otpbank

annual report

2009

annual report

2009

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About Bank

Public Joint-Stock Company OTP Bank is one of the largest domestic banks, acknowledged leader of Ukraine's financial sector. The Bank provides corporate and retail clients, as well as small and medium enterprises with full range of financial services. Represented in the Ukrainian market since 1998, the Bank enjoys strong reputation as a socially responsible, reliable and stable financial institution offering its customers the services of the European quality standard.

Ratings:

Rating Agency	Rating		Forecast
	Financial stability	D-	negative
International Rating Agency	Liabilities in national currency	Ba1/NP/	stable
Moody's Investor Service	Liabilities in foreign currency	B3/NP/	negative
	By national scale	Aa1.ua/-	

Awards:

«Best foreign bank in terms of corporate social responsibility»

«One of the most reliable banks of the country»

«Best IT-infrastructure virtualization project»

Principal developments in 2009

February

- OTP Bank received from its parent company - the largest Hungarian bank OTP Bank Plc. - subordinated loan of USD 50 million for the term of 7 years. The loan was granted in accordance with the Bank's capitalization plan for 2009 agreed with OTP Bank Plc. and the National Bank of Ukraine.

April

- OTP Bank General Shareholders' Meeting adopted the resolution to increase the authorized capital to over UAH 2.8 billion.
- OTP Bank was authorized by the National Bank of Ukraine to include USD 50 million subordinated loan in Tier 2 Capital. Thus, the Bank was among the first to fulfill the capitalization plan agreed with the NBU and the International Monetary Fund.
- OTP Bank General Shareholders' Meeting adopted the resolution on the allocation of 2008 income of UAH 76.6 million to the reserve fund of the Bank. Besides, the shareholders approved the annual performance results of the Bank, the audit commission report and conclusions, and external auditor's report.

May

- OTP Bank Plc. effected payment of UAH 800 million for supplement shares of its Ukrainian daughter company.

June

- pursuant to the OTP Bank Supervisory Board's resolution Mykhailo Kuzmin and Miklos Bebiak were appointed as the new Members of the Bank's Management Board.

July

- OTP Bank completed the process of the Bank's accounting service centralization aimed at optimization of the Bank's business transaction and investment accounting and control procedures.
- in pursuance of the Law of Ukraine "On JointStock Companies" No. 514-VI of Sept. 17, 2008, and in accordance with the resolution of General Shareholders' Meeting, Closed Joint-Stock Company OTP Bank was renamed as Public Joint-Stock Company OTP Bank.
- OTP Bank General Shareholders' Meeting adopted the resolution on amendment of the Bank's Charter in view of increase of its authorized capital and considered several current organizational issues.

August

- OTP Bank completed the project of transfer of all Visa International debit cards servicing to the processing center of the parent company – OTP Bank Plc. (Hungary)
- OTP Bank performed total and full debt repayment to Cargill. The indebtedness of the Bank to the American corporation amounted to USD 4.788 million.

September

- as provided by the Syndicated Loan Agreement for the total amount of USD 100 million in two tranches, OTP Bank repaid the first tranche A in the amount of USD 63 million.

October

- OTP Bank joined The International Finance Corporation's Global Trade Finance Program.
- extraordinary OTP Bank General Shareholders' Meeting approved changes in the Supervisory Board membership: appointment of Mr. Csaba Nagy as a new member and prolongation of the authorities of Mr. Zoltan Dencs as a member of the Supervisory Board.

December

- OTP Bank received from its parent company- the largest Hungarian bank OTP Bank Plc.- subordinated loan of USD 30 million for the term of 7 years. The loan was granted in accordance with the Bank's capitalization plan for the current year agreed with OTP Bank Plc. and the National Bank of Ukraine.

Our VISION OTP Bank is a universal dynamically developing bank, a proven leader in Ukraine's financial market, a member of the robust European OTP Group.

Our MISSION Our Bank is known for the high quality of its service, its efficiency and its committed team of professionals, as well as for high level of social responsibility.

We take the lead in setting high standards for professionalism and innovation in Ukraine's banking market.

We serve clients in good faith, anticipate their needs, and build long-term relationship to help make their dreams come true.

We help our team members develop their talents; we encourage their initiative and outstanding performance.

Our VALUES We are committed to socially responsible business practices

- Clients, their needs and trust
- High ethical standards, open partnerships
- Ambitious and committed team of professionals
- Maximal performance result ensured for shareholders

Personnel

Our staff is a solid success-oriented team of real professionals united by the common vision of the future and mission of the Bank.

Despite today's difficult economic climate, the Bank persists in its approach to HR policy. These are human resources that are still the main asset of our financial institution. The Bank fosters talent development, encourages creativity and initiative among the employees, establishes favorable conditions for both labor and good leisure, and provides social protection.

Total number of the Bank's employees is 3827.

The Bank's Management considers maintaining competitive salary level, medical insurance and emergency financial assistance as key components of the compensation package the Bank is currently able to provide for its staff. We care for the future of our employees as well. In this context, non-governmental pension provision program was introduced in 2009. The Program is designed for realization of personnel social protection guarantees and ensuring adequate well-being upon retirement. We offer to open a pension account for each of the Bank's employees.

The Bank supports professional growth and career development of the personnel facilitating to increase knowledge and upgrade professional skills. Even in unstable economic environment, the Bank managed to provide the staff with optimal training volume preserving the high quality thereof.
Such results were ensured and yielded by maximum engagement of internal resources. In 2009, e-learning was set in motion. This instrument is primarily focused on learning of bank products and processes to enhance knowledge, upgrade the Bank's clients service rate and quality while optimizing both financial and time resources. In 2009, there were conducted 14 e-courses on different business topics participated by over 450 officers.

Complex professional training programs delivered by internal corporate trainers of Corporate, SME, and Operations business-lines are continued as well. Development of corporate competencies (soft skills) and corporate-wide programs remains among the Bank's priorities. In 2009, the Bank gave effect to new programs for employees and their children, clients and partners of the Bank.

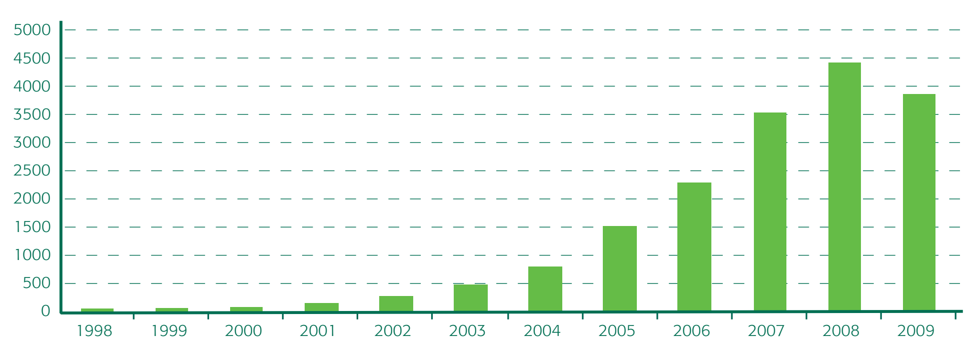
The Bank keeps on conducting programs aimed at support of management competencies and leadership of the management. Thus, within 2009 over 400 managers improved their skills by participating in specialized programs.

The Regional Talent Development Program reached its advanced stage putting forward initiation of a range of business projects being implemented by our "talented colleagues".

Today our employees are offered the opportunity to:

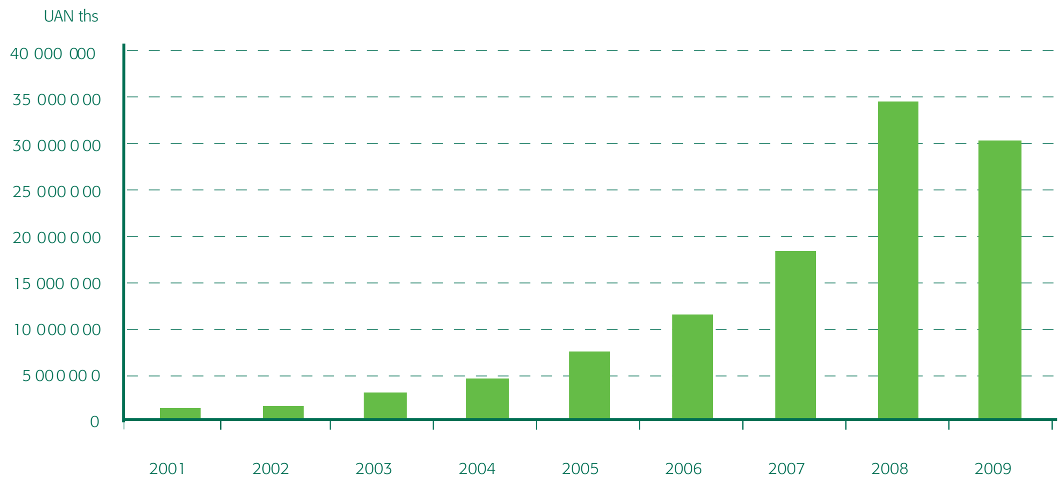
- fulfill their intellectual potential
- gain additional knowledge
- carve out a career of a highly-qualified specialist or high-profile manager

Personnel

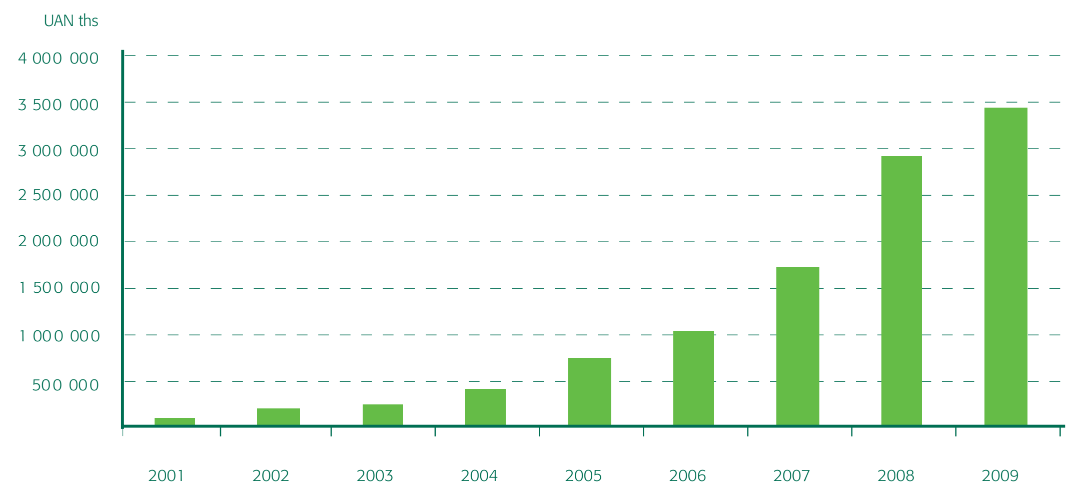


Performance highlights

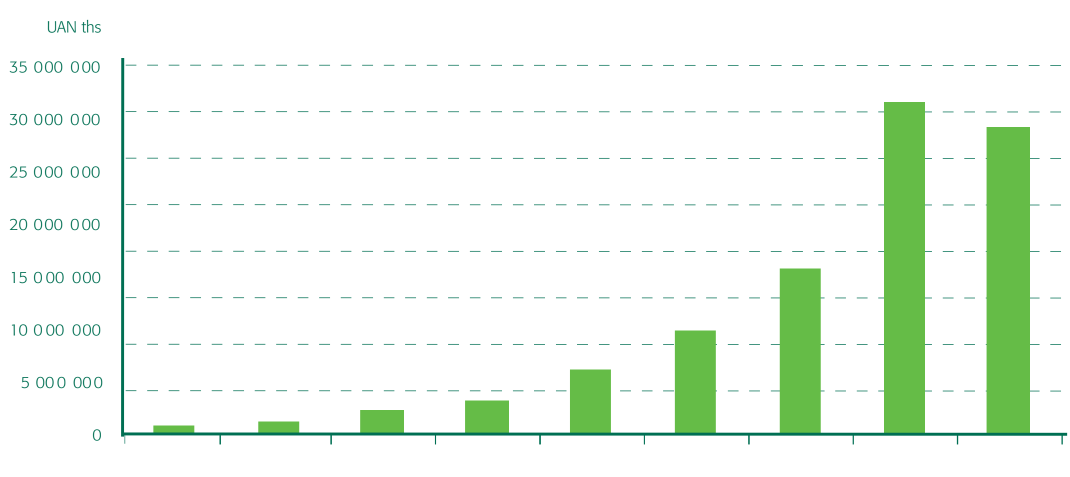
Assets



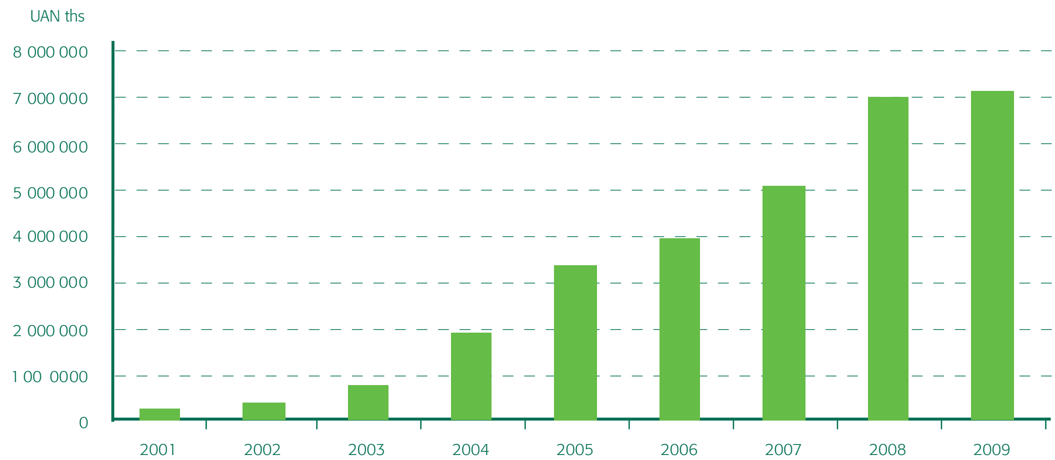
Capital



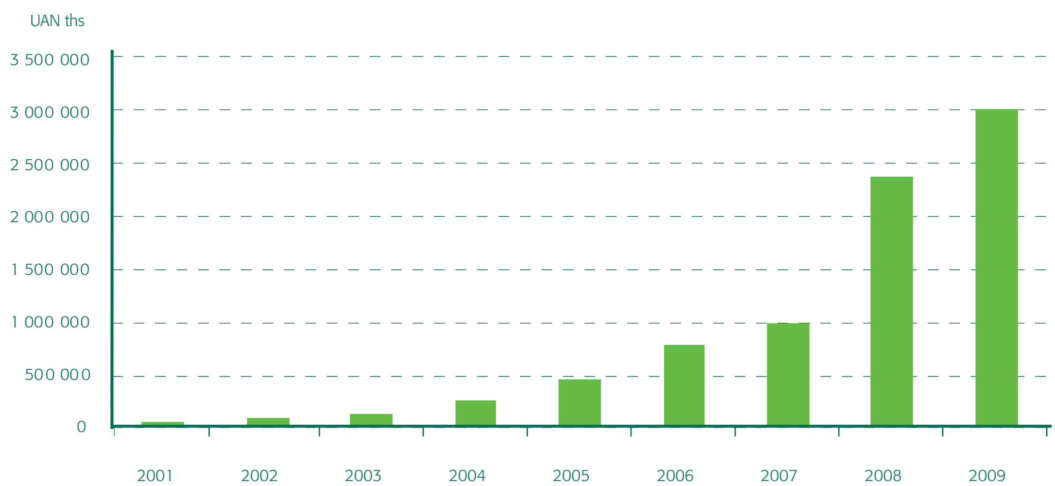
Loan Porfolio



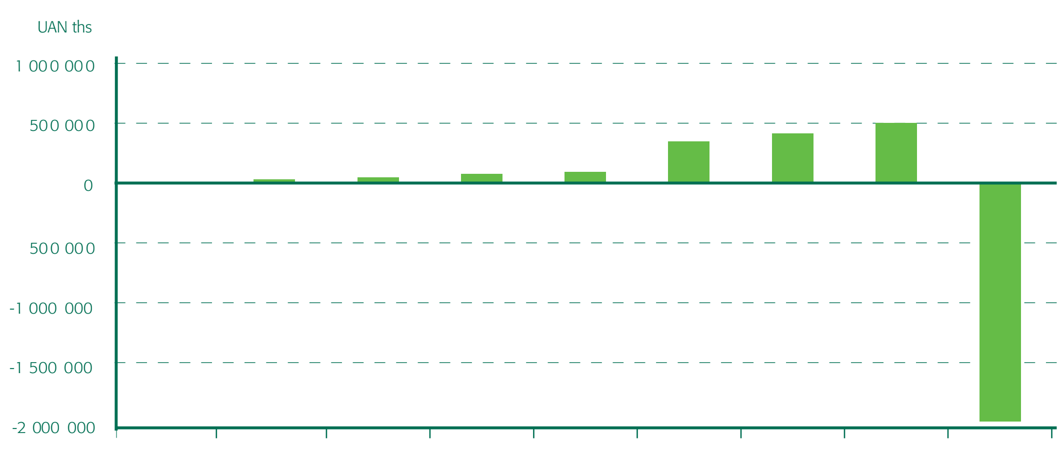
Deposits



Operating Income



Net Profit /(Loss)



Address by the Chairman of the Supervisory Board

DEAR SHAREHOLDERS, CLIENTS AND PARTNERS OF THE BANK!

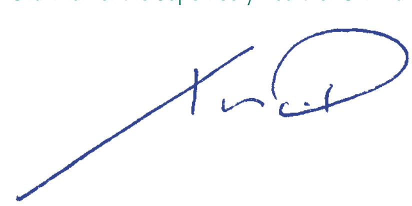
After the global financial crisis spread over Ukraine in the second half of 2008 it continued to worsen in 2009 hitting hard both the financial and the real economy. As a consequence of the vicious market circumstances volatile local currency rate and growing share of nonperforming loan portfolio of the Bank were considered to be the greatest challenges this year. The series of painful steps started already in 2008 continued in 2009 to eliminate the negative effects of the deepening recession and to further improve the operational effectiveness of JSC OTP Bank. Our market pioneer client protection program, personalized customer care and the innovative services all contributed to keep our outstanding reputation both in retail and corporate segments as one of most stable and reliable financial institution of the country.

Due to our cautious lending policy as well as our intention to significantly increase the loan to deposit ratio of the Bank, the total asset volume of the institution reduced by 12 percents year-on-year. On the other side after undermined trust in the banking sector suffered in the beginning of 2009 the Bank successfully managed to recover the trust of their clientele and achieved a remarkable deposit portfolio growth of 4% overall and a 37% increase in the retail segment. After successful implementation of operational cost optimization measures while keeping excellent client servicing at the same time the Bank reduced their cost to income ratio from 43 to 33 percent which is a clear commitment of the management to adapt to the new market circumstances. Besides the stable and excellent operational income level the overall financial result of the bank amounted to UAH -1.8 bln driven by increasing risk costs and over the market average provision coverage to ensure prudent and transparent operation.

Although first signs of recovery from the global financial crisis are visible in Western Europe and overseas, JSC OTP Bank will further focus on their stabile and sustainable operation during 2010. Besides further business process reengineering, servicing model improvements, cost as well as risk management actions, moderate lending activity will also be included in the key assignments of the Bank for the next year. It is our ultimate object in 2010 to be well prepared to a better future and utilize all the experience and resources gained during the past years to react quickly and flexibly when the time has gone.

The year of 2009 was a great test of both our professional knowledge as well as our human suitability. On behalf of the shareholders I dare say that without the support and trust of our clients, partners and employees we could not have overcame the toughest. I would like to express my acknowledgement to all for their belief and contribution attested the last year. In 2010 we are going to work to further preserve the reputation of JSC OTP Bank and fully comply with our clients' new demands. We can once again assure all our partners and clients that JSC OTP Bank benefits from its strong parent support as well as a devoted and highly-professional local management team.

Respectfully yours,
Pal Kovacs
Chairman of the Supervisory Board of OTP Bank JSC



Address by the Chairman of the Management Board

DEAR CLIENTS AND PARTNERS!

The year 2009 turned to be quite difficult for the financial institutions both in Ukraine and around the world. Such conditions forced us to tackle the priority tasks of maintaining the Bank's stability and liquidity, ensuring timely loan servicing by customers. I believe that OTP Bank JSC has successfully coped with these challenges, and moreover managed to strengthen its reputation of genuine client-oriented structure, which we are very proud of. The Bank elaborated and implemented a complex retail loan restructuring program through which about 40% of loans have been already restructured to date. Furthermore, we succeeded in fulfilling all liquidity management plans, increasing the total commission income for all business lines, attracting deposits of individuals. The Bank's total retail deposit portfolio increased by 38% to UAH 3720 mln, evidencing growing depositors' confidence in OTP Bank. Also, we managed to complete three major and extremely important for our Bank projects allowing us to reach a qualitatively new level of development, namely: centralization of accounting and back-office, and MasterCard and Visa debit cards emission migration to the processing center of the parent OTP Bank Plc. (Hungary).

The equity capital of OTP Bank increased by 13% due to increase in the Bank's authorized capital in 2009. The Bank's capital adequacy ratio (CAR) significantly exceeded the normative CAR minimum (10%) and reached 17.77% as of the end of the year, while the current liquidity ratio came to 72.63% against the minimum limit of 40%. Throughout the reporting year, the Bank has been faithfully performing all its obligations to customers: promptly and timely refunding the retail and corporate deposits, keeping on financing those corporate borrowers who had concluded relevant agreements with the Bank before introduction of restrictions. However, the loan portfolio quality was still giving rise to some concern, but we have used all reasonable efforts to improve this parameter and are looking forward to obtaining favorable results soon. In this context, the financial company OTP Factoring Ltd. (Ukraine) was established and started its operation in 2009, addressing its principal objective to manage the Bank's non-performing loans.

Inevitability of drastic changes, transformation of the banking sector, general processes and approaches, calls on us to elaborate new solutions for the OTP Bank Ukraine development strategy, which will enable the Bank to steadily operate in the changed "post-crisis" environment. The Bank will keep on serving as a universal financial institution, preserving its large corporate customer orientation, developing innovative products and services for middle class individual clients and SME representatives in this country. The Bank's priority target for 2010 will be gaining substantial increase in the customer base. The available banking product range, comfortable business processes and the Bank branch network capacity allow providing largest possible range of top-quality services to many customers.

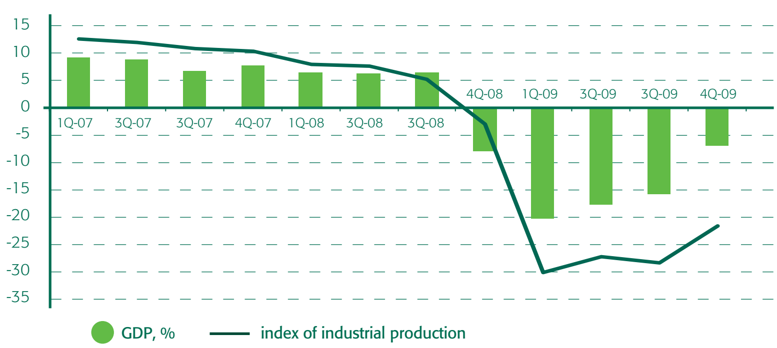
It bears mentioning that OTP Bank JSC serves as a model for many financial institutions in Ukraine in terms of business process management. However, we are not going to be satisfied with what has already been achieved and intend to further improve our operation in the new "post-crisis" conditions. We are taking an advantage of current silent interval for substantial improvement of all our business activities with the purpose of establishment of the most advanced and efficient financial institution in Ukraine.

Respectfully yours,
Dmytro Zinkov, CEO
OTP Bank JSC

Macroeconomic and monetary tendencies in 2009

In 2009 the economic situation in Ukraine remained under adverse affects of the global financial crisis. The recession reached its bottom in the first half year. Industrial production collapse, fall in consumer demand, high unemployment rate, export and import volume reduction were characteristic features of the economic slump in the first six months of the year. Political situation remained unstable. The confrontation between the political leaders intensified. The President and the Prime Minister focused on their election campaigns waiving the necessary economic reforms.

GDP and industrial production



Q3 2009 manifested some resumption of economic growth in the countries - major trading partners, signaling a slow recovery in external demand and tracing the growth of world trade predetermined by the stabilization of consumer prices. These trends have boosted the interest from the part of international investors in the new market economies with some reduction of the external borrowings of Ukraine. At that, the global raw material market prices got some rise stimulating the revival of the Ukrainian industry. The IMF loan enabled the government to finance the state budget deficit and promoted stabilization of the currency market. As a result, the GDP rate in Q4 reached -7% compared with -20.8% in Q1. However, a slight improvement of the GDP trends under existing stagnation of domestic demand was mainly conditioned by statistical comparison effect of 2008. Negative trends in demand remained in the dynamics of all the GDP components. Recession drop in household income, increased losses of enterprises, low credit activity and national currency devaluation were those primary factors which determined further fall in domestic demand on an annualized basis.

