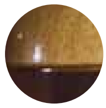
Message from the Chairman and Chief Executive Officer



DEAR SHAREHOLDERS,

As Hungary's leading bank and one of the region's most important financial institutions, every year OTP is faced with a greater set of challenges. Looking back on the previous year, 2008 was in all respects the most difficult year in the Company's history, though certainly not in terms of the competition or holding our market positions.

Priorites adapted to changing environment

In 2007 the signs of a worldwide slowdown in economic growth had already begun to appear, but in 2008 the full scale of the crisis emerged, and the recession took on global proportions. It would be hard to list all the negative events that have occurred – the disappearance of venerable, centuries-old financial institutions, record losses, financial scams and mass redundancies – but the psychological tipping point was undoubtedly reached with the bankruptcy of Lehman Brothers in September, which led not only to a sharp fall in the price of bank shares and the immediate drying up of liquidity, but more importantly to a crisis of confidence at systemic level. All players in the bank sector suffered as a result of these factors. Investors suddenly turned away from the eastern-European region, which had formerly been regarded as safe, displaying dynamic growth and representing an attractive target for capital investment; and the currencies of these countries, dogged by weak external balance indicators and structural deficiencies, depreciated considerably in value. The last quarter of 2008 was characterised by a tangible drop in lending activity, temporary deposit withdrawals, and deteriorations in the quality of loan portfolios.

Amid such a substantial worsening of its operating environment, the management regards the OTP Group's performance in 2008 as an outstanding success: although the HUF 219 billion profit after tax was slightly below the original target, it exceeded market expectations. The 5.2% growth in net profits is an excellent result in light of the problems of the second half of the year, and the sharp rise in the foreign subsidiaries' contribution to the result also warrants a mention.

In response to the change in market circumstances the Group has had to rethink its priorities: first and foremost management has focused on ensuring the stable capital position and liquidity needed for safe operation, and on adhering to a prudent provisioning policy. Although the quality of the consolidated loan portfolio deteriorated tangibly, the 5.4% ratio of problematic loans is manageable under the new, stricter risk-management procedures, while the almost 60% coverage rate represents a satisfactory guarantee of security for the future.

The year 2008 was also a milestone in the Company's operation in the sense that, following the acquisitions of recent years, this was the first year in which a subsidiary was sold: in February an agreement was made between OTP Bank and the French Groupama, regarding the sale, to the latter, of 100% of the shares in Garancia Insurance. This well-timed deal, following the deduction of taxes and costs from the HUF 164 billion original purchase price, boosted the Group's profit and strengthened its capital position with a one-off revenue item of HUF 121.4 billion. As a part of the transaction, OTP Bank and Groupama concluded a long-term cooperation agreement with each other regarding the cross-selling of financial and insurance products. In the addition to this, Groupama appeared as a strategic owner among the shareholders of the Bank with its significant 8% share.

Aware of the importance of maintaining stable liquidity, the Bank used a diverse range of channels to procure funds. In the first half of 2008 two major international bond transactions were concluded by OTP Mortgage Bank and OTP Bank, in a value of EUR 1 billion and EUR 500 million respectively, while Bulgaria's DSK received a EUR 160 million syndicated loan. Following the drying up of the international capital markets, fundraising efforts began to focus on the targeted use of domestic savings, through the holding of major campaigns promoting deposit products, and retail bond issues. As a result, the Bank reliably met its liabilities as they fell due, and it continues to have a liquidity reserve sufficient to ensure its security, even with regard to the future.

Stable capital position, outstanding profitablity and efficiency

Not any new acquisitions were made in 2008. However, consolidation of the Rostov-based DNB took place in May, while in Ukraine and Russia the expansion of the branch network continued, and to all intents and purposes the image change was completed at all the subsidiaries. The Subsidiary Integration and Management Committee, which was set up in 2007, as well as the Management Committee, effectively ensured the Group's ability to adapt and respond to the rapidly changing market conditions, through strengthening of the strategic management and controlling functions.

With regard to the Bank Group's performance last year, the consolidated net profit was a record of HUF 303.5 billion (+45.5%), to which the one-off profit items from the sale of Garancia Insurance made a substantial contribution. At the same time the management also decided to recognise significant goodwill impairment for the Ukrainian and Serbian subsidiaries, which lowered the result by HUF 92.6 billion. Adjusted for these two large one-off items, and for the HUF 4.7 billion non–realized loss incurred on strategic open positions, the OTP Group's profit after tax was HUF 219 billion, which was in line with the management's original expectations.

In 2008 the consolidated balance sheet total rose by 11.6%, to HUF 9,442 billion, while the gross loan portfolio grew at the considerably higher rate of 21.5% (to HUF 7,001 billion), in contrast to the 3.6% increase in deposits. At year-end the Bank's equity exceeded HUF 1,048 billion. By international standards the profitability and efficiency indicators continue to be outstanding: based on the HUF 219 billion profit after tax wich is adjusted with one–off items and reflect, the real business performance, the consolidated rate of return on assets was 2.4%, while the return on equity was 22.5%. As a result of the strict cost management policy, the cost-to-income ratio dropped below 50% (49.6%), which represents a 3% improvement year on year. The OTP Group's consolidated capital adequacy ratio, calculated from IFRS data, is 15.3%, and the share of tier-1 capital was 11.2%, which is well above the European average and significantly exceeds similar indicators at OTP's most important competitors.

Due to the more rapid increase in Bank penetration in the neighbouring countries on the one hand and to the fiscal adjustment measures in Hungary on the other hand, the foreign subsidiaries contribution to group-level results continued to grow in 2008, as 49.3% (+5.5%) of the consolidated loan portfolio, and 31% (+6%) of the profit after tax was generated by the foreign subsidiaries. Last year was the first in which all the foreign subsidiary banks turned profit.

The deterioration in the lending environment led to a significant increase in the Bank's funding costs, but the re-pricing of asset portfolios in several countries – notably Bulgaria and Ukraine – and the deliberate reduction in the Hungarian corporate loan portfolio, which has a lower margin, meant that the net interest margin remained stable.

As the most important player in the Hungarian banking system, OTP Bank's credit rating corresponds to Hungary's rating for sovereign debt. In the course of 2008, due to the worsening macroeconomic environment both Moody's and Standard & Poor's downgraded Hungary, with the result that OTP's credit rating also deteriorated. Moody's current rating for OTP is A3, while at S&P the Bank has a BBB rating, in both cases with a negative outlook.

Within the Bank Group, the profit after tax of core domestic banking operations (OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Faktoring), falling slightly short of the original target figure as a result of precauntious provisioning well over the plan, amounted to HUF 132.8* billion. Over the year the loan portfolio expanded by 8.8%, while retail loans grew by 25.6%. In the areas that are critical in terms of profitability (consumer loans, home loans), a number of measures aimed at improving the standard of service ensured that the Bank's market positions remained as strong as ever. On the savings side, retail deposit collection activities were complemented by a successful bond sale. OTP Fund Management's performance was negatively impacted by the global money and capital-market crisis, with both the profits and the asset-volumes of the managed funds showing a decline in comparison to 2007.

Record profit despite of difficulties, increasing profit contribution of the subsidiaries

The Merkantil Group's profit also fell as a result of the worsening market environment; stricter lending conditions were imposed, but loan quality remained stable.
Among the foreign subsidiaries, it was once again DSK Bank that performed the most impressively, with a profit after tax of over HUF 30 billion, representing a rise of almost 17.47%. The bank continues to boast excellent profitability and efficiency indicators (ROE: 20.7%, cost-to-income: 36.7%). The second-largest contribution to profit was made by the Ukrainian subsidiary: the profit after tax of over HUF 16 billion (+16.5%) is particularly noteworthy in light of the simultaneous, substantial increase in provisioning. Despite a reduction in lending activity, the Russian subsidiary increased its profit by 26%, and its interest margins of almost 13% continue to be the highest in the Group. The greatest net profit increases were achieved by the Montenegrin and Croatian subsidiaries (+31.2% and +41.8% respectively), while the steepest rises in lending were recorded at the Romanian and Serbian operations. With Slovakia's adoption of the euro on 1 January 2009, OTP Banka Slovensko is now the first member of the Group in the eurozone; its profit before tax result was on target, and the switchover to euro-based operations went without a hitch.

The negative sentiment towards financial institutions, the region and Hungary, coupled with an increase aversion to risk, placed OTP's share price under a great deal of pressure, and following a 67.3% drop in value, shares in the Company were changing hands for HUF 2,875 at the close of the year. It comes as little consolation that all bank stocks have suffered similar, and some even greater corrections, especially as OTP's fundamentals continue to be good and its indicators are excellent. Nowadays, the valuation of the share is determined by expressly pessimistic expectations. The only positive development resulting from this marked undervaluing of the Bank's shares was that domestic private investors – most of them the Bank's customers – as a sign of their confidence in us, more than doubled their combined share in OTP Bank.

* Figures presented in the statements are not consistent with the audited data because they were originated according to controlling methodology

For the time being it is difficult to predict when the current crisis will end, and what further consequences it will have. At the same time, there are increasing signs that politicians and national governments have recognised that the only solution to the problem is wide-reaching cooperation, cross-border assistance and coordinated action.

In December 2008 the Hungarian Parliament passed an act aimed at assisting in the stabilisation of the financial sector; however, the specifics of how it will be implemented have yet to emerge, but it is obvious in the current situation that capital markets can be reached only with a strong state quarentee. As befits an institution of its size, OTP Bank remains committed to fulfilling an active role in domestic retail, corporate and municipal lending and, if supplementary funding available, helping to restore the Hungarian economy to a path of growth as soon as possible.

Commitment to the CEE region and our customers

Irrespectively of the crisis, in 2008 a central role was assigned to domestic and foreign projects aimed at ensuring that our customers receive the most innovative products and flexible financing facilities. In Hungary, as a part of the JEGY project, the time needed for the disbursal of mortgage loans was significantly reduced, and as part of an initiative to promote long-term saving we now offer wealth-planning services in more than half of our branches, and have rationalised the sales and rating processes for medium-sized and large corporate customers. In the markets of our foreign subsidiaries, we have mainly shifted the emphasis towards broadening the range of products and of sales channels.

The high standard of our professional work, and the innovative approach of our employees, once again earned us several international accolades: Global Finance and Euromoney again selected OTP as the 'Best Bank in Hungary', while OTP was also awarded the title of 'Best Private Bank' for the first time.

