financial reports

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of OTP Bank Plc.

We have audited the accompanying consolidated financial statements of OTP Bank Plc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2009, and the related consolidated statement of recognized and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 56 to 119 of this Annual Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of **Deloitte Touche Tohmatsu**

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of OTP Bank Plc. and its subsidiaries as of December 31, 2009, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Budapest, February 26, 2010

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Statement of financial position

(consolidated, based on IFRS, as at 31 December 2009, in HUF million)

	Note	2009	2008
Cash, amounts due from banks and balances with the National Banks	4.	505,649	530,007
Placements with other banks, net of allowance for placement losses	5.	440,851	414,656
Financial assets at fair value through profit or loss	6.	256,100	131,288
Securities available-for-sale	7.	1,354,285	486,878
Loans, net of allowance for loan losses	8.	6,412,716	6,778,701
Associates and other investments	9.	18,834	10,467
Securities held-to-maturity	10.	188,853	330,158
Property and equipment	11.	208,730	200,359
Intangible assets	11.	267,628	269,342
Other assets	12.	101,486	214,868
TOTAL ASSETS		**9,755,132**	**9,367,724**
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	13.	802,749	848,730
Deposits from customers	14.	5,688,887	5,258,167
Liabilities from issued securities	15.	1,410,348	1,565,947
Financial liabilities at fair value through profit or loss	16.	118,468	125,487
Other liabilities	17.	262,240	200,372
Subordinated bonds and loans	18.	280,834	320,050
TOTAL LIABILITIES		**8,563,526**	**8,318,753**
Share capital	19.	28,000	28,000
Retained earnings and reserves		1,210,132	1,160,935
Treasury shares	21.	(52,678)	(146,749)
Non-controlling interest	22.	6,152	6,785
TOTAL SHAREHOLDERS' EQUITY		**1,191,606**	**1,048,971**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**9,755,132**	**9,367,724**

The accompaying notes to consolidated financial statements on pages 60 to 119 form on integral pont of these consolidated financial statements.

Statement of recognized income

(consolidated, based on IFRS, for the year ended 31 December 2009, in HUF million)

	Note	2009	2008
Interest Income:			
Loans		780,161	720,650
Placements with other banks		350,742	172,586
Securities available-for-sale		31,373	32,402
Securities held-to-maturity		45,804	26,624
Amounts due from banks and balances with the National Banks		7,514	16,161
Securities held for trading		5,556	7,029
Total Interest Income		1,221,150	975,452
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks		244,744	226,809
Deposits from customers		290,516	221,607
Liabilities from issued securities		79,770	72,750
Subordinated bonds and loans		16,340	17,009
Total Interest Expense		631,370	538,175
NET INTEREST INCOME		**589,780**	**437,277**
Provision for impairment on loan and placement losses	5., 8.	249,278	111,449
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**340,502**	**325,828**
Incomes from fees and commissions		170,335	181,765
Expenses from fees and commissions		37,422	46,534
NET PROFIT FROM FEES AND COMMISSIONS	**23.**	**132,913**	**135,231**
Foreign exchange (losses) and gains, net		(8,308)	130,570
Gains and (losses) on securities, net		7,458	(1,096)
Gains on real estate transactions		931	1,807
Dividend income		894	2,466
Insurance premiums, net		–	13,254
Gain on sale of insurance business line		–	121,186
Other operating income		66,308	27,801
Other operating expense	24.	(29,075)	(36,237)
NET OPERATING INCOME		**38,208**	**259,708**
Personnel expenses		155,517	167,461
Depreciation and amortization	11.	45,141	132,201
Other administrative expenses		140,483	146,738
OTHER ADMINISTRATIVE EXPENSES	**25.**	**341,141**	**446,400**
PROFIT BEFORE INCOME TAX		**170,482**	**274,367**
Income tax	26.	(20,276)	(33,299)
NET PROFIT FOR THE PERIOD		**150,206**	**241,068**
From this, attributable to:			
Non-controlling interest		(839)	596
Equity holders		151,045	240,472
Consolidated earnings per share (in HUF)			
Basic	37.	577	938
Diluted	37.	572	935

Statement of comprehensive income

(consolidated, based on IFRS, for the year ended 31 December 2009, in HUF million)

	2009	2008
NET PROFIT FOR THE YEAR (EQUITY HOLDERS)	**151,045**	**240,472**
Fair value adjustment of securities available-for-sale	9,941	(12,475)
Derivative financial instruments designated as Cash-flow hedge	431	788
Hedges of net investment in foreign operations	(1,543)	–
Foreign currency translation difference	(8,213)	(21,978)
NET COMPREHENSIVE INCOME	**151,661**	**206,807**

The accompaying notes to consolidated financial statements on pages 60 to 119 form on integral pont of these consolidated financial statements.

Statement of cash flows

(consolidated, based on IFRS, for the year ended 31 December 2009, in HUF million)

Operating Activities	Note	2009	2008
Profit before income tax		**170,482**	**274,367**
Income tax paid		(34,273)	(35,475)
Goodwill impairment	11.	–	93,592
Depreciation and amortization	11.	45,141	38,609
Provision for impairment on loan and placement losses	5., 8.	249,278	111,449
Net provision for impairment on securities	7., 10.	8,027	3,403
Provision for impairment on permanent diminution in value of equity investments	9.	118	463
Provision for impairment on other assets	12.	5,811	7,887
Net provision on off-balance sheet commitments and contingent liabilities	17.	4,087	4,731
Net decrease in insurance reserves		–	(183,211)
Share-based payment	2., 29.	6,802	28
Unrealized gains/(losses) on fair value adjustment of securities held for trading		4,579	(5,010)
Unrealized gains on fair value adjustment of derivative financial instruments		9,891	71,673
Changes in financial assets at fair value through profit or loss		(123,644)	166,562
Decrease/(increase) in other assets before provisions for losses		111,857	(38,596)
Increase/(decrease) in other liabilities		68,414	(66,260)
Net Cash Provided by Operating Activities		**526,570**	**444,212**
INVESTING ACTIVITIES			
Net increase in placement with other banks before allowance for placements losses		(30,013)	(45,076)
Net increase in securities available-for-sale		(856,007)	(32,100)
Net increase in equity investments, before Provision for impairment		(8,485)	(990)
Net cash outflow from acquisition of subsidiaries		–	(4,806)
Net decrease/(increase) in securities held-to-maturity		141,305	(4,572)
Net increase in advances for investments, included in other assets		(1,874)	(246)
Net decrease/(increase) in loans, net of allowance for loan losses		92,396	(1,177,351)
Net additions to property, equipment and intangible assets		(51,798)	(53,126)
Net Cash Used in Investing Activities		**(714,476)**	**(1,318,267)**
FINANCING ACTIVITIES			
Net (decrease)/increase in amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks		(45,981)	50,576
Net increase in deposits from customers		430,720	170,441
Net (decrease)/increase in liabilities from issued securities		(156,412)	601,769
(Decrease)/increase in subordinated bonds and loans		(39,216)	18,625
(Decrease)/increase of non-controlling interest		(633)	1,432
Foreign currency translation losses		(8,213)	(21,978)
Payments to ICES holders		(5,223)	(11,202)
Net effect of Treasury share transactions		–	(7,499)
Net change in Treasury shares		44,513	(36,172)
Written put option on ordinary shares		(55,468)	–
Net (increase)/decrease in compulsory reserves at the National Bank of Hungary		(11,035)	192,194
Dividends paid		(539)	(57)
Net cash Provided by Financing Activities		**152,513**	**958,129**
Net decrease in cash and cash equivalents		**(35,393)**	**84,074**
Cash and cash equivalents at the beginning of the period		278,934	194,860
Cash and cash equivalents at the end of the period		**243,541**	**278,934**
Analysis of cash and cash equivalents			
Cash, amounts due from banks and balances with the National Banks		530,007	638,127
Compulsory reserve established by the National Banks		(251,073)	(443,267)
Cash and cash equivalents at the beginning of the period		**278,934**	**194,860**
Cash, amounts due from banks and balances with the National Banks	4.	505,649	530,007
Compulsory reserve established by the National Banks	4.	(262,108)	(251,073)
Cash and cash equivalents at the end of the period		**243,541**	**278,934**

The accompaying notes to consolidated financial statements on pages 60 to 119 form on integral pont of these consolidated financial statements.

Statement of changes in shareholders' equity

(consolidated, based on IFRS, for the year ended 31 December 2009, in HUF million)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treeasury shares	Non-controlling interest	Total
Balance as at 1 January 2008		**28,000**	**52**	**19,153**	**957,020**	**–**	**(114,001)**	**5,353**	**895,577**
Net comprehensive income		–	–	–	206,807	–	–	–	206,807
Share-based payment	29.	–	–	28	–		–	–	28
Net effect of Treasury share transactions		–	–	–	(7,499)	–	–	–	(7,499)
Treasury shares									
– loss on sale		–	–	–	(3,424)	–	–	–	(3,424)
– acquisition		–	–	–	–	–	(32,748)	–	(32,748)
Payments to ICES holders	20.	–	–	–	(11,202)	–	–	–	(11,202)
Non-controlling interest		–	–	–	–	–	–	1,432	1,432
Balance as at 31 December 2008		**28,000**	**52**	**19,181**	**1,141,702**	**–**	**(146,749)**	**6,785**	**1,048,971**
Net comprehensive income		–			151,661	–	–	–	151,661
Share-based payment	29.	–	–	6,802	–	–	–	–	6,802
Closed share-based payment		–	–	(19,153)	19,153	–	–	–	–
Sale of Treasury shares		–	–	–	–	–	110,637	–	110,637
Written put option on ordinary shares		–	–	–	–	(55,468)	–	–	(55,468)
Treasury shares									
– loss on sale		–	–	–	(48,575)	–	–	–	(48,575)
– acquisition		–	–	–	–	–	(16,566)	–	(16,566)
Payments to ICES holders	20.	–			(5,223)	–	–	–	(5,223)
Non-controlling interest		–	–	–	–	–	–	(633)	(633)
Balance as at 31 December 2009		**28,000**	**52**	**6,830**	**1,258,718**	**(55,468)**	**(52,678)**	**6,152**	**1,191,606**

The accompaying notes to consolidated financial statements on pages 60 to 119 form on integral pont of these consolidated financial statements.

NOTES TO THE CONSOLIDATED IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

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

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

	2009	2008
The structure of the Share capital by shareholders:		
Domestic and foreign private and institutional investors	97%	91%
Employees	2%	2%
Treasury shares	1%	7%
Total	**100%**	**100%**

The Bank and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,514 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

	2009	2008
The number of employees at the Group:		
The number of employees at the Group	31.337	30.776
The average number of employees at the Group	31.051	30.710

1.2. Accounting

The Entities of the Group maintain their accounting records and prepare its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the local commercial, banking and fiscal regulations. The Group's functional currency is the Hungarian Forint ("HUF"). Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with International Financial Reporting Standards ("IFRS"). Certain adjustments have been made to the entities' statutory accounts in order

to present the consolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as IFRS.
The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") which has not been approved by the EU. As the Group does not apply portfolio hedge accounting under IAS 39, there would be no impact on these consolidated financial statements, had it been approved by the EU at the statement of financial position date.

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

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

– IAS 1 (Revised) Presentation of Financial Statements – a revised presentation (effective for annual periods beginning on or after 1 January 2009)
– IAS 23 (Revised) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
– IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial statements – Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)
– IFRS 1 (Amendment) First-time adoption of IFRS and IAS 27 (Amendment) Consolidated and Separate Financial Statements – Cost of investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009)
– IFRS 2 (Amendment) Share-based Payment – Vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009)
– IFRS 7 (Amendment) Financial Instruments: Disclosures - Improving disclosures about financial instruments (effective for annual periods beginning on or after 1 January 2009)*
– IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)
– IFRIC 9 (Amendment) Reassessment of Embedded Derivatives and IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Embedded derivatives (effective for annual periods ending on or after 30 June 2009)
– IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
– IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)*
– IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)*
– Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2009).
The adoption of the above presented Amendments and new Standards and Interpretations had no significant impact on the consolidated financial statements of the Group.

* Not yet endorsed by the EU.

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

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

– IAS 24 (Amendment) Related party disclosures - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011)*
– IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
– IAS 32 (Amendment) Financial instruments: Presentation – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010)
– IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)
– IFRS 1 (Amendment) First time adoption of IFRS – Additional exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)*
– IFRS 2 (Amendment) Share based payment – Group cash-settled share based payment transactions (effective for annual periods beginning on or after 1 January 2010)*
– IFRS 3 (Revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)
– IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2013)*
– IFRIC 14 (Amendment) The Limit on a defined benefit Asset, Minimum Funding Requirements and their interaction – Prepayments of a minimum funding requirement (effective for annual periods beginning on or after 1 January 2011)*
– IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
– IFRIC 18 Transfers of Assets from Customers (effective for transfer of assets from customers received on or after 1 July 2009)
– IFRIC 19 Extinguishing Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)*
– Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010*

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

*Not yet endorsed by the EU.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

The presentation of Consolidated Financial Statements in conformity with IFRS requires the management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

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

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

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

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank holds a controlling interest.

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

As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

2.4. Accounting for acquisitions

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

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

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

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

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

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

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

2.5. Securities held-to-maturity

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment losses recognized to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognized in each period represents a constant yield on the investment. Such securities comprise mainly securities issued by the Hungarian Government and NBH, mortgage bonds and foreign bonds.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

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

2.6.2. Derivative financial instruments

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

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

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

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

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

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

2.7. Securities available-for-sale

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

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

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

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

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

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

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

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

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

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

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

2.9. Sale and repurchase agreements, security lending

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

2.10. Associates and other investments

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

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

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

2.11. Property and equipment, Intangible assets

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

Intangible assets	
Software	9.96–50%
Property rights	10–50%
Property	1–25%
Office equipments and vehicles	2.5–50.04%

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

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

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

2.12. Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortized costs. In connection to the financial liabilities at fair value through profit or loss, the Group presents the amount of change in their fair value originated from the changes of market conditions and business environment. In 2009 the Group has both financial liabilities measured at fair value and amortized cost in contrast with 2008 when the Group didn't have any financial liabilities measured at fair value.

2.13. Leases

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

The Group as a lessor

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

The Group as a lessee

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

2.14. Treasury shares

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

2.15. Interest income and interest expense

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

2.16. Fees and Commissions

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

2.17. Income tax

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

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

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

2.18. Off-balance sheet commitments and contingent liabilities

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

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

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

2.19. Share-based payment

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

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

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

2.20. Consolidated Statement of Cash Flows

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

2.21. Segment reporting

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

2.22. Comparative figures

Certain amounts in the Consolidated Financial Statements for the year ended 31 December 2008 have been reclassified to conform with the current year presentation. These mainly consist of reclassifications of accruals and prepayments from other assets/liabilities to the Statement of Financial Position items to which they are related. These reclassifications were not material.

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

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

3.1. Impairment on loans and advances

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

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

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

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

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

	2009	2008
Cash on hand		
In HUF	49,957	67,012
In foreign currency	108,121	101,946
	158,078	**168,958**
Amounts due from banks and balances with the National Banks		
Within one year:		
In HUF	96,282	73,909
In foreign currency	250,204	285,896
	346,486	**359,805**
Over one year:		
In HUF	–	–
In foreign currency	661	632
	661	**632**
Accrued interest	424	612
	347,571	**361,049**
Total	**505,649**	**530,007**
Compulsory reserve set by the National Banks	**262,108**	**251,073**

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

	2009	2008
Within one year		
In HUF	18,228	65,873
In foreign currency	414,925	330,305
	433,153	**396,178**
Over one year	–	
In HUF	–	2,000
In foreign currency	10,929	15,188
	10,929	**17,188**
Accrued interest	283	2,660
Provision for impairment on placement losses	(3,514)	(370)
Total	**440,851**	**415,656**

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

	2009	2008
Balance as at 1 January	370	42
Provision for the period	4,819	516
Write-off	(1,564)	(187)
Foreign currency translation difference	(111)	(1)
Balance as at 31 December	**3,514**	**370**

Interest conditions of placements with other banks:

	2009	2008
In HUF	0.14%–11.7%	5.7%–16.0%
In foreign currency	0.01%–22%	0.02%–30%

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

	2009	2008
Securities held for trading		
Corporate shares	88,513	2,298
Securities issued by the NBH	49,887	–
Government bonds	32,965	48,388
Treasury bills	2,156	352
Corporate bonds	2,642	1,373
Mortgage bonds	183	2,608
Hungarian government interest bearing Treasury bills	184	422
Other securities	262	650
Other non-interest bearing securities	598	582
	177,390	**56,673**
Accrued interest	1,166	1,956
Total	**178,556**	**58,629**

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

	2009	2008
Interest rate swaps designated as held for trading	53,726	37,057
CCIRS* and mark-to-market CCIRS designated as held for trading	16,548	17,985
Foreign exchange swaps designated as held for trading	6,008	16,262
Other transactions designated as held for trading	1,262	1,355
	77,544	72,659
Total	**256,100**	**131,288**

An analysis of securities held for trading portfolio by currency:

	2009	2008
Denominated in HUF (%)	95.8%	86.2%
Denominated in foreign currency (%)	4.2%	13.8%
Total	**100.0%**	**100.0%**

An analysis of government bond portfolio by currency:

	2009	2008
Denominated in HUF (%)	86.7%	87.1%
Denominated in foreign currency (%)	13.3%	12.9%
Total	**100.0%**	**100.0%**
Interest rates on securities held for trading	1.8%–12.2%	2.8%–13.7%

* CCIRS: Cross currency interest rate swaps

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

	2009	2008
Within five years		
With variable interest	69	401
With fixed interest	70,747	34,362
	70,816	**34,763**
Over five years		
With variable interest	1,124	1,208
With fixed interest	16,339	17,822
	17,463	**19,030**
Non-interest bearing securities	89,111	2,880
Total	**177,390**	**56,673**

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

	2009	2008
Securities available-for-sale		
Bonds issued by NBH	724,752	–
Government bonds	437,070	298,558
Corporate bonds	142,264	141,878
From this:		
Listed securities:		
In HUF	–	–
In foreign currency	19,824	28,328
	19,824	28,328
Non-listed securities:		
In HUF	6,131	6,176
In foreign currency	116,327	107,374
Treasury bills	7,919	19,792
Mortgage bonds	148	415
Other non-interest bearing securities	22,439	20,385
From this:		
Listed securities:		
In HUF	279	89
In foreign currency	683	615
	962	704
Non-listed securities:		
In HUF	13,646	15,860
In foreign currency	7,831	3,821
	21,477	19,681
Other Securities	10,768	3,592
	1,345,360	484,620
Accrued interest	15,913	5,621
Provision for impairment on securities available-for-sale	(6,988)	(3,363)
Total	**1,354,285**	**486,878**

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

An analysis of securities available-for sale by currency:

	2009	2008
Denominated in HUF (%)	81.6%	56.7%
Denominated in foreign currency (%)	18.4%	43.3%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency:

	2009	2008
Denominated in HUF (%)	81.2%	81.4%
Denominated in foreign currency (%)	18.8%	18.6%
Total	**100.0%**	**100.0%**

	2009	2008
Interest rates on securities available-for-sale denominated in HUF (%)	5.5%–10.1%	5.5%–11%
Interest rates on securities available-for-sale denominated in foreign currency (%)	1%–22%	1%–26%

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

	2009	2008
Within five years		
With variable interest	35,321	154,598
With fixed interest	1,057,965	163,571
	1,093,286	318,169
Over five years		
With variable interest	74,138	82,736
With fixed interest	155,497	63,330
	229,635	146,066
Non-interest bearing securities	22,439	20,385
Total	**1,345,360**	**484,620**

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

	2009	2008
Balance as at 1 January	3,363	30
Provision for the period	6,427	3,332
Release of provision	(2,880)	–
Foreign currency translation difference	78	1
Balance as at 31 December	**6,988**	**3,363**

Certain securities are hedged. See Note 39.

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

	2009	2008
Short-term loans and trade bills (within one year)	1,694,685	1,776,696
Long-term loans and trade bills (over one year)	5,149,322	5,224,154
	6,844,007	**7,000,850**
Accrued interest	63,087	48,531
Provision for impairment on loan losses	(494,378)	(270,680)
Total	**6,412,716**	**6,778,701**

An analysis of the loan portfolio by currency:

	2009	2008
In HUF	24%	23%
In foreign currency	76%	77%
Total	**100.0%**	**100.0%**

Interest rates of the loan portfolio are as follows:

	2009	2008
Short-term loans denominated in HUF	6%–32.2%	6%–30%
Long-term loans denominated in HUF	3%–35.2%	2.2%–24.8%
Short-term loans denominated in foreign currency	1%–66%	1.8%–66%
Long-term loans denominated in foreign currency	1%–66%	1%–66%
Gross loan portfolio on which interest is not being accrued	8.5%	3.9%

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

	2009		2008	
Corporate loans	2,466,413	36%	2,535,027	36%
Retail loans	2,108,915	31%	2,194,562	31%
Housing loans	2,043,336	30%	2,061,881	30%
Municipality loans	225,343	3%	209,380	3%
Total	**6,884,007**	**100%**	**7,000,850**	**100%**

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

	2009	2008
Balance as at 1 January	270,680	178,658
Provision for the period	244,459	110,933
Write-off	(14,087)	(10,537)
Foreign currency translation difference	(6,674)	(8,374)
Balance as at 31 December	**494,378**	**270,680**

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

	2009	2008
Equity investments		
Unconsolidated subsidiaries	16,503	7,529
Associated companies (non-listed)	384	987
Other investments (non-listed)	2,840	2,830
	19,727	11,346
Provision for impairment on equity investments	(893)	(879)
Total	**18,834**	**10,467**
Total assets of unconsolidated subsidiaries	47,236	122,597

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

	2009	2008
Balance as at 1 January	879	342
Provision for the period	118	463
Release of provision	(104)	–
Foreign currency translation difference	–	74
Balance as at 31 December	**893**	**879**

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

	2009	2008
Government bonds	153,244	172,753
Foreign bonds	13,832	19,692
Hungarian government discounted Treasury bills	11,708	4,545
Mortgage bonds	11,013	15,171
Bonds issued by NBH	–	109,684
Accrued interest	3,579	8,425
Provision for impairment on securities held-to-maturity	(4,523)	(112)
Total	**188,853**	**330,158**

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

	2009	2008
Within five years		
With variable interest	51,322	34,118
With fixed interest	109,743	244,157
	161,065	278,275
Over five years		
With variable interest	8,900	17,280
With fixed interest	19,832	26,290
	28,732	43,570
Total	**189,797**	**321,845**

An analysis of securities held-to-maturity by currency:

	2009	2008
Denominated in HUF (%)	59%	83%
Denominated in foreign currency (%)	41%	17%
Total	**100.0%**	**100.0%**

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

	2009	2008
Interest rates of securities held-to-maturity with fixed interest	1.7%–30%	2.8%–13.8%

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

	2009	2008
Balance as at 1 January	112	48
Provision for the period	4,585	173
Release of provision	(157)	(102)
Foreign currency translation difference	(17)	(7)
Balance as at 31 December	**4,523**	**112**

Provision related to bonds denominated in foreign currency was issued in Kazakhstan and included in other securities. The amount of the provision is based on objective evidences and it reflects the best estimation of the management for the possible loss.

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

For the year ended 31 December 2009:

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

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

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

The Bank performed impairment tests to investigate, whether it was necessary to impair any goodwill for its cash generating units. In 2008, HUF 21,118 million goodwill impairment was booked for OTP banka Srbija a.d. (Serbia) and HUF 72,474 million for CJSC OTP Bank (Ukraine), altogether HUF 93,592 million. As a result of the test, the goodwill for OTP banka Srbija a.d. was fully impaired as of 31 December 2008. In 2009 as well the Bank performed the goodwill impairment test for all the cash generating units, but no further impairment need was identified.

For the year ended 31 December 2008:

	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Cost					
Balance as at 1 January	409,437	129,034	131,647	16,544	686,662
Acquisition of subsidiary	17	1,714	246	9	1,986
Additions	22,833	18,615	22,971	24,057	88,476
Foreign currency translation differences	2,444	(887)	1,601	540	3,698
Disposals	(115,999)	(6,155)	(12,759)	(25,502)	(160,415)
Balance as at 31 December	**318,732**	**142,321**	**143,706**	**15,648**	**620,407**
Depreciation and Amortization					
Balance as at 1 January	56,014	17,108	71,631	–	144,753
Charge for the year	110,039	4,594	16,968	–	131,601
Foreign currency translation differences	(182)	(78)	762	–	502
Disposals	(116,481)	(1,325)	(8,344)	–	(126,150)
Balance as at 31 December	**49,390**	**20,299**	**81,017**	**–**	**150,706**
Net book value					
Balance as at 1 January	353,423	111,926	60,016	16,544	541,909
Balance as at 31 December	**269,342**	**122,022**	**62,689**	**15,648**	**469,701**

An analysis of the changes in the goodwill for the year ended 31 December 2008 is as follows:

	Goodwill
Cost	
Balance as at 1 January	296,336
Additions	6,956
Foreign currency translation difference	3,115
Decrease	(93,914)
Balance as at 31 December	**212,493**
Net book value	
Balance as at 1 January	296,336
Balance as at 31 December	**212,493**

NOTE 12: OTHER ASSETS (in HUF mn)

	2009	2008
Inventories	30,945	29,521
Fair value of derivative financial instrument designated as hedge accounting relationship	14,181	8,970
Current income tax receivable	13,017	30,030
Trade receivables	10,912	14,913
Prepayments and accrued income	7,392	6,707
Advances for securities and investments	2,632	758
Other advances	2,128	6,188
Other receivables from Hungarian Government	2,059	7,630
Receivables due from pension funds and investment funds	1,744	1,079
Receivables from investment services	512	929
Receivables from leasing activities	496	69,195
Dividend receivables	283	–
Receivables from trade refinancing	–	15,033
Other	24,576	22,334
	110,877	**213,287**
Accrued interest	333	788
Provision for impairment on other assets	(9,724)	(6,695)
Total	**101,486**	**207,380**

An analisys of psitive fair value of derivative financial instruments designated as hedge accounting relatinship:

	2009	2008
Interest rate swaps designated as hedge accounting relationship	14,148	8,692
Foreign exchange swaps designated as hedge accounting relationship	20	–
Other transactions designated as hedge accounting relationship	13	278
Total	**14,181**	**8,970**

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

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

	2009	2008
Balance as at 1 January	6,695	6,661
Provision for the period	5,811	117
Release of provision	(1,848)	(58)
Foreign currency translation difference	(934)	(25)
Balance as at 31 December	**9,724**	**6,695**

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

	2009	2008
Within one year		
In HUF	37,444	131,773
In foreign currency*	345,315	467,211
	382,759	**598,984**
Over one year		
In HUF	98,150	88,865
In foreign currency	319,814	155,018
	417,964	**243,883**
Accrued interest	2,026	5,863
Total	**802,749**	**848,730**

The Group has a mortgage bonds backed asset as collateral in relation to its branch in Frankfurt (EUR 435 million).