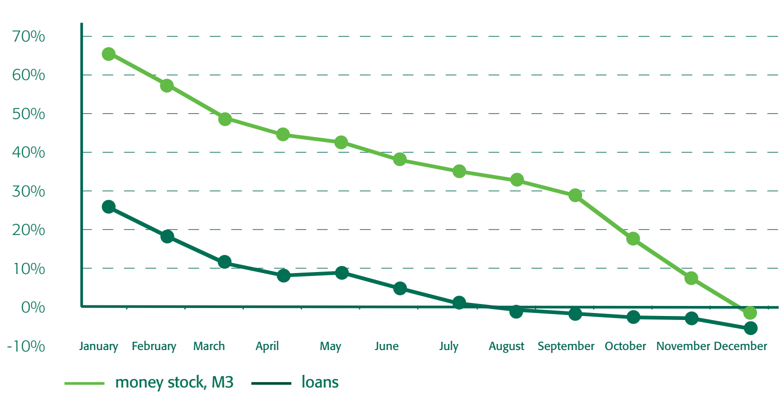
Investment activity came to a halt in many sectors of the economy. Industrial production index fell to -21.9% through January-December. However, the domestic industry managed to get some improvement at the turn of the year. Fiscal and monetary incentives introduced in most of the world's largest economies have contributed to gradual recovery in global demand. Therefore, world markets got intensive reactivation; the Commodity Research Bureau Index (CRB Index) gained 27.7% for the year, being a favorable factor for the Ukrainian economy in view of its significant dependence on the dynamics of foreign business activity. The end of the year distinguished the branches mostly contributing to the real sector improvement, namely engineering industry - due to increased production of vehicles, and metallurgy – as a result of increase in domestic demand for metal production. Construction industry was the one which got the hardest hit by the financial and economic crisis (48.2% decline YoY), primarily conditioned by still very limited access to credit. The crisis has also severely affected the retailers, as trading volumes declined gradually during the year (- 17.4% YoY). Agriculture (increase in production volume during the year amounted to 0.1%) performed as the only sustainable source that has supported economic development in adverse conditions throughout the year.

Steady tendency towards lowering inflation (from 22.3% in 2008 to 12.3% in 2009) has been observed throughout 2009. The prices for public utility services and fuel were major components of inflation. The incentive fiscal policy in the first half of 2009 and the devaluation of the hryvnia also contributed to the accelerated growth in prices. At the same time, stabilization on the currency market and postponing of administrative tariff increase till 2010 were the factors restraining inflation.
In 2009, overall balance of payments deficit

reached USD -13.7 billion (compared with USD -3.2 billion in 2008) due to the current account deficit resulted from high rates of decline in both export and import volumes, as well as due to deficit increase in the financial account. Increased deficit in the financial account was caused by significant foreign debt retirement in favor of private and public sectors and increase in cash out of the banking system against the background of the relatively low level of foreign direct investment (FDI) inflows. The amount of public and publicly guaranteed debt (PPG debt) for 9 months of 2009 reached the high level of UAH 279.6 bln being 47.6% higher than that at the beginning of the year. During January-September 2009 the amount of PPG debt increased mainly due to IMF loan tranches totaling SDR 4 billion, excess issue of domestic government bonds over retirement of bonds and state guarantees provided during the reporting period. Rapid growth of public debt under limited budgetary resources has fueled the adverse effects of currency risk and aggravated the budget load of future periods.

In 2009 the General Fund deficit in the State Budget reached UAH 21.8 billion (2.4% of GDP). The major sources for deficit financing were borrowings: foreign as formed by loans from the IMF and the World Bank, and the internal as generated by the issue of bonds. At that, the economic slump has negatively affected the amount of tax revenue. Primarily, significant increase in losses of enterprises caused the fall in income tax revenues. The VAT revenues also declined conditioned by drop in production of basic industries and reduced import of goods and services. Positive budget performance at the end of the year was achieved by reducing the amount of VAT refunding (1.2 bln refunded in December vs. 3.2 bln planned). Outstanding debt to enterprises has led to increase in budget debt in terms of refunding to 21.8 bln by results of the year, but allowed pumping up the budget for the required amount. In view of perpetual increase of rates of alcohol and tobacco excise, the excise duty has remained the only significant tax characterized by positive dynamics of growth in revenues. The postponement of the fourth IMF tranche can predetermine the increase of fiscal pressure and exacerbate the situation with the budget satisfaction within the next few months.

Loan portfolio growth and monetary growth rates



Monetary policy 2009 was held in difficult conditions of economic and financial crisis and aimed at ensuring the stability of the national currency. Worsening economic conditions, which reached its peak in Q1 of 2009, have shown up in the monetary market by continuing outflow of funds from banks, decrease in banking liquidity, deficit in foreign exchange etc. On the other hand, improved indicators of the real sector performance, strengthened balance of payments and liberalization in monetary policy starting from Q2 have stimulated improvement of the situation. Another important factor which positively influenced the situation in the financial sector was a stabilizing effect of the measures taken by the National Bank of Ukraine, and further cooperation with the IMF in the framework of the Stand-By Arrangement.

As a result, April 2009 became a starting point for monthly increase of deposits of the population (except for a slight decline in September). However, such dynamics failed to offset the drop in deposits in Q1, and annual growth rate remained negative therefore. In total, retail deposits decreased in 2009 by 1.9% to UAH 211.4 bln. Corporate deposits fell 18.0% to UAH 116.5 bln for the same period. As a result, total deposits in 2009 decreased by 8.3% to UAH 328 bln.

Decline in deposits at the beginning of the year produced a correspondent affect on the dynamics of money supply which in 2009 decreased by 5.5% to UAH 487.5 bln. Reduction in supply of broad money was produced by decline in economic activity as a whole.

performance highlights

PERFORMANCE HIGHLIGHTS

CORPORATE BUSINESS

Alla Biniashvili
Corporate Director

In 2009, given the financial and economic hardship in the country, the Bank set the priority to revise and adapt the corporate banking product line to ensure the highest customer satisfaction in new economical setting. In the process of transformation, one of the major tasks remained, as always, reliable provision of existing customers with high-quality services. The Bank's relevant departments have developed and implemented a range of measures which allowed, on the one hand, attaining of the profitability and asset quality objectives set by the shareholders of the Bank and, on the other hand, satisfying the urgent need for compromise schemes of loan restructuring.

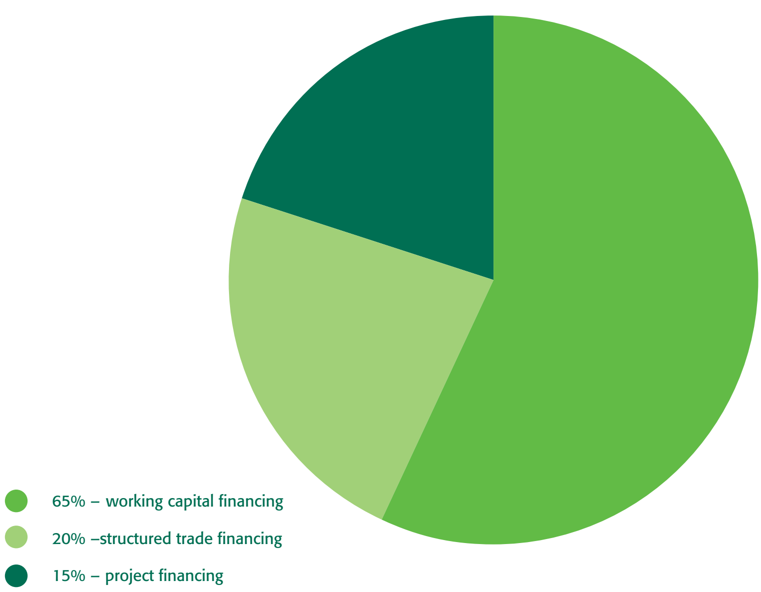
The Bank's strategy to develop "risk-free" products became even more vital and justified. With its wide product range and high quality service, the Bank maintained the long-term relationship policy extending the cooperation with existing customers and attracting new corporate clients. The number of active corporate clients rose by 15% and at the end of 2009 comprised 4200 clients who not only opened current accounts with the Bank, but also actively used the full range of the OTP Group's banking products and services.

In 2009, corporate business line kept the trend towards developing the banking products for corporate clients, at the same time implemented effective measures to enhance the sale thereof.

In this context, we should note significant achievements in attracting corporate clients to servicing under payroll card programs - namely, 170% increase in payroll cards issue owing to new programs as compared with 2008. This result was ensured by many factors and firstly by process optimization - successful transfer to the processing center of the parent OTP Bank Plc. and setting of internal bank systems; secondly and consequently, introduction of a new fee policy regarding payroll card programs, successful new clients attraction campaign, and launching of new products and services for processing of payment cards transactions, as a result of synergy of OTP Group in Central and Eastern Europe.

One of the major projects of the last year was the introduction of the new CRM-system for sales and customer relationship management - REFTAM

As of December 31, 2009, the corporate loan portfolio totaled UAH 12.3 billion and was represented by the following products:



International Application v 1.0. - RIA, launched in March 2009. We expect the new system, which has been successfully implemented in OTP Group banks in Hungary and Bulgaria, to be set in operation in the first quarter of 2010 enabling to build relationships with corporate clients at a principally new level – with comprehensively estimate of the clients' needs and individual approach to each client in respect of certain banking products and services.

The year 2009 has been also marked with further development of Cash Management (banking products for cash flow management). Such liquidity management products as Zero Balancing & Cash Pooling, and namely balance consolidation, automatic transfer of funds within the group of accounts, were, as before, highly demanded by clients. Unfortunately, financial instability in the Ukrainian banking market led to certain restrictions for such products as Notional pooling (optimized mechanism for calculating interest on balances of accounts of a group of companies) primarily due to restrictions in financing of corporate clients.

Despite the Ukrainian financial sector fragility in 2009, an active demand for corporate cash and settlement banking services, namely: Cash Acceptance - cash acceptance service (cash payments, cash proceeds) from clients and third parties payable to the Bank's clients, Embassy payments - cash payable to embassies for consular fees, collection services, wire transfers in local and foreign currencies, etc.

Owing to active sale of products, optimization of banking processes and high professional level of customer service, the fee and commission income from the Cash Management products in 2009 increased by 60% compared with 2008, and made up 16% in the structure of total fee and commission income which in 2009 increased by 15% as compared with 2008.

Given to the general tendency of outflow of all client segments deposits throughout the whole banking system of Ukraine, OTP Bank's Corporate business line did not escaped this tendency as well. Notwithstanding some hardship, the professional approach to changed conditions of the Bank's deposit products and efficient interest rate regulation made the Bank's deposit portfolio in 2009 reach about UAH 2.8 billion. This all, combined with the NBU's posting the annual rise of the OTP Bank's corporate loan market share from 2.06% to 2.86%, ensures the stable position of OTP Bank in Top-10 by this index.

Call Deposit (deposit repayable on demand) was among the most popular deposit products, with its main advantage being the possibility of free withdrawal and replenishment of funds, along with increased interest rate on deposit account as compared with current accounts, which altogether fully meets the urgent needs of corporate clients in the current market environment. In this context it's to note the prominent fact that the share of demand deposits in corporate portfolio amounted to only 2% at the beginning of the year and reached almost 50% at the end of 2009.

Our clients kept on showing favor of already well-known product – Interest Bearing Current Account (interest accrued on balances of current accounts) with cut-off or tiered interest rates depending on the balance of account. This product became a very convenient alternative to a term deposit for the clients interested in depositing funds for up to 1 month, as it does not require any additional transfers from current account and signing additional documents.

We can separately note further advancement in 2009 of Training Program for officers of the Bank's corporate departments, developed by own resources and implemented in2008 on the basis of the Head Office. The program includes training modules on the Bank's products and services, service standards and sales skills, which are delivered by the trainers of Corporate business line having deep knowledge, extensive experience and established practice of training. There were also set up several e-learning modules on currency control, servicing of payroll card projects, etc.

Igor Belomitcev

Member of the Management Board

Foreign Exchange and Money Market Transactions

The year 2009 was a year of serious challenges for the world financial system. Ukraine was no exception, and the market participants had to exert considerable effort to maintain stability and minimize the negative effects of the financial and economic crisis. At the same time, well-balanced foreign exchange and financial transaction policy allowed OTP Bank preserving its market share by offering its clients a full range of available financial products within the license of the National Bank of Ukraine. In fiscal year 2009, the Bank's Management Board decided to introduce a new service in the foreign exchange market - operations with precious (bank) metals.

OTP Bank remains among the most active operators in the Ukrainian interbank foreign exchange market. Last year, the volume of foreign currency purchase/sale and converssion operations equivaled USD 5 billion. Even amid the deteriorating economic environment in 2009, the Bank kept on working for the benefit of its clients and efficiently serving their needs on mutually beneficial terms.

The monetary market in 2009 was hit by so called "collapse of confidence" causing decrease in overall business volume due to curtailment of limits for active banking transactions. Nevertheless, OTP Bank managed to preserve the significant volume of interbank credit and depost funding operations both in the Ukrainian, and international markets, which in 2009 reached about USD 8 billion. Cooperation with over 100 Ukrainian banks, 40 foreign banks and international banking groups, including Ukrainian Interbank Currency Exchange and the First Securities Trading System, Trading and Information Systems Reuter-Dealing and Bloomberg, enables the Bank to be in the movement of global financial markets and offer our clients the best price conditions, receiving in response the high level of loyalty and confidence.

Custodian Services

OTP Bank has been offering its clients a full range of securities custody services as well as the transactions in securities accounts, operating as a custodian on the Ukrainian stock market for more than 9 years, applying in its activity the experience of leading Western stock markets and taking into account the traditions and features of the Ukrainian market.

In 2009, the Bank expanded the range of custody services offered to its clients. Since May 2009, OTP Bank has started servicing the exchange transaction settlements with advance reservation of asset (securities and cash), and since autumn the Bank has been offering the services of dematerialization of stock issue.

OTP Bank serves all categories of customers – both residents and non-residents, represented by large corporations, small and medium enterprises, private individuals, securities brokers/dealers, insurance companies, international brokerage firms, asset management companies. Furthermore, OTP Bank provides custodian services to more than 30 mutual investment institutions and non-governmental pension funds.

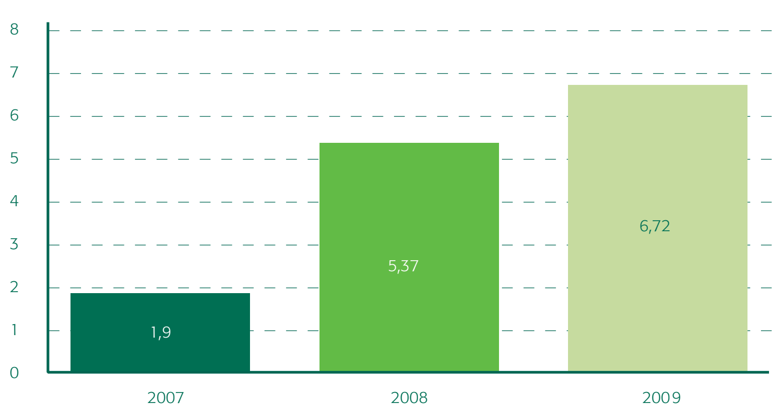
Securities portfolio deposited in custody of the Bank grew by 8.25% within 2009 and as of December 31, 2009 amounted to UAH 6316695419.47 at total nominal value.

Securities portfolio deposited in custody of the Bank as of 31.12.2009 is structured by categories of clients as follows:
86.92% - non-resident legal entities,
12.19% - resident legal entities,
0.76% - resident individuals,
0.13% - non-resident individuals.

The Bank is actively involved in the development of the Ukraine's stock market and improving the securities market legislation. OTP Bank JSC is an active member of the Professional Association of Registrars and Depositories, Association 'Ukrainian Stock Traders', actively participating in the special committees of the above associations. Furthermore, in 2009, the OTP Bank's representative took the lead of the Council of Members of the largest depository of Ukraine – All-Ukrainian Securities Depository.

While servicing with OTP Bank, our customers can be absolutely confident in safe keeping of their securities, fast and efficient servicing of any securities account operations, guaranteed privacy of information about the customer, his/her accounts and transactions. Qualified personnel of the Bank, with extensive experience in servicing both residents and non-residents, is one of the major advantages of cooperation with OTP Bank.

Securities transactions volume dynamics, UAH billion



Broker-Dealer Services on the Securities Market

Throughout 2009, the Bank as a leading professional operator of the stock and securities market, kept on developing its investment activity. Notwithstanding unstable financial and economic situation in the country and at monetary and fiancial markets, the Bank managed to increase its securities transactions volume in 2009. For the financial year, the Bank's securities trading volume constituted UAH 6.72 bln against UAH 1.9 bln and 5.37 bln in 2007 and 2008 respectively.

Carrying out careful selection of investment objects in the reporting year, the Bank invested only in government securities. The Ministry of Finance of Ukraine has chosen OTP Bank as a primary dealer in domestic government bonds. The Bank focused its stock market activity on diversification of its own securities portfolio, which made it possible to mitigate the risks, especially under deteriorating conditions of global financial crisis.

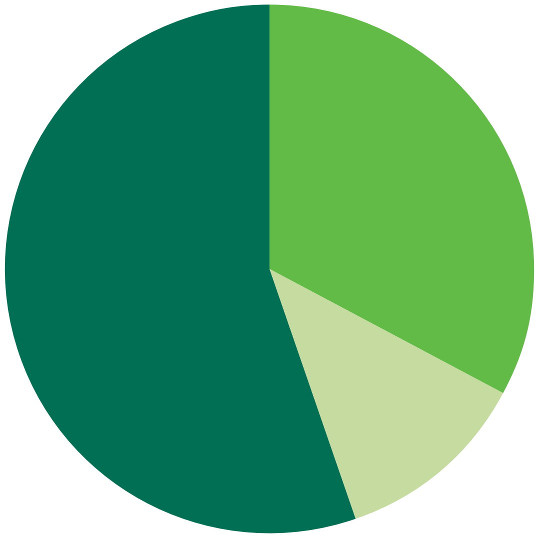
The yield received by the Bank from the securities business grew up as compared with the previous year and constituted 1% in the Bank's total revenue structure.

In 2009, OTP Bank maintained its position among investment banks of Ukraine, securities dealers and brokers, keeping up its activity on the Ukrainian stock market in reliance upon the principles of efficiency, reliability, as well disclosure and transparency rules in relation to its clients and investors.

Activity in the International Financial Market

OTP Bank is an active player on the international financial market. Despite crisis developments in Ukrainian and global economy in 2009, the Bank continued its fruitful cooperation with international financial institutions and organizations, including the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC) belonging to World Bank Group, as well as with the largest commercial banks of

The Bank's securities portfolio as of December 31, 2009



37.42% – Government-guarranted securities

13.28% – Corporate Securities

62.58% – Government securities

CIS, Western Europe and the USA. Business development pathfinding, establishment of relations and communication with international financial institutions, organizations and banks is among the OTP Bank's principal lines of activity in the international financial market.

Thus, expanding cooperation with the EBRD in the framework of Trade Facilitation Program in 2009, the Bank reached the agreement on limit increase – up to USD 20 million. In terms of the limit under the said Program, the Bank can raise the EBRD funds to finance the Bank's clients' foreign economic activity, and obtain the EBRD guarantees to cover the risks in documentary operations. The Bank intends to further develop and expand the cooperation with the EBRD in the field of the said and any other programs.

In October 2009, OTP Bank signed an agreement with IFC for expansion of cooperation under the "Global Trade Finance Program", which also entitles the bank to obtain the IFC guarantees to support documentary operations of the Bank's clients within the set limit of USD 20 million. OTP Bank was the third bank in Ukraine to join this IFC program. The Bank's participarion in projects of international financial organizations is evidencing its reliability and stability, and serves as a recognition criterion of the Bank's many years successful track records and experience in the international capital market.

Against a background of scandalous external debt restructurings of other Ukrainian banks and companies, the Bank fully fulfilled its external obligations to foreign creditors in 2009. In September 2009, OTP Bank fully repaid the first Tranche in the amount of USD 63 million as provided by the Syndicated Loan Agreement for the total amount of USD 100 million concluded in September 2008. The syndicate was organized by "Raiffeisen Zentralbank Osterreich Aktiengesellschaft" and "Bayerische Landesbank", and participated by leading Western financial institutions. The second tranche with 2-year maturity amounting to USD 37 million will be repaid in September 2010. Such a consistent activity in the international financial market allowed OTP Bank proving itself as a reliable and stable partner for international lenders and foreign banks.

The Bank also obtained two subordinated loans from OTP Bank Pls. (Hungary) amounting to USD 50 million and 30 million in February and December 2009 respectively. Both subordinated loans were granted to the Bank for the term of 7 years and were included in the calculation of the OTP Bank's tier 2 capital upon proper registration with the National Bank of Ukraine.

Financing from the foreign banks secured by foreign export credit agencies (ECA) is another top-priority line in funding activities due to the longer tenors and relatively low pricing of the instrument. OTP Bank effectively cooperates with such export credit agencies as Euler Hermes (Germany), SACE (Italy), CESCE (Spain), etc.

The Bank's efforts and persistent work in the international financial market in 2009 strengthened the OTP Bank's credibility among international financial organizations and foreign banks, and positively influenced the credit history of the Bank and provided broad prospects for further development activities and new achievements in the future.

Documentary Operations

As in previous years, the Bank paid special attention to further development of the documentary business. Volume of operations with documentary credits and bank guarantees in 2009 increased by 15% compared to 2008, bill avalization operations grew almost twice as much.

The Bank's participation in Trade Facilitation Programs initiated by IFC and the EBRD, as well as available limits with the first-rate foreign banks enable the Bank, in case of need, to confirm the documentary instruments provided by the Bank for the most favorable price.

Correspondent Relations

As of December 31, 2009, the OTP Bank's main correspondent banks for the accounts in foreign currency were:

- Standard Chartered Bank New York Branch,
- The Bank of America N.A.,
- Wells Fargo Bank NA (Wachovia Bank, N.A.) (USD),
- Deutsche Bank AG, Commerzbank AG (EUR),
- UBS AG (CHF),
- Royal Bank of Scotland (GBP),
- Mizuho Corporate Bank Ltd. (JPY),
- JSC Kazkommertsbank (KKZ),
- Komerchni banka a.s. (CZK),
- OTP Bank Plc. (HUF),
- PKO Bank Polski SA.(PLN),
- Skandinaviska Enskilda Banken (SEK).
- OAO OTP Bank (RUB).

Correspondent accounts network comprises 7 LORO and 32 NOSTRO correspondent accounts.

During 2009 the Bank successfully advanced towards further cooperation with financial institutions. The Bank devoted great attention to development of relations with foreign banks and other international financial institutions with the purpose to improve and up-grade the quality of services offered to clients.

In the reporting year, the Bank's Financial Institutions department set up a new line of activity aimed at establishment and support of coordination system of cooperation with counterparty banks and other financial institutions in terms of various banking products. In this context, despite let-down interbank market activity and lack of confidence in the banking system of Ukraine, in 2009, the Bank managed to establish cooperation with several leading foreign banks, and begun the process of setting limits with reputable European financial institutions to collaborate on various transactions of the Bank.

The Bank arranged a number of meetings with representatives of domestic and foreign banks to discuss the prospects of development and reactivation of multiproduct cooperation.

Priorities should also include ongoing cooperation with rating agencies. Thus, in 2009 the Bank received ratings from Moody's international rating agency with intention of keeping in relations with this institution to further support the Bank's international credit rating.

RETAIL

Dmytro Beletsky

Member of the Management Board

General achievements

2009 year brought to a focus a change in priorities of OTP Bank's retail business being in line with retail business trends in the banking sector of Ukraine. Modification of deposit products, increase of deposit portfolio, development of card business, restructuring of non-performing loans, provision of new services and improvement of customer service quality - were the key objectives of retail business.

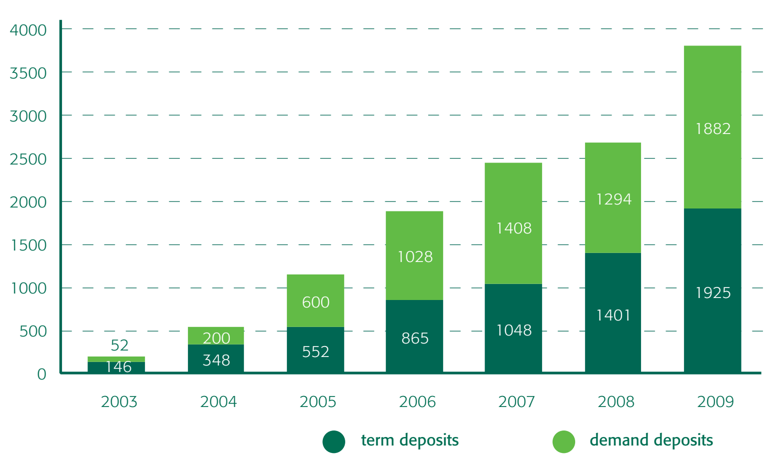
Throughout 2009, retail deposit portfolio increased by 38% to UAH 3720 million as of December 31, 2009. This fixed up OTP Bank with increased market share of retail deposits to 1.8%, and made it get in Top 3 Banks in terms of relative retail deposit portfolio growth rate in 2009 and head the list in terms of deposit portfolio growth per point of sale.

OTP Bank managed to increase its market share of retail loan market to 6.42%, despite the virtual halt of retail lending in Ukraine. Visa credit cards and Master Card debit cards gained the highest average annual turnover in Ukraine.

The number of private clients of OTP Bank in 2009 increased by 18% - from 214 to 253 thousand persons.

These results were yielded by competitive pricing of deposit products, effective and high-qualitative service, and introduction of innovative services for the Bank's clients.

