OTP BANK PLC.

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

FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2009

OTP BANK PLC.
CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

OTP BANK PLC.
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009 (UNAUDITED)
(in HUF mn)

	Note	*30 June 2009*	*31 December 2008*	*30 June 2008*
Cash, amounts due from banks and balances with the National Bank of Hungary	4	303,291	348,849	324,528
Placements with other banks, net of allowance for placement losses	5	653,635	593,542	685,007
Financial assets at fair value through profit or loss	6	190,958	129,332	321,561
Securities available-for-sale	7	428,209	481,257	461,797
Loans, net of allowance for loan losses	8	6,632,334	6,730,170	5,964,843
Accrued interest		87,962	87,793	75,473
Associates and other investments	9	10,377	10,467	14,522
Securities held-to-maturity	10	601,083	321,733	286,311
Property and equipment	11	196,641	200,359	213,817
Intangible assets	11	269,620	269,342	312,648
Other assets	12	129,952	206,592	192,739
TOTAL ASSETS		**9,504,062**	**9,379,436**	**8,853,246**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	13	947,598	842,867	671,151
Deposits from customers	14	5,296,596	5,219,226	5,069,415
Liabilities from issued securities	15	1,351,719	1,526,639	1,340,561
Accrued interest payable		112,965	99,141	91,461
Fair value of derivative financial instruments designated as held for trading	16	105,301	125,487	27,156
Other liabilities	17	278,717	200,957	415,848
Subordinated bonds and loans	18	285,655	316,148	292,079
TOTAL LIABILITIES		**8,378,551**	**8,330,465**	**7,907,671**
Share capital	19	28,000	28,000	28,000
Retained earnings and reserves		1,201,363	1,160,935	1,053,065
Treasury shares	21	(110,711)	(146,749)	(141,932)
Minority interest	22	6,859	6,785	6,442
TOTAL SHAREHOLDERS' EQUITY		**1,125,511**	**1,048,971**	**945,575**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**9,504,062**	**9,379,436**	**8,853,246**

OTP BANK PLC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009 (UNAUDITED)
(in HUF mn)

	Note	*Six month period ended 30 June 2009*	*Six month period ended 30 June 2008*	*Year ended 31 December 2008*
Interest Income:				
Loans		404,230	330,714	720,650
Placements with other banks		192,932	111,208	172,586
Amounts due from banks and balances with the National Bank of Hungary		4,195	7,951	16,161
Securities held for trading		1,431	3,982	7,029
Securities available-for-sale		13,882	17,112	32,402
Securities held-to-maturity		17,819	12,899	26,624
Total Interest Income		*634,489*	*483,866*	*975,452*
Interest Expense:				
Amounts due to banks and deposits from the National Bank of Hungary and other banks		140,522	56,281	226,809
Deposits from customers		145,501	101,404	221,607
Liabilities from issued securities		40,788	33,312	72,750
Subordinated bonds and loans		8,611	8,854	17,009
Total Interest Expense		*335,422*	*199,851*	*538,175*
NET INTEREST INCOME		**299,067**	**284,015**	**437,277**
Provision for impairment on loan and placement losses	5, 8	102,163	29,684	111,449
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**196,904**	**254,331**	**325,828**
Non-Interest Income:				
Fees and commissions	23	82,238	88,557	181,765
Foreign exchange (losses)/gains, net		(16,586)	(13,559)	130,527
Losses on securities, net		(167)	(419)	(1,096)
Gains on real estate transactions		495	760	1,807
Dividend income and gains and losses of associated companies		881	1,061	2,466
Insurance premiums		-	43,459	60,432
Gain on sale of insurance business line	44	-	-	121,186
Other		45,540	11,428	27,801
Total Non-Interest Income		*112,401*	*131,287*	*524,888*
Non-Interest Expenses:				
Fees and commissions	24	16,901	19,793	46,534
Personnel expenses		77,719	81,189	167,461
Depreciation and amortization	11	20,774	19,650	132,201
Insurance expenses		-	31,651	47,178
Administration expenses		54,737	57,740	116,783
Other	25	34,186	24,221	66,192
Total Non-Interest Expense		*204,317*	*234,244*	*576,349*
PROFIT BEFORE INCOME TAX		**104,988**	**151,374**	**274,367**
Income tax	26	(20,965)	(21,756)	(33,299)
NET PROFIT FOR THE PERIOD		**84,023**	**129,618**	**241,068**
From this, attributable to:				
Minority interest		**(39)**	**417**	**596**
Equity holders		**84,062**	**129,201**	**240,472**
Consolidated earnings per share (in HUF)				
Basic	38	**328**	**506**	**938**
Diluted	38	**322**	**504**	**935**

OTP BANK PLC.
CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009 (UNAUDITED)
(in HUF mn)

	Six month period ended 30 June 2009	*Six month period ended 30 June 2008*	*Year ended 31 December 2008*
Net profit for the period	84,062	129,201	240,472
Fair value adjustment of securities available-for-sale recognized through equity	3,735	(11,423)	(12,862)
Derivative financial instruments designated as Cash-flow hedging contracts	211	2,819	788
Hedge accounting relationship of a net investment in a foreign operation	(1,762)	-	-
Foreign currency translation difference	5,388	(40,163)	(21,978)
Net recognized income	**91,634**	**80,434**	**206,420**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE, 2009 (UNAUDITED)
(in HUF mn)

OPERATING ACTIVITIES	*Note*	*Six month period ended 30 June 2009*	*Six month period ended 30 June 2008*	*Year ended 31 December 2008*
Profit before income tax		**104,988**	**151,374**	**274,367**
Income tax paid		(15,580)	(15,559)	(35,475)
Goodwill impairment	11	-	-	93,592
Depreciation and amortization	11	20,774	19,650	38,609
Provision for impairment on loan and placement losses	5,8	102,163	29,684	111,449
Provision for impairment on securities	7,10	8,872	45	3,403
Provision for impairment on permanent diminution in value of equity investments	9	64	137	463
Provision for impairment on other assets	12	5,257	3,746	7,887
Provision/(release of provision) for impairment on off-balance sheet commitments and contingent liabilities	17	3,252	(2,408)	4,731
Net increase/(decrease) in insurance reserves		-	5,591	(183,211)
Share-based payment	2,29	3,401	2,856	28
Unrealized losses/(gains) on fair value adjustment of securities held for trading		1,373	1,015	(5,010)
Unrealized (losses)/gains on fair value adjustment of derivative financial instruments		(8,212)	(27,405)	78,937
Changes in financial assets at fair value through profit or loss		(41,332)	30,390	168,518
Increase in accrued interest		(169)	(11,940)	(24,259)
Decrease/(increase) in other assets, excluding advances for investments and before provisions for losses		75,940	(24,825)	(37,808)
Increase in accrued interest payable		13,824	31,206	38,886
Increase/(decrease) in other liabilities		58,088	24,967	(66,897)
Net Cash Provided by Operating Activities		**332,703**	**218,524**	**468,210**
INVESTING ACTIVITIES				
Net (increase)/decrease in placement with other banks before provision for placements losses		(62,159)	(29,057)	61,922
Net decrease/(increase) in securities available-for-sale		47,073	(3,202)	(31,827)
Net decrease/(increase) in equity investments, before provision		26	(4,720)	(990)
Net cash outflow from acquisition of subsidiaries	31	-	(4,806)	(4,806)
Net (increase)/decrease in securities held-to-maturity		(279,350)	31,253	(4,169)
Net (increase)/decrease in advances for investments, included in other assets		(1,767)	25	(246)
Net increase in loans, net of allowance for loan losses		(50,464)	(395,559)	(1,175,078)
Net (additions)/disposal to property, equipment and intangible assets		(17,334)	2,744	(53,126)
Net Cash Provided by Investing Activities		**(363,975)**	**(403,322)**	**(1,208,320)**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE, 2009 (UNAUDITED)
(in HUF mn)
[continued]

FINANCING ACTIVITIES	*Note*	*Six month period ended 30 June 2009*	*Six month period ended 30 June 2008*	*Year ended 31 December 2008*
Net increase/(decrease) in amounts due to banks and deposits from the National Bank of Hungary and other banks		104,731	(127,003)	44,713
Net increase in deposits from customers		77,371	10,638	160,449
Net (decrease)/increase in liabilities from issued securities		(151,996)	355,294	591,307
(Decrease)/increase in subordinated bonds and loans		(30,493)	(9,346)	14,723
Increase of minority interest		74	1,089	1,432
Foreign currency translation gains/(losses)		5,388	(40,162)	(21,978)
Effect on ICES – exchangeable bond transaction recognized through equity		(3.704)	(5,934)	(11,202)
Effect of Treasury share transactions		(44,095)	-	(7,499)
Net change in Treasury shares		29,230	(28,447)	(36,172)
Net (increase)/decrease in compulsory reserves at National Bank of Hungary		(1,253)	(13,626)	87,857
Dividends paid		(792)	(46)	(57)
Net cash (used in)/provided by financing activities		**(15,539)**	**142,457**	**823,573**
Net (increase)/decrease in cash and cash equivalents		**(46,811)**	**(42,341)**	**83,463**
Cash and cash equivalents at the beginning of the period		**278,323**	**194,860**	**194,860**
Cash and cash equivalents at the end of the period		**231,512**	**152,519**	**278,323**

Analysis of cash and cash equivalents

Cash, amounts due from banks and balances with the National Bank of Hungary		348,849	353,243	353,243
Compulsory reserve established by the National Bank of Hungary		(70,526)	(158,383)	(158,383)
Cash and cash equivalents at the beginning of the period		**278,323**	**194,860**	**194,860**
Cash, amounts due from banks and balances with the National Bank of Hungary	4	303,291	324,528	348,849
Compulsory reserve established by the National Bank of Hungary	4	(71,779)	(172,009)	(70,526)
Cash and cash equivalents at the end of the period		**231,512**	**152,519**	**278,323**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009 (UNAUDITED)
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment	Accumulated reserves	Treasury shares	Minority interest	Total
Balance as at 1 January 2008		**28,000**	**52**	**19,153**	**957,020**	**(114,001)**	**5,353**	**895,577**
Net recognized income		-	-	-	80,434	-	-	80,434
Share-based payment	29	-	-	2,856	-	-	-	2,856
Treasury shares								
– loss on sale		-	-	-	(516)	-	-	(516)
– acquisition		-	-	-	-	(27,931)	-	(27,931)
ICES - exchangeable bond transaction recognized through equity	20	-	-	-	(5,934)	-	-	(5,934)
Minority interest		-	-	-	-	-	1,089	1,089
Balance as at 30 June 2008		**28,000**	**52**	**22,009**	**1,031,004**	**(141,932)**	**6,442**	**945,575**
Balance as at 1 January 2009		**28,000**	**52**	**19,181**	**1,141,702**	**(146,749)**	**6,785**	**1,048,971**
Net recognized income		-	-	-	91,634	-	-	91,634
Share-based payment	29	-	-	3,401		-	-	3,401
Effect of treasury share transaction		-	-	-	(44,095)	-	-	(44,095)
Treasury shares			-	-				
– loss on sale		-	-	-	(6,808)	-	-	(6,808)
– acquisition		-	-	-	-	36,038	-	36,038
ICES - exchangeable bond transaction recognized through equity	20	-	-	-	(3,704)	-	-	(3,704)
Minority interest		-	-	-	-	-	74	74
Balance as at 30 June 2009		**28,000**	**52**	**22,582**	**1,178,729**	**(110,711)**	**6,859**	**1,125,511**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

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

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

The structure of the Share capital by shareholders (%):

	30 June 2009	*31 December 2008*
Domestic and foreign private and institutional investors	96%	91%
Employees	2%	2%
Held by the Bank	2%	7%
	100%	100%

The Bank and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,544 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

The number of employees at the Group:

	30 June 2009	*31 December 2008*
The number of employees at the Group	29,893	30,776
The average number of employees at the Group	30,053	30,710

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

1.2. Accounting

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

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

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

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

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

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

Several Standards and Interpretations issued by the IASB and International Financial Reporting Interpretations Committee ("IFRIC") are effective for the current period.

These are:

- IAS 1 (Revised) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009)
- IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 2 (Amendment) Share-based Payment (effective for accounting periods beginning on or after 1 January 2009)

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

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

- IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2009)*
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)*
- IFRIC 18 Transfers of Assets from Customers (effective from 1 January 2009)*
- Improvements to International Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2009)

*Not yet endorsed by the EU.

1.2.2. Amendments to IFRSs effective from 1 July 2009, not yet adopted

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

- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective from 1 July 2009)
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective for accounting periods on or after 1 July 2009)
- IFRS 3 (Revised) Business Combinations (effective from 1 July 2009)*
- IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations (and Consequential Amendment to IFRS 1: First-Time Adoption) (effective from 1 July 2009)*
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)*

*Not yet endorsed by the EU.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.1. Basis of Presentation [continued]

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

2.2. Foreign currency translation

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

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

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

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank holds a controlling interest. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 32. However, certain subsidiaries in which the Bank holds a controlling interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.10.).

