OTP BANK PLC.

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

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

CONTENTS

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010 (in HUF mn)

	Note	30 June 2010	31 December 2009	30 June 2010
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	326,698	178,217	166,826
Placements with other banks, net of allowance for placement losses	*5.*	903,270	962,063	857,142
Financial assets at fair value through profit or loss	*6.*	252,986	273,652	201,948
Securities available-for-sale	*7.*	1,581,813	1,652,747	631,078
Loans, net of allowance for loan losses	*8.*	2,825,641	2,622,895	2,705,967
Investments in subsidiaries	*9.*	647,179	643,907	617,632
Securities held-to-maturity	*10.*	170,051	216,563	693,773
Property and equipment	*11.*	67,987	69,654	70,381
Intangible assets	*11.*	35,393	38,909	39,406
Other assets	*12.*	54,165	92,085	98,581
TOTAL ASSETS		**6,865,183**	**6,750,692**	**6,082,734**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	*13.*	814,514	1,152,131	881,655
Deposits from customers	*14.*	3,407,263	3,368,752	3,192,188
Liabilities from issued securities	*15.*	696,760	618,303	525,997
Financial liabilities at fair value through profit or loss	*16.*	332,708	119,353	114,513
Other liabilities	*17.*	294,816	252,988	233,967
Subordinated bonds and loans	*18.*	308,759	287,321	292,274
TOTAL LIABILITIES		**5,854,820**	**5,798,848**	**5,240,594**
Share capital	*19.*	28,000	28,000	28,000
Retained earnings and reserves	*20.*	986,144	927,618	875,947
Treasury shares	*21.*	(3,781)	(3,774)	(61,807)
TOTAL SHAREHOLDERS' EQUITY		**1,010,363**	**951,844**	**842,140**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,865,183**	**6,750,692**	**6,082,734**

The accompanying notes to unconsolidated financial statements on pages 8 to 90 form an integral part of these unconsolidated financial statements

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF RECOGNISED INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010 (in HUF mn)

	Note	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
Loans		112,586	133,308	253,822
Placements with other banks		197,110	198,576	353,911
Securities available-for-sale		52,941	22,485	54,087
Securities held-to-maturity		7,976	22,225	52,934
Amounts due from banks and balances with National Bank of Hungary		2,488	3,868	7,026
Securities held for trading		1,624	1,433	5,297
Total Interest Income		**374,725**	**381,895**	**727,077**
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government		149,694	151,976	265,205
Deposits from customers		64,735	100,797	197,585
Liabilities from issued securities		17,745	14,745	32,474
Subordinated bonds and loans		8,066	8,819	17,446
Total Interest Expense		**240,240**	**276,337**	**512,710**
NET INTEREST INCOME		**134,485**	**105,558**	**214,367**
Provision for impairment on loan and placement losses	*5.,8.*	69,697	34,972	78,462
NET INTEREST INCOME AFTER PROVISON FOR LOAN AND PLACEMENT LOSSES		**64,788**	**70,586**	**135,905**
Income from fees and commissions	*22.*	73,361	80,090	160,881
Expenses from fees and commissions	*22.*	9,747	10,752	22,080
NET PROFIT FROM FEES AND COMMISSIONS		**63,614**	**69,338**	**138,801**
Foreign exchange (losses) and gains		13,754	(19,475)	(18,487)
(Losses) and gains on securities, net		3,021	(6,309)	(1,085)
Dividend income		49,416	32,992	32,986
Other operating income	*23.*	706	36,770	41,350
Other operating expenses	*23.*	(21,444)	(7,570)	(2,713)
-from this: provision for impairment on investments in subsidiaries		*(20,303)*	*(184)*	*(575)*
NET OPERATING INCOME		**45,453**	**36,408**	**52,051**
Personnel expenses	*24.*	36,034	38,506	77,677
Depreciation and amortization	*24.*	11,651	10,811	22,262
Other administrative expenses	*24.*	31,821	32,747	65,449
OTHER ADMINISTRATIVE EXPENSES		**79,506**	**82,064**	**165,388**
PROFIT BEFORE INCOME TAX		**94,349**	**94,268**	**161,369**
Income tax	*25.*	10,303	11,707	3,231
NET PROFIT FOR THE YEAR		**84,046**	**82,561**	**158,138**
Earnings per share (in HUF)				
Basic	*35.*	303	310	582
Diluted	*35.*	299	306	577

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010 (in HUF mn)

	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
NET PROFIT FOR THE YEAR	**84,046**	**82,561**	**158,138**
Fair value adjustment of securities available-for-sale	(22,570)	1,564	29,126
Cash Flow hedge	-	-	-
NET COMPREHENSIVE INCOME	**61,476**	**84,125**	**187,264**

The accompanying notes to unconsolidated financial statements on pages 8 to 90 form an integral part of these unconsolidated financial statements

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010 (in HUF mn)

	Note	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
OPERATING ACTIVITIES				
Profit before income tax		94,349	94,268	161,369
Income tax paid		(2,302)	(9,008)	(13,278)
Depreciation and amortization		11,651	10,811	22,262
Net provision for impairment on securities available-for-sale	*7.*	(5,220)	6,350	2,451
(Release of provosion)/ provision for impairment on securities held-to-maturity		(4,164)	-	4,164
Provision for impairment on loan and placement losses	*8.*	69,697	34,972	78,462
Provision for impairment on investments in subsidiaries	*9.*	20,303	184	575
Provision for impairment on other assets	*12.*	450	505	1,370
Release of provision on off-balance sheet commitments and contingent liabilities	*17.*	(6,752)	(776)	(9,500)
Share-based payment	*28.*	3,144	3,401	6,802
Unrealised gains/(losses) on fair value adjustment of securities available-for-sale and held for trading		8,093	(5,376)	1,634
Unrealised gains on fair value adjustment of derivative financial instruments		9,979	35,123	34,568
Changes in financial assets at fair value through profit or loss		34,475	(39,223)	(124,995)
Changes in financial liabilities at fair value through profit or loss		(1,174)	(12,548)	(224)
(Decrease)/ increase in other assets, excluding advances for investments and before provisions for losses		4,061	(172,559)	1,533
Increase in other liabilities		35,780	114,503	93,307
Net cash provided by operating activities		**272,370**	**60,627**	**260,500**
INVESTING ACTIVITIES				
Net increase/ (decrease) in placements with other banks before allowance for placement losses		93,216	196,464	(66,321)
Net increase/ (decrease) in securities available-for-sale		42,992	(69,692)	(1,055,389)
Net increase in investments in subsidiaries before provision for impairment		(14,185)	(21,572)	(10,107)
Net decrease/ (increase) in securities held-to-maturity		51,006	(242,118)	227,376
Net increase in advances for investments included in other assets		(31)	(16)	(13)
Net decrease/ (increase) in loans, net of allowance for loan losses		(94,019)	(50,460)	10,026
Net additionsto property, equipment and intangible assets		(9,036)	(9,107)	(20,515)
Net cash provided by/ (used in) investing activities		**69,943**	**(196,501)**	**(914,943)**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010 (in HUF mn) [continued]

	Note	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
FINANCING ACTIVITIES				
Net (decrease)/ increase in amounts due to banks and deposits from the National Bank of Hungary and other banks		(337,617)	170,578	441,054
Net increase in deposits from customers		40,896	85,205	256,289
Net increase/ (decrease) in liabilities from issued securities		84,287	(79,509)	11,409
Increase/ (decrease) in subordinated bonds and loans		21,438	(12,944)	(17,897)
Payments to ICES holders		(2,824)	(2,995)	(4,723)
Written put option on ordinary shares		-	-	(55,468)
Net change in Treasury shares		(11)	29,230	44,513
Net increase in the compulsory reserve established by the National Bank of Hungary		(8,127)	(4,521)	(8,167)
Dividends paid		(1)	(792)	(539)
Net cash (used in)/ provided by financing activities		**(201,959)**	**140,157**	**666,471**
Net increase in cash and cash equivalents		**140,354**	**4,283**	**12,028**
Cash and cash equivalents at the beginning of the year		**105,679**	**93,651**	**93,651**
Cash and cash equivalents at the end of the year		**246,033**	**97,934**	**105,679**
Analysis of cash and cash equivalents:				
Cash, amounts due from banks and balances with the National Bank of Hungary		178,217	158,022	158,022
Compulsory reserve established by the National Bank of Hungary		(72,538)	(64,371)	(64,371)
Cash and cash equivalents at the beginning of the period		**105,679**	**93,651**	**93,651**
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	326,698	166,826	178,217
Compulsory reserve established by the National Bank of Hungary	*4.*	(80,665)	(68,892)	(72,538)
Cash and cash equivalents at the end of the period		**246,033**	**97,934**	**105,679**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010
(in HUF mn)

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury Shares	Total
Balance as at 1 January 2009		**28,000**	**52**	**19,181**	**823,085**	**-**	**(97,845)**	**772,473**
Net comprehensive income for the year		-	-	-	84,125	-	-	**84,125**
Share-based payment	*28.*	-	-	3,401	-	-	-	**3,401**
Payments to ICES holders		-	-		(2,994)	-	-	**(2,994)**
Effect of treasury share transactions		-	-	-	(44,095)	-	-	**(44,095)**
Sale of treasury shares:								
- Loss on sale of treasury shares		-	-	-	(6,808)	-	-	**(6,808)**
- Acquisition of treasury shares		-	-	-	-	-	36,038	**36,038**
Balance as at 30 June 2009		**28,000**	**52**	**22,582**	**853,313**	**-**	**(61,807)**	**842,140**
Balance as at 1 January 2010		**28,000**	**52**	**6,830**	**976,204**	**(55,468)**	**(3,774)**	**951,844**
Net comprehensive income for the year		-	-	-	61,476	-	-	**61,476**
Share-based payment	*28.*	-	-	3,144	-	-	-	**3,144**
Payments to ICES holders		-	-	-	(6,090)	-	-	**(6,090)**
Sale of treasury shares:								
- Loss on sale of treasury shares		-	-	-	(4)	-	-	**(4)**
- Acquisition of treasury shares		-	-	-	-	-	(7)	**(7)**
Balance as at 30 June 2010		**28,000**	**52**	**9,974**	**1,031,586**	**(55,468)**	**(3,781)**	**1,010,363**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

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

	30 June 2010	31 December 2009
Domestic and foreign private and institutional investors	97%	91%
Employees	2%	2%
Treasury shares	1%	7%
Total	**100%**	**100%**

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

Number of the employees of the Bank:

	30 June 2010	31 December 2009
Number of employees	7,802	7,820
Average number of employees	7,777	7,977

1.2. Accounting

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

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

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

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

1.2.Accounting [continued]

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

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

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

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

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

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

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2009).
- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
- IAS 32 (Amendment) Financial instruments: Presentation – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010)
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)
- IFRS 1 (Amendment) First time adoption of IFRS – Additional exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)
- IFRS 2 (Amendment) Share based payment – Bank cash-settled share based payment transactions (effective for annual periods beginning on or after 1 January 2010)
- IFRS 3 (Revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective for transfer of assets from customers received on or after 1 July 2009)

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

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

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

- IAS 24 (Amendment) Related party disclosures - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011)[1]
- IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2013)
- IFRIC 14 (Amendment) The Limit on a defined benefit Asset, Minimum Funding Requirements and their interaction – Prepayments of a minimum funding requirement (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 19 Extinguishing Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)

[1] Not yet endorsed by the EU

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

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

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010[1].

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

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

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

2.2. Foreign currency translation

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

[1] Not yet endorsed by the EU

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.3. Consolidated financial statements

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

2.4. Investments in subsidiaries

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

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

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

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

2.5. Securities held-to-maturity

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

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

2.6.2. Derivative financial instruments

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

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Available-for-sale investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognised directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when realised in profit and loss for the applicable period. Securities available-for-sale consist of discounted Treasury bills, Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, bonds issued by NBH, companies and foreign government bonds.

The provision is calculated based on discounted cash flow methodology, using the expected future cash flow and original effective interest rate.