Dynamics of deposit portfolio growth



Deposit operations and bank deposits

2009 demonstrated significant achievements in the development of deposit products for private clients of OTP Bank. The volume of retail deposits with OTP Bank increased from UAH 2.695 bln to UAH 3.720 bln at the year-end. The Bank was ranked the 12th in the rating of the Association of Ukrainian Banks by total deposit portfolio.

In 2009, an automatic deposit extension mechanism was developed and implemented enabling the customers to decide on further management of their deposits in a convenient and flexible way. The Bank improved the savings deposit conditions through an option to receive interest payments due on a monthly basis. Furthermore, the Bank carried out a number of promotional actions with attractive terms and prizes for the clients.

In 2009 OTP Bank carried out customer loyalty program. Those clients who placed a deposit for a new term received an added bonus. Those clients who deposited significant funds obtained the added bonus of up to 0.25% increased interest rate. At the year-end, the share of term deposits in total deposit portfolio was 51% (UAH 1.9 billion) while demand deposits constituted 49% (UAH 1.9 billion)

In view of currency structure, over 70% of deposit portfolio were represented by deposits in foreign currency (USD and Euro) while remaining 30% were deposits in national currency.

Card Products

At the end of 2009, the OTP Bank's card portfolio volume comprised 86 thousand active cards based on MasterCard Worldwide and Visa International payment systems.

The Bank offers card products both for private clients and payroll card programs with flexible tariff system. Clients of the Bank also have the opportunity to execute corporate cards.

The Bank's card portfolio is represented by Visa Classic, Visa Gold and Visa Platinum Private Banking credit cards. Among the notable advantages of the OTP Bank's credit cards is the possibility of establishing a high credit limit of up to UAH 150,000 with preferential term of use up to 55 days.

The Bank also offers the American Express international cards providing their holders with high-level service worldwide. The Bank offers four types of American Express cards: Green Card, Gold Card, Platinum Card and Centurion Card.

In 2009, OTP Bank completed transfer of all MasterCard Worldwide and Visa International payments cards servicing to the processing center of the parent company – OTP Bank Plc. (Hungary), and joined the united ATM network "ATMosphere" which enabled us to expand our service network to over 2500 points. These changes will significantly improve the operation and up-grade servicing of holders of payment cards issued by OTP Bank.

Non-performing Loan Restructuring

As of December 31, 2009, the OTP Bank's loan portfolio amounted to UAH 11,166 million. Given global economic crisis and devaluation of national currency in 2009, OTP Bank tried to support its customers by means of loan restructuring. To this end, the Bank worked out and implemented a number of financial instruments to accord more loyal repayment conditions within loan restructuring to borrowers. These tools allowed reducing monthly loan payment by upwards of 30% for the period of restoration of the client's financial stability. In addition, the Bank offered borrowers such instruments as conversion of loans in foreign currency to hryvnia, splitting of insurance premium payment into 2 or 4 parts, and assignment of credit debt to another borrower.

Over 10 thousand clients performed restructuring of their loans within this very program.

Bancassurance

In 2009, OTP Bank continued to carry out the bancassurance program. Under this program, approximately 9 thousand customers concluded insurance contracts required to insure pledged property and saved their time hereby. Throughout 2009, the OTP Bank's customers had the opportunity to purchase compulsory civil liability motor-vehicle insurance at any of the OTP Bank's branches.

The structure of insurance contracts concluded under the program is as follows: 59.7% real estate insurance, 38% - life insurance, 1.8% - compulsory civil liability motor-vehicle insurance, 0.5% - vehicle insurance.

Money Transfers

The reporting year was distinguished by active advance of money transfer services for individuals.

Along with increased volumes of transfers via such systems as Western Union (almost 15 thousand transfers), PrivatMoney (4.4 thousand transfers), and MoneyGram (almost 3 thousand transfers), the Bank introduced new money transfer systems, namely Anelik (nearly 1 thousand transfers), Unistream (about 500 transfers), and Allure (224 transfers).

Total amount of transfers via above mentioned systems exceeded UAH 111 million and grew over 7 times as much as in 2008.

PRIVATE BANKING

With due regard for the European experience of OTP Bank Plc, OTP Bank JSC has been actively developing new line in customer servicing - Private Banking, which involves personalized individual approach to each client, a set of exclusive, high quality products and service models, aimed at effective management of private wealth.

To ensure the highest standards of individual approach and maximum privacy in servicing of Private Banking clients, the Bank has arranged a network of separate departments with a special office designed for private banking services. In addition, the Bank established an independent round-the-clock information service to support private banking clients aimed at additional assurance of active and effective interaction between bank and client.

Banking Products and Services

In addition to standard banking services, OTP Bank offers its successful private clients some exclusive products and services the range of which is being constantly diversified and expanded. Since the start of the year, OTP Bank has introduced the following additional exclusive products and services:

- premium card Visa Platinum Private Banking, which underlines the Bank's loyalty to Private Banking clients and provides the card holders with the opportunity to obtain a substantial credit limit, as well as a wide range of additional services and programs that meet the clients' exclusive status;
- exclusive Private Banking pricing packages;
- investments in securities of OTP Capital investment funds and Ukrainian companies.

Non-banking Services

Apart from core banking products, the Bank offers a full spectrum of the programs enabling to choose the most profitable investment routes, to optimize business-processes as well as to take care of the health and rest.

Insurance services - comprehensive insurance programs for clients and their families. The programs are based on the individual approach to the Private Banking client, which ensures the most reliable, beneficial, prompt and convenient insurance service, specifically designed for people appreciating the highest level of service.

Jointly with renowned tourist companies, the Bank offers the Private Banking clients wide range of services of individual, business and event-tourism, namely:

- exotic and VIP-tours to any country in the world;
- VIP-cruises by the best liners;
- VIP-events in Ukraine and abroad;
- festivals, carnivals, concerts and holidays in any corner of the world.

Health and Beauty Services open elite world of sports, fitness and recreation for our clients. The high-profile Fitness & Recreation Centers are at the service of our clients, offering the wide range of services and facilities: fitness-studios, comfortable SPA-salons, fashionable image-studios, sports grounds and gyms of premium-class, group training programs, swimming pools, dancing lessons, weightlifting & bodybuilding, single combats – with all advantages of the most front-rank technologies of sport, rest and beauty being recognized worldwide.

Legal Services stand for legal protection and assistance services, including tax and legal advice on acquisition of real estate and other assets in Ukraine and abroad, consulting concerning moving abroad (change of residence, tax and legal status), advice on individual tax / tax planning in Ukraine and other jurisdictions, visa support and approvals.

Art-banking denotes financial-consulting support of art investment which includes expert evaluation of art works, selection and formation of individual collections of pictures, icons, antique furniture, as well as restoration and insurance thereof.

Private banking implemented personal customer support, round-the-clock service - Concierge Service – with dedicated leased telephone line, which assists our highly honorable clients to optimize their business schedule, settle everyday problems and arrange various and agreeable pastime.

A point to emphasize is that non-banking services have been provided in the framework of «Private Banking Partnership» program by our partners - the best companies in the market with an excellent track record working to ensure optimal comfort and special lifestyle for clients, given their high status.

The core achievements of the OTP Private Banking in 2009 are:

- establishment of specialized network of offices working with Private Banking clients in 25 regions of Ukraine, including seven specialized PB key offices;
- professional training of 50 Private Banking managers (personal advisers);
- client base increase by 35%, growth of managed assets by 42%
- initiation and development of the Private Banking Partnership program including the best offers in insurance market, legal and tax consulting, tourism, art investment.

The established private banking service model is aimed at the fullest satisfaction of client financial needs and designed to ensure optimal allocation of funds, maximum time saving and high level of confidentiality.

SMALL AND MEDIUM ENTERPRISES (SME)

The reporting year for SME business line was distinguished by changes in development priorities aimed at retention and increase of the deposit portfolio indicators, development of special promotional offers and improvement of current deposit and card products. SME segment development serves as a major component of market reforms being performed in the CEE countries conditioning the revival of economy, increase in production output and boosting the domestic employment. SME is a backbone for economic growth in the market economy as a whole. OTP Bank is one of the first financial institutions which started to provide banking services specifically for SME business. The Bank's stability and superior-quality service became the keystone to success evidenced by continuing increase in the number of SME clients choosing OTP Bank as their financial partner.

As of December 31, 2009 total liabilities of SME clients constituted almost UAH 505 mln. It should be stated that the share of demand deposits has increased fourfold for the year and reached 32% of total liabilities.

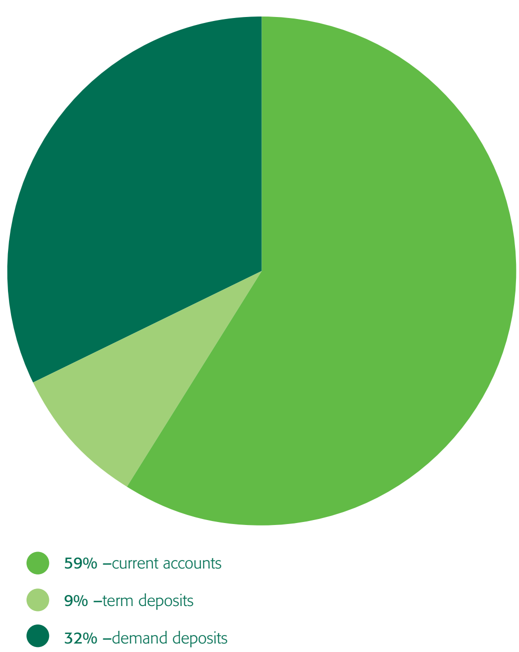
In 2009, the number of active SME clients reached 25466 demonstrating 28% year-on-year growth. The Bank has been always committed to establishing long-term relationships with the clients and offering competitive advantages of the products for SME representatives. Individual approach to every client's demands has always been lying at the heart of our policy. We have been analyzing the SME representatives' demands on a regular basis in order to optimize the range of services being provided by our highly qualified professionals.

As of the end of 2009, the SME loan portfolio constituted UAH 4.7 bln while its structure remained almost unchanged as compared with the preceding year. Having a comprehensive insight into the present situation, SME business line highly appreciates its every client and therefore managed to revise the conditions of our financial relations. SME business line has developed innovative, individually customized and convenient loan restructuring programs for our clients. Those programs are designed for reduction of monthly payment amounts throughout the crisis period implementing the following tools of loan restructuring:

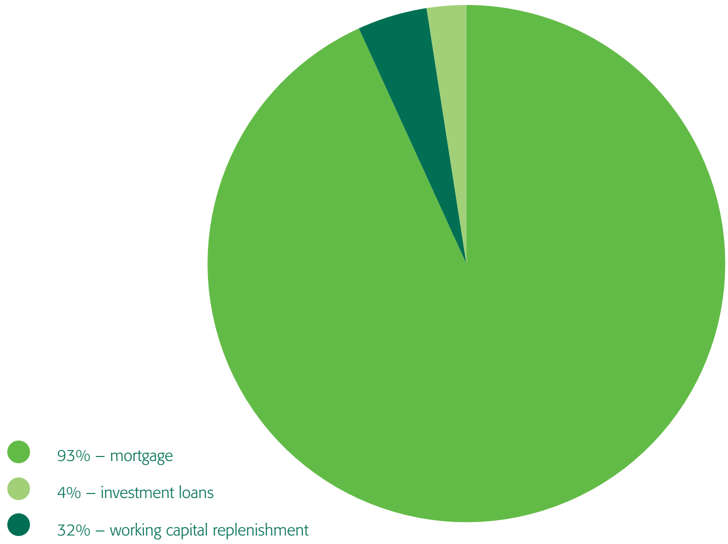
- loan extension;
- grace period for payment of principal outstanding;
- currency swap;
- flexible principal loan repayment schedule, customized timing;
- debt assignment;
- other customized resolutions depending on the conditions of the client's business.

OTP Bank as a financial partner offers the SME clients a full range of asset management services: wide variety of deposit programs, special pricing packages based on volume and specific character of the client's business, card products, documen-

SME Liability Portfolio Structure as at year-end 2009



SME Loan Portfolio Structure as at year-end 2009



Passive operations

Deposit Products

- Deposit Line
- Demand deposit 'Actyvnyi'

Cash Management Services

Pricing Packages

- "OTP-Kyivstar"
- "New Business"
- "The First Step"
- "Easy Cash"
- "Entrepreneurial"
- "Standard"
- "Business"
- "Export-Import"
- "Exclusive"

Interest bearing current accounts

Card Products

- Payroll card programs
- Corporate cards

Documentary operations

- Bank guarantee
- Receipt of payments from individuals to accounts of legal entities and private entrepreneurs

Active operations:

- «Deposit-Secured Loan»

OTP Bank offers corporate plastic cards to support and promote successful business of SME representatives. Corporate card is the most appropriate tool for making payments on behalf and at the expense of the company (except for contract payments), cashless settlements with merchants both in Ukraine and abroad.

Bank guarantee is a provision of funds to a client ensuring that its liabilities before its contractors will be met. Types of guarantees:

- payment guarantee
- performance guarantee
- advance payment guarantee
- tender guarantee

Specially for Small and Medium Enterprises, the SME business line has developed a new product "Deposit-Secured Loan" designed for replenishment of the debtor's working capital, financing of current activities, refinancing of a loan lent by another bank, as well as for satisfaction of consumer needs. OTP Bank offers legal entities and private entrepreneurs a service of receipt of payments from third parties in favor of the OTP Bank's client. By means of this service any individual, not being a client of OTP Bank and without opening an account with OTP Bank, can pay for goods or services provided by a legal entity or private entrepreneur being serviced by OTP Bank.

Despite the last year crisis, the SME business line managed to introduce loyalty programs for SME borrowers, develop new products and improve the SME client service processes aimed at service quality upgrading.

Branch Network. Representative Offices

OTP Bank is represented by full-service outlets in all regional centers of Ukraine. All the outlets are established in accordance with the corporate standards of design and business-model, i.e. a unified OTP Bank's typical outlet concept, tailored to the Ukrainian market by our specialists. The concept's key purpose and idea is to create a modern universal outlet, which will provide the clients with the convenient, easy, and secure services in line with comfortable working environment for the Bank's employees.

In the first half-year of 2009, the Bank opened 4 new outlets two of which established on the basis of the Brovary and Nizhyn representative offices. Two others are providing high-quality services to townsmen of Luhansk and Sevastopil.

The Bank's branch network performance efficiency is one of the key components of its operation in the current economic setting. In order to enhance the branch network operating efficiency, the Management decided to close one outlet in Kyiv and consolidate two outlets in Kyiv and Donetsk reasoning from comprehensive analysis of their performance and efficient cost optimization. Thus, OTP Bank's branch network totaled 204 branches and 2 representative offices in Uman and Novovolynsk at 2009 year-end.

According to regional network performance results, all the outlets have shown high effective operation rates. 8 outlets opened throughout 2007-2008 have passed the break-even point during 2009.

The number of the Bank's clients increased by 21% within 2009 and at the beginning of the year totaled 340 thousand people.

Furthermore, the Bank gained 124 thousand deposits (more than twice as much as last year) leading to deposit book growth by 1052 billion (39%), which reached UAH 3.8 billion as of January 1, 2010.

Essential rise in the loan portfolio and permanent client increase evidence the OTP Bank's efficiency, high qualification and success in the banking market and accentuate the high degree of credit the Bank is entrusted by the population.

Call Centre

OTP Bank's Call Centre is an up-to-date and fully functional banking services distribution channel. By contacting OTP Bank's Call Centre, the customer can have a free consultation concerning any questions related to the activity of our financial institution, make appointments with the bank's managers at a convenient time, etc.

Call Centre operates the following sectors:

- Banking product sales – PI Sales Sector, SME Sales Sector, Telephone Sales Sector;
- Client support – Payment Card Holders Support Sector, Telephone Banking Sector, Electronic Sales Channel Sector.

Within 2009, the Call Centre officers processed a record number of calls – over 1,000,000. Call Center actualized more than 2100 applications for banking services and over 1000 information enquires concerning service conditions, submitted through the Bank's corporate web-site. This facilitated 10,000 appointments in OTP Bank's branches throughout Ukraine.

OTP Bank's Call Centre phone number – 8 800 300 0 500.

Cardholder Support Service provides 24/7 customer support ensuring advanced transaction security and reliability, as well as undisturbed operation of the Bank's payment cards.

Cardholder Support Service phone number - 0 800 300 0 51.

All calls from fixed phones throughout Ukraine are toll- free.

The Bank's Corporate Web-site

OTP Bank's corporate web-site is a reliable and convenient source of comprehensive information about our financial institution.

More than 8500 Internet users visit our website daily, which indicates high relevance of this communication channel.

Functional capabilities of the web-site allow obtaining feedback from/by the Bank's officers boosting the Bank's service quality upgrading.

Within 2009, more than 1.5 million Internet users visited our corporate web-site (half as much as the previous year). On-line application makes it easy and quickly to apply for a service desired.

The web-site renders Portmone and Webmoney payment services as well. These services were applied by over 124 thousand visitors throughout 2009. Money turnover through the payment services available on the corporate web-site exceeded UAH 5,800,000 in 2009.

The Internet users can fill the application form for payment card or OTPdirekt service directly on the Bank's web-site

OTPdirekt

Owing to active development of informational technologies in the Ukrainian banking sector, the customers more and more prefer using a new type of convenient and easy banking service, namely, distance (remote) banking service.

Pursuant to predetermined strategy of implementation of up-to-date and innovative services available in the market, OTP Bank keeps on steadily developing its own system of distant retail clients' servicing — OTPdirekt. OTPdirekt is a convenient, secure and cost-effective alternative service channel designated for the Bank's clients.

The number of the OTPdirekt system users showed fourfold increase in 2009 as compared with the same in 2008, which is once again evidencing high appropriateness of the chosen development strategy. As of January 1, 2010, over 21,600 OTP Bank's clients connected to this service and got the opportunity to manage their accounts in real time from any spot on the globe by means of telephone or Internet.

Owing to the convenient interface, the OTPdirekt system operation does not require any special skills and knowledge. Throughout 2009, the OTPdirekt users performed over 270,000 transactions to the total amount exceeding UAH 3.5 billion, which testifies high public recognition and great demand for this service among our clients. The OTPdirect fee income for the relevant period exceeded UAH 1 million.

To get further information about the OTPdirekt distance service system capacities being ever-expanded and enlarged by new services, please visit the OTP Bank's corporate web-site, the 'Individual Clients' section. To apply for the OTPdirekt system connection please call our Call Center, phone numbers:

044 490 0 500 (within Kyiv);
0 800 300 0 500 (all calls from fixed phones throughout Ukraine are toll- free).

Liliya Lazepko

Member of the Management Board

Accounting Centralization Project

In the framework of the Accounting Centralization project, in July 2009, the Bank completed the process of transfer of OTP Bank branch network to the balance of the Head Office.

The main goal of this project was organization of centralized accounting of internal operations, establishment of centralized accounting control of the Bank's business operations and reduction of administrative expenses. The project resulted in optimization of business processes related to acquisition of fixed assets, intangible and tangible assets, personnel and other expenses, change of accounting system and modification of document management of the Bank.

This process envisaged the project of SAP implementation, which made it possible to establish a centralized accounting of business operations, as well as prompt and efficient performance control. The project was completed in May 2008.

The project was followed by centralization of accounting of internal bank transactions on the balance of Head Office for all units of the Bank. The project also provided for migration of customer accounts to common MFO.

Transfer to the Parent Bank's Processing Center

In 2009, the Bank completed the VISA and Master Card debit cards emission migration to the processing center of the parent bank. Such migration enabled the Bank to establish a unique for Ukraine payment card service system.

Introduction of innovative technologies has opened up significant opportunities and prospects for further development of card business. First of all, successful completion of migration to new processing center made it possible to perform operational support of issue and acquiring centrally at the Head Office, and provided new benefits and services for OTP Bank card holders:

- card account crediting is almost online now;
- card account debiting became possible by means of OTPdirekt system;
- review of card account statements with OTPdirekt, etc.

IT Support Units Centralization Project. Other Projects

During 2009, the Bank undertook integration of all IT units into single centralized IT support service. The project envisaged implementation of formalized IT support processes to ensure even load distribution among IT specialists and control of timely job-order processing with adequate performance quality.

Task execution formalization, registration and control through a single entry point (Service Desk), execution period negotiation, follow-up option and identification of problems in IT systems, all together enabled to improve the performance quality of IT specialists and communications with business units.

In 2009, the Bank introduced an automated project management system based on Microsoft Project Server 2007. Guided by international standards and experience in project management, the Bank has worked out methodological and regulatory data base to maximize the effectiveness of the Bank's projects.

Implementation of centralized IT infrastructure monitoring and management systems provided conditions for stable and predictable development of the Bank's information systems. The Bank has successfully completed implementation of stable operation technologies, namely highly available data storage arrays with fault-resistant data processing centers based on storage systems and Dell blade servers using the virtualization technologies. The management of Dell's representative office in Ukraine recognized this implementation as the best project 2009 in the field of IT infrastructure virtualization.

We intend to go on improving and building up IT processes in 2010, as the projects have been launched to improve the technical basis for the Bank's operating activity and to establish a unified consolidated data storage system.

The last year results evidenced stable development of the Bank's information systems accompanied with introduction of advanced technologies to provide reliable technical base and business continuity.

corporate governance

Corporate governance

SHAREHOLDERS

The single owner and the shareholder of the Bank is the Public Company "Central Savings and Commercial Bank" (OTP Bank Plc.), a legal entity incorporated under the Law of Hungary, located at: 16 Nador Str, Budapest, 1051, Hungary.

SUPERVISORY BOARD

Mr. Pal Kovacs – Managing Director, Commercial Banking Directorate, OTP Bank Plc.

Mr. Laszlo Vagi – Regional Director, Budapest Region, OTP Bank Plc.

Mrs. Dora Szilardi-Losteiner – Head of Department Loan Execution and Special Transactions, OTP Bank Plc.

Dr. Zoltan Dencs – Managing Director, Legal Directorate, OTP Bank Plc.

Mr. Istvan Dobos – Director, SAP Operations Department IT and Operations Support Directorate, OTP Bank Plc.

Mr. Norbert Kassai – Director, Sales Development Department, OTP Bank Plc.

Mr. Csaba Nagy – Director – Advisor to the Head of Staff Division OTP Bank, Plc.
Management Board

MANAGEMENT BOARD

Dmytro Zinkov
Chairman of the Management Board

Born in 1969. In 1993 graduated from The Kyiv Taras Shevchenko National University, Economic Faculty with honors, trained as an economist, teacher of economic sciences. Has over 16-year experience in the banking sector.
Joined the Bank in September 1999 as the Head of Corporate Clients and Credits Department. In 2001 he took charge of branch network and retail business development. In November 2005, Mr. Zinkov was appointed as the Member of the Board. In June 2006, he took up the office of the Chairman of the Management Board.

Married, has a daughter and a son.

Liliya Lazepko
Operations & IT

Born in 1970. Graduated from the Kyiv National Economic University. Has 16-year experience in the banking sector.
Joined the Bank in March 1998 as the Deputy Head of Operations Division. Since March 2002 – Head of Operations. In March 2003, was appointed to the position of the Member of the Management Board.

Married, has two sons.

Dmytro Beletsky
Retail and SME business, Private Banking

Born in 1965. Graduated from the Kharkiv National University, trained as a teacher of political history, and later took the qualifications in Marketing and Foreign Economic Activity. Has 17-year experience in the banking sector.
Joined the Bank in September 2003 as the Head of Branch Organization Department, and in January 2004 he took up the position of the Head of Kharkiv Branch. In January 2007, was appointed to the office of the Member of the Board.

Married, has a daughter.

Igor Belomitcev
Treasury & Subsidiaries

Born in 1966. In 1989 he graduated from the Budapest University of Economics majoring in "Foreign trade". In 1992 gained a degree of Master of Banking from Stockholm University (Sweden).
He began his banking career at Mezobank Rt. Ltd. (Budapest, Hungary) as liquidity management assistant, and soon headed the treasury division. In 1997 - 2001 he was a head of treasury at Erste Bank Hungary Rt. (Budapest, Hungary). From July 2001 to September 2007 was in charge of treasury and investments division at Magyarorszagi Volksbank Rt. (Budapest, Hungary). In September 2007 he was advanced to the position of OTP Bank Member of the Board.

Married, has a son.

Mykhailo Kuzmin
Risk Management

Born in 1961. In 1983 graduated from The Kyiv Taras Shevchenko National University majoring in "General Physics". In 1996 gained the degree of PhD. The second university degree obtained in Manchester Business School (UK, 2005, MBA degree in Finance).
He entered his banking career in 1997. He held the positions of dealer, head of department, and head of division; took up the appointment as a Member of the Management Boards of Energobank and VABank. In 2001 - 2004 worked as Senior Expert on Risk Management for Raiffeisenbank Ukraine. Joined the Bank in November 2006 as Risk Management Director. In June 2009 he was advanced to the position of OTP Bank Member of the Board.

