# OTP Bank
# 2006 second quarter results

PRESS CONFERENCE

(translation of the Hungarian presentation)

**Presented by: Dr. Zoltán Spéder, Vice Chairman, CFO**

Budapest, August 14, 2006

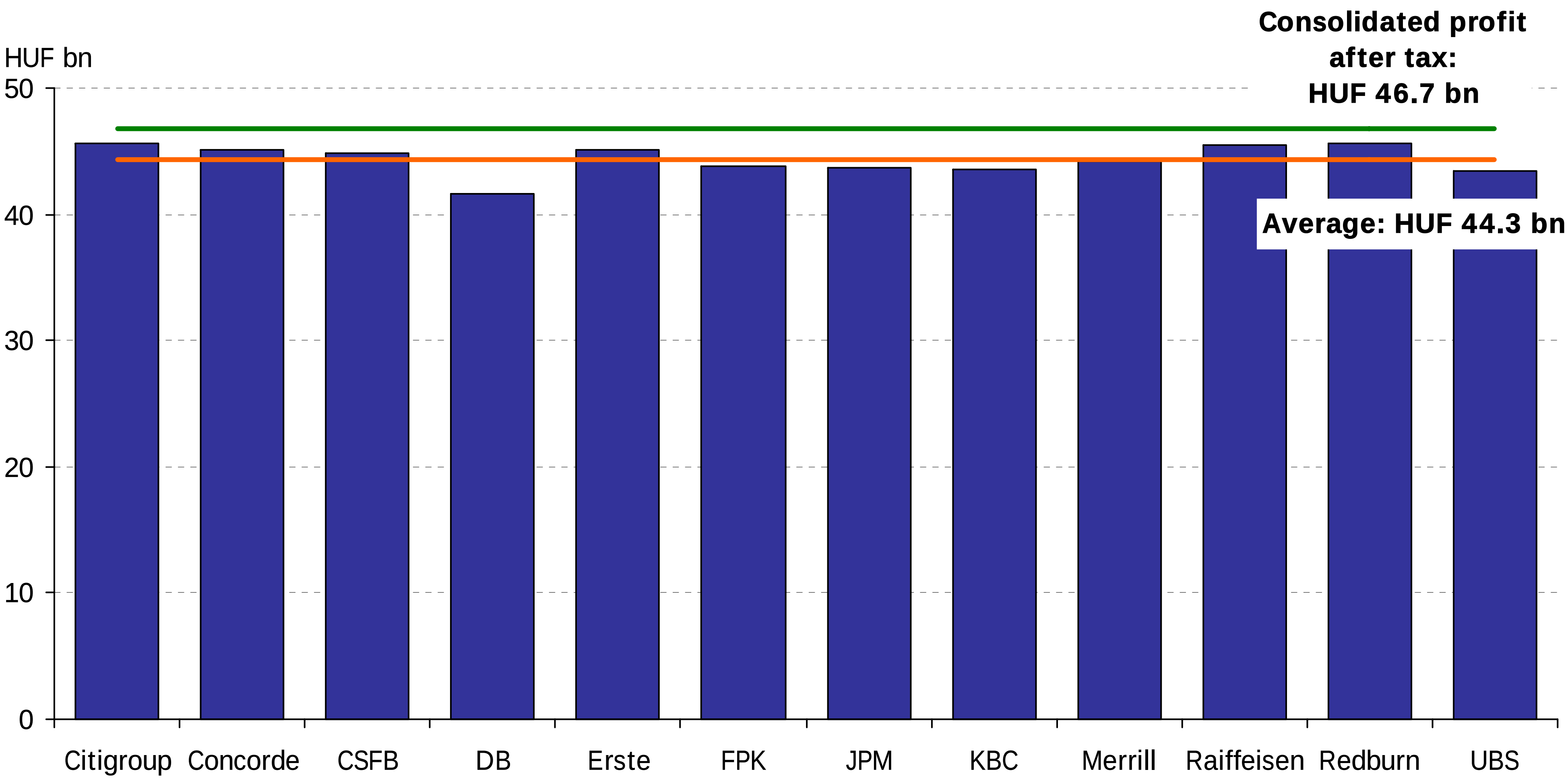
# OTP Bank realised HUF 46.7 bn consolidated profit after tax in 2Q 2006

## Financial highlights of OTP Group (consolidated, IFRS)

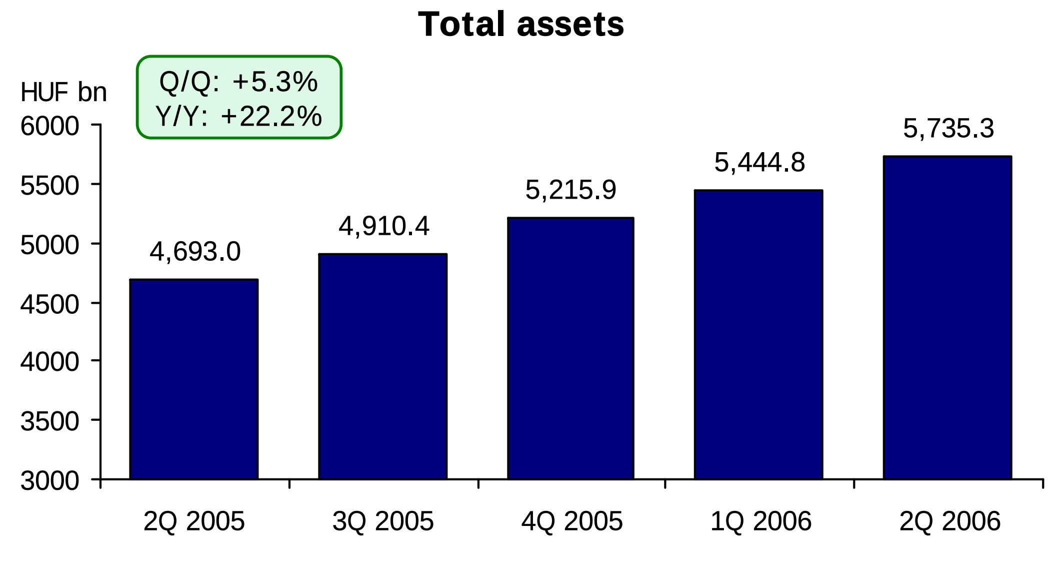
| | 2005 2Q | 2006 1Q | 2006 2Q | Q-o-Q | Y-o-Y | 2005 1H | 2006 1H | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| Total assets (HUF bn) | 4,693.0 | 5,444.8 | 5,735.3 | 5.3% | 22.2% | 4,693.0 | 5,735.3 | 22.2% |
| Total loans and advances (HUF bn) | 2,889.1 | 3,417.7 | 3,690.6 | 8.0% | 27.7% | 2,980.9 | 3,690.6 | 23.8% |
| Total deposits (HUF bn) | 3,146.6 | 3,518.2 | 3,715.4 | 5.6% | 18.1% | 3,146.6 | 3,715.4 | 18.1% |
| Gross loan/deposit ratio | 91.8% | 97.1% | 99.3% | 2.2% | 7.5% | 94.7% | 99.3% | 4.6% |
| Shareholders' equity (HUF bn) | 476.3 | 539.1 | 598.7 | 11.1% | 25.7% | 433.7 | 547.1 | 26.2% |
| | | | | | | | | |
| Net interest income (HUF bn) | 76.9 | 71.3 | 73.1 | 2.5% | -4.9% | 142.4 | 144.5 | 13.8% |
| Net interest margin before provision | 6.52% | 5.35% | 5.23% | -0.1% | -1.3% | 6.43% | 5.28% | -1.2% |
| Net interest margin w/o swaps | 6.23% | 5.60% | 5.90% | 0.3% | -0.3% | 6.25% | 5.74% | -0.5% |
| Pre-tax profits (HUF bn) | 46.5 | 54.3 | 56.8 | 4.6% | 22.1% | 92.5 | 111.1 | 20.2% |
| After tax profits (HUF bn) | 38.1 | 46.2 | 46.7 | 1.2% | 22.7% | 76.4 | 92.9 | 21.6% |
| | | | | | | | | |
| Cost to income ratio | 56.8% | 53.5% | 55.9% | 2.3% | -0.9% | 54.2% | 55.4% | 1.2% |
| Return on Assets | 3.23% | 3.47% | 3.34% | -0.12% | 0.11% | 3.45% | 3.39% | -0.06% |
| Return on Equity | 33.6% | 34.0% | 33.5% | -0.6% | -0.2% | 33.6% | 32.4% | -1.2% |
| EPS base (HUF) | 145 | 179 | 180 | 0.6% | 24.3% | 291 | 359 | 23.5% |
| EPS fully diluted (HUF) | 145 | 179 | 179 | 0.1% | 23.7% | 290 | 358 | 23.2% |

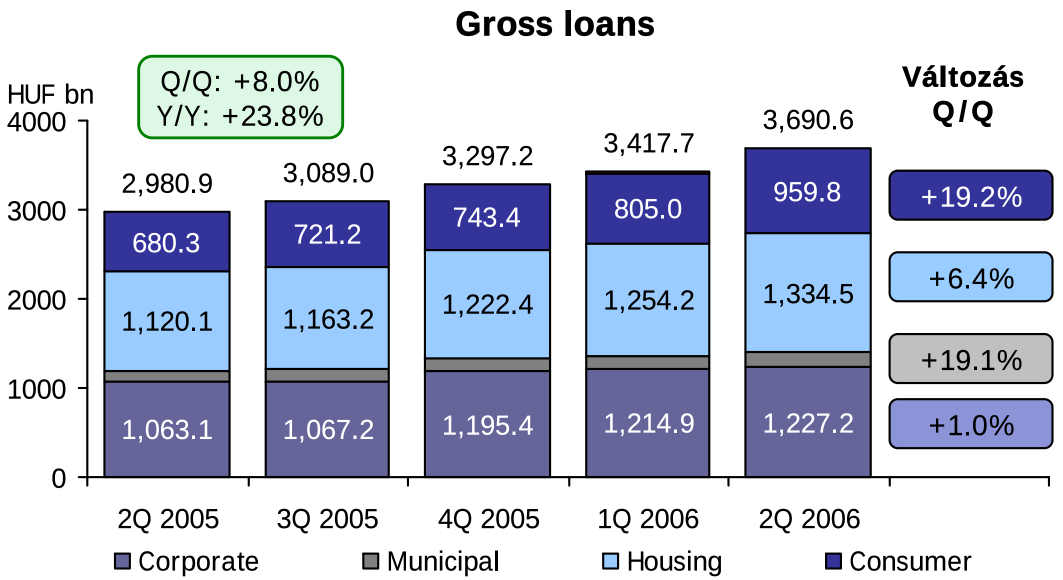
# 2Q 2006 profit after tax of OTP Group exceeds the average of analysts expectation

