



**OTP BANK PLC.**

**UNCONSOLIDATED CONDENSED  
FINANCIAL STATEMENTS IN ACCORDANCE  
WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS ADOPTED  
BY THE EUROPEAN UNION**

***FOR THE YEAR  
ENDED 31 DECEMBER 2007***



# OTP BANK PLC.

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Unconsolidated Condensed Financial Statements of the National Savings and Commercial Bank Plc. prepared in accordance with International Financial Reporting Standards adopted by the European Union

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**OTP BANK PLC.**  
**UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007**  
**(UNAUDITED) (in HUF million)**

	Note	2007	2006
Cash, due from banks and balances with the National Bank of Hungary		223,700	429,325
Placements with other banks, net of allowance for possible placement losses		725,457	657,939
Financial assets at fair value through profit and loss	4.	123,371	61,085
Securities available-for-sale	5.	320,615	348,859
Loans, net of allowance for possible loan losses	6.	2,188,631	1,751,678
Accrued interest receivable		46,429	44,398
Investments in subsidiaries	7.	630,679	583,298
Securities held-to-maturity	8.	558,510	504,111
Premises, equipment and intangible assets, net		110,602	100,721
Other assets		<u>176,272</u>	<u>25,283</u>
<b>TOTAL ASSETS</b>		<b><u>5,104,266</u></b>	<b><u>4,506,697</u></b>
Due to banks and deposits from the National Bank of Hungary and other banks		584,804	557,857
Deposits from customers	9.	2,955,035	2,690,098
Liabilities from issued securities		394,196	202,050
Accrued interest payable		18,411	16,175
Other liabilities		137,915	122,398
Subordinated bonds and loans		<u>298,914</u>	<u>247,865</u>
<b>TOTAL LIABILITIES</b>		<b><u>4,389,275</u></b>	<b><u>3,836,443</u></b>
Share capital		28,000	28,000
Retained earnings and reserves		741,199	644,000
Treasury shares		<u>(54,208)</u>	<u>(1,746)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>714,991</u></b>	<b><u>670,254</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>5,104,266</u></b>	<b><u>4,506,697</u></b>

**OTP BANK PLC.**  
**UNCONSOLIDATED CONDENSED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**  
**(UNAUDITED) (in HUF million)**

	Note	2007	2006
<i>Interest Income</i>	11.	<u>395,558</u>	<u>331,917</u>
<i>Interest Expense</i>	11.	<u>208,680</u>	<u>128,753</u>
<b>NET INTEREST INCOME</b>	11.	<b>186,878</b>	<b>203,164</b>
Provision for possible loan and placement losses	6.,7.	<u>21,453</u>	<u>25,443</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>		<b>165,425</b>	<b>177,721</b>
<i>Non-Interest Income</i>		<u>179,689</u>	<u>195,251</u>
<i>Non-Interest Expenses</i>		<u>183,702</u>	<u>185,486</u>
<b>INCOME BEFORE INCOME TAXES</b>		<b>161,412</b>	<b>187,486</b>
Income taxes		<u>20,354</u>	<u>17,298</u>
<b>NET INCOME AFTER INCOME TAXES</b>		<b><u>141,058</u></b>	<b><u>170,188</u></b>
Earnings per share (in HUF)			
Basic		<u>506</u>	<u>635</u>
Diluted		<u>505</u>	<u>629</u>

**OTP BANK PLC.**  
**UNCONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**  
**(UNAUDITED) (in HUF million)**

	<b>2007</b>	<b>2006</b>
Income before income taxes	161,412	187,486
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i>		
Income tax paid	(24,101)	(25,913)
Depreciation and amortization	20,035	17,391
Provision	22,372	31,431
Share-based payment	5,123	5,927
Unrealised gains on fair value adjustment of securities held-for-trading and available for sale	688	1,435
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments	(1,620)	(13,676)
Other changes in operating assets and liabilities	<u>(193,986)</u>	<u>38,410</u>
<b>Net cash provided by operating activities</b>	<b><u>(10,077)</u></b>	<b><u>242,491</u></b>
<b>Net cash used in investing activities</b>	<b><u>(631,757)</u></b>	<b><u>(905,710)</u></b>
<b>Net cash provided by financing activities</b>	<b><u>414,750</u></b>	<b><u>696,756</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b><u>(227,084)</u></b>	<b><u>33,537</u></b>
Cash and cash equivalents at the beginning of the period	<u>294,581</u>	<u>261,044</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>67,497</u></b>	<b><u>294,581</u></b>
<b><i>Analysis of cash and cash equivalents opening and closing balance</i></b>		
Cash, due from banks and balances with the National Bank of Hungary	429,325	379,249
Compulsory reverse established by National Bank of Hungary	<u>(134,744)</u>	<u>(118,205)</u>
<b>Cash and Cash equivalents opening balance</b>	<b><u>294,581</u></b>	<b><u>261,044</u></b>
Cash, due from banks and balances with the National Bank of Hungary	223,700	429,325
Compulsory reverse established by National Bank of Hungary	<u>(156,203)</u>	<u>(134,744)</u>
<b>Cash and Cash equivalents closing balance</b>	<b><u>67,497</u></b>	<b><u>294,581</u></b>

