OTP BANK PLC.

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

FOR THE YEAR ENDED 31 DECEMBER 2009

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 unconsolidated financial statements of OTP Bank Plc., which comprise the unconsolidated statement of financial position as at December 31, 2009, and the related unconsolidated statement of recognised and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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

Budapest, February 26, 2010

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Gion Gábor
Deloitte Auditing and Consulting Ltd.

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

Budapest, 26 February 2010

OTP BANK Nyrt.

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Dr. Sándor Csányi
Chairman and Chief Executive Officer

elnök-vezérigazgató

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

	Note	2009	2008
Interest Income:			
Loans		253,822	243,170
Placements with other banks		353,911	203,352
Securities available-for-sale		54,087	23,959
Securities held-to-maturity		52,934	42,695
Amounts due from banks and balances with National Bank of Hungary		7,026	14,147
Securities held for trading		5,297	4,979
Total Interest Income		**727,077**	**532,302**
Interest Expense:			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government		265,205	206,208
Deposits from customers		197,585	150,729
Liabilities from issued securities		32,474	25,079
Subordinated bonds and loans		17,446	16,444
Total Interest Expense		**512,710**	**398,460**
NET INTEREST INCOME		**214,367**	**133,842**
Provision for impairment on loan and placement losses	*5.,8.*	78,462	29,211
NET INTEREST INCOME AFTER PROVISON FOR LOAN AND PLACEMENT LOSSES		**135,905**	**104,631**
Income from fees and commissions	*22.*	160,881	157,575
Expenses from fees and commissions	*22.*	22,080	24,535
NET PROFIT FROM FEES AND COMMISSIONS		**138,801**	**133,040**
Foreign exchange (losses) and gains		(18,487)	58,228
(Losses) and gains on securities, net		(1,085)	118
Dividend income		32,986	138,264
Other operating income	*23.*	41,350	21,497
Other operating expenses	*23.*	(2,713)	(146,502)
-from this: provision for impairment on investments in subsidiaries		*(575)*	*(124,880)*
NET OPERATING INCOME		**52,051**	**71,605**
Personnel expenses	*24.*	77,677	77,354
Depreciation and amortization	*24.*	22,262	21,032
Other administrative expenses	*24.*	65,449	69,348
OTHER ADMINISTRATIVE EXPENSES		**165,338**	**167,734**
PROFIT BEFORE INCOME TAX		**161,369**	**141,542**
Income tax	*25.*	3,231	7,587
NET PROFIT FOR THE YEAR		**158,138**	**133,955**
Earnings per share (in HUF)			
Basic	*35.*	582	495
Diluted	*35.*	577	493

The accompanying notes to unconsolidated financial statements on pages 8 to 83 form an integral part of these unconsolidated financial statements

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

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

	Note	2009	2008
OPERATING ACTIVITIES			
Profit before income tax		161,369	141,542
Income tax paid		(13,278)	(14,566)
Depreciation and amortization		22,262	21,032
Net provision for impairment on securities available-for-sale	*7.*	2,451	2,769
Provision for impairment on securities held-to-maturity		4,164	-
Provision for impairment on loan and placement losses	*8.*	78,462	29,211
Provision for impairment on investments in subsidiaries	*9.*	575	124,880
Provision for impairment/(release of provision) on other assets	*12.*	1,370	(731)
(Release of provision)/provision on off-balance sheet commitments and contingent liabilities	*17.*	(9,500)	14,012
Share-based payment	*28.*	6,802	28
Unrealised gains/(losses) on fair value adjustment of securities available-for-sale and held for trading		1,634	(7,673)
Unrealised gains/(losses) on fair value adjustment of derivative financial instruments		34,568	(8,676)
Net changes in assets and liabilities in operating activities:			
Changes in financial assets at fair value through profit or loss		(124,995)	6,358
Changes in financial liabilities at fair value through profit or loss		(224)	-
Increase in other assets, excluding advances for investments and before provisions for losses		1,533	11,535
Increase/(decrease) in other liabilities		93,307	(15,362)
Net cash provided by operating activities		**260,500**	**304,359**
INVESTING ACTIVITIES			
Net increase in placements with other banks before allowance for placement losses		(66,321)	(67,684)
Net increase in securities available-for-sale		(1,055,389)	(250,560)
Net increase in investments in subsidiaries before provision for impairment		(10,107)	(90,421)
Net decrease in securities held-to-maturity		227,376	127,843
Net increase in advances for investments included in other assets		(13)	(23)
Net decrease/(increase) in loans, net of allowance for loan losses		10,026	(512,642)
Net (additions)/disposals to property, equipment and intangible assets		(20,515)	9,524
Net cash used in investing activities		**(914,943)**	**(783,963)**

(in HUF mn) [continued]

	Note	2009	2008
FINANCING ACTIVITIES			
Net increase in amounts due to banks and deposits from the National Bank of Hungary and other banks		441,054	117,677
Net increase in deposits from customers		256,288	143,991
Net increase in liabilities from issued securities		11,409	201,307
(Decrease)/increase in subordinated bonds and loans		(17,897)	3,810
Payments to ICES holders		(4,723)	(5,203)
Written put option on ordinary shares		(55,468)	-
Net change in Treasury shares		44,513	(54,560)
Net (increase)/decrease in the compulsory reserve established by the National Bank of Hungary		(8,167)	91,832
Dividends paid		(539)	(57)
Net cash provided by financing activities		**666,471**	**498,797**
Net increase in cash and cash equivalents		**12,028**	**19,193**
Cash and cash equivalents at the beginning of the year		93,651	74,458
Cash and cash equivalents at the end of the year		**105,679**	**93,651**
Analysis of cash and cash equivalents:			
Cash, amounts due from banks and balances with the National Bank of Hungary		158,022	230,661
Compulsory reserve established by the National Bank of Hungary		(64,371)	(156,203)
Cash and cash equivalents at the beginning of the year		**93,651**	**74,458**
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	178,217	158,022
Compulsory reserve established by the National Bank of Hungary	*4.*	(72,538)	(64,371)
Cash and cash equivalents at the end of the year		**105,679**	**93,651**

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

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

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

Number of the employees of the Bank:

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

1.2. Accounting

The Bank maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

The functional currency of the Bank is the Hungarian Forint ("HUF").

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with the International Financial Reporting Standards ("IFRS"). Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts (see Note 38), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as International Financial Reporting Standards.

