Management's Analysis

otpbank

Management's analysis of developments in the Bank's financial position

CONSOLIDATED FINANCIAL PERFORMANCE OF OTP BANK

Consolidated balance sheet[1]

OTP Group's consolidated balance sheet total as at 31 December 2008 was HUF 9,379.4 billion, up by 10.8%, or HUF 917.6 billion, on a year earlier.

The Bank's consolidated equity was HUF 1,049.0 billion, representing an increase of HUF 153.4 billion, or 17.1%, over the previous year, and which was 35.8% higher than the Bank's non-consolidated equity.

OTP Bank's consolidated balance sheet of (audited)

	31/12/2007	31/12/2008	Change	
	in HUF mn	in HUF mn	in HUF mn	%
Cash, due from banks and balances with the NBH	353,243	348,849	(4,394)	(1.2%)
Placements with other banks, net of allowance for placement losses	654,788	593,542	(61,246)	(9.4%)
Financial assets at fair value through profit or loss	285,895	129,332	(156,563)	(54.8%)
Securities available-for-sale	473,925	481,257	7,332	1.5%
Gross loans and advances to customers	5,761,095	7,000,850	1,239,755	21.5%
Allowances for loan losses	(178,658)	(270,680)	(92,022)	51.5%
Loans, net of allowance for loan losses	5,582,437	6,730,170	1,147,733	20.6%
Accrued interest	63,459	87,793	24,334	38.3%
Associates and other investments	9,892	10,467	575	5.8%
Securities held-to-maturity	317,557	321,733	4,176	1.3%
Premises, equipment and intangible assets	541,909	469,701	(72,208)	(13.3%)
Other assets	178,769	206,592	27,823	15.6%
TOTAL ASSETS	**8,461,874**	**9,379,436**	**917,562**	**10.8%**
Amounts due to banks and deposits from the NBH and other banks	798,154	842,867	44,713	5.6%
Deposits from customers	5,038,372	5,219,226	180,854	3.6%
Liabilities from issued securities	985,265	1,526,639	541,374	54.9%
Accrued interest payable	60,153	99,141	38,988	64.8%
Other liabilities	383,189	326,444	(56,745)	(14.8%)
Subordinated bonds and loans	301,164	316,148	14,984	5.0%
TOTAL LIABILITIES	**7,566,297**	**8,330,465**	**764,168**	**10.1%**
Total shareholders' equity	**895,577**	**1,048,971**	**153,394**	**17.1%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8,461,874**	**9,379,436**	**917,562**	**10.8%**

The ratio of consolidated equity to total assets increased from 10.6% at year-end 2007 to 11.2%. The book value of OTP shares (BVPS) was HUF 3,746 on 31 December 2008, which was HUF 548 higher than at the end of the previous year.

On the asset side, cash, due from banks and balances with the National Bank of Hungary were 1.2% lower than a year earlier. Placements with other banks fell by 9.4% from the end of December 2007, amounting to HUF 593.5 billion on 31 December 2008.

[1] According to IFRS statements (audited)

Note: data in the tables of this analysis do not equal in every cases with the sum of the parts due to rounding. In the addition to this, because of rounding, figures in different tables with the same meaning can show some difference.

Financial assets and fair value through profit or loss, as recognised in the profit and loss account, fell by HUF 156.6 billion to HUF 129.3 billion by the end of the year.

The value of securities held for sale increased by 1.5%, or HUF 481.3 billion, over the course of the year.

Retail loans, net of allowances for loan losses, rose by 20.6%, i.e. from HUF 5,582.4 billion on 31 December 2007 to HUF 6,730.2 billion. Net loans represented 71.7% of total assets on 31 December 2008. The consolidated gross retail portfolio increased by 21.5% and amounted to HUF 7,000.9 billion at the end of 2008. The share of the foreign subsidiary banks within the consolidated loan portfolio as at 31 December 2008 was 44%.

*Consolidated gross loans**

	31/12/2007 in HUF mn	31/12/2008 in HUF mn	Change in HUF mn	Change %
OTP CORE	3,078,806	3,348,950	270,144	8.8%
OTP Bank Russia	304,410	383,118	78,708	25.9%
CJSC OTP Bank	530,659	763,758	233,099	43.9%
DSK Group	779,835	1,014,894	235,059	30.1%
OBR	210,520	316,809	106,289	50.5%
OTP banka Srbija	63,306	94,744	31,438	49.7%
OBH	248,819	309,567	60,748	24.4%
OBS	232,286	314,422	82,136	35.4%
CKB	183,497	249,344	65,837	35.9%
Merkantil Bank+Merkantil Car (aggregated)	273,286	323,202	49,916	18.3%
Total	**5,905,424**	**7,118,798**	**1,213,374**	
OTP Group (consolidated)	**5,755,520**	**7,000,849**	**1,245,329**	**21.6%**

Of the total of loans, retail loans accounted for 60.7% (HUF 4,249.9 billion, annual change +31.6%), corporate loans 33.7% (HUF 2,361.9 billion, annual change +7.8%) and loans for vehicle financing accounted for 5.6% (HUF 389,8 billion, annual change +15.9%). Within retail loans, housing and mortgage loans represented HUF 2,707.4 billion (annual change +35.4%), and consumer loans represented HUF 1,148.0 billion (annual change +19.1%).

The gross loan portfolio increased most dynamically at OBR in Romania (+50.5%), at the subsidiary in Serbia (+49.7%), and at the subsidiary in Ukraine (+43.9%). Of the total growth increment in the loan portfolio, the largest contributions came from OTP Bank's core operations (HUF +270.1 billion), the DSK Group (HUF +235.1 billion), and the Ukrainian CJSC (HUF +233.1 billion).

*Classification of the consolidated gross loan portfolio**

	31/12/2007 HUF mn	31/12/2007 share	31/12/2008 HUF mn	31/12/2008 share	Change HUF mn	Change %	Change share
Performing	4,983,954	86.5%	5,971,837	85.3%	987,883	19.8%	(1.2%)
Qualified	777,140	13.5%	1,029,012	14.7%	251,871	32.4%	1.2%
To-be-monitored	533,425	9.3%	649,827	9.3%	116,402	21.8%	0.0%
NPLs	243,715	4.2%	379,184	5.4%	135,469	55.6%	1.2%
Below average	53,765	0.9%	104,504	1.5%	50,739	94.4%	0.6%
Doutful	70,253	1.2%	99,951	1.4%	29,698	42.3%	0.2%
Bad	119,697	2.1%	174,729	2.5%	55,032	46.0%	0.4%
Total	**5,761,094**	**100.0%**	**7,000,849**	**100.0%**	**1,239,754**	**21.5%**	

* The breakdown of the credit- and deposit volumes is not an audited figure, but rather reflects the circumstances described in the information material prepared on the results of 2008.