The Ukrainian subsidiary was named by S&P as the 'Most Transparent Bank', while the local media named it the 'Most Professional Bank' and the 'Bank Providing the Best Service'. For several consecutive years DSK Bank has been awarded the title of 'Best Bank in Bulgaria' by Finance Central Europe, and its CEO was named 'Banker of the Year' in 2008.

As the financial and economic crisis deepens, we are doing all we can to help our customers surmount the temporary problems that they face, for example by restructuring existing loans (lengthening of term, optimisation of instalments), or by easing the conditions for making prepayments or changing the currencies of loans. We believe that we can only overcome the current crisis together, through mutual cooperation.

It is also important to emphasise that despite the transitory difficulties, OTP Bank remains committed to the Eastern and Central European region, and to supporting the operations of its subsidiaries. The region continues to have great potential for economic growth, and a high level of demand for banking services. Naturally, in the present situation the number one priority is to ensure safe operation, prudent risk management and a stable capital position.

The year 2009 marks the 60^{th} anniversary of OTP Bank! The auspiciousness of this occasion, the successes and results we have achieved to date, and above all the trust placed in us by our customers and shareholders oblige us – even in the current difficult period – to stand by our primary objective of building a stable and reliable financial group. Our priorities may have changed, but we continue to regard our most important task as being to create shareholder value.

Dr. Sándor Csányi
Chairman and Chief Executive Officer

Financial highlights (IFRS, consolidated)

Profit and Loss Account (in HUF million)*	2007****	2008	Change
Net interest income (adjusted)	438,436	515,900	17.7%
Non-interest income	190,806	216,638	13.5%
Total income	629,242	732,538	16.4%
Provision for possible loan losses (adjusted)	42,085	108,043	156.7%
Other provision	7,397	10,538	42.5%
Operating expenses	331,089	363,664	9.8%
Profit before tax (adjusted)	248,671	250,293	0.7%
Profit after tax (adjusted)	208,147	218,691	5.1%

Balance Sheet** (in HUF billion)	2007	2008	Change
Total assets	8,461.9	9,379.4	10.8%
Loans and advances to customers (gross)	5,761.1	6,996.6	21.4%
Allowances for possible loan losses	(178,7)	(270,7)	51.5%
Interbank loans advances	654.8	593.5	(9.4%)
Deposits from customers	5,038.4	5,219.2	3.6%
Interbank deposits	798.2	842.9	5.6%
Issued securities	985.3	1,526.6	54.9%
Total receivables	5,761.1	7,000.8	21.5%
Performing loans	4,984.0	5,971.8	19.8%
Qualified loans	777.1	1,029.0	32.4%
Non-Performing loans (NPLs)	243.7	379.2	55.6%
Allowances for possible loan losses	178.7	270.7	51.5%
Shareholders' equity	895.6	1,049.0	17.1%

Performance Indicators	2007****	2008	Change
Cost/income ratio % (C/I)	52.6%	49.6%	(3.0%)
Return on average equity (ROAE) %	24.8%	22.5%	(2.3%)
Return on average assets (ROAA) %	2.68%	2.45%	(0.2%)
Capital adequacy ratio (unconsolidated, HAR) %	11.0%	12.0%	1.0%
Undiluted EPS (HUF)	796	938	142
Diluted EPS (HUF)	794	935	141

Market share ***	2007	2008
Households' deposits, %	31.3%	30.4%
Households' loans, %	31.1%	29.6%
Corporate deposits, %	11.9%	13.2%
Corporate loans, %	9.9%	7.5%
Municipal deposits, %	53.1%	41.0%
Municipal loans, %	55.0%	48.1%

* Figures presented in the statements could vary from the audited data because they were originated according to controlling methodology. The explanation of adjustments is included in the notes of the Management's analysis. (on pages 50 to 51)
** as at 31 December
*** as at 31 December, market share of the Hungarian members of OTP Group
**** 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.

Macroeconomic and financial environment in 2008

MACROECONOMIC AND FINANCIAL TRENDS IN HUNGARY

Hungary's economic performance in 2008 was characterised by continued budgetary stabilisation, a slowing inflation rate and as a consequence of global financial crisis in the last quarter of the year, a decline in export demand and a sharp drop in the availability of external funding sources for the bank system. While previous forecasts pertaining to the economies of the developed countries had predicted a slowing of economic growth accompanied by high levels of inflation, over the past few months the market has priced in a steep recession in all the mature economies, while risk premiums in the region have risen dramatically.

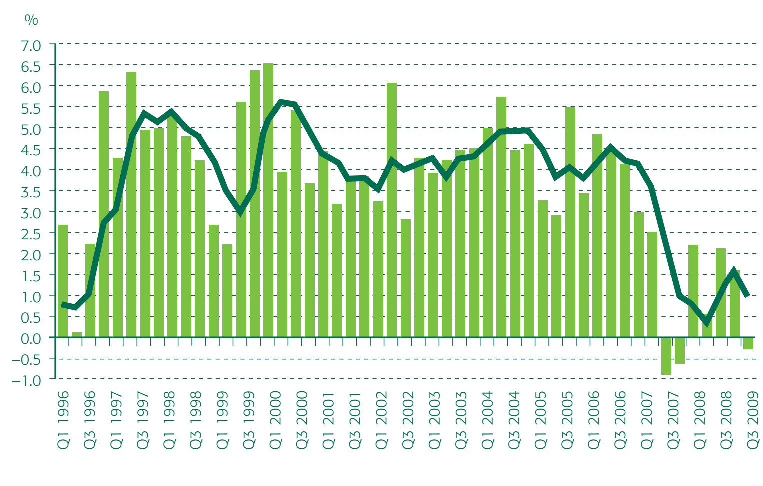
Owing to the recessions in Hungary's main foreign markets, the country's export performance has deteriorated substantially, and this has also had a negative impact on the domestic industrial sector.

Another unfavourable development from Hungary's perspective is that our largest export market, Germany – in a comparison with the other mature economies – suffered one of the greatest slumps in GDP during the fourth quarter.

Meanwhile, the indicators of domestic demand do not paint a better picture. The construction-industry output related to investments by companies in the private sector fell back to its 2001 level, although this was offset by an intensification of state investment activity during the year. The clock was also turned back two-and-a-half years with regard to the volume of domestic industrial sales, while retail turnover has been declining steadily since the government launched its package of budgetary stabilisation measures in 2006. Consequently, following the 1.1% GDP growth of 2007, in 2008 Hungary's gross domestic product expanded by only 0.5%.

Changes in real GDP

— Annualized quarterly growth of GDP
Annual growth of GDP



According to our estimate, based on actual data, the public finance deficit amounted to 3.2% at the close of last year. An even smaller deficit of less than 3% could have been achieved if the government had not decided in December to release unutilised reserves, and if the cabinet had not allocated all the revenues from the privatisation of the state railway's freight division, MÁV Cargo, in a manner that served to increase the deficit. Due to the economic slowdown, the effects of which were already being felt at the end of last year, the revenues from VAT, corporate income tax and social insurance contributions all fell short of their annual targets. Only personal income tax receipts were higher than target, which was largely down to the progressive income tax scale, as in the case of high salary increases (7.5% year-on-year for 2008) automatically raises budgetary revenues.

The income positions of both the corporate and household sectors developed exceptionally unfavourably. In the recession companies are trying to reduce their costs partly through by reining in salaries, and partly through layoffs. For the time being this process is particularly striking in the manufacturing industry, where the level of employment has fallen by 20,000 persons over a six-month period. With the freezing of lending channels the disposable incomes of households have also fallen back considerably, and thus the volume of trade in consumer goods that are largely financed through loans (e.g. cars) has also dropped substantially. The development of fourth-quarterly corporate income tax revenues and the corporate sector's financing positions – negative net borrowing and deposits – suggest that the trend in corporate incomes has also been particularly unfavourable. In the Hungarian economy as a whole, the annual average unemployment rate rose to 7.9%. Following the stabilisation measures introduced in 2007, net real earnings also grew by a further 0.7%.

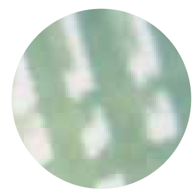
The unfavourable inflation trend of the end of 2007 continued into the first half of the year; however, the falls in the prices of foodstuffs and raw materials had the same substantial inflation-reducing effect as in the other countries of the world: in the second half of 2008 the rate of inflation in Hungary dropped from 7.0% to 3.4%. As a result of these processes, the annual average inflation rate was 6.1%.

The base rate remained notably calm up to the end of the year, and was raised in three steps, from 7.5% to 8.5%. In response to the fallout from the collapse of Lehman Brothers, on 22 October, at an extraordinary meeting convened to prevent a further weakening of the forint, the National Bank of Hungary raised its benchmark interest rate by 300 basis points, to 11.5%. However, it subsequently embarked on an aggressive cycle of monetary loosening while communicating the need for a weaker exchange rate to soften the impact of the recession.

Following abolition of the exchange-rate intervention band on 25 February, the Hungarian currency gained strength in the first half of the year, but began to weaken in August. Following the bankruptcy of Lehman Brothers in September the forint depreciated considerably as investors judged it too risky and offloaded their forint-denominated investments. This was the first time that households were really confronted with the main drawback of foreign-currency loans: currency risk.

As a consequence of the weakening forint, loan instalments rose, but in 2008 the impacts of this were still limited.
Yields declined up until the end of the year, due to the freeze on new bond issues, as well as the bond purchases made by the national bank and fund managers, and the national bank's interest-rate reductions. However, the suspension of bond issues is unsustainable in the medium-term, since upon expiry of the recent International Monetary Fund (IMF) assistance package the Hungarian state will have to finance its maturing debt and the public finance deficit from its own resources. At the end of the year, as a result of the deterioration in the global economic environment, and in response to the news that the State Debt Management Centre plans to start issuing bonds again, yields shot up.

In the first three quarters the banking markets performed well, as lending continued apace. Just as in 2007, the main growth was seen in foreign currency-based and mortgage loans. However, in the fourth quarter CDS premiums rose by a considerable extent in the wake of the Lehman bankruptcy, as did the forward premiums calculated from swaps. Funds on the interbank markets were available only at extremely high cost – if at all – as the shortage of liquidity led to a fall in lending supply. The share of euro-based loans within new placements rose sharply, while the proportion of Swiss-franc based new loans dropped back. Although the total volume of forint loans declined over the year as a whole, in the final quarter seasonally adjusted net borrowing amounted to a positive figure in the case of forint-based placements too.



