OTP BANK PLC.

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

FOR THE YEAR ENDED
31 DECEMBER 2008

CONTENTS

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying unconsolidated financial statements of OTP Bank Plc., which comprise the unconsolidated balance sheet as at December 31, 2008, and the related unconsolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of OTP Bank Plc. as of December 31, 2008, and of its unconsolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw attention to Note 2.3 to the unconsolidated financial statements which states that the consolidated financial statements of OTP Group prepared in accordance with International Financial Reporting Standards have been issued separately. The consolidated financial statements of OTP Group as of and for the year ended December 31, 2008 were audited by us and our report dated March 20, 2009 expressed an unqualified opinion.

Budapest, March 20, 2009

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Gion Gábor
Deloitte Auditing and Consulting Ltd.

OTP BANK PLC.
UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008
(in HUF mn)

	Note	2008	2007
Cash, amounts due from banks and balances with the National Bank of Hungary	*3*	157,437	229,644
Placements with other banks, net of allowance for placement losses	*4*	920,455	725,458
Financial assets at fair value through profit or loss	*5*	151,716	123,371
Securities available-for-sale	*6*	549,911	320,615
Loans, net of allowance for loan losses	*7*	2,715,382	2,188,632
Accrued interest		60,360	46,421
Investments in subsidiaries	*8*	596,244	630,703
Securities held-to-maturity	*9*	437,535	558,510
Property and equipment	*10*	72,844	74,007
Intangible assets	*10*	39,539	36,266
Other assets	*11*	70,892	177,047
TOTAL ASSETS		**5,772,315**	**5,110,674**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	*12*	705,565	590,748
Deposits from customers	*13*	3,090,762	2,955,035
Liabilities from issued securities	*14*	601,791	394,196
Accrued interest payable		36,428	18,411
Fair value of derivative financial instruments designated as held for trading	*15*	127,061	22,543
Other liabilities	*16*	136,284	115,568
Subordinated bonds and loans	*17*	301,951	298,914
TOTAL LIABILITIES		**4,999,842**	**4,395,415**
Share capital	*18*	28,000	28,000
Retained earnings and reserves	*19*	842,318	741,467
Treasury shares	*20*	(97,845)	(54,208)
TOTAL SHAREHOLDERS' EQUITY		**772,473**	**715,259**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,772,315**	**5,110,674**

OTP BANK PLC.
UNCONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in HUF mn)

	Note	2008	2007
Interest Income:			
Loans		243,170	199,770
Placements with other banks		203,352	104,968
Amounts due from banks and balances with the National Bank of Hungary		14,147	11,754
Securities held for trading		4,979	2,808
Securities available-for sale		23,959	24,952
Securities held-to-maturity		42,695	51,298
Total Interest Income		*532,302*	*395,550*
Interest Expense:			
Amounts due to banks and deposits from the National Bank of Hungary and other banks		206,208	65,939
Deposits from customers		150,729	110,504
Liabilities from issued securities		25,079	16,151
Subordinated bonds and loans		16,444	16,086
Total Interest Expense		*398,460*	*208,680*
NET INTEREST INCOME		**133,842**	**186,870**
Provision for impairment on loan and placement losses	*4, 7*	29,211	21,453
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**104,631**	**165,417**
Non-Interest Income:			
Fees and commissions		157,575	153,449
Foreign exchange gains, net		58,228	633
Gains on securities, net		118	2,232
Dividend income	*39*	138,264	18,920
Other		21,497	4,663
Total Non-Interest Income		*375,682*	*179,897*
Non-Interest Expenses:			
Fees and commissions		24,535	20,611
Personnel expenses		77,354	71,018
Depreciation and amortization		21,032	20,035
Other	*21*	215,850	71,868
-from this: provision for impairment on investments in subsidiaries		*124,880*	*56*
Total Non-Interest Expenses		*338,771*	*183,532*
PROFIT BEFORE INCOME TAX		**141,542**	**161,782**
Income tax	*22*	7,587	20,101
NET PROFIT FOR THE YEAR		**133,955**	**141,681**
Earnings per share (in HUF)			
Basic	*33*	495	508
Diluted	*33*	493	507

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in HUF mn)

	Note	2008	2007
OPERATING ACTIVITIES			
Profit before income tax		141,542	161,782
Income tax paid		(14,566)	(24,101)
Depreciation and amortization		21,032	20,035
Provision for impairment on securities available-for-sale		2,769	-
Provision for impairment on loan and placement losses		29,211	21,453
Provision for impairment on investments in subsidiaries	*8*	124,880	56
Provision for impairment on other assets	*11*	(731)	351
Provision for impairment on off-balance sheet commitments and contingent liabilities	*16*	14,012	512
Share-based payment	*25*	28	5,123
Unrealised losses on fair value adjustment of securities held for trading		(7,673)	688
Unrealised losses on fair value adjustment of derivative financial instruments		(8,676)	(1,620)
Changes in financial assets at fair value through profit or loss		6,238	(24,698)
Increase in accrued interest		(11,915)	(2,023)
Decrease/ (increase) in other assets, excluding advances for investments and before provisions for losses		11,528	(45,697)
Increase in accrued interest payable		18,017	2,236
(Decrease)/ increase in other liabilities		(15,362)	8,070
Net cash provided by operating activities		**310,334**	**122,167**
INVESTING ACTIVITIES			
Net increase in placements with other banks, before provision for placement losses		(66,389)	(199,711)
Net (increase)/ decrease in securities available-for-sale		(249,769)	25,422
Net increase in investments in subsidiaries, before provision		(90,421)	(47,461)
Net decrease/(increase) in securities held-to-maturity		121,451	(54,399)
Net increase in advances for investments included in other assets		(23)	(2)
Net increase in loans, net of allowance for loan losses		(501,171)	(458,407)
Net disposal/ (additions) to property, equipment and intangible assets		9,524	(29,088)
Net cash provided by investing activities		**(776,798)**	**(763,646)**

(in HUF mn) [continued]

	Note	2008	2007
FINANCING ACTIVITIES			
Net increase in amounts due to banks and deposits from the National Bank of Hungary and other banks		114,817	32,891
Net increase in deposits from customers		136,302	264,937
Net increase in liabilities from issued securities		199,921	192,146
Increase in subordinated bonds and loans		3,037	51,049
Effect on ICES - exchangeable bond transaction recognised through equity		(5,203)	(2,715)
Effect of treasury share transaction		(7,499)	-
Net change in Treasury shares		(47,061)	(56,359)
Net decrease/ (increase) in the compulsory reserve established by the National Bank of Hungary		91,832	(21,459)
Dividends paid		(57)	(40,151)
Net cash provided by financing activities		**486,089**	**420,339**
Net increase/ (decrease) in cash and cash equivalents		**19,625**	**(221,140)**
Cash and cash equivalents at the beginning of the year		73,441	294,581
Cash and cash equivalents at the end of the year		93,066	73,441

Analysis of cash and cash equivalents

	Note	2008	2007
Cash, amounts due from banks and balances with the National Bank of Hungary		229,644	429,325
Compulsory reserve established by the National Bank of Hungary		(156,203)	(134,744)
Cash and cash equivalents at the beginning of the year		**73,441**	**294,581**
Cash, amounts due from banks and balances with the National Bank of Hungary	*3,27*	157,437	229,644
Compulsory reserve established by the National Bank of Hungary	*3,27*	(64,371)	(156,203)
Cash and cash equivalents at the end of the year		**93,066**	**73,441**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
(in HUF mn)

	Note	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at 1 January 2007		**28,000**	**644,000**	**(1,746)**	**670,254**
Net profit for the year		-	141,681	-	141,681
Fair value adjustment of securities available-for-sale recognised directly through equity		-	(2,018)	-	(2,018)
Fair value adjustment of derivatives on equity instruments recognised through equity		-	(387)	-	(387)
Share-based payment		-	5,123	-	5,123
Effect on ICES - exchangeable bond transaction recognised through equity		-	(2,715)	-	(2,715)
Dividend for the year 2006		-	(40,320)	-	(40,320)
Loss on sale of Treasury shares		-	(3,897)	-	(3,897)
Acquisition of Treasury shares		-	-	(52,462)	(52,462)
Balance as at 31 December 2007		**28,000**	**741,467**	**(54,208)**	**715,259**
Net profit for the year		-	133,955	-	133,955
Fair value adjustment of securities available-for-sale recognised directly through equity		-	(17,393)	-	(17,393)
Fair value adjustment of derivatives on equity instruments recognised through equity		-	387	-	387
Share-based payment	*25*	-	28	-	28
Effect on ICES - exchangeable bond transaction recognised through equity		-	(5,203)	-	(5,203)
Effect of Treasury share transaction		-	(7,499)		(7,499)
Loss on sale of Treasury shares		-	(3,424)	-	(3,424)
Acquisition of Treasury shares		-	-	(43,637)	(43,637)
Balance as at 31 December 2008		**28,000**	**842,318**	**(97,845)**	**772,473**

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.

As at 31 December 2008, approximately 91% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (2%) and the Bank itself (7%).

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

As at 31 December 2008, the number of employees at the Bank was 8,297. The average number of employees in the year ended 31 December 2008 was 8,333.

1.2. Accounting

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

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

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with the International Financial Reporting Standards ("IFRS"). Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts (see Note 36), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as International Financial Reporting Standards .

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

The Financial Statements were authorised for issue on 20 March 2009.