2.4. Accounting for acquisitions

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions [continued]

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

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

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

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

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

2.5. Securities held-to-maturity

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

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

Held-to-maturity securities include securities, which the Group has the ability and intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government and NBH and mortgage 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. Held for trading investments are measured at subsequent reporting dates at fair value. Unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statements of Operations for the period. Such securities consist of Hungarian and foreign government bonds, discounted and interest bearing Treasury bills, corporate bonds, mortgage bonds and other securities. Other securities include shares in commercial companies..

2.6.2. Derivative financial instruments

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

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

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

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

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

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

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. Unrealized gains and losses on available-for-sale financial instruments are recognized directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when realized in Consolidated Statements of Operations for the applicable period. Such securities consist of Hungarian and foreign discounted and interest bearing Treasury bills, government bonds, corporate bonds, mortgage bonds and other securities. Other securities include shares in investment funds and shares in commercial companies.

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

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

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

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 balance sheet and the consideration received is recorded in Other liabilities or Amounts due to banks and deposits from the NBH and other banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the balance sheet and the consideration paid is recorded in Other assets. Interest is accrued evenly over the life of the repurchase agreement.

2.10. Associates and other investments

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

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

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

2.11. Property and equipment, Intangible assets

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

Intangible assets	
Software	9.96-43%
Property rights	10-50%
Property	1-20%
Office equipments and vehicles	2.5-52.2%

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

At each balance sheet date, the Group reviews the carrying value of its Property and equipment and Intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Property and equipment, Intangible assets [continued]

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

2.12. Financial liabilities

The financial liabilities are disclosed 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 presented the amount of change in their fair value originated from the changes of market conditions and business environment.

2.13. Leases

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

The Group as lessor

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

The Group as lessee

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

2.14. Insurance reserves

The insurance business line was sold in September 2008.
Insurance reserves were accrued for liabilities from life and non-life insurance contracts and were included in Other liabilities. The level of such reserves reflected the amount of future liabilities expected as at the date of the Consolidated Financial Statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Insurance reserves [continued]

The provision for outstanding claims and claim settlement expenses for non-life policies were based upon estimates of the expected losses for all classes of business. The reserve included reported claims, claims incurred but not reported and claim adjustment expenses. This provision took into account mortality factors within Hungary and other countries where insurance operations were conducted and was based upon mortality tables approved by regulatory authorities.

2.15. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Balance Sheet at acquisition cost as a deduction from Consolidated Shareholders' Equity.

Gains and losses on the sale of Treasury shares are credited or charged directly to consolidated Retained earnings and reserves. Derecognition of Treasury shares is based on the FIFO method.

2.16. Interest income and interest expense

The interest income and expense are recognized in the Consolidated Statements of Operations on an accrual basis based on the IAS 18 Revenue, referring to IAS 39.

2.17. Fees and Commissions

Fees and commissions are recognized in the Consolidated Statements of Operations on an accrual basis based on IAS 18, referring to IAS 39. Fees and Commissions are recognized using the effective interest method.

2.18. Income taxes

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

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

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

2.19. Off-balance sheet commitments and contingent liabilities

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.19. Off-balance sheet commitments and contingent liabilities [continued]

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

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

2.20. Share-based payment

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

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

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

2.21. Consolidated Statement of Cash Flows

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

2.22. Segment reporting

Segment information represents the geographical markets of the Group.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated to a segment, whether from external transactions or from transactions with other segments of the Group. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment on a reasonable basis. Segment assets are determined after deducting related adjustments that are reported as direct offsets in the balance sheet of the Group.
The insurance business line was sold in September 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.23. Comparative figures

Certain amounts in the Consolidated Financial Statements for the year ended 31 December 2008 have been reclassified to conform with the current year presentation. These reclassifications were not material.

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

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

3.1. Impairment on loans and advances

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

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

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

3.4. Insurance liabilities

The insurance business line was sold in September 2008. (See Note 44)
Insurance liabilities for life and non-life insurance contracts reflected the amount of future liabilities expected at the date of the consolidated financial statements. Such reserves were based on past experience, mortality tables and management estimates. Changes in these assumptions may affect the level of such liabilities.

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

	30 June 2009	*31 December 2008*
Cash on hand:		
In HUF	51,238	67,012
In foreign currency	91,757	101,946
	142,995	168,958
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	63,118	73,909
In foreign currency	97,178	105,982
	160,296	179,891
Total	303,291	348,849
Compulsory reserve set by the National Bank of Hungary	71,779	70,526
Compulsory reserve ratio (%)	2%	2%

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

	30 June 2009	*31 December 2008*
Within one year:		
In HUF	31,993	65,873
In foreign currency	605,779	510,219
	637,772	576,092
Over one year:		
In HUF	2,000	2,000
In foreign currency	17,144	15,820
	19,144	17,820
Provision for impairment on placement losses	(3,281)	(370)
Total	653,635	593,542

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

	30 June 2009	*31 December 2008*
Balance as at 1 January	370	42
Provision for the period	2,066	516
Write offs/Release of provision	911	(187)
Foreign currency translation difference	(66)	(1)
Closing balance	3,281	370

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

	30 June 2009	*31 December 2008*
Placements by foreign subsidiaries with their respective National Banks	179,200	180,547

Interest conditions of placements with other banks:

	30 June 2009	*31 December 2008*
In HUF	5.3% - 18.1%	5.7% - 16.0%
In foreign currency	0.09% - 26%	0.02% – 30%

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

	30 June 2009	*31 December 2008*
Securities held for trading		
Government bonds	20,420	48,388
Corporate bonds	8,653	352
Treasury bills	1,549	1,373
Hungarian government interest bearing Treasury bills	1,439	2,608
Mortgage bonds	392	422
Other securities	557	650
Other non-interest bearing securities	64,044	2,880
	97,054	56,673

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

	30 June 2009	*31 December 2008*
CCIRS and mark-to-market swaps designated as held for trading	52,224	17,985
Interest rate swaps designated as held for trading	21,946	37,057
Foreign exchange swaps designated as held for trading	18,581	16,262
Other transactions designated as held for trading	1,153	1,355
Derivative financial instruments designated as held for trading	93,904	72,659
Total	190,958	129,332

Securities held for trading are measured at fair value in the financial statements of the Group which approximates book value.

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

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

	30 June 2009	*31 December 2008*
Denominated in HUF (%)	84.6%	86.2%
Denominated in foreign currency (%)	15.4%	13.8%
Total	100.0%	100.0%

An analysis of government bond portfolio by currency (%)

	30 June 2009	*31 December 2008*
Denominated in HUF (%)	79.5%	87.1%
Denominated in foreign currency (%)	20.5%	12.9%
Total	100.0%	100.0%

Interest rates on securities held for trading	3.0% - 13.7%	2.8% – 13.7%

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

	30 June 2009	*31 December 2008*
Within five years		
with variable interest	301	401
with fixed interest	22,499	34,362
	22,800	34,763
Over five years		
with variable interest	1,155	1,208
with fixed interest	9,055	17,822
	10,210	19,030
Non-interest bearing securities	64,044	2,880
Total	97,054	56,673

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

	30 June 2009	*31 December 2008*
Securities available-for-sale:		
Government bonds	265,725	298,558
Corporate bonds	131,757	141,878
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	20,446	28,328
	20,446	28,328
Non-listed securities:		
In HUF	6,050	6,176
In foreign currency	105,261	107,374
	111,311	113,550
Treasury bills	8,973	19,792
Mortgage bonds	425	415
Other non-interest bearing securities	18,835	20,385
From this:		
Listed securities:		
In HUF	368	89
In foreign currency	741	615
	1,109	704
Non-listed securities:		
In HUF	11,074	15,860
In foreign currency	6,652	3,821
	17,726	19,681
Other securities	4,941	3,592
	430,656	484,620
Provision for impairment on securities available-for-sale	(2,447)	(3,363)
Total	428,209	481,257

Securities available-for-sale are measured at fair value in the financial statements of the Group which approximates book value, 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 Operations.

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

	30 June 2009	*31 December 2008*
Denominated in HUF (%)	52.8%	56.7%
Denominated in foreign currency (%)	47.2%	43.3%
Total	100.0%	100.0%

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

An analysis of government bonds by currency (%):

	30 June 2009	*31 December 2008*
Denominated in HUF (%)	78.2%	81.4%
Denominated in foreign currency (%)	21.8%	18.6%
Total	100.0%	100.0%

	30 June 2009	*31 December 2008*
Interest rates on securities available-for-sale	0.7% - 30%	1% - 26%

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

	30 June 2009	*31 December 2008*
Within five years		
with variable interest	34,018	154,598
with fixed interest	243,788	163,571
	277,806	318,169
Over five years		
with variable interest	75,887	82,736
with fixed interest	58,128	63,330
	134,015	146,066
Non-interest bearing securities	18,835	20,385
Total	430,656	484,620

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

	30 June 2009	*31 December 2008*
Balance as at 1 January	3,363	30
Provision for the period	86	33,332
Release of provision	(1,017)	-
Foreign currency translation difference	15	1
Closing balance	2,447	3,363

Certain fixed-rate securities denominated in foreign currency (mainly corporate bonds) are hedged by derivative financial instruments to reduce the exposure to interest rate risk or the changes in fair value of these assets. Where the hedging relationships are designated the FVA of the hedged items are recognised through the Consolidated Statement of operation.

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

	30 June 2009	*31 December 2008*
Net loss removed from equity to Statements of operations according to IAS 39	377	1,102

	30 June 2009	*31 December 2008*
Fair value of hedged securities:	13,985	20,335

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

	30 June 2009	*31 December 2008*
Short-term loans and trade bills (within one year)	1,705,348	1,776,696
Long-term loans and trade bills (over one year)	5,292,883	5,224,154
	6,998,231	7,000,850
Provision for impairment on loan losses	(365,897)	(270,680)
Total	6,632,334	6,730,170

An analysis of the loan portfolio by currency (%)

	30 June 2009	*31 December 2008*
In HUF	23%	23%
In foreign currency	77%	77%
Total	100%	100%

Interest rates of the loan portfolio are as follows:

	30 June 2009	*31 December 2008*
Short-term loans denominated in HUF	3.1% - 38.7%	6% - 30%
Long-term loans denominated in HUF	3% - 38.7%	2.2% - 24.8%
Short-term loans denominated in foreign currency	0.5% - 66%	1.8% - 66%
Long-term loans denominated in foreign currency	0.25% - 66%	1% - 66%

	30 June 2009	*31 December 2008*
Gross loan portfolio on which interest is not being accrued	6.8%	3.9%

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:

	30 June 2009		*31 December 2008*	
Corporate loans	2,554,403	37%	2,535,027	36%
Retail loans	2,168,318	31%	2,194,562	31%
Housing loans	2,061,515	29%	2,061,881	30%
Municipality loans	213,995	3%	209,380	3%
Total	6,998,231	100%	7,000,850	100%

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

	30 June 2009	*31 December 2008*
Balance as at 1 January	270,680	178,658
Provision for the period	100,097	110,933
Write-offs/Release of provision	(7,496)	(10,537)
Reclassification	5,959	-
Foreign currency translation difference	(3,343)	(8,374)
Closing balance	365,897	270,680

The Group issued fixed rate mortgage bonds with the face value of EUR 1,000 million to finance its mortgage lending activity. Since the Group grants most of its mortgage loans in CHF, the Group entered into cross currency interest rate swap (CCIRS) contracts to hedge its exchange rate risk and interest rate risk exposure. The hedging relationship is proved and documented. According to IAS 39 the positive fair value adjustment was recognized on hedging derivative instruments and the same amount is recognized as a negative adjustment on mortgage bonds. The nominal value of loans as designated hedged items is CHF 1,294 million and JPY 31,720 million.

