OTP BANK PLC.

CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2010

OTP BANK PLC.
CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010
(in HUF mn)

	Note	*30 June 2010*	*31 December 2009*	*30 June 2009*
Cash, amounts due from banks and balances with the National Banks	4	642,625	505,649	483,109
Placements with other banks, net of allowance for placement losses	5	495,596	440,851	475,023
Financial assets at fair value through profit or loss	6	213,523	256,100	191,890
Securities available-for-sale	7	1,101,180	1,354,285	438,128
Loans, net of allowance for loan losses	8	6,886,762	6,412,716	6,688,676
Associates and other investments	9	16,692	18,834	10,377
Securities held-to-maturity	10	222,849	188,853	605,509
Property and equipment	11	212,119	208,730	196,641
Intangible assets	11	277,808	267,628	269,620
Other assets	12	115,390	101,486	143,293
TOTAL ASSETS		**10,184,544**	**9,755,132**	**9,502,266**
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	13	652,500	802,749	952,826
Deposits from customers	14	5,981,036	5,688,887	5,347,880
Liabilities from issued securities	15	1,226,902	1,410,348	1,387,826
Financial liabilities at fair value through profit or loss	16	332,505	118,468	105,301
Other liabilities	17	367,670	262,240	286,378
Subordinated bonds and loans	18	301,281	280,834	296,544
TOTAL LIABILITIES		**8,861,894**	**8,563,526**	**8,376,755**
Share capital	19	28,000	28,000	28,000
Retained earnings and reserves		1,341,126	1,210,132	1,201,363
Treasury shares	21	(52,685)	(52,678)	(110,711)
Non-controlling interest	22	6,209	6,152	6,859
TOTAL SHAREHOLDERS' EQUITY		**1,322,650**	**1,191,606**	**1,125,511**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,184,544**	**9,755,132**	**9,502,266**

The accompanying notes to consolidated financial statements on pages 8 to 97 form an integral part of these consolidated financial statements.

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010
(in HUF mn)

	Note	*Six month period ended 30 June 2010*	*Six month period ended 30 June 2009*	*Year ended 31 December 2009*
Interest Income:				
Loans		367,079	404,230	780,161
Placements with other banks		198,900	192,932	350,742
Securities available-for-sale		35,569	13,882	31,373
Securities held-to-maturity		6,693	17,819	45,804
Amounts due from banks and balances with the National Banks		2,651	4,195	7,514
Securities held for trading		1,289	1,431	5,556
Total Interest Income		*612,181*	*634,489*	*1,221,150*
Interest Expense:				
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks		144,151	140,522	244,744
Deposits from customers		115,221	145,501	290,516
Liabilities from issued securities		31,573	40,788	79,770
Subordinated bonds and loans		6,271	8,611	16,340
Total Interest Expense		*297,216*	*335,422*	*631,370*
NET INTEREST INCOME		**314,965**	**299,067**	**589,780**
Provision for impairment on loan and placement losses	5, 8	151,229	102,163	249,278
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**163,736**	**196,904**	**340,502**
Incomes from fees and commissions		83,980	82,238	170,335
Expenses from fees and commissions		18,858	16,901	37,422
NET PROFIT FROM FEES AND COMMISSIONS	23	**65,122**	**65,337**	**132,913**
Foreign exchange gains and (losses), net		27,329	(16,586)	(8,308)
Gains and (losses) on securities, net		3,398	(167)	7,458
Gains on real estate transactions		539	495	931
Dividend income		88	881	894
Insurance premiums, net		-	-	-
Gain on sale of insurance business line		-	-	-
Provision for impairment / Provision on securities available-for-sale and securities held-to-maturity		9,553	(8,872)	(8,027)
Other operating income		11,287	45,540	66,308
Other operating expense	24	(5,442)	(8,985)	(21,048)
NET OPERATING INCOME		**46,752**	**12,306**	**38,208**
Personnel expenses		77,375	77,719	155,517
Depreciation and amortization	11	42,001	20,774	45,141
Other administrative expenses		66,189	71,066	140,483
OTHER ADMINISTRATIVE EXPENSES	25	**185,565**	**169,559**	**341,141**
PROFIT BEFORE INCOME TAX		**90,045**	**104,988**	**170,482**
Income tax	26	(20,286)	(20,965)	(20,276)
NET PROFIT FOR THE PERIOD		**69,759**	**84,023**	**150,206**
From this, attributable to:				
Non-controlling interest		**61**	**(39)**	**(839)**
Equity holders		**69,698**	**84,062**	**151,045**
Consolidated earnings per share (in HUF)				
Basic	37	**262**	**328**	**577**
Diluted	37	**259**	**322**	**572**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010
(in HUF mn)

	Six month period ended 30 June 2010	*Six month period ended 30 June 2009*	*Year ended 31 December 2009*
NET PROFIT FOR THE YEAR (EQUITY HOLDERS)	**69,698**	**84,062**	**151,045**
Fair value adjustment of securities available-for-sale	(5,760)	3,735	9,941
Derivative financial instruments designated as Cash-flow hedge	213	211	431
Hedges of net investment in foreign operations	(4,152)	(1,762)	(1,543)
Foreign currency translation difference	73,893	5,388	(8,213)
NET COMPREHENSIVE INCOME	**133,892**	**91,634**	**151,661**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010
(in HUF mn)

OPERATING ACTIVITIES	*Note*	*Six month period ended 30 June 2010*	*Six month period ended 30 June 2009*	*Year ended 31 December 2009*
Profit before income tax		**90,045**	**104,988**	**170,482**
Income tax paid		(8,995)	(15,580)	(34,273)
Goodwill impairment	11	18,519	-	-
Depreciation and amortization	11	23,482	20,774	45,141
Provision for impairment on loan and placement losses	5,8	151,229	102,163	249,278
Net provision for impairment on securities	7,10	(9,553)	8,872	8,027
Provision for impairment on permanent diminution in value of equity investments	9	64	64	118
Provision for impairment on other assets	12	1,165	5,257	5,811
Net provision on off-balance sheet commitments and contingent liabilities	17	(988)	3,252	4,087
Share-based payment	2,29	3,144	3,401	6,802
Unrealized gains on fair value adjustment of securities held for trading		2,529	1,373	4,579
Unrealized gains/(losses) on fair value adjustment of derivative financial instruments		95,259	(8,212)	9,891
Changes in financial assets at fair value through profit or loss		32,296	(40,308)	(123,644)
(Increase)/decrease in other assets before provisions for losses		(24,042)	70,875	111,857
Increase in other liabilities		8,356	66,335	68,414
Net Cash Provided by Operating Activities		**382,510**	**323,254**	**526,570**
INVESTING ACTIVITIES				
Net increase in placement with other banks before allowance for placements losses		(53,852)	(61,433)	(30,013)
Net decrease/(increase) in securities available-for-sale		250,733	42,775	(856,007)
Net decrease/(increase) in equity investments, before provision for impairment		2,079	26	(8,485)
Net (increase)/decrease in securities held-to-maturity		(33,996)	(275,351)	141,305
Net increase in advances for investments, included in other assets		(693)	(1,767)	(1,874)
Net (increase)/decrease in loans, net of allowance for loan losses		(438,709)	(58,275)	92,396
Net additions to property, equipment and intangible assets		(55,570)	(17,334)	(51,798)
Net Cash Used in Investing Activities		**(330,008)**	**(371,359)**	**(714,476)**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010
(in HUF mn)
[continued]

FINANCING ACTIVITIES	***Note***	***Six month period ended 30 June 2010***	***Six month period ended 30 June 2009***	***Year ended 31 December 2009***
Net (decrease)/increase in amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks		(150,249)	104,096	(45,981)
Net increase in deposits from customers		292,149	89,713	430,720
Net decrease in liabilities from issued securities		(145,773)	(155,197)	(156,412)
Increase/(decrease) in subordinated bonds and loans		20,447	(23,506)	(39,216)
Increase/(decrease) of non-controlling interest		56	74	(633)
Foreign currency translation gains and (losses)		73,893	5,388	(8,213)
Payments to ICES holders		(6,037)	(3,704)	(5,223)
Net effect of Treasury share transactions		-	(44,095)	-
Net change in Treasury shares		(11)	29,230	44,513
Written put option on ordinary shares		-	-	(55,468)
Net (increase)/decrease in compulsory reserves at the National Bank of Hungary		(9,886)	95	(11,035)
Dividends paid		(1)	(792)	(539)
Net Cash Provided by Financing Activities		**74,588**	**1,302**	**152,513**
Net increase/(decrease) in cash and cash equivalents		**127,090**	**(46,803)**	**(35,393)**
Cash and cash equivalents at the beginning of the period		**243,541**	**278,934**	**278,934**
Cash and cash equivalents at the end of the period		**370,631**	**232,131**	**243,541**

Analysis of cash and cash equivalents

Cash, amounts due from banks and balances with the National Banks		505,649	530,007	530,007
Compulsory reserve established by the National Banks		(262,108)	(251,073)	(251,073)
Cash and cash equivalents at the beginning of the period		**243,541**	**278,934**	**278,934**
Cash, amounts due from banks and balances with the National Banks	4	642,625	483,109	505,649
Compulsory reserve established by the National Banks	4	(271,994)	(250,978)	(262,108)
Cash and cash equivalents at the end of the period		**370,631**	**232,131**	**243,541**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH ENDED 30 JUNE 2010
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2009		**28,000**	**52**	**19,181**	**1,141,702**	**-**	**(146,749)**	**6,785**	**1,048,971**
Net comprehensive income		-	-	-	91,634	-	-	-	91,634
Share-based payment	29	-	-	3,401	-	-	-	-	3,401
Net effect of Treasury share transactions		-	-	-	(44,095)	-	-	-	(44,095)
Treasury shares									
– loss on sale		-	-	-	(6,808)	-	-	-	(6,808)
– acquisition		-	-	-	-	-	36,038	-	36,038
Payments to ICES holders	20	-	-	-	(3,704)	-	-	-	(3,704)
Non-controlling interest		-	-	-	-	-	-	74	74
Balance as at 30 June 2009		**28,000**	**52**	**22,582**	**1,178,729**	**-**	**(110,711)**	**6,859**	**1,125,511**
Balance as at 1 January 2010		**28,000**	**52**	**6,830**	**1,258,718**	**(55,468)**	**(52,678)**	**6,152**	**1,191,606**
Net comprehensive income		-	-	-	133,892	-	-	-	133,892
Share-based payment	29	-	-	3,144	-	-	-	-	3,144
Treasury shares									
– loss on sale		-	-	-	(4)	-	-	-	(4)
– acquisition		-	-	-	-	-	(6)	-	(6)
Payments to ICES holders	20	-	-	-	(6,038)	-	-	-	(6,038)
Non-controlling interest		-	-	-	-	-	-	56	56
Balance as at 30 June 2010		**28,000**	**52**	**9,974**	**1,386,568**	**(55,468)**	**(52,684)**	**6,208**	**1,322,650**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

OTP Bank Plc. (the "Bank" or "OTP") was established on 31 December 1990, when the previously State-owned company was transformed into a public liability company. The Bank's registered office address is 16, Nador Street, Budapest 1051.

In 1995, the shares of the Bank were listed on the Budapest and the Luxembourg stock exchanges and were also listed on the SEAQ board on the London Stock Exchange and PORTAL in the USA.

The structure of the Share capital by shareholders:

	30 June 2010	*31 December 2009*
Domestic and foreign private and institutional investors	97%	97%
Employees	2%	2%
Treasury shares	1%	1%
Total	**100%**	**100%**

The Bank and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,509 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

The number of employees at the Group:

	30 June 2010	*31 December 2009*
The number of employees at the Group	30,047	31,337
The average number of employees at the Group	30,346	31,051

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2. Accounting

The Entities of the Group maintain their accounting records and prepare its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the local commercial, banking and fiscal regulations.

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

Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with International Financial Reporting Standards ("IFRS").

Certain adjustments have been made to the entities' statutory accounts in order to present the consolidated 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 IFRS.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") which has not been approved by the EU. As the Group does not apply portfolio hedge accounting under IAS 39, there would be no impact on these consolidated financial statements, had it been approved by the EU at the balance sheet date.

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2009

The following amendments to the existing standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") are effective for the current period:

- IAS 1 (Revised) Presentation of Financial Statements – a revised presentation (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 (Revised) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial statements – Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)
- IFRS 1 (Amendment) First-time adoption of IFRS and IAS 27 (Amendment) Consolidated and Separate Financial Statements – Cost of investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009)
- IFRS 2 (Amendment) Share-based Payment – Vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009)

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2009 [continued]

- IFRS 3 (Revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IFRS 7 (Amendment) Financial Instruments: Disclosures - Improving disclosures about financial instruments (effective for annual periods beginning on or after 1 January 2009)
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 9 (Amendment) Reassessment of Embedded Derivatives and IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Embedded derivatives (effective for annual periods ending on or after 30 June 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective for transfer of assets from customers received on or after 1 July 2009).

The adoption of the above presented Amendments and new Standards and Interpretations had no significant impact on the consolidated financial statements of the Group.

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2.2. Amendments to IFRSs effective on or after 1 January 2010, not yet adopted

At the balance sheet date of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IAS 24 (Amendment) Related party disclosures - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011)[1]
- IAS 32 (Amendment) Financial instruments: Presentation – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010)
- IFRS 1 (Amendment) First time adoption of IFRS – Additional exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)
- IFRS 2 (Amendment) Share based payment – Group cash-settled share based payment transactions (effective for annual periods beginning on or after 1 January 2010)
- IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2013)[1]
- IFRIC 14 (Amendment) The Limit on a defined benefit Asset, Minimum Funding Requirements and their interaction – Prepayments of a minimum funding requirement (effective for annual periods beginning on or after 1 January 2011)[1]
- IFRIC 19 Extinguishing Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)[1]
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010[1]).

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the consolidated financial statements of the Group.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

2.1. Basis of Presentation

These Consolidated Financial Statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred.

[1] Not yet endorsed by the EU.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.1. Basis of Presentation [continued]

The presentation of Consolidated Financial Statements in conformity with IFRS requires the management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates, quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP as at the date of the Consolidated Financial Statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the Consolidated Statement of Recognized Income.

Net differences resulting from translating foreign currency financial statements of consolidated subsidiaries are presented as an element of the Retained earnings and reserves in the Consolidated Statement of Financial Position.

Goodwill arising on acquisition is expressed in the functional currency of the foreign operation and translated at the closing rate in the Consolidated Statement of Financial Position. The resulting the foreign currency translation difference is presented as an element of the Retained earnings and reserves in the Consolidated Statement of Financial Position.

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank holds a controlling interest. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 31. However, certain subsidiaries in which the Bank holds a controlling interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.10.).
As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

2.4. Accounting for acquisitions

Upon acquisition, subsidiaries are accounted for under the purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.

The Group has applied IFRS 3 Business Combinations Standard since 31 March 2004 for acquisitions after that date. Goodwill, which represents the residual cost of the acquisition after recognizing the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions [continued]

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in Statement of Recognized Income.

Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

The Group calculates the value in use a discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.

The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the probable economic decline and their possible influence on the financial sector as well as the limited external refinancing funds, the lower possibility of the expansion and the prospective effects of all these above mentioned factors.

Negative goodwill, when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Recognized Income as other income.

2.5. Securities held-to-maturity

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment losses recognized to reflect irrecoverable amounts.

The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognized in each period represents a constant yield on the investment.

Such securities comprise mainly securities issued by the Hungarian Government, mortgage bonds and foreign bonds.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Recognized Income for the period. Such securities consist of Hungarian and foreign government bonds, discounted and interest bearing Treasury bills, corporate bonds, mortgage bonds and other securities. Other securities include shares in commercial companies and shares in investment funds.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.2. Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are initially measured at fair value and at subsequent reporting dates also at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit/loss and included in the Consolidated Statement of Recognized Income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.6.3. Derivative financial instruments designated as a fair-value or cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Recognized Income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.
The conditions of hedge accounting applied by the Bank are the following: formally designed as hedge, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is effective.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognized in the reserve among Consolidated Shareholders' Equity. Amounts deferred in equity are transferred to the Consolidated Statement of Recognized Income and classified as revenue or expense in the periods during which the hedged assets and liabilities affect the Consolidated Statement of Recognized Income for the period. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.

Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Recognized Income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities available-for-sale are measured at subsequent reporting dates at fair value. Unrealized gains and losses on available-for-sale financial instruments are recognized directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when realized in Consolidated Statement of Recognized Income for the applicable period. Such securities consist of Hungarian and foreign discounted and interest bearing Treasury bills, government bonds, corporate bonds, mortgage bonds and other securities. Other securities include shares in investment funds and shares in commercial companies. The provision is calculated based on discounted cash flow methodology, using the expected future cash flow and original effective interest rate.

Securities available-for-sale are remeasured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

Those available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less provision for impairment, when appropriate.

2.8. Loans, placements with other banks and allowance for loan and placement losses

Loans and placements with other banks are stated at the principal amounts outstanding, net of allowance for loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amount outstanding.

When a borrower is unable to meet payments as they fall due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired.

The amount of allowance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

Allowance for losses on loans and placements with other banks represent management assessment for potential losses in relation to these activities.

The allowances for loan and placement losses are maintained to cover losses that have been specifically identified and for potential losses which may be present based on portfolio performance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Loans, placements with other banks and allowance for loan and placement losses [continued]

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Provisions for impairment on loan and placement losses" in the Consolidated Statement of Recognized Income. If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into income.

The Group classifies the previously performing loans that have been renegotiated automatically to the to-be-monitored risk class and records at least 1 per cent provision for impairment on them.

2.9. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on Statement of Financial Position and the consideration received is recorded in Other liabilities or Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the Statement of Financial Position and the consideration paid is recorded in Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement.

2.10. Associates and other investments

Companies where the Bank has the ability to exercise significant influence are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because the effect of using the equity method to account for such companies is not material to the consolidated financial statements as a whole.

Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a controlling or significant interest are recorded at the cost of acquisition, less Provision for impairment on equity investment, when appropriate.

Gains and losses on the sale of equity investments are determined on the basis of the specific identification of the cost of each investment.

2.11. Property and equipment, Intangible assets

Property and equipment and Intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.
Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	9.96-50%
Property rights	10-50%
Property	0.87-33%
Office equipments and vehicles	2.5-75%

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Property and equipment, Intangible assets [continued]

Depreciation and amortization on Property and equipment and Intangible assets commence on the day such assets are placed into service.

