

# OTP BANK – 2006 second quarter results

INVESTOR PRESENTATION

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

September, 2006



- Macroeconomic environment and financial intermediary 3-7
- Financial performance (consolidated, IFRS) 9-19
- Market position in Hungary (HAR) 21-27
- OTP Subsidiaries in the Region 29-30
- Major developments affecting OTP Group's medium term strategy 32-40

## Main macroeconomic indicators in Hungary

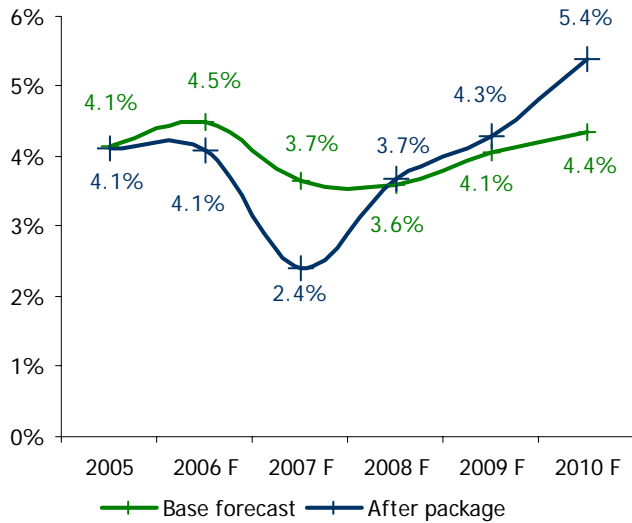
	2004	2005	2006 F	2007 F	2008 F	2009 F	2010 F
Real GDP	5.2%	4.1%	4.1%	2.4%	3.7%	4.3%	5.4%
Final household consumption	3.6%	1.4%	2.1%	-3.0%	0.7%	3.8%	4.4%
Public consumption	0.7%	-0.9%	2.0%	-3.0%	0.0%	1.0%	3.5%
Investment	8.0%	6.6%	4.5%	3.8%	6.1%	7.6%	7.8%
Exports	15.8%	10.8%	16.0%	11.7%	10.2%	10.5%	10.1%
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%	3.5%	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

OTP Bank's own estimation (August, 2006)

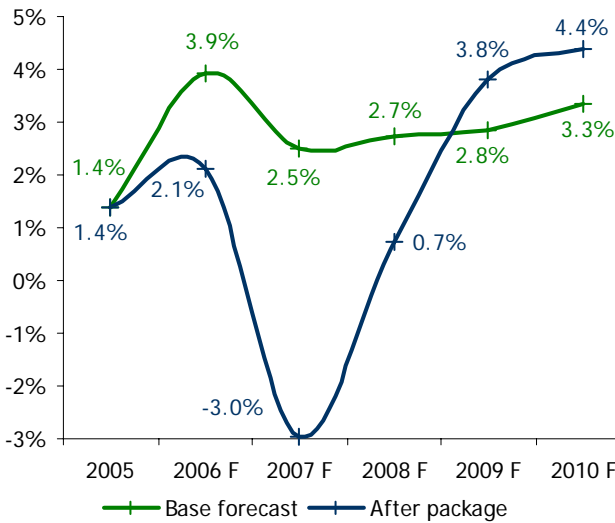


# Austerity package induced significant changes in the macroeconomic environment which is indicated by the after package forecast