	30 June 2009	*31 December 2008*
Positive fair value adjustment on hedging derivative instruments	13,969	9,173

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

	30 June 2009	*31 December 2008*
Equity investments:		
Unconsolidated subsidiaries	7,537	7,529
Associated companies (non-listed)	916	987
Other investments (non-listed)	2,867	2,830
	11,320	11,346
Provision for impairment on equity investment	(943)	(879)
Total	10,377	10,467
Total assets of unconsolidated subsidiaries	120,849	122,597

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

	30 June 2009	*31 December 2008*
Balance as at 1 January	879	342
Provision for the period	64	463
Foreign currency translation difference	-	74
Closing balance	943	879

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

	30 June 2009	*31 December 2008*
Bonds issued by NBH	424,520	109,684
Government bonds	153,136	172,753
Mortgage bonds	11,082	15,171
Hungarian government discounted Treasury bills	1,732	4,545
Other securities	20,517	19,692
	610,987	321,845
Provision for impairment on securities held-to-maturity	(9,904)	(112)
Total	601,083	321,733

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

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

	30 June 2009	*31 December 2008*
Within five years		
with variable interest	41,599	34,118
with fixed interest	539,015	244,157
	580,614	278,275
Over five years		
with variable interest	10,587	17,280
with fixed interest	19,786	26,290
	30,373	43,570
Total	610,987	321,845

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

	30 June 2009	*31 December 2008*
Denominated in HUF (%)	90.7%	82.6%
Denominated in foreign currency (%)	9.3%	17.4%
Total	100.0%	100.0%

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

	30 June 2009	*31 December 2008*
Interest rates of securities held-to-maturity with fixed interest	1.4% - 13.8%	2.8% - 13.8%

	30 June 2009	*31 December 2008*
Fair value of securities held-to-maturity	584,050	310,723

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

	30 June 2009	*31 December 2008*
Balance as at 1 January	112	48
Provision for the period	9,898	173
Release of provision	(95)	(102)
Foreign currency translation difference	(11)	(7)
Closing balance	9,904	112

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

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

For the six month period ended 30 June 2009:

Cost	Intangible assets and goodwill	Property	Office equipments	Construction in progress	Total
Balance as at 1 January	412,324	142,321	143,706	15,648	713,999
Acquisition of subsidiary	-	-	-	-	-
Additions	11,089	5,727	11,142	5,168	33,126
Foreign currency translation differences	(143)	736	869	237	1,699
Disposals	(94,816)	(3,095)	(7,930)	(9,924)	(115,765)
Balance as at 30 June	328,454	145,689	147,787	11,129	633,059
Depreciation and Amortization					
Balance as at 1 January	142,982	20,299	81,017	-	244,298
Charge for the period (except for Goodwill impairment)	9,603	2,503	8,668	-	20,774
Foreign currency translation differences	(113)	68	245	-	200
Disposals	(93,638)	(408)	(4,428)	-	(98,474)
Balance as at 30 June	58,834	22,462	85,502	-	166,798
Net book value					
Balance as at 1 January	269,342	122,022	62,689	15,648	469,701
Balance as at 30 June	269,620	123,227	62,285	11,129	466,261

An analysis of the changes in the goodwill for the six month period ended 30 June 2009 is as follows:

Cost	Goodwill
Balance as at 1 January	306,085
Additions	-
Foreign currency translation difference	(163)
Decrease	(93,592)
Balance as at 30 June	212,330
Net book value	
Balance as at 1 January	212,493
Balance as at 30 June	212,330

The Bank performed impairment tests to investigate, whether it is necessary to impair any goodwill for its cash generating units. Based on the result of the tests no impairment was identified at all for all the cash generating units as of 30 June 2009.

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

For the year ended 31 December 2008:

Cost	Intangible assets and goodwill	Property	Office equipments	Construction in progress	Total
Balance as at 1 January	409,437	129,034	131,647	16,544	686,662
Acquisition of subsidiary	17	1,714	246	9	1,986
Additions	22,833	18,615	22,971	24,057	88,476
Foreign currency translation differences	2,444	(887)	1,601	540	3,698
Disposals	(22,407)	(6,155)	(12,759)	(25,502)	(66,823)
Balance as at 31 December	412,324	142,321	143,706	15,648	713,999
Depreciation and Amortization					
Balance as at 1 January	56,014	17,108	71,631	-	144,753
Charge for the year (except for Goodwill impairment)	16,447	4,594	16,968	-	38,009
Goodwill impairment	93,592	-	-	-	93,592
Foreign currency translation differences	(182)	(78)	762	-	502
Disposals	(22,889)	(1,325)	(8,344)	-	(32,558)
Balance as at 31 December	142,982	20,299	81,017	-	244,298
Net book value					
Balance as at 1 January	353,423	111,926	60,016	16,544	541,909
Balance as at 31 December	269,342	122,022	62,689	15,648	469,701

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

Cost	Goodwill
Balance as at 1 January	296,336
Additions	6,956
Foreign currency translation difference	3,115
Decrease	(322)
Balance as at 31 December	306,085
Net book value	
Balance as at 1 January	296,336
Balance as at 31 December	212,493

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

NOTE 12: OTHER ASSETS (in HUF mn)

	30 June 2009	*31 December 2008*
Current income tax receivable	31,213	30,030
Inventories	26,141	29,521
Fair value of derivative financial instruments designated as hedge accounting relationships	11,760	8,970
Trade receivables	9,682	14,913
Prepayments and accrued income	9,025	6,707
Due from Hungarian government for interest subsidies	7,514	7,630
Receivables from investment services	3,585	929
Other advances	3,318	6,188
Advances for securities and investments	2,525	758
Receivables due from pension funds and fund management	964	1,079
Receivables from trade refinancing	640	15,033
Receivables from leasing activities	129	69,195
Other	28,074	22,334
	134,570	213,287
Provision for impairment on other assets	(4,618)	(6,695)
Total	129,952	206,592

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

	30 June 2009	*31 December 2008*
Interest rate swaps designated as hedge accounting relationships	7,471	8,692
CCIRS and mark-to-market swaps designated as hedge accounting relationships	4,191	-
Other transactions designated as hedge accounting relationships	98	278
Total	11,760	8,970

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

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

	30 June 2009	*31 December 2008*
Balance as at 1 January	6,695	6,661
Provision for the period	458	117
Write-offs	-	(58)
Reclassification	(2,539)	-
Foreign currency translation difference	4	(25)
Closing balance	4,618	6,695

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

	30 June 2009	*31 December 2008*
Within one year:		
In HUF	51,369	131,773
In foreign currency	318,392	467,211
	369,761	598,984
Over one year:		
In HUF	89,720	88,865
In foreign currency	488,117	155,018
	577,837	243,883
Total	947,598	842,867

No assets are pledged as collateral against the amounts due to banks.

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

	30 June 2009	*31 December 2008*
Within one year:		
In HUF	9.4% - 10.8%	7.5% - 10.8%
In foreign currency	0.15% - 13.8%	0.01% - 18.9%
Over one year		
In HUF	2.5% - 9.2%	3% - 9.9%
In foreign currency	0.1% - 18.0%	0.5% - 8.9%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June, 2009	*31 December, 2008*
Within one year:		
In HUF	2,527,414	2,528,185
In foreign currency	2,497,433	2,452,147
	5,024,847	4,980,332
Over one year:		
In HUF	196,995	131,651
In foreign currency	74,754	107,243
	271,749	238,894
Total	5,296,596	5,219,226

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

Interest rates on deposits from customers are as follows:

	30 June 2009	*31 December 2008*
Within one year:		
In HUF	0.2% - 13.8%	0.2% - 13.8%
In foreign currency	0.05% - 26%	0.05% - 30%
Over one year		
In HUF	0.2% - 11%	0.2% - 11%
In foreign currency	0.1% - 25%	0.1% - 25%

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

	30 June, 2009		*31 December, 2008*	
Retail deposits	3,615,213	68%	3,573,985	69%
Corporate deposits	1,433,198	27%	1,366,459	26%
Municipality deposits	248,185	5%	278,782	5%
Total	5,296,596	100%	5,219,226	100%

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

	30 June, 2009	*31 December, 2008*
With original maturity:		
Within one year		
In HUF	185,250	165,977
In foreign currency	465,498	238,394
	650,748	404,371
Over one year		
In HUF	230,009	212,843
In foreign currency	470,962	909,425
	700,971	1,122,268
Total	1,351,719	1,526,639

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

Interest rates on liabilities from issued securities are as follows:

	30 June 2009	*31 December 2008*
Issued securities denominated in HUF	0.3% - 15.3%	0.3% - 11.0%
Issued securities denominated in foreign currency	1.3% - 15.5%	3.1% - 13.1%

Issued securities denominated in HUF as at 30 June 2009 (in HUF mn):

Name	*Date of issue*	*Maturity*	*Nominal value*	*Book value*	*Interest conditions*	
OTP 2009/II	31/10/2008-31/12/2008	31/10/2009	50,984	49,638	10	fix
OTP 2010/I	10/01/2009-13/02/2009	22/01/2010	22,784	22,182	10	fix
OTP 2010/II	20/02/2009-28/03/2009	20/02/2010	31,219	30,394	8	fix
OTP 2010/III	03/04/2009-24/04/2009	03/04/2010	21,664	21,092	9	fix
OTP 2010/IV	30/04/2009-08/05/2009	30/04/2010	8,558	8,332	9.5	fix
OTP 2010/V	15/05/2009-22/05/2009	15/05/2010	7,023	6,837	9.5	fix
OTP 2010/VI	29/05/2009-05/062009	29/05/2010	5,570	5,423	9.5	fix
OTP 2010/VII	12/06/2009-19/06/2009	12/06/2010	6,688	6,511	9.5	fix
OTP 2010/VIII	26/06/2009	26/06/2010	3,972	3,867	9.5	fix
OTPX 2010A	21/12/2007	21/12/2010	1,393	1,393	0	indexed
OTPX 2011A	29/02/2008	01/03/2011	318	318	0	indexed
OTPX 2011B	30/05/2008	30/05/2011	605	605	0	indexed
OTPX 2014A	25/06/2009	30/06/2014	347	347	0	indexed
OTPX 2019A	25/06/2009	01/07/2019	3,720	3,720	0	indexed
OJB2009_IV	31/08/2006	31/08/2009	17,574	17,783	7.5	fix
OJB2009_V	01/12/2006	01/12/2009	744	751	7.5	fix
OJB2009_XVI	08/08/2008	08/08/2009	6,718	6,786	8.5	fix
OJB2009_XVII	05/09/2008	19/09/2009	10,102	10,199	10	fix
OJB2009_XVIII	17/10/2008	31/10/2009	6,561	6,619	10	fix
OJB2010_I	25/11/2002	31/03/2010	2,700	2,723	8	fix
OJB2010_II	16/02/2007	16/02/2010	1,931	1,950	8.75	fix
OJB2010_III	05/09/2008	06/09/2010	3,255	3,284	10	fix
OJB2011_I	20/12/2002	12/02/2011	15,108	15,239	8	fix
OJB2011_II	28/05/2004	12/09/2011	8,780	8,853	10	fix
OJB2011_III	28/02/2005	30/11/2011	2	340	9	fix
OJB2011_IV	31/08/2006	31/08/2011	7,477	7,616	8	fix
OJB2011_V	08/02/2008	08/02/2011	1,069	1,083	7.5	fix
OJB2012_I	17/03/2004	21/03/2012	13,870	13,986	9.83	fix
OJB2012_II	14/04/2004	16/05/2012	36,257	35,694	10	fix
OJB2012_III	19/11/2004	15/08/2012	14,353	14,673	10.5	fix
OJB2013_II	20/12/2002	31/08/2013	13,433	13,437	8.25	fix
OJB2014_I	14/11/2003	12/02/2014	13,468	13,587	8	fix
OJB2014_J	17/09/2004	17/09/2014	645	650	8.69	fix
OJB2015_I	10/06/2005	10/06/2015	2,988	3,024	7.7	fix
OJB2015_J	28/01/2005	28/01/2015	342	341	8.69	fix
OJB2016_I	03/02/2006	03/02/2016	1,143	1,161	7.5	fix
OJB2016_II	31/08/2006	31/08/2016	4,532	4,598	10	fix
OJB2016_J	18/04/2006	28/09/2016	388	392	7.59	fix
OJB2019_I	17/03/2004	18/03/2019	32,575	32,564	9.48	fix
OJB2020_I	19/11/2004	12/11/2020	6,990	6,872	9	fix
Other			27,980	30,400		
Total			**415,830**	**415,264**		

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

Issued securities denominated in foreign currency as at 30 June 2009 (in HUF mn):

Name	*Date of issue*	*Maturity*	*Nominal value*		*Book value*	*Interest conditions*	
			(mn EUR)	(mn HUF)			
OTP HBFIXED 160511	16/05/2008	16/05/2011	451	122,730	130,288	5.75	fix
OTP HBFLOAT 010710	01/07/2005	01/07/2010	490	133,491	132,366	3 month Euribor + 0.16	quarterly
OTP HBFLOAT 201210	20/12/2005	20/12/2010	296	80,503	79,825	3 month Euribor + 0.15	quarterly
OMB2010_I	03/03/2008	04/03/2010	956	260,470	265,328	4.5	fix
OMB2011_I	10/07/2006	11/07/2011	700	190,769	201,575	4.25	fix
OMB2014_I	15/12/2004	15/12/2014	198	54,009	54,147	4	fix
HZL OTP	15/10/2003	15/10/2012	17	4,514	4,480	4.7	fix
HZL OTP V	29/09/2004	29/09/2010	33	9,043	9,043	4.5	fix
HZL OTP VII	21/12/2005	21/12/2015	24	6,547	6,547	1.39 (3M Bribor + 0,15%)	variable
HZL OTP IX	29/09/2006	29/09/2009	17	4,522	4,522	1.79 (6M Bribor + 0.09%)	variable
HZL OTP XI	30/03/2007	30/03/2010	33	9,043	9,043	1.78 (6M Bribor + 0.08%)	variable
HZL OTP XII	23/11/2007	23/11/2010	22	5,968	5,968	1.33 (3M Bribor + 0.08%)	variable
HZL OTP XIII	12/03/2008	12/03/2011	17	4,522	4,516	4.5	fix
HZL OTP XIV	25/04/2008	25/04/2010	17	4,522	4,519	4.6	fix
HZL OTP XV	30/07/2008	30/07/2009	17	4,522	4,522	5.25	fix
HZL OTP XVI	15/12/2008	15/12/2009	5	1,257	1,257	5.99	fix
HZL OTP XVII	08/06/2009	08/06/2012	2	458	458	4.1	fix
OTP I kötvény	16/11/2005	16/11/2009	33	9,043	9,043	1.33 (3M Bribor + 0.06%)	variable
Družstevná únia SR	11/05/2009	11/08/2009	1	184	183	2.5	fix
Družstevná únia SR	19/06/2009	21/09/2009	1	218	217	2.5	fix
Suer Invest, a.s.	11/05/2009	11/05/2010	9	2,370	2,301	3	fix
BELGOMET, s.r.o.	18/05/2009	18/05/2010	2	575	559	2.9	fix
Other				6,315	5,751		
Total				**915,595**	**936,458**		

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

The Bank has launched a bond issue program in amount of HUF 300,000 million. The Committee for Product Development, Marketing and Pricing of the Bank adopted the resolution No. 456/2008 about the bond issue program on 31 July 2008. The information memorandum related to the program was approved by the Hungarian Financial Supervisory Authority. In the course of bond issues under the program the issuer, the Bank does not intend to introduce the bonds to regulated markets.