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

1.2. Accounting [continued]

The unconsolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union (the "EU") except for the matters discussed in Note 2.3. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") which has not been approved by the EU. As the Bank does not apply portfolio hedge accounting under IAS 39, there would be no impact on these unconsolidated financial statements, had it been approved by the EU at the 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 International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- IAS 1 (Revised) Presentation of Financial Statements – a revised presentation (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 (Revised) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial statements – Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)
- IFRS 1 (Amendment) First-time adoption of IFRS and IAS 27 (Amendment) Consolidated and Separate Financial Statements – Cost of investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009)
- IFRS 2 (Amendment) Share-based Payment – Vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009)
- IFRS 7 (Amendment) Financial Instruments: Disclosures - Improving disclosures about financial instruments (effective for annual periods beginning on or after 1 January 2009)*
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 9 (Amendment) Reassessment of Embedded Derivatives and IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Embedded derivatives (effective for annual periods ending on or after 30 June 2009)
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)*
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)*

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

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

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2009),

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

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

At the 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 – Bank cash-settled share based payment transactions (effective for annual periods beginning on or after 1 January 2010)*
- IFRS 3 (Revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2013)*
- IFRIC 14 (Amendment) The Limit on a defined benefit Asset, Minimum Funding Requirements and their interaction – Prepayments of a minimum funding requirement (effective for annual periods beginning on or after 1 January 2011)*
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective for transfer of assets from customers received on or after 1 July 2009)
- IFRIC 19 Extinguishing Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)*

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

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

- 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 unconsolidated financial statements of the Bank.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

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

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

2.2. Foreign currency translation

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.3. Consolidated financial statements

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

2.4. Investments in subsidiaries

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

The Bank recognizes the loss control of a subsidiary, derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognises any difference as a gain or loss on the sale attributable to the parent in statement of recognised income.

Investments in subsidiaries are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.
Allowance is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

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

2.5. Securities held-to-maturity

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

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

2.6.2. Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 statement of recognised income. If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into income.

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

2.9. Sale and repurchase agreements, security lending

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

2.10. Property, equipment and intangible assets

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Financial liabilities

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

2.12. Leases

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

2.13. Treasury shares

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

2.14 Interest income and interest expense

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

2.15. Fees and Commissions

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

2.16. Income tax

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the 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 are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognized by the Bank for the amounts of income tax that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.17. Off-balance sheet commitments and contingent liabilities

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

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

2.18. Share-based payment

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

2.19. Unconsolidated statement of cash flows

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

2.20. Segment reporting

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

2.21. Comparative figures

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

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

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

3.1. Impairment on loans and advances

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

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

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

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

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

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

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 losses is as follows:

	2009	2008
Balance as at 1 January	**362**	**-**
Provision for the period	1,600	362
Release of provision	(265)	-
Balance as at 31 December	**1,697**	**362**

Interest conditions of placements with other banks:

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

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

	2009	2008
Held for trading securities:		
Corporate shares	88,513	2,298
Securities issued by the NBH	49,887	-
Government bonds	28,857	43,031
Mortgage bonds	8,689	5,057
Hungarian government discounted Treasury Bills	2,642	1,373
Hungarian government interest bearing Treasury Bills	183	2,608
Other securities	282	452
	179,053	**54,819**
Accrued interest	1,363	1,827
Subtotal	**180,416**	**56,646**
Derivative financial instruments designated as held for trading:		
Interest rate swaps designated as held for trading	56,134	41,004
CCIRS* and mark-to-market CCIRS swap designated as held for trading	28,403	25,600
Foreign currency swaps designated as held for trading	7,439	26,527
Other derivative transactions	1,260	3,766
Subtotal	**93,236**	**96,897**
Total	**273,652**	**153,543**

* CCIRS: Cross Currency Interest Rate Swap

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

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

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

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

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

	2009	2008
Mortgage bonds	720,260	290,820
Bonds issued by NBH	504,172	-
Government bonds	257,571	126,177
Other securities	137,389	135,683
- listed securities	*15,878*	*22,756*
in HUF	-	-
in foreign currency	*15,878*	*22,756*
-non-listed securities	*121,511*	*112,927*
in HUF	*14,580*	*16,719*
in foreign currency	*106,931*	*96,208*
	1,619,392	**552,680**
Accrued interest	38,575	11,130
Provision for impairment	(5,220)	(2,769)
Securities available-for-sale total	**1,652,747**	**561,041**

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

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

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

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

	2009	2008
Securities available-for-sale denominated in HUF (%)	74%	78%
Securities available-for-sale denominated in foreign currency (%)	26%	22%
Securities available-for-sale total	**100%**	**100%**
Interest rates on securities available-for-sale denominated in HUF (%)	5,5% - 12%	6% - 11%
Interest rates on securities available-for-sale denominated in foreign currency (%)	1% - 9.5%	1% - 9.75%

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

	2009	2008
Within five years:		
variable interest	29,140	363,229
fixed interest	1,066,196	90,213
	1,095,336	**453,442**
Over five years:		
variable interest	72,030	79,758
fixed interest	443,559	8,666
	515,589	**88,424**
Non-interest bearing securities	8,467	10,814
Total	**1,619,392**	**552,680**

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

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

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

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

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

An analisys of the loan portfolio by currency (%):

	2009	2008
In HUF	33%	30%
In foreign currency	67%	70%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	2009	2008
Loans denominated in HUF, with a maturity within one year	9.7%-30%	14%-30%
Loans denominated in HUF, with a maturity over one year	3%-24.8%	3%-24.8%
Loans denominated in Foreign currency	1.8%-24.1%	1.8%-22%

	2009	2008
Gross loan portfolio on which interest is not being accrued	6.8%	3%

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

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

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

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

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

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

NOTE 9: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

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

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

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

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

NOTE 9: INVESTMENTS IN SUBSIDIARIES (in HUF mn) [continued]

Investments in companies in which the Bank has a controlling interest are detailed below. All companies are incorporated in Hungary unless indicated otherwise.

	2009		2008	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
OTP Bank JSC (Ukraine)	100.00%	271,677	100.00%	210,673
DSK Bank EAD (Bulgaria)	100.00%	86,831	100.00%	86,831
OTP banka Hrvatska d.d. (Croatia)	100.00%	72,940	100.00%	72,940
OAO OTP Bank (Russia)	95.55%	66,739	95.51%	66,723
OTP banka Srbija a.d. (Serbia)	91.43%	55,997	91.43%	55,997
OTP Bank Romania S.A. (Romania)	100.00%	40,058	100.00%	38,117
Crnogorska komerčijalna banka a.d. (Montenegro)	100.00%	37,100	100.00%	32,988
OTP Mortgage Bank Ltd.	100.00%	27,000	100.00%	27,000
OOO Invest Oil (Russia)	100.00%	21,224	100.00%	21,224
OOO Megaform Inter (Russia)	100.00%	17,704	100.00%	17,704
OOO AlyansReserv (Russia)	100.00%	11,147	100.00%	11,147
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,038	97.23%	10,038
Air-Invest Ltd.	100.00%	8,298	100.00%	7,948
Bank Center No. 1. Ltd.	100.00%	7,330	100.00%	7,330
CJSC Donskoy Narodny Bank (Russia)	100.00%	6,687	100.00%	6,687
Inga Two Ltd.	100.00%	5,892	100.00%	5,892
OTP Funds Servicing and Consulting Ltd.	100.00%	2,469	100.00%	2,469
OTP Holding Ltd. (Cyprus)	100.00%	2,000	100.00%	29,000
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
Merkantil Bank Ltd.	100.00%	1,600	100.00%	1,600
OTP Life Annuity Ltd.	100.00%	1,250	100.00%	1,250
S.C. OTP Fond de Pensii (Romania)	100.00%	885	100.00%	885
OTP Financing Netherlands B.V. (Netherlands)	100.00%	481	100.00%	481
OTP Card Factory Ltd.	100.00%	450	100.00%	450
OTP Real Estate Leasing Ltd.	100.00%	410	100.00%	410
OTP Factoring Ltd.	100.00%	225	100.00%	225
Other	-	312	-	1,568
Subtotal		**760,347**		**721,180**

NOTE 9: INVESTMENTS IN SUBSIDIARIES (in HUF mn) [continued]

Investments in companies in which the Bank has a non-controlling interest as at 31 Decmeber 2009 are detailed below.
All companies are incorporated in Hungary.