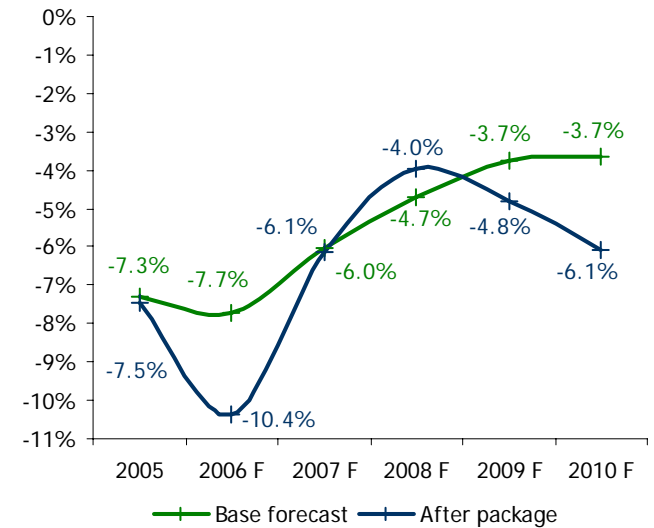
### Real GDP



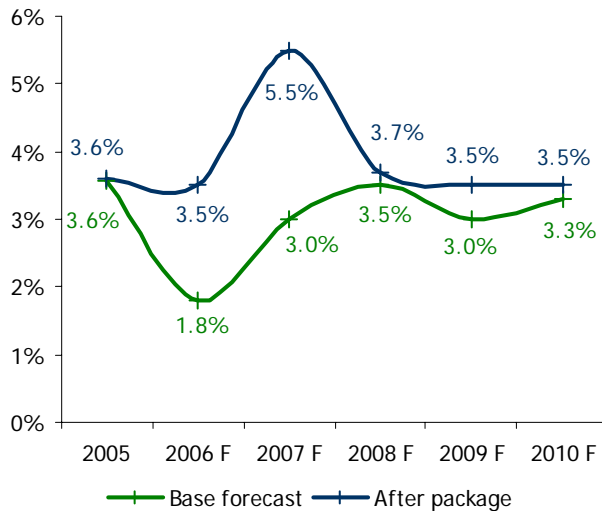
### Final household consumption



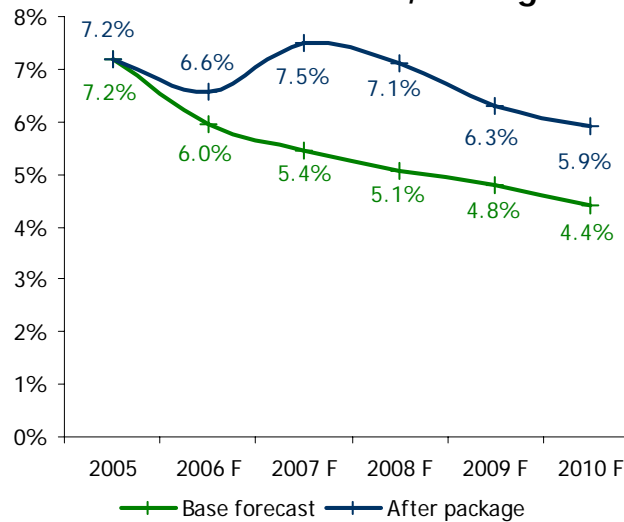
### Budget deficit as a % of GDP



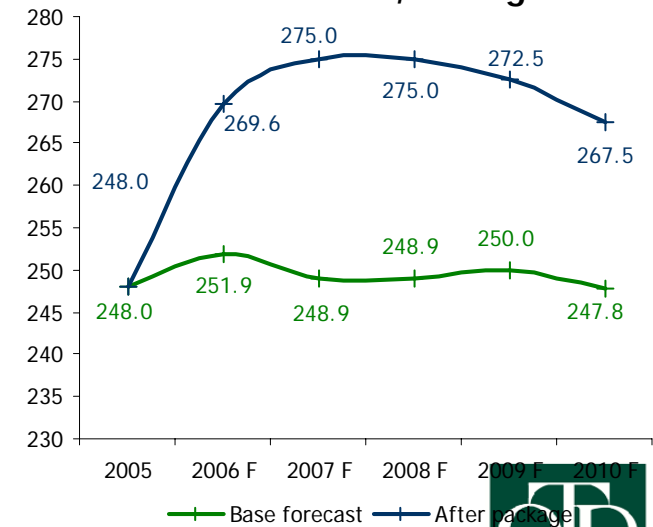
### Inflation (CPI), average



### NBH base rate, average

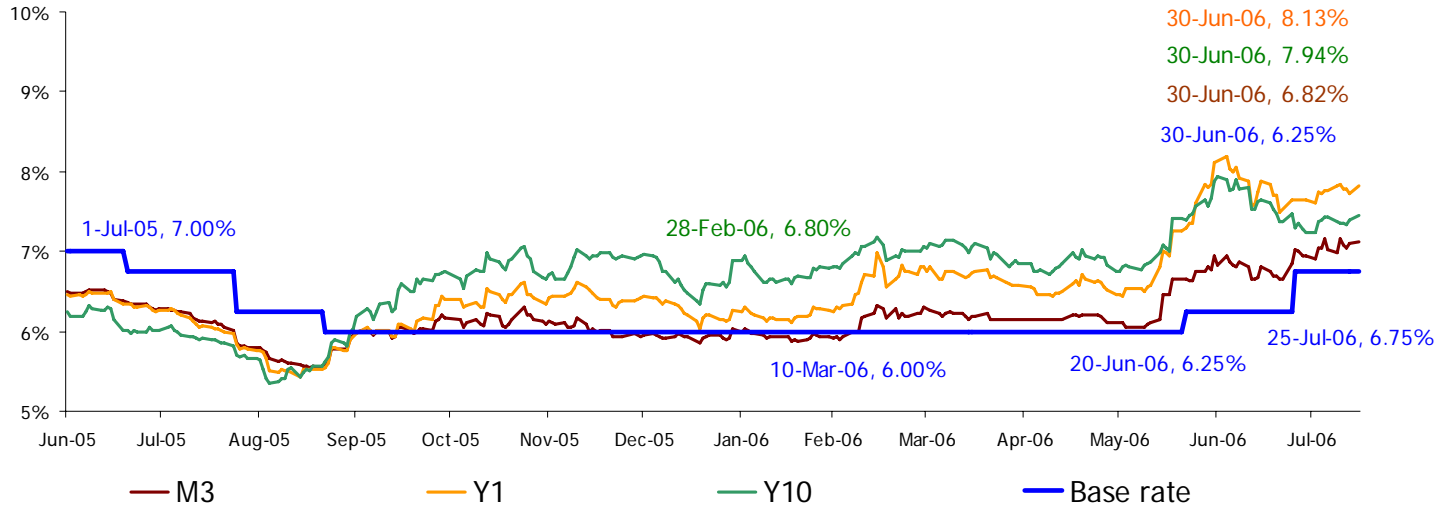