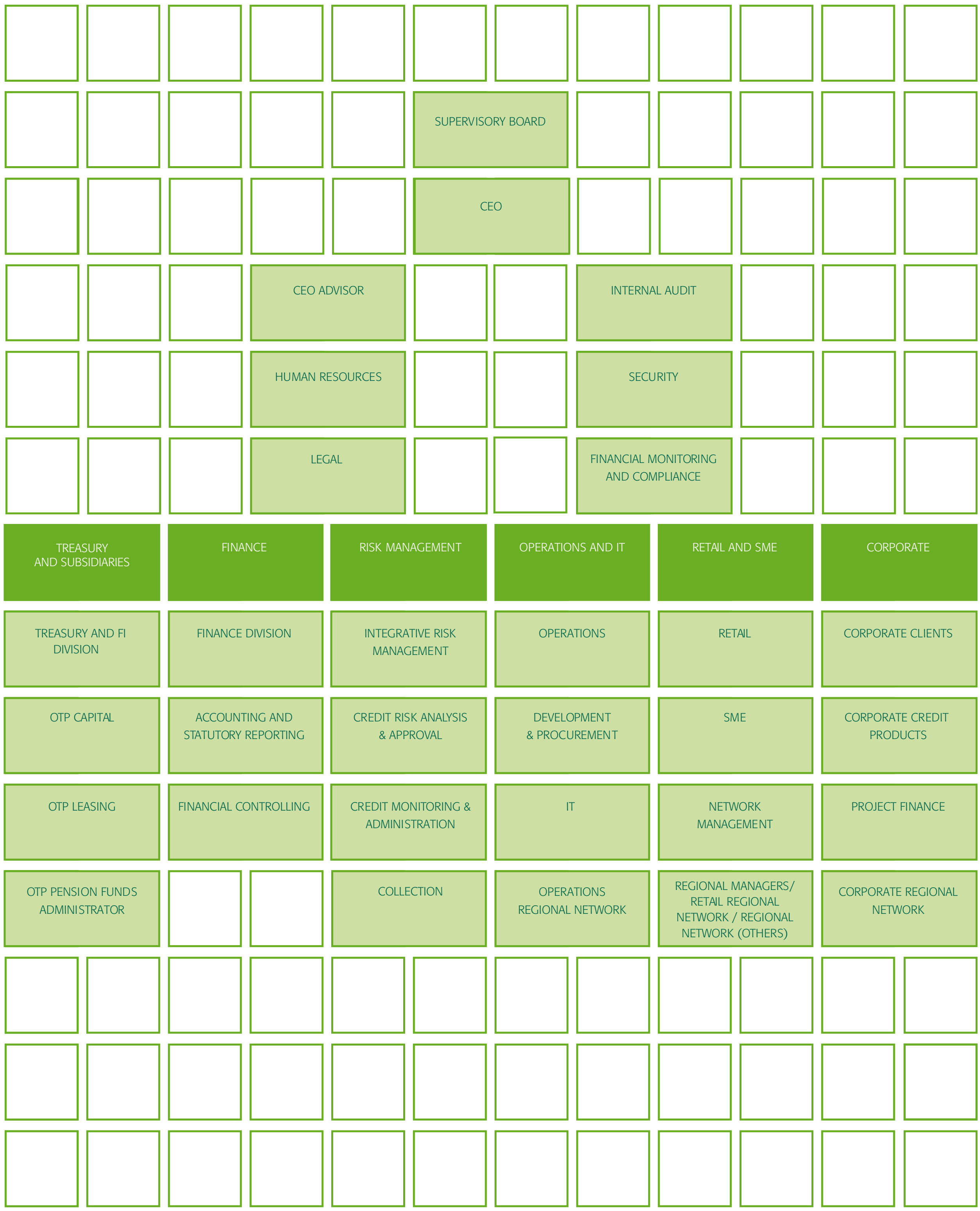
Married, has a son and a daughter.

Miklos Bebiak
Chief Financial Officer

Born in 1961 in Budapest. In 1983 graduated from the Agricultural University in Godollo, Economical Faculty. He is a qualified accountant, a certified teacher of Banking Academy in Budapest (Special Training Courses in London) and has CISA (Certified Information System Auditor) certification.
He entered his banking career in 1989 taking executive level positions with Agrobank, Commerzbank, and Deutsche Bank. In 1998- 2000 was holding the office of deputy Chairman of the Erste Bank Hungary Management Board. In 2000 - 2008 – head of controlling and accounting division of Volksbank in Hungary. Mr. Bebiak joined OTP Bank in August 2008 and took appointment as a Member of the Board in June 2009.

Married, has two daughters.

ORGANIZATIONAL CHART



Miklos Bebiak

Member of the Management Board

The process of the asset-liability management of the Bank is carried out on two levels: globally – on the level of OTP Group, and locally. A unified and standardized approach to the process of asset-liability management, developed in accordance with the requirements of Basel Committee on Banking Supervision, was implemented for all subsidiary banks of the Group. Nevertheless, despite its unified nature, the abovementioned two-level system is flexible enough to take due account of any regional features of the banking sector development in the CEE countries.

On the Bank's level this function is delegated to the Asset and Liability Management Committee (ALCO) comprised of the Chairman of the Board, Financial Director, Risk Management Director and the Members of the Board heading the key business lines. The main task of the Committee is to ensure the planned profitability level at the acceptable risk level by means of coordinated modification of the current asset and liability structure and pricing policy. Besides, the Bank has established a special structural unit – Asset and Liability Management Department —aimed at the information support of the Asset and Liability Management Committee's decision-making process and also at the improvement of internal process of liquidity risk management, efficient management of interest and exchange rates as well as capital adequacy planning. Furthermore, the ALCO's subcommittee for asset-liability management involves the professionals from different structural units of the Bank in order to establish efficient information interchange and elaboration of propositions to be considered and approved by the ALCO.

Capital Adequacy Planning

The Bank implements an active approach to the capital adequacy management to cover losses and risks associated with its activity and to ensure compliance with normative capital requirements, maintenance of high credit ratings and appropriate capital ratio necessary for profitable operation and shareholder value maximization.

The procedure for annual capitalization planning, which is subject to quarterly revision by the ALCO taking in account the latest changes in external and internal environment, enabled the Bank to reach a high level of capital adequacy normative (H2 and H3), which, based on the 2009 results, made up 17.77% and 14.11% respectively.

Liquidity Risk Management

The Bank's liquidity management system combines the operational and strategic management. Operational management is to ensure timely settlements and payments, compliance with mandatory reserve requirements and other regulatory liquidity requirements. Liquidity management strategy is based on the Bank's general strategy and OTP Group's principles of asset and liability management. Evaluation of liquid position of the Bank is performed by analysis of future cash flows and financing requirements, and by means of application of scenario-based approach to testing. In case of liquidity crisis, the Bank developed a bailout plan containing a list of alternative sources of financing, regulating the process of identification of the first signs of crisis and notification thereof, providing precise instructions to staff on actions in a difficult situation.

A balanced liquidity management policy is evidenced by the Bank's sufficient liquidity in national and foreign currencies, which as of December 31, 2009 made up UAH 1.911 mln and USD 176 mln respectively. Restoration of confidence in the Bank from the part of depositors is confirmed by achievement of pre-crisis volume of deposit portfolio – UAH 7.065mln (retail deposit portfolio growth by USD 73 mln and Euro 34 mln as of December 31, 2009).

Market Risk Management

Market risk conditioned by due to unpredictability of fluctuations in interest rates and foreign exchange rates. i.e. those market indicators out of the Bank's direct influence. With the object of identification, evaluation, control and minimization of the interest rate risk, the Bank performs analysis of the structure of assets and liabilities which are sensitive to changes in interest rate, along with the evaluation of possible losses caused by risk realization. In order to evaluate foreign exchange risk, the Bank applies the so called "value at risk" method and portfolio approach enabling the Bank to define the contribution of different points in the total risk value.

RISK MANAGEMENT

Mykhailo Kuzmin

Member of the Management Board

Risks-taking is an integral part of banking activities, that's why effective organization of risk management process is one of the key competitive advantages of the Bank. Risk management in the Bank is a continuous process covering overall structural levels from the management level to the level at which risks are actually arising.

The system is aimed at clear definition and division of functions and powers between the front office initiating a business deal, the middle office ensuring independent analysis and control of conditions of such a deal, and back-office being responsible for operational support of the deal upon its approval and conclusion.

Credit Risk Management

General crediting principles for the current year are determined by the Bank's credit policy. The credit policies are subject to revision depending on the macroeconomic situation and the Bank's market position, and – approval by the Bank's management including three business lines: Corporate, SME, and Retail.

Powers of loan application approval are governed by the Regulations on Credit Committee, in terms of correspondent business lines. In case of abuse of authority from the part of any of the committees, the resolution is referred to the Bank's Credit Committee.

To date, the Bank applies a centralized decision-making model, in other words all decisions on loan application approval are first subject to analysis by risk managers with the following approval by the Credit Committees of the Head Office.

The Bank performs a thorough credit check of a client. Complex client assessment implies financial analysis, background check (business reputation), collateral evaluation and consideration of credit history. To date, the Bank has elaborated an appropriate set of tools ensuring in-depth and accurate client identification and correspondent credit rating and credit limit determination.

The Bank has also clearly defined approaches and procedures pertaining to the assets offered as collateral. Collateral evaluation is performed by certified and accredited by the Bank evaluation agencies and additionally checked by the Property Valuation division. Insurance of collateral property is provided by the insurance companies accredited by the Bank with appropriate limits.

Loan Portfolio Risk Management

OTP Bank has been performig loan portfolio risk management during the crisis period in order to prevent deterioration of the loan portfolio quality, profitability of funds borrowed by the clients and loan repayment dynamics. Thereto, the Bank applies a set of tools for assessment of loan portfolio processes and structure changes, impact of external factors on loan service quality, as well as for elaboration of analytical prognoses and recommendations concerning measures to improve loan portfolio quality. In particular, loan portfolio risk management applies the following instruments: analytical reports on the loan portfolio structure and dynamics in terms of key risk parameters, limits structured by different client segments, types of economic activity, and products; analysis of portfolio structure by industries with updated crisis indicators of risky industries; evaluation of behavioral aspects of loan servicing by customers depending on their basic socio-economic characteristics with risk segmentation and individual risk management approaches assigned to each risk group, behavioral model definition; trend analysis and forecasts of loan portfolio quality in the future; control of key risk parameters and early diagnostics of their dynamics.

Operational Risk

OTP Bank has established the separate Risk Management Department to embody the world best practices of operational risk management: the internal regulatory documents govern maintenance of databases of operational activities records (internal and external), annual self-assessment of operational risk level performed by heads of business units by means of questionnaires, detailed analysis of the processes in terms of their sensitivity to the impact of operational risk factors. The Bank is also routinely monitoring key operational risk indicators. For quantitative assessment of operational risk the Bank applies the approaches described in the recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision (Basel II) and advanced technologies of statistical analysis to calculate the probability and consequences of operational events. To ensure highly qualitative and reliable regional network operation, the Bank has implemented and tested the Continuous Operation Plans for the branches.

During the last year, the Bank has carried out extensive work on the implementation of effective operational risk management system that includes development of risk management culture at all levels: timely detection and identification, adequate assessment, timely and qualitative management and effective control according to the OTP Group's requirements. The Bank's Operational Risk Management Committee with its four subcommittees is a central body regulating the operational risk management of the Bank's departments.

Loan Restructuring

At the turn of 2008 and throughout 2009, the Ukrainian economy was affected by significant adverse changes. Global financial crisis struck Ukraine and led to total national economic recession. The latter along with internal policy failures caused rapid devaluation of the Ukrainian currency. As a result, the borrowers' solvency has sharply dropped down and the Bank had to initiate the loan restructuring process for corporate clients in order to prevent significant growth of non-performing loans and arrears and foster recovering of the borrowers' repaying capacity.
While performing loan restructuring, OTP Bank JSC considers the following aspects:

- current borrowers' ability to meet debt service obligations, necessity to support the borrowers and avoid their default, on the one hand, and
- necessity to minimize the risks and maintain the proper level of liquidity and profitability of the Bank, on the other hand.

Corporate Clients

The Bank has approved the Corporate Clients Loan Restructuring Policy as an Annex to Corporate Credit Policy describing general principles, ways and options of restructuring, basic approaches, standard schemes, etc.

General principles of restructuring:

- Correspondence of restructuring scheme with the client's debt service capacity. Restructuring level should correspond to sales currency structure, credit currency, industry risks, type of financing, level of the client's debt burden.
- Compromise with client. In case of restructuring, some compromises should be agreed with client. Restructuring conditions set forth by the Bank envisage additional collateral (collateral enhancement) in the form of fixed assets or inventory, partial repayment in advance.
- Principle of NPV equality. Loan restructuring should not lead to NPV modification.
- Pari-passu principle in relation to other banks. Loan restructuring should be carried out on equal terms with other banks.

Thus, the depth of restructuring of repayment of the principal and interest, as well as other terms of restructuring with OTP Bank, including the covenants and collateral, should not be less than those with other banks.

Forms of restructuring:

- Additional grace period or adjusted (customized) repayment schedule with or without loan extension.
- Amortization schedule for repayment of WC loans.
- Extension of tranches or deadlines for WC loans.
- Temporary reduction of interest payments with debt capitalization.
- Debt refunding.
- Loan currency change from foreign currency to UAH.
- Loan granted to a third person with better financial position (a new borrower) to refinance existing debt (refinancing loan).

Private Clients

The Management Board of OTP Bank JSC has initiated development of loan restructuring process for the Bank's borrowers. As a result, Loan Restructuring Policy for Private Client's business line was developed and introduced in January 2009.

The Policy's keystone principles are as follows:

- legality;
- transparency;
- maximally possible payment;
- collateral;
- loan Portfolio Quality;
- profitability Principle;
- proactivity;
- centralized decision-making;
- principle of NPV equality before and after restructuring.

The following tools have been applied to existing borrowers:

- principal repayment rescheduling;
- transfer to annuity form of repayment;
- change of interest rate;
- loan interest repayment rescheduling;
- change of final maturity of loan (loan extension);
- splitting of insurance payment;
- past-due debt (PD debt) capitalization.

Concerning bad borrowers, we have envisaged such an instrument as debt assignment. This instrument provides for transfer of existing debt on a new borrower by signing Supplementary Agreement to the principal Loan Agreement, wherein change of the Loan Agreement's parties to be stated.

Repeated restructuring

Later on, when the crisis started gaining momentum, the borrowers began calling for restructuring again. It was decided to develop the Repeated Restructuring Policy. It stipulated that repeated restructuring shall be performed for the borrowers judging from their actual financial position. The Rank requires provision of complete and reliable information on actual financial condition of the Borrowers and their prospects for the future. The basic principle and objective of re-restructuring is to gradually bring the Borrower to the complete payment capacity, particularly, by means of adaptation period.

At the end of May 2009, the Bank received the first positive results of restructuring. As it has been initially planned, the portfolio quality was maintained at the appropriate level and even improved with significant decline in the arrears (nonperforming loans).

At present, borrowers are still applying for loan restructuring. The Bank is ready to work with any circumstances arising by the borrowers (income reduction, loss of business, force majeure, etc.) and has both opportunities and experience of working with non-performing and bad borrowers, using restructuring tools, and tools of debt enforcement as well.

The quality of restructuring is assessed by the number of defaults and raised amount of payment in the process of repeated restructuring and adaptation period.

In general, analyzing the application of restructuring tools in the framework of loan portfolio management, we can conclude that OTP Bank has chosen the correct strategy, namely strategy of compromise with loyal and honest borrowers. This strategy ensures the chance to feel confident in crisis environment and avoid default for both parties (Borrower and the Bank).

Debt Collection and Arrears Management

Mitigation of possible losses, enhancement of the Bank's reliability and stability by means of timely implemented arrears management measures against the backdrop of financial crisis in banking sector is an important objective for the Collection Division.

The main objectives of the Collection Division are:

- improvement of the arrears management system in relation to all business-lines of the Bank (including Individual Clients, SME and Corporate);
- carrying out preventive measures in the framework of loan arrears administration;
- arrangement of an effective mechanism of arrears management in relation to all business-lines of the Bank, as well as monitoring of repayments and resumption of a standard loan payment schedule;
- protection of the Bank's interests in and before courts, public authorities, notary's offices, agencies of State Executive Service, enterprises and organizations of any subordination, private individuals and legal entities, servicing of enforcement measures, settlement of disputes with clients and public authorities;
- methodological and statistical support, analysis and optimization of operation of departments of the Collection Division;
- in-depth verification of certain client categories while crediting and provision of recommendation conclusion regarding each specific client;
- determination of additional assets of clients and participation in sale of pledged property;
- identification of fraud while obtaining and servicing a loan by a client and taking preventive measures on such issues;
- follow-up of applications and statements of offence committed while obtaining and servicing a loan by a client and submission thereof to the law machinery in order to protect the interests of the Bank.

The Problem Loan Committee designated to prevent the growth of problem loan book was highly effective in 2009. The Committee's terms of reference cover as follows:

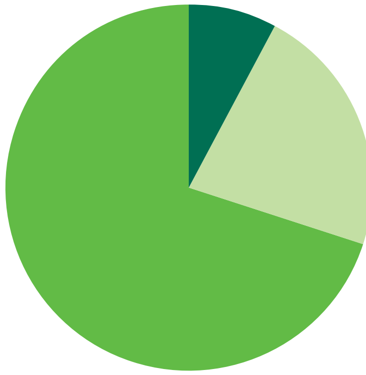
- coordination of activities aimed at return of problem loans and control of performance;
- decision-making for non-performing loan management (restructuring, extension of the loan agreement's validity period, sale of pledged property, etc);
- approval of accreditation of external collection agencies for further cooperation;
- preliminary consideration of bad loan debt forgiveness (charge-off) out of the reserves subject to subsequent approval by the Management Board of the Bank;
- ratification of decisions on suspension of claim administration concerning non-performing loans;
- adoption of other decisions concerning non-performing loan management within the framework of powers and duties of the Problem Loan Committee.

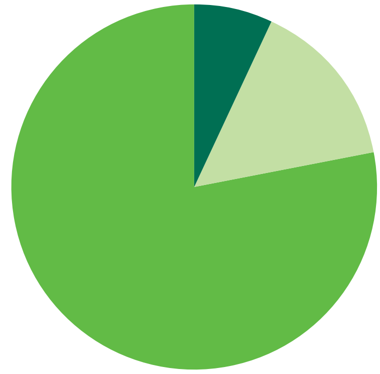
The diagrams below present the proportioning of loans in arrears at the beginning and at the end of 2009 according to product type and credit currency.

PRIVATE CLIENTS business line's non-performing loan portfolio structure by products

70% – Mortgage
22% – Auto loans
8% – Other loans

78% – Mortgage
15% –Auto loans
7% – Other loans

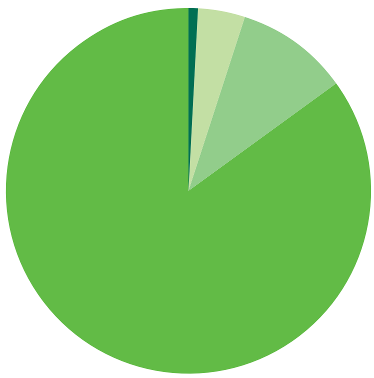


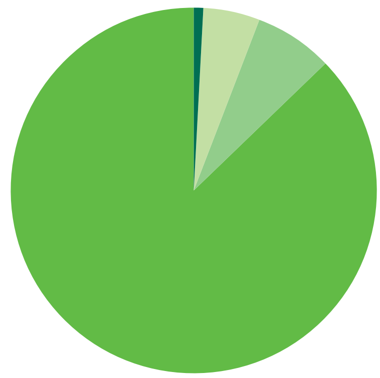


PRIVATE CLIENTS business line's non-performing loan portfolio structure by currency

80% – USD
10% – UA
4% – CHF
1% – EUR

87% – USD
7% – UA
5% – CHF
1% – EUR

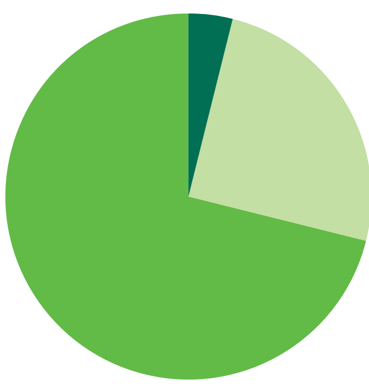


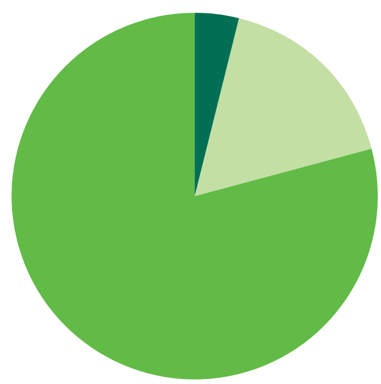


SME business line's non-performing loan portfolio structure by products

71% – Mortgage
25% – Auto loans
4% – Other loans

79% – Mortgage
17% – Auto loans
4% – Other loans

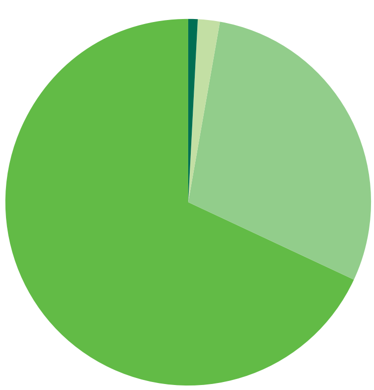


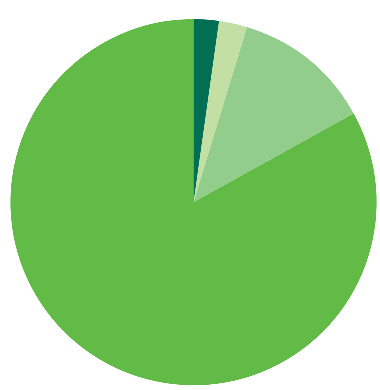


SME business line's non-performing loan portfolio structure by currency

68% – USD
29% – UA
2% – CHF
1% – EUR

86% – USD
10% – UA
2% – CHF
2% – EUR





Corporate social responsibility

The OTP Bank's social activity has long not been just a tribute to a passing fashion but a principled position that fully reflects our keen interest in not only economic, but at the same time in cultural and intellectual development of this country, formation and establishment of genuine civil society in Ukraine. In the present context of deep economic crisis, corporate social responsibility is of particular importance being both an evidence of the company's capacity to the society and an effective instrument of the company's reputation management. By investing in social projects, we make our contribution in raising the well-being of the people, improving the ecological situation in the country, contributing to arrangement of optimal conditions for realization of intellectual and creative potential of young talents. Furthermore, active social activity of the Bank serves as one more indicators of its stability and reliability.

Throughout 2009, the Bank carried out its social activity in several areas, foremost of which were charity, support for various student and journalistic initiatives, promotion of contemporary art, physical culture and sports in Ukraine.

Thus, during the year the Bank provided substantial financial assistance to Nizhyn Orphanage and Boarding School, Mykolaiv Orphanage, gifted orphans living in the city of Zhytomyr, charitable foundations "Social Assistance to Veterans of Law Enforcement Bodies and Afghan War" People's Protection", "Solomea", "Development of Physical Culture and Sports", Zhytomyr sports club "Legion", the National Hockey Federation of Ukraine, the global student organization "AIESEC in Ukraine, Uzhgorod Philharmonic, a number of municipal charitable funds.

At the beginning of the year, the staff of OTP Bank Lviv branch took part in a charity event in which donated their one day salary to the fund of repair of surgical clinic of the Lviv State Medical University. Mykolayiv branch employees, at their own expense, purchased and transferred various baby stuff, bedclothes, diapers, towels, soaps and shampoos, paints and pencils, video-tape recorder, toys and developing games to the inmates of the City Children's Home. The money collected during the corporate Christmas party was spent to purchase vouchers for Christmas Tour "Holidays in Lviv" for the inmates of the orphanage "Nadiya" (Kryvoshyntsi village, Skvirsky district, Kyiv region). At the end of the year, the personnel of OTP Bank branch in Nizhyn presented the inmates of the City Orphanage with Christmas gifts - TV and CDs with cartoons and karaoke songs.

OTP Bank appeared (the third consecutive year) as financial partner of open jazz festival "JAZZ- Dilizhans 2009" in Cherkasy, general sponsor of the international jazz festival "Art Jazz Cooperation 2009" held in Rivne and Lutsk, and organizer and general sponsor of tennis tournament "OTP Bank Tennis Cup» in Zhytomyr, Ternopil open championships for armwrestling and table tennis. With the aid of the Bank, the Ternopil athletes could take part in the Eurasia Open Powerlifting Championship.

Furthermore, OTP Bank became an official financial partner of the Junior Eurovision Song

Contest 2009 held in November in Kyiv, and the Contemporary Hungarian Film Festival.

OTP Bank was involved in the celebration of the 578th anniversary of Khmelnitsky wherein supported awarding of 24 winners of "Best in Profession" contest. The winners were awarded by Visa Electron credit cards and special cash prize of the Bank.

OTP Bank was also committed to supporting and financing high schools and talented youth. Jointly with the reputed Telekritika periodical, for two years running. OTP Bank implemented a program - a unique educational project - aimed at the support of the students' initiatives and raising awareness of local journalists which illustrated an innovative technology of cooperation between the financial institution and mass media.

The main idea of the project was to inform the students of 100 prominent National and State high schools about the situation in the Ukrainian media and to highlight the OTP bank's position as a socially responsible company which encourages professional education, high journalistic standards and freedom of expression.

By results of its activity, OTP Bank ranked the seventh of the most socially responsible international companies in Ukraine according to the authoritative Gvardia rating journal. This being said, our Bank is the only financial institution represented in this list.

To date, OTP Bank has developed its own CSR strategy being an integral part of the OTP Bank general strategy and at the same time extremely important and effective instrument of reputation management, line of interaction and partnership. Understanding the social responsibility of business, the Bank shall not only be formally accountable for its implementation, but faithfully committed to it in practice, that's why all our business lines will have mandatory social component. For this purpose, we will actively involve those who have the same position on this issue.