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 2008

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

- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement and IFRS 7: Reclassification of Financial Assets (effective from 1 July 2008)
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008)

The adoption of the above presented Amendments and Interpretations had no significant impact on the unconsolidated financial statements of the Bank. IFRIC 12 is not yet endorsed by the EU.

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

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

- IAS 1 (Revised) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective from 1 July 2009)
- IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 January 2009)
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective for accounting periods on or after 1 July 2009)
- IFRS 2 (Amendment) Share-based Payment (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 3 (Revised) Business Combinations (effective from 1 July 2009)*
- IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations (and Consequental Amendment to IFRS 1: First-Time Adoption) (effective from 1 July 2009)*
- IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2009)*

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

1.2.2. Amendments to IFRSs effective from 1 January 2009, not yet adopted [continued]

- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)*
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008)*
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)*
- IFRIC 18 Transfers of Assets from Customers (effective from 1 January 2009)*
- Improvements to International Financial Reporting Standards 2008 (effective for accounting periods beginning on or after 1 January 2009)

*Not yet endorsed by the EU.

The adoption of the above presented Amendments 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 statements of operations.

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 2.8 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.

2.4. 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.

Securities held-to-maturity include securities, which the Bank has the ability and intention to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government and NBH and mortgage bonds.

2.5. Financial assets at fair value through profit or loss

2.5.1 Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Held for trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognised in profit/loss and included in the unconsolidated statements of operations 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5.2. 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 statements of operations for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.5.3. 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 statements of operations along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the unconsolidated statements of operations.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk, are recognised in the reserve among shareholders' equity. Amounts deferred in equity are transferred to the unconsolidated statements of operations 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 statements of operations.

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 statements of operations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. 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. Such securities consist of discounted Treasury bills, Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, bonds issued by NBH, companies or municipalities and foreign government bonds.

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 measured at cost.

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

2.7. 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 reversed and accruals are stopped.

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. 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.

If the Bank loses 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 Operation.

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 fair value of the investment in subsidiaries using 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 crisis, the probable economic decline and their possible influence on the financial sector as well as the limited external refinancing funds, the lower possibility of the expansion and the prospective effects of all these above mentioned factors.

2.9. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the balance sheet and the consideration received is recorded in Other liabilities or Amounts due to banks and deposits from the NBH and other banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognised in the balance sheet 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:

Property	1-2%
Office equipment	8-33.3%
Leased assets	16.7-33.3%
Vehicles	15-20%
Software	20-33.3%
Property rights	16.7%

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Property, equipment and intangible assets [continued]

If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

2.11. Financial liabilities

The financial liabilities are disclosed within financial liabilities at fair value through profit or loss or financial liabilities measured at amortized costs. In connection to the financial liabilities at fair value through profit or loss, the Bank discloses 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 statements of operations over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.
Payments made under operating leases are charged to the unconsolidated statements of operations 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 Balance Sheet at acquisition cost as a deduction from shareholders' equity.
Gains and losses on the sale of Treasury shares are credited or charged directly to retained earnings and reserves. 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, referring to IAS 39.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.15. Fees and Commissions

Fees and commissions are recognised in the unconsolidated statements of operations on an accrual basis based on IAS 18, fees and commissions are recognised using the effective interest method referring to IAS 39.

2.16. Income taxes

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 taxes that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

2.17. 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 for impairment on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the 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 date of grant. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Comparative figures

Certain amounts in the unconsolidated financial statements for the year ended 31 December 2007 have been reclassified to conform with the current year presentation. These reclassifications were not material.

2.21. 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.

(a) 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.

(b) 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.

(c) 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 16)
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.

NOTE 3: CASH AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

	2008	2007
Cash on hand:		
In HUF	66,542	50,601
In foreign currency	8,120	3,486
	74,662	54,087
Amounts due from banks and balances with NBH:		
Within one year:		
In HUF	71,857	162,268
In foreign currency	10,918	13,289
	82,775	175,557
Total	157,437	229,644

Based on the requirements for compulsory reserves set by the NBH, the balance of the compulsory reserves amounted to HUF 64,371 million and HUF 156,203 million as at 31 December 2008 and 2007 respectively.
The rate of the compulsory reserve decreased from 5% to 2% at 1 December 2008.

NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)

	2008	2007
Within one year:		
In HUF	157,903	35,330
In foreign currency	389,055	289,789
	546,958	325,119
Over one year:		
In HUF	2,300	3,000
In foreign currency	371,559	397,339
	373,859	400,339
Total placements	920,817	725,458
Provision for impairment on placement losses	(362)	-
Total	920,455	725,458

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

	2008	2007
Balance as at 1 January	-	-
Provision for the year	362	-
Balance as at 31 December	362	-

NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn) [continued]

Placements with other banks in foreign currency bear interest rates in the range of 1% to 10.7% and of 1% to 11.99% as at 31 December 2008 and 2007 respectively.

Placements with other banks in HUF bear interest rates in the range of 8.94% to 12.67% and of 6.7% to 8.94% as at 31 December 2008 and 2007 respectively.

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2008	2007
Securities held for trading		
Government bonds	43,031	47,964
Mortgage bonds	5,057	3,549
Hungarian government interest bearing Treasury bills	2,608	2,406
Hungarian government discounted Treasury Bills	1,373	2,147
Other securities	2,750	4,318
	54,819	60,384
Derivative financial instruments designated as held for trading	96,897	62,987
Total	151,716	123,371

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

Mortgage bonds issued by OTP Mortgage Bank Ltd was HUF 4,635 million and HUF 2,976 million as at 31 December 2008 and 2007 respectively.

Approximately 94% and 100% of the held for trading securities portfolio was denominated in HUF as at 31 December 2008 and 2007 respectively.

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

The 98% and 100% of the government bond portfolio was denominated in HUF as at 31 December 2008 and 2007 respectively.

Interest rates on securities held for trading on interest bearing securities ranged from 3.7% to 12.2% and from 5.5% to 11.1% as at 31 December 2008 and 2007 respectively.

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

	2008	2007
Within five years:		
variable interest	228	369
fixed interest	34,779	33,918
	35,007	34,287
Over five years:		
variable interest	-	-
fixed interest	17,514	21,779
	17,514	21,779
Non-interest bearing securities	2,298	4,318
Total	54,819	60,384

NOTE 6: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

	2008	2007
Mortgage bonds	290,820	161,545
Government bonds	126,177	41,773
Other securities	135,683	117,297
	552,680	320,615
Provision for impairment on securities available-for-sale	(2,769)	-
Total	549,911	320,615

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

	2008	2007
Balance as at 1 January	-	-
Provision for the year	2,769	-
Balance as at 31 December	2,769	-

NOTE 6: SECURITIES AVAILABLE-FOR-SALE (in HUF mn) [continued]

Mortgage bonds are issued by OTP Mortgage Bank Ltd.

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

Approximately 78% and 67% of the available-for-sale securities portfolio was denominated in HUF as at 31 December 2008 and 2007 respectively.

The 100% and 88% of the government bonds were denominated in HUF as at 31 December 2008 and 2007 respectively. The entire foreign currency denominated government bond portfolio was denominated in EUR as at 31 December 2007.

Interest rates on avaible-for-sale securities ranged from 1% to 11% and from 3% to 10% as at 31 December 2008 and 2007 respectively.

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

	2008	2007
Within five years:		
variable interest	360,460	63,187
fixed interest	90,213	171,723
	450,673	234,910
Over five years:		
variable interest	79,758	56,519
fixed interest	8,666	17,240
	88,424	73,759
Non-interest bearing securities	10,814	11,946
Total	549,911	320,615

Certain fixed-rate mortgage bonds and other securities mainly denominated in foreign currency are hedged by derivative financial instruments – interest rate swap – to reduce the exposure to interest rate risk or the changes in fair value of these assets. Where the hedging relationships are designated and a HUF 934 million and HUF 298 million net loss that had been recognised directly in the equity. It was removed from equity and recognised through profit or loss as at 31 December 2008 and 2007 respectively in line with IAS 39.

The fair value of the hedged mortgage bonds was HUF 16,841 million and HUF 16,557 million as at 31 December 2008 and 2007 respectively. The fair value of the other hedged bonds was HUF 20,335 million and HUF 30,491 million as at 31 December 2008 and 2007 respectively.

NOTE 7: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)

	2008	2007
Short-term loans and trade bills (within one year)	650,160	563,007
Long-term loans and trade bills (over one year)	2,110,541	1,654,445
	2,760,701	2,217,452
Provision of impairment on loan losses	(45,319)	(28,820)
Total	2,715,382	2,188,632

Loans denominated in foreign currency represent approximately 70% and 58% of the loan portfolio, before provision for impairment on loan losses as at 31 December 2008 and 2007 respectively.

Loans denominated in HUF, with a maturity within one year bear interest rates in the range of 14% to 30% and of 10% to 30% as at 31 December 2008 and 2007 respectively.

Loans denominated in HUF with a maturity over one year bear interest rates in the range of 3% to 24.8% and of 4% to 22.8% as at 31 December 2008 and 2007 respectively.

Foreign currency loans bear interest rates in the range of 1.8% to 22% and of 2% to 18% as at 31 December 2008 and 2007 respectively.

Approximately 3% and 2% of the gross loan portfolio represented loans on which interest is not being accrued as at 31 December 2008 and 2007 respectively.

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

	2008		2007	
Commercial loans	1,862,963	67%	1,446,354	64%
Consumer loans	361,148	13%	280,925	13%
Housing loans	235,375	9%	211,504	10%
Municipality loans	180,670	7%	214,428	10%
Mortgage backed loans	120,545	4%	64,241	3%
	2,760,701	100%	2,217,452	100%

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

	2008	2007
Balance as at 1 January	28,820	31,021
Provision for the year	28,849	21,453
Release	(12,350)	(23,654)
Balance as at 31 December	45,319	28,820

NOTE 7: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn) [continued]

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd. See Note 26.