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

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

	2009	2008
Within one year		
In HUF	8.9%–11%	7.5%–10.8%
In foreign currency	1.75%–8.5%	0.01%–18.9%
Over one year		
In HUF	0.2%–15%	3%–9.9%
In foreign currency	0.1%–10.6%	0.5%–8.9%
Total	**100.0%**	**100.0%**

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2009	2008
Within one year		
In HUF	2,773,407	2,528,185
In foreign currency	2,668,089	2,452,147
	5,441,496	**4,980,332**
Over one year		
In HUF	98,716	131,651
In foreign currency	105,678	107,243
	204,394	**238,894**
Accrued interest	42,997	38,941
Total	**5,688,887**	**5,258,167**

Interest rates on deposits from customers are as follows:

	2009	2008
Within one year		
In HUF	0.2%–12%	0.2%–13.8%
In foreign currency	0.05%–24%	0.05%–30%
Over one year		
In HUF	0.2%–11.5%	0.2%–11%
In foreign currency	0.1%–19.3%	0.1%–25%

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

	2009		2008	
Retail deposits	3,796,097	68%	3,573,985	69%
Corporate deposits	1,549,026	27%	1,366,459	26%
Municipality deposits	300,767	5%	278,782	5%
Total	**5,645,890**	**100%**	**5,219,226**	**100%**

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

	2009	2008
With original maturity		
Within one year		
In HUF	249,809	165,977
In foreign currency	526,278	238,394
	776,087	**404,371**
Over one year		
In HUF	219,780	212,843
In foreign currency	375,628	909,425
	595,408	**1,122,268**
Accrued interest	38,853	39,308
Total	**1,410,348**	**1,565,947**

Interest rates on liabilities from issued securities are as follows:

	2009	2008
Issued securities denominated in HUF	0.25%–10.5%	0.3%–11.0%
Issued securities denominated in foreign currency	0.8%–15.5%	3.1%–13.1%

Issued securities denominated in HUF as at 31 December 2009 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in origial currency)	Nominal value (in HUF)	Interest conditions (in % p.a.)	
1.	OTP 2010/I	10/01/2009–13/02/2009	22/01/2010	22,012	22,012	10	fixed
2.	OTP 2010/II	20/02/2009–28/03/2009	20/02/2010	30,530	30,530	8	fixed
3.	OTP 2010/III	03/04/2009–24/04/2009	03/04/2010	21,433	21,433	9	fixed
4.	OTP 2010/IV	30/04/2009–08/05/2009	30/04/2010	8,424	8,424	9.5	fixed
5.	OTP 2010/V	15/05/2009–22/05/2009	15/05/2010	6920	6,920	9.5	fixed
6.	OTP 2010/VI	29/05/2009–05/06/2009	29/05/2010	5,492	5,492	9.5	fixed
7.	OTP 2010/VII	12/06/2009–19/06/2009	12/06/2010	6,590	6,590	9.5	fixed
8.	OTP 2010/VIII	26/06/2009–03/07/2009	26/06/2010	10,894	10,894	9.5	fixed
9.	OTP 2010/IX	10/07/2009–17/07/2009	10/07/2010	8,538	8,538	9.5	fixed
10.	OTP 2010/X	24/07/2009–31/07/2009	24/07/2010	9,602	9,602	9.5	fixed
11.	OTP 2010/XI	07/08/2009–19/08/2009	07/08/2010	13,894	13,894	9	fixed
12.	OTP 2010/XII	29/08/2009	29/08/2010	4,232	4,232	9	fixed
13.	OTP 2010/XIII	04/09/2009–11/09/2009	04/09/2010	10,571	10571	7	fixed
14.	OTP 2010/XIV	18/09/2009–25/09/2009	18/09/2010	7,899	7,899	7	fixed
15.	OTP 2010/XV	02/10/2009–09/10/2009	02/10/2010	3,953	3,953	6.5	fixed
16.	OTP 2010/XVI	16/10/2009–22/10/2009	16/10/2010	4,854	4,854	6.5	fixed
17.	OTP 2010/XVII	30/10/2009–06/11/2009	30/10/2010	23,566	23,566	6.5	fixed
18.	OTP 2010/XVIII	13/11/2009–20/11/2009	13/11/2010	8,290	8,290	6.5	fixed
19.	OTP 2010/XIX	27/11/2009	27/11/2010	3,184	3,184	6.5	fixed
20.	OTP 2010/XX	04/12/2009–11/12/2009	04/12/2010	6,096	6,096	6.5	fixed
21.	OTP 2010/XXI	21/12/2009–30/12/2009	21/12/2010	7,452	7,452	5.5	fixed
22.	OTP 2011A	13/10/2009	13/04/2011	3,000	3,000	9.5	fixed
23.	OTP 2011B	28/10/2009	28/04/2011	1,000	1,000	7.55	fixed
24.	OTP 2011C	09/11/2009	09/11/2011	2,000	2,000	7.5	fixed
25.	OTPX 2010A	21/12/2007	21/12/2010	1,393	1,393	indexed	floating
26.	OTPX 2011A	29/02/2008	01/03/2011	315	315	indexed	floating
27.	OTPX 2011B	30/05/2008	30/05/2011	604	604	indexed	floating
28.	OTPX 2011C	14/12/2009	20/12/2011	500	500	indexed	floating
29.	OTPX 2012A	11/09/2009-25/09/2009	11/09/2012	1,686	1,686	indexed	floating
30.	OTPX 2014A	25/06/2009	30/06/2014	65	65	indexed	floating
31.	OTPX 2014B	05/10/2009	13/10/2014	5,000	5,000	indexed	floating
32.	OTPX 2014C	14/12/2009	19/12/2014	4,600	4,600	indexed	floating
33.	OTPX 2019A	25/06/2009	01/07/2019	3,709	3,709	indexed	floating
34.	OTPX 2019B	05/10/2009	14/10/2019	437	437	indexed	floating
35.	OTPX 2019C	14/12/2009	20/12/2019	430	430	indexed	floating
36.	OJB2010_I	25/11/2002	31/03/2010	2,700	2,700	8	fixed
37.	OJB2010_II	16/02/2007	16/02/2010	1,924	1,924	8.75	fixed

	Name	Date of issue	Maturity	Nominal value (in origial currency)	Nominal value (in HUF)	Interest conditions (in % p.a.)	
38.	OJB2010_III	05/09/2008	06/09/2010	3,235	3,235	10	fixed
39.	OJB2011_I	20/12/2002	12/02/2011	15,108	15,108	8	fixed
40.	OJB2011_II	28/05/2004	12/09/2011	8,780	8,780	10	fixed
41.	OJB2011_III	28/02/2005	30/11/2011	2	2	9	fixed
42.	OJB2011_IV	31/08/2006	31/08/2011	7,458	7,458	8	fixed
43.	OJB2011_V	08/02/2008	08/02/2011	1,057	1,057	7.5	fixed
44.	OJB2012_I	17/03/2004	21/03/2012	13,870	13,870	9.83	fixed
45.	OJB2012_II	14/04/2004	16/05/2012	36,257	36,257	10	fixed
46.	OJB2012_III	19/11/2004	15/08/2012	14,353	14,353	10.5	fixed
47.	OJB2013_II	20/12/2002	31/08/2013	13,433	13,433	8.25	fixed
48.	OJB2014_I	14/11/2003	12/02/2014	13,468	13,468	8	fixed
49.	OJB2014_J	17/09/2004	17/09/2014	595	595	8.69	fixed
50.	OJB2015_I	10/06/2005	10/06/2015	2,986	2,986	7.7	fixed
51.	OJB2015_J	28/01/2005	28/01/2015	310	310	8.69	fixed
52.	OJB2016_I	03/02/2006	03/02/2016	1,132	1,132	7.5	fixed
53.	OJB2016_II	31/08/2006	31/08/2016	4,536	4,536	10	fixed
53.	OJB2016_J	18/04/2006	28/09/2016	368	368	7.59	fixed
55.	OJB2019_I	17/03/2004	18/03/2019	35,575	32,575	9.48	fixed
56.	OJB2020_I	19/11/2004	12/11/2020	6,990	6,990	9	fixed
57.	Other				30,353		
	Total				**460,655**		
	Unamortized premium				**745**		
	Fair value adjustment				**(1,497)**		
	Total				**459,903**		

Issued securities denominated in foreign currency as at 31 December 2009 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value EUR mn	Nominal value HUF mn	Interest conditions (in % p.a.)	
1.	OTP HBFIXED 160511	16/05/2008	16/05/2011	432	117,071	5.75	fixed
2.	OTP HBFLOAT 010710	01/07/2005	01/07/2010	462	125,196	3 month Euribor + 0.16	floating
3.	OTP HBFLOAT 201210	20/12/2005	20/12/2010	283	76,770	3 month Euribor + 0.15	floating
4.	OMB2010_I*	03/03/2008	04/03/2010	949	257,135	4.5	fixed
5.	OMB2011_I*	10/07/2006	11/07/2011	718	194,517	4.25	fixed
6.	OMB2014_I*	15/12/2004	15/12/2014	198	53,694	4	fixed
7.	Mortgage bands OTP*	15/10/2003	15/10/2012	17	4,495	4.7	fixed
8.	Mortgage bands OTP V*	29/09/2004	29/09/2010	33	8,990	4.5	fixed
9.	Mortgage bands OTP VII.	21/12/2005	21/12/2015	22	6,086	3 month Bribor + 0.15%	floating
10.	Mortgage bands OTP XI.	30/03/2007	30/03/2010	33	8,990	6 month Bribor + 0.08%	floating
11.	Mortgage bands OTP XII.*	23/11/2007	23/11/2010	22	5,934	6 month Bribor + 0.08%	floating
12.	Mortgage bands OTP XIII.*	12/03/2008	12/03/2011	17	4,495	4.5	fixed
13.	Mortgage bands OTP XIV.*	25/04/2008	25/04/2010	17	4,495	4.6	fixed
14.	Mortgage bands OTP XVII.*	08/06/2009	08/06/2012	3	821	4.1	fixed
15.	Mortgage bands OTP XVIII.*	18/09/2009	18/03/2010	1	244	3.5	fixed
16.	Mortgage bands OTP XIX.*	02/11/2009	02/11/2012	4	995	4	fixed
17.	Other				24,857		
	Total				**897,785**		
	Unamortized premium				**(695)**		
	Fair value adjustment				**17,502**		
	Total				**911,592**		

*1,443 HUF billion of mortgage loans are pledged as collaterals of mortgage bonds.

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

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

	2009	2008
CCIRS and mark-to-market CCIRS designated as held for trading	61,518	64,674
Interest rate swaps designated as held for trading	47,042	32,564
Foreign exchange swaps designated as held for trading	5,305	21,972
Option contracts designated as held for trading	2,346	–
Foreign exchange forward contracts designated as held for trading	1,910	6,268
Total	**118,468**	**125,487**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	2009	2008
Financial liabilities from OTP-MOL share swap transaction*	86,912	–
Salaries and social security payable	24,731	25,253
Provision for impairment on off-balance sheet commitments and contingent liabilities	23,598	24,234
Fair value of derivative financial instruments designated as hedge accounting relationship	22,249	24,804
Giro clearing accounts	15,634	24,805
Accrued expenses	15,355	12,697
Accounts payable	13,216	13,890
Current income tax payable	10,939	12,843
Liabilities from custody accounts	7,260	692
Suspense accounts	3,455	5,293
Liabilities from investment services	2,814	2,137
Deferred tax liabilities	2,229	12,840
Liabilities related to housing loans	1,803	1,698
Advances received from customers	1,754	582
Liabilities connected to loans for collection	1,426	1,340
Dividends payable	604	864
Other	28,166	35,763
	262,145	**199,735**
Accrued interest	95	637
Total	**262,240**	**200,372**

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

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

	2009	2008
Provision for losses on other off-balance sheet commitments and contingent liabilities	14,550	16,720
Provision for litigation	6,084	4,989
Provision for expected pension commitments	659	554
Provision for other liabilities	2,305	1,971
Total	**23,598**	**24,234**

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

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

	2009	2008
Balance as at 1 January	24,234	19,759
Provision for the year	4,087	4,731
Release of provision	(4,733)	(32)
Foreign currency translation differences	10	(224)
Balance as at 31 December	**23,598**	**24,234**

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

	2009	2008
CCIRS and mark-to-market CCIRS designated as hedge accounting relationship	18,615	32,246
Interest rate swaps designated as hedge accounting relationship	3,571	1,268
Forward security agreements designated as hedge accounting relationship	63	–
Total	**22,249**	**33,514**

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

	2009	2008
Within one year:		
In HUF	–	–
In foreign currency	458	745
	458	**745**
Over one year:		
In HUF	5,000	5,000
In foreign currency	271,652	310,403
	276,652	**315,403**
Accrued interest	3,724	3,902
Total	**280,834**	**320,050**

Interest rates on subordinated bonds and loans are as follows:

	2009	2008
Issued securities denominated in HUF	3.8%	4.8%
Issued securities denominated in foreign currency	1.3%–8.8%	3.1%–13%

Subordinated bonds and loans can be detailed as follows:

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

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

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

Type	Subordinated bond
Nominal value	EUR 343 million
Date of issue	7 November 2006
Date of maturity	Perpetual, and callable after 10 years
Rate of issue	99.375 %
Interest conditions	Fix 5.875 annually in the first 10 years (payable annually), 3 months EURIBOR + 3% after year 10 (payable quarterly)

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

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

*European Medium Term Note Program on 30 August 2006 the Bank updated EMTN Program and increased the Program amount from EUR/1 billion to EUR 5 billion.

Type	Subordinated loan for the OTP Bank JSC from the EBRD. The loan is secured by the guarantee of the Bank.
Nominal value	USD 65 million
Date of issue	21 April 2008
Date of maturity	13 October 2015
Rate of issue	100.00%
Interest conditions	Floating, six-month LIBOR + 2%

Type	Subordinated loan for the OTP Bank JSC from the EBRD. The loan is secured by the Bank.
Nominal value	USD 5 million
Date of issue	3 July 2003
Date of maturity	23 June 2010
Rate of issue	100.00%
Interest conditions	Floating, three-month LIBOR + 3.03%

Type	CJSC Donskoy Narodny Bank obtained total RUB 28.16 million subordinated loans from Russian third party lenders 8 times.
Nominal value	RUB 28.16 million
Date of issue	15 June 2001–30 April 2004
Date of maturity	15 June 2013–21 June 2016
Rate of issue	100.00%
Interest conditions	Floating, interest rate is based on Russian National Bank's basic interest rate. On 12 December 2009 it was 8.75%.

NOTE 19: SHARE CAPITAL (in HUF mn)

	2009	2008
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000
Total	**28,000**	**28,000**

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

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

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

	2009	2008
Capital reserve	52	52
General reserve	111,903	101,670
Retained earnings	598,133	495,270
Tied-up reserve	5,274	55,305
Total	**715,362**	**652,297**

The legal reserves (general reserve and tied-up reserve) are not available for distribution. The dividend has been determined on the basis of the net profit for the year determined in the unconsolidated financial statements according to the Hungarian Accounting Standards.
According to the decision made at the Annual General Meeting on 24 April 2009, the Bank did not pay dividend for the year 2008.

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in April 2010 and no dividends are proposed.

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares („ICES"). Within the transaction 10 million shares owned by OTP, and 4.5 million OTP shares were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. („OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares.

The EUR denominated exchangeable bonds are perpetual and the investors can exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years, thereafter the Issuer has the right to redeem the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%. OTP has discretional right to cancel the interest payments.
The interest payable is non-cumulative.
Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

NOTE 21: TREASURY SHARES (in HUF mn)

	2009	2008
Nominal value (Ordinary shares)	1,879	3,402
Carrying value at acquisition cost	52,678	146,749

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

Change in number of shares:	**2009**	**2008**
Number of shares as at 1 January	34,017,196	23,399,788
Additions	10,355,980	12,903,260
Disposals	(25,587,172)	(2,285,852)
Number of shares as at 31 December	**18,786,004**	**34,017,196**

Change in carrying value:	**2009**	**2008**
Balance as at 1 January	146,749	114,001
Additions	16,566	99,254
Disposals	(110,637)	(66,506)
Balance as at 31 December	**52,678**	**146,749**

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

	2009	2008
Balance as at 1 January	6,785	5,353
Foreign currency translation difference	223	(434)
Changes due to ownership structure	(27)	1,270
Non-controlling interest included in net profit for the year	(839)	596
Balance as at 31 December	**6,152**	**6,785**

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

Fees and commission incomes:

	2009	2008
Deposit and account maintenance fees and commissions	65,626	70,546
Fees and commissions related to the issued bank cards	29,892	30,961
Fees related to cash withdrawal	25,162	26,965
Fees and commissions related to lending	16,145	20,002
Fees and commissions relating to fund management	13,512	14,706
Fees and commissions related to security trading	6,147	5,659
Other	13,851	12,926
Total	**170,335**	**181,765**

Fees and commission expenses:

	2009	2008
Fees and commissions paid on loans	8,175	12,696
Interchange fees	6,999	7,746
Other fees and commissions related to issued bank cards	6,463	5,508
Fees and commissions related to deposits	2,502	3,166
Cash withdrawal transaction fees	2,175	2,692
Fees and commissions related to lending	1,788	439
Money market transaction fees and commissions	1,755	1,438
Insurance fees	1,535	332
Postal fees	842	957
Fees and commissions related to security trading	838	1,033
Other	4,350	10,527
Total	**37,422**	**46,534**
Net profit from fees and commissions	**132,913**	**135,231**

NOTE 24: OTHER OPERATING EXPENSES (in HUF mn)

	2009	2008
Provision for impairment on other assets	5,811	117
Provision for impairment on securities held-to-maturity	4,428	71
Provision for off-balance sheet commitments and contingent liabilities	4,087	4,731
Provision for impairment on securities available-for-sale	3,599	3,332
Provision for impairment on accruals	–	7,770
Provision for impairment on equity investments*	118	463
Other	11,032	19,753
Total	**29,075**	**36,237**

*See details in Note 9

NOTE 25: OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	2009	2008
Wages	113,266	120,535
Taxes related to personnel expenses	31,832	33,873
Other personnel expenses	10,419	13,053
Total personnel expenses	**155,517**	**167,461**
Depreciation and amortization	**45,141**	**132,201**
Administration expenses, including rental fees	51,361	54,435
Services	33,357	34,805
Taxes, other than income tax	29,623	29,955
Professional fees	14,995	14,137
Advertising	11,147	13,406
Other administrative expenses	**140,483**	**146,738**
Total	**341,141**	**446,400**

NOTE 26: INCOME TAX (in HUF mn)

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

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

The breakdown of the income tax expense is:

	2009	2008
Current tax expense	31,436	29,356
Deferred tax (benefit)/expense	(11,160)	3,943
Total	**20,276**	**33,299**

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

	2009	2008
Balance as at 1 January	(5,352)	(5,373)
Acquisition of subsidiaries	34	111
Foreign currency translation difference	24	362
Deferred tax benefit/(expense)	11,160	(3,943)
Recognized in equity	(3,406)	3,491
Balance as at 31 December	**2,460**	**(5,352)**

A reconciliation of the income tax expense is as follows:

	2009	2008
Profit before income tax	170,482	274,367
Income tax at statutory tax rates	21,277	45,001
Special tax (4%)	7,299	5,351

Income tax adjustments due to permanent differences:

	2009	2008
Reversal of statutory general provision	569	(188)
Tax effect of provision for impairment on loan and placement losses	–	(268)
Tax effect of amortization of statutory goodwill	(108)	4,608
Revaluation of investments denominated in foreign currency to historical cost	(1,880)	(2,826)
Share-based payment	1,292	6
Accounting of equity instrument (ICES)	(199)	(404)
Treasury share transactions	–	(10,283)
Profit on disposal of shares and equities	–	(19,619)
Differences in carrying value of subsidiaries	(7,245)	–
Provision for impairment on investments in subsidiaries	(10,039)	–
Effect of change of income tax rate	(216)	–
Other	9,526	11,921
Income tax expense	**20,276**	**33,299**
Effective tax rate	**11.9%**	**12.1%**

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

	2009	2008
Premium and discount amortization on bonds	384	395
Difference in accounting for leases	944	669
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	90	26
Fair value adjustment of securities held for trading and securities available-for-sale	4,849	3,643
Fair value adjustment of derivative financial instruments	–	110
Repurchase agreement and security lending	2,483	–
Difference in depreciation and amortization	75	–
Tax loss carry forward	4,024	1,324
Temporary differences arising on consolidation	–	746
Provision for impairment on equity investments	13,221	3,184
Other	3,420	4,794
Deferred tax asset	**29,490**	**14,891**

	2009	2008
Premium and discount amortization on bonds	(48)	–
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	–	(36)
Difference in accounting for leases	(210)	(947)
Fair value adjustment of derivative financial instruments	(1,126)	(561)
Fair value adjustment of securities held for trading and securities available-for-sale	(7,251)	(3,287)
Repurchase agreement and security lending	–	(2,498)
Accounting of equity instrument (ICES)	(981)	(1,964)
Difference in depreciation and amortization	(4,340)	(3,726)
Accrued losses	–	(5,237)
Net effect of treasury share transactions	(4,913)	–
Temporary differences arising on consolidation	(707)	–
Other	**(7,454)**	**(1,987)**
Deferred tax liabilities	**(27,030)**	**(20,243)**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1. Credit risk

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

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

Analysis by business lines and risk classes

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

As at 31 December 2009

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

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

As at 31 December 2008

Business line	Performing	To-be monitored	Bellow average	Doubtful	Bad	Total carrying amount
Retail loans	3,709,915	339,917	42,578	64,767	99,266	4,256,443
Corporate loans	2,056,499	307,777	60,256	35,133	75,362	2,535,027
Placement with other banks	406,020	7,346	–	–	–	413,366
Municipal loans	205,423	2,134	1,671	51	101	209,380
Total	**6,377,857**	**657,174**	**104,505**	**99,951**	**174,729**	**7,414,216**
Allowance	**(13,020)**	**(15,966)**	**(30,338)**	**(57,224)**	**(154,502)**	**(271,050)**
Total exposure	**6,364,837**	**641,208**	**74,167**	**42,727**	**20,227**	**7,143,166**

The total off-balance sheet liabilities connected to the lending activity were 1,052,217 million HUF as at 31 December 2008 which included 792,042 million HUF commitments to extend credit and 260,175 million HUF guarantees arising from banking activities.

In order to moderate the unfavourable effects of the economic situation, the Group made its lending policy stricter, and in consequence of this, its loan portfolio decreased by 1.7% in 2009. Analysing the contribution of business lines to the loan portfolio, the share of the retail and corporate business line slightly decreased while the share of other business lines either slightly increased. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio increased from 3.7% to 7.5%. Among the qualified loan portfolio, the loans classified to the risk class of "doubtful" expanded at the fastest level.
In accordance with its prudent provisioning policy, the Group classifies the otherwise performing restructured loans as to be monitored as well as project finance loans being exposed to a bigger risk inherently because of the construction.

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

The off-balance sheet liabilities connected to the lending activity decreased by 7.2%, while the qualified loan portfolio increased by 41.1% in 2009.

Classification into risk classes

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

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

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

Collaterals

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

Types of collaterals	2009	2008
Mortgages	7,795,345	7,638,827
Guarantees of state or organizations owned by state	328,366	327,411
Bank guarantees and warranties	163,700	192,547
Assignments (revenue or other receivables)	97,725	76,928
Cash collaterals	95,930	105,323
Securities	54,438	73,079
Other	2,749,527	2,898,432
Total	**11,285,031**	**11,312,547**

The values of collasterais by the Group by types are as follows: (so the extent of the receivables). The collaterais cover loans as well as off-balance sheet exponsuis.

Types of collaterals	2009	2008
Mortgages	3,420,732	3,494,409
Assignments (revenue or other receivables)	211,695	193,733
Guarantees of state or organizations owned by state	201,165	197,514
Bank guarantees and warranties	147,763	152,994
Cash collaterals	77,834	86,915
Securities	23,259	35,385
Other	820,493	801,451
Total	**4,902,941**	**4,962,401**

Loans, neither past due, nor impaired

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

Business line	2009	2008
Consumer loans	2,432,593	2,779,445
Corporate loans	1,358,011	1,405,269
Placement with other banks	431,567	403,455
Municipal loans	212,309	202,888
Total	**4,434,480**	**4,791,057**

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 65% to 61% in 2009.

Renegotiated loans

An analysis of the gross value of the loans that would otherwise be past due or impaired and whose terms have been renegotiated as at 31 December 2008 and 31 December 2009 is as follows:

Business line	2009	2008
Consumer loans	496,549	400,564
Corporate loans	318,291	288,231
Placement with other banks	1,380	–
Municipal loans	6	1,306
Total	**816,226**	**690,101**

The gross amount of renegotiated loans increased by the end of 2009 in order to handle the effects of the economic situation.

Past due, but not impaired loans

An analysis of the age of gross loans that are past due but not impaired as at 31 December 2009 and 31 December 2008 is as follows:

As at 31 December 2009	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	386,064	26,395	13,015	13,697	439,171
Corporate loans	48,513	28,741	26,445	10,230	113,929
Municipality loans	383	2	–	2	387
Total	**434,960**	**55,138**	**39,460**	**23,929**	**553,487**

As at 31 December 2008	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	203,098	14,633	5,299	9,543	232,573
Corporate loans	76,131	7,351	1,895	1,964	87,341
Municipality loans	41	2	–	–	43
Total	**279,270**	**21,986**	**7,194**	**11,507**	**319,957**

Loans determined individually to be impaired

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 31 December 2008 and 31 December 2009 is as follows. The individually rated exposures contain the loans. The rating has been performed based on the factors used at determining the provision for impairment for them.