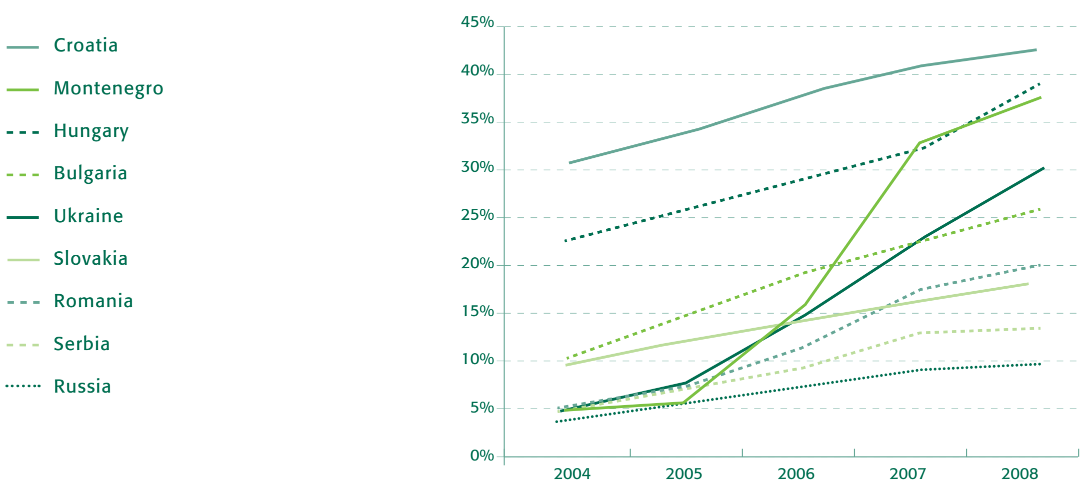
Macroeconomic and financial trends in the countries of OTP Bank's foreign subsidiaries

The current global banking crisis has placed the whole region in a difficult situation, because in past growth was driven by exports to Western Europe and the related investments, which were financed through large-scale injections of foreign capital (FDI and foreign loans arriving through the banking system). The rise in productivity was accompanied by rapid growth in wages, and, confident that this trend would continue into the future, households brought forward their purchase and home-related investments, which led to a rapid rise in indebtedness (although the rate of household debt to GDP still remains barely half of the average for western Europe). Another important consequence of the rapid growth in productivity was the appreciation, in real terms, of the region's currencies.

In the course of the first three quarters the countries of OTP's foreign subsidiaries also witnessed intensive lending, with the result that the retail loan penetration in most of these countries rose by around 12-15%. In Serbia and Croatia the ratio of retail loans to GDP grew by 4%, and in Russia by 8%, while in Ukraine the increase was 32%.

However, in the final quarter investors began to worry that the recession in the European Union states would stymie demand for exports from the region, which even in itself would act as a brake on the region's growth. These fears appear to have been justified: industrial output in the countries of the region fell sharply in the last quarter. The situation is exacerbated by the fact that, due to the stalling of the world's financial intermediation system, the main owners of the region's banking sector, the western-European banks, are themselves struggling with financing problems.

Bank sector retail loans as a percentage of GDP



Due to the dwindling of external financing sources, in the last quarter the current account deficit began to shrink rapidly, accompanied by a reduction, or a slowing of growth, in those components of domestic demand that are partially reliant on foreign financing sources (consumption, investment).

As a result of the economic growth of the first three quarters, in 2008 the annual rate of GDP growth in real terms was around 5-7% in most of the countries where OTP has foreign subsidiaries.

Business Reports

Activities and business results of the Bank Group in 2008

For OTP Bank Plc., 2008 was the most difficult year in its 60-year history. However, even in the midst of the deepening financial crisis and a recession that has taken on global proportions, it achieved profit growth that was almost in line with the original targets and exceeded analysts' expectations, while maintained a stable capital and liquidity position in 2008, accompanied by a marked expansion in business activity.

In response to the unfavourable operating environment (the fall in the rate of economic growth, record losses at leading US and western-European banks, difficulties in procuring external funding, sharp declines in share prices, the weakening of exchange rates, overall crisis of confidence), the Bank Group has had to rethink its priorities, placing the emphasis on ensuring the stable capital position and liquidity needed for safe operation, and on adhering to a prudent provisioning policy.

The year 2008 was also a milestone in the Company's operation in the sense that, following the acquisitions of recent years, this was the first year in which a subsidiary was sold. Based on the agreement concluded on 11 February 2008, and after obtaining all of the necessary permissions from the authorities and supervisions, OTP Bank sold the 100% stake of OTP Garancia Insurance Ltd. and the minority stakes of the Bank's local subsidiaries in the Romanian, Slovakian and Bulgarian subsidiaries of OTP Garancia Insurance Ltd. to the French Groupama S.A. The Hungarian part of the Garancia-transaction was closed on 17 September 2008. OTP Garancia Insurance Ltd. realized HUF 13.4 billion net insurance premium as a Group member, and its contribution to the after-tax profit of the Group amounted to HUF 5.3 billion. (Together with the foreign insurance subsidiaries, the total contribution of the insurance business to the Group's after tax profit came out at HUF 4.0 billion in 2008.)

As a part of the transaction, OTP Bank and Groupama S.A. concluded long-term cooperation agreements regarding the cross-selling of each others' financial and insurance products. These agreements facilitate the sale of insurance and banking products through the counterparties' Hungarian, Slovakian, Romanian, Bulgarian, Ukrainian, Russian, Serbian, Montenegrin and Croatian branch network (exclusively in certain countries). As a part of this transaction the Groupama Group purchased an 8.00% package of shares in OTP Bank, for which purpose the Bank did not issue any new shares. The sale of the 100% stake in OTP Garancia Insurance boosted the Group's after-tax profit and strengthened its capital position with a one-off revenue item of HUF 117.3 billion. No new acquisitions were made in 2008, but from May the Rostov-based subsidiary Donskoy Narodny Bank was included in the circle of fully consolidated subsidiaries.

Share price developments in 2008

The negative sentiment towards financial institutions, the region and Hungary, coupled with an increased aversion to risk, placed the share prices of all banks, including OTP's, under a great deal of pressure, and following a 67.3% drop in value the Bank's shares were changing hands for HUF 2,785 at the close of the year, despite the fact that OTP's fundamentals continue to be good and its indicators excellent. All bank stocks suffered similar or even greater corrections. The Bank's market value at the end of December 2008 was HUF 805 billion, or approximately EUR 3.0 billion, which represented 0.7 times the book value of the Bank Group's equity (P/BV), while the price-to-earnings ratio (P/E) was 3.7.

Sales network, customer headcount and employee headcount at Bank Group level

As a result of the acquisitions carried out over the past years, the OTP Group now maintains a presence in nine countries across the region. Internationally, the number of customers served by the Bank Group as at 31 December 2008 exceeded 11.8 million. At the end of the year, the parent bank had a clientele numbering almost 4.8 million, of whom 4.6 million were retail banking customers. The total number of customers of the Bank Group's foreign subsidiaries continued to rise, approaching 7.1 million by the end of 2008. OTP's Ukrainian subsidiary, CJSC OTP Bank achieved a substantial – over 40% – increase in the number of its customers.

The Bank Group expanded its sales network substantially in 2008: by the end of the year nearly 1,600 branches (compared to 1,500 in 2007), almost 4,000 ATMs and nearly 48,000 POS terminals were in operation to ensure that customers were served as efficiently as possible. Besides these, the range of channels is also complemented by a call centre, mobile and internet banking services, business customer terminals and a network of sales agents.

In the regional network OTP Bank continues to operate the highest number of branches – 403 units – followed by DSK Bank with its network of 379 branches. The greatest expansion of the branch network was achieved by the Ukrainian subsidiary, which increased the number of its outlets by almost 45%, from 158 to 229, in the course of 2008. The number of units in the Russian network also rose considerably (+26 branches).

A highly qualified team of dedicated and sale-oriented customer service operatives is the key to ensuring a high standard of service, which is why OTP Bank treats as a priority the ongoing training of its staff, and the retention of talented professionals. On 31 December 2008, the OTP Group's employee headcount approached 31,000, of which 9,000 were employed by OTP Bank and its subsidiaries in Hungary, while approximately 22,000 worked at foreign group members. The headcount of OTP Bank exceeded 8,000 at the end of 2008.

Key development projects of 2008

In compliance with the SEPA (Single European Payment Area) standard, on 27 January 2008 – concurrently with SEPA's pan-European live launch – OTP Bank also commenced the receipt and sending of SEPA items.

The SafeWatch system represents an indispensable means of complying with anti-money laundering regulations and screening out suspected terrorist organisations in the course of international payment transactions (SWIFT messages). The Bank has made the centralised system accessible to the Slovakian (OBS) and Croatian (OBH) subsidiaries, while stand-alone SafeWatch systems have been installed in Bulgaria (DSK) and Romania (OBR), where they went live in 2008.

The year 2008 also saw the introduction of the 'KANYAR' bond portfolio recording subledger system, for the liabilities-side recording of bonds issued by OTP. It manages bond events (issue, reissue, withdrawal, expiry), and sends data to the general ledger and reporting systems.

As a part of the IRIS project, within the corporate risk management system, support for credit controlling processes was implemented in respect of both the corporate and municipality banking segments. The Portfolio rating – data reporting (Port_Hos system) function went live. Numerous IT projects, supporting retail division product developments, were also implemented in 2008. The completed projects included: integration into the Prelak system of the low-instalment 'Forrás' loan, and the 'Világ' loan, which is bundled with repayment insurance; introduction of the option to set up direct debits from credit card accounts; establishment of the technical infrastructure for the launch of the 'Profit' structured deposit product; and modernisation of the technology used to produce securities account statements. The development of OTP Bank's bank card systems enabled the launch of multifunctional 'cafeteria' cards, which led to a more transparent and easier handling of fringe benefits by our corporate clients.

At companies in the Merkantil Group introduction of the enterprise resource management system (OLGA) continued, and adaptation of the system for the Ukrainian leasing subsidiary began. In order to increase the volume of cross-selling, the range of products managed in the OLGA system was expanded with the addition of OTP Garancia Insurance's Integrated 'CASCO' comprehensive vehicle insurance product.

Standardisation of the central address database in the Transactional Data Warehouse has been completed. The range of input data has been expanded, with the loading of data pertaining to ATMs, third-party card transactions and same-day changes to customer data.