With this view, the key tasks of the Bank in this field are as follows:

- to be the reference standard of socially responsible company;
- to minimize negative impact on the environment, particularly by reducing the use of paper media and replacing with E-documents;
- to widely support energy efficiency projects and develop alternative sources of energy;
- to create and maintain conditions for professional and personal growth of the staff;
- to actively participate in social life of society, to support the most vulnerable segments of the population.

The Bank consistently declares and applies the following principles in relation to the society:

- transparency of its activity;
- timely and full payment of taxes and fees;
- feasible support of talented youth, orphans, disabled people and all those who need our help and care today;
- participation in provision of municipal amenities in the cities of the Bank's presence;
- support of municipal initiatives and promotion of cultural development of the society with emphasis on the contemporary Ukrainian art.

CSR Strategy of the Bank calls for permanent care of the staff to provide the employees with opportunity for adequate professional progress and career advancement, as well as for self-actualization and development of interests. In addition to competitive compensation packages, the Bank is regularly upgrading its training and personal effectiveness learning programs.

Corporate social responsibility is purely voluntary choice for OTP Bank that not only has a positive effect on its image, but after all boosts its total capitalization.

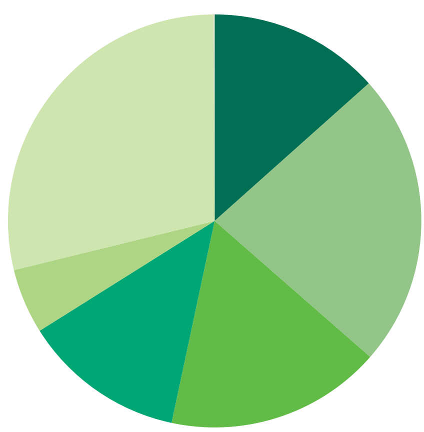
Subsidiaries

OTP CAPITAL

Asset Management Company OTP Capital LLC was founded in July 2007 aimed at introduction of investment and pension funds' asset management services on the Ukrainian market. Within OTP Group, investment and pension funds' asset management services have been provided since 1993. The Hungarian Asset Management Company OTP Fund Management, which jointly with OTP Bank established OTP Capital, has been taking the leading position on the Hungarian investment services market since 2004. At the beginning of 2010 above EUR 6 bln was managed by OTP Fund Management.

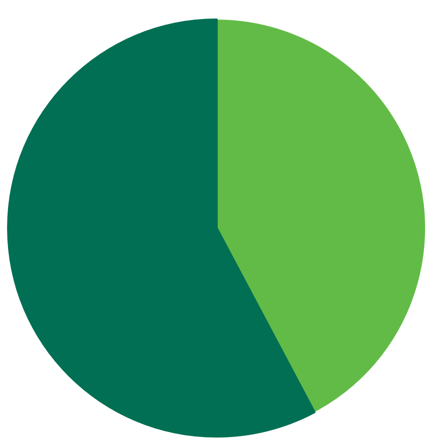
The investment portfolio structure of "OTP Classic" fund as of December 31, 2009.

By economy sectors



13,40% – Deposits
23,03% – Government Bonds
16,91% – Machine Building
12,73% – Municipal Bonds
5,09% – Retail
28,72% – Cash Assets
0,11% – Other Assets

By financial instruments



42,23% – Deposits and Cash Assets
57,77% – Bonds

The OTP Group's clients have the opportunity to invest idle money into more than 48 funds managed by the team of professional certified specialists with wide experience on the stock market. Committed to provision of superior investment service quality for OTP Group's customers in Ukraine, OTP Capital directed its efforts to creating the investment products which combine the European OTP Group's investment experience and OTP Bank's high customer service standards.

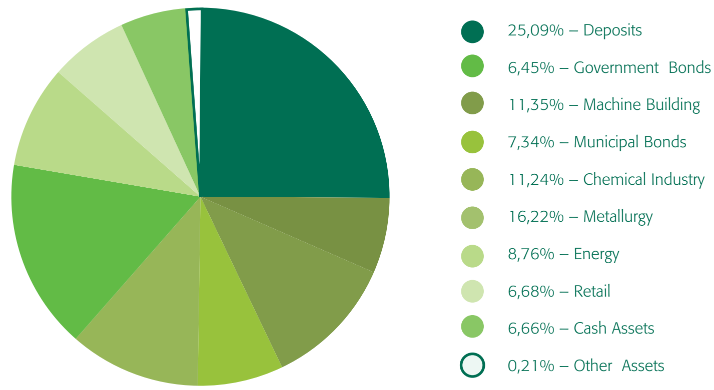
OTP Capital recorded positive financial result for FY 2009. The company managed to reform corporate and ethical regulatory processes. It has been actively involved in legislation reform directed to improving the Ukrainian stock market. In particular, the company assisted the submission of the proposal to the Verkhovna Rada of Ukraine regarding amendments to the Law of Ukraine "On Joint Investment Institutions" to enable operation of money market funds in Ukraine.

At 2009 year-end, three investment funds and one pension fund were under OTP Capital's management. The investment funds offer investors different investment strategies complying with their risk tolerance.

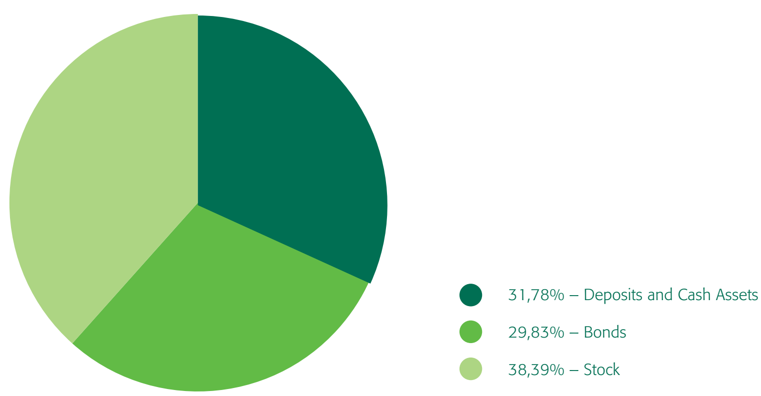
"OTP Classic" fund is a money market fund consisting of the instruments with a fixed rate of return – bonds and deposits. "OTP Balanced" fund provides the investors with the balanced investment strategy which, along with investment into the fixed rate-of-return instruments, suggests acquisition of stock reaching up to 50% of the fund's portfolio. "OTP Dynamic" corporate fund represents an aggressive investment strategy aimed at acquisition of stock reaching up to 90% of the fund's portfolio. The asset management of "OTP Pension" non-governmental pension fund started in June 2009.

The investment portfolio structure of "OTP Balanced" fund as of December 31, 2009

By economy sectors

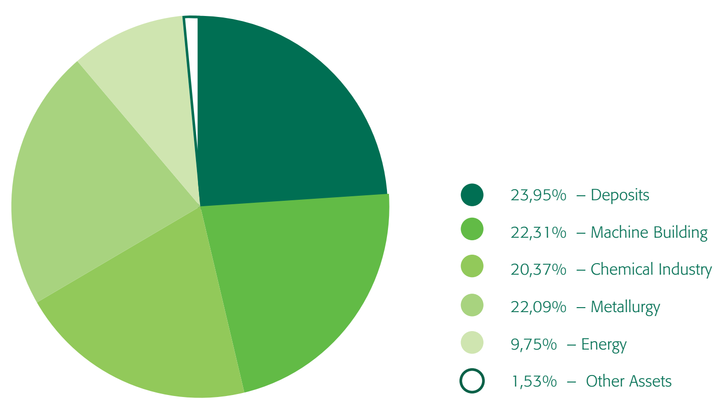


By financial instruments

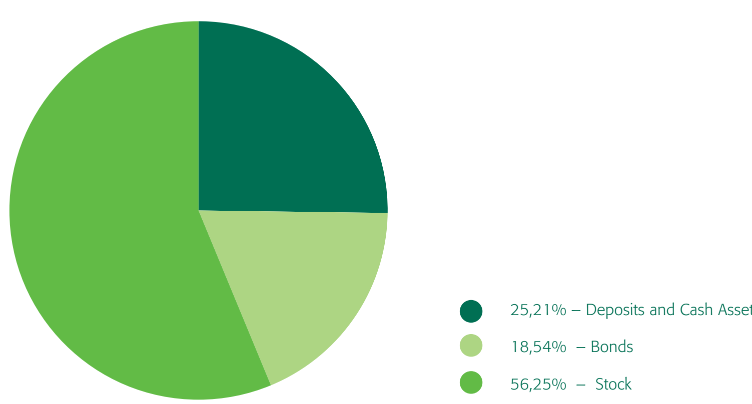


The investment portfolio structure of "OTP Dynamic" fund as of December 31, 2009

By economy sectors



By financial instruments



OTP LEASING

OTP Leasing LLC was established in June 2008 as a subsidiary of OTP Bank JSC with a charter capital of UAH 3.45 million, and registered under the license granted by State Commission for Regulation of Financial Services Markets in Ukraine. OTP Leasing LLC belongs to the network of leasing companies operating within the OTP Group in CEE, and is a member of the Ukrainian Union of Lessors. The company's main field of activity is provision of financial leasing services.

Traditional industries, such as construction, where leasing was used as a tool to finance the acquisition of fixed assets, suffered most in the global economic crisis. This, consequently, led to refocusing of the Company on other market segments.

In 2009, the Bank approved a new credit policy of the Company setting forth the principles of cooperation with the lessees operating in the least risky sectors of the economy and financing the acquisition of the most marketable leasing items.

As from Q4 2009, OTP Leasing, jointly with OTP Bank JSC, launched a program to finance cars leased to individuals. One of the advantages of this service is that the lease agreements with customers can be concluded through the branch network of OTP Bank JSC throughout Ukraine. The program yielded cooperation arrangements with leading Ukrainian car dealers and distributors.

We further intend to satisfy financial needs of our clients, finding optimal solutions for financing of each separate company and by gaining support from the part of suppliers, dealers, brokers and insurance companies. OTP Leasing allows its customers to choose the currency of leasing agreements, accompanying the acquisition of leasing items with registration, insurance and technical inspection services.

Team of OTP Leasing is a close-knit dedicated team of real professionals with significant experience in the Ukrainian leasing market, able to provide competitive high quality services. We consider development of effective solutions for asset financing and establishment of long-term relationships with our clients as key priorities of our activity.

OTP PENSION

OTP Pension Funds Administrator LLC was registered in 2008. In 2009, the company obtained all required licenses and started its activity. The broad sections of consumers, both legal entities and private individuals, were offered an innovative product – Open Non-governmental Pension Fund "OTP Pension" – the OTP Group's pension fund in Ukraine.

The Company was founded by the Ukrainian OTP BANK JSC and the Hungarian OTP FUNDS SERVICING CO. – a leader of the Hungarian pension service market being the largest provider of the pension funds administration in the country. As of 2009 year-end, the company established business agreements with 290327 employers in Hungary. The pension funds belonging to OTP Funds Servicing Co. are represented by more than 1.2 mln participants, i.e. about 12% of the overall population (Hungary's population is around 10 million), with the assets managed by the Company totaling HUF 742 billion (around USD 3.87 billion).

OTP Pension is an open non-governmental pension fund providing the customers with an opportunity to accumulate a lot more cash for their golden years and ensure an additional pension upon reaching retirement. A client shall make a contribution to the OTP Pension fund with the funds to be accounted on an Individual Retirement Account (IRA) providing a good accrued benefit based on the investment return. The client shall receive OTP Pension upon reaching the fixed retirement age.

Contributions to OTP Pension fund can be made by both private individuals for their own benefit and legal entities – employers which will have the opportunity to enrich their motivation packages by additional pension provision for their staff. Furthermore, the current legislation stipulates for additional preferences for private individuals which pay contributions for their own benefit, as well as for legal entities contributing to a retirement income account for the benefit of their employees.

In order to protect the interests of the OTP Pension fund participants, the government has established a multilevel protection mechanism ensuring safekeeping and accumulation of the funds contributed by the pension fund participants.

The team of OTP Pension Funds Administrator LLC is represented by high-profile professionals certified by the State Commission for Regulation of Financial Services Markets of Ukraine (Derzhfinposlug) having significant practical experience in pension business management in Ukraine.

In 2009, OTP Pension fund attracted 2595 participants and gained above UAH 876 000 of pension contributions showing one of the top results in the non-governmental pension provision market. Superior performance results of OTP Pension fund have been evidenced by the ratings of the National Association of Non-government Pension Funds & Administrators of Non- government Pension Funds wherein OTP Pension entered the top 25 funds of Ukraine just in six months. The fund plans to be listed in the top 10 funds of this country in 2010.

OTP Pension fund, in contrast to most Ukrainian non-governmental pension funds, is represented in all and any regional centers of Ukraine being highly accessible for every client which is its one more achievement and advantage.

In 2010 the clients will have the opportunity to conclude the contracts with OTP Pension fund in any of 200 branches of OTP Bank in Ukraine.

consolidated financial statements

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PUBLIC JOINT-STOCK COMPANY OTP BANK STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 54, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Public Joint-Stock Company OTP Bank and its subsidiary (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2009, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS, MANAGEMENT IS RESPONSIBLE FOR:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

MANAGEMENT IS ALSO RESPONSIBLE FOR:

Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;

- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2009 were authorized for issue on 15 April 2010 by the Management Board.
On behalf of the Management Board:

Chairman of the Management Board	Deputy Chief Financial Officer
Dmitry Zinkov	Iryna Izmaylova
15 April 2010	15 April 2010

Deloitte.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Management Board of Public Joint-Stock Company OTP Bank:

We have audited the accompanying consolidated financial statements of Public Joint-Stock Company OTP Bank and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

15 April 2010

PUBLIC JOINT-STOCK COMPANY OTP BANK
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

(in Ukrainian Hryvnias and in thousands)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	4, 23	4,012,149	2,710,752
Interest expense	4, 23	(1,503,957)	(1,214,804)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		2,508,192	1,495,948
Provision for impairment losses on interest bearing assets	5, 23	(3,925,569)	(833,090)
NET INTEREST (EXPENSE)/INCOME		(1,417,377)	662,858
Net gain on foreign exchange operations	6	201,210	697,240
Fee and commission income received	7, 23	339,469	239,478
Fee and commission expense paid	7, 23	(38,977)	(64,161)
Net realized (loss)/gain on investments available for sale		(1,705)	1,952
Recovery of provision/(provision) for impairment losses on other transactions	5	9,514	(14,436)
Other income		5,639	3,676
NET NON-INTEREST INCOME		515,150	863,749
OPERATING (LOSS)/INCOME		(902,227)	1,526,607
OPERATING EXPENSES	8, 23	(976,584)	(829,439)
(LOSS)/PROFIT BEFORE INCOME TAX		(1,878,811)	697,168
Income tax benefit/(expense)	9	42,807	(202,893)
NET (LOSS)/PROFIT		(1,836,004)	494,275
OTHER COMPREHENSIVE INCOME:			
Net change in fair value of investments available for sale, net of deferred income tax effect		13,926	(13,067)
Reclassification adjustments for gains included in profit or loss from comprehensive income on disposal of investments available for sale, net of deferred income tax effect		1,623	652
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX		15,549	(12,415)
TOTAL COMPREHENSIVE (LOSS)/INCOME		(1,820,455)	481,860

On behalf of the Management Board:

Chairman of the Management Board
Dmitry Zinkov

15 April 2010

Deputy Chief Financial Officer
Iryna Izmaylova

15 April 2010

The notes on pages 59-101 form an integral part of these consolidated financial statements.

PUBLIC JOINT-STOCK COMPANY OTP BANK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

(in Ukrainian Hryvnias and in thousands)

	Notes	31 December 2009	31 December 2008
ASSETS:			
Cash and balances with the National bank of Ukraine	10	1,585,712	1,453,934
Due from banks	11, 23	1,260,156	1,703,132
Loans to customers	12, 23	24,674,589	30,519,341
Investments available for sale	13	473,163	256,747
Investments in associate	23	3,506	3,506
Property and equipment	14	463,095	464,450
Other assets	15	1,793,543	165,502
TOTAL ASSETS		30,253,764	34,566,612
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and other financial institutions	16, 23	17,380,049	22,937,637
Customer accounts	17, 23	7,156,228	7,049,330
Current income tax liabilities	9	-	29,400
Deferred income tax liabilities	9	3,753	44,680
Other liabilities	18	96,809	122,320
Subordinated debt	19	1,742,301	1,120,500
Total liabilities		26,379,140	31,303,867
EQUITY:			
Share capital	20	2,888,308	2,088,312
Share premium	20	14,070	14,070
Other additional capital	15	1,632,338	-
Investments available for sale fair value reserve		962	(14,587)
(Acumulated deficit)/Retained earnings		(661,054)	1,174,950
Total equity		3,874,624	3,262,745
TOTAL LIABILITIES AND EQUITY		**30,253,764**	**34,566,612**

On behalf of the Management Board:

Chairman of the Management Board
Dmitry Zinkov

15 April 2010

Deputy Chief Financial Officer
Iryna Izmaylova

15 April 2010

The notes on pages 59-101 form an integral part of these consolidated financial statements.

PUBLIC JOINT-STOCK COMPANY OTP BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

(in Ukrainian Hryvnias and in thousands)

	Notes	Share capital	Share premium	Other additional capital	Investments available for sale fair value reserve	Retained earnings/ (Accumu-lated deficit)	Total equity
31 December 2007		922,675	14,070	-	(2,172)	984,943	1,919,516
Total comprehensive (loss)/income for the year		-	-	-	(12,415)	494,275	481,860
Share capital increase		861,369	-	-	-	-	861,369
Dividends declared		304,268	-	-	-	(304,268)	-
31 December 2008		2,088,312	14,070	-	(14,587)	1,174,950	3,262,745
Total comprehensive income/(loss) for the year		-	-	-	15,549	(1,836,004)	(1,820,455)
Share capital increase		799,996	-	-	-	-	799,996
Financial guarantee held	15	-	-	1,632,338	-	-	1,632,338
31 December 2009		**2,888,308**	**14,070**	**1,632,338**	**962**	**(661,054)**	**3,874,624**

On behalf of the Management Board:

Chairman of the Management Board
Dmitry Zinkov

15 April 2010

Deputy Chief Financial Officer
Iryna Izmaylova

15 April 2010

The notes on pages 59-101 form an integral part of these consolidated financial statements.

PUBLIC JOINT-STOCK COMPANY OTP BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

(in Ukrainian Hryvnias and in thousands)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		3,393,291	2,541,078
Interest paid		(1,730,362)	(782,163)
Fee and commission received		339,864	239,478
Fee and commission paid		(38,749)	(64,059)
Net gain from dealing in foreign currencies		121,994	213,066
Other income received		6,310	4,568
Operating expenses paid		(881,297)	(711,977)
Cash flows from operating activities before changes in operating assets and liabilities		1,211,051	1,439,991
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National bank of Ukraine		522,734	(302,144)
Due from banks		105,091	62,309
Loans to customers		3,638,188	(7,865,647)
Other assets		5,455	(36,385)
(Decrease)/increase in operating liabilities:			
Due to banks and other financial institutions		(6,153,530)	5,266,591
Customer accounts		(17,553)	546,063
Other liabilities		(15,427)	7,435
Cash outflow from operating activities before taxation		(703,991)	(881,787)
Income tax paid		(32,703)	(188,501)
Net cash outflow from operating activities		(736,694)	(1,070,288)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(100,751)	(276,554)
Proceeds on sale of property, equipment and intangible assets		7,044	782
Purchase of investments available for sale		(384,526)	(60,600)
Proceeds on sale of investments available for sale		171,683	287,973
Acquisition of investments in associate		-	(3,506)
Net cash outflow from investing activities		(306,550)	(51,905)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		799,996	861,369
Proceeds from subordinated debt		573,130	703,630
Net cash inflow from financing activities		1,373,126	1,564,999
NET INCREASE IN CASH AND CASH EQUIVALENTS		329,882	442,806
Effect of changes in foreign exchange rates on cash and cash equivalents		65,780	316,341
CASH AND CASH EQUIVALENTS, beginning of year	**10**	**1,990,776**	**1,231,629**
CASH AND CASH EQUIVALENTS, end of year	**10**	**2,386,438**	**1,990,776**

On behalf of the Management Board:

Chairman of the Management Board
Dmitry Zinkov

15 April 2010

Deputy Chief Financial Officer
Iryna Izmaylova

15 April 2010

The notes on pages 59-101 form an integral part of these consolidated financial statements.

PUBLIC JOINT-STOCK COMPANY OTP BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. ORGANIZATION

Public Joint-Stock Company OTP Bank (the "Bank") was founded on 2 March 1998 as a subsidiary of Raiffeisen Zentralbank Österreich Group (Austria). In 2006 the Bank was acquired by OTP Bank Plc. (Hungary). The transaction was formally approved by the National bank of Ukraine (the "NBU") in October 2006. The Bank is regulated by the NBU and conducts its business under license number 191. In 2009 the Bank changed its name from Closed Joint-Stock Company OTP Bank to Public Joint-Stock Company OTP Bank. The Bank's areas of operation include originating loans and guarantees, accepting deposits from entities and the public, commercial activities, trading with securities and foreign currencies.

The registered office of the Bank is located at 43 Zhylyanska St., Kyiv, 01033, Ukraine.

As at 31 December 2009 the Bank operated through a head office located in Kyiv as well as through 204 regional branches and 2 outlets in Ukraine. As at 31 December 2008 the Bank operated through a head office and 203 regional branches and 26 outlets in Ukraine.

The Bank is a parent company of a banking group (the "Group") which consists of the following enterprises:

Name	Country of operation	Proportion of ownership interest/ voting rights (%)		Type of operations
		2009	2008	
PJSC "OTP Bank" – parent	Ukraine			Banking
LLC "OTP Leasing" (subsidiary)	Ukraine	100%	100%	Finance leases
LLC "Pension fund administrator" (associate)	Ukraine	49%	49%	Pension fund administrator

LLC "OTP Leasing" was formed as a limited liability company under the laws of Ukraine in June 2008. The company's principal activity is operations with finance leases. The company possesses a license for operations from the State commission for regulation of financial services markets of Ukraine, granted on 31 July 2008.

LLC "OTP Pension funds administrator" was formed as a limited liability company under the laws of Ukraine in August 2008. The company's principal activity is administration of pension funds. The company possesses a license for operations with pension funds from the State commission for regulation of financial services markets of Ukraine, granted on 28 April 2009.

As at 31 December 2009 and 2008, the following shareholder owned the issued shares of the Bank:

Shareholder	31 December 2009, %	31 December 2008, %
OTP Bank Plc.(Hungary)	100%	100%
Total	100%	100%

These consolidated financial statements were authorized for issue by the Management Board of the Bank on 15 April 2010.

2. BASIS OF PRESENTATION

Accounting basis – These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in Ukraine. The Management believe that the going concern assumption is appropriate for the Group due to it's sufficient capital adequacy ratio, the commitment of shareholders to support the Group and based on historical experience that short-term obligations will be refinanced in the normal course of business.

These consolidated financial statements are presented in thousands of Ukrainian Hryvnias ("UAH"), unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments according to International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("IAS 39").

The Group maintains its accounting records in accordance with Ukrainian Accounting Standards ("UAS"). These consolidated financial statements have been prepared from the Ukrainian statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain measurement adjustments and reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Functional currency – Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The functional currency of the consolidated financial statements is the Ukrainian Hryvnia ("UAH").

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Bank and the entity controlled by the Bank (its subsidiary). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in an associate – An associate is an entity over which the Group is in a position to exercise significant influence, but is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting.

Investments in the associate are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Where a Group company transacts with the associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Currently Investments in an associate are immaterial, thus they are stated at cost in these consolidated financial statements.

Recognition and measurement of financial instruments – The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets – A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains in the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities – A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National bank of Ukraine with original maturity within 90 days, loans and advances to banks in countries included in the Organization for Economic Cooperation and Development ("OECD") with original maturity within 90 days, except for guarantee deposits and other restricted balances, which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposit required by the National bank of Ukraine is not included as a cash equivalent due to restrictions on its availability.

Due from banks – In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Balances due from banks with fixed maturity are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities. Amounts due from banks are carried net of allowance for impairment losses, if any.

Derivative financial instruments – In the normal course of business, the Group enters into various derivative financial instruments including forwards and swaps to manage currency and liquidity risks and for trading purposes. Derivative financial instruments entered into by the Group are not designated as hedges and do not qualify for hedge accounting. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in Other assets or Other liabilities in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in Other income in the consolidated statement of comprehensive income.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated statement of comprehensive income. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Loans to customers – Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized in the consolidated statement of comprehensive income. Subsequently, loans are carried at amortized cost using the effective interest rate method. Loans to customers are carried net of any allowance for impairment losses.

Write-off of loans – Loans are written off against allowance for impairment losses in case of uncollectibility, including through repossession of collateral. Loans are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral, and the respective decision of the Court is rendered.

Subsequent recoveries of amounts previously written off are included in other income.

Non-accrual loans – Loans are placed on non-accrual status when interest or principal is delinquent, further recovery of interest income is doubtful. The Group's management decides to place the loan on non-accrual status and to initiate the loan recovery through the Court proceeding.

Before commencement of the lease property and equipment purchased for future transfer to financial lease is recognized in the consolidated financial statements as property, plant and equipment purchased to transfer to finance lease at cost.

The Group as a lessee – At the commencement of the lease term, the Group as a lessee recognizes finance leases as assets and liabilities in its consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the leased property is charged in accordance with depreciation policy that is applied to property owned by the Group.