### EUR/HUF, average



# Base rate increased by 125 bps to 7.25% YTD 2006

## Interest rates



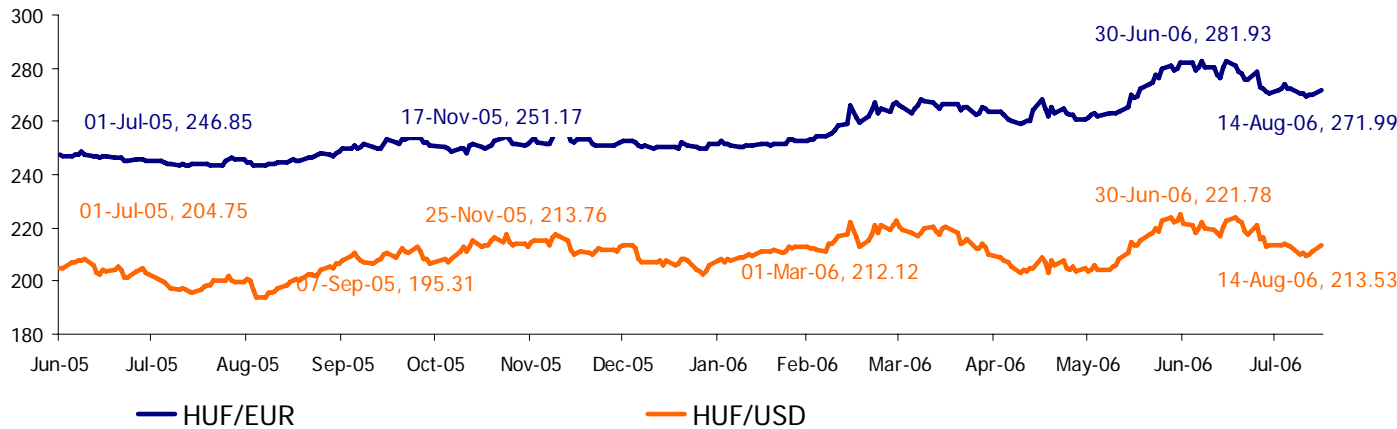
## Changes of base rate

2003	+ 400 bp
2004	- 300 bp
<b>2005</b>	<b>- 350 bp</b>
2006 (June-August)	+ 125 bp
2006 F	+ 150 bp

