantázia closed-end equity fund in the first quarter, and the Private Institutional Equity Fund in the second.

The net asset value of the funds managed by the Bank Group amounted to HUF 391 billion at the end of 2004, which is 1% lower that at year-end 2003. Within this, 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 of the Quality Equity Fund and the UBS Fund of Funds grew over the course of 2004.

The Bank offers securities-related services to retail customers. In 2004 it launched mortgage bonds with maturities of 1 and 3 years, issued specifically for private individuals, as well as 10-year "OTP Járadék" annuity bonds, both of which products are unique in the retail savings market. Also in 2004 the Bank offered its private banking customers the opportunity to trade in foreign-equities using the Xetra system.

The market value of the investment portfolio managed by the Bank exceeded HUF 1,525 billion at year-end 2004, which represents an increase of more than 36% against the previous year. Households accounted for HUF 789 billion of this amount.

PENSION AND HEALTH INSURANCE FUNDS

Fund services are among the Bank Group's most important non-banking retail services. OTP Funds play a leading role in their respective market, both in terms of the volume of assets and the number of members. In 2004 the pension fund managed HUF 295 billion in assets, which represents a 50.1% increase over last year's figure. OTP Funds managed HUF 288.8 billion of these assets, and its membership increased by 9.3% to 908,700 persons. The Group's share of the market for household savings funds is close to 20%.

The Bank is active in all sectors of the funds market, such as that for private and voluntary pension and health insurance funds. In 2004 the assets of the OTP Voluntary Pension Fund rose from HUF 49.3 billion to HUF 64.4 billion, which translates into growth of 30.6%, and it had 186,000 members, which represents a 6.6% increase over the previous year's figure. The assets of the OTP Private Pension Fund grew at the outstanding rate of 56.6%, to reach HUF 222.7 billion, and its membership increased from 646,000 to 683,000 persons. OTP Health Insurance Fund had total assets of HUF 1.7 billion, and the number of its members rose by a factor of approximately 3.5, to more than 40,000.

Within the Group, OTP Fund Management Ltd. is responsible for managing the assets of the funds, while the related administrative duties and member recruitment is performed by OTP Fund Services Ltd.

LIFE AND NON-LIFE INSURANCE

The wide range of life, banking and non-life insurance products offered by OTP Garancia Insurance Ltd. are available to the Bank Group's customers through the network of the Bank, and the Insurance Company's branches and agents. OTP Garancia Insurance Ltd. is the largest Hungarian banking insurance company, and the fourth largest participant in the market, in terms of its life insurance premium revenues.

OTP Garancia Insurance Ltd. achieved premium revenues 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 in terms of total insurance-premium revenues fell from 10.9% in the previous year to 9.3%.

Premium revenues from the life and banking 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-fee life insurance policies fell by 31%, or HUF 5.6 billion, compared to the previous year. In 2004 the insurance company sold 45,000 new regular-premium life insurance policies and around 25,000 one-off-fee policies. Some 32,000 new policies were purchased by customer at branches of OTP Bank, the most popular product being the "Generáció X" insurance policy. By year-end the volume of household savings accumulated in life insurance premium reserves exceeded HUF 84 billion.

In the non-life division, premium revenues from retail asset and liability insurance policies increased significantly, with the most spectacular growth displayed by the sales of home insurance. In 2004, Garancia Insurance concluded over 94,000 new home insurance policies, 23,000 of which were purchased at branches of OTP Bank, mostly by customers applying for housing loans.

RETAIL LENDING

The Bank Group's market share of housing loans was 40.1% on December 31, 2004. At the end of the year the volume of retail loans placed by the Bank was HUF 371.3 billion, 16.7% higher than at the end of 2003, as a result of the almost 50% expansion in consumer loans. Similarly to the previous year, the volume of housing loans declined, as most of the loans disbursed by the Bank were transferred to OTP Mortgage Bank.

HOUSING LOANS

The latest modification to the system of housing-loan subsidies triggered a surge in demand for loans in December of 2003, with all the banks – including OTP – making most of the disbursements under the new scheme in the first quarter of 2004. After this initial peak, the number of housing loan applications fell significantly, both at national level and at the Bank, and the market came to be dominated by demand for foreign-currency-based housing loans. Responding to this shift in demand, from mid-2004 OTP Bank joined its competitors in offering euro and Swiss franc-based housing-loan products.