**OTP BANK PLC.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**  
**(UNAUDITED) (in HUF million)**

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
<b>Balance as at 1 January 2006</b>	<b>28,000</b>	<b>486,051</b>	<b>(40,752)</b>	<b>473,299</b>
Net income after income taxes	-	170,188	-	170,188
Fair value adjustment of securities available- for-sale recognised directly through equity	-	(5,502)	-	(5,502)
Share-based compensation	-	5,927	-	5,927
Profit on ICES - exchangeabled bond transaction recognised through equity	-	39,364	-	39,364
Dividend for the year 2005	-	(55,160)	-	(55,160)
Profit on sale of treasury shares	-	3,132	-	3,132
Change in carrying value of treasury shares	-	-	<u>39,006</u>	<u>39,006</u>
<b>Balance as at 31 December 2006</b>	<b><u>28,000</u></b>	<b><u>644,000</u></b>	<b><u>(1,746)</u></b>	<b><u>670,254</u></b>
Net income after income taxes	-	141,058	-	140,671
Fair value adjustment of securities available- for-sale recognised directly through equity	-	(2,018)	-	(2,018)
Fair value adjustment of derivative financial instruments recognised through equity	-	(387)	-	(387)
Share-based compensation	-	5,123	-	5,123
Profit on ICES - exchangeabled bond transaction recognised through equity	-	(2,360)	-	(2,360)
Dividend for the year 2006	-	(40,320)	-	(40,320)
Profit on sale of treasury shares	-	(3,897)	-	(3,897)
Change in carrying value of treasury shares	-	-	<u>(52,462)</u>	<u>(52,462)</u>
<b>Balance as at 31 December 2007</b>	<b><u>28,000</u></b>	<b><u>741,199</u></b>	<b><u>(54,208)</u></b>	<b><u>714,991</u></b>

**OTP BANK PLC.**  
**NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS**

**1.1. General**

These interim condensed financial statements had been prepared in accordance with the prescriptions of IAS 34.

**1.2. Accounting**

The Bank maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

The Bank's functional currency is the Hungarian Forint ("HUF").

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS).

Preparing these financial statements the Bank followed the same accounting policies and methods as are applied in the annual financial statements of the year ended 31 December 2006 and were prepared according to the International Financial Reporting Standards.

**NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2007, AND POST BALANCE SHEET EVENTS**

On 26 February 2007 the Bank issued EUR 750 million floating rate note due 2009 under the EUR 3 billion European Medium Term Program.

On 26 February 2007 the Bank also issued EUR 200 million 5.27% subordinated notes due 19 September 2016 under the same program.

OTP Bank Plc. has increased its shareholding in Serbian Kulska banka a.d. Novi Sad (Kulska banka) as a result of several share purchases at the Belgrade Stock Exchange during the last few months and the recently finished public offer of treasury shares. As of 20 March 2007 OTP Bank owned 92.552% of Kulska banka's registered capital.

OTP Bank Plc.'s Serbian subsidiaries, Niška banka a.d. Niš, Zepter banka a.d. Beograd and Kulska banka a.d. Novi Sad held an extraordinary general meeting on 23 March 2007. Based on Board draft proposals, a resolution for the merger of the three banks was approved at the shareholders' forum. In possession of the requisite Hungarian and Serbian licenses, as of 21 May 2007 (also the first day of business) the merged credit institution will operate under the name of OTP banka Srbija a.d. Novi Sad in the territory of the Republic of Serbia, with its headquarters located in Novi Sad.

The Government of the Republic of Serbia granted its special permit for the use of the word 'Srbija' in the name of the credit institution.

OTP Bank Plc. hereby announces, that it closed a contract with BNP Paribas Hungaria Bank, according to that OTP Bank Plc. has bought BNP Paribas Hungaria Bank's shares of 0.8013% in Giro Elszámolásforgalmi Ltd. Thus, OTP Bank Plc. increased its ownership in the company from 14.42% to 15.22%.