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	2008	2007
Investments in subsidiaries:		
Controlling interest	721,180	630,805
Significant interest	72	75
Other	987	938
	722,239	631,818
Provision for impairment	(125,995)	(1,115)
Total	596,244	630,703

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

	2008	2007
Balance as at 1 January	1,115	1,059
Provision for the year	124,880	56
Balance as at 31 December	125,995	1,115

The provision for impairment on CJSC OTP Bank (Ukraine) was HUF 97,526, for OTP banka Srbija a.d. was HUF 25,284 million as at 31 December 2008.

NOTE 8: 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.

	2008		2007	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
CJSC OTP Bank (Ukraine)	100.00%	210,673	100.00%	182,537
DSK Bank EAD (Bulgaria)	100.00%	86,831	100.00%	86,831
OTP banka Hrvatska d.d. (Croatia)	100.00%	72,940	100.00%	65,065
OAO OTP Bank (Russia) (former OAO Investsberbank)	95.51%	66,723	97.22%	50,078
OTP banka Srbija a.d. (Serbia)	91.43%	55,997	91.43%	55,997
OTP Bank Romania S.A. (Romania)	100.00%	38,117	100.00%	38,117
Crnogorska komerčijalna banka a.d. (Montenegro)	100.00%	32,988	100.00%	29,130
OTP Holding Ltd. (Cyprus)	100.00%	29,000	-	-
OTP Mortgage Bank Ltd.	100.00%	27,000	100.00%	27,000
OOO Invest Oil (Russia)	100.00%	21,224	100.00%	21,224
OOO Megaform Inter (Russia)	100.00%	17,704	100.00%	17,704
OOO AlyansReserv (Russia)	100.00%	11,147	100.00%	11,147
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,038	97.23%	10,038
Air-Invest Ltd.	100.00%	7,948	100.00%	3,854
Bank Center No. 1. Ltd.	100.00%	7,330	100.00%	7,330
OOO Donskoy Narodny Bank (Russia)	100.00%	6,687	-	-
Inga Two Ltd.	100.00%	5,892	100.00%	5,892
OTP Funds Servicing and Consulting Ltd.	100.00%	2,469	100.00%	2,392
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
Merkantil Bank Ltd.	100.00%	1,600	100.00%	1,600
TradeNova Commercial Ltd. (former OTP Trade Ltd.)	100.00%	1,258	100.00%	30
OTP Life Annuity Ltd.	100.00%	1,250	100.00%	1,250
S.C. OTP Fond de Pensii (Romania)	100.00%	885	-	-
OTP Financing Netherlands B.V. (Netherlands)	100.00%	481	100.00%	5
OTP Card Factory Ltd.	100.00%	450	100.00%	450
OTP Real Estate Leasing Ltd.	100.00%	410	100.00%	410
OTP Factoring Ltd.	100.00%	225	100.00%	150
OTP Garancia Insurance Ltd.	-	-	100.00%	7,472
OTP Real Estate Ltd.	-	-	100.00%	1,228
Other	-	310	-	271
Total		721,180		630,805

NOTE 9: SECURITIES HELD-TO-MATURITY (in HUF mn)

	2008	2007
Mortgage bonds	172,988	288,959
Government securities	150,573	172,125
Bonds issued by NBH	109,684	97,085
Hungarian government discounted Treasury bills	4,290	341
Total	437,535	558,510

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

	2008	2007
Within five years:		
variable interest	29,118	16,765
fixed interest	369,624	485,475
	398,742	502,240
Over five years:		
variable interest	15,023	30,657
fixed interest	23,770	25,613
	38,793	56,270
Total	437,535	558,510

100% of the securities portfolio was denominated in HUF as at 31 December 2008 and 2007. 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 rates on fixed interest securities denominated in HUF ranged from 5.5% to 19.2% and from 5.5% to 10% as at 31 December 2008 and 2007 respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of securities held-to-maturity was HUF 428,571 million and HUF 562,404 million as at 31 December 2008 and 2007 respectively.

NOTE 10: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the year ended 31 December 2008:

Cost	Intangible assets	Land and buildings	Office equipments	Construction in progress	Total
Balance as at 1 January 2008	80,272	55,301	69,115	6,173	210,861
Additions	9,329	3,902	6,408	-	19,639
Disposals	(14,915)	(849)	(3,082)	(1,304)	(20,150)
Balance as at 31 December 2008	74,686	58,354	72,441	4,869	210,350
Depreciation and Amortization					
Balance as at 1 January 2008	44,006	9,411	47,171	-	100,588
Charge for the year	11,609	1,813	8,172	-	21,594
Disposals	(20,468)	(639)	(3,108)	-	(24,215)
Balance as at 31 December 2008	35,147	10,585	52,235	-	97,967
Net book value					
Balance as at 1 January 2008	36,266	45,890	21,944	6,173	110,273
Balance as at 31 December 2008	39,539	47,769	20,206	4,869	112,383

NOTE 10: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS [continued] (in HUF mn)

For the year ended 31 December 2007:

Cost	Intangible assets	Land and buildings	Office equipments	Construction in progress	Total
Balance as at 1 January 2007	64,186	49,624	67,653	5,998	187,461
Additions	16,108	7,107	7,390	175	30,780
Disposals	(22)	(1,430)	(5,928)	-	(7,380)
Balance as at 31 December 2007	80,272	55,301	69,115	6,173	210,861
Depreciation and Amortization					
Balance as at 1 January 2007	33,342	8,443	44,955	-	86,740
Charge for the year	10,669	1,288	8,078	-	20,035
Disposals	(5)	(320)	(5,862)	-	(6,187)
Balance as at 31 December 2007	44,006	9,411	47,171	-	100,588
Net book value					
Balance as at 1 January 2007	30,844	41,181	22,698	5,998	100,721
Balance as at 31 December 2007	36,266	45,890	21,944	6,173	110,273

NOTE 11: OTHER ASSETS (in HUF mn)

	2008	2007
Current income tax receivable	23,882	7,279
Receivables from OTP Mortgage Bank Company Ltd.*	17,012	144,927
Fair value of derivative financial instruments designated as hedge accounting relationships	8,871	2,309
Trade receivables	5,791	5,649
Prepayments and accrued income	5,645	6,441
Due from government for interest subsidies	3,128	2,860
Receivables from investment services	929	1,425
Inventories	602	473
Advances for securities and investments	533	510
Credits sold under deferred payment scheme	420	119
Other advances	162	1,767
Other	4,527	4,663
	71,502	178,422
Provision for impairment on other assets	(610)	(1,375)
Total	70,892	177,047

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

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

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

	2008	2007
Balance as at 1 January	1,375	1,046
(Release)/charge for the year	(731)	351
Write-offs	(34)	(22)
Balance as at 31 December	610	1,375

NOTE 12: AMOUNTS DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	2008	2007
Within one year:		
In HUF	207,354	124,641
In foreign currency	353,971	173,276
	561,325	297,917
Over one year:		
In HUF	88,577	70,065
In foreign currency	55,663	222,766
	144,240	292,831
Total	705,565	590,748

Amounts due to banks and deposits from the NBH and other banks payable in HUF within one year bear interest rates in the range of 9.4% to 10.8% and of 6.5% to 7.52% as at 31 December 2008 and 2007 respectively.

Amounts due to banks and deposits from the NBH and other banks payable in HUF over one year bear interest rates in the range of 3% to 9.18% and of 3% to 6.28% as at 31 December 2008 and 2007 respectively.

Amounts due to banks and deposits from the NBH and other banks payable in foreign currency within one year bear interest rates in the range of 0.5% to 13.75% and of 1% to 10.5% as at 31 December 2008 and 2007 respectively.

Amounts due to banks and deposits from the NBH and other banks payable in foreign currency over one year bear interest rates in the range of 1.4% to 6.3% and of 2.69% to 6.15% as at 31 December 2008 and 2007 respectively.

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

NOTE 13: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2008	2007
Within one year:		
In HUF	2,508,553	2,462,047
In foreign currency	556,332	483,208
	3,064,885	2,945,255
Over one year:		
In HUF	24,553	9,780
In foreign currency	1,324	-
	25,877	9,780
Total	3,090,762	2,955,035

NOTE 13: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]

Deposits from customers payable in HUF within one year bear interest rates in the range of 0.2% to 13.8% and of 0.2% to 12% as at 31 December 2008 and 2007 respectively.

Deposits from customers payable in HUF over one year bear interest rates in the range of 0.2% to 11% and of 1.3% to 7% as at 31 December 2008 and 2007 respectively.

Deposits from customers payable in foreign currency bear interest rates in the range of 0.1% to 21.5% and of 0.1% to 6% as at 31 December 2008 and 2007 respectively.

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

	2008		2007	
Retail deposits	2,027,357	66%	1,844,330	62%
Corporate deposits	836,781	27%	906,160	31%
Municipality deposits	226,624	7%	204,545	7%
Total	3,090,762	100%	2,955,035	100%

NOTE 14: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2008	2007
Within one year:		
In HUF	57,548	245
In foreign currency	198,585	-
	256,133	245
Over one year:		
In HUF	1,863	1,393
In foreign currency	343,795	392,558
	345,658	393,951
Total	601,791	394,196

Liabilities from issued securities denominated in HUF bear interest rates in the range of 0.3% to 9% as at 31 December 2008 and 2007.

