management's analysis

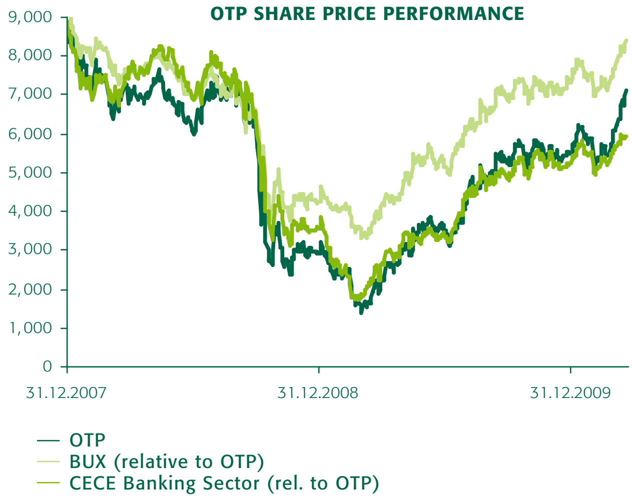
Management's analysis of the full-year 2009 results of OTP Group*

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Statement of recognised income	2008 HUF million	2009 HUF million	Change %
Consolidated net profit for the period	241,068	150,206	(38)
Consolidated net profit for the period without the result of strategic open FX position, consolidated dividend and net cash transfers, the result of the sale of OTP Garancia Group and goodwill impairment charges	218,691	151,326	(31)
Profit before income tax	250,293	172,080	(31)
Operating profit	368,920	437,059	18
Total income	732,584	786,084	7
Net interest income (adj.)	515,946	589,780	14
Net profit from fees and commissions	140,623	132,913	(5)
Total other non-interest income (adj.)	76,015	63,390	(17)
Operating expenses (adj.)	(363,664)	(349,024)	(4)
Provision for impairment on loan and placement losses (adj.)	(108,043)	(246,935)	129
Other allowance for loan losses	(10,584)	(18,044)	70
Main components of the Statement of Financial Position	**2008**	**2009**	**%**
Total assets	9,367,724	9,755,132	4
Placements with other banks and securities	415,656	440,850	6
Total customer loans and advances (gross)	7,049,381	6,907,094	(2)
Allowance for loan losses	(270,680)	(494,378)	83
Liabilities to credit institutions	848,730	802,749	(5)
Total customer deposits	5,258,167	5,688,887	8
Issued securities	1,565,947	1,410,348	(10)
Subordinated loans	320,050	280,834	(12)
Total shareholders' equity	1,048,971	1,191,606	14
Indicators	**%**	**%**	**%-point**
ROA (adj.)	2.5%	1.6%	(0.9)
ROE (adj.)	22.5%	13.4%	(9.1)
Operating profit margin	4.14%	4.57%	0.43
Total income margin	8.22%	8.22%	0.00
Net interest margin (adj.)	5.79%	6.17%	0.38
Allowance for loan losses to average gross loans (adj.)	1.69%	3.57%	1.88
Cost/income ratio (adj.)	49.6%	44.4%	(5.2)
Net loan/(deposit+retail bond) ratio (%)	128%	108%	(19)
Gross loan/deposit ratio (%)	134%	121%	(13)
Capital adequacy ratio (consolidated, IFRS)	15.4%	17.3%	1.9
Tier1 ratio	11.3%	13.8%	2.5
Core Tier1 ratio	9.5%	12.1%	2.6
Share information	**2008**	**2009**	**%**
EPS diluted (HUF)	935	572	(39)
Closing price (HUF)	2,875	5,456	90
High (HUF)	8,874	5,790	(35)
Low (HUF)	2,320	1,355	(42)
Market Capitalization (EUR billion)	3.00	5.6	86

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

[1] Structural adjustments made on consolidated IFRS statements of recognized income together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of the Report.



MOODY'S RATINGS	
OTP Bank	
Foreign currency long term deposits	Baa1
Local currency long term deposits	Baa1
Financial strength	D+
OTP Mortgage Bank	
Covered mortgage bond	A2
Foreign currency long term deposits	Baa1
Financial strength	D+
DSK Bank	
Long term deposits	Baa3
Local currency long term deposits	Baa3
Financial strength	D+
STANDARD & POOR'S RATING	
OTP Bank and OTP Morgage	
Long term credit rating	BB+

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2009 RESULTS OF OTP GROUP

Successful crisis management

In 2009 OTP Group successfully managed all the challenges induced first by the US subprime crisis and later by the global fiscal and lending turmoil. It also met the major preliminary targets of the management. The Bank's strong performance helped a lot to preserve the stability of the Hungarian banking sector.
Even though operating conditions have already deteriorated in 2008, last year required further radical business adjustments from the Company. The strong underlying profitability, in particular the robust net interest income as well as the continuously strict cost control, enabled the Bank to realize positive earnings in each consecutive quarters in spite of heavily increasing provisioning. As a result the Bank managed to strengthen both its consolidated and stand-alone capital adequacy to such levels (IFRS CAR: 17.3%, Tier1 ratio: 13.8%) that are outstanding even in international comparison. It was achieved without any governmental or bilateral support or equity increase. The economic crisis and the fiscal adjustment resulted in serious business adjustment: loan demand shrank a lot and risk management required a more cautious lending practice.
At the same time the Group paid particular attention to deposit collection, as a result the consolidated loan-to-deposit ratio improved a lot throughout the year. Due to the successful business adjustment both in Hungary and abroad, and also to newly attracted external funding sources (retail targeted bonds, syndicated loan), OTP's liquidity reserves reached record levels (EUR 6 billion in December 2009) despite prepaying half of the State loan in the amount of EUR 700 million in November. The year-end liquidity reserve is enough to cover the Group's total FX-denominated senior and covered bonds obligations, as well as the rest of the State loan.
In order to ease the negative effects of the crisis the Bank actively participated in the debtor protection programmes and initiated several other measures aimed at assisting its clients facing temporary fiscal difficulties. Besides, the Bank persistently looked at those lending segments where it could meet demands at the expense of its own sources, but also utilizing the State loan. Even though 2009 was not the year of a steady loan growth, the strong capital position, as well as the stable liquidity reserves

enabled the Bank to increase its corporate loan book in Hungary by 4% through originating HUF 248 billion new loans to the sector. In Russia, the growing customer demand helped the bank to revitalize its POS-lending and even strengthen its market position.

Straightforward business adjustments, stable capital positions, gradually improving macroeconomic environment in the second half across the region

While 1H 2009 was quite challenging as for the general macroeconomic conditions, from 2H it became clear that despite earlier concern most of the East European economies in spite of existing problems were more resistant towards the crisis. The local banking sectors were decently capitalized, and local governments were brave enough to introduce fiscal restrictions or in case of Russia and Slovakia used anticyclical measures to boost local consumption. The only exception was Ukraine, where markets are expecting consolidation after the presidential elections in early 2010.

Beginning from April market sentiments changed to be more favourable, investors' risk appetite returned, liquidity enhancing measures by the major central banks helped risk spreads to drop significantly; 2H already witnessed successful bond transactions from the CEE region. As for fiscal adjustment and economic stabilization the most remarkable turnaround was achieved by Hungary, but Bulgaria and Croatia were also amongst the frontrunners in implementing rigorous budgetary policy.

From 3Q and more so from 4Q there were more and more signs of the bottoming out in the region: export performance improved, industrial production started to recover, the current account balances previously being in the danger zone rebounded, the currency and stabilization reserves kept increasing.

In Hungary the NBH gradually brought down the base rate from 10% to 6.25% by end-2009, whereas the local currency remained stable.

As a result of those positive developments, in October 2009 Standard & Poor's improved Hungary's sovereign outlook from negative to stable, whereas Moody's and Fitch did so in early 2010 in case of Bulgaria and Romania, respectively. Given that most of the countries but again Ukraine, met their commitments to IMF, further tranches became available. Hungary, on the other hand announced that it did not need the remaining of the IMF package.

In spite of all economies suffered heavy, somewhere even double-digit economic setbacks in terms of real GDP, loan volume shrinkage started easing, and in 2H already slight recovery might be experienced.

In Russia, however, POS-lending accelerated so nicely that in 4Q new origination even exceeded the so far record period of last quarter 2007.

Successful deposit collection, substantially improving loan-to-deposit ratio

Due to modest loan demand throughout the most of 2009 the consolidated gross loan portfolio dropped by 2% y-o-y (adjusted for the FX-effect, this decrease was 3%). Despite the remarkable 4% y-o-y corporate loan growth in Hungary, the consolidated corporate book declined by 4% y-o-y.

At the same time deposits expanded by 8% (7% adjusted for the FX-effect). As a result, loan-to-deposit ratio improved a lot (to 121%, –13%-points y-o-y). In case of Croatia and Hungary the ratio was below 100%, but Romania, Russia and Ukraine also pushed down those levels substantially, true from high basis.

Strong operating income, adjusted full year results exceeding both the management forecast and market consensus

In spite of the sharp (nearly 2.5-fold) increase in allowance for loan losses as a result of worsening operating conditions, the Group realized HUF 151.3 billion adjusted net profit for the period. It was by 31% lower y-o-y, but exceeded market consensus by about HUF 6 billion.

Main drivers of the consolidated result: stable net interest income, (NII) increasing allowance for loan losses, strict cost control

In 2009 net interest income grew by 14% y-o-y. The HUF 590 billion net interest result was influenced by several factors: the asset repricing measures of the pre-crisis period (mainly in the corporate sector) exerted a positive effect; net interest income was supported by increased interest rates in case of the Hungarian mortgage loan portfolio as well (higher funding costs were partly levied on clients in 4Q 2008, after the beginning of the crisis); and the higher overall Hungarian interest rate environment led to higher margins and consequently, higher net interest income. The yearly net interest margin (6.17%) improved significantly (+38 bps y-o-y)The net fee and commission income declined by 5% y-o-y in line with preliminary expectations and reflected the decrease of business activity and the transaction income. Other adjusted non-interest income decreased by 17% y-o-y. The biggest profit change was on net FX gain and loss line: around HUF 6 billion loss in 2009 compared to HUF 44.4 billion profit in 2008. Note that the high profit of the base period was basically influenced by the 4Q 2008 revaluation of the Ukrainian provisions while 2009 results were significantly driven by the 1Q 2009 losses on the other open FX-positions on the top of the strategic position due to HUF depreciation. Given that these positions have been closed down in the meantime this income line showed a gradually improving trend in 2009. On securities portfolio HUF 7.5 billion profit was realized, mainly due to the sharp decline of HUF yields. The other net non-interest income more than tripled in 2009, due to the HUF 27.7 billion before tax gains realized on the repurchase of Upper Tier2 Capital. Total volume of operating expenses dropped by HUF 14.6 billion in 2009 compared to the previous year. The Bank has been implementing very strict cost control throughout the year.

Within operational costs other expenses lagged behind the basic period by 6%, whereas personal expenses dropped by 7% y-o-y (mainly as a result of staff reduction, suspending branch network expansion and closing down branches in Serbia, Slovakia and in the Ukraine, as well as rationalizing operation). The yearly Cost/Income Ratio (CIR) improved by 5.2%-points to 44.4%.
The deteriorating macroeconomic environment equally hitting the household and corporate sectors resulted in a significant portfolio quality deterioration. The ratio of DPD90+ loans increased from 4.5% to 9.8%, but in the second half of 2009 the pace of the portfolio quality deterioration showed a slowdown as the macroeconomic environment improved. This required a massive provisioning which was comfortably met due to the robust operating result. Provisions for potential loan losses and other provisions added up to HUF 265 billion, +123% y-o-y. The provision coverage of DPD90+ loans reached 73.6% (–12.4%-point y-o-y).

Outstandingly strong consolidated and stand-alone capital adequacy ratio (CAR)

The consolidated IFRS CAR improved by 1.9%-points y-o-y and reached 17.3%, the Tier1 ratio (13.8%) grew by 2.5%-points. Both levels are significantly higher than that of for OTP's main competitors.
The unconsolidated, HAS based CAR of OTP Bank stood at 16.2% (+4.2%-points y-o-y). Since OTP did not draw down the EUR 200 million subordinated loan facility offered by EBRD by the December 2009 deadline, the contract was prolonged until 20 June 2010.

Excellent Hungarian net interest income, moderating decline in lending due to growing corporate volumes, successful funding

Within the Banking group 2009 net profit for the period of OTP Core (basic activity in Hungary) reached HUF 178.3 billion, marking an increase of 34% y-o-y.

The key driver of the strong income was the good net interest income performance (+18% y-o-y). Net F&C remained flat y-o-y. Total revenues reached HUF 446 billion (+20% y-o-y). The strong earnings were also supported by the one-off HUF 28 billion profit before income tax of supplementary core capital (Upper Tier2 Capital) buy back and the positive effect of lower tax burdens. Allowance for loan losses grew by 59% compared to the base period. The share of DPD90+ loans increased to 7.4% (+3.1%-points y-o-y), the coverage ratio declined somewhat in 2Q 2009, but in the second half it remained stable; its year-end level came out at 74.9%.

The loan portfolio grew by 1% y-o-y in spite of the crisis, that was mainly the result of a strong corporate lending activity where volumes grew by 4% y-o-y. In the retail segment new loan origination was only the fraction of the corresponding period: mortgage loan origination dropped by 82%, the personal loans by 54% respectively, true there was some pick up since the bottom in 1Q 2009. In line with the efforts of the management the share of HUF denomination increased within new disbursements: in case of mortgages and personal loans it was 55% and 96% in 2009 respectively.

The deposit portfolio on a yearly base expanded by a remarkable 8%. At the same time the local bond issuance targeted at household savings continued successfully: during 2009 its volumes increased by HUF 179 billion and reached HUF 237 billion by the end of December.

The loan-to-deposit ratio improved by 6%-points y-o-y, dropping again below 100% (from 103% of 2008 to 97% in 2009). Including the volume of the retail bonds which are practically a form of extended term deposits, the adjusted "net loan/(deposit + retail bond)" ratio was 86% (–12%-points y-o-y).

In March 2009, EUR 1.4 billion loan facility was provided by the Hungarian State to OTP Bank for supporting its domestic corporate lending activity. The Bank has prepaid half of the facility (EUR 0.7 billion) in November 2009, and the remaining amount (EUR 0.7 billion) was paid back in March 2010. Due to the conditions of the loan facility, namely the interest rate level and maturity, the Bank could satisfy the demand of only a limited group of entrepreneurs, thus OTP Bank could support a wider range of potential client interest from its own liquidity.