As at 31 December 2009

Business line	Considered factors	Carrying value	Allowance	Coverage value, discounted
Corporate	Delay of payment	120,141	54,555	44,336
	Regularity of payment	407	214	100
	Renegotiation	22,207	1,811	848
	Legal proceedings	23,514	16,258	8,218
	Decrease of client classification	19,443	2,779	18,280
	Loan characteristics	109,185	4,319	415
	Critical industry classification	99,935	10,425	1,975
	Other	10,510	1,003	5,056
	Cross default	73,209	8,709	1,371
Corporate total		**478,551**	**100,073**	**80,599**
Municipal	Delay of payment	292	110	2,728
	Regularity of payment	145	116	–
	Renegotiation	80	1	–
	Decrease of client classification	120	8	–
	Other	2,882	350	30
	Cross default	33	26	–
Municipal total		**3,552**	**611**	**2,758**
Placement with other banks		**10,916**	**1,697**	**–**
Total		**493,019**	**102,381**	**83,357**

As at 31 December 2008

Business line	Considered factors	Carrying value	Allowance	Coverage value, discounted
Corporate	Delay of payment	38,779	15,288	23,018
	Regularity of payment	1,114	46	253
	Legal proceedings	12,288	10,237	3,084
	Decrease of client classification	9,941	3,624	5,987
	Loan characteristics	59,536	3,027	25,196
	Critical industry classification	37,217	4,599	1,478
	Other	6,121	2,324	6,670
	Cross default	29,457	1,776	1,913
Corporate total		**194,453**	**40,921**	**67,599**
Municipal	Delay of payment	39	30	1,891
	Renegotiation	29	–	–
	Legal proceedings	95	80	15
	Decrease of client classification	647	9	200
	Other	1,275	156	7
	Cross default	54	1	–
Municipal total		**2,139**	**276**	**2,113**
Placement with other banks		**7,346**	**362**	**–**
Total		**203,938**	**41,559**	**69,712**

27.2. Market risk

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

27.2.1. Market Risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	Average in HUF million	
	2009	2008
Foreign exchange	493	1,254
Interest rate	261	728
Equity instruments	15	68
Diversification	(189)	(373)
Total VaR exposure	**580**	**1,677**

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 27.2.2., for interest rate risk in Note 27.2.3., for equity price sensitivity analysis in Note 27.2.4. and for capital management in Note 27.2.5. below.

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR and USD, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations was EUR (310) million as of 31 December 2009 and EUR (300) million and USD (75) million as of 31 December 2008. High portion of strategic positions is considered as effective hedge of future profit inflows of foreign subsidiaries, so FX risk alters the Group capital and not its earnings.

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

Probability	Effects to the Consolidated Statement of Recognized Income in 3 months period	
	2009 in HUF billion	2008 in HUF billion
1%	(9.7)	(8.6)
5%	(6.4)	(5.4)
25%	(2.2)	(1.3)
50%	0.5	1.3
25%	3.1	3.8
5%	6.6	7.1
1%	9.1	9.5

Notes:

(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.

(2) Despite the decrease of the foreign exchange exposure the high volatility causes the increase of the estimated VaR.

(3) Monte Carlo simulation is based on the empirical distribution of the exchange rate movements. Recent market turmoil can result in extreme price movements not observable in the past, and so VaR might underestimate short term risk.

27.2.3. Interest rate sensitivity analysis

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

The main assumptions were as follows:

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

The simulations were prepared by assuming two scenarios:

- 0.50%–0.75% decrease in average HUF yields (probable scenario)
- 1%–1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period after 31 December 2009 would be decreased by HUF 1,707 million (probable scenario) and HUF 8,421 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 845 million (probable scenario) and HUF 4,316 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2008.

This effect is counterbalanced by capital gains (HUF 4,560 million for probable scenario, HUF 6,900 million for alternative scenario) on the government bond portfolio held for hedging.

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

	2009		2008	
Description	**Effects to the net interest income (1 Year period)**	**Effects to capital (Price change of AFS goverment bonds)**	**Effects to the net interest income (1 Year period)**	**Effects to capital (Price change of AFS goverment bonds)**
HUF (0.1%) parallel shift	(551)	812	(242)	139
EUR (0.1%) parallel shift	(281)	0	(33)	0
USD 0.1% parallel shift	(147)	0	(20)	0
Total	**(979)**	**812**	**(295)**	**139**

27.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.

The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	2009	2008
VaR (99%, one day, million HUF)	15	68
Stress test (million HUF)	(32)	(287)

27.2.5. Capital management

Capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

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

Capital adequacy

The capital adequacy of the Group is supervised based on the financial statements data prepared according to the Hungarian Accounting Standards („HAS") applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008. The Group has entirely complied with the regulatory capital requirements in 2009 and in 2008.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the alternative standard method in case of the operational risk. The consolidated Capital adequacy ratio of the Group as at 31 December 2009 was 18.5%. The Regulatory capital was HUF 1,271,173 million, the Total eligible regulatory capital was HUF 550,853 million as at 31 December 2009.

Calculation on HAS basis:

	2009	2008
Core capital	1,036,191	881,662
Supplementary capital	242,443	203,668
Deductions	(7,461)	(6,149)
due to investments	(428)	(549)
due to limit branches	(7,033)	(5,600)
Regulatory capital	**1,271,173**	**1,079,181**
Credit risk capital requirement	453,048	487,775
Market risk capital requirement	29,490	26,987
Operational risk capital requirement	68,315	51,364
Total eligible regulatory capital	**550,853**	**566,126**
Surplus capital	**720,320**	**513,055**
Tier1 ratio	15.0%	12.4%
Capital adequacy ratio	**18.5%**	**15.3%**

The positive components of the Core capital are the following: Issued capital, Capital reserve, Tied-up reserve, General reserve, Profit reserve, Changes in the equity, Changes due to consolidation, Non-controlling interest, Profit for the year, General risk reserve.

The negative components of the Core capital are the following: Treasury shares, Intangible assets.

The positive components of the Supplementary capital are the following: Subsidiary loan capital, Subordinated loan capital.

The negative components of the Supplementary capital are the following: Changes due to consolidation of equity.

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

Subsidiary bank	Countrys	Minimum prescribed CAR	2009**	2008
OAO OTP Bank	Russia	11%	13.3%	17.4%
OTP Bank JSC	Ukraine	10%	17.8%	10.3%
DSK Bank EAD	Bulgaria	12%	21.9%	18.0%
OTP Bank Romania S.A.	Romania	8%/10%*	14.3%	14.0%
OTP banka Srbija a.d.	Serbia	12%	27.1%	32.9%
OTP banka Hrvatska d.d.	Croatia	10%	13.4%	12.3%
OTP Banka Slovensko a. s.	Slovakia	8%	10.7%	10.5%
Crnogorska komercijalna banka a.d.	Montenegro	12%/10%*	13.4%	12.1%

* In 2009 the minimum prescribed CAR has changed.
** Values reported to the local regulators.

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

Calculative on IFRS basic:

	2009	2008
Core capital	952,416	797,841
Positive components	1,272,721	1,213,933
Issued capital	28,000	28,000
Reserves	1,126,443	1,061,449
Other issued capital components	118,278	124,484
Negative components	(320,305)	(416,091)
Treasury shares	(52,678)	(146,749)
Goodwill and other intangible assets	(267,627)	(269,342)
Supplementary capital	242,521	291,150
Fair value corrections	(34,589)	(24,998)
Subordinated bonds and loans	277,110	316,148
Deductions	(428)	(549)
Regulatory capital	**1,194,508**	**1,088,442**
Credit risk capital requirement	453,048	487,775
Market risk capital requirement	29,490	26,987
Operational risk capital requirement	68,315	51,364
Total eligible regulatory capital	**550,853**	**566,126**
Surplus capital	**643,655**	**522,316**
Tier1 ratio	13.8%	11.3%
Capital adequacy ratio	**17.3%**	**15.4%**

The positive components of the Core capital are the following: Issued capital, Profit reserve, Other reserves, Changes in the equity of subsidiaries, Profit for the year, Changes due to consolidation, Other issued capital components.

The negative components of the Core capital are the following: Treasury shares, Goodwill and other intangible assets.

The components of the Supplementary capital are the following: Revaluation reserve, Fair value adjustments, Share-based payment, Cash-flow hedge, Hedges of net investments in foreign operations, Other issued capital (in the Supplementary capital), Subordinated loan capital, Subsidiary loan capital.

The components of the Deductions: deductions due to investments.

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

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

	2009	2008
Commitments to extend credit	730,399	792,042
Guarantees arising from banking activities	245,654	260,175
Legal disputes*	32,566	6,798
Confirmed letters of credit	6,579	20,890
Other	91,916	61,035
Total	**1,107,114**	**1,140,940**

* The considerable increase the amount of legal disputes in 2009 is in connection with one company. The Bank has the opinion, that the case has no valid basis, so no provision is necessary for that.

Commitments to extend credit, guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

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

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

Legal disputes

At the statement of financial position date the Group was involved in various claims and legal proceedings of a nature considered normal to its business. The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 6,084 million and HUF 4,989 million as at 31 December 2009 and 31 December 2008, respectively. (See Note 17.)

Derivatives

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

Cross-currency interest rate swap

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

Forward rate agreements

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

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

NOTE 29: SHARE-BASED PAYMENT

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

The 2006 Annual General Meeting approved a five year share option program for the years of 2006 to 2010 under which options are granted annually. The grant date of these options is 28 April 2006 and the date of the Annual General Meeting of 2007 (27 April 2007) for the increased amount of share options under the modified program.
The exercise prices of the options relating to the years of 2006 to 2010 are calculated as the average of the market price of OTP shares quoted by the BSE daily during the period between 30 April and 30 May in the actual year and decreased by HUF 1,000. In that case if the average price of the shares exceeds by more than HUF 3,000 the exercise price one day before the date of exercise, the exercise price would be increased by the amount above the HUF 3,000.
The 2007 Annual General Meeting approved a few changes in the program:
The exercise prices of the options relating to the years of 2006 to 2010 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the three month period ended 31 March in the actual year and decreased by HUF 2,000. In that

case if the average price of the shares exceeds by more than HUF 4,000 the exercise price one day before the date of exercise, the exercise price would be increased by the amount above the HUF 4,000.

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

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

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

In connection with the equity-settled share-based payment programs HUF 6,802 million and HUF 28 million has been recognised as an expense as at 31 December 2009 and as at 31 December 2008 respectively.

	Options (number of shares)	Weighted average exercise price (in HUF)	Options (number of shares)	Weighted average exercise price (in HUF)
Outstanding at beginning of period	2,534,950	6,484	6,678,130	7,957
Granted during the period	–	–	–	–
Forfeited during the period	2,534,950	6,484	965,050	6,484
Exercised during the period	–	–	257,500	6,536
Outstanding at the end of the period	–	–	2,534,950	6,484
Exercisable at the end of the period	–	–	1,774,466	8,424

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

	2009	2008
Weighted average exercise price of the options outstanding	–	6.484
Weighted average remaining contractual life (month)	–	18

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

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

	2009	2008
Weighted average spot share price (HUF)	8,272	7,828
Weighted average exercise price (HUF)*	8,875	7,941
Expected volatility (%)	32	29
Expected life (average year)	5,45	3,56
Risk free rate (%)	7,63	6,84
Expected dividends (%)	1,95	2,31
Cap for the maximum gain (HUF/option)	4,000	3,000

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

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Compensations	2009	2008
Short-term employee benefits	9,949	12,642
Share-based payment	3,139	16
Other long-term employee benefits	94	71
Termination benefits	31	13
Redundancy payments	–	57
Total	**13,213**	**12,799**

	2009	2008
Loans provided to companies owned by the management (normal course of business)	31,876	27,366
Credit lines of the members of Board of Directors and the Supervisory Board (at normal market conditions)	218	121
Commitments to extend credit and guarantees	103	121

	2009	2008
Loans provided to unconsolidated subsidiaries	40,027	65,643

NOTE 31: MAJOR SUBSIDIARIES

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

Name	2009 Ownership (Direct and Indirect)	2008 Ownership (Direct and Indirect)	Activity
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia)	95.55%	95.51%	commercial banking services
CJSC Donskoy Narodny Bank (Russia)	100.00%	100.00%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	91.43%	91.43%	commercial banking services
OTP Banka Slovensko a.s. (Slovakia)	97.24%	97.23%	commercial banking services
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Nethetrlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus (Cyprus)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	holding activity
Bank Center No.1 Ltd.	100.00%	100.00%	real estate lease
Inga Two Commercial Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services

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

	2009	2008
Total assets	3,246	2,501
Total liabilities	620	485
Shareholders' equity	2,623	1,983
Reserves	285	19
Total revenues	1,102	1,030
Profit before income tax	72	143
Profit after income tax	65	84

NOTE 32: TRUST ACTIVITIES

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

	2009	2008
The amount of loans managed by the Group as a trustee	179,570	45,196

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

	2009	2008
Receivables from, or securities issued by the Hungarian Government or the NBH	14.2%	6.6%

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2009 or as at 31 December 2008.

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

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

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

As at 31 December 2008	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	529.780	227	–	–	–	530.007
Placements with other banks, net of allowance for placements losses	344.725	53.365	16.941	625	–	415.656
Financial assets at fair value through profit or loss	18.134	16.451	68.895	27.808	–	131.288
Securities available-for-sale	24.349	67.866	237.761	156.902	–	486.878
Loans, net of allowance for loan losses	662.881	1.071.835	1.781.773	3.262.212	–	6.778.701
Associates and other investments	–	–	–	–	10.467	10.467
Securities held-to-maturity	139.041	37.214	110.326	43.577	–	330.158
Property and equipment, Intangible assets	–	–	–	–	469.701	469.701
Other assets	51.187	59.140	47.812	56.729	–	214.868
TOTAL ASSETS	**1.770.097**	**1.306.098**	**2.263.508**	**3.547.853**	**480.168**	**9.367.724**
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	163.475	440.568	154.277	90.410	–	848.730
Deposits from customers	3.932.050	1.086.050	214.285	25.782	–	5.258.167
Liabilities from issued securities	337.466	104.876	1.001.402	122.203	–	1.565.947
Financial liabilities at fair value through profit or loss	29.313	10.989	78.475	6.710		125.487
Other liabilities	142.236	15.252	34.524	8.360	–	200.372
Subordinated bonds and loans	3.199	1.280	6.161	309.410	–	320.050
TOTAL LIABILITIES	**4.607.739**	**1.659.015**	**1.489.124**	**562.875**	**–**	**8.318.753**
Share capital	–	–	–	–	28.000	28.000
Retained earnings and reserves	–	–	–	–	1.160.935	1.160.935
Treasury shares	–	–	–	–	(146.749)	(146.749)
Non-controlling interest	–	–	–	–	6.785	6.785
TOTAL SHAREHOLDERS' EQUITY	**–**	**–**	**–**	**–**	**1.048.971**	**1.048.971**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4.607.739**	**1.659.015**	**1.489.124**	**562.875**	**1.048.971**	**9.367.724**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2.837.642)**	**(352.917)**	**774.384**	**2.984.978**	**(568.803)**	**–**

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

As at 31 December 2009	USD	EUR	CHF	Others	Total
Assets	766,152	2,472,194	1,435,992	995,489	5,669,827
Liabilities	(412,554)	(3,190,517)	(103,419)	(1,136,012)	(4,842,502)
Off-balance sheet assets and liabilities, net	(358,347)	769,872	(1,428,065)	(181,304)	(1,197,844)
Net position	**(4,749)**	**51,549**	**(95,492)**	**(321,827)**	**(370,519)**

As at 31 December 2008	USD	EUR	CHF	Others	Total
Assets	1,080,932	2,128,718	1,674,082	2,107,467	6,991,199
Liabilities	(302,851)	(3,099,310)	(157,686)	(1,596,545)	(5,156,392)
Off-balance sheet assets and liabilities, net	(777,603)	1,046,251	(1,495,153)	(462,828)	(1,689,333)
Net position	**478**	**75,659**	**21,243**	**48,094**	**145,474**

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

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

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

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

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

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

As at 31 December 2009

	Within 1 month		Over 1 month and Within 3 monthx		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest -bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	96.112	133.011	170	–	–	–	–	–	–	–	50.337	226.019	146.619	359.030	505.649
fixed rate	95.747	129.275	–	–	–	–	–	–	–	–	–	–	95.747	129.275	225.022
variable rate	365	3.736	170	–	–	–	–	–	–	–	–	–	535	3.736	4.271
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	50.337	226.019	50.337	226.019	276.356
Placements with other banks, not of allowance for placements losses	13.149	383.273	–	5.112	–	9.014	–	1.155	–	826	206	28.116	13.355	427..496	440.851
fixed rate	13.136	344.605	–	2.461	–	665	–	503	–	151	–	–	13.136	348.385	361.521
variable rate	13	38.668	–	2.621	–	8.349	–	652	.	675	–	–	13	50.995	51.008
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	206	28.116	206	28.116	28.322
Securities held for trading	49.773	863	170	–	3.476	462	1.780	249	14.318	2.901	87.278	1.595	156.795	6.070	162.865
fixed rate	49.773	–	152	–	3.476	411	1.780	249	14.318	2.901	–	–	69.499	3.561	73.060
variable rate	–	863	18	–	–	51	–	–	–	–	–	–	18	914	932
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	87.278	1.595	87.278	1.595	88.873
Securities available-for-sale	718.651	3.973	10.709	104.954	19.937	56.849	70.372	29.178	244.808	59.349	8.368	27.137	1.072.845	281.440	1.354.285
fixed rate	718.651	1.866	7.096	6.620	19.937	40.625	70.372	11.590	243.090	58.756	–	–	1.059.146	119.457	1.178.603
variable rate	–	2.107	3.613	98.334	–	16.224	–	17.588	1.718	593	–	–	5.331	134.846	140.177
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	8.368	27.137	8.368	27.137	35.505
Loans, net of allowance for loan losses	822.682	3.311.187	52.532	231.138	134.056	734.596	55.285	45.355	388.323	390.438	55.332	191.792	1.508.210	4.904.506	6.412.716
fixed rate	12.759	39.442	2.533	23.116	3.224	205.784	2.019	24.165	9.138	341.450	–	–	29.673	633.957	663.630
variable rate	809.923	3.271.745	49.999	208.022	130.832	528.812	53.266	21.190	379.185	48.988	–	–	1.423.205	4.078.757	5.501.962
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	55.332	191.792	55.332	191.792	247.124
Securities held-to-maturaty	23.349	13.379	7.973	9.984	27.750	16.480	29.202	2.838	20.964	33.173	2.178	1.592	111.416	77.439	188.853
fixed rate	–	8.450	–	8.865	16.885	16.480	29.202	2.838	20.964	33.173	–	–	67.051	69.806	136.857
variable rate	23.349	4.929	7.973	1.119	10.865	–	–	–	–	–	–	–	42.187	6.048	48.235
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	2.178	1.583	2.178	1.583	3.761
Derivative financial instruments	591.140	1.014.857	848.862	861.010	229.989	41.928	11.576	228.605	24.489	6.251	–	31	1.706.056	2.152.682	3.858.738
fixed rate	259.983	657.084	49.244	394.910	149.174	40.345	11.576	228.605	24.489	6.251	–	–	494.466	1.327.195	1.821.661
variable rate	331.157	357.773	799.618	466.100	80.815	1.583	–	–	–	–	–	–	1.211.590	825.456	2.037.046
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	31	–	31	31

As at 31 December 2009

	Within 1 month		Over 1 month and Within 3 monthx		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest -bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	25.709	104.424	25.554	331.360	82.148	137.762	1	22.798	48	70.838	1.952	155	135.412	667.337	802.749
fixed rate	21.394	64.747	19.668	5.562	1.949	111.624	1	944	48	47.407	–	–	43.060	230.284	273.344
variable rate	4.315	39.677	5.886	325.798	80.199	26.138	–	21.854	–	23.431	–	–	90.400	436.898	527.298
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	1.952	155	1.952	155	2.107
Deposits from customers	1.286.443	1.708.572	518.026	290.308	429.680	398.694	75.794	87.924	560.859	193.947	22.437	116.203	2.893.239	2.795.648	5.688.887
fixed rate	791.756	635.106	497.916	290.308	421.637	394.881	75.794	87.924	14.682	159.801	–	–	1.801.785	1.568.020	3.369.805
variable rate	494.687	1.073.466	20.110	–	8.043	3.813	–	–	546.177	34.146	–	–	1.069.017	1.111.425	2.180.442
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	22.437	116.203	22.437	116.203	138.640
Liabilities from issued securities	35.687	150.425	36.518	352.106	180.078	30.487	35.190	332.970	155.895	61.249	19.508	20.235	462.876	947.472	1.410.348
fixed rate	22.455	2.272	36.518	260.267	180.078	30.487	35.190	332.970	155.895	61.249	–	–	430.136	687.245	1.117.381
variable rate	13.232	148.153	–	91.839	–	–	–	–	–	–	–	–	13.232	239.992	253.224
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	19.508	20.235	19.508	20.235	39.743
Derivative financial instruments	927.406	914.113	1.416.108	335.906	247.120	19.530	15.283	17.577	10.835	12.137	–	65	2.616.752	1.299.328	3.916.080
fixed rate	217.783	700.092	139.647	35.282	166.547	19.526	15.283	17.577	10.835	12.137	–	–	550.095	784.614	1.334.709
variable rate	709.623	214.021	1.276.461	300.624	80.573	4	–	–	–	–	–	–	2.066.657	514.649	2.581.306
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	65	–	65	65
Subordinated bonds and loans	–	588	5.000	17.293	–	11.530	–	–	13.325	229.375	61	3.662	18.386	262.448	280.834
fixed rate	–	–	–	–	–	–	–	–	13.325	229.375	–	–	13.325	229.375	242.700
variable rate	–	588	5.000	17.293	–	11.530	–	–	–	–	–	–	5.000	29.411	34.411
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	61	3.662	61	3.662	3.723
Net position	39.611	1.982.421	(1.080.790)	(114.775)	(523.818)	261.326	41.947	(153.889)	(48.060)	(74.608)	159.741	335.953	(1.411.369)	2.236.428	825.059

As at 31 December 2008

	Within 1 month		Over 1 month and Within 3 monthx		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest -bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	74.058	132.583	2	189	3	–	–	81	–	552	67.469	255.070	141.532	388.475	530.007
fixed rate	72.069	74.009	2	–	3	–	–	81	–	552	–	–	72.074	74.642	146.716
variable rate	1.989	58.574	–	189	–	–	–	–	–	–	–	–	1.989	58.763	60.752
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	67.469	255.070	67.469	255.070	322.539
Placements with other banks, not of allowance for placements losses	66.142	227.162	2.506	10.826	–	90.734	–	–	–	6.023	2.412	9.851	71.060	344.594	415.656
fixed rate	65.751	214.992	2.506	10.826	–	21	–	–	–	5.888	–	–	68.257	231.727	299.984
variable rate	391	12.170	–	–	–	90.713	–	–	–	135	–	–	391	103.018	103.409
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	2.412	9.851	2.412	9851	12.263
Securities held for trading	1.093	1.805	1.059	214	7.972	421	10.531	876	26.263	3.589	4.126	680	51.044	7.585	58.629
fixed rate	1.093	597	903	201	7.900	262	10.531	876	26.263	3.559	–	–	46.690	5.495	52.185
variable rate	–	1.208	156	13	72	159	–	–	–	30	–	–	228	1.410	1.638
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	4.126	680	4.126	680	4.806
Securities available-for-sale	9.277	2.531	5.935	101.306	48.461	14.938	36.961	14.113	158.283	69.391	19.971	5.711	278.888	207.990	486.878
fixed rate	9.277	–	1.500	3.241	47.935	14.938	36.961	13.534	158.283	67.594	–	–	253.956	99.307	353.263
variable rate	–	2.531	4.435	98.065	526	–	–	579	–	1.797	–	–	4.961	102.972	107.933
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	19.971	5.711	19.971	5.711	25.682
Loans, net of allowance for loan losses	812.804	3.796.739	84.325	350.728	119.661	714.209	56.516	67.318	380.973	297.118	37.103	61.207	1.491.382	5.287.139	6.778.701
fixed rate	8.656	37.847	2.515	91.129	3.140	173.389	1.604	30.442	11.737	175.038	–	–	27.652	507.845	535.497
variable rate	804.148	3.461.667	81.810	198.231	116.521	355.496	54.912	34.953	369.236	122.080	–	–	1.426.627	4.172.427	5.599.054
non-interest-bearing	–	297.225	–	61.368	–	185.324	–	1.923	–	–	37.103	61.207	37.103	607.047	644.150
Securities held-to-maturaty	114.963	8.553	20.670	1.310	64.331	7.386	38.930	11.777	27.057	26.756	6.859	1.566	272.810	57.348	330.158
fixed rate	114.963	3.558	12.670	806	26.862	7.336	38.930	11.777	27.057	26.756	–	–	220.482	50.233	270.715
variable rate	–	4.995	8.000	504	37.469	50	–	–	–	–	–	–	45.469	5.549	51.018
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	6.859	1.566	6.859	1.566	8.425
Derivative financial instruments	10.266	827.755	13.306	274.293	97.434	131.782	94.099	443.479	712.125	368.637	–	8.839	927.230	2.054.785	2.982.015
fixed rate	10.266	826.457	13.306	274.274	95.523	129.863	93.805	441.380	708.625	367.563	–	–	921.525	2.039.537	2.961.062
variable rate	–	1.298	–	19	1.911	1.919	294	2.099	3.500	1.074	–	–	5.705	6.409	12.114
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	8.839	–	8.839	8.839

As at 31 December 2008

	Within 1 month		Over 1 month and Within 3 monthx		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest -bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	2.442	341.082	7.287	192.395	212.210	78.268	1	699	559	5.649	7.985	153	230.484	618.246	848.730
fixed rate	1.755	183.627	1.746	26.511	118.618	18.823	–	699	–	5.619	–	92	122.119	235.371	357.490
variable rate	687	157.455	5.541	165.884	93.592	59.445	1	–	559	30	–	–	100.380	382.814	483.194
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	7.985	61	7.985	61	8.046
Deposits from customers	1.146.698	1.640.823	474.388	298.603	376.758	369.806	27.029	48.831	633.399	96.450	21.939	123.443	2.680.211	2.577.956	5.258.167
fixed rate	469.786	502.881	445.811	298.593	376.169	369.806	27.029	48.774	80.071	68.285	–	–	1.398.866	1.288.339	2.687.205
variable rate	676.912	1.137.943	28.577	10	589	–	–	57	553.328	28.165	–	–	1.259.406	1.166.174	2.425.580
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	21.939	123.443	21.939	123.443	145.382
Liabilities from issued securities	20.260	4.272	46.891	445.658	124.232	20.123	47.226	281.207	139.013	396.894	38.746	1.425	416.368	1.149.579	1.565.947
fixed rate	9.253	4.272	27.735	1.866	124.232	11.333	47.226	281.207	139.013	396.894	–	–	347.459	695.572	1.043.031
variable rate	11.007	–	19.156	443.792	–	8.790	–	–	–	–	–	–	30.163	452.582	482.745
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	38.746	1.425	38.746	1.425	40.171
Derivative financial instruments	433.865	621.519	107.118	487.413	63.840	163.285	9.894	263.533	8.956	898.303	–	96	623.673	2.434.149	3.057.822
fixed rate	433.865	411.583	107.118	191.386	62.589	161.395	8.656	261.452	6.364	896.870	–	88	618.592	1.922.774	2.541.366
variable rate	–	209.936	–	296.027	1.251	1.890	1.238	2.081	2.592	1.433	–	–	5.081	511.367	516.448
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	8	–	8	8
Subordinated bonds and loans	–	942	5.000	28.551	–	12.999	–	–	–	268.411	3.309	838	8.309	311.741	320.050
fixed rate	–	–	–	–	–	–	–	–	–	268.411	–	–	–	268.411	268.411
variable rate	–	942	5.000	28.551	–	12.999	–	–	–	–	–	–	5.000	42.492	47.492
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	3.309	838	3.309	838	4.147
Net position	(514.662)	2.388.490	(512.881)	(713.754)	(439.178)	314.989	152.887	(56.626)	522.774	(893.641)	65.961	216.969	(725.099)	1.256.427	531.328

NOTE 37: EARNINGS PER SHARE (in HUF mn)

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

	2009	2008
Net profit for the year attributable to ordinary shareholders (in HUF mn)	151,045	240,472
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	261,608,279	256,317,324
Basic Earnings per share (in HUF)	**577**	**938**
Net profit for the year attributable to ordinary shareholders (in HUF mn)	151,045	240,472
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	263,929,565	257,117,270
Diluted Earnings per share (in HUF)	**572**	**935**

	2009	2008
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	18,391,731	23,682,686
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**261,608,279**	**256,317,324**
Diluted effects of options issued in accordance with Management Option Program and convertible into ordinary shares	2,321,286	799,946
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**263,929,565**	**257,117,270**

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

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

The Basic Earnings per share (Basic EPS) attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the period does not include the average number of Treasury shares.