Liabilities from issued securities denominated in foreign currency bear interest rates in the range of 3.1% to 5.8% and of 4.8% to 5% as at 31 December 2008 and 2007 respectively.

The Bank issued variable-rate bonds with a face value of EUR 500 million on 1 July 2005 which are due on 1 July 2010 at 99.9%. Interest on these bonds is three month EURIBOR + 0.16% that is payable quarterly.

NOTE 14: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

The Bank issued variable-rate bonds with a face value of EUR 300 million on 20 December 2005, which are due on 20 December 2010 at 99.81%. Interest on these bonds is three month EURIBOR + 0.15% that is payable quarterly.

On 26 February 2007, the Bank issued EUR 750 million of floating rate notes due on 27 February 2009 at 99.87% under the European Medium Term Note Program (EMTN Program). Interest on these bonds is three month EURIBOR + 0.125% that is payable quarterly.

The Bank issued bonds with a nominal value of EUR 500 million at 99.812 % of the face value on 16 May 2008. The price of the fixed rate senior bonds with a 3 year maturity was set on 7 May 2008. The Lead Managers of the successful bond issue (which attracted approximately 30% oversubscription of the accepted amount) were DZ Bank and Morgan Stanley. The re-offer spread is 140 bps over 3 year mid-swap, the bonds bear a coupon of 5.75% fixed rate, with annual interest payments. The bonds will be introduced to the Luxembourg Stock Exchange.

The Bank has launched a bond issue program of HUF 100,000 million on 2 August 2007.

The Bank issued bonds with a nominal value of HUF 7,143 million face value between 16 June and 25 July 2008 under the above mentioned 100,000 million HUF Bond Issuance Program. The bonds are fixed-rate senior bonds with 1 year maturity. The bonds bear a coupon of 8.7 % fixed rate.

The Bank issued bonds with a nominal value of HUF 50,984 million face value between 3 November and 31 December 2008 under the 100,000 million HUF Bond Issuance Program. The bonds are fixed-rate senior bonds with 1 year maturity. The bonds bear a coupon of 10 % fixed rate.

NOTE 15: FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HELD FOR TRADING (in HUF mn)

	2008	**2007**
Futures contracts	10	115
Forward contracts	5,829	1,205
Foreign exchange swap contracts	88,657	2,644
Interest rate swap contracts	32,565	18,579
Total	127,061	22,543

NOTE 16: OTHER LIABILITIES (in HUF mn)

	2008	2007
Accrued expenses	36,052	11,245
Provision for losses on off-balance sheet commitments, contingent liabilities	28,233	14,221
Giro clearing accounts	20,129	19,017
Salaries and social security payable	19,789	8,372
Accounts payable	6,616	10,902
Current income tax payable	4,493	4,269
Liabilities from security trading	2,828	20,697
Advance for housing loans	1,698	3,666
Loans for collection	1,340	1,523
Fair value of derivative financial instruments designated as hedge accounting relationships	1,268	612
Deferred tax liabilities	759	2,969
Dividends payable	735	792
Other	12,344	17,283
Total	136,284	115,568

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

	2008	2007
Provision for litigation	3,038	2,845
Provision for losses on other off-balance sheet commitments and contingent liabilities	23,924	6,524
Other provision (for expected liabilities)	1,271	4,852
Total	28,233	14,221

The provision for losses on other off-balance sheet commitments and contingent liabilities primarily relates to commitments stemming from guarantees and credit lines issued by the Bank.

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

	2008	2007
Balance as at 1 January	14,221	13,709
Provision for the year	21,292	2,742
Write-offs	(7,280)	(2,230)
Balance as at 31 December	28,233	14,221

NOTE 17: SUBORDINATED BONDS AND LOANS

In 1993, the Bank issued HUF 5 billion in bonds, which are subordinated to the other liabilities of the Bank and held by the Hungarian Ministry of Finance. Interest on subordinated bonds and the frequency of payment of interest is based on condition of interest of 2013/C credit consolidated government bonds, which is a variable-rate bond, the interest payable and the rate of interest are fixed twice a year. The semi-annual interest payable was 4.02% as at 20 June 2007, 3.76% as at 20 December 2007 and 4.15% as at 20 June 2008 and 4.75% as at 20 December 2008. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

In December 1996, the Bank obtained a USD 30 million and DEM 31.14 million (15.92 million in EUR) subordinated loan from the European Bank for Reconstruction and Development with an original mauturity of 27 December 2006. The maturity date was modified to 27 August 2008 on 22 August 2003. The loan is unsecured, subordinate to the other liabilities and has a twelve-year maturity, with interest payable at six-month LIBOR + 1.35% from 28 December 2003 until 27 August 2008. The loan has already been repayed in 2008.

On 4 March 2005, the Bank issued EUR 125 million in bonds, which are subordinated to the other liabilities of the Bank. Interest on subordinated bonds is variable and payable at three-month EURIBOR + 0.55% quarterly. The original maturity of the bonds is 10 years.

On 31 October 2006, the Bank issued perpetual subordinated (UT2) bonds to finance acquisitions. The 500 EUR million nominal value bonds were issued at 99.375 % of the face value with 7 November 2006 as payment date. The re-offer spread is 200 basis points over the 10 year mid-swap. The bonds are perpetual and callable after year 10. The bonds bear a fixed coupon of 5.875%, with annual interest payments in the first 10 years, and a floater (variable) coupon of 3 months EURIBOR + 300 basis points per annum, quaterly thereafter. The bonds were listed on the Luxembourg Stock Exchange.

On 30 August 2006, the Bank updated EMTN Program and increased the Program amount from EUR 1 billion to EUR 3 billion.
Under the EMTN Program on 12 September 2006 the Bank issued fixed rate subordinated bonds in a total nominal value of EUR 300 million to finance acquisitions. The EUR 300 million nominal value bonds were issued at 100% of the face value with 19 September 2016 as maturity date. The bonds bear a coupon of 5.27%, interests are paid annually.
On 26 February 2007 the Bank also issued EUR 200 million subordinated notes due on 19 September 2016 under the same program.

NOTE 18: SHARE CAPITAL (in HUF mn)

	2008	2007
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 19: RETAINED EARNINGS AND RESERVES (in HUF mn)

The reserves of the Bank under Hungarian Accounting Standards were HUF 652,297 million and HUF 537,211 million as at 31 December 2008 and 2007 respectively. Of these amounts, legal reserves represent HUF 156,975 million and HUF 152,569 million as at 31 December 2008 and 2007 respectively. The legal reserves are not available for distribution.

Dividends of HUF 40,320 million for the year 2006 were approved by the Annual General Meeting on 28 April 2007.

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

These Financial Statements will be approved by the Annual General Meeting in April 2009. No dividends are proposed.

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares („ICES"). Within the transaction 10 million shares owned by OTP Bank, and 4.5 million shares owned by OTP Fund Management Ltd were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A., which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds are without final maturity and the investors can exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years thereafter the Issuer has the right to buy back the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%.

Under a subordinated swap contract, the Bank pays the interest of ICES payable to Opus and if the Bank pays dividend for the ordinary shares, receives the same amount of money from Opus than the dividend that is payable for the shares held by Opus.

NOTE 20: TREASURY SHARES (in HUF mn)

	2008	2007
Nominal value (ordinary shares)	1,742	610
Carrying value at aquisition cost	97,845	54,208

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

NOTE 21: OTHER EXPENSES (in HUF mn)

	2008	2007
Provision for impairment on investments in subsidiaries	124,880	56
Administration expenses, including rental fees	24,534	23,996
Services	21,188	17,803
Taxes, other than income tax	15,707	16,903
Provision for impairment on off-balance sheet commitments and contingent liabilities	14,012	512
Advertising	5,670	5,129
Provision for impairment on securities available-for-sale	2,769	-
Professional fees	2,216	2,762
(Release)/provision for impairment on other assets	(731)	351
Other	5,605	4,356
Total	215,850	71,868

NOTE 22: INCOME TAXES (in HUF mn)

The Bank is presently liable for income tax at a rate of 16% of taxable income.
In Hungary, an additional 4% of special tax is to be paid.
In the calculation of deferred tax the 20% tax rate was taken into account.

A breakdown of the income tax expense is:

	2008	2007
Current tax	4,749	22,169
Deferred tax	2,838	(2,068)
	7,587	20,101

A reconciliation of the deferred tax liability is as follows:

	2008	2007
Balance as at 1 January	(2,969)	(5,831)
Deferred tax charge	(2,838)	2,068
Tax effect of fair value adjustment of available-for-sale securities and ICES recognised through equity	5,048	794
Balance as at 31 December	(759)	(2,969)

NOTE 22: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax liability is as follows:

	2008	**2007**
Difference in accounting for finance leases	669	510
Fair value adjustment of held for trading and available-for-sale securities	2,347	-
Repurchase agreements	-	1,818
Fair value adjustment of derivative financial instruments	-	378
Provision for impairment on investments in subsidiaries	3,183	-
Deferred tax asset	6,199	2,706
Fair value adjustment of held for trading and available-for-sale financial assets	-	(1,021)
Premium and discount amortization on bonds	(365)	(339)
Repurchase agreements	(2,498)	-
Fair value adjustment of derivative financial instruments	(555)	-
Valuation of equity instrument (ICES)	(1,964)	(2,760)
Difference in depreciation and amortization	(1,576)	(1,555)
Deferred tax liabilities	(6,958)	(5,675)
Net deferred tax liabilities	(759)	(2,969)

NOTE 22: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax charge is as follows:

	2008	2007
Profit before income tax	141,542	161,782
Income tax at statutory tax rate (16%)	22,647	25,885
Special tax (4%)	3,366	5,763
Income tax adjustments are as follows:		
Reversal of statutory general provision	(15)	(1,819)
Provision for impairment on loan losses	(268)	-
Change in statutory goodwill and negative goodwill	4,608	(1,762)
Revaluation of investments denominated in foreign currency to historical cost	(2,828)	(2,514)
Fair value of share-based payment	6	1,025
Permanent differences related to issued equity instruments (ICES)	(404)	(389)
Treasury share transaction	(10,319)	-
Dividend income	(22,122)	(3,027)
Other	12,916	(3,061)
Income tax	7,587	20,101
Effective tax rate	5.4%	12.4%

NOTE 23: FINANCIAL RISK MANAGEMENT

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

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 and industry segments. Such risks are monitored on a revolving 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 where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

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.