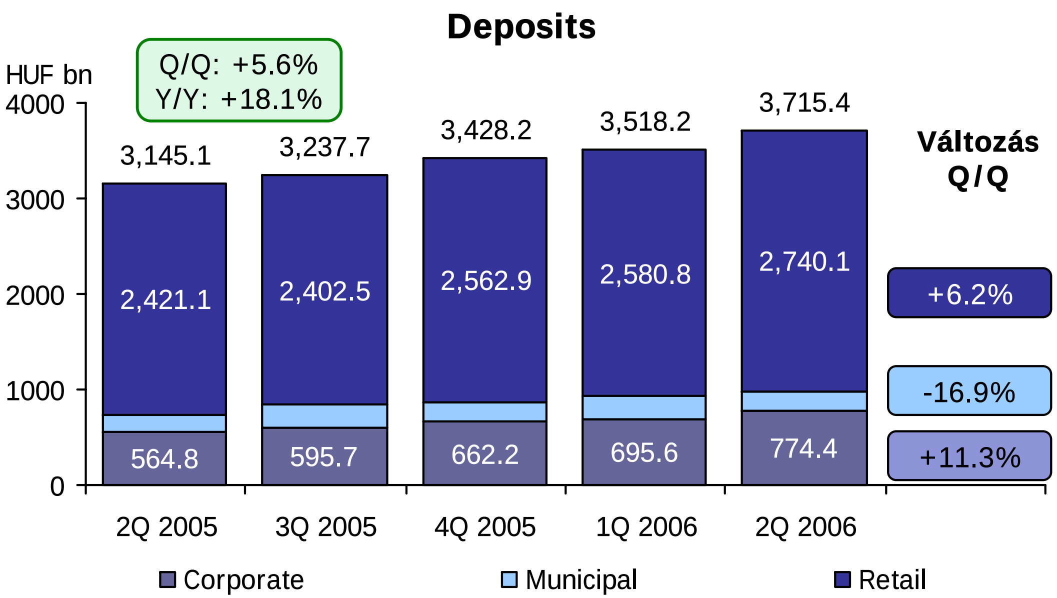
**Analysts expectations for consolidated IFRS profit after tax for 1Q 2006**