At each balance sheet date, the Group reviews the carrying value of its Property and equipment and Intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying value of Property and equipment and Intangible assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

2.12. Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortized costs. In connection to the financial liabilities at fair value through profit or loss, the Group presents the amount of change in their fair value originated from the changes of market conditions and business environment.

2.13. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as other receivables at the amount of the net investment in the lease of the Group. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the net investment outstanding of the Group in respect of the leases. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as a lessee

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the Consolidated Statement of Recognized Income over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.
Payments made under operating leases are charged to the Consolidated Statement of Recognized Income on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Financial Position at acquisition cost as a deduction from Consolidated Shareholders' Equity.
Gains and losses on the sale of Treasury shares are credited or charged directly to consolidated Retained earnings and reserves. Derecognition of Treasury shares is based on the FIFO method.

2.15. Interest income and interest expense

The interest income and expense are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on the IAS 18 Revenue Standard, referring to provision of IAS 39.

2.16. Fees and Commissions

Fees and commissions are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on IAS 18 Standard, referring to provision of IAS 39. Fees and Commissions are recognized using the effective interest method.

2.17. Income tax

The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

Deferred tax assets are recognized by the Group for the amounts of income taxes that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

2.18. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Group has entered into off-balance sheet commitments such as guarantees, letters of credit, commitments to extend credit and transactions with financial instruments. The provision for impairment on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses.

Management determines the adequacy of the allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

The Group recognizes a provision when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.19. Share-based payment

The Bank has applied the requirements of IFRS 2 Share-based Payment.

The Bank issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Share-based payment is recorded in Consolidated Statement of Recognized Income as Personnel expenses.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.20. Consolidated Statement of Cash Flows

For the purposes of reporting Consolidated Statement of Cash Flows, cash and cash equivalents include cash, due from banks and balances with the National Banks, excluding the compulsory reserve established by the National Banks. Consolidated cash flows from hedging activities are classified in the same category as the item being hedged. The unrealized gains and losses from the translation of monetary items to the closing foreign exchange rates and unrealized gains and losses from derivative financial instruments are presented net in the statement of cash-flows for the items being hedged.

2.21. Segment reporting

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Group are the geographical segments.
The Group's reportable segments under IFRS 8 are therefore as follows: Hungary, Slovakia, Montenegro, Bulgaria, Romania, Croatia, Serbia, Russia, Ukraine.

2.22. Comparative figures

Certain amounts in the Consolidated Financial Statements for the year ended 31 December 2009 have been reclassified to conform with the current year presentation. These mainly consist of reclassifications of accruals and prepayments from other assets/liabilities to the Statement of Financial Position items to which they are related. These reclassifications were not material.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of financial statements in conformity with IFRS requires the management of the Group to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Significant areas of subjective judgement include:

3.1. Impairment on loans and advances

The Group regularly assesses its loan portfolio for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Provisioning involves many uncertainties about the outcome of those risks and requires the management of the Group to make many subjective judgements in estimating the loss amounts.

3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. correlations, volatilities, etc.). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

3.3. Provisions

Provisions are recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 17)

A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities, for commitments to extend credit, provision for warranties arising from banking activities and provision for confirmed letter of credit.

NOTE 4: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF mn)

	30 June 2010	*31 December 2009*
Cash on hand		
In HUF	63,600	49,957
In foreign currency	106,607	108,121
	170,207	**158,078**
Amounts due from banks and balances with the National Banks		
Within one year:		
In HUF	177,605	96,282
In foreign currency	294,432	250,204
	472,037	**346,486**
Over one year:		
In HUF	-	-
In foreign currency	3	661
	3	**661**
Accrued interest	378	424
	472,418	**347,571**
Total	**642,625**	**505,649**
Compulsory reserve set by the National Banks	**271,994**	**262,108**

NOTE 5: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)

	30 June 2010	*31 December 2009*
Within one year		
In HUF	17,412	18,228
In foreign currency	469,629	414,925
	487,041	**433,153**
Over one year		
In HUF	-	-
In foreign currency	11,019	10,929
	11,019	**10,929**
Accrued interest	331	283
Provision for impairment on placement losses	(2,795)	(3,514)
Total	**495,596**	**440,851**

NOTE 5: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn) [continued]

An analysis of the change in the provision for impairment on placement with other banks, net of allowance for placement losses is as follows:

	30 June 2010	*31 December 2009*
Balance as at 1 January	3,514	370
(Release of provision) / provision for the period	(894)	4,819
Write-off	(104)	(1,564)
Foreign currency translation difference	279	(111)
Closing balance	**2,795**	**3,514**

Interest conditions of placements with other banks

	30 June 2010	*31 December 2009*
In HUF	0.14% - 16.0%	0.14% - 11.7%
In foreign currency	0.06% - 12.35%	0.01% - 22%

NOTE 6: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	30 June 2010	*31 December 2009*
Securities held for trading		
Corporate shares	99,295	88,513
Securities issued by the NBH	24,975	49,887
Government bonds	17,765	32,965
Corporate bonds	340	2,156
Hungarian government interest bearing	87	183
Mortgage bonds	80	184
Treasury bills	23	2,642
Other securities	19	262
Other non-interest bearing securities	1,930	598
	144,514	**177,390**
Accrued interest	328	1,166
Total	**144,842**	**178,556**

NOTE 6: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

Positive fair value of derivative financial instruments designated as held for trading

	30 June 2010	*31 December 2009*
Interest rate swaps designated as held for trading	42,338	53,726
CCIRS[1] and mark-to-market CCIRS designated as held for trading	10,748	16,548
Foreign exchange swaps designated as held for trading	7,291	6,008
Other transactions designated as held for trading	8,304	1,262
	68,681	**77,544**
Total	**213,523**	**256,100**

An analysis of securities held for trading portfolio by currency (%)

	30 June 2010	*31 December 2009*
Denominated in HUF (%)	94.5%	95.8%
Denominated in foreign currency (%)	5.5%	4.2%
Total	**100.0%**	**100.0%**

An analysis of government bond portfolio by currency (%)

	30 June 2010	*31 December 2009*
Denominated in HUF (%)	70.4%	86.7%
Denominated in foreign currency (%)	29.6%	13.3%
Total	**100.0%**	**100.0%**

Interest rates on securities held for trading	1.1% - 8.75%	1.8% - 12.2%

Interest conditions and the remaining maturities of securities held for trading can be analysed as follows:

	30 June 2010	*31 December 2009*
Within five years		
With variable interest	51	69
With fixed interest	34,896	70,747
	34,947	**70,816**

[1] CCIRS: Cross currency interest rate swaps

NOTE 6: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

	30 June 2010	*31 December 2009*
Over five years		
With variable interest	1,068	1,124
With fixed interest	7,274	16,339
	8,342	**17,463**
Non-interest bearing securities	101,225	89,111
Total	**144,514**	**177,390**

NOTE 7: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

	30 June 2010	*31 December 2009*
Securities available-for-sale:		
Government bonds	555,985	437,070
Bonds issued by NBH	388,102	724,752
Corporate bonds	62,714	142,264
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	41,325	19,824
	41,325	*19,824*
Non-listed securities:		
In HUF	2,539	6,113
In foreign currency	18,850	116,327
	21,389	*122,440*
Treasury bills	8,675	7,919
Mortgage bonds	159	148
Other securities	35,384	10,768
Other non-interest bearing securities	34,248	22,439
From this:		
Listed securities:		
In HUF	264	279
In foreign currency	708	683
	972	*962*
Non-listed securities:		
In HUF	18,227	13,646
In foreign currency	15,049	7,831
	33,276	*21,477*
	1,085,267	**1,345,360**
Accrued interest	17,936	15,913
Provision for impairment on securities available-for-sale	(2,023)	(6,988)
Total	**1,101,180**	**1,354,285**

NOTE 7: SECURITIES AVAILABLE-FOR-SALE (in HUF mn) [continued]

Securities available-for-sale are measured at fair value in the financial statements of the Group, except when there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity were reclassified from equity to Statement of Recognized Income.

An analysis of securities available-for sale by currency (%)

	30 June 2010	*31 December 2009*
Denominated in HUF (%)	79.9%	81.6%
Denominated in foreign currency (%)	20.1%	18.4%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency (%)

	30 June 2010	*31 December 2009*
Denominated in HUF (%)	77.5%	81.2%
Denominated in foreign currency (%)	22.5%	18.8%
Total	**100.0%**	**100.0%**

	30 June 2010	*31 December 2009*
Interest rates on securities available-for-sale denominated in HUF (%)	5.4% - 8.9%	5.5% - 10.1%
Interest rates on securities available-for-sale denominated in foreign currency (%)	0.7% - 20.5%	1% - 22%

Interest conditions and the remaining maturities of available-for-sale financial assets can be analysed as follows:

	30 June 2010	*31 December 2009*
Within five years		
With variable interest	13,704	35,321
With fixed interest	866,597	1,057,965
	880,301	**1,093,286**
Over five years		
With variable interest	7,229	74,138
With fixed interest	163,489	155,497
	170,718	**229,635**
Non-interest bearing securities	34,248	22,439
Total	**1,085,267**	**1,345,360**

NOTE 7: SECURITIES AVAILABLE-FOR-SALE (in HUF mn) [continued]

An analysis of the change in the provision for impairment on securities available-for-sale is as follows:

	30 June 2010	*31 December 2009*
Balance as at 1 January	6,988	3,363
Provision for the period	374	6,427
Release of provision	(5,543)	(2,880)
Use of provision	(26)	-
Foreign currency translation difference	230	78
Closing balance	**2,023**	**6,988**

Certain securities are hedged. See Note 39.

NOTE 8: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)

	30 June 2010	*31 December 2009*
Short-term loans and trade bills (within one year)	1,688,785	1,694,685
Long-term loans and trade bills (over one year)	5,811,029	5,149,322
	7,499,814	**6,844,007**
Accrued interest	73,268	63,087
Provision for impairment on loan losses	(686,320)	(494,378)
Total	**6,886,762**	**6,412,716**

An analysis of the loan portfolio by currency (%)

	30 June 2010	*31 December 2009*
In HUF	23%	24%
In foreign currency	77%	76%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	30 June 2010	*31 December 2009*
Short-term loans denominated in HUF	7.2% - 33.7%	6% - 35.2%
Long-term loans denominated in HUF	3% - 33.7%	3% - 35.2%
Short-term loans denominated in foreign currency	0.5% - 66%	1% - 66%
Long-term loans denominated in foreign currency	0.6% - 66%	1% - 66%

NOTE 8: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn) [continued]

	30 June 2010	*31 December 2009*
Gross loan portfolio on which interest is not being accrued	11.2%	8.5%

An analysis of the loan portfolio by type, before provision for impairment on loan losses, is as follows:

	30 June 2010		*31 December 2009*	
Corporate loans	2,632,022	35%	2,466,413	36%
Retail loans	2,354,274	31%	2,108,915	31%
Housing loans	2,175,485	29%	2,043,336	30%
Municipality loans	338,033	5%	225,343	3%
Total	**7,499,814**	**100%**	**6,844,007**	**100%**

An analysis of the change in the provision for impairment on loan losses is as follows:

	30 June 2010	*31 December 2009*
Balance as at 1 January	494,378	270,680
Provision for the period	152,123	244,459
Write-off	(7,293)	(14,087)
Foreign currency translation difference	47,112	(6,674)
Closing balance	**686,320**	**494,378**

NOTE 9: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	30 June 2010	*31 December 2009*
Equity investments		
Unconsolidated subsidiaries	14,410	16,503
Associated companies (non-listed)	384	384
Other investments (non-listed)	2,855	2,840
	17,649	**19,727**
Provision for impairment on equity investments	(957)	(893)
Total	**16,692**	**18,834**
Total assets of unconsolidated subsidiaries	54,094	47,236

An analysis of the change in the provision for impairment on equity investments is as follows:

	30 June 2010	*31 December 2009*
Balance as at 1 January	893	879
Provision for the period	64	118
Release of provision	-	(104)
Closing balance	**957**	**893**

NOTE 10: SECURITIES HELD-TO-MATURITY (in HUF mn)

	30 June 2010	*31 December 2009*
Government bonds	195,297	153,244
Mortgage bonds	11,643	11,013
Hungarian government discounted Treasury bills	6,768	11,708
Foreign bonds	4,849	13,832
	218,557	**189,797**
Accrued interest	4,452	3,579
Provision for impairment on securities held-to-maturity	(160)	(4,523)
Total	**222,849**	**188,853**

NOTE 10: SECURITIES HELD-TO-MATURITY (in HUF mn) [continued]

Interest conditions and the remaining maturities of securities held-to-maturity can be analysed as follows:

	30 June 2010	*31 December 2009*
Within five years		
With variable interest	40,301	51,322
With fixed interest	151,139	109,743
	191,440	**161,065**
Over five years		
With variable interest	5,890	8,900
With fixed interest	21,227	19,832
	27,117	**28,732**
Total	**218,557**	**189,797**

An analysis of securities held-to-maturity by currency (%)

	30 June 2010	*31 December 2009*
Denominated in HUF (%)	49%	59%
Denominated in foreign currency (%)	51%	41%
Total	**100%**	**100%**

In most cases, interest on variable rate bonds is based on the interest rates of 90 day Hungarian government Treasury bills and is adjusted semi-annually. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

	30 June 2010	*31 December 2009*
Interest rates of securities held-to-maturity with fixed interest	2% - 17.6%	1.7% - 30%

An analysis of the change in the provision for impairment on securities held-to-maturity is as follows:

	30 June 2010	*31 December 2009*
Balance as at 1 January	4.523	112
Provision for the period	6	4,585
Release of provision	(4,390)	(157)
Foreign currency translation difference	21	(17)
Closing balance	**160**	**4,523**

Provision related to bonds denominated in foreign currency was issued in Kazakhstan and included in other securities in year 2009. The amount of the provision is based on objective evidences and it reflects the best estimation of the management for the possible loss. The Kazakh bonds were sold during the first half of year 2010.

NOTE 11: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the six month period ended 30 June 2010:

Cost	**Intangible assets and goodwill**	**Property**	**Office equipments and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	336,682	145,904	170,276	13,344	666,206
Additions	40,154	9,835	7,063	4,413	61,465
Foreign currency translation differences	4,283	5,487	8,116	565	18,451
Disposals	(2,903)	(881)	(9,267)	(8,181)	(21,232)
Change in consolidation scope	75	5	304	1	385
Balance as at 30 June	**378,291**	**160,350**	**176,492**	**10,142**	**725,275**
Depreciation and Amortization					
Balance as at 1 January	69,054	24,563	96,231	-	189,848
Charge for the period (except for Goodwill impairment)	11,257	2,330	9,895	-	23,482
Goodwill impairment	18,519	-	-	-	18,519
Foreign currency translation differences	2,294	1,242	3,168	-	6,704
Disposals	(693)	(175)	(2,571)	-	(3,439)
Change in consolidation scope	52	2	180	-	234
Balance as at 30 June	**100,483**	**27,962**	**106,903**	**-**	**235,348**
Net book value					
Balance as at 1 January	267,628	121,341	74,045	13,344	476,358
Balance as at 30 June	**277,808**	**132,388**	**69,589**	**10,142**	**489,927**

An analysis of the changes in the goodwill for the six month period ended 30 June 2010 is as follows:

Cost	**Goodwill**
Balance as at 1 January	210,229
Additions	4,195
Foreign currency translation difference	27,154
Balance as at 30 June	**241,578**
Net book value	
Balance as at 1 January	210,229
Balance as at 30 June	**223,059**

The Bank performed impairment tests to investigate, whether it was necessary to impair any goodwill for its cash generating units. Based on the result of the tests in the first half of 2010, HUF 18,519 million goodwill impairment was necessary to account which was totally booked for Crnogorska komerčijalna banka a.d.(Montenegro).

NOTE 11: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2009:

Cost	**Intangible assets and goodwill**	**Property**	**Office equipments and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	318,732	142,321	143,706	15,648	620,407
Additions	26,287	7,725	18,949	14,279	67,240
Foreign currency translation differences	(2,512)	(124)	561	162	(1,913)
Disposals	(5,937)	(4,049)	(9,487)	(16,745)	(36,218)
Change in consolidation scope	112	31	16,547	-	16,690
Balance as at 31 December	**336,682**	**145,904**	**170,276**	**13,344**	**666,206**
Depreciation and Amortization					
Balance as at 1 January	49,390	20,299	81,017	-	150,706
Charge for the year	19,913	5,080	20,148	-	45,141
Foreign currency translation differences	(211)	(97)	37	-	(271)
Disposals	(88)	(725)	(7,526)	-	(8,339)
Change in consolidation scope	50	6	2,555	-	2,611
Balance as at 31 December	**69,054**	**24,563**	**96,231**	**-**	**189,848**
Net book value					
Balance as at 1 January	269,342	122,022	62,689	15,648	469,701
Balance as at 31 December	**267,628**	**121,341**	**74,045**	**13,344**	**476,358**

An analysis of the changes in the goodwill for the year ended 31 December 2009 is as follows:

Cost	**Goodwill**
Balance as at 1 January	212,493
Additions	-
Foreign currency translation difference	(2,264)
Decrease	-
Balance as at 31 December	**210,229**
Net book value	
Balance as at 1 January	212,493
Balance as at 31 December	**210,229**

In 2009 as well the Bank performed the goodwill impairment test for all the cash generating units, but no further impairment need was identified.

NOTE 12: OTHER ASSETS (in HUF mn)

	30 June 2010	*31 December 2009*
Inventories	28,458	30,945
Trade receivables	13,417	10,912
Prepayments and accrued income	11,702	7,392
Current income tax receivable	9,878	13,017
Receivables from investment services	8,167	512
Other receivables from Hungarian Government	6,141	2,059
Fair value of derivative financial instrument designated as hedge accounting relationship	5,776	14,181
Other advances	3,639	2,128
Advances for securities and investments	3,325	2,632
Receivables due from pension funds and investment funds	1,437	1,744
Dividend receivables	304	283
Receivables from leasing activities	182	496
Other	31,352	24,576
	123,778	**110,877**
Accrued interest	847	333
Provision for impairment on other assets	(9,235)	(9,724)
Total	**115,390**	**101,486**

An analysis of positive fair value of derivative financial instruments designated as hedge accounting relationship:

	30 June 2010	*31 December 2009*
Interest rate swaps designated as hedge accounting relationship	5,765	14,148
Other transactions designated as hedge accounting relationship	11	13
Foreign exchange swaps designated as hedge accounting relationship	-	20
Total	**5,776**	**14,181**

Provision for impairment on other assets mainly consists of provision for impairment on trade receivables.