Though there was a dynamic increase in the loan portfolio, the quality of the portfolio deteriorated: the proportion of non-performing loans was 5.4% of the gross loan portfolio at the end of 2008, compared with 4.2% at the end of the previous year. 55.0% of the consolidated non-performing loan portfolio was recorded on the balance sheet of the bank's foreign subsidiaries.

Coverage of the qualified portfolio

	31/12/2007	31/12/2008	Change
Qualified volume (HUF mn)	777,140	1,029,012	32.4%
Provision (HUF mn)	165,725	257,660	55.5%
Coverage	**21,3%**	**25,0%**	**3.7%**
NPLs (HUF mn)	243,715	379,184	55.6%
Povisions (HUF mn)	150,827	242,064	60.5%
Coverage	61,9%	63,8%	1.9%
Total loan provision	**178,658**	**270,680**	**51.5%**

IFRS consolidated provisions/allowances for loan losses were HUF 270.7 billion, from which HUF 257.7 billion was related to the qualified portfolio; this resulted in a coverage ratio of 24.8%. Within this, HUF 242.1 billion had been set aside to cover a portfolio of HUF 379.2 billion of non-performing loans, which resulted in a coverage ratio of 63.8% (61.9% in the previous year).

The portfolio of held-to-maturity securities rose by 1.3% in 2008, with the total value of such securities reaching HUF 321.7 billion on 31 December. The securities portfolio of the Bank contained virtually no structured products or investments carrying a significant exchange rate risk.

On the liabilities side, deposits from customers amounted to HUF 5,219.2 billion as at 31 December 2008, up by 3.6% (or HUF 180.9 billion) on a year earlier. The deposits collected by the Bank's foreign subsidiaries accounted for 38.2% of the consolidated deposit portfolio. Their customer deposit portfolio grew by 2%, reaching HUF 2,006.5 billion at the end of 2008.

Consolidated customer deposits

	12/31/07	12/31/08	Change	
	HUF mn	HUF mn	HUF mn	%
OTP CORE	3,086,052	3,244,482	158,430	5.1%
OTP Bank Russia	291,155	224,152	(67,003)	(23.0%)
CJSC OTP Bank	172,264	169,888	(2,376)	(1.4%)
DSK Group	650,325	722,880	72,555	11.2%
OBR	70,736	72,206	1,470	2.1%
OTP banka Srbija	38,114	33,906	(4,208)	(11.0%)
OBH	307,541	315,253	7,713	2.5%
OBS	227,126	262,787	35,661	15.7%
CKB	211,110	205,410	(5,700)	(2.7%)
Merkantil Bank+Merkantil Car (aggregated)	6,745	8,118	1,373	20.3%
OTP Group (consolidated)	**5,038,372**	**5,219,226**	**180,854**	**3.6%**

From total customer deposits, 73% came from retail customers, and 27% from corporate and municipality customers. The proportion of retail deposits within total customer deposits rose by 4 percentage points compared with 31 December 2007. The main contributors to the HUF 180.9 billion growth in deposits were OTP Core (+HUF 158.4 billion) and DSK (+HUF 72.6 billion), while the subsidiaries in Slovakia and Bulgaria experienced the most dynamic increase in deposits (+HUF 15.7% and +11.2% respectively). The deposit portfolio of the subsidiaries in Russia, Ukraine, Serbia and Montenegro shrank.

The portfolio of issued securities grew by 54.9% over the year, to HUF 1,526.6 billion. In 2008 OTP Bank issued mortgage bonds with a notional value of EUR 1 billion and a maturity of 2 years and bonds with a notional value of EUR 500 million and a maturity of 3 years. Due to the drastic worsening of conditions in the capital market, from the second half of 2008 on, only domestic bond issuances were implemented. The value of subordinated and Tier 2 loan capital increased by 5.0%, to HUF 316.1 billion.

Consolidated results[2]

OTP Bank's audited and consolidated profit after tax for 2008 – based on IFRS – was HUF 241.1 billion, up by HUF 32.5 billion or by 15.6% from a year earlier. The consolidated profit before tax grew more moderately, by 10.2%, in 2008, reaching HUF 274.4 billion.

A major contributor to the results was the one-off HUF 117.3 billion proceeds, net of costs and taxes, from the sale of OTP Garancia Insurance and HUF 93.6 billion in goodwill impairment recognised on the subsidiaries in Serbia and Ukraine. The consolidated profit after tax, adjusted for the above one-off items, for the HUF 4.7 billion in losses incurred on the Bank's strategic open position, for dividend received and for contribution in kind, was HUF 218.7 billion, which exceeded that of 2007 by 5.1%.

Consolidated P&L of the OTP Group

Main components of P&L account	2007	2008	Change	
	HUF mn	HUF mn	HUF mn	%
Consolidated profit after tax	**208,548**	**241,068**	**32,520**	**15.6%**
Dividends and net cash transfers	879	2,380	1,501	170.7%
Profit of the strategic open FX position (after tax)	**(479)**	**(4,720)**	**(4,241)**	**885.4%**
Pre tax result of strategic open FX position	(598)	(5,899)	(5,310)	901.5%
Income taxes	120	1,180	1,060	883.3%
Profit of the sale of OTP Garancia Group	–	117,346	117,346	–
Goodwill impairment charges (after tax)	–	(92,629)	(92,629)	–
Consolidated profit after tax without the result of strategic open FX position, consolidated dividend and net cash transfers, the result of the sale of OTP Garancia Group and goodwill impairment charges	208,147	218,691	10,544	5.1%
Profit before tax	**248,671**	**250,293**	**1,622**	**0.7%**
Total income (adj.)	629,242	732,538	103,296	16.4%
Net interest income (adj.)	**438,436**	**515,900**	**77,464**	**17.7%**
Net fees and commissions	133,009	140,623	7,614	5.7%
Other net non-interest income (adj.)	**57,797**	**76,015**	**18,218**	**31.5%**
Foreign exchange gains, net (without the result of FX swaps and strategic open position) (adj.)	16,992	44,393	27,401	161.3%
Gain or loss on securities, net (adj.)	5,085	–1,096	–6,181	–
Net insurance result	14,387	13,255	(1,132)	(7.9%)
Net other non-interest result (adj.)	21,333	19,462	(1,871)	(8.8%)
Provision for loan losses (adj.)	**(42,085)**	**(108,043)**	**(65,958)**	**156.7%**
Other provisions	(7,397)	(10,538)	(3,141)	42.5%
Operating costs (adj.)	**(331,089)**	**(363,664)**	**(32,575)**	**9.8%**
Personnel expenses (adj.)	(147,830)	(167,461)	(19,631)	13.3%
Depreciation (adj.)	(35,627)	(38,609)	(2,982)	8.4%
Other non-interest expenses	(147,632)	(157,594)	(9,962)	6.7%
From this: special banking tax	(6,525)	(5,711)	814	(12.5%)
Income taxes (adj.)	**(40,524)**	**(31,602)**	**8,922**	**(22.0%)**

The net interest income adjusted by the non-interest type income from swap transactions was HUF 515.9 billion, which was 17.7% higher than in 2007. The interest margin on the average balance sheet total (HUF 8,920.7 billion) calculated on the basis of the end-of-the period data was 5.78% in 2008, or 15 basis points higher than in 2007.