	2009		2008	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
Monicomp Ltd.	100.00%	3,800	-	-
Monirent Ltd.	100.00%	1,520	-	-
Omnilog Ltd.	100.00%	1,500	-	-
D4 Tenant Ltd.	100.00%	1,020	-	-
Pet-Real Ltd.	100.00%	808	-	-
Dokulog Ltd.	100.00%	475	-	-
CIL Babér Ltd.	100.00%	5	-	-
MONOPOST Ltd.	100.00%	2	-	-
Subtotal		**9,130**	-	-
Total		**769,477**		**721,180**

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

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

On 8 April 2009 the Bank, 100% owner of OTP Bank JSC has increased the registered capital of its subsidiary by UAH 800 million (USD 100 million). The registration of the capital increase has been accomplished on 6 October 2009.

On 30 November 2009 the Bank concluded a purchase agreement and acquired CIL Babér Ltd. possessing the Danubius IV. office building and the tenant of the office building, D4 Tenant Ltd.

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

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

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

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

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

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

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

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

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

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

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

	2009	2008
Securities held-to-maturity denominated in HUF (%)	98%	100%
Securities held-to-maturity denominated in Foreign currency (%)	2%	-
Securities held-to-maturity total	**100%**	**100%**
Interest rates on securities held-to-maturity (%)	5.5% - 19.2%	5.5% - 19.2%

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

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

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

For year ended 31 December 2009:

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

For the year ended 31 December 2008:

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

NOTE 12: OTHER ASSETS (in HUF mn)

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

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

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

* The Bank, under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd.

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

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

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

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

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

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

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

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

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

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

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

Interest rates on deposits from customers are as follows:

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

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

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

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

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

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

Interest rates on liabilities from issued securities are as follows:

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

Information concerning issued securities:

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

	Name	Date of issuance	Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)	
1	OTP 2010/I	10/01/2009-13/02/2009	22/01/2010	22,012	10	fixed
2	OTP 2010/II	20/02/2009-28/03/2009	20/02/2010	30,530	8	fixed
3	OTP 2010/III	03/04/2009-24/04/2009	03/04/2010	21,433	9	fixed
4	OTP 2010/IV	30/04/2009-08/05/2009	30/04/2010	8,424	9.5	fixed
5	OTP 2010/V	15/05/2009-22/05/2009	15/05/2010	6,920	9.5	fixed
6	OTP 2010/VI	29/05/2009-05/06/2009	29/05/2010	5,492	9.5	fixed
7	OTP 2010/VII	12/06/2009-19/06/2009	12/06/2010	6,590	9.5	fixed
8	OTP 2010/VIII	26/06/2009-03/07/2009	26/06/2010	10,894	9.5	fixed
9	OTP 2010/IX	10/07/2009-17/07/2009	10/07/2010	8,538	9.5	fixed
10	OTP 2010/X	24/07/2009-31/07/2009	24/07/2010	9,602	9.5	fixed
11	OTP 2010/XI	07/08/2009-19/08/2009	07/08/2010	13,894	9	fixed
12	OTP 2010/XII	29/08/2009	29/08/2010	4,232	9	fixed
13	OTP 2010/XIII	04/09/2009-11/09/2009	04/09/2010	10,571	7	fixed
14	OTP 2010/XIV	18/09/2009-25/09/2009	18/09/2010	7,899	7	fixed
15	OTP 2010/XIX	27/11/2009	27/11/2010	3,184	6.5	fixed
16	OTP 2010/XV	02/10/2009-09/10/2009	02/10/2010	3,953	6.5	fixed
17	OTP 2010/XVI	16/10/2009-22/10/2009	16/10/2010	4,854	6.5	fixed
18	OTP 2010/XVII	30/10/2009-06/11/2009	30/10/2010	23,566	6.5	fixed
19	OTP 2010/XVIII	13/11/2009-20/11/2009	13/11/2010	8,290	6.5	fixed
20	OTP 2010/XX	04/12/2009-11/12/2009	04/12/2010	6,096	6.5	fixed
21	OTP 2010/XXI	21/12/2009-30/12/2009	21/12/2010	7,452	5.5	fixed
22	OTP 2011A	13/10/2009	13/04/2011	3,000	9.5	fixed
23	OTP 2011B	28/10/2009	28/04/2011	1,000	7.55	fixed
24	OTP 2011C	09/11/2009	09/11/2011	2,000	7.5	fixed
25	OTPX 2010A	21/12/2007	21/12/2010	1,393	indexed	floating
26	OTPX 2011A	29/02/2008	01/03/2011	315	indexed	floating
27	OTPX 2011B	30/05/2008	30/05/2011	604	indexed	floating
28	OTPX 2011C	14/12/2009	20/12/2011	500	indexed	floating
29	OTPX 2012A	11/09/2009-25/09/2009	11/09/2012	1,686	indexed	floating
30	OTPX 2014A	25/06/2009	30/06/2014	65	indexed	floating
31	OTPX 2014B	05/10/2009	13/10/2014	5,000	indexed	floating
32	OTPX 2014C	14/12/2009	19/12/2014	4,600	indexed	floating
33	OTPX 2019A	25/06/2009	01/07/2019	3,709	indexed	floating
34	OTPX 2019B	05/10/2009	14/10/2019	437	indexed	floating
35	OTPX 2019C	14/12/2009	20/12/2019	430	indexed	floating
	Total			**249,165**		
	Unamortized premium			309		
	Fair value hedge adjustment			(1,497)		
	Total			**247,977**		

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

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

	Name	Date of issuance	Maturity	Nominal value in EUR million	Nominal value in HUF million	Interest conditions (in % p.a.)	
1	OTP HBFIXED 160511	16/05/2008	16/05/2011	500	135,420	5.75	fixed
2	OTP HBFLOAT 010710	01/07/2005	01/07/2010	500	135,420	3 month Euribor + 0.16 quarterly	floating
3	OTP HBFLOAT 201210	20/12/2005	20/12/2010	300	81,252	3 month Euribor + 0.15 quarterly	floating
				1,300	**352,092**		
	Unamortized premium				(1,417)		
	Fair value hedge adjustment				8,601		
	Total				**359,276**		
	Accrued interest				**11,050**		
	Total				**618,303**		

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

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

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

NOTE 17: OTHER LIABILITIES (in HUF mn)

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

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

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

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

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

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

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

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

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

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

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

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

Interest rates on subordinates bonds and loans are as follows:

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

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

Subordinated loans and bonds are detailed as follows:

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

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

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

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

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

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

*European Medium Term Note Program

On 30 August 2006 the Bank updated EMTN Program and increased the Program amount from EUR 1 billion to EUR 5 billion.