Investments available for sale – Investments available for sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the consolidated statement of comprehensive income, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated statement of comprehensive income. The Group uses quoted market prices to determine the fair value for the Group's investments available for sale. If the market for investments is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other applicable methods. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. Dividends received are included in other income in the consolidated statement of comprehensive income.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that available-for-sale financial assets have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated statement of comprehensive income for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the consolidated statement of comprehensive income for the period. Reversals of such impairment losses on equity instruments are not recognized in the consolidated statement of comprehensive income.

Property, equipment and intangible assets – Property, equipment and intangible assets, acquired after 1 January 2001 are carried at historical cost less accumulated depreciation and any recognized impairment loss. Property, equipment and intangible assets, acquired before 1 January 2001 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss.

Depreciation is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual rates:

Buildings and other real estate	1-5%
Vehicles	16.7%
Furniture and computer equipment	7-35%
Intangible assets	17-25%

Leasehold improvements are amortized over the shorter of the lease period and the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property, equipment and intangible assets are reviewed at each statement of financial position date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Investment property – Investment property, comprising office buildings, is held for long-term rental yields or appreciation in value and is not occupied by the Group. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognized impairment loss. Depreciation is calculated on a straight line basis over the useful life of the assets.

Financial guarantee contract issued by the Bank's parent and held by the Bank – Financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument; the contract may have various legal forms (e.g. insurance contract, guarantee or letter of credit).

Accounting by the holder of such a contract is excluded from the scope of IAS 39 'Financial instruments: recognition and measurement' and IFRS 4 'Insurance contracts'. Therefore, no IFRS applies specifically to the situation, where the Bank is a holder of financial guarantee contract issued by the Bank's parent. Consequently, the Bank has developed its accounting policy for such situations, applying the criteria specified in par. 10–12 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The Bank's policy for recognition of financial guarantee contract held by the Bank and issued by the Bank's Parent consists of:

- Recognition of a financial asset, within other assets caption in the consolidated statement of financial position, in the amount equal to the impairment loss recognized, as at the consolidated statement of financial position date, in relation to the respective loans, that were subject to such guarantee agreement;
- Recognition of corresponding gain in the statement of changes in equity within "Other additional capital" (included in Tier 2 capital for the purpose of Basle Capital adequacy ratios calculation).

Taxation – Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiary and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the consolidated statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income taxes assets and the deferred income taxes liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Ukraine also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of comprehensive income.

Due to banks and other financial institutions, customer accounts and subordinated debt – Due to banks and other financial institutions, customer accounts and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Provisions – Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit – Financial guarantee contracts and letters of credit issued by the Group are credit guarantees that provide for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies – Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Share capital and share premium – Contributions to share capital are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the statement of financial position date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations – In accordance with the requirements of the Ukrainian legislation State pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the Social Security Fund. The Group has introduced contribution pension arrangements with LLC "Pension fund administrator" separate from the State pension system of Ukraine for the senior staff, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Group does not have significant post-retirement compensated benefits requiring accrual.

Interest income and expense – Interest income and expense are recognized on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income and expense – Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided.

Foreign currency translation – The financial statements of the Group are presented in UAH - the currency of the primary economic environment in which the entity operates (its functional currency). Monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated into UAH at the appropriate rate of exchange prevailing at the statement of financial position date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange – The exchange rates at the year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2009	31 December 2008
UAH/USD	7.98500	7.70000
UAH/EUR	11.44889	10.85546

Offset of financial assets and liabilities – Financial assets and liabilities are offset and reported net on the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Areas of significant management judgment and sources of estimation uncertainty – The preparation of the consolidated financial statements in accordance with IFRS requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the statement of financial position date, and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Although those estimates are based on the most recent information available to the management on current actions and events, actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition:

Allowance for impairment of loans – The Group regularly analyses its granted loans to assess impairment. The Group considers accounting estimates related to allowance for impairment of loans to be a key source of estimation uncertainty because (a) they are highly susceptible to change from period to period as the assumptions of potential losses relating to impaired loans are based on recent quality of loan portfolio, and (b) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical or macroeconomic data relating to similar borrowers or forecasting data relating to a borrower's business. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data and forecasts indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data. The Group has implemented internal credit risk rating system, which is managed, monitored and updated by the Risk Management Department. For the impairment assessment process all corporate customers are assigned a rating on a scale from 1 (extremely strong credit standing) to 5 (default) with 0.5 notch. For each rating grade the probability of default rates were calculated. The Group used default rates published by Standard &Poor's rating agency as a basis for development of its internal ratings. In 2008 the Management performed revision of default rates used, to ensure correlation of its portfolio average probability of default with global speculative-grade default rate published by Standard &Poor's.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Ukraine and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2009 and 2008 the gross loans to customers totalled UAH 29,055,986 thousand and UAH 31,495,628 thousand, respectively, and allowance for impairment losses amounted to UAH 4,381,397 thousand and UAH 976,287 thousand, respectively.

Available-for-sale financial instruments – Available-for-sale financial instruments are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product, and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data and historical data. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless a different amount is evident from observable market data. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated statement of comprehensive income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimates related to valuation of financial instruments where quoted markets prices are not available are a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its statement of financial position as well as its financial results of activity could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the financial results of the Group.

The carrying value of investments available for sale amounted to UAH 473,163 thousand and UAH 256,747 thousand as at 31 December 2009 and 2008, respectively.

Deferred income tax assets – Deferred income tax assets are recognized for all deductible temporary differences to the extent that is that it is probable that taxable profit will be available against which the deductable temporary differences can be utilized. Estimation of probability is based on management forecast of future taxable profit and is supplemented with subjective judgments by the management of the Group.

Provisions for financial guarantees and other contingent liabilities – Provisions for financial guarantees and other contingent liabilities are measured in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", that requires application of management estimation and judgment.

Allowance for impairment losses – The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses for financial assets which are carried at amortized cost are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

For financial assets carried at cost, the impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of impairment losses is based on an analysis of the risk assets and reflects the amount which, by the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in impairment losses is charged to profit, and the total of impairment losses is deducted in arriving at assets as shown in the consolidated statement of financial position. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

The Group accounts for impairment losses on financial assets at amortized cost using allowance account, for financial assets measured at cost through direct write off.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses that are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Finance leases – Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor – The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Provisions for financial guarantees and other contingent liabilities amounted to UAH 5,214 thousand and UAH 17,888 thousand as at 31 December 2009 and 2008, respectively.

Adoption of new and revised standards – In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2009.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Amendment to IAS 1 "Presentation of Financial Statements" – On 6 September 2007, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented. It also changes the titles of primary financial statements as they will be referred to in IFRS but does not require that these be renamed in an entity's financial statements. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2009.

IFRS 8 "Operating Segments" – On 30 November 2006, the IASB issued IFRS 8 that replaces IAS 14 "Segment Reporting" and which requires segmental analysis reported by an entity to be based on information used by management. IFRS 8 is effective for periods beginning on or after 1 January 2009.

Standards and interpretations issued and not yet adopted – At the date of authorization of these consolidated financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates, the following Interpretations (applicable to the Group's activities) were in issue but not yet effective.

IFRIC 9 "Reassessment of Embedded Derivatives" which requires that there should be no reassessment of whether an embedded derivative should be separated from the host contract after initial recognition, unless there have been changes to the contract. The adoption of IFRIC 9 had no impact on the Group's profit or loss or financial position.

IFRS 2 "Share-based Payment" – In June 2009 the IASB issued amendments to IFRS 2 "Share-based Payment". The amendments clarify the scope of IFRS 2 and provide additional guidance on the accounting for share-based payment transactions among group entities. This is effective for accounting periods beginning on or after 1 January 2010.

Financial instruments - Classification and Measurement (Exposure draft) - In July 2009 IASB issued an exposure draft (ED) that is a part of IASB's project to replace IAS 39: Recognition and Measurement. The ED proposes a new classification and measurement model for financial assets and financial liabilities. All recognized financial assets and financial liabilities that are currently in the scope of IAS 39 will be measured either at amortized cost or fair value. A financial instrument that has only basic loan features and is managed on a contractual yield basis is measured at amortized cost, unless designated as at fair value through profit or loss (FVTPL). Those financial instruments measured at fair value will either be classified as FVTPL or in the case of investment in equity instruments that are not held for trading, designated irrevocably as at fair value through other comprehensive income (FVTOCI). All investments in equity instruments and derivatives linked to equity instruments in the scope of IAS 39 must be measured at fair value, i.e. an unquoted equity investment cannot be measured at cost less impairment when fair value cannot be reliably measured as currently required by IAS 39. The ED does not permit reclassifications out of or into amortized cost, FVTPL or FVTOCI after initial recognition. The effective date of these changes is not yet determined but the IASB expects to finalize the new classification and management model in time to allow entities to voluntary adopt the new model for 2009 year-end financial statements.

	Other assets	Guarantees and other commitments	Total
31 December 2007	5,267	3,615	8,882
Provision	163	14,273	14,436
31 December 2008	5,430	17,888	23,318
Provision/(recovery of provision)	3,160	(12,674)	(9,514)
31 December 2009	**8,590**	**5,214**	**13,804**

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2009	Year ended 31 December 2008
Translation differences, net	79,216	484,174
Dealing, net	121,994	213,066
Total net gain on foreign exchange operations	**201,210**	**697,240**

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Fee and commission income		
Foreign exchange operations	129,023	63,887
Settlement and cash operations with clients	96,766	70,993
Plastic cards operations	40,164	41,364
Guarantees	28,615	27,690
Penalties and fines received	15,405	23,933
Securities operations	3,461	5,769
Other	26,035	5,842
Total fee and commission income	339,469	239,478
Fee and commission expense		
Plastic cards operations	(16,595)	(21,342)
Guarantees	(12,882)	(19,283)
Agent fees	(1,549)	(15,119)
Settlements	(7,752)	(8,341)
Securities operations	(32)	(68)
Other	(167)	(8)
Total fee and commission expense	**(38,977)**	**(64,161)**

8. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Staff costs	398,736	367,450
Operating leases	169,573	131,833
Salary related taxes	100,557	79,722
Depreciation and amortization	92,248	57,588
Property and equipment maintenance	55,855	45,872
Data processing and information systems maintainance	25,792	12,835
Professional services	21,949	11,937
Advertising costs	20,358	37,251
Security expenses	15,942	12,601
Taxes, other than income tax	14,611	12,090
Contributions to Deposit Insurance Fund	14,298	13,141
Communications	8,144	12,066
Stationery	5,551	6,449
Business trip expenses	5,190	7,207
Training	3,252	5,920
Cash collection expenses	2,805	2,110
Representative expenses	2,147	1,643
Insurance	1,800	953
Charity and sponsorship expenses	738	480
Membership fee	215	325
Other expenses	16,823	9,966
Total operating expenses	**976,584**	**829,439**

9. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its branches operate and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

In 2009, as well as in 2008, the Ukrainian corporate income tax was levied on taxable income less allowable expenses at a rate of 25%.

Temporary differences as at 31 December 2009 and 2008 comprise:

	31 December 2009	31 December 2008
Deductible temporary differences:		
Allowance for impairment losses	1,424,892	-
Due to banks	277,941	428,246
Customer accounts	52,567	132,799
Other assets and liabilities	52,297	57,390
Property and equipment and intangible assets	17,680	-
Subordinated debt	15,789	21,644
Investments available for sale	13,314	19,450
Loans to customers	1,073	592
Total deductible temporary differences	1,855,553	660,121
Taxable temporary differences:		
Accrued interest income	655,674	32,061
Other assets	8,618	1,246
Deferred commission on due to banks	8,078	13,366
Deferred commission on subordinated debt	1,887	2,243
Allowance for impairment losses	-	751,567
Property and equipment and intangible assets	-	38,357
Total taxable temporary differences	674,257	838,840
Net taxable temporary differences	1,181,296	(178,719)
Net deferred income tax assets/(liabilities) at the statutory tax rate (25%)	295,324	(44,680)
Tax losses carried forward	97,141	-
Deferred tax asset not recognised	(396,218)	-
Net deferred income tax liabilities	**(3,753)**	**(44,680)**

Relationships between tax expenses and accounting profit for the years ended 31 December 2009 and 2008 are explained as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
(Loss)/profit before income tax	(1,878,811)	697,168
Tax at the statutory tax rate (25%)	(469,703)	174,292
Tax effect of other permanent differences	30,678	28,601
Change in deferred tax asset not recognised	396,218	-
Income tax expense	(42,807)	202,893
Current income tax expense	3,303	217,669
Recovery of tax expense	(46,110)	(14,776)
Income tax expense	**(42,807)**	**202,893**

Deferred income tax liabilities	**31 December 2009**	**31 December 2008**
Beginning of the period	44,680	63,594
Tax effect of changes in investments available for sale fair value reserve	5,183	(4,138)
Recovery of tax expense	(46,110)	(14,776)
End of the period	**3,753**	**44,680**

10. CASH AND BALANCES WITH THE NATIONAL BANK OF UKRAINE

	31 December 2009	31 December 2008
Cash	554,767	560,448
Balance with the National bank of Ukraine	1,030,945	893,486
Total cash and balances with the National bank of Ukraine	**1,585,712**	**1,453,934**

The balances with the National bank of Ukraine as at 31 December 2009 and 2008 include UAH 315,264 thousand and UAH 837,998 thousand, respectively, which represent the obligatory minimum reserve deposits. The Group is required to maintain the reserve balance at the NBU at all times.

Cash and cash equivalents for the purposes of the consolidated statement of cash flows comprise the following:

	31 December 2009	31 December 2008
Cash and balances with the National bank of Ukraine	1,585,712	1,453,934
Due from banks in OECD countries (Note 26)	1,118,386	1,377,150
	2,704,098	2,831,084
Less guarantee deposits for plastic cards operations	(2,396)	(2,310)
Less minimum reserve deposits with the National bank of Ukraine	(315,264)	(837,998)
Total cash and cash equivalents	**2,386,438**	**1,990,776**

11. DUE FROM BANKS

Due from banks comprise:

	31 December 2009	31 December 2008
Correspondent accounts with other banks	1,158,166	1,391,710
Time deposits with other banks	179,436	311,422
Less allowance for impairment losses	(77,446)	-
Total due from banks	**1,260,156**	**1,703,132**

Included in due from banks is accrued interest in the amount of UAH 504 thousand and UAH 1,423 thousand as of 31 December 2009 and 2008, respectively. As at 31 December 2009 the Group did not have amounts due from banks, which individually exceeded 10% of the Bank's equity.

As at 31 December 2008 the Group had amounts due from OTP Bank (Hungary) totaling UAH 603,420 thousand, which individually exceeded 10% of the Group's equity.

As of 31 December 2009 and 2008 the maximum credit risk exposure on due from banks amounted to UAH 1,260,156 thousand and UAH 1,703,132 thousand, respectively.

As at 31 December 2009 and 2008 included in due from banks were fixed amounts of UAH 2,396 thousand and UAH 2,310 thousand, respectively, placed as guarantee deposits on letters of credit, operations with plastic cards and travel checks, and settlements with international payment systems.

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2009	31 December 2008
Loans to customers	29,050,386	31,494,755
Net investments in finance lease	5,600	873
	29,055,986	31,495,628
Less allowance for impairment losses	(4,381,397)	(976,287)
Total loans to customers	**24,674,589**	**30,519,341**

Movements in allowance for impairment losses for the years ended 31 December 2009 and 2008 are disclosed in Note 5.

The table below summarizes the amount of loans secured by collateral, rather than the fair value of the collateral itself:

	31 December 2009	*31 December 2008*
Loans collateralized by real estate or rights thereon	19,412,453	21,316,653
Loans collateralized by equipment, inventory and rights thereon	5,529,013	7,015,681
Loans collateralized by guarantees, obtained from the parent bank	2,347,464	1,630,006
Loans collateralized by securities	1,540,832	1,265,845
Loans collateralized by cash or guarantee deposits with the Bank	218,233	80,499
Loans collateralized by other guarantees	7,991	17,788
Unsecured loans	-	169,156
	29,055,986	31,495,628
Less allowance for impairment losses	(4,381,397)	(976,287)
Total loans to customers	**24,674,589**	**30,519,341**

	31 December 2009	31 December 2008
Analysis by sector:		
Individuals	15,739,105	16,939,483
Trade	5,250,623	5,847,365
Real estate	1,788,494	1,580,441
Agriculture and food processing	1,640,792	1,971,677
Metallurgy and mining	1,180,751	1,324,269
Manufacturing	936,884	995,977
Machine building	857,627	1,155,727
Construction	604,024	602,894
Oil, gas and chemical	447,292	424,852
Printing and publishing	72,318	86,999
Financial services	58,056	61,657
Media and communication	24,836	106,354
Other	455,184	397,933
	29,055,986	31,495,628
Less allowance for impairment losses	(4,381,397)	(976,287)
Total loans to customers	**24,674,589**	**30,519,341**

Loans to individuals comprise the following products:

	31 December 2009	31 December 2008
Mortgage loans	8,452,292	9,340,470
Car loans	2,352,408	3,060,907
Consumer loans	87,731	126,187
Other	4,846,674	4,411,919
	15,739,105	16,939,483
Less allowance for impairment losses	(1,100,858)	(292,246)
Total loans to individuals	**14,638,247**	**16,647,237**

As at 31 December 2009 and 2008 the Group provided loans to three and two clients totaling UAH 1,243,151 thousand and UAH 739,045 thousand, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2009 and 2008 a significant amount of corporate loans (99.9% of total portfolio) is granted to companies operating in Ukraine, which represents a significant geographical concentration in one region.

As at 31 December 2009 and 2008 a maximum credit risk exposure on loans to customers amounted to UAH 24,674,589 thousand and UAH 30,519,341 thousand, respectively. As at 31 December 2009 and 2008 a maximum credit risk exposure on commitments on loans and unused credit lines extended by the Group to its customers amounted to UAH 358,395 thousand and UAH 596,739 thousand, respectively (Note 21).

The table below summarizes an analysis of loans to customers by impairment:

	31 December 2009			31 December 2008		
	Carrying value before allowance	**Allowance for impairment losses**	**Carrying value**	**Carrying value before allowance**	**Allowance for impairment losses**	**Carrying value**
Loans to customers individually determined to be impaired	10,530,517	(3,317,241)	7,213,276	14,142,413	(666,952)	13,475,461
Loans to customers collectively determined to be impaired	3,694,882	(1,064,156)	2,630,726	1,338,418	(309,335)	1,029,083
Unimpaired loans	14,830,587	-	14,830,587	16,014,797	-	16,014,797
Total	**29,055,986**	**(4,381,397)**	**24,674,589**	**31,495,628**	**(976,287)**	**30,519,341**

13. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	31 December 2009	**31 December 2008**
Debt securities	484,978	251,509
Equity securities	5,238	5,238
	490,216	256,747
Less allowance for impairment losses	(17,053)	-
Total investments available for sale	**473,163**	**256,747**

As at 31 December 2009 and 2008 debt securities available for sale comprised:

	Interest to nominal %	31 December 2009	Interest to nominal %	31 December 2008
Debt securities				
Ministry of Finance of Ukraine	8.0%	326,733	7.9%	43,897
State Mortgage Institution	9.5%	102,459	9.5%	103,994
CJSC "Donetskstal"	13.0%	26,226	13.0%	23,028
PJSC "Kreditprombank"	18.7%	10,257	13.8%	11,861
JSC "Dneproshina"	20.3%	7,879	19.9%	12,123
OJSC "Lutskij avtomobilnij zavod"	22.0%	6,375	14.0%	8,802
JSC Bank "Ukrgazbank"	16.0%	5,049	12.0%	4,868
PJSC "Credobank"	-	-	13.0%	9,774
LTD "Agromat"	-	-	13.5%	7,761
PJSC Bank "Pivdenny"	-	-	12.5%	6,857
LLC "Globynskyi m'iasokombinat"	-	-	26.0%	5,340
OJSC "Kombinat Pridneprovski"	-	-	16.0%	5,177
PJSC FUIB Bank	-	-	12.0%	4,948
LLC "AMI"	-	-	18.0%	3,079
		484,978		251,509
Less allowance for impairment losses		(17,053)		-
Total debt securities		**467,925**		**251,509**

As at 31 December 2009 and 2008 equity securities available for sale comprised:

	Ownership interest	31 December 2009	Ownership interest	31 December 2008
Equity securities:				
Ukrainian Depositary	4%	3,008	4%	3,000
LLC AMC "OTP Capital"	10%	1,980	10%	1,980
LLC "First Ukrainian Credit History Bureau"	Less than 1%	250	Less than 1%	250
OJSC "Interregional Fund Society"	-	-	Less than 1%	8
Total equity securities		**5,238**		**5,238**

14. PROPERTY AND EQUIPMENT

Property and equipment comprise:

	Buildings and other real estate	Furniture and equipment	Vehicles	Construction in progress	Total
At initial cost					
31 December 2007	127,141	139,702	10,567	109,525	386,935
Additions and internal transfers	123,141	73,140	5,671	18,073	220,025
Disposals	(1,410)	(298)	(509)	-	(2,217)
31 December 2008	248,872	212,544	15,729	127,598	604,743
Additions and internal transfers	70,727	83,338	846	(66,800)	88,111
Disposals	(5,383)	(2,875)	(522)	-	(8,780)
31 December 2009	314,216	293,007	16,053	60,798	684,074
Accumulated depreciation					
31 December 2007	27,247	59,770	2,888	-	89,905
Charge for the year	21,969	27,626	2,150	-	51,745
Eliminated on disposals	(747)	(209)	(401)	-	(1,357)
31 December 2008	48,469	87,187	4,637	-	140,293
Charge for the year	38,862	41,088	2,494	-	82,444
Eliminated on disposals	(517)	(1,126)	(115)	-	(1,758)
31 December 2009	86,814	127,149	7,016	-	220,979
Net book value					
31 December 2009	227,402	165,858	9,038	60,798	463,095
31 December 2008	**200,403**	**125,357**	**11,092**	**127,598**	**464,450**

As at 31 December 2009 and 2008 included in property and equipment were fully depreciated assets in the amount of UAH 74,419 thousand and UAH 51,490 thousand, respectively.

15. OTHER ASSETS

Other assets comprise:

	31 December 2009	31 December 2008
Other financial assets:		
Financial guarantee held (issued by the Bank's parent)	1,632,338	-
Transit and settlement accounts	7,304	15,883
Accrued income	2,239	1,992
Investment property	2,918	-
Other financial assets	6,174	-
Derivative financial assets	-	508
	1,650,973	18,383
Other non-financial assets:		
Intangible assets	103,591	67,066
Prepayments for property, equipment and intangible assets	2,050	47,670
Prepaid expenses	30,888	22,806
Taxes recoverable and prepaid, other than income taxes	651	122
Other advances and prepayments	13,980	14,885
	151,160	152,549
Less allowance for impairment losses	(8,590)	(5,430)
Total other assets	**1,793,543**	**165,502**

4. NET INTEREST INCOME

The net interest income comprises:

	Year ended 31 December 2009	Year ended 31 December 2008
Interest income		
Interest income on financial assets recorded at amortized cost:		
– interest income on assets that have been written down as a result of impairment loss based on individual assessment	1,128,483	521,628
– interest income on assets that have been collectively assessed for impairment	760,290	514,241
– interest income on unimpaired assets	2,062,076	1,613,078
Interest income on financial assets at fair value	61,300	61,805
Total interest income	4,012,149	2,710,752
Interest income on financial assets:		
Interest on loans to customers	3,889,912	2,609,191
Interest on due from banks	39,432	39,756
Interest on investments available for sale	61,300	61,805
Interest on investments held-to-maturity	21,505	-
Total interest income	4,012,149	2,710,752
Interest expense		
Interest income on financial liabilities recorded at amortized cost:		
Interest on deposits from banks and other financial institutions	(945,876)	(814,589)
Interest on customer accounts	(487,176)	(368,394)
Interest on subordinated debt	(70,905)	(31,821)
Total interest expense	(1,503,957)	(1,214,804)
Net interest income before provision for impairment losses on interest bearing assets	**2,508,192**	**1,495,948**

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Due from banks	Loans to customers	Investments available for sale	Total
31 December 2007	-	143,197	-	143,197
Provision	-	833,090	-	833,090
31 December 2008	-	976,287	-	976,287
Provision	77,446	3,831,070	17,053	3,925,569
Write-off of assets	-	(32,939)	-	(32,939)
Write-off of provision due to sale of loans (Note 23)	-	(393,021)	-	(393,021)
31 December 2009	77,446	4,381,397	17,053	4,475,896

The movements in allowances for impairment losses on other transactions were as follows:

Financial guarantee held (issued by the Bank's parent) is recognized by the Bank in the amount of UAH 1,632,338 thousand based on the guarantee agreement dated 23 December 2009 with OTP Bank Hungary. The Group received Guarantee from the parent bank in relation to loans granted to customers totaling UAH 2,261,129 thousand (which is equivalent of USD 283,172 thousand).

According to the written arrangement with OTP Bank Hungary, irrespective of any conditions, on 10 January 2012 the Bank will claim payment under the above mentioned Guarantee equal to the full outstanding amount of overdue loans to customers, which were subject to this Guarantee, and this claim will be unconditionally satisfied. Based on this, the Bank believes that it is virtually certain that the payment of the recognized amount of UAH 1,632,338 thousand will be received. Accounting policy developed and applied by the Bank for this transaction in absence of specific applicable IFRS is described in Note 3 "Significant accounting policies". The Bank accounted this Guarantee as increase in Other assets and Other additional capital.

