OTP BANK PLC.

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

***FOR THE YEAR ENDED
31 DECEMBER 2009***

OTP BANK PLC.
CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

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.

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.

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

....	....
Gion Gábor	Nagyváradiné Szépfalvi Zsuzsanna
Deloitte Auditing and Consulting Ltd.	registered statutory auditor
1068 Budapest, Dózsa György út 84/C	005313
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OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009
(in HUF mn)

	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	415,656
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**

Budapest, 26 February 2010

OTP BANK Nyrt.

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Dr. Sándor Csányi
Chairman and Chief Executive Officer

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(in HUF mn)

	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)	130,527
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**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(in HUF mn)

	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**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(in HUF mn)

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)**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(in HUF mn)
[continued]

FINANCING ACTIVITIES	***Note***	***2009***	***2008***
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**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 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**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

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

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

The structure of the Share capital by shareholders:

	2009	*2008*
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.

The number of employees at the Group:

	2009	*2008*
The number of employees at the Group	31,337	30,776
The average number of employees at the Group	31,051	30,710

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

1.2. Accounting

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

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

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

Certain adjustments have been made to the entities' statutory accounts in order to present the consolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as IFRS.

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

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

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

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

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

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

- IFRS 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.

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

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

- IAS 24 (Amendment) Related party disclosures - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011)*
- 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)

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

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

- 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*

*Not yet endorsed by the EU.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.1. Basis of Presentation [continued]

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

2.2. Foreign currency translation

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

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

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

2.3. Principles of consolidation

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

2.4. Accounting for acquisitions

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions [continued]

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

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

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

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

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

2.5. Securities held-to-maturity

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

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

Such securities comprise mainly securities issued by the Hungarian Government 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

2.6.2. Derivative financial instruments

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Securities available-for-sale

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

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

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

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

2.9. Sale and repurchase agreements, security lending

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

2.10. Associates and other investments

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

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

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

2.11. Property and equipment, Intangible assets

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Property and equipment, Intangible assets [continued]

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

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

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

2.12. Financial liabilities

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Treasury shares

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

2.15. Interest income and interest expense

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

2.16. Fees and Commissions

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

2.17. Income tax

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

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

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

2.18. Off-balance sheet commitments and contingent liabilities

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.19. Share-based payment

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

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

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

2.20. Consolidated Statement of Cash Flows

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

2.21. Segment reporting

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

2.22. Comparative figures

Certain amounts in the Consolidated Financial Statements for the year ended 31 December 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**

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

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

	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	2,642	1,373
Corporate bonds	2,156	352
Mortgage bonds	184	422
Hungarian government interest bearing Treasury bills	183	2,608
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**

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

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

	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**

* CCIRS: Cross currency interest rate swaps

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%

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**

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

	2009	*2008*
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	6,113	6,176
In foreign currency	116,327	107,374
	122,440	*113,550*
Treasury bills	7,919	19,792
Mortgage bonds	148	415
Other securities	10,768	3,592
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*
	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**

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

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

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

	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**

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

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

	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%**	**100%**

Interest rates of the loan portfolio are as follows:

	2009	*2008*
Short-term loans denominated in HUF	6% - 35.2%	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%

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

	2009	*2008*
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	**6,844,007**	**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
	189,797	**321,845**
Accrued interest	3,579	8,425
Provision for impairment on securities held-to-maturity	(4,523)	(112)
Total	**188,853**	**330,158**

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

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

	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%**	**100%**

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

	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:

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	318,732	142,321	143,706	15,648	620,407
Additions	26,287	7,725	18,949	14,279	67,240
Foreign currency translation differences	(2,512)	(124)	561	162	(1,913)
Disposals	(5,937)	(4,049)	(9,487)	(16,745)	(36,218)
Change in consolidation scope	112	31	16,547	-	16,690
Balance as at 31 December	**336,682**	**145,904**	**170,276**	**13,344**	**666,206**
Depreciation and Amortization					
Balance as at 1 January	49,390	20,299	81,017	-	150,706
Charge for the 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:

Cost	Goodwill
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.

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

For the year ended 31 December 2008:

Cost	**Intangible assets and goodwill**	**Property**	**Office equipments and vehicles**	**Construction in progress**	**Total**
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:

Cost	**Goodwill**
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 analysis of positive fair value of derivative financial instruments designated as hedge accounting relationship:

	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.

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

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.