The volume of issued securities were affected by the retail bond issuance on one hand and by the repayment of EUR 750 million senior bonds, as well as by HUF 120 billion volume decrease of issued mortgage bonds on the other. There was no international capital market transaction in 2009, however in December the Bank arranged a EUR 220 million syndicated loan and in February 2010 OTP had a successful debut with a CHF 100 million senior issue.

Of domestic Group members Merkantil Group realized HUF 1.8 billion loss in 2009 being almost equal to the provisioning in the fourth quarter for the losses of newly consolidated leasing firms. Without that Merkantil Group's net profit for the period would be around zero. Risk costs for loan losses increased by 156% which turned to be too much to be compensated by stringent cost control (–15% y-o-y). OTP Fund Management posted HUF 5.1 billion net profit for the period. Both total assets and managed funds expanded nicely (+32% and +38% y-o-y respectively). Its market position improved by 1.8%-points y-o-y reaching 32.3% by the end of December.

Performance of foreign subsidiaries: excellent Bulgarian, stable Croatian, dynamically improving Russian and Romanian results; substantial losses in Ukraine, portfolio cleaning in Slovakia and Serbia

Regional economies shrank severely in 2009 – in the Ukraine a double-digit GDP setback was observed. In 2009 the macroeconomic uncertainity and growing unemployment coupled with weak loan demand, except for the Russian POS lending. Apart from the Russian POS lending there was no meaningful expansion of loan books in any countries. On the other hand all the subsidiaries launched deposit campaigns, as a result loan-to-deposit ratio improved at each subsidiary. Besides Ukraine, debtor protection programmes in Bulgaria and Romania also gained momentum; their positive impact was already evident in the last quarter of 2009. DSK Group posted HUF 25 billion net profit for the period in 2009, the result was 20% lower than a year ago. The outstandingly strong net interest revenues (+27% y-o-y) to a certain extent could mitigate the negative impact of the sharp increase of allowance for loan losses (+169% y-o-y).

As a result of loan portfolio repricing NIM (5.68%) was higher by 86 bps compared to the base period. Despite the increase of operating expenses (+17% y-o-y), cost income ratio level still represents one of the most efficient operations within the Group (36.1% in 2009). The gross loan portfolio remained flat compared to 2008, at the same time deposit volumes grew nicely (+11% y-o-y). As a result DSK's loan-to-deposit ratio improved by 12%-points (4Q 2009: 128%), whereas the Bank could stabilize its market position in the major segments. The ratio of DPD90+ loans grew by 4.0%-points in 2009, but improved in the last quarter. The coverage ratio remained well above the Group members' average and reached 86%.

As a result of sharply increasing allowance for loan losses the Ukrainian subsidiary accumulated a total HUF 44 billion loss in 2009 vs. the HUF 16.4 billion net profit for the base period. Despite the sharply increasing allowance for loan losses (+259%) operating income still improved (+2%). There were two waves of the portfolio quality deterioration, in the first and third quarter of 2009, but in 4Q the pace of deterioration became moderate. The ratio of DPD90+ ratio reached 22.3% (+17.6%-points y-o-y). In line with the earlier commitment of the management, special attention was paid to increase the coverage ratio, accordingly in 2009 OTP Bank JSC (Ukraine) recorded HUF 95.0 billion provisions; as a result the coverage ratio grew to 74%. The share of the restructured loan portfolio increased gradually but in a declining pace during the year and reached 39% at end-December in the retail segment. Given that within the Group Ukraine suffered the single biggest economic depression, customers' demand for loans was fairly weak. Parallel, the bank also considerably reduced the lending activity, having an impact on loan volumes. On the other hand, deposit erosion stopped in 2Q, and from 3Q volumes started to grow again. As a result, the loan-to-deposit ratio improved significantly.

In Russia, 2H 2009 already witnessed a recovery in lending. While total loan volumes dropped by 3% y-o-y, in 4Q OTP Bank Russia (OBRu) posted a remarkable 9% increase. It was mainly the result of the significant revival in POS-lending, that's why the retail loan book grew by 1% y-o-y. The bank had significant deposit collection results (+37% y-o-y). The loan-to-deposit ratio improved massively (–50%-points y-o-y). Because of the weak 1H, and also the y-o-y higher allowance for loan losses (+11%), the 2009 net profit for the period was only one third of that a year ago. Apart from the POS-growth another positive development was that despite the crisis allowance for loan losses rate basically remained flat (5.59%). The ratio of DPD90+ loans – mainly due to NPL write-offs – declined in the second half, but grew by 4.0%-points on a yearly basis. The coverage ratio was stable, around 84% and its level surpassed the average of the Group members.

Of smaller subsidiaries OTP banka Hrvatska (OBH in Croatia) in every quarter posted positive results and despite of the doubling allowance for loan losses realized a yearly net profit of HUF 3.2 billion. Due to the successful deposit collection (+7% y-o-y) the bank has a favourable liquidity position and the lowest loan-to-deposit ratio within the Group (94%).

OTP Bank Romania (OBR) achieved HUF 1.1 billion net profit for the period that was more than five times higher than in 2008. The two major drivers of the improving results were the strong core banking revenue generating capability and the stringent cost control.

The portfolio quality of OBR is the best in the Group (DPD90+ ratio was at 3.4% only). Deposits grew by more than 30%, loan portfolio shrank by 7%, as a result loan-to-deposit ratio improved by 135%-points to 304% y-o-y.

The improving results showed that systematic business development coupled with efficient operation and excellent management could make a greenfield investment a great success. In Montenegro, CKB posted a moderate HUF 0.4 billion net profit for the period for the full year (-85% y-o-y). Even though net interest income showed an excellent picture (+58% y-o-y), the sharply increasing allowance for loan losses, as well as the declining net profit from fees and commissions (F&C) results (–38% y-o-y) took their toll through weaker earnings. Total assets shrank by 24%, the loan-to-deposit ratio declined to 110%.
The Slovakian subsidiary posted an all-time high negative result of HUF 6.4 billion in 2009, stemming mainly from soaring risk costs as the Bank intentionally improved the coverage ratio, and on the other hand, the loan quality continued to deteriorate. Loan volumes contracted by 13% y-o-y, deposits by 4% respectively, though retail deposits slightly grew by 3% y-o-y.
Because of the conservative portfolio classification and portfolio clean up, the Serbian subsidiary posted a significant cumulative loss of HUF 9 billion in 2009. All major income lines showed weak results – NII dropped by 40%, net F&C by 16% –, operating costs were basically flat (–2%) and allowance for loan losses grew by 250%.
In line with the moderate business activity significant network rationalization and stuff reduction took place; the total network was reduced by 45 branches (–47%), whereas the employees number by 399 people (–34%). By the end of 2009 OTP Group had 1,514 branches (–79 branches y-o-y, -26 branches q-o-q). The largest decline was realized in Serbia: 45 branches were closed down. Also, in Ukraine 23 branches, in Slovakia 12 branches were closed down during 2009.

Credit ratings, shareholder structure

In March 2009 both Moody's and S&P downgraded Hungary's debt rating. The rating of OTP Bank changed similarly to the sovereign rating (from "A3" to "Baa1") in case of Moody's, but the S&P downgraded OTP Bank's rating by two notches (from "BBB" to "BB+"), which led to a split rating. In October S&P affirmed the sovereign rating and changed the outlook of the sovereign rating from negative to stable.
Regarding the ownership structure, in 2009 MOL appeared as a shareholder above the 5% threshold after a share swap agreement with OTP Bank in 2Q 2009: the company's stake in OTP reached 8.6%. In the course of 2009 neither Groupama's (9.2%) nor Rahimkulov family's (8.7%) shareholding changed significantly, while the stake of Artio Global Management (former Julius Baer, the biggest institutional owner for a long time in earlier years) dropped below 5%.

POST BALANCE SHEET EVENTS

Hungary

- The Hungarian government approved a decree on the conditions of prudent retail lending and the assessment of credit – worthiness. The aim of the decree is to promote responsible lending practice, to limit the risks of foreign currency loans as well as to support financial stability in the Hungarian financial system.
- The decree will require lenders to establish, as part of their internal regulatory systems, a way to calculate the maximum amount a client is capable to repay each month (the so called "lending limit") based on an evaluation of the client's income. Lenders will be allowed to sign contracts for no more than 80% of this monthly "lending limit" in case of euro-denominated loans and for no more than 60% in case of loans denominated in other foreign currencies.
- The regulation caps the amount for which lenders may sign a housing mortgage contract at 75% of the home's value for forint loans, 60% for euro-denominated loans and 45% for loans denominated in other currencies. The limits are 80%, 65% and 50% respectively in the case of financial leasing.The maximum contractual period of car-financing loans will be set at seven years. Car financing loans will be capped at 75% of the value of the vehicle for forint loans, 60% for euro-denominated loans and 45% for loans denominated in other currencies. The limits for car lease are 80%, 65% and 45% respectively.
- The rules governing the calculation of the lending limit are to come into effect on 11 June 2010, whereas the rules in relation to mortgage and car financing are to enter into force from 1 March 2010.
- On 25 January the Monetary Council decided to reduce the central bank base rate by 25 basis points from 6.25% to 6.00%, with effect from 26 January 2010. On 22 February Hungarian National Bank cut benchmark interest rate to 5.75%, effective from 23 February. On 29 March the central bank cut benchmark interest rate to the ever lowest 5.50%, effective from 30 March.
- On 29 January, in the course of its general methodology review, Moody's Investors Service downgraded OTP Bank's Upper Tier2 ratings to "Ba1" from "Baa2" with negative outlook.
- On 8 February, the National Bank of Hungary announced a new monetary policy tool to support the development of the domestic HUF denominated mortgage lending and mortgage bond markets. Under the programme, the National Bank will purchase forint mortgage bonds and undertake regulatory initiatives to develop the domestic HUF mortgage lending market. The first step of the programme is to improve the conditions for forint-based financing for banks and their customers by stimulating a reduction in liquidity premium in the mortgage bond market. This may contribute to an increase in the supply of HUF mortgage loans and a further reduction in the interest differential vs. foreign currency loans. On 10 March the central bank declined all offers in the first secondary market mortgage bond buyback tender, but on 11 March the tender was successful.
- OTP Bank issued bonds in nominal value of CHF 100 million at 100.633 per cent of the face value with value date 24th February 2010. The issue serves general funding purposes. The price of the fixed rate senior bonds with 2 years maturity was set on 22nd January 2010. The Sole Bookrunner of the successful bond issue was BNP Paribas with OTP Bank as Co-Lead Manager. The re-offer spread is 305 bps over 2 year mid-swap, the bond bears a coupon of 4 per cent fixed rate, with annual interest payments and will be introduced to the Swiss Exchange (SIX).

- On 19 March Standard & Poor's changed OTP Bank's and OTP Mortgage Bank's outlook for stable leaving the "BB+" rating unchanged.
- On 19 March OTP Bank paid back an equivalent of EUR 700 million to the Hungarian State. The amount is the remaining part of a loan agreement of EUR 1.4 billion in total between the Hungarian State and OTP Bank signed on 26 March 2009.
- OTP Mortgage Bank issued a covered bond in the amount of EUR 300 million on 25 March 2010, within the frame of its EUR 3 billion international covered bond issuance program authorized by the Luxembourgian stock exchange supervision. The maturity of the covered bond with 4.125% fixed coupon and annual interest payments is 5 December 2011, while the yield spread reached 200 bps over the mid-swap.

Bulgaria

- On 21 January Moody's raised the outlook on the Bulgarian government's "Baa3" ratings to positive from stable suggesting a potential upgrade.

Russia

- Donskoy Narodny Bank was merged into OAO OTP Bank. The merger has been registered by the Court of Registration on 5 February 2010, thus the core capital of OAO OTP Bank (OTP Russia) reached RUB 2,797 million.

Ukraine

- The first round of the Ukrainian presidential election of 2010 was held on 17 January 2010. Viktor Yanukovich won the first round of the elections receiving the highest share (35%), while Timosenko won the second place with 25% of votes. Since none of the candidates received absolute majority the second round was held on 7 February. Yanukovich was officially declared a winner of the elections with 49% versus Tymosenko's 46%.
- On 3 March 2010 Yulia Tymoshenko lost a confidence vote in the parliament. On 11 March Ukraine formed a parliamentary coalition sympathetic to President Viktor Yanukovych. The prime minister is Mykola Azarov.
- On 11 March Standard & Poor's rating agency raised Ukraine's sovereign long term foreign currency credit rating to "B-" (with positive outlook) from "CCC+" after the appointment of a new government reduced political risk and improved prospects for the country to unfreeze the bailout loan.
- On 17 March Fitch Ratings revised Ukraine's outlook to stable from negative, and simultaneously affirmed its "B-" rating. Prior to this, Fitch said on 9 March that Ukraine may see a positive rating action in the second half if a parliamentary majority that backs the president passes a budget that the International Monetary Fund approves.
- According to the announcement, an IMF mission visits Ukraine from 24 March to 2 April 2010 in order to resume talks on the IMF loan.

Romania

- On 14 January the parliament approved the 2010 state budget that will cut spending significantly: freezes state wages and cuts investments in order to narrow the budget deficit to 5.9% in 2010.
- On 21 January the capital increase – in the amount of RON 30 million – into OTP Bank's Romanian subsidiary has been registered by the court of registration. Accordingly the statutory capital of OTP Bank Romania has reached RON 463 million.
- On 27 January the IMF delegation announced that they will recommend the release of the bailout loan's next tranche (EUR 2.3 billion). The loan was locked in 2009 because of the lack of approved 2010 budget due to political turmoil.

On 23 February the IMF's board of directors agreed to resume payments to Romania.

- Fitch Ratings raised the outlook on Romania's "BB+" credit rating to "stable" from "negative" on 2 February. On 13 January the credit rating agency S&P announced that Romania's credit rating outlook may be raised after the parliamentary approval of the 2010 budget and the unfreeze of the IMF loan.
- Due to the improvement of the countries' risk perception, the central bank cut the benchmark rate three times, in January, February and March 2010 (by 150 bps to 6.50%).
- On 10 March Romania's credit rating outlook was raised to stable at Standard & Poor's after the International Monetary Fund resumed a bailout loan to the country and the government passed an austerity budget.
- Romania maintained its target to adopt the European common currency in January 2015, the government said in a statement on 22 March 2010.