NOTE 19: SHARE CAPITAL (in HUF mn)

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

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

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

The reserves of the Bank under Hungarian Accounting Standards:

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

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

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

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

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

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

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

Change in number of shares:

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

Change in carrying value:

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

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

Fee and commission income:

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

Fee and commission expense:

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

	2009	2008
Net profit from fees and commissions	**138,801**	**133,040**

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

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

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

NOTE 24: OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	2009	2008
Personnel expenses:		
Wages	53,747	53,181
Taxes related to personnel expenses	16,651	15,809
Other personnel expenses	7,279	8,364
Subtotal	**77,677**	**77,354**
Depreciation and amortization:	**22,262**	**21,032**
Other administrative expenses:		
Administration expenses, including rental fees	22,549	24,534
Services	19,544	21,188
Taxes, other than income tax	15,232	15,740
Advertising	5,604	5,670
Professional fees	2,520	2,216
Subtotal	**65,449**	**69,348**
Total	**165,388**	**167,734**

NOTE 25: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 16% of taxable income.
In Hungary, an additional 4% of special tax is to be paid.
Deferred tax is calculated at 19%, which is the income tax rate effect from January 1, 2010.
From 1 January 2010 in Hungary the additional banking tax (4%) was cancelled.
A breakdown of the income tax expense is:

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

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

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

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

	2009	2008
Provision for impairment on investments in subsidiaries	13,221	3,183
Repurchase agreements	2,483	-
Difference in accounting for finance leases	721	669
Fair value adjustment of held for trading and available-for-sale securities	-	2,347
Deferred tax assets	**16,425**	**6,199**
Effect of redemption of issued securities	(4,913)	-
Fair value adjustment of held for trading and available-for-sale securities	(3,854)	-
Difference in depreciation and amortization	(1,678)	(1,576)
Fair value adjustment of derivative financial instruments	(994)	(555)
Valuation of equity instrument (ICES)	(981)	(1,964)
Difference in depreciation and amortization	(177)	(365)
Repurchase agreements	-	(2,498)
Deferred tax liabilities	**(12,597)**	**(6,958)**
Net deferred tax asset/(liabilities)	**3,828**	**(759)**

NOTE 25: INCOME TAX (in HUF mn) [continued]

A reconciliation of the income tax expense is as follows:

	2009	2008
Profit before income tax	161,369	141,542
Income tax at statutory tax rate (16%)	25,819	22,647
Special tax (4%)	5,116	3,366
Income tax adjustments due to permanent differencies are as follows:		
Provision for impairment on investments in subsidiaries	(10,039)	(3,183)
Differences in carrying value of subsidiaries	(7,245)	-
Dividend income	(5,278)	(22,122)
Revaluation of investments denominated in foreign currency to historical cost	(1,884)	(2,828)
Effect of change of income tax rate	(216)	-
Accounting of equity instrument (ICES)	(199)	(404)
Change in statutory goodwill and negative goodwill	(108)	4,608
Treasury share transaction	-	(10,319)
Reversal of statutory general provision	497	(15)
Share-based payment	1,292	6
Other	(4,524)	15,831
Income tax	**3,231**	**7,587**
Effective tax rate	2.0%	5.4%

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

26.1. Credit risk

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

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

Analysis by business lines and risk classes

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

As at 31 December 2009

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

As at 31 December 2008

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

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

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

The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the coverage was 74.3% as at 31 December 2009.

The off-balance sheet liabilities connected to the lending activity increased by 9%, while the qualified loan portfolio decreased by 1% in 2009.

Classification into risk classes

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

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

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

Loan portfolio by countries

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

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

Collaterals

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

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

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

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

Loans, neither past due, nor impaired

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

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Renegotiated loans

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

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

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

Past due, but not impaired loans

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

As at 31 December 2009

Business line	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	91,124	737	459	5,606	**97,926**
Corporate loans	1,053	938	12	40	**2,043**
SME loans	1,036	28	5	1	**1,070**
Municipal loans	95	-	-	-	**95**
Total	**93,308**	**1,703**	**476**	**5,647**	**101,134**

As at 31 December 2008

Business line	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	72,149	473	59	5,870	**78,551**
Corporate loans	12,286	1,655	-	70	**14,011**
SME loans	4,550	1,213	690	51	**6,504**
Municipal loans	-	-	-	-	**-**
Total	**88,985**	**3,341**	**749**	**5,991**	**99,066**

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Loans determined individually to be impaired

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

As at 31 December 2009

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

As at 31 December 2008

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

By 31 December 2009 the volume the individually rated portfolio significantly increased in the corporate business line. The reason for it is the refinancing of the loans of the subsidiaries by the Bank. This portfolio was HUF 113.9 billion as at 31 December 2009, from which the volume of really non performing loans was HUF 9.3 billion.

In 2009, among the rating factors of the corporate business line, the ratio of the loans determined to be impaired based on the delayed repayment and the fact of renegotiation, increased.

26.2. Market risk

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

26.2.1 Market risk sensitivity analysis

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

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

The VaR of the trading portfolio can be summarized as follows (in HUF mn):

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2.2. Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to an increase and decrease in the HUF exchange rate against EUR, over a three-month period. Monte Carlo simulation is used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.
The strategic open position related to the foreign operations were EUR (310) million as of 31 December 2009. High portion of strategic positions are considered as effective hedge of future profit inflows of foreign subsidiaries, and so FX risk alters the Bank's capital and not its earnings. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening, HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Effects to the P&L in 3 months period	
Probability	**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) Considerable decrease in estimated VaR is due to the decrease of foreign exchange exposure.
(3) Monte Carlo simulation is based on the empirical distribution of the exchange rate movements. Free floating currency regime introduced in 2008 coupled with recent market turmoil has resulted in a more symmetric probability of profits and losses at the current levels.

NOTE 26: FINANCIAL RISK MANAGEMENT [continued]

26.2. Market risk [continued]

26.2.3. Interest rate sensitivity analysis

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

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

The simulation were prepared by assuming two scenarios:
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 630 million (probable scenario) and HUF 3,561 million (alternative scenario) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 4,560 million for probable scenario, HUF 6,900 million for alternative scenario) on the government bond portfolio held for hedging.