**OTP BANK PLC.**  
**NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**NOTE 2:      **SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2007, AND POST BALANCE SHEET EVENTS [continued]****

According to the legal requirements in place, OTP Bank Plc. announces that its direct and indirect stake in MOL Hungarian Oil and Gas Plc. grew to 9.098% (9,752,158 pieces of share) as of 21 June 2007. Out of its current stake 8,757,362 shares were obtained in a framework of a securities lending agreement with the aim of developing this new business activity at OTP Bank Plc.

The amount of MOL "A" shares owned directly and indirectly by OTP Bank Plc. increased to 10,253,993 shares on 31st December, 2007. Accordingly, the direct and indirect interest of OTP Bank Plc. in MOL Hungarian Oil and Gas Company is under 10 per cent.

OTP Bank Plc. has launched a bond issue program of HUF 100,000,000,000 (one hundred thousand million).

The Committee for Product Development, Marketing and Pricing of OTP Bank Plc. adopted the resolution no. 71/2007 about the bond issue program on 13 March 2007. The Information Memorandum related to the program and this announcement were approved by the Hungarian Financial Supervisory Authority with resolution no. E-III/10.350/2007 dd. 1 August 2007. The Information Memorandum has a validity of 12 months from the date of the announcement.

The subscription period of the index linked OTPX2010A Bond between 3 December 2007 and 27 December 2007 closed successfully. The Bonds could be subscribed in the domestic branches of OTP Bank Plc. The investors subscribed the total of HUF 1,393,200,000. OTP Bank Plc. accepted all of the subscriptions, HUF 1,393,200,000 amount of OTPX2010A bonds was issued.

According to the 8/2004 and 9/2006 resolutions of the Annual General Meetings of OTP Bank Plc, relevant paragraphs have been changed on condition the law on abolishing the voting preference share of the State ("golden share") comes into effect. The XXVI.Law came into effect on 21 April 2007. On that day according to the relevant paragraphs of AGMs the voting preference shares stipulations ceased existing, thus 1 preference voting share with HUF 1000.- face value has been transformed into 10 ordinary shares with HUF 100.- face value.

OTP Bank the 100% owner of OTP Trade Ltd., has increased the registered capital of its subsidiary by HUF 20 million, thus the OTP Trade Ltd.'s core capital is HUF 50 million.

OTP Bank the 96,81% owner of OTP Fund Servicing & Consulting Ltd., has increased the registered capital of its subsidiary by HUF 1.02 billion, thus the Fund Servicing & Consulting Ltd.'s core capital is HUF 2,349,940,000.

OTP Bank the 100% owner of Air Invest Ltd., has increased the registered capital of its subsidiary by HUF 3 million, thus the Air Invest's core capital is HUF 194 million.

OTP Bank the 100% owner of OTP Mortgage Bank, has increased the registered capital of its subsidiary by HUF 7 billion, thus the Mortgage Bank's core capital is HUF 27 billion.

OTP Bank the 91.43% owner of OTP banka Srbija, has increased the registered capital of its subsidiary by EUR 64.5 million, thus the Serbian bank's core capital is EUR 81.3 million.

On the initiative of OTP Bank Plc. the OTP Financing Cyprus Company Limited was incorporated on 31 October 2007 under registration no. 211402 in Cyprus in compliance with resolution no.1001/2007 of the Hungarian Financial Supervisory Authority. The company has a capital of EUR 1,000 and is under 100 % ownership of OTP Bank Plc. The company was established with the aim to optimize the financial transactions within OTP Group.



**OTP BANK PLC.  
NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

OTP Bank purchased the 100 per cent of the participation interests of Donskoy Narodny Bank (DNB) on 12 November 2007. The Bank will pay a purchase price close to USD 40.95 million after all the required Russian and Hungarian official licences and permits have been obtained; the purchase price shall be transferred to the seller at the expected closing time of the deal, at the beginning of 2008.

OTP Financing Netherlands B. V. was incorporated on 28 November 2007 as the fully-owned subsidiary of OTP Bank Plc. The company has a capital of EUR 90,000.

OTP Bank the 100% owner of DSK Bank, has increased the registered capital of its subsidiary by BGN 60,000,000 thus the DSK Bank's core capital is BGN 153,984,000.

OTP Bank Plc. and Calyon Bank Magyarország Zrt. concluded a share purchase agreement concerning the shares representing 0.801% ownership of Calyon Bank Magyarország Zrt. in Giro Elszámolásforgalmi Zrt. on 22nd December 2007. The ownership of the shares passed to OTP Bank Nyrt. on 28th December 2007. After the completion of this transaction the ownership of OTP Bank Nyrt. in Giro Elszámolásforgalmi Zrt. has increased from 15.22% to 16.021%.