Croatia

- On 12 January the World Bank approved a loan of EUR 200 million to Croatia for the development of the fiscal, social and financial sector.
- Effective from 10 February 2010 the Croatian Central Bank lowered the obligatory reserve ratio of commercial banks from 14% to 13%.

Serbia

- The Serbian national bank intervened several times in the first two months of 2010 to support the dinar by selling Euro on the currency market.
- The Ministry of Economy released a lending stimulus plan on 15 January. Under this program, the government plans to allocate 8.6 billion dinars to subsidize interest rates on bank loans to businesses and individuals. The ministry expects the economic stimulus plan to generate 900 million euros in loans.
- The IMF announced on 23 February that the third tranche of the IMF loan to Serbia has been preliminarily approved and the IMF expects Serbia to receive the EUR 350 million instalments in April.
- In March 2010 the central bank lowered the reserve requirement for commercial banks to 25% from 40% and cut the benchmark two-week repurchase rate by half a percentage point to an ever lowest rate of 9.0%.

Slovakia

- The government is preparing a constitutional amendment to cap state debt. According to the Finance Minister, the ceiling will be set below the current European Union rule of 60% of GDP.
- The Finance Ministry released new economic forecasts on 10 February. The 2010 GDP growth was revised upward from 1.9% to 2.8% but 2011 growth forecast was reduced to 3.3%.

CONSOLIDATED NET PROFIT FOR THE PERIOD BREAKDOWN BY SUBSIDIARIES (IFRS)[2]

	2008 HUF million	2009 HUF million	Change %
Consolidated net profit for the period	241,068	150,206	(38)
Profit of the strategic short position[1] (after tax)	(4,720)	(1,912)	(59)
Dividend and total net cash transfers (consolidated)	2,380	792	(67)
Profit of the sale of OTP Garancia Group (after tax)	117,346	0	(100)
Goodwill impairment charges (after tax)[2]	(92,629)	0	(100)
Consolidated net profit for the period without the result of strategic open FX position, consolidated dividend and net cash transfers, the result of the sale of OTP Garancia Group and goodwill impairment charges	218,691	151,326	(31)
Banks total without one-off items[3]	201,371	145,844	(28)
OTP CORE (Hungary)[4]	132,831	178,289	34
Corporate Centre[5] (net profit for the period)	2,159	(6,067)	(381)
o/w Net profit for the period of subsidiary financing[6]	15,314	8,288	(46)
Interest expense of Tier2 Capital	(13,155)	(14,115)	7
OTP Bank Russia	8,916	3,086	(65)
OTP Bank JSC (Ukraine)	16,414	(43,650)	(366)
DSK+SPV (Bulgaria)	31,021	24,797	(20)
OBR adj. (Romania)[7]	241	1,136	372
OTP banka Srbija (Serbia)	1,670	(8,990)	(638)
OTP banka Srbija, adj.	262	(8,990)	
OTP banka Srbija one-off items[8]	1,408	–	(100)
OBH (Croatia)	5,041	3,245	(36)
OBS (Slovakia)	1,431	(6,673)	(566)
OBS, adj.	1,538	(6,429)	(518)
OBS one-off items[9]	(108)	(244)	126
CKB (Montenegro)	2,949	428	(85)
Leasing	3,497	(3,009)	(186)
Merkantil Bank + Car, adj. (Hungary)[10]	3,835	(1,830)	(148)
Merkantil Bank + Car one-off items[11]	(402)	12	(103)
Foreign leasing companies (Slovakia, Croatia, Bulgaria, Romania)[12]	64	(1,191)	
Insurance companies	4,029	0	(100)
OTP Garancia (Hungary)	5,149	0	(100)
OTP Garancia, adj.	5,338	0	(100)
OTP Garancia one-off items[13]	(189)	0	(100)
Foreign insurance companies (Bulgaria, Slovakia, Romania)[14]	(1,120)	0	(100)
Asset Management	4,743	5,104	8
OTP Asset Management (Hungary)	4,988	5,124	3
Value creation of OTP Asset Management (after-tax)[15]	10,196	9,681	(5)
Foreign Asset Management Companies (Ukraine, Romania)[16]	(244)	(20)	(92)
Other Hungarian Subsidiaries	1,526	(2,148)	(241)
Other Foreign Subsidiaries (Slovakia, United Kingdom, Cyprus)[17]	25	3,404	
Eliminations	2,199	2,374	8
Total net profit for the period of HUNGARIAN subsidiaries[18]	152,285	175,754	15
Total net profit for the period of FOREIGN subsidiaries[19]	66,406	(24,428)	(137)
Share of foreign profit contribution, %	30%	(16%)	(47)

[2]Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME[3]

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Consolidated net profit for the period	241,068	150,206	(38)
Dividends and net cash transfers (after tax)	2,380	792	(67)
Profit of the strategic open FX position (after tax)	(4,720)	(1,912)	(59)
Pre tax result of strategic open FX position	(5,899)	(2,390)	(59)
Income taxes	1,180	478	(59)
Profit of the sale of OTP Garancia Group (after tax)	117,346	0	(100)
Consolidated net profit for the period without the result of strategic open FX position, consolidated dividend and net cash transfers, the result of the sale of OTP Garancia Group and goodwill impairment charges	218,691	151,326	(31)
Profit before income tax	250,293	172,080	(31)
Operating profit	368,920	437,059	18
Total income	732,584	786,084	7
Net interest income (adj.)	515,946	589,780	14
Net profit from fees and commissions	140,623	132,913	(5)
Other net non-interest income (with net insurance result and net other, other non-interest result) (adj.)	76,015	63,390	(17)
Foreign exchange result, net (adj.)	44,393	(5,919)	(113)
Gain/loss on securities, net (adj.)	(1,096)	7,459	(781)
Net insurance result	13,255	0	(100)
Insurance premiums	60,432	0	(100)
Insurance expenses	(7,178)	0	(100)
Net other non-interest result (adj.)	19,462	61,851	218
Operating expenses	(363,664)	(349,024)	(4)
Personnel expenses	(167,461)	(155,516)	(7)
Depreciation (adj.)	(38,609)	(45,141)	17
Other expenses (adj.)	(157,594)	(148,367)	(6)
Provision for impairment on loan and placement losses (adj.)	(108,043)	(246,935)	129
Other provision	(10,584)	(18,044)	70
Corporate taxes	(31,602)	(20,754)	(34)
Indicators	**2008**	**2009**	**%-point**
ROA (adj.)	2.5%	1.6%	(0.9)
ROE (adj.)	22.5%	13.04%	(9.1)
Operating profit margin	4.14%	4.57%	0.43
Total income margin	7.75%	8.22%	0.67
Net interest margin (adj.)	5.79%	6.17%	0.38
Net fee and commission margin	1.58%	1.39%	(0.19)
Net other non-interest income margin	0.81%	0.65%	(0.16)
Allowance for loan losses to average gross loans (adj.)	1.69%	3.57%	1.88
Cost/income ratio (adj.)	49.6%	44.4%	(5.2)
Effective tax rate	12.6%	12.1%	(0.5)
Comprehensive income statement	**2008**	**2009**	**%**
Net comprehensive income	206,807	151,661	(27)
Net profit attributable to equity holders	240,472	151,045	(37)
Consolidated net profit for the period	241,068	150,206	(38)
(–) Net profit attributable to non-controlling interest	597	(839)	(241)
Fair value adjustment of securities available-for-sale (recognised directly through equity)	(12,475)	9,941	(180)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	788	431	(45)
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	0	(1,543)	
Foreign currency translation difference	(21,978)	(8,213)	(63)

[3]Adjustments on the consolidated Statement of recognised income are summarised in the Supplementary data section of this report.

- Dynamically increasing full year operating profit reaching HUF 437 billion (+18% y-o-y), HUF 151 billion adjusted PAT (–31% y-o-y) exceeded consensus
- Strong net interest income (+14% y-o-y), improving NIM (6.17%, +38 bps), 5% decline of net profit from fees and commissions
- Stringent cost control, outstanding efficiency (2009 CIR: 44.4%)
- Significant increase in allowance for loan losses (+123% y-o-y)
- Stable ROE at 13.4% inspite of deteriorating operating environment

The 2009 adjusted consolidated IFRS net profit for the period of OTP Group reached HUF 151.3 billion which is in line with the preliminary targets of the management. It represents 31% decline y-o-y.

Adjusted net interest income reached HUF 590 billion, 14% higher than in the base period, 6.17% NIM is by 38 bps higher than that of the base period.

Within non-interest income net F&C dropped by 5% y-o-y, which was in line with preliminary expectations and reflected the decrease of business activity and the transaction income.

Other adjusted non-interest income decreased by 17% y-o-y. The biggest profit change was on net FX gain and loss line: around HUF 6 billion loss in 2009 compared to HUF 44.4 billion profit in 2008. Note that the high profit of the base period was principally influenced by the 4Q 2008 revaluation of the Ukrainian provisions while 2009 results were significantly influenced by the 1Q 2009 losses on other open FX-positions above the strategic position due to the depreciation of the forint. Given that these position in the meantime have been closed down this income line showed gradual improvement since 2Q 2009. HUF 7.5 billion profit was realized on the securities portfolio of the Group, mainly due to the sharp decline of HUF yields. In 2009 OTP Core concluded repurchase transactions of its own Upper Tier2 Capital. HUF 28 billion profit before income tax – booked on other net non-interest income line – was realised on these transactions.

Within total income the non-interest income represented 25%, a decline of 5%-points y-o-y.

The Group has been implementing very strict cost control throughout the year. Within operational costs other expenses lagged behind the base period by 6%, whereas personal expenses dropped by 7% y-o-y (mainly as a result of staff reduction, rationalization of operation, suspending branch network expansion and even closing down branches in Serbia, Slovakia and in the Ukraine). The yearly cost/income ratio (CIR) improved by 5.3%-points to 44.4%, well below the 2009 management target.

The deteriorating macroeconomic environment equally hitting the households and corporates resulted in a significant portfolio quality deterioration. This required a massive provisioning which was comfortably met due to the robust operating result. Provisions for potential loan losses and other provisions added up to HUF 265 billion (+123% y-o-y), of which loan loss provisions amounted to HUF 246.9 billion, but other provisions were also mainly lending related ones. As a result the consolidated allowance for loan losses rate grew to 3.57% from 1.69% y-o-y.

Consolidated ROA (1.6%) decreased by 0.9%-points, while ROE (13.4%) shrank by 9.1%-points in 2009. The diluted earnings per share (EPS) amounted to HUF 572 in 2009.

The Net Comprehensive Income of the Group was HUF 151.7 billion, 27% lower than in 2008. Apart from net profits attributable to the shareholders of the Bank, this income category includes all the fair value adjustments, which are directly recorded in equity rather than through the statement of recognised income.

ASSET-LIABILITY MANAGEMENT

Asset-liability management of the OTP Group focused on two main areas in 2009: maintaining the prudential liquidity reserves of the OTP Group, and keeping interest-rate risk exposures low.

Maintaining the prudential liquidity reserves of the OTP Group

The primary objective of the OTP Group in terms of asset-liability management has been to ensure that the Group's liquidity reserves are maintained at a suitably secure level. Given that external sources of financing shrank since the last quarter of 2008, the Group shifted to a course where growth in its statement of financial position total was significantly slower than in earlier years, while the financing need of expiring capital market liabilities was covered by the surplus liquidity generated by the business areas. At the end of 2009, the Bank's liquidity reserves less the capital market liabilities expiring in 2010 exceeded EUR 4.8 billion. Besides the generation of liquidity by the business areas, a further contribution to the creation of these liquidity reserves came from the fact that the Group significantly reduced its net financing to the foreign subsidiaries, and that it received additional funds of EUR 1.4 billion from the Hungarian State, of which EUR 700 million was still on the Bank's balance sheet at the end of the year. The Bank's liquidity reserves at the end of 2009 are sufficient to provide coverage not only for the expiries mentioned above, but also for any liquidity shocks that may occur in the business areas or as a result of exchange rate risk.

Keeping interest-rate risk exposure low

Due to the HUF liabilities on the Group's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank treats the reduction and closing of this exposure as a strategic matter. Taking advantage of the significantly higher HUF yield levels in the first half of 2009, the Bank reduced its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of falling yields on net interest income.