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

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

2.9. Sale and repurchase agreements, security lending

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

2.10. Property, equipment and intangible assets

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Financial liabilities

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

2.12. Leases

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

2.13. Treasury shares

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

2.14. Interest income and interest expense

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

2.15. Fees and Commissions

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

2.16. Income tax

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.17. Off-balance sheet commitments and contingent liabilities

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

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

2.18. Share-based payment

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

2.19. Unconsolidated statement of cash flows

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

2.20. Segment reporting

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

2.21. Comparative figures

Certain amounts in the unconsolidated financial statements for the year ended 31 December 2009 have been reclassified to conform with the current year presentation. These mainly consist of reclassifications of accruals and prepayments from the other assets/liabilities to the statement of financial position items to which they are related. These reclassifications were not material.

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

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

3.1. Impairment on loans and advances

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

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

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

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

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

	30 June 2010	31 December 2009
Cash on hand:	62,903	49,237
In HUF	5,260	5,453
In foreign currency	**68,163**	**54,690**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	176,976	95,389
In foreign currency	81,195	27,734
	258,171	**123,123**
Accrued interest	364	404
Total	**326,698**	**178,217**
Compulsory reserve	80,665	72,538
Rate of the compulsory reserve	2%	2%

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

	30 June 2010	31 December 2009
Within one year:		
In HUF	81,677	230,804
In foreign currency	618,245	442,228
	699,922	**673,032**
Over one year		
In HUF	300	300
In foreign currency	202,919	288,894
	203,219	**289,194**
Total placements	**903,141**	**962,226**
Accrued interest	1,671	1,534
Provision for impairment on placement losses	(1,542)	(1,697)
Total	**903,270**	**962,063**

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

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

	30 June 2010	31 December 2009
Opening balance	**1,697**	**362**
Provision for the period	(173)	1,600
Release of provision	18	(265)
Closing balance	**1,542**	**1,697**

Interest conditions of placements with other banks:

	30 June 2010	31 December 2009
Placements with other banks in HUF	5,55%-9,75%	6,75%-10.89%
Placements with other banks in foreign currency	0,3%-11,9%	0,5%-10,5%

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

	30 June 2010	31 December 2009
Held for trading securities:		
Corporate shares	99,277	88,513
Securities issued by the NBH	24,975	49,887
Government bonds	12,990	28,857
Mortgage bonds	5,300	8,689
Hungarian government interest bearing Treasury Bills	87	183
Hungarian government discounted Treasury Bills	23	2,642
Other securities	31	282
	142,683	**179,053**
Accrued interest	463	1,363
Subtotal	**143,146**	**180,416**
Derivative financial instruments designated as held for trading:		
Interest rate swaps designated as held for trading	42,354	56,134
CCIRS[1] and mark-to-market CCIRS swaps designated as held for trading	36,989	28,403
Foreign currency swaps designated as held for trading	22,255	7,439
Other derivative transactions	8,242	1,260
Subtotal	**109,840**	**93,236**
Total	**252,986**	**273,652**

[1] CCIRS: Cross Currency Interest Rate Swap

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

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

	30 June 2010	31 December 2009
Within five years:		
variable interest	19	18
fixed interest	38,350	74,670
	38,369	**74,688**
Over five years:		
variable interest	-	-
fixed interest	5,025	15,832
	5,025	**15,832**
Non-interest bearing securities	99,289	88,533
Total	**142,683**	**179,053**

	30 June 2010	31 December 2009
Held for trading securities denominated in HUF (%)	96%	96%
Held for trading securities denominated in Foreign currency (%)	4%	4%
Held for trading securities total	**100%**	**100%**
Government securities denominated in HUF (%)	96%	99%
Government securities denominated in foreign currency (%)	4%	1%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading (%)	3,6%-10%	3,9%-12,2%

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

	30 June 2010	31 December 2009
Mortgage bonds	775,097	720,260
Bonds issued by NBH	382,403	504,172
Government bonds	326,653	257,571
Other securities	55,794	137,389
- listed securities	20,720	15,878
in HUF	-	-
in foreign currency	*20,720*	*15,878*
-non-listed securities	35,074	121,511
in HUF	*16,313*	*14,580*
in foreign currency	*18,761*	*106,931*
	1,539,947	**1,619,392**
Accrued interest	41,866	38,575
Provision for impairment	-	(5,220)
Securities available-for-sale total	**1,581,813**	**1,652,747**

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

	30 June 2010	31 December 2009
Opening balance	5,220	2,769
Provision for the period	-	5,220
Use of provision	(5,220)	(2,769)
Closing balance	**-**	**5,220**

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

	30 June 2010	31 December 2009
Securities available-for-sale denominated in HUF	73%	74%
Securities available-for-sale denominated in foreign currency	27%	26%
Securities available-for-sale total	**100%**	**100%**
Interest rates on securities available-for-sale denominated in HUF	5,5%-12%	5,5%-12%
Interest rates on securities available-for-sale denominated in foreign currency	0,7%-6,8%	1%-9,5%

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

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

	30 June 2010	31 December 2009
Within five years:		
variable interest	16,733	29,140
fixed interest	1,055,721	1,066,196
	1,072,454	**1,095,336**
Over five years:		
variable interest	6,871	72,030
fixed interest	446,848	443,559
	453,719	**515,589**
Non-interest bearing securities	13,774	8,467
Total	**1,539,947**	**1,619,392**

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

	30 June 2010	31 December 2009
Net gain and loss reclassified from equity to statement of recognised income	818	(197)
Fair value of the hedged securities		
Mortgage bonds	-	-
Other securities	18,961	17,286
Total	**18,961**	**17,286**

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

	30 June 2010	31 December 2009
Short-term loans and trade bills (within one year)	570,431	611,898
Long-term loans and trade bills (over one year)	2,364,402	2,078,523
Loans gross total	**2,934,833**	**2,690,421**
Accrued interest	23,043	22,061
Provision of impairment on loan losses	(132,235)	(89,587)
Total	**2,825,641**	**2,622,895**

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

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

	30 June 2010	31 December 2009
In HUF	31%	33%
In foreign currency	69%	67%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	30 June 2010	31 December 2009
Loans denominated in HUF, with a maturity within one year	7,6%-29%	9.7%-30%
Loans denominated in HUF, with a maturity over one year	3%-24,8%	3%-24,8%
Loans denominated in Foreign currency	1,8%-24,9%	1,8%-24,1%

	30 June 2010	31 December 2009
Gross loan portfolio on which interest is not being accrued	8.3%	6.8%

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

	30 June 2010		31 December 2009	
Corporate loans	2,018,566	69%	1,921,905	70%
Consumption loans	380,923	13%	364,839	14%
Municipality loans	298,245	10%	178,224	7%
Housing loans	149,954	5%	149,851	6%
Mortgage backed loans	87,145	3%	75,602	3%
Total	**2,934,833**	**100%**	**2,690,421**	**100%**

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

	30 June 2010	31 December 2009
Opening balance	**89,587**	**45,319**
Provision for the period	69,870	76,862
Release	(27,222)	(32,594)
Closing balance	**132,235**	**89,587**

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

NOTE 9: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	30 June 2010	31 December 2009
Investments in subsidiaries:		
Controlling interest	793,021	769,477
Other	1,006	975
	794,027	**770,452**
Provision for impairment	(146,848)	(126,545)
Total	**647,179**	**643,907**

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

	30 June 2010	31 December 2009
Opening balance	**126,545**	**125,995**
Provision for the period	20,303	575
Release of provision	-	(25)
Closing balance	**146,848**	**126,545**

The provision for impairment on OTP Bank JSC (Ukraine) was HUF 69,141 million and 97,526 million, for OTP banka Srbija a.d. was HUF 23,641 million and 25,284 million as at 30 June 2010 and as at 31 December 2009.

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

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

	30 June 2010		31 December 2009	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	281,066	100%	271,677
DSK Bank EAD (Bulgaria)	100%	86,831	100%	86,831
OAO OTP Bank (Russia)	95.86%	73,437	95.55%	66,739
OTP banka Hrvatska d.d. (Croatia)	100%	72,940	100%	72,940
OTP banka Srbija a.d. (Serbia)	91.43%	55,997	91.43%	55,997
OOO AlyansReserv (Russia)	100%	50,074	100%	11,147
Crnogorska komerčijalna banka a.d. (Montenegro)	100%	46,998	100%	37,100
OTP Bank Romania S.A. (Romania)	100%	40,058	100%	40,058
OTP Mortgage Bank Ltd.	100%	27,000	100%	27,000
OTP Banka Slovensko a.s. (Slovakia)	98.82%	10,516	97.24%	10,038
Air-Invest Ltd.	100%	8,298	100%	8,298
Bank Center No. 1. Ltd.	100%	7,330	100%	7,330
Inga Two Ltd.	100%	5,892	100%	5,892
OTP Funds Servicing and Consulting Ltd.	100%	2,469	100%	2,469
OTP Holding Ltd. (Cyprus)	100%	2,000	100%	2,000
OTP Building Society Ltd.	100%	1,950	100%	1,950
OTP Fund Management Ltd.	100%	1,653	100%	1,653
Merkantil Bank Ltd.	100%	1,600	100%	1,600
OTP Real Estate Fund Management Ltd.	100%	1,352	-	-
Sinvest Ltd.	100%	1,311	-	-
OTP Life Annuity Ltd.	100%	1,250	100%	1,250
S.C. OTP Fond de Pensii (Romania)	100%	885	100%	885
OTP Financing Netherlands B.V. (Netherlands)	100%	481	100%	481
OTP Card Factory Ltd.	100%	450	100%	450
OTP Real Estate Leasing Ltd.	100%	410	100%	410
OTP Factoring Ltd.	100%	225	100%	225
HIF Ltd.	100%	81	100%	81
OOO Invest Oil (Russia)	-	-	100%	21,224
OOO Megaform Inter (Russia)	-	-	100%	17,704
CJSC Donskoy Narodny Bank (Russia)	-	-	100%	6,687
Other		209		231
Subtotal		**782,763**		**760,347**

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

Investments in companies in which the Bank has a non-controlling interest as at 30 June 2010 are detailed below. All companies are incorporated in Hungary.

	30 June 2010		31 December 2009	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
Monicomp Ltd.	100%	4,000	100%	3,800
Monirent Ltd.	100%	1,600	100%	1,520
Omnilog Ltd.	100%	1,500	100%	1,500
D4 Tenant Ltd.	100%	1,020	100%	1,020
Pet-Real Ltd.	100%	850	100%	808
MONOPOST Ltd.	100%	808	100%	2
Dokulog Ltd.	100%	475	100%	475
CIL Babér Ltd.	100%	5	100%	5
Subtotal		10,258		9,130
Total		793,021		769,477

The Bank purchased these entities in December 2009 and the Bank has conrolling interest since 1 January 2010.
The Bank has 6 indirectly owned associates. The indirect ownership of the Bank does not exceed 50 per cent in either of them.

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

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

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

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

OTP Bank Plc. became 100% sole owner of OTP Real Estate Fund Management Ltd. The Bank bought the 49% block of shares from Sinvest Trust Ltd. The Bank paid the purches price of the shares on 29 March 2010, that day the ownership of the shares was vested to OTP Bank.

On 28 April 2010 OTP Bank Plc. bought 89.9% interest in Monopost Ltd. thus the Bank became the majority owner of the company.

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

On 24 June 2010 OTP Bank Plc. Has decided about an EUR 35 million capital increase at CKB Montenegro. The local board of directors appointed Mrs. Inabat Török as the new CEO of CKB.