Liquidity risk

See Note 30.

Foreign currency risk

See Note 31.

Interest rate risk

See Note 32.

NOTE 24: 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 balance sheet and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

(a) Contingent liabilities and commitments

	2008	2007
Commitments to extend credit	604,348	749,015
Guarantees arising from banking activities	222,554	255,406
Contingent liabilities related to OTP Mortgage Bank Ltd.	68,336	38,702
Confirmed letters of credit	9,267	5,892
Legal disputes	6,332	5,708
Other	669	5,178
Total	911,506	1,059,901

Commitments to extend credit

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

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

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

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

NOTE 24: 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.
Provision for the year due to recourse agreements were HUF 6,834 million and HUF 3,870 million as at 31 December 2008 and 2007 respectively.

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.
Provision due to legal disputes were HUF 3,038 million and HUF 2,845 million as at 31 December 2008 and 2007 respectively. (See Note 16)

NOTE 24: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(b) Derivatives (nominal amount, unless otherwise stated)

	2008	2007
Foreign currency contracts designated as held for trading		
Off-balance sheet assets	150,461	97,699
Off-balance sheet liabilities	153,867	99,161
Net	(3,406)	(1,462)
Net fair value	(2,158)	(649)
Foreign exchange swaps and interest rate swaps designated as held for trading		
Off-balance sheet assets	3,701,859	2,063,109
Off-balance sheet liabilities	3,540,780	1,980,414
Net	161,079	82,695
Net fair value	(28,091)	15,413
Interest rate swaps designated in hedge accounting relationships		
Off-balance sheet assets	35,077	20,041
Off-balance sheet liabilities	29,441	17,320
Net	5,636	2,721
Net fair value	7,424	1,478
Option contracts		
Off-balance sheet assets	10,927	123,467
Off-balance sheet liabilities	10,792	123,520
Net	135	(53)
Net fair value	180	25,900
Forward security agreements designated as held for trading		
Off-balance sheet assets	2,101	175
Off-balance sheet liabilities	2,101	175
Net	-	-
Net fair value	52	(1)
Forward rate agreements designated as held for trading		
Off-balance sheet assets	37	-
Off-balance sheet liabilities	-	-
Net	37	-
Net fair value	33	-

NOTE 24: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

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.

As at 31 December 2008 the Bank has derivative instruments with positive fair values of HUF 105,768 million and negative fair values of HUF 128,328 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through profit or loss. Negative fair values of hedging derivative instruments are included in other liabilities. Corresponding figures as at 31 December 2007 are HUF 65,296 million and HUF 23,155 million.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

NOTE 24: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Cross-currency interest rate swap

The Bank enters into cross-currency interest rate swap (CCIRS) transactions which have special attributes, i.e. the parties exchange the notional amount at the beginning and also at the maturity of the transaction. A special type of these deals 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 25: 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 amount increased under the modified program.

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

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

NOTE 25: SHARE-BASED PAYMENT [continued]

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

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

- the growth of the net income obtains 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.

	2008		**2007**	
	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	6,678,130	7,957	4,799,825	7,231
Granted during the period	-	-	3,510,000	8,419
Forfeited during the period	965,050	6,484	187,250	7,648
Exercised during the period	257,500	6,536	1,444,445	6,706
Outstanding at the end of the period	2,534,950	6,484	6,678,130	7,957
Exercisable at the end of the period	1,774,466	8,424	2,334,304	7,369

For the year ended 31 December 2008 the key accomplishment factors -which are preconditions of the option program - are not fulfilled, in accordance of the option program the Bank did not recognise any personnel expense.

The options outstanding as at 31 December 2008 and 2007 had a weighted average exercise price of HUF 6,484 and HUF 7,957 with a weighted average remaining contractual life of 18 and 22 months, respectively.

NOTE 25: SHARE-BASED PAYMENT [continued]

The inputs into the Binominal model are as follows:

	2008	2007
Weighted average share price (HUF)	7,828	7,663
Weighted average exercise price (HUF)	7,941	7,594
Expected volatility (%)	29	29
Expected life (average year)	3.56	3.18
Risk free rate (%)	6.84	7.01
Expected dividends (%)	2.31	2.45

Expected volatility was determined by calculating the historical volatility of the Bank's share price three months prior to the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

In connection with the share-based payment programs approved by the Bank and applying IFRS 2, HUF 28 million and HUF 5,123 million has been recognised as an expense as at 31 December 2008 and 2007 respectively.

NOTE 26: RELATED PARTY TRANSACTIONS

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

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 57,418 million and HUF 269,300 million during the years ended 31 December 2008 and 2007 (including interest). The book value of these receivables were HUF 57,347 million and 269,205 million.

During the year ended 31 December 2008 the Bank received HUF 38,715 million fees and commission from OTP Mortgage Bank Company Ltd. For the year ended 31 December 2007 such fees and commissions were HUF 50,493 million. Such fees and commissions are related to loans originated by the Bank and sold to OTP Mortgage Bank Company Ltd. Provision due to legal disputes were HUF 3,038 million and HUF 2,845 million as at 31 December 2008 and 2007 respectively. (See Note 16)

During the years ended 31 December 2008 and 2007 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring Ltd for HUF 12,419 million and HUF 8,479 million respectively. The gross book value of such credits were HUF 23,838 million and HUF 29,873 million respectively, with a corresponding allowance for loan losses of HUF 9,149 million and HUF 19,547 million respectively. The underlying mortgage rights were also transferred to OTP Factoring Ltd. Provision for losses related to such transactions are recorded in the unconsolidated financial statements, among for loans and placement losses, which were HUF 2,270 million and HUF 1,847 million as at 31 December 2008 and 2007 respectively.

NOTE 26: RELATED PARTY TRANSACTIONS [continued]

Commissions received by the Bank from related parties and commissions paid by the Bank to related parties are summarized below:

(a) Commissions received by the Bank

	2008	2007
Commissions received by the Bank from OTP Building Society Ltd in relation to finalised customer contracts	2,384	1,949
Commissions received by the Bank from OTP Fund Management Ltd in relation to trading activity	6,095	5,066
Commissions received by the Bank from OTP Fund Management Ltd in relation to custody activity	406	437
Total	8,885	7,452

(b) Commissions paid by the Bank

	2008	2007
Commissions paid by the Bank to OTP Real Estate Leasing Ltd in relation to its activity	353	1,413
Total	353	1,413

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.

(c) Loans provided to subsidiaries

	2008	2007
OTP Financing Cyprus Co. Ltd. (Cyprus)	535,636	258,621
OTP Financing Netherlands B. V. (Netherlands)	245,721	50,670
Merkantil Bank Ltd.	225,377	175,567
OAO OTP Bank (Russia) (former OAO Investsberbank)	155,443	63,675
DSK Bank EAD (Bulgaria)	114,380	139,671
Merkantil Car Ltd.	39,212	41,896
OTP Banka Hrvatska Group (Croatia)	35,810	30,478
OTP Real Estate Leasing Ltd.	29,363	15,458
Crnogorska komerčijalna banka a.d. (Montenegro)	22,572	11,907
OTP banka Srbija a.d. (Serbia)	21,447	22,889
TradeNova Commercial Ltd. (former OTP Trade Ltd.)	18,974	29,584
OTP Bank Romania S.A. (Romania)	7,874	98,525
CJSC OTP Bank (Ukraine)	-	61,692
Total	1,451,809	1,000,633

NOTE 26: RELATED PARTY TRANSACTIONS [continued]

CJSC OTP Bank is financed by OTP Financing Cyprus Co. Ltd. from 2008.

(d) Deposits from subsidiaries

	2008	2007
OTP Building Society Ltd.	28,222	17,622
DSK Bank EAD (Bulgaria)	6,450	58,741
Total	34,672	76,363

The members of the Board of Directors and the Supervisory Board have credit lines of HUF 121 million and HUF 169.3 million as at 31 December 2008 and 2007 respectively. Such credit is made available at normal market conditions.

In the normal course of business, the Bank gives loans and provides services to other subsidiaries at normal market conditions. The amount of these loans was HUF 27,366 million and HUF 3,862 million, with commitments to extend credit and guarantees of HUF 121 million and HUF 5,456 million as at 31 December 2008 and 2007 respectively.

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	**2008**	**2007**
Short-term employee benefits	8,153	2,700
Redundancy payments	-	1,500
Share-based compensations	16	2,459
	8,169	6,659

NOTE 27: CASH AND CASH EQUIVALENTS (in HUF mn)

	2008	2007
Cash, amounts due from banks and balances with the NBH	157,437	229,644
Compulsory reserve established by the NBH	(64,371)	(156,203)
	93,066	73,441

The management does not consider the compulsory reserve to be a part of cash and cash equivalents due to restrictions placed on its use by the NBH.