The developments aimed at boosting branch sales performance included the centralised diary management function implemented in the FIÓKÉRT system under the 'Proactive Branch Sales Support' project, the introduction of personalised capacity-based and activity-based selling, the completion of the first phase of the new Network Performance Management System, and the launch of the Supercalculator, a tool that simplifies and accelerates the process of mortgage lending, which is accessible via the Bank's Intranet.

The Wealth Planning System (WPS) has been introduced both in the branch network and made available through the electronic channels. In addition to improving customer satisfaction this system will also assist in achieving the investment banking division's long-term business objectives. Besides the online wealth planning function, the Home Bank also offers customers an opportunity to fix deposits subject to conditions, with progressive, timelinked interest.

As a part of the SAP Travel Management project, a consistent and transparent travel request and settlement system has been developed.

Foreign subsidiaries

Use of the centralised SWIFT system (for international interbank payments) was extended to the Croatian subsidiary (OBH), in place of the local TurboSWIFT system.

Under the euro-adoption project, at the Slovak subsidiary (OBS) the technical infrastructure for the changeover to euro-based operation took place was developed, and could also form the basis for Hungary's future conversion to the euro.

The SAP system was introduced at several foreign and Hungarian subsidiaries, thus paving the way for standardised data reporting at Bank Group level.

Among the foreign subsidiaries, the Slovakian, Ukrainian and Romanian banks can now report data from the installed SAP R/3 modules through their own, specially developed portals.

The international version of the system providing CRM support for commercial banking, private banking and key SME accounts has been developed.

Among OTP Bank's foreign subsidiaries, following a similar project in Bulgaria, Transactional Data Warehouses were developed in Croatia and Ukraine in 2008.

At the Ukrainian subsidiary the OTPdirekt service was launched, and the IT infrastructure necessary for handling electronic company documents was put in place.

At DSK a central marketing system – for the generation of campaign management and sales reports – was introduced.

Environmental policy, environmental projects

Taking an environmentally-aware approach entails recognising the environmental impacts of the Bank's operations, and reducing its environmental footprint. To this end, OTP Bank strives to minimise the environmental burden related to its activities, and to put in place the background infrastructure necessary to ensure the protection of the environment.

OTP Bank's objectives include the institutionalisation, as soon as possible, of environmentally sound practices, and their propagation within the Bank and among the other members of the Bank Group – endeavours in which significant progress has been made.

A substantial broadening of information-gathering activities in 2008 served to raise the overall level of environmental awareness and facilitate measurement of the results achieved in this area. Although the information-gathering performed at the Bank and the Bank Group in Hungary is not yet fully comprehensive, it represents a major advance in terms of our ability to determine the quantities of energy, natural resources and materials used.

In 2008 the Environmental Protection Guidelines were drafted and approved, with their introduction and propagation among the employees scheduled to take place in early 2009.

In the interests of reducing CO_2 emissions, the Bank has taken steps to reduce the amount of paper and natural gas used and kilometres travelled per employee. This latter objective was also served by completion of the video conferencing suite in 2008.

A reduction in paper consumption is assisted by the drafting of regulations on printing, and their dissemination among employees, the more widespread use of electronic banking channels (intranet, management information portal, shared directories, etc.), and efforts to encourage customers to request electronic bank statements instead of paper-based ones. Since 2008 the Bank has made payslips available to its employees in electronic form, which – in the case of almost 8,000 staff – has led to a substantial reduction in paper usage. As a result of these and other measures the average paper usage per head-office employee fell by 25% in 2008. In the case of printed marketing materials the Bank is phasing in the use of recycled paper. In the first stage of this process the larger publications (Annual Report and Corporate Social Responsibility Report), as well as greetings cards and packaging materials, were already being printed on this environmentally friendly medium in 2008. According to plans, in 2009 a substantial proportion of marketing publications will be made from recycled paper, while a longer-term objective is for other publications and forms to also be made from such material.

As in previous years, the selective disposal of waste paper continues to be the most widespread form of environmentally friendly waste management. Increasing the proportion of waste that is collected selectively and sent for recycling or energy production remains an ongoing objective for the Bank.

In the area of energy and water consumption, the measures implemented in previous years (operation of power factor correction equipment, the use of energy-saving appliances and energy-efficient light bulbs) ensure the Bank's efficient operation and rational resource usage.

When making procurements, during the supplier selection process particular emphasis is placed on enforcing environmental and ethical standards.

The Bank monitors technological and technical developments on an ongoing basis, and in its new investments and renovation projects endeavours to apply the most efficient solutions, taking environmental aspects into consideration and ensuring that they are complied with.

Operations of Group Members in Hungary

BASIC RETAIL SERVICES

OTP Bank continues to be the largest player in Hungary's retail banking market. At the end of 2008 the OTP Bank Group had a market share – in terms of the combined balance sheet total of financial institutions – of 30.4% in household deposits (OTP Bank: 28.0%), and a 29.6% share of household loans (OTP Bank: 7.9%).

The Bank focused on the lending activity in the first half of 2008, and then in the second half, because of the global liquidity crisis, it put more emphasis on the collection of deposits and other funds, supported by product developments and campaigns.

The expansion and modernization of the multi-channel sales network and the development of products and processes in order to improve customer service quality were on the agenda in the full course of 2008.

The Bank's efforts and results were recognized in 2008 by both domestic and foreign public opinion. Global Finance and Euromoney awarded the Best Hungarian Bank title to OTP Bank again, and the Bank won the Best Private Bank title for the first time.

Account management, banking transactions and channels

On 31 December 2008, OTP Bank had close to 4.6 million retail banking customers, almost 2.9 million of whom held a forint current account. In order to provide a modern, quick and convenient banking service, OTP Bank is accessible to its customers via several, mutually reinforcing channels. The Bank has succeeded in maintaining its dominant market position with respect to electronic channels. With regard to customers who use telephone-based customer services, the Bank commands approximately 30% of the market; in the case of those who bank over the internet its market share was an average of around 35% for the year, while it serves 46% of all customers that use mobile phone-based services.

The number of OTPdirekt customers rose by 10% in the course of 2008, to exceed 1.6 million persons by the end of the year. The number of customers with contracts for the use of telephone-based banking services only increased moderately – by 0.8% – in 2008, to almost 947,000, while the number of customers using mobile phone-based services continued to grow dynamically – by more than 13% – to exceed 1.2 million at the end of the year. The increase in the number of customers subscribing to internet banking services was 17%, with a total of over 787,000 active contracts in December 2008. The total number of SMS messages had grown 14% by the end of the year, to exceed 179 million, while the number of internet transactions rose by one-third in 2008, reaching a total for the year of 30.7 million by December.

OTPdirekt continues to offer the widest selection of services in the Hungarian e-banking market. As a result of its development projects, OTP Bank has introduced unique convenience e-services in Hungary, placing a greater emphasis on customisation and online sales in the e-channels and on its website.
The circle of e-bill service providers has recently expanded to include a third consolidator, as

customers that are registered with Díjnet can now also settle their utility and other bills free of charge via the OTPdirekt internet bank. In the course of the year additional securities functions were introduced, creating the opportunity to reallocate and reinvest investment fund units via OTPdirekt.

OTP Bank is also making efforts to meet the growing demand for online micro-payments, and as the first step in achieving this it is now possible for customers to make secure purchases over the internet using the Abaqoos service. Customers can pay at 13 internet acceptance points using their Abaqoos purse, without the need to give their bank card details. The list of acceptance points is continuously being added to.

The Bank's Wealth Planning service is accessible both via the Bank's website and its internet banking portal. Using this calculator, customers can view charts that illustrate the expected performance of their savings, and if required can arrange an appointment to receive personalised investment advice.

By continuing to develop its website the Bank strives to satisfy its customer's requirements as fully as possible; and now customers who register for the service can also download their bank statements free of charge, using the specially designed user interface, with a few clicks of the mouse. The new improved loan calculator gives a more transparent overview of the terms of available loans.

In the course of the year the websites of several Hungarian subsidiaries were also standardised, bringing them into line with the OTP Group's corporate image.

Besides this, 2008 saw a continuation of the information Call Centre project, which has served to centralise the management of branch telephone calls, supporting more effective operations by easing the workload of the branches and increasing the quality of telephone services.

The issue of providing technical support to the foreign subsidiary banks is growing in importance, especially since an objective of the OTP Group is to make OTPdirekt an internationally recognised brand, representing a guarantee of uniform functionality and quality in all countries where OTP has a market presence.

Expansion and modernisation of the sales network continued apace. As a part of the branch refurbishment process commenced in 2005 under the Infrastructure and Network Optimisation Project, a total of 47 branches were renovated and modernised in 2008. In the course of the branch renovations the objective was to improve the branches' interior layout, level of equipment and efficiency of operation, with special attention paid to achieving the largest possible customer area and raising the level of comfort experienced by customers.

In 2008 the Bank opened two new branches in Budapest and five in the provinces, establishing a presence in regions that were not covered in previous rounds of branch openings, and in emerging urban districts, where the availability of banking services was below the national average. Besides these a training branch also commenced operation, designed specifically to provide staff at the beginning of their career with hands-on experience and training in a genuine work setting, thus helping to ensure a supply of high-quality employees for the branches.

In order to raise the efficiency with which the existing branch network is utilised, the services of the new divisions were made available at a growing number of branches. Uniquely in Hungary, we provide securities services in more than 350 branches, thereby broadening the range of savings and investment options available to our customers. In the OTP branches, due to the high standard of customer service, enhanced work management procedures and technical developments, waiting times have been further reduced and the quality of in-branch sales work has improved. In 2008 children's play areas were created in several more branches, and plasma TV screens were installed in order to improve customer communication.

Concurrently with the branch network expansion, the number of the Bank's contracted sales partners also rose further, to 2,054 at the end of the year. The majority of products sold through the network of agents – similarly to previous years – were home and mortgage loans. The share of agent sales within the total contracted portfolio exceeded 52%, and displayed a 36% increase in volume compared to 2007.

The Bank's sales partners accounted for a more than 40% of the total sales of OTP Building Society contracts, and also brokered some three quarters of the volume of home leasing transactions. The share of this sales channel within lending to condominiums grew by more than 25%.

OTP Bank has always placed particular emphasis on expanding the range of products available through its network of agents. In this spirit, taking market requirements into consideration, the selection of products offered to micro and small enterprises via the agent network has been broadened with the addition of the 'Lendület' (Momentum) Current Account Overdraft, Lombard Credit and the Electronic HUF Account Package, while condominiums can now also request the 'Alap' (Basic) and 'Mozaik' (Mosaic) account packages through this channel.