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

	30 June 2010	31 December 2009
Government bonds	105,932	107,447
Mortgage bonds	60,268	99,220
Hungarian government discounted Treasury bills	386	388
Foreign bonds	-	5,250
	166,586	212,305
Accrued interest	3,465	8,422
Provision for impairment	-	(4,164)
Total	**170,051**	**216,563**

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

	30 June 2010	31 December 2009
Opening balance	4,164	-
Provision for the period	-	4,164
Release of provision	(4,164)	-
Closing balance	**-**	**4,164**

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

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

	30 June 2010	31 December 2009
Within five years:		
variable interest	34,118	37,204
fixed interest	103,217	144,593
	137,335	**181,797**
Over five years:		
variable interest	5,000	6,666
fixed interest	24,251	23,842
	29,251	**30,508**
Total	**166,586**	**212,305**

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

	30 June 2010	31 December 2009
Securities held-to-maturity denominated in HUF (%)	100%	98%
Securities held-to-maturity denominated in Foreign currency (%)	-	2%
Securities held-to-maturity total	**100%**	**100%**
Interest rates on securities held-to-maturity (%)	5.5%-10%	5.5%-19.2%

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

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

For six month period ended 30 June 2010:

Cost	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Opening balance	87,735	59,964	71,121	3,832	222,652
Additions	6,191	914	1,629	-	8,734
Disposals	(2,714)	(269)	(1,685)	(4)	(4,672)
Closing balance	**91,212**	**60,609**	**71,065**	**3,828**	**226,714**
Depreciation and Amortization					
Opening balance	48,826	11,492	53,771	-	114,089
Additions	7,685	749	3,217	-	11,651
Disposals	(692)	(113)	(1,601)	-	(2,406)
Closing balance	**55,819**	**12,128**	**55,387**	**-**	**123,334**
Net book value					
Opening balance	38,909	48,472	17,350	3,832	108,563
Closing balance	**35,393**	**48,481**	**15,678**	**3,828**	**103,380**

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

For the year ended 31 December 2009:

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

NOTE 12: OTHER ASSETS (in HUF mn)

	30 June 2010	31 December 2009
Prepayments and accrued income	9,573	4,506
Trade receivables	9,112	6,010
Receivables from investment services	8,167	512
Fair value of derivative financial instruments designated as hedge accounting relationship	5,760	14,148
Receivables from decreasing share capital of OTP Holding Ltd.	4,800	4,800
Credits sold under deferred payment scheme	3,490	1,248
Due from Hungarian Government from interest subsidies	1,795	1,878
Receivables from OTP Mortgage Bank Ltd.[1]	1,654	49,026
Deferred tax assets	1,217	3,828
Other advances	1,049	192
Inventories	859	705
Advances for securities and investments	577	546
Current income tax receivable	-	1,400
Other	8,460	5,260
	56,513	**94,059**
Accrued interest	6	5
Provision for impairment on other assets	(2,354)	(1,979)
Total	**54,165**	**92,085**

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

	30 June 2010	31 December 2009
Interest rate swaps designated as hedge accounting relationship	5,760	14,147
Other	-	1
Total	**5,760**	**14,148**

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

	30 June 2010	31 December 2009
Opening balance	**1,979**	**610**
Charge for the period	450	1,370
Write-offs	(75)	(1)
Closing balance	**2,354**	**1,979**

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

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

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

	30 June 2010	31 December 2009
Within one year:		
In HUF	103,406	84,777
In foreign currency[1]	524,771	712,431
	628,177	**797,208**
Over one year:		
In HUF	103,397	97,875
In foreign currency	80,484	254,377
	183,881	**352,252**
Accrued interest	2,456	2,671
Total	**814,514**	**1,152,131**

The Bank has a mortgage bonds backed asset as collateral in relation to its branch in Frankfurt in amount of EUR 655 million on 30 June 2010 and EUR 435 million on 31 December 2009.

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

	30 June 2010	31 December 2009
Within one year:		
In HUF	4.25%-8.05%	8.94%-11%
In foreign currency	1%-6,5%	1%-5.9%
Over one year:		
In HUF	5.6%-9.75%	1.75%-8.46%
In foreign currency	0.2%-10.18%	0.28%-10.56%

[1] The Hungarian State through the Government Debt Management Agency has rendered EUR 1.4 billion loan to the Bank in the framework of a loan agreement signed on 26 March 2009. The source of the facility is the IMF Loan Programme. The first disbursement was effected on 1 April 2009, the second on 30 June 2009 respectively. The maturity of the loan is 11 November 2012.
The loan facility has market conditions; the coupon paid by the Bank exceeds the relevant benchmark rates by 245-250 bps.
The loan agreement aims at providing liquidity for Hungarian corporations, as well as mitigating the negative effect of the current financial situation and stabilizing the local financial sector.
In order to contribute to the stimulation of the economy in Hungary, the Bank got the fund with the aim of re-channelling it to local corporate clients.
On 5 November 2009 the Bank has paid back an equivalent of EUR 700 million to the Hungarian State.
On 19 March 2010 OTP Bank Plc. has paid bank an equivalent of EUR 700 million to the Hungarian State as the remaining part of a loan agreement of 1.4 billion in total between the Hungarian State and OTP Bank signes on March 2009. According to the original terms the Bank had to start the repayment from February 2011 in eight equal tranches.

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2010	31 December 2009
Within one year:		
In HUF	2,698,118	2,694,633
In foreign currency	664,345	630,457
	3,362,463	**3,325,090**
Over one year:		
In HUF	29,683	16,860
In foreign currency	2,112	3,941
	31,795	**20,801**
Subtotal	**3,394,258**	**3,345,891**
Accrued interest	13,005	22,861
Total	**3,407,263**	**3,368,752**

Interest rates on deposits from customers are as follows:

	30 June 2010	31 December 2009
Within one year in HUF	0.1%-10.5%	0.2%-12%
Over one year in HUF	0.2%-5%	0.2%-11.5%
In foreign currency	0.1%-6.8%	0.1%-8.1%

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

	30 June 2010		31 December 2009	
Retail deposits	2,022,785	60%	2,057,361	61%
Corporate deposits	1,183,136	34%	1,033,705	31%
Municipality deposits	188,337	6%	254,825	8%
Total	**3,394,258**	**100%**	**3,345,891**	**100%**

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

	30 June 2010	31 December 2009
Within one year:		
In HUF	255,213	227,834
In foreign currency	369,935	216,673
	625,148	**444,507**
Over one year:		
In HUF	30,327	22,206
In foreign currency	28,120	140,540
	58,447	**162,746**
Subtotal	**683,595**	**607,253**
Accrued interest	13,165	11,050
Total	**696,760**	**618,303**

Interest rates on liabilities from issued securities are as follows:

	30 June 2010	31 December 2009
Issued securities denominated in HUF	0.25%-9.5%	0.25%-10%
Issued securities denominated in foreign currency	0.8%-5.75%	0.86%-5.75%

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

Issued securities denominated in HUF as at 30 June 2010 (in HUF mn):

	Name	Date of issuance	Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
1	OTP 2010/IX	10/7/2009-17/7/2009	10/07/2010	8,490	9.5	fixed	
2	OTP 2010/X	24/7/2009-31/7/2009	24/07/2010	9,476	9.5	fixed	
3	OTP 2010/XI	7/8/2009-19/8/2009	07/08/2010	13,679	9	fixed	
4	OTP 2010/XII	29/8/2009	29/08/2010	4,164	9	fixed	
5	OTP 2010/XIII	4/9/2009-11/9/2009	04/09/2010	10,439	7	fixed	
6	OTP 2010/XIV	18/9/2009-25/9/2009	18/09/2010	7,803	7	fixed	
7	OTP 2010/XV	2/10/2009-9/10/2009	02/10/2010	3,900	6.5	fixed	
8	OTP 2010/XVI	16/10/2009-22/10/2009	16/10/2010	4,752	6.5	fixed	
9	OTP 2010/XVII	30/10/2009-6/11/2009	30/10/2010	23,250	6.5	fixed	
10	OTP 2010/XVIII	13/112009-20/11/2009	13/11/2010	8,181	6.5	fixed	
11	OTP 2010/XIX	11/27/2009	27/11/2010	3,131	6.5	fixed	
12	OTP 2010/XX	4/12/2009-11/12/2009	04/12/2010	6,036	6.5	fixed	
13	OTP 2010/XXI	21/12/2009-30/12/2009	21/12/2010	7,298	5.5	fixed	
14	OTP 2011/I	8/1/2010-15/1/2010	08/01/2011	6,121	5.5	fixed	
15	OTP 2011/II	22/1/2010-29/1/2010	22/01/2011	23,595	5.5	fixed	
16	OTP 2011/III	5/2/2010-12/2/2010	05/02/2011	6,094	5.5	fixed	
17	OTP 2011/IV	19/2/2010-26/2/2010	19/02/2011	23,146	5.5	fixed	
18	OTP 2011/V	5/3/2010-12/3/2010	05/03/2011	10,907	5.5	fixed	
19	OTP 2011/VI	19/3/2010-26/3/2010	19/03/2011	5,343	5.5	fixed	
20	OTP 2011/VII	2/4/2010-9/4/2010	02/04/2011	13,313	5	fixed	
21	OTP 2011/VIII	16/4/2010-23/4/2010	16/04/2011	7,432	5	fixed	
22	OTP 2011/IX	30/4/2010-7/5/2010	30/04/2011	9,683	5	fixed	
23	OTP 2011/X	14/5/2010-21/5/2010	14/05/2011	9,959	5	fixed	
24	OTP 2011/XI	28/5/2010-4/6/2010	28/05/2011	8,491	5	fixed	
25	OTP 2011/XII	11/6/2010-18/6/2010	11/06/2011	6,910	5	fixed	
26	OTP 2011/XIII	6/25/2010	25/06/2011	1,973	5	fixed	
27	OTP 2011A	10/13/2009	13/04/2011	3,000	9.5	fixed	
28	OTP 2011B	10/28/2009	28/04/2011	1,000	7.55	fixed	
29	OTP 2011C	11/9/2009	09/11/2011	2,000	7.5	fixed	
30	OTPX 2010A	12/21/2007	21/12/2010	1,307	indexed	floating	hedged
31	OTPX 2011A	2/29/2008	01/03/2011	315	indexed	floating	hedged
32	OTPX 2011B	5/30/2008	30/05/2011	584	indexed	floating	hedged
33	OTPX 2011C	14/12/2009-5/2/2010	20/12/2011	527	indexed	floating	hedged
34	OTPX 2012C	3/25/2010	30/03/2012	690	indexed	floating	hedged
35	OTPX 2012A	11/9/2009-25/9/2009	11/09/2012	1,686	indexed	floating	hedged
36	OTPX 2013A	6/28/2010	08/07/2013	480	indexed	floating	hedged
37	OTPX 2014A	25/6/2009-24/6/2010	30/06/2014	3,305	indexed	floating	hedged
38	OTPX 2014B	10/5/2009	13/10/2014	4,287	indexed	floating	hedged
39	OTPX 2014C	12/14/2009	19/12/2014	4,201	indexed	floating	hedged
40	OTPX 2015A	3/25/2010	30/03/2015	5,870	indexed	floating	hedged
41	OTPX 2015B	6/28/2010	09/07/2015	5,200	indexed	floating	hedged
42	OTPX 2019A	25/6/2009-24/6/2010	01/07/2019	336	indexed	floating	hedged
43	OTPX 2019B	5/10/2009-5/2/2010	14/10/2019	485	indexed	floating	hedged
44	OTPX 2019C	12/14/2009	20/12/2019	430	indexed	floating	hedged
45	OTPX 2020A	25/3/2010	30/03/2020	444	indexed	floating	hedged
46	OTPX 2020B	28/6/2010	09/07/2020	450	indexed	floating	hedged
47	3Y_EUR_HUF	6/25/2010	25/06/2013	2,338	indexed	floating	hedged
48	TBSZ2013_I	26/2/2010-18/6/2010	30/12/2013	4,024	5.5	fixed	
49	TBSZ2015_I	26/2/2010-18/6/2010	30/12/2015	3,643	5.5	fixed	
	Total			**290,168**			
	Unamortized premium			(1,377)			
	Fair value hedge adjustment			(811)			
	Total			**287,980**			

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

Issued securities denominated in foreign currency as at 30 June 2010 (in HUF mn):

	Name	Date of issuance	Maturity	Currency	Nominal value in million	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
1	OTP HBFIXED 160511	16/05/2008	16/05/2011	EUR	500	143,230	5.75	fixed	hedged
2	OTP HBFLOAT 010710	01/07/2005	01/07/2010	EUR	500	143,230	3 month Euribor + 0.16 quarterly	floating	
3	OTP HBFLOAT 201210	20/12/2005	20/12/2010	EUR	300	85,938	3 month Euribor + 0.15 quarterly	floating	
4	OTPHB402/12	24/02/2010	24/02/2012	CHF	89	19,226	4	fixed	hedged
	Total					**391,624**			
	Unamortized premium					3,958			
	Fair value hedge adjustment								
	Total					**395,615**			
	Accrued interest					**13,165**			
	Total					**696,760**			