NOTE 28: 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 Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 45,196 million and HUF 45,081 million as at 31 December 2008 and 2007 respectively.

NOTE 29: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 9% and 10% of the total assets of the Bank consisted of receivables from, or securities issued by the Hungarian Government or the National Bank of Hungary as at 31 December 2008 and 2007 respectively. Approximately 8% and 9% of the Banks total assets consisted of securities issued by the OTP Mortgage Bank Ltd. as at 31 December 2008 and 2007 respectively. There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2008 and 2007 respectively.

NOTE 30: 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 30: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at 31 December 2008	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	157,437	-	-	-	157,437
Placements with other banks, net of allowance for placement losses	431,339	115,510	359,000	14,606	920,455
Financial assets at fair value through profit or loss	32,809	16,795	75,822	26,290	151,716
Securities available-for-sale	123	34,351	416,199	99,238	549,911
Loans, net of allowance for loan losses	178,823	446,352	1,251,158	839,049	2,715,382
Accrued interest	60,340	16	3	1	60,360
Investments in subsidiaries	-	-	-	596,244	596,244
Securities held-to-maturity	131,418	98,504	168,820	38,793	437,535
Property and equipment	-	-	38,766	34,078	72,844
Intangible assets	-	-	39,539	-	39,539
Other assets	17,668	44,600	7,945	679	70,892
TOTAL ASSETS	**1,009,957**	**756,128**	**2,357,252**	**1,648,978**	**5,772,315**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	253,561	307,764	80,380	63,860	705,565
Deposits from customers	2,459,062	605,823	24,256	1,621	3,090,762
Liabilities from issued securities	256,133	-	345,658	-	601,791
Accrued interest payable	36,428	-	-	-	36,428
Fair value of derivative financial instruments designated as held for trading	30,885	10,989	78,476	6,711	127,061
Other liabilities	132,757	2,815	712	-	136,284
Subordinated bonds and loans	-	-	5,000	296,951	301,951
TOTAL LIABILITIES	**3,168,826**	**927,391**	**534,482**	**369,143**	**4,999,842**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	842,318	842,318
Treasury shares	-	-	(67,407)	(30,438)	(97,845)
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**(67,407)**	**839,880**	**772,473**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,168,826**	**927,391**	**467,075**	**1,209,023**	**5,772,315**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,158,869)**	**(171,263)**	**1,890,177**	**439,955**	**-**

NOTE 30: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at 31 December 2007	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	229,644	-	-	-	229,644
Placements with other banks, net of allowance for placement losses	254,245	70,874	388,037	12,302	725,458
Financial assets at fair value through profit or loss	26,396	22,485	45,624	28,866	123,371
Securities available-for-sale	95	35,149	199,665	85,706	320,615
Loans, net of allowance for loan losses	131,755	414,334	1,012,213	630,330	2,188,632
Accrued interest	46,071	300	48	2	46,421
Investments in subsidiaries	-	-	-	630,703	630,703
Securities held-to-maturity	97,920	142,583	261,737	56,270	558,510
Property, equipment and intangible assets	-	-	92,622	17,651	110,273
Other assets	164,111	10,820	77	2,039	177,047
TOTAL ASSETS	**950,237**	**696,545**	**2,000,023**	**1,463,869**	**5,110,674**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	294,010	3,907	228,722	64,109	590,748
Deposits from customers	2,794,724	150,531	8,948	832	2,955,035
Liabilities from issued securities	245	-	393,951	-	394,196
Accrued interest payable	18,411	-	-	-	18,411
Fair value of derivative financial instruments designated as held for trading	4,347	4,170	12,033	1,993	22,543
Other liabilities	93,970	18,017	3,581	-	115,568
Subordinated bonds and loans	-	9,212	-	289,702	298,914
TOTAL LIABILITIES	**3,205,707**	**185,837**	**647,235**	**356,636**	**4,395,415**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	741,467	741,467
Treasury shares	(3,554)	(14,217)	(36,437)	-	(54,208)
TOTAL SHAREHOLDERS' EQUITY	**(3,554)**	**(14,217)**	**(36,437)**	**769,467**	**715,259**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,202,153**	**171,620**	**610,798**	**1,126,103**	**5,110,674**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,251,916)**	**524,925**	**1,389,225**	**337,766**	**-**

NOTE 31: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 31 December 2008

	USD	EUR	CHF	Others	Total
Assets*	813,638	1,083,198	931,192	580,837	3,408,865
Investments in subsidiaries	-	(61,988)	-	(476,524)	(538,512)
Liabilities	(110,033)	(1,583,773)	(134,322)	(24,319)	(1,852,447)
Off-balance sheet assets and liabilities, net	(789,408)	442,961	(859,969)	(144,318)	(1,350,734)
Net position	**(85,803)**	**(119,602)**	**(63,099)**	**(64,324)**	**(332,828)**

As at 31 December 2007

	USD	EUR	CHF	Others	Total
Assets	542,607	982,164	715,792	565,159	2,805,722
Investments in subsidiaries	-	(29,135)	-	(538,821)	(567,956)
Liabilities	(109,108)	(1,309,605)	(135,431)	(30,368)	(1,584,512)
Off-balance sheet assets and liabilities, net	(479,265)	97,133	(574,874)	10,748	(946,258)
Net position	**(45,766)**	**(259,443)**	**5,487**	**6,718**	**(293,004)**

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

NOTE 32: INTEREST RATE RISK MANAGEMENT

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

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

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

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

NOTE 32: INTERREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2008

ASSETS	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
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash, amounts due from banks and balances with the National Bank of Hungary	**71,857**	**10,919**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**66,542**	**8,119**	**138,399**	**19,038**	**157,437**
fixed interest	71,857	10,919	-	-	-	-	-	-	-	-	-	-	71,857	10,919	**82,776**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	66,542	8,119	66,542	8,119	**74,661**
Placements with other banks	**157,697**	**310,556**	**2,506**	**139,481**	**-**	**136,232**	**-**	**47,894**	**-**	**126,089**	**-**	**-**	**160,203**	**760,252**	**920,455**
fixed interest	157,009	167,699	2,506	9,694	-	37,867	-	47,894	-	126,089	-	-	159,515	389,243	**548,758**
variable interest	688	142,857	-	129,787	-	98,365	-	-	-	-	-	-	688	371,009	**371,697**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held for trading	**1,454**	**-**	**1,496**	**-**	**8,850**	**1**	**10,564**	**875**	**27,071**	**2,210**	**2,298**	**-**	**51,733**	**3,086**	**54,819**
fixed interest	1,454	-	1,340	-	8,778	1	10,564	875	27,071	2,210	-	-	49,207	3,086	**52,293**
variable interest	-	-	156	-	72	-	-	-	-	-	-	-	228	-	**228**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	2,298	-	2,298	-	**2,298**
Securities available-for-sale	**-**	**-**	**217,002**	**97,039**	**27,707**	**5,852**	**22,078**	**3,311**	**156,387**	**9,720**	**10,543**	**272**	**433,717**	**116,194**	**549,911**
fixed interest	-	-	-	-	27,707	5,852	22,078	3,311	156,387	9,720	-	-	206,172	18,883	**225,055**
variable interest	-	-	217,002	97,039	-	-	-	-	-	-	-	-	217,002	97,039	**314,041**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	10,543	272	10,543	272	**10,815**
Loans, net of allowance for loan losses	**651,042**	**1,097,469**	**40,190**	**304,205**	**97,416**	**514,201**	**487**	**196**	**9,980**	**196**	**-**	**-**	**799,115**	**1,916,267**	**2,715,382**
fixed interest	6,419	-	26	98	326	98	487	196	9,980	196	-	-	17,238	588	**17,826**
variable interest	644,623	1,097,469	40,164	304,107	97,090	514,103	-	-	-	-	-	-	781,877	1,915,679	**2,697,556**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held-to-maturity	**119,263**	**-**	**19,935**	**-**	**132,772**	**-**	**38,930**	**-**	**126,635**	**-**	**-**	**-**	**437,535**	**-**	**437,535**
fixed interest	117,914	-	12,670	-	95,971	-	38,930	-	126,635	-	-	-	392,120	-	**392,120**
variable interest	1,349	-	7,265	-	36,801	-	-	-	-	-	-	-	45,415	-	**45,415**
Fair value of derivative financial instruments	**10,266**	**827,730**	**15,811**	**524,591**	**97,434**	**131,770**	**94,099**	**178,698**	**712,125**	**170,052**	**-**	**-**	**929,735**	**1,832,841**	**2,762,576**
fixed interest	10,266	826,457	15,811	524,591	95,523	129,863	93,805	176,600	708,625	168,978	-	-	924,030	1,826,489	**2,750,519**
variable interest	-	1,273	-	-	1,911	1,907	294	2,098	3,500	1,074	-	-	5,705	6,352	**12,057**