Liquidity and market risk exposure of OTP Group

Under Government Decree 244/2000, the capital requirement for trading book positions, counterparty risks and FX risk must be consolidated for OTP Mortgage Bank, OTP Building Society, Merkantil Bank, OTP Banka Slovensko, DSK, OTP Bank Romania, OTP banka Hrvatska, OTP Bank JSC (Ukraine), OAO OTP Bank (Russia), OTP banka Srbija and CKB. By the end of 2009, the consolidated capital requirement was HUF 29.5 billion, which was primarily due to the FX position (HUF 27.9 billion).
Exposure of the various Group members' FX positions is restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The FX exposure at Group level was concentrated at OTP Bank, while the open positions of Group members abroad were negligible measured against either the balance sheet total or regulatory capital. Under IFRS standards, the FX exposure arising at OTP Bank derived from the strategic open FX position opened to hedge the currency risk of FX-dependent net earnings of four foreign subsidiaries. The size of the strategic open short EUR position amounted to EUR 310 million and was equal to 2 years' expected net profits of the subsidiaries. Apart from this strategic short position, the average net open position held by the dealing room of central Treasury Department was a negligible HUF 0.3 billion.
In 2010, the liquidity requirement of OTP Group developed differently from the dynamics of previous years. The business areas generated liquidity of approximately HUF 900 billion at

group level, ensuring the repayment of liabilities expiring in 2009, as well as contributing to the generation of liquidity reserves exceeding EUR 6 billion at the end of the year. Liquidity reserves at the end of the year significantly exceeded the combined amount of the liabilities expiring in 2010 and the liquidity requirement arising from any conceivable liquidity shocks. OTP Mortgage Bank raises the funds required for mortgage lending by issuing covered bonds, which are typically bought by the parent bank. Since these securities can be used as collateral in refinancing transactions of both the National Bank of Hungary (MNB) and the European Central Bank, the Mortgage Bank's liability expiries do not reduce the Group's liquidity reserves. In 2009, OTP Bank Group's interest rate risk exposure was essentially determined by the positions of OTP Bank, OTP Mortgage Bank, OTP Bank JSC (Ukraine) and DSK Bank.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Main components of statement of financial position	2008 HUF million	2009 HUF million	Change %
Total assets	**9,367,724**	**9,755,132**	**4**
Cash and amount due from banks	530,007	505,649	(5)
Placements with other banks	415,656	440,851	6
Financial assets at fair value	131,288	256,100	95
Securities available-for-sale	486,878	1,354,285	178
Gross customer loans	7,049,381	6,907,094	(2)
o/w Retail loans	4,353,189	4,291,847	(1)
Corporate loans	2,258,579	2,161,903	(4)
Car financing loans	389,767	387,431	(1)
Bills and accrued interest receivables related to loans	52,819	65,968	25
Allowance for loan losses	(270,680)	(494,378)	83
Equity investments	10,467	18,834	80
Securities held-to-maturity	330,158	188,853	(43)
Intangible assets	469,701	476,358	1
Other assets	214,868	101,486	(53)
Total liabilities and shareholders' equity	**9,367,724**	**9,755,132**	**4**
Liabilities to credit institutions and governments	848,730	802,749	(5)
Customer deposits	5,258,167	5,688,887	8
o/w Retail	3,914,944	4,161,910	6
Corporate	1,299,904	1,483,984	14
Accrued interest payable related to customer deposits	38,941	42,997	10
Issued securities	1,565,947	1,410,348	(10)
Other liabilities	325,859	380,708	17
Subordinated bonds and loans	320,050	280,834	(12)
Total shareholders' equity	1,048,971	1,191,606	14
Indicators	**2008**	**2009**	**%-point**
Loan/deposit ratio	134%	121%	(13)
Net loan/(deposit + retail bond) ratio	128%	108%	(19)
Net loans	6,778,701	6,412,716	(5)
Customer deposits	5,258,167	5,688,887	8
Retail bonds	58,073	236,733	308
90+ days past due loans/gross customer loans	4.5%	9.8%	5.3
Total allowance for loan losses/90+ days past due loans	86.0%	73.6%	(12.4)
Capital adequacy ratio (consolidated, IFRS)	15.4%	17.3%	2.0
Tier1 ratio	11.3%	13.8%	2.6
Core Tier1 ratio	9.5%	12.1%	2.6
Leverage (Shareholder's Equity/Total Assets)	11.2%	12.2%	1.0

- Decreasing loan volumes y-o-y (–2%)
- Increasing deposit base (+8% y-o-y) improving loan-to-deposit ratio (121%, –13%-points q-o-q)
- Significant but slowing deterioration of loan quality, DPD90+ loans at 9.8% (+5.3%-points y-o-y, but in 4Q 2009 only +0.9%-point q-o-q)
- Stable, further improving capital position, consolidated IFRS CAR stood at 17.3% with Tier1 at 13.8%

IFRS consolidated total assets increased by 4% in the last year and reached HUF 9,755 billion. The Group's consolidated shareholder equity grew to HUF 1,192 billion (+14% y-o-y), representing 12% of balance sheet total.
Due to the more conservative lending policy and the moderate loan demand the volume of gross consolidated loans decreased by 2% y-o-y. Closing amount of the portfolio was HUF 6,907 billion. Within the gross loan portfolio the single most important part was the retail one (HUF 4,292 billion, 62%), the corporate book (HUF 2,162 billion) represented a smaller portion (31%). Car financing amounted to HUF 387 billion (6%). Out of retail loans mortgages represented HUF 2,703 billion, while consumer loans stood at HUF 1,149 billion.
Throughout 2009 HUF-based loan portfolio increase was experienced only in Croatia (+3%) Bulgaria (+1%) and in case of OTP Core (+1%), elsewhere the portfolio decreased. The most significant portfolio contraction was experienced in Montenegro (-29%), Slovakia (-13%) and Ukraine (-12%).
In the previous 12 months, parallel with the moderate lending activity the portfolio quality deteriorated in all markets; the share of DPD90+ loans grew to 9.8% at consolidated level. Within the Group the Ukrainian and Serbian subsidiary has constantly represented the worst portfolio quality, the share of DPD90+ loans stood at 22.3% and 33.7% respectively. It was a positive development that in case of OTP Core – mainly due to the HUF appreciation and the actively applied debtor protection program – the speed of the Hungarian loan portfolio deterioration moderated from the pace seen in 2Q 2009; the DPD90+ ratio reached 7.4% at the end of 2009.
Consolidated allowance for loan losses was around HUF 494 billion at the end of December 2009 (+83% y-o-y). DPD90+ loans reached HUF 671 billion, accordingly the coverage ratio remained high (73.6%).
Consolidated deposits grew by 8% on a yearly base. In the past 12 months the most significant deposit growth was captured in Russia (+37%), Romania (+33%) Bulgaria (+11%) and in Croatia (+7%) and the deposit growth at OTP Core was outstanding as well (+8%). The strongest deposit withdrawal hit CKB (-20%).
As a result of the modest lending activity, the consolidated loan-to-deposit ratio (121%) improved on a yearly base by 13%-points. The net loan/(deposit+retail bond) ratio – a more refined way to capture the liquidity position of the Group – stood at 108%.
Issued securities dropped by 10% y-o-y. The maturing debt (EUR 750 million senior bonds and cca. HUF 120 billion HUF denominated mortgage bonds) exceeded the volume of collected domestic retail bonds. There was no international bond issuance in 2009.

CONSOLIDATED CAPITAL ADEQUACY RATIO (IN ACCORDANCE WITH BASEL II)

On 31 December 2009 regulatory capital of OTP Group represented HUF 1,195 billion, while the risk weighted assets (RWA), taking into account the capital needs for market risk and operational risk too, stood at HUF 6,886 billion. CAR stood at 17.3% with Tier1 (after deducting goodwill and intangible assets) at 13.8% and Core Tier1 (further deducting hybrid instruments) at 12.1% respectively.
By the December deadline OTP Bank has not drawn down the EUR 200 million subordinated loan facility offered by EBRD; the utilization period of the contract has been prolonged to 20 June 2010.

HUNGARIAN CORE BUSINESS OF OTP BANK[4]

OTP Core's statement of recognized income:

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
OTP CORE net profit for the period w/o dividends and net cash transfer	132,831	178,289	34
OTP CORE profit before income tax	146,085	194,153	33
Operating profit	191,112	265,970	39
Total income	371,392	445,574	20
Net interest income	270,910	320,579	18
Net profit from fees and commissions	88,322	88,379	0
Other net non-interest income	12,160	36,616	201
Operating expenses	(180,280)	(179,604)	(0,4)
Total allowance for loan losses	(45,027)	(71,817)	59
Provision for impairment for loan and placement losses	(24,889)	(72,530)	191
Other provisions	(20,138)	713	(104)
Revenues by Business Lines	**2008**	**2009**	**%**
RETAIL			
Total income	322,269	325,673	1
Net interest income	233,711	241,774	3
Net profit from fees and commissions	84,671	78,805	(7)
Other net non-interest income	3,887	5,094	31
CORPORATE			
Total income	41,036	32,335	(21)
Net interest income	31,052	20,094	(35)
Net profit from fees and commissions	8,847	10,751	22
Other net non-interest income	1,136	1,489	31
Treasury ALM			
Total income	10,975	84,901	674
Net interest income	6,147	58,711	855
Net profit from fees and commissions	105	1274	1118
Other net non-interest income	4,724	24,917	427
Indicators	**2008**	**2009**	**%-point**
ROA	2.8%	3.4%	0.6
ROE	16.9%	19.6%	2.7
Total income margin	7.75%	8.27%	0.52
Net interest margin	5.66%	5.95%	0.29
Allowance for loan losses/average gross loans	0.77%	2.15%	1.38
Cost/income ratio	48.5%	40.3%	(8.2)
Effective tax rate	9.1%	8.2%	(0.9)

- Rising corporate lending, 4% volume growth on a yearly base
- Successful deposit collection and retail bond issuance: net loans / (deposit + retail loans) ratio at 86% (–12%-points y-o-y)
- Increasing NII (+18% y-o-y), stable net F&C income (+0.1% y-o-y) and strict cost control: nominal operating costs below the level of 2008 (–0.4% y-o-y)
- 2009 net profit for the period (including one-offs)at HUF 178 billion

[4] This section is based on unconsolidated, audited IFRS financial statements of the following subsidiaries: OTP Bank, OTP Mortgage Bank, OTP Building Society, OTP Faktoring, OTP Financing Netherlands B.V., OTP Financing Cyprus and Projekt 1. Ltd. The consolidated net profit for the periods were adjusted by the net profit for the period on open FX-position, by dividends and by one-off cash transfers, as well as by the net interest income of subsidiary financing and by the interest expenses of Lower and Upper Tier2 funding. Those two items are shown as part of the Corporate Centre. Also, the net profit for the period of interest swaps concluded with OTP Bank Romania (OBR) as part of its financing were booked within the adjusted net profit for the period of OBR.

Earnings developments

In 2009 the net profit for the period of OTP Core is HUF 178.3 billion, representing a growth of 34% y-o-y. The result on one hand represents an outstandingly strong core operating profitability: net interest income increased by 18% y-o-y, F&C income remained stable nominally and strong cost control was applied (operating costs were below the base level, cost/income ratio dropped from 49% to 40% y-o-y). The improvement of profitability was positively affected by the approximately HUF 27.7 billion (before tax) trading profit realised on the repurchase of Upper Tier2 Capital (UT2)[5] accounted within the other non-interest income (latter trebled y-o-y). Additional positive effect was due to the lower tax burden (effective tax rate 8% in 2009 vs. 9% in 2008). Low 2009 effective tax burden reflected the one-off effect of a change in the Hungarian regulation: significant portion of the goodwill impairment in 2008 could not be accounted as part of the corporate tax base that time, but a legal change in 2009 stipulated that under IFRS the Bank can account that in a single amount in the current year, whereas under HAS in four equal tranches in the next four years. That move trimmed the IFRS tax burden by HUF 11.7 billion in 2009.

In 2009 the allowance for loan losses of OTP Core increased by 59% (allowance for loan losses rate rose from 0.77% to 2.15%). The DPD90+ rate stood at 7.4% at the end of the year, whereas the provision coverage of the non-performing portfolio was 74.9%. In addition the positive effects of the debtor protection programme on portfolio quality and allowance for loan losses became visible in the second half of 2009. The household loans involved in the program represented approx. 4.4% of the retail portfolio by end-2009. The pace of the restructuring decelerated significantly in November and December.

Net interest income increased by 18% y-o-y as a result of the 0.30%-points growth of NIM (2009: 5.95% vs. 2008: 5.66%). The good performance is resulted on one hand from the repricing of assets since the end of 2008: interest on existing mortgage- and consumer loans was raised in 4Q 2008 (about 100–150 bps in case of FX-mortgages) and the interest for new retail loans were higher, too. Furthermore spreads of new corporate disbursements were also above the pre-crisis levels. Net interest income in 2H 2009 also improved since the Bank's funding costs started moderating together with the sinking HUF base rate and the calm down of competition in the deposit market. The yearly increase in the net interest income was however supported by a remarkable one-off item: revaluation result of derivative transactions resulted a significant profit in the NII in 4Q 2009, which was counterbalanced by about the same amount of losses booked on the revaluation result of securities line.

Net profit from fees and commissions stagnated on a yearly basis (+0.1%). Good performance was supported by the fact that both deposit- and cash transfer commissions (representing 48% of total commissions in 2009) and card commissions (2009: 37% of total) were relatively stable: income resulting from these items decreased by 3% and 5% y-o-y respectively. The ratio of loan related commissions being hit by the crisis the most is relatively low (5%), the y-o-y drop in this category was 29%. In case of loan related commissions it is important to mention that according to IFRS these commissions are accrued during the constractual period of the loans, thus the decline in new disbursements resulted only a gradual moderation of this type of F&C income. Securities commissions (11% share of total in 2009) declined only by a mere 3% y-o-y.

Control of operating costs remained continuously strict: the yearly cost amount was nominally below the level of that in the previous year (–0.4% y-o-y). At OTP Bank, closing number of the headcount diminished by 477 persons to 7,820 during 2009 (–6% y-o-y), while number of branches remained flat (382 at the end of the year).

[5] As a result of the repurchases the volume of Upper- and Lower Tier2 capital declined by 6% compared to YE 2008 (2008: HUF 303 billion, 2009: HUF 284 billion). From the originally issued EUR 500 million UT2 capital altogether EUR 157 million was repurchased during 2009.

Main components of OTP Core's statement of financial position:

Main components of statement of financial position	2008 HUF million	2009 HUF million	Change %
Total assets	4,964,333	5,805,466	17
Gross customer loans	3,348,931	3,396,769	1
Retail loans	2,189,514	2,186,022	0
Corporate loans	1,159,416	1,210,747	4
Allowance for loan losses	(117,635)	(188,501)	60
Deposits from customers	3,244,482	3,496,796	8
Deposits from customers + retail bonds	3,302,554	3,733,529	13
Retail deposits	2,420,480	2,470,161	2
Retail deposits + retail bonds	2,478,552	2,706,894	9
Corporate deposits	824,002	1,026,635	25
Liabilities to credit institutions and governments	598,386	823,211	38
Issued securities	1,412,929	1,305,525	(8)
o/w retail bonds	58,073	236,733	308
Total shareholders' equity	832,333	990,236	19
Loan Quality	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	4.3%	7.4%	3.1
Total allowance for loan losses/90+ days past due loans	82.5%	74.9%	7.6
Market Share	**2008**	**2009**	**%-point**
Loans	17.6%	17.8%	0.2
Deposits	24.1%	24.2%	0.1
Total assets	23.8%	26.3%	2.5
Indicators	**2008**	**2009**	**%-point**
Gross loans to deposits	103%	97%	(6)
Net loans to (deposits+retail bonds)	98%	86%	(12)

Statement of financial position trends

During 2009 the economic crisis and the fiscal measurements in Hungary induced a strong adjustment in the statement of financial position of OTP Core. Since the beginning of 2009 loan-to-deposit ratio has been on a downward track (4Q 2009: 97%, –6%-points y-o-y), net loan-to- (deposit+retail bond ratio) – taking into account the proxy-deposit savings too – shows an even stronger adjustment (year-end 2009: 86%, –12%-points y-o-y).