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT [continued]

26.2. Market risk [continued]

26.2.4. Equity price sensitivity analysis

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

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

26.2.5. Capital management

Capital management

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk [continued]

26.2.5. Capital management *[continued]*

Capital adequacy

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

	2009	**2008**
Core capital	691,064	544,763
Supplementary capital	308,695	302,878
Deductions	(373,823)	(361,818)
Deductions due to PIBB* investments	(340,108)	(314,932)
Deductions due to limit branches	(33,715)	(46,886)
Regulatory capital	**625,936**	**485,823**
Credit risk capital requirement	260,665	277,498
Market risk capital requirement	18,374	18,963
Operational risk capital requirement	29,231	26,795
Total eligible regulatory capital	**308,270**	**323,256**
Surplus capital	**317,666**	**162,567**
Tier 1 ratio	13.1%	9.0%
Capital adequacy ratio	**16.2%**	**12.0%**

*PIBB: Financial Institutions, Investing Entreprises, Insurance Companies

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

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

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

Contingent liabilities and commitments

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

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

Commitments to extend credit

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

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

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

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

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

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

Legal disputes

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

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

Derivatives

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

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

Cross-currency interest rate swap

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

Forward rate agreements

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

NOTE 28: SHARE-BASED PAYMENT

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

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

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

NOTE 28: SHARE-BASED PAYMENT [continued]

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

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

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

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

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

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

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

	31 December 2009	31 December 2008
weighted average exercise price of options outstanding	-	6,484
weighted average remaining contractual life (month)	-	18

NOTE 28: SHARE-BASED PAYMENT [continued]

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

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

	2009	2008
Weighted average spot share price (HUF)	8,272	7,828
Weighted average exercise price (HUF)*	8,875	7,941
Expected volatility (%)	32	29
Expected life (average year)	5.45	3.56
Risk free rate (%)	7.63	6.84
Expected dividends (%)	1.95	2.31
Cap for the maximum gain (HUF/option)	4,000	3,000

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

NOTE 29: RELATED PARTY TRANSACTIONS

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

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

Transactions related to OTP Mortgage Bank Ltd.:

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

Transactions related to OTP Factoring Ltd.:

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

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

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

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

(a) Interests received by the Bank

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

(b) Interests paid by the Bank

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

(c) Commissions received by the Bank

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

(d) Commissions paid by the Bank

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

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

(e) Loans provided to subsidiaries

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

(f) Deposits from subsidiaries

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

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

(g) Related party transactions with key management

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

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

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

NOTE 30: TRUST ACTIVITIES

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

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

NOTE 31: CONCENTRATION OF ASSETS AND LIABILITIES

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

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

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

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

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

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

NOTE 32: 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 Bank of Hungary	158,022	-	-	-	-	158,022
Placements with other banks, net of allowance for placement losses	436,597	115,510	359,000	14,606	-	925,713
Financial assets at fair value through profit or loss	34,636	16,795	75,822	23,992	2,298	153,543
Securities available-for-sale	11,253	34,351	416,199	99,238	-	561,041
Loans, net of allowance for loan losses	201,046	446,352	1,251,158	839,049	-	2,737,605
Investments in subsidiaries	-	-	-	-	596,244	596,244
Securities held-to-maturity	145,061	98,504	168,820	38,793	-	451,178
Property and equipment	-	-	-	-	72,844	72,844
Intangible assets	-	-	-	-	39,539	39,539
Other assets	18,073	44,584	7,940	680	-	71,277
TOTAL ASSETS	**1,004,688**	**756,096**	**2,278,939**	**1,016,358**	**710,925**	**5,767,006**
Amounts due to banks and the Hungarian Government, National Bank of Hungary and other banks	259,073	307,764	80,380	63,860	-	711,077
Deposits from customers	2,476,728	605,823	24,256	1,621	-	3,108,428
Liabilities from issued securities	260,807	-	345,658	-	-	606,465
Financial liabilities at fair value through profit or loss	30,885	11,039	78,426	6,711	-	127,061
Other liabilities	132,757	2,765	762	-	-	136,284
Subordinated bonds and loans	3,267	-	5,000	165,210	131,741	305,218
TOTAL LIABILITIES	**3,163,517**	**927,391**	**534,482**	**237,402**	**131,741**	**4,994,533**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	842,318	842,318
Treasury shares	-	-	-	-	(97,845)	(97,845)
TOTAL SHAREHOLDERS' EQUITY	-	-	-	-	772,473	772,473
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,163,517**	**927,391**	**534,482**	**237,402**	**904,214**	**5,767,006**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,158,829)**	**(171,295)**	**1,744,457**	**778,956**	**(193,289)**	**-**

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

As at 31 December 2009

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

As at 31 December 2008

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

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

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

NOTE 34: INTEREST RATE RISK MANAGEMENT

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

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

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

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

NOTE 34: INTEREST RATE RISK MANAGEMENT [continued] (in HUF mn)

As at 31 December 2009	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
ASSETS	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**Total**
Cash, amounts due from banks and balances with the National Bank of Hungary	**95,389**	**27,734**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,556**	**5,528**	**144,955**	**33,262**	**178,217**
fixed interest	95,389	27,734	-	-	-	-	-	-	-	-	-	-	95,389	27,734	**123,123**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	49,556	5,528	49,566	5,528	**55,049**
Placements with other banks	**231,104**	**729,425**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**369**	**1,165**	**231,473**	**730,590**	**962,063**
fixed interest	231,104	729,425	-	-	-	-	-	-	-	-	-	-	231,104	729,425	**960,529**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	369	1,165	369	1,165	**1,534**
Securities held for trading	**49,888**	**-**	**237**	**2,221**	**3,521**	**274**	**2,027**	**5,155**	**26,936**	**262**	**89,835**	**60**	**172,444**	**7,972**	**180,416**
fixed interest	49,888	-	219	2,221	3,521	274	2,027	5,155	26,936	262	-	-	82,591	7,912	**90,503**
variable interest	-	-	18	-	-	-	-	-	-	-	-	-	18	-	**18**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	89,835	60	89,835	60	**89,895**
Securities available-for-sale	**504,172**	**-**	**3,613**	**109,038**	**-**	**22,407**	**59,702**	**285,571**	**593,041**	**28,161**	**28,837**	**18,205**	**1,189,365**	**463,382**	**1,652,747**
fixed interest	504,172	-	-	11,481	-	22,407	59,702	285,571	593,041	28,161	-	-	1,156,915	347,620	**1,504,535**
variable interest	-	-	3,613	97,557	-	-	-	-	-	-	-	-	3,613	97,557	**101,170**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	28,837	18,205	28,837	18,205	**47,042**
Loans, net of allowance for loan losses	**680,599**	**865,022**	**38,428**	**248,481**	**117,078**	**643,676**	**528**	**192**	**6,830**	**-**	**7,154**	**14,907**	**850,617**	**1,772,278**	**2,622,895**
fixed interest	7,816	-	26	96	336	96	528	192	6,830	-	-	-	15,536	384	**15,920**
variable interest	672,783	865,022	38,402	248,385	116,742	643,580	-	-	-	-	-	-	827,927	1,756,987	**2,584,914**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,154	14,907	7,154	14,907	**22,061**
Securities held-to-maturity	**23,349**	**-**	**46,062**	**620**	**27,082**	**-**	**29,202**	**-**	**81,360**	**466**	**8,254**	**168**	**215,309**	**1,254**	**216,563**
fixed interest	-	-	38,824	-	16,885	-	29,202	-	81,360	466	-	-	166,271	466	**166,737**
variable interest	23,349	-	7,238	620	10,197	-	-	-	-	-	-	-	40,784	620	**41,404**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8,254	168	8,254	168	**8,422**
Derivative financial instruments	**401,743**	**1,014,857**	**848,862**	**590,028**	**229,989**	**41,928**	**11,576**	**25,475**	**24,489**	**6,251**	**-**	**-**	**1,516,659**	**1,678,539**	**3,195,198**
fixed interest	70,586	657,084	49,244	123,928	149,174	40,345	11,576	25,475	24,489	6,251	-	-	305,069	853,083	**1,158,152**
variable interest	331,157	357,773	799,618	466,100	80,815	1,583	-	-	-	-	-	-	1,211,590	825,456	**2,037,046**