For calculating diluted Earnings per share, Net profit for the year attributable to ordinary shareholders equals the Net profit used for calculating the basic EPS. The modified weighted average number of ordinary shares outstanding during the year contains the contingent diluted effects of options convertible into ordinary shares. Options are issued in accordance with the Management Option Program.

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

As at 31 December 2009

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

As at 31 December 2008

Name	Net interest gain and loss	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the National Banks	16,161	–	–	–
Placements with other banks, net of allowance for placements losses	21,837	–	(516)	–
Securities held for trading	7,029	(4,668)	–	–
Securities available-for-sale	32,402	(1,958)	–	(16,078)
Loans, net of allowance for loan losses	710,869	7,708	(110,933)	–
Securities held-to-maturity	26,624	2,513	–	–
Derivative financial instruments	(27,048)	(7,313)	–	–
Amounts due to banks , the Hungarian Government, deposits from the National Bank of Hungary and other banks	(44,957)	–	–	–
Deposits from customers	(215,881)	109,360	–	–
Liabilities from issued securities	(72,750)	–	–	–
Subordinated bonds and loans	(17,009)	–	–	–
Total	**437,277**	**105,642**	**(111,449)**	**(16,078)**

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

a) Fair value of financial assets and liabilities

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Banks	505,649	505,844	530,007	530,007
Placements with other banks, net of allowance for placements losses	440,851	455,802	415,656	422,463
Financial assets at fair value through profit or loss	256,100	256,100	131,288	131,288
Securities held for trading	178,556	178,556	58,629	58,629
FVA of derivative financial instruments designated as held for trading	77,544	77,544	72,659	72,659
Securities available-for-sale	1,354,285	1,354,285	486,878	486,878
Loans, net of allowance for loan losses	6,412,716	6,679,949	6,778,701	7,011,312
Securities held-to-maturity	188,853	184,895	330,158	310,723
FVA of derivative financial instruments designated as hedge accounting relationship	14,181	14,181	8,970	8,970
Financial assets total	**9,172,635**	**9,451,056**	**8,681,658**	**8,901,641**
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungaryand other banks	802,749	832,101	848,730	856,654
Deposits from customers	5,688,887	5,668,845	5,258,167	5,236,864
Liabilities from issued securities	1,410,348	1,399,933	1,565,947	1,471,048
FVA of derivative financial instruments designated as hedge accounting relationship	22,249	22,249	24,804	24,804
FVA of derivative financial instruments designated as held for trading	118,468	118,468	125,487	125,487
Subordinated bonds and loans	280,834	210,075	320,050	150,677
Financial liabilities total	**224,593**	**8,251,671**	**8,143,185**	**7,865,534**

b) Fair value of derivative instruments

	2009	2008	2009	2008
	Fair value		Notional value, net	
Interest rate swaps designated as held for trading				
Positive fair value of interest rate swaps designated as held for trading	53,721	35,956	56,695	22,684
Negative fair value of interest rate swaps designated as held for trading	(47,043)	(32,564)	(45,962)	(24,146)
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	5,947	16,011	6,360	(29,891)
Negative fair value of foreign exchange swaps designated as held for trading	(5,182)	(22,491)	(4,133)	(20,002)
Interest rate swaps designated as hedge accounting relationship				
Positive fair value of interest rate swaps designated as hedge accounting relationship	14,147	8,692	10,507	81,221
Negative fair value of interest rate swaps designated as hedge accounting relationship	(3,569)	(1,268)	(3,740)	(75,585)
CCIRS designated as held for trading				
Positive fair value of CCIRS designated as held for trading	11,421	4,685	3,552	7,714
Negative fair value of CCIRS designated as held for trading	(54,169)	(58,107)	(4,734)	50,387
Mark-to-market CCIRS designated as held for trading				
Positive fair value of mark-to-market CCIRS designated as held for trading	5,133	13,551	40,776	64,266
Negative fair value of mark-to-market CCIRS designated as held for trading	(7,348)	(6,488)	40,803	50,026
CCIRS designated as hedge accounting relationship				
Positive fair value of CCIRS designated as hedge accounting relationship	–	–	–	–
Negative fair value of CCIRS designated as hedge accounting relationship	(18,615)	(23,448)	(40,518)	(41,331)
Other derivative contracts designated as hedge accounting relationship				
Positive fair value of other derivative contracts designated as hedge accounting relationship	33	217	26	267
Negative fair value of other derivative contracts designated as hedge accounting relationship	(65)	(88)	(65)	(88)
Other derivative contracts designated as held for trading				
Positive fair value of other derivative contracts designated as held for trading	1,323	2,517	773	17,011
Negative fair value of other derivative contracts designated as held for trading	(4,726)	(5,837)	(12,189)	(21,218)
Derivative financial assets total	**91,725**	**81,629**	**118,689**	**163,272**
Derivative financial liabilities total	**(140,717)**	**(150,291)**	**(70,538)**	**(81,957)**
Derivative financial instruments total	**(48,992)**	**(68,662)**	**48,151**	**81,315**

c) Hedge accounting

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

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

As at 31 December, 2009

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

As at 31 December, 2008

Types of the hedges	Desription of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
Cash flow hedges	–	–	–
Fair value hedges	IRS	HUF 7,424 million	Interest rate
	Options	HUF 179 million	Foreign exchange
	CCIRS	HUF (23,448) million	Foreign exchange and interest rate
Hedges of a net investments in foreign operations	–	–	–

d) Fair value hedges

1. Deposits from customers

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

	2009	2008
Fair value of the hedging instruments	3,461	(574)

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates. In order to hedge the interest rate risk of the cash-flows the Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 6 month LIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	2009	2008
Fair value of the hedging instruments	348	367

3. Loans to customers

3.1. Hedges of foreign exchange rate risk

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

	2009	2008
Fair value of the hedging instruments	2	208

3.2. Hedges of interest rate risk

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

	2009	2008
Fair value of the hedging instruments	(1.335)	(43)

4. Issued securities

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

	2009	2008
Fair value of the hedging instruments	(10.511)	(15.774)

As at 31 December 2009					
Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 15,557 million	HUF 348 million	HUF 197 million	HUF (197) million
Loans to customers	IRS	HUF 43,292 million	HUF (1,335) million	HUF 792 million	HUF (790) million
Loans to customers	Options	HUF 3,6 million	HUF 1 million	HUF (52) million	HUF 52 million
Deposits from customers	IRS	HUF 29,685 million	HUF 3,461 million	HUF 4,036 million	HUF (4,036) million
Liabilities from issued securities	IRS	HUF 154,164 million	HUF 8,104 million	HUF 429 million	HUF (429) million
EUR mortgage bonds	CCIRS	HUF 203,130 million	HUF 1,049 million	HUF (2,495) million	HUF 2,495 million
EUR mortgage bonds	CCIRS	HUF 216,672 million	HUF 11,229 million	HUF 23 million	HUF (23) million
EUR mortgage bonds	CCIRS	HUF 54,168 million	HUF (8,435) million	HUF (2,361) million	HUF 2,361 million

As at 31 December 2008					
Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 35,230 million	HUF 367 million	HUF 934 million	HUF (934) million
Loans to customers	IRS	HUF 980 million	HUF (43) million	HUF (43) million	HUF (13) million
Loans to customers	Options	HUF 231 million	HUF 179 million	HUF (326) million	HUF 326 million
Deposits from customers	IRS	HUF 17,163 million	HUF 7,674 million	HUF 7,674 million	HUF (7,674) million
Liabilities from issued securities	IRS	HUF 134,706 million	HUF (574) million	HUF (574) million	HUF 574 million
EUR mortgage bonds	CCIRS	HUF 199 million	HUF (1,447) million	HUF 13,274 million	HUF (13,274) million
EUR mortgage bonds	CCIRS	HUF 212 million	HUF (11,206) million	HUF 11,206 million	HUF (11,206) million
EUR mortgage bonds	CCIRS	HUF 53 million	HUF (10,795) million	HUF 10,795 million	HUF (10,795) million

e) Fair value classes

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly;
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 31 December 2009	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	254,934	174,827	80,107	–
from this: securities held for trading	177,390	174,655	2,735	–
from this: positive FVA of derivative financial instruments designated as held for trading	77,544	172	77,372	–
Securities available-for-sale	1,338,371	1,159,740	75,790	102,841
Positive FVA of derivative financial instruments designated as hedge accounting relationship	14,181	–	14,181	–
Financial assets measured at fair value total	**1,607,486**	**1,334,567**	**170,078**	**102,841**
Negative FVA of derivative financial instruments designated as held for trading	118,468	76	118,392	–
Negative FVA of derivative financial instruments designated as hedge accounting relationship	22,249	–	22,249	–
Financial liabilities measured at fair value total	**140,717**	**76**	**140,641**	**–**

As at 31 December 2008	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	129,332	56,883	72,449	–
from this: securities held for trading	56,673	56,673	–	–
from this: positive FVA of derivative financial instruments designated as held for trading	72,659	210	72,449	–
Securities available-for-sale	481,257	338,337	43,262	99,658
Positive FVA of derivative financial instruments designated as hedge accounting relationship	8,970	–	8,970	–
Financial assets measured at fair value total	**619,559**	**395,220**	**124,681**	**99,658**
Negative FVA of derivative financial instruments designated as held for trading	125,487	10	125,477	–
Negative FVA of derivative financial instruments designated as hedge accounting relationship	24,804	–	24,804	–
Financial liabilities measured at fair value total	**150,291**	**10**	**150,281**	**–**

Movements in Level 3 financial instruments measured at fair value

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

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

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

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

As at 31 December 2009

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Eliminations	Consolidated
Interest income											
External	827,614	18,294	21,312	108,011	22,177	28,678	7,863	86,542	100,,659	–	1,221,150
Intersegment	89,606	983	121	488	7,343	95	–	3,172	317	(102,125)	–
Total	**917,220**	**19,277**	**21,433**	**108,499**	**29,520**	**28,773**	**7,863**	**89,714**	**100,976**	**(102,125)**	**1,221,150**
Non-interest income											
External	159,116	3,836	5,475	18,516	5,739	13,892	4,632	12,654	13,758	–	237,618
Intersegment	15,282	842	–	344	3,436	–	–	–	–	(19,904)	–
Total	**174,398**	**4,678**	**5,475**	**18,860**	**9,175**	**13,892**	**4,632**	**12,654**	**13,758**	**(19,904)**	**237,618**
Interest expense											
External	522,407	7,683	9,108	32,453	8,988	13,901	1,616	21,074	14,140	–	631,370
Intersegment	47,191	775	2,189	6,734	10,195	1,233	2196	8,353	23,999	(102,865)	–
Total	**569,598**	**8,458**	**11,297**	**39,187**	**19,183**	**15,134**	**3,812**	**29,427**	**38,139**	**(102,865)**	**631,370**
Non-interest expense											
External	235,562	13,049	8,106	33,224	14,907	19,632	10,982	46,647	25,529	–	407,638
Intersegment	5,524	–	–	–	155	11	–	555	334	(6,579)	–
Total	**241,086**	**13,049**	**8,106**	**33,224**	**15,062**	**19,643**	**10,982**	**47,202**	**25,863**	**(6,579)**	**407,638**

As at 31 December 2009

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

As at 31 December 2008

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Eliminations	Consolidated
Interest income											
External	612,676	23,689	18,482	83,795	19,625	25,711	11,278	91,219	88,977	–	975,452
Intersegment	65,551	34	–	224	–	76	–	99	–	(65,984)	–
Total	**678,227**	**23,723**	**18,482**	**84,019**	**19,625**	**25,787**	**11,278**	**91,318**	**88,977**	**(65,984)**	**978,452**
Non-interest income											
External	394,320	10,222	7,115	24,607	20,416	8,143	10,572	19,361	30,132	–	524,888
Intersegment	21,693	2,636	–	890	3,057	–	–	68	–	(28,344)	–
Total	**416,013**	**12,858**	**7,115**	**25,497**	**23,473**	**8,143**	**10,572**	**19,429**	**30,132**	**(28,344)**	**524,888**
Interest expense											
External	443,858	10,870	10,780	21,626	8,530	10,658	2,150	15,205	14,498	–	538,175
Intersegment	11,822	1,348	1,307	9,272	13,278	1,357	2,372	5,991	25,358	(72,105)	–
Total	**455,680**	**12,218**	**12,087**	**30,898**	**21,808**	**12,015**	**4,522**	**21,196**	**39,856**	**(72,105)**	**538,175**
Non-interest expense											
External	398,419	13,696	7,555	29,677	16,545	13,521	10,666	57,127	29,143	–	576,349
Intersegment	144,330	69	4	17	136	84	–	–	692	(145,332)	–
Total	**542,749**	**13,765**	**7,559**	**29,694**	**16,681**	**13,605**	**10,666**	**57,127**	**29,835**	**(145,332)**	**576,349**

As at 31 December 2008

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Eliminations	Consolidated
Provision for impairment on loan and placement losses	**42,339**	**2,559**	**2,836**	**9,625**	**3,021**	**1,717**	**2,144**	**20,735**	**26,473**	**–**	**111,449**
Highlighted lines											
Capital expenditures	3,164	5,356	–	8,191	3,412	3,524	336	36	17	–	24,036
Deppreciation and amortization	117,294	1,258	498	3,797	1,331	993	870	4,312	1,848	–	132,201
Segment profit before income tax	**53,472**	**8,039**	**3,115**	**39,299**	**1,588**	**6,593**	**4,518**	**11,689**	**22,945**	**123,109**	**274,367**
Income tax	**20,474**	**451**	**166**	**3,800**	**153**	**1,310**	**256**	**2,773**	**6,662**	**(2,746)**	**33,299**
Net profit for the year	**32,998**	**7,588**	**2,949**	**35,498**	**1,435**	**5,283**	**4,262**	**8,916**	**16,283**	**125,856**	**241,068**
Segment assets	**6,394,860**	**431,715**	**308,140**	**1,197,862**	**218,586**	**498,841**	**147,798**	**582,003**	**969,327**	**(1,369,696)**	**9,379,436**
Segment liabilities	**6,194,489**	**401,099**	**289,970**	**1,006,599**	**190,065**	**407,481**	**104,557**	**465,603**	**766,626**	**(1,496,024)**	**8,330,465**

NOTE 41: SIGNIFICANT EVENTS DURING THE YEAR

MOL OTP share swap transaction

See details in Note 17.

Hungarian Government loan facility

See details in Note 13.

EBRD subordinated loan agreement

On 9 July 2009 Bank signed an agreement with EBRD according to which the London-based financial institution is providing EUR 200 million subordinated loan to the Bank and a further EUR 20 million is being used to acquire OTP treasury shares. The subordinated loan facility carries commercial terms and will be available for draw-down for a period of six months.

On 16 December 2009 the parties extended the period available for draw-down by 6 months. The EBRD subordinated loan is further strengthening the Bank's current robust capitalization and facilitating boosting the Bank's domestic banking operations as well as its activities in other Eastern European countries. Through the share purchase EBRD will increase its existing 1.5% stake in the Bank to around 2%. Details of the transaction will be reported to markets once the deal has been completed.

Bond issue program

On 10 August 2009 the Bank has launched a HUF 500 billion Note Program. The Hungarian Financial Supervisory Authority approved the Base Prospectus relating to the program on 7 August 2009. During the issuance within frames of the program the Bank can initiate subscription of the bonds on the Stock Exchange.

The Commission de Surveillance du Sectuer Financier (CSSF) approved the Base Prospectus (dated 26 August 2009) relating to the Bank EUR 5 billion Medium Term Note Program under the C-08390 number.

New Branch foundation

In December 2009 the Bank established a branch in Frankfurt in order to help the German appearance and activity of SME clients of the Bank and its subsidiaries – mainly the Russian, Ukranian and Romanian – as well as support the entering of German companies in Hungary. The Bank has an interest in participating in open-market activities of European Central Bank (ECB).

NOTE 42: POST BALANCE SHEET EVENTS

CJSC Donskoy Narodny Bank was emerged 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 reached RUB 2,797,887,853.

NOTE 43: EFFECT OF THE FINANCIAL SITUATION ON THE GROUP

In 2009, the Group focused its activity on the stable operation, including the robust capital position and liquidity, and in line with the deteriorating loan portfolio, on prudent risk management and monitoring. This year the Bank managed the effects of the crisis with success, complied with the preliminary objectives of the management.

The framework of operation and profitability of the Group in 2009 has been significantly influenced by the crisis and the measures taken by the management.

- The quality of the loan portfolio has deteriorated significantly compared to the previous years (See Note 27): the loans due over 90 days on Group level have increased to 9.8% by the end of 2009 from the 4.5% at the end of 2008. This caused a significant raise in the provision levels: on Group level, they were HUF 265 billion at the end of 2009, which is a 123% increase from the levels of the end of 2008, when the provision level was HUF 119 billion, and is significantly above the levels of the pre-crisis periods (HUF 49 billion in 2007 and HUF 30 billion in 2006). The portfolio deterioration had the following reasons: the population's disposable income in the countries of the Central and Eastern European region reduced due to the crisis (rising level of unemployment, devaluation of the currencies, restrictive fiscal measures had negative effect), and the business environment deteriorated (predominantly due to the reduced demand for export and domestic consumption). Moreover, Ukraine faced a foreign exchange rate shock, remarkably exceeding the level of foreign exchange rate devaluation of the surrounding countries, causing significantly higher credit charges to the Ukrainian clients of the Group.
- The factors listed above required on the one hand prudent provisioning: the coverage of loans due over 90 days by provision was 74% at the end of 2009. On the other hand based on the debtor compensation program in Ukraine, the Group has launched similar programs in Hungary, Bulgaria, Romania, which offered help for the clients having temporary problems with repayment, generally in form of temporary installment reductions, prolongation of the duration of the contracts, or the combination of these.
- The further enhancement of the stable capital adequacy was a priority for the Group in 2009 as well. Due to the profitable operation, the lending activity shrinking as a consequence of the crisis, and the shrinking of the risk weighted total assets, the capital adequacy ratio of the Group has risen to 17.3%.
  On 9 July 2009 an agreement has been concluded between the Bank and EBRD, providing the Bank a 6 months facility of subordinated loan of EUR 200 million, starting from the date of subscription. The facility has been prolonged in December 2009. There were no subordinated loans drawn from the facility in 2009. Based on the agreement, EBRD purchased 1.6 million OTP shares.
- Irrespective of the fundamental performance of the Bank, its share prices and prices of other financial assets issued by the Bank, fell to the price level of year 2001 due to the risk evasive investor attitudes. In 2009 the Bank, seeing the low share and financial asset prices, repurchased bonds, being components of its Supplementary Capital, the gain on these transactions was HUF 27.7 billion for 2009. In the first quarter, the Bank purchased treasury shares on low market prices. A stock of the treasury shares has been transferred to MOL in the framework of a share swap agreement, that has enhanced the capital adequacy of the Bank.
- From the first quarter of 2009, the Bank classifies the strategic open foreign currency positions as hedge deals and the foreign

exchange gains and losses on the short positions in EUR amounting to EUR 310 million (83% of the total strategic position, approximating the sum of the Net profit for the year 2009 and 2010 of 4 subsidiaries (DSK, CKB, OTP banka Hrvatska and OTP Banka Slovensko) have been recorded in equity (HUF 1.5 billion loss in 2009). Moreover, in the first quarter of 2009, HUF 11.3 billion negative Profit before income tax has been realized because of the devaluation of the forint on the foreign currency positions excluding the strategic open positions. These positions have been closed in the second quarter of the year, as the course of the forint strengthened, so they had no influence on the profit of the further quarters.

- On 26 March 2009 the Hungarian Government and the Bank entered into an agreement. The Hungarian Government provides an EUR 1.4 billion facility in order to provide liquidity for the Hungarian corporate sector. At the same time the Bank has pre-paid EUR 700 million in November 2009. The reason of the pre-payment is that the Bank would like to finance the corporate sector from its own liquidity. The Bank, independently from the loan received from the government, constantly sought the market segments, for which it could provide loans, either for own funds or from the loan provided by the Hungarian Government. In Hungary the stable capital position and the liquidity puffer made possible the 4% growth of the corporate loans. (In Hungary a HUF 248 billion new corporate loans have been provided in 2009.)
- Parallel to the shrinking demand for loans on the market and to the more cautious lending activity, the Group has taken special attention to the collection of deposits. The successful deposit collection activity contributed considerably to the 13 % points decrease of the loan-deposit ratio in 2009 (at the end of 2009 it was 121%). By its conservative business policy, the Bank accumulated a liquidity puffer (as at the end of 2009 it amounted to EUR 6 billion), which securely covers all the liabilities denominated in foreign currencies (senior debt and mortgage bonds), the repayment of the state loans, and supports managing any unanticipated liquidity and foreign exchange rate shocks.
- The possibility of raising funds from the capital markets has shrunk significantly in the first part of 2009. The Moody`s and the S&P credit rating agencies have downgraded the rating of the debt of Hungary in March. The rating of the Bank has moved parallel to the Hungarian sovereign rating at the Moody`s (from A3 to Baa1), while the S&P has downgraded the rating of the Bank by two levels (from BBB to BB+), so the rating of the Bank and the country are not on the same level. S&P has changed the outlook from negative to stable, leaving the credit rating on the same level.
- Both the lending activity and the demand for loans have reduced considerably: the population's and the corporate sector's disposable income in Hungary reduced due to the crisis (rising level of unemployment, devaluation of the currencies, restrictive fiscal measures had negative effect), the demand for loans reduced. The Bank has made its credit policy stricter already in 2008, and the higher cost of raising funds has been partially charged to the clients in the form of higher interest margins. Based on management decision, the portion of the HUF denominated loans grew significantly among the loans originated in 2009, both for mortgage loans and personal loans. This year, there were initiatives and bills in Hungary, that aimed at cutting foreign currency denominated lending, and setting up other barriers to it, furthermore, a law has been codified to help the retail clients having mortgage loans, touched by the crisis. On 16 September, the Bank joined the Code of Ethics of retail lending institutions, which is about the

fair treatment of the retail clients. On 30 December, a government decree has been issued on the conditions of prudent retail lending, providing loans and credit scoring, to be applied from 2010.

- The swap markets for raising the necessary liquidity in foreign currencies for the lending in foreign currencies, have shrunk in 2008 (particularly in the last quarter), though the renewal of the transactions has been ensured continuously accompanied by raising premiums. In the third quarter of 2009 in the framework of the contract with the EBRD, the international credit institution provided a CHF 500 million CHF/HUF swap facility for the Group. In the past year more transactions were contracted with EBRD, by which the swap facility has been almost completely used. The Group could charge to its clients in several lending business lines the expense of the swaps, being higher in amount, partially counterbalancing its effect on the Statement of Recognized Income.
- The lending activity decreased due to the lower level of liquidity and the reduced demand for loans. As a consequence of the lower level of business activity, there were cost-cutting programs at each subsidiary, having in all cases effect on the number of employees, and some branches have been closed. The rationalization of the branches was the largest scale in Serbia, Ukraine and Slovakia. In these countries, 45 branches have been closed in Serbia, 23 in Ukraine, 12 in Slovakia, furthermore, the number of employees has decreased in Serbia by 34%, in Ukraine by 13%, in Slovakia by 18%.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of OTP Bank Plc.

We have audited the accompanying unconsolidated financial statements of OTP Bank Plc., which comprise the unconsolidated statement of financial position as at December 31, 2009, and the related unconsolidated statement of recognised and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 122-183 of this Annual Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of OTP Bank Plc. as of December 31, 2009, and of its unconsolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw attention to Note 2.3 to the unconsolidated financial statements which states that the consolidated financial statements of OTP BankPlc. prepared in accordance with International Financial Reporting Standards have been issued separately. The consolidated financial statements of OTP Bank Plc. as of and for the year ended December 31, 2009 were audited by us and our report dated February 26, 2010 expressed an unqualified opinion.

Budapest, February 26, 2010

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Gion Gábor
Deloitte Auditing and Consulting Ltd.

Statement of financial position

(unconsolidated, based on IFRS, as at 31 December 2009, in HUF million)

	Note	2009	2008
Cash, amounts due from banks and balances with the National Bank of Hungary	4.	178,217	158,022
Placements with other banks, net of allowance for placement losses	5.	962,063	925,713
Financial assets at fair value through profit or loss	6.	273,652	153,543
Securities available-for-sale	7.	1,652,747	561,041
Loans, net of allowance for loan losses	8.	2,622,895	2,737,605
Investments in subsidiaries	9.	643,907	596,244
Securities held-to-maturity	10.	216,563	451,178
Property and equipment	11.	69,654	72,844
Intangible assets	11.	38,909	39,539
Other assets	12.	92,085	71,277
TOTAL ASSETS		**6,750,692**	**5,767,006**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	13.	1,152,131	711,077
Deposits from customers	14.	3,368,752	3,108,428
Liabilities from issued securities	15.	618,303	606,465
Financial liabilities at fair value through profit or loss	16.	119,353	127,061
Other liabilities	17.	252,988	136,284
Subordinated bonds and loans	18.	287,321	305,218
TOTAL LIABILITIES		**5,798,848**	**4,994,533**
Share capital	19.	28,000	28,000
Retained earnings and reserves	20.	927,618	842,318
Treasury shares	21.	(3,774)	(97,845)
TOTAL SHAREHOLDERS' EQUITY		**951,844**	**772,473**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,750,692**	**5,767,006**

The accompanying notes to unconsolidated financial statements on pages 126 to 183 form an integral part of these unconsolidated financial statements.