The FX-adjusted customer loan portfolio has stagnated in 2009 (+0.4% y-o-y, w/o FX-adjustment +1% y-o-y) due to the materially lower loan demand. In 2009 within the FX-adjusted retail loans the portfolio of consumer and SME loans demonstrated a slight increase (+6% and +5% y-o-y respectively). The consumer loan growth primarily is the result of the portfolio growth of overdrafts. Mortgage loan portfolio had been decreasing during the year (–3% y-o-y, –1% q-o-q). Corporate loans increased by 3% y-o-y.

Disbursement of retail loans dropped significantly in 2009 partially due to the tightening of lending conditions from mid-November 2008 and partially as a negative effect of the financial crisis on loan demand. Disbursement of mortgage loans decreased by 82% y-o-y to HUF 64 billion while the origination of personal loans – representing the biggest part within consumer loans – dropped by 54% (disbursement in 2009: HUF 55 billion).

In case of both types of loans after their deepest point in 1Q 2009 following quarters already showed a slight improvement in the disbursement activity (mortgage loan disbursement in HUF billion: 1Q: 11.8; 2Q: 16.8; 3Q: 19.6; 4Q: 16.0; personal loan disbursement in HUF billion: 1Q: 12.0; 2Q: 15.1; 3Q: 15.5; 4Q: 12.1).

During the year with the aim of boosting loan disbursements the Bank cut the offered interest rate of its market-priced mortgage loans several times (both in case of HUF and FX loans), and in accordance with the recommendations of the Code of Conduct in retail lending it stopped selling adjustable rate mortgages and launched new floating rate mortgage products. For the outstanding portfolio the type of interest payment has not changed automatically, but customers were enabled to refinance themselves with new mortgages. Results of these movements were experienced through continuously increasing disbursement of EUR denominated loans during the year.

Disbursement of subsidised HUF loans were negatively influenced by the amendment of the subsidy scheme (between the suspension of the former system in July and the introduction of the new system in October in the interim period there was not any available subsidised mortgage loan product on the market).
In line with the intention of the management both within the disbursement of mortgage loans and personal loans the ratio of HUF denomination grew remarkably in 2009: in case of mortgage loans from 12% to 55%, in case of personal loans from 31% to 96% respectively. Simultaneously, amongst FX denominated disbursements EUR became dominant (42% of newly disbursed mortgage loans and 4% of personal loans were EUR denominated in 2009).
OTP Core's deposit base grew by 8% y-o-y. The y-o-y growth is even higher taking into consideration the amount of retail bond portfolio considered as a proxy-deposit by the retail customers. Adjusted by the bond volumes the increase of customer deposits and retail deposits were 13% and 9% y-o-y respectively. Since 4Q 2008 the retail bond portfolio has been growing steadily, by the end of 2009 the outstanding portfolio amounted to HUF 237 billion (+HUF 179 billion y-o-y). Average maturity of the bonds (typically 1 year) exceeds that of term deposits (typically 3-6 months).
Other significant driver of the deposit growth was the increase in the deposits of medium and large corporates (+32% y-o-y, due to this the corporate deposit portfolio grew by 25% y-o-y). Within the medium and large corporate segment term deposits medium and large corporates grew nicely (+HUF 59 billion y-o-y) but significant increase was generated by the growing term deposit taking of the investment funds managed by OTP Fund Management as well (+HUF 112 billion). The municipal deposits produced a 7% increase y-o-y.
The outstanding bond portfolio of OTP Core (4Q 2009: HUF 1,306 billion, –8% y-o-y) was remarkably influenced during the year by the maturity and repayment of EUR 750 million senior note in February (q negative effect of approx. HUF 203 billion). This was significantly counterbalanced by the HUF 179 billion increase in retail bond volumes y-o-y. At the same time the outstanding volume of mortgage bonds decreased by approx. HUF 120 billion. New international transaction was issued only after closing of the statement of financial position: in February 2010 OTP returned to the international capital markets with a senior unsecured bond of CHF 100 million with 2 years tenor This issue was the first ever CHF denominated bond issue in the Bank's history. Furthermore OTP Mortgage Bank issued a mortgage bond of EUR 300 million in March 2010 under its European Medium Term Note (EMTN) program. Nearly one third of the total issued notional was underwritten by external investors.
Funding and liquidity position of OTP Core was influenced by the fact that the Hungarian State granted a facility to the Bank to enhance its lending activity to Hungarian corporations. As a result liabilities against the financial institutions and the state grew significantly (at end-2009 the portfolio amounted to HUF 823 billion, +38% y-o-y). The loan was drawn down in two tranches (EUR 1 billion on 1 April 2009, EUR 400 million on 30 June 2009). As a result, despite the crisis, OTP Bank could actively support the Hungarian corporate sector: the Bank approached more than 5 thousands entrepreneurships with relevant loan offers. Throughout 2009, loan facilities in the amount of HUF 248 billion have been originated, thus the FX-adjusted outstanding volume of micro, small, medium and large scale enterprise financing increased by 8% y-o-y. However half of the outstanding debt, EUR 700 million, was prepaid by the Bank on 5 November an the second half in March 2010. It was reasoned by the fact that because of the interest rate level and maturity of the state loan facility the Bank could satisfy the demand of only a limited Group of entrepreneurs, thus in the future OTP Bank is willing to support a wider range of potential client interest at the expense of its own liquidity reserve.
In 3Q 2009 an agreement was concluded between OTP and EBRD according to which the international financial institution granted an EUR 200 million subordinated debt facility. As part of the agreement EBRD provided CHF 500 million CHF/HUF swap-line for OTP Bank. The originally 6 months long commitment period has been extended in December 2009 for another 6 months but the subordinated loan facility

has not been drown down until now. If utilized, it could further improve the otherwise stable capital position of the Bank. Regarding the swaps: during 2009 several transactions have been concluded and by the end of October the facility has been almost fully used providing a continuous CHF liquidity for FX lending purposes.

Unconsolidated capital adequacy of OTP Bank under Hungarian Accounting Standards

At end-2009, OTP Bank's capital adequacy ratio under the Hungarian regulation stood at 16.2%, which is 8.2%- points in excess of the 8% required by the Act on Credit Institutions. The ratio is the quotient of a regulatory capital of HUF 626 billion and risk weighted total assets (RWA) of HUF 3.853 billion. Apart from covering credit risks, the RWA takes into account the capital needs for market risk and operational risk, too.
The profit before tax of OTP Bank under the Hungarian Accounting Standards was HUF 114.1 billion, by 99% (HUF 56.7 billion) higher than in 2008. The profit after tax stood at HUF 102.3 billion, by 89% or HUF 48.1 billion higher than in 2008.
After the HUF 10.2 billion general provisioning, the statement of financial position profit of OTP Bank for the year 2009 amounted to HUF 92.1 billion.

OTP FUND MANAGEMENT

In 2009 OTP Fund Management realized HUF 5.1 billion net profit for the period (+3% y-o-y). The managed volume of securities funds increased by 35% y-o-y reaching HUF 863 billion, while the growth of total assets under management was somewhat lower (+32% y-o-y). In 2009 OTP Fund Management has charged HUF 10 billion management fee, which means 1.44% fee charges on the average portfolio. The wealth management fee amounted to HUF 3.3 billion, representing 10% decrease on a yearly base. It should be emphasized that as a result of strict control operating expenses decreased by 10% y-o-y.
By the end of December 2009 the net asset value of Pension Funds reached HUF 758 billion with a significant increase (+38% y-o-y), net asset value of other institutional funds expanded by about 7% on a yearly base.
OTP Fund Management kept and even improved its leading market position on the domestic fund management market, at the end of December its market share grew to 32.3%. The client base of the Company also increased significantly (at the end of 2009: 190,760, +8% y-o-y) in 2009, mainly due to the popularity of open-end funds.

MERKANTIL GROUP

In 2009 the aggregated net profit for the period of Merkantil Bank and Car totalled to 1.8 billion loss compared to the profit of HUF 3.8 billion in 2008. The major reason of the loss was the significant increase of the allowance for loan losses. Net profi for the period was also negatively influenced by the HUF 1.8 billion provision made for the stake in the loss-making Romanian leasing unit. Portfolio quality deteriorated significantly y-o-y, the ratio of the DPD90+ loans increased from 7.7% to 12.3%. As a result of high provisioning the coverage of DPD90+ loans reached 89.4% (+5.9%-point y-o-y).
In 2009 operating income showed an 11% improvement due to curtailed operating costs (–15% y-o-y).
The total income grew by 1% in 2009. The net interest income fell by 3%. On the one hand the

margin of newly disbursed loans reflected the growing financing costs from the mother company; on the other hand the deferred interest income declined due to the debtor protection program. The incomes from fees came out at a lower level as a result of the moderate business activity, but the development of expenses from fees did not follow this decline because significant part of expenses from commissions occurs independently from business activity. The other net non-interest income more than doubled compared to the low base in 2008.

The car financing loan book decreased by 3% y-o-y, but it has to be taken into account that effective from 2Q 2009 car financing loans comprise car leasing volume, whereas corporate loans include big ticket leasing volume. The FX-adjusted car financing loan book showed a gradual decrease in 2009 and the new disbursements reached only the quarter of the volume of 2008.

IFRS reports of the main subsidiaries*

DSK GROUP

Performance of DSK Group:

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Net profit for the period w/o dividends, net cash transfers and one-offs	31,021	24,797	(20)
Profit before income tax	34,481	27,693	(20)
Operating profit	45,056	54,200	20
Total income	71,207	84,757	19
Net interest income	53,064	67,615	27
Net profit from fees and commissions	16,983	15,555	(8)
Other net non-interest income	1,161	1,587	37
Operating expenses	(26,151)	(30,557)	17
Provision for impairment on loan and placement losses	(9,625)	(25,855)	169
Other provision	(951)	(651)	(31)
Main components of statement of financial position (closing balances)	**2008**	**2009**	**%**
Total assets	1,171,645	1,207,328	3
Gross customer loans	1,014,893	1,027,820	1
Retail loans	816,257	831,729	2
Corporate loans	198,636	196,091	(1)
Allowance for loan losses	(39,074)	(61,810)	58
Deposits from customers	722,880	801,112	11
Retail deposits	626,576	688,399	10
Corporate deposits	96,304	112,713	17
Subordinated debt	92,680	95,049	3
Total shareholders' equity	165,045	193,214	17
Indicators	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	3.0%	7.0%	4.0
Allowance for loan losses/average gross loans	1.08%	2.53%	1.45
Total allowance for loan losses/90+ days past due loans	127.9%	85.8%	(42.1)
ROA	2.8%	2.1%	(0.7)
ROE	21.5%	13.8%	(7.7)
Net interest margin	4.82%	5.68%	0.86
Cost/income ratio	36.7%	36.1%	(0.6)
Gross loans to deposits	140%	128%	(12)

*Figures presented in the statements we not consistent with the audited data because they were orginated according to controlling methodology.

DSK Group's net profit for the period of HUF 24.8 billion represents 20% decline y-o-y. Decreasing profit is mainly the result of the 169% y-o-y growth of allowance for loan losses. At the same time operating profit without allowance for loan losses expanded by 20% compared to the base period as a combined effect of a strong net interest income (+27% y-o-y), slightly diminishing commissions (-8%) and operating costs growing by 17%. An intensive debtor protection programme was launched since August 2009 – altogethert 6.2% of the household loan book was involved in the programme by end-2009. Due to this process, the development of the allowance for loan losses was favourable in 2H 2009.

Ratio of DPD90+ loans increased from 3.0% to 7.0% y-o-y. There were favourable developments in 4Q, the DPD90+ ratio decreased in all segment but SME loans. Beside the rescheduling, the sale of HUF 3.1 billion DPD90+ loans (BGN 22.3 million) in 4Q also improved the DPD90+ ratio in the consumer loans segment. The financial result of the transaction was minimal, the HUF 0.2 billion profit on sale lowered the allowance for loan losses.

The provision coverage of DPD90+ loans dropped by 42%-points from the level of the last year (from 128% to 86%), due to the increasing non-performing portfolio, but this ratio is still considered to be relatively high among Group members.

With respect to profit development of DSK Bank in 2009, the strong growth of total revenue base was highly favourable (+19% y-o-y). Net interest income increased by 27% y-o-y: the repricing of the retail loan portfolio at the end of 2008 and the fallback of wholesale funding costs during the year 2009 counterbalanced the negative effect of increasing deposit costs, thus net interest margin increased by 86 bps y-o-y (2008: 4.82% vs. 2009: 5.68%). The decline of net commission income (–8% y-o-y) reflected the weaker lending activity: in case of the Bulgarian subsidiary the ratio of lending related commission income is relatively significant, representing almost 36% of total net F&C (2009) and showed a decrease of 33% y-o-y. As for the other two dominant commission types, i.e. deposit- and card-related commissions (their proportion is 37% and 16% respectively): 2009 income increased by 15% y-o-y in case of deposit-related income, while card-related income showed a 10% increase on a yearly base. The profit dinamics of the profit was mainly influenced by the weaker HUF exchange rate in 2009, because in BGN terms the change was more moderate on a yearly base (+4%, and –1% respectively).

Operating costs were under stringent control: cost-income ratio was lower than the level realized in 2008 (2009: 36.1%, –0.7%-points y-o-y). The growth of operating costs was much lower in BGN terms only 5% on a yearly base (+16% in HUF terms respectively): personnel expenses grew by 6%, while other expense and depreciation costs increased (+2% and +12%, respectively).

The tightening of lending conditions since autumn 2008 and the moderate credit demand resulted in a stagnating loan portfolio in 2009 (in BGN -1%). Significant portfolio shrinkage was observed only in the SME segment (–14%), where the negative effects of the credit crisis are still heavily influencing the credit demand. Mortgage loans however increased by 1%, whereas consumer and corporate loans dropped by 1% and 3% respectively in local currency. The reason for the shrinking market share of the household-loan portfolio (from 31.2% to 29.3% y-o-y) is that competitors tend to repurchase the previously outsourced portfolios in growing scales.