NOTE 34: INTEREST RATE RISK MANAGEMENT [continued] (in HUF mn)

As at 31 December 2009	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
LIABILITIES	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	**73,966**	**482,449**	**25,554**	**333,168**	**83,084**	**131,398**	**1**	**-**	**48**	**19,792**	**424**	**2,247**	**183,077**	**969,054**	**1,152,131**
fixed interest	73,197	454,253	19,668	737	1,949	131,317	1	-	48	19,792	-	-	94,863	606,099	**700,962**
variable interest	769	28,196	5,886	332,431	81,135	81	-	-	-	-	-	-	87,790	360,708	**448,498**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	424	2,247	424	2,247	**2,671**
Deposits from customers	**1,291,546**	**304,706**	**483,353**	**103,964**	**381,795**	**95,247**	**7,611**	**1,664**	**547,188**	**128,817**	**18,526**	**4,335**	**2,730,019**	**638,733**	**3,368,752**
fixed interest	796,626	267,555	463,243	103,964	373,752	95,247	7,611	1,664	1,011	94,671	-	-	1,642,243	563,101	**2,205,344**
variable interest	494,920	37,151	20,110	-	8,043	-	-	-	546,177	34,146	-	-	1,069,250	71,297	**1,140,547**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	18,526	4,335	18,526	4,335	**22,861**
Liabilities from issued securities	**22,455**	**138,152**	**31,146**	**82,891**	**176,759**	**-**	**1,450**	**138,152**	**16,248**	**-**	**4,514**	**6,536**	**252,572**	**365,731**	**618,303**
fixed interest	22,455	-	31,146	-	176,759	-	1,450	138,152	16,248	-	-	-	248,058	138,152	**386,210**
variable interest	-	138,152	-	82,891	-	-	-	-	-	-	-	-	-	221,043	**221,043**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	4,514	6,536	4,514	6,536	**11,050**
Derivative financial instruments	**927,406**	**509,441**	**1,415,969**	**35,440**	**247,120**	**19,528**	**15,283**	**17,577**	**10,835**	**12,137**	**-**	**-**	**2,616,613**	**594,123**	**3,210,736**
fixed interest	217,783	509,441	139,508	35,282	166,524	19,524	15,283	17,577	10,835	12,137	-	-	549,956	593,961	**1,143,917**
variable interest	709,623	-	1,276,461	158	80,573	4	-	-	-	-	-	-	2,066,657	162	**2,066,819**
Subordinated bonds and loans	**-**	**-**	**5,000**	**26,540**	**-**	**-**	**-**	**-**	**-**	**252,323**	**61**	**3,397**	**5,061**	**282,260**	**287,321**
fixed interest	-	-	-	-	-	-	-	-	-	252,323	-	-	-	252,323	**252,323**
variable interest	-	-	5,000	26,540	-	-	-	-	-	-	-	-	5,000	26,540	**31,540**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	61	3,397	61	3,397	**3,458**
NET POSITION	**(329,129)**	**1,202,290**	**(1,023,820)**	**368,385**	**(511,088)**	**462,112**	**78,690**	**159,000**	**158,337**	**(377,929)**	**160,490**	**23,518**	**(1,466,520)**	**1,837,376**	**370,856**

NOTE 34: INTEREST RATE RISK MANAGEMENT [continued] (in HUF mn)

As at 31 December 2008	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
ASSETS	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**Total**
Cash, amounts due from banks and balances with the National Bank of Hungary	**71,857**	**10,919**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**67,056**	**8,190**	**138,913**	**19,109**	**158,022**
fixed interest	71,857	10,919	-	-	-	-	-	-	-	-	-	-	71,857	10,919	**82,776**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	67,056	8,190	67,056	8,190	**75,246**
Placements with other banks	**157,697**	**310,556**	**2,506**	**139,481**	**-**	**136,232**	**-**	**47,894**	**-**	**126,089**	**915**	**4,343**	**161,118**	**764,595**	**925,713**
fixed interest	157,009	167,699	2,506	9,694	-	37,867	-	47,894	-	126,089	-	-	159,515	389,243	**548,758**
variable interest	688	142,857	-	129,787	-	98,365	-	-	-	-	-	-	688	371,009	**371,697**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	915	4,343	915	4,343	**5,258**
Securities held for trading	**1,454**	**-**	**1,496**	**-**	**8,850**	**1**	**10,564**	**875**	**27,071**	**2,210**	**4,022**	**103**	**53,457**	**3,189**	**56,646**
fixed interest	1,454	-	1,340	-	8,778	1	10,564	875	27,071	2,210	-	-	49,207	3,086	**52,293**
variable interest	-	-	156	-	72	-	-	-	-	-	-	-	228	-	**228**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	4,022	103	4,022	103	**4,125**
Securities available-for-sale	**-**	**-**	**217,002**	**97,039**	**27,707**	**5,852**	**22,078**	**3,311**	**156,387**	**9,720**	**19,321**	**2,624**	**442,495**	**118,546**	**561,041**
fixed interest	-	-	-	-	27,707	5,852	22,078	3,311	156,387	9,720	-	-	206,172	18,883	**225,055**
variable interest	-	-	217,002	97,039	-	-	-	-	-	-	-	-	217,002	97,039	**314,041**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19,321	2,624	19,321	2,624	**21,945**
Loans, net of allowance for loan losses	**651,042**	**1,097,469**	**40,190**	**304,205**	**97,416**	**514,201**	**487**	**196**	**9,980**	**196**	**6,540**	**15,683**	**805,655**	**1,931,950**	**2,737,605**
fixed interest	6,419	-	26	98	326	98	487	196	9,980	196	-	-	17,238	588	**17,826**
variable interest	644,623	1,097,469	40,164	304,107	97,090	514,103	-	-	-	-	-	-	781,877	1,915,679	**2,697,556**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	6,540	15,683	6,540	15,683	**22,223**
Securities held-to-maturity	**119,263**	**-**	**19,935**	**-**	**132,772**	**-**	**38,930**	**-**	**126,635**	**-**	**13,643**	**-**	**451,178**	**-**	**451,178**
fixed interest	117,914	-	12,670	-	95,971	-	38,930	-	126,635	-	-	-	392,120	-	**392,120**
variable interest	1,349	-	7,265	-	36,801	-	-	-	-	-	-	-	45,415	-	**45,415**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	13,643	-	13,643	-	**13,643**
Derivative financial instruments	**10,266**	**827,730**	**15,811**	**524,591**	**97,434**	**131,770**	**94,099**	**178,698**	**719,840**	**170,052**	**-**	**-**	**937,450**	**1,832,841**	**2,770,291**
fixed interest	10,266	826,457	15,811	524,591	95,523	129,863	93,805	176,600	716,340	168,978	-	-	931,745	1,826,489	**2,758,234**
variable interest	-	1,273	-	-	1,911	1,907	294	2,098	3,500	1,074	-	-	5,705	6,352	**12,057**