NOTE 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2008

LIABILITIES	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
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Amounts due to banks and deposits with the National Bank of Hungary	**77,435**	**252,583**	**7,287**	**151,120**	**211,209**	**1,492**	**-**	**-**	**-**	**4,439**	**-**	**-**	**295,931**	**409,634**	**705,565**
fixed interest	77,062	128,125	1,746	15,051	118,618	1,404	-	-	-	4,439	-	-	197,426	149,019	**346,445**
variable interest	373	124,458	5,541	136,069	92,591	88	-	-	-	-	-	-	98,505	260,615	**359,120**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from customers	**1,173,542**	**269,453**	**457,665**	**161,007**	**348,569**	**83,475**	**-**	**153**	**553,330**	**43,568**	**-**	**-**	**2,533,106**	**557,656**	**3,090,762**
fixed interest	472,460	220,469	428,956	160,997	345,646	83,475	-	153	2	15,753	-	-	1,247,064	480,847	**1,727,911**
variable interest	701,082	48,984	28,709	10	2,923	-	-	-	553,328	27,815	-	-	1,286,042	76,809	**1,362,851**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities from issued securities	**-**	**-**	**-**	**409,652**	**59,410**	**-**	**-**	**-**	**-**	**132,729**	**-**	**-**	**59,410**	**542,381**	**601,791**
fixed interest	-	-	-	-	59,410	-	-	-	-	132,729	-	-	59,410	132,729	**192,139**
variable interest	-	-	-	409,652	-	-	-	-	-	-	-	-	-	409,652	**409,652**
Fair value of derivative financial instruments	**433,865**	**412,929**	**344,277**	**193,970**	**63,840**	**163,285**	**9,894**	**263,533**	**8,956**	**898,303**	**-**	**-**	**860,832**	**1,932,020**	**2,792,852**
fixed interest	433,865	411,662	344,277	193,970	62,589	161,395	8,656	261,452	6,364	896,870	-	-	855,751	1,925,349	**2,781,100**
variable interest	-	1,267	-	-	1,251	1,890	1,238	2,081	2,592	1,433	-	-	5,081	6,671	**11,752**
Subordinated bonds and loans	**-**	**-**	**5,000**	**28,550**	**-**	**-**	**-**	**-**	**-**	**268,401**	**-**	**-**	**5,000**	**296,951**	**301,951**
fixed interest	-	-	-	-	-	-	-	-	-	268,401	-	-	-	268,401	**268,401**
variable interest	-	-	5,000	28,550	-	-	-	-	-	-	-	-	5,000	28,550	**33,550**
NET POSITION	**(673,263)**	**1,311,709**	**(517,289)**	**121,017**	**(318,849)**	**539,804**	**156,264**	**(32,712)**	**469,912**	**(1,039,173)**	**79,383**	**8,391**	**(803,842)**	**909,036**	**105,194**

NOTE 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2007

ASSETS	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
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash , amounts due from banks and balances with the National Bank of Hungary	**168,212**	**13,289**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44,657**	**3,486**	**212,869**	**16,775**	**229,644**
fixed interest	168,212	13,289	-	-	-	-	-	-	-	-	-	-	168,212	13,289	**181,501**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	44,657	3,486	44,657	3,486	**48,143**
Placements with other banks	**34,780**	**385,154**	**3,000**	**188,622**	**550**	**113,352**	**-**	**-**	**-**	**-**	**-**	**-**	**38,330**	**687,128**	**725,458**
fixed interest	34,780	192,056	-	63	550	32,984	-	-	-	-	-	-	35,330	225,103	**260,433**
variable interest	-	193,098	3,000	188,559	-	80,368	-	-	-	-	-	-	3,000	462,025	**465,025**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held for trading	**401**	**-**	**2,432**	**-**	**6,865**	**-**	**12,245**	**-**	**34,123**	**-**	**4,317**	**1**	**60,383**	**1**	**60,384**
fixed interest	401	-	2,135	-	6,794	-	12,244	-	34,123	-	-	-	55,697	-	**55,697**
variable interest	-	-	297	-	71	-	1	-	-	-	-	-	369	-	**369**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	4,317	1	4,317	1	**4,318**
Securities available-for-sale	**22,727**	**6,540**	**2,119**	**57,838**	**31,452**	**12,342**	**-**	**4,653**	**148,330**	**22,668**	**11,200**	**746**	**215,828**	**104,787**	**320,615**
fixed interest	-	-	-	-	12,458	853	-	4,653	148,330	22,668	-	-	160,788	28,174	**188,962**
variable interest	22,727	6,540	2,119	57,838	18,994	11,489	-	-	-	-	-	-	43,840	75,867	**119,707**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	11,200	746	11,200	746	**11,946**
Loans, net of allowance for loan losses	**718,099**	**609,275**	**186,173**	**638,107**	**1,367**	**31,007**	**278**	**123**	**3,958**	**245**	**-**	**-**	**909,875**	**1,278,757**	**2,188,632**
fixed interest	5,533	-	44	62	184	62	278	123	3,958	245	-	-	9,997	492	**10,489**
variable interest	712,566	609,275	186,129	638,045	1,183	30,945	-	-	-	-	-	-	899,878	1,278,265	**2,178,143**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held-to-maturity	**97,085**	**-**	**37,300**	**-**	**150,174**	**-**	**108,344**	**-**	**165,607**	**-**	**-**	**-**	**558,510**	**-**	**558,510**
fixed interest	97,085	-	-	-	140,051	-	108,344	-	165,607	-	-	-	511,087	-	**511,087**
variable interest	-	-	37,300	-	10,123	-	-	-	-	-	-	-	47,423	-	**47,423**
Fair value of derivative financial instruments	**288,643**	**453,246**	**645,215**	**347,062**	**38,095**	**33,901**	**1,237**	**33,994**	**1,770**	**683**	**-**	**-**	**974,960**	**868,886**	**1,843,846**
fixed interest	195,265	342,150	212,118	182,451	37,545	32,815	1,237	33,994	1,770	683	-	-	447,935	592,093	**1,040,028**
variable interest	93,378	111,096	433,097	164,611	550	1,086	-	-	-	-	-	-	527,025	276,793	**803,818**

NOTE 32: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2007

LIABILITIES	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
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Amounts due to banks and deposits with the National Bank of Hungary	**86,054**	**223,769**	**26,138**	**167,446**	**82,487**	**1,265**	**26**	**-**	**1**	**3,562**	**-**	**-**	**194,706**	**396,042**	**590,748**
fixed interest	84,188	130,829	24,935	659	153	1,265	26	-	1	3,562	-	-	109,303	136,315	**245,618**
variable interest	1,866	92,940	1,203	166,787	82,334	-	-	-	-	-	-	-	85,403	259,727	**345,130**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from customers	**2,090,732**	**321,364**	**349,174**	**107,262**	**31,915**	**54,212**	**6**	**370**	**-**	**-**	**-**	**-**	**2,471,827**	**483,208**	**2,955,035**
fixed interest	668,459	243,725	344,667	107,262	31,915	54,212	6	370	-	-	-	-	1,045,047	405,569	**1,450,616**
variable interest	1,422,273	77,639	4,507	-	-	-	-	-	-	-	-	-	1,426,780	77,639	**1,504,419**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities from issued securities	**1,639**	**126,540**	**-**	**266,017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,639**	**392,557**	**394,196**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	1,639	126,540	-	266,017	-	-	-	-	-	-	-	-	1,639	392,557	**394,196**
Fair value of derivative financial instruments	**39,191**	**699,462**	**33,849**	**943,177**	**23,878**	**19,903**	**11,796**	**25,051**	**5,179**	**219**	**-**	**-**	**113,893**	**1,687,812**	**1,801,705**
fixed interest	26,899	509,689	26,017	366,880	23,687	19,903	11,796	25,051	5,179	219	-	-	93,578	921,742	**1,015,320**
variable interest	12,292	189,773	7,832	576,297	191	-	-	-	-	-	-	-	20,315	766,070	**786,385**
Subordinated bonds and loans	**-**	**-**	**5,000**	**31,635**	**-**	**9,202**	**-**	**-**	**-**	**253,077**	**-**	**-**	**5,000**	**293,914**	**298,914**
fixed interest	-	-	-	-	-	-	-	-	-	253,077	-	-	-	253,077	**253,077**
variable interest	-	-	5,000	31,635	-	9,202	-	-	-	-	-	-	5,000	40,837	**45,837**
NET POSITION	**(887,669)**	**96,369**	**462,078**	**(283,908)**	**90,223**	**106,020**	**110,276**	**13,349**	**348,608**	**(233,262)**	**60,174**	**4,233**	**183,690**	**(297,199)**	**(113,509)**

NOTE 33: 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.

	2008	2007
Net profit for the year (in HUF mn)	133,955	141,681
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	270,758,317	278,742,688
Basic Earnings per share (in HUF)	495	508
Weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	271,558,263	279,368,972
Diluted Earnings per share (in HUF)	493	507

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

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

NOTE 34: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 31 December 2008

	Net interest income and expense	Net non-interest gain and loss	Provision	Equity
Cash, amounts due from banks and balances with the National Bank of Hungary	14,147	-	-	-
Placements with other banks, net of allowance for placement losses	43,622	-	(362)	-
Securities held for trading	4,978	(4,668)	-	-
Securities available-for-sale	23,960	(1,958)	-	(21,742)
Loans, net of allowance for loan losses	233,388	45,630	(28,849)	-
Securities held-to-maturity	42,695	2,513	-	-
Derivative financial instruments	(6,609)	(7,438)	-	-
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(35,802)	-	-	-
Deposits from customers	(145,014)	55,402	-	-
Liabilities from issued securities	(25,079)	-	-	-
Subordinated bonds and loans	(16,444)	-	-	-
	133,842	**89,481**	**(29,211)**	**(21,742)**

As at 31 December 2007

	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	11,754	-	-	-
Placements with other banks, net of allowance for placement losses	41,920	-	-	-
Securities held for trading	2,807	(353)	-	-
Securities available-for-sale	24,952	1,345	-	(2,523)
Loans, net of allowance for loan losses	194,803	51,326	(21,453)	-
Securities held-to-maturity	51,298	-	-	-
Derivative financial instruments	20,928	(1,853)	-	(484)
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(22,471)	-	-	-
Deposits from customers	(106,884)	73,850	-	-
Liabilities from issued securities	(16,151)	-	-	-
Subordinated bonds and loans	(16,086)	54	-	-
	186,870	**124,369**	**(21,453)**	**(3,007)**

NOTE 35: SENSITIVITY ANALYSIS

35.1. 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:

Historical VaR	Average	
(99%, one-day) by risk type	**2008**	**2007**
Foreign exchange	178	158
Interest rate	435	130
Equity instruments	68	96
Diversification	(202)	(141)
Total VaR exposure	479	243

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 35.2 below and, for interest rate risk, in 35.3 below.