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

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

	30 June 2010	31 December 2009
CCIRS and mark-to-market CCIRS	253,197	61,517
Interest rate swaps	60,603	47,065
Foreign currency swaps	16,429	6,168
Other derivative contracts	2,479	4,603
Total	**332,708**	**119,353**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	30 June 2010	31 December 2009
Financial liabilities from OTP-MOL share swap transaction[1]	97,720	86,912
Financial liabilities from guaranteed loans of OTP Bank JSC by OTP Bank	47,521	38,132
Accrued expenses	38,774	36,634
Giro clearing accounts	29,788	11,330
Salaries and social security payable	23,955	18,938
Provision on off-balance sheet commitments, contingent liabilities	11,980	18,733
Current income tax payable	7,697	6,902
Liabilities from investment services	5,194	2,813
Fair value of derivative financial instruments designated as hedge accounting relationship	4,608	3,569
Liabilities from custody accounts	2,287	7,260
Accounts payable	1,454	6,999
Liabilities connected to loans for collection	1,185	1,426
Liabilities related to housing loans	413	1,580
Dividends payable	195	196
Repurchase agreements	-	895
Other	22,045	10,669
Total	**294,816**	**252,988**

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

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

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

	30 June 2010	31 December 2009
Provision for losses on other off-balance sheet commitments and contingent liabilities	9,545	14,346
- From this: provision for the repurchase guarantee to OTP Mortgage Bank Ltd.	284	6,619
Provision for litigation	1,472	3,116
Provision on other liabilities	963	1,271
Total	**11,980**	**18,733**

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

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

	30 June 2010	31 December 2009
Interest-rate swap transactions designated as hedge accounting relationship	4,608	3,569

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

	30 June 2010	31 December 2009
Opening balance	**18,733**	**28,233**
Provision for the period	(6,753)	(9,500)
Closing balance	**11,980**	**18,733**

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

	30 June 2010	31 December 2009
Over one year:		
In HUF	5,000	5,000
In foreign currency	295,970	278,863
	300,970	**283,863**
Accrued interest	7,789	3,458
Total	**308,759**	**287,321**

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

Interest rates on subordinates bonds and loans are as follows:

	30 June 2010	31 December 2009
Subordinated bonds and loans denominated in HUF	2.8%	3.8%
Subordinated bonds and loans denominated in foreign currency	1.3% - 5.9%	1.3% - 5.9%

Subordinated loans and bonds are detailed as follows:

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

Type	Subordinated loan from the European Bank for Reconstruction and Development (the loan has already been repaid in 2008.
Nominal value	USD 30 million and DEM 31.14 million (EUR 15.92 million)
Date of issuance	December 1996
Date of maturity	27 August 2008
Interest conditions	six-month LIBOR + 1.35%

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

Type	Subordinated bond
Nominal value	EUR 500 million
Date of issuance	7 November 2006
Date of maturity	Perpetual, and callable after 10 years
Issue price	99.375 %
Interest conditions	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)

Type	Subordinated bond (under EMTN[1] program)
Nominal value	EUR 300 million
Date of issuance	19 September 2006
Date of maturity	19 September 2016
Issue price	100%
Interest conditions	Fixed 5.27% annual

Type	Subordinated bond (under EMTN[7] program)
Nominal value	EUR 200 million
Date of issuance	26 February 2007
Date of maturity	19 September 2016
Issue price	100%
Interest conditions	Fixed 5.27% annual

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	30 June 2010	31 December 2009
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

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

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

The reserves of the Bank under Hungarian Accounting Standards:

	30 June 2010	31 December 2009
Capital reserve	52	52
General reserve	120,947	111,903
Retained earnings	691,486	598,133
Tied-up reserve	5,281	5,274
Total	**817,766**	**715,362**

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

According to the decision made at the Annual General Meeting on 23 April 2010 the Bank did not pay any dividend from the profit of 2009.

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	30 June 2010	31 December 2009
Nominal value (ordinary shares)	219	219
Carrying value at aquisition cost	3,781	3,774

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

Change in number of shares:

	30 June 2010	31 December 2009
Opening number of shares	**2,187,444**	**17,418,636**
Additions	33,271	10,355,980
Disposals	(31,721)	(25,587,172)
Closing number of shares	**2,188,994**	**2,187,444**

Change in carrying value:

	30 June 2010	31 December 2009
Opening balance	**3,774**	**97,845**
Additions	204	16,566
Disposals	(197)	(110,637)
Closing balance	**3,781**	**3,774**

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

Fee and commission income:

	30 June 2010	31 December 2009
Fees and commissions paid by OTP Mortgage Bank Ltd.	21,247	52,693
Deposit and account maintenance fees and commissions	19,918	42,231
Fees and commissions related to the issued bank cards	10,621	22,726
Fees related to the cash withdrawal	10,400	21,316
Fees and commissions related to security trading	6,279	11,513
Fees and commissions related to lending	1,761	4,702
Other	3,135	5,700
Total	**73,361**	**160,881**

Fee and commission expense:

	30 June 2010	31 December 2009
Interchange fee	2,751	5,217
Other fees and commissions related to issued bank cards	1,875	4,339
Insurance fees	921	1,505
Cash withdrawal transaction fees	829	1,747
Fees and commissions related to lending	594	1,903
Fees and commissions related to security trading	393	558
Fees and commissions relating to deposits	381	684
Money market transaction fees and commissions	367	1,775
Postal fees	271	545
Other	1,365	3,807
Total	**9,747**	**22,080**

Net profit from fees and commissions	**63,614**	**138,801**

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

	30 June 2010	31 December 2009
Other operating incomes:		
Other income from redemption of issued securities	-	38,600
Other	706	2,750
Total	**706**	**41,350**

Other operating expenses:

	30 June 2010	31 December 2009
Provision for impairment on investments in subsidiaries	20,303	575
Cancellation fee paid for OTP Mortgage Bank Ltd.	14,510	-
Provision for impairment on other assets	450	1,370
Release of provision for off-balance sheet commitments and contingent liabilities	(6,752)	(9,500)
(Release of provision)/ provision for losses on securities available-for-sale	(9,384)	6,615
Other	2,314	3,653
Total	**21,444**	**2,713**

NOTE 24: OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	30 June 2010	31 December 2009
Personnel expenses:		
Wages	24,180	53,747
Taxes related to personnel expenses	8,286	16,651
Other personnel expenses	3,568	7,279
Subtotal	**36,034**	**77,677**
Depreciation and amortization:	**11,651**	**22,262**
Other administrative expenses:		
Administration expenses, including rental fees	10,630	22,549
Taxes, other than income tax	9,024	15,232
Services	8,430	19,544
Advertising	2,467	5,604
Professional fees	1,270	2,520
Subtotal	**31,821**	**65,449**
Total	**79,506**	**165,388**

NOTE 25: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 19% of taxable income from 1 January 2010, the rate of income tax was 16% until 31 December 2009. The Bank was liable for an additional 4% of special tax between 1 September 2006 and 31 December 2010.
Deferred tax is calculated at 19%, which is the income tax rate effect from January 1 2010.
From 1 January 2010 in Hungary the additional banking tax (4%) was cancelled.

A breakdown of the income tax expense is:

	30 June 2010	31 December 2009
Current tax expense	5,664	13,811
Deferred tax (benefit)/expense	4,639	(10,580)
	10,303	**3,231**

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

	30 June 2010	31 December 2009
Opening balance	**3,828**	**(759)**
Deferred tax benefit/(expense)	(4,639)	10,580
Tax effect of fair value adjustment of available-for-sale securities and ICES recognised in comprehensive income	2,028	(5,993)
Closing balance	**1,217**	**3,828**

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

	30 June 2010	31 December 2009
Provision for impairment on investments in subsidiaries	11,018	13,221
Repurchase agreements	2,983	2,483
Fair value adjustment of held for trading and available-for-sale securities	1,986	-
Difference in accounting for finance leases	708	721
Deferred tax assets	**16,695**	**16,425**
Effect of redemption of issued securities	(4,767)	(4,913)
Fair value adjustment of derivative financial instruments	(4,571)	(994)
Valuation of equity instrument (ICES)	(4,247)	(981)
Difference in depreciation and amortization	(1,677)	(1,678)
Difference in depreciation and amortization	(216)	(177)
Fair value adjustment of held for trading and available-for-sale securities	-	(3,854)
Deferred tax liabilities	**(15,478)**	**(12,597)**
Net deferred tax asset	**1,217**	**3,828**

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

A reconciliation of the income tax expense is as follows:

	30 June 2010	31 December 2009
Profit before income tax	94,349	161,369
Income tax at statutory tax rate (16%)	17,926	25,819
Special tax (4%)	-	5,116
Income tax adjustments due to permanent differencies are as follows:		
Revaluation of investments denominated in foreign currency to historical cost	8,726	(1,884)
Provision for impairment on investments in subsidiaries	2,204	(10,039)
Share-based payment	597	1,292
Treasury share transaction	(1)	-
Change in statutory goodwill and negative goodwill	(339)	(108)
Reversal of statutory general provision	(388)	497
Differences in carrying value of subsidiaries	(1,784)	(7,245)
Accounting of equity instrument (ICES)	(3,803)	(199)
Dividend income	(9,389)	(5,278)
Effect of change of income tax rate	-	(216)
Other	(3,446)	(4,524)
Income tax	**10,303**	**3,231**
Effective tax rate	10.9%	2.0%

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

26.1. Credit risk

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

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

Analysis by business lines and risk classes

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

As at 30 June 2010

Business line	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,376,812	390,167	69,646	51,828	44,934	**1,933,387**
Allowance	-	11,464	16,007	30,155	39,622	***97,248***
Placements with other banks	891,752	4,368	7,021	-	-	**903,141**
Allowance	-	135	1,407	-	-	***1,542***
Retail loans	497,891	56,040	9,836	48,131	6,124	**618,022**
Allowance	-	581	1,230	21,337	6,245	***29,393***
Municipal loans	285,301	6,333	4,278	1,961	372	**298,245**
Allowance	-	184	803	368	287	***1,642***
SME loans	74,148	4,268	1,427	3,999	1,337	**85,179**
Allowance	-	46	166	2,423	1,317	***3,952***
Gross loan portfolio total	**3,125,904**	**461,176**	**92,208**	**105,919**	**52,767**	**3,837,974**
Allowance Total	**-**	***12,410***	***19,613***	***54,283***	***47,471***	**133,777**
Net loan portfolio total	**3,125,904**	**448,766**	**72,595**	**51,636**	**5,296**	**3,704,197**

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

26.1. Credit risk [continued]

As at 31 December 2009

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

The total off-balance sheet liabilities connected to the lending activity is as follows:

As at 30 June 2010

Business line	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount
Corporate loans	401,345	34,996	12,334	35,150	42,957	**526,782**
Placements with other banks	15	-	-	-	-	**15**
Retail loans	196,957	288	82	114	40	**197,481**
Municipal loans	105,997	724	305	1	-	**107,027**
SME loans	20,275	71	2	1	-	**20,349**
Total	**724,589**	**36,079**	**12,723**	**35,266**	**42,997**	**851,654**

As at 31 December 2009

Business line	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount
Corporate loans	321,372	38,873	28,290	2,267	53,438	**444,240**
Placements with other banks	15	-	-	-	-	**15**
Retail loans	231,135	12,073	6,472	10,088	659	**260,427**
Municipal loans	99,271	369	-	4	-	**99,644**
SME loans	22,295	271	10	-	-	**22,576**
Total	**674,088**	**51,586**	**34,772**	**12,359**	**54,097**	**826,902**

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

26.1. Credit risk [continued]

The Bank's loan portfolio increased by 3.02% as at 30 June 2010. Analysing the contribution of business lines to the loan portfolio, the share of the retail business line decreased while the share of other business lines either stagnated or slightly increased. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio increased from 3.3% to 4.12%. Among the qualified loan portfolio, the loans classified to the risk class of "bad" expanded at the fastest level.