OTP Bank the 100% owner of CJSC OTP Bank, has increased the registered capital of its subsidiary by UAH 247,972,709 thus the CJSC OTP Bank's core capital is UAH 902,558,018.

**NOTE 3: DIVIDENDS PAID (in HUF mn)**

Dividends paid on common shares in the year of 2007 and 2006, respectively:

	<b>2007</b>	<b>2006</b>
Dividends paid on common shares	<u>40,151</u>	<u>55,119</u>

**NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS (in HUF mn)**

	<b>2007</b>	<b>2006</b>
Securities held for trading		
Hungarian Government discounted Treasury bills	2,147	1,562
Hungarian Government interest bearing Treasury bills	2,406	5,710
Government bonds	47,964	25,744
Mortgage bonds	3,549	2,741
Other securities	<u>4,318</u>	<u>318</u>
	<u>60,384</u>	<u>36,075</u>
Derivative financial instruments designated as held for trading	<u>62,987</u>	<u>25,010</u>
<b>Total</b>	<u><b>123,371</b></u>	<u><b>61,085</b></u>

**OTP BANK PLC.**  
**NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**NOTE 5: AVAILABLE-FOR-SALE SECURITIES (in HUF mn)**

	<b>2007</b>	<b>2006</b>
Government bonds	41,773	17,317
Mortgage bonds	161,545	212,419
Other securities	<u>117,297</u>	<u>119,123</u>
	<u>320,615</u>	<u>348,859</u>

**NOTE 6: LOANS AND ALLOWANCE FOR LOAN LOSSES (in HUF mn)**

	<b>2007</b>	<b>2006</b>
Short-term loans and trade bills (within one year)	584,538	585,537
Long-term loans and trade bills (over one year)	<u>1,632,913</u>	<u>1,197,162</u>
	<u>2,217,451</u>	<u>1,782,699</u>
Allowance for possible loan losses	<u>(28,820)</u>	<u>(31,021)</u>
	<u>2,188,631</u>	<u>1,751,678</u>

An analysis of the loan portfolio by type, before allowances for possible loan losses, is as follows:

	<b>2007</b>		<b>2006</b>	
Commercial loans	1,446,353	65%	1,004,605	56%
Municipality loans	214,428	10%	210,159	12%
Housing loans	211,504	10%	259,583	14%
Consumer loans	280,925	13%	241,479	14%
Mortgage loans	<u>64,241</u>	<u>3%</u>	<u>66,873</u>	<u>4%</u>
	<u>2,217,451</u>	<u>101%</u>	<u>1,782,699</u>	<u>100%</u>

An analysis of the allowance for possible loan losses is as follows:

	<b>2007</b>	<b>2006</b>
Balance as at 1 January	31,021	22,162
Provision for possible loan losses	21,453	25,443
Write-offs	<u>(23,654)</u>	<u>(16,584)</u>
Balance as at 31 December	<u>28,820</u>	<u>31,021</u>

**OTP BANK PLC.**  
**NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)**

	<b>2007</b>	<b>2006</b>
Equity investments:		
Controlling interest	630,781	583,496
Significant interest	75	75
Other	<u>938</u>	<u>786</u>
	<u>631,794</u>	<u>584,357</u>
Allowance for permanent diminution in value	<u>(1,115)</u>	<u>(1,059)</u>
	<u>630,679</u>	<u>583,298</u>

An analysis of the change in the allowance for permanent diminution in value is as follows:

	<b>2007</b>	<b>2006</b>
Balance as at 1 January	1,059	3,508
Write-offs	56	10
Credit for permanent diminution in value	<u>-</u>	<u>(2,459)</u>
Balance as at 31 December	<u>1,115</u>	<u>1,059</u>

**NOTE 8: HELD-TO-MATURITY INVESTMENTS (in HUF mn)**

	<b>2007</b>	<b>2006</b>
Government securities	172,125	185,088
Hungarian Government discounted Treasury bills	341	28,095
Bonds issued by National Bank of Hungary	97,085	-
Mortgage bonds	288,959	289,328
Other debt securities	<u>-</u>	<u>1,600</u>
	<u>558,510</u>	<u>504,111</u>