By year-end 2004, the Bank's portfolio of housing loans had decreased in size 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 40,500 syndicated housing loans transferred to OTP Mortgage Bank was HUF 213.9 billion, down by 52.3% on a year earlier. Nevertheless, the volume of OTP Mortgage Bank's housing loans grew dynamically by 27% to HUF 770.3 billion during the year. OTP Building Society's loan portfolio fell by HUF 796 million to HUF 7.9 billion, due to the lower-than-expected demand for borrowing, which stemmed from the more attractive terms offered on state-subsidised loans. The Group's share of the building-society savings market, including loans extended by OTP Mortgage Bank and OTP Building Society Ltd., was 49.7% on December 31, 2004.

CONSUMER LOANS

The Group offers consumer loans to its customers through OTP Bank, Merkantil Bank and Merkantil Car. OTP Bank primarily offers overdrafts, credit-card, durable-goods, personal and mortgage-type loans, while the two above-mentioned members of the Merkantil Group provide vehicle-financing loans.

At year-end 2004, the Bank's total portfolio of consumer loans grew by 49.2%, to HUF 200 billion, a rate that exceeded the average rate of market growth by 18.8 percentage points. The overall portfolio of Merkantil Bank stood at HUF 34.3 billion, and Merkantil Car's total portfolio stood at HUF 130.7 billion at the end of the year. The combined share of OTP Bank and Merkantil Bank in the market for consumer lending by credit institutions rose to 23.2% by year-end.

The portfolio of personal loans, which were launched as a new product in the previous year, reached HUF 73.8 billion by the end of 2004, with this form of lending 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 the relaunched "A-Hitel" overdraft facilities on retail current accounts continues to grow apace, rising by 52.6% to HUF 31.5 billion in 2004. Owing to the rapid growth in demand for subsidised housing loans, the volume of mortgage-backed loans fell 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 the volume of loans associated with the 52,000 credit cards issued by the Bank was approximately HUF 4.8 billion as at December 31, 2004.

In 2004, despite fierce competition, stagnation in the car market, and a 5% drop in the sales of commercial vehicles, the Merkantil Group succeeded in strengthening its position. Within the Merkantil Group, forint-based vehicles financing loans were offered by Merkantil Bank, while Merkantil Car provided foreign currency-based loans.

PRIVATE BANKING SERVICES

In 2004, the OTP Bank Group continued to place a special emphasis on developing attractive offers for its wealthier, private banking customers. The Bank provides these clients with the full range of private banking services, such as investment consultation, tax advice, travel services, art dealing and real estate advice, as well as exclusive services such as a gold bankcard and use of the VIP lounge at Ferihegy Airport. In return for a fixed monthly fee, Private Banking customers receive interest premiums and significant discounts on security transactions, besides exemption from the charges on basic banking products and services.

The package of services, which was re-launched in early 2003, was well-received by Private Banking customers. The past two years have seen a considerable rise in the number of customers taking advantage of these special facilities, which had reached 9,600 by the end of 2004. The average value of customers' assets rose by 23% in the course of 2004, while the total portfolio expanded by 42%, to more than HUF 242 billion – an impressive result in both respects.

The estimated market share of OTP Private Banking in the private banking sector in terms of number of clients is 36–38%, while its market share of the managed portfolio is about 33–34%, which means that it is not only the market leader but that it continued to strengthen its market position relative to the previous year.

Besides the traditional range of investment products, since December 2004 Private Banking customers have been able to use foreign securities trading services – not available to retail customers – and, from 2005, they now have direct access to foreign investment funds.

Since the re-launch of the value proposition, Private Banking customers receive a personalised service in exclusive, smart and congenial surroundings, with separate waiting areas, conference facilities and cash desks at their disposal. By year-end 2004 the Bank had provided its Private Banking customers with 42 such premises around the country.

Customers' investment needs are assessed by wealth management counsellors, based on tailored sample portfolios upgraded on a monthly and quarterly basis to enable customers to found their investment decisions on tailored, up-to-date and detailed investment advice.

The Private Banking website (www.otpprivatebanking.hu) provides customers with a convenient means of accessing information regarding the available products and services, as well the up-to-date capital-market reports that are prepared especially for them by the Bank's Research Centre.