NOTE 12: OTHER ASSETS (in HUF mn) [continued]

An analysis of the movement in the provision for impairment on other assets is as follows:

	30 June 2010	*31 December 2009*
Balance as at 1 January	9,724	6,695
Provision for the period	1,165	5,811
Release of provision	(1,859)	(1,848)
Write-offs	5	-
Foreign currency translation difference	200	(934)
Closing balance	**9,235**	**9,724**

NOTE 13: AMOUNTS DUE TO BANKS, THE HUNGARIAN GOVERNMENT, DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	30 June 2010	*31 December 2009*
Within one year		
In HUF	47,352	37,444
In foreign currency[1]	362,877	345,315
	410,229	**382,759**
Over one year		
In HUF	103,680	98,150
In foreign currency	136,227	319,814
	239,907	**417,964**
Accrued interest	2,364	2,026
Total	**652,500**	**802,749**

The Group has a mortgage bonds backed asset as collateral in relation to its branch in Frankfurt in amount of EUR 655 million on 30 June 2010 and EUR 435 million on 31 December 2009.

[1] The Hungarian State through the Government Debt Management Agency has rendered EUR 1.4 billion loan to the Bank in the framework of a loan agreement signed on 26 March 2009. The source of the facility is the IMF Loan Programme. The first disbursement was effected on 1 April 2009, the second on 30 June 2009 respectively. The maturity of the loan is 11 November 2012.
The loan facility has market conditions; the coupon paid by the Bank exceeds the relevant benchmark rates by 245-250 bps.
The loan agreement aims at providing liquidity for Hungarian corporations, as well as mitigating the negative effect of the current financial situation and stabilizing the local financial sector.
In order to contribute to the stimulation of the economy in Hungary, the Bank got the fund with the aim of re-channelling it to local corporate clients.
On 5 November 2009 the Bank has paid back an equivalent of EUR 700 million to the Hungarian State.
On 19 March 2010 the Bank has paid back an equivalent of EUR 700 million to the Hungarian State as the remaining part of a loan agreement of 1.4 billion in total between the Hungarian State and the Bank signed on 26 March 2009. According to the original terms the Bank should have had to start the repayment from February 2011 in eight equal instalments.

NOTE 13: AMOUNTS DUE TO BANKS, THE HUNGARIAN GOVERNMENT, DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn) [continued]

Interest rates on amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks are as follows:

	30 June 2010	*31 December 2009*
Within one year		
In HUF	4.3% - 8.1%	8.9% - 11%
In foreign currency	0.2% - 12%	1.75% - 8.5%
Over one year		
In HUF	5.6% - 9.8%	0.2% - 15%
In foreign currency	0.2% - 10.2%	0.1% - 10.6%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2010	*31 December 2009*
Within one year		
In HUF	2,697,470	2,773,407
In foreign currency	2,946,925	2,668,089
	5,644,395	**5,441,496**
Over one year		
In HUF	197,764	98,716
In foreign currency	102,677	105,678
	300,441	**204,394**
Accrued interest	36,200	42,997
Total	**5,981,036**	**5,688,887**

Interest rates on deposits from customers are as follows:

	30 June 2010	*31 December 2009*
Within one year		
In HUF	0.1% - 10.5%	0.2% - 12%
In foreign currency	0.01% - 21%	0.05% - 24%
Over one year		
In HUF	0.2% - 5%	0.2% - 11.5%
In foreign currency	0.1% - 18.8%	0.1% - 19.3%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]

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

	30 June 2010		*31 December 2009*	
Retail deposits	3,985,375	67%	3,796,097	68%
Corporate deposits	1,727,580	29%	1,549,026	27%
Municipality deposits	231,881	4%	300,767	5%
Total	**5,944,836**	**100%**	**5,645,890**	**100%**

NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	30 June 2010	*31 December 2009*
With original maturity		
Within one year		
In HUF	255,902	249,809
In foreign currency	410,960	526,278
	666,862	**776,087**
Over one year		
In HUF	230,678	219,780
In foreign currency	293,645	375,628
	524,323	**595,408**
Accrued interest	35,717	38,853
Total	**1,226,902**	**1,410,348**

Interest rates on liabilities from issued securities are as follows:

	30 June 2010	*31 December 2009*
Issued securities denominated in HUF	0.25% - 9.5%	0.25% - 10.5%
Issued securities denominated in foreign currency	0.8% - 13.5%	0.8% - 15.5%

NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 30 June 2010 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in original currency	Nominal value (in HUF)	Interest conditions (in % p.a.)		Hedged
1	OTP 2010/IX	10/07/2009-17/07/2009	10/07/2010	8,490	8,490	9.5	fixed	
2	OTP 2010/X	24/07/2009-31/07/2009	24/07/2010	9,476	9,476	9.5	fixed	
3	OTP 2010/XI	07/08/2009-19/08/2009	07/08/2010	13,679	13,679	9	fixed	
4	OTP 2010/XII	29/08/2009	29/08/2010	4,164	4,164	9	fixed	
5	OTP 2010/XIII	04/09/2009-11/09/2009	04/09/2010	10,439	10,439	7	fixed	
6	OTP 2010/XIV	18/09/2009-25/09/2009	18/09/2010	7,803	7,803	7	fixed	
7	OTP 2010/XV	02/10/2009-09/10/2009	02/10/2010	3,900	3,900	6.5	fixed	
8	OTP 2010/XVI	26/06/2009	16/10/2010	4,752	4,752	6.5	fixed	
9	OTP 2010/XVII	30/10/2009-06/11/2009	30/10/2010	23,250	23,250	6.5	fixed	
10	OTP 2010/XVIII	13/11/2009-20/11/2009	13/11/2010	8,181	8,181	6.5	fixed	
11	OTP 2010/XIX	27/11/2009	27/11/2010	3,131	3,131	6.5	fixed	
12	OTP 2010/XX	04/12/2009-11/12/2009	04/12/2010	6,036	6,036	6.5	fixed	
13	OTP 2010/XXI	21/12/2009-30/12/2009	21/12/2010	7,298	7,298	5.5	fixed	
14	OTP 2011/I	08/01/2010-15/01/2010	08/01/2011	6,121	6,121	5.5	fixed	
15	OTP 2011/II	22/01/2010-29/01/2010	22/01/2011	23,595	23,595	5.5	fixed	
16	OTP 2011/III	05/02/2010-12/02/2010	05/02/2011	6,094	6,094	5.5	fixed	
17	OTP 2011/IV	19/02/2010-26/02/2010	19/02/2011	23,146	23,146	5.5	fixed	
18	OTP 2011/V	05/03/2010-12/03/2010	05/03/2011	10,907	10,907	5.5	fixed	
19	OTP 2011/VI	19/03/2010-26/03/2010	19/03/2011	5,343	5,343	5.5	fixed	
20	OTP 2011/VII	02/04/2010-09/04/2010	02/04/2011	13,313	13,313	5	fixed	
21	OTP 2011/VIII	16/04/2010-23/04/2010	16/04/2011	7,432	7,432	5	fixed	
22	OTP 2011/IX	30/04/2010-07/05/2010	30/04/2011	9,683	9,683	5	fixed	
23	OTP 2011/X	14/05/2010-21/05/2010	14/05/2011	9,959	9,959	5	fixed	
24	OTP 2011/XI	28/05/2010-04/06/2010	28/05/2011	8,491	8,491	5	fixed	
25	OTP 2011/XII	11/06/2010-18/06/2010	11/06/2011	6,910	6,910	5	fixed	
26	OTP 2011/XIII	25/06/2010	25/06/2011	1,973	1,973	5	fixed	
27	OTP 2011A	13/10/2009	13/04/2011	3,000	3,000	9.5	fixed	
28	OTP 2011B	28/10/2009	28/04/2011	1,000	1,000	7.55	fixed	
29	OTP 2011C	09/11/2009	09/11/2011	2,000	2,000	7.5	fixed	
30	OTPX 2010A	21/12/2007	21/12/2010	1,307	1,307	indexed	floating	hedged
31	OTPX 2011A	29/02/2008	01/03/2011	315	315	indexed	floating	hedged
32	OTPX 2011B	30/05/2008	30/05/2011	584	584	indexed	floating	hedged
33	OTPX 2011C	14/12/2009-05/02/2010	20/12/2011	527	527	indexed	floating	hedged
34	OTPX 2012C	25/03/2010	30/03/2012	690	690	indexed	floating	hedged
35	OTPX 2012A	11/09/2009-25/09/2009	11/09/2012	1,686	1,686	indexed	floating	hedged
36	OTPX 2013A	28/06/2010	08/07/2013	480	480	indexed	floating	hedged
37	OTPX 2014A	25/06/2009-24/06/2010	30/06/2014	3,305	3,305	indexed	floating	hedged
38	OTPX 2014B	05/10/2009	13/10/2014	4,287	4,287	indexed	floating	hedged
39	OTPX 2014C	14/12/2009	19/12/2014	4,201	4,201	indexed	floating	hedged
40	OTPX 2015A	25/03/2010	30/03/2015	5,870	5,870	indexed	floating	hedged
41	OTPX 2015B	28/06/2010	09/07/2015	5,200	5,200	indexed	floating	hedged
42	OTPX 2019A	25/06/2009-24/06/2010	01/07/2019	336	336	indexed	floating	hedged
43	OTPX 2019B	05/10/2009-05/02/2010	14/10/2019	485	485	indexed	floating	hedged
44	OTPX 2019C	14/12/2009	20/12/2019	430	430	indexed	floating	hedged
45	OTPX 2020A	25/03/2010	30/03/2020	444	444	indexed	floating	hedged
46	OTPX 2020B	28/06/2010	09/07/2020	450	450	indexed	floating	hedged
47	3Y_EUR_HUF	25/06/2010	25/06/2013	2,338	2,338	indexed	floating	hedged
48	TBSZ2013_I	26/02/2010-18/06/2010	30/12/2013	4,024	4,024	5.5	fixed	
49	TBSZ2015_I	26/02/2010-18/06/2010	30/12/2015	3,643	3,643	5.5	fixed	
50	OJB2010_III	05/09/2008	06/09/2010	3,232	3,232	10	fixed	
51	OJB2011_I	20/12/2002	12/02/2011	15,110	15,110	8	fixed	
52	OJB2011_II	28/05/2004	12/09/2011	8,780	8,780	10	fixed	

NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 30 June 2010 (in HUF mn) [continued]

	Name	Date of issue	Maturity	Nominal value (in original currency	Nominal value (in HUF)	Interest conditions (in % p.a.)		Hedged
53	OJB2011_III	28/02/2005	30/11/2011	2	2	9	fixed	
54	OJB2011_IV	31/08/2006	31/08/2011	7,619	7,619	8	fixed	
55	OJB2011_V	08/02/2008	08/02/2011	1,053	1,053	7.5	fixed	
56	OJB2012_I	17/03/2004	21/03/2012	13,870	13,870	9.83	fixed	
57	OJB2012_II	14/04/2004	16/05/2012	36,283	36,524	10	fixed	
58	OJB2012_III	19/11/2004	15/08/2012	14,353	14,353	10.5	fixed	
59	OJB2013_II	20/12/2002	31/08/2013	13,433	13,433	8.25	fixed	
60	OJB2014_I	14/11/2003	12/02/2014	13,500	13,500	8	fixed	
61	OJB2014_J	17/09/2004	17/09/2014	540	540	8.69	fixed	
62	OJB2015_I	10/06/2005	10/06/2015	3,238	3,238	7.7	fixed	
63	OJB2015_J	28/01/2005	28/01/2015	299	299	8.69	fixed	
64	OJB2016_I	03/02/2006	03/02/2016	1,267	1,267	7.5	fixed	
65	OJB2016_II	31/08/2006	31/08/2016	4,691	4,691	10	fixed	
66	OJB2016_J	18/04/2006	28/09/2016	347	347	7.59	fixed	
67	OJB2019_I	17/03/2004	18/03/2019	32,610	33,185	9.48	fixed	
68	OJB2020_I	19/11/2004	12/11/2020	6,990	6,990	9	fixed	
69	Other				21,246			
	Total				**489,447**			
	Unamortized premium				**(2,056)**			
	Fair value adjustment				**(811)**			
	Total				**486,580**			

Issued securities denominated in foreign currency as at 30 June 2010 (in HUF mn)

	Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged
					(FX mn)	(HUF mn)			
1	OTP HBFIXED 160511	16/05/2008	16/05/2011	EUR	432	123,822	5.75	fixed	hedged
2	OTP HBFLOAT 010710	01/07/2005	01/07/2010	EUR	462	132,416	3 month Euribor + 0.16	floating	
3	OTP HBFLOAT 201210	20/12/2005	20/12/2010	EUR	283	81,197	3 month Euribor + 0.15	floating	
4	OTPHB402/12	24/02/2010	24/02/2012	CHF	56	12,076	4	fixed	hedged
5	OMB2011_I	10/07/2006	11/07/2011	EUR	721	206,394	4.25	fixed	hedged
6	OMB2011_II	04/12/2009	05/12/2011	EUR	90	25,781	4.13	fixed	hedged
7	OMB2014_I	15/12/2004	15/12/2014	EUR	198	56,791	4	fixed	hedged
8	Mortgage bonds OTP	15/10/2003	15/10/2012	EUR	17	4,754	4.7	fixed	
9	Mortgage bonds OTP V	29/09/2004	29/09/2010	EUR	33	9,509	4.5	fixed	hedged
10	Mortgage bonds OTP VII	21/12/2005	21/12/2015	EUR	22	6,437	0.88	floating	

NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in foreign currency as at 30 June 2010 (in HUF mn) [continued]

	Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged
					(FX mn)	(HUF mn)			
11	Mortgage bonds OTP XII	23/11/2007	23/11/2010	EUR	22	6,276	0.77	floating	
12	Mortgage bonds OTP XIII	12/03/2008	12/03/2011	EUR	17	4,754	4.5	fixed	
13	Mortgage bonds OTP XVII	08/06/2009	08/06/2012	EUR	3	868	4.1	fixed	
14	Mortgage bonds OTP XVIII	18/09/2009	18/03/2012	EUR	1	258	3.5	fixed	
15	Mortgage bonds OTP XIX	02/11/2009	02/11/2012	EUR	10	2,865	4	fixed	
16	Mortgage bonds OTP XXI	20/05/2010	20/05/2013	EUR	5	1,305	3.5	fixed	
17	Other					22,019			
	Total					**697,522**			
	Unamortized premium					**2,499**			
	Fair value adjustment					**4,584**			
	Total					**704,605**			

NOTE 16: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

An analysis of negative fair value of derivative financial instruments designated as held for trading:

	30 June 2010	*31 December 2009*
CCIRS and mark-to-market CCIRS designated as held for trading	253,200	61,518
Interest rate swaps designated as held for trading	60,604	47,042
Foreign exchange swaps designated as held for trading	16,204	5,305
Foreign exchange forward contracts designated as held for trading	1,618	1,910
Forward rate agreements designated as held for trading (FRA)	839	332
Forward security agreements designated as held for trading	40	15
Option contracts designated as held for trading	-	2,346
Total	**332,505**	**118,468**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	30 June 2010	*31 December 2009*
Financial liabilities from OTP-MOL share swap transaction[1]	97,720	86,912
Fair value of derivative financial instruments designated as hedge accounting relationship	70,392	22,249
Giro clearing accounts	36,462	15,634
Salaries and social security payable	32,428	24,731
Provision for impairment on off-balance sheet commitments and contingent liabilities	22,685	23,598
Accrued expenses	18,095	15,355
Current income tax payable	14,948	10,939
Suspense accounts	7,752	3,455
Accounts payable	7,432	13,216
Deferred tax liabilities	7,360	2,229
Liabilities from investment services	5,197	2,814
Liabilities from custody accounts	2,287	7,260
Advances received from customers	1,958	1,754
Liabilities connected to loans for collection	1,185	1,426
Dividends payable	593	604
Liabilities related to housing loans	413	1,803
Other	39,606	28,166
	366,513	**262,145**
Accrued interest	1,157	95
Total	**367,670**	**262,240**

[1] On 16 April 2009 OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the lost of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 31 December 2009 HUF 86,912 million liability is presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

NOTE 17: OTHER LIABILITIES (in HUF mn) [continued]

The provision for losses on off-balance sheet commitments and contingent liabilities are detailed as follows:

	30 June 2010	*31 December 2009*
Provision for losses on other off-balance sheet commitments and contingent liabilities	16,265	14,550
Provision for litigation	3,721	6,084
Provision for expected pension commitments	662	659
Provision for other liabilities	2,037	2,305
Total	**22,685**	**23,598**

Provision for losses on other off-balance sheet commitments and contingent liabilities are recognized mainly on guarantees and commitments on loan facilities issued towards related party by the Bank.