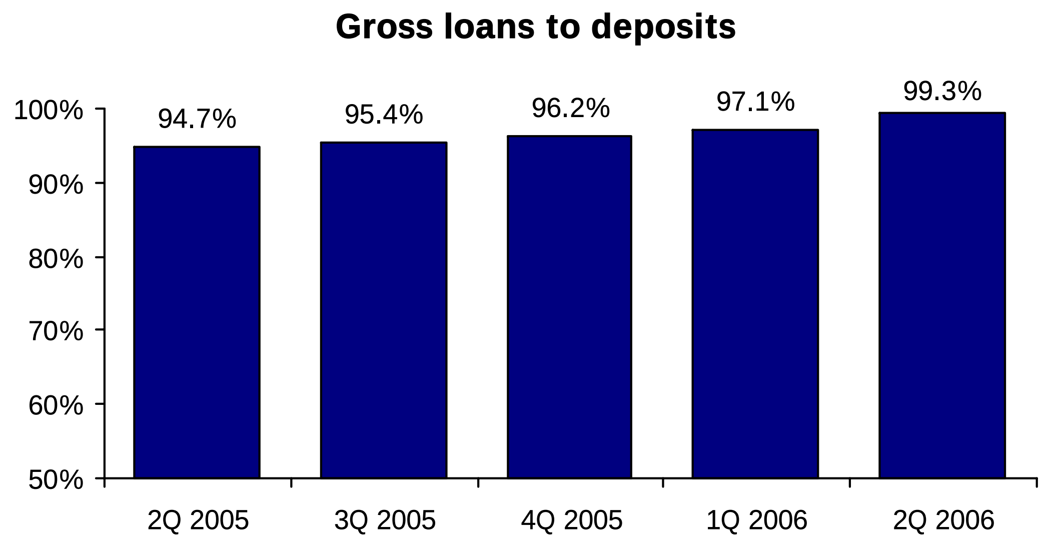


# Consolidated gross loans increased by 5% Q/Q and by 24% Y/Y

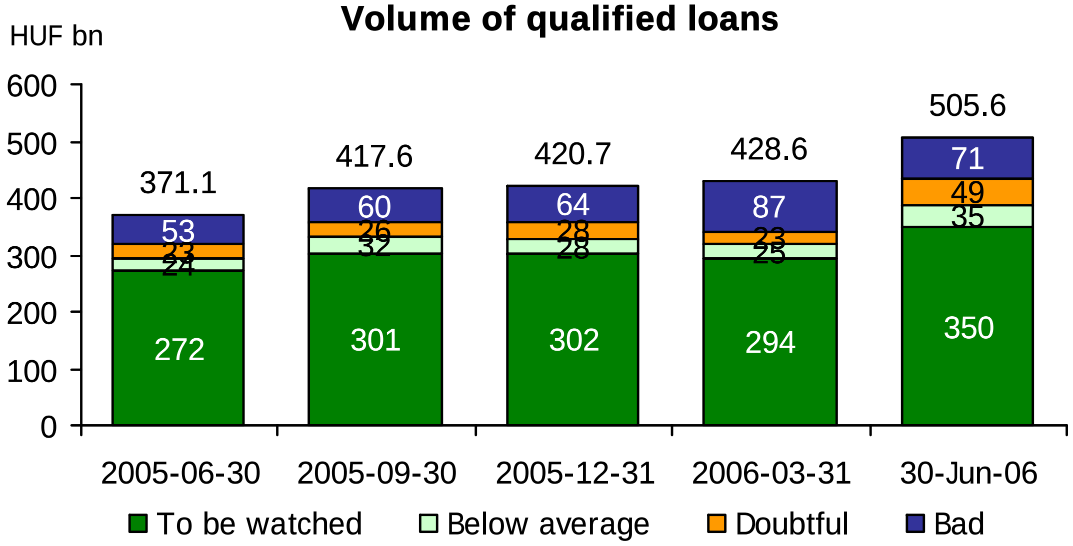


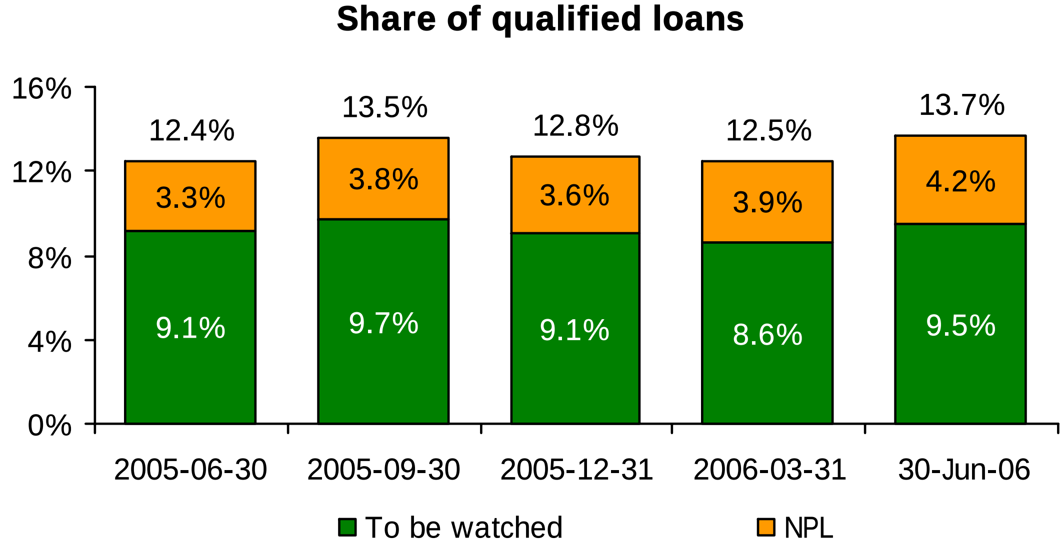



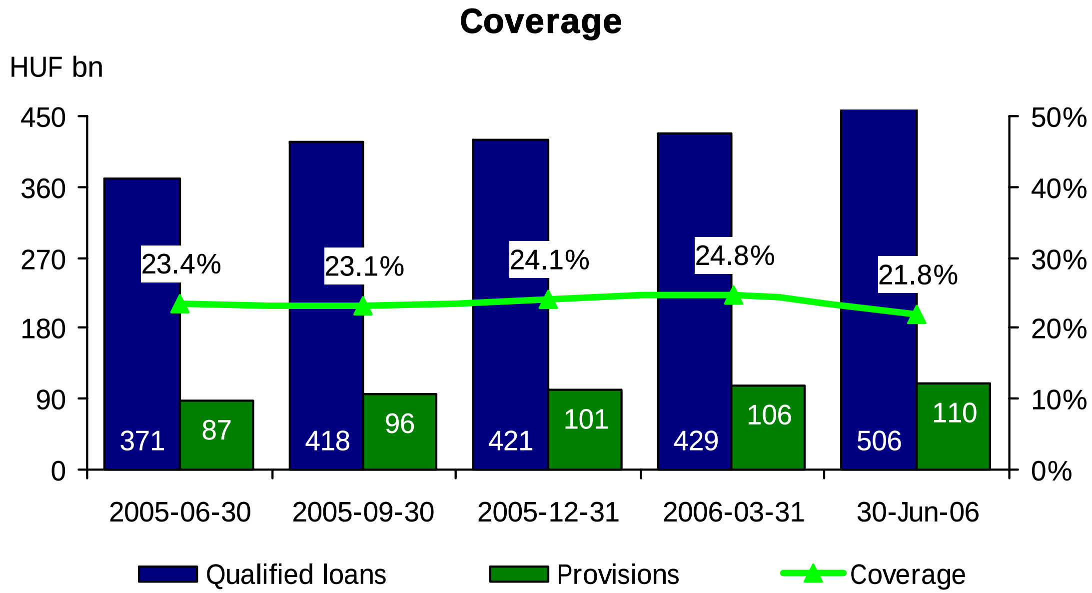



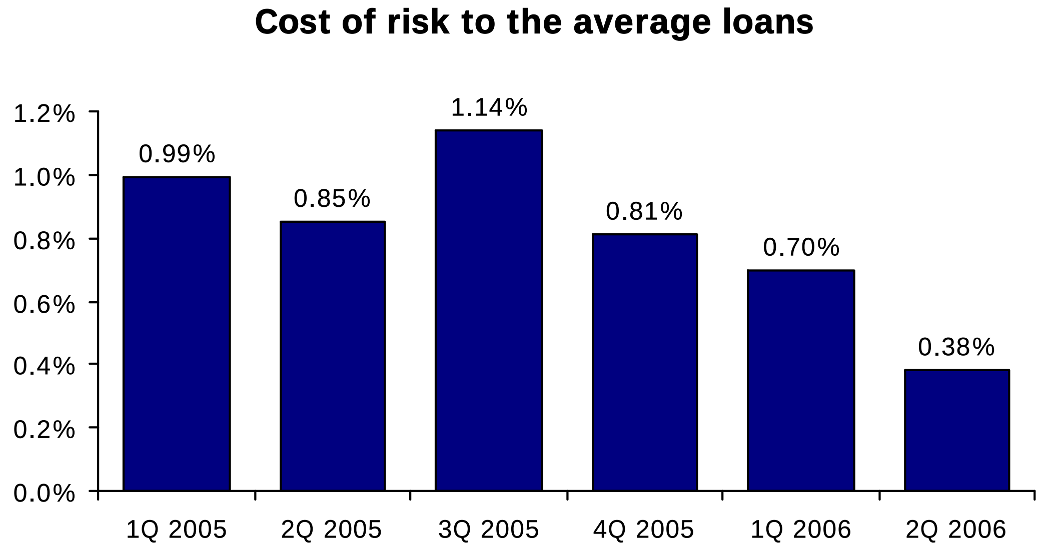



# NPL ratio stood at 4.2% on June 30, 2006



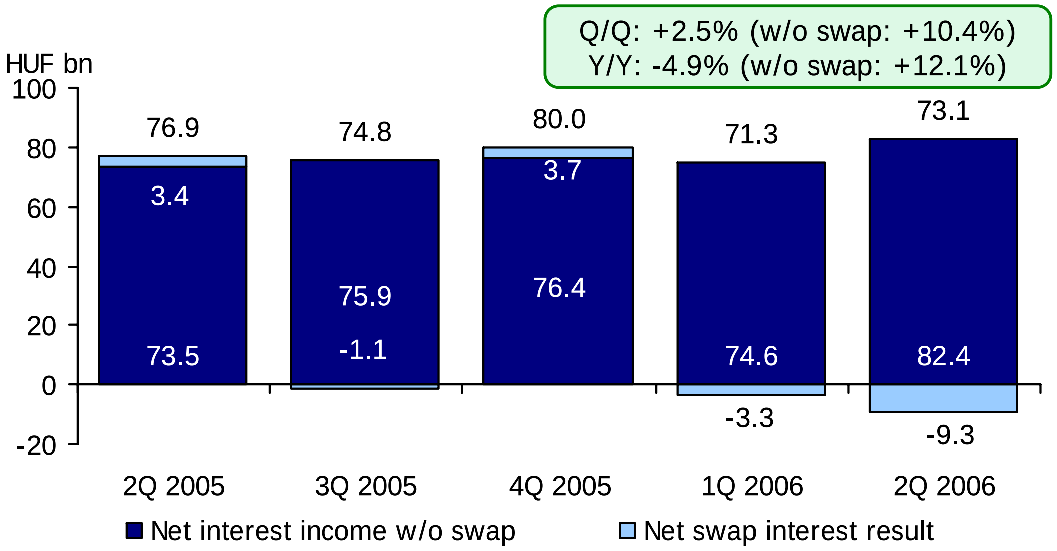



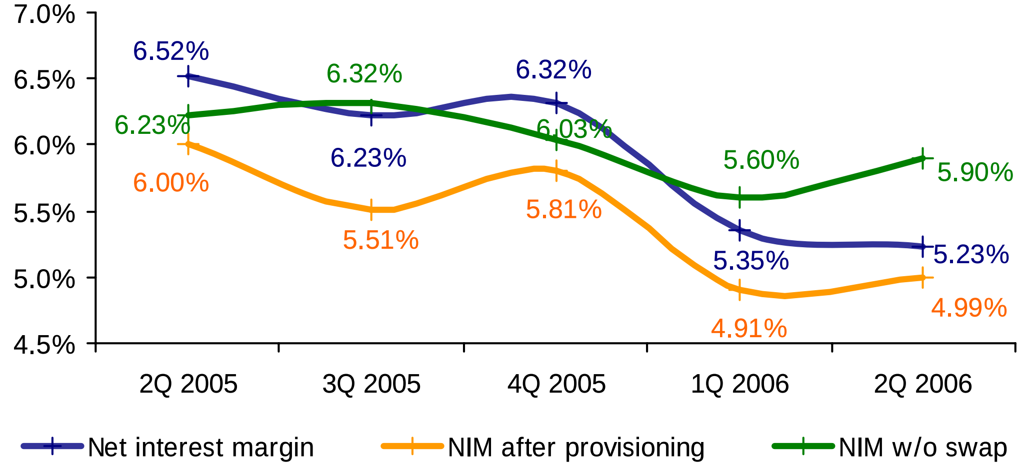



# Net interest margin dropped by 12 bps, without swaps increased by 30 bps compared to the previous quarter

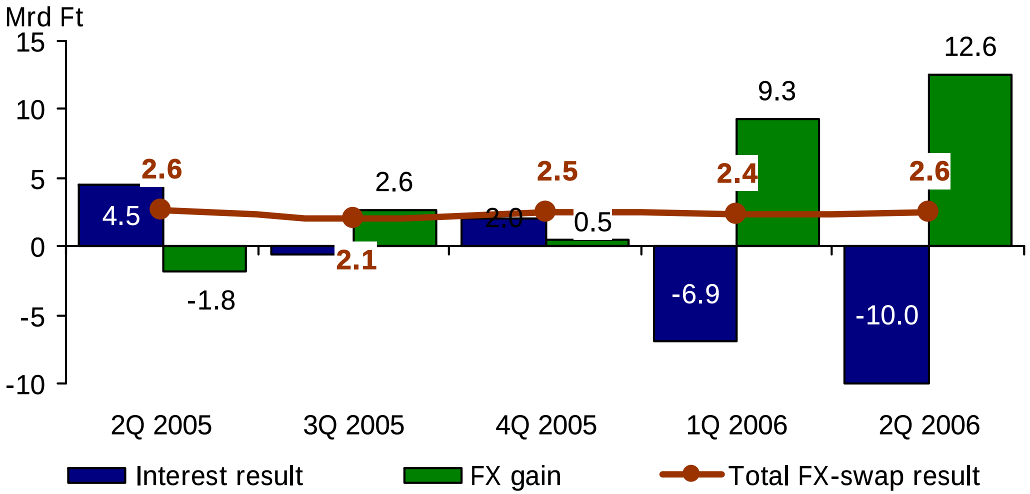
## Net interest income



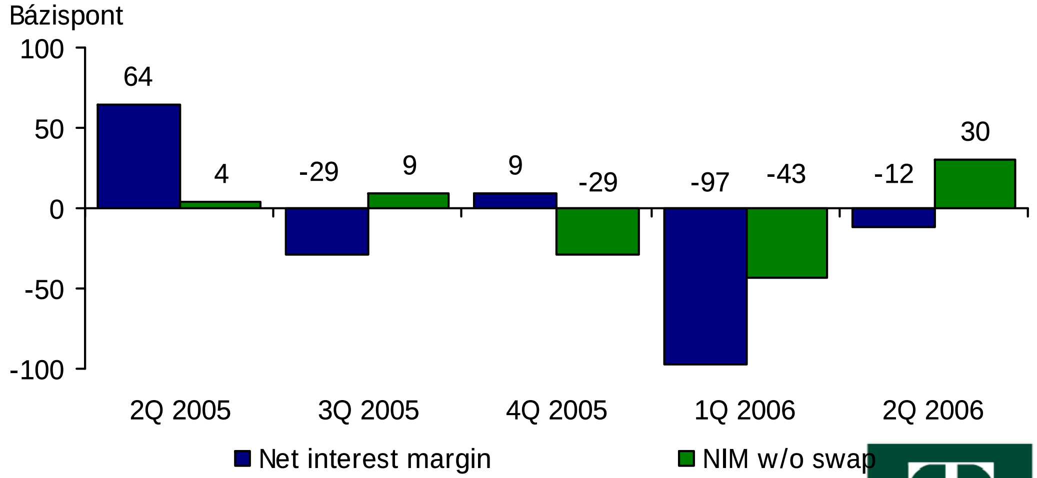

## Net interest margin




## Total result on FX swaps, non-consolidated

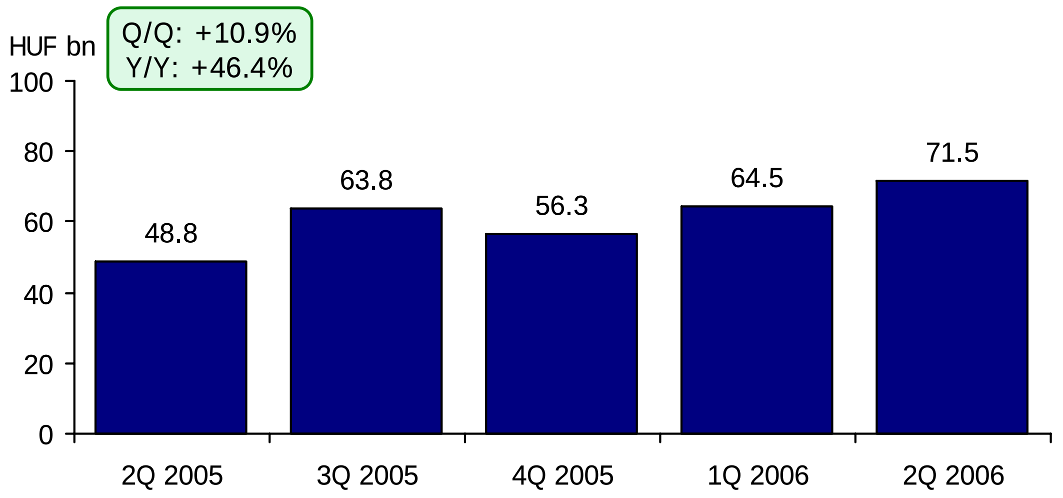



## Quarterly changes of net interest margin

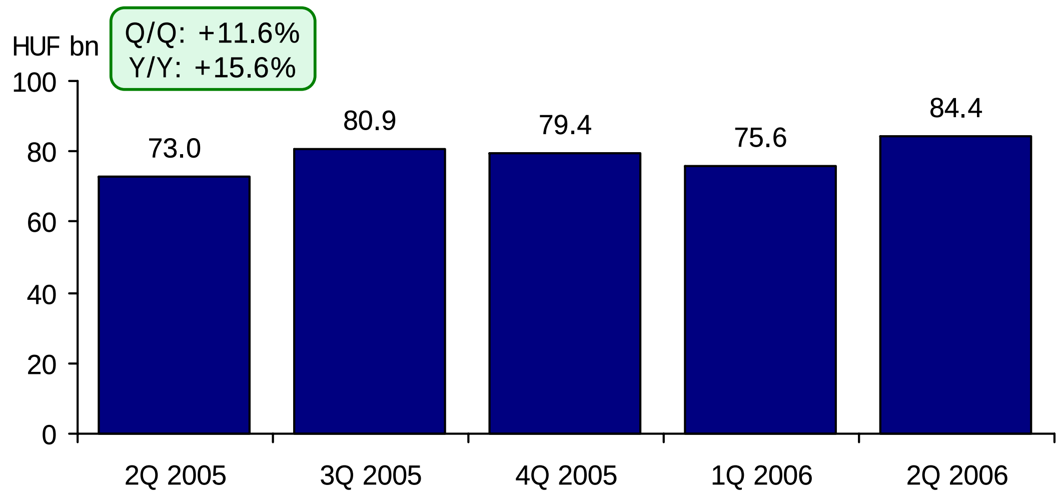


# Non-interest income were 11%, non-interest expenses by 12% higher q/q

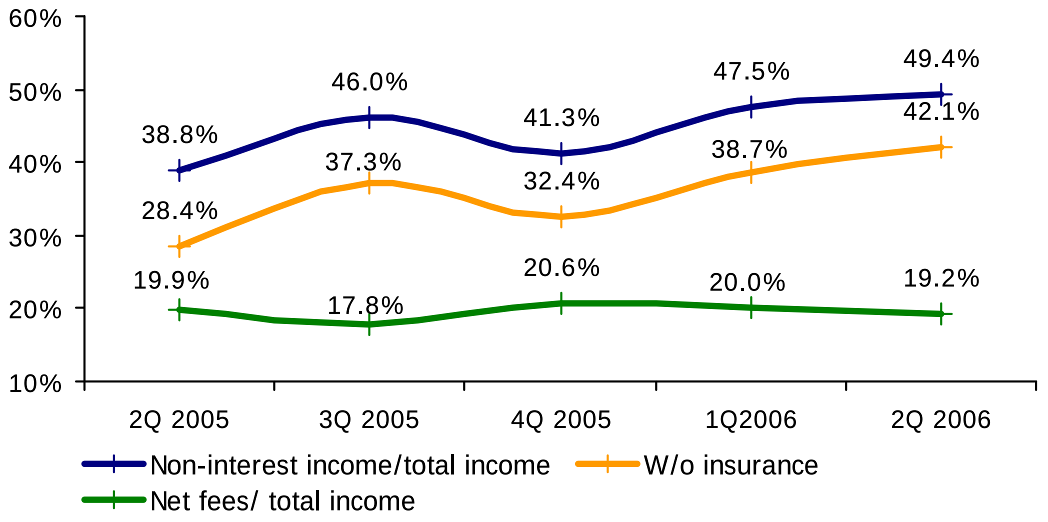
## Non-interest income



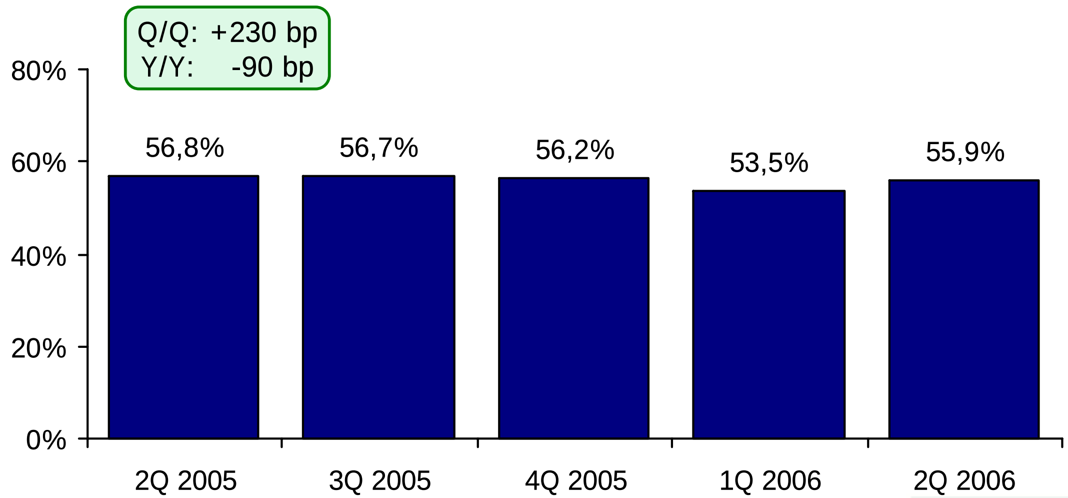

## Non-interest expenses



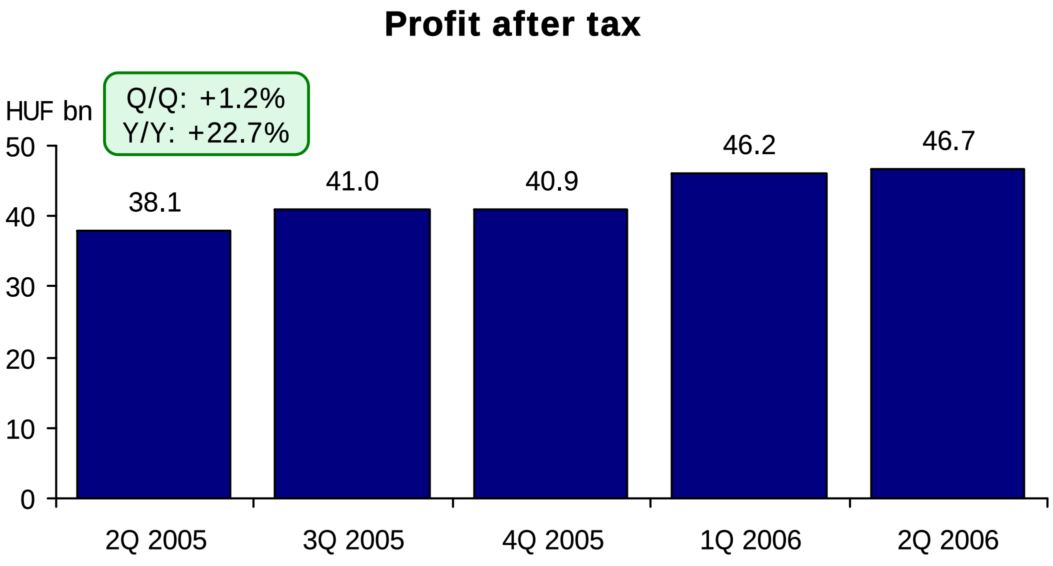

## Share of non-interest income

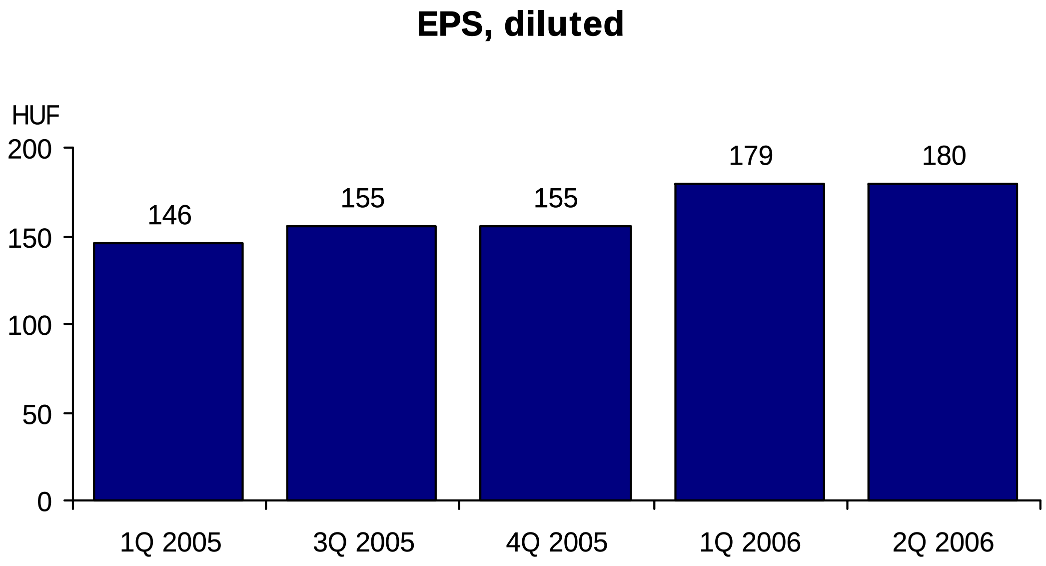


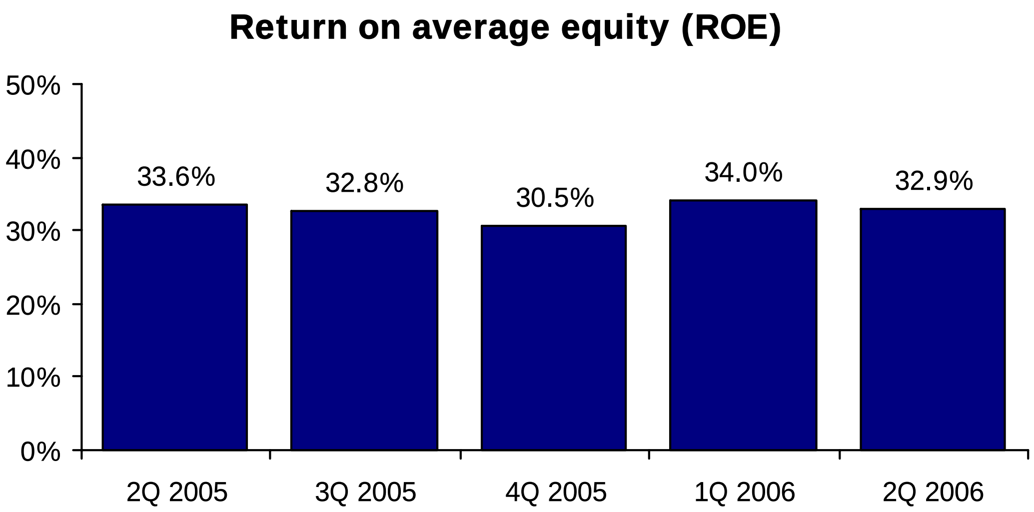

## Cost / income ratio

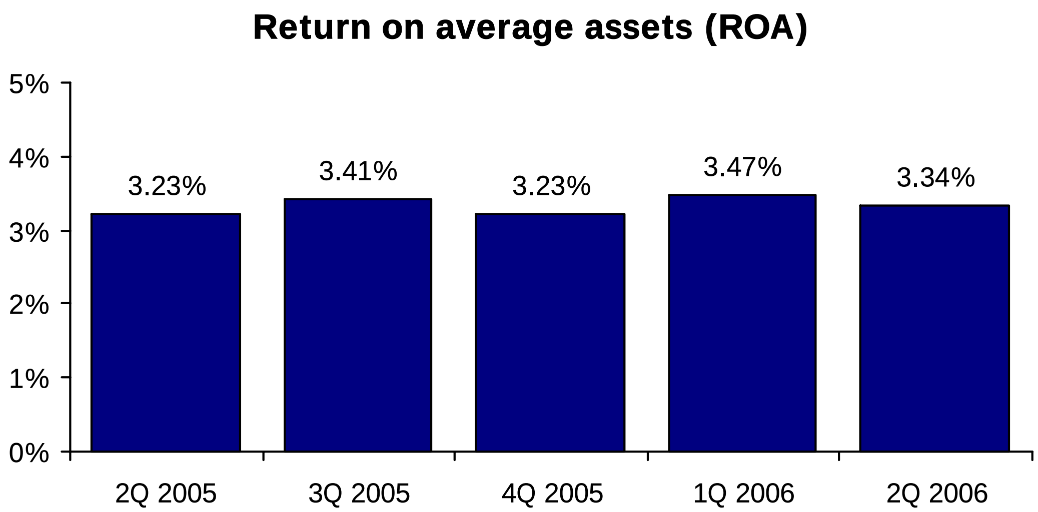


# Consolidated ROE stood at 32.9%, ROA at 3.34% in 2Q 2006



# Despite losing market share in some segments, OTP Group maintains its leading position on the Hungarian market

| | Market share (2006.06.30.) | Change Q-Q | Change (Y-Y) |
|---|---|---|---|
| **Total assets** | 23.5% | -0.2%p | (-0.3%p) |
| **Total loans** | 20.7% | -0.5%p | (-1.2%p) |