[2] Figures presented in the statements are not consistent with the audited statements because they are presented according to controlling methodology. For a detailed description of the adjustments, see the Annex.

Adjusted non-interest income was in total 13.5% higher than one year earlier, and amounted to HUF 216.6 billion. Net fees and commissions totalled HUF 140.6 billion, representing a 5.7% increase over 2007. The net result of securities trading without swap transactions was a loss of HUF 1.1 billion, as compared to a gain of HUF 5.1 billion in 2007. The net exchange rate gain without swap transactions amounted to HUF 44.4 billion, compared to a HUF 17.0 billion gain in 2007. The net profit on insurance transactions was HUF 13.3 billion in 2008. Other non-interest income was HUF 19.5 billion, which is 8.8% lower than in the previous year.

Provisions for loans and loan losses amounted to HUF 108.0 billion. The ratio of provisions to the average gross loan portfolio was 1.69% compared to 0.82% in 2007.The two-fold rise in risk-related costs were attributable to a cautious forward-looking provisioning policy warranted by a significantly unfavourable macro-economic environment and the devaluation of several local currencies. Other risk-related costs amounted to HUF 10.5 billion, compared to HUF 7.4 billion in 2007.

The total income of OTP Group, including net fees, net insurance premium revenues and other net income, but less the revenues from the release of provisions set aside before the acquisitions, was in total 16.4% higher than one year earlier, and amounted to HUF 732.5 billion. Non-interest income as a percentage of total income was 29.6% in 2008, down by 0.7 of a percentage point on a year earlier.

Operating expenses, which amounted to HUF 363.7 billion, were 9.8% higher than in 2007. Within this, consolidated personnel expenses were 13.3% higher than a year earlier and amounted to HUF 167.5 billion.

Depreciation rose by HUF 3.0 billion over the 2007 figure, to HUF 38.6 billion. Other non-interest expenses grew by 6.7%, to HUF 157.6 billion.

In 2008, non-corporate taxes translated into HUF 30.0 billion in expenses, representing a 2.3% or HUF 0.7 billion decrease over 2007. Within this, HUF 5.7 billion in separate tax payable by credit institutions and financial enterprises ('special banking tax') was recognised as other expenses (in 2007: HUF 6.5 billion).

The Bank's cost/income ratio was 49.6%, 297 basis points lower than in 2007.

Consolidated return on average assets (ROAA) was 2.45% (in 2007: 2.68%), while consolidated return on average equity (ROAE) was 22.5%, which was 2.2 percentage points lower than in the previous year. Basic net earnings per ordinary share (basic EPS) were HUF 938 (in 2007: 796), while diluted EPS was HUF 935 (in 2007: HUF 794).

Consolidated capital adequacy ratio (under Basel II)

The regulatory capital of OTP Bank Group on 31 December 2008 was HUF 1,087 billion; its adjusted balance sheet total was HUF 6,092 billion. The solvency ratio accommodating market and operational risks was 15.4% (+200 basis points). The Tier 1 ratio calculated on the basis of the core capital net of goodwill and intangible assets was 11.3% (+300 basis points). These ratios are high even by international standards, and exceed those of OTP Bank's major competitors. The increase in the ratios was due, in addition to the profit after tax for 2008, to proceeds from the sale of OTP Garancia Insurance.

PERFORMANCE OF OTP BANK'S OPERATIONS[3] IN HUNGARY

Balance sheet

The gross customer loan portfolio extended as a part of the core operations of OTP Bank in Hungary was 3,348.9 billion on 31 December 2008, which represents a significant, HUF 270.1 billion, or 8.8%, growth. Of this total, loans to retail customers grew dynamically, by 25.7%, to HUF 2,179.2 billion, while those to corporate customers – thanks to the Bank's consistent application of its business policy objectives – fell by 13.0%, to HUF 1,169.7 billion. Housing and mortgage loans accounted for 78.3% of the total retail loan portfolio, with the portfolio of such loans increasing by 23.9% during the year of 2008.

Loan portfolio of OTP Core

	12/31/07 HUF mn	12/31/08 HUF mn	Change HUF mn	%
Retail loans	1,734,392	2,179,217	444,825	25.6%
Mortgage and housing loans	1,376,239	1,705,617	329,378	23.9%
Consumer loans	304,204	391,393	87,189	28.7%
SME loans	53,949	82,207	28,258	52.4%
Corporate loans	1,344,414	1,169,733	(174,681)	(13.0%)
MLE loans	1,110,772	975,307	(135,465)	(12.2%)
Municipal loans	233,642	194,426	(39,216)	(16.8%)
Total customer loans	**3,078,806**	**3,348,950**	**270,144**	**8.8%**

The quality of the portfolio deteriorated over the previous year in terms of the proportion of non-performing loans. 5.2% of the gross loan portfolio was non-performing as at the end of 2008, while in 2007 the comparative figure had been 3.8%. It was in the corporate segment that the deterioration in the loan portfolio occurred, with the main reason for this being the pursuit of strict rating and provisioning practices, though the rate of payment default also increased. Despite the substantial provisioning that took place, the coverage of non-performing loans with provisions fell from 71.6% in 2007 to 62.6%, which was due to the fact that the proportion of corporate loans rated as 'below average', which require lower provisions, grew within the portfolio. The ratio of provisioning to the average gross loan portfolio rose from 0.52% to 0.77%.

The Group had a market share of 7.5% in corporate loans, 29.6% in housing loans, and 48.1% in municipality loans in Hungary at the end of 2008. The Hungarian credit institution members of the Group had a share of 23.8% of the total assets of the banking sector at the end of 2008.