NOTE 34: INTEREST RATE RISK MANAGEMENT [continued] (in HUF mn)

As at 31 December 2008	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		
LIABILITIES	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**Total**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	**77,435**	**252,583**	**7,287**	**151,120**	**211,209**	**1,492**	**-**	**-**	**-**	**4,439**	**2,312**	**3,200**	**298,243**	**412,834**	**711,077**
fixed interest	77,062	128,125	1,746	15,051	118,618	1,404	-	-	-	4,439	-	-	197,426	149,019	**346,445**
variable interest	373	124,458	5,541	136,069	92,591	88	-	-	-	-	-	-	98,505	260,615	**359,120**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	2,312	3,200	2,312	3,200	**5,512**
Deposits from customers	**1,173,542**	**269,453**	**457,665**	**161,007**	**348,569**	**83,475**	**-**	**153**	**553,330**	**43,568**	**14,479**	**3,187**	**2,547,585**	**560,843**	**3,108,428**
fixed interest	472,460	220,469	428,956	160,997	345,646	83,475	-	153	2	15,753	-	-	1,247,064	480,847	**1,727,911**
variable interest	701,082	48,984	28,709	10	2,923	-	-	-	553,328	27,815	-	-	1,286,042	76,809	**1,362,851**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	14,479	3,187	14,479	3,187	**17,666**
Liabilities from issued securities	**-**	**-**	**-**	**409,652**	**59,411**	**-**	**-**	**-**	**-**	**132,729**	**461**	**4,213**	**59,872**	**546,593**	**606,465**
fixed interest	-	-	-	-	59,411	-	-	-	-	132,729	-	-	59,411	132,728	**192,139**
variable interest	-	-	-	409,652	-	-	-	-	-	-	-	-	-	409,652	**409,652**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	461	4,213	461	4,213	**4,674**
Derivative financial instruments	**433,865**	**412,929**	**344,277**	**193,970**	**63,840**	**163,285**	**9,894**	**263,533**	**8,956**	**898,303**	**-**	**-**	**860,832**	**1,932,020**	**2,792,852**
fixed interest	433,865	411,662	344,277	193,970	62,589	161,395	8,656	261,452	6,364	896,870	-	-	855,751	1,925,349	**2,781,100**
variable interest	-	1,267	-	-	1,251	1,890	1,238	2,081	2,592	1,433	-	-	5,081	6,671	**11,752**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated bonds and loans	**-**	**-**	**5,000**	**28,550**	**-**	**-**	**-**	**-**	**-**	**268,401**	**54**	**3,213**	**5,054**	**300,164**	**305,218**
fixed interest	-	-	-	-	-	-	-	-	-	268,401	-	-	-	268,401	**268,401**
variable interest	-	-	5,000	28,550	-	-	-	-	-	-	-	-	5,000	28,550	**33,550**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	54	3,213	54	3,213	**3,267**
NET POSITION	**(673,263)**	**1,311,709**	**(517,289)**	**121,017**	**(318,850)**	**539,804**	**156,264**	**(32,712)**	**477,627**	**(1,039,172)**	**94,191**	**17,130**	**(781,320)**	**917,776**	**136,456**

NOTE 35: EARNINGS PER SHARE

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

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

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

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

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

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

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

As at 31 december 2009	Net interest income and expense	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the National Bank of Hungary	7,026	-	-	-
Placements with other banks, net of allowance for placement losses	27,925	-	(1,335)	-
Securities held for trading	5,297	395	-	-
Securities available-for-sale	54,087	(501)	(2,451)	36,102
Loans, net of allowance for loan losses	240,408	55,492	(44,268)	-
Securities held-to-maturity	52,934	(2,896)	(4,164)	-
Derivative financial instruments	91,860	(17,589)	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(31,448)	-	-	-
Deposits from customers	(183,802)	49,960	-	-
Liabilities from issued securities	(32,474)	-	-	-
Subordinated bonds and loans	(17,446)	-	-	-
Total	**214,367**	**84,861**	**(52,218)**	**36,102**

As at 31 December 2008

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

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

a) *Fair value of financial assets and liabilities*

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

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

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

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

c) Hedge accounting

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

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

As at 31 December 2009

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

As at 31 December 2008

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

d) Fair value hedges

1. Deposits from customers

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

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

2. Securities available-for-sale

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

	2009	2008
Fair value of the hedging instruments	348	367

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

d) Fair value hedges [continued]

3. Loans to customers

3.1 Hedges of foreign exchange rate risk

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

	2009	**2008**
Fair value of the hedging instruments	1	179

3.2 Hedges of interest rate risk

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

	2009	**2008**
Fair value of the hedging instruments	(1,335)	(43)

4. Issued securities

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

	2009	**2008**
Fair value of the hedging instruments	8,104	7,674

NOTE 37: 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 attributable to the hedged risk on the hedged items	Gains/losses attributable to the hedged risk on the 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

As at 31 December 2008

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk on the hedged items	Gains/losses attributable to the hedged risk on the 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

NOTE 37: 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:

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

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

As at 31 December 2009	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	272,289	179,225	93,064	-
from this: securities held for trading	179,053	179,053	-	-
from this: positive FVA of derivative financial instruments designated as held for trading	93,236	172	93,064	-
Securities available-for-sale	1,614,172	1,473,253	38,078	102,841
Positive FVA of derivative financial instruments designated as hedge accounting relationship	14,148	-	14,148	-
Financial assets measured at fair value total	**1,900,609**	**1,652,478**	**145,290**	**102,841**
Negative FVA of derivative financial instruments designated as held for trading	119,353	76	119,277	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	3,569	-	3,569	-
Financial liabilities measured at fair value total	**122,922**	**76**	**122,846**	**-**