The movements of provision for losses on off-balance sheet commitments and contingent liabilities can be summarized as follows:

	30 June 2010	*31 December 2009*
Balance as at 1 January	23,598	24,234
(Release)/Provision for the year	(988)	4,087
Use of provision	(374)	(4,733)
Foreign currency translation differences	449	10
Closing balance	**22,685**	**23,598**

Negative fair value of derivative financial instruments designated as hedge accounting relationship

	30 June 2010	*31 December 2009*
CCIRS and mark-to-market CCIRS designated as hedge accounting relationship	65,252	18,615
Interest rate swaps designated as hedge accounting relationship	4,608	3,571
Forward security agreements designated as hedge accounting relationship	530	63
Foreign exchange swaps designated as hedge accounting relationship	2	-
Total	**70,392**	**22,249**

NOTE 18: SUBORDINATED BONDS AND LOANS (in HUF mn)

	30 June 2010	*31 December 2009*
Within one year:		
In HUF	-	-
In foreign currency	293	458
	293	**458**
Over one year:		
In HUF	5,000	5,000
In foreign currency	289,757	271,652
	294,757	**276,652**
Accrued interest	6,231	3,724
Total	**301,281**	**280,834**

Interest rates on subordinated bonds and loans are as follows:

	30 June 2010	*31 December 2009*
Issued securities denominated in HUF	2.8%	3.8%
Issued securities denominated in foreign	1.3% - 7.8%	1.3% - 8.8%

Subordinated bonds and loans can be detailed as follows:

Type	Subordinated bond
Nominal value	HUF 5 billion
Date of issue	20 December 1993
Date of maturity	20 December 2013
Rate of issue	100%
Interest conditions	Frequency of payment is linked to 2013/C credit consolidation government bonds, payable semi-annually
Current interest rate	3.8%

Type	Subordinated loan from the European Bank for Reconstruction and Development (the loan has already been repaid in 2008)
Nominal value	USD 30 million and DEM 31.14 million (EUR 15.92 million)
Date of issue	December 1996
Date of maturity	27 August 2008
Rate of issue	100%
Interest conditions	Six-month LIBOR +1.35%

NOTE 18: SUBORDINATED BONDS AND LOANS (in HUF mn) [continued]

Type	Subordinated bond
Nominal value	EUR 125 million
Date of issue	4 March 2005
Date of maturity	4 March 2015
Rate of issue	100%
Interest conditions	Three-month EURIBOR + 0.55% quarterly

Type	Subordinated bond
Nominal value	EUR 498 million
Date of issue	7 November 2006
Date of maturity	Perpetual, and callable after 10 years
Rate of issue	99.375 %
Issuing spread	200 basis points over 10 year mid-swap
Interest conditions	Fix 5.875 annually in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)

Type	Subordinated bond (under EMTN[1] program)
Nominal value	EUR 300 million
Date of issue	19 September 2006
Date of maturity	19 September 2016
Rate of issue	100.00%
Interest conditions	Fixed 5.27% annually

Type	Subordinated bond (under EMTN[1] program)
Nominal value	EUR 200 million
Date of issue	26 February 2007
Date of maturity	19 September 2016
Rate of issue	100.00%
Interest conditions	Fixed 5.27% annually

[1]European Medium Term Note Program

NOTE 18: SUBORDINATED BONDS AND LOANS (in HUF mn) [continued]

Type	Subordinated loan for the OTP Bank JSC from the EBRD. The loan is secured by the guarantee of the Bank.
Nominal value	USD 65 million
Date of issue	21 April 2008
Date of maturity	13 October 2015
Rate of issue	100.00%
Interest conditions	Floating, six-month LIBOR + 1.4%, payable semi-
Current interest rate	1.85%

Type	Subordinated loan for the OTP Bank JSC from the EBRD. The loan is secured by the Bank.
Nominal value	USD 5 million
Date of issue	3 July 2003
Date of maturity	3 July 2010
Rate of issue	100.00%
Interest conditions	Floating, three-month LIBOR + 2.75%, payable quarterly
Current interest rate	3.04%

Type	CJSC Donskoy Narodny Bank obtained total RUB 26.86 million subordinated loans from Russian third party lenders 7 times.
Nominal value	RUB 26.86 million
Date of issue	15 June 2001 – 21 June 2004
Date of maturity	15 June 2013 – 21 June 2015
Rate of issue	100.00%
Interest conditions	Floating, interest rate is based on Russian National Bank's basic interest rate, payable monthly
Current interest rate	7.75%

NOTE 19: SHARE CAPITAL (in HUF mn)

	30 June 2010	*31 December 2009*
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

On 21 April 2007, the law on abolishment of "Aranyrészvény" (special share assigning voting rights to the Hungarian State) came into force (Act XXVI of 2007). Consequently, this special voting share was transformed into 10 ordinary shares with a face value of HUF 100. Therefore the registered capital of the Bank consists of 280,000,010 ordinary shares with a face value of HUF 100.

NOTE 20: RETAINED EARNINGS AND RESERVES (in HUF mn)

The reserves in the Unconsolidated Financial Statements under Hungarian Accounting Standards are as follows:

	30 June 2010	*31 December 2009*
Capital reserve	52	52
General reserve	120,947	111,903
Retained earnings	691,486	598,133
Tied-up reserve	5,281	5,274
Total	**817,766**	**715,362**

The legal reserves (general reserve and tied-up reserve) are not available for distribution. The dividend has been determined on the basis of the net profit for the year determined in the unconsolidated financial statements according to the Hungarian Accounting Standards.

According to the decision of the Bank made at the Annual General Meeting on 23 April 2010, the Bank did not pay dividend for the year 2009.

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares („ICES"). Within the transaction 10 million shares owned by OTP, and further 4.5 million shares owned by OTP Group were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. („OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds are perpetual and the investors can exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years, thereafter the Issuer has the right to redeem the bonds at face value. Following the year 11, the bonds carry a coupon of 3 month EURIBOR +3%. OTP has discretional right to cancel the interest payments. The interest payable is non-cumulative.

Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

NOTE 21: TREASURY SHARES (in HUF mn)

	30 June 2010	*31 December 2009*
Nominal value (Ordinary shares)	1,879	1,879
Carrying value at acquisition cost	52,685	52,678

NOTE 21: TREASURY SHARES (in HUF mn) [continued]

The changes in the carrying value of Treasury shares are due to repurchase and sale transactions on market authorised by the General Assembly.

Change in number of shares:

	30 June 2010	*31 December 2009*
Number of shares as at 1 January	18,786,004	34,017,196
Additions	33,271	10,355,980
Disposals	(31,721)	(25,587,172)
Closing number of shares	**18,787,554**	**18,786,004**

Change in carrying value:

	30 June 2010	*31 December 2009*
Balance as at 1 January	52,678	146,749
Additions	204	16,566
Disposals	(197)	(110,637)
Closing balance	**52,685**	**52,678**

NOTE 22: NON-CONTROLLING INTEREST (in HUF mn)

	30 June 2010	*31 December 2009*
Balance as at 1 January	6,152	6,785
Foreign currency translation difference	530	233
Changes due to ownership structure	(534)	(27)
Non-controlling interest included in net profit for the year	61	(839)
Closing balance	**6,209**	**6,152**

NOTE 23: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Fees and commission incomes	*30 June 2010*	*30 June 2009*
Deposit and account maintenance fees and commissions	31,600	32,857
Fees and commissions related to the issued bank cards	15,251	14,580
Fees related to cash withdrawal	12,259	12,585
Fees and commissions relating	8,320	5,928
Fees and commissions related to lending	7,566	7,847
Fees and commissions related to security trading	2,627	2,821
Other	6,357	5,620
Total	**83,980**	**82,238**

Fees and commission expenses	*30 June 2010*	*30 June 2009*
Interchange fees	3,832	3,357
Fees and commissions paid on loans	3,798	3,353
Other fees and commissions related to issued bank cards	2,886	2,960
Fees and commissions related to deposits	1,199	1,153
Insurance fees	1,024	643
Fees and commissions related to lending	1,024	693
Cash withdrawal transaction fees	1,003	1,104
Fees and commissions related to security trading	543	442
Postal fees	397	417
Money market transaction fees and commissions	371	714
Other	2,781	2,065
Total	**18,858**	**16,901**
Net profit from fees and commissions	**65,122**	**65,337**

NOTE 24: OTHER OPERATING EXPENSES (in HUF mn)

	30 June 2010	*30 June 2009*
Provision for impairment on other assets	1,165	459
Provision for impairment on equity investments[1]	64	64
Provision for off-balance sheet commitments and contingent liabilities	(988)	3,252
Other	5,201	5,210
Total	**5,442**	**8,985**

NOTE 25: OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	30 June 2010	*30 June 2009*
Wages	56,084	55,093
Taxes related to personnel expenses	16,288	17,724
Other personnel expenses	5,003	4,902
Total personnel expenses	**77,375**	**77,719**
Depreciation and amortization	**42,001**	**20,774**
Administration expenses, including rental fees	21,891	24,435
Services	16,300	18,031
Taxes, other than income tax	15,690	16,330
Professional fees	7,638	7,621
Advertising	4,670	4,649
Other administrative expenses	**66,189**	**71,066**
Total	**185,565**	**169,559**

NOTE 26: INCOME TAX (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 28% of taxable income. Deferred tax is calculated at the income tax rate of 9% in Montenegro, 10% in Bulgaria, Serbia and Cyprus, 16% in Romania, 19% in Hungary and in Slovakia, 20% in Croatia and Russia, 25% in Ukraine and 28% in the United Kingdom.

From 1 January 2010 in Hungary the additional banking tax (4%) was cancelled.

[1] See details in Note 9

NOTE 26: INCOME TAX (in HUF mn) [continued]

The breakdown of the income tax expense is:

	30 June 2010	*30 June 2009*
Current tax expense	14,693	25,659
Deferred tax expense/(benefit)	5,593	(4,694)
Total	**20,286**	**20,965**

A reconciliation of the net deferred tax asset/liability is as follows:

	30 June 2010	*30 June 2009*
Balance as at 1 January	2,460	(5,352)
Fusion and merger of subsidiaries	(33)	-
Differences arising on consolidation	(626)	-
Foreign currency translation difference	(136)	1,497
Deferred tax (expense)/benefit	(5,593)	4,694
Recognized in equity	(5)	(3,088)
Closing balance	**(3,933)**	**(2,249)**

A reconciliation of the income tax expense is as follows:

	30 June 2010	*30 June 2009*
Profit before income tax	90,045	104,988
Income tax at statutory tax rates	18,892	17,191
Special tax (4%)	-	3,903
Income tax adjustments due to permanent differences:		
Revaluation of investments denominated in foreign currency to historical cost	8,729	143
Provision for impairment on investments in	2,204	-
Share-based payment	597	680
Profit on disposal of shares and equities	-	(618)
Treasury share transactions	(1)	-
Reversal of statutory general provision	(324)	488
Tax effect of amortization of statutory goodwill	(339)	(99)
Differences in carrying value of subsidiaries	(1,784)	-
Accounting of equity instrument (ICES)	(3,803)	-
Other	(3,885)	(723)
Income tax expense	**20,286**	**20,965**
Effective tax rate	**22.5%**	**20.0%**

NOTE 26: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax assets and liabilities are as follows:

	30 June 2010	*30 June 2009*
Provision for impairment on equity investments	11,018	3,183
Tax loss carry forward	3,849	-
Fair value adjustment of securities held for trading and securities available-for-sale	3,061	319
Repurchase agreement and security lending	2,983	2,659
Difference in accounting for leases	723	564
Premium and discount amortization on bonds	504	203
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	356	-
Difference in depreciation and amortization	75	-
Fair value adjustment of derivative financial instruments	12	4,232
Temporary differences arising on consolidation	-	461
Other	6,703	3,294
Deferred tax asset	**29,284**	**14,915**

	30 June 2010	*30 June 2009*
Net effect of treasury share transactions	(4,767)	(5,555)
Fair value adjustment of derivative financial instruments	(4,729)	-
Difference in depreciation and amortization	(4,480)	(4,128)
Accounting of equity instrument (ICES)	(4,247)	(1,989)
Fair value adjustment of securities held for trading and securities available-for-sale	(4,094)	-
Temporary differences arising on consolidation	(1,231)	-
Difference in accounting for leases	(210)	-
Premium and discount amortization on bonds	(39)	-
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	-	(91)
Accrued losses	-	(5,401)
Other	(9,420)	-
Deferred tax liabilities	**(33,217)**	**(17,164)**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

27.1. Credit risk

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical and business lines. Such risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is managed by obtaining collateral, corporate and personal guarantees.

Analysis by business lines and risk classes

An analysis of the gross loan portfolio by business lines and financial risk classes is as follows:

As at 30 June 2010

Business line	Performing	To-be monitored	Bellow average	Doubtful	Bad	Total carrying amount
Retail loans	3,490,055	539,095	124,680	139,167	236,761	**4,529,758**
Corporate loans	1,435,982	597,144	159,679	109,147	330,070	**2,632,022**
Placement with other banks	479,325	9,646	7,607	661	821	**498,060**
Municipal loans	322,868	7,397	4,283	3,111	375	**338,034**
Total	**5,728,230**	**1,153,282**	**296,249**	**252,086**	**568,027**	**7,997,874**
Allowance	**(20,615)**	**(28,309)**	**(52,626)**	**(135,350)**	**(452,215)**	**(689,115)**
Total exposure	**5,707,615**	**1,124,973**	**243,623**	**116,736**	**115,812**	**7,308,759**

The total off-balance sheet liabilities connected to the lending activity were 1,051,070 million HUF as at 30 June 2010 which included 772,100 million HUF commitments to extend credit and 278,970 million HUF guarantees arising from banking activities.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Analysis by business lines and risk classes [continued]

As at 31 December 2009

Business line	Performing	To-be monitored	Bellow average	Doubtful	Bad	Total carrying amount
Retail loans	3,407,101	373,116	72,550	112,280	187,204	**4,152,251**
Corporate loans	1,765,731	345,709	107,322	89,422	158,229	**2,466,413**
Placement with other banks	431,785	4,717	6,370	-	1,210	**444,082**
Municipal loans	220,747	4,021	19	360	196	**225,343**
Total	**5,825,364**	**727,563**	**186,261**	**202,062**	**346,839**	**7,288,089**
Allowance	**(17,135)**	**(66,827)**	**(30,775)**	**(99,621)**	**(283,534)**	**(497,892)**
Total exposure	**5,808,229**	**660,736**	**155,486**	**102,441**	**63,305**	**6,790,197**

The total off-balance sheet liabilities connected to the lending activity were 976,053 million HUF as at 31 December 2009 which included 730,399 million HUF commitments to extend credit and 245,654 million HUF guarantees arising from banking activities.

The Group's loan portfolio increased by 9.7% in 2010. Analysing the contribution of business lines to the loan portfolio, the share of the retail and corporate business line slightly decreased while the share of other business lines either slightly increased. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio increased from 7.5% to 10.3%. Among the qualified loan portfolio, the loans classified to the risk class of "bad" expanded at the fastest level.

The Group has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the indicator was 71.6% and 69.8% as at 30 June 2010 and 31 December 2009 respectively.

The off-balance sheet liabilities connected to the lending activity increased by 7.7%, while the qualified loan portfolio increased by 55.2% in the first half of 2010.

Classification into risk classes

Exposures of low (In corporate and municipality sector the limit is 50 million HUF, while in retail sector every exposure evaluated as low exposure.) amounts are subject to collective valuation method, which is a simplified assessment. The exposures subject to collective valuation method are classified to five risk classes (performing, to-be monitored, below average, doubtful, bad). Depending on the days of delay, a specific percentage is assigned to each risk class, and the provision for impairment is calculated on all exposures based on previously determined rates.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Classification into risk classes [continued]

When applying the individual assessment method, the incurred loss of each item is determined based on the consideration of all of the following criteria:

- the credit rating of the customer or the partner: the financial position, stability and income-generating capacity affected by the financial or investment service and issuer of the security, and any changes thereto;
- compliance with the rules of repayment (delay): delays in the repayment of the loan principal and its interests;
- the country risk relating to the customer (both political and transfer risks) and any changes thereto;
- the value of collaterals, their liquidity and accessibility, and any changes therein;
- the transferability and liquidity of the exposures (the market conditions of supply and demand, the available market prices and participation in the shareholders` equity of the issuer in proportion to the investment);
- the future payment obligation recognized as a loss arising from the exposure.

Loan portfolio by countries

An analysis of the qualified gross loan portfolio in a country breakdown is as follows:

	30 June 2010		*31 December 2009*	
Country	**Carrying amount of the qualified gross loan portfolio**	**Allowance**	**Carrying amount of the qualified gross loan portfolio**	**Allowance**
Hungary	869,276	231,435	534,507	194,300
Ukraine	281,333	160,197	132,073	114,754
Bulgaria	255,659	77,003	195,220	56,129
Russia	188,417	63,050	155,746	38,140
Netherlands	135,219	3,097	-	-
Romania	125,556	17,895	123,843	12,545
Montenegro	118,320	33,307	76,906	6,985
Serbia	102,549	38,371	90,199	27,555
Cyprus	70,415	10,978	58,852	5,022
Slovakia	60,677	14,784	48,470	12,132
Croatia	38,919	14,021	24,094	8,654
Kazakhstan	7,078	1,441	5,663	1,140
The United Kingdom	5,167	1,850	3,379	1,755
Seychelles	4,840	727	4,563	411
Georgia	2,820	28	2,255	23
Latvia	871	112	9	-
Byelorussia	730	-	38	-
Azerbaijan	705	7	564	7
Egypt	559	84	533	80

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Loan portfolio by countries [continued]

	30 June 2010		*31 December 2009*	
Country	**Carrying amount of the qualified gross loan portfolio**	**Allowance**	**Carrying amount of the qualified gross loan portfolio**	**Allowance**
Germany	178	8	73	-
The United States	128	-	2,340	1
Ireland	83	66	58	35
Iceland	65	29	25	-
Macedonia	61	8	51	3
Slovenia	13	-	10	-
Canada	2	-	2	-
Lithuania	-	-	1,894	95
Czech Republic	-	-	1,347	989
Esthonia	-	-	9	1
Other	4	2	2	1
Total	**2,269,644**	**668,500**	**1,462,725**	**480,757**

The qualified loan portolio increased mostly in Ukraine and Hungary and Bulgaria. Their stock of provision slightly increased in Bulgaria and decreased in Ukraine and Hungary.

Collaterals

The values of collaterals held by the Group by types are as follows: (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	*30 June 2010*	*31 December 2009*
Mortgages	7,752,666	7,795,345
Bank guarantees and warranties	482,339	163,700
Guarantees of state or organizations owned by state	141,696	328,366
Cash collaterals	107,277	95,930
Assignments (revenue or other receivables)	105,854	97,725
Securities	54,404	54,438
Other	2,007,817	2,749,527
Total	**10,652,053**	**11,285,031**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Collaterals [continued]

The values of collaterals held by the Group by types are as follows: (**to the extent of the receivables**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	*30 June 2010*	*31 December 2009*
Mortgages	3,556,138	3,420,732
Bank guarantees and warranties	417,562	147,763
Assignments (revenue or other receivables)	279,070	211,695
Cash collaterals	63,423	77,834
Securities	37,950	23,259
Guarantees of state or organizations owned by state	14,752	201,165
Other	704,795	820,493
Total	**5,073,690**	**4,902,941**

The coverage level of the loan portfolio to the extent of the exposures decreased by 13.8%, as well as the coverage level to the extent of the receivables decreased by 5.5% as at 30 June 2010.