| **Housing loans** | 43.9% | -1.5%p | (-4.5%p) |
| **FX housing loans** | 24.0% | +1.0%p | (+6.1%p) |
| **Consumer loans** | 24.9% | +0.3%p | (+0.9%p) |
| **Corporate loans** | 11.2% | -0.6%p | (-1.0%p) |
| **Municipal loans** | 52.2% | +0.4%p | (-0.3%p) |

| | Market share (2006.06.30.) | Change Q-Q | Change (Y-Y) |
|---|---|---|---|
| **Total deposits** | 25.1% | -0.2%p | (-2.1%p) |
| **Retail deposits** | 33.3% | -0.2%p | (-2.1%p) |
| **Corporate deposits** | 10.6% | +0.6%p | (-0.9%p) |
| **Municipal deposits** | 63.3% | -7.6%p | (+1.7%p) |
| **Investment funds** | 34.9% | -1.8%p | (-4.8%p) |
| **Premium income** | 10.2% | +0.1%p | (-1.8%p) |

# Within domestic subsidiaries, OTP Garancia Insurance reached HUF 2.6 bn; Merkantil Group HUF 2.0 bn; OTP Fund Management HUF 1.1 bn profit after tax

| | OTP Bank (non-cons) | | | OTP Mortgage Bank | | | Merkantil Group | | | OTP Garancia Insurance | | | OTP Fund Management | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 2Q | Change | | 2006 2Q | Change | | 2006 2Q | Change | | 2006 2Q | Change | | 2006 2Q | Change | |
| **Main balance sheet items, HUF bn** | | Q-o-Q | Y-o-Y | | Q-o-Q | Y-o-Y | | Q-o-Q | Y-o-Y | | Q-o-Q | Y-o-Y | | Q-o-Q | Y-o-Y |
| Total assets | 3,955.8 | 5.2% | 23.5% | 1,073.3 | 12.8% | 21.0% | 331.3 | 9.7% | 48.7% | 172.2 | 4.7% | 25.7% | 10.9 | 11.1% | 23.9% |
| Shareholders' equity | 479.3 | 6.3% | 12.5% | 39.2 | 1.7% | 11.4% | 27.0 | 7.9% | 39.4% | 18.5 | -1.6% | -0.3% | 8.7 | 10.9% | 8.2% |
| | Gross loans | | | Gross loans | | | Gross loans | | | Insurance reserves | | | Assets under management | | |