## Base rate in CEE-Countries

HU	7.25%
CZ	2.23%
SK	4.50%
PL	4.00%
<hr/>	
BU	2.80%
CR	4.50%
RO	8.75%

## Exchange rates

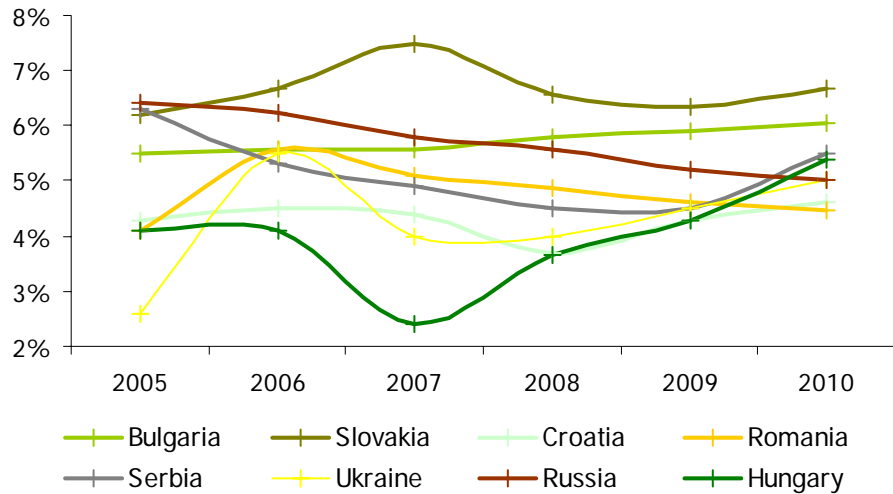


## HUF/EUR exchange rate

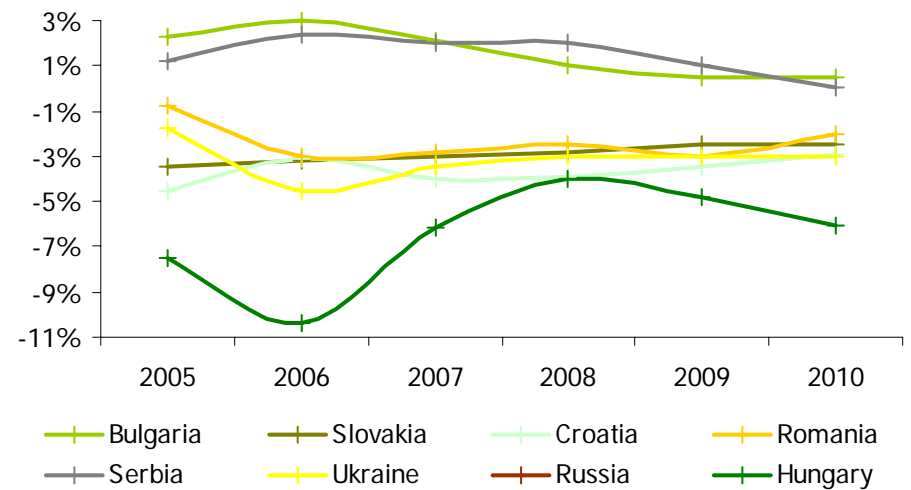
Year	Year end (average)
2003	262.2 (253.5)
2004	245.2 (251.4)
2005	252.7 (248.0)
2006 F	267.5 (269.6)