Statement of recognised income

(unconsolidated, based on IFRS, for the year ended 31 December 2009, in HUF million)

	Note	2009	2008
Interest Income:			
Loans		253,822	243,170
Placements with other banks		353,911	203,352
Securities available-for-sale		54,087	23,959
Securities held-to-maturity		52,934	42,695
Amounts due from banks and balances with National Bank of Hungary		7,026	14,147
Securities held for trading		5,297	4,979
Total Interest Income		727,077	532,302
Interest Expense:			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government		265,205	206,208
Deposits from customers		197,585	150,729
Liabilities from issued securities		32,474	25,079
Subordinated bonds and loans		17,446	16,444
Total Interest Expense		512,710	133,842
NET INTEREST INCOME		**214,367**	**133,842**
Provision for impairment on loan and placement losses	5., 8.	78,462	29,211
NET INTEREST INCOME AFTER PROVISON FOR LOAN AND PLACEMENT LOSSES		**135,905**	**104,631**
Income from fees and commissions	22.	160,881	157,575
Expenses from fees and commissions	22.	22,080	24,535
NET PROFIT FROM FEES AND COMMISSIONS		**138,801**	**133,040**
Foreign exchange (losses) and gains		(18,487)	58,228
(Losses) and gains on securities, net		(1,085)	118
Dividend income		32,986	138,264
Other operating income	23.	41,350	21,497
Other operating expenses	23.	(2,713)	(146,502)
from this: provision for impairment on investments in subsidiaries		575	124,880
NET OPERATING INCOME		**52,051**	**71,605**
Personnel expenses	24.	77,677	77,354
Depreciation and amortization	24.	22,262	21,032
Other administrative expenses	24.	65,449	69,348
OTHER ADMINISTRATIVE EXPENSES		**165,338**	**167,734**
PROFIT BEFORE INCOME TAX		**161,369**	**141,542**
Income tax	25.	3,231	7,587
NET PROFIT FOR THE YEAR		**158,138**	**133,955**
Earnings per share (in HUF)			
Basic	35.	582	495
Diluted	35.	577	935

Statement of comprehensive income

(unconsolidated, based on IFRS, for the year ended 31 December 2009, in HUF million)

	2009	2008
NET PROFIT FOR THE YEAR	**158,138**	**133,955**
Fair value adjustment of securities available-for-sale	29,126	(17,393)
Cash Flow hedge	–	387
NET COMPREHENSIVE INCOME	**187,264**	**116,949**

The accompanying notes to unconsolidated financial statements on pages 126 to 183 form an integral part of these unconsolidated financial statements.

Statement of cash flows

(unconsolidated, based on IFRS, for the year ended 31 December 2009, in HUF million)

Operating activities	Note	2009	2008
Profit before income tax		**161,369**	**141,542**
Income tax paid		(13,278)	(14,566)
Depreciation and amortization		22,262	21,032
Net provision for impairment on securities available-for-sale	7.	2,451	2,769
Provision for impairment on securities held-to-maturity		4,164	–
Provision for impairment on loan and placement losses	8.	78,462	29,211
Provision for impairment on investments in subsidiaries	9.	575	124,880
Provision for impairment/(release of provision) on other assets	12.	1,370	(731)
(Release of provision)/provision on off-balance sheet commitments and contingent liabilities	17.	(9,500)	14,012
Share-based payment	28.	6,802	28
Unrealised gains/(losses) on fair value adjustment of securities available-for-sale and held for trading		1,634	(7,673)
Unrealised gains/(losses) on fair value adjustment of derivative financial instruments		34,568	(8,676)
Net changes in assets and liabilities in operating activities:			
Changes in financial assets at fair value through profit or loss		(124,995)	6,358
Changes in financial liabilities at fair value through profit or loss		(224)	–
Increase in other assets, excluding advances for investments and before provisions for losses		1,533	11,535
Increase/(decrease) in other liabilities		93,307	(15,362)
Net cash provided by operating activities		**260,500**	**304,359**
FINANCING ACTIVITIES			
Net increase in placements with other banks before allowance for placement losses		(66,321)	(67,684)
Net increase in securities available-for-sale		(1,055,389)	(250,560)
Net increase in investments in subsidiaries before provision for impairment		(10,107)	(90,421)
Net decrease in securities held-to-maturity		227,376	127,843
Net increase in advances for investments included in other assets		(13)	(23)
Net decrease/(increase) in loans, net of allowance for loan losses		10,026	(512,642)
Net (additions)/disposals to property, equipment and intangible assets		(20,515)	9,524
Net cash used in investing activities		**(914,943)**	**(783,963)**
FINANCING ACTIVITIES			
Net increase in amounts due to banks and deposits from the National Bank of Hungary and other banks		441,054	117,677
Net increase in deposits from customers		256,289	143,991
Net increase in liabilities from issued securities		11,409	201,307
(Decrease)/increase in subordinated bonds and loans		(17,897)	3,810
Payments to ICES holders		(4,723)	(5,203)
Written put option on ordinary shares		(55,468)	–
Net change in Treasury shares		44,513	(54,560)
Net (increase)/decrease in the compulsory reserve established by the National Bank of Hungary		(8,167)	91,832
Dividends paid		(539)	(57)
Net cash provided by financing activities		**666,471**	**498,797**
Net increase in cash and cash equivalents		**12,028**	**19,193**
Cash and cash equivalents at the beginning of the year		**93,651**	**74,458**
Cash and cash equivalents at the end of the year		**105,679**	**93,651**
Cash, amounts due from banks and balances with the National Bank of Hungary		158,022	230,661
Compulsory reserve established by the National Bank of Hungary		(64,371)	(156,203)
Cash and cash equivalents at the beginning of the year		**93,651**	**74,458**
Cash, amounts due from banks and balances with the National Bank of Hungary	4.	178,217	158,022
Compulsory reserve established by the National Bank of Hungary	4.	(72,538)	(64,371)
Cash and cash equivalents at the end of the year		**105,679**	**93,651**

The accompanying notes to unconsolidated financial statements on pages 126 to 183 form an integral part of these unconsolidated financial statements.

Statement of changes in shareholders' equity

(unconsolidated, based on IFRS, for the year ended 31 December 2009, in HUF million)

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury Shares	Total
Balance as at 1 January 2008		**28,000**	**52**	**19,153**	**722,262**	**–**	**(54,208)**	**715,259**
Net comprehensive income for the year		–	–	–	116,949	–	–	116,949
Share-based payment	28.	–	–	28	–	–	–	28
Payments to ICES holders		–	–	–	(5,203)	–	–	(5,203)
Effect of treasury share transactions		–	–	–	(7,499)	–	–	(7,499)
Loss on sale of treasury shares		–	–	–	(3,424)	–	–	(3,424)
Aquisition of treasury shares		–	–	–	–	–	(43,637)	(43,637)
Balance as at 31 December 2008		**28,000**	**52**	**19,181**	**823,085**	**–**	**(97,845)**	**772,473**
Net comprehensive income for the year		–	–	–	187,264	–	–	187,264
Share-based payment	28.	–	–	6,802	–	–	–	6,802
Closed share-based payment		–	–	(19,153)	19,153	–	–	–
Payments to ICES holders		–	–	–	(4,723)	–	–	(4,723)
Sale of treasury shares		–	–	–	–	–	110,637	110,637
Written put option on ordinary shares		–	–	–	–	(55,468)	–	(55,468)
Loss on sale of treasury shares		–	–	–	(48,575)	–	–	(48,575)
Acquisition of treasury shares		–	–	–	–	–	(16,566)	(16,566)
Balance as at 31 December 2009		**28,000**	**52**	**6,830**	**976,204**	**(55,468)**	**(3,774)**	**951,844**

The accompanying notes to unconsolidated financial statements on pages 126 to 183 form an integral part of these unconsolidated financial statements.

NOTES TO UNCONSOLIDATED IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

	2009	2008
The structure of the Share capital by shareholders (%):		
Domestic and foreign private and institutional investors	97%	91%
Employees	2%	2%
Treasury shares	1%	7%
Total	**100%**	**100%**

The Bank provides a full range of commercial banking services through a nationwide network of 382 branches in Hungary.

	2009	2008
Number of the employees of the Bank:		
Number of employees	7,820	8,297
Average number of employees	7,977	8,333

1.2. Accounting

The Bank maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.
The functional currency of the Bank is the Hungarian Forint (“HUF”).
Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with the International Financial Reporting Standards (“IFRS”). Certain adjustments have been made to the Bank’s Hungarian unconsolidated statutory accounts (see Note 38), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (“IASB”), which are referred to as International Financial Reporting Standards. The unconsolidated financial statements have been prepared in accordance

with IFRS as adopted by the European Union (the "EU") except for the matters discussed in Note 2.3. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") which has not been approved by the EU. As the Bank does not apply portfolio hedge accounting under IAS 39, there would be no impact on these unconsolidated financial statements, had it been approved by the EU at the statement of financial position date.

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

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

– IAS 1 (Revised) Presentation of Financial Statements – a revised presentation (effective for annual periods beginning on or after 1 January 2009)
– IAS 23 (Revised) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
– IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial statements – Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)
– IFRS 1 (Amendment) First-time adoption of IFRS and IAS 27 (Amendment) Consolidated and Separate Financial Statements – Cost of investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009)
– IFRS 2 (Amendment) Share-based Payment – Vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009)
– IFRS 7 (Amendment) Financial Instruments: Disclosures - Improving disclosures about financial instruments (effective for annual periods beginning on or after 1 January 2009)*
– IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)
– IFRIC 9 (Amendment) Reassessment of Embedded Derivatives and IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Embedded derivatives (effective for annual periods ending on or after 30 June 2009)
– IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
– IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)*
– IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)*
– Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2009),

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

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

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

– IAS 24 (Amendment) Related party disclosures – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party

*Not yet endoresed by the EU.

(effective for annual periods beginning on or after 1 January 2011)*
– IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
– IAS 32 (Amendment) Financial instruments: Presentation – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010)
– IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)
– IFRS 1 (Amendment) First time adoption of IFRS – Additional exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)*
– IFRS 2 (Amendment) Share based payment – Bank cash-settled share based payment transactions (effective for annual periods beginning on or after 1 January 2010)*
– IFRS 3 (Revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)
– IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2013)*
– IFRIC 14 (Amendment) The Limit on a defined benefit Asset, Minimum Funding Requirements and their interaction – Prepayments of a minimum funding requirement (effective for annual periods beginning on or after 1 January 2011)*
– IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
– IFRIC 18 Transfers of Assets from Customers (effective for transfer of assets from customers received on or after 1 July 2009)
– IFRIC 19 Extinguishing Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)*
– Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010*

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

The presentation of unconsolidated financial statements in conformity with IFRS requires the management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting

*Not yet endorsed by the EU.

period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary ("NBH") as at the date of the financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded to the unconsolidated statement of recognised income.

2.3. Consolidated financial statements

These financial statements present the unconsolidated financial position and results of operations of the Bank. Consolidated financial statements are currently being prepared by the Bank and consolidated net profit for the year and shareholders' equity differs significantly from that presented in these unconsolidated financial statements. See Note 2.4 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements. The consolidated financial statements and the unconsolitated financial statements will be published on the same date. As the ultimate parent, OTP is preparing consolidated financial statement of OTP Group.

2.4. Investments in subsidiaries

Investments in subsidiaries comprise those investments where the Bank, through direct and indirect ownership interest, controls the financial and operating policies of the investee.

The Bank recognizes the loss control of a subsidiary, derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognises any difference as a gain or loss on the sale attributable to the parent in statement of recognised income.
Investments in subsidiaries are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.
Allowance is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

OTP calculates the value in use a discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash generating units.
OTP in its strategic plan, has taken into consideration the effects of the present global economic situation, the probable economic decline and their possible influence on the financial sector as well as the limited external refinancing funds, the lower possibility of the expansion and the prospective effects of all these above mentioned factors.

2.5. Securities held-to-maturity

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the Bank has the express intention and ability to hold to maturity (securities held-to-maturity) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognised in each period represents a constant yield on the investment.

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

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognised in profit/loss and included in the unconsolidated statement of recognised income for the period. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in commercial companies and shares in investment funds.

2.6.2. Derivative financial instruments

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

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

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the unconsolidated statement of recognised income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the unconsolidated statement of recognised income.

The conditions of hedge accounting applied by the Bank are the following: formally designed as hedge, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is effective.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk, are recognised as reserve in the shareholders' equity. Amounts deferred in equity are transferred to the unconsolidated statement of recognised income and classified as revenue or expense in the periods during which the hedged assets and liabilities affect the unconsolidated statement of operation for the period. The ineffective element of the hedge is charged directly to the unconsolidated statement of recognised income.

Certain derivative transactions, while providing effective economic hedges under risk management positions of the Bank, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the unconsolidated statement of recognised income.

2.7. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured

at fair value. Available-for-sale investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognised directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when realised in profit and loss for the applicable period. Securities available-for-sale consist of discounted Treasury bills, Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, bonds issued by NBH, companies or municipalities and foreign government bonds.
The provision is calculated based on discounted cash flow methodology, using the expected future cash flow and original effective interest rate.

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

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

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

Loans and placements with other banks are stated at the principal amounts outstanding, net of allowance for loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amounts outstanding. When a borrower is unable to meet payments as they fall due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired.

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

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

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

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Provisions for impairment on loan and placement losses" in the statement of recognised income. If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into income.
The Bank classifies the previously performing loans that have been renegotiated automatically to the to-be-monitored risk class and records at least 1 per cent provision for impairment on them.

2.9. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and

Hungarian Government, deposits from the National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognised in the statement of financial position and the consideration paid is recorded in Placement with other Banks. Interest is accrued evenly over the life of the repurchase agreement.

2.10. Property, equipment and intangible assets

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

Intangible assets	
Software	20–33.3%
Property rights	16.7%
Property	1–2%
Office equipments and vehicles	8–33.3%

Depreciation and amortization on properties, equipments and intangible assets starts on the day when such assets are placed into service. At each statement of financial position date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

2.11. Financial liabilities

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

2.12. Leases

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

2.13. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the unconsolidated statement of financial position at acquisition cost as a deduction from shareholders' equity.
Gains and losses on the sale of Treasury shares are credited or charged directly to shareholder's equity in the trasury shares. Derecognition of Treasury shares is based on the FIFO method.

2.14. Interest income and interest expense

The interest income and expense are recognised on the accrual basis and based on the IAS 18 Revenue Standard, referring to provisions of IAS 39.

2.15. Fees and Commissions

Fees and commissions are recognised in the unconsolidated statement of recognised income on an accrual basis based on IAS 18 Revenue Standard, fees and commissions are recognised using the effective interest method referring to provisions IAS 39.

2.16. Income tax

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the statement of financial position liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognized by the Bank for the amounts of income tax that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

2.17. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit and transactions with financial instruments. The provision on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

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

2.18. Share-based payment

The Bank has applied the requirements of IFRS 2 Share-based Payment. The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.19. Unconsolidated statement of cash flows

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

2.20. Segment reporting

The Bank has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Bank are the geographical segments.

2.21. Comparative figures

Certain amounts in the unconsolidated financial statements for the year ended 31 December 2008 have been reclassified to conform with the current year presentation. These mainly consist of reclassifications of accruals and prepayments from the other assets/liabilities to the statement of financial position items to which they are related. These reclassifications were not material.

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

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

3.1. Impairment on loans and advances

The Bank regularly assesses its loan portfolio for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors.

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

Provision is recognised and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Bank is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (see Note 17)
A provision is recognised by the Bank when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities, for commitments to extend credit, provision for warranties arising from banking activities and provision for Confirmed letter of credit.

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

	2009	2008
Cash on hand:		
In HUF	49,237	66,542
In foreign currency	5,453	8,120
	54,690	**74,662**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	95,389	71,857
In foreign currency	27,734	10,918
	123,123	**82,775**
Accrued interest	404	585
Total	**178,217**	**158,022**
Compulsory reserve	**72,538**	**64,371**
Rate of the compulsory reserve	**2%**	**2%**

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

	2009	2008
Within one year:		
In HUF	230,804	157,903
In foreign currency	442,228	389,055
	673,032	**546,958**
Over one year		
In HUF	300	2,300
In foreign currency	288,894	371,559
	289,194	**373,859**
Total placements	962,226	920,817
Accrued interest	1,534	5,258
Provision for impairment on placement losses	(1,697)	(362)
Total	**962,063**	**925,713**

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

	2009	2008
Balance as at 1 January	362	–
Provision for the period	1600	362
Release of provision	(265)	–
Balance as at 31 December	**1,697**	**362**

Interest conditions of placements with other banks:

	2009	2008
Placements with other banks in HUF	6.75%–10.89%	8.94%–12.67%
Placements with other banks in foreign currency	0.5%–10.5%	1%–10.7%

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

	2009	2008
Held for trading securities:		
Corporate shares	88,513	2,298
Securities issued by the NBH	49,887	–
Government bonds	28,857	43,031
Mortgage bonds	8,689	5,057
Hungarian government discounted Treasury Bills	2,642	1,373
Hungarian government interest bearing Treasury Bills	183	452
	179,053	**54,819**
Accrued interest	1,363	1,827
Total	**180,416**	**56,646**

Derivative financial instruments designated as held for trading:

	2009	2008
Interest rate swaps designated as held for trading	56,134	41,004
CCIRS* and mark-to-market CCIRS swap designated as held for trading	28,403	25,600
Foreign currency swaps designated as held for trading	7,439	26,527
Other derivative transactions	1,260	3,766
Subtotal	**93,236**	**96,897**
Total	**273,652**	**153,543**

Interest conditions and the remaining maturities of securities held for trading are as follows:

	2009	2008
Within five years:		
variable interest	18	228
fixed interest	74,670	34,779
	74,688	**35,007**
Over five years:		
variable interest	–	–
fixed interest	15,832	17,514
	15,832	**17,514**
Non-interest bearing securities	88,533	2,298
Total	**179,053**	**54,819**

	2009	2008
Held for trading securities denominated in HUF (%)	96%	94%
Held for trading securities denominated in Foreign currency (%)	4%	6%
Held for trading securities total	**100%**	**100%**
Government securities denominated in HUF (%)	99%	98%
Government securities denominated in foreign currency (%)	1%	2%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading (%)	3.9%–12.2%	3.7%–12.2%

* CCIRS: Cross Currency Interest Rate Swap

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

	2009	2008
Securities available-for-sale		
Mortgage bonds	720,260	290,820
Bonds issued by NBH	504,172	–
Government bonds	257,571	126,177
Other securities	137,389	135,683
Listed securities	15,878	22,756
in HUF	0	0
in foreign currency	15,878	22,756
Non-listed securities	121,511	112,927
in HUF	14,580	16,719
in foreign currency	106,931	96,208
Accrued interest	38,575	11,130
Provision for impairment	(5,220)	(2,769)
Securities available-for-sale total	**1,652,747**	**561,041**

An analysis of the changes in the provision for impairment is as follows:

	2009	2008
Balance as at 1 January	2,769	–
Provision for the period	5,220	2,769
Use of provision	(2,769)	–
Balance as at 31 December	**5,220**	**2,769**

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

	2009	2008
Securities available-for-sale denominated in HUF (%)	74%	78%
Securities available-for-sale denominated in foreign currency (%)	26%	22%
Securities available-for-sale total	**100%**	**100%**
Interest rates on securities available-for-sale denominated in HUF (%)	5.5%–12%	6%–11%
Interest rates on securities available-for-sale denominated in foreign currency (%)	1%–9.5%	1%–9.75%

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

	2009	2008
Within five years:		
variable interest	29,140	363,229
fixed interest	1,066,194	90,213
	1,095,336	**453,442**
Over five years:		
variable interest	72,030	79,758
fixed interest	443,589	8,666
	515,589	**88,424**
Non-interest bearing securities	8,467	10,814
Total	**1,619,392**	**552,680**

Certain fixed-rate mortgage bonds and other securities are hedged. See Note 37.

	2009	2008
Net loss reclassified from equity to statement of recognised income	197	934
Fair value of the hedged securities		
Mortgage bonds	–	16,841
Other securities	17,286	20,335
Total	**17,286**	**37,176**

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

	2009	2008
Short-term loans and trade bills (within one year)	611,898	650,160
Long-term loans and trade bills (over one year)	2,078,523	2,110,541
Loans gross total	**2,690,421**	**2,760,701**
Accrued interest	22,061	22,223
Provision of impairment on loan losses	(89,587)	(45,319)
Total	**2,622,895**	**2,737,605**

An analisys of the loan portfolio by currency:

	2009	2008
In HUF	33%	30%
In foreign currency	67%	70%
Total	**100.0%**	**100.0%**

Interest rates of the loan portfolio are as follows:

	2009	2008
Loans denominated in HUF, with a maturity within one year	9.7%–30%	14%–30%
Loans denominated in HUF, with a maturity over one year	3%–24.8%	3%–24.8%
Loans denominated in Foreign currency	1.8%–24.1%	1.8%–22%
Gross loan portfolio on which interest is not being accrued	6.8%	3%

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

	2009		2008	
Corporate loans	1,921,905	70%	1,862,963	67%
Consumption loans	364,839	14%	361,148	13%
Municipality loans	178,224	7%	180,670	7%
Housing loans	149,851	6%	235,375	9%
Mortgage backed loans	75,602	3%	120,545	4%
Total	**2,690,421**	**100%**	**2,760,701**	**100%**

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

	2009	2008
Balance as at 1 January	45,319	28,820
Provision for the period	76,862	28,849
Release	(32,594)	(12,350)
Balance as at 31 December	**89,587**	**45,319**

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd. (See Note 29.)

NOTE 9: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	2009	2008
Investments in subsidiaries:		
Controlling interest	769,477	721,180
Significant interest	–	72
Other	975	987
	770,452	722 239
Provision for impairment	(126,545)	(125,995)
Total	**643,907**	**596,244**

	2009	2008
Balance as at 1 January	125,995	1,115
Provision for the period	575	124,880
Release of provision	(25)	–
Balance as at 31 December	**126,545**	**125,995**

The provision for impairment on OTP Bank JSC (Ukraine) was HUF 97,526 million, for OTP banka Srbija a.d. was HUF 25,284 million as at 31 December 2009 and no additional provision was provided for these subsidiaries.

	2009		2008	
	% Held (direct and indirect)	**Gross book value**	**% Held (direct and indirect)**	**Gross book value**
OTP Bank JSC (Ukraine)	100%	271,677	100%	210,673
DSK Bank EAD (Bulgaria)	100%	86,831	100%	86,831
OTP banka Hrvatska d.d. (Croatia)	100%	72,940	100%	72,940
OAO OTP Bank (Russia)	95.55%	66,739	95.51%	66,723
OTP banka Srbija a.d. (Serbia)	91.43%	55,997	91.43%	55,997
OTP Bank Romania S.A. (Romania)	100%	40,058	100%	38,117
Crnogorska komercijalna banka a.d. (Montenegro)	100%	37,100	100%	32,988
OTP Mortgage Bank Ltd.	100%	27,000	100%	27,000
OOO Invest Oil (Russia)	100%	21,224	100%	21,224
OOO Megaform Inter (Russia)	100%	17,704	100%	17,704
OOO AlyansReserv (Russia)	100%	11,147	100%	11,147
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,038	97.23%	10,038
Air-Invest Ltd.	100%	8,298	100%	7,948
Bank Center No. 1. Ltd.	100%	7,330	100%	7,330
CJSC Donskoy Narodny Bank (Russia)	100%	6,687	100%	6,687
Inga Two Ltd.	100%	5,892	100%	5,892
OTP Funds Servicing and Consulting Ltd.	100%	2,469	100%	2,469
OTP Holding Ltd. (Cyprus)	100%	2,000	100%	29,000
OTP Building Society Ltd.	100%	1,950	100%	1,950
OTP Fund Management Ltd.	100%	1,653	100%	1,653
Merkantil Bank Ltd.	100%	1,600	100%	1,600
OTP Life Annuity Ltd.	100%	1,250	100%	1,250
S.C. OTP Fond de Pensii (Romania)	100%	885	100%	885
OTP Financing Netherlands B.V. (Netherlands)	100%	481	100%	481
OTP Card Factory Ltd.	100%	450	100%	450
OTP Real Estate Leasing Ltd.	100%	410	100%	410
OTP Factoring Ltd.	100%	225	100%	225
Other	–	312	–	1,568
Subtotal		**760,347**		**721,180**

Investments in companies in which the Bank has a non-controlling interest as at 31 December 2009 are detailed below:

	2009		2008	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
Monicomp Ltd.	100%	3,800	–	–
Monirent Ltd.	100%	1,520	–	–
Omnilog Ltd.	100%	1,500	–	–
D4 Tenant Ltd.	100%	1,020	–	–
Pet-Real Ltd.	100%	808	–	–
Dokulog Ltd.	100%	475	–	–
CIL Babér Ltd.	100%	5	–	–
Monopost Ltd.	100%	2	–	–
Subtotal		**9,130**	**–**	**–**
Total		**769,477**		**721,180**

The Bank purchased these entities in December 2009 and the Bank has conrolling interest since 1 January 2010.

The Bank has 6 indirectly owned associates. The indirect ownership of the Bank does not exceed 50 per cent in either of them.

On 8 April 2009 the Bank, 100% owner of OTP Bank JSC has increased the registered capital of its subsidiary by UAH 800 million (USD 100 million). The registration of the capital increase has been accomplished on 6 October 2009. On 30 November 2009 the Bank concluded a purchase agreement and acquired CIL Babér Ltd. possessing the Danubius IV. office building and the tenant of the office building, D4 Tenant Ltd.

On 10 December 2009 the Bank, 100% owner of Crnogorska komercijalna banka a.d. (Montenegro) has increased the registered capital of its subsidiary by EUR 15 million thus the subsidiary's registered capital changed to EUR 62 million.

On 16 December 2009 the Bank concluded a purchase agreement and acquired Monirent Ltd. as well as Omnilog Ltd. and Dokulog Ltd. possessing a joint of storehouses and offices rented by Monirent Ltd. and Monopost Ltd. By acquiring Monirent Ltd. the Bank obtained the major of company share of Monopost Ltd.

On 21 December 2009 the Bank (100% owner of OTP Life Annuity Ltd.) has decreased the registered capital of OTP Life Annuity Ltd. by HUF 405 million. Thus the subsidiary's registered capital decreased from HUF 505 million to HUF 100 million, the capital decrease has been registered by the court.

On 22 December 2009 the Bank concluded a purchase agreement and acquired a computer and banking equipment trading company, Monicomp Ltd.