After slight erosion in 4Q 2008 and 1Q 2009, the deposit base of the Bank has been gradually expanding since 2Q 2009 (y-o-y +8% growth in BGN). The favourable trend is on one hand due to pricing steps, on the other hand to continuous product development and sales incentive programs. Thus the decrease of loan-to-deposit ratio has been going on since 1Q 2009 (2009: 128%, –12%-points y-o-y). Notwithstanding the fact that the retail deposit market showed signs of normalisation during 2H 2009 (the banking sector average of interest paid on retail deposits started sinking after 2Q 2009) the pace of DSK's household deposit base growth even accelerated in 2H 2009: altogether the portfolio grew by 9%

y-o-y (in BGN). Corporate deposits performed well in the first three quarters of 2009, mainly due to pension funds' deposit making, whereas in 4Q some deposits were withdrawn by municipalities, as a result the portfolio increased by 14% y-o-y in local currency.

As a consequence of these efforts and despite of the fierce competition, the Bank managed to keep its market share stable in the retail deposit segment, whereas in the corporate segment even managed to improve it.

On the liability side there was no major capital market transaction in 2009: the volume of subordinated debt remained flat y-o-y in BGN.

OTP BANK RUSSIA[6]

Performance of OTP Bank Russia:

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Net profit for the period w/o dividends, net cash transfers and one-offs	8,916	3,086	(65)
Profit before income tax	11,688	4,400	(62)
Operating profit	30,538	25,975	(15)
Total income	75,412	67,810	(10)
Net interest income	62,151	60,316	(3)
Net profit from fees and commissions	10,165	4,701	(54)
Other net non-interest income	3,097	2,793	(10)
Operating expenses	(44,874)	(41,834)	(7)
Provision for impairment on loan and placement losses	(18,998)	(21,040)	11
Other provision	147	(535)	(463)
Main components of statement of financial position (closing balances)	**2008**	**2009**	**%**
Total assets	529,019	579,941	10
Gross customer loans	383,118	369,877	(3)
Retail loans	247,927	250,463	1
Corporate loans	113,378	103,719	(9)
Car financing loans	21,813	15,695	(28)
Allowance for loan losses	(30,389)	(38,493)	27
Deposits from customers	224,152	306,646	37
Retail deposits	137,252	196,744	43
Corporate deposits	86,901	109,902	26
Issued securities	8,189	15,955	95
Subordinated debt	13,657	13,607	0
Total shareholders' equity	60,665	71,459	18
Indicators	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	8.4%	12.4%	4.0
Allowance for loan losses/average gross loans	5.53%	5.59%	0.06
Total allowance for loan losses/90+ days past due loans	94.0%	83.6%	(10.4)
ROA	1.9%	0.6%	(1.3)
ROE	17.4%	4.7%	(12.8)
Total income margin	15.69%	12.23%	(3.46)
Net interest margin	12.93%	10.88%	(2.06)
Cost/income ratio	59.5%	61.7%	2.2
Gross loans to deposits	171%	121%	(50)

Net profit for the period of OTP Bank Russia in 2009 totalled to HUF 3.1 billion. The drop in net profits of HUF 5.8 billion is a result of the yearly 54% drop (HUF –5.5 billion) in commission income due to the moderating transaction activity, and the yearly 11%

[6] From 2Q 2008, figures are based on the aggregated financial statements of OAO OTP Bank and the newly acquired Donskoy Narodny Bank.

increase (HUF –2.0 billion) in allowance for loan losses. The latter is the result of the y-o-y higher average loan portfolio. The risk profile of the portfolio remained stable: as a result the allowance rate was unaffected by the crisis (2009: 5.59% vs. 2008: 5.53%). At the same time it is very positive that net interest income increased by 6% y-o-y in LCY (the 3% decrease in HUF terms is due to the strengthening of the HUF) and operating costs were declining by 7% in HUF, while being stable in local currency (+1% y-o-y in RUB). With respect to profitability, the financial crisis divided the year into two parts. In 1H 2009 the modest POS-lending resulted in the shrinkage of total income and net interest margins, and in parallel with the increase of provisioning had negative effect on the Bank's profitability (1H 2009 ROE: 0.1%). However, the second half of the year 2009 showed extremely positive developments as for net profit dynamics: two factors affected very positively both net interest and total income margins of OTP Bank Russia, furthermore allowance for loan losses development was also favourable. As a result of the above mentioned developments, the return on equity significantly surpassed the bottom in 1H 2009 (2009: 4.7%).

The first positive factor was the pick up in POS-lending and credit card loans. In case of POS-lending, following the decline in the winter/spring period, volumes started growing during the summer period as a result of renewed customer demand. In parallel, the Bank took measures to catch up with those developments through hiring agents and signing contracts with nationwide retailers. As a consequence, POS loan disbursement grew by 58% in 3Q 2009 and by 43% in 4Q 2009 q-o-q, respectively, thus resulting in a virtually unchanged level of the total yearly origination (+0% y-o-y). In 4Q 2009, POS disbursement was higher by 3% than the all time high level realised in 4Q 2007. In case of POS business, market share in new disbursements increased continuously over the year (2Q 2009: 15%, 3Q: 23%, 4Q: 24%), and OTP Russia became the second largest participant in the market. The success of credit card products was mainly due to the fine-tuned product-line launched in August and the marketing activity that was intensified afterwards. The number of newly activated cards of the fine-tuned product has exceeded the level realised in case of former campaigns.

Taking into consideration the low customer demand characterizing the whole market within other retail product categories, good performance of POS and credit card loans contributed to the fact that OTP Russia's retail loan portfolio was the third fastest growing one in the Russian market in October and November 2009. Consequently the volume of POS loans (which have the highest net interest margin content across OTP Group) and credit card loans increased dynamically (POS-loans: +23% y-o-y, credit card loans +8% y-o-y). Furthermore the growth rate was influenced by significant write-offs of non-performing loans during the year (in the amount of app. HUF 13.6 billion or RUB 2.2 billion). Adjusting the portfolio growth with these write-offs, it would be +33% y-o-y in case of POS-loans, and +18% y-o-y in case of credit card loans, respectively.

The other important factor influencing net interest margin was that due to the successful deposit collection efforts and after some regulatory changes, about USD 460 million excess liquidity collected during 2009 was invested into higher yielding securities and interbank loans in 2H 2009.

These two factors improved significantly OTP Russia's total income and net interest margins in 2H: the former grew to around 13.4% from 12.6% and 12.2% realised in the first two quarters, NIM increased to around 12% from 11% realised in the first half of the year. However, on a yearly base both margins are showing a significant decrease (total income margin: –3.46%-points, interest margin: –2.06%-points), mainly as a consequence of above mentioned factors (stagnating POS-lending in 1H, excess liquidity, and the negative impact of HUF appreciation during the year), while deposit campaigns also had a negative impact on funding costs. Another positive development was the decline of allowance for loan losses in the second half of the year 2009, mainly reasoned by the diminishing allowance for loan losses related to credit cards and POS loans. The Bank's allowance for loan losses rate remained stable over the year (2009: 5.59% vs. 2008: 5.53%). The ratio of DPD90+ loans has increased by +4.0%-points to 12.4% in 2009, but in the second half of the year the ratio improved, partly because of the previously mentioned write-offs, and partly due to the growing total loan book in 2H. DPD90+ coverage ratio deteriorated in 2009 (83.6%, –10.4%-points), but it's still higher than the average of the group members. Operating costs were henceforward under stringent control after the cut-back of the headcount by 600 in the last quarter of 2008 and the cut-down on marketing spending and administrative expenses (full year costs decreased by 7% y-o-y, which is virtually a stagnation in RUB terms (+1%)). After the stagnation in 1Q, the headcount grew in 2009 due to the measures taken to increase sales volumes (number of employees at end-2009 stood at 10,295, +1,846 people y-o-y, out of the total closing headcount 4,550 people were POS-loan agents). Number of contractual agents increased to 6,127 person over the year (+884 person y-o-y), therefore the headcount of the total agent network (including agents employed by the Bank as well) amounted to 10,677, representing a y-o-y growth of 2,385 people.

The increase in other provisions in 2009 (HUF –0.5 billion) is caused by provisions made for losses in the securities portfolio.

The liquidity position of the Bank continuously improved during 2009. On the lending side, despite the positive tendencies in POS-lending and credit card loans, other retail and corporate segments still suffered from poor sales performance. The corporate loan portfolio was shrinking during the year. The deposit base, on the contrary was continuously expanding: retail deposits grew by 43% y-o-y, due to the successful promotional campaigns and product developments. Corporate deposits increased for the first time in the second half of the year (+26% y-o-y). The practise of RUB/USD conversion, that characterised the deposit side in the last quarter of 2008 and the first quarter of 2009 has stopped: proportion of FX deposits shrank in 2H 2009 (share of FX deposits within total customer deposits: 3Q 2008: 12%, 4Q 2008: 27%, 4Q 2009: 30%).

As a result of the above mentioned developments, loan-to-deposit ratio of OTP Bank Russia dropped to 121% (–50%-points y-o-y). Parallel to the improvement in the liquidity position, in June 2009 the Bank paid back in full the deposit of National Bank of Russia placed at the end of last year in order to enhance the Bank's liquidity.

OTP BANK JSC (UKRAINE)[7]

Performance of OTP Bank JSC (Ukraine):

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Net profit for the period w/o dividends, net cash transfers and one-offs	16,414	(43,650)	(366)
Profit before income tax	23,077	(44,646)	(293)
Operating profit	49,987	51,033	2
Total income	77,052	74,948	(3)
Net interest income	49,110	62,759	28
Net profit from fees and commissions	5,736	7,442	30
Other net non-interest income	22,206	4,747	(79)
Operating expenses	(27,065)	(23,916)	(12)
Provision for impairment on loan and placement losses	(26,433)	(94,974)	259
Other provision	(477)	(704)	48
Main components of statement of financial position (closing balances)	**2008**	**2009**	**%**
Total assets	847,008	711,155	(16)
Gross customer loans	763,758	670,758	(12)
Retail loans	351,838	311,158	(12)
Corporate loans	331,880	300,795	(9)
Car-financing	80,040	58,806	(27)
Allowance for loan losses	(22,882)	(110,583)	383
Deposits from customers	169,888	165,764	(2)
Retail deposits	77,745	98,164	26
Corporate deposits	89,486	67,600	(24)
Subordinated debt	26,900	40,331	50
Total shareholders' equity	80,098	90,711	13
Indicators	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	4.7%	22.3%	17.6
Allowance for loan losses/average gross loans	4.08%	13.24%	9.16
Total allowance for loan losses/90+ days past due loans	63.2%	73.8%	10.6
ROA	2.2%	(5.6%)	(7.8)
ROE	22.5%	(51.1%)	(73.6)
Net interest margin	6.67%	8.06%	1.39
Cost/income ratio	35.1%	31.9%	(3.2)
Gross loans to deposits	450%	405%	(45)

In 2009 OTP Bank JSC produced HUF 44.0 billion loss. The main reason for the loss is the higher provisioning for non-performing loans in order to boost coverage ratio, the favourable income dynamics could only partly offset this negative effect. However, when analysing the HUF denominated income statement items, one should note that the average exchange rate of UAH vs. HUF appreciated almost 24% compared to YE2008, while as for the portfolio asset classes, the closing rate of UAH shows weakening against USD as well (–4%).

The operating result without provisions equals the level of 2008: the income from core activities shaped well with stringent control on the cost side. The income dynamics was determined by the 28% growth of net interest income (+68% in UAH) and the 30% growth of net profit from fees and commissions (+71% in UAH). The significant yearly decrease of non-interest income is due to basis-effect (the previous year was determined by the positive revaluation result of provisions due to UAH/USD weakening and by the significant profit realized on foreign exchange transactions).

Net interest income (NII) shaped well on yearly basis (+28% y-o-y), but the accounting of interest income related to overdue debt payment still played a role in the growth of NII. The share of accrued but not paid interest within gross interest income on loans amounted to 14% at the end of December. The growth of interest expense on deposits (in LCY +32% y-o-y) was significantly lower than the growth of interest income on loans (in LCY +49% y-o-y), although from 3Q the deposit collection recovered due to more favourable offered interest rates.

[7] From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, while from 4Q 2009 the result of LLC OTP Faktoring Ukraine was also aggregated.

The interest expense of Tier2 funding doubled on a yearly basis.
Net F&C income topped far beyond the base level (+71% y-o-y), primarily because of increasing fee income from the exchange of FX (EUR, USD) instalments of corporate customers (this revenue was stemming from the difference between the official exchange rates of the National Bank of Ukraine and the interbank rates). Within net income from commissions, the greatest proportion thereof, deposit and transaction related commission income jumped by 42% in LCY, while card related commissions grew by 18%; these elements offset the sluggish development of commissions on loans.
In 2009 the profitability of the Bank was mainly driven by the remarkable deterioration of loan portfolio resulting in a significant growth of provisioning.
The ratio of DPD90+ loans increased in two waves reaching 22.3% by the end of 2009 (+17.6%-point y-o-y). In 1Q 2009 retail loan portfolio experienced significant deterioration, while in 3Q 2009 the corporate loan portfolio was showing a deterioration, however in the last quarter of 2009 – partially as a consequence of the stabilization of macro environment – the portfolio deterioration was moderate. The Ukrainian Bank was the first among OTP Group members launching debtor protection programme, taking into consideration that the depreciation of UAH was significantly higher than the deprecation of other currencies in the region. Under its debtor protection program the Bank provided an opportunity to lower the monthly instalments temporarily or change the previously taken USD denominated mortgage and car loans into UAH, thus the program actively supported the decrease of portfolio dynamics of non-performing loans after 1Q 2009. The share of rescheduled retail loan portfolio was showing a gradual but decelerating increase during the year and stood at 39% at the end of December 2009.
The yearly allowance for loan losses of the Bank increased to HUF 95 billion – partially as a consequence of portfolio-deterioration and in line with the intention of increasing the provision coverage of the non-performing portfolio –, resulting an increase in coverage from 63% to 74%.
2009 was characterised by moderate lending activity: on one hand as a consequence of the measures taken by the National Bank of Ukraine the FX-lending practically stopped. On the other hand lending conditions were tightened by the Bank to protect the portfolio quality. In the retail segment due to moderate demand the portfolio in LCY was below of the level at year end-2008.
On the deposit side due to the retail deposit collection campaign launched in 2009 a moderate increase of the total book was experienced (+2% y-o-y in LCY, –2% y-o-y in HUF). The retail deposit campaign in autumn offered favourable interest rate for term deposits resulting an almost HUF 10 billion (UAH 422 million) increase and brought in about 1,280 new customers. As a consequence the retail deposit base increased by 26% y-o-y (in HUF terms). Deposits of large corporate clients declined in the firs half of 2009, and though the volumes were stagnating in the second half of the year, on a yearly base they showed a shrinkage of 24%.
As a result of the deposit collection program the market share also started to grow (at the end of December 2009: 1.80%, +0.55%-points y-o-y).
Loan-to-deposit ratio decreased by 45%-points to 405% y-o-y. Taking into consideration that the coverage of total loan portfolio reached 16.5% at the end of December, net loan-to-deposit ratio was significantly lower (2009: 338%).
Due to the effective cost management of the Bank the operating expenses in LCY showed a 10% increase y-o-y. As a result of firing 600 employees in the first half of the year personnel expenses were higher by 6% y-o-y, material expenses were under strict control.
At the end of December CAR of the Bank stood at 17.8% (the mandatory minimum level is 10%).
USD 30 million subordinated debt capital granted in 3Q was registered in October 2009 by the Ukrainian Company Registry. In 2009 the Ukrainian subsidiary in total received USD 100 million capital injection and USD 80 million subordinated capital.
Despite significant losses of the current year, shareholders' equity increased by 13% y-o-y. This capital increase was partly the result of the above mentioned capital injections, furthermore it stemmed from guarantees of OTP Bank covering exposures of the Ukrainian subsidiary. According to IFRS standards these guarantees should be accounted as capital injection to the Ukrainian Bank. The allowance for loan losses for these guarantees (causing a tax shield effect in case of OTP Core) however was reclassified from the books of OTP Core (where it emerged) to the books of the Ukrainian subsidiary.