The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the coverage was 84.8% as at 30 June 2010.

The off-balance sheet liabilities connected to the lending activity increased by 1.3%, while the qualified loan portfolio increased by 3.8% as at 30 June 2010.

Classification into risk classes

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

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

26.1. Credit risk [continued]

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

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

Loan portfolio by countries

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

Country	30 June 2010		31 December 2009	
	Carrying amount of the qualified gross loan portfolio	Allowance	Carrying amount of the qualified gross loan portfolio	Allowance
Hungary	343,261	64,568	323,895	57,018
Netherlands	135,219	3,097	113,822	654
Cyprus	70,415	10,978	58,852	5,022
Montenegro	33,780	16,785	8,831	2,601
Serbia	31,737	24,720	26,858	15,401
Bulgaria	27,600	1,041	24,361	735
Romania	23,429	4,548	17,990	2,966
Ukraine	8,834	1,278	12,085	2,584
Kazahstan	7,049	1,412	5,637	1,127
Slovakia	6,844	144	9,218	319
Russia	6,091	613	812	536
Seychelles	4,840	727	4,563	411
United Kingdom	4,428	1,334	2,783	1,392
Croatia	3,594	2,310	3,387	313
Georgia	2,820	28	2,255	23
Latvia	861	101	-	-
Lithuania	-	-	1,894	95
Other	1,268	93	1,100	88
Total	**712,070**	**133,777**	**618,345**	**91,285**

The non-performing loans connected to the Netherlands are related to the refinancing of retail loans at the subsidiaries, the actual exposure of non-performing loans is HUF 20.3 billion as at 30 June 2010.

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

26.1. Credit risk [continued]

Collaterals

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

Types of collateral	30 June 2010	31 December 2009
Mortgages	1,053,844	1,026,159
Guarantees and warranties	208,460	101,174
Deposit	73,539	52,999
Other	214,550	193,835
Total	**1,550,393**	**1,374,167**

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

Types of collateral	30 June 2010	31 December 2009
Mortgages	382,536	336,930
Guarantees and warranties	149,560	89,557
Deposit	42,103	33,748
Other	31,158	55,414
Total	**605,357**	**515,649**

The coverage level of loan portfolio to the extent of the exposures increased from 30.2% to 33.2% as at 30 June 2010, while coverage to the extent of the receivables increased from 11.3% to 13%.

Loans, neither past due, nor impaired

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

Business line	30 June 2010	31 December 2009
Corporate loans	1,354,490	1,335,628
Placements with other banks	891,752	951,310
Retail loans	382,510	401,895
Municipal loans	277,004	174,814
SME loans	69,524	69,525
Total	**2,975,280**	**2,933,172**

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 81% to 78 % as at 30 June 2010. The ratio of retail loans compared to the portfolio of retail business line decreased as at 30 June 2010, while one of the other lines increased.

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

26.1. Credit risk [continued]

Renegotiated loans

An analysis of the gross value of the loans that would otherwise be past due or impaired and whose terms have been renegotiated as at 30 June 2010 and 31 December 2009 is as follows:

Business line	30 June 2010	31 December 2009
Corporate loans	77,851	28,557
Retail loans	61,947	41,238
Municipal loans	1,454	6
SME loans	66	60
Total	**139,864**	**69,861**

The gross amount of renegotiated loans increased considerably by 30 June 2010, which is a consequence of the debtor compensation program launched in June 2009 in order to handle the effects of the economic situation. The growth is mainly connected to the corporate loans. There were no renegotiated loans among the Placements with other banks.

Past due, but not impaired loans

An analysis of the age of gross loans that are past due but not impaired as at 30 June 2010 and 31 December 2009 is as follows:

As at 30 June 2010

Business line	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	100,711	6,340	2,365	5,965	115,381
Corporate loans	20,164	590	1,269	299	22,322
SME loans	4,434	21	161	8	4,624
Municipal loans	8,297	-	-	-	8,297
Total	**133,606**	**6,952**	**3,794**	**6,271**	**150,624**

As at 31 December 2009

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

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

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

26.1. Credit risk [continued]

The fair value of funds related to past due, but not impaired loans

An analysis of the fair value of funds related to past due, but not impaired loans to the extent of the exposures and to the extent of the receivables as at 30 June 2010 and 31 December 2009 is as follows:

Types of collateral (to the extent of the exposures)	30 June 2010	31 December 2009
Retail loans	68,166	49,967
Corporate loans	2,584	2,544
SME loans	1,152	960
Municipal loans	46	49
Total	**71,948**	**53,520**

Types of collateral (to the extent of the receivables)	30 June 2010	31 December 2009
Retail loans	29,548	21,351
Corporate loans	1,527	1,043
SME loans	942	829
Municipal loans	38	25
Total	**32,055**	**23,248**

The funds cover only on-balance sheet risk-taking.

Loans determined individually to be impaired

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assesment, the provision for impairment for them and the collaterals considered as at 30 June 2010 and 31 December 2009 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

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

26.1. Credit risk [continued]

Loans determined individually to be impaired [continued]

As at 30 June 2010

Business line	Considered factors	Carrying value	Allowance	Coverage value, discounted	Off-balance sheet commitments	Provision for impairment on losses on off-balance sheet contingent liabilities
Corporate	Delay of repayment	71,392	45,356	4,496	37	6
	Regularity of payment	429	120	130	-	-
	Renegotiation	58,804	2,021	1,379	554	33
	Legal proceedings	3,155	2,551	604	2	2
	Decrease of client classification	44,488	3,134	660	3,538	54
	Loan characteristics	88,357	3,710	-	7,908	133
	Critital industry classifiacation	114,386	24,578	808	1,477	109
	County risk	-	-	-	76,829	52,751
	Refinancing of subsidaiaries portfolio	134,944	3,086	-	-	-
	Cross default	16,514	6,459	1,692	167	2
	Other	16,984	3,610	1,131	4,486	548
Corporate total		**549,453**	**94,625**	**10,900**	**94,998**	**53,638**
Municipal loans	Delay of repayment	25	-	17	-	-
	Regularity of payment	141	112	-	-	-
	Renegotiation	680	7	-	-	-
	Legal proceedings	463	223	-	-	-
	Decrease of client classification	2,390	84	2	217	10
	Other	5,068	1,126	26	735	107
	Cross default	24	19	-	-	-
Municipal total		**8,791**	**1,571**	**45**	**952**	**117**
Placements with other banks		11,412	1,542	-	-	-
Total		**569,656**	**97,738**	**10,945**	**95,950**	**53,755**

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

26.1. Credit risk [continued]

As at 31 December 2009

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

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

26.1. Credit risk [continued]

By 30 June 2010 the volume the individually rated portfolio significantly increased in the corporate business line. The reason for it is the refinancing of the loans of the subsidiaries by the Bank. This portfolio was HUF 134.9 billion as at 30 June 2010, from which the volume of really non performing loans was HUF 20.3 billion.
In 2009, among the rating factors of the corporate business line, the ratio of the loans determined to be impaired based on the delayed repayment and the fact of renegotiation, increased. The renegotiated volume continued to increase in 2010.

26.2.Market risk

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

26.2.1 Market risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-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 recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the 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.

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

Historical VaR	**Average**	
(99%, one-day) by risk type	**2010 H1**	**2009 H1**
Foreign exchange	93	619
Interest rate	1,229	369
Equity instruments	36	6
Diversification	(140)	(224)
Total VaR exposure	**1,218**	**770**

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

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

26.2.2. Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to a increase and decrease in the HUF exchange rate against the EUR, 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 were EUR (310) million as of 30 June 2010. High portion of strategic positions are considered as effective hedge of future profit inflows of foreign subsidiaries, and so FX risk alters the banks capital and not its earnings. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	Effects to the P&L in 3 months period 30/06/2010 In HUF billion	30/06/2009 In HUF billion
1%	(9.1)	(10.2)
5%	(5.7)	(6.8)
25%	(1.3)	(2.4)
50%	1.5	0.3
25%	4.2	3.0
5%	7.9	6.6
1%	10.5	9.2

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) Due to the stabilizing EUR/HUF volatility the Value at Risk remained unchanged.
(3) Monte Carlo simulation is based on the empirical distribution of the exchange rate movements. Recent market turmoil has made EURHUF loosing its former equilibrium at 250, yet historical simulation with mean reversion embedded in the model indicates higher probability of slightly appreciation towards 280 in the next quarter.

NOTE 26: FINANCIAL RISK MANAGEMENT [continued]

26.2.Market risk [continued]

26.2.3.Interest rate sensitivity analysis

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

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

The simulation were prepared by assuming two scenarios:

1. 0.50%-0.75% decrease in average HUF yields (probable scenario)
2. 1 % - 1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period after June 30, 2010 would be decreased by HUF 341 million (probable scenario) and HUF 3864 million (alternative scenario) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 6222 million for probable scenario, HUF 9224 million for alternative scenario) on the government bond portfolio held for hedging.

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

	30 June 2010		31 December 2009	
Description	Effects to the net interest income (1Year period)	Effects to capital (Price change of AFS government bonds)	Effects to the net interest income (1Year period)	Effects to capital (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(64)	1,229	(206)	812
EUR (0.1%) parallel shift	(41)	-	6	-
USD 0.1% parallel shift	(76)	-	(184)	-
Total	**(181)**	**1,229**	**(384)**	**812**

NOTE 26: FINANCIAL RISK MANAGEMENT [continued]

26.2.Market risk [continued]

26.2.4.Equity price sensitivity analysis

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

Description	2010 H1	2009 H1
VaR (99%, one day, million HUF)	36	6
Stress test (million HUF)	(80)	(16)

26.2.5.Capital management

Capital management

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

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

26.2. Market risk [continued]

26.2.5. Capital management *[continued]*

Capital adequacy

The capital adequacy of the Bank is supervised based on the finacial statements data prepared according to the Hungarian Accounting Standards („HAS") applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008.
The Bank has entirely complied with the regulatory capital requirements.
The capital adequacy calculations of the Bank for the six month period ended 30 June 2010 are prepared based on the data of the audited financial statements prepared according to HAS.
The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and the alternative standard method in case of the opeartional risk.

	Six month period ended 30 June 2010	**31 December 2009**
Core capital	798,320	691,064
Supplementary capital	326,268	308,695
Deductions	(443,280)	(373,823)
Deductions due to PIBB[1] investments	(405,537)	(340,108)
Deductions due to limit branches	(37,743)	(33,715)
Regulatory capital	**681,308**	**625,936**
Credit risk capital requirement	273,734	260,665
Market risk capital requirement	32,724	18,374
Operational risk capital requirement	26,073	29,231
Total eligible regulatory capital	**332,531**	**308,270**
Surplus capital	**348,777**	**317,666**
Tier 1 ratio	13.9%	13.1%
Capital adequacy ratio	**16.4%**	**16.2%**

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

[1] PIBB: Financial Institutions, Investing Entreprises, Insurance Companies

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

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

Contingent liabilities and commitments

	30 June 2010	31 December 2009
Legal disputes (disputed value)[1]	10,781,406	32,012
Commitments to extend credit	660,863	613,496
Guarantees arising from banking activities	273,753	233,068
Confirmed letters of credit	8,665	3,865
Contingent liabilities related to OTP Mortgage Bank Ltd.	3,238	75,215
Other	1,269	1,586
Total	**11,729,194**	**959,242**

Commitments to extend credit

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

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

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

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

[1] The considerable increase the amount of legal disputes in 2010 is in connetction with one company. The Bank has the opinion, that the case has no valid basis so no provision is necessary for that.

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

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

Legal disputes

At the balance sheet date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business.