Movements in allowance for impairment losses on other assets for the years ended 31 December 2009 and 2008 are disclosed in Note 5.

Intangible assets include software, patents and licenses.

	Intangible assets
AT COST:	
31 December 2007	49,399
Additions	33,877
31 December 2008	83,276
Additions	46,329
31 December 2009	129,605
ACCUMULATED AMORTIZATION:	
31 December 2007	10,367
Charge for the year	5,843
31 December 2008	16,210
Charge for the year	9,804
31 December 2009	26,014
Net book value:	
31 December 2009	**103,591**
31 December 2008	**67,066**

16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise:

	31 December 2009	**31 December 2008**
Loans from other banks and financial institutions	17,374,678	22,927,685
Correspondent accounts of other banks	5,371	9,952
Total due to banks and other financial institutions	**17,380,049**	**22,937,637**

As at 31 December 2009 and 2008 accrued interest expenses included in due to banks amounted to UAH 281,608 thousand and UAH 428,246 thousand, respectively.

As at 31 December 2009 and 2008 due to banks and other financial institutions amounting to UAH 16,885,816 thousand (97%) and UAH 21,608,518 thousand (94%) were due to one counterparty (related party), which represents significant concentration.

The Group is obligated to comply with financial covenants in relation to certain balances due to banks and other financial institutions disclosed above. These covenants include stipulated ratios: capital adequacy ratios, maximum exposure ratios, related party exposure ratios, maturity gaps analysis and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2009 and 2008, except as described below.

As of 31 December 2009 the Bank was not in compliance with two covenants set out in loan agreement with the European Bank for Reconstruction and Development (EBRD) (ratio of Liquid Assets to the Borrower's total unweighted assets and ratio of Operating Expenses to Operating Income after provision for losses). The management notified the EBRD in 2009 about the breach and obtained consent to provide waiver on this non-compliance thereon.

17. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2009	**31 December 2008**
Time deposits	2,539,980	3,612,179
Current deposits and deposits repayable on demand	4,616,248	3,437,151
Total customer accounts	**7,156,228**	**7,049,330**

As at 31 December 2009 and 2008 customer accounts amounting to UAH 759,269 thousand (11%) and UAH 1,135,660 thousand (16%) were due to seven customers and one customer, respectively, which represents significant concentration.

As at 31 December 2009 and 2008 customer accounts amounted to UAH 12,102 thousand and UAH 34,550 thousand, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As at 31 December 2009 and 2008 customer accounts amounted to UAH 5,395 thousand and UAH 9,984 thousand, respectively, were held as security against guarantees issued (Note 21).

Analysis by sector	**31 December 2009**	**31 December 2008**
Individuals	3,916,360	2,916,728
Trade	990,528	867,407
Real estate	420,727	525,916
Insurance and other financial services	345,079	294,902
Agriculture and food processing	343,831	449,807
Manufacturing	252,105	422,755
Hotels and restaurants	203,877	23,378
Mining and metallurgy	202,818	67,228
Transport and communication	180,918	1,282,991
Social services	93,625	68,214
Construction	69,642	63,971
Other	136,718	66,033
Total customer accounts	**7,156,228**	**7,049,330**

18. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2009	31 December 2008
Other financial liabilities:		
Payables for property and equipment	11,910	22,414
Payments due to other contractors	2,339	2,956
Transit and settlement accounts	324	12,509
Accounts payable for customers' bonds	-	203
Derivative financial liabilities	2,696	-
Other	374	1,973
	17,643	40,055
Other non-financial liabilities:		
Unused vacation and bonus provision	66,896	59,281
Provision for guarantees and other commitments	5,214	17,888
Taxes payable, other than income taxes	1,668	3,237
Accrued legal fees	1,300	-
Settlements on client transactions	-	944
Other	4,088	915
	79,166	82,265
Total other liabilities	**96,809**	**122,320**

Movements in provisions for losses on guarantees and other commitments for the years ended 31 December 2009 and 2008 are disclosed in Note 5.

19. SUBORDINATED DEBT

	Currency	Maturity date	Interest rate, %	31 December 2009	31 December 2008
European Bank for Reconstruction and Development	USD	2015	LIBOR+1.40%	519,515	504,779
OTP Financing Cyprus	USD	2015	LIBOR+3.91%	408,312	396,974
OTP Financing Cyprus	USD	2016	LIBOR+4.24%	400,940	-
OTP Financing Cyprus	USD	2016	LIBOR+4.64%	240,556	-
OTP Financing Cyprus	USD	2012	LIBOR+2.85%	152,869	148,660
European Bank for Reconstruction and Development	USD	2010	LIBOR+2.75%	20,109	39,164
European Bank for Reconstruction and Development	USD	2009	LIBOR+2.75%	-	30,923
Total subordinated debt				**1,742,301**	**1,120,500**

As at 31 December 2009 and 2008 accrued interest expenses included in subordinated debt amounted to UAH 15,789 thousand and UAH 21,644 thousand, respectively.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayment of the Group's liabilities to all other creditors.

The Group is obligated to comply with financial covenants in relation to subordinated debt disclosed above. These covenants include stipulated ratios: capital adequacy ratio, liquidity ratio, assets and liabilities mismatch as well as maximum exposure to any single group and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2009 and 2008, except as described below.

As of 31 December 2009 the Bank was not in compliance with two covenants set out in loan agreement with the European Bank for Reconstruction and Development (EBRD) (ratio of Liquid Assets to the Borrower's total unweighted assets and ratio of Operating Expenses to Operating Income after provisions for losses). The management notified the EBRD in 2009 about the breach and obtained consent to provide waiver on this non-compliance thereon.

These liabilities are meazured at amortized cost.

20. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2009 authorized, issued and paid-in share capital consisted of 231,475 ordinary shares with par value of UAH 12,390.93 each.

As at 31 December 2008 authorized, issued and paid-in share capital consisted of 166,912 ordinary shares with par value of UAH 12,390.93 each.

As at 31 December 2009 and 2008, share premium totaling UAH 14,070 thousand, represents an excess of contributions received over the nominal value of shares issued.

All ordinary shares are ranked equally and carry one vote. The carrying value of the share capital includes the effect of hyperinflation accumulated prior to 2001 in the amount of UAH 20,117 thousand.

During the year 2009 the shareholders approved capital contribution in amount of UAH 799,996 thousand.

The Bank's distributable reserves to shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank`s statute, that provides for the creation of a reserve for these purposes.

21. COMMITMENTS AND CONTINGENCIES

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

Provision for losses on contingent liabilities amounted to UAH 5,214 thousand and UAH 17,888 thousand as at 31 December 2009 and 2008, respectively (Note 18).

As at 31 December 2009 and 2008 the nominal or contract amounts of contingent liabilities were:

	31 December 2009	31 December 2008
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	525,004	681,659
Letters of credit and other transaction related contingent obligations	9,919	351,489
Irrevocable commitments on loans and unused credit lines	358,395	596,739
Total contingent liabilities and credit commitments	**893,318**	**1,629,887**

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancelable operating leases as at 31 December 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
Not later than 1 year	135,855	192,557
Later than 1 year and not later than 5 years	226,715	368,864
Later than 5 years	34,567	67,573
Total operating lease commitments	**397,137**	**628,994**

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

The Group may receive claims from individual customers with respect to certain commissions withheld by the Group for loan agreements service. The NBU issued an instruction requiring banks to disclose effective interest rates on loans granted to individuals. Management is of the opinion that such claims would not have adverse consequences for the Group, and has already established procedures on disclosing additional information in loan agreements in compliance with the NBU instruction.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of Ukraine. Also the Bank has defined contribution pension arrangements with LLC "Pension fund administrator", which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In August 2009 the Bank arranged supplementary defined contribution pension scheme for employees with LLC "Pension fund administrator". The Bank paid UAH 709 thousand for the year ended 31 December 2009 to this pension fund. Employees have the right to receive pension in the amount of such accumulated payments. As at 31 December 2009 and 2008 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Legislation – Due to the presence in Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Tax records remain open to review by the tax authorities for three years. As at the year ended 31 December 2009 additional CIT accruals related to overstatement of deductible expenses could be requested by tax authorities in the amount of UAH 2,366 thousand plus penalties in the amount of UAH 5,184 thousand. Management of the Group is intended to petition the Court and, based on its own experience in the similar legal proceedings, the Group believes that the claim will be allowed in full. The Group believes that it has already made all tax payments, and therefore no provision was made in the financial statements.

Ongoing Global Liquidity Crisis – The financial markets, both globally and in Ukraine, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

The global financial turmoil has significantly affected Ukrainian economy. It has resulted in a decrease of Ukrainian GDP, significant declines in debt and equity prices and a substantial outflow of capital.

While many countries, including Ukraine, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt Ukrainian economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

While Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukraine banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Factors including increased unemployment in Ukraine, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Group's borrowers' ability to repay the amounts due to the Group. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Operating environment – The principal business activities of the Group are within Ukraine. Although in recent years there has been a general improvement in economic conditions in Ukraine, Ukraine continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Ukraine continue to change rapidly. Tax, currency and customs legislation within Ukraine is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction of Ukraine is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

22. SUBSEQUENT EVENTS

In February 2010 the Group obtained from the National bank of Ukraine the written consent for operations with banking metals.

In March 2010 the Group sold part of its loan portfolio in amount UAH 524,307 thousands to the related company LLC "OTP Factoring Ukraine" for UAH 173,306 thousand.

23. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives then significant influence over the Group; and that have joint control over the Group;

(b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Joint ventures in which the Group is a venturer;

(d) Members of key management personnel of the Group or its parent;

(e) Close members of the family of any individuals referred to in (a) or (d);

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Group had the following transactions outstanding as at 31 December 2009 and 2008 with related parties:

	31 December 2009		31 December 2008	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Due from banks and other financial institutions	8,742	1,260,156	606,399	1,703,132
– the parent	7		603,420	
– entities with joint control or significant influence over the entity	8,735		2,979	
Loans to customers, gross	6,832	29,055,986	13,946	31,495,628
– key management personnel of the entity or its parent	6,832		13,946	
Allowance for impairment losses	-	(4,381,397)	(42)	(976,287)
– key management personnel of the entity or its parent	-		(42)	
Investments in associate	3,506	3,506	3,506	3,506
– associate	3,506		3,506	
Other assets	1,632,338	1,793,543	-	165,502
– the parent	1,632,338			
Due to banks and other financial institutions	16,885,859	17,380,049	21,608,518	22,937,637
– the parent	36		-	
– entities with joint control or significant influence over the entity	16,885,823		21,608,518	
Customer accounts	36,401	7,156,228	15,702	7,049,330
– key management personnel of the entity or its parent	14,586		8,788	
– associate	4,797		6,914	
– entities with joint control or significant influence over the entity	17,018		-	
Subordinated debt	1,202,677	1,742,301	545,634	1,120,500
– entities with joint control or significant influence over the entity	1,202,677		545,634	
Commitments on loans and unused credit lines	327	358,395	239	596,739
– key management personnel of the entity or its parent	327		239	
Guarantees issued and similar commitments	77	525,004	77	681,659
– key management personnel of the entity or its parent	77		77	

As at 31 December 2009 the Group received Guarantee from the parent bank in relation to loans granted to customers totaling UAH 2,261,129 thousand (which is equivalent of USD 283,172 thousand). According to the written arrangement with OTP Bank Hungary, irrespective of any conditions, on 10 January 2012 the Bank will claim payment under the above mentioned Guarantee equal to the full outstanding amount of overdue loans to customers, which were subject to this Guarantee, and this claim will be unconditionally satisfied. The Group is to pay a guarantee fee to OTP Bank Hungary on the guaranteed amount of 0.1% p.a. Financial guarantee held is recognized by the Group in Other assets in the amount of UAH 1,632,338 thousand (Note 15).

Included in the consolidated statement of comprehensive income for the years ended 31 December 2009 and 2008 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2009		Year ended 31 December 2008	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	14,376	4,012,149	3,069	2,710,752
– the parent	11,179		1,554	
– associate	-		-	
– entities with joint control or significant influence over the entity	859		60	
– key management personnel of the entity or its parent	2,338		1,455	
Interest expense	(947,625)	(1,503,957)	(773,823)	(1,214,804)
– the parent	(3,137)		(43,951)	
– entities with joint control or significant influence over the entity	(942,624)		(729,056)	
– associate	(768)		(309)	
– key management personnel of the entity or its parent	(1,096)		(507)	
(Provision)/recovery of provision for impairment losses on interest bearing assets	42	(3,925,569)	(9)	(833,090)
– entities with joint control or significant influence over the entity	-		32	
– key management personnel of the entity or its parent	42		(41)	
Fee and commission income	260	339,469	645	239,478
– the parent	237		642	
– associate	7		3	
– entities with joint control or significant influence over the entity	16		-	
Fee and commission expense	(12,894)	(38,977)	(17,412)	(64,161)
– the parent	(12,882)		(17,412)	
– entities with joint control or significant influence over the entity	(12)		-	
Operating expenses	(31,711)	(976,584)	(21,020)	(829,439)
– the parent	(41)			
– key management personnel of the entity or its parent	(31,670)		(21,020)	

During the years ended 31 December 2009 and 2008 remuneration of key management personnel comprised of short-term employee benefits.

In 2009 the Group sold part of its loan portfolio with gross outstanding balance UAH 568,469 thousand (carrying value UAH 185,262 thousand) to the related company LLC "OTP Factoring Ukraine" for UAH 185,262 thousand.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	31 December 2009		31 December 2008	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with the National Bank of the Ukraine	1,585,712	1,585,712	1,453,934	1,453,934
Due from banks	1,260,156	1,260,156	1,703,132	1,703,132
Debt securities available for sale	467,925	467,925	251,509	251,509
Other financial assets	1,650,973	1,650,973	18,383	18,383
Due to banks and other financial institutions	17,380,049	17,380,049	22,937,637	22,937,637
Customer accounts	7,156,228	7,162,034	7,049,330	7,049,330
Subordinated debt	1,742,301	1,742,301	1,120,500	1,120,500
Other financial liabilities	17,643	17,643	40,055	40,055

The fair value of loans to individuals and equity investments available for sale can not be measured reliably as they are not traded on an active market and it is impracticable to apply any other valuation techniques on such instruments. The carrying value of loans to legal entities approximates its fair value.

Financial instruments recognised at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.

- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.

- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Group's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognised at fair value is as follows:

			31 December 2009
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**
Debt securities available for sale	223,257	244,668	-

25. CAPITAL MANAGEMENT

The Group manages its capital by maximizing the return to stakeholders through the optimization of the debt and equity balance.

The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Group.

During the past year, the Group had complied in full with all its externally imposed capital requirements.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 19, and equity, comprising issued capital and retained earnings as disclosed in statement of changes in equity.

The Treasury department reviews the capital structure on a day-to-day basis to comply with the NBU requirements. The Management Board reviews the capital structure strategy on quarterly basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basle Committee:

	31 December 2009	**31 December 2008**
Movement in tier 1 capital:		
At 1 January	3,262,745	1,671,621
Share capital	799,996	1,109,264
Disclosed reserves	(1,820,455)	481,860
At December 31	**2,242,286**	**3,262,745**

	31 December 2009	**31 December 2008**
Composition of regulatory capital:		
Tier 1 capital:		
Share capital	2,888,308	2,088,312
Share premium	14,070	14,070
Disclosed reserves	(660,092)	1,160,363
Total qualifying Tier 1 capital	2,242,286	3,262,745
Other additional capital (restricted to 50% of Tier 1)	1,121,143	-
Subordinated term debt (restricted to 50% of Tier 1)	1,121,143	1,021,889
Total qualifying Tier 2 capital	2,242,286	1,021,889
Less investments into subsidiaries and associates	(3,506)	(3,506)
Total regulatory capital	4,481,066	4,281,128
Capital Ratios:		
Tier 1 capital	11%	12%
Total capital	23%	16%

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.
As at 31 December 2009 and 2008 the Group included in the computation of Total capital for Capital

adequacy purposes Other additional capital, limited to 50% of Tier 1 capital and the Subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of subordinated debt is subordinate to the repayments of the Group's liabilities to all other creditors.

26. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk;
- Liquidity risk;
- Market risk.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk – The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committee and the Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the Risk Management Department. Daily risk management is performed by the Department on Servicing and Monitoring of Clients.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to the Group's borrowers, products and other segments. Limits on the structure of the loan portfolio are set by the Risk Management Department and are approved by the Assets and Liabilities Committee ("ALCO"). Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees but a significant portion is lending to individuals, where such facilities can not always be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. using limits to mitigate the risk, and continuous monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

The following methods are used by the Group to measure credit risk: prefiltration and default check, soft/hard verification, collateral evaluation, scoring, customer rating, limit calculation.

Maximum exposure – The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	31 December 2009
	Maximum exposure
Due from banks	1,260,156
Loans to customers	24,674,589
Investments available for sale	473,163
Other financial assets	1,650,973
Contingent liabilities and credit commitments	893,318

	31 December 2008
	Maximum exposure
Due from banks	1,703,132
Loans to customers	30,519,341
Investments available for sale	256,747
Other financial assets	18,383
Contingent liabilities and credit commitments	1,629,887

Financial assets are graded as follows: amounts due from banks are graded according to the current credit rating they have been issued by an internationally regarded agency, and loans to customers are graded according to rating system developed by the Group. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

As at 31 December 2009 and 2008 the balances with the NBU amounted to UAH 1,030,945 thousand and UAH 893,486 thousand, respectively. The credit rating of Ukraine according to the international rating agencies in 2009 corresponded to speculative level B-.

The following table details the credit ratings of financial assets held by the Group that are neither past due nor individually impaired:

							31 December 2009
	AA	**A**	**B**	**BBB**	**below BBB**	**Not rated**	**Total**
Due from banks	127,773	712,532	278,063	6,999	134,789	-	1,260,156
Loans to customers	-	20,086	30,194	7,855,480	4,307,647	-	12,213,407
Investments available for sale	-	-	-	13,113	454,812	5,238	473,163

							31 December 2008
	AA	**A**	**B**	**BBB**	**below BBB**	**Not rated**	**Total**
Due from banks	154,358	419,930	802,058	3,984	322,802	-	1,703,132
Loans to customers	1,545	680,985	1,580,904	11,785,502	79,775	-	14,128,711
Investments available for sale	-	-	-	22,566	231,431	2,750	256,747

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within Ukraine. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The following table details the carrying value of assets that are individually impaired and the ageing of those that are past due but not individually impaired:

		Financial assets past due but not individually impaired					
	Neither past due nor individually impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total at 31 December 2009**
Loans to customers	12,213,407	347,785	1,035,510	1,049,780	184,105	14,225,399	29,055,986

		Financial assets past due but not individually impaired					
	Neither past due nor individually impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total at 31 December 2008**
Loans to customers	14,128,711	1,684,846	79,448	68,451	53,341	15,480,831	31,495,628

Geographical concentration – The ALCO exercises control over the risk in the legislation and regulatory area and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in Ukraine. The Group's Management Board sets up country limits, which mainly applies to banks of the Commonwealth of Independent States and Baltic countries.

The Group assesses influence of geographical risk on its activity. The geographical concentration of financial assets and liabilities is set out below:

	Ukraine	**Non-OECD countries**	**OECD countries**	**31 December 2009 Total**
FINANCIAL ASSETS:				
Cash and balances with the National bank of Ukraine	1,585,712	-	-	1,585,712
Due from banks	122,893	18,877	1,118,386	1,260,156
Loans to customers	24,660,300	8,251	6,038	24,674,589
Investments available for sale	473,163	-	-	473,163
Investments in associate	3,506	-	-	3,506
Other financial assets	18,627	4	1,632,342	1,650,973
TOTAL FINANCIAL ASSETS	26,864,201	27,132	2,756,766	29,648,099
FINANCIAL LIABILITIES:				
Due to banks and other financial institutions	5,128	16,892,904	482,017	17,380,049
Customer accounts	6,919,571	71,561	165,096	7,156,228
Other financial liabilities	16,889	-	754	17,643
Subordinated debt	-	1,202,677	539,624	1,742,301
TOTAL FINANCIAL LIABILITIES	**6,941,588**	**18,167,142**	**1,187,491**	**26,296,221**
NET POSITION	**19,922,613**	**(18,140,010)**	**1,569,275**	

	Ukraine	Non-OECD countries	OECD countries	31 December 2008 Total
FINANCIAL ASSETS:				
Cash and balances with the National bank of Ukraine	1,453,934	-	-	1,453,934
Due from banks	316,921	9,061	1,377,150	1,703,132
Loans to customers	30,501,748	11,103	6,490	30,519,341
Investments available for sale	256,747	-	-	256,747
Investments in associate	3,506	-	-	3,506
Other financial assets	18,383	-	-	18,383
TOTAL FINANCIAL ASSETS	32,551,239	20,164	1,383,640	33,955,043
FINANCIAL LIABILITIES:				
Due to banks and other financial institutions	43	21,665,224	1,272,370	22,937,637
Customer accounts	6,862,029	60,384	126,917	7,049,330
Other financial liabilities	40,055	-	-	40,055
Subordinated debt	-	545,634	574,866	1,120,500
TOTAL FINANCIAL LIABILITIES	**6,902,127**	**22,271,242**	**1,974,153**	**31,147,522**
NET POSITION	**25,649,112**	**(22,251,078)**	**(590,513)**	

Liquidity risk – Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with the financial instruments as they actually fall due.

The ALCO controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process.
The Group controls the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand in compliance with NBU norms/limits and by means of additional strict limits on maturity gap.

To manage an adequate level of liquidity the Group performs complex analysis of the following factors: volume of assets by maturity bands; volume, structure and diversity of liabilities; level of concentration of assets and liabilities by counterparties, instruments and remaining maturities; analysis of cash flows by assets and liabilities type and by currencies, analysis of maturity gaps as well as performing stress testing for identification the level of possible liquidity risk.

The following tables present an analysis of liquidity risk based on carrying values of financial assets and liabilities on the consolidated statement of financial position.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Tota
FINANCIAL ASSETS:								
Due from banks	2.5%	1,238,195	-	-	21,961	-	-	1,260,156
Loans to customers	11.5%	1,526,377	1,919,772	3,372,248	5,370,454	12,485,738	-	24,674,589
Investments available for sale	9.3%	-	70,446	233,604	163,875	-	-	467,925
Total interest bearing assets		2,764,572	1,990,218	3,605,852	5,556,290	12,485,738	-	26,402,670
Cash and balances with the National bank of Ukraine		1,270,448	-	-	-	-	315,264	1,585,712
Investments available for sale		-	-	-	-	-	5,238	5,238
Investments in associate		-	-	-	-	-	3,506	3,506
Other financial assets		15,717	-	-	1,632,338	-	2,918	1,650,973
TOTAL FINANCIAL ASSETS		**4,050,737**	**1,990,218**	**3,605,852**	**7,188,628**	**12,485,738**	**326,926**	**29,648,099**
FINANCIAL LIABILITIES								
Due to banks and other financial institutions	4.1%	26,353	566,164	644,894	16,088,342	54,296	-	17,380,049
Customer accounts	6.5%	5,408,943	1,002,812	696,254	24,074	24,145	-	7,156,228
Subordinated debt	3.9%	10,128	2,787	60,384	112,496	1,556,506	-	1,742,301
Total interest bearing liabilities		5,445,424	1,571,763	1,401,532	16,224,912	1,634,947	-	26,278,578
Other financial liabilities		14,947	-	-	-	-	-	14,947
Total non-derivative financial liabilities		5,460,371	1,571,763	1,401,532	16,224,912	1,634,947	-	26,293,525
Derivative financial liabilities		(97)	13	144	2,636	-	-	2,696
TOTAL FINANCIAL LIABILITIES		**5,460,274**	**1,571,776**	**1,401,676**	**16,227,548**	**1,634,947**	**-**	**26,296,221**
Liquidity gap		(1,409,537)	418,442	2,204,176	(9,038,920)	10,850,791		
Interest sensitivity gap		(2,680,852)	418,455	2,204,320	(10,668,622)	10,850,791		
		(2,680,852)	418,456	2,204,320	(10,668,624)	10,850,791		
Cumulative interest sensitivity gap		(2,680,852)	(2,262,397)	(58,077)	(10,726,699)	124,092		
Cumulative interest sensitivity gap as a percentage of total assets		(9%)	(7%)	(0%)	(35%)	0%		

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
FINANCIAL ASSETS:								
Due from banks	4.8%	1,703,132	-	-	-	-	-	1,703,132
Loans to customers	12.3%	1,650,807	1,184,354	5,027,076	5,978,066	16,679,038	-	30,519,341
Investments available for sale	11.4%	3,080	998	205	247,226	-	-	251,509
Total interest bearing assets		3,357,019	1,185,352	5,027,281	6,225,292	16,679,038	-	32,473,982
Cash and balances with the National bank of Ukraine		615,936	-	-	-	-	837,998	1,453,934
Investments available for sale		-	-	-	-	-	5,238	5,238
Investments in associate		-	-	-	-	-	3,506	3,506
Other financial assets		17,533	136	206	-	-	-	17,875
Total non-derivative financial assets		3,990,488	1,185,488	5,027,487	6,225,292	16,679,038	846,742	33,954,535
Derivative financial assets		73	356	79	-	-	-	508
TOTAL FINANCIAL ASSETS		**3,990,561**	**1,185,844**	**5,027,566**	**6,225,292**	**16,679,038**	**846,742**	**33,955,043**
FINANCIAL LIABILITIES								
Due to banks and other financial institutions	5.5%	93,598	30,057	1,847,635	20,918,530	47,817	-	22,937,637
Customer accounts	6.3%	5,520,552	916,792	576,829	17,037	18,120	-	7,049,330
Subordinated debt	6.5%	-	-	30,923	187,983	901,594	-	1,120,500
Total interest bearing liabilities		5,614,150	946,849	2,455,387	21,123,550	967,531	-	31,107,467
Other financial liabilities		12,546	27,509	-	-	-	-	40,055
TOTAL FINANCIAL LIABILITIES		**5,626,696**	**974,358**	**2,455,387**	**21,123,550**	**967,531**	**-**	**31,147,522**
Liquidity gap		(1,636,135)	211,486	2,572,179	(14,898,258)	15,711,507		
		(1,636,135)						
Interest sensitivity gap		(2,257,131)	238,503	2,571,894	(14,898,258)	15,711,507		
Cumulative interest sensitivity gap		(2,257,131)	(2,018,628)	553,266	(14,344,992)	1,366,515		
Cumulative interest sensitivity gap as a percentage of total assets		(7%)	(6%)	2%	(41%)	4%		

Liquidity gap, which arises both in 2009 and in 2008 on assets and liabilities with maturity less than 1 month, is appropriately managed by the Group. The major part of interest bearing liabilities is represented by demand deposits of customers which are short-term by agreement terms. However, these resources prove to be long-term in effect as they include core deposits, i.e. funds associated with stable customer deposits relationships. Based on going concern assumption effective maturity of core deposits is considered to be undefined.