Performance of OTP Bank Romania:

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Net profit for the period w/o dividends, net cash transfers and one-offs[1]	241	1,136	371
Profit before income tax	392	1,489	280
Operating profit	3,609	6,947	92
Total income	16,810	20,237	20
Net interest income	7,137	15,876	122
Net profit from fees and commissions	3,937	2,013	(49)
Other net non-interest income	5,736	2,348	(59)
Operating expenses	(13,201)	(13,290)	1
Provision for impairment on loan and placement losses	(3,021)	(5,332)	76
Other provision	(195)	(125)	(36)
Main components of statement of financial position[2] (closing balances)	**2008**	**2009**	**%**
Total assets	367,521	365,743	0
Gross customer loans	316,809	293,116	(7)
Retail loans	207,933	200,738	(3)
Corporate loans	108,876	92,379	(15)
Allowance for loan losses	(4,365)	(8,725)	100
Deposits from customers	72,206	96,364	33
Retail deposits	52,582	81,998	56
Corporate deposits	19,624	14,366	(27)
Total shareholders' equity	23,245	25,513	10
Indicators	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	1.3%	3.4%	2.1
Allowance for loan losses/average gross loans	1.15%	1.75%	0.60
Total allowance for loan losses/90+ days past due loans	103.6%	87.8%	(15.8)
ROA	0.1%	0.3%	0.2
ROE	1.0%	4.7%	3.7
Net interest margin	2.15%	4.33%	2.18
Cost/income ratio	78.5%	65.7%	(12.8)
Gross loans to deposits	439%	304%	(135)

In 2009 OTP Bank Romania posted net profit for the period of HUF 1.1 billion. The Bank that started up practically as a greenfield investment showed a gradually improving performance and closed its second consecutive profitable fiscal year in 2009 (what is more, profit in 2009 exceeded that in the previous year). Outstanding revenue generating capability, strict cost control and significantly growing allowance for loan losses were the main drivers of the 2009 results.

The Bank registered strong total income growth (+20%) while the quality of the revenue structure improved: core banking revenues (net interest income plus net profit from fees and commissions) showed an outstanding 60% increase (the time series of net interest income and NF&C income are not comparable to the 2008 numbers due to the methodological change effective from 2009). Operating expenses practically did not change in a yearly comparison, reflecting efficient cost control. Although the quality of the portfolio deteriorated somewhat because of the crisis, but the bad debt ratio is the lowest among Group members, thanks to the success of debtor protection program launched in 2Q 2009. The coverage remained above the average of the Group member banks. Deposits grew by one-third, gross loan volume dropped by 7%, so the loan to deposit ratio improved by 135%-points to 304% in 2009.

[1] From 2Q 2008 adjusted with result of swap transactions executed with OTP Bank in relation with interbank financing.

[2] Total assets and gross customer loans include both corporate and retail loans that have been transferred. Total shareholders' equity reflect statement of financial position numbers after loan transfers in 2008, but from 2009 statement of financial position figures before loan transfers are displayed.

Performance of OTP banka Hrvatska:

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Net profit for the period w/o dividends, net cash transfers and one-offs	5,041	3,245	(36)
Profit before income tax	6,350	4,068	(36)
Operating profit	7,051	6,068	(14)
Total income	19,026	19,540	3
Net interest income	13,772	13,239	(4)
Net profit from fees and commissions	3,587	3,935	10
Other net non-interest income	1,667	2,366	42
Operating expenses	(11,975)	(13,472)	13
Provision for impairment on loan and placement losses	(851)	(1,947)	129
Other provision	150	(52)	(135)
Main components of statement of financial position (closing balances)	**2008**	**2009**	**%**
Total assets	462,576	469,304	1
Gross customer loans	309,564	318,477	3
Retail loans	191,496	194,021	1
Corporate loans	115,474	122,183	6
Allowance for loan losses	(6,045)	(9,195)	52
Deposits from customers	315,253	337,935	7
Retail deposits	268,837	294,348	9
Corporate deposits	46,416	43,588	(6)
Subordinated debt	0	4	
Total shareholders' equity	55,095	60,626	10
Indicators	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	6.2%	8.9%	2.7
Allowance for loan losses/average gross loans	0.30%	0.62%	0.32
Total allowance for loan losses/90+ days past due loans	31.3%	32.4%	1.1
ROA	1.1%	0.7%	(0.4)
ROE	10.6%	5.6%	(5.0)
Net interest margin	3.11%	2.84%	(0.27)
Cost/income ratio	62.9%	68.9%	6.0
Gross loans to deposits	98%	94%	(4)

OTP banka Hrvatska in each quarter posted positive results and despite doubling allowance for loan losses realized a yearly net profit of HUF 3.2 billion. Thus the yearly profit-decline (–36%) was the second lowest among foreign Group members following DSK Bank.

2009 was characterized by modest lending activity and deposit campaigns focusing on retaining market positions. As a result of the successful deposit campaigns, deposit base grew by 7%. The stagnation of the loan portfolio was the result of the insufficient market demand, the volume of retail loans remained at the level of year-end 2008. In 2009 both the SME and large corporate loan portfolios shrank, but that was in line with market trends. As a consequence, the loan-to-deposit ratio of the Bank remained under the balanced level (94%).

The headcount of the Bank decreased by 33 person (at the end of 2009 the number of employees was 1,014 person), the number of branches has not changed (105).

OTP BANKA SLOVENSKO

Performance of OTP Banka Slovensko:

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Net profit for the period w/o dividends and net cash transfer	1,431	(6,673)	(566)
One-off items, after-tax[1]	(108)	(244)	126
Net profit for the period w/o dividends, net cash transfers and one-offs	1,538	(6,429)	(518)
Profit before income tax	1,762	(6,633)	(476)
Operating profit	4,017	3,289	(18)
Total income	14,496	13,731	(5)
Net interest income	10,119	10,485	4
Net profit from fees and commissions	3,027	2,705	(11)
Other net non-interest income	1,350	541	(60)
Operating expenses	(10,480)	(10,442)	0
Provision for impairment on loan and placement losses	(2,304)	(9,029)	292
Other provision	50	(894)	
Main components of statement of financial position (closing balances)	**2008**	**2009**	**%**
Total assets	429,122	375,008	(13)
Gross customer loans	314,422	273,269	(13)
Retail loans	158,234	163,779	4
Corporate loans	156,187	109,490	(30)
Allowance for loan losses	(5,186)	(13,633)	163
Deposits from customers	262,787	253,462	(4)
Retail deposits	212,412	219,597	3
Corporate deposits	50,375	33,865	(33)
Issued securities	75,137	55,457	(26)
Subordinated debt	7,679	7,876	3
Total shareholders' equity	30,595	24,767	(19)
Indicators	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	3.6%	8.9%	5.3
Allowance for loan losses/average gross loans	0.84%	3.07%	2.23
Total allowance for loan losses/90+ days past due loans	46.3%	56.1%	9.8
ROA	0.4%	(1.6%)	(2.0)
ROE	5.7%	(23.2%)	(28.9)
Net interest margin	2.54%	2.61%	0.07
Cost/income ratio	72.3%	76.0%	3.8
Gross loans to deposits	120%	108%	(12)

In 2009 OTP Banka Slovensko produced a net profit for the period HUF 6.4 billion loss.

The results were influenced to a great extent by the 18% decrease of operating result. The other key driver of the results was the provision for impairment on loan and placement losses that increased to HUF 9 billion (partly as a consequence of the deteriorating loan portfolio quality, partly because the Bank intentionally improved the coverage ratio).

The 5% decline of 2009 total income is ttributable to the drop of currency exchange gain; revenues from core banking activities remained stable in HUF terms.

Gross loan volume decreased by 13% and deposits dropped by 4% in 2009, but within total customer deposits the retail deposit base expended by 3%.

In the course of 2009 the Bank has undergone significant organisational changes: the number of employees decreased by 132 persons (–18% y-o-y) to 607, the number of branches changed to 77 since 12 selling points were closed in 2009.

[1] In 2009 one-off loss booked in relation to loan transfers and exchange rate correction in relation to these loan transfers. In 2008 the sum of other provisioning, other non interest income and other non-interest expense booked in relation to the sale of OTP Leasing a.s.

OTP BANKA SRBIJA

Performance of OTP banka Srbija:

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Net profit for the period w/o dividends and net cash transfer	1,670	(8,990)	(638)
One-off items. after-tax[1]	1,408	0	(100)
Net profit for the period w/o dividends. net cash transfers and one-offs	262	(8,990)	
Profit before income tax	519	(9,024)	
Operating profit	1,796	(2,277)	(227)
Total income	12,316	8,010	(35)
Net interest income	6,756	4,051	(40)
Net profit from fees and commissions	2,329	1,954	(16)
Other net non-interest income	3,230	2,004	(38)
Operating expenses	(10,520)	(10,287)	(2)
Provision for impairment on loan and placement losses	(1,743)	(6,277)	260
Other provision	465	(470)	(201)
Main components of statement of financial position (closing balances)	**2008**	**2009**	**%**
Total assets	142,647	127,025	(11)
Gross customer loans	94,721	89,878	(5)
Retail loans	34,336	33,607	(2)
Corporate loans	60,408	56,271	(7)
Allowance for loan losses	(5,989)	(12,189)	104
Deposits from customers	33,906	32,395	(4)
Retail deposits	24,032	23,546	(2)
Corporate deposits	9,882	8,848	(10)
Subordinated debt	37,323	38,910	4
Total shareholders' equity	38,090	27,690	(27)
Indicators	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	10.8%	33.7%	23.0
Allowance for loan losses/average gross loans	2.21%	6.80%	4.59
Total allowance for loan losses/90+ days past due loans	58.7%	40.2%	(18.5)
ROA	0.2%	(6.7%)	(6.9)
ROE	0.7%	(27.3%)	(28)
Net interest margin	5.30%	3.00%	(2.30)
Cost/income ratio	85.4%	128.4%	43.0
Gross loans to deposits	279%	277%	(2)

OTP banka Srbija realized HUF 9 billion loss in 2009. This loss was mainly caused by the increasing provision for impairment on loan and placement losses (+260% y-o-y) and on the other hand by the lower total income compared to the base period (net interest income dropped by 40%, net profit from fees and commissions by 16%), while operating costs decreased by 2% in 2009. The ratio of DPD90+ loans reached 33.7% at end-2009, as a result of the conservative portfolio classification and portfolio clean up in the last quarter of 2009. As a consequence, the interest income booked earlier than 2009 in relation to clients whose classification changed adversely during 2009 has been released in 4Q not through the reduction of interest income, but through the increase of other costs. The provision coverage of non-porforming loans declined to 40%.

Yearly decline of gross loans reached 5%, while customer deposit base shrank by 4% in 2009. Taking into account the moderating business activity, significant network rationalization measures have been put through in 2009: within the course of branch network rationalization 45 branches out of 95 were closed (–47%) and the headcount decreased by 399 persons to 784 (–34%) compared to YE 2008 figures.

[1] One-off gain on sale of investments in 2008

Performance of CKB:

Statement of recognized income	2008 HUF million	2009 HUF million	Change %
Net profit for the period w/o dividends, net cash transfers and one-offs	2,949	428	(85)
Profit before income tax	3,116	430	(86)
Operating profit	5,774	7,227	25
Total income	11,407	13,400	17
Net interest income	6,396	10,136	58
Net profit from fees and commissions	4,749	2,946	(38)
Other net non-interest income	262	318	21
Operating expenses	(5,634)	(6,173)	10
Provision for impairment on loan and placement losses	(2,495)	(6,730)	170
Other provision	(162)	(68)	(58)
Main components of statement of financial position (closing balances)	**2008**	**2009**	**%**
Total assets	308,140	234,804	(24)
Gross customer loans	255,021	181,137	(29)
Retail loans	155,430	112,606	(28)
Corporate loans	93,904	68,531	(27)
Allowance for loan losses	(4,350)	(10,362)	138
Deposits from customers	205,410	164,317	(20)
Retail deposits	92,783	90,943	(2)
Corporate deposits	110,735	73,374	(34)
Subordinated debt	3,177	7,313	130
Total shareholders' equity	18,171	23,049	27
Indicators	**2008**	**2009**	**%-point**
90+ days past due loans/gross customer loans	1.1%	10.9%	9.8
Allowance for loan losses/average gross loans	1.14%	3.09%	1.95
Total allowance for loan losses/90+ days past due loans	158.1%	52.7%	(105.4)
ROA	1.0%	0.2%	(0.9)
ROE	20.5%	2.1%	(18.4)
Net interest margin	2.25%	3.73%	1.48
Cost/income ratio	49.4%	46.1%	(3.3)
Gross loans to deposits	124%	110%	(14)

In Montenegro, Crnogorska komercijalna banka posted a moderate HUF 0.4 billion net profit for the period for the full year. Even though net interest income showed an excellent picture (+58% y-o-y), the sharply increasing allowance for loan losses (+170% y-o-y), as well as the declining F&C results (–38% y-o-y) took its toll through weaker earnings. Total assets shrank by 24%. After the fallback in 1H 2009 retail deposit volumes reached almost the levels of the beginning of the year (–2% y-o-y) due to successful promotional campaigns.