# Main macroeconomic indicators of countries of foreign subsidiaries

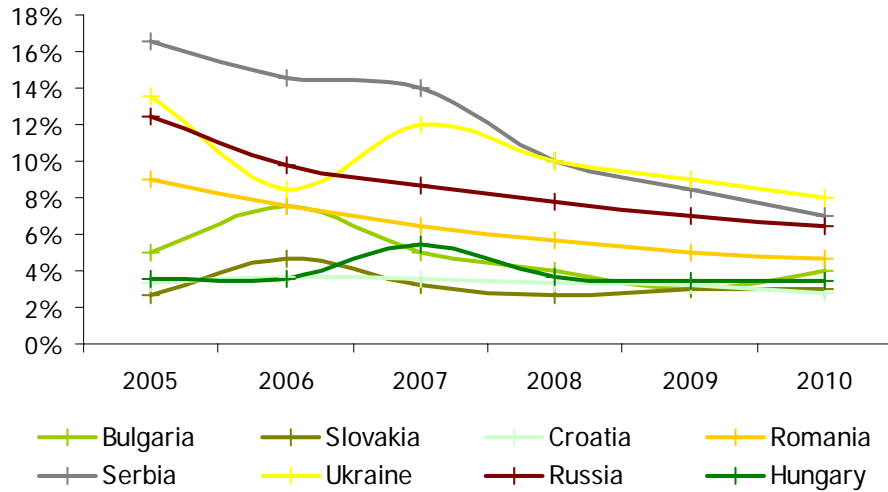
### Real GDP



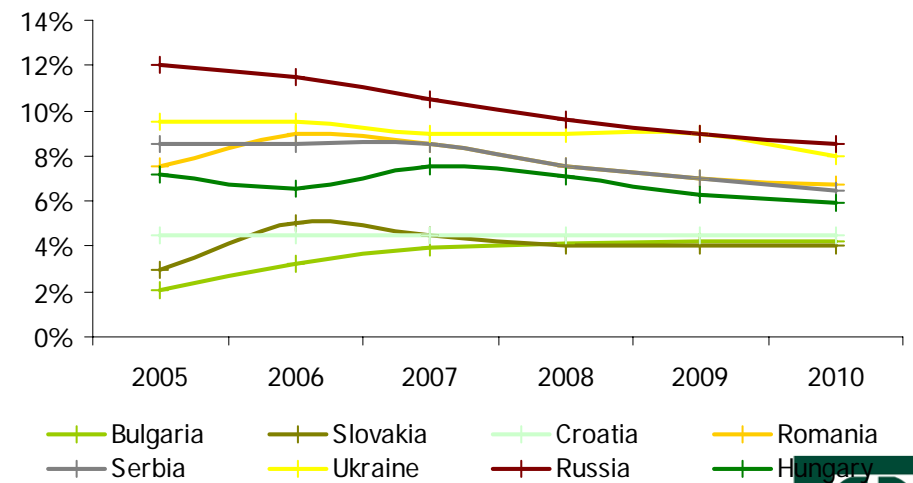