COMMERCIAL BANKING SERVICES

CORPORATE DIVISION

CORPORATE ACCOUNTS, BANKING TRANSACTIONS

OTP Bank Group is among the leaders of the market for corporate banking products and services. Corporate account management services are provided by OTP Bank and Merkantil Bank, while – in addition to these two banks – deposit collection and investment fund sales are also provided by OTP Building Society and OTP Fund Management. The combined share of the Bank Group, i.e. OTP Bank, Merkantil Bank and OTP Building Society, in the total corporate deposit portfolio of the banking sector fell from 14.5% to 13.3% by the end of 2004.

The portfolio of corporate deposits managed by the Bank amounted to HUF 421.1 billion on December 31, 2004, which represents no change from the previous year. The corporate foreign-currency deposits portfolio reached HUF 34.6 billion, with its share of the total deposit portfolio rising to 8%. The portfolio of deposits placed by incorporated business entities had grown by 23.9%, to HUF 192.8 billion, the volume of deposits held by small businesses stood at HUF 39.6 billion, and that of sole traders was HUF 21.8 billion at the end of 2004.

The number of corporate current accounts exceeded 204,000, and the number of foreign currency deposits reached 3,000 by year-end 2004.

To ensure that its customers receive a better standard of service, the Bank further developed its "e-Forint" corporate electronic account, adding a comprehensive range of functions for managing foreign-currency transfers. Some 40,000 corporate clients had signed up for Internet Banking services by the end of the year.

In 2004, in a development to the highly popular customer-terminal service, the OTP Electra Terminal was introduced, offering expanded functionality including – among others – the comprehensive management of group payments. At year-end, close to 8,600 corporate clients were managing their accounts using customer terminals.

The Bank plays an important role in the international payments system, through its management of forint loro accounts for foreign financial institutions, a service that it provides to some of the world's largest banks.

Earlier this year the Bank smoothly changed over to the SWIFT Alliance system. Since Hungary's accession to the European Union, international transfers are processed in compliance with EU guidelines, and in June 2004 the Bank became an indirect member of the pan-European STEP2 clearing system.

The express payment method introduced for the payment and clearing of transactions, which was previously conducted through subsidiary banks, has been implemented at the Romanian subsidiary as well.

Bankcards, electronic services

The number of bankcards held by corporate customers increased by 11.7%, or twelve thousand cards, to reach 103,000 at year-end 2004. The majority of these, a total of 78,000, were corporate and business cards held by domestic companies. The "Széchenyi Card" remains an extremely popular product, with the number of cards issued doubling by the end of 2004, to almost 7,000.

Among the electronic services associated with the bankcards, the OTPdirekt landline and mobile phone services continue to be the most popular. The former was being used by 29,000 corporate customers and the latter by 18,000 as of the end of 2004.

Customs cashier service

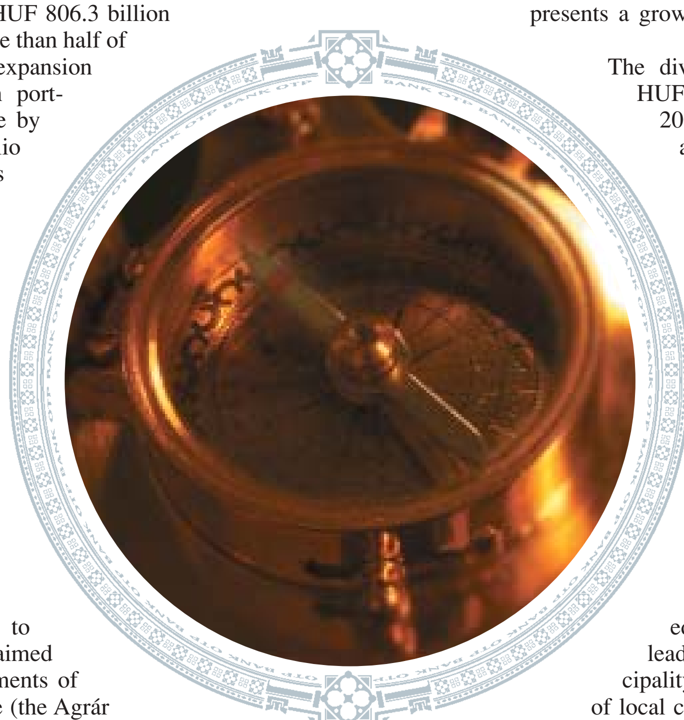
In 2004, OTP Bank's share of the customs cashier market approached 80%. Nationwide the Bank operated 172 branches or outlets offering services related to customs payments, 64 of which used the Automatic Customs Cashier System. The number of Customs Cards in circulation reached almost 2,000. During the course of the year, a total of 74,000 customers made their customs-duty and surety-bond payments through the Bank, in a value of close to HUF 86 billion.