Customer deposits of OTP Core

	12/31/07 HUF mn	12/31/08 HUF mn	Change HUF mn	%
Retail and SME deposits	2,200,298	2,420,480	220,182	10.0%
Retail deposits	1,965,934	2,168,597	202,663	10.3%
SME deposits	234,365	251,882	17,517	7.5%
Corporate deposits	885,753	824,002	(61,751)	(7.0%)
MLE deposits	643,296	576,114	(67,182)	(10.4%)
Municipal deposits	242,457	247,898	5,431	2.2%
Total customer deposits	**3,086,051**	**3,244,482**	**158,431**	**5.1%**

[3] Consolidated and adjusted figures of OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Faktoring

The total of customer deposits collected as part of the core operations of OTP Bank in Hungary was HUF 3,244.5 billion at the end of 2008, HUF 158.4 billion or 5.1% higher than in 2007. Of the total customer deposits, 74.6% came from the retail segment, with growth in retail deposits amounting to 10.0%. Declining by 7.0%, corporate deposits amounted to HUF 824.0 billion at the end of 2008. The Core loan-to-deposit ratio increased from 99.8% in 2007 to 103.2% in 2008.

The Bank Group had a 24.1% market share of Hungarian credit institution deposits, and within this total, it had a 30.4% share of household deposits, a 41% share of municipality deposits and a 13.2% share of corporate deposits.

Results

In order to provide a true and fair picture of business processes, we have presented the results of the Hungarian core operations based on the consolidated audited IFRS figures of OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Faktoring, with the following adjustments[4]:

The net interest income has been stripped of the interest expense related to subordinated and Tier 2 loan capital as well as of the reported net interest income from the financing of subsidiaries.

Other non-interest income has been stripped of the exchange rate gain on the strategic open position and the non-interest income earned on the financing of subsidiaries.

The non-interest income from foreign currency swaps has been presented among net interest income.

Other expenses have been stripped of other risk costs, which we have recorded as a separate item in the profit and loss account.

Non-interest income has been stripped of the revenue from the sale of Garancia Insurance, dividend received from the subsidiaries and liquid assets definitively transferred.

We have highlighted the impairment recognised on the subsidiaries OTP banka Srbija and CJSC OTP Bank from the profit and loss account, and presented it separately.

The annual profit before tax from core operations decreased by 12.0%, to HUF 146.1 billion, and the profit after tax fell by 5.3%, to HUF 132.8 billion. The decline in profit was primarily attributable to a HUF 28.4 billion increase in lending costs and other risk expenses; total income grew by 4.3%, outstripping the growth in operating costs. The increase in recognised allowances was partially offset by the fall in the tax burden.

Net interest income – as a result of the increasing competition in the retail market, the continuing repricing of subsidised housing loans, and intensive fundraising campaigns – rose, despite a 16-basis point decline in interest rate margin, by 3.7%, and amounted to HUF 270.9 billion. The net interest margin was 5.66%.

From non-interest income, the net commission income, which represents a decisive share of the total, increased by 7.0%, while other non-interest income fell by 1.9%.

The allowance for loan losses – as a result of the deteriorating economic outlook and the conservative rating practice – rose by HUF 10.0 billion, to HUF 24.9 billion. Other provision amounted to HUF 20.1 billion, a significant part of which consisted of provisions set aside for OTP Bank's guarantee undertakings related to loans.

Operating expenses associated with core activities were 3.7% higher than in 2007. Within this category, personnel expenses increased by

[4] For a detailed description of the adjustments, see the Annex.

9.0%, while depreciation was 4.9% higher than in the previous year. Material expenses fell by 0.5%. The cost-to-income ratio decreased from 48.8% at year-end 2007 to 48.5%.

Capital adequacy (based on the institutions ACT)[5]

As of 31 December 2008, the equity of OTP Bank according to HAS amounted to HUF 729.1 billion, representing a growth of 8.3% year on year. The HUF 56.1 billion increase was a net result of the HUF 5.4 billion growth in the general reserve, the HUF 110.7 billion increase in the profit reserve, the HUF 1.0 billion reduction in the allocated reserve and the balance sheet profit for the year of HUF 48.8 billion. Equity per share of nominal value HUF 100 was HUF 2,604 (at end-2007: HUF 2,404).

The portfolio of repurchased treasury shares amounted to HUF 53.8 billion at the end of 2008, i.e. HUF 0.5 billion lower than a year before.

The regulatory capital of the Bank on 31 December 2008 was HUF 485.8 billion; its adjusted balance sheet total was HUF 3,468.3 billion.

As of 31 December 2008, the solvency ratio calculated according to Hungarian regulations was 12.0%, which is 4 percentage points in excess of the 8% required by the Credit Institutions Act.

The Bank's non-consolidated 2008 profit before tax according to HAS was HUF 57.4 billion, 59.6% or HUF 84.6 billion lower than in 2007. With a decrease (from 15.6% to 5.5%) in the actual tax rate compared to 2007, the Bank's after-tax profit was HUF 54.2 billion, or 54.8% less than in 2007.

After the HUF 5.4 billion in general risk provisioning, the balance sheet profit of OTP Bank for the year 2008 amounted to HUF 48.8 billion (the Bank will not be paying dividends on its profits of 2008).

[5] According to HAS

RESULTS OF THE MAIN SUBSIDIARIES*

In 2008, the profit after tax (without dividend and net cash transfer) of the fully consolidated foreign subsidiaries reached HUF 66.4 billion, representing HUF 13.7 billion, or 26.0% growth compared to 2007; as a consequence, the foreign group members' contribution to the adjusted profit after tax increased from 25.3% to 30.4%. The adjusted profit after tax of the Hungarian Group members amounted to HUF 152.3 billion, reflecting a decrease of HUF 3.2 billion or 2.0% on yearly basis. The aggregated result of the banking group members expanded by 15.6 billion or 8.4%, while the profit contribution of leasing, insurance and asset management businesses fell back significantly, partly as a result of the financial crisis, partly as a result of the sale of the insurance business in 2008.