Loans, neither past due, nor impaired

The loan portfolio analysis of the gross values of the loans that are neither past due nor impaired is as follows:

Business line	*30 June 2010*	*31 December 2009*
Retail loans	2,403,345	2,432,593
Corporate loans	1,071,188	1,358,011
Placement with other banks	477,028	431,567
Municipal loans	304,665	212,309
Total	**4,256,226**	**4,434,480**

Loans neither past due, nor impaired cover only balance sheet items.
The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 61% to 53.2 % as at 30 June 2010. The ratio of the corporate loans compared to the portfolio of loans neither past due nor impaired decreased during the first half of 2010 while the ratio of the other lines increased.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Renegotiated loans

An analysis of the gross value of the loans that would otherwise be past due or impaired and whose terms have been renegotiated as at 30 June 2010 and 31 December 2009 is as follows:

Business line	*30 June 2010*	*31 December 2009*
Retail loans	293,154	496,549
Corporate loans	261,413	318,291
Placement with other banks	-	1,380
Municipal loans	1,454	6
Total	**556,021**	**816,226**

The gross amount of renegotiated loans decreased considerably by 30 June 2010, which is connected mainly to the retail loans. There were no renegotiated loans among the Placements with other banks.

Past due, but not impaired loans

An analysis of the age of gross loans that are past due but not impaired as at 30 June 2010 and 31 December 2009 is as follows:

As at 30 June 2010

Business line	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	474,662	17,145	6,680	14,425	**512,912**
Corporate loans	69,829	15,613	10,262	20,043	**115,747**
Municipality loans	8,297	-	-	-	**8,297**
Total	**552,788**	**32,758**	**16,942**	**34,468**	**636,956**

As at 31 December 2009

Business line	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	386,064	26,395	13,015	13,697	**439,171**
Corporate loans	48,513	28,741	26,445	10,230	**113,929**
Municipality loans	383	2	-	2	**387**
Total	**434,960**	**55,138**	**39,460**	**23,929**	**553,487**

The loans that are past due but not impaired are concentrated in the retail business line because In the other business lines the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Group.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

The fair value of funds related to past due, but not impaired loans

An analysis of the fair value of funds related to past due, but not impaired loans to the extent of the exposures as at 30 June 2010 and 31 December 2009 is as follows:

Fair value of the collaterals (to the extent of the exposures) related to loans by business line	*30 June 2010*	*31 December 2009*
Retail loans	522,118	465,027
Corporate loans	200,548	194,338
Municipality loans	67	353
Total	**722,733**	**659,718**

The funds cover only on-balance sheet risk-taking.

Loans determined individually to be impaired

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 30 June 2010 and 31 December 2009 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Loans determined individually to be impaired [continued]

As at 30 June 2010

Business line	Considered factors	Carrying value	Allowance	Coverage value, discounted	Off-balance sheet commitments	Provision for impairment on off-balance sheet commitments
Corporate	Delay of payment	177,644	85,736	263,153	2,854	34
	Regularity of payment	429	120	130	-	-
	Renegotiation	62,320	2,416	9,331	554	33
	Legal proceedings	27,153	21,184	27,761	2	2
	Decrease of client classification	219,834	17,003	147,577	3,953	94
	Loan characteristics	88,357	3,710	-	7,908	133
	Critical industry classification	114,386	24,578	808	1,477	109
	Country risk	-	-	-	76,829	52,751
	Other	8,326	2,617	2,477	4,498	548
	Cross default	21,927	7,705	2,002	5,585	2
Corporate total		**720,376**	**165,069**	**453,239**	**103,660**	**53,706**
Municipal	Delay of payment	46	24	995	36	-
	Regularity of payment	141	112	-	-	-
	Renegotiation	680	7	-	-	-
	Legal proceedings	463	223	-	-	-
	Decrease of client classification	2,390	84	2	217	10
	Other	5,068	1,126	26	735	107
	Cross default	24	19	-	-	-
Municipal total		**8,812**	**1,595**	**1,023**	**988**	**117**
Placement with other banks		**11,412**	**1,542**	**-**	**-**	**-**
Total		**740,600**	**168,206**	**454,262**	**104,648**	**53,823**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Loans determined individually to be impaired [continued]

As at 31 December 2009

Business line	Considered factors	Carrying value	Allowance	Coverage value, discounted	Off-balance sheet commitments	Provision for impairment on off-balance sheet commitments
Corporate	Delay of payment	120,141	54,555	44,336	8,126	808
	Regularity of payment	407	214	100	-	-
	Renegotiation	22,207	1,811	848	418	38
	Legal proceedings	23,514	16,258	8,218	131	66
	Decrease of client classification	19,443	2,779	18,280	4,197	158
	Loan characteristics	109,185	4,319	415	11,813	896
	Critical industry classification	99,935	10,425	1,975	16,837	1,360
	Country risk	-	-	-	63,145	39,615
	Other	10,510	1,003	5,056	6,565	315
	Cross default	73,209	8,709	1,371	21,730	2,732
Corporate total		**478,551**	**100,073**	**80,599**	**132,962**	**45,988**
Municipal	Delay of payment	292	110	2,728	68	-
	Regularity of payment	145	116	-	-	-
	Renegotiation	80	1	-	-	-
	Decrease of client classification	120	8	-	22	2
	Other	2,882	350	30	346	18
	Cross default	33	26	-	-	-
Municipal total		**3,552**	**611**	**2,758**	**436**	**20**
Placement with other banks		**10,916**	**1,697**	**-**	**-**	**-**
Total		**493,019**	**102,381**	**83,357**	**133,398**	**46,008**

By 30 June 2010 the volume the individually rated portfolio significantly increased in the corporate business line. Among the rating factors of the corporate business line, the ratio of the loans determined to be impaired based on the decrease of client classification, the fact of renegotiation and the delayed repayment increased.

27.2. Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a 'Value at Risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2. Market risk [continued]

27.2.1. Market Risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

The VaR of the trading portfolio can be summarized as follows:

Historical VaR (99%, one-day) by risk type	**Average**	
	30 June 2010	*30 June 2009*
Foreign exchange	688	783
Interest rate	1,188	368
Equity instruments	36	6
Diversification	(320)	(263)
Total VaR exposure	**1,592**	**894**

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 27.2.2., for interest rate risk in Note 27.2.3., and for equity price sensitivity analysis in Note 27.2.4. below.

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.

The strategic open position related to the foreign operations was EUR (310) million as of 30 June 2010 and EUR (310) million as of 31 December 2009. High portion of strategic positions is considered as effective hedge of future profit inflows of foreign subsidiaries, so FX risk alters the Group capital and not its earnings.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.2. Foreign currency sensitivity analysis [continued]

A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	Effects to the Consolidated Statement of Recognized Income in 3 months period	
	30 June 2010 In HUF billion	*30 June 2009* In HUF billion
1%	(9.1)	(10.2)
5%	(5.7)	(6.8)
25%	(1.3)	(2.4)
50%	1.5	0.3
25%	4.2	3.0
5%	7.9	6.6
1%	10.5	9.2

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) Due to the stabilizing EUR/HUF volatility the Value at Risk remained unchanged.
(3) Monte Carlo simulation is based on the empirical distribution of the exchange rate movements. Recent market turmoil has made EUR/HUF rate of exchange loosing its former equilibrium at 250, yet historical simulation with mean reversion embedded in the model indicates higher probability of slightly appreciation towards 280 in the next quarter.

27.2.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date will be outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes. The main assumptions were as follows:

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged marge compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Assets and liabilities with an interest rate lower than 0.3% were assumed to be unchanged for the whole period.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.3. Interest rate sensitivity analysis [continued]

The simulations were prepared by assuming two scenarios:
(1) 0.50% - 0.75% decrease in average HUF yields (probable scenario)
(2) 1% - 1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period after 30 June 2010 would be decreased by HUF 1,314 million (probable scenario) and HUF 7,699 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,707 million (probable scenario) and HUF 8,421 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2009.
This effect is counterbalanced by capital gains (HUF 6,222 million for probable scenario, HUF 9,224 million for alternative scenario) as at 30 June 2010 and (HUF 4,560 million for probable scenario, HUF 6,900 million for alternative scenario) as at 31 December 2009 on the government bond portfolio held for hedging.

The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period and to the market value of the hedge government bond portfolio booked against capital can be summarized as follows (HUF million):

	30 June 2010		*31 December 2009*	
Description	**Effects to the net interest income (1 Year period)**	**Effects to capital (Price change of AFS government bonds)**	**Effects to the net interest income (1 Year period)**	**Effects to capital (Price change of AFS government bonds)**
HUF (0.1%) parallel shift	(395)	1,229	(551)	812
EUR (0.1%) parallel shift	(65)	-	(281)	-
USD 0.1% parallel shift	(119)	-	(147)	-
Total	**(579)**	**1,229**	**(979)**	**812**

27.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	*30 June 2010*	*30 June 2009*
VaR (99%, one day, million HUF)	36	6
Stress test (million HUF)	(80)	(16)

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2. Market risk [continued]

27.2.5. Capital management

Capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.
The capital management of the Group members includes the management and evaluation of the shareholders` equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.
The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.
The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In case the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

The capital adequacy of the Group is supervised based on the financial statements data prepared according to the Hungarian Accounting Standards („HAS”) applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008.
The Group has entirely complied with the regulatory capital requirements.
The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the alternative standard method in case of the operational risk. The consolidated Capital adequacy ratio of the Group was 18.1% and 18.5% as at 30 June 2010 and 31 December 2009 respectively. The Regulatory capital was HUF 1,374,313 million and HUF 1,271,173 million, the Total eligible regulatory capital was HUF 607,238 million and HUF 550,853 million as at 30 June 2010 and 31 December 2009 respectively.

Calculation on HAS basis

	30 June 2010	*31 December 2009*
Core capital	1,098,041	1,036,191
Supplementary capital	276,730	242,443
Deductions	(458)	(7,461)
due to investments	(458)	(428)
due to limit branches	-	(7,033)
Regulatory capital	**1,374,313**	**1,271,173**
Credit risk capital requirement	488,998	453,048
Market risk capital requirement	32,740	29,490
Operational risk capital requirement	85,500	68,315
Total eligible regulatory capital	**607,238**	**550,853**
Surplus capital	**767,075**	**720,320**
Tier 1 ratio	14.5%	15.0%
Capital adequacy ratio	**18.1%**	**18.5%**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

The positive components of the Core capital are the following: Issued capital, Capital reserve, Tied-up reserve, General reserve, Profit reserve, Changes in the equity, Changes due to consolidation, Non-controlling interest, Profit for the year, General risk reserve.
The negative components of the Core capital are the following: Treasury shares, Intangible assets.
The positive components of the Supplementary capital are the following: Subsidiary loan capital, Subordinated loan capital.
The negative components of the Supplementary capital are the following: Changes due to consolidation of equity.

The minimum capital adequacy ratio of the subsidiary banks prescribed by the local regulator, and the compliance with these prescriptions is as follows:

Subsidiary bank	**Country**	**Minimum prescribed CAR**	*30 June 2010*	*31 December 2009*
OAO OTP Bank	Russia	11%	12.4%	13.3%
OTP Bank JSC	Ukraine	10%	20.5%	17.8%
DSK Bank EAD	Bulgaria	12%	25.3%	21.9%
OTP Bank Romania S.A.	Romania	8%/10%[1]	11.5%	14.3%
OTP banka Srbija a.d.	Serbia	12%	22.4%	27.1%
OTP banka Hrvatska d.d.	Croatia	10%/12%[2]	17.0%	13.4%
OTP Banka Slovensko a. s.	Slovakia	8%	10.3%	10.7%
Crnogorska komerčijalna banka a.d.	Montenegro	10%	14.3%	13.4%

For international comparison purposes, the Group calculates the Regulatory capital according to the Basel II directive based on IFRS data, and the consolidated Capital adequacy ratio based on this. The Capital adequacy ratio of the Group was 17.3% both as at 30 June 2010 and 31 December 2009. The Regulatory capital was HUF 1,312,225 and HUF 1,194,508 million, the Total eligible regulatory capital was HUF 607,238 and HUF 550,853 million as at 30 June 2010 and 31 December 2009 respectively.

[1] In 2009 the minimum prescribed CAR has changed.

[2] In 2010 the minimum prescribed CAR has changed.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

Calculation on IFRS basis

	30 June 2010	*31 December 2009*
Core capital	984,634	952,416
Positive components	1,315,128	1,272,721
Issued capital	28,000	28,000
Reserves	1,171,620	1,126,443
Other issued capital components	115,508	118,278
Negative components	(330,494)	(320,305)
Treasury shares	(52,685)	(52,678)
Goodwill and other intangible assets	(277,809)	(267,627)
Supplementary capital	328,049	242,521
Fair value corrections	(4,440)	(34,589)
Subordinated bonds and loans	332,488	277,110
Deductions	(458)	(428)
Regulatory capital	**1,312,225**	**1,194,508**
Credit risk capital requirement	488,998	453,048
Market risk capital requirement	32,740	29,490
Operational risk capital requirement	85,500	68,315
Total eligible regulatory capital	**607,238**	**550,853**
Surplus capital	**704,986**	**643,655**
Tier 1 ratio	13.0%	13.8%
Capital adequacy ratio	**17.3%**	**17.3%**

The positive components of the Core capital are the following: Issued capital, Profit reserve, Other reserves, Changes in the equity of subsidiaries, Profit for the year, Changes due to consolidation, Other issued capital components.
The negative components of the Core capital are the following: Treasury shares, Goodwill and other intangible assets.
The components of the Supplementary capital are the following: Revaluation reserve, Fair value adjustments, Share-based payment, Cash-flow hedge, Hedges of net investments in foreign operations, Other issued capital (in the Supplementary capital), Subordinated loan capital, Subsidiary loan capital.
The components of the Deductions: deductions due to investments.

NOTE 28: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated Statement of Financial Position and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities

	30 June 2010	*31 December 2009*
Legal disputes (disputed value)[1]	10,782,088	32,566
Commitments to extend credit	772,100	730,399
Guarantees arising from banking activities	278,970	245,654
Confirmed letters of credit	11,499	6,579
Other	62,258	91,916
Total	**11,906,915**	**1,107,114**

Commitments to extend credit, guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The management of the Group believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loan commitments to be minimal.

[1] The considerable increase of the amount of legal disputes in 2010 is in connection with the significant amount of the lawsuit initiated by the Victims of Hungarian Holocaust . The Bank has the opinion, that the case has no valid basis, so no provision is necessary for that.

NOTE 28: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Legal disputes

At the balance sheet date the Group was involved in various claims and legal proceedings of a nature considered normal to its business. The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 3,721 million and HUF 6,084 million as at 30 June 2010 and 31 December 2009, respectively. (See Note 17.)

Derivatives

The Group maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most of the cases requires margin deposits.

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of these contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Group for risk management and trading purposes. The risk management foreign currency contracts of the Group were used to hedge against exchange rate fluctuations on loans and advances to credit institutions denominated in foreign currency.

NOTE 28: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Foreign exchange swaps and interest rate swaps

The Group enters into foreign exchange swap and interest rate swap transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consists of a prompt and one or more futures contracts.

Interest rate swaps oblige two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counterparties.

The interest rate swaps of the Group were used for management of interest rate exposures and have been accounted for at mark-to-market fair value.

Cross-currency interest rate swap

The Bank enters into cross-currency interest rate swap (CCIRS) transactions which have special attributes, i.e. the parties exchange the notional amount at the beginning and also at the maturity of the transaction. A special type of these deals is the mark-to-market CCIRS agreements. At this kind of deals the parties – according to the foreign exchange prices – revalue the notional amount during lifetime of the transaction.

Forward rate agreements

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.

The Group limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Group's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

NOTE 29: SHARE-BASED PAYMENT

The terms of the options relating to the years of 2005 to 2009 were approved by the Annual General Meeting of 2005. The grant date of these options is 29 April 2005. The maximum number of shares which are available is 2.92 million.

The 2006 Annual General Meeting approved a five year share option program for the years of 2006 to 2010 under which options are granted annually. The grant date of these options is 28 April 2006 and the date of the Annual General Meeting of 2007 (27 April 2007) for the increased amount of share options under the modified program.

The exercise prices of the options relating to the years of 2006 to 2010 are calculated as the average of the market price of OTP shares quoted by the BSE daily during the period between 30 April and 30 May in the actual year and decreased by HUF 1,000. In that case if the average price of the shares exceeds by more than HUF 3,000 the exercise price one day before the date of exercise, the exercise price would be increased by the amount above the HUF 3,000.

The 2007 Annual General Meeting approved a few changes in the program:
The exercise prices of the options relating to the years of 2006 to 2010 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the three month period ended 31 March in the actual year and decreased by HUF 2,000. In that case if the average price of the shares exceeds by more than HUF 4,000 the exercise price one day before the date of exercise, the exercise price would be increased by the amount above the HUF 4,000.

The vesting conditions of the option program are that, two of following conditions should be fulfilled:

- The growth of the net income reaches 10%
- The ROA indicator for the actual year ended 31 December should be at least 2.1%
- The ROE indicator for the actual year ended 31 December should be at least 20%

The exercise period of the options granted for the year of 2005 is two years and for the years of 2006 to 2010 is 19 months. The exercise period of the option program for the years of 2006 to 2010 must be opened at 1 June in the actual year, the period can be prolongated by two years. If the options remain unexercised before the end of the exercise period, the options expire. Additionally, options are forfeited if the employee leaves the Bank before the options vest. The options can only be settled by physical delivery, therefore the option program is accounted as equity-settled share based transaction.

In connection with the equity-settled share-based payment programs HUF 9,974 million and HUF 6,802 million has been recognised as an expense as at 30 June 2010 and as at 31 December 2009 respectively.

NOTE 29: SHARE-BASED PAYMENT [continued]

	30 June 2010		*31 December 2009*	
	Options (number of shares)	**Weighted average exercise price (in HUF)**	**Options (number of shares)**	**Weighted average exercise price (in HUF)**
Outstanding at beginning of period	-	-	2,534,950	6,484
Granted during the period	-	-	-	-
Forfeited during the period	-	-	2,534,950	6,484
Exercised during the period	-	-	-	-
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

For the year ended 31 December 2008 the key performance indicators-which are the vesting conditions of the option program - are not fulfilled, therefore the Bank did not recognize any personnel expense related to the option program. There were no option exercise during 2009.

	30 June 2010	*31 December 2009*
Weighted average exercise price of the options outstanding	-	-
Weighted average remaining contractual life (month)	-	-

3,500,000 share options related to 2009 will be available for exercise after the Annual General Meeting in April 2010, and the exercise price will be determined at that time, therefore they are not outstanding as of 31 December 2009.