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

	2009	2008
Government bonds	107,447	150,573
Mortgage bonds	99,220	172,988
Hungarian government discounted Treasury bills	388	4,290
Bonds issued by NBH	–	109,684
Foreign bonds	5,250	–
	212,305	**437,535**
Accrued interest	8,422	13,643
Provision for impairment	(4,164)	–
Total	**216,563**	**451,178**

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

	2009	2008
Balance as at 1 January	–	–
Provision for the period	4,164	–
Balance as at 31 December	**4,164**	**–**

Provision relates to foreign currency denominated bonds issued in Kazakhstan which are included in other securities. The amount of the provision is based on objective evidences that the securities are impaired and reflects the best estimate of the management.

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

	2009	2008
Within five years:		
variable interest	37,204	29,118
fixed interest	144,593	369,624
	181,797	**398,742**
Over five years:		
variable interest	6,666	15,023
fixed interest	23,842	23,770
	30,508	**38,793**
Total	**212,305**	**437,535**

	2009	2008
Securities held-to-maturity denominated in HUF (%)	98%	100%
Securities held-to-maturity denominated in foreign currency (%)	2%	–
Securities held-to maturity total	**100.0%**	**100.0%**

	2009	2008
Interest rates on securities held-to-maturity (%)	5.5%–19.2%	5.5%–19.2%

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

Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

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

For year ended 31 December 2009:

	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Cost					
Balance as at 1 January	74,686	58,354	72,441	4,869	210,350
Additions	18,682	3,116	4,355	–	26,153
Disposals	(5,633)	(1,506)	(5,675)	(1,037)	(13,851)
Balance as at 31 December	**87,735**	**59,964**	**71,121**	**3,832**	**222,652**
Depreciation and amortization					
Balance as at 1 January	35,147	10,585	52,235	–	97,967
Charge for the year	13,730	1,475	7,057	–	22,262
Disposals	(51)	(568)	(5,521)	–	(6,140)
Balance as at 31 December	**48,826**	**11,492**	**53,771**	**–**	**114,089**
Net book value					
Balance as at 1 January	39,539	47,769	20,206	4,869	112,383
Balance as at 31 December	**38,909**	**48,472**	**17,350**	**3,832**	**108,563**

For year ended 31 December 2008:

	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Cost					
Balance as at 1 January	80,272	55,301	69,115	6,173	210,861
Additions	9,329	3,902	6,408	–	19,639
Disposals	(14,915)	(849)	(3,082)	(1,304)	(20,150)
Balance as at 31 December	**74,686**	**58,354**	**72,441**	**4,869**	**210,350**
Depreciation and amortization					
Balance as at 1 January	44,006	9,411	47,171	–	100,588
Charge for the year	11,609	1,813	8,172	–	21,594
Disposals	(20,468)	(639)	(3,108)	–	(24,215)
Balance as at 31 December	**35,147**	**10,585**	**52,235**	**–**	**97,967**
Net book value					
Balance as at 1 January	36,266	45,890	21,944	6,173	110,273
Balance as at 31 December	**39,539**	**47,769**	**20,206**	**4,869**	**112,383**

NOTE 12: OTHER ASSETS (in HUF mn)

	2009	2008
Receivables from OTP Mortgage Bank Ltd.*	49,026	17,012
Fair value of derivative financial instruments designated as hedge accounting relationship	14,148	8,871
Trade receivables	6,010	5,791
Receivables from decreasing share capital of OTP Holding Ltd.	4,800	–
Prepayments and accrued income	4,506	6,028
Deferred tax assets	3,828	–
Due from Hungarian Government from interest subsidies	1,878	3,128
Current income tax receivable	1,400	23,882
Credits sold under deferred payment scheme	1,248	420
Inventories	705	602
Advances for securities and investments	546	533
Receivables from investment services	512	929
Other advances	192	162
Other	5,260	4,527
	94,059	**71,885**
Accrued interest	5	2
Provision for impairment on other assets	(1,979)	(610)
Total	**92,085**	**71,277**

Positive fair value of derivative financial instruments designated as hedge accounting relationship:

	2009	2008
Interest rate swaps designated as hedge accounting relationship	14,147	8,692
Other	1	179
Total	**14,148**	**8,871**

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

	2009	2008
Balance as at 1 January	610	1,375
Charge/(release) for the period	1,370	(731)
Write-offs	(1)	(34)
Balance as at 31 December	**1,979**	**610**

*The Bank, under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd.
Provision for impairment on other assets mainly consists of provision for trade receivables, advances and inventories.

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

	2009	2008
Within one year:		
In HUF	84,777	207,354
In foreign currency*	712,431	353,971
	797,208	**561,325**
Over one year:		
In HUF	97,875	88,577
In foreign currency	254,377	55,663
	352,252	**144,240**
Accrued interest	2,671	5,512
Total	**1,152,131**	**711,077**

The Bank has a mortgage bonds backed asset as collateral in relation to its branch in Frankfurt (EUR 435 million).

*The Hungarian State through the Government Debt Management Agency has rendered EUR 1.4 billion loan to the Bank in the framework of a loan agreement signed on 26 March 2009. The source of the facility is the IMF Loan Programme. The first disbursement was effected on 1 April 2009, the second on 30 June 2009 respectively. The maturity of the loan is 11 November 2012.

The loan facility has market conditions; the coupon paid by the Bank exceeds the relevant benchmark rates by 245–250 bps.

The loan agreement aims at providing liquidity for Hungarian corporations, as well as mitigating the negative effect of the current financial situation and stabilizing the local financial sector.

In order to contribute to the stimulation of the economy in Hungary, the Bank got the fund with the aim of re-channelling it to local corporate clients.

On 5 November 2009 the Bank has paid back an equivalent of EUR 700 million to the Hungarian State.

Interest rates on amounts due to banks and deposits from the NBH are follows:

	2009	2008
Within one year:		
In HUF	8.94%–11%	9.4%–10.8%
In foreign currency	1%–5.9%	0.5%–13.75%
Over one year:		
In HUF	1.75%–8.46%	3%–9.18%
In foreign currency	0.28%–10.56%	1.4%–6.3%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2009	2008
Within one year:		
In HUF	2,694,633	2,508,553
In foreign currency	630,457	556,332
	3,325,090	**3,064,885**
Over one year:		
In HUF	16,860	24,553
In foreign currency	3,941	1,324
	20,801	**25,877**
Subtotal	**3,345,891**	**3,090,762**
Accrued interest	22,861	17,666
Total	**3,368,752**	**3,108,428**

Interest rates on deposits from customers are as follows:

	2009	2008
Within one year in HUF	0.2%–12%	0.2%–13.8%
Over one year in HUF	0.2%–11.5%	0.2%–11%
In foreign currency	0.1%–8.1%	0.1%–21.5%

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

	2009		2008	
Retail deposits	2,057,361	61%	2,027,357	66%
Corporate deposits	1,033,705	31%	836,781	27%
Municipality deposits	254,825	8%	226,624	7%
Total	**3,345,891**	**100%**	**3,090,762**	**100%**

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

	2009	2008
Within one year:		
In HUF	227,834	57,548
In foreign currency	216,673	198,585
	444,507	**256,133**
Over one year:		
In HUF	22,206	1,863
In foreign currency	140,540	343,795
	162,746	**345,658**
Subtotal	**607,253**	**601,791**
Accrued interest	11,050	4,674
Total	**618,303**	**606,465**

Interest rates on liabilities from issued securities are as follows:

	2009	2008
Issued securities denominated in HUF	0.25%–10%	0.3%–9%
Issued securities denominated in foreign currency	0.86%–5.75%	3.1%–5.8%

Information concerning issued securities:

Issued securities denominated in HUF as at 31 December 2009:

	Name	Date of issuance	Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)	
1.	OTP 2010/I	2009.02.10–2009.02.13	22/01/2010	22,012	10	fixed
2.	OTP 2010/II	2009.02.20–2009.03.28	20/02/2010	30,530	8	fixed
3.	OTP 2010/III	2009.04.03–2009.04.24	03/04/2010	21,433	9	fixed
4.	OTP 2010/IV	2009.04.30–2009–05.08	30/04/2010	8,424	9.5	fixed
5.	OTP 2010/V	2009.05.15–2009.05.22	15/05/2010	6,920	9.5	fixed
6.	OTP 2010/VI	2009.05.29–2009.06.05	29/05/2010	5,492	9.5	fixed
7.	OTP 2010/VII	2009.06.12–2009.06.19	12/06/2010	6,590	9.5	fixed
8.	OTP 2010/VIII	2009.06.26–2009.07.03	26/06/2010	10,894	9.5	fixed
9.	OTP 2010/IX	2009.07.10–2009.07.17	10/07/2010	8,538	9.5	fixed
10.	OTP 2010/X	2009.07.24–2009.07.31	24/07/2010	9,602	9.5	fixed
11.	OTP 2010/XI	2009.08.07–2009.08.19	07/08/2010	13,894	9	fixed
12.	OTP 2010/XII	2009.08.29	29/08/2010	4,232	9	fixed
13.	OTP 2010/XIII	2009.09.04–2009.09.11	04/09/2010	10,571	7	fixed
14.	OTP 2010/XIV	2009.09.18–2009.09.25	18/09/2010	7,899	7	fixed
15.	OTP 2010/XIX	2009.11.27	27/11/2010	3,184	6.5	fixed
16.	OTP 2010/XV	2009.10.02–2009.10.09	02/10/2010	3,953	6.5	fixed
17.	OTP 2010/XVI	2009.10.16–2009.10.22	16/10/2010	4,854	6.5	fixed
18.	OTP 2010/XVII	2009.10.30–2009.11.06	30/10/2010	23,566	6.5	fixed
19.	OTP 2010/XVIII	2009.11.13–2009.11.20	13/11/2010	8,290	6.5	fixed
20.	OTP 2010/XX	2009.12.04–2009.12.11	04/12/2010	6,096	6.5	fixed
21.	OTP 2010/XXI	2009.12.21–2009.12.30	21/12/2010	7,452	5.5	fixed
22.	OTP 2011A	2009.10.13	13/04/2011	3,000	9.5	fixed
23.	OTP 2011B	2009.10.28	28/04/2011	1,000	7.55	fixed
24.	OTP 2011C	2009.11.09	09/11/2011	2,000	7.5	fixed
25.	OTPX 2010A	2007.12.21	21/12/2010	1,393	indexed	floating
26.	OTPX 2011A	2009.02.29	01/03/2011	315	indexed	floating
27.	OTPX 2011B	2009.05.30	30/05/2011	604	indexed	floating
28.	OTPX 2011C	2009.12.14	20/12/2011	500	indexed	floating
29.	OTPX 2012A	2009.09.11-2009.09.25	11/09/2012	1,686	indexed	floating
30.	OTPX 2014A	2009.06.25	30/06/2014	65	indexed	floating
31.	OTPX 2014B	2009.10.05	13/10/2014	5,000	indexed	floating
32.	OTPX 2014C	2009.12.14	19/12/2014	4,600	indexed	floating
33.	OTPX 2019A	2009.06.25	01/07/2019	3,709	indexed	floating
34.	OTPX 2019B	2009.10.05	14/10/2019	437	indexed	floating
35.	OTPX 2019C	2009.12.14	20/12/2019	430	indexed	floating
	Total			**249,165**		
	Unamortized premium			309		
	Fair value hedge adjustment			(1,497)		
	Total			**247,977**		

Issued securities denominated in foreign currency as at 31 December 2009:

	Name	Date of issuance	Maturity	Nominal value in EUR million	HUF million	Interest conditions (in % p.a.)	
1.	OTP HBFIXED 160511	16/05/2008	16/05/2011	500	135,420	5,75	fixed
2.	OTP HBFLOAT 010710	01/07/2005	01/07/2010	500	135,420	3 month Euribor + 0.16 quarterly	floating
3.	OTP HBFLOAT 201210	20/12/2005	20/12/2010	300	81,252	3 month Euribor + 0.15 quarterly	floating
				1.300	**352,092**		
	Unamortized premium				(1,417)		
	Fair value hedge adjustment				8,601		
	Total				**359,276**		
	Accrued interest				**11,050**		
	Total				**618,303**		

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

Negative fair value of financial liabilities at fair value through profit or loss:

	2009	2008
CCIRS and mark-to-market CCIRS	61,517	64,595
Interest rate swaps	47,065	32,564
Foreign currency swaps	6,168	24,063
Other derivative contracts	4,603	5,839
Total	**119,353**	**127,061**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	2009	2008
Financial liabilities from OTP-MOL share swap transaction*	86,912	–
Financial liabilities from guaranteed loans of OTP Bank JSC by OTP Bank	38,132	–
Accrued expenses	36,634	36,052
Salaries and social security payable	18,938	19,789
Provision on off-balance sheet commitments, contingent liabilities	18,733	28,233
Giro clearing accounts	11,330	20,129
Liabilities from custody accounts	7,260	692
Accounts payable	6,999	6,616
Current income tax payable	6,902	4,493
Fair value of derivative financial instruments designated as hedge accounting relationship	3,569	1,268
Liabilities from investment services	2,813	2,136
Liabilities related to housing loans	1,580	1,698
Liabilities connected to loans for collection	1,426	1,340
Repurchase agreements	895	–
Dividends payable	196	735
Deferred tax liabilities	–	759
Other	10,669	12,344
Total	**252,988**	**136,284**

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

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

	2009	2008
Provision for losses on other off-balance sheet commitments and contingent liabilities	14,346	23,924
From this: provision for the repurchase guarantee to OTP Mortgage Bank Ltd.	6,619	6,834
Provision for litigation	3,116	3,038
Provision on other liabilities	1,271	1,271
Total	**18,733**	**28,233**

Provision on other off-balance sheet commitments and contingent liabilities primarily relates to commitments from guarantees and credit lines issued towards related parties by the Bank.

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

	2009	2008
Interest-rate swap transactions designated as hedge accounting relationship	3,569	1,268

Movements in the provision for losses on commitments and contingent liabilities can be summarized as follows:

	2009	2008
Balance as at 1 January	28,233	14,221
Provision for the period	(9,500)	14,012
Balance as at 31 December	**18,733**	**28,233**

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

	2009	2008
Over one year:		
In HUF	5,000	5,000
In foreign currency	278,863	296,951
	283,863	**301,951**
Accrued interest	3,458	3,267
Total	**287,321**	**305,218**

Interest rates on subordinates bonds and loans are as follows:

	2009	2008
Subordinated bonds and loans denominated in HUF	3.8%	4.75%
Subordinated bonds and loans denominated in foreign currency	1.3%–5.9%	4.3%–5.9%

Subordinated loans and bonds are detailed as follows:

Type	Subordinated bond
Nominal value	HUF 5 billion
Date of issuance	20 December 1993
Date of maturity	20 December 2013
Issue price	100%
Interest conditions	frequency of payment is based on the condition of interest of 2013/C credit consolidation government bonds
Current interest rate	3.8%

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

Type	Subordinated bond
Nominal value	EUR 125 million
Date of issuance	4 March 2005
Date of maturity	4 March 2015
Issue price	100%
Interest conditions	three-month EURIBOR + 0.55% quarterly

Type	Subordinated bond
Nominal value	EUR 498 million
Date of issuance	7 November 2006
Date of maturity	Perpetual, and callable after 10 years
Issue price	99.375 %
Interest conditions	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)

Type	Subordinated bond (under EMTN* program)
Nominal value	EUR 300 million
Date of issuance	19 September 2006
Date of maturity	19 September 2016
Issue price	100%
Interest conditions	Fixed 5.27% annual

Type	Subordinated bond (under EMTN program)
Nominal value	EUR 200 million
Date of issuance	26 February 2007
Date of maturity	19 September 2016
Issue price	100%
Interest conditions	Fixed 5.27% annual

*European Medium Term Note Program. On 30 August 2006 the Bank updated EMTN Program and increased the Program amount from EUR 1 billion to EUR 5 billion.

NOTE 19: SHARE CAPITAL (in HUF mn)

	2009	2008
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000
Total	**28,000**	**28,000**

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

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

The reserves of the Bank under Hungarian Accounting Standards:

	2009	2008
Capital reserve	52	52
General reserve	111,903	101,670
Retained earnings	598,133	495,270
Tied-up reserve	5,274	55,305
Total	**715,362**	**652,297**

The legal reserves (general reserve and tied-up reserve) are not available for distribution.

According to the decision made at the Annual General Meeting on 24 April 2009 the Bank did not pay any dividend from the profit of 2008.

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in April 2010 and no dividends are proposed.

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2009	2008
Nominal value (ordinary shares)	219	1,742
Carrying value at aquisition cost	3,774	97,845

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

Change in number of shares:

	2009	2008
Number of shares as at 1 January	17,418,636	6,100,768
Additions	10,355,980	13,603,720
Disposals	(25,587,172)	(2,285,852)
Number of shares as at 31 December	**2,187,444**	**17,418,636**

Change in carrying value:

	2009	2008
Balance as at 1 January	97,845	54,208
Additions	16,566	99,254
Disposals	(110,637)	(55,617)
Balance as at 31 December	**3,774**	**97,845**

NOTE 22: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Fee and commission income:

	2009	2008
Fees and commissions paid by OTP Mortgage Bank Ltd.	52,693	43,253
Deposit and account maintenance fees and commissions	42,231	43,273
Fees and commissions related to the issued bank cards	22,726,	23,127
Fees related to the cash withdrawal	21,316	23,299
Fees and commissions related to security trading	11,513	11,708
Fees and commissions related to lending	4,702	3,994
Other	5,700	8,921
Total	**160,881**	**157,575**

Fee and commission expense:

	2009	2008
Interchange fee	5,217	5,927
Other fees and commissions related to issued bank cards	4,339	4,069
Fees and commissions related to lending	1,903	1,617
Money market transaction fees and commissions	1,775	1,397
Cash withdrawal transaction fees	1,747	1,989
Insurance fees	1,505	1,068
Fees and commissions relating to deposits	684	946
Fees and commissions related to security trading	558	610
Postal fees	545	667
Other	3,807	6,245
Total	**22,080**	**24,535**
Net profit from fees and commissions	**138,801**	**133,040**

NOTE 23: OTHER OPERATING INCOMES AND EXPENSES (in HUF mn)

Other operating incomes:

	2009	2008
Other income from redemption of issued securities	38,600	–
Other income from contribution in kind	–	20,231
Other	2,750	1,266
Total	**41,350**	**21,497**

Other operating expenses:

	2009	2008
Provision for losses on securities available-for-sale	6,615	2,769
Provision/ (release of provision) for impairment on other assets	1,370	(731)
Provision for impairment on investments in subsidiaries	575	124,880
(Release of provision)/Provision for off-balance sheet commitments and contingent liabilities	(9,500)	14,012
Other	3,653	5,572
Total	**2,713**	**146,502**

NOTE 24: OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Personnel expenses:

	2009	2008
Wages	53,747	53,181
Taxes related to personnel expenses	16,651	15,809
Other personnel expenses	7,279	8,364
Subtotal	**77,677**	**77,354**
Depreciation and amortization	**22,262**	**21,032**

Other administrative expenses:

	2009	2008
Administration expenses, including rental fees	22,549	24,534
Services	19,544	21,188
Taxes, other than income tax	15,232	15,740
Advertising	5,604	5,670
Professional fees	2,520	2,216
Subtotal	**65,449**	**69,348**
Total	**165,388**	**167,734**

NOTE 25: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 16% of taxable income.
In Hungary, an additional 4% of special tax is to be paid.

Deferred tax is calculated at 19%, which is the income tax rate effect from January 1, 2010.
From 1 January 2010 in Hungary the additional banking tax (4%) was cancelled.

A breakdown of the income tax expense is:

	2009	2008
Current tax expense	13,811	4,749
Deferred tax (benefit)/expense	(10,580)	2,838
	3,231	**7,587**

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

	2009	2008
Balance as at 1 January	(759)	(2,969)
Deferred tax benefit/(expense)	10,580	(2,838)
Tax effect of fair value adjustment of available-for-sale securities and ICES recognised in comprehensive income	(5,993)	5,048
Balance as at 31 December	**3,828**	**(759)**

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

	2009	2008
Provision for impairment on investments in subsidiaries	**13,221**	**3,183**
Repurchase agreements	2,483	–
Difference in accounting for finance leases	721	669
Fair value adjustment of held for trading and available-for-sale securities	–	2,347
Deferred tax assets	**16,425**	**6,199**

	2009	2008
Effect of redemption of issued securities	(4,913)	–
Fair value adjustment of held for trading and available-for-sale securities	(3,854)	–
Difference in depreciation and amortization	(1,678)	(1,576)
Fair value adjustment of derivative financial instruments	(994)	(555)
Valuation of equity instrument (ICES)	(981)	(1,964)
Difference in depreciation and amortization	(177)	(365)
Repurchase agreements	–	(2,498)
Deferred tax liabilities	**(12,597)**	**(6,958)**
Net deferred tax asset/(liabilities)	**3,828**	**(759)**

A reconciliation of the income tax expense is as follows:

	2009	2008
Profit before income tax	161,369	141,542
Income tax at statutory tax rate (16%)	25,819	22,647
Special tax (4%)	5,116	3,366

Income tax adjustments due to permanent differencies are as follows:

	2009	2008
Provision for impairment on investments in subsidiaries	(10,039)	(3,183)
Differences in carrying value of subsidiaries	(7,245)	–
Dividend income	(5,278)	(22,122)
Revaluation of investments denominated in foreign currency to historical cost	(1,884)	(2,828)
Effect of change of income tax rate	(216)	–
Accounting of equity instrument (ICES)	(199)	(404)
Change in statutory goodwill and negative goodwill	(108)	4,608
Treasury share transaction	–	(10,319)
Reversal of statutory general provision	497	(15)
Share-based payment	1,292	6
Other	(4,524)	15,831
Income tax	**3,231**	**7,587**
Effective tax rate	2.0%	5.4%

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

26.1. Credit risk

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

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

Analysis by business lines and risk classes

An analysis of the gross loan portfolio by business lines and financial risk classes is as follows:
As at 31 December 2009

Business line	Performing	To-be-monitored	Below avarage	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,337,671	383,054	52,893	47,985	18,683	1,840,286
Allowance	–	9,709	10,108	21,440	17,149	58,406
Placements with other banks	951,310	4,717	5,642	–	557	962,226
Allowance	–	123	1,128	–	446	1,697
Retail loans	499,821	34,604	5,415	44,325	6,127	590,292
Allowance	–	353	596	19,689	5,970	26,608
Municipal loans	174,909	2,761	–	360	194	178,224
Allowance	–	130	–	245	159	534
SME loans	70,595	3,975	1,204	4,950	895	81,619
Allowance	–	41	133	2,970	895	4,039
Gross loan portfolio total	**3,034,306**	**429,111**	**65,154**	**97,620**	**26,456**	**3,652,647**
Allowance total	**–**	**10,356**	**11,965**	**44,344**	**24,619**	**91,284**
Net loan portfolio total	**3,034,306**	**418,755**	**53,189**	**53,276**	**1,837**	**3,561,363**

The total off-balance sheet liabilities connected to the lending activity were 846,564 million HUF as at 31 December 2009 which included 613,496 million HUF commitments to extend credit and 233,068 million HUF guarantees arising from banking activities.

As at 31 December 2008

Business line	Performing	To-be-monitored	Below avarage	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,618,493	113,934	28,596	14,848	7,706	1,783,577
Allowance	–	4,164	5,001	6,369	7,112	22,646
Placements with other banks	913,471	7,346	–	–	–	920,817
Allowance	–	362	–	–	–	362
Retail loans	672,719	9,778	5,156	21,072	8,343	717,068
Allowance	–	123	583	11,388	8,295	20,389
Municipal loans	178,347	2,013	186	23	101	180,670
Allowance	–	128	58	23	85	294
SME loans	74,811	1,479	295	2,144	657	79,386
Allowance	–	15	32	1,286	657	1,990
Gross loan portfolio total	**3,457,841**	**134,550**	**34,233**	**38,087**	**16,807**	**3,681,518**
Allowance total	**–**	**4,792**	**5,674**	**19,066**	**16,149**	**45,681**
Net loan portfolio total	**3,457,841**	**129,758**	**28,559**	**19,021**	**658**	**3,635,837**

The total off-balance sheet liabilities connected to the lending activity were 826,902 million HUF as at 31 December 2008 which included 604,348 million HUF commitments to extend credit and 222,554 million HUF guarantees arising from banking activities.

In order to moderate the unfavourable effects of the economic situation, the Bank made its lending policy stricter, and in consequence of this, its loan portfolio increased only by 0.9% in 2009. Analysing the contribution of business lines to the loan portfolio, the share of the retail business line decreased while the share of other business lines either stagnated or slightly increased. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio increased from 1.5% to 3.3%. Among the qualified loan portfolio, the loans classified to the risk class of "to-be-monitored" expanded at the fastest level. This is attributable to the fact that in accordance with its prudent provisioning policy, the Bank classifies the otherwise performing restructured loans as 'to-be-monitored' as well as project finance loans being exposed to a bigger risk inherently because of the construction.

The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the coverage was 74.3% as at 31 December 2009. The off-balance sheet liabilities connected to the lending activity increased by 9%, while the qualified loan portfolio decreased by 1% in 2009.

Classification into risk classes

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

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

- the credit rating of the customer or the partner: the financial position, stability and income-generating capacity affected by the financial or investment service and issuer of the security, and any changes thereto;
- compliance with the rules of repayment (delay): delays in the repayment of the loan principal and its interests;
- the country risk relating to the customer (both political and transfer risks) and any changes thereto;
- the value of collaterals, their liquidity and

accessibility, and any changes therein;
- the transferabilty and liquidity of the exposures (the market conditions of supply and demand, the available market prices and participation in the shareholders` equity of the issuer in proportion to the investment);
- the future payment obligation recognized as a loss arising from the exposure.

Loan portfolio by countries

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

	2009		2008	
Country	**Carrying amount of the qualified gross loan portfolio**	**Allowance**	**Carrying amount of the qualified gross loan portfolio**	**Allowance**
Hungary	323,895	57,018	151,396	41,117
Netherlands	113,822	654	–	–
Cyprus	58,852	5,022	7,192	77
Serbia-Montenegro	26,858	15,401	10,052	2,126
Bulgaria	24,361	735	12,744	332
Romania	17,990	2,966	8,789	1,283
Ukraine	12,085	2,584	565	57
Slovakia	9,218	319	34	13
Montenegro	8,831	2,601	–	–
Kazahstan	5,637	1,127	–	–
Seychelles	4,563	411	–	–
Croatia	3,387	313	–	–
United Kingdom	2,783	1,392	23,830	238
Georgia	2,255	23	4,134	41
Lithuania	1,894	95	2,648	265
Russia	812	536	794	25
Other	1,100	88	1,532	131
Total	**618,343**	**91,285**	**223,710**	**45,705**

The non-performing loans connected to the Netherlands are related to the refinancing of retail loans at the subsidiaries, the actual exposure of non-performing loans is HUF 9.3 billion as at 31 December 2009.