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

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

	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%

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%

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

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%

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

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

	Name	Date of issue	Maturity	Nominal value (in original 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	6,920	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	10,571	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
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

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

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

	Name	Date of issue	Maturity	Nominal value (in original currency	Nominal value (in HUF)	Interest conditions (in % p.a.)	
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
54	OJB2016_J	18/04/2006	28/09/2016	368	368	7.59	fixed
55	OJB2019_I	17/03/2004	18/03/2019	32,575	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		Interest conditions (in % p.a.)	
				(EUR mn)	(HUF mn)		
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 bonds OTP*	15/10/2003	15/10/2012	17	4,495	4.7	fixed
8	Mortgage bonds OTP V*	29/09/2004	29/09/2010	33	8,990	4.5	fixed
9	Mortgage bonds OTP VII	21/12/2005	21/12/2015	22	6,086	3 month Bribor + 0.15	floating

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

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

	Name	Date of issue	Maturity	Nominal value		Interest conditions (in % p.a.)	
				(EUR mn)	(HUF mn)		
10	Mortgage bonds OTP XI	30/03/2007	30/03/2010	33	8,990	6 month Bribor + 0.08	floating
11	Mortgage bonds OTP XII*	23/11/2007	23/11/2010	22	5,934	3 month Bribor + 0.08	floating
12	Mortgage bonds OTP XIII*	12/03/2008	12/03/2011	17	4,495	4.5	fixed
13	Mortgage bonds OTP XIV*	25/04/2008	25/04/2010	17	4,495	4.6	fixed
14	Mortgage bonds OTP XVII*	08/06/2009	08/06/2012	3	821	4.1	fixed
15	Mortgage bonds OTP XVIII*	18/09/2009	18/03/2010	1	244	3.5	fixed
16	Mortgage bonds OTP XIX*	02/11/2009	02/11/2012	4	995	4	fixed
17	Other				24,857		
	Total				**894,785**		
	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
Forward rate agreements designated as held for trading (FRA)	332	-
Forward security agreements designated as held for trading	15	9
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.

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

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	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%

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

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

Type	Subordinated bond
Nominal value	EUR 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% 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% 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.

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

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

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

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

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

Change in number of shares:

	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	233	(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.

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

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:		
Reversal of statutory general provision	569	(188)
Tax effect of provision for loan 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%**

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

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.

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

27.1. Credit risk [continued]

Analysis by business lines and risk classes [continued]

As at 31 December 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.

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

27.1. Credit risk [continued]

Classification into risk classes [continued]

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

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

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

Types of collaterals	*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**

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

27.1. Credit risk [continued]

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

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

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

27.1. Credit risk [continued]

Past due, but not impaired loans [continued]

As at 31 December 2008

Business line	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
	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
Corporate	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**
	Delay of payment	292	110	2,728
	Regularity of payment	145	116	-
	Renegotiation	80	1	-
Municipal	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**

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

27.1. Credit risk [continued]

Loans determined individually to be impaired [continued]

As at 31 December 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.

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

27.2. Market risk [continued]

27.2.1. Market Risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	**Average**	
	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.

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

27.2 Market risk [continued]

27.2.2. Foreign currency sensitivity analysis [continued]

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

Probability	**Effects to the Consolidated Statement of Recognized Income in 3 months period**	
	2009	*2008*
	In HUF billion	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 balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date will be outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes. The main assumptions were as follows:

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

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

27.2 Market risk [continued]

27.2.3. Interest rate sensitivity analysis [continued]

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

The net interest income in a one year period after 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 government bonds)**	**Effects to the net interest income (1 Year period)**	**Effects to capital (Price change of AFS government bonds)**
HUF (0.1%) parallel shift	(551)	812	(242)	139
EUR (0.1%) parallel shift	(281)	-	(33)	-
USD 0.1% parallel shift	(147)	-	(20)	-
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)

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

27.2. Market risk [continued]

27.2.5. Capital management

Capital management

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

Capital adequacy

The capital adequacy of the Group is supervised based on the financial statements data prepared according to the Hungarian Accounting Standards („HAS") applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008.
The Group has entirely complied with the regulatory capital requirements 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**
Tier 1 ratio	15.0%	12.4%
Capital adequacy ratio	**18.5%**	**15.3%**

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

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

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

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

Subsidiary bank	**Country**	**Minimum prescribed CAR**	*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 komerčijalna 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.