The inputs to the Binominal model at the grant date were as follows related to the share options vesting for the years ended :

	30 June 2010	*31 December 2009*
Weighted average spot share price (HUF)	8,272	8,272
Weighted average exercise price (HUF)[1]	8,875	8,875
Expected volatility (%)	32	32
Expected life (average year)	5.45	5.45
Risk free rate (%)	7.63	7.63
Expected dividends (%)	1.95	1.95
Cap for the maximum gain (HUF/option)	4,000	4,000

[1] Exercise price is determined by the AGM after the vesting period, therefore the exercise price was estimated by using the forward share price as of the grant date. Expected volatility was determined by calculating the historical volatility of the Bank's share price three months prior to the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

The compensation of key management personnel, such as the members of the Board of Directors, members of the Supervisory Board, key employees of the Bank and its major subsidiaries involved in the decision-making process according to the compensation categories defined in IAS 24 Related party disclosures, is summarised below:

Compensations	*30 June 2010*	*31 December 2009*
Short-term employee benefits	4,184	9,949
Share-based payment	1,577	3,139
Other long-term employee benefits	53	94
Termination benefits	3	31
Redundancy payments	-	-
Total	**5,817**	**13,213**

	30 June 2010	*31 December 2009*
Loans provided to companies owned by the management (normal course of business)	38,557	31,876
Credit lines of the members of Board of Directors and the Supervisory Board (at normal market conditions)	217	218
Commitments to extend credit and guarantees	139	103

	30 June 2010	*31 December 2009*
Loans provided to unconsolidated subsidiaries	45,914	40,027

NOTE 31: MAJOR SUBSIDIARIES

Equity investments in companies in which the Bank has a controlling interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Bank considers the subsidiaries as cash generating units.

Name	Ownership (Direct and Indirect)		Activity
	30 June 2010	*31 December 2009*	
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia)	95.86%	95.55%	commercial banking services
CJSC Donskoy Narodny Bank (Russia)	-	100,00%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	91.43%	91.43%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	98.82%	97.24%	commercial banking services
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Crnogorska komerčijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100,00%	holding activity
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Two Commercial Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services

NOTE 31: MAJOR SUBSIDIARIES [continued]

Major indicators of associates which are not accounted for using the equity method is as follows:

	30 June 2010	*31 December 2009*
Total assets	3,425	3,246
Total liabilities	660	620
Shareholders' equity	2,765	2,623
Reserves	236	285
Total revenues	579	1,102
Profit before income tax	71	72
Profit after income tax	64	65

NOTE 32: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Group, they have been excluded from the accompanying Consolidated Statement of Financial Position.

	30 June 2010	*31 December 2009*
The amount of loans managed by the Group as a trustee	44,092	179,570

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

	30 June 2010	*31 December 2009*
Receivables from, or securities issued by the Hungarian Government or the NBH	11.9%	14.2%

There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2010 or as at 31 December 2009.

NOTE 34: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations prescribed by the NBH. The following tables provide an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the period end to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

As at 30 June 2010	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	630,070	11,982	138	435	-	642,625
Placements with other banks, net of allowance for placements losses	439,276	45,158	9,758	178	1,226	495,596
Financial assets at fair value through profit or loss	41,806	19,144	34,636	17,552	100,385	213,523
Securities available-for-sale	464,008	120,612	297,300	199,031	20,229	1,101,180
Loans, net of allowance for loan losses	765,349	1,028,867	1,822,202	3,263,785	6,559	6,886,762
Associates and other investments	-	-	-	-	16,692	16,692
Securities held-to-maturity	63,321	44,911	87,137	27,480	-	222,849
Property and equipment, Intangible assets	7,609	1,425	5,418	20,212	455,263	489,927
Other assets	53,484	29,381	26,920	3,920	1,685	115,390
TOTAL ASSETS	**2,464,923**	**1,301,480**	**2,283,509**	**3,532,593**	**602,039**	**10,184,544**
Amounts due to banks, the Hungarian Government, deposits from the National Bank Hungary and other banks	142,525	269,901	120,408	119,609	57	652,500
Deposits from customers	4,529,170	1,146,613	280,769	23,058	1,426	5,981,036
Liabilities from issued securities	676,140	26,234	448,184	76,344	-	1,226,902
Financial liabilities at fair value through profit or loss	32,029	125,883	158,259	16,334	-	332,505
Other liabilities	304,864	8,432	37,521	9,141	7,712	367,670
Subordinated bonds and loans	6,400	-	35,493	138,242	121,146	301,281
TOTAL LIABILITIES	**5,691,128**	**1,577,063**	**1,080,634**	**382,728**	**130,341**	**8,861,894**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,341,126	1,341,126
Treasury shares	-	-	-	-	(52,685)	(52,685)
Non-controlling interest	-	-	-	-	6,209	6,209
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	-	**-**	**1,322,650**	**1,322,650**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,691,128**	**1,577,063**	**1,080,634**	**382,728**	**1,452,991**	**10,184,544**
LIQUIDITY (DEFICIENCY)/EXCESS	**(3,226,205)**	**(275,583)**	**1,202,875**	**3,149,865**	**(850,952)**	**-**

NOTE 34: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at 31 December 2009	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	505,649	-	-	-	-	505,649
Placements with other banks, net of allowance for placements losses	360,506	68,757	11,241	347	-	440,851
Financial assets at fair value through profit or loss	71,134	29,638	52,357	102,971	-	256,100
Securities available-for-sale	751,750	88,110	274,764	239,661	-	1,354,285
Loans, net of allowance for loan losses	617,956	966,976	1,747,451	3,080,333	-	6,412,716
Associates and other investments	-	-	-	-	18,834	18,834
Securities held-to-maturity	20,676	36,367	104,480	27,330	-	188,853
Property and equipment, Intangible assets	-	-	-	-	476,358	476,358
Other assets	36,511	44,317	18,736	1,922	-	101,486
TOTAL ASSETS	**2,364,182**	**1,234,165**	**2,209,029**	**3,452,564**	**495,192**	**9,755,132**
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	148,219	235,502	106,018	313,010	-	802,749
Deposits from customers	4,404,224	1,079,141	181,280	24,242	-	5,688,887
Liabilities from issued securities	762,102	31,108	394,544	222,594	-	1,410,348
Financial liabilities at fair value through profit or loss	36,416	16,203	59,659	6,190	-	118,468
Other liabilities	211,916	8,399	34,429	7,496	-	262,240
Subordinated bonds and loans	465	252	4,035	276,082	-	280,834
TOTAL LIABILITIES	**5,563,342**	**1,370,605**	**779,965**	**849,614**	**-**	**8,563,526**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,265,600	1,265,600
Treasury shares	-	-	-	-	(108,146)	(108,146)
Non-controlling interest	-	-	-	-	6,152	6,152
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,191,606**	**1,191,606**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,563,342**	**1,370,605**	**779,965**	**849,614**	**1,191,606**	**9,755,132**
LIQUIDITY (DEFICIENCY)/EXCESS	**(3,199,160)**	**(136,440)**	**1,429,064**	**2,602,950**	**(696,414)**	**-**

NOTE 35: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 30 June 2010

	USD	EUR	CHF	Others	Total
Assets	789,673	2,567,291	1,581,639	2,038,771	6,977,374
Liabilities	(382,413)	(2,992,256)	(120,665)	(1,275,581)	(4,770,915)
Off-balance sheet assets and liabilities, net	(351,258)	362,086	(1,610,333)	(74,163)	(1,673,668)
Net position	**56,002**	**(62,879)**	**(149,359)**	**689,027**	**532,791**

As at 31 December 2009

	USD	EUR	CHF	Others	Total
Assets	766,152	2,472,194	1,435,992	995,489	5,669,827
Liabilities	(412,554)	(3,190,517)	(103,419)	(1,136,012)	(4,842,502)
Off-balance sheet assets and liabilities, net	(358,347)	769,872	(1,428,065)	(181,304)	(1,197,844)
Net position	**(4,749)**	**51,549**	**(95,492)**	**(321,827)**	**(370,519)**

The table above provides an analysis of the main foreign currency exposures of the Group. The remaining foreign currencies are shown within ‘Others’. ‘Others’ category contains mainly foreign currencies in RON, UAH, RUB and BGN. Whilst the Group monitors its foreign exchange position for compliance with the regulatory requirements of the National Bank of Hungary and own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the ‘Value at Risk’ (“VaR”) limit on the foreign exchange exposure of the Group.

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn)

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the interest bearing assets and liabilities of the Group are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Group to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing dates of the Group. Variable yield assets and liabilities have been reported according to their next repricing date. Fixed income assets and liabilities have been reported according to their maturity.

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2010

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**177 607**	**134 510**	**1 149**	*13*	-	*8*	-	-	-	*2*	**64 338**	**264 998**	**243 094**	**399 531**	**642 625**
fixed rate	*177 338*	*125 631*	-	*13*	-	*8*	-	-	-	-	-	-	*177 338*	*125 652*	*302 990*
variable rate	*269*	*8 879*	*1 149*	-	-	-	-	-	-	*2*	-	-	*1 418*	*8 881*	*10 299*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*64 338*	*264 998*	*64 338*	*264 998*	*329 336*
Placements with other banks, net of allowance for placements losses	**13 596**	**366 206**	-	**72 418**	-	**14 284**	-	**470**	-	**1 880**	**32**	**26 710**	**13 628**	**481 968**	**495 596**
fixed rate	*13 420*	*357 208*	-	*3 451*	-	--	-	-	-	*193*	-	-	*13 420*	*360 852*	*374 272*
variable rate	*176*	*8 998*	-	*68 967*	-	*14 284*	-	*470*	-	*1 687*	-	-	*176*	*94 406*	*94 582*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*32*	*26 710*	*32*	*26 710*	*26 742*
Securities held for trading	**24 975**	**1 092**	**146**	*61*	**1 065**	**577**	**1 192**	**172**	**10 292**	**3 761**	**99 208**	**2 301**	**136 878**	**7 964**	**144 842**
fixed rate	*24 975*	-	*146*	*61*	*1 046*	*563*	*1 192*	*172*	*10 292*	*3 761*	-	-	*37 651*	*4 557*	*42 208*
variable rate	-	*1 092*	--	-	*19*	*14*	-	-	-	-	-	-	*19*	*1 106*	*1 125*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*99 208*	*2 301*	*99 208*	*2 301*	*101 509*
Securities available-for-sale	**388 102**	**12 747**	**34 964**	**33 849**	**50 533**	**65 482**	**38 257**	**36 477**	**309 896**	**82 084**	**29 419**	**19 370**	**851 171**	**250 009**	**1 101 180**
fixed rate	*388 102*	*9 343*	*34 964*	*19 667*	*50 533*	*65 411*	*38 257*	*36 345*	*308 173*	*81 500*	-	-	*820 029*	*212 266*	*1 032 295*
variable rate	-	*3 404*	--	*14 182*	-	*71*	-	*132*	*1 723*	*584*	-	-	*1 723*	*18 373*	*20 096*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*29 419*	*19 370*	*29 419*	*19 370*	*48 789*
Loans, net of allowance for loan losses	**809 363**	**3 384 833**	**196 569**	**951 013**	**56 786**	**380 120**	**59 150**	**44 626**	**316 095**	**523 642**	**74 081**	**90 484**	**1 512 044**	**5 374 718**	**6 886 762**
fixed rate	*9 318*	*65 881*	*2 045*	*79 236*	*3 065*	*225 405*	*1 938*	*35 220*	*8 002*	*470 711*	-	-	*24 368*	*876 453*	*900 821*
variable rate	*800 045*	*3 318 952*	*194 524*	*871 777*	*53 721*	*154 715*	*57 212*	*9 406*	*308 093*	*52 931*	-	-	*1 413 595*	*4 407 781*	*5 821 376*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*74 081*	*90 484*	*74 081*	*90 484*	*164 565*
Securities held-to-maturity	**21 683**	**46 257**	**7 973**	**9 563**	**41 798**	**15 564**	**15 251**	**13 513**	**21 016**	**25 541**	**2 679**	**2 011**	**110 400**	**112 449**	**222 849**
fixed rate	-	*41 061*	-	*5 713*	*30 933*	*15 511*	*15 251*	*13 513*	*21 016*	*25 541*	-	-	*67 200*	*101 339*	*168 539*
variable rate	*21 683*	*5 196*	*7 973*	*3 850*	*10 865*	*53*	-	-	-	-	-	-	*40 521*	*9 099*	*49 620*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*2 679*	*2 011*	*2 679*	*2 011*	*4 690*
Derivative financial instruments	**950 538**	**937 054**	**1 211 685**	**668 865**	**1 418 178**	**313 788**	**5 473**	**611 741**	**33 067**	**3 428**	-	**775**	**3 618 941**	**2 535 651**	**6 154 592**
fixed rate	*249 886*	*563 974*	*90 912*	*87 255*	*1 079 198*	*137 945*	*5 473*	*611 741*	*33 067*	*3 428*	-	-	*1 458 536*	*1 404 343*	*2 862 879*
variable rate	*700 652*	*373 080*	*1 120 773*	*581 610*	*338 980*	*175 843*	-	-	-	-	-	-	*2 160 405*	*1 130 533*	*3 290 938*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*775*	-	*775*	*775*

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2010

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**116 516**	**164 751**	**18 752**	**140 392**	**9 295**	**65 180**	**1**	**13 077**	**49**	**123 789**	**672**	**26**	**145 285**	**507 215**	**652 500**
fixed rate	*28 275*	*106 009*	*14 474*	*9 054*	*9 148*	*8 182*	*1*	*4 067*	*49*	*123 472*	-	-	*51 947*	*250 784*	*302 731*
variable rate	*88 241*	*58 742*	*4 278*	*131 338*	*147*	*56 998*	-	*9 010*	-	*317*	-	-	*92 666*	*256 405*	*349 071*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*672*	*26*	*672*	*26*	*698*
Deposits from customers	**1 306 495**	**1 884 696**	**805 237**	**489 712**	**131 879**	**422 442**	**74 183**	**68 987**	**576 053**	**68 634**	**16 127**	**136 591**	**2 909 974**	**3 071 062**	**5 981 036**
fixed rate	*857 796*	*682 018*	*798 279*	*489 640*	*131 879*	*422 056*	*74 183*	*68 538*	*17 638*	*9 600*	-	-	*1 879 775*	*1 671 852*	*3 551 627*
variable rate	*448 699*	*1 202 678*	*6 958*	*72*	-	*386*	-	*449*	*558 415*	*59 034*	-	-	*1 014 072*	*1 262 619*	*2 276 691*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*16 127*	*136 591*	*16 127*	*136 591*	*152 718*
Liabilities from issued securities	**25 897**	**139 914**	**69 987**	**109 324**	**213 823**	**147 840**	**67 420**	**248 905**	**101 109**	**66 424**	**21 303**	**14 956**	**499 539**	**727 363**	**1 226 902**
fixed rate	*18 522*	*3 051*	*56 801*	*12 633*	*213 823*	*147 840*	*67 420*	*248 905*	*101 109*	*66 424*	-	-	*457 675*	*478 853*	*936 528*
variable rate	*7 375*	*136 863*	*13 186*	*96 691*	-	-	-	-	-	-	-	-	*20 561*	*233 554*	*254 115*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*21 303*	*14 956*	*21 303*	*14 956*	*36 259*
Derivative financial instruments	**692 336**	**1 558 231**	**378 929**	**1 897 046**	**1 373 631**	**431 397**	**13 402**	**88 593**	**23 059**	**15 288**	*1 738*	**729**	**2 483 095**	**3 991 284**	**6 474 379**
fixed rate	*384 965*	*434 126*	*52 966*	*125 516*	*978 388*	*360 950*	*13 402*	*88 593*	*23 059*	*15 288*	-	-	*1 452 780*	*1 024 473*	*2 477 253*
variable rate	*307 371*	*1 124 105*	*325 963*	*1 771 530*	*395 243*	*70 447*	-	-	-	-	-	-	*1 028 577*	*2 966 082*	*3 994 659*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*1 738*	*729*	*1 738*	*729*	*2 467*
Subordinated bonds and loans	-	**296**	**5 000**	**30 810**	-	**15 250**	-	-	-	**242 064**	**7 789**	**72**	**12 789**	**288 492**	**301 281**
fixed rate	-	-	-	*2*	-	-	-	-	-	*241 863*	-	-	-	*241 865*	*241 865*
variable rate	-	*296*	*5 000*	*30 808*	-	*15 250*	-	-	-	*201*	-	-	*5 000*	*46 555*	*51 555*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*7 789*	*72*	*7 789*	*72*	*7 861*
Net position	**244 620**	**1 134 811**	**174 581**	**-931 502**	**-160 268**	**-292 286**	**-35 683**	**287 437**	**-9 904**	**124 139**	**222 128**	**254 275**	**435 474**	**576 874**	**1 012 348**