In response to the changes brought by EU accession, OTP Bank plans to introduce new products and services in the near future, while from April 2005 it intends to provide the customs authorities with online access to data, in order to accelerate processes related to the transportation of goods.

CORPORATE LOANS

OTP Bank and its subsidiaries – in the domestic market, the Merkantil Group and OTP Building Society – offer a wide range of loan products to their corporate clients. The Bank Group is one of the market leaders, its share of the bank system's combined corporate loan portfolio grew by 0.3 percentage points to reach 12.1% at year-end 2004.

The Bank's corporate loan portfolio grew by 16.6% over the year, amounting to HUF 806.3 billion as at December 31, 2004. More than half of this growth was the result of expansion in the foreign-currency loan portfolio, which increased in size by nearly 40%. The loan portfolio of non-financial enterprises grew by 9.2%, to HUF 596.9 billion, a third of which consisted of foreign-currency loans, which grew by 28.4%, to HUF 267.8 billion. The portfolio of small-enterprise loans more than doubled, to HUF 24.4 billion. More than 50% of these loans were denominated in foreign currency. The volume of loans to sole traders rose by 25.7%, to HUF 14.0 billion.



In 2004 the Bank continued to introduce new loan products aimed at satisfying specific requirements of corporate clients as they arose (the Agrár Európa Accession Loan, the factoring of regionally-distributed agricultural subsidies, special current-account overdraft facilities, the Európa Plan Project supplementary loan, the Healthcare Development loan, financing schemes related to EU tenders, etc.).

Leasing

The Bank Group provides its leasing services through the Merkantil Group. In 2004, almost 100 financial leasing contracts were concluded by Merkantil Car Ltd., for the purpose of vehicle financing. The combined portfolio of manufacturing equipment leasing contracts stood at HUF 7.5 billion at the end of 2004. Foreign currency-based financing, especially Euro loans, played a dominant role in this sector, with 68% of new placements belonging to this category.

The 2004 year-end portfolio of dealer financing stood at HUF 8.8 billion. However, only 13% of this was foreign-currency-based.

The Bank Group was represented in the real estate leasing market by Merkantil Real Estate Leasing Ltd., which concluded fifteen open-ended financial leasing agreements. At year-end the total of receivables from clients stood at HUF 3.3 billion, the value of the portfolio of properties under construction was HUF 1.9 billion.

Project Finance

In the area of project finance, the growth in power-plant financing 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 valued HUF 176.3 billion at the close of 2004. The more important transactions of the year included 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 key foreign deals, mostly related to projects in Bulgaria.

MUNICIPALITY BANKING SERVICES

The Bank once again succeeded in retaining its position as leader of the market for municipality banking. In 2004 over 77.1% of local councils, that is a total of 2,369 municipalities, including the institutions financed by them, choose 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% higher than at the end of 2003. The Bank's share of the market based on the size of its deposit portfolio fell from 74.9% to 66.2%, owing to the intensive vying for market position among competitors. 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%.

To boost lending activity, a foreign-currency-based loan facility was launched – with disbursements totalling HUF 7 billion in 2004 – and a new financing scheme related to EU investments was also developed.

The number of municipalities and institutions under their control that use customer terminals increased steadily over the year (from 3,972 in 2003 to 4,581 at the end of 2004), as did the number of those using the Mini Treasury and Cash Management systems.

TREASURY

With respect to the treasury's principal activity, liquidity management, a notable shift in focus occurred in 2004. Formerly, the department's duties had chiefly involved the placement of surplus forint liquidity, whereas in 2004 the emphasis was on managing the foreign-currency liquidity gap that resulted from the substantial increase in foreign-currency lending in both the retail and the corporate division. Some 39% of the foreign-currency sources available to the Bank in the course of the year were ensured by the treasury.

In 2004 the average value of the Bank's portfolio of investment securities was HUF 321 billion, while its portfolio of trading securities averaged HUF 28 billion.