Bank card business

As of 31 December 2008 the number of cards issued by OTP Bank stood at 3,968,000. The number of retail deposit and credit cards in circulation at the end of 2008 exceeded 3,822,000. Within this category, the number of retail debit cards stood at close to 3,507,000. The number of the highly popular Multipont (Multipoint) debit cards was close to 380,000, and the number of the dynamically growing retail FX cards – having achieved an increase of nearly 35% – reached 23,500 on 31 December 2008. OTP Bank's retail credit cards continue to be extremely popular. At the end of 2008 the number of these cards grew by 14.7%, reaching 315,000. Nearly two-thirds of the retail credit cards consist of the very popular Amex Blue card. The Amex Gold credit card, designed for affluent customers, has also grown continuously, with the number of such cards reaching 6,400 in December 2008.

On 31 December 2008, the number of business cards in circulation was 145,000. The number of Széchenyi Cards, similarly to previous years, continued to fall, and currently stands at 5,600. In the course of 2008, the business FX-card was introduced.

As of December 2008, OTP Bank was operating a network of 2,003 ATMs for the convenience of its customers. In 2008, 79.3 million transactions were realised through the Bank's ATM network, in a total volume of HUF 2,575 billion. The Bank's customers performed nearly 69.5 million ATM transactions using cards issued by OTP Bank in 2008, in a total value of HUF 2,194 billion.

The average value per transaction rose from HUF 31,300 to HUF 32,500.

In 2008, the number of POS terminals of OTP Bank located in commercial outlets increased by 4,155 compared to the previous year, reaching a total of 26,808. The number of POS terminals located in the Bank's branches stood at 3,686 at year-end. The number of purchase transactions performed on the Bank's own commercial POS terminals increased by 20%, to 125 million, while the value of the performed transactions also increased by 17%, to HUF 989.6 billion. The number of POS transactions performed with cards issued by OTP Bank was close to 87 million, while the value of the turnover stood at close to HUF 691 billion in 2008.

Savings and investments

OTP Bank continues to be the largest player in the Hungarian retail banking market. At the end of 2008 the OTP Bank Group's market share within the credit institution system – based on the combined balance sheet total of monetary institutions – was 30.4% of household deposits (OTP Bank: 28.0%). Within the group, Merkantil Bank and the OTP Building Society, in addition to OTP Bank, offer deposit products for households. In addition, OTP Fund Management, the OTP Funds, as well as OTP Bank itself offer a full range of savings products.

Bank savings

By year-end 2008, the retail deposits' volume of OTP Core* expanded to HUF 2,168.6 billion. At the same time, the volume of retail deposits placed with OTP Bank reached HUF 2,027.4 billion, which represents an approximately 10% increase over the previous year's figure.

Within retail deposits, retail forint deposits grew by 8%, amounting to HUF 1,753.2 billion at the end of 2008. This gave OTP Bank a share of 26.6% in household forint deposits (OTP Group: 29.4%). Within retail deposits, the share of current account deposits was 80%, which represents a 11.5% increase since December 2007, and amounted to close to HUF 1,348.5 billion in December 2008. The Bank's share of demand deposits in the banking sector remained outstandingly high, at 42.0% in December 2008. The total value of passbook deposits continued to decrease – by a further 3.4% – within forint deposits, representing slightly more than 14% of the total portfolio in December 2008, and amounting to HUF 220.5 billion.

Foreign-currency deposits rose by HUF 63.9 billion, or by 18.2%, in 2008 compared to December 2007; thus the portfolio reached HUF 415.5 billion by the end of 2008. As a result, the share of FX deposits within the total portfolio of retail deposits was 20.5% in December 2008, representing a 1.4% increase over the previous year's figure. The share of OTP Bank in household FX deposits was 36.0% as of 31 December 2008.

OTP Building Society offers the widest range of products in the building society savings market. This product is especially useful for customers who are saving in order to pay for renovation or modernisation work, but it can also be sold in conjunction with OTP Bank's housing or multipurpose mortgage loans which in this way offer lower instalments for customers in the first years of the loan repayment period compared to facilities with evenly distributed repayment instalments.

As a combined result of deposit payments related to contracts that are in the savings phase and the payments made in respect of contracts in the redemption phase, the volume of OTP Building Society's deposits grew by 17.5% to 154 billion in 2008, 92% of which came from retail customers (HUF 141.6 billion). In the course of the year OTP Building Society concluded close to 100,000 contracts with a contract amount of HUF 174 billion, and its estimated market share, based on the deposit portfolio, is approximately 50%.

* OTP Bank, OTP Mortgage Bank, OTP Building Sociaty and OTP Faktoring

Investment funds, securities

The trends on the securities market in 2008 can be divided into two phases: in quarters one to three, the volume of investment funds and shares slightly fell while the volume of bond-type securities (government bonds and mortgage bonds) increased. However, as a result of the market events in the autumn, investors attempted to offload virtually all their investment assets, which sent the price of securities into freefall. Overall, shares and investment funds lost the most value, but bond-type securities also suffered considerable losses due to yield increases.

In the investment fund market, 2008 saw varying degrees of contraction in the individual customer segments (households: 25.8%, non-financial companies: 17.9% and municipalities: 19.3%) which, overall, resulted in a drastic reduction in the portfolios managed by the funds (HUF 663 billion). The decrease can be explained by the loss in value of the funds' portfolios, a reduction in realised returns and the subsequent considerable withdrawal of cash, especially from real estate funds, and liquidity and short bond funds that had not yet suffered capital losses.

The Bank's market share in the household investment fund market fell from 29.5% in 2007 to 27.0% at the end of 2008 (in 2006 it stood at 24.6%). In 2007 and partly at the beginning of 2008, due to the Hozamduó (Yield Duo) Savings Program the Bank considerably increased its portfolio; however, the changes that took place in the 4th quarter of 2008 had the greatest negative impact in terms of capital withdrawal on bond and real estate funds, in which instruments the Bank has a higher than average share. In respect of the entire customer base, the market share in 2008 fell slightly from 30.2% to 28.2%. In the securities fund market OTP Fund Manager's market share stood at 30.9% at the end of 2008, which represents a 1.5 percentage point change compared to 2007.

The securities portfolio of the Bank's customers in 2008 fell by 43.2%, to HUF 1,188 billion. At the same time, bond-type products classed as the Bank's own sources of funds also grew in absolute terms: the OTP's Own Bond and the OTP Mortgage Bond increased their combined portfolio by HUF 82 billion. The portfolio representing the Bank's entire volume of own funds increased from 26.3% at the end of 2007 to 44.7% at the end of 2008 within the securities customer portfolio. In a period when funds are typically difficult to come by this may be regarded as an excellent achievement, because these products, unlike deposits, represent a source of funds for the Bank Group not for just 2-3 months but for at least a year.

The number of securities accounts grew by 5.8%, to 326,000, in 2008. The best month was October, when 5,300 accounts, representing 30% of the annual growth, were opened. The promotion of self-help on the part of retail customers continues to be an important objective of the Bank Group, as clearly shown by the fact that the number of Pension Saving Scheme (NYESZ) accounts grew by 48%, to reach 28,600.

In 2008 OTP Bank successfully implemented the provisions of the EU Capital Markets Directive (MiFID), which has become an integral and daily part of the Bank's customer management activities.

At the end of 2007 OTP Bank launched its new Premium Wealth Planning Service in 63 branches across the country, the purpose of which is to help with the investment decisions of customers who are more active and have more savings than average. At the end of 2008, customers had access to one of the most important components of the Bank's increasingly expansive segmented customer management practices and premium services. The Premium Wealth Planning Service was very well received, as evidenced by the fact that it was used by more than 34,000 customers nationally in 2008, and indicates that in a highly competitive market environment, cultivating a long-term personal relationship between customers and the Bank based on consultation and counselling is especially important. In 2009 we will continue to focus on reaching active premium customers and offering high quality services to them, in addition to focusing on the 'after sales' care of existing wealth planning customers and the review and adjustment of their portfolio.

In 2008, OTP Fund Manager launched a total of 22 new funds in the market.

The most activity took place in the 2nd quarter, in which the fund manager launched 8, mainly yield and capital guaranteed funds.

It was in the second half of the year that the impact of the global money and capital market crisis came to be felt in the volume of managed funds. The net asset value of the investment funds managed by the Fund Manager fell from HUF 813.1 in 2007 to 641.1 by the end of 2008. The market share of OTP Fund Management in the securities fund market stood at 28.2% (compared to 32.4% at the end of 2007).

The Fund Manager's assets in the fund segment fell by 14.0%, to HUF 549.0 billion. Within the framework of other portfolio management activities, it managed HUF 184.5 billion in assets, which was 4.2% more than in the previous year.

In 2008 the Fund Manager achieved an after-tax profit of HUF 4,994.0 million according to IFRS, which resulted in return on average assets (ROAA) of 51.4% and a 61.3% return on average equity (ROAE). The Company's cost-to-income ratio in 2008 was 26.2%.

Pension and health fund services

The management of fund assets within the Bank Group is performed by OTP Fund Management, while the related administrative tasks and member recruitment activities are performed by OTP Funds Servicing and Consulting.

The OTP Funds continue to play a decisive role in the funds market both in terms of fund assets and the number of members. However, at the end of 2008, as was the case with the assets in the funds of the other market players, the aggregate assets of the OTP Funds fell – by 14.2%, to HUF 538.8 billion – due to a fall in the market value of the securities in their portfolios, a consequence of the financial crisis.

The assets of the OTP Private Pension Fund fell by 15.4%, to HUF 436.7 billion, while its membership grew from 805,000 to 835,000. In 2008 the assets of the OTP Voluntary Pension Fund fell from HUF 106.2 billion to HUF 95.4 billion – representing a decline of 10.6% – while it had close to 250,000 members , 10.71% fewer than in the previous year.

The assets of the OTP Health Fund stood at HUF 6.8 billion, with the number of its members exceeding 134,000.

Retail loans

The consolidated retail loan portfolio of OTP Core[1], which comprises all core operations in Hungary, was HUF 2.179,2 billion at the end of 2008 (+25.6% compared to 2007).

Mortgage loans, residential property leasing

In the first three quarters of 2008 the trends of previous years continued in Hungary's real estate and mortgage market. In the autumn, the impact of the global financial crisis was felt in the Hungarian markets as well, especially in the credit markets, where a major change in trend occurred.