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2009

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**96 112**	**133 011**	**170**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50 337**	**226 019**	**146 619**	**359 030**	**505 649**
fixed rate	*95 747*	*129 275*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*95 747*	*129 275*	*225 022*
variable rate	*365*	*3 736*	*170*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*535*	*3 736*	*4 271*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*50 337*	*226 019*	*50 337*	*226 019*	*276 356*
Placements with other banks, net of allowance for placements losses	**13 149**	**383 273**	**-**	**5 112**	**-**	**9 014**	**-**	**1 155**	**-**	**826**	**206**	**28 116**	**13 355**	**427 496**	**440 851**
fixed rate	*13 136*	*344 605*	*-*	*2 461*	*-*	*665*	*-*	*503*	*-*	*151*	*-*	*-*	*13 136*	*348 385*	*361 521*
variable rate	*13*	*38 668*	*-*	*2 651*	*-*	*8 349*	*-*	*652*	*-*	*675*	*-*	*-*	*13*	*50 995*	*51 008*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*206*	*28 116*	*206*	*28 116*	*28 322*
Securities held for trading	**49 773**	**863**	**170**	**-**	**3 476**	**462**	**1 780**	**249**	**14 318**	**2 901**	**87 278**	**1 595**	**156 795**	**6 070**	**162 865**
fixed rate	*49 773*	*-*	*152*	*-*	*3 476*	*411*	*1 780*	*249*	*14 318*	*2 901*	*-*	*-*	*69 499*	*3 561*	*73 060*
variable rate	*-*	*863*	*18*	*-*	*-*	*51*	*-*	*-*	*-*	*-*	*-*	*-*	*18*	*914*	*932*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*87 278*	*1 595*	*87 278*	*1 595*	*88 873*
Securities available-for-sale	**718 651**	**3 973**	**10 709**	**104 954**	**19 937**	**56 849**	**70 372**	**29 178**	**244 808**	**59 349**	**8 368**	**27 137**	**1 072 845**	**281 440**	**1 354 285**
fixed rate	*718 651*	*1 866*	*7 096*	*6 620*	*19 937*	*40 625*	*70 372*	*11 590*	*243 090*	*58 756*	*-*	*-*	*1 059 146*	*119 457*	*1 178 603*
variable rate	*-*	*2 107*	*3 613*	*98 334*	*-*	*16 224*	*-*	*17 588*	*1 718*	*593*	*-*	*-*	*5 331*	*134 846*	*140 177*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*8 368*	*27 137*	*8 368*	*27 137*	*35 505*
Loans, net of allowance for loan losses	**822 682**	**3 311 187**	**52 532**	**231 138**	**134 056**	**734 596**	**55 285**	**45 355**	**388 323**	**390 438**	**55 332**	**191 792**	**1 508 210**	**4 904 506**	**6 412 716**
fixed rate	*12 759*	*39 442*	*2 533*	*23 116*	*3 224*	*205 784*	*2 019*	*24 165*	*9 138*	*341 450*	*-*	*-*	*29 673*	*633 957*	*663 630*
variable rate	*809 923*	*3 271 745*	*49 999*	*208 022*	*130 832*	*528 812*	*53 266*	*21 190*	*379 185*	*48 988*	*-*	*-*	*1 423 205*	*4 078 757*	*5 501 962*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*55 332*	*191 792*	*55 332*	*191 792*	*247 124*
Securities held-to-maturity	**23 349**	**13 379**	**7 973**	**9 984**	**27 750**	**16 480**	**29 202**	**2 838**	**20 964**	**33 173**	**2 178**	**1 583**	**111 416**	**77 437**	**188 853**
fixed rate	*-*	*8 450*	*-*	*8 865*	*16 885*	*16 480*	*29 202*	*2 838*	*20 964*	*33 173*	*-*	*-*	*67 051*	*69 806*	*136 857*
variable rate	*23 349*	*4 929*	*7 973*	*1 119*	*10 865*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*42 187*	*6 048*	*48 235*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*2 178*	*1 583*	*2 178*	*1 583*	*3 761*
Derivative financial instruments	**591 140**	**1 014 857**	**848 862**	**861 010**	**229 989**	**41 928**	**11 576**	**228 605**	**24 489**	**6 251**	**-**	**31**	**1 706 056**	**2 152 682**	**3 858 738**
fixed rate	*259 983*	*657 084*	*49 244*	*394 910*	*149 174*	*40 345*	*11 576*	*228 605*	*24 489*	*6 251*	*-*	*-*	*494 466*	*1 327 195*	*1 821 661*
variable rate	*331 157*	*357 773*	*799 618*	*466 100*	*80 815*	*1 583*	*-*	*-*	*-*	*-*	*-*	*-*	*1 211 590*	*825 456*	*2 037 046*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*31*	*-*	*31*	*31*

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2009

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**25 709**	**104 424**	**25 554**	**331 360**	**82 148**	**137 762**	**1**	**22 798**	**48**	**70 838**	**1 952**	**155**	**135 412**	**667 337**	**802 749**
fixed rate	*21 394*	*64 747*	*19 668*	*5 562*	*1 949*	*111 624*	*1*	*944*	*48*	*47 407*	-	-	*43 060*	*230 284*	*273 344*
variable rate	*4 315*	*39 677*	*5 886*	*325 798*	*80 199*	*26 138*	-	*21 854*	-	*23 431*	-	-	*90 400*	*436 898*	*527 298*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*1 952*	*155*	*1 952*	*155*	*2 107*
Deposits from customers	**1 286 443**	**1 708 572**	**518 026**	**290 308**	**429 680**	**398 694**	**75 794**	**87 924**	**560 859**	**193 947**	**22 437**	**116 203**	**2 893 239**	**2 795 648**	**5 688 887**
fixed rate	*791 756*	*635 106*	*497 916*	*290 308*	*421 637*	*394 881*	*75 794*	*87 924*	*14 682*	*159 801*	-	-	*1 801 785*	*1 568 020*	*3 369 805*
variable rate	*494 687*	*1 073 466*	*20 110*	-	*8 043*	*3 813*	-	-	*546 177*	*34 146*	-	-	*1 069 017*	*1 111 425*	*2 180 442*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*22 437*	*116 203*	*22 437*	*116 203*	*138 640*
Liabilities from issued securities	**35 687**	**150 425**	**36 518**	**352 106**	**180 078**	**30 487**	**35 190**	**332 970**	**155 895**	**61 249**	**19 508**	**20 235**	**462 876**	**947 472**	**1 410 348**
fixed rate	*22 455*	*2 272*	*36 518*	*260 267*	*180 078*	*30 487*	*35 190*	*332 970*	*155 895*	*61 249*	-	-	*430 136*	*687 245*	*1 117 381*
variable rate	*13 232*	*148 153*	-	*91 839*	-	-	-	-	-	-	-	-	*13 232*	*239 992*	*253 224*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*19 508*	*20 235*	*19 508*	*20 235*	*39 743*
Derivative financial instruments	**927 406**	**914 113**	**1 416 108**	**335 906**	**247 120**	**19 530**	**15 283**	**17 577**	**10 835**	**12 137**	-	**65**	**2 616 752**	**1 299 328**	**3 916 080**
fixed rate	*217 783*	*700 092*	*139 647*	*35 282*	*166 547*	*19 526*	*15 283*	*17 577*	*10 835*	*12 137*	-	-	*550 095*	*784 614*	*1 334 709*
variable rate	*709 623*	*214 021*	*1 276 461*	*300 624*	*80 573*	*4*	-	-	-	-	-	-	*2 066 657*	*514 649*	*2 581 306*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*65*	-	*65*	*65*
Subordinated bonds and loans	-	**588**	**5 000**	**17 293**	-	**11 530**	-	-	**13 325**	**229 375**	**61**	**3 662**	**18 386**	**262 448**	**280 834**
fixed rate	-	-	-	-	-	-	-	-	*13 325*	*229 375*	-	-	*13 325*	*229 375*	*242 700*
variable rate	-	*588*	*5 000*	*17 293*	-	*11 530*	-	-	-	-	-	-	*5 000*	*29 411*	*34 411*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*61*	*3 662*	*61*	*3 662*	*3 723*
Net position	**39 611**	**1 982 421**	**-1 080 790**	**-114 775**	**-523 818**	**261 326**	**41 947**	**-153 889**	**-48 060**	**-74 608**	**159 741**	**335 953**	**-1 411 369**	**2 236 428**	**825 059**

NOTE 37: EARNINGS PER SHARE

Consolidated Earnings per share attributable to the ordinary shares of the Group are determined by dividing consolidated Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year.

	30 June 2010	*31 December 2009*
Net profit for the year attributable to ordinary shareholders (in HUF mn)	69,698	151,045
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	266,466,077	261,608,279
Basic Earnings per share (in HUF)	**262**	**577**
Net profit for the year attributable to ordinary shareholders (in HUF mn)	69,698	151,045
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	269,018,442	263,929,565
Diluted Earnings per share (in HUF)	**259**	**572**

	30 June 2010	*31 December 2009*
	Number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	13,533,933	18,391,731
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	266,466,077	261,608,279
Diluted effects of options issued in accordance with Management Option Program and convertible into ordinary shares	2,552,366	2,321,286
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	269,018,443	263,929,565

The weighted average number of ordinary shares outstanding during the period does not include Treasury shares.

Diluted Earnings per share are determined after additionally taking into consideration the option rights granted.

The Basic Earnings per share (Basic EPS) attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the period does not include the average number of Treasury shares.
For calculating diluted Earnings per share, Net profit for the year attributable to ordinary shareholders equals the Net profit used for calculating the basic EPS. The modified weighted average number of ordinary shares outstanding during the year contains the contingent diluted effects of options convertible into ordinary shares. Options are issued in accordance with the Management Option Program.

NOTE 38: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 30 June 2010

	Net interest gain and loss	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the National Banks	2,650	-	-	-
Placements with other banks, net of allowance for placements losses	3,285	-	894	-
Securities held for trading	1,289	1,479	-	-
Securities available-for-sale	35,569	4,922	5,169	(7,111)
Loans, net of allowance for loan losses	361,972	3,769	(152,122)	-
Securities held-to-maturity	6,693	(3,552)	4,384	-
Derivative financial instruments	60,114	12,568	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Bank of Hungary and other banks	(7,869)	-	-	-
Deposits from customers	(110,894)	50,192	-	-
Liabilities from issued securities	(31,573)	-	-	-
Subordinated bonds and loans	(6,271)	-	-	-
	314,965	**69,378**	**(141,675)**	**(7,111)**

As at 31 December 2009

	Net interest gain and loss	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the National Banks	7,515	-	-	-
Placements with other banks, net of allowance for placements losses	10,311	-	(4,819)	-
Securities held for trading	5,556	395	-	-
Securities available-for-sale	31,373	(501)	-	12,273
Loans, net of allowance for loan losses	766,747	8,188	(244,460)	-
Securities held-to-maturity	45,803	(2,896)	-	-
Derivative financial instruments	131,739	(15,836)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Bank of Hungary and other banks	(36,535)	-	-	-
Deposits from customers	(276,619)	102,541	-	-
Liabilities from issued securities	(79,770)	-	-	-
Subordinated bonds and loans	(16,340)	-	-	-
	589,780	**91,891**	**(249,279)**	**12,273**

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

a) Fair value of financial assets and liabilities

	30 June 2010		*31 December 2009*	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Banks	642,625	642,625	505,649	505,844
Placements with other banks, net of allowance for placements losses	495,596	502,877	440,851	455,802
Financial assets at fair value through profit or loss	213,523	213,523	256,100	256,100
Securities held for trading	*144,842*	*144,842*	*178,556*	*178,556*
FVA of derivative financial instruments designated as held for trading	*68,681*	*68,681*	*77,544*	*77,544*
Securities available-for-sale	1,101,180	1,101,180	1,354,285	1,354,285
Loans, net of allowance for loan losses	6,886,762	7,916,446	6,412,716	6,679,949
Securities held-to-maturity	222,849	218,671	188,853	184,895
FVA of derivative financial instruments designated as hedge accounting relationship	5,776	5,776	14,181	14,181
Financial assets total	**9,568,311**	**10,601,098**	**9,172,635**	**9,451,056**
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	652,500	658,202	802,749	832,101
Deposits from customers	5,981,036	5,973,311	5,688,887	5,668,845
Liabilities from issued securities	1,226,902	1,144,863	1,410,348	1,399,933
FVA of derivative financial instruments designated as hedge accounting relationship	70,392	70,392	22,249	22,249
FVA of derivative financial instruments designated as held for trading	332,505	332,505	118,468	118,468
Subordinated bonds and loans	301,281	230,523	280,834	210,075
Financial liabilities total	**8,564,616**	**8,409,796**	**8,323,535**	**8,251,671**

b) Fair value of derivative instruments

	Fair value		**Notional value, net**	
	30 June 2010	*31 December 2009*	*30 June 2010*	*31 December 2009*
Interest rate swaps designated as held for trading				
Positive fair value of interest rate swaps designated as held for trading	42,339	53,721	59,060	56,695
Negative fair value of interest rate swaps designated as held for trading	(60,603)	(47,043)	(83,618)	(45,962)
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	7,295	5,947	11,530	6,360
Negative fair value of foreign exchange swaps designated as held for trading	(16,208)	(5,182)	(12,459)	(4,133)

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Fair value of derivative instruments [continued]

	Fair value		Notional value, net	
	30 June 2010	*31 December 2009*	*30 June 2010*	*31 December 2009*
Interest rate swaps designated as hedge accounting relationship				
Positive fair value of interest rate swaps designated as hedge accounting relationship	5,760	14,147	9,220	10,507
Negative fair value of interest rate swaps designated as hedge accounting relationship	(4,608)	(3,569)	(2,453)	(3,740)
CCIRS designated as held for trading				
Positive fair value of CCIRS designated as held for trading	9,571	11,421	9,320	3,552
Negative fair value of CCIRS designated as held for trading	(218,899)	(54,169)	(195,920)	(4,734)
Mark-to-market CCIRS designated as held for trading				
Positive fair value of mark-to-market CCIRS designated as held for trading	1,178	5,133	13,110	40,776
Negative fair value of mark-to-market CCIRS designated as held for trading	(34,298)	(7,348)	15,681	40,803
CCIRS designated as hedge accounting relationship				
Positive fair value of CCIRS designated as hedge accounting relationship	-	-	-	-
Negative fair value of CCIRS designated as hedge accounting relationship	(65,251)	(18,615)	(81,934)	(40,518)
Other derivative contracts designated as hedge accounting relationship				
Positive fair value of other derivative contracts designated as hedge accounting relationship	11	33	11	26
Negative fair value of other derivative contracts designated as hedge accounting relationship	(532)	(65)	(1,397)	(65)
Other derivative contracts designated as held for trading				
Positive fair value of other derivative contracts designated as held for trading	8,303	1,323	17,510	773
Negative fair value of other derivative contracts designated as held for trading	(2,498)	(4,726)	(12,380)	(12,189)
Derivative financial assets total	**74,457**	**91,725**	**119,761**	**118,689**
Derivative financial liabilities total	**(402,897)**	**(140,717)**	**(374,480)**	**(70,538)**
Derivative financial instruments total	**(328,440)**	**(48,992)**	**(254,719)**	**48,151**

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting

The Group regurarly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading.

The summary of the hedging transactions of the Group are as follows:

As at 30 June 2010

Types of the hedges	Desription of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF 1,152 million	Interest rate
	Options	HUF 0 million	Foreign exchange
	CCIRS	HUF (65,163) million	Foreign exchange and interest rate
3) Hedges of a net investments in foreign operations	CCIRS	HUF (5,356) million	Foreign exchange

As at 31 December 2009

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF 10,578 million	Interest rate
	Options	HUF 1 million	Foreign exchange
	CCIRS	HUF (18,615) million	Foreign exchange and interest rate
3) Hedges of a net investments in foreign operations	CCIRS	HUF (2,118) million	Foreign exchange

d) Fair value hedges

1. Deposits from customers

The interest payment cash-flows of some structured deposits of the Group denominated in HUF are exposed to the change of equity prices, equity indices or the change of EUR/HUF exchange rate. In order to hedge the interest rate risk of the interest payments the Group entered into interest rate swap transactions, where the risk of the cash-flow's from the structured deposits were swapped to payments linked to 3 or 6 months BUBOR, resulting in a decrease in the fair value exposure of the deposits from customers.

	30 June 2010	*31 December 2009*
Fair value of the hedging instruments	1,034	3,461

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates.

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value hedges [continued]

2. Securities available-for-sale [continued]

In order to hedge the interest rate risk of the cash-flows the Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 6 month LIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	30 June 2010	*31 December 2009*
Fair value of the hedging instruments	(795)	348

3. Loans to customers

3.1 Hedges of foreign exchange rate risk

The Group has some loans to customers denominated in foreign exchange, where the Group ensures during a part of the loan term, that the FX rate applied to the customer will not exceed a pre-defined cap limit. In order to hedge the foreign exchange risk of the translation of the cash-flows from the loan at a pre-determined rate the Group entered into FX options providing the right to the Group to purchase the foreign exchange on a pre-determined exercise price.

	30 June 2010	*31 December 2009*
Fair value of the hedging instruments	-	2

3.2 Hedges of interest rate risk

The Group has fixed interest rate loans denominated in various currencies. These fixed interest rate loans are exposed to fair value risk of changes of risk-free interest rates. In order to hedge the interest rate risk of the cash-flows the Group entered into pay-fixed, receive-floater interest rate swap transactions, where the risk of the payments from the loans are swapped to payments linked to 3 or 6 month LIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.