The Group members' contribution to the consolidated profit

in HUF million	2007**	2008	Change	
Consolidated profit after tax	**208,548**	**241,068**	**32,521**	**15.6%**
Profit of the strategic short position (after tax)	(479)	(4,720)	(4,241)	885.4%
Dividend and total net cash transfers (outside of Group)	879	2,380	1,501	170.8%
Profit of the sale of OTP Garancia Group (after tax)	0	117,346	117,346	–
Goodwill impairment charges in connection with subsidiaries (after tax)	0	(92,629)	(92,629)	–
Consolidated after tax profit without the result of strategic open FX position, consolidated dividend and net cash transfers, the result of the sale of OTP Garancia Group and goodwill impairment charges	208,147	218,691	10,544	5.1%
Banks total without one-off items	**185,738**	**201,371**	**15,633**	**8.4%**
OTP CORE (Hungary)	140,314	132,831	(7,484)	(5.3%)
Corporate Centre	(8,165)	2,159	10,324	–
OAO OTP Bank (Russia)	7,590	8,916	1,326	17.5%
CJSC OTP Bank (Ukraine)	14,089	16,414	2,325	16.5%
DSK+SPV (Bulgaria)	26,408	31,021	4,613	17.5%
OBR (Romania)	(2,990)	241	3,231	–
OTP banka Srbija (Serbia)	594	1,670	1,076	181.1%
OBH (Croatia)	3,554	5,041	1,487	41.8%
OBS (Slovakia)	2,600	1,431	(1,169)	(45.0%)
CKB (Montenegro)	2,247	2,949	702	31.2%
Leasing	**7,781**	**3,497**	**(4,284)**	**(55.1%)**
Insurance companies	**6,230**	**4,030**	**(2,200)**	**(35.3%)**
Asset Management	**6,223**	**4,743**	**(1,480)**	**(23.8%)**
Other Hungarian subsidiaries	**(115)**	**1,526**	**1,641**	**–**
Other foreign subsidiaries	**54**	**25**	**(29)**	**(53.7%)**
Eliminations	**1,734**	**2,199**	**465**	**26.8%**
Total Hungarian subsidiaries (without result of strategic open FX position, dividend and net cash transfers)	**155,448**	**152,285**	**(3,163)**	**(2.0%)**
Total foreign subsidiaries (without result of strategic open FX position, dividend and net cash transfers)	**52,699**	**66,406**	**13,707**	**26.0%**
Profit contribution of foreign Group members (%)	**25.3%**	**30.4%**		

* Figures presented in the statements are not consistent with the audited statements because they are presented according to controlling methodoly.

** Figures of the previous years could differ from figures presented in the Annual Report 2007, because the base period was also recalculated according to adjustments.

Main indicators of DSK Group:

	2007	2008	Change
ROAA	2.92%	2.82%	(0.10%)
ROAE	24.7%	21.5%	(3.20%)
Cost/income ratio	35.6%	36.7%	1.1%
Gross loans/deposit ratio	119.9%	140.4%	20.5%
Allowance/average gross loans	1.4%	1.1%	(0.3%)
Net interest margin	4.91%	4.82%	(0.09%)

Main financial data of DSK Group:

	31/12/2007*	31/12/2008	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	779,835	1,014,894	235,059	30.1%
Retail loans	615,878	816,257	200,379	32.5%
Corporate loans	163,956	198,636	34,680	21.2%
Allowances for loan losses	(27,925)	(39,074)	(11,149)	39.9%
Loans, net of allowance for loan losses	751,910	975,819	223,909	29.8%
Deposits from customers	650,325	722,880	72,555	11.2%
Retail	520,865	626,576	105,711	20.3%
Corporate	129,460	96,304	(33,156)	(25.6%)
Liabilities to credit institutions	193,290	175,126	(18,164)	(9.4%)
Shareholders' equity	124,062	165,045	40,983	33.0%
Subscribed capital	22,101	22,101	0	0.0%
Total assets	1,029,528	1,171,645	142,117	13.8%
Profit before tax	**29,162**	**34,481**	**5,319**	**18.2%**
Profit after tax	**26,408**	**31,021**	**4,613**	**17.5%**

DSK Group

- Total assets of DSK Group amounted to HUF 1,171.6 billion on 31 December 2008, increased by 13.8% compared to 2007. With a yearly growth rate of 33.0%, the total shareholders' equity reached HUF 165 billion, and represented 14.1% of the total liabilities.
- Gross loans expanded by 30.1% and amounted to HUF 1,014.9 billion, within the, retail loans showed a growth rate of 32.5%, while the corporate loan portfolio expanded by 21.1%. The proportion of retail loans increased from 79.0% at the end of 2007 to 80.4% at year-end 2008.
- The quality of loan portfolio did not change significantly; the non-performing part of the total loan outstandings came out at 4.0% in 2008. Coverage of non-performing loans with provisions stood above 80%.
- Total customer deposit base grew to HUF 722.9 billion, an increase of 11.2%. 86.7% of the total deposits came from the retail segment. Customer deposits covered 61.7% of the total liabilities, which corresponds with a loan/deposit ratio of 140.4%.
- Interest income came out at HUF 84.0 billion in 2008; this, together with interest expenses amounting to HUF 30.9 billion, resulted in HUF 53.1 billion net interest income. Net interest margin/average total assets reached 4.82%, at the year-ends.
- DSK Group realized net fee and commission income of nearly HUF 17 billion, showing dynamic expansion of 22.4%.
- Operating costs amounted to HUF 26.2 billion; personnel costs reached HUF 9.3 billion. The Bank's cost/income ratio remained one of the lowest in the Group (36.7% in 2008).
- DSK Group posted a profit after tax of HUF 31.0 billion in 2008 (+17.5% on a yearly basis). Return on average assets (ROAA) was 2.82% and return on average equity (ROAE) came out at 21.5%.

* Figures of the previous years could differ from figures presented in the Annual Report 2007, because the base period was also recalculated according to adjustments.

Main indicators of CJSC OTP Bank:

	2007	2008	Change
ROAA	2.67%	2.23%	(0.44%)
ROAE	25.9%	22.5%	(3.4%)
Cost/income ratio	45.6%	35.1%	(10.5%)
Gross loans/deposit ratio	(0.13%)	4.08%	4.21%
Allowance/average gross loans	5.57%	6.67%	1.11%
Net interest margin	308.1%	449.6%	141.5%

Main financial data of CJSC OTP Bank:

	31/12/2007*	31/12/2008	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	530,659	763,758	233,099	43.9%
Retail loans	222,574	351,838	129,265	58.1%
Corporate loans	251,696	331,880	80,184	31.9%
Car-financing	56,389	80,040	23,651	41.9%
Allowances for loan losses	(3,431)	(22,882)	(19,451)	566.9%
Loans, net of allowance for loan losses	527,228	740,876	213,648	40.5%
Deposits from customers	172,264	169,888	(2,376)	(1.4%)
Retail	96,212	77,745	(18,467)	(19.2%)
Corporate	73,539	89,486	15,947	21.7%
Liabilities to credit institutions	371,622	551,030	179,408	48.3%
Shareholders' equity	65,613	80,098	14,485	22.1%
Subscribed capital	34,327	74,217	39,890	116.2%
Total assets	624,585	847,008	222,423	35.6%
Profit before tax	**19,317**	**23,077**	**3,760**	**19.5%**
Profit after tax	**14,089**	**16,414**	**2,326**	**16.5%**