NOTE 35: SENSITIVITY ANALYSIS [continued]

35.2. Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to an 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 300 million and USD 75 million loss as of 31 December 2008 and EUR 570 million profit as of 31 December 2007 respectively. 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.

	Effects to the P&L in 3 months period	
Probability	**2008**	**2007**
	In HUF billion	In HUF billion
1%	(8.6)	(16.7)
5%	(5.4)	(11.3)
25%	(1.3)	(4.3)
50%	1.3	0.3
25%	3.8	3.8
5%	7.1	6.5
1%	9.5	7.0

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) Considerable decrease in estimated VaR is due to the decrease of foreign exchange exposure.
(3) Monte Carlo simulation is based on the empirical distribution of the exchange rate movements. Recent market turmoil can result in extreme price movements not observable in the past, and so VaR might underestimate short term risk.

35.3. Interest rate sensitivity analysis

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

- Floating-rate assets and liabilities were repriced to the 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 by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Assets and liabilities with an interest rate lower than 0.3% were assumed to be unchanged for the whole period.

NOTE 35: SENSITIVITY ANALYSIS [continued]

35.3. Interest rate sensitivity analysis [continued]

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

The net interest income in a one year period after 31 December 2008 would be decreased by HUF 551 million (probable scenario) and HUF 3,094 million (alternative scenario) as a result of these simulation.

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

Description	Effects to the net interest income in one year period	
	2008	**2007**
	In HUF million	In HUF million
HUF -0.1% parallel shift	(192)	(195)
EUR -0.1% parallel shift	(85)	(36)
USD +0.1% parallel shift	(149)	18
Total	(426)	(213)

35.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by 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 scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	**2008**	**2007**
VaR (99%, one day, million HUF)	68	96
Stress test (million HUF)	(287)	(73)

NOTE 36: 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 2008	Net profit for the year ended 31 December 2008	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2008
Financial Statements according to HAS	**645,037**	**54,211**	**1,839**	**701,087**
Reversal of statutory general provision	43,269	75	-	43,344
Premium and discount amortization of financial instruments measured at amortised cost	1,694	134	-	1,828
Allowance for loan losses	(1,340)	1,340	-	-
Differences in carrying value of subsidiaries	799	-	1,227	2,026
Difference in accounting for finance leases	(2,551)	(795)	-	(3,346)
Fair value adjustment of held for trading and available-for-sale financial assets	5,104	4,903	(21,742)	(11,735)
Fair value adjustment of derivative financial instruments	(1,888)	4,180	484	2,776
Loss on sale of Treasury shares	-	3,424	(3,424)	-
Reversal of statutory goodwill	33,632	(23,047)	-	10,585
Revaluation of investments denominated in foreign currency to historical cost	15,967	14,141	-	30,108
Difference in accounting of repo transactions	(9,089)	21,577	-	12,488
Treasury share transaction	-	51,594	(7,499)	44,095
Reclassification of direct charges	-	3,066	(3,066)	-
Share-based payment	-	(28)	28	-
Effect on ICES - exchangeabled bond transaction recognised through equity	13,802	2,018	(5,999)	9,821
Deferred taxation	(2,969)	(2,838)	5,048	(759)
Financial Statements according to IFRS	**741,467**	**133,955**	**(33,104)**	**842,318**

NOTE 37: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2008

The Bank purchased 100% of OOO Donskoy Narodny Bank on 12 November 2007. In possession of the necessary approvals the closing of the sale and purchase transaction of OOO Donskoy Narodny Bank was completed on 6 May 2008. According to this fact the financial closing deal value USD 40.95 million (HUF 6,687 million) was also completed.

The Bank issued bonds in nominal value of EUR 500 million at 99.812% of the face value on 16 May 2008. See Note 14.

The Bank has launched a bond issue program of HUF 300,000 million.
The Committee for Product Development, Marketing and Pricing of OTP Bank Plc. adopted the resolution no. 456/2008 about the bond issue program on 31 July 2008. The Information Memorandum related to the program and this announcement were approved by the Hungarian Financial Supervisory Authority. The Bank does not intend to introduce the bonds on the market.

The Bank announces that as at 31 December 2008, its current direct and indirect stake in MOL Hungarian Oil and Gas Plc. are 7,094,302 shares. The direct and indirect interest of the Bank in MOL Hungarian Oil and Gas Company is 6.47% , it is under 10%. 6,987,362 shares of the Banks total stake were obtained in a framework of a securities lending agreement with the aim of developing this new business activity at the Bank.

During the year 2008, due to the OAO OTP Banks continuous share purchasing program the Bank purchased shares of RUB 45.17 million. The direct and indirect interest of the Bank in OAO OTP Bank has increased to 61.62%.

On 21 February 2008 OTP Bank Plc., the 100% owner of OTP banka Hrvatska d.d. has increased the registered capital of its subsidiary by HRK 217 million.

On 4 April 2008 OTP Bank Plc., the 100% owner of Crnogorska komerčijalna banka a.d. has increased the registered capital of its subsidiary by EUR 15 million.

OTP Bank Plc. announces that – according to the approval of National Bank of Ukraine on 31 October 2008 and the Ukrainian State Registry on 6 November 2008 – it increased the registered capital of CJSC OTP Bank by EUR 120 million (UAH 861.4 million).
According to the approval of Annual General Meeting of CJSC OTP Bank on 7 March 2008 CJSC OTP Bank increased the registered capital from its retained earnings by UAH 304.27 million.

In September 2008 OTP Bank Plc., the 95.51% owner of OAO OTP Bank has increased the registered capital of its subsidiary by RUB 2,501.18 million.

NOTE 38: POST BALANCE SHEET EVENTS

On 9 February 2009 the Bank, 100.00% owner of CJSC OTP Bank has increased the registered capital of its subsidiary by UAH 800 million (USD 100 million).

NOTE 39: SALE OF THE INSURANCE BUSINESS LINE (in HUF mn)

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

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

The net result of the transaction is recognized as other income.

The main figures of the transaction the follows:

	2008
Apport to OTP Holding Ltd.	
Book value	(7,472)
Purchase price	23,009
	15,537
Purchase to Groupama SA	
Dividend income from OTP Holding Ltd. (result of the transaction)	120,000
Transaction costs	(2,103)
Net gain	133,434

NOTE 40: THE EFFECT OF THE FINANCIAL SITUATION ON THE BANK

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

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

NOTE 40: THE EFFECT OF THE FINANCIAL SITUATION ON THE BANK [continued]

- The Bank met a HUF 4.7 billion revaluation loss on the strategic open foreign currency position held for hedging the net profit of the foreign subsidiaries, due to the fall of the forint exchange rate. The management has reduced the hedged position in the last quarter of 2008, as the contribution of the subsidiaries to the consolidated net profit of OTP Group is expected to be lower than previously planned.

- The management, based on the deteriorating economic and financial sector outlook, decided for a HUF 122,810 million of goodwill impairment for the Ukranian (CJSC OTP Bank) and Serbian (OTP banka Srbija a.d.) subsidaries, which has considerably reduced the net profit of the Bank in 2008.

- The deteriorating macroeconomic situation in the region and the devaluation of most of the regional currencies made necessary an even more conservative provisionning for the loans. Besides the constantly raising loan risk costs, the Bank took a wide range of measures to minimise the risk in its clients because of the devaluating currencies in the region.

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

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

- The worsening economic situation led to the deterioration of the loan portfolio: the ratio of the non-performing loans reached 3.23%.

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

  - decrease in the available contract limits
  - suspension of the purely collateral based mortgage loans
  - suspension of the disbursements in some segments

  As a consequence of the above measures, the volume of the loans disbursed reduced significantly in the fourth quarter.

- The possibility of receiving new funds from the capital markets have decreased considerably, and no other external fund has been received by the Bank. However, the Bank could preserve its stable liquidity position. The Bank has a stable liquid asset surplus beyond its liquid funds, furthermore the National Bank of Hungary took several new measures to enhance the liquidity and stability of the banking sector parallel to the similar measures of the central banks in the region.

NOTE 40: THE EFFECT OF THE FINANCIAL SITUATION ON THE BANK [continued]

- The swap markets potential to provide the necessary liqudity for the lending activity in foreign currencies, have shrinked significantly in 2008, mainly in the last quarter. Despite this, the renewal of the swap transactions were continous, although accompanied by decreasing spreads. The increasing loss on the swap deals is partially compensated by the devolution of the costs to customers in the form of higher interest rates on loans.

For 2009, the management expects a slackening market in the regional banking sector. Due to the shrinkening interbank funds, potential growth of the loan portfolio will only be possible if the growth in the deposits remains stable.