As at 31 December 2008	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	151,716	55,029	96,687	-
from this: securities held for trading	54,819	54,819	-	-
from this: positive FVA of derivative financial instruments designated as held for trading	96,897	210	96,687	-
Securities available-for-sale	549,911	436,984	13,269	99,658
Positive FVA of derivative financial instruments designated as hedge accounting relationship	8,871	-	8,871	-
Financial assets measured at fair value total	**710,498**	**492,013**	**118,827**	**99,658**
Negative FVA of derivative financial instruments designated as held for trading	127,061	10	127,051	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	1,268	-	1,268	-
Financial liabilities measured at fair value total	**128,329**	**10**	**128,319**	**-**

NOTE 37: 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:

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

NOTE 38: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS ("HAS") AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)

	Retained Earnings and Reserves 1 January 2009	Net profit for the year ended 31 December 2009	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2009
Financial Statements according to HAS	**701,087**	**102,329**	**4,042**	**807,458**
Reversal of statutory general provision	43,344	(2,615)	-	40,729
Premium and discount amortization of financial instruments measured at amortised cost	1,828	(894)	-	934
Effect of redemption of issued securities	-	25,860	-	25,860
Differences in carrying value of subsidiaries	2,026	38,131	(877)	39,280
Difference in accounting for finance leases	(3,346)	(447)	-	(3,793)
Fair value adjustment of held for trading and available-for-sale financial assets	(11,735)	(4,085)	36,102	20,282
Fair value adjustment of derivative financial instruments	2,776	2,457	-	5,233
Reversal of statutory goodwill	10,585	571	-	11,156
Revaluation of investments denominated in foreign currency to historical cost	30,108	9,917	-	40,025
Difference in accounting of security lending	12,488	(25,556)	-	(13,068)
Treasury share transaction	44,095	4,480	(48,575)	-
Written put option on ordinary shares	-	-	(55,468)	(55,468)
Reclassification of direct charges to reserves	-	3,166	(3,166)	-
Share-based payment	-	(6,802)	6,802	-
Payments to ICES holders	9,821	1,046	(5,705)	5,162
Deferred taxation	(759)	10,580	(5,993)	3,828
Financial Statements according to IFRS	**842,318**	**158,138**	**(72,838)**	**927,618**

NOTE 39: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2009

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 argreement

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

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

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

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 to Hungary. The Bank has an interest in participating in open-market activities of European Central Bank (ECB).

NOTE 40: POST BALANCE SHEET EVENTS

On 21 January 2010 the capital increase of the Romanian subsidiary of the Bank has been registered by the Romanian Court of Registration. Accordingly the statutory capital of the OTP Bank Romania S.A. has been increased from RON 432,909,120 to RON 462,909,120.

On 25 January 2010 the Bank called its purchase right established on 29 June 2009 and acquired total 100% ownership of Sinvest Trust Ltd. as well as 49% of shares of OTP Building Society Ltd. that was owned by Sinvest Trust Ltd.
As a result of this transaction the ownership of the Bank in OTP Building Society Ltd. changed to 100%.

NOTE 40: POST BALANCE SHEET EVENTS [continued]

CJSC Donskoy Narodny Bank was merged to OAO OTP Bank. The merger has been registered by the Court of Registration on 5 February 2010, thus the core capital of OAO OTP Bank reached RUB 2,797,887,853.

On 25 February 2010 the Bank obtained 80% direct ownership in PortfoLion Venture Fund Management Ltd. The registered capital of the company is HUF 25 million.

NOTE 41: THE EFFECT OF THE FINANCIAL SITUATION ON THE BANK

In 2009, the Bank 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 Bank in 2009 has been significantly influenced by the crisis and the measures taken by the management.

- The quality of the loan portfolio has deteriorated significantly compared to the previous years, (See Note 26) which made necessary on one hand prudent provisioning on the loans. On the other hand the Bank has launched a debtor compensation program, which offered help for the clients having temporary problems with repayment, generally in form of temporary instalment reductions, prolongation of the duration of the contracts, or the combination of these.
- The further enhancement of the stable capital adequacy was a priority for the Bank in 2009 as well. Due to the profitable operation, the lending activity shrinking as a consequence of the crisis, and the shrinking of the risk weighted total assets, the capital adequacy ratio of the Bank has risen to 16.2%.
- Irrespecive of the fundamental performance of the Bank, its share prices and prices of other financial assets issued by the Bank, fell to the price level of year 2001 due to the risk evasive investor attitudes. In 2009 the Bank, seeing the low share and financial asset prices, repurchased bonds, being components of its Supplementary Capital, the gain on these transactions was HUF 27.7 bn for 2009. In the first quarter, the Bank purchased treasury shares on low market prices. A stock of the treasury shares has been transferred to MOL in the framework of a share swap agreement, that has enhanced the capital adequacy of the Bank.
- Parallel to the shrinking demand for loans on the market and to the more cautious lending activity, the Bank has taken special attention to the collection of deposits. The successful deposit collection activity contributed considerably to the 9 % points decrease of the loan-deposit ratio in 2009 (at the end of 2009 it was 80 %). By its conservative business policy, the Bank accumulated a liquidity puffer (as at the end of 2009 it amounted to EUR 6 billion on Group level), which securely covers all the liabilities denominated in foreign currencies (senior debt and mortgage bonds), the repayment of the state loans, and supports managing any unanticipated liquidity and foreign exchange rate shocks.
- The possibility of raising funds from the capital markets has shrinked significantly in the second part of 2008, and the market conditions became worse at the beginning of 2009 as the Moody`s and the S&P credit rating agencies have downgraded the rating of the debt of Hungary. Though, the stable liquidity position of the Bank is still ensured, which is enhanced by the contracts with the EBRD and the Hungarian Government. (See Note 39).

NOTE 41: THE EFFECT OF THE FINANCIAL SITUATION ON THE BANK [continued]

- Both the lending activity and the demand for loans have reduced considerably. The credit policy has been made stricter in 2008 already by the Bank, and the higher cost of raising funds has been partially charged to the clients in the form of higher interest margins. Based on management decision, the portion of the HUF denominated loans grew significantly among the loans originated in 2009, both for mortgage loans and personal loans. This year, there were initiaives and bills in Hungary, that aimed at cutting foreign currency denominated lending, and setting up other barriers to it, furthermore, a law has been codified to help the retail clients having mortgage loans, touched by the crisis.
  - On 16 September, the Bank joined the Code of Ethics of retail lending institutions, which is about the fair treatment of the retail clients.
  - On 30 December, a government decree has been issued on the conditions of prudent retail lending, providing loans and credit scoring, to be applied from 2010.
- The swap markets for raising the necessary liquidity in foreign currencies for the lending in foreign currencies, have shrinked in 2008 (particularly in the last quarter), though the renewal of the transactions has been ensured continously accompanied by raising premiums. In the third quarter of 2009 in the framework of the contract with the EBRD, the international credit institution provided a CHF 500 mn CHF/HUF swap facility for the Bank. In the past year more transactions were contracted with EBRD, by which the swap facility has been almost completely used. The Bank could charge to its clients in several lending business lines the expense of the swaps, being higher in amount, partially counterbalancing its effect on the Statements of operations.