The volume of home construction – based on newly submitted building permit applications and the number of completed construction projects – stagnated throughout the year in 2008, and actually fell by 10% in the last two months of the year. The residential market experienced an even greater decline than this, with this decline also becoming more pronounced towards the end of the year.

The demand for housing loans and mortgage loans grew in the first three quarters of 2008 and exceeded, by more than 26%, the level in the same period of the previous year. As a result of the economic crisis, funds became more expensive and less readily available, which led to a fall in the supply of credit, a fact that, from November, began to be reflected in the contracted loan volumes. Sales in the last two moths of the year fell by 37% compared to the previous year.

[1] Consolidated IFRS loan volume of OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Faktoring containing also the retail and micro and small enterprises, less the loans taken over from the foreign subsidiaries

Increased interest rates and more stringent conditions, due to the lack of foreign currency funds as well as the considerable devaluation of the forint, led to a foreign currency credit crunch which caused a decrease in the disbursement of FX-based loans from 93% at the beginning of the year to 85% at the end of the year.

Trends in the market also determined the mortgage lending practices of the OTP Bank Group. In the first three quarters of the year, the contract volume of mortgage loans grew by 66% compared to the same period of 2007 while sales in the last two months of the year fell to one quarter. Overall, the Bank Group realised a 20% growth in new mortgage loan contracts, which represents double the rate of growth of the market, primarily as a result of the dynamic – 35% – growth in multipurpose mortgage loan volumes.

In 2008 the Bank continued the renewal of its property-backed lending activities, implementing several developments to increase the efficiency and speed of the lending process and taking further measures to make its branch sales operations more customer-focused. The implementation will be completed in March 2009.

The outstanding product development achievement of the year was a real estate loan combined with the OTP Generation Credit life insurance, launched in August 2008, where the amount of the principal instalment is paid into the capital-protected endowment life insurance policy selected by the customer from a range of available options throughout the first 10 years of the term. The facility was acknowledged by the industry and received the 'Retail Loan Product of the Year' award in the 2008 MasterCard competition. In 2008 the Bank launched housing and mortgage loans for non-resident customers as well.

The consolidated mortgage loan portfolio of the Hungarian OTP Core – which, in addition to housing loans, also contains multipurpose mortgage loans – stood at HUF 1,660.7 billion on 31 December 2008, 23% more than in the previous year. Within this category, the portfolio of housing loans grew by 10.4%, to HUF 1,268.6 at year-end, while the portfolio of multipurpose mortgage loans almost doubled to reach HUF 392.0 billion. Close to half of the portfolio consisted of FX-based loans.

The portfolio market share of mortgage loans at group level[2] fell by 4%, to 27.8%, by the end of 2008, despite the fact that the Group achieved a growth of 3.1% in its share of the multipurpose mortgage loan market; however, this was not sufficient to counterbalance the 4.3% loss in the housing loan portfolio, which fell to 32.3%.

Similarly to the growth seen in the retail mortgage-lending market, the residential property leasing market also grew dynamically up until October 2008. Despite the drastically negative changes in October, OTP Home Leasing increased its closing portfolio by close to 90% in 2008 and continues to be a major player in the two key market segments. By making use of the opportunities presented by lease-financing in the market for new-build residential properties intended for sale the Company offers its customers favourable home-leasing products, while in the market for used homes it is supplementing and expanding its range of mortgage lending products by leveraging the special advantages inherent in the market. Through an exceptionally successful sales drive, OTP Home Leasing maintained its outstanding market share, and secured close to 60% of new contracts in 2008 on the market where there are now 12 participants competing for business. Home leasing products are being sold in 300 branches of the Bank, and besides third-party agent sales, relations with property developers have also been extended further.

[2] OTP Bank, OTP Mortgage Bank, and OTP Building Society combined, based on Supervisory Balance Sheet, according to HAS, and based on credit institution housing loans.

Consumer loans

OTP Core had a consumer loan portfolio[3] of HUF 391.4 billion at the end of 2008, 28.7% higher than at the end of 2007.

After housing loans, personal loan products now also offer instalment payment insurance with a monthly premium, which was well received by customers.

The Bank Group's market share[4] in household consumer and other loans – including home equities – improved by 2 percentage points compared with year-end 2007, and was 26.8% on 31 December 2008.

PRIVATE BANKING SERVICES

In 2008, the OTP Private Banking Division once again maintained the dynamic growth achieved in previous years in terms of customer acquisition, reaching a total of 15,000 private banking contracts by the end of the year, which, together with co-account holders, represents a private banking clientele of close to 23,000 individuals. In 2008 the number of private banking contracts grew by 1,207 (from 13,748 to 14,955) representing a growth of 8.8%. At the same time, the ratio of higher income bracket segments continued to increase within the customer base.

In the most difficult period, October 2008, a record number of new customers, exceeding twice the average number, became members of OTP Private Banking, which indicates the heightened value of relationship management.

The joint private banking/corporate 'value offer' and the related service model were further enhanced, offering a unique opportunity on the market for a high-standard, one-stop solution for private and corporate banking transactions. Since the introduction in July 2006 of the SME Gold Account product, the number of contracts opened under the joint corporate/private banking offer – together with approximately 400 new members – exceeded 2,000 by the end of 2008.

The extraordinary market circumstances – the unparalleled market setbacks of 2008, involving virtually every investment asset class – had a marked impact on the assets managed by the Private Banking Division as well.

The market-price decrease, which was most pronounced in the last quarter, resulted in close to HUF 65.7 billion in revaluation losses in the managed portfolio, yet by year-end the assets of the division had nonetheless reached HUF 452 billion. This represents a slight increase compared to the closing assets in 2007 despite strikingly unfavourable market influences – a result to which few asset managers could lay claim in 2008 – and which was due to a very dynamic growth in new assets. OTP Bank maintains a solid market leading position in this segment as well.

As a result of global market events and a decrease in risk appetite, money-market instruments came to the fore within the managed portfolio. Primarily as a result of a robust growth in the overall deposit portfolio, the portfolio that provides the Private Banking Division's own funds grew by HUF 82.1 billion (36.4%) in 2008, while the division's loan-to-deposit ratio fell significantly. OTP Private Banking also made a significant contribution to the further strengthening of the Bank's liquidity position. With respect to profitability, the division's contribution to profits is solid despite the unfavourable market events, and its interest and non-interest revenues grew by 6.6% compared to 2007.

As further indication of the quality of the division, OTP Bank Private Banking, based on a thorough analysis of several quantitative and qualitative factors in 2008, has been awarded the coveted and internationally recognised title of Best Private Banking Service Provider in Hungary in 2009 by Euromoney magazine.

[3] Consolidated IFRS loan volume of OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Faktoring containing also the retail and micro and small enterprises, less the loans taken over from the foreign subsidiaries.
[4] Based on Supervisory Balance Sheet, according to HAS, including loan volume of Merkantil Bank.

COMMERCIAL BANKING SERVICES

Corporate services

The volume of OTP Bank's deposits from corporate clients accounted for 12.4% of the national total as of 31 December 2008, and its corporate loan portfolio for 7.0%.

OTP Core's corporate deposit portfolio[5] fell by 7%, to HUF 824.0 billion, while the corporate loan portfolio fell by 13%, to reach HUF 1,169.7 billion at the end of 2008.

In order to meet the challenges of the financial and economic crisis which began in 2008 and has since steadily deepened, and to mitigate and evade the negative effects of the crisis, a change of strategy was implemented in the commercial banking division.

The division's focus in terms of target customers shifted to small and medium-sized enterprises, the borrowing requirements of which pose a more moderate burden in terms of the Bank's own funds, which accept priced-in banking costs, and which use several banking products, while the previous loan-oriented policy in respect of large corporations and municipalities gave way to a service-intensive and cross-selling-oriented business policy.

The corporate, syndicated, project and international trade finance activity, which provides low returns, is credit intensive and poses concentrated risk, was scaled back.

While in previous years and in the first half of 2008 new loan placements grew steadily, in the second half, as the financial crisis unfolded, resource management and pricing became predominant considerations – concerns that reflected the change in the money markets and the rise in the cost of funding. Increasing the net interest margin meant scaling back and eliminating low-margin placements while taking greater account of individual customer profitability.

At the same time, the use of refinanced funds became more prevalent. Loans from refinanced (mainly MFB) funds can be used for virtually all investment and development loan purposes and are well suited for EU tenders, which are of key importance for the division, and this meant that customers' needs could be met even though the funds available to the Bank decreased. In addition, refinanced working capital loan facilities also became available in 2008, but only in the agricultural sector.

Accordingly, product development efforts focused on refinancing loans and on facilities aimed at stimulating deposit collection:

- OTP Bank increased its placements through the programs that had been announced by Magyar Fejlesztési Bank (Hungarian Development Bank) previously, and it also joined new ones,
- the division prepared a complex business offer for new medium-sized corporate customers ('Contact' business package), and for agricultural customers ('Terra' account package),
- flexible, customised time deposit conditions were offered with regard to larger deposits.

2008 also saw the development and enhancement of services and products for the Bank's micro and small-enterprise (MSE) customers. The Standard DevizaPlusz (FX Plus) and E-devizaPlusz (e-FX Plus) account packages were introduced for small enterprises which, in addition to a forint current account and the related services, also offer an FX account. At the beginning of September 2008 the Bank launched the Takaros ('Thrifty') account package, which is an economical account management solution for condominiums and residential cooperatives that execute only a small number of transactions per month. In addition, the division launched its first account package designed exclusively for non-profit companies which, in addition to providing electronic services, also offers preferential monthly account management fees provided the closing savings balance is of a predetermined level.

[5] Sum of MSE and MLE volumes

In the course of the year the Bank launched several deposit promotion campaigns, which offered competitive interest rates, in many cases the best in the market, on new forint and foreign-currency funds brought into the Bank. In order to protect the deposit portfolio collected in the course of the campaign, two additional time deposit facilities with interest rates that were better than the standard deposit interest rates were offered to customers. Only companies with an 'e-account' package and non-profit companies can fix their free funds electronically in the two-month 'NET' deposit, while the Pyramid Deposit, which has a term of eight months and consists of two-month interest periods where interest is calculated in progressive temporal bands, was designed primarily to suit the saving patterns of condominiums and non-profit customers, although it is also available to corporate customers.

Also introduced was the OTP Ambition Enterprise Development Loan, which enables several investment loan objectives of more than a year to be implemented in a standard process, without having to submit a business plan, and which requires no real estate collateral if it is used for purchasing machines and equipment.