| | 1,660.8 | 3.0% | 13.4% | 900.5 | 3.0% | 13.4% | 247.3 | 7.7% | 36.2% | 139.1 | 6.1% | 34.0% | 1,166.5 | 6.3% | 29.2% |
| **Main P&L items, HUF million** | | | | | | | | | | | | | | | |
| Net interest income | 37,574 | -0.1% | -12.5% | 9,220 | -20.6% | -26.9% | 4,444 | -22.0% | -7.5% | | | | | | |
| Non-interest income | 51,285 | | | 2,409 | | | 3,352 | 452.8% | 194.0% | 19,141 | -12.3% | -0.7% | 3,090 | 6.2% | 22.5% |
| Premium income | | | | | | | | | | 18,464 | -4.3% | -0.6% | | | |
| Non-interest expenses | 44,607 | 13.8% | 16.3% | 10,925 | 23.9% | -2.3% | 4,300 | 50.8% | 104.4% | 19,274 | -7.7% | -6.9% | 1,760 | 6.1% | 18.8% |
| Insurance expenses | | | | | | | | | | 14,204 | -7.9% | -12.1% | | | |
| Profit after tax | 32,093 | -26.1% | 17.8% | -384 | -113.8% | -109.4% | 1,984 | 17.7% | -9.6% | 2,558 | 11.0% | 134.3% | 1,122 | 6.2% | 28.1% |
| Total income | 83,460 | -7.4% | 17.7% | 3,076 | -10.9% | -51.6% | 6,667 | 22.8% | 4.9% | 21,277 | -4.3% | 1.1% | 1,613 | 4.7% | 27.0% |
| Operating expenses | 39,208 | | 12.3% | 2,372 | | 147.0% | 3,172 | 60.7% | 25.9% | 18,226 | -6.6% | -7.7% | 283 | -1.6% | 23.6% |
| Cost/income ratio | 47.0% | 7.7% | -2.2% | 77.1% | 55.5% | 62.0% | 47.6% | 11.2% | 8.0% | 85.7% | -2.1% | -8.2% | 17.5% | -1.1% | -0.5% |
| Net Interest Margin | 3.9% | -0.2% | -1.4% | 3.6% | -1.2% | -2.1% | 5.6% | -2.6% | -3.4% | 7.6% | 3.2% | -0.7% | | | |
| ROA | 3.33% | -1.40% | 0.00% | -0.15% | -1.32% | -2.01% | 2.51% | 0.08% | -1.63% | 6.08% | 0.34% | 2.78% | 43.37% | 3.72% | 2.44% |
| ROE | 27.6% | -10.0% | 0.9% | -4.0% | -33.5% | -53.8% | 30.5% | 2.3% | -17.5% | 54.7% | 8.8% | 29.8% | 54.4% | 7.7% | 8.2% |