CJSC OTP Bank

- Total assets of CJSC OTP Bank reached HUF 847 billion on 31 December 2008, exceeding previous year's figure by 35.6%. With 22.1% growth in 2008, total shareholder's equity stood at HUF 80.1 billion.
- In 2008, loan outstandings expanded by 43.9% and reached HUF 764 billion. The growth rate of corporate loan portfolio was 31.9%, the rate of the retail loan outstandings was 58.1%. The share of retail loans in the total loan portfolio was close to 46%, while the proportion of SME loans stood at around 34% within retail loans.
- The number of customer deposits decreased by 1.4% and dropped to HUF 169.9 billion as a consequence of countrywide deposit withdrawals in the fourth quarter in 2008. More than half of the deposit base was from corporate customers. The bank's deposit funds accounted for 20% of total funds; the loan/deposit ratio was 449.6%, since the majority of the sources, at around 65%, were procured on the interbank market.
- The Bank's adjusted cost/income ratio improved from 45.6% by 10.5%-point to 35.1%, due to the strict cost control carried out by the management.
- The unfavourable market conditions led to significant provisioning; on the one hand, it was partly justified by the deterioration of the loan portfolio quality, but on the other hand, the majority of the increment of the allowance was set aside due to local rules. The allowance to average gross loans indicator went up 4.1% in 2008. Non-performing loans accounted for 3.6% of the total gross loan portfolio; the NPL-coverage exceeded 82%.
- CJSC OTP Bank closed the 2008 business year with a profit after tax of HUF 16.4 billion, thus achieving a return on average assets (ROAA) of 2.23% a return on average equity (ROAE) of 22.5%.

* Figures of the previous years could differ from figures presented in the Annual Report 2007, because the base period was also recalculated according to adjustments.

Main financial data of OTP Bank Russia:

	2007	2008	Change
ROAA	1.86%	1.86%	–
ROAE	17.7%	17.4%	(0.3%)
Cost/income ratio	62.7%	59.5%	(3.2%)
Gross loans/deposit ratio	4.3%	5.5%	1.2%
Allowance/average gross loans	10.68%	12.92%	2.24%
Net interest margin	104.6%	170.9%	66.3%

Main financial data of OTP Bank Russia:

	31/12/2007*	31/12/2008	Change	
	HUF mn	HUF mn	HUF mn	%
Gross loans	304,410	383,118	78,708	25.9%
Retail loans	183,148	247,927	64,779	35.4%
Corporate loans	110,859	113,375	2,516	2.3%
Car-financing	10,403	21,813	11,410	109.7%
Allowances for loan losses	(18,323)	(30,389)	(12,066)	65.9%
Loans, net of allowance for loan losses	286,087	352,729	66,642	23.3%
Deposits from customers	291,154	224,152	(67,002)	(23.0%)
Retail	167,406	137,252	(30,154)	(18.0%)
Corporate	123,777	86,901	(36,876)	(29.8%)
Liabilities to credit institutions	72,765	214,001	141,236	194.1%
Shareholders' equity	41,546	60,665	19,119	46.0%
Subscribed capital	28,995	33,344	4,349	15.0%
Total assets	**432,000**	**529,019**	**97,019**	**22.5%**
Profit before tax	**10,047**	**11,688**	**1,641**	**16.3%**
Profit after tax	**7,088**	**8,916**	**1,828**	**25.8%**

OTP Bank Russia

- In the first quarter of 2008, the Russian subsidiary's activity was analysed based on the financial statements of OAO OTP Bank, but from Q2 2008, the aggregated financial statements of OAO OTP Bank and the newly acquired Donskoy Narodny Bank is the subject of the analysis (named OTP Bank Russia). The acquisition of Donskoy Narodny Bank was contracted on 12 November 2007, while the closing of the purchase transaction was completed on 6 May 2008 (HUF 6.7 billion).
- The total assets of OTP Bank Russia as at 31 December 2008 amounted to HUF 529 billion, increased by 22.5% from the end of 2007. The equity reached HUF 60.6 billion, representing 46.0% increase over the previous year.
- OTP Bank raised capital in OAO OTP Bank in September 2008 at the amount of RUB 2,501 million.
- Gross loan volume grew by 25.9%, within which the volume of retail loans expanded by 35.4%, but at the same time, the corporate portfolio increased only by 2.3%.
- The ratio of non-performing loans to the total loan outstandings went up slightly from 9.7% at the end of 2007 to 10.3% in 2008; the NPL coverage ratio also increased from 50.1% to 68.3%. Allowance on losses to average gross loans increased in 2008 to 5.5% from the previous year's 4.3%.
- Customer deposits dropped by 23%, to HUF 224.2 billion. 61.23% of deposits were from retail customers. Deposits represented 42.4% of the total funding sources, while the loan/deposit ratio was 170.9%.
- The Bank's cost/income ratio improved from 62.7% in 2007 to 59.5% in 2008.
- OTP Bank Russia closed the 2008 business year with a profit after tax of HUF 8.9 billion, thus achieving a return on average assets (ROAA) of 1.95 and a return on average equity (ROAE) of 17.4%.

* Figures of the previous years could differ from figures presented in the Annual Report 2007, because the base period was also recalculated according to adjustments.

EXPLANATION OF THE ADJUSTMENTS MADE TO THE IFRS PROFIT AND LOSS ACCOUNT CONTAINED IN THE ANNUAL REPORT

To ensure that the OTP Group's performance is presented in a form that fairly reflects the underlying processes, we have performed the following structural adjustments to the consolidated and individual profit and loss account contained in the annual report. The explanation of the adjustments is as follows.

Adjustments:
The received dividends together with the contribution in kind transactions, as well as the profit after tax arising from strategic open FX positions, the profit after tax from the sale of the Garancia Group in the third quarter of 2008, and the goodwill impairment recognised in respect of the Serbian OTP banka Srbija and the Ukrainian CJSC OTP Bank in the fourth quarter of 2008 have been taken out of the profit and loss hierarchy, and analysed separately from the other profit after tax arising from the operations of the Group and the individual group members.

In the case of FX swaps, the exchange rate result arising from the revaluation of the swaps' spot rate is presented as part of the net interest income.

The net foreign exchange gain or loss coming from the FX swap transactions has also been reported as a part of the net interest income.

At OTP Mortgage Bank, the effective interest method related to commissions was changed in the fourth quarter of 2008. To ensure comparability of the data between time periods, we have presented the interest accrual related to these commissions for the fourth quarter of 2008 as for previous periods (both at consolidated and at OTP Core level).

Insurance premiums are presented in net together with insurance expenses, as other non-interest income.

The other non-interest revenues arising from the release of provisions/allowances set aside prior to acquisitions in the reporting period are not reported as other revenues, but among the allowances related to loans, which are reduced by the sum of released pre-acquisition provisions.

Other non-interest income is presented on the same line with the gain/losses on real estate transactions, from which the aforementioned released pre-acquisition provisions, as well as the received contributions in kind have been reallocated; however the other expenses related to non-financial operations are reported as adjusted net other non-interest income, thereby presenting the result of non-financial operations as a net figure, called other non-interest income.