OTP Bank joined the Széchenyi Card 2 credit program, with the key new feature here being the elimination of the quarterly top-up obligation.

In November 2008, OTP Bank indicated to Magyar Vállalkozásfinanszírozási Zrt. (Hungary Enterprise Finance) its intention to join the partially refinanced New Hungary Microcredit program, which as a result has also been available to customers at OTP Bank since January 2009.

In response to the financial crisis, the terms and conditions of lending to small enterprises were reviewed. In order to facilitate the repayment in instalments – over a period of as much as three years – of overdraft liabilities that are excessive relative to a customer's current account turnover, or that otherwise prove difficult for the customer to pay back, the Bank developed, and in February 2009 launched, the OTP Balance Loan.

All the above products are 80% backed by an unconditional guarantee from Garantiqa Hitelgarancia Zrt. (except for the OTP Balance Loan, if the original transaction being refinanced was not guaranteed under a surety undertaking from Garantiqa Hitelgarancia Zrt.).

By simplifying the internal processes involved in lending to condominiums and by revising the associated risk conditions, sales were significantly increased. Most placements were made in respect of the renovation of prefabricated high-rises.

At the end of 2008, the number of OTP Bank's medium and large corporate customers stood at 15,000, and the number of corporate, non-profit, condominium and residential housing-cooperative customers managed by the SME division exceeded 177,000.

The Bank once again succeeded in retaining its leading role in municipality banking in 2008. By the end of 2008, 67% of the client base, 2,143 municipalities and their institutions, were having their current accounts managed at OTP Bank which, amid conditions of fierce competition, represented a fall in market share of 3% over 2007. At the end of 2008, the total volume of municipality deposits was HUF 247.9 billion, which was 2.2% more than at the end of 2007, while the portfolio municipality loans was nearly 16.8% lower, at HUF 194.4 billion. Due to the intensive efforts of the competitors to gain market share, the Bank's market share decreased both in terms of deposits and lending (from 53.1% to 41.0%, and from 54.9% to 48.1% respectively).

Leasing

The Bank Group offers its corporate leasing services through the Merkantil Group. The total vehicle and production-equipment leasing portfolio in Merkantil Car's books rose from HUF 20.2 billion in 2007 to HUF 27.0 billion.

The Bank Group is present on the real estate leasing market through Merkantil Real Estate Leasing Ltd. (MIL Ltd.). At the end of 2008 the balance sheet total of MIL Ltd. stood at HUF 8.1 billion, and its receivables from real estate leasing reached HUF 7.8 billion. Nearly half of the real estate leasing contract portfolio is accounted for in the books of project companies, and the aggregate leasing receivables portfolio of MIL Ltd. and the project companies reached HUF 15.6 billion, representing a 2.5% decrease compared to the end of the previous year.

Project financing

As at 31 December 2008, the value of the project finance portfolio was HUF 358.6 billion. The combined amount of net interest and commission income exceeded HUF 7.1 billion, which represents an increase of 57.7% compared to the previous year.

The contracts concluded in the first half of the year were the result of negotiations that had been initiated earlier. Perhaps most notable among them are the transactions that are being financed in Bulgaria, such as the Sandrose Holidays project and the shopping centres in Varna.

As a result of the economic crisis, for reasons of liquidity management no opportunities presented themselves for entering into new transactions in the second half of 2008, while the already existing projects are being repriced and financing is being abandoned. Consequently, several large repayments and prepayments were made in respect of several projects such as, for example, in the case of the loans extended to finance SCD Holding, Bankcenter, Mátra Power Plant and Csepeli Áramtermelő.

Loan and capital market operations

On the international credit market, on 28 April 2008 OTP Bank drew down a EUR 73 million, 10-year loan from the EIB in CHF at a very favourable premium of less than 10 bp over the CHF LIBOR interest rate. Within the framework of its EMTN program launched to raise funds from foreign capital markets, OTP Bank issued a 3-year bond with fixed 5.75% interest rate for EUR 500 million, at a value date of 16 May 2008, with the participation of DZ and Morgan Stanley as arrangers and distributors. At the time of issuance the interest rate corresponded to a very favourable 140 bp premium over the 3 year midswap rate.

Due to the general international credit crisis and the negative economic trends caused by the subprime mortgage crisis in the summer of 2007, opportunities for raising funds on the capital markets fell to virtually zero. A significant increase in CDS premiums, the lack of a Hungarian benchmark issue and the effective 'dumping' of state-guaranteed international AAA bonds prevented OTP from entering the international capital market.

Municipal bond issuances continued in 2008, although at a slower pace than during the upswing of 2007. OTP Bank took part in the bond issuance programs of a total of 18 municipalities and companies owned by municipalities as arranger, executor and underwriter in a total nominal value of nearly HUF 23 billion.

International syndication and commercial financing

In the second half of 2008, after the global economic crisis took hold, a significant change occurred in the syndicated loans market. Both the primary and the secondary market gradually contracted, the abundance of liquidity seen in previous years disappeared, and risk premiums grew dramatically. As a result, there were no more new syndicated transactions in the primary market, and buyers disappeared from the secondary market. The situation became especially critical by the end of the year. Banks adopted a wait-and-see attitude and attempted to restructure and strengthen their portfolios and focus on monitoring activity.

In response to the change in the economy, OTP Bank also rethought its market strategy and its previous objectives, and its focus on growth was replaced by active portfolio management. Within the framework of active portfolio management, the Bank successfully sold a considerable portion of its assets, and a portion of the remaining assets were re-priced in keeping with the changed market conditions. A key objective of the Bank was to preserve the quality of the portfolio, and therefore monitoring activity was strengthened. Thanks to prudent lending and investment policies, the classification of the portfolio did not deteriorate significantly despite the widening economic crisis, and there were no non-performing or insolvent transactions in the portfolio by the end of the year.

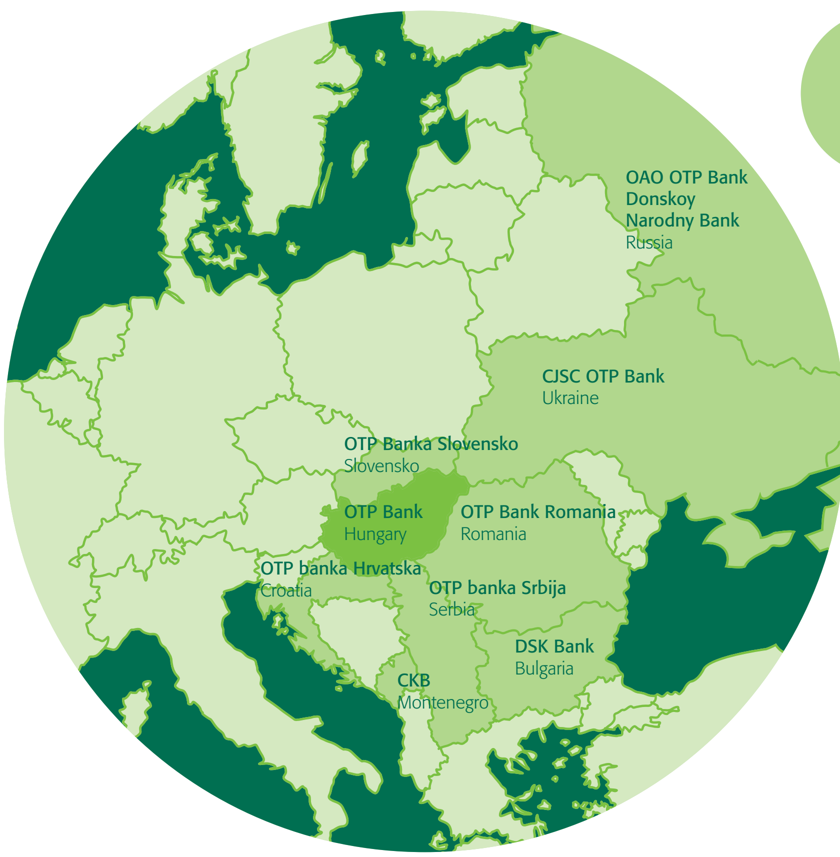
Operations of the foreign subsidiaries*

DSK GROUP

DSK Bank remains one of the market-leader bank in Bulgaria in terms of total assets. The DSK Group's total assets based on IFRS on 31 December 2008 stood at HUF 1,171.6 billion, of which deposits from customers accounted for 62%, or HUF 722.9 billion. This portfolio grew by 11.2% on a year-to-year basis. The gross customer loan portfolio (including SPVs) increased by 33% year to year, and exceeded HUF 1,014 billion, representing approximately 87% of the total assets.

The share of retail loans (including SME loans) in the gross loan portfolio was 80%.

The consolidated profit before tax of the DSK Group (corrected for SPVs**) was HUF 34.5 billion, while its profit after tax was HUF 31.0 billion, which represented a 17.5% increase on a year-to-year basis. The close to HUF 84.0 billion in interest income realised in 2008 and the nearly HUF 30.9 billion interest expense together resulted in net interest income of nearly HUF 53.1 billion. The Group's non-interest income rose by 22.4%, coming close to HUF 17 billion.



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

** Asset Management AD (SPV)

In 2008 DSK Group's net interest margin to average total assets were 4.82%.

In 2008, the Group's cost/income ratio was 36.7%; the Group achieved a ROAA of 2.82% and a ROAE of 21.5%.

At the end of December 2008, the Bank's market share based on total assets was 12.7%. Its share of retail deposits was 19.9%. The Bank's share of the home loan market was 28.4%, and its share of retail customer loans was 33.5%.

At the end of 2008, the Bank had a total of 850 ATMs, 3,481 POS terminals and 379 branch offices. The number of employees at DSK Group was 4,279 as at 31 December 2008.

OTP Bank Russia

The acquisition of the Russian Investsberbank (ISB) was completed on 30 October 2006 and the Bank was fully consolidated in 2007. The name of Investsberbank was changed to OAO OTP Bank in the first quarter of 2008. We assessed the operation of the Russian subsidiary on the basis of OAO OTP Bank's stand-alone financial statements in the first quarter of 2008. From the second quarter of 2008 onward, the assessment was based on the combined financial statements of OAO OTP Bank and the newly acquired Donskoy Narodny Bank (jointly referred to as OTP Bank Russia).