# Contribution of foreign subsidiaries to the consolidated profit grew to 11.5%

| | DSK Group | | | OTP Banka Slovensko | | | OTP banka Hrvatska* | | | OTP Bank Romania | | | Niska banka | Share of foreign subsidiaries | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 2Q | Change | | 2006 2Q | Change | | 2006 2Q | Change | | 2006 2Q | Change | | 2006 2Q | 2006 1H | Change |
| Main balance sheet items, HUF bn | | Q-o-Q | Y-o-Y | | Q-o-Q | Y-o-Y | | Q-o-Q | Y-o-Y | | Q-o-Q | Y-o-Y | | | Y-o-Y |
| Total assets | 737.4 | 16.2% | 44.6% | 318.3 | 10.6% | 32.3% | 359.3 | 9.4% | 33.1% | 110.2 | 65.8% | 126.1% | 11.3 | 28.3% | 4.8% |
| Gross loans* | 467.0 | 19.8% | 40.2% | 180.3 | -14.0% | 6.9% | 199.1 | 15.4% | 48.0% | 61.2 | 79.3% | 245.8% | 2.5 | 26.5% | 3.5% |
| Deposits | 517.3 | 13.0% | 35.1% | 190.7 | 14.7% | 28.5% | 276.5 | 15.9% | 27.5% | 32.5 | 28.0% | 22.2% | 4.6 | 27.5% | 2.8% |
| Shareholders' equity | 89.8 | 14.9% | 43.4% | 19.2 | 5.1% | 22.1% | 32.5 | 10.7% | 32.5% | 19.6 | 35.0% | 155.2% | 4.5 | 28.6% | 4.9% |
| Gross loans/deposits ratio | 90.3% | -3.8% | -9.3% | 94.5% | -31.5% | -19.1% | 72.0% | -0.3% | 10.0% | 188.5% | 53.9% | 121.9% | 54.2% | | |
| **Main P&L items, HUF million** | | | | | | | | | | | | | | | |
| Net interest income | 9,586 | 4.4% | 8.7% | 1,827 | 8.1% | 36.8% | 2,804 | 6.5% | 20.5% | 685 | 33.8% | 90.9% | 188 | 26.3% | 5.0% |
| Non-interest income | 3,935 | 0.6% | 93.4% | 1,489 | 126.7% | -12.7% | 2,214 | 35.6% | 81.1% | 812 | 52.6% | -294.0% | 379 | 12.5% | 6.3% |
| Non-interest expenses | 6,287 | 39.1% | 46.2% | 2,164 | 12.6% | -12.3% | 3,106 | 14.9% | 23.3% | 2,334 | 57.9% | 88.3% | 358 | 19.8% | 7.3% |
| Profit after tax | 5,151 | -4.4% | 20.2% | 136 | -42.7% | -38.4% | 1,047 | 43.1% | 48.3% | -1,084 | | | 45 | 11.5% | -1.7% |
| Total income | 13,270 | 2.5% | 24.1% | 3,160 | 43.7% | 8.9% | 4,642 | 17.6% | 43.6% | 1,376 | 38.6% | 0.0% | 548 | | |
| Operating expenses | 6,035 | 38.1% | 45.8% | 2,008 | 13.2% | -13.8% | 2,730 | 14.4% | 24.1% | 2,213 | 55.1% | 83.1% | 339 | | |
| Cost/income ratio | 45.5% | 11.7% | 6.8% | 63.6% | -17.1% | -16.7% | 58.8% | -1.6% | -9.3% | 160.8% | 17.1% | 0.0% | 61.9% | | |
| Net Interest Margin* | 5.6% | -0.4% | -1.3% | 2.4% | 0.0% | 0.0% | 3.3% | -0.1% | -0.28% | 3.1% | -0.3% | 0.1% | 6.9% | | |
| ROA | 3.00% | -0.53% | -0.35% | 0.18% | -0.17% | -0.22% | 1.22% | 0.28% | 0.14% | -4.91% | -1.08% | 1.35% | 1.63% | | |
| ROE | 24.5% | -4.3% | -4.1% | 2.9% | -2.5% | -2.8% | 13.6% | 3.8% | 1.7% | -25.4% | -8.9% | 13.0% | 4.0% | | |
| **Market share, %** | | | | | | | | | | | | | | | |
| Total assets | 14.2% | -0.6% | 0.6% | 2.9% | 0.0% | 0.1% | 3.4% | -0.1% | 0.0% | - | - | - | 0.4% | | |
| Retail loans | 36.3% | -0.9% | -1.4% | 3.8% | -0.1% | -0.1% | 3.9% | 0.0% | 0.1% | 0.8% | 0.5% | 0.8% | 0.3% | | |
| Corporate loans | 7.7% | 0.8% | 2.3% | 4.3% | -1.9% | -2.6% | 3.0% | 0.2% | 0.1% | 0.9% | 0.1% | 0.4% | 0.1% | | |
| Retail deposits | 22.9% | -0.5% | -1.2% | 2.4% | 0.0% | -0.1% | 5.5% | 0.0% | -0.2% | 0.5% | 0.1% | -0.1% | 0.4% | | |
| Corporate deposits | 7.2% | -0.2% | 0.6% | 3.0% | 0.3% | 0.1% | 2.2% | 0.4% | 0.2% | 0.5% | 0.1% | -0.1% | 0.3% | | |

* In case of DSK, volume of loans adjudted by loans sold were HUF 527 bn (+18.5% q/q, +48.5% y/y), net interest margin calculated in BGN was 6.04% (-33bp q/q, -88bp y/y).

# Major developments affecting OTP Group’s medium term strategy

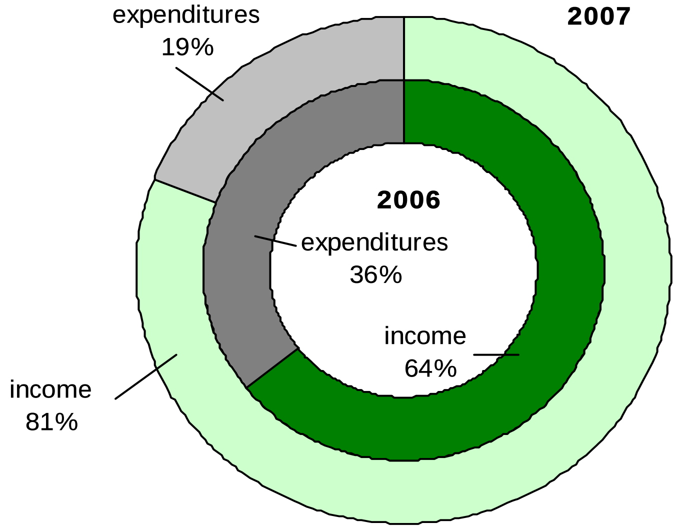
## The estimated impacts of the Hungarian austerity package and the acquisition drive on OTP Group

# Forward looking statements

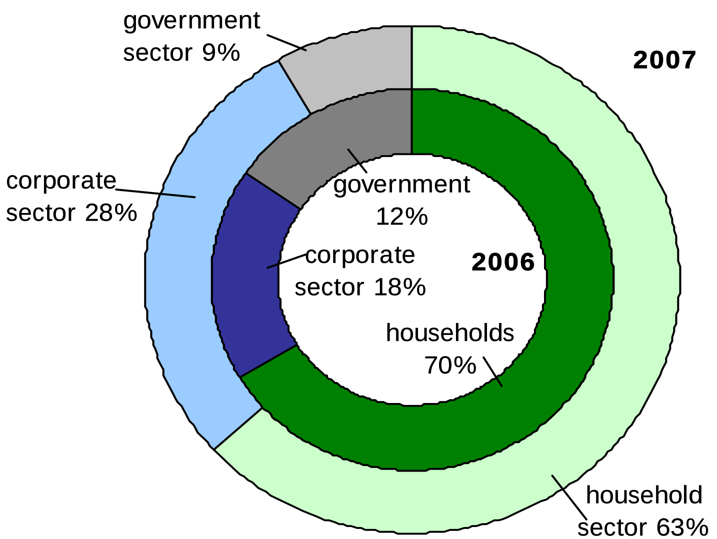
This presentation contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of OTP Bank. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this announcement should be construed as a profit forecast.

# The austerity package focuses almost solely on budget's revenue side thus preserving the current unhealthy structure on the expenditure side

## Structure of the fiscal savings




## Structure of fiscal adjustments by sectors




Source: OTP Bank Research Department

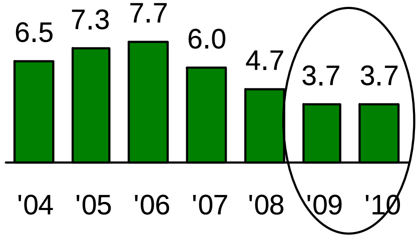
## OTP's comments on the economics of the austerity package

- The budget deficit will be reduced primarily through tax increases, with 80% of total government savings coming from the revenue side.
- Most (60%) of the additional tax burden is paid by a small group of employees (10%). Implementation risks are high due to tax avoidance.
- Tax hikes deteriorate international competitiveness besides the inflationary and negative growth effects.
- Most of the expenditure cuts derive from the reduction in price subsidies.
- Despite the temporary improvement, lower fiscal deficit may not be maintained in the long run without the restructuring of the social welfare system and public services, such as health care, education, pension system and public administration.
- International examples proved that income-based fiscal tightening is not successful in the long run and has a tendency to soften as parliamentary elections approach.