The loan portfolio shrank by 29% y-o-y explained by two major reasons. On the one hand new disbursement was practically stopped after the crisis due to the scarcity of liquidity; as a consequence outstanding household and SME exposures declined throughout the whole year (–14% y-o-y and –40% y-o-y respectively). The other factor is more of a technical nature, OTP Bank purchased a HUF 26 billion corporate loan portfolio from CKB. Due to the above mentioned reasons the loan-to-deposit ratio decreased significantly from 124% to 110%.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group was 31,337 as at 31 December 2009 (+453 people y-o-y). The most significant lay-off was carried through at the Ukrainian and the Serbian subsidiary (559 people, and 399 people respectively), mainly as a consequence of the moderated lending activity, but the headcount of OTP core also decreased significantly (–477 person). As for the closing headcount of the Russian subsidiary it was increased by 2,000 people (POS-selling agents) in order to boost new loan origination.

The Group's branch network included 1,514 branches at the end of December 2009 (–79 branches y-o-y). The most sizeable decline was realized in Serbia (45 branches) within the course of the rationalization of the branch network, but branches were closed in Ukraine (23) and even in Slovakia (12) in the last quarter.

OTP Bank	**2008**	**2009**	**Change %**
Closing staff (persons)	8,297	7,820	(5.7)
Average staff (persons)	8,333	7,977	(4.3)
Per capita total assets (HUF mn)	695,7	863,3	24.1
Per capita net profit for the period (HUF mn)	16.1	19.8	23.3
Group	**2008**	**2009**	**%**
Closing staff (persons)	30,884	31,337	1.5
Average staff (persons)	30,710	31,051	1.1
Per capita consolidated total assets (HUF mn)	303.7	311.3	2.5
Per capita consolidated net profit for the period (HUF mn)	7.8	4.8	(38.3)

	31 December 2009						**Y-o-Y**					
	Bank branches	ATMs	POSs	Bank cards (th)	Number of banking clients (th)	Staff (closing)	*Bank branches*	*ATMs*	*POSs*	*Bank cards (th)*	*Number of clients*	*Staff (closing)*
OTP Bank	382	1,995	34,270	3,812	4,625	7,820	*0*	*(20)*	*718*	*(155)*	*(135)*	*(477)*
DSK Bank	386	870	4,545	1,204	2,975	4,337	*7*	*20*	*1,064*	*(399)*	*36*	*59*
OTP Banka Slovensko	77	116	644	119	188	607	*(12)*	*(3)*	*42*	*(1)*	*0*	*(132)*
OTP banka Hrvatska	105	200	1,181	370	455	1,014	*0*	*37*	*9*	*13*	*7*	*(33)*
OTP Bank Romania	106	136	1,076	147	206	1,094	*1*	*4*	*395*	*30*	*27*	*(2)*
OTP Bank JSC (Ukraine)	206	215	403	86	282	3,833	*(23)*	*7*	*41*	*16*	*44*	*(559)*
OTP Bank Russia	162	251	2,257	3,466	2,838	10,295	*(7)*	*59*	*88*	*430*	*19*	*1,846*
OTP banka Srbija	50	195	3,595	154	356	784	*(45)*	*(9)*	*239*	*60*	*6*	*(399)*
CKB	40	105	3,535	179	320	507	*0*	*0*	*512*	*(10)*	*17*	*24*
Subsidiaries total	1,132	2,088	17,236	5,724	7,620	22,471	*(79)*	*115*	*2,390*	*108*	*144*	*804*
Group total (aggregated)	1,514	4,083	51,506	9,537	12,244	31,337	*(79)*	*95*	*3,108*	*(47)*	*9*	*453*

FOOTNOTES FOR THE TABLE "CONSOLIDATED NET PROFIT FOR THE PERIOD BREAKDOWN BY SUBSIDIARIES (IFRS)"

General note: regarding OTP Core and other subsidiaries, net profit for the period is calculated without received dividends and net cash transfers. Regarding dividends and net cash transfers received from non-group member companies, it is shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.

(1) Revaluation result of the strategic open FX position. Size and denomination of the short position developed as follows:
01.01.2007–10.01.2008: EUR 570 million short position
21.01.2008: EUR 525 million short position plus USD 65 million short position
22.01.2008–07.09.2008: EUR 515 million short position plus USD 80 million short position
08.09.2008: EUR 495 million short position plus USD 108 million short position
09.09.2008–10.09.2008: EUR 485 million short position plus USD 122 million short position
11.09.2008–12.09.2008: EUR 465 million short position plus USD 150 million short position
13.09.2008–28.12.2008: EUR 315 million short position plus USD 150 million short position
29.12.2008–05.01.2009: EUR 300 million short position plus USD 75 million short position
06.01.2009–: EUR 310 million short position plus USD 61.5 million short position
Since the beginning of 2007, OTP Group has been holding a strategic open FX position in order to hedge its net profit's exposure to the exchange rate movements of the Hungarian forint, stemming from the translation of the foreign subsidiaries' statements of recognized income's from local currencies to HUF. Since 1Q 2009, the Bank re-qualified the strategic open FX-position as a hedge transaction. Consequently, going forward, the exchange rate effect of EUR 310 million short position equal to 2009 and 2010 yearly result of 4 subsidiaries (DSK, CKB, OTP banka Hrvatska and OTP Banka Slovensko) is to be recorded in equity. Accordingly in 1Q out of the total HUF 16.2 billion pre-tax revaluation loss generated on the whole strategic open position HUF 13.8 billion was recorded in equity and only HUF 2.4 billion debited profit before income tax.

(2) Goodwill impairment charges booked in relation to OTP banka Srbija (Serbia) and OTP Bank JSC (Ukraine) in 4Q 2008.

(3) OTP Core, Corporate Centre and foreign banks aggregated, excluding one-timers.

(4) Net profit for the period of OTP Core (consolidated result of OTP Bank Plc., OTP Mortgage Bank, OTP Building Society and OTP Faktoring) without the net profit for the period of strategic open FX position, dividend, net cash transfers, subsidiary financing and interest expense of Tier2 Capital. From 1Q 2008, adjusted net profit for the period of OTP Core also excludes the net interest income result of swap transactions realised by OTP Bank Romania in relation to subsidiary financing.

(5) Corporate Centre: Interest expense of Tier2 Capital plus net interest and non-interest income of foreign subsidiary financing realised by OTP Bank and OTP Financing Cyprus, plus net interest income of swap transactions made in relation to subsidiary financing.

(6) Net interest and non-interest income of subsidiary financing realised by OTP Bank and OTP Financing Cyprus, plus net interest income of swap transactions made in relation to subsidiary financing.

(7) From 1Q 2008, adjusted net profit for the period excludes the fair value adjustment result of swap transactions executed with OTP Bank in relation to interbank financing.

(8) One-off gains realised on the sale of investments in 1H 2008.

(9) One-off other provisioning, other non-interest income and other non-interest expense booked in relation to the sale of OTP Leasing a.s. in 4Q 2008.

(10) Aggregated net profit for the period of Merkantil Bank and Merkantil Car without dividends and net cash transfer.

(11) One-off other provisioning, other non interest income and other non-interest expense booked in relation to the sale of OTP Leasing a.s. in 4Q 2008.
(12) Until 4Q 2008: OTP Leasing a.s. (Slovakia), since 4Q 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o.(Croatia), OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).
(13) Net profit for the period of provisioning on losses of foreign insurance subsidiaries.
(14) OTP Garancia poistovna, a.s. (Slovakia), OTP Garancia zivotna poistovna (Slovakia), a.s., DSK Garancia Insurance AD (Bulgaria), DSK Garancia Insurance Life AD (Bulgaria), Asigurarea CECCAR-ROMAS SA (Romania) aggregated
(15) Net profit for the period of OTP Asset Management without fees and commissions paid to OTP Bank
(16) LLC AMC OTP Capitol (Ukraine) and OTP Asset Management SAI S.A. (Romania)
(17) HIF Ltd. (United Kingdom), OTP Faktoring Slovensko (Slovakia), OTP Holding Limited (Cyprus)
(18) Total Hungarian subsidiaries: sum of net profit for the period of Hungarian group members including (Corporate Centre) and related eliminations.
(19) Total Foreign subsidiaries: sum of net profit for the period (without dividends and net cash transfers) of foreign subsidiaries.

CALCULATION OF THE ADJUSTED LINES IN THE STATEMENT OF RECOGNIZED INCOME UNDER IFRS PRESENTED IN THE REPORT

In order to present Group level trends in a comprehensive way in the Management Report, the presented consolidated and unconsolidated statements of recognized income of the Report were adjusted in the following way, and the adjusted statements of recognized income's are shown and analysed in the Report. Consolidated accounting figures together with unconsolidated accounting figures of OTP Bank are still disclosed in the Financial Data section of the Report.

- Received dividends, received and paid cash transfers, together with the net profit for the period of strategic open FX position is shown separately and after tax payment on the adjusted statements of recognized income.
- Out of net Foreign exchange results, fair value adjustment (FVA) of the spot leg of FX swaps has been added to Net Interest Income.
- Any earnings within net gain/loss on securities related to FX swaps have been added to Net Interest Income.
- Insurance premiums and insurance expenses are netted and shown as part of other net non-interest income.
- Other non-interest income elements stemming from provision release in connection with loans originated before the acquisitions have been reclassified to and deducted from the volume of provisions loan losses in the statement of recognized income.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates net other non-interest income from non-financial activities.
- Out of other expenses, other provisions are deducted and shown separately as other

allowance for loan losses on the adjusted statements of recognized income. Other provisions contain provision for impairment on off-balance sheet liabilities and on legal contests, provision for impariment on securities, shares and other investments as well as provision for impariment on other assets. Paid cash transfers – excluding movie subsidies – are also deducted from other expenses, together with the above mentioned other non-interest expenses stemming from non-financial activities.

- Provisioning accruals of NPLs' (non-performing loans) interest income at OAO OTP Bank (Russia) is reclassified from other allowance for loan losses to net interest income from 4Q 2007. The reclassification is carried out on both consolidated and non-consolidated level.
- In 1Q 2008, parallel cash transfer and provision release (having net 0 statements of recognized income effect) stemming from the closing of a legal case were netted both on OTP Group consolidated and OTP Core consolidated level.
- Cost/income ratio, net interest margin, provision for impairment to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted statement of recognized income, excluding one timers such as received dividends and net cash transfers, the net profit for the period of strategic open FX position, the net profit of the sale of OTP Garancia and the after tax effect of the goodwill write-downs. Cost/income ratio is calculated from operating costs, excluding other allowance for loan losses.
- Regarding consolidated ROA and ROE indicators, until the end of 2008 they are calculated from the adjusted net profit for the period of the Group, therefore they are excluding the effect of one-off items. However since the beginning of 2009, they are calculated from the accounting (unadjusted) net profit figures, because in 2009 the profit for the period was not affected significantly by one-off items.

ADJUSTMENTS OF LINES IN THE CONSOLIDATED STATEMENT OF RECOGNIZED INCOME IN ACCORDANCE WITH IFRS

HUF million	2008	2009
Net interest income	**437,277**	**589,780**
(+) Foreign exchange result of swap transactions	92,033	0
(+) Other provisioning accruals after NPLs' interest income (OTP Russia)	(7,971)	0
(–) Net interest accruals of agent fees (OTP Mortgage Bank)	5,393	0
Net interest income (adjusted)	**515,946**	**589,780**
Net profit from fees and commissions	**135,230**	**132,913**
(+) Net interest accruals of agent fees (OTP Mortgage Bank)	5,393	0
Net profit from fees and commissions (adjusted)	**140,623**	**132,913**
Foreign exchange result on Consolidated IFRS statements of recognized income	**130,527**	**(8,308)**
(–) Foreign exchange result of swap transactions	92,033	0
(–) Result of strategic open FX position	(5,899)	(2,390)
Foreign exchange result (adjusted)	**44,393**	**(5,918)**
Gains and losses on real estate transactions	**1,806**	**931**
(+) Other non–interest income	**27,801**	**66,309**
(–) Received cash transfers	32	4
(–) Non-interest income from the release of pre-acquisition provisions	3,405	2,344
(+) Other other non-interest expenses	(6,709)	(3,041)
Net other non–interest result (adjusted)	**19,461**	**61,851**
Provision for impairment on loan and placement losses	**(111,448)**	**(249,279)**
(+) Non-interest income from the release of pre-acquisition provisions	3,405	2,344
Provision for impairment on loan and placement losses (adjusted)	**(108,043)**	**(246,935)**
Dividends and net cash transfers	**(783)**	**(378)**
(–) Paid cash transfer due to Bagat transaction	(2,070)	0
(–) Movie subsidies	(1,092)	(1,170)
Dividends and net cash transfers	**2,379**	**792**
Depreciation	**(132,200)**	**(45,141)**
(–) Goodwill impairment charges (OTP banka Srbija (Serbia), OTP Bank JSC (Ukraine))	(93,592)	0
Depreciation (adjusted)	**(38,608)**	**(45,141)**
Other operating expense, net	**(36,237)**	**(29,075)**
(–) Other costs and expenses	(9,764)	(6,714)
(–) Other non-interest expenses	(9,990)	(4,318)
(–) Other provisioning accruals (other allowance for loan losses) after interest income (OTP Russia)	(7,971)	0
(–) Other provision release of Bagat transaction	2,070	0
Other provisions (adjusted)	**(10,582)**	**(18,043)**
Other administrative expenses	**(146,738)**	**(140,482)**
(+) Other costs and expenses	(9,764)	(6,714)
(+) Other non-interest expenses	(9,990)	(4,318)
(–) Paid cash transfers	(3,281)	(1,277)
(+) Movie subsidies	(1,092)	(1,170)
(–) Other non-interest expenses	(6,709)	(3,041)
Other non–interest expenses (adjusted)	**(157,594)**	**(148,366)**