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes were HUF 1,472 million and HUF 3,116 million as at 30 June 2010 and 31 December 2009 respectively. (See Note 17)

Derivatives

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

Derivatives [continued]

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

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

Cross-currency interest rate swap

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

Forward rate agreements

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

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

NOTE 28: SHARE-BASED PAYMENT

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

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

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

NOTE 28: SHARE-BASED PAYMENT [continued]

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

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

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

The exercise period of the options granted for the year of 2005 is two years and for the years of 2006 to 2010 is 19 months. The exercise period of the option program for the years of 2006 to 2010 must be opened at 1 June in the actual year, the period can be prolongated by two years. If the options remain unexercised before the end of the exercise period, the options expire. Additionally, options are forfeited if the employee leaves the Bank before the options vest. The options can only be settled by physical delivery, therefore the option program is accounted as equity-settled share based transaction.
In connection with the equity-settled share-based payment programs HUF 9,974 million and HUF 6,802 million has been recognised as an expense as at 30 June 2010 and as at 31 December 2009 respectively.

	30 June 2010		**31 December 2009**	
	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
Granted during the period	440,000	4,569	-	-
Forfeited during the period	-	-	2,534,950	6,484
Exercised during the period	30,000	4,569	-	-
Outstanding at the end of the period	410,000	4,569	-	-
Exercisable at the end of the period	410,000	4,569	-	-

For the year ended 31 December 2008 the key performance indicators - which are the vesting conditions of the option program - are not fulfilled, therefore the Bank did not recognise any personnel expense related to the option program. There were no option exercise during 2010.

NOTE 28: SHARE-BASED PAYMENT [continued]

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

	30 June 2010	31 December 2009
Weighted average spot share price (HUF)	8,272	8,272
Weighted average exercise price (HUF)[1]	8,875	8,875
Expected volatility (%)	32	32
Expected life (average year)	5.45	5.45
Risk free rate (%)	7.63	7.63
Expected dividends (%)	1.95	1.95
Cap for the maximum gain (HUF/option)	4,000	4,000

NOTE 29: RELATED PARTY TRANSACTIONS

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

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

Transactions related to OTP Mortgage Bank Ltd.:

	30 June 2010	30 June 2009
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	6,687	29,712
The gross book value of the loans sold	6,683	29,675
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	19,969	26,372
Provision for the repurchase guarantee of non-performing loans	-	6,247
Provision for the purchase obligation of the non-performing loans originated by OTP Mortgage Bank Ltd.	284	5,754

Transactions related to OTP Factoring Ltd.:

	30 June 2010	30 June 2009
Loans sold to OTP Factoring Ltd. without recourse (including interest)	17,633	8,265
The gross book value of the loans	40,892	20,080
Provision for loan losses on the loans sold	20,215	11,002
Loss on these transaction (recorded in the unconsolidated financial statements as loan and placement loss)	3,044	813

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

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

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

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

(a) Interests received by the Bank

	30 June 2010	30 June 2009
OTP Mortgage Bank Ltd.	36,501	27,119
OTP Financing Netherlands	5,163	9,609
OAO OTP Bank (Russia)	4,235	4,715
OTP Financing Solutions	3,024	30
OTP Holding Limited	2,222	-
Merkantil Bank Ltd.	2,141	3,087
Merkantil Lease Ltd.	1,066	1,369
Merkanitl Car Ltd.	434	656
DSK Leasing a.d.	383	365
DSK Bank EAD (Bulgaria)	225	1,538
OTP banka Hrvatska csoport (Croatia)	199	378
OTP Real Estate Leasing Ltd.	191	335
OTP banka Srbija a.d. (Serbia)	186	266
OTP Leasing dd (Croatia)	171	314
Crnogorska komercijalna banka (Montenegro)	54	901
OTP Bank JSC (Ukraine)	17	-
OTP Banka Slovensko (Slovakia)	-	505
Total	**56,212**	**51,187**

(b) Interests paid by the Bank

	30 June 2010	30 June 2009
OTP Mortgage Bank Ltd.	3,664	8,525
OTP Bank Romania S.A. (Romania)	3,386	4,209
Merkantil Lease Ltd.	1,491	1,870
OAO OTP Bank (Russia)	1,241	364
Merkantil Bank Ltd.	1,143	4,956
Merkantil Car Ltd.	82	161
Crnogorska komercijalna banka (Montenegro)	55	145
OTP banka Hrvatska csoport (Croatia)	52	-
OTP Banka Slovensko (Slovakia)	-	350
OTP Bank JSC (Ukraine)	-	266
Total	**11,114**	**20,846**

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

(c) Commissions received by the Bank

	30 June 2010	30 June 2009
From OTP Fund Management Ltd. in relation to trading activity	3,474	2,437
From OTP Building Society Ltd. in relation to finalised customer contracts	862	977
From OTP Fund Management Ltd. in relation to custody activity	243	170
OTP Bank JSC (Ukraine)	137	237
Total	**4,716**	**3,821**

(d) Commissions paid by the Bank

	30 June 2010	30 June 2009
OTP Bank Romania (Romania) related to loan portfolio handling	265	2,198
Total	**265**	**2,198**

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

(e) Loans provided to subsidiaries

	30 June 2010	30 June 2009
OTP Holding Linited	472,647	-
OTP Financing Netherlands B. V. (The Netherlands)	253,380	262,727
Merkantil Bank Ltd.	230,944	209,473
OAO OTP Bank (Russia)	190,230	157,221
OTP Financing Solutions B.V. (The Netherlands)	148,084	16,964
OTP Mortgage Bank Ltd.	67,497	15,292
OTP Factoring Ltd	40,882	18,369
OTP Real Estate Leasing Ltd.	35,526	29,582
OTP Banka Hrvatska Group (Croatia)	30,354	29,827
Merkantil Lease Ltd.	29,761	31,626
DSK Bank EAD (Bulgaria)	29,127	73,835
OTP Leasing d.d. (Croatia)	24,845	24,039
DSK Leasing AD (Bulgaria)	23,627	25,608
OTP banka Srbija a.d. (Serbia)	19,031	17,884
Merkantil Car Ltd.	16,557	34,879
OTF Life Annuity Ltd.	9,716	8,440
Crnogorska komercijalna banka a.d. (Montenegro)	3,437	3,269
OTP Real Estate Ltd.	2,192	6,912
Z plus d.o.o. (Croatia)	29	681
OTP Financing Cyprus Co. Ltd. (Cyprus)	-	478,004
OTP Bank Romania S.A. (Romania)	-	150
OTP Banka Slovensko, a.s. (Slovakia)		80
Trade Nova Commercial Ltd.	-	-
Total	**1,627,866**	**1,444,862**

(f) Deposits from subsidiaries

	30 June 2010	30 June 2009
OAO OTP Bank (Russia)	134,631	-
DSK Bank EAD (Bulgaria)	30,021	19,706
OTP Mortgage Bank Ltd.	28,891	46,182
Crnogorska komerčijalna banka a.d. (Montenegro)	26,620	3,867
OTP Building Society Ltd.	24,485	30,361
Merkantil Bank Ltd.	12,433	7,677
OTP banka Hrvatska d.d. (Croatia)	7,641	3,762
OTP Real Estate Leasing Ltd.	1,590	983
Merkantil Lease Ltd.	1,224	121
OTP Holding Ltd. (Cyprus)	874	23,067
OTP banka Srbija a.d. (Serbia)	735	-
OTP Factoring Ltd	721	63
OTP Financing Netherlands B. V. (The Netherlands)	451	409
Concordia Info Ltd.	299	576
OTP Real Estate Ltd.	296	391
OTP Banka Slovensko a.s. (Slovakia)	47	16,097
OTP Bank JSC (Ukraine)	-	1,243
Total	**270,959**	**154,505**

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

(g) Related party transactions with key management

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

Compensations	**30 June 2010**	**31 December 2009**
Short-term employee benefits	1,586	5,128
Share-based payment	1,577	3,139
Total	**3,163**	**8,267**

	30 June 2010	**31 December 2009**
Loans provided to companies owned by the management (in the normal cousre of business)	38,557	31,876
Credit lines of the members of Board of Directors and the Supervisory Board and their family members (at normal market conditions)	217	218
Commitments to extend credit and bank guarantees	139	103

NOTE 30: TRUST ACTIVITIES

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

	30 June 2010	**31 December 2009**
Loans managed by the Bank as a trustee	43,964	45,037

NOTE 31: CONCENTRATION OF ASSETS AND LIABILITIES

	30 June 2010	31 December 2009
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	15%	16%
Securities issued by the OTP Mortgage Bank Ltd.	12%	12%

There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2010 or as at 31 December 2009.

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

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

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

As at 30 June 2010

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	326,698	-	-	-	-	326,698
Placements with other banks, net of allowance for placement losses	458,925	242,321	197,714	4,310	-	903,270
Financial assets at fair value through profit or loss	62,122	18,910	57,079	15,586	99,289	252,986
Securities available-for-sale	441,308	40,139	632,873	467,493	-	1,581,813
Loans, net of allowance for loan losses	290,484	382,475	1,416,779	735,903	-	2,825,641
Investments in subsidiaries	-	-	-	-	647,179	647,179
Securities held-to-maturity	4,328	33,437	103,035	29,251	-	170,051
Property and equipment	-	-	-	-	67,987	67,987
Intangible assets	-	-	-	-	35,393	35,393
Other assets	36,270	16,255	964	676	-	54,165
TOTAL ASSETS	**1,620,135**	**733,537**	**2,408,444**	**1,253,219**	**849,848**	**6,865,183**
Amounts due to banks and the Hungarian Government, National Bank of Hungary and other banks	336,576	294,057	93,314	90,567	-	814,514
Deposits from customers	2,860,986	514,482	28,613	3,182	-	3,407,263
Liabilities from issued securities	638,313	-	-	58,447	-	696,760
Financial liabilities at fair value through profit or loss	32,233	125,890	158,251	16,334	-	332,708
Other liabilities	288,547	1,825	2,054	2,390	-	294,816
Subordinated bonds and loans	7,789	-	36,599	143,230	121,141	308,759
TOTAL LIABILITIES	**4,164,444**	**936,254**	**318,831**	**314,150**	**121,141**	**5,854,820**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	986,144	986,144
Treasury shares	-	-	-	-	(3,781)	(3,781)
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,010,363**	**1,010,363**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,164,444**	**936,254**	**318,831**	**314,150**	**1,131,504**	**6,865,183**
LIQUIDITY DEFICIENCY/(EXCESS)	**(2,544,309)**	**(202,717)**	**2,089,613**	**939,069**	**(281,656)**	**-**

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

As at 31 December 2009

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

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

As at 30 June 2010

	USD	EUR	CHF	Others	Total
Assets[1]	708,583	1,514,439	976,729	93,931	3,293,682
Liabilities	(322,659)	(1,587,652)	(124,970)	11,231	(2,024,050)
Off-balance sheet assets and liabilities, net	(335,100)	(126,166)	(855,142)	(88,611)	(1,405,019)
Net position	**50,824**	**(199,379)**	**(3,383)**	**16,551**	**(135,387)**

As at 31 December 2009

	USD	EUR	CHF	Others	Total
Assets[11]	642,210	1,348,116	918,302	111,247	3,019,875
Liabilities	(334,040)	(1,831,848)	(95,582)	(101,180)	(2,362,650)
Off-balance sheet assets and liabilities, net	(341,452)	291,886	(840,978)	(57,690)	(948,234)
Net position	**(33,282)**	**(191,846)**	**(18,258)**	**(47,623)**	**(291,009)**