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

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

Calculation on IFRS basis

	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**
Tier 1 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.

Contingent liabilities

	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.

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

Legal disputes

At the balance sheet date the Group was involved in various claims and legal proceedings of a nature considered normal to its business. The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 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.

	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 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	Ownership (Direct and Indirect) *2009*	*2008*	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 komerčijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100,00%	holding activity
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Two Commercial Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services

NOTE 31: MAJOR SUBSIDIARIES [continued]

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

	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 Hungary and other banks	148,219	235,502	106,018	313,010	-	802,749
Deposits from customers	4,404,224	1,079,141	181,280	24,242	-	5,688,887
Liabilities from issued securities	762,102	31,108	394,544	222,594	-	1,410,348
Financial liabilities at fair value through profit or loss	36,416	16,203	59,659	6,190	-	118,468
Other liabilities	211,916	8,399	34,429	7,496	-	262,240
Subordinated bonds and loans	465	252	4,035	276,082	-	280,834
TOTAL LIABILITIES	**5,563,342**	**1,370,605**	**779,965**	**849,614**	**-**	**8,563,526**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,265,600	1,265,600
Treasury shares	-	-	-	-	(108,146)	(108,146)
Non-controlling interest	-	-	-	-	6,152	6,152
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,191,606**	**1,191,606**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,563,342**	**1,370,605**	**779,965**	**849,614**	**1,191,606**	**9,755,132**
LIQUIDITY (DEFICIENCY)/EXCESS	**(3,199,160)**	**(136,440)**	**1,429,064**	**2,602,950**	**(696,414)**	**-**

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

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.

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

As at 31 December 2009

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

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

As at 31 December 2009

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

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

As at 31 December 2008

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**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, net of allowance for placements losses	**66 142**	**227 162**	**2 506**	**10 826**	**-**	**90 734**	**-**	**-**	**-**	**6 023**	**2 412**	**9 851**	**71 060**	**344 596**	**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*	*9 851*	*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**	**5 287 319**	**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-maturity	**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*
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*

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

As at 31 December 2008

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**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*	*1 137 942*	*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

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*
	Number of shares	
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

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

As at 31 December 2008

	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)	-	-	-
	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 Hungary and 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

	Fair value		**Notional value, net**	
	2009	*2008*	*2009*	*2008*
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)

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

b) Fair value of derivative instruments [continued]

	Fair value		Notional value, net	
	2009	*2008*	*2009*	*2008*
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**

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

c) Hedge accounting

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

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

As at 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
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF 10,578 million	Interest rate
	Options	HUF 1 million	Foreign exchange
	CCIRS	HUF (18,615) million	Foreign exchange and interest rate
3) Hedges of a net investments in foreign operations	CCIRS	HUF (2,118) million	Foreign exchange

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
1) Cash flow hedges	-	-	-
2) 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
3) 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.

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

d) Fair value hedges [continued]

2. Securities available-for-sale [continued]

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

	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)

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

d) Fair value hedges [continued]

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)	HUF 10,795 million	HUF (10,795) million

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

e) Fair value classes

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

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

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

As at 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**	**-**

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

e) Fair value classes [continued]

Movements in Level 3 financial instruments measured at fair value

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

As at 31 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	2 196	8 353	23 999	**(102 865)**	-
Total	**569 598**	**8 458**	**11 297**	**39 187**	**19 183**	**15 134**	**3 812**	**29 427**	**38 139**	**(102 865)**	**631 370**
Non-interest expense											
External	235 562	13 049	8 106	33 224	14 907	19 632	10 982	46 647	25 529		**407 638**
Intersegment	5 524	-	-	-	155	11	-	555	334	**(6 579)**	-
Total	**241 086**	**13 049**	**8 106**	**33 224**	**15 062**	**19 643**	**10 982**	**47 202**	**25 863**	**(6 579)**	**407 638**

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

As at 31 December 2009

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

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

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)**	**975 452**
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**

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

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**
Depreciation 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 ENDED 31 DECEMBER 2009

1) MOL OTP share swap transaction

See details in Note 17.

2) Hungarian Government loan facility

See details in Note 13.

3) 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.

4) 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.

5) 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.

NOTE 43: EFFECT OF THE FINANCIAL SITUATION ON THE GROUP [continued]

- 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.

NOTE 43: EFFECT OF THE FINANCIAL SITUATION ON THE GROUP [continued]

- 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%.