### Budget deficit as a % of GDP



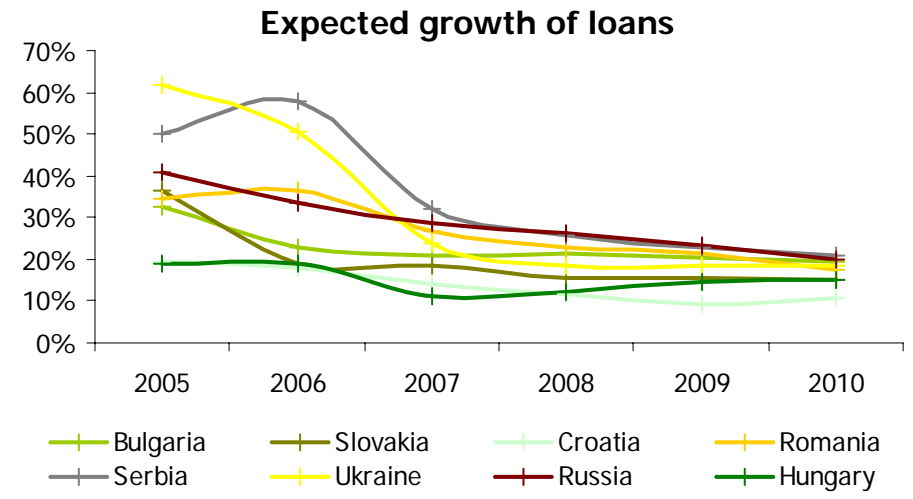
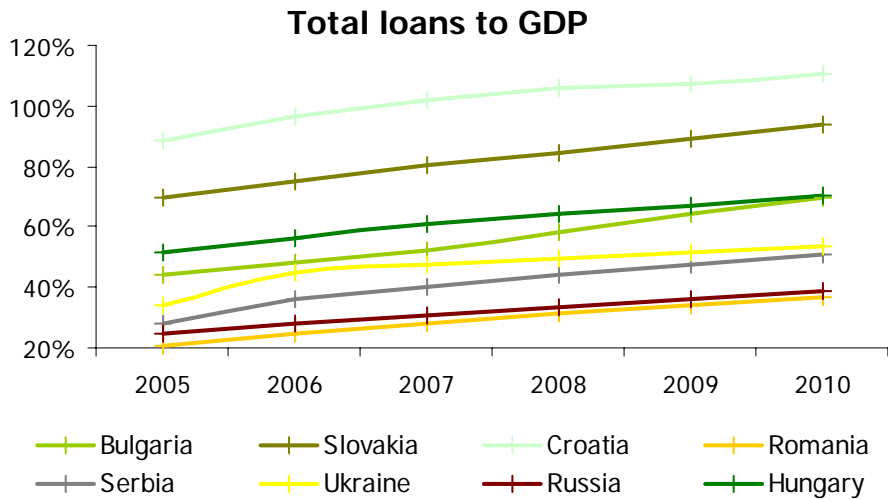
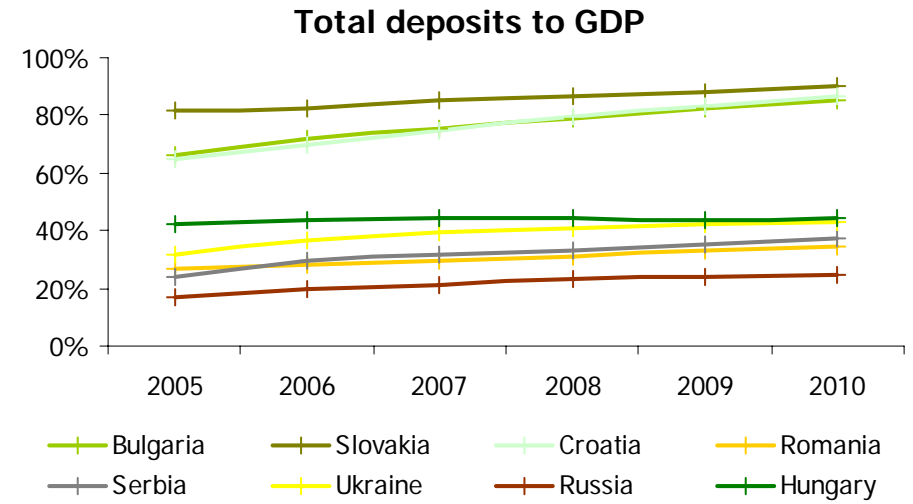