Collaterals

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

Types of collateral	2009	2008
Mortgages	1,026,159	1,268,847
Garantees and warranties	101,174	148,619
Cash	52,999	25,805
Other	193,835	177,603
Total	**1,374,167**	**1,620,874**

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

Types of collateral	2009	2008
Mortgages	336,930	459,482
Garantees and warranties	89,557	106,911
Cash	33,748	12,781
Other	55,414	61,091
Total	**515,649**	**640,265**

Loans, neither past due, nor impaired

An analysis of the credit quality of the gross value of the loans that are neither past due nor impaired is as follows:

Business line	2009	2008
Corporate loans	1,335,628	1,604,482
Placements with other banks	951,310	913,471
Retail loans	401,895	594,168
Municipal loans	174,814	178,347
SME loans	69,525	68,307
Total	**2,933,172**	**3,358,775**

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 91% to 81 % in 2009. The changes in the business lines are in line with the movements of the performing portfolios, except for retail loans. The loans covered by state guarantee have a lower risk and therefore a higher amount of them are in the performing risk class.

Renegotiated loans

An analysis of the gross value of the loans that would otherwise be past due or impaired and whose terms have been renegotiated as at 31 December 2008 and 31 December 2009 is as follows:

Business line	2009	2008
Retail loans	41,238	1,808
Corporate loans	28,557	12,724
SME loans	60	24
Municipal loans	6	26
Total	**69,861**	**14,582**

The gross amount of renegotiated loans increased considerably by the end of 2009, which is a consequence of the debtor compensation program launched in June 2009 in order to handle the effects of the economic situation. The growth is mainly connected to the retail loans. There were no renegotiated loans among the Placements with other banks.

Past due, but not impaired loans

An analysis of the age of gross loans that are past due but not impaired as at 31 December 2009 and 31 December 2008 is as follows:

As at 31 December 2009	Up to 90	91 days	181 days	Above 365 days	Total
Retail loans	91,124	737	459	5,606	97,926
Corporate loans	1,053	938	12	40	2,043
SME loans	1,036	28	5	1	1,070
Municipal loans	95	–	–	–	95
Total	**93,308**	**1,703**	**476**	**5,647**	**101,134**

As at 31 December 2008	Up to 90	91 days	181 days	Above 365 days	Total
Retail loans	72,149	473	59	5,870	78,551
Corporate loans	12,286	1,655	–	70	14,011
SME loans	4,550	1,213	690	51	6,504
Municipal loans	–	–	–	–	–
Total	**88,985**	**3,341**	**749**	**5,991**	**99,066**

The loans that are past due but not impaired are concentrated in the retail business line because the state guaranteed housing loans up to a 90 day delay in the repayment are classified to the performing category. In the other business lines the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Bank.

Loans determined individually to be impaired

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assesment, the provision for impairment for them and the collaterals considered as at 31 December 2008 and 31 December 2009 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

As at 31 December 2009

Business line	Considered factors	Carrying value	Allowance	Coverage value, discounted	Off-balance sheet commitments	Provision for inpairment on losses on off-balance sheet contingent liabilities
Corporate	Delay of repayment	55,985	26,485	5,048	4,868	797
	Regularity of payment	407	214	100	–	–
	Renegotiation	22,207	1,811	848	418	38
	Legal proceedings	3,232	2,567	655	129	66
	Decrease of client classification	6,046	773	681	4,197	158
	Loan characteristics	109,185	4,319	415	11,813	896
	Critital industry classifiacation	99,935	10,425	1,975	16,837	1,360
	County risk	–	–	–	63,145	39,615
	Refinancing of subsidaiaries portfolio	113,921	654	–	–	–
	Cross default	70,209	7,956	1,109	21,721	2,732
	Other	21,358	2,629	1,484	6,564	315
Corporate total		**502,485**	**57,833**	**12,315**	**129,692**	**45,977**
Municipal loans	Delay of repayment	–	–	–	–	–
	Regularity of payment	145	116	–	–	–
	Renegotiation	80	1	–	–	–
	Legal proceedings	–	–	–	–	–
	Decrease of client classification	120	8	–	22	2
	Other	2,882	350	30	346	18
	Cross default	33	26	–	–	–
Municipal total		**3,260**	**501**	**30**	**368**	**20**
Placements with other banks		10,916	1,697	–	–	–
Total		**516,661**	**60,031**	**12,345**	**130,060**	**45,997**

As at 31 December 2008

Business line	Considered factors	Carrying value	Allowance	Coverage value, discounted	Off-balance sheet commitments	Provision for inpairment on losses on off-balance sheet contingent liabilities
	Delay of repayment	10,822	5,570	2,907	164	49
	Regularity of payment	1,114	46	253	–	–
	Renegotiation	–	–	–	–	–
	Legal proceedings	2,622	2,470	153	–	–
	Decrease of client classification	7,403	2,064	1,280	92	22
Corporate	Loan characteristics	59,536	3,027	25,196	25,156	521
	Critital industry classifiacation	37,217	4,599	1,478	2,962	120
	County risk	–	–	–	48,754	11,726
	Refinancing of subsidaiaries portfolio	–	–	–	–	–
	Cross default	26,449	1,073	1,851	2,051	31
	Other	12,723	2,427	877	4,900	333
Corporate total		**157,886**	**21,276**	**33,995**	**84,079**	**12,802**
	Delay of repayment	–	–	–	–	–
	Regularity of payment	–	–	–	–	–
	Renegotiation	29	–	–	1	–
Municipal loans	Legal proceedings	95	80	15	–	–
	Decrease of client classification	647	9	200	22	–
	Other	1,275	156	7	92	10
	Cross default	54	1	–	–	–
Municipal total		**2,100**	**246**	**222**	**115**	**10**
Placements with other banks		7,346	362	–	–	
Total		**167,332**	**21,884**	**34,217**	**84,194**	**12,812**

By 31 December 2009 the volume the individually rated portfolio significantly increased in the corporate business line. The reason for it is the refinancing of the loans of the subsidiaries by the Bank. This portfolio was HUF 113.9 billion as at 31 December 2009, from which the volume of really non performing loans was HUF 9.3 billion. In 2009, among the rating factors of the corporate business line, the ratio of the loans determined to be impaired based on the delayed repayment and the fact of renegotiation, increased.

26.2. Market risk

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

26.2.1. Market risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	Average in HUF million	
	2009	2008
Foreign exchange	529	178
Interest rate	255	435
Equity instruments	15	68
Diversification	(181)	(202)
Total VaR exposure	**618**	**479**

While VaR captures the Bank's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Bank to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 26.2.2 below and, for interest rate risk, in Note 26.2.3 below.

26.2.2. Foreign currency sensitivity analysis

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

The strategic open position related to the foreign operations were EUR (310) million as of 31 December 2009. High portion of strategic positions are considered as effective hedge of future profit inflows of foreign subsidiaries, and so FX risk alters the Bank's capital and not its earnings. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening, HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	Effects to the statements of recognized income in 3 months period	
	2009 in HUF billion	2008 in HUF billion
1%	(9.7)	(8.6)
5%	(6.4)	(5.4)
25%	(2.2)	(1.3)
50%	0.5	1.3
25%	3.1	3.8
5%	6.6	7.1
1%	9.1	9.5

Notes:

(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) Considerable decrease in estimated VaR is due to the decrease of foreign exchange exposure.
(3) Monte Carlo simulation is based on the empirical distribution of the exchange rate movements. Free floating currency regime introduced in 2008 coupled with recent market turmoil has resulted in a more symmetric probability of profits and losses at the current levels.

26.2.3. Interest rate sensitivity analysis

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

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

The simulation were prepared by assuming two scenarios:

- 0.50%–0.75% decrease in average HUF yields (probable scenario)
- 1%–1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period after 31 December 2009 would be decreased by HUF 630 million (probable scenario) and HUF 3,561 million (alternative scenario) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 4,560 million for probable scenario, HUF 6,900 million for alternative scenario) on the government bond portfolio held for hedging.

The effects of the parallel shifts of the yield-curves to the net interest income and the equity can be summarized as follows (in HUF mn):

	2009		2008	
Description	**Effects to the net interest income (1Year period)**	**Effects to equity (Price change of AFS government bonds)**	**Effects to the net interest income (1Year period)**	**Effects to equity (Price change of AFS government bonds)**
HUF (0.1%) parallel shift	(206)	812	(192)	139
EUR (0.1%) parallel shift	6	–	(85)	–
USD 0.1% parallel shift	(184)	–	(149)	–
Total	**(384)**	**812**	**(426)**	**139**

26.2.4. Equity price sensitivity analysis

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

Description	2009	2008
VaR (99%, one day, million HUF)	15	68
Stress test (million HUF)	(32)	(287)

26.2.5. Capital management

Capital management

The primary objective of the capital management of the Bank is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

The capital management of the Bank includes the management and evaluation of the shareholders` equity avalialble for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Bank in the short run is the continous monitoring of its capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position of the Bank.

The Bank maintains the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing its profitability. In case the planned risk level of the Bank exceeded its Core and Supplementary capital, the Bank ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

The capital adequacy of the Bank is supervised based on the finacial statements data prepared according to the Hungarian Accounting Standards („HAS") applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008. The Bank has entirely complied with the regulatory capital requirements in 2009 and in 2008. The capital adequacy calculations of the Bank for the year 2009 are prepared based on the data of the audited financial statements prepared according to HAS. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and the alternative standard method in case of the opeartional risk.

	2009	2008
Core capital	691,064	544,763
Supplementary capital	308,695	302,878
Deductions	(373,823)	(361,818)
Deductions due to PIBB* investments	(340,108)	(314,932)
Deductions due to limit branches	(33,715)	(46,886)
Regulatory capital	**625,936**	**485,823**
Credit risk capital requirement	260,665	277,498
Market risk capital requirement	18,374,	18,963
Operational risk capital requirement	29,231	26,795
Total eligible regulatory capital	**308,270**	**323,256**
Surplus capital	**317,666**	**162,567**
Tier1 ratio	13.1%	9.0%
Capital adequacy ratio	**16.2%**	**12.0%**

The positive components of the Core capital are the following: Issued capital, Capital reserve, Tied-up reserve, Profit reserve, Profit for the year, General risk reserve. The negative components of the Core capital are the following: Treasury shares, Intangible assets. The positive components of the Supplementary capital are the following: Subsidiary loan capital, Subordinated loan capital.

NOTE 27: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the statement of financial position and are referred to as off-balance sheet financial instruments. The following represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities and commitments

	2009	2008
Commitments to extend credit	613,496	604,348
Guarantees arising from banking activities	233,068	222,554
Contingent liabilities related to OTP Mortgage Bank Ltd.	75,215	68,336
Legal disputes (disputed value)**	32,012	6,332
Confirmed letters of credit	3,865	9,267
Other	1,586	669
Total	**959,242**	**911,506**

*PIBB: Financial Institutions, Investing Entreprises, Insurance Companies

** The considerable increase the amount of legal disputes in 2009 is in connetction with one company. The Bank has the opinion, that the case has no valid basis so no provision is necessary for that.

Commitments to extend credit

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

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

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

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

Under a syndication agreement with its wholly owned subsidiary, OTP Mortgage Bank Ltd., the Bank guarantees, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. OTP Mortgage Bank Ltd. utilises credit risk granting and monitoring policies similar to those used by the Bank.

Legal disputes

At the statement of financial position date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings corresponds to the level of claims and legal proceedings in previous years.

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes were HUF 3,116 million and HUF 3,038 million as at 31 December 2009 and 2008 respectively. (See Note 17)

Derivatives

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.

Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank's interest rate swaps were used for management of interest rate exposures and have been accounted for at mark-to-market fair value.

Cross-currency interest rate swap

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

Forward rate agreements

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

NOTE 28: SHARE-BASED PAYMENT

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

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

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

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

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

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

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

In connection with the equity-settled share-based payment programs HUF 6,802 million and HUF 28 million has been recognised as an expense as at 31 December 2009 and as at 31 December 2008 respectively.

	2009		2008	
	Options (number of shares)	**Weighted average exercise price** (in HUF)	**Options** (number of shares)	**Weighted average exercise price** (in HUF)
Outstanding at beginning of period	2,534,950	6,484	6,678,130	7,957
Granted during the period	–	–	–	–
Forfeited during the period	2,534,950	6,484	965,050	6,484
Exercised during the period	–	–	257,500	6,536
Outstanding at the end of the period	–	–	2,534,950	6,484
Exercisable at the end of the period	**–**	**–**	**1,774,466**	**8,424**

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

	2009	2008
Weighted average exercise price of options outstanding	–	6,484
Weighted average remaining contractual life (month)	–	18

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

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

	2009	2008
Weighted average spot share price (HUF)	8,272	7,828
Weighted average exercise price (HUF)*	8,875	7,941
Expected volatility (%)	32	29
Expected life (average year)	5,45	3,56
Risk free rate (%)	7,63	6,84
Expected dividends (%)	1,95	2,31
Cap for the maximum gain (HUF/option)	4,000	3,000

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

NOTE 29: RELATED PARTY TRANSACTIONS

In the normal course of business, the Bank enters into other transactions with its subsidiaries, the amounts and volumes of which are not significant to these financial statements taken as a whole. The Bank provides loans to subsidiaries, and collects deposits.

Transactions with related parties, other than increases in share capital, are summarized below:

Transactions related to OTP Mortgage Bank Ltd.:	2009	2008
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	64,164	57,418
The gross book value of the loans sold	64,090	57,347
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	51,440	38,715
Provision for the repurchase guarantee of non-performing loans	2,850	4,631
Provision for the purchase obligation of the non-performing loans originated by OTP Mortgage Bank Ltd.	3,769	2,203

Transactions related to OTP Factoring Ltd.:	2009	2008
Loans sold to OTP Factoring Ltd. without recourse (including interest)	19,868	12,419
The gross book value of the loans	49,351	23,838
Provision for impairment on loan and placement losses on the loans sold	26,482	9,149
Loss on these transaction (recorded in the unconsolidated financial statements as loan and placement loss)	3,001	2,270

The underlying mortgage rights were also transferred to OTP Factoring Ltd.

Commissions received by the Bank from related parties and commissions paid by the Bank to related parties are summarized below in addition to above mentioned transactions:

a) Interests received by the Bank

	2009	2008
OTP Mortgage Bank Ltd.	58,957	43,090
OAO OTP Bank (Russia)	8,187	5,880
Merkantil Lease Ltd.	2,639	2,688
Merkantil Bank Ltd.	2,350	26,992
DSK Bank EAD (Bulgaria)	2,246	5,579
Total	**74,379**	**84,229**

b) Interests paid by the Bank

	2009	2008
OTP Mortgage Bank Ltd.	15,963	8,406
OTP Bank Romania S.A. (Romania)	7,213	–
Merkantil Lease Ltd.	3,641	3,031
Merkantil Bank Ltd.	3,553	7,426
OAO OTP Bank (Russia)	3,131	99
Total	**33,501**	**18,962**

c) Commissions received by the Bank

	2009	2008
From OTP Fund Management Ltd. in relation to trading activity	5,309	6,095
From OTP Building Society Ltd. in relation to finalised customer contracts	1,802	2,384
From OTP Fund Management Ltd. in relation to custody activity	378	406
Total	**7,489**	**8,885**

d) Commissions paid by the Bank

	2009	2008
OTP Bank Romania S.A. (Romania) related to loan portfolio handling	2,920	2,124
Total	**2,920**	**2,124**

e) Loans provided to subsidiaries

	2009	2008
OTP Financing Cyprus Co. Ltd. (Cyprus)	428,900	535,636
OTP Financing Netherlands B. V. (The Netherlands)	260,823	245,721
OTP Mortgage Bank Ltd.	215,235	92,000
Merkantil Bank Ltd.	201,022	225,377
OAO OTP Bank (Russia)	153,969	155,443
OTP Financing Solutions B.V. (The Netherlands)	130,843	–
DSK Bank EAD (Bulgaria)	54,398	114,380
OTP Factoring Ltd.	34,100	14,582
Merkantil Car Ltd.	32,080	39,212
Merkantil Lease Ltd.	30,366	33,480
OTP Real Estate Leasing Ltd.	30,036	29,363
OTP Banka Hrvatska Group (Croatia)	28,445	35,810
OTP banka Srbija a.d. (Serbia)	24,674	21,447
DSK Leasing AD (Bulgaria)	23,834	24,889
OTP Leasing d.d. (Croatia)	21,773	–
OTF Life Annuity Ltd.	9,432	7,577
OTP Real Estate Ltd.	5,554	7,488
Crnogorska komerčijalna banka a.d. (Montenegro)	3,250	22,572
OTP Bank Romania S.A. (Romania)	614	7,874
Z plus d.o.o. (Croatia)	325	–
OTP Banka Slovensko a.s. (Slovakia)	24	41,214
OTP Bank JSC (Ukraine)	–	61,692
Total	**1,689,697**	**1,715,757**

f) Deposits from subsidiaries

	2009	2008
OTP Mortgage Bank Ltd.	299,562	81,203
OAO OTP Bank (Russia)	86,526	11
DSK Bank EAD (Bulgaria)	42,520	6,450
OTP Building Society Ltd.	26,152	28,222
Crnogorska komerčijalna banka a.d. (Montenegro)	23,045	1
Merkantil Bank Ltd.	20,379	8,531
OTP banka Hrvatska d.d. (Croatia)	4,586	3,795
OTP Financing Netherlands B. V. (The Netherlands)	4,419	213
OTP Real Estate Leasing Ltd.	1,212	511
OTP Holding Ltd. (Cyprus)	1,105	25,450
Concordia Info Ltd.	596	319
OTP banka Srbija a.d. (Serbia)	188	–
Merkantil Lease Ltd.	171	2,372
OTP Factoring Ltd.	49	22
OTP Banka Slovensko a.s. (Slovakia)	2	13,155
OTP Bank JSC (Ukraine)	–	14,728
Total	**510,512**	**184,983**

g) Related party transactions with key management

The compensation of key management, such as the members of the Board of Directors, the members of the Supervisory Board and the employees involved in the decision-making process according to the compensation categories defined in IAS 24 Related Party Disclosures, is summarised below:

Compensations	2009	2008
Short-term employee benefits	5,128	8,153
Share-based payment	3,139	16
Total	**8,267**	**8,169**

	2009	2008
Loans provided to companies owned by the management (in the normal cousre of business)	31,876	27,366
Credit lines of the members of Board of Directors and the Supervisory Board and their family members (at normal market conditions)	218	121
Commitments to extend credit and bank guarantees	103	121

NOTE 30: TRUST ACTIVITIES

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

	2009	2008
Loans managed by the Bank as a trustee	45,037	45,196

NOTE 31: CONCENTRATION OF ASSETS AND LIABILITIES

In the percentage of the total assets	2009	2008
Receivables from, or securities issued by the Hungarian Government or the NBH	16%	9%
Securities issued by the OTP Mortgage Bank Ltd.	12%	8%

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2009 or as at 31 December 2008.

NOTE 32: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

As at 31 December 2009	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	178,217	–	–	–	–	178,217
Placements with other banks, net of allowance for placement losses	537,234	135,635	289,194	–	–	962,063
Financial assets at fair value through profit or loss	75,115	29,283	56,090	24,651	88,513	273,652
Securities available-for-sale	543,025	30,938	554,728	524,056	–	1,652,747
Loans, net of allowance for loan losses	163,511	458,165	1,362,862	638,357	–	2,622,895
Investments in subsidiaries	–	–	–	–	643,907	643,907
Securities held-to-maturity	48,082	19,417	118,556	30,508	–	216,563
Property and equipment	–	–	–	–	69,654	69,654
Intangible assets	–	–	–	–	38,909	38,909
Other assets	62,904	14,293	14,261	627	–	92,085
TOTAL ASSETS	**1,608,088**	**687,731**	**2,395,691**	**1,218,199**	**840,983**	**6,750,692**
Amounts due to banks and the Hungarian Government, National Bank of Hungary and other banks	586,506	213,373	84,738	267,514	–	1,152,131
Deposits from customers	2,836,297	511,654	16,349	4,452	–	3,368,752
Liabilities from issued securities	455,557	–	–	162,746	–	618,303
Financial liabilities at fair value through profit or loss	37,301	16,203	59,659	6,190	–	119,353
Other liabilities	247,323	2,152	3,052	461	–	252,988
Subordinated bonds and loans	–	–	4,391	169,009	113,921	287,321
TOTAL LIABILITIES	**4,162,984**	**743,382**	**168,189**	**610,372**	**113,921**	**5,798,848**
Share capital	–	–	–	–	28,000	28,000
Retained earnings and reserves	–	–	–	–	927,618	927,618
Treasury shares	–	–	–	–	(3,774)	(3,774)
TOTAL SHAREHOLDERS EQUITY	–	–	–	–	951,844	951,844
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,162,984**	**743,382**	**168,189**	**610,372**	**1,065,765**	**6,750,692**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,554,896)**	**(55,651)**	**2,227,502**	**607,827**	**(224,782)**	**–**

As at 31 December 2008	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	158,022	–	–	–	–	158,022
Placements with other banks, net of allowance for placement losses	436,597	115,510	359,000	14,606	–	925,713
Financial assets at fair value through profit or loss	34,636	16,795	75,822	23,992	2,298	153,543
Securities available-for-sale	11,253	34,351	416,199	99,238	–	561,041
Loans, net of allowance for loan losses	201,046	446,352	1,251,158	839,049	–	2,737,605
Investments in subsidiaries	–	–	–	–	596,244	596,244
Securities held-to-maturity	145,061	98,504	168,820	38,793	–	451,178
Property and equipment	–	–	–	–	72,844	72,844
Intangible assets	–	–	–	–	39,539	39,539
Other assets	18,073	44,584	7,940	680	–	71,277
TOTAL ASSETS	**1,004,688**	**756,096**	**2,278,939**	**1,016,358**	**710,925**	**5,767,006**
Amounts due to banks and the Hungarian Government, National Bank of Hungary and other banks	259,073	307,764	80,380	63,860	–	711,077
Deposits from customers	2,476,728	605,823	24,256	1,621	–	3,108,428
Liabilities from issued securities	260,807	–	345,658	–	–	606,465
Financial liabilities at fair value through profit or loss	30,885	11,039	78,426	6,711	–	127,061
Other liabilities	132,757	2,765	762	–	–	136,284
Subordinated bonds and loans	3,267	–	5,000	165,210	131,741	305,218
TOTAL LIABILITIES	**3,163,517**	**927,391**	**534,482**	**237,402**	**131,741**	**4,994,533**
Share capital	–	–	–	–	28,000	28,000
Retained earnings and reserves	–	–	–	–	842,318	842,318
Treasury shares	–	–	–	–	(97,845)	(97,845)
TOTAL SHAREHOLDERS EQUITY	–	–	–	–	772,473	772,473
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,163,517**	**927,391**	**534,482**	**237,402**	**904,214**	**5,767,006**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,158,829)**	**(171,295)**	**1,744,457**	**778,956**	**(193,289)**	**–**

NOTE 33: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 31 December 2009	USD	EUR	CHF	Others	Total
Assets*	642,210	1,348,116	918,302	111,247	3,019,875
Liabilities	(334,040)	(1,831,848)	(95,582)	(101,180)	(2,362,650)
Off-balance sheet assets and liabilities, net	(341,452)	291,886	(840,978)	(57,690)	(948,234)
Net position	**(33,282)**	**(191,846)**	**(18,258)**	**(47,623)**	**(291,009)**

As at 31 December 2008	USD	EUR	CHF	Others	Total
Assets*	813,638	1,021,210	931,192	104,313	2,870,353
Liabilities	(110,033)	(1,583,773)	(134,322)	(24,319)	(1,852,447)
Off-balance sheet assets and liabilities, net	(789,408)	442,961	(859,969)	(144,318)	(1,350,734)
Net position	**(85,803)**	**(119,602)**	**(63,099)**	**(64,324)**	**(332,828)**

*The assets category contains foreign currency investments in subsidiaries that are measured at cost, and are deducted from the net position calculation.