From the other expenses we have presented separately the other provisions in the corrected profit and loss account. Other provisions in the IFRS profit and loss account account are mainly the provisions for contingent and future liabilities as well as for litigation, the impairment for investments and securities, and impairment for other assets in a similar way, the contributed in kind expenses – except for the subvention for the movies –, and expenses related to the other non-financial operations are also presented separately.

The remaining other expenses line mostly contains material costs.

The provision for impairment on accrued interest in OAO OTP Bank (Russia) are presented as part of the net interest income both in the consolidated financial statements and in the individual financial statements of OAO OTP Bank.

The contribution in kind executed by OTP Core because of the completion of a legal case, and the release of other provisions recorded in the same amount in the other provisions, are presented in net both in the consolidated and the OTP Core profit and loss accounts. (The transaction had a neutral impact on the net income in the first quarter of 2008.)

The cost/income ratios, the net interest margins and the risk allowance/gross loan portfolio ratios, as well as the ROA and ROE, were calculated from the profit and loss account after adjustments, excluding the dividend income, the net contribution in kind and the result of strategic open positions. In the case of the C/I ratio, the expenses do not include other provisions.

ASSET-LIABILITY MANAGEMENT

Asset-liability management of the OTP Group focused on two main areas in 2008:

- *Maintaining the liquidity of the OTP Group at a secure level*
- *Reducing the risks that can be assumed by the various business lines*

Maintaining the liquidity of the OTP Group at a secure level

The primary objective of the OTP Group in terms of asset-liability management has been to ensure that the Group's liquidity is maintained at a secure level. Given that external sources of financing became significantly more expensive in the first half of 2008, while the available options shrank in the second half of the year, the various areas of business needed to adapt in order to ensure that a safe level of liquidity could be maintained. By restricting the lending activity in proper time, the Group managed to prevent the situation of inadequate financing leading to a deficit in liquidity. With external financing becoming limited, the Group shifted to a course where growth in its balance sheet total was significantly slower than previously planned. Thanks to this, it managed – despite the economic crisis – to maintain a level of liquidity that provides adequate protection against even unanticipated shocks.

Reducing the risks that can be taken on in various areas of business

In the course of 2008, the Bank experienced increased volatility in all its instruments exposed to the major market risks. The Bank on several occasions reduced the level of risk that the individual lines of its business would be permitted to bear, lest these increased risks lead to losses of a magnitude that would be irreconcilable with the Bank's business policy. Responding to the changed market environment, the Bank also reduced the levels of interest-rate and foreign exchange risk that had been undertaken in furtherance of its strategic objectives in the course of asset-liability management.

Liquidity and market risk exposure of the OTP Bank Group

Under Government Decree 244/2000, the capital requirement for trading book positions, counterparty risks and forex risk must be consolidated for OTP Mortgage Bank Ltd., OTP Building Society Ltd., Merkantil Bank Ltd., OTP Banka Slovensko, DSK Bank, OTP Bank Romania, OTP banka Hrvatska, CJSC OTP Bank, OAO OTP Bank, OTP banka Srbija and CKB. By the end of 2008, the consolidated capital requirement was HUF 29.5 billion, which was due primarily to the forex position (HUF 24.6 billion).

Exposure of the various Group members' forex positions is restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. Forex exposure at Group level was concentrated at OTP Bank, while the open positions of foreign Group members were negligible measured against either the balance sheet total or regulatory capital. The exposure arising at OTP Bank derived from holdings acquired in foreign subsidiaries, as well as from strategic positions opened as cover for forex-dependent revenues featuring in the Bank's profit projection.

In the first half of 2008, the liquidity requirement of the OTP Bank Group followed the dynamics of previous years, as the Group was able to draw on fresh resources of EUR 1.5 billion from the capital market. In the second half, opportunities for securing financing on the capital market narrowed, and consequently the Bank's various business units adapted rapidly to the changed environment, thus ensuring that the Group would close the year with operative liquid funds considerably in excess of its liabilities falling due in 2009. OTP Mortgage Bank raises the funds required for mortgage lending through issuing bonds, which are bought by the parent bank, institutional investors and retail clients. In 2008, the volume of issued mortgage bonds grew by HUF 340 billion.

In 2008, the OTP Bank Group's interest risk exposure was essentially determined by the positions of OTP Bank Plc, OTP Mortgage Bank Ltd., CJSC OTP Bank and DSK Bank.

Changes in the liquidity position of OTP Bank Plc.

The long-term liquidity position was influenced significantly by the issuing of mortgage bonds in the value of EUR 1 billion, as well as a further EUR 500 million in senior bonds, carried out during the first half of the year. Credit for non-refinancing purposes raised by OTP on the capital market totalled EUR 4.3 billion at the end of 2008. The Bank is able to generate US dollar and Swiss franc financing in the form of forex swap transactions using surplus forint and euro liquidity.

By the end of 2008, the volume of forex loans had grown by 28.75% compared to the end of 2007. A significant portion of these loans was provided by the Bank to its subsidiaries. Coverage for forex loans by forex client deposits was 16.5%, and 49% in the euro-based segment. In 2008, the value of client forex deposits increased by 17%.

The Bank proceeds more strictly than is stipulated by the applicable statutory regulations: while the latter define large deposits as those exceeding 15% of regulatory capital, the Bank classifies any deposits in excess of 6% of regulatory capital (i.e. greater than HUF 32 billion) as such. The ratio of these deposits to the balance sheet total was 2.1% at the end of 2008.

Based on interpretation of the 'Dependence on Large Depositors' indicator applied by OTP Bank, the volume of liquid assets is 6.2 times the large depositors' portfolio. However, if we disregard the deposits in funds managed by OTP Fund Management, this ratio jumps to 14.3, which is far higher than the limit of 2 stipulated in OTP Bank's regulations.

Interest-rate risk exposure of OTP Bank Plc.

By constantly gauging its exposure to interest risk, the Bank aims to minimize potential losses arising from unfavourable shifts in market interest rates, which might become apparent in declining net interest income or a fall in the market value of the portfolio. In all events, management will be informed of any overstepping of risk limits.

Without hedging transactions, the Bank has significant interest risk exposure in Hungarian forint, given that – taking into account the proportion of variable items subject to re-pricing – it has HUF 600 billion more forint assets reacting to market yield fluctuations than liabilities. Due to its portfolio of off-balance-sheet forex swaps creating foreign currency liquidity from forint liquidity, the Bank's portfolio of variable-rate assets exceeds by some HUF 1,400 billion the volume of its variable-rate liabilities. In order to reduce risk, in the course of 2008 the Bank carried out interest-rate swaps for hedging purposes and purchased fixed-rate government bonds.