NOTE 16: FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HELD FOR TRADING (in HUF mn)

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

	30 June 2009	*31 December 2008*
CCIRS and mark-to-market swaps designated as held for trading	59,356	64,674
Interest rate swaps designated as held for trading	42,847	32,564
Foreign exchange swaps designated as held for trading	402	21,972
Other transactions designated as held for trading	2,696	6,277
Total	105,301	125,487

NOTE 17: OTHER LIABILITIES (in HUF mn)

	30 June 2009	*31 December 2008*
Other financial liabilities recorded at fair value	61,643	-
Giro clearing accounts	41,041	24,805
Salaries and social security payable	33,317	25,253
Provision for impairment on off-balance sheet commitments and contingent liabilities	24,127	24,234
Fair value of derivative financial instruments designated as hedge accounting relationship	21,109	33,514
Current income tax payable	18,875	12,843
Accrued expenses	14,620	12,697
Suspense accounts	10,498	5,293
Deferred tax liabilities	8,068	5,352
Accounts payable	7,280	13,890
Liabilities from security trading	2,297	2,829
Loans for collections	1,284	1,340
Advance for housing loans	843	1,698
Advances received from customers	571	582
Dividends payable	326	864
Other	32,818	35,763
Total	278,717	200,957

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

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

	30 June 2009	*31 December 2008*
Provision for litigation	5,223	4,989
Provision for expected pension commitments	564	554
Provision for losses on other off-balance sheet commitments and contingent liabilities	16,940	16,720
Other provision for expected liabilities	1,400	1,971
Total	24,127	24,234

Provision for losses on other off-balance sheet commitments and contingent liabilities are recognized mainly on guarantees and commitments on loan facilities given by the Group.

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

	30 June 2009	*31 December 2008*
Balance as at 1 January	24,234	19,759
Provision for the year	3,252	4,731
Release of provision	(5)	(32)
Reclassification	(3,420)	
Foreign currency translation differences	66	(224)
Closing balance	24,127	34,234

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

	30 June 2009	*31 December 2008*
Interest rate swaps designated as hedge accounting relationships	2,569	1,268
CCIRS and mark-to-market swaps designated as hedge accounting relationships	-	88
Other transactions designated as hedge accounting relationships	18,540	32,158
Total	21,109	33,514

NOTE 18: SUBORDINATED BONDS AND LOANS

In HUF million	*30 June 2009*	*31 December 2008*
Within one year:		
In HUF	-	-
In foreign currency	1,096	745
	1,096	745
Over one year:		
In HUF	5,000	5,000
In foreign currency	279,559	310,403
	284,559	315,403
Total	285,655	316,148

Interest rates on subordinated bonds and loans are as follows:

	30 June 2009	*31 December 2008*
Issued securities denominated in HUF	4.9%	4.8%
Issued securities denominated in foreign currency	3.1% - 11.5%	3.1% - 13%

Subordinated bonds and loans can be detailed as follows:

Type	Subordinated bond
Nominal value	HUF 5,000 million
Year of issue	1993
Maturity	2013
Interest conditions Frequency of interest payment	Interest rate and frequency of payment is based on condition of interest of 2013/C credit consolidated government bonds, the interest payable and the rate of interest are fixed twice a year
Actual six-month interest rate	4.88%

The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

Type	Subordinated loan from the European Bank for Reconstruction and Development, unsecured
Nominal value	USD 30 million and 31.14 million DEM (15.92 million in EUR)
Date of issue	December 1996
Maturity	27 August 2008.
Interest conditions	Six-month LIBOR +1.35%
Frequency of interest payment	Semi annually

The loan has been repaid in 2008.

NOTE 18: SUBORDINATED BONDS AND LOANS [continued]

Type	Subordinated bond
Nominal value	EUR 125 million
Date of issue	4 March 2005.
Maturity	10 year
Interest conditions	Variable, three-month EURIBOR + 0.55%
Frequency of interest payment	Quarterly

Type	Perpetual subordinated bond
Nominal value	EUR 500 million
Date of issue	7 November 2006
Maturity	Perpetual but callable from 7 November 2016
Rate of issue	99.375%
Issuing spread	200 basis points over 10 year mid-swap
Interest conditions	Fix 5.875% in the first 10 year, three-month EURIBOR +3% thereafter
Frequency of interest payment	Annually in the first 10 years, quarterly thereafter

The bonds were listed on the Luxembourg Stock Exchange.

Type	Subordinated bond (under EMTN programme)
Nominal value	EUR 300 million
Date of issue	19 September 2006
Maturity	19 September 2016
Rate of issue	100.00%
Interest conditions	Fix 5.27%
Frequency of interest payment	Annually

Type	Subordinated bond (under EMTN programme) (re-issuance to the subordinated bonds issued on 19 September 2006)
Nominal value	EUR 200 million
Date of issue	26 February 2007
Maturity	19 September 2016
Rate of issue	100.00%
Interest conditions	Fix 5.27%
Frequency of interest payment	Annually

Type	Subordinated loan for the JSC OTP Bank from the EBRD. The loan is secured by the guarantee of the Bank.
Nominal value	USD 10 million
Date of issue	23 December 1999
Maturity	23 December 2009
Rate of issue	100.00%
Interest conditions	Variable, six-month LIBOR + 2.75%
Frequency of interest payment	Semi-annually

NOTE 18: SUBORDINATED BONDS AND LOANS [continued]

Type	Subordinated loan for the JSC OTP Bank from the EBRD. The loan is secured by the guarantee of the Bank.
Nominal value	USD 5 million
Date of issue	3 July 2003
Maturity	23 June 2010
Rate of issue	100.00%
Interest conditions	Variable, three-month LIBOR + 2.75%
Frequency of interest payment	Quarterly

Type	Subordinated loan for the JSC OTP Bank from the EBRD. The loan is secured by the guarantee of the Bank.
Nominal value	USD 65 million
Date of issue	21 April 2008
Maturity	13 October 2015
Rate of issue	100.00%
Interest conditions	Variable, six-month LIBOR + 2.75%
Frequency of interest payment	Semi-annually

Type	OOO Donskoy Narodny Bank obtained a RUB 38.12 million subordinated loan from Russian third party lenders 12 times.
Nominal value	RUB 38.12 million
Date of issue	15 June 2001 – 30 November 2005
Maturity	15 June 2013 – 30 November 2016
Rate of issue	100.00%
Interest conditions	Variable, interest rate is based on Russian National Bank’s basic interest rate. On 30 June 2009 it was 11.5%.
Frequency of interest payment	Monthly

NOTE 19: SHARE CAPITAL (in HUF mn)

	30 June 2009	*31 December 2008*
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

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

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

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

	30 June 2009	*31 December 2008*
Capital reserve	52	52
General reserve	111,680	101,670
Retained earnings	592,882	495,270
Tied-up reserve	7,396	55,305
Total	712,010	652,297

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

According to the decision made at the Annual General Meeting on 25 April 2008, the Bank did not pay dividend for the year 2007.

According to the decision made at the Annual General Meeting on 24 April 2009, the Bank did not pay dividend for the year 2008.

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 the Bank, and 4.5 million 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., 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 without final maturity 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 buy back the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%.

If the Bank pays a dividend for the ordinary shares, the Bank under a subordinated swap contract, will pay the interest of ICES payable to Opus and receives the same amount of money from Opus as the dividend that is payable for the shares held by Opus.

NOTE 21: TREASURY SHARES (in HUF mn)

	30 June 2009	*31 December 2008*
Nominal value (Ordinary shares)	4,437	3,402
Carrying value at acquisition cost	110,711	146,749

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

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

	30 June 2009	*31 December 2008*
Balance as at 1 January (piece)	34,017,196	23,399,788
Net addition (piece)	10,353,556	10,617,408
Closing balance (piece)	44,370,752	34,017,196

	30 June 2009.	*31 December 2008.*
Balance as at 1 January (in HUF mn)	146,749	114,001
Closing balance (in HUF mn)	110,711	146,749

NOTE 22: MINORITY INTEREST (in HUF mn)

	30 June 2009	*31 December 2008*
Balance as at 1 January	6,785	5,353
Foreign currency translation difference	119	(434)
Changes due to ownership structure	(6)	1,270
Minority interest included in net profit for the year	(39)	596
Closing balance	6,859	6,785

NOTE 23: FEE AND COMISSION INCOME (in HUF mn)

	30 June 2009	*30 June 2008*
Deposit and account maintenance fees and commissions	32,857	33,938
Card fees and commissions	14,580	15,067
Money withdrawal fees	12,585	12,866
Fees and commissions relating to fund management	5,928	7,851
Fees and commissions relating to loans	7,847	9,442
Fees and commissions relating to security trading	2,821	2,657
Other	5,620	6,736
Total	82,238	88,557

NOTE 24: FEE AND COMISSION EXPENSE (in HUF mn)

	30 June 2009	*30 June 2008*
Interchange fee	3,357	3,758
Fees and commissions paid on loans	3,353	3,295
Other card fees and commissions	2,960	2,486
Fees and commissions relating to deposits	1,153	1,636
Money withdrawal transaction fees	1,104	1,316
Money market transaction fees and commissions	714	708
Fees and commissions relating to collection	693	26
Insurance fees	643	24
Security fees and commissions	442	356
Postal fees and commissions	417	499
Other	2,065	5,689
Total	16,901	19,793

NOTE 25: OTHER EXPENSES (in HUF mn)

	30 June 2009	*30 June 2008*
Taxes, other than income taxes	16,329	14,293
Provision for impairment on securities available-for-sale	6,356	6
Provision for impairment on accrued interest	-	3,713
Provision for impairment on off-balance sheet commitments and contingent liabilities	3,252	(2,408)
Provision for impairment on securities held-to-maturity	2,516	39
Provision for impairment on other assets	459	33
Provision for impairment on equity investments	64	137
Other	5,210	8,408
Total	34,186	24,221

NOTE 26: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 25% of taxable income.

Deferred tax is calculated at the income tax rate of 16% in Hungary and Romania, 19% in Slovakia, 20% in Croatia and Russia and 25% in Ukraine.

In Hungary an additional 4% of special tax is to be paid. In the calculation below, 20% tax rate was taken into account for entities operating in Hungary.

A reconciliation of the income tax charges is as follows:

	30 June 2009	*30 June 2008*
Current tax	25,659	22,121
Deferred tax income	(4,694)	(365)
Total	20,965	21,756

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

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

	30 June 2009	*30 June 2008*
Balance as at 1 January	(5,352)	(5,373)
Acquisition of subsidiaries	-	(208)
Foreign currency translation difference	1,497	42
Deferred tax credit	4,694	365
Recognized in equity	(3,088)	1,834
Closing balance	(2,249)	(3,340)

A reconciliation of the income tax charges is as follows:

	30 June 2009	*30 June 2008*
Profit before income tax	104,988	151,374
Income tax at statutory tax rates	17,191	25,453
Special tax (4%)	3,903	4,803
Income tax adjustments are as follows:		
Reversal of statutory general provision	488	532
Tax effect of amortization of statutory goodwill	(99)	(895)
Revaluation of investments denominated in foreign currency to historical cost	143	(3,344)
Profit on sale of Treasury shares	-	(101)
Fair value of share-based payment	680	571
Treasury share transactions	-	(2,429)
Profit on disposal of shares and equities	(618)	-
Other	(723)	(2,834)
Income tax	20,965	21,756
Effective tax rate	20.0%	14.4%

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

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

	30 June 2009	*30 June 2008*
Premium and discount amortization on bonds	203	-
Difference in accounting for leases	564	574
Provision for losses on off-balance sheet commitments and contingent liabilities on derivative financial instruments	-	91
Fair value adjustment of securities held for trading and securities available-for-sale	319	313
Fair value adjustment of derivative financial instruments	4,232	-
Repurchase agreements	2,659	1,914
Temporary differences arising on consolidation	461	465
Provision for impairment on equity investments	3,183	-
Other	3,294	4,402
Deferred tax asset	14,915	7,759

	30 June 2009	*30 June 2008*
Premium and discount amortization on bonds	-	(257)
Release of provision for impairment on off-balance sheet commitments and contingent liabilities on derivative financial instruments	(91)	-
Fair value adjustment of derivative financial instruments	-	(188)
Adjustment from effective interest rate method	-	(840)
Valuation of equity instrument (ICES)	(1,989)	(1,782)
Difference in depreciation and amortization	(4,128)	(4,076)
Accrued losses	(5,401)	(3,956)
Effect of bonds repurchased	(5,555)	-
Deferred tax liabilities	(17,164)	(11,099)

NOTE 27: FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

Credit risk

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

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

Market risk

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

27.1. Market Risk sensitivity analysis

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT [continued]

27.1. Market Risk sensitivity analysis [continued]

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

Historical VaR (99%, one-day) by risk type	**Average**	
	30 June 2009	*30 June 2008*
Foreign exchange	783	1,158
Interest rate	368	585
Equity instruments	6	83
Diversification	(263)	(381)
Total VaR exposure	894	1,445

While VaR captures the Group’s daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in 27.2., for interest rate risk, in 27.3. and for equity price sensitivity analysis, in 27.4 below.

27.2. Foreign currency sensitivity analysis

The following table details the Group’s sensitivity to an increase and decrease in the HUF exchange rate against the EUR and the USD, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations was EUR (310) million as of 30 June 2009 and EUR (515) million and USD (79.5) million as of 30 June 2008. High portion of strategic positions is considered as effective hedge of future profit inflows of foreign subsidiaries, so FX risk alters the Group capital and not its earnings.

NOTE 27: FINANCIAL RISK MANAGEMENT [continued]

27.2. Foreign currency sensitivity analysis [continued]

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

Probability	Effects to the Consolidated Statements of Operations in 3 months period	
	30 June 2009 In HUF billion	*30 June 2008* In HUF billion
1%	(10.2)	(14.4)
5%	(6.8)	(10.0)
25%	(2.4)	(4.8)
50%	0.3	(1.4)
25%	3.0	1.5
5%	6.6	5.1
1%	9.2	7.3

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.

27.3. Interest rate sensitivity analysis

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT [continued]

27.3. Interest rate sensitivity analysis [continued]

The Net interest income in a one year period after 30 June 2009 would be decreased by HUF 1,310 million (probable scenario) and HUF 5,732 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 603 million (probable scenario) and HUF 3,212 million (alternative scenario) decrease in the Net interest income in a one year period after 30 June 2008.

The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period can be summarized as follows:

Description	**Effects to the net interest income in one year period**	
	30 June 2009 In HUF million	*30 June 2008* In HUF million
HUF (0.1%) parallel shift	(266)	(54)
EUR (0.1%) parallel shift	(107)	(31)
USD 0.1% parallel shift	1	(89)
Total	(372)	(174)

27.4. Equity price sensitivity analysis

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

Description	*30 June 2009*	*30 June 2008*
VaR (99%, one day, million HUF)	6	83
Stress test (million HUF)	(16)	(170)

Liquidity risk

See Note 35.

Foreign currency risk

See Note 36.

Interest rate risk

See Note 37.

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

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

(a) Contingent liabilities

	30 June 2009	*31 December 2008*
Commitments to extend credit	666,482	792,042
Guarantees arising from banking activities	264,841	260,175
Confirmed letters of credit	15,180	20,890
Legal disputes	7,453	6,798
Other	56,441	61,035
Total	1,010,397	1,140,940

Commitments to extend credit, guarantees and letters of credit

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

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

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

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

(a)Contingent liabilities [continued]

Legal disputes

At the balance sheet date the Group was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings corresponds to the level of claims and legal proceedings in previous years.
The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 5,223 million and HUF 4,989 million as at 30 June 2009 and 31 December 2008, respectively. (See Note 17.)

(b) Derivatives and other options (nominal amount, unless otherwise stated):

	30 June 2009	*31 December 2008*
Foreign currency contracts designated as held for trading		
Off-balance sheet assets	87,397	134,190
Off-balance sheet liabilities	90,118	138,778
Net	(2,721)	(4,588)
Net fair value	(387)	(3,422)
Foreign currency contracts designated as hedge accounting relationships		
Off-balance sheet assets	38,279	59,883
Off-balance sheet liabilities	38,279	59,883
Net	-	-
Net fair value	-	12
Foreign exchange swaps and interest rate swaps designated as held for trading		
Off-balance sheet assets	3,096,110	3,244,043
Off-balance sheet liabilities	2,853,057	3,065,336
Net	243,053	178,707
Net fair value	(7,559)	(32,286)
Foreign exchange swaps and interest rate swaps designated as hedge accounting relationships		
Off-balance sheet assets	519,292	499,242
Off-balance sheet liabilities	536,654	534,938
Net	(17,362)	(35,696)
Net fair value	18,860	16,597
Option contracts		
Off-balance sheet assets	321,071	9,945
Off-balance sheet liabilities	345,350	9,716
Net	(24,279)	229
Net fair value	(1,160)	210
Forward rate agreements designated as held for trading		
Off-balance sheet assets	191	37
Off-balance sheet liabilities	(118)	-
Net	73	37
Net fair value	12	33
Forward security agreements designated as held for trading		
Off-balance sheet assets	1,807	2,101
Off-balance sheet liabilities	1,807	2,101
Net	-	-
Net fair value	9	52

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

(b) Derivatives and other options (nominal amount, unless otherwise stated) [continued]

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

As at 30 June 2009, the Group has derivative instruments with positive fair values of HUF 105,664 million and negative fair values of HUF 126,410 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in Other assets, while positive fair values of derivative instruments designated as held for trading are included in Financial assets at fair value through profit or loss. Negative fair values of hedging derivative instruments are included in Other liabilities. Corresponding figures as at 30 June 2009 were HUF 81,629 million and HUF 159,001 million, respectively.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

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

(b) Derivatives and other options (nominal amount, unless otherwise stated) [continued]

Cross-currency interest rate swap

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

Forward rate agreements

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

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

NOTE 29: SHARE-BASED PAYMENT

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

The 2006 Annual General Meeting approved a five year share option program for the years from 2006 to 2010. In the framework of the program, the options are granted annually. The current grant dates of these options are 28 April 2006 and 27 April 2007, the dates of the Annual General Meetings of the Bank. At this second Annual General Meeting, the amount provided in the program has been increased.

The exercise price of the options of 2005 is calculated as the average of the market price of OTP shares quoted by the Budapest Stock Exchange ("BSE") daily during the two month period ending on the last day of the month of the Annual General Meeting.

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 29: 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.

To be able to practice the option program, two of the following conditions should be fulfilled:

- the growth of the net income should be 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 prolonged 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.

	30 June 2009		*31 December 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	-	-	965,050	6,484
Exercised during the period	-	-	257,500	6,536
Outstanding at the end of the period	2,534,950	6,484	2,534,950	6,484
Exercisable at the end of the period	2,154,709	8,424	1,774,466	8,424

For the year ended 31 December 2008 the key vesting conditions are not met, in accordance with the option program the Bank did not recognize any personnel expense.

	30 June 2009	*31 December 2008*
Weighted average exercise price of the options outstanding	6,484	6,484
Weighted average remaining contractual life (month)	18	18

NOTE 29: SHARE-BASED PAYMENT [continued]

The inputs into the Binomial model at grant date were as follows:

	30 June 2009	*31 December 2008*
Weighted average share price (HUF)	7,828	7,828
Weighted average exercise price (HUF)	7,941	7,941
Expected volatility (%)	29	29
Expected life (average year)	3.56	3.56
Risk free rate (%)	6.84	6.84
Expected dividends (%)	2.31	2.31

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.

In connection with the share-based payment programs approved by the Bank and applying IFRS 2, HUF 3,401 million and HUF 28 million has been recognized as expense as at 30 June 2009 and as at 31 December 2008, respectively.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

The related party transactions can be summarized as follows:

	30 June 2009	*31 December 2008*
Credit lines of the members of Board of Directors and the Supervisory Board (at normal market conditions)	215	121
Loans provided to companies owned by the management (normal course of business)	32,731	27,366
Commitments to extend credit and guarantees	88	121

	30 June 2009	*31 December 2008*
Loans provided to unconsolidated subsidiaries	88,142	65,643

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

	30 June 2009	*31 December 2008*
Short-term employee benefits	5,914	12,642
Redundancy payments	-	57
Other long-term employee benefits	30	71
Termination benefits	34	13
Share-based payment	1.117	16
Total	7,095	12,799

NOTE 31: ACQUISITIONS (in HUF mn)

a. Purchase and consolidation of subsidiary undertakings

On 12 November 2007 the Bank signed the purchase agreement on acquiring 100% interest in the Russian OOO Donskoy Narodny Bank. The sale and purchase transaction of the 100% stake of OOO Donskoy Narodny Bank was completed on 6 May 2008. The total purchase price was USD 40.95 million.

There was no acquisition transaction in the six month period ended 30 June 2009.

The fair value of the assets and liabilities acquired, and related goodwill is as follows:

	2008 At acquisition date OOO Donskoy Narodny Bank
Cash, amounts due from banks, and balances with the National Bank	(1,880)
Placements with other banks, net of allowance for placement losses	(1,192)
Securities held for trading	(1,021)
Securities available-for-sale	-
Loans, net of allowance for loan losses	(16,454)
Accrued interest	(75)
Associates and other investments	(48)
Securities held-to-maturity	(7)
Property, equipment and intangible assets	(1,555)
Other assets	(91)
Amounts due to banks and deposits from the National Bank of Hungary and other banks	-
Deposits from customers	20,405
Liabilities from issued securities	2
Accrued interest payable	102
Other liabilities	179
Subordinated bonds and loans	261
Minority Interest	-
Net assets	(1,374)
Goodwill	(5,312)
Cash consideration	(6,686)

NOTE 31: ACQUISITIONS (in HUF mn) [continued]

b. Analysis of net outflow of cash in respect of purchase of subsidiaries

	31 December 2008
Cash consideration	(6,686)
Cash acquired	1,880
Net cash outflow	(4,806)

NOTE 32: MAJOR SUBSIDIARIES

Equity investments in companies in which the Bank has a controlling interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless indicated otherwise.

Name	Ownership (Direct and Indirect)		Activity
	30 June 2009	*31 December 2008*	
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
OTP Factoring Ltd.	100.00%	100.00%	work-out
Inga Two Commercial Ltd.	100.00%	100.00%	property management
OTP Fund Management Ltd.	100.00%	100.00%	fund management
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
TradeNova Commercial Ltd. (former OTP Trade Ltd.)	100.00%	100.00%	trade finance
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services
OTP Banka Slovensko a. s. (Slovakia)	97.23%	97.23%	commercial banking services
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services

NOTE 32: MAJOR SUBSIDIARIES [continued]

Name	Ownership (Direct and Indirect) *30 June 2009*	*31 December 2008*	Activity
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	91.43%	91.43%	commercial banking services
Crnogorska komerčijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
JSC OTP Bank (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia) (former OAO Investsberbank)	95.52%	95.51%	commercial banking services
OOO Donskoy Narodny Bank (Russia)	100.00%	-	commercial banking services
OTP Holding Ltd. (Cyprus)	100.00%	-	holding activity
OTP Financing Netherlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus Ltd. (Cyprus)	100.00%	100.00%	refinancing activities

NOTE 33: TRUST ACTIVITIES

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

	30 June 2009	*31 December 2008*
The amount of loans managed by the Group as a trustee	46,807	45,196

NOTE 34: CONCENTRATION OF ASSETS AND LIABILITIES

	30 June 2009	*31 December 2008*
Receivables from, or securities issued by the Hungarian Government or the NBH	9.3%	6.6%

There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2009 and 31 December 2008.

NOTE 35: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations prescribed by the NBH. The following tables provide an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the 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.

As at 30 June 2009	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, amounts due from banks and balances with the NBH	303,189	102	-	-	303,291
Placements with other banks, net of allowance for placements losses	594,468	42,448	16,189	530	653,635
Financial assets at fair value through profit or loss	20,293	31,619	62,614	76,432	190,958
Securities available-for-sale	27,147	17,607	241,679	141,776	428,209
Loans, net of allowance for loan losses	621,516	963,350	1,677,671	3,369,797	6,632,334
Accrued interest	84,259	3,045	377	281	87,962
Associates and other investments	-	-	-	10,377	10,377
Securities held-to-maturity	448,708	11,432	111,971	28,972	601,083
Property and equipment, Intangible assets	794	2,130	106,704	356,633	466,261
Other assets	51,685	39,529	35,213	3,525	129,952
TOTAL ASSETS	**2,152,059**	**1,111,262**	**2,252,418**	**3,988,323**	**9,504,062**
Amounts due to banks and deposits from the NBH and other banks	156,758	213,003	457,586	120,251	947,598
Deposits from customers	4,079,845	945,001	235,887	35,863	5,296,596
Liabilities from issued securities	50,632	600,659	585,576	114,852	1,351,719
Accrued interest payable	105,621	3,864	3,170	310	112,965
Fair value of derivative financial instruments designated as held for trading	5,744	27,166	66,180	6,211	105,301
Other liabilities	230,064	10,802	25,744	12,107	278,717
Subordinated bonds and loans	-	1,095	4,368	280,192	285,655
TOTAL LIABILITIES	**4,628,664**	**1,801,590**	**1,378,511**	**569,786**	**8,378,551**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	1,201,363	1,201,363
Treasury shares	-	-	(110,711)	-	(110,711)
Minority interest	-	-	-	6,859	6,859
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**(110,711)**	**1,236,222**	**1,125,511**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,628,664**	**1,801,590**	**1,267,800**	**1,806,008**	**9,504,062**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,476,605)**	**(690,328)**	**984,618**	**2,182,315**	**-**

NOTE 35: 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	Total
Cash, amounts due from banks and balances with the NBH	348,623	226	-	-	348,849
Placements with other banks, net of allowance for placements losses	522,611	53,365	16,941	625	593,542
Financial assets at fair value through profit or loss	16,183	16,446	68,895	27,808	129,332
Securities available-for-sale	21,143	65,472	237,743	156,899	481,257
Loans, net of allowance for loan losses	615,529	1,071,120	1,781,483	3,262,038	6,730,170
Accrued interest	83,575	3,693	340	185	87,793
Associates and other investments	-	-	-	10,467	10,467
Securities held-to-maturity	131,078	36,792	110,294	43,569	321,733
Property and equipment, Intangible assets	874	2,693	111,454	354,680	469,701
Other assets	50,555	58,984	40,324	56,729	206,592
TOTAL ASSETS	**1,790,171**	**1,308,791**	**2,367,474**	**3,913,000**	**9,379,436**
Amounts due to banks and deposits from the NBH and other banks	159,172	439,813	153,472	90,410	842,867
Deposits from customers	3,897,230	1,083,102	213,473	25,421	5,219,226
Liabilities from issued securities	300,563	103,808	1,000,065	122,203	1,526,639
Accrued interest payable	90,110	5,548	3,122	361	99,141
Fair value of derivative financial instruments designated as held for trading	29,313	10,989	78,475	6,710	125,487
Other liabilities	150,551	15,010	27,036	8,360	200,957
Subordinated bonds and loans	-	745	5,993	309,410	316,148
TOTAL LIABILITIES	**4,626,939**	**1,659,015**	**1,481,636**	**562,875**	**8,330,465**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	1,160,935	1,160,935
Treasury shares	-	-	(67,407)	(79,342)	(146,749)
Minority interest	-	-	-	6,785	6,785
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**(67,407)**	**1,116,378**	**1,048,971**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,626,939**	**1,659,015**	**1,414,229**	**1,679,253**	**9,379,436**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,836,768)**	**(350,224)**	**953,245**	**2,233,747**	**-**

NOTE 36: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 30 June 2009

	USD	EUR	CHF	Others	Total
Assets	991,752	2,442,560	1,627,314	1,464,842	6,526,468
Liabilities	(494,724)	(3,144,401)	(83,268)	(1,123,231)	(4,845,624)
Off-balance sheet assets and liabilities, net	(437,275)	748,052	(1,577,188)	(109,464)	(1,375,875)
Net position	**59,753**	**46,211**	**(33,142)**	**232,147**	**304,969**

As at 31 December 2008

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

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

NOTE 37: INTEREST RATE RISK MANAGEMENT (in HUF mn)

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

The majority of the interest bearing assets of the Group 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 Group to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

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

NOTE 37: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2009

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Bank of Hungary	**63 093**	**58 004**	**--**	**10**	**--**	-	-	-	-	-	**51 256**	**130 928**	**114 349**	**188 942**	**303 291**
fixed rate	*63 088*	*56 189*	-	*10*	-	-	-	-	-	-	-	-	*63 088*	*56 199*	*119 287*
variable rate	*5*	*1 815*	-	--	-	-	-	-	-	-	-	-	*5*	*1 815*	*1 820*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*51 256*	*130 928*	*51 256*	*130 928*	*182 184*
Placements with other banks, net of allowance for placements losses	**17 919**	**365 805**	**--**	**33 481**	-	**47 345**	-	*87 595*	-	**7 918**	**--**	**93 572**	**17 919**	**635 716**	**653 635**
fixed rate	*17 805*	*341 725*	-	*28 628*	-	*1 081*	-	*87 595*	-	*7 918*	-	-	*17 805*	*466 947*	*484 752*
variable rate	*114*	*24 080*	-	*4 853*	-	*46 264*	-	-	-	--	-	-	*114*	*75 197*	*75 311*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	--	*93 572*	--	*93 572*	*93 572*
Securities held for trading	**519**	**1 236**	**2 960**	**274**	**4 287**	**6 905**	**105**	**2 579**	**11 498**	**2 647**	**62 723**	**1 321**	**82 092**	**14 962**	**97 054**
fixed rate	*519*	*42*	*2 821*	*274*	*4 197*	*6 872*	*105*	*2 579*	*11 498*	*2 647*	-	-	*19 140*	*12 414*	*31 554*
variable rate	-	*1 194*	*139*	--	*90*	*33*	-	-	-	-	-	-	*229*	*1 227*	*1 456*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*62 723*	*1 321*	*62 723*	*1 321*	*64 044*
Securities available-for-sale	**352**	**2 205**	**14 916**	**101 712**	**3 182**	**13 647**	**81 700**	**7 198**	**112 470**	**72 283**	**11 781**	**6 763**	**224 401**	**203 808**	**428 209**
fixed rate	*352*	-	*11 248*	*2 228*	*3 182*	*12 722*	*81 700*	*7 079*	*110 797*	*72 283*	-	-	*207 279*	*94 312*	*301 591*
variable rate	-	*2 205*	*3 668*	*99 484*	--	*925*	-	*119*	*1 673*	-	-	-	*5 341*	*102 733*	*108 074*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*11 781*	*6 763*	*11 781*	*6 763*	*18 544*
Loans, net of allowance for loan losses	**805 711**	**3 365 178**	**133 762**	**873 837**	**45 567**	**271 931**	**61 931**	**187 834**	**412 093**	**291 550**	**14 597**	**168 343**	**1 473 661**	**5 158 673**	**6 632 334**
fixed rate	*1 714*	*49 514*	*1 751*	*17 253*	*4 053*	*169 772*	*1 841*	*98 741*	*4 872*	*232 845*	-	-	*14 231*	*568 125*	*582 356*
variable rate	*803 997*	*3 315 664*	*132 011*	*856 584*	*41 514*	*102 159*	*60 090*	*89 093*	*407 221*	*58 705*	-	-	*1 444 833*	*4 422 205*	*5 867 038*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*14 597*	*168 343*	*14 597*	*168 343*	*182 940*
Securities held-to-maturity	**449 904**	**16 752**	**17 682**	**4 062**	**11 348**	**11 280**	**30 288**	**15 592**	**31 141**	**13 034**	-	-	**540 363**	**60 720**	**601 083**
fixed rate	*424 890*	*11 108*	*9 681*	*3 610*	*557*	*10 604*	*30 288*	*15 592*	*31 141*	*13 034*	-	-	*496 557*	*53 948*	*550 505*
variable rate	*25 014*	*5 644*	*8 001*	*452*	*10 791*	*676*	-	-	-	-	-	-	*43 806*	*6 772*	*50 578*
Fair value of derivative financial instruments	**356 356**	**724 738**	**851 960**	**445 218**	**134 390**	**98 693**	**4 341**	**293 689**	**2 813**	**195 982**	-	*31*	**1 349 860**	**1 758 351**	**3 108 211**
fixed rate	*52 771*	*387 009*	*37 283*	*4 744*	*76 007*	*98 511*	*216*	*293 567*	*42*	*194 657*	-	-	*166 319*	*978 488*	*1 144 807*
variable rate	*303 585*	*337 729*	*814 677*	*440 474*	*58 383*	*182*	*4 125*	*122*	*2 771*	*1 325*	-	-	*1 183 541*	*779 832*	*1 963 373*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*31*	-	*31*	*31*

NOTE 37: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2009

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks and deposits from the National Bank of Hungary and other banks	**44 867**	**213 912**	**41 360**	**548 956**	**5 337**	**33 889**	**--**	**10 316**	**781**	**43 314**	*4 256*	**610**	**96 601**	**850 997**	**947 598**
fixed rate	*1 953*	*104 507*	*21 279*	*10 795*	*5 334*	*4 266*	-	*406*	*781*	*8 617*	-	-	*29 347*	*128 591*	*157 938*
variable rate	*42 914*	*109 405*	*20 081*	*538 161*	*3*	*29 623*	--	*9 910*	--	*34 697*	-	-	*62 998*	*721 796*	*784 794*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*4 256*	*610*	*4 256*	*610*	*4 866*
Deposits from customers	**1 598 038**	**1 793 526**	**472 601**	**222 447**	**53 456**	**252 486**	**28 764**	**50 735**	**590 244**	**149 526**	**1 434**	**83 339**	**2 744 537**	**2 552 059**	**5 296 596**
fixed rate	*435 721*	*431 184*	*463 175*	*222 382*	*53 456*	*252 217*	*28 764*	*50 717*	*86 108*	*104 077*	-	-	*1 067 224*	*1 060 577*	*2 127 801*
variable rate	*1 162 317*	*1 362 342*	*9 426*	*65*	-	*269*	-	*18*	*504 136*	*45 449*	-	-	*1 675 879*	*1 408 143*	*3 084 022*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*1 434*	*83 339*	*1 434*	*83 339*	*84 773*
Liabilities from issued securities	**8 704**	**142 067**	**53 452**	**115 970**	**173 014**	**272 119**	**19 670**	**146 737**	**159 277**	**260 182**	**412**	**115**	**414 529**	**937 190**	**1 351 719**
fixed rate	--	*6 542*	*34 818*	*2 088*	*173 014*	*272 119*	*19 670*	*146 737*	*159 277*	*260 182*	-	-	*386 779*	*687 668*	*1 074 447*
variable rate	*8 704*	*135 525*	*18 634*	*113 882*	-	--	-	-	-	-	-	-	*27 338*	*249 407*	*276 745*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*412*	*115*	*412*	*115*	*527*
Fair value of derivative financial instruments	**271 691**	**1 007 030**	**9 287**	**1 582 096**	**24 044**	**214 812**	**10 205**	**15 878**	**6 015**	**1 864**	-	*9 897*	**321 242**	**2 831 577**	**3 152 819**
fixed rate	*271 400*	*384 412*	*8 349*	*328 456*	*19 894*	*144 115*	*268*	*15 755*	--	*149*	-	*9 815*	*299 911*	*882 702*	*1 182 613*
variable rate	*291*	*622 618*	*938*	*1 253 640*	*4 150*	*70 697*	*9 937*	*123*	*6 015*	*1 715*	-	-	*21 331*	*1 948 793*	*1 970 124*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*82*	-	*82*	*82*
Subordinated bonds and loans	-	**903**	**5 000**	**26 269**	-	**12 817**	-	-	-	**240 666**	-	-	**5 000**	**280 655**	**285 655**
fixed rate	-	-	-	-	-	-	-	-	-	*240 666*	-	-	-	*240 666*	*240 666*
variable rate	-	*903*	*5 000*	*26 269*	-	*12 817*	-	-	-	-	-	-	*5 000*	*39 989*	*44 989*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	--	-	--	--
Net position	**-229 446**	**1 376 480**	**439 580**	**#########**	**-57 077**	**-336 322**	**119 726**	**370 821**	**-186 302**	**-112 138**	**134 255**	**306 997**	**220 736**	**568 694**	**789 430**

NOTE 37: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2008

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Bank of Hungary	**74 058**	**37 890**	**2**	**189**	**3**	-	-	-	-	-	**66 859**	**169 848**	**140 922**	**207 927**	**348 849**
fixed rate	*72 069*	*34 896*	*2*	-	*3*	-	-	-	-	-	-	-	*72 074*	*34 896*	*106 970*
variable rate	*1 989*	*2 994*	-	*189*	-	-	-	-	-	-	-	-	*1 989*	*3 183*	*5 172*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*66 859*	*169 848*	*66 859*	*169 848*	*236 707*
Placements with other banks, net of allowance for placements losses	**66 142**	**321 855**	**2 506**	**10 826**	-	**90 734**	-	-	-	**6 656**	**1**	**94 822**	**68 649**	**524 893**	**593 542**
fixed rate	*65 751*	*264 125*	*2 506*	*10 826*	-	*21*	-	-	-	*6 521*	-	-	*68 257*	*281 493*	*349 750*
variable rate	*391*	*57 730*	-	-	-	*90 713*	-	-	-	*135*	-	-	*391*	*148 578*	*148 969*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*1*	*94 822*	*1*	*94 822*	*94 823*
Securities held for trading	**1 093**	**1 805**	**1 059**	**214**	**7 972**	**421**	**10 531**	**876**	**26 263**	**3 589**	**2 299**	**551**	**49 217**	**7 456**	**56 673**
fixed rate	*1 093*	*597*	*903*	*201*	*7 900*	*262*	*10 531*	*876*	*26 263*	*3 559*	-	-	*46 690*	*5 495*	*52 185*
variable rate	-	*1 208*	*156*	*13*	*72*	*159*	-	-	-	*30*	-	-	*228*	*1 410*	*1 638*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*2 299*	*551*	*2 299*	*551*	*2 850*
Securities available-for-sale	**9 277**	**2 531**	**5 935**	**101 306**	**48 461**	**14 938**	**36 961**	**14 113**	**158 283**	**69 391**	**15 874**	**4 187**	**274 791**	**206 466**	**481 257**
fixed rate	*9 277*	-	*1 500*	*3 241*	*47 935*	*14 938*	*36 961*	*13 534*	*158 283*	*67 594*	-	-	*253 956*	*99 307*	*353 263*
variable rate	-	*2 531*	*4 435*	*98 065*	*526*	-	-	*579*	-	*1 797*	-	-	*4 961*	*102 972*	*107 933*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*15 874*	*4 187*	*15 874*	*4 187*	*20 061*
Loans, net of allowance for loan losses	**812 804**	**3 796 739**	**84 325**	**350 728**	**119 661**	**714 209**	**56 516**	**67 318**	**380 973**	**297 118**	**10 753**	**39 026**	**1 465 032**	**5 265 138**	**6 730 170**
fixed rate	*8 656*	*37 847*	*2 515*	*91 129*	*3 140*	*173 389*	*1 604*	*30 442*	*11 737*	*175 038*	-	-	*27 652*	*507 845*	*535 497*
variable rate	*804 148*	*3 461 667*	*81 810*	*198 231*	*116 521*	*355 496*	*54 912*	*34 953*	*369 236*	*122 080*	-	-	*1 426 627*	*4 172 427*	*5 599 054*
non-interest-bearing	-	*297 225*	-	*61 368*	-	*185 324*	-	*1 923*	-	-	*10 753*	*39 026*	*10 753*	*584 866*	*595 619*
Securities held-to-maturity	**114 963**	**8 553**	**20 670**	**1 310**	**64 331**	**7 386**	**38 930**	**11 777**	**27 057**	**26 756**	-	-	**265 951**	**55 782**	**321 733**
fixed rate	*114 963*	*3 558*	*12 670*	*806*	*26 862*	*7 336*	*38 930*	*11 777*	*27 057*	*26 756*	-	-	*220 482*	*50 233*	*270 715*
variable rate	-	*4 995*	*8 000*	*504*	*37 469*	*50*	-	-	-	-	-	-	*45 469*	*5 549*	*51 018*
Fair value of derivative financial instruments	**10 266**	**827 755**	**13 306**	**274 293**	**97 434**	**131 782**	**94 099**	**443 479**	**712 125**	**368 637**	-	**8 839**	**927 230**	**2 054 785**	**2 982 015**
fixed rate	*10 266*	*826 457*	*13 306*	*274 274*	*95 523*	*129 863*	*93 805*	*441 380*	*708 625*	*367 563*	-	-	*921 525*	*2 039 537*	*2 961 062*
variable rate	-	*1 298*	-	*19*	*1 911*	*1 919*	*294*	*2 099*	*3 500*	*1 074*	-	-	*5 705*	*6 409*	*12 114*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*8 839*	-	*8 839*	*8 839*

NOTE 37: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2008

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks and deposits from the National Bank of Hungary and other banks	**2 442**	**341 082**	**7 287**	**192 395**	**212 210**	**78 268**	**1**	**699**	**559**	**5 649**	**-**	**2 275**	**222 499**	**620 368**	**842 867**
fixed rate	*1 755*	*183 627*	*1 746*	*26 511*	*118 618*	*18 823*	*-*	*699*	*-*	*5 619*	*-*	*92*	*122 119*	*235 371*	*357 490*
variable rate	*687*	*157 455*	*5 541*	*165 884*	*93 592*	*59 445*	*1*	*-*	*559*	*30*	*-*	*-*	*100 380*	*382 814*	*483 194*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*2 183*	*-*	*2 183*	*2 183*
Deposits from customers	**1 146 698**	**1 640 823**	**474 388**	**298 603**	**376 758**	**369 806**	**27 029**	**48 831**	**633 399**	**96 450**	**1 178**	**105 263**	**2 659 450**	**2 559 776**	**5 219 226**
fixed rate	*469 786*	*502 881*	*445 811*	*298 593*	*376 169*	*369 806*	*27 029*	*48 774*	*80 071*	*68 285*	*-*	*-*	*1 398 866*	*1 288 339*	*2 687 205*
variable rate	*676 912*	*1 137 942*	*28 577*	*10*	*589*	*-*	*-*	*57*	*553 328*	*28 165*	*-*	*-*	*1 259 406*	*1 166 174*	*2 425 580*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1 178*	*105 263*	*1 178*	*105 263*	*106 441*
Liabilities from issued securities	**20 260**	**4 272**	**46 891**	**445 658**	**124 232**	**20 123**	**47 226**	**281 207**	**139 013**	**396 894**	**511**	**352**	**378 133**	**1 148 506**	**1 526 639**
fixed rate	*9 253*	*4 272*	*27 735*	*1 866*	*124 232*	*11 333*	*47 226*	*281 207*	*139 013*	*396 894*	*-*	*-*	*347 459*	*695 572*	*1 043 031*
variable rate	*11 007*	*-*	*19 156*	*443 792*	*-*	*8 790*	*-*	*-*	*-*	*-*	*-*	*-*	*30 163*	*452 582*	*482 745*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*511*	*352*	*511*	*352*	*863*
Fair value of derivative financial instruments	**433 865**	**621 519**	**107 118**	**487 413**	**63 840**	**163 285**	**9 894**	**263 533**	**8 956**	**898 303**	**-**	**96**	**623 673**	**2 434 149**	**3 057 822**
fixed rate	*433 865*	*411 583*	*107 118*	*191 386*	*62 589*	*161 395*	*8 656*	*261 452*	*6 364*	*896 870*	*-*	*88*	*618 592*	*1 922 774*	*2 541 366*
variable rate	*-*	*209 936*	*-*	*296 027*	*1 251*	*1 890*	*1 238*	*2 081*	*2 592*	*1 433*	*-*	*-*	*5 081*	*511 367*	*516 448*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*8*	*-*	*8*	*8*
Subordinated bonds and loans	**-**	**942**	**5 000**	**28 551**	**-**	**12 999**	**-**	**-**	**-**	**268 411**	**-**	**245**	**5 000**	**311 148**	**316 148**
fixed rate	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*268 411*	*-*	*-*	*-*	*268 411*	*268 411*
variable rate	*-*	*942*	*5 000*	*28 551*	*-*	*12 999*	*-*	*-*	*-*	*-*	*-*	*-*	*5 000*	*42 492*	*47 492*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*245*	*-*	*245*	*245*
Net position	**-514 662**	**2 388 490**	**-512 881**	**-713 754**	**-439 178**	**314 989**	**152 887**	**-56 707**	**522 774**	**-893 560**	**94 097**	**209 042**	**-696 963**	**1 248 500**	**551 537**

NOTE 38: EARNINGS PER SHARE

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

	30 June 2009	*31 December 2008*
Consolidated Net profit for the year (in HUF mn)	84,062	240,472
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number)	256,588,449	256,317,324
Consolidated Basic Earnings per share (in HUF)	328	938
Weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number)	260,807,915	257,117,270
Consolidated Diluted Earnings per share (in HUF)	322	935

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.

NOTE 39: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 30 June 2009

	Net interest gain and loss	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the NBH	4,195	-	-	-
Placements with other banks, net of allowance for placements losses	7,182	-	(2,066)	-
Securities held for trading	1,431	(346)	-	-
Securities available-for-sale	13,882	(5,883)	-	4,669
Loans, net of allowance for loan losses	397,244	4,583	(100,097)	-
Securities held-to-maturity	17,819	210	-	-
Derivative financial instruments	67,977	(9,910)	-	-
Amounts due to banks and deposits from the NBH and other banks	(22,280)	-	-	-
Deposits from customers	(138,984)	51,447	-	-
Liabilities from issued securities	(40,788)	-	-	-
Subordinated bonds and loans	(8,611)	-	-	-
	299,067	**40,101**	**(102,163)**	**4,669**

As at 31 December 2008

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

Net gains or loss realized on financial instruments do not correspond definitely to the concerning lines of the statements of operations.

NOTE 40: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

The analysis of the fair value hierarchy by inputs is the following:

- 1st level: based on price quoted on active market,
- 2nd level: based on observable input information (prices, yields)
- 3rd level: based on non-observable input information and estimation techniques.

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

As at 30 June 2009

	Total	1st	2nd	3rd
Financial assets at fair value through profit or loss	190,958	97,122	93,836	-
from this: Securities held for trading	97,054	97,054	-	-
from this: positive FVA of derivative financial instruments designated as held for trading	93,904	68	93,836	-
Financial assets available-for-sale	428,209	285,171	143,038	-
Positive FVA of derivative financial instruments designated in hedged accounting relationships	11,760	-	447	11,313
Total	**630,927**	**382,293**	**237,321**	**11,313**
Negative FVA of derivative financial instruments designated as held for trading	105,301	37	105,264	-
Negative FVA of derivative financial instruments designated in hedged accounting relationships	21,109	-	252	20,857
Total	**126,410**	**37**	**105,516**	**20,857**

As at 31 December 2008

	Total	1st	2nd	3rd
Financial assets at fair value through profit or loss	129,332	56,883	72,449	-
from this: Securities held for trading	56,673	56,673	-	-
from this: positive FVA of derivative financial instruments designated as held for trading	72,659	210	72,449	-
Financial assets available-for-sale	481,257	338,339	142,918	-
Positive FVA of derivative financial instruments designated in hedged accounting relationships	8,970	-	783	8,187
Total	**619,559**	**395,222**	**216,150**	**8,187**
Negative FVA of derivative financial instruments designated as held for trading	125,487	10	125,477	-
Negative FVA of derivative financial instruments designated in hedged accounting relationships	33,514	-	459	33,055
Total	**159,001**	**10**	**125,936**	**33,055**

NOTE 40: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Fair value assessment of financial instruments recognized at Level 3 as at the balance sheet date

The following table shows a reconciliation of the opening and closing amounts of financial instruments recognized at Level 3:

		Total gain/(loss)						
As at 30 June 2009	**Opening balance**	**Recognized through Statement of Operation**	**Recognized through Statements of Recognized Income**	**Additions**	**Issuances**	**Disposals**	**Closing balance**	**Total gain at the B/S date**
Financial assets at fair value through profit or loss								
from this: Securities held for trading								
from this: positive FVA of derivative financial instruments designated as held for trading								
Financial assets available-for-sale								
Positive FVA of derivative financial instruments designated in hedged accounting relationships	8,817	3,138	-	91	-	(103)	11,313	3,126
Total	**8,187**	**3,138**	**-**	**91**	**-**	**(103)**	**11,313**	**3,126**
Negative FVA of derivative financial instruments designated as held for trading								
Negative FVA of derivative financial instruments designated in hedged accounting relationships	33,055	(13,786)	-	2,008	-	(420)	20,857	12,198
Total	**33,055**	**(13,786)**	**-**	**2,008**	**-**	**(420)**	**20,857**	**12,198**

NOTE 41: SEGMENT REPORTING BY GEOGRAPHICAL SEGMENTS (in HUF mn)

Geographical segments provide products or services within a particular economic environment that is subject to different risks and rewards that are different to those of components operating in other economic environments. The Group has chosen geographical segments as primary reporting segments.

As at 30 June 2009

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Cyprus	Eliminations	Consolidated
Interest income												
External	429 534	10 176	11 277	53 945	11 179	14 568	5 447	43 873	54 488	2		**634 489**
Intersegment	42 858	350	55	116	3 895	-	-	637	266	745	**(48 922)**	-
Total	**472 392**	**10 526**	**11 332**	**54 061**	**15 074**	**14 568**	**5 447**	**44 510**	**54 754**	**747**	**(48 922)**	**634 489**
Non-interest income												
External	77 722	2 209	2 694	8 986	2 628	4 254	2 504	5 868	5 536	-		**112 401**
Intersegment	13 792	-	-	176	2 198	-	-	-	-	787	**(16 953)**	-
Total	**91 514**	**2 209**	**2 694**	**9 162**	**4 826**	**4 254**	**2 504**	**5 868**	**5 536**	**787**	**(16 953)**	**112 401**
Interest expense												
External	279 769	4 760	4 892	15 231	4 459	6 969	934	10 739	7 654	15		**335 422**
Intersegment	16 527	672	1 398	3 823	6 183	378	1 237	4 558	14 546	-	**(49 322)**	-
Total	**296 296**	**5 432**	**6 290**	**19 054**	**10 642**	**7 347**	**2 171**	**15 297**	**22 200**	**15**	**(49 322)**	**335 422**
Non-interest expense												
External	121 404	5 952	4 149	16 286	7 368	7 870	4 923	22 815	13 220	330		**204 317**
Intersegment	2 355	-	-	-	-	-	-	102	237	-	**(2 694)**	-
Total	**123 759**	**5 952**	**4 149**	**16 286**	**7 368**	**7 870**	**4 923**	**22 917**	**13 457**	**330**	**(2 694)**	**204 317**

NOTE 41: SEGMENT REPORTING BY GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

As at 30 June 2009

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Cyprus	Eliminations	Consolidated
Allowance for loan and placement losses	**33 071**	**1 965**	**3 376**	**14 621**	**1 529**	**1 200**	**612**	**11 877**	**34 613**	-	**(701)**	**102 163**
Highlightened lines												
Capital expenditures	802	742	-	2 377	595	541	111	-	-	-	-	**5 168**
Depreciation	11 753	866	355	2 395	787	654	552	2 298	1 113	1	-	**20 774**
Segment profit before income tax	110 780	(614)	211	13 262	361	2 405	245	287	(9 980)	1 189	**(13 158)**	**104 988**
Income and deferred tax	18 906	(105)	27	1 314	199	468	-	69	87	-	-	**20 965**
Net profit for the year	**91 874**	**(509)**	**184**	**11 948**	**162**	**1 937**	**245**	**218**	**(10 067)**	**1 189**	**(13 158)**	**84 023**
Segment assets	6 614 316	385 950	285 315	1 213 320	230 991	506 194	138 919	525 806	893 053	35 388	**(1 325 190)**	**9 504 062**
Segment liabilities	6 402 927	354 942	265 825	1 007 047	202 576	409 241	96 319	407 601	677 400	4 516	**(1 449 843)**	**8 378 551**

NOTE 41: SEGMENT REPORTING BY GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

As at 31 December 2008

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Cyprus	Eliminations	Consolidated
Interest income												
External	612 676	23 689	18 482	83 795	19 625	25 711	11 278	91 219	88 977	-		**975 452**
Intersegment	65 049	34	-	224	-	76	-	99	-	502	(65 984)	-
Total	**677 725**	**23 723**	**18 482**	**84 019**	**19 625**	**25 787**	**11 278**	**91 318**	**88 977**	**502**	**(65 984)**	**975 452**
Non-interest income												
External	390 508	10 222	7 115	24 607	20 416	8 143	10 572	19 361	30 132	3 812		**524 888**
Intersegment	21 693	2 636	-	890	3 057	-	-	68	-	-	(28 344)	-
Total	**412 201**	**12 858**	**7 115**	**25 497**	**23 473**	**8 143**	**10 572**	**19 429**	**30 132**	**3 812**	**(28 344)**	**524 888**
Interest expense												
External	443 858	10 870	10 780	21 626	8 530	10 658	2 150	15 205	14 498	-		**538 175**
Intersegment	11 822	1 348	1 307	9 272	13 278	1 357	2 372	5 991	25 358	-	(72 105)	-
Total	**455 680**	**12 218**	**12 087**	**30 898**	**21 808**	**12 015**	**4 522**	**21 196**	**39 856**	-	**(72 105)**	**538 175**
Non-interest expense												
External	398 291	13 696	7 555	29 677	16 545	13 521	10 666	57 127	29 143	128		**576 349**
Intersegment	144 330	69	4	17	136	84	-	-	692	-	(145 332)	-
Total	**542 621**	**13 765**	**7 559**	**29 694**	**16 681**	**13 605**	**10 666**	**57 127**	**29 835**	**128**	**(145 332)**	**576 349**

NOTE 41: SEGMENT REPORTING BY GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

As at 31 December 2008

	Hungary	Slovakia	Montenegro	Bulgaria	Romania	Croatia	Serbia	Russia	Ukraine	Cyprus	Eliminations	Consolidated
Allowance for loan and placement losses	**42 339**	**2 559**	**2 836**	**9 625**	**3 021**	**1 717**	**2 144**	**20 735**	**26 473**	-	-	**111 449**
Highlightened lines												
Capital expenditures	3 131	5 356	-	8 191	3 412	3 524	336	36	17	33	-	**24 036**
Depreciation	117 294	1 258	498	3 797	1 331	993	870	4 312	1 848	-	-	**132 201**
Segment profit before income tax	49 286	8 039	3 115	39 299	1 588	6 593	4 518	11 689	22 945	4 186	**123 109**	**274 367**
Income and deferred tax	20 474	451	166	3 800	153	1 310	256	2 773	6 662	-	**(2 746)**	**33 299**
Net profit for the year	28 812	7 588	2 949	35 498	1 435	5 283	4 262	8 916	16 283	4 186	**125 856**	**241 068**
Segment assets	6 356 986	431 715	308 140	1 197 862	218 586	498 841	147 798	582 003	969 327	37 874	**(1 369 696)**	**9 379 436**
Segment liabilities	6 189 660	401 099	289 970	1 006 599	190 065	407 481	104 557	465 603	766 626	4 829	**(1 496 024)**	**8 330 465**

NOTE 42: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2009

On 16 April 2009 MOL Hungarian Oil and GAS Plc obtained 24,000,000 pieces of Bank's ordinary shares. With this transaction the voting rights of MOL Plc. become 8.57%.

In accordance with the agreement between the Bank and the Hungarian State dated 26 March 2009, the State granted a EUR 1.4 billion loan to OTP for the enhancement of domestic corporate lending the draw down of which was accomplished at 30 June. The repayment of the total amount – after the moratorium which lasts till November 2010 – is due in equal instalments during eight quarters.

NOTE 43: POST BALANCE SHEET EVENTS

On 9 July 2009 Bank signed an agreement with EBRD according to which the London-based financial institution is providing EUR 200 million subordinated loan to the Bank and a further EUR 20 million is being used to acquire the Bank's treasury shares. The subordinated loan facility carries commercial terms and will be available for draw-down for a period of six months. The EBRD subordinated loan will further strengthen Bank's current robust capitalization and will facilitate 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 Bank to around 2%. Details of the transaction will be reported to markets once the deal has been completed.

On 10 August 2009 the Bank launched a bond issue program of HUF 500,000 million. According to the decision of the issuer, bonds issued under this program can be introduced to the Budapest Stock Exchange (BÉT), to the Slovak Stock Exchange (BSSE), to the Bulgarian Stock Exchange (BSE) and to the Bucharest Stock Exchange (BVB) without undertaking commitment for this.

NOTE 44: SALE OF THE INSURANCE BUSINESS LINE IN YEAR 2008 (in HUF mn)

On 11 February 2008, Groupama S.A. signed a contractual agreement to buy 100 % of the shares in OTP Garancia Insurance Ltd. as well as to acquire the minority shares held by the local subsidiaries of the Bank in the Romanian, Slovakian and Bulgarian subsidiaries of OTP Garancia Insurance Ltd. The purchase price was paid and the transaction settled on 17 September 2008.

Furthermore, the Bank and Groupama S.A. entered into a mutual co-operation agreement about (in some of the countries exclusive) cross-selling of banking and insurance products in the branch networks of the parties in Hungary, Slovakia, Romania, Bulgaria, Ukraine, Russia, Serbia, Montenegro and Croatia. In the framework of this strategic co-operation, Groupama S.A. bought 7.99% of the shares of the Bank. New shares have not been issued.

NOTE 44: SALE OF THE INSURANCE BUSINESS LINE IN YEAR 2008 (in HUF mn) [continued]

The main figures of the transaction are as follows:

	2008
Sales price	160,161
Carrying amount of the net assets	(29,872)
Expenses arising in connection with the transaction	(9,103)
Recognized net income	**121,186**
Corporate tax recognized	(3,840)
Gain on sale of insurance business line	**117,346**

NOTE 45: EFFECT OF THE FINANCIAL CRISIS ON THE GROUP

The lack of trust and liquidity problems pursuant to the bankruptcy of Lehman Brothers on 15 September 2008 seriously hit Hungary in October 2008, having a high level of external debt and a banking system with a considerable debt denominated in foreign currencies, but the situation was mitigated and turned better after a 25.1 billion USD financial aid in form of a stand-by loan agreement with International Monetary Fund. The lack of trust caused the course of the forint to fall, accompanied by the fall of the other currencies in the region. The government bond yields raised sharply by hundreds of basis points. To stabilize the situation, the National Bank of Hungary raised the interest rates by 300 basis points, moreover – similarly to other central banks in the region – took various measures to resolve the lack of liquidity and to increase the stability of the banking sector.

The operations and profitability of the Group have been influenced by the following factors, generated by the financial crisis:

- The Bank met a HUF 4.7 billion revaluation loss on the strategic open foreign currency position held for hedging the net profit of the foreign subsidiaries, due to the fall of the forint exchange rate. The management has reduced the hedged position in the last quarter of 2008, as the contribution of the subsidiaries to the consolidated net profit of OTP Group is expected to be lower than previously planned.
- The management, based on the deteriorating economic and financial sector outlook, decided for a HUF 93,592 million of goodwill impairment for the Ukrainian (CJSC OTP Bank) and Serbian (OTP banka Srbija a.d.) subsidiaries, which has considerably reduced the net profit of the Bank in 2008.
- The deteriorating macroeconomic situation in the region and the devaluation of most of the regional currencies made necessary an even more conservative provisioning for the loans. Besides the constantly raising loan risk costs, the Group took a wide range of measures to minimize the risk in its clients because of the devaluating currencies in the region.

NOTE 45: EFFECT OF THE FINANCIAL CRISIS ON THE GROUP [continued]

The measures taken - affecting the risk costs in Hungary - are the following:

- Based on the agreement of the Hungarian Bank Association and the Ministry of Finance, the transformation of loans from foreign currencies and other types of transactions for the customers having foreign currency loans were free of any commission or charge until 28 February 2009,
- In March 2009, a law came into force about the state guarantee for the retail customers having lost their employment in consequence of the crisis.

- The global lack of liquidity caused the market to appreciate those having stable liquidity and sufficient own funds. As a consequence, the management put considerable emphasis on deposit collection or other types of activities generating own funds (i.e. issuing retail securities) and set up stricter conditions in loan origination. The Group made higher deposit interest-rate offers for the customers and introduced some innovative products based on the customer demands (i.e. multicurrency deposits). The increasing refinancing costs were partially devolved to customers, and stricter conditions in loan origination were introduced:
  - decrease in the available contract limits
  - suspension of the purely collateral based mortgage loans
  - suspension of the disbursements in some segments

  As a consequence of the above measures, the volume of the loans disbursed reduced significantly in the fourth quarter.
- The possibility of receiving new funds from the capital markets have decreased considerably and no other external fund has been received by the Group. However, the Bank could preserve its stable liquidity position. The Bank has a stable liquid asset surplus beyond its liquid funds, furthermore the National Bank of Hungary took several new measures to enhance the liquidity and stability of the banking sector parallel to the similar measures of the central banks in the region.
- The swap markets potential, to provide the necessary liquidity for the lending activity in foreign currencies, have shrunk significantly in 2008, mainly in the last quarter. Despite this, the renewal of the swap transactions was continuous, although accompanied by decreasing spreads. The increasing loss on the swap deals is partially compensated by the devolution of the costs to customers in the form of higher interest rates on loans.

In line with the efforts of the management within new disbursement the weight of HUF denomination increased. Simultaneously the Bank put an increased emphasized on deposit collection with continuous retail bond issuance.