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

NOTE 34: INTEREST RATE RISK MANAGEMENT

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

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

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

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

As at 31 December 2009

	Within 1 month		Over 1 month and Within 3 monthx		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest -bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Bank of Hungary	95,389	27,734	–	–	–	–	–	–	–	–	49,566	5,528	144,955	33,262	178,217
fixed interest	95,389	27,734	–	–	–	–	–	–	–	–	–	–	95,389	27,734	123,123
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	49,566	5,528	49,566	5,528	55,094
Placements with other banks	231,104	729,425	–	–	–	–	–	–	–	–	369	1,165	231,473	730,590	962,063
fixed interest	231,104	729,425	–	–	–	–	–	–	–	–	–	–	231,104	729,425	960,529
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	369	1,165	369	1,165	1,534
Securities held for trading	49,888	–	237	2,221	3,521	274	2,027	5,155	26,936	262	89,835	60	172,444	7,972	180,416
fixed interest	49,888	–	219	2,221	3,521	274	2,027	5,155	26,936	262	–	–	82,591	7,912	90,503
variable interest	–	–	18	–	–	–	–	–	–	–	–	–	18	–	18
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	89,835	60	89,835	60	89,895
Securities available-for-sale	504,172	–	3,613	109,038	–	22,407	59,702	285,571	593,041	28,161	28,837	18,205	1,189,365	463,382	1,652,747
fixed interest	504,172	–	–	11,481	–	22,407	59,702	285,571	593,041	28,161	–	–	1,156,915	347,620	1,504,535
variable interest	–	–	3,613	97,557	–	–	–	–	–	–	–	–	3,613	97,557	101,170
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	28,837	18,205	28,837	18,205	47,042
Loans, net of allowance for loan losses	680,599	865,022	38,428	248,481	117,078	643,676	528	192	6,830	–	7,154	14,907	850,617	1,772,278	2,622,895
fixed interest	7,816	–	26	96	336	96	528	192	6,830	–	–	–	15,536	384	15,920
variable interest	672,783	865,022	38,402	248,385	116,742	643,580	–	–	–	–	–	–	827,927	1,756,987	2,584,914
non-interest-bearing											7,154	14,907	7,154	14,907	22,061
Securities held-to-maturity	23,349	–	46,062	620	27,082	–	29,202	–	81,360	466	8,254	168	215,309	1,254	216,563
fixed interest	–	–	38,824	–	16,885	–	29,202	–	81,360	466	–	–	166,271	466	166,737
variable interest	23,349	–	7,238	620	10,197	–	–	–	–	–	–	–	40,784	620	41,404
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	8,254	168	8,254	168	8,422
Derivative financial instruments	401,743	1,014,857	848,862	590,028	229,989	41,928	11,576	25,475	24,489	6,251	–	–	1,516,659	1,678,539	3,195,198
fixed interest	70,586	657,084	49,244	123,928	149,174	40,345	11,576	25,475	24,489	6,251	–	–	305,069	853,083	1,158,152
variable interest	331,157	357,773	799,618	466,100	80,815	1,583	–	–	–	–	–	–	1,211,590	825,456	2,037,046

As at 31 December 2009

	Within 1 month		Over 1 month and Within 3 monthx		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest -bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	73,966	482,449	25,554	333,168	83,084	131,398	1	–	48	19,792	424	2,247	183,077	969,054	1,152,131
fixed interest	73,197	454,253	19,668	737	1,949	131,317	1	–	48	19,792	–	–	94,863	606,099	700,962
variable interest	769	28,196	5,886	332,431	81,135	81	–	–	–	–	–	–	87,790	360,708	448,498
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	424	2,247	424	2,247	2,671
Deposits from customers	1,291,546	304,706	483,353	103,964	381,795	95,247	7,611	1,664	547,188	128,817	18,526	4,335	2,730,019	638,733	3,368,752
fixed interest	796,626	267,555	463,243	103,964	373,752	95,247	7,611	1,664	1,011	94,671			1,642,243	563,101	2,205,344
variable interest	494,920	37,151	20,110	–	8,043	–	–	–	546,177	34,146			1,069,250	71,297	1,140,547
non-interest-bearing											18,526	4,335	18,526	4,335	22,861
Liabilities from issued securities	22,455	138,152	31,146	82,891	176,759	–	1,450	138,152	16,248	–	4,514	6,536	252,572	365,731	618,303
fixed interest	22,455	–	31,146	–	176,759	–	1,450	138,152	16,248	–	–	–	248,058	138,152	386,210
variable interest	–	138,152	–	82,891	–	–	–	–	–	–	–	–	–	221,043	221,043
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	4,514	6,536	4,514	6,536	11,050
Derivative financial instruments	927,406	509,441	1,415,969	35,440	247,120	19,528	15,283	17,577	10,835	12,137	–	–	2,616,613	594,123	3,210,736
fixed interest	217,783	509,441	139,508	35,282	166,547	19,524	15,283	17,577	10,835	12,137	–	–	549,956	593,961	1,143,917
variable interest	709,623	–	1,276,461	158	80,573	4	–	–	–	–	–	–	2,066,657	162	2,066,819
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated bonds and loans	–	–	5,000	26,540	–	–	–	–	–	252,323	61	3,397	5,061	282,260	287,321
fixed interest	–	–	–	–	–	–	–	–	–	252,323	–	–	–	252,323	252,323
variable interest	–	–	5,000	26,540	–	–	–	–	–	–	–	–	5,000	26,540	31,540
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	61	3,397	61	3,397	3,458
NET POSITION	(329,129)	1,202,290	(1,023,820)	368,385	–511,088	462,112	78,690	159,000	158,337	(377,929)	160,490	23,518	(1,466,520)	1,837,376	370,856

As at 31 December 2008

	Within 1 month		Over 1 month and Within 3 monthx		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest -bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Bank of Hungary	71,857	10,919	–	–	–	–	–	–	–	–	67,056	8,190	138,913	19,109	158,022
fixed interest	71,857	10,919	–	–	–	–	–	–	–	–	–	–	71,857	10,919	82,776
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	67,056	8,190	67,056	8,190	75,246
Placements with other banks	157,697	310,556	2,506	139,481	–	136,232	–	47,894	–	126,089	915	4,343	161,118	764,595	925,713
fixed interest	157,009	167,699	2,506	9,694	–	37,867	–	47,894	–	126,089	–	–	159,515	389,243	548,758
variable interest	688	142,857	–	129,787	–	98,365	–	–	–	–	–	–	688	371,009	371,697
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	915	4,343	915	4,343	5,258
Securities held for trading	1,454	–	1,496	–	8,850	1	10,564	875	27,071	2,210	4,022	103	53,457	3,189	56,646
fixed interest	1,454	–	1,340	–	8,778	1	10,564	875	27,071	2,210	–	–	49,207	3,086	52,293
variable interest	–	–	156	–	72	–	–	–	–	–	–	–	228	–	228
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	4,022	103	4,022	103	4,125
Securities available-for-sale	–	–	217,002	97,039	27,707	5,852	22,078	3,311	156,387	9,720	19,321	2,624	442,495	118,546	561,041
fixed interest	–	–	–	–	27,707	5,852	22,078	3,311	156,387	9,720	–	–	206,172	18,883	225,055
variable interest	–	–	217,002	97,039	–	–	–	–	–	–	–	–	217,002	97,039	314,041
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	19,321	2,624	19,321	2,624	21,945
Loans, net of allowance for loan losses	651,042	1,097,469	40,190	304,205	97,416	514,201	487	196	9,980	196	6,540	15,683	805,655	1,931,950	2,737,605
fixed interest	6,419	–	26	98	326	98	487	196	9,980	196	–	–	17,238	588	17,826
variable interest	644,623	1,097,469	40,164	304,107	97,090	514,103	–	–	–	–	–	–	781,877	1,915,679	2,697,556
non-interest-bearing											6,540	15,683	6,540	15,683	22,223
Securities held-to-maturity	119,263	–	19,935	–	132,772	–	38,930	–	126,635	–	13,643	–	451,178	–	451,178
fixed interest	117,914	–	12,670	–	95,971	–	38,930	–	126,635	–	–	–	392,120	–	392,120
variable interest	1,349	–	7,265	–	36,801	–	–	–	–	–	–	–	45,415	–	45,415
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	13,643	–	13,643	–	13,643
Derivative financial instruments	10,266	827,730	15,811	524,591	97,434	131,770	94,099	178,698	719,840	170,052	–	–	937,450	1,832,841	2,770,291
fixed interest	10,266	826,457	15,811	524,591	95,523	129,863	93,805	176,600	716,340	168,978	–	–	931,745	1,826,489	2,758,234
variable interest	–	1,273	–	–	1,911	1,907	294	2,098	3,500	1,074	–	–	5,705	6,352	12,057

As at 31 December 2008

	Within 1 month		Over 1 month and Within 3 monthx		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest -bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	77,435	252,583	7,287	151,120	211,209	1,492	–	–	–	4,439	2,312	3,200	298,243	412,834	711,077
fixed interest	77,062	128,125	1,746	15,051	118,618	1,404	–	–	–	4,439	–	–	197,426	149,019	346,445
variable interest	373	124,458	5,541	136,069	92,591	88	–	–	–	–	–	–	98,505	260,615	359,120
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	2,312	3,200	2,312	3,200	5,512
Deposits from customers	1,173,542	269,453	457,665	161,007	348,569	83,475	–	153	553,330	43,568	14,479	3,187	2,547,585	560,843	3,108,428
fixed interest	472,460	220,469	428,956	160,997	345,646	83,475	–	153	2	15,753	–	–	1,247,064	480,847	1,727,911
variable interest	701,082	48,984	28,709	10	2,923	–	–	–	553,328	27,815	–	–	1,286,042	76,809	1,362,851
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	14,479	3,187	14,479	3,187	17,666
Liabilities from issued securities	–	–	–	409,652	59,411	–	–	–	–	132,729	461	4,213	59,872	546,593	606,465
fixed interest	–	–	–	–	59,411	–	–	–	–	132,729	–	–	59,411	132,728	192,139
variable interest	–	–	–	409,652	–	–	–	–	–	–	–	–	–	409,652	409,652
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	461	4,213	461	4,213	4,674
Derivative financial instruments	433,865	412,929	344,277	193,970	63,840	163,285	9,894	263,533	8,956	898,303	–	–	860,832	1,932,020	2,792,852
fixed interest	433,865	411,662	344,277	193,970	62,589	161,395	8,656	261,452	6,364	896,870	–	–	855,751	1,925,349	2,781,100
variable interest	–	1,267	–	–	1,251	1,890	1,238	2,081	2,592	1,433	–	–	5,081	6,671	11,752
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated bonds and loans	–	–	5,000	28,550	–	–	–	–	–	268,401	54	3,213	5,054	300,164	305,218
fixed interest	–	–	–	–	–	–	–	–	–	268,401	–	–	–	268,401	268,401
variable interest	–	–	5,000	28,550	–	–	–	–	–	–	–	–	5,000	28,550	33,550
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	54	3,213	54	3,213	3,267
NET POSITION	(673,263)	1,311,709	(517,289)	121,017	(318,850)	539,804	156,264	(32,712)	477,627	(1,039,172)	94,191	17,130	(781,320)	917,776	136,456

NOTE 35: EARNINGS PER SHARE

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

	2009	2008
Net profit for the year attributable to ordinary shareholders (in HUF mn)	158,138	133,955
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	271,732,001	270,758,317
Basic Earnings per share (in HUF)	**582**	**495**
Net profit for the year attributable to ordinary shareholders (in HUF mn)	158,138	133,955
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	274,053,287	271,558,263
Diluted Earnings per share (in HUF)	**577**	**493**

	2009	2008
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(8,268,009)	(9,241,693)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**271,732,001**	**270,758,317**
Diluted effects of options issued in accordance with Management Option Program and convertible into ordinary shares	2,321,286	799,946
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**274,053,287**	**271,558,263**

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

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

The Basic Earnings per share (Basic EPS) attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the period does not include the average number of Treasury shares.

For calculating diluted Earnings per share, Net profit for the year attributable to ordinary shareholders equals the Net profit used for calculating the basic EPS. The modified weighted average number of ordinary shares outstanding during the year contains the contingent diluted effects of options convertible into ordinary shares. Options are issued in accordance with the Management Option Program.

NOTE 36: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 31 december 2009

Name	Net interest income and expense	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the National Bank of Hungary	7,026	–	–	–
Placements with other banks, net of allowance for placement losses	27,925	–	(1,335)	–
Securities held for trading	5,297	395	–	–
Securities available-for-sale	54,087	501	(2,451)	36,102
Loans, net of allowance for loan losses	240,408	55,492	(44,268)	–
Securities held-to-maturity	52,934	(2,896)	(4,164)	–
Derivative financial instruments	91,860	(17,589)	–	–
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(31,448)	–	–	–
Deposits from customers	(183,802)	49,960	–	–
Liabilities from issued securities	(32,474)	–	–	–
Subordinated bonds and loans	(17,446)	–	–	–
Total	**214,367**	**84,861**	**(52,218)**	**36,102**

As at 31 december 2008

Name	Net interest income and expense	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the National Bank of Hungary	14,147	–	–	–
Placements with other banks, net of allowance for placement losses	43,622	–	(362)	–
Securities held for trading	4,979	(4,668)	–	–
Securities available-for-sale	23,959	(1,958)	–	(21,742)
Loans, net of allowance for loan losses	233,388	45,630	(28,849)	–
Securities held-to-maturity	42,695	2,513	–	–
Derivative financial instruments	(6,609)	(7,438)	–	–
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(35,802)	–	–	–
Deposits from customers	(145,014)	55,402	–	–
Liabilities from issued securities	(25,079)	–	–	–
Subordinated bonds and loans	(16,444)	–	–	–
Total	**133,842**	**89,481**	**(29,211)**	**(21,742)**

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

a) Fair value of financial assets and liabilities

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Bank of Hungary	178,217	178,217	158,022	158,022
Placements with other banks, net of allowance for placement losses	962,063	969,344	925,713	932,520
Financial assets at fair value through profit or loss	273,652	273,652	153,543	153,543
Held for trading securities	180,416	180,416	56,646	56,646
Derivative financial instruments designated as held for trading	93,236	93,236	96,897	96,897
Securities available-for-sale	1,652,747	1,652,747	561,041	561,041
Loans, net of allowance for loan losses	2,622,895	2,884,329	2,737,605	2,970,216
Securities held-to-maturity	216,563	206,292	451,178	428,571
Derivative financial instruments designated as hedging instruments	14,148	14,148	8,871	8,871
FINANCIAL ASSETS TOTAL	**5,920,285**	**6,178,729**	**4,995,973**	**5,212,784**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	1,152,131	1,157,833	711,077	719,001
Deposits from customers	3,368,752	3,361,027	3,108,428	3,087,125
Liabilities from issued securities	618,303	607,199	606,465	510,879
Derivative financial instruments designated as hedging instruments	3,569	3,569	1,268	1,268
Financial liabilities at fair value through profit or loss	119,353	119,353	127,061	127,061
Financial liabilities from OTP-MOL transaction	86,912	86,912	–	–
Financial liabilities from guaranteed loans of OTP Bank JSC by OTP Bank	38,132	38,132	–	–
Subordinated bonds and loans	287,321	216,562	305,218	135,845
FINANCIAL LIABILITIES TOTAL	**5,674,473**	**5,590,587**	**4,859,517**	**4,581,179**

b) Fair value of derivative instruments

	2009	2008	2009	2008
	Fair value		Notional value, net	
Interest rate swaps designated as held for trading				
Positive fair value of interest rate swaps designated as held for trading	56,134	41,004	58,203	25,956
Negative fair value of interest rate swaps designated as held for trading	(47,065)	(32,564)	(45,983)	(24,146)
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	7,439	26,527	7,790	(21,064)
Negative fair value of foreign exchange swaps designated as held for trading	(6,168)	(24,063)	(5,154)	(22,041)
Interest rate swaps designated as hedge accounting relationship				
Positive fair value of interest rate swaps designated in fair value hedge accounting relationships	14,147	8,692	10,507	81,221
Negative fair value of interest rate swaps designated in fair value hedge accounting relationships	(3,569)	(1,268)	(3,740)	(75,585)
CCIRS designated as held for trading				
Positive fair value of CCIRS designated as held for trading	23,270	12,049	14,951	37,695
Negative fair value of CCIRS designated as held for trading	(54,169)	(58,107)	(4,734)	50,387
Mark-to-market CCIRS designated as held for trading				
Positive fair value of mark-to-market CCIRS designated as held for trading	5,133	13,551	40,776	64,266
Negative fair value of mark-to-market CCIRS designated as held for trading	(7,348)	(6,488)	40,803	50,026
Other derivative contracts designated as hedge accounting relationship				
Positive fair value of other derivative contracts designated in fair value hedge realtionship	1	179	(4)	229
Negative fair value of other derivative contracts designated in fair value hedge realtionship	–	–	–	–
Other derivative contracts designated as held for trading				
Positive fair value of other derivative contracts designated as held for trading	1,260	3,766	711	17,942
Negative fair value of other derivative contracts designated as held for trading	(4,603)	(5,839)	(12,066)	(21,405)
Derivative financial assets total	**107,384**	**105,768**	**132,934**	**206,245**
Derivative financial liabilities total	**(122,922)**	**(128,329)**	**(30,874)**	**(42,764)**
Derivative financial instruments total	**(15,538)**	**(22,561)**	**102,060**	**163,481**

c) Hedge accounting

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

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

As at 31 December 2009

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
Cash flow hedges	–	–	–
Fair value hedges	IRS Options	HUF 10,578 million HUF 1 million	Interest rate Foreign exchange
Hedges of net investments in foreign operations	–	–	–

As at 31 December 2008

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
Cash flow hedges	–	–	–
Fair value hedges	IRS Options	HUF 7,424 million HUF 179 million	Interest rate Foreign exchange
Hedges of net investments in foreign operations	–	–	–

d) Fair value hedges

1. Deposits from customers

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

	2009	2008
Fair value of the hedging instruments	3,461	(574)

2. Securities available-for-sale

The Bank holds fixed interest rate securities denominated in currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates. In order to hedge the interest rate risk of the cash-flows the Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 6 month LIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	2009	2008
Fair value of the hedging instruments	348	367

3. Loans to customers

3.1. Hedges of foreign exchange rate risk

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

	2009	2008
Fair value of the hedging instruments	1	179

3.2. Hedges of interest rate risk

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

	2009	2008
Fair value of the hedging instruments	(1,335)	(43)

4. Issued securities

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

	2009	2008
Fair value of the hedging instruments	8,104	7,674

As at 31 December 2009

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk on the hedged items	Gains/losses attributable to the hedged risk on the hedged instruments
Securities available-for-sale	IRS	HUF 15,557 million	HUF 348 million	HUF 197 million	HUF (197) million
Loans to customers	IRS	HUF 43,292 million	HUF (1,335) million	HUF 792 million	HUF (790) million
Loans to customers	Options	HUF 3.6 million	HUF 1 million	HUF (52) million	HUF 52 million
Deposits from customers	IRS	HUF 29,685 million	HUF 3,461 million	HUF 4,036 million	HUF (4,036) million
Liabilities from issued securities	IRS	HUF 154,164 million	HUF 8,104 million	HUF 429 million	HUF (429) million

As at 31 December 2008

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk on the hedged items	Gains/losses attributable to the hedged risk on the hedged instruments
Securities available-for-sale	IRS	HUF 35,230 million	HUF 367 million	HUF 934 million	HUF (934) million
Loans to customers	IRS	HUF 980 million	HUF (43) million	HUF (43) million	HUF (13) million
Loans to customers	Options	HUF 231 million	HUF 179 million	HUF (326) million	HUF 326 million
Deposits from customers	IRS	HUF 17,163 million	HUF 7,674 million	HUF 7,674 million	HUF (7,674) million
Liabilities from issued securities	IRS	HUF 134,706 million	HUF (574) million	HUF (574) million	HUF 574 million

e) Fair value classes

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

1th Level: quoted prices (unadjusted) in active markets for identical assets or liabilities;

2nd Level: inputs other than quoted prices included within Level 1, that are observable for the asset or liabilitiy either directly or indirectly;

3rd Level: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 31 December 2009	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	272,289	179,225	93,064	–
from this: securities held for trading	179,053	179,053	–	–
from this: positive FVA of derivative financial instruments designated as held for trading	93,236	172	93,064	–
Securities available-for-sale	1,614,172	1,473,253	38,078	102,841
Positive FVA of derivative financial instruments designated as hedge accounting relationship	14,148	–	14,148	
Financial assets measured at fair value total	**1,900,609**	**1,670,478**	**145,290**	**102,841**
Negative FVA of derivative financial instruments designated as held for trading	119,353	76	119,277	–
Negative FVA of derivative financial instruments designated as hedge accounting relationship	**3,569**	**–**	**3,569**	**–**
Financial liabilities measured at fair value total	**122,922**	**76**	**122,846**	**–**

As at 31 December 2009	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	151,716	55,029	96,687	–
from this: securities held for trading	54,819	54,819	–	–
from this: positive FVA of derivative financial instruments designated as held for trading	96,897	210	96,687	–
Securities available-for-sale	549,911	436,984	13,269	99,658
Positive FVA of derivative financial instruments designated as hedge accounting relationship	8,871	–	8,871	–
Financial assets measured at fair value total	**710,498**	**492,013**	**118,827**	**99,658**
Negative FVA of derivative financial instruments designated as held for trading	127,061	10	127,051	–
Negative FVA of derivative financial instruments designated as hedge accounting relationship	1,268	–	1,268	–
Financial liabilities measured at fair value total	**128,329**	**10**	**128,319**	**–**

Movements in level 3 financial instruments measured at fair value

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

Movements for the year	Opening balance	Additions	Balance as at 31 December 2009	Total profit or loss as at 31 December 2009
Securities available-for-sale	99,658	3,183	102,841	3,183
Financial assets measured at fair value total	99,658	3,183	102,841	3,183

NOTE 38: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS ("HAS") AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)

	Retained Earnings and Reserves 1 January 2009	Net profit for the year ended 31 December 2009	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2009
Financial Statements according to HAS	**701,087**	**102,329**	**4,042**	**807,458**
Reversal of statutory general provision	43,344	(2,615)	–	40,729
Premium and discount amortization of financial instruments measured at amortised cost	1,828	(894)	–	934
Effect of redemption of issued securities	–	25,860	–	25,860
Differences in carrying value of subsidiaries	2,026	38,131	(877)	39,280
Difference in accounting for finance leases	(3,346)	(447)	–	(3,793)
Fair value adjustment of held for trading and available-for-sale financial assets	(11,735)	(4,085)	36,102	20,282
Fair value adjustment of derivative financial instruments	2,776	2,457	–	5,233
Reversal of statutory goodwill	10,585	571	–	11,156
Revaluation of investments denominated in foreign currency to historical cost	30,108	9,917	–	40,025
Difference in accounting of security lending	12,488	(25,556)	–	(13,068)
Treasury share transaction	44,095	4,480	(48,575)	–
Written put option on ordinary shares	–	–	(55,468)	(55,468)
Reclassification of direct charges to reserves	–	3,166	(3,166)	–
Share-based payment	–	(6,802)	6,802	–
Payments to ICES holders	9,821	1,046	(5,705)	5,162
Deferred taxation	(759)	10,580	(5,993)	3,828
Financial Statements according to IFRS	**842,318**	**158,138**	**–72,838**	**927,618**

NOTE 39: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2009

MOL OTP share swap transaction

See details in Note 17.

Hungarian Government loan facility

See details in Note 13.

EBRD subordinated loan argreement

On 9 July 2009 the Bank signed an agreement with EBRD according to which the London-based financial institution is providing EUR 200 million subordinated loan to the Bank and further EUR 20 million is being used to acquire OTP treasury-shares. The subordinated loan facility carries commercial terms and will be available for draw-down for a period of six months.

On 16 December 2009 the parties extended the period available for draw-down by 6 months. The EBRD subordinated loan is further strengthening the Bank's current robust capitalization and facilitating boosting the Bank's domestic banking operations as well as its activities in other Eastern European countries. Through the share purchase EBRD will increase its existing 1.5% stake in the Bank to around 2%. Details of the transaction will be reported to markets once the deal has been completed.

Bond issue program

On 10 August 2009 the Bank has launched a HUF 500 billion Note Program. The Hungarian Financial Supervisory Authority approved the Base Prospectus relating to the program on 7 August 2009. During the issuance within frames of the program, the Bank can initiate subscription of the bonds on the Stock Exchange.The Commission de Surveillance du Secteur Financier (CSSF) approved the Base Prospectus (dated 26 August 2009) relating to the Bank EUR 5 billion Medium Term Note Program under the C-08390 number.

New Branch foundation

In December 2009 the Bank established a branch in Frankfurt in order to help the German appearance and activity of SME clients of the Bank and its subsidiaries – mainly the Russian, Ukranian and Romanian – as well as support the entering of German companies to Hungary. The Bank has an interest in participating in open-market activities of European Central Bank (ECB).

NOTE 40: POST BALANCE SHEET EVENTS

On 21 January 2010 the capital increase of the Romanian subsidiary of the Bank has been registered by the Romanian Court of Registration. Accordingly the statutory capital of the OTP Bank Romania S.A. has been increased from RON 432,909,120 to RON 462,909,120.

On 25 January 2010 the Bank called its purchase right established on 29 June 2009 and acquired total 100% ownership of Sinvest Trust Ltd. as well as 49% of shares of OTP Building Society Ltd. that was owned by Sinvest Trust Ltd.

As a result of this transaction the ownership of the Bank in OTP Building Society Ltd. changed to 100%.

CJSC Donskoy Narodny Bank was merged to 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 reached RUB 2,797,887,853.

On 25 February 2010 the Bank obtained 80% direct ownership in PortfoLion Venture Fund Management Ltd. The registered capital of the company is HUF 25 million.

NOTE 41: THE EFFECT OF THE FINANCIAL SITUATION ON THE BANK

The framework of operation and profitability of the Bank in 2009 has been significantly influenced by the crisis and the measures taken by the management.

- The quality of the loan portfolio has deteriorated significantly compared to the previous years, (See Note 26) which made necessary on one hand prudent provisioning on the loans. On the other hand the Bank has launched a debtor compensation program, which offered help for the clients having temporary problems with repayment, generally in form of temporary instalment reductions, prolongation of the duration of the contracts, or the combination of these.
- The further enhancement of the stable capital adequacy was a priority for the Bank in 2009 as well. Due to the profitable operation, the lending activity shrinking as a consequence of the crisis, and the shrinking of the risk weighted total assets, the capital adequacy ratio of the Bank has risen to 16.2%.
- Irrespecive of the fundamental performance of the Bank, its share prices and prices of other financial assets issued by the Bank, fell to the price level of year 2001 due to the risk evasive investor attitudes. In 2009 the Bank, seeing the low share and financial asset prices, repurchased bonds, being components of its Supplementary Capital, the gain on these transactions was HUF 27.7 bn for 2009. In the first quarter, the Bank purchased treasury shares on low market prices. A stock of the treasury shares has been transferred to MOL in the framework of a share swap agreement, that has enhanced the capital adequacy of the Bank.
- Parallel to the shrinking demand for loans on the market and to the more cautious lending activity, the Bank has taken special attention to the collection of deposits. The successful deposit collection activity contributed considerably to the 9% points decrease of the loan-deposit ratio in 2009 (at the end of 2009 it was 80%). By its conservative business policy, the Bank accumulated a liquidity puffer (as at the end of 2009 it amounted to EUR 6 billion on Group level), which securely covers all the liabilities denominated in foreign currencies (senior debt and mortgage bonds), the repayment of the state loans, and supports managing any unanticipated liquidity and foreign exchange rate shocks.
- The possibility of raising funds from the capital markets has shrinked significantly in the second part of 2008, and the market conditions became worse at the beginning of 2009 as the Moody`s and the S&P credit rating agencies have downgraded the rating of the debt of Hungary. Though, the stable liquidity position of the Bank is still ensured, which is enhanced by the contracts with the EBRD and the Hungarian Government. (See Note 39).
- Both the lending activity and the demand for loans have reduced considerably. The credit

policy has been made stricter in 2008 already by the Bank, and the higher cost of raising funds has been partially charged to the clients in the form of higher interest margins. Based on management decision, the portion of the HUF denominated loans grew significantly among the loans originated in 2009, both for mortgage loans and personal loans. This year, there were initiaives and bills in Hungary, that aimed at cutting foreign currency denominated lending, and setting up other barriers to it, furthermore, a law has been codified to help the retail clients having mortgage loans, touched by the crisis.

On 16 September, the Bank joined the Code of Ethics of retail lending institutions, which is about the fair treatment of the retail clients. On 30 December, a government decree has been issued on the conditions of prudent retail lending, providing loans and credit scoring, to be applied from 2010.

- The swap markets for raising the necessary liquidity in foreign currencies for the lending in foreign currencies, have shrinked in 2008 (particularly in the last quarter), though the renewal of the transactions has been ensured continously accompanied by raising premiums. In the third quarter of 2009 in the framework of the contract with the EBRD, the international credit institution provided a CHF 500 mn CHF/HUF swap facility for the Bank. In the past year more transactions were contracted with EBRD, by which the swap facility has been almost completely used. The Bank could charge to its clients in several lending business lines the expense of the swaps, being higher in amount, partially counterbalancing its effect on the Statements of operations.