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

NOTE 34: INTEREST RATE RISK MANAGEMENT

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

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

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

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

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

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

As at 30 June 2010	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		
ASSETS	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**Total**
Cash, amounts due from banks and balances with the National Bank of Hungary	**176,976**	**81,195**	-	-	-	-	-	-	-	-	**63,267**	**5,260**	**240,243**	**86,455**	**326,698**
fixed interest	176,976	81,195	-	-	-	-	-	-	-	-	-	-	176,976	81,195	**258,171**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	63,267	5,260	63,267	5,260	**68,527**
Placements with other banks	**81,977**	**388,262**	-	**326,204**	-	**92,388**	-	-	-	**12,768**	**25**	**1,646**	**82,002**	**821,268**	**903,270**
fixed interest	81,801	315,470	-	9,564	-	81,592	-	-	-	12,768	-	-	81,801	419,394	**501,195**
variable interest	176	72,792	-	316,640	-	10,796	-	-	-	-	-	-	176	400,228	**400,404**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	25	1,646	25	1,646	**1,671**
Securities held for trading	**24,975**	-	**194**	**61**	**1,129**	**302**	**1,205**	**4,985**	**10,507**	**36**	**99,212**	**540**	**137,222**	**5,924**	**143,146**
fixed interest	24,975	-	194	61	1,110	302	1,205	4,985	10,507	36	-	-	37,991	5,384	**43,375**
variable interest	-	-	-	-	19	-	-	-	-	-	-	-	19	-	**19**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	99,212	540	99,212	540	**99,752**
Securities available-for-sale	**382,403**	**3,043**	**17,020**	**20,560**	**40,964**	**1,196**	**29,896**	**357,124**	**642,777**	**31,190**	**45,529**	**10,111**	**1,158,589**	**423,224**	**1,581,813**
fixed interest	382,403	-	17,020	-	40,964	1,196	29,896	357,124	642,777	31,190	-	-	1,113,060	389,510	**1,502,570**
variable interest	-	3,043	-	20,560	-	-	-	-	-	-	-	-	-	23,603	**23,603**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	45,529	10,111	45,529	10,111	**55,640**
Loans, net of allowance for loan losses	**665,777**	**568,048**	**183,078**	**1,037,517**	**17,749**	**236,790**	**489**	**172**	**5,708**	**87,270**	**12,969**	**10,074**	**885,770**	**1,939,871**	**2,825,641**
fixed interest	8,300	-	26	61	427	172	489	172	5,708	87,270	-	-	14,950	87,675	**102,625**
variable interest	657,477	568,048	183,052	1,037,456	17,322	236,618	-	-	-	-	-	-	857,851	1,842,122	**2,699,973**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	12,969	10,074	12,969	10,074	**23,043**
Securities held-to-maturity	**21,683**	-	**7,238**	-	**41,130**	-	**70,337**	-	**26,198**	-	**3,465**	-	**170,051**	-	**170,051**
fixed interest	-	-	-	-	30,933	-	70,337	-	26,198	-	-	-	127,468	-	**127,468**
variable interest	21,683	-	7,238	-	10,197	-	-	-	-	-	-	-	39,118	-	**39,118**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	3,465	-	3,465	-	**3,465**
Derivative financial instruments	**781,663**	**933,233**	**1,211,685**	**668,399**	**1,418,178**	**313,561**	**5,473**	**10,175**	**33,067**	**3,428**	-	**759**	**3,450,066**	**1,929,555**	**5,379,621**
fixed interest	81,011	560,153	90,912	86,789	1,079,198	137,718	5,473	10,175	33,067	3,428	-	-	1,289,661	798,263	**2,087,924**
variable interest	700,652	373,080	1,120,773	581,610	338,980	175,843	-	-	-	-	-	-	2,160,405	1,130,533	**3,290,938**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	759	-	759	**759**

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

As at 30 June 2010	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
LIABILITIES	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	**178,853**	**430,198**	**18,752**	**161,630**	**9,148**	**4,327**	**1**	**4,273**	**49**	**4,827**	**734**	**1,722**	**207,537**	**606,977**	**814,514**
fixed interest	86,489	134,411	14,474	230	9,148	3,959	1	4,273	49	4,827	-	-	110,161	147,700	**257,861**
variable interest	92,364	295,787	4,278	161,400	-	368	-	-	-	-	-	-	96,642	457,555	**554,197**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	734	1,722	734	1,722	**2,456**
Deposits from customers	**1,308,722**	**292,136**	**770,779**	**284,678**	**82,507**	**30,898**	**3,844**	**-**	**561,949**	**58,745**	**12,270**	**735**	**2,740,071**	**667,192**	**3,407,263**
fixed interest	859,310	285,736	762,672	284,678	82,507	30,898	3,844	-	3,534	-	-	-	1,711,867	601,312	**2,313,179**
variable interest	449,412	6,400	8,107	-	-	-	-	-	558,415	58,745	-	-	1,015,934	65,145	**1,081,079**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	12,270	735	12,270	735	**13,005**
Liabilities from issued securities	**18,522**	**147,659**	**37,198**	**88,596**	**197,648**	**147,660**	**1,255**	**18,905**	**26,152**	**-**	**9,360**	**3,805**	**290,135**	**406,625**	**696,760**
fixed interest	18,522	-	37,198	-	197,648	147,660	1,255	18,905	26,152	-	-	-	280,775	166,565	**447,340**
variable interest	-	147,659	-	88,596	-	-	-	-	-	-	-	-	-	236,255	**236,255**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,360	3,805	9,360	3,805	**13,165**
Derivative financial instruments	**688,686**	**1,119,694**	**378,929**	**1,466,863**	**1 373,631**	**431,309**	**13,402**	**88,593**	**23,059**	**15,288**	**1,747**	**136**	**2,479,454**	**3,121,883**	**5,601,337**
fixed interest	381,430	249,905	52,966	124,516	978,388	360,862	13,402	88,593	23,059	15,288	-	-	1,449,245	839,164	**2,288,409**
variable interest	307,256	869,789	325,963	1,342,347	395,243	70,447	-	-	-	-	-	-	1,028,462	2,282,583	**3,311,045**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,747	136	1,747	136	**1,883**
Subordinated bonds and loans	**-**	**-**	**5,000**	**30,808**	**-**	**-**	**-**	**-**	**-**	**265,162**	**7,789**	**-**	**12,789**	**295,970**	**308,759**
fixed interest	-	-	-	-	-	-	-	-	-	265,162	-	-	-	265,162	**265,162**
variable interest	-	-	5,000	30,808	-	-	-	-	-	-	-	-	5,000	30,808	**35,808**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,789	-	7,789	-	**7,789**
NET POSITION	**(59,329)**	**(15,906)**	**208,557**	**20,166**	**(143,784)**	**30,043**	**88,898**	**260,685**	**107,048**	**(209,330)**	**192,567**	**21,992**	**393,957**	**107,650**	**501,607**

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

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

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

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

NOTE 35: EARNINGS PER SHARE

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

	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
Net profit for the year attributable to ordinary shareholders (in HUF mn)	84,046	82,561	158,138
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	277,814,637	265,987,333	271,732,001
Basic Earnings per share (in HUF)	**303**	**310**	**582**
Net profit for the year attributable to ordinary shareholders (in HUF mn)	84,046	82,561	158,138
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	280,367,002	266,731,762	274,053,287
Diluted Earnings per share (in HUF)	**300**	**310**	**577**

	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
		number of share	
Weighted average number of ordinary shares	280,000,010	280,000,010	280,000,010
Average number of Treasury shares	(2,185,373)	(14,012,677)	(8,268,009)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**277,814,637**	**265,987,333**	**271,732,001**
Diluted effects of options issued in accordance with Management Option Program and convertible into ordinary shares	2,552,366	744,430	2,321,286
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**280,367,002**	**266,731,762**	**274,053,287**

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

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

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

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

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

As at 30 June 2010	Net interest income and expense	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the National Bank of Hungary	2,488	-	-	-
Placements with other banks, net of allowance for placement losses	10,923	-	155	-
Securities held for trading	1,624	1,479	-	-
Securities available-for-sale	52,941	4,922	5,220	(27,864)
Loans, net of allowance for loan losses	107,512	22,415	(42,648)	-
Securities held-to-maturity	7,976	(3,552)	4,164	-
Derivative financial instruments	47,348	8,416	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(10,215)	-	-	-
Deposits from customers	(60,301)	25,026	-	-
Liabilities from issued securities	(17,745)	-	-	-
Subordinated bonds and loans	(8,066)	-	-	-
Total	**134,485**	**58,706**	**(33,109)**	**(27,864)**

As at 31 December 2009

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

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

a) *Fair value of financial assets and liabilities*

	30 June 2010		31 December 2009	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Bank of Hungary	326,698	326,698	178,217	158,022
Placements with other banks, net of allowance for placement losses	903,270	912,043	962,063	969,344
Financial assets at fair value through profit or loss	252,986	252,986	273,652	273,652
Held for trading securities	*143,146*	*143,146*	*180,416*	*180,416*
Derivative financial instruments designated as held for trading	*109,840*	*109,840*	*93,236*	*93,236*
Securities available-for-sale	1,581,813	1,581,813	1,652,747	1,652,747
Loans, net of allowance for loan losses	2,825,641	3,137,287	2,622,895	2,884,329
Securities held-to-maturity	170,051	166,648	216,563	206,292
Derivative financial instruments designated as hedging instruments	5,760	5,760	14,148	14,148
FINANCIAL ASSETS TOTAL	**6,066,219**	**6,383,235**	**5,920,285**	**6,178,729**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	814,514	801,242	1,152,131	1,157,833
Deposits from customers	3,407,263	3,395,756	3,368,752	3,361,027
Liabilities from issued securities	696,760	691,662	618,303	607,199
Derivative financial instruments designated as hedging instruments	4,608	4,068	3,569	3,569
Financial liabilities at fair value through profit or loss	332,708	330,708	119,353	119,353
Financial liabilities from OTP-MOL transaction	97,720	97,720	86,912	86,912
Financial liabilities from guaranteed loans of OTP Bank JSC by OTP Bank	47,521	47,521	38,132	38,132
Subordinated bonds and loans	308,759	225,543	287,321	216,562
FINANCIAL LIABILITIES TOTAL	**5,709,853**	**5,596,759**	**5,674,473**	**5,590,587**

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

b) *Fair value of derivative instruments*

	Fair value		Notional value, net	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Interest rate swaps designated as held for trading				
Positive fair value of interest rate swaps designated as held for trading	42,354	56,134	59,060	58,203
Negative fair value of interest rate swaps designated as held for trading	(60,603)	(47,065)	(83,618)	(45,983)
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	22,255	7,439	23,560	7,790
Negative fair value of foreign exchange swaps designated as held for trading	(16,429)	(6,168)	(12,129)	(5,154)
Interest rate swaps designated as hedge accounting relationship				
Positive fair value of interest rate swaps designated in fair value hedge accounting relationships	5,760	14,147	9,220	10,507
Negative fair value of interest rate swaps designated in fair value hedge accounting relationships	(4,608)	(3,569)	(2,453)	(3,740)
CCIRS designated as held for trading				
Positive fair value of CCIRS designated as held for trading	35,811	23,270	20,760	14,951
Negative fair value of CCIRS designated as held for trading	(218,899)	(54,169)	(195,920)	(4,734)
Mark-to-market CCIRS designated as held for trading				
Positive fair value of mark-to-market CCIRS designated as held for trading	1,178	5,133	13,110	40,776
Negative fair value of mark-to-market CCIRS designated as held for trading	(34,298)	(7,348)	15,681	40,803
Other derivative contracts designated as hedge accounting relationship				
Positive fair value of other derivative contracts designated in fair value hedge realtionship	-	1	-	(4)
Negative fair value of other derivative contracts designated in fair value hedge realtionship	-	-	-	-
Other derivative contracts designated as held for trading				
Positive fair value of other derivative contracts designated as held for trading	8,242	1,260	17,449	711
Negative fair value of other derivative contracts designated as held for trading	(2,479)	(4,603)	(12,361)	(12,066)
Derivative financial assets total	**115,600**	**107,384**	**143,159**	**132,934**
Derivative financial liabilities total	**(337,316)**	**(122,922)**	**(290,800)**	**(30,874)**
Derivative financial instruments total	**(221,716)**	**(15,538)**	**(147,641)**	**102,060**

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

c) Hedge accounting

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

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

As at 30 June 2010

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF 1,152 million	Interest rate
3) Hedges of net investments in foreign operations	-	-	-

As at 31 December 2009

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

d) Fair value hedges

1. Deposits from customers

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

	30 June 2010	31 December 2009
Fair value of the hedging instruments	1,034	3,461

2. Securities available-for-sale

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

	30 June 2010	31 December 2009
Fair value of the hedging instruments	(795)	348

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

d) Fair value hedges [continued]