Core deposits as at 31 December 2009 and 2008 amounted to UAH 2,758,488 thousand and UAH 2,162,207 thousand, respectively. Information as to the expected periods of repayment of customer accounts and effective liquidity gaps as at 31 December 2009 and 2008 is as follows:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
Customer accounts analyzed based on expected withdrawal dates	2,650,455	1,682,987	2,774,567	24,074	24,145	-	7,156,228
Liquidity gap (based on expected withdrawal dates for customer accounts and due to banks)	1,348,951	(261,733)	125,863	(9,038,920)	10,850,791		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
Customer accounts analyzed based on expected withdrawal dates	3,358,345	1,449,939	2,205,889	17,037	18,120	-	7,049,330
Liquidity gap (based on expected withdrawal dates for customer accounts and due to banks)	526,072	(321,661)	943,119	(14,898,258)	15,711,507		

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded in the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the consolidated statement of financial position under the effective interest rate method.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
FINANCIAL LIABILITIES							
Due to banks and other financial institutions	87,028	681,408	1,170,595	16,492,830	56,117	-	18,487,978
Customer accounts	5,429,704	1,026,305	727,403	35,511	30,731	-	7,249,654
Subordinated debt	15,832	13,637	110,474	361,858	1,619,516	-	2,121,317
Total interest bearing liabilities	5,532,564	1,721,350	2,008,472	16,890,199	1,706,364	-	27,858,949
Guarantees issued and similar commitments	37,900	33,894	251,121	4,537	7,237	190,316	525,005
Commitments on loans and unused credit lines	191	1,121	11,268	155,008	190,807	-	358,395
Other financial liabilities	17,643	-	-	-	-	-	17,643
Non-derivative financial liabilities	5,588,298	1,756,365	2,270,861	17,049,744	1,904,408	190,316	28,759,992
Swaps	95,820	-	-	-	-	-	95,820
Forwards	42,089	600	1,800	12,400	-	-	56,889
Derivative financial liabilities	137,909	600	1,800	12,400	-	-	152,709
TOTAL FINANCIAL LIABILITIES	**5,726,207**	**1,756,965**	**2,272,661**	**17,062,144**	**1,904,408**	**190,316**	**28,912,701**

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
FINANCIAL LIABILITIES							
Due to banks and other financial institutions	34,519	236,867	3,068,092	22,452,367	67,038	-	25,858,883
Customer accounts	4,674,620	1,507,357	889,802	37,558	29,832	-	7,139,169
Subordinated debt	-	-	103,329	501,385	943,225	-	1,547,939
Total interest bearing liabilities	4,709,139	1,744,224	4,061,223	22,991,310	1,040,095	-	34,545,991
Guarantees issued and similar commitments	58,911	22,552	293,447	112,485	6,956	187,308	681,659
Commitments on loans and unused credit lines	26,085	40,231	113,615	148,646	268,162	-	596,739
Other financial liabilities	18,997	27,306	-	-	-	-	46,303
Non-derivative financial liabilities	4,813,132	1,834,313	4,468,285	23,252,441	1,315,213	187,308	35,870,692
Swaps	-	-	-	-	-	-	-
Forwards	1,865	8,264	1,696	-	-	-	11,825
Derivative financial liabilities	1,865	8,264	1,696	-	-	-	11,825
TOTAL FINANCIAL LIABILITIES	**4,814,997**	**1,842,577**	**4,469,981**	**23,252,441**	**1,315,213**	**187,308**	**35,882,517**

Market Risk – Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risks it is exposed in 2009.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The ALCO also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Financial Controlling Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate risk – The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. Identification of interest rate risk sources is performed using analysis of existing structure of interest bearing assets and liabilities.

Analysis of interest gaps by remaining maturities (for fixed interest rate instruments) and by next interest rate change dates (for variable interest rate instruments) is used for calculation the level of interest rate risk. Estimation the Group's sensitivity to changes in fair value interest rates and its influence on the profitability is regularly performed by the Group.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by the Management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax:

	At 31 December 2009		At 31 December 2008	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Impact on profit:				
Assets				
Loans to customers	179,940	(179,940)	249,930	(249,930)
Investments available for sale	387	(387)	1,036	(1,036)
Liabilities				
Due to banks and other financial institutions	(132,109)	132,109	(166,816)	166,816
Subordinated debt	(17,423)	17,423	(11,205)	11,205
Net impact on profit before tax	**30,795**	**(30,795)**	**72,945**	**(72,945)**

Currency risk – Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALCO controls currency risk by management of the open currency position on the estimated basis of UAH devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant foreign currency rates fluctuations towards its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of the National bank of Ukraine.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	UAH	USD 1 USD = UAH 7.985	EUR 1 EUR = UAH 11.448893	Other currencies	31 December 2009 Total
FINANCIAL ASSETS:					
Cash and balances with the National bank of Ukraine	1,277,964	234,843	57,212	15,693	1,585,712
Due from banks	90,171	589,765	543,642	36,578	1,260,156
Loans to customers	4,158,671	18,862,381	889,602	763,935	24,674,589
Investments available for sale	473,163	-	-	-	473,163
Investments in associate	3,506	-	-	-	3,506
Other financial assets	11,444	1,638,893	624	12	1,650,973
TOTAL FINANCIAL ASSETS	**6,014,919**	**21,325,882**	**1,491,080**	**816,218**	**29,648,099**
FINANCIAL LIABILITIES:					
Due to banks and other financial institutions	4,838	16,527,566	32,907	814,738	17,380,049
Customer accounts	2,255,783	3,229,870	1,624,791	45,784	7,156,228
Other financial liabilities	11,496	743	3,561	1,843	17,643
Subordinated debt	-	1,742,301	-	-	1,742,301
TOTAL FINANCIAL LIABILITIES	**2,272,117**	**21,500,480**	**1,661,259**	**862,365**	**26,296,221**
CURRENCY POSITION	**3,742,802**	**(174,598)**	**(170,179)**	**(46,147)**	

	UAH	USD 1 USD = UAH 7.70	EUR 1 EUR = UAH 10.85546	Other currencies	31 December 2008 Total
FINANCIAL ASSETS:					
Cash and balances with the National bank of Ukraine	1,088,469	279,387	71,260	14,818	1,453,934
Due from banks	314,372	944,468	398,600	45,692	1,703,132
Loans to customers	3,013,923	25,458,095	1,216,420	830,903	30,519,341
Investments available for sale	256,747	-	-	-	256,747
Investments in associate	3,506	-	-	-	3,506
Other financial assets	18,383	-	-	-	18,383
TOTAL FINANCIAL ASSETS	**4,695,400**	**26,681,950**	**1,686,280**	**891,413**	**33,955,043**
FINANCIAL LIABILITIES:					
Due to banks and other financial institutions	9,906	21,937,506	134,364	855,861	22,937,637
Customer accounts	2,579,274	2,956,421	1,490,253	23,382	7,049,330
Other financial liabilities	40,055	-	-	-	40,055
Subordinated debt	-	1,120,500	-	-	1,120,500
TOTAL FINANCIAL LIABILITIES	**2,629,235**	**26,014,427**	**1,624,617**	**879,243**	**31,147,522**
CURRENCY POSITION	**2,066,165**	**667,523**	**61,663**	**12,170**	

Derivative financial instruments and spot contracts – Transactions are undertaken in derivative financial instruments ("derivatives"), which include cross currency swaps and forwards. Derivatives are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date.

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts:

	UAH	USD 1 USD = UAH 7.985	EUR 1 EUR = UAH 11.448893	Other currency	31 December 2009 Total
Accounts payable on spot and derivative contracts	(56,889)	(95,820)	-	-	(152,709)
Accounts receivable on spot and derivative contracts	152,697	-	-	-	152,697
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	95,808	(95,820)	-	-	
NET POSITION	**3,838,610**	**(270,418)**	**(170,179)**	**(46,147)**	

	UAH	USD 1 USD = UAH 7.70	EUR 1 EUR = UAH 10.85546	Other currency	31 December 2008 Total
Accounts payable on spot and derivative contracts	(11,825)	-	-	-	(11,825)
Accounts receivable on spot and derivative contracts	11,825	-	-	-	11,825
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	-	-	-	-	
NET POSITION	**2,066,165**	**667,523**	**61,663**	**12,170**	

Currency risk sensitivity – The following table details the Group's sensitivity to a 10% increase and decrease in the USD and EUR against the UAH. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 31 December 2009		As at 31 December 2008	
	UAH/USD +10%	UAH/USD -10%	UAH/USD +10%	UAH/USD -10%
Impact on profit or loss	(17,460)	17,460	66,752	(66,752)

	At 31 December 2009		At 31 December 2008	
	UAH/EURO +10%	UAH/EURO -10%	UAH/EURO +10%	UAH/EURO -10%
Impact on profit or loss	(17,018)	17,018	6,166	(6,166)

Limitations of sensitivity analysis – The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

POST BALANCE SHEET EVENTS

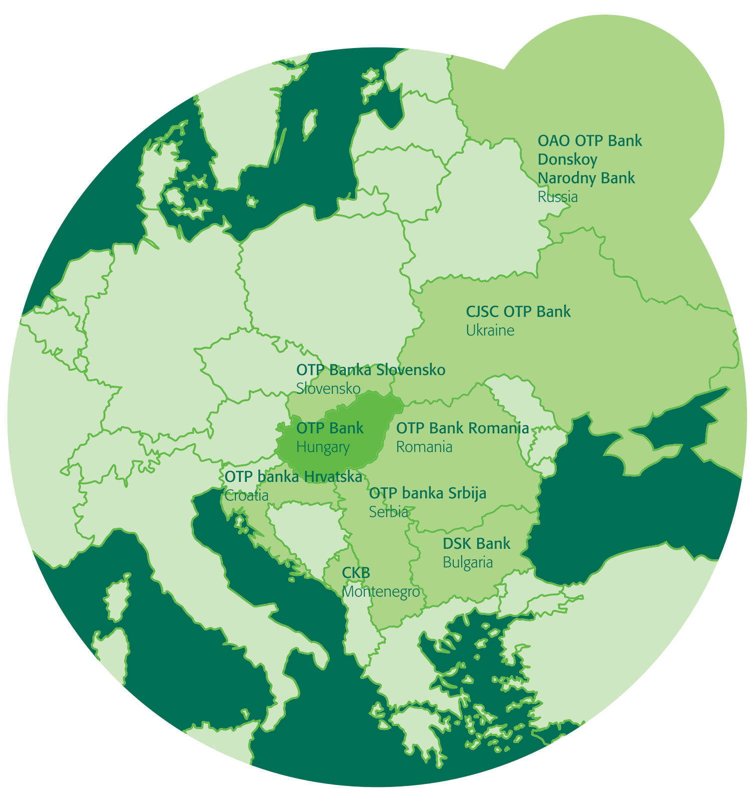
February:
The National Bank of Ukraine expanded the range of operations performed by OTP Bank by virtue of the written permission, in terms of transactions with precious metals in the money market of Ukraine.

April:
OTP Bank General Meeting of Shareholders appointed Mr. Andras Becsei, Mr. Andras Grof and Mr. Antal Gyulavari as the new members of the Supervisory Board of the Bank.

ABOUT OTP GROUP

The National Savings and Commercial Bank (OTP Bank Plc.) was established in 1949.
During 1995-1999 the Bank experienced drastic transformation into a universal retail bank holding 23% share in the Hungarian banking market. Within recent year, OTP Bank expanded internationally to the markets of several CEE countries. A range of successful acquisitions enabled the Bank to become the key player in this region and to form a strong universal financial group — OTP Group, which currently embodies banks, leasing and factoring companies, pension funds, etc. To date, the Bank is a well-capitalized, profitable financial institution with a high rate of liquidity both in national and foreign currency. OTP Bank Plc. also is a 100% owner of the Ukrainian OTP Bank JSC.

The Group's general business strategy is aimed at the stock price maximization by establishing the most efficient financial structure in Central and Eastern Europe.



Licenses, association membership, industrial membership

NBU registration certificate No. 273 of March 2, 1998.

Licenses

License of the Securities and Stock Market State Commission Series AB No. 189770 of November 20, 2006 for performance of professional activity on securities market – securities issuance and turnover activity.

License of the Securities and Stock Market State Commission Series AB No. 470725 of October 7, 2007 for performance of professional activity on securities market – depository activity as a securities custodian.

Licenses of the Securities and Stock Market State Commission for performance of professional activity on securities market – securities trading activity:

Dealer activity: Series AB No. 470721 of July 9, 2009, validity of license till October 7, 2012;
Brokerage activity: Series AB No. 470720 of July 9, 2009, validity of license till October 7, 2012;
Underwriting: Series AB No. № 470722 of July 9, 2009, validity of license till October 7, 2012.

NBU permit № 191-3 of February 15, 2010 on conducting banking operations in terms of operations with precious metals on the Ukrainian money market.

Deposit Guarantee Fund Participation Certificate № 81 of July 23, 2009 of registration in the Register of banks - (temporary) participants of the Fund.

Interbank, Stock Exchange, Association and International Membership

- Association of Ukrainian Banks (AUB)
- Association "Ukrainian Credit-Bank Union"
- Dnipropetrovsk Banking Union
- Association "Ukrainian Union of the NSMEP participants"
- Association of the professional participants of the Ukraine stock market
- SRO Association "Ukrainian Stock Traders"
- Ukrainian Interbank Association of EMA Payment System Members
- UkrSWIFT Association
- Ukrainian Association of Investment Business
- European Business Association (EBA)
- First Securities Trading System (PFTS)
- PFTS Stock Exchange
- The Ukrainian Interbank Currency Exchange
- Professional Associations of Registrars and Depositors
- The National Depositary of Ukraine
- The All-Ukrainian Securities Depository
- First All-Ukrainian Bureau of Credit Histories
- International Bureau of Credit Histories
- Deposit Guarantee Fund
- SWIFT Association
- American Chamber of Commerce (ACC) in Ukraine
- VISA International
- MasterCard International

Branch network

Dnipropetrovsk Branch
20 Artema St., Dnipropetrovsk, 49030 UA
tel.: (056) 770-72-00, fax: (056) 770-21-91
Head of Branch – Valentyna Shyshkina
Total number of outlets in the region – 19

Donetsk Regional Branch
127 Postysheva St., Donetsk, 83055 UA
tel.: (062) 345-36-02, 01 fax: (062) 345-36-30
Head of Branch – Vladyslav Maslov
Total number of outlets in the region – 16

Zaporizhzhya Regional Branch
66 Lenina Ave., Zaporizhzhya, 69063 UA
tel.: (061) 220-14-00 fax: (061) 220-14-01
Head of Branch – Inna Surzhyk
Total number of outlets in the region – 13

Odesa Regional Branch
10 Bunina St., Odesa, 65026 UA
tel.: (0482) 305-350 fax: (0482) 305-351
Head of Branch – Kostiantyn Smolski
Total number of outlets in the region – 14

Mykolayiv Regional Branch
10 Sadova St., Mykolaiv, 54055 UA
tel.: (0512) 58-14-01 fax: (0512) 58-14-21
Head of Branch – Sergii Kostiev
Total number of outlets in the region – 9

Lviv Regional Branch
20 Franka St., Lviv, 79005 UA
tel.: (0322) 40-94-60, -70 fax: (0322) 40-94-61
Head of Branch – Gennadiy Trukhan
Total number of outlets in the region – 8

Kharkiv Regional Branch
56 Sumska St., Kharkiv, 61002 UA
tel.: (057) 759-02-70 fax: (057) 759-02-71
Head of Branch – Iryna Rig
Total number of outlets in the region – 17

Uzhgorod Regional Branch
2 Kyivska naberezhna, Uzhgorod, 88018 UA
tel.: (0312) 67-91-05 fax: (0312) 67-91-15
Head of Branch – Maksym Hordiychuk
Total number of outlets in the region – 7

Vinnytsia Regional Branch
60 Frunze St., Vinnytsia, 21009 UA
tel.: (0432) 52-58-50 fax: (0432) 61-10-12
Head of Branch – Bogdan Ropotilov
Total number of outlets in the region – 8

Lugansk Regional Branch
8 Heroyiv Velikoyi Vitchyznyanoyi Viyny Ave., 91016 UA
tel./fax: (0642) 33-07-02
Head of Branch – Yevgen Kryvutsenko
Total number of outlets in the region – 10

Lutsk Regional Branch
53 L. Ukrainky St., Lutsk, 43025 UA
tel.: (0332) 74-65-01 fax: (0332) 74-65-29
Head of Branch – Mykhailo Turyk
Total number of outlets in the region – 5

Simferopol Regional Branch
24 Kirova Ave., Simferopol, 95000 UA
tel.: (0625) 54-97-50 fax: (0625) 54-97-71
Head of Branch – Viktor Chepurko
Total number of outlets in the region – 10

Sumy Regional Branch
5 Chervona Sq., Sumy, 40030 UA
tel.: (0542) 67-15-61 fax: (0542) 67-15-60
Head of Branch – Kyrylo Diakonov
Total number of outlets in the region – 6

Poltava Regional Branch
28 Pushkina St., Poltava, 36039 UA
tel.: (0532) 61-31-61 fax: (0532) 61-31-40

Head of Branch – Oleksiy Zaborovets

Total number of outlets in the region – 7

Ternopil Regional Branch

7 Lystopadova St., Ternopil, 46000 UA

tel.: (0352) 47-04-00 fax: (0352) 47-04-27

Head of Branch – Volodymyr Tymchiy

Total number of outlets in the region – 2

Cherkasy Regional Branch

6 Lazareva St., Cherkasy, 18000 UA

tel.: (0472) 33-99-90 fax: (0625) 54-97-71

Head of Branch – Kostiantyn Salenko

Total number of outlets in the region – 4

Zhytomyr Regional Branch

8 Chernyakhivskogo St., Zhytomyr, 10009 UA

tel.: (041) 241-30-88 fax: (041) 241-30-89

Head of Branch – Sergii Zhukovskyi

Total number of outlets in the region – 5

Kirovograd Regional Branch

6 Dekabrystiv St., Kirovograd, 25006 UA

tel. / fax: (0522)35-66-81

Head of Branch – Roman Kot

Total number of outlets in the region – 2

Khmelnytsky Regional Branch

35 Nyzhnya Beregova St., Khmelnytsky, 29019 UA

tel.: (038) 270-11-90 fax: (038) 270-11-95

Head of Branch – Lesya Syrota

Total number of outlets in the region – 5

Rivne Regional Branch

42-b Hrushevskogo St., Rivne, 33000 UA

tel.: (0362) 69-55-55 fax: (0362) 64-20-52

Head of Branch – Sergii Hemberg

Total number of outlets in the region – 2

Kherson Regional Branch

23 Lenina St., Kherson, 73025 UA

tel. / fax: (0552)46-48-78

Head of Branch – Oleksiy Grishyn

Total number of outlets in the region – 3

Ivano-Frankivsk Regional Branch

8 Orlyka St., Ivano-Frankivsk, 76018 UA

tel. / fax: (0342) 55-90-17

Head of Branch – Oleg Navorensky

Total number of outlets in the region – 2

Chernivtsi Regional Branch

7 Dobrogo St.,Chernivtsi, 58000 UA

tel.: (0372) 55-86-90 fax: (0372) 58-63-84

Head of Branch – Raisa Yuriichuk

Total number of outlets in the region – 2

Chernigiv Regional Branch

18 Getmana Polubotka St., Chernigiv, 14000 UA

tel. / fax: (0462) 60-31-25

Head of Branch – Yuriy Yurchenko

Soborne Branch, Bila Tserkva,

11 Gagarina Str., Bila Tserkva, UA-09100

tel./fax: (0443) 32-99-94

Head of Branch – Sergii Fursenko

Vasylkiv Branch of OTP Bank

5 Gogolya St., Vasylkiv, 08600 UA

tel./fax: (04471) 2-51-60

Head of Branch – Vitalii Trembitskyi

Brovary Branch of OTP Bank

3 Nezalezhnosti St., Brovary, UA-07400

tel./fax: (044) 495-06-98

Head of Branch – Olena Suschevska

Kyiv Outlets

Mykhailivske Outlet

2 Mykhailivska St., Kyiv, 01001 UA

tel.: (044) 490-05-80, fax: (044) 490-05-81

Head – Diana Pan

Besarabske Outlet

9/2 V. Vasylkivska St., Kyiv, 01004 UA

tel.: (044) 490-05-77, fax: (044) 490-05-79

Head – Viktoriya Lazenkova

Pecherske Outlet

44 Schorsa St., Kyiv, 01133 UA

tel.: (044) 247-45-66, fax: (044) 247-45-67

Head – Oleksandr Livshenko

Obolonske Outlet

18 Tymoshenko St., Kyiv, 04210 UA

tel.: (044) 247-45-60 fax: (044) 247-45-61

Head –Yurii Malyi

Sinne Outlet

62 Gonchara St., Kyiv, 01054 UA

tel.: (044) 490-04-21, fax: (044) 490-04-22

Head –Nadiia Ovcharuk

Podilske Outlet

15 Kostiantynivska St., Kyiv, 04071 UA

tel.: (044) 495-06-92, fax: (044) 495-06-93

Head – Artem Nidzelsky

Politekhnichne Outlet

29 Peremogy Ave., Kyiv, 03055 UA

tel.: (044) 492-38-95, fax: (044) 492-38-94

Head – Iryna Vasylenko

Rusanivske Outlet

4 R. Okipnoyi St., Kyiv, 02002 UA

tel.: (044) 492-38-93, fax: (044) 492-38-92

Head – Tetiana Reptukh

Osokorky Outlet

16-"V" Dniprovska Naberezhna St., Kyiv, 02068 UA

tel.: /fax: (044) 493-97-66

Head – Olga Nalysnyk

Sofiivske Outlet

12 Sofiivska St., Kyiv, 01001 UA

tel.: (044) 492-34-68, fax: (044) 492-34-67

Head - Kateryna Nesterova

Volodymyrske Outlet

38/40 Shevchenka Ave., Kyiv, 01032 UA

tel.: (044) 459-05-01, fax: (044) 459-05-02

Head – Tetiana Gavryliuk

Stritenske Outlet

52 Artema St., Kyiv, 04053 UA

tel.: (044) 495-60-70, fax: (044) 495-60-71

Head – Nataliia Pliuta

Vidradne Outlet

29 Lepse Ave., Kyiv, 03124 UA

tel.: (044) 495-60-74, fax: (044) 495-60-75

Head – Taras Sova

Syretske Outlet

11 Teligy St., Kyiv, 04112 UA

tel.: (044) 495-60-76, fax: (044) 495-60-78

Head – Olena Chebukina

Golosiivske Outlet

40-richya Zhovtnya St., Kyiv, 03040 UA

tel.: (044) 495-60-72, fax: (044) 495-60-73

Head – Vitalii Fedorenko

Desiatynne Outlet

8/14 Velyka Zhytomyrska St., Kyiv, 01025 UA

tel.: (044) 495-60-81, fax: (044) 495-60-82

Head – Volodymyr Sakhniuk

Starokyivske Outlet

12 Kutuzova St., Kyiv, 01133 UA

tel.: (044) 493-97-50, fax: (044) 493-97-53

Head – Maryna Petrenko

Yaroslavske Outlet

47/29 Yaroslavska St., Kyiv, 04071 UA

tel.: (044) 495-05-13, fax: (044) 495-05-14

Acting Head – Viktoriia Myslyva

Zoloti Vorota Outlet

30/10 B. Khmelnytskogo St., Kyiv, 01030 UA

tel.: (044) 495-05-23, fax: (044) 495-05-24

Head – Olena Selezniova

Svyatoshynske Outlet

128/2 Peremogy Ave., Kyiv, 03115 UA

tel.: (044) 495-06-96, fax: (044) 495-06-97

Acting Head – Olga Zinchenko

Chervonoarmiiske Outlet

116 Velyka Vasylkivska St., Kyiv, 03150 UA

tel.: (044) 495-05-26, fax: (044) 495-05-27

Head – Olena Basan'ko

Dmytrivske Outlet

37-A Dmytrivska St., Kyiv, 01054 UA

tel.: (044) 495-06-95, fax: (044) 495-06-94

Acting Head – Liudmyla Dombrovska-Melentieva