**OTP BANK PLC.**  
**NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)**

	<b>2007</b>	<b>2006</b>
Within one year:		
In HUF	2,462,083	2,280,834
In foreign currency	<u>483,208</u>	<u>397,523</u>
	<u>2,945,291</u>	<u>2,678,357</u>
Over one year:		
In HUF	<u>9,744</u>	<u>11,741</u>
	<u>9,744</u>	<u>11,741</u>
Total	<u>2,955,035</u>	<u>2,690,098</u>

An analysis of deposits from customers by type, is as follows:

	<b>2007</b>		<b>2006</b>	
Commercial deposits	906,160	31%	708,981	26%
Municipality deposits	204,545	7%	168,379	6%
Consumer deposits	<u>1,844,330</u>	<u>62%</u>	<u>1,812,738</u>	<u>68%</u>
	<u>2,955,035</u>	<u>100%</u>	<u>2,690,098</u>	<u>100%</u>

**NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS**

**(a) *Contingent liabilities and commitments***

	<b>2007</b>	<b>2006</b>
Commitments to extend credit	749,015	689,963
Guarantees arising from banking activities	255,406	194,189
Confirmed letters of credit	5,892	16,560
Legal disputes	5,708	5,698
Contingent liabilities related to OTP Mortgage Bank Company Plc.	38,702	30,363
Other	<u>5,178</u>	<u>3,242</u>
	<u>1,059,901</u>	<u>940,015</u>

**OTP BANK PLC.**  
**NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS [continued]**

**(b) Derivatives**

	<b>2007</b>	<b>2006</b>
Foreign currency contracts designated as held for trading		
Assets	97,699	37,825
Liabilities	<u>99,161</u>	<u>38,653</u>
Net	<u>(1,462)</u>	<u>(828)</u>
Net fair value	<u>(649)</u>	<u>(482)</u>
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	2,063,109	951,605
Liabilities	<u>1,980,414</u>	<u>921,045</u>
Net	<u>82,695</u>	<u>30,560</u>
Net fair value	<u>15,413</u>	<u>13,871</u>
Interest rate swaps designated in hedge accounting relationships		
Assets	20,041	19,611
Liabilities	17,320	18,286
Net	<u>2,721</u>	<u>1,325</u>
Net fair value	<u>1,478</u>	<u>1,072</u>
Option contracts		
Assets	123,467	9,436
Liabilities	123,520	10,477
Net	<u>(53)</u>	<u>(1,041)</u>
Net fair value	<u>25,900</u>	<u>423</u>
Forward security agreements designated as held for trading		
Assets	175	149
Liabilities	175	149
Net	<u>-</u>	<u>-</u>
Net fair value	<u>(1)</u>	<u>3</u>

As at 31 December 2007, the Bank has derivative instruments with positive fair values of HUF 65,296 million and negative fair values of HUF 23,155 million. Corresponding figures as at 31 December 2006 are HUF 26,977 million and HUF 12,090 million.

Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities.

**OTP BANK PLC.**  
**NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**NOTE 11: NET INTEREST INCOME (in HUF mn)**

	<b>2007</b>	<b>2006</b>
Interest income		
Loans	199,770	167,058
Placements with other banks	104,976	73,004
Due from banks and balances with National Bank of Hungary	11,754	24,053
Securities held-for-trading	2,808	2,189
Securities available-for-sale	24,952	25,485
Debt securities held-to-maturity	<u>51,298</u>	<u>40,128</u>
<i>Total Interest Income</i>	<u>395,558</u>	<u>331,917</u>
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	65,939	36,492
Deposits from customers	110,504	81,167
Liabilities from issued securities	16,151	6,722
Subordinated bonds and loans	<u>16,086</u>	<u>4,372</u>
<i>Total Interest Expense</i>	<u>208,680</u>	<u>128,753</u>
<b>NET INTEREST INCOME</b>	<b>186,878</b>	<b>203,164</b>

**NOTE 12: RELATED PARTY TRANSACTIONS**

The Bank enters into transactions for services with a number of subsidiaries. Such transactions are conducted at rates which approximate market conditions.

The Bank sells non-performing loans to a work-out subsidiary. Such loans are transferred at amounts which approximate the net carrying value of such loans.

The Bank under a syndication agreement administered mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 269,300 million and HUF 157,617 million the year ended 31 December 2007 and 2006 (including interest). The book value of these receivables were HUF 269,205 million and HUF 157,504 million.

During the nine month period ended 30 September 2007 the Bank received HUF 50,111 million fees and commission from OTP Mortgage Bank Company Ltd. For the year ended 31 December 2007 such fees and commissions were HUF 50,493 million. Such fees and commissions are related to loans originated by the Bank and sold to OTP Mortgage Bank Company Ltd.