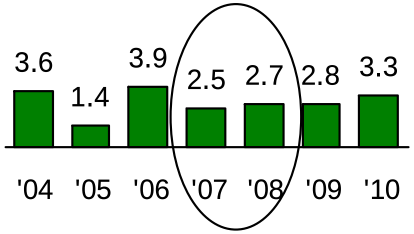
# Governments' approach to stabilize state budget sacrifices higher economic growth than expected earlier

### Assumptions in the original strategy

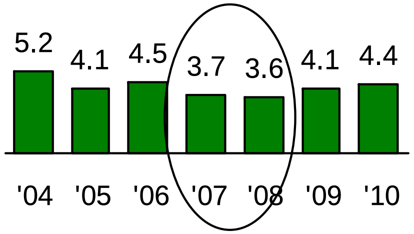
**Budget deficit** ESA-95, as % of GDP



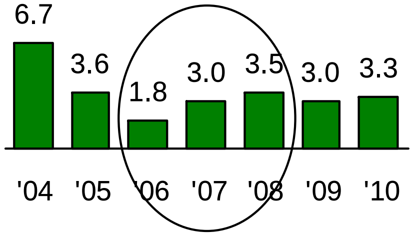

**Household consumption growth**, %




**Real GDP growth**, %



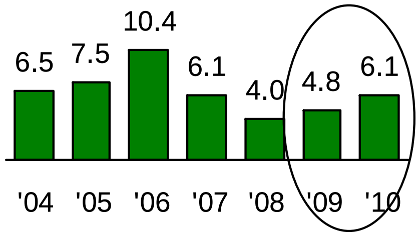

**Inflation** avg %

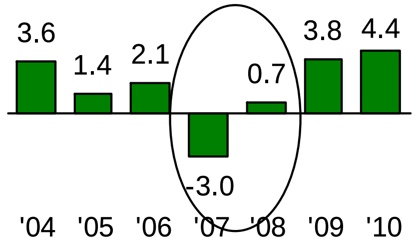


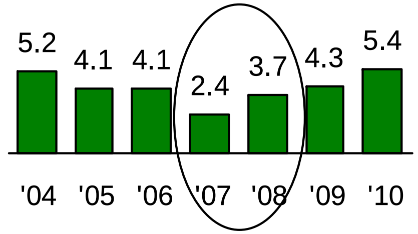

### Effects of the austerity package

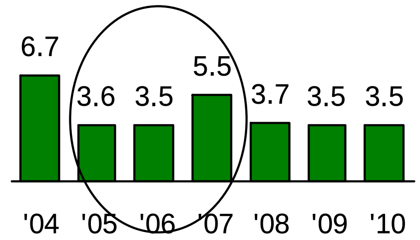
- HUF550bn unexpected increase in government spending (ineffective spending freeze in 2005 hit 2006, accounting of motorway investments, plus excess liabilities from privatisation legal cases) will push 2006 budget deficit as high as 10.4%.
- The austerity package drives the adjustment.
- However, traditional loosening before the 2010 elections may increase the deficit again, which would hinder Euro-zone entry before 2013.
- With households' real income falling by 4%, household consumption is expected to decline by 3% in 2007 as opposed to the slowdown expected in the previous forecast. In contrast, the rebound in 2009-2010 will be faster.
- As a result of the planned fiscal measures, real GDP growth will be lower by 1.3% in 2007. This will be offset by higher growth in '09-'10, resulting in the same level of national income by the end of the decade as in the original strategy.
- The fiscal adjustment will be implemented partly through hikes in taxes and reductions in price subsidies. This will lead to 1-2 ppt higher inflation figures in the years to come.

### New forecasts



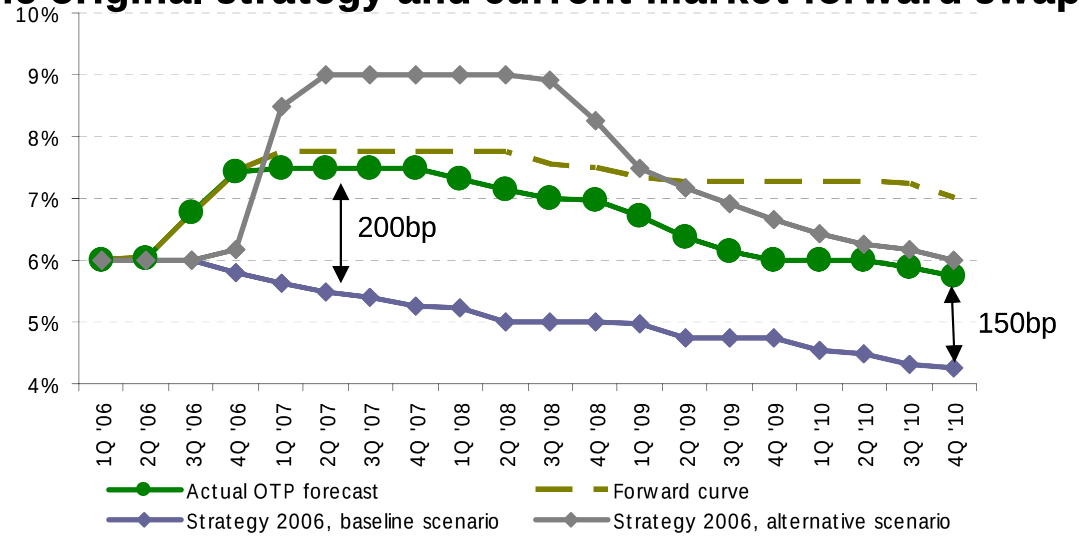



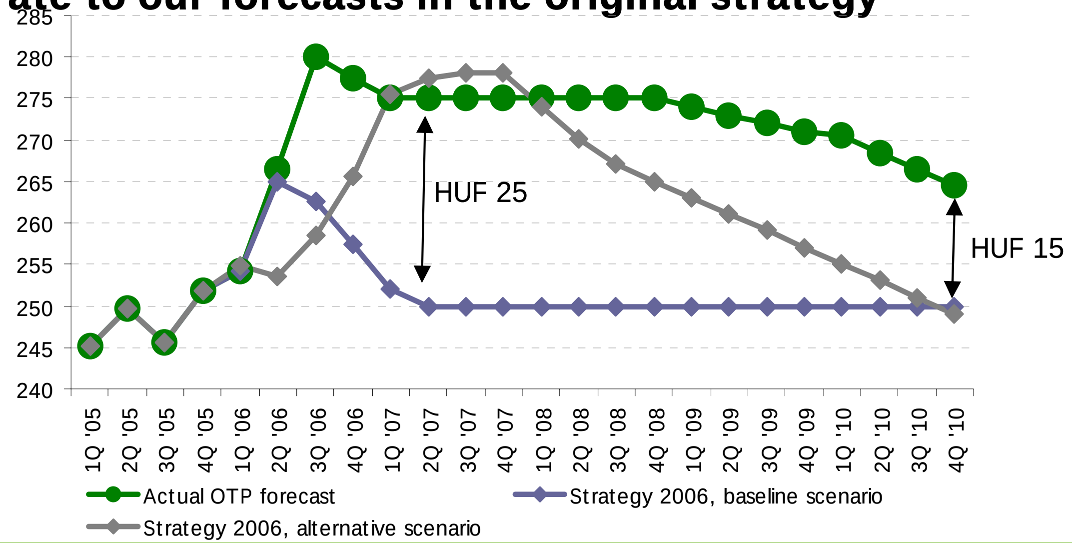

Source: NSO, OTP Bank Research Department

# Expectations on monetary conditions shifted to weaker HUF (HUF/EUR up by 15-25 HUF) and 150-200 bps higher interest rates

**Comparing new estimate on NBH base rate to forecasts in the original strategy and current market forward swap yields**




**Comparing new estimate on HUF/EUR exchange rate to our forecasts in the original strategy**




**The chance for a sudden and sharp rate hike decreased:**

- Budget deficit decreases significantly in 2007, reducing external imbalances and the risk of a crises and the required risk premium.
- The market expects the exchange rate remain weak.

**But moderate and gradual rate hikes are unavoidable:**

- Probability of overshooting the 3% +/-1% middle-term inflation target of the national bank for 2008 is high (we expect 3.5-4.0% CPI for 2008).
- Rebuilding credibility calls for rate-hikes to stabilize and strengthen the exchange rate.

Interest rate scenario applied for planning is conservatively lower than expectations implied by current market prices