On 31 December 2008, OTP Bank Russia's total assets were HUF 529 billion, 72.4% of which was gross loans. Within the HUF 383.1 billion gross loan portfolio, the portion of the corporate loans decreased further, to 29.6%, while retail loans and SME loans rose to 70.4%. Within retail and SME loans, mortgage-backed loans accounted for 26.3%. Consumer loans continue to account for a predominant, 72.3% share. Customer deposits accounted for 42.4% of the total liabilities; within this total, retail deposits amounting to HUF 137.3 billion represented 61.2%, and corporate deposits amounting to HUF 86.9 billion accounted for 38.8%.

At year-end, OTP Bank Russia's equity stood at over HUF 60.7 billion. In 2008 the Russian subsidiary generated HUF 11.7 billion in profit before tax and slightly over HUF 8.9 billion in profit after tax, which, net of one-off items, translates into an annual 26% growth. The Bank's cost/income ratio was 59.5%.

The market share of the Bank is not significant in the Russian market, and only regarding to the consumer loans is above 1%.

At the end of 2008 the Bank operated 176 branches and 192 ATMs, and had a staff of 8,449 employees.

CJSC OTP BANK

In December 2008, CJSC OTP Bank was the 9th largest bank in Ukraine based on its total assets, with a market share of 3.8% based on total assets. On 31 December 2008 the Bank's total assets according to IFRS was HUF 847.0 billion; 90.2% of the assets consisted of loan receivables and 7.5% consisted of placements with other banks. In contrast with an outstanding, 43.9%, the growth over the year in loans, customer deposits declined by 1.4%, due to a significant withdrawal of deposits that occurred in the last quarter of 2008, as a result of which they accounted for 20.1% of the Bank's total assets at the end of 2008.

The almost to HUF 89.0 billion of interest income realised in 2008 and the nearly HUF 39.9 billion interest expense together resulted in net interest income of nearly HUF 49.1 billion, which translates into a noteworthy 67% increase on a year-to-year basis. In 2008 the Bank's net interest margin to average total assets improved further, to 6.67%. Due to its conservative provisioning policy, CJSC OTP Bank generated HUF 26.4 billion loan provision in 2008, as against a HUF 60 million release in 2007.

In 2008 the Ukrainian subsidiary generated HUF 23.1 billion in profit before tax and HUF 16.4 billion in profit after tax, which translates into a 16.5% growth on a year-to-year basis. The adjusted cost/income ratio improved from 45.6% in 2007 to 35.1%, due to tight cost controls.

CJSC OTP Bank's share of retail deposits was 1.3% as at 31 December 2008, among which it had a 1.9% share in foreign-currency deposits. The Bank's market share in respect of retail loans was 4.6%.

The Bank increased the number of its branches from 158 to 229 in 2008, and operated a total of 208 ATMs and 362 POS terminals as of 31 December 2008. The number of its employees was 4,392 at the end of 2008.

The Bank's ROAE was 22.5%, and its ROAA was 2.23%.

OTP Bank Romania

The total assets of OTP Bank Romania (OBR), including the retail and corporate receivables sold to OTP Bank, exceeded HUF 367.5 billion as at 31 December 2008, which represented 23.5% rise compared to the year-end figure of 2007. The Bank's market share based on total assets was 1.2% at the end of 2008. Its total equity was HUF 23.2 billion on 31 December 2008.

The Bank's gross loans rose by 50.5%, to HUF 316.8 billion, in 2008. Customer deposits rose by 2.1%, to HUF 72.2 billion, with the Bank's loan-to-deposit ratio reaching 439%. Non-performing loans as a proportion of the total loan portfolio fell from 8.1% in 2007 to 6.9% in 2008. The Bank increased its market share of retail loans from 2.2% as at the end of 2007 to 2.8%, while in the area of corporate loans its market share stood at 2.0%. On the housing and mortgage loans market the Bank had a 4.1% share, while in terms of retail deposits its share was 0.7% at the end of 2008.

OTP Bank Romania closed 2008 as its first profitable business year: it realised close to HUF 241 million net profit of one-off items, dividends and contribution kind. OBR's income grew dynamically, by 65.6%, while there was only a minor increase, of 7.8%, in operating costs due to tight cost control, as a result of which the cost/income ratio improved significantly, from 120.7% to 78.5%. Loan provision increased from HUF 0.8 billion to HUF 3.0 billion.

The number of the Bank's customers grew from 140,000 to 178,000 over the course of 2008, and the number of issued bankcards increased more than 1.5 times over the previous year, reaching 116,000. The number of retail current accounts managed by the Bank came close to 144,000 at year-end, while the number of corporate accounts surpassed 17,000.

The Bank did not expand its branch network significantly. It only opened 1 new branch in 2008 and was operating a total of 105 branches at year-end. In contrast, the number of the Bank's ATMs and POS terminals rose substantially, reaching 132 and 681 respectively by the end of the year. The number of employees stood at 1,096 at year-end 2008, which was 98 more than a year earlier.

OTP banka Hrvatska

On 31 December 2008 the consolidated total assets of OTP banka Hrvatska (OBH) was HUF 463 billion, as a result of which the Bank's share of the Croatian market was 3.5%. The Bank's gross loans grew by 24.4%, amounting to HUF 309.6 billion at the end of 2008, giving it a year-end market share of 3.6%. Deposits from customers reached HUF 315.3 billion at the end of 2008, corresponding to a market share of 4.1%. The Bank's cost/income ratio was 62.9%.

The Bank increased its market share of retail loans from 4.1% at the end of 2007 to 4.4%, while in respect of corporate loans its market share was 3.1%. In the home loans market the Bank had a share of 5.1% at the end of 2008, while its share of the consumer loans segment was 4.0%, of the retail loans market, 5.3%, and of corporate loans, 1.7%.

At the end of 2008 OTP banka Hrvatska had more than 447,000 customers for whom it was managing close to 422,000 retail accounts and 24,000 corporate accounts. The number of bankcards issued in 2008 grew by 10.5%, to 357,000. Within this, the number of credit cards grew by close to 28.8% during the year, to over 47,000.

OBH's profit after tax in 2008 was HUF 5,0 billion, up by 41.8% over the previous year. This growth was attributable to 17.4% increase in interest income, 14.7% increase in commission fees, 206% rise in other non-interest income and a strict cost control policy.

The Bank's sales network was expanded further in 2008. The program that was aimed at expanding and developing the network of branches and ATMs, which had been launched in 2007, continued in 2008, and as a part of this, 5 new branches were opened and 44 ATMs were installed during the year. As a result, OBH had 105 branches, 163 ATMs and 1,172 POS terminals by the end of 2008. The Group's headcount was 1,047 by the end of 2008, 31 people more than by the end of 2007.

OBH's ROAA was 10.6% at the end of 2008, and its ROAA was 1.14%.

OTP Banka Slovensko

On 1 January 2009, second from the former socialist countries, Slovakia joined the eurozone as its 16th member. The European Union's ministers of finance set the conversion rate of the Slovak currency at a level of SKK 30.126 to EUR 1, effective from the second half of 2008.

The total assets of OTP Banka Slovensko, a.s. (OBS) was HUF 429.1 billion as at year-end 2008, which represents a 16.6% rise compared to year-end 2007, and which secured it a 2.7% share of the banking market in Slovakia. The Bank's shareholders' equity rose by 29.5%, to HUF 30.6 billion, in the reporting period. OBS's profit after tax for 2008 (adjusted by one-off items) amounted to HUF 1.4 billion, which translates into a HUF 1.2 billion decrease compared to the profit of the previous year. The Bank's ROAA at the end of 2008 was 0.39%, its ROAE was 5.7%, and its cost/income ratio was 72.3%.

At the end of 2008, due to an increase of 35.4%, OBS's credit portfolio amounted to HUF 314.4 billion, which enabled it to retain its 4.0% market share. Its deposit portfolio rose by 15.7%, to HUF 262.8 billion, in 2008, and its market share was 2.6% as of 31 December 2008.

During the year of 2008 the number of the Bank's customers increased by 19,000, to 188,000. Within this, the number of retail customers was nearly 170,000 and out of which corporate customers more than 18,000.

The number of bankcards issued by OBS was nearly 120,000 at the end of 2008, which represents 12.1% increase compared to the end of 2007. The number of retail cards grew by more than 12,000, to 107,000, and the number of corporate cards grew to nearly 13,000. The Bank's ATMs numbered 119 and the number of proprietary POS terminals was 602 at the end of the year.

The Slovakian bank was serving customers through a total of 89 branches at the end of 2008. The Bank's headcount was 839 as at 31 December 2008.

OTP banka Srbija

At the end of 2008, OTP banka Srbija's total assets of HUF 143 billion represented a 2.5% market share on the Serbian market.

The loan portfolio amounted to HUF 94.7 billion, representing 50% increase on a year-to-year basis, which secured the Bank 2.8% market share. Within total loans, the share of corporate loans increased further, to 73.8%. The Bank's HUF 33.9 billion deposit portfolio meant 11% decrease compared to 2007, securing a market share of 1.4% in deposits at the end of 2008.

The Bank achieved HUF 1.7 billion in after-tax profit in 2008 as compared with HUF 594 million in 2007, which was due, in part, to one-off items. The cost/income ratio rose by 3.7 percentage points, to 85.4%.

At the end of 2008 the number of the Bank's customers exceeded 362,000, of whom 337,000 were retail customers. The number of bankcards was 94,200 at the end of December, and within this, the number of credit cards exceeded 32,000. The Bank installed 33 new ATMs in 2008, and thus their total number rose to 204. The number of POS terminals was 3,356 at the end of the year. At year-end 2008 the Bank had 95 branches, 5 offices fewer than at the end of 2007. The Bank employed 1,183 people at the end of 2008.

Crnogorska komercijalna banka

As at 31 December 2008, the Bank's total assets were HUF 308.1 billion. From the gross loan portfolio, 30.3% consisted of retail loans, 32% of MSE loans, 34.5% of corporate loans, and 3.2% of municipal loans. Customer deposits amounted to HUF 205.4 billion, nearly half of which, 45.6%, were retail deposits. Customer deposits made up 67% of the total assets and the loan-to-deposit ratio reached 124%. The Montenegrin subsidiary realised HUF 3.12 billion in profit before tax and HUF 2.95 billion in profit after tax in 2008. The cost/income ratio was 49.4% in 2008, with a ROAA of 1.0% and a ROAE of 20.5%.

At the end of 2008 the Bank had 40 branches and operated 105 ATMs. The number of its customers exceeded 303,000. The number of its employees was 483.