	30 June 2010	*31 December 2009*
Fair value of the hedging instruments	(1,401)	(1,335)

4. Issued securities

The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the EUR/CHF and EUR/JPY foreign exchange rate and the risk of change in the risk-free interest rates of EUR, CHF and JPY. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR-CHF and EUR-JPY CCIRS transactions, where the fixed EUR cash-flows were swapped to payments linked to 3 or 6 month CHF or JPY LIBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

	30 June 2010	*31 December 2009*
Fair value of the hedging instruments	(62,849)	(10,511)

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value hedges [continued]

As at 30 June 2010

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 23,002 million	HUF (795) million	HUF (848) million	HUF 848 million
Loans to customers	IRS	HUF 47,470 million	HUF (1,401) million	HUF (436) million	HUF 436 million
Deposits from customers	IRS	HUF 20,436 million	HUF 1,033 million	HUF (2,428) million	HUF 2,428 million
Liabilities from issued securities	IRS	HUF 206,489 million	HUF 2,315 million	HUF (5,788) million	HUF 5,788 million
EUR mortgage bonds	CCIRS	HUF 214,845 million	HUF (24,611) million	HUF 1,581 million	HUF (1,581) million
EUR mortgage bonds	CCIRS	HUF 128,907 million	HUF (13,423) million	HUF 1,758 million	HUF (1,758) million
EUR mortgage bonds	CCIRS	HUF 114,584 million	HUF (12,060) million	HUF 3,756 million	HUF (3,756) million
EUR mortgage bonds	CCIRS	HUF 85,938 million	HUF (6,990) million	HUF 10,102 million	HUF (10,102) million
EUR mortgage bonds	CCIRS	HUF 28,646 million	HUF (3,880) million	HUF 416 million	HUF (416) million
EUR mortgage bonds	CCIRS	HUF 28,646 million	HUF (4,199) million	HUF 5,930 million	HUF (5,930) million

As at 31 December 2009

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 15,557 million	HUF 348 million	HUF 197 million	HUF (197) million
Loans to customers	IRS	HUF 43,292 million	HUF (1,335) million	HUF 792 million	HUF (790) million
Loans to customers	Options	HUF 3.6 million	HUF 1 million	HUF (52) million	HUF 52 million
Deposits from customers	IRS	HUF 29,685 million	HUF 3,461 million	HUF 4,036 million	HUF (4,036) million
Liabilities from issued securities	IRS	HUF 154,164 million	HUF 8,104 million	HUF 429 million	HUF (429) million
EUR mortgage bonds	CCIRS	HUF 216,672 million	HUF 11,229 million	HUF 23 million	HUF (23) million
EUR mortgage bonds	CCIRS	HUF 203,130 million	HUF 1,049 million	HUF (2,495) million	HUF 2,495 million
EUR mortgage bonds	CCIRS	HUF 54,168 million	HUF (8,435) million	HUF (2,361) million	HUF 2,361 million

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

e) Fair value classes

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 30 June 2010

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	213,195	117,276	95,919	-
from this: securities held for trading	144,514	117,177	27,337	-
from this: positive FVA of derivative financial instruments designated as held for trading	68,681	99	68,582	-
Securities available-for-sale	1,083,244	590,214	493,030	-
Positive FVA of derivative financial instruments designated as hedge accounting relationship	5,776	-	5,776	-
Financial assets measured at fair value total	**1,302,215**	**707,490**	**594,725**	**-**
Negative FVA of derivative financial instruments designated as held for trading	332,505	39	332,466	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	70,392	-	70,392	-
Financial liabilities measured at fair value total	**402,897**	**39**	**402,858**	**-**

As at 31 December 2009

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	254,934	174,827	80,107	-
from this: securities held for trading	177,390	174,655	2,735	-
from this: positive FVA of derivative financial instruments designated as held for trading	77,544	172	77,372	-
Securities available-for-sale	1,338,371	1,159,740	75,790	102,841
Positive FVA of derivative financial instruments designated as hedge accounting relationship	14,181	-	14,181	-
Financial assets measured at fair value total	**1,607,486**	**1,334,567**	**170,078**	**102,841**
Negative FVA of derivative financial instruments designated as held for trading	118,468	76	118,392	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	22,249	-	22,249	-
Financial liabilities measured at fair value total	**140,717**	**76**	**140,641**	**-**

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

e) Fair value classes [continued]

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

As at 31 June 2010	Opening balance / Balance as at 1 January 2010	Transfer	Closing balance	Total profit or loss as at 30 June 2010
Securities available-for-sale	102,841	(102,841)	-	(102,841)
Financial assets measured at fair value total	**102,841**	**(102,841)**	**-**	**(102,841)**

As at 31 December 2009	Opening balance / Balance as at 1 January 2009	Additions	Closing balance	Total profit or loss as at 31 December 2009
Securities available-for-sale	99,658	3,183	102,841	3,183
Financial assets measured at fair value total	**99,658**	**3,183**	**102,841**	**3,183**

NOTE 40: SEGMENT REPORTING BY GEOGRAPHICAL SEGMENTS (in HUF mn)

The Group operates in 9 principal geographical areas, the reportable segments are geographical segments. Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

As at 30 June 2010

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Eliminations	Consolidated
Interest income											
External	425 283	7 739	7 514	51 989	8 155	13 465	2 985	52 889	42 162		**612 181**
Intersegment	34 195	633	145	430	2 977	53	-	3 606	-	**(42 039)**	-
Total	**459 478**	**8 372**	**7 659**	**52 419**	**11 132**	**13 518**	**2 985**	**56 495**	**42 162**	**(42 039)**	**612 181**
Non-interest income											
External	87 365	1 820	1 907	8 773	2 874	5 938	3 791	7 302	6 851		**126 621**
Intersegment	13 179	-	210	141	1 027	-	-	68	-	**(14 625)**	-
Total	**100 544**	**1 820**	**2 117**	**8 914**	**3 901**	**5 938**	**3 791**	**7 370**	**6 851**	**(14 625)**	**126 621**
Interest expense											
External	244 128	2 627	3 984	17 067	2 632	6 356	620	13 130	6 672		**297 216**
Intersegment	21 791	137	205	1 842	3 609	401	817	3 922	9 154	**(41 878)**	-
Total	**265 919**	**2 764**	**4 189**	**18 909**	**6 241**	**6 757**	**1 437**	**17 052**	**15 826**	**(41 878)**	**297 216**
Non-interest expense											
External	116 078	5 517	3 757	15 918	7 959	9 314	3 390	25 437	12 942		**200 312**
Intersegment	2 556	-	-	-	-	-	-	-	137	**(2 693)**	-
Total	**118 634**	**5 517**	**3 757**	**15 918**	**7 959**	**9 314**	**3 390**	**25 437**	**13 079**	**(2 693)**	**200 312**

NOTE 40: SEGMENT REPORTING BY GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

As at 30 June 2010

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Eliminations	Consolidated
Provision for impairment on loan and placement losses	**76 103**	**2 761**	**14 939**	**16 353**	**3 295**	**2 168**	**1 916**	**15 227**	**17 789**	**678**	**151 229**
Highlighted lines											
Capital expenditures	1 033	359	-	1 769	772	496	6	25	-	-	**4 460**
Depreciation and amortization	12 675	844	351	2 349	701	2 288	396	2 456	1 422	**18 519**	**42 001**
Segment profit before income tax	99 366	(850)	(13 109)	10 153	(2 462)	1 217	33	6 149	$2 319	**(12 771)**	**90 045**
Income tax	17 125	125	-	1 034	219	307	-	1 476	-	-	**20 286**
Net profit for the year	**82 241**	**(975)**	**(13 109)**	**9 119**	**(2 681)**	**910**	**33**	**4 673**	**2 319**	**(12 771)**	**69 759**
Segment assets	7 761 640	372 404	196 989	1 289 784	265 611	575 898	128 944	778 022	975 189	**(2 159 937)**	**10 184 544**
Segment liabilities	7 411 836	346 926	195 737	1 047 868	238 915	470 439	98 505	627 006	724 303	**(2 299 641)**	**8 861 894**

NOTE 40: SEGMENT REPORTING BY GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

As at 31 December 2009

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Eliminations	Consolidated
Interest income											
External	827 614	18 294	21 312	108 011	22 177	28 678	7 863	86 542	100 659		**1 221 150**
Intersegment	89 606	983	121	488	7 343	95	-	3 172	317	**(102 125)**	**-**
Total	**917 220**	**19 277**	**21 433**	**108 499**	**29 520**	**28 773**	**7 863**	**89 714**	**100 976**	**(102 125)**	**1 221 150**
Non-interest income											
External	159 116	3 836	5 475	18 516	5 739	13 892	4 632	12 654	13 758		**237 618**
Intersegment	15 282	842	-	344	3 436	-	-	-	-	**(19 904)**	**-**
Total	**174 398**	**4 678**	**5 475**	**18 860**	**9 175**	**13 892**	**4 632**	**12 654**	**13 758**	**(19 904)**	**237 618**
Interest expense											
External	522 407	7 683	9 108	32 453	8 988	13 901	1 616	21 074	14 140		**631 370**
Intersegment	47 191	775	2 189	6 734	10 195	1 233	2 196	8 353	23 999	**(102 865)**	**-**
Total	**569 598**	**8 458**	**11 297**	**39 187**	**19 183**	**15 134**	**3 812**	**29 427**	**38 139**	**(102 865)**	**631 370**
Non-interest expense											
External	235 562	13 049	8 106	33 224	14 907	19 632	10 982	46 647	25 529		**407 638**
Intersegment	5 524	-	-	-	155	11	-	555	334	**(6 579)**	**-**
Total	**241 086**	**13 049**	**8 106**	**33 224**	**15 062**	**19 643**	**10 982**	**47 202**	**25 863**	**(6 579)**	**407 638**

NOTE 40: SEGMENT REPORTING BY GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

As at 31 December 2009

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Eliminations	Consolidated
Provision for impairment on loan and placement losses	**73 402**	**9 350**	**7 075**	**26 701**	**6 884**	**3 559**	**6 583**	**21 338**	**95 376**	**(990)**	**249 278**
Highlighted lines											
Capital expenditures	1 568	2 852	-	6 568	1 615	1 220	388	-	68	-	**14 279**
Depreciation and amortization	24 447	1 668	684	4 717	1 541	4 242	1 064	4 520	2 258	-	**45 141**
Segment profit before income tax	207 532	(6 902)	430	28 247	(2 434)	4 329	(8 882)	4 401	(44 644)	**(11 595)**	**170 482**
Income tax	16 103	(204)	2	2 962	112	1 017	(34)	1 314	(996)	-	**20 276**
Net profit for the year	**191 429**	**(6 698)**	**428**	**25 285**	**(2 546)**	**3 312**	**(8 848)**	**3 087**	**(43 648)**	**(11 595)**	**150 206**
Segment assets	7 492 880	374 889	235 307	1 260 189	244 535	533 223	132 182	625 689	831 656	**(1 975 418)**	**9 755 132**
Segment liabilities	7 188 208	350 124	211 755	1 039 257	216 278	435 431	99 335	500 414	620 214	**(2 097 490)**	**8 563 526**

NOTE 41: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2010

1) MOL OTP share swap transaction

See details in Note 17.

2) Hungarian Government loan facility

See details in Note 13.

3) Class action against the Bank

The Victims of Hungarian Holocaust initiated a class action against, amongst others, the Bank before the United States District Court Northern District of Illinois. The Bank emphases that „Országos Takarékpénztár Nemzeti Vállalat' was established on 1 March 1949 with no predecessor. OTP considers the claim against it entirely unfounded.

NOTE 42: POST BALANCE SHEET EVENTS

1) Term Loan Facility

On 2 July 2010 OTP signed an EUR 250,000,000 Term Loan Facility. The originally planned amount was EUR 200 million, but the transaction was very well received and heavily oversubscribed, all together 16 banks took part in the deal. The facility has a two year term, carries a margin of 1.30% above Euribor and the proceeds will be used for general funding purposes.

2) Special Tax On Financial Institutions

On 22 July 2010 based on the amendment of the act on the special tax of financial institutions approved by the Parliament of the Republic of Hungary, the following members of the Group are obliged to pay the special financial institution tax:

Credit institutions:	OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., Merkantil Bank Ltd.
Financial enterprises:	OTP Real Estate Leasing Ltd., OTP Factoring Ltd., Merkantil Car Ltd., Merkantil Leasing Ltd.
Fund managers:	OTP Fund Management Ltd., OTP Real Estate Fund Management Ltd.

From the second half of 2010 the special tax shall consist of two parts:

- The approved amendment does not have any impact on the already existing special banking tax, which came into effect by 1 January 2007. This special tax amount for the full year of 2010 is forecast at HUF 5 billion and is to be paid by OTP and OTP Mortgage Bank Ltd.
- A new special financial institution tax is to be introduced and paid by the above mentioned members of the Group. The total tax amount payable for the year 2010 is estimated at HUF 36 billion and it is deductible from the corporate tax base. Therefore the total negative impact on the Group's 2010 after-tax profit is expected at HUF 29 billion. Based on the approved regulation the new special tax is to be paid in two equal instalments, which are due on 30 September 2010 and on 10 December 2010.

Accordingly, the total special tax amount payable by the Group for the full year of 2010 is estimated at HUF 41 billion.

NOTE 43: THE EFFECT OF FINANCIAL AND ECONOMIC CRISIS ON THE GROUP

Since late 2008, the operational framework and the profitability of the Group have been significantly influenced by the effects of the crisis and the measures taken by the management to tackle the emerging challenges.

In the first half of 2010 there have been more and more signs of the global economy recovering from its deep recession: improving confidence indicators, growing GDP forecasts, stronger employment data. The optimism characterizing debt and equity markets in the past twelve months temporary deteriorated in April/May 2010: the risk attitude of investors suddenly turned into risk aversion. The key reason for such a shift was the growing concern with respect to public debt sustainability of several Eurozone countries. The HUF and other regional local currencies started weakening against EUR and CHF, and CDS spreads of both Hungary and other countries in the region went up.

As well as in 2009, the Group focused its activity in the first half of 2010 on the stable operation, including the robust capital position and liquidity, and in line with the deteriorating loan portfolio, on prudent risk management and monitoring. At the same time, some Group members could already benefit from the business opportunities arising amidst the improving operating environment.

- The quality of the loan portfolio has deteriorated significantly since the onset of the crisis (See Note 27): the ratio of loans past due over 90 days on Group level have increased to 12.4% by the end of June 2010 from 9.8% at the end of 2009; strong portfolio deterioration was observed particularly in the second half of 2010. A prudent and cautious provisioning policy remained in place in 2010 as well: the provision coverage ratio of the more than 90 days past due book reached 74% at the end of June. The above mentioned facts led to significantly higher risk costs: on Group level total risk costs amounted to HUF 151 billion in 1H 2010, up by 48% y-o-y (1H 2009: HUF 102 billion).
  The spike in risk costs is mainly attributable to the Hungarian operation. Taking into consideration that the HUF depreciation started in the second half of 2010 may have future negative effects on the portfolio quality, the second half of 2010 provisioning already contained a precautionary element to increase the provision coverage of the Hungarian bad book.
  Debtor protection programs launched in previous years in Ukraine, Hungary, Bulgaria and Romania continued in the first half of 2010 as well. In Romania and Ukraine the proportion of retail loans involved in the program stagnated or increased slightly, while in Bulgaria and Hungary this ratio is growing steadily.

- The further enhancement of the stable capital adequacy still remained a top priority for the Group in the first half of 2010. Due to the profitable operation and the weak lending activity amid the crisis, the capital adequacy ratio of the Group has risen to 17.3%.

NOTE 43: THE EFFECT OF FINANCIAL AND ECONOMIC CRISIS ON THE GROUP [continued]

- After the strong deposit growth in 2009, due to the generally weak loan demand the Bank put less emphasis on deposit collection in 2010. Instead of further improving its liquidity indicators, the Bank focused rather on the improvement of deposit margins. As the market sentiment became more optimistic, in the first six months OTP completed two smaller scale debt market transactions: in February it issued CHF 100 million plain vanilla bonds with 2 year tenor, whereas in June it organized a EUR 250 million syndicated loan facility with similar maturity. As a consequence of the conservative business policy, the Bank has built up a liquidity reserve that enabled the prepayment of the remaining half of the state loan before its original maturity. The amount of total gross liquidity buffer reached EUR 4.8 billion at the end of June 2010. The liquidity reserves of the Group are sufficient to provide coverage not just for the redemptions within one year and for potential liquidity shocks, but it has reserves above that level as well.

- Both the lending activity and the demand for loans have reduced considerably since the onset of the crisis. Despite of the slowly improving macroeconomic indicators, it is still true that with the exception of some segments loan demand remained moderate, but the Bank strengthened the lending activity in some market segments in some countries. Taking a look at the loan volume development of the past 12 months, stronger lending activity can be identified in case of Hungarian consumer and corporate lending. With respect to mortgage loan disbursements in Hungary, OTP has regained its market leading position in the second half of 2010, and parallel with this, mortgage loan applications are clearly on an upward path. Based on management decision, the portion of the HUF denominated loans grew significantly among the loans originated in the first half of 2010, both for mortgage loans and personal loans. Beside this, the Russian POS lending and credit card business is worth mentioning, because the Bank could manage to show significant volume growth over the first half of 2010 in these segments.

- Since the beginning of the crisis, the higher funding costs were partly passed on to customers through higher interest rates. According to the rules set by the Code of Ethics that came into force in early 2010, the Bank cut the interest rates on mortgage and personal loans several times in line with the declining funding costs. In case of mortgage loans, the interest rate cuts exceeded the level that would be justified by the decline of funding costs.

NOTE 43: THE EFFECT OF FINANCIAL AND ECONOMIC CRISIS ON THE GROUP [continued]

- The crisis led to lower level of lending activity because of the reduced demand for loans. As a consequence of the lower level of business activity, cost-cutting programs were implemented at each subsidiary, having in all cases effect on the number of employees, and some branches have been closed. In the first half of 2010, four branches were closed in Ukraine (-2%) and seven in Russia (-4%). The number of employees declined generally further in case of subsidiaries, compared to end 2009 the headcount was reduced by 12% in Montenegro, 10% in Ukraine, 6% in Serbia and 5% in Russia.

- On 8 June 2010 the new Hungarian Prime Minister submitted a 29 points action plan to the Parliament, while the Parliament approved it on 22 July. There were two particular measures having a significant impact on OTP's business:
  - On the base of the approved amendment a new special financial institution tax was introduced. The total tax amount payable for the year 2010 is estimated at HUF 36 billion and it is deductible from the corporate tax base. Based on the approved regulation, financial institutions are obliged to pay this special tax until the end of 2012. The amount of tax payable in 2011 and 2012 by the Group members is not fixed yet, because the parameters of the 2011 and 2012 tax have not been decided.
  - From 1 July mortgages can't be pledged against FX-linked loans. Therefore the Bank suspended the reception of FX mortgage loan applications from private individuals.

- Swap markets used for raising the necessary liquidity in foreign currencies for FX lending business, have shrunk in 2008 (particularly in the last quarter), nevertheless the continuous renewal of the swap book remained to be ensured though at rising spread levels. In the third quarter of 2009 within the framework of the contract with the EBRD, the international credit institution provided a CHF 500 million CHF/HUF swap facility for the Group. In the past year more transactions were contracted with EBRD, by which the swap facility has been almost completely used. The Group could pass on the higher swap costs to its clients in several business segments through higher interest rates, partially counterbalancing the negative effect on the Statement of Recognized Income.

NOTE 43: THE EFFECT OF FINANCIAL AND ECONOMIC CRISIS ON THE GROUP [continued]

As a result of gloomy investor sentiment, in the second half of 2010 the HUF/FX basis swap spreads widened a lot – from 100 bps to app. 180 bps – resulting in a HUF 22.6 billion fair value adjustment gain on the Group’s FX swaps. The result was booked as interest income. In order to mitigate the interest sensitivity of the HUF/FX swap portfolio, the Bank has started entering into derivative deals since the second half of 2010; hence in case of a possible future decrease in basis swap spreads the negative effect on interest income will be smaller. The fair value adjustment of swaps is booked under IFRS only; there is no impact at all on the HAR-based stand-alone P&L of the Bank.

- An impairment of goodwill in case of CKB, Montenegro of HUF 15 billion had a negative impact on the first 6 months’ consolidated after tax profit in 2010. The key reasons behind the write-off: the deteriorating macro environment induced a significant portfolio worsening and CKB’s results turned into red for the last three consecutive quarters, while in June 2010 the Bank (Hungary) also had to inject capital into its Montenegrin subsidiary.