Source: Bloomberg, OTP Bank Research Department

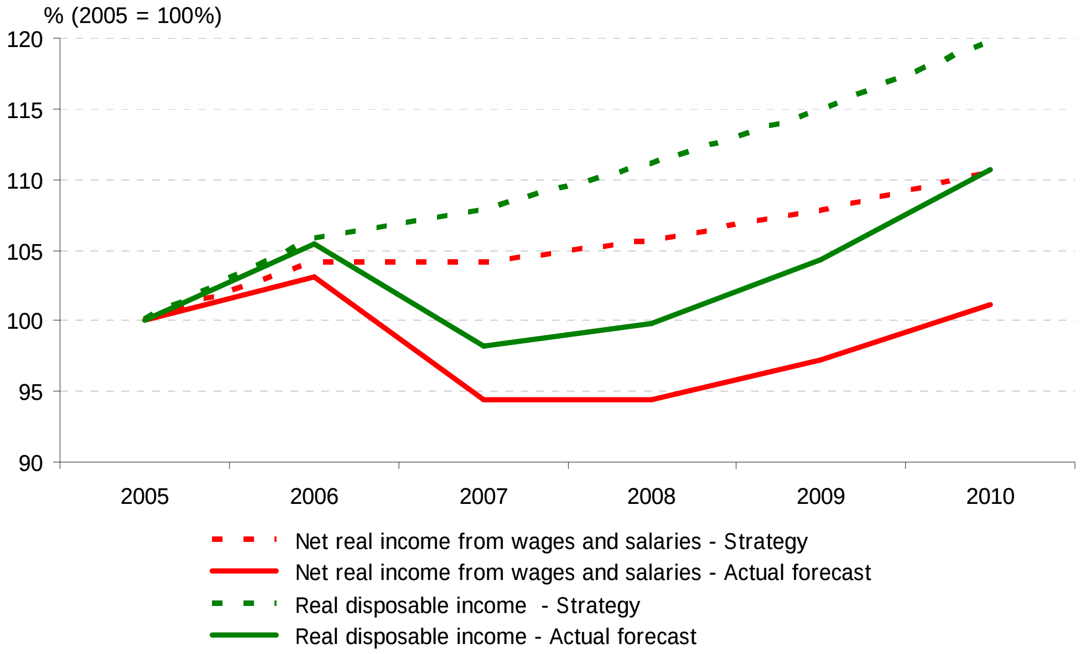
# Macroeconomic forecast



| | 2004 | 2005 | 2006 F | 2007 F | 2008 F | 2009 F | 2010 F |
|---|---|---|---|---|---|---|---|
| Real GDP | 5.2% | 4.1% | 4.1% | 2.4% | 3.7% | 4.3% | 5.3% |
| Final household consumption | 3.6% | 1.4% | 2.1% | -3.0% | 0.7% | 3.8% | 4.4% |
| Public consumption | 0.7% | -0.9% | 2.0% | -3.0% | 0.0% | 1.0% | 3.5% |
| Investment | 8.0% | 6.6% | 4.5% | 3.8% | 6.1% | 7.6% | 7.8% |
| Exports | 15.8% | 10.8% | 16.0% | 11.7% | 10.2% | 10.5% | 10.1% |
| Imports | 13.5% | 6.5% | 13.6% | 13.0% | 10.3% | 11.0% | 11.4% |
| Budget deficit as a % of GDP | -6.5% | -7.5% | -10.4% | -6.1% | -4.0% | -4.8% | -6.1% |
| Current Account Balance as a % of GDP | -8.6% | -7.3% | -7.9% | -6.5% | -5.1% | -5.6% | -6.5% |
| Net nominal wages | 5.7% | 10.1% | 6.0% | 1.6% | 3.3% | 6.6% | 7.6% |
| Net real wages | -1.0% | 6.3% | 2.3% | -3.7% | -1.4% | 3.0% | 4.0% |
| Unemployment | 6.1% | 7.1% | 7.4% | 8.1% | 7.6% | 7.2% | 6.6% |
| Inflation (CPI), average | 6.7% | 3.6% | 3.6% | 5.5% | 3.7% | 3.5% | 3.5% |
| NBH base rate (average) | 11.27% | 7.20% | 6.56% | 7.50% | 7.10% | 6.31% | 5.91% |
| NBH base rate (end of period) | 9.50% | 6.00% | 7.50% | 7.50% | 7.00% | 6.00% | 5.75% |
| EUR/HUF (average) | 251.39 | 248.02 | 269.62 | 275.00 | 275.00 | 272.50 | 267.50 |
| EUR/HUF (end of period) | 245.22 | 252.73 | 267.50 | 275.00 | 275.00 | 270.00 | 265.00 |

# Income shock will be split between consumption and net savings, and slow down the credit driven financial deepening

## Estimated change in households' net real income 2006-2010




**As a result of the bigger than expected but revenue-based fiscal tightening we expect:**

- Lower gross wage dynamics in 2007-2008;
- Decreasing net wages in 2007, as a result of the announced hikes in taxes and social contributions.

Source: OTP

**The income shock will be split between consumption and net savings, and slow down the credit driven financial deepening:**

- We expect the effect on income to be split between consumption and savings in a ratio of 1/2-1/2 in 2006 and of 2/3-1/3 in 2007-2008.
- Net incurrence of loans (banking and non-banking together) in 2006 will be lower by nearly HUF 100 billion, and by 1.2% of GDP in 2007 (HUF 300 billion) and 2008 (HUF 350 billion).
- The lower flows will cut household banking loan volume 2007-2008 CAGR from 18% to 12%, with acceleration after 2008 CAGR estimate for 2006-2010 falls from 17% to 15%.
- The gross saving rate will be lower by 0.5 percentage point in 2006 (HUF 110 billion), and 1.6-1.7 percentage point in 2007-2008 (HUF 400 and 460 billion) compared to our original strategic plan for 2006-2010, thus CAGR for 2006-2008 of households financial assets will decrease to 6.5% from 8%, and from 10% to 9% from 2006-2010.

# Impacts of the austerity package will cause app. 5-10% decrease of OTP Group's net results between 2006 and 2010

ESTIMATE

**Bottom line effect compared to strategic plan published in April 2006,** HUF bn

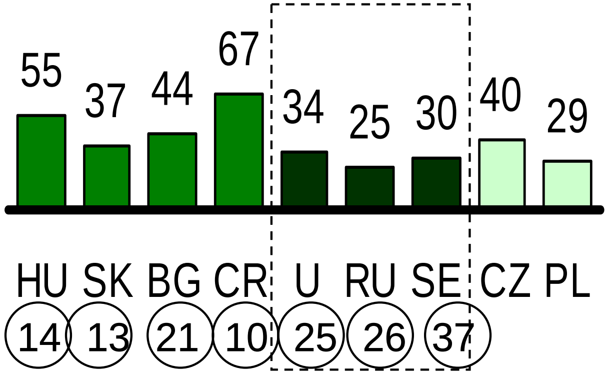
| | | 2006 | 2007 | 2010 | CAGR |
|---|---|---|---|---|---|
| | **Original strategy's profit target** (published on April AGM) | **185** | **208** | **317** | **15%** |
| **Austerity package in Hungary** | **Major effects of government program on OTP Bank** | | | | |
| | ▪ Direct impact of tax increase | -3 | -12 | -15 | |
| | ▪ Indirect macroeconomic effects<br>▪ Higher interest level<br>▪ Weaker exchange rate<br>▪ Slower loan and deposit growth<br>▪ Higher risk cost | +3 | +3 | -9 | |
| | **Total effect of the austerity package** | **0** | **-9** | **-25** | |
| | **New net profit target with impact of austerity package** | **185** | **199** | **293** | **12%** |
| **Recent acquisi-tions in CEE** | **Major acquisition developments** | | | | |
| | ▪ Entering into Ukraine buying 7th largest bank<br>▪ Entering into Russian market<br>▪ Merge of 3 small banks in Serbia to reach economies of scale<br>▪ Planned issue of hybrid and subordinated capital elements ensures financing | | | | |
| | **Total effect of acquisitions*** | **0** | **+23** | **+52** | |
| | **New net profit target** | **185** | **222** | **345** | **17%** |

* Based on the due diligence and the local management's own projections and not on OTP Bank's own strategic planning model, thus they carry certain risk.

# OTP has entered new markets with high growth and excellent value creation opportunity

**Strong growth potential**

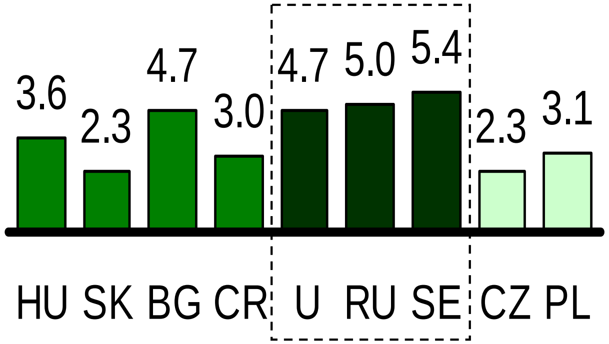
**Total loans as % of GDP,** 2005 (bars) **and expected CAGR of loans in LCY** 2005-2010, (in circles)




- Low current penetration, less uncertain expectations, lower interest rates, better risk management and product development support booming lending
- Savings side penetration similarly low
- Good opportunities in transaction business

**Value creation opportunity**

**Net interest margin of the banking system,** %, 2005




- Interest rate margins still high in the newly entered markets
- The acquired Serbian and Russian banks has large cost efficiency potential
- Economies of scale can be leveraged stronger

**Medium term (3-5 years) principle investment targets unchanged for newly acquired banks:**

- **15% ROIC**
- **Above 5% market share in key segments**

Source: National banks, OTP

# Main characteristic of OTP Bank's ytd acquisitions

BACKGROUND MATERIAL

| | Date of trx | Price | P/BV | Equity, m € | Total assets, m € | No of branches |
|---|---|---|---|---|---|---|
| **IRB (SK) ⇩ OTP Banka Slovensko** | 2002 | € 17 m | 0.5 | 38 → 76 (+16%) | 489 → 1260 (+22%) | 52 → 82 (+30) |
| **DSK Bank (BG)** | 2003 | € 311 m | 2.2 | 139 → 355 (+34%) | 1084 → 2918 (+36%) | 294 → 356 (+62) |
| **RoBank (RO) ⇩ OTP Bank Romania** | 2004 | € 39 m | 1.9 | 20 → 77 (+71%) | 128 → 436 (+63%) | 14 → 45 (+31) |
| **Nova banka (HR) ⇩ OTP banka Hrvatska** | 2005 | € 236 m | 2.8 | 76 → 128 (+24%) | 1063 → 1422 (+18%) | 89 → 96 (+7) |
| **Bank acquisitions until 2005:** | | **€ 603 m** | | **€ 637 m** | **€ 6,035 m** | **579** |
| **Niska banka (SE)** | 2006 | € 14 m | 0,9 | € 18 m | € 38 m | 24 |
| **Zepter banka (SE)** | 2006 | € 34 m | 2,8 | € 17 m | € 77 m | 17 |
| **RBUA (UA)** | 2006 | € 650 m | 4,7 | € 138 m | € 1,229 m | 55 |
| **Investsberbank (RU)** | 2006 | € 373 m | 3,8 | € 102 m | € 980 m | 78 |
| **Kulska banka (SE)** | 2006 | € 119 m | 2,6 | € 69 m | € 136 m | 39 |
| **Bank acquisitions in 2006:** | | **€ 1,189 m** | | **€ 343 m** | **€ 2,459 m** | **213** |

□ at the date of acquisition
■ 2006 2Q
▭ CAGR between date of trx and 2Q 2006

# Entering Ukraine, Russia and Serbia is a significant step in OTP's growth story

## Key descriptive data of enlarged OTP Group

| | OTP Group excluding new subsidiaries | OTP Hungary | OTP current foreign subsidiaries | OTP newly acquired subsidiaries | Newly acquired subsidiaries | Enlarged OTP Group total |
|---|---|---|---|---|---|---|
| **Number of branches** (2005) | 976 | 34% | 48% | 18% | 213 | 1,189 (+22%) |
| **Number of clients** (2005) | ~10 million | 44% | 46% | 10% | ~1.1 million | 11.1 m (+12%) |
| **Total loans** (2006F, EUR) | 15 bn | 62% | 24% | 14% | 2.5 bn | 17.8 bn (+16%) |
| **Total revenues** (2006F, EUR) | 2.2 bn | 74% | 14% | 12% | 0.4 bn | 2.6 bn (+14%) |
| **Net profit** (2006F, EUR) | 0.7 bn | 77% | 12% | 12% | 0.1 bn | 0.8 bn (+13%) |

Source: OTP

# After new acquisitions, OTP Group's targeted profit growth increases to 17% between 2006 and 2010

ESTIMATE

**Bottom line effect compared to strategic plan published in April 2006,** HUF bn

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# OTP Bank Investor Relations

Tel: + 36 1 473 5460; + 36 1 473 5457

Fax: + 36 1 473 5951

E-mail: investor.relations@otpbank.hu

www.otpbank.hu