In the case of the EUR and USD portfolios, the Bank carried out fixed-rate EUR-USD forex swaps in order to significantly reduce its exposure to risk at Group level. The EUR exposure was due to the fact that the Bank finances a portion of its variable-rate and short-term fixed-rate euro placements with long-term, fixed-rate subordinated or auxiliary loan capital. The open USD position, on the other hand, is due to the floating-rate liabilities hedging the fixed-rate mortgage loans extended by the foreign subsidiaries.

Foreign exchange risk exposure of OTP Bank Plc.

The Bank is an active player of the international forex and derivatives markets. As a consequence of its foreign interests, OTP Bank Plc.'s average net open position was HUF 168.2 billion in 2008. The dealing room held an average net open position of HUF 3.3 billion.

In 2008, the forint weakened by 4.5% against the euro. The US dollar strengthened against the euro by 4%, and the forint thus weakened against the dollar by 8.8% in total. OTP Bank Plc. successfully exploited the opportunities offered by market movements, and its profit from forex trading activity thus increased considerably.

Capital requirement of OTP Bank Plc.'s market risk exposure

Since the second quarter of 2001, in line with Government Decree 244/2000, the Bank has been reporting to the Hungarian Financial Supervisory Authority on a daily basis on the capital required to cover the risk of its trading book positions, determined according to the 'standard' method. In addition, in accordance with regulatory changes from the first quarter of 2008, the Bank reports to the Supervisory Authority monthly on the capital requirement for its trading position risks, counterparty risks and forex risk, determined according to the Basel II method. From 28 November 2008, with the approval of the Bank's Board of Directors and the Supervisory Authority, the forex risk is determined according to the standard method. In 2008, the average capital requirement was HUF 45.6 billion, of which a value equivalent to HUF 11.2 billion was required by the trading position risk, HUF 4.8 billion by the counterparty risk, and HUF 29.6 billion by the forex risk.

FINANCIAL SUMMARY (consolidated, IFRS data)[1]

Balance sheet (as at 31 December, in HUF billion)

	2004	2005	2006	2007	2008
Cash due from banks and balances with the National Bank of Hungary	465,9	483,2	532,6	353,2	348,8
Placements with other banks, net of allowance for placement losses	286,2	438,8	602,6	654,8	593,5
Financial assets at fair value through statements of operations	70,6	48,1	110,6	285,9	129,3
Securities available-for-sale	295,8	409,9	489,3	473,9	481,3
Loans and advances to customers (gross)	2,586,1	3,297,2	4,474,7	5,761,1	7,000,9
Allowances for loan losses	(79,3)	(105,9)	(127,6)	(178,7)	(270,7)
Loans, net of allowance for placement losses	2,506,8	3,191,3	4,347,1	5,582,4	6,730,2
Equity investments	9,4	12,4	70,9	9,9	10,5
Securities held-to-maturity	247,3	289,8	268,3	317,6	321,7
Premises, equipment and intangible assets, net	174,8	233,2	464,7	541,9	469,7
Other assets	105,6	109,2	211,3	242,2	294,4
TOTAL ASSETS	**4,162,4**	**5,215,9**	**7,097,4**	**8,461,9**	**9,379,4**
Due to banks and deposits from the National Bank of Hungary and other banks	254,1	364,1	660,4	798,2	842,9
Deposits from customers	2,902,2	3,428,2	4,232,2	5,038,4	5,219,2
Liabilities from issued securities	317,2	543,5	781,3	985,3	1,526,6
Other liabilities	240,8	285,6	384,6	443,3	425,6
Subordinated bonds and loans	14,3	47,0	250,7	301,2	316,1
TOTAL LIABILITIES	**3,728,7**	**4,668,4**	**6,309,2**	**7,566,3**	**8,330,5**
TOTAL SHAREHOLDERS' EQUITY	**433,7**	**547,5**	**788,2**	**895,6**	**1,049,0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,162,4**	**5,215,9**	**7,097,4**	**8,461,9**	**9,379,4**
Net asset value per share (NAV)[2] (HUF, based on total number of shares)	1,486,6	1,862,8	2,815,0	3,198,5	3,746,3

Profit and loss account (for the years ended 31 December, in HUF billion)

	2004[3]	2005[3]	2006[4]	2007[2]	2008[2]
Net interest income	260,9	297,2	355,9	438,4	515,9
Provision for loan and placement losses	16,0	28,0	28,6	42,1	108,0
Net interest income after provision for loan and placement losses	244,8	269,2	327,4	396,3	407,9
Fee and commission income	91,6	118,9	145,0	133,0	140,6
Other non-interest income	70,1	97,6	97,7	57,8	76,0
Total non-interest income	161,8	216,5	242,7	190,8	216,6
Fee and commission expenses	20,6	19,9	–	–	–
Personnel expenses	79,5	95,2	106,8	147,8	167,5
Depreciation and amortization	29,2	21,9	26,5	35,6	38,6
Insurance expenses[5]	40,3	58,5	60,9	–	–
Other expenses	81,0	98,1	125,3	155,0	168,1
Total non-interest expenses	250,6	293,6	351,5	338,4	374,2
Profit before tax	**156,0**	**192,1**	**218,6**	**248,7**	**250,3**
Profit after tax	**131,5**	**158,3**	**187,1**	**208,1**	**218,7**
Earnings per share (EPS)[2]					
Base HUF	501	603	722	796	941
Diluted HUF	499	599	714	794	938

KEY INDICATORS					
Loan to deposit ratio %	69.4	70.6	105.7	113.8	134.1
Cost/income ratio %	57.2	55.4	56.4	–	–
Cost/income ratio (adjusted) %[6]	–	–	56.8	58.9	–
Coast/income ratio (adjusted) %[7]	–	–	–	52.6	49.6
Capital adequacy ratio %[8]	11.19	10.55	9.88	10.97	12.02
ROAA %	3.45	3.38	3.04	2.68	2.45
ROAE %	35.3	32.3	28.0	24.7	22.5
Dividend per share HUF	146	197	144	0	0
Per capita profit after tax (HUF million)	7,7	9,0	7,6	6,7	7,1

[1] Figures presented in the statements are not consistent with the audited data because they were originated according to controlling methodology.
[2] The profit and loss accounts of the year 2007 and 2008 are not comparable with previous years' data, the adjustments of the audited data are included in the annex of the Management's Analysis.
[3] Due to the changes of accounting standards figures are not comparable with previous years' data.
[4] From the year 2006 adjusted by the release of pre-acquisition provision and by the non-interest result of FX swap transactions, while fee and commission income was shown on a net base.
[5] Figures are not indicated in the base and the current year because of the Garancia transaction.
[6] Adjustment of the year 2007.
[7] Adjustment of the year 2008.
[8] OTP Bank unconsolidated, according to "HPT".


2006
2007
2008
otpbank