The Bank continued to maintain its market-leading position in the Hungarian syndicated lending market in 2004, participating in 21 transactions over the course of the year.

FOREIGN SUBSIDIARIES

DSK BANK EAD

DSK Bank achieved major successes in its first full financial year as a member of the OTP group. After-tax profit totalled HUF 9.0 billion in 2004, which represents an increase of 51.1% compared to 2003. At the end of the year the Bulgarian subsidiary had achieved ROAA of 2.44% and ROAE of 19.2%.

DSK Bank's balance sheet total stood at more than HUF 409 billion on December 31, 2004, or 26.7% higher than at the end of the previous year, and its equity was HUF 50.5 billion (an 17.3% rise). The bank's loan and deposit portfolios grew by 62.7% and 21.6% respectively, with the volume of loans totalling HUF 274.1 and deposits HUF 331.3 billion by the end of the year.

In 2004 DSK Bank became market-leader in terms of total business volume, in respect of both deposits and loans. Despite this, the bank's market share in terms of balance sheet total fell from 13.8% at the end of 2003 to 13.1% by the end of 2004, partly due to the withdrawal of a number of state deposits at the end of the year, and partly to 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 financial institution in the Bulgarian banking sector.

The bank expanded its range of retail banking products considerably, launching no less than 20 new or revamped products during the year. These included a credit card, a student card, a

OTP Bank and its foreign subsidiaries and regional targets for further expansion foreign currency account, long-term deposits, consumer loans, a savings account with tiered interest rates, new electronic services and the 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 692,000 at year-end, which equates to an increase of close to 53% compared to the end of 2003. The number of ATMs rose by 44%, and the number of POS terminals by 76%, to 351 and 462 respectively by the end of the year.

The number of employees at DSK Bank fell by 300, or 8%, over the year. With the assistance of OTP Bank, continuous and intensive marketing campaigns have been launched to promote the bank's new products and to support the change in its image.

In the interests of building an integrated financial group, DSK Bank, jointly with OTP Garancia Insurance, established one life and one non-life insurance company in Bulgaria. The life insurance company (DSK Garancia Life AD) began its operations in September, while the non-life insurance company is currently in the process of obtaining its operating licences 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. Besides establishing these companies, the bank sold its minority stake in Bulstrad DSK Life AD and raised the capital of DSK Rodina AD by BGN 1 million.

OTP BANKA SLOVENSKO, A.S.

The Slovakian bank's balance sheet totalled HUF 215.1 billion at the end of 2004, which represents an increase of 34.5% compared to the end of 2003, and gave the bank a 2.8% share of the Slovakian 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 was an improvement over the previous year's loss of HUF 207 million. The bank's ROAA at the end of 2004 was minus 0.03%, and its ROAE was minus 0.4%. OBS achieved an after-tax profit according to Slovak accounting standards of HUF 522 million in 2004.

In 2004 OBS launched several new products on the Slovakian banking market. Among them was the Solvent Biznis Card, a product similar to the Széchenyi Card, which it issues to 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 owner associations.

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. Growth in corporate and municipality lending was similarly robust and at the end of the year the commercial banking portfolio stood at HUF 115.9 billion. The bank's deposit portfolio reached HUF 139.9 billion at the end of 2004, which represents 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, of whom more than 139,000 were retail customers.

The number of bankcards issued by OBS had exceeded 100,000 by the end of 2004, which represents an increase 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 network of ATMs numbered 102 units at the end of the year, and these were used to perform some 1.6 million transactions, a 13% increase over 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.

OBS 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 SA, were officially acquired by OTP Bank (99.99%) and its subsidiaries (0.01%) on 30 July 2004. Following the acquisition, OTP Bank increased the company's capital by EUR 10 million, almost doubling it to HUF 5.3 billion.

As part of the bank's restructuring and change of corporate image, OTP Bank changed the company's name to OTP Bank Romania SA at its shareholders' meeting of February 15, 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, and HUF 428 million for the whole year of 2004, and the ROAE for the whole year was 6.7% and ROAA was 1.1%.

Robank's loan portfolio was HUF 16 billion at the end of 2004, 98.5% of which are corporate placements, while the total volume of its deposits stood at HUF 28.7 billion, of which retail deposits accounted for almost half. The bank's equity totalled HUF 7.7 billion at the end of 2004.