Hungary

I. Institutional coverage

The statistics in *Banking Statistics – Financial Statements of Banks* in section *Commercial banks* cover Commercial banks, Home savings and loan associations and Mortgage banks, but exclude branches of foreign credit institutions. Data refer to the end of each period (1994-2008).

As a result of the process of harmonisation the Hungarian financial regulation after the Accession to European Union (1 May 2004) fully comply with the European requirements. The most important change was the legal iimplementation of the CRD (Capital Requirement Directives) in 2007 being effective from the beginning of 2008.

II. Geographical coverage and degree of consolidation

Following the privatisation of banks completed in 2003, most Hungarian commercial banks came under the control of foreign strategic owners. There were no new privatisations during 2008. The ratio of direct and indirect foreign ownership in the Hungarian banking sector was about 90% at the end of 2008 based on total assets.

Foreign banks were authorised to open branches in Hungary beginning 1 January 1998, however, the first branches were established only in 2005. Moreover, the subsidiaries of several foreign owned banks changed into branches in 2008. Therefore, the number of foreign branches operating in Hungary at the end of 2008 exceeded 10 and their market share in total assets of commercial banks has grown up to 4.48 per cent. The data on these ten foreign branches are not included in the statistics. However, the data of subsidiaries of foreign banks operating in Hungary are taken into account in the statistics. Hungarian banks have subsidiaries (banks and other financial institutions) abroad, mainly in Central-Eastern Europe. However, the results of their activities are not included in the statistics.

Data in Banking Statistics – Financial Statements of Banks are consolidated on a corporate basis.

III. Summary description of activities of banks

Banks in Hungary are universal in nature, *i.e.* they are permitted to carry out all banking activities. Banks may perform the full range of investment services and related activities.

The banking system's average balance sheet total/GDP ratio increased heavily and reached 109.6 per cent at the end of 2008, driven by growth in loans to the private sector (however, with slowing dynamics due to the deepening of financial crisis). Growth of loans to corporations by domestic banks and households contributed to the growth by 6 per cent and 20 per cent increases, respectively with consideration of changes in FX exchange rates.

The new loans to households were still dominated by FX based loans in 2008, however, after October 2008 banks' willingness to lend in foreign currency decreased significantly, and credit conditions started to be tightened.

The market share of *Commercial banks* among *All banks* (see Table 2) is about 91 per cent, the numerous group of *Cooperative banks* is only 5 per cent and *Other miscellaneous monetary institutions* is about 4 per cent market share.

There were 3 Special purpose banks (section *Other miscellaneous monetary institutions* in Table 2) in Hungary at the end of 2008. The activities of special purpose banks are limited and regulated by special laws. Two of them are state-owned and perform tasks delegated mainly by the government, the third of them is the Central Depository Institution.

IV. Reconciliation of national data with the OECD presentation*

V. Sources

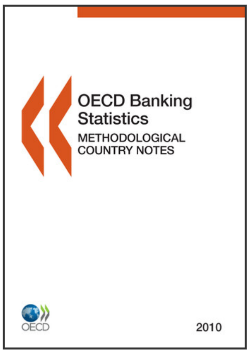
The data in *Banking Statistics – Financial Statements of Banks* has been compiled by the Magyar Nemzeti Bank, the central bank of Hungary.

* See the table "Income Statement Reconciliation" that follows.

Hungary

Income statement reconciliation – *Commercial banks* – 2008

OECD presentation		Million HUF	National presentation
1.	**Interest income**	**2 196 523**	**Interest and interest type revenues on:**
		1 346 968	Loans
		139 599	Interbank deposits and deposits with the central bank
		250 338	Securities
		459 618	Other
2.	**Interest expenses**	**1 482 580**	**Interest and similar expenses paid on:**
		611 072	Customer deposits
		165 487	Interbank deposits
		169 300	Loans
		186 041	Securities
		350 680	Other
3.	**Net interest income**	**713 943**	
4.	**Net non-interest income**	**346 721**	
	a. Fees and commissions receivable	427 573	
	b. Fees and commissions payable	184 859	
	c. Net profit or loss on financial operations	139 908	
		–39 789	Net income from securities transactions
		236 497	Net income from foreign exchange transactions
		73 263	Other derivative transactions
		–130 063	Others
	d. Other net non-interest income	–35 901	
		163 482	Dividend income
		–46 048	Income from selling own receivables minus expenditure on the sale and write-off of own receivables
		14 760	Extraordinary income
		–168 095	Others
5.	**Net interest and non-interest income**	**1 060 664**	
6.	**Operating expenses**	**642 276**	
	a. Staff costs	317 231	
	b. Property costs	104 162	
		58 530	Depreciation
		45 632	Rental fees paid
	c. Other operating expenses	220 883	IT, marketing, etc.
7.	**Net income before provisions**	**418 388**	
8.	**Net provisions**	**137 157**	
	a. Provisions on loans	113 139	
	b. Provisions on securities	3 670	
	c. Other net provisions	20 348	
		15 388	Provisions for pending and future liabilities
		6 197	General risk provisions
		–1 237	Others
9.	**Income before tax**	**281 231**	
10.	**Income tax**	**44 610**	**Tax paid**
11.	**Net income after tax**	**236 621**	
12.	**Distributed profit**	**62 510**	**Dividends, profit sharing paid (approved)**
13.	**Retained profit**	**174 111**	**Retained profit,** calculated in this manner, does not equal to Profit or Loss of the Year, because credit institutions shall disclose general reserves from after-tax profits prior to paying dividends, and profit reserves can be used for paying dividends
			Profit or Loss of the Year, which is the part of Shareholders' Equity in Balance Sheet is equal to HUF 150 407 millions in 2008



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