3. Loans to customers

3.1 Hedges of foreign exchange rate risk

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

	30 June 2010	31 December 2009
Fair value of the hedging instruments	-	1

3.2 Hedges of interest rate risk

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

	30 June 2010	31 December 2009
Fair value of the hedging instruments	(1,401)	(1,335)

4. Issued securities

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

	30 June 2010	31 December 2009
Fair value of the hedging instruments	2,314	8,104

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

d) Fair value hedges [continued]

As at 30 June 2010

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk on the hedged items	Gains/losses attributable to the hedged risk on the hedging instruments
Securities available-for-sale	IRS	HUF 23,002 million	HUF (795) million	HUF 848 million	HUF (848) million
Loans to customers	IRS	HUF 47,470 million	HUF (1,401) million	HUF 436 million	HUF (436) million
Deposits from customers	IRS	HUF 20,436 million	HUF 1,033 million	HUF 2,428 million	HUF (2,428) million
Liabilities from issued securities	IRS	HUF 206,489 million	HUF 2,315 million	HUF 5,788 million	HUF (5,788) million

As at 31 December 2009

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk on the hedged items	Gains/losses attributable to the hedged risk on the hedging instruments
Securities available-for-sale	IRS	HUF 15,557 million	HUF 348 million	HUF 197 million	HUF (197) million
Loans to customers	IRS	HUF 43,292 million	HUF (1,335) million	HUF 792 million	HUF (790) million
Loans to customers	Options	HUF 3.6 million	HUF 1 million	HUF (52) million	HUF 52 million
Deposits from customers	IRS	HUF 29,685 million	HUF 3,461 million	HUF 4,036 million	HUF (4,036) million
Liabilities from issued securities	IRS	HUF 154,164 million	HUF 8,104 million	HUF 429 million	HUF (429) million

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

e) *Fair value classes*

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

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

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

As at 30 June 2010	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	252,523	177,721	134,802	-
from this: securities held for trading	*142,683*	*117,622*	*25,061*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*109,840*	*99*	*109,741*	-
Securities available-for-sale	1,539,947	352,206	1,187,741	-
Positive FVA of derivative financial instruments designated as hedge accounting relationship	5,760	-	5,760	-
Financial assets measured at fair value total	**1,798,230**	**469,927**	**1,328,303**	**-**
Negative FVA of derivative financial instruments designated as held for trading	332,708	39	332,669	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	4,608	-	4,608	-
Financial liabilities measured at fair value total	**337,316**	**39**	**337,377**	**-**

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

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

e) *Fair value classes [continued]*

Movements in level 3 financial instruments measured at fair value

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

Movements for the year 2010	**Opening balance**	**Transfer**	**Closing balance**	**Total profit or loss as at 30 June 2010**
Securities available-for-sale	102,841	(102,841)	**102,841**	**3,183**
Financial assets measured at fair value total	**102,841**	**(102,841)**	**102,841**	**3,183**

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

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

	Retained Earnings and Reserves 1 January 2010	Net profit for the period ended 30 June 2010	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 30 June 2010
Financial Statements according to HAS	**807,458**	**90,443**	**(21,000)**	**1,264**	**878,165**
Reversal of statutory general provision	40,729	2,040	-	-	42,769
Premium and discount amortization of financial instruments measured at amortised cost	934	202	-	-	1,136
Effect of redemption of issued securities	25,860	(771)	-	-	25,089
Differences in carrying value of subsidiaries	39,280	9,390	-	-	48,670
Difference in accounting for finance leases	(3,793)	69	-	-	(3,724)
Fair value adjustment of held for trading and available-for-sale financial assets	20,282	(2,873)	-	(27,864)	(10,455)
Fair value adjustment of derivative financial instruments	5,233	18,823	-	-	24,056
Reversal of statutory goodwill	11,156	1,783	-	-	12,939
Revaluation of investments denominated in foreign currency to historical cost	40,025	(45,927)	-	-	(5,902)
Difference in accounting of security lending	(13,068)	(2,634)	-	-	(15,702)
Treasury share transaction	-	4	-	(4)	-
Written put option on ordinary shares	(55,468)	-	-	-	(55,468)
Reclassification of direct charges to reserves	-	1,264	-	(1,264)	-
Share-based payment	-	(3,144)	-	3,144	-
Payments to ICES holders	5,162	20,016	-	(2,824)	22,354
Deferred taxation	3,828	(4,639)	-	2,028	1,217
Dividend payment accounted in 2010	-	-	21,000	-	21,000
Financial Statements according to IFRS	**927,618**	**84,046**	**-**	**(25,520)**	**986,144**

NOTE 39: SIGNIFICANT EVENTS DURING THE PERIOD ENDED 30 JUNE 2010

1) MOL OTP share swap transaction

See details in Note 17.

2) Hungarian Government loan facility

See details in Note 13.

3) Class action against the OTP Bank Plc

The Victims of Hungarian Holocaust initiated a class action against, amongst others, OTP Bank Plc. before the United States District Court Northern District of Illinois. OTP Bank Plc. emphasises that „Országos Takarékpénztár Nemzeti Vállalat' was established on 1 March 1949 with no predecessor. OTP Bank Plc. considers the claim against it entirely unfounded.

NOTE 40: POST BALANCE SHEET EVENTS

1) Term Loan Facility

On 2 July 2010 the OTP Bank Plc. signed an EUR 250,000,000 Term Loan Facility. The originally planned amount was EUR 200 million, but the transaction was very well received and heavily oversubscribed, all together 16 banks took part in the deal. The facility has a 2 years tenor, carries a margin of 1.30% above Euribor and the proceeds will be used for general funding purposes.

2) Special Tax On Financial Institutions

On 22 July 2010 based on the amendment of the act ont he special tax of financial institutions approved by the Parliament of the Republic of Hungary, the following members of OTP Group are obliged to pay the special financial institution tax:

Credit institutions:	OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., Merkantil Bank Ltd.
Financial enterprises:	OTP Real Estate Leasing Ltd., OTP Factoring Ltd., Merkantil Car Ltd., Merkantil Leasing Ltd.
Fund managers:	OTP Fund Management Ltd., OTP Real Estate Fund Management Ltd.

From the second half of 2010 the special tax shall consist of two parts:

- The approved amendment does not have any impact on the already existing special banking tax, which came into effect by 1 January 2007. This special tax amount for the full year of 2010 is forecast at HUF 5 billion and is to be paid by OTP Bank Plc. and OTP Mortgage Bank Ltd.

- A new special financial institution tax is to be introduced and paid by the above members of OTP Group. The total tax amount payable for the year 2010 is estimated at HUF 36 billion and it is deductible from the corporate tax base. Therefore the total negative impact on OTP Group's 2010 after-tax profit is expected at HUF 29 billion. Based on the approved regulation the new special tax is to be paid in two equal instalments, which are due on 30 September 2010 and on 10 December 2010.

Accordingly, the total special tax amount payable by OTP Group for the full year of 2010 is estimated at HUF 41 billion.

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

Since late 2008, the operational framework and the profitability of the Bank have been significantly influenced by the effects of the crisis and the measures taken by the management to tackle the emerging challenges.

In the first half of 2010 there have been more and more signs of the global economy recovering from its deep recession: improving confidence indicators, growing GDP forecasts, stronger employment data. The optimism characterizing debt and equity markets in the past twelve months temporary deteriorated in April/May 2010: the risk attitude of investors suddenly turned into risk aversion. The key reason for such a shift was the growing concern with respect to public debt sustainability of several Eurozone countries. The HUF and other regional local currencies started weakening against EUR and CHF, and CDS spreads of both Hungary and other countries in the region went up.

As well as in 2009, the Bank focused its activity in the first half of 2010 on the stable operation, including the robust capital position and liquidity, and in line with the deteriorating loan portfolio, on prudent risk management and monitoring. At the same time, the Bank could already benefit from the business opportunities arising amidst the improving operating environment.

- The quality of the loan portfolio has deteriorated significantly since the onset of the crisis and required a prudent and cautious provisioning policy. On the other hand the Bank launched a debtor protection program in Hungary, to help the customers having to meet temporary payment difficulties in the way of payment reduction, maturity renewal or of these combination.

- The further enhancement of the stable capital adequacy still remained a top priority for the Bank. Due to the profitable operation and the weak lending activity amid the crisis, the capital adequacy ratio of the Bank has risen to 16.4% in 2010 from the 16.2% as at 31 December 2009.

- After the strong deposit growth in 2009, due to the generally weak loan demand the Bank put less emphasis on deposit collection in 2010. Instead of further improving its liquidity indicators, the Bank focused rather on the improvement of deposit margins. As the market sentiment became more optimistic, in the first six months OTP Bank completed two smaller scale debt market transactions: in February it issued CHF 100 million plain vanilla bonds with 2 year tenor, whereas in June it organized a EUR 250 million syndicated loan facility with similar maturity. As a consequence of the conservative business policy, the Bank has built up a liquidity reserve that enabled the prepayment of the remaining half of the state loan before its original maturity.

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

- Both the lending activity and the demand for loans have reduced considerably since the onset of the crisis. Despite of the slowly improving macroeconomic indicators, it is still true that with the exception of some segments loan demand remained moderate, but the Bank strengthened the lending activity in some market segments in some countries. Taking a look at the loan volume development of the past 12 months, stronger lending activity can be identified in case of Hungarian consumer and corporate lending. With respect to mortgage loan disbursements in Hungary, OTP has regained its market leading position in 2Q 2010, and parallel with this, mortgage loan applications are clearly on an upward path. Based on management decision, the portion of the HUF denominated loans grew significantly among the loans originated in 1H 2010, both for mortgage loans and personal loans.
- Since the beginning of the crisis in 2008, the higher funding costs were partly passed on to customers through higher interest rates. According to the rules set by the Code of Ethics that came into force in early 2010, the Bank cut the interest rates on mortgage and personal loans several times in line with the declining funding costs. In case of mortgage loans, the interest rate cuts exceeded the level that would be justified by the decline of funding costs.
- On 8 June 2010 the new Hungarian Prime Minister submitted a 29 points action plan to the Parliament, while the Parliament approved it on 22 July. There were two particular measures having a significant impact on OTP’s business:
  - In 2010 a new special financial institution tax to be paid by OTP Bank. The total tax amount payable for the year 2010 is estimated at HUF 25 billion and it is deductible from the corporate tax base. Based on the approved regulation, financial institutions are obliged to pay this special tax until the end of 2012. The amount of tax payable in 2011 and 2012 by OTP Bank is not fixed yet, because the parameters of the 2011 and 2012 tax have not been decided.
  - From 1 July mortgages can’t be pledged against FX-linked loans. Therefore OTP Bank suspended the reception of FX mortgage loan applications from private individuals.

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

- Swap markets used for raising the necessary liquidity in foreign currencies for FX lending business, have shrunk in 2008 (particularly in the last quarter), nevertheless the continuous renewal of the swap book remained to be ensured though at rising spread levels. In the third quarter of 2009 within the framework of the contract with the EBRD, the international credit institution provided a CHF 500 million CHF/HUF swap facility for the Group. In the past year more transactions were contracted with EBRD, by which the swap facility has been almost completely used. The Group could pass on the higher swap costs to its clients in several business segments through higher interest rates, partially counterbalancing the negative effect on the Statement of Recognized Income.

  As a result of gloomy investor sentiment, in 2Q 2010 the HUF/FX basis swap spreads widened a lot – from 100 bps to app. 180 bps – resulting in a HUF 22.6 billion fair value adjustment gain on the Group's FX swaps. The result was booked as interest income. In order to mitigate the interest sensitivity of the HUF/FX swap portfolio, the Bank has started entering into derivative deals since 2Q 2010; hence in case of a possible future decrease in basis swap spreads the negative effect on interest income will be smaller. The fair value adjustment of swaps is booked under IFRS only; there is no impact at all on the HAR-based stand-alone P&L of OTP Bank.

- An impairment of interest in case of CKB, Montenegro of HUF 15 billion had a negative impact on the first 6 months' profit of the Bank in 2010. The key reasons behind the write-off: the deteriorating macro environment induced a significant portfolio worsening and CKB's results turned into red for the last three consecutive quarters, while in June 2010 OTP Bank (Hungary) also had to inject capital into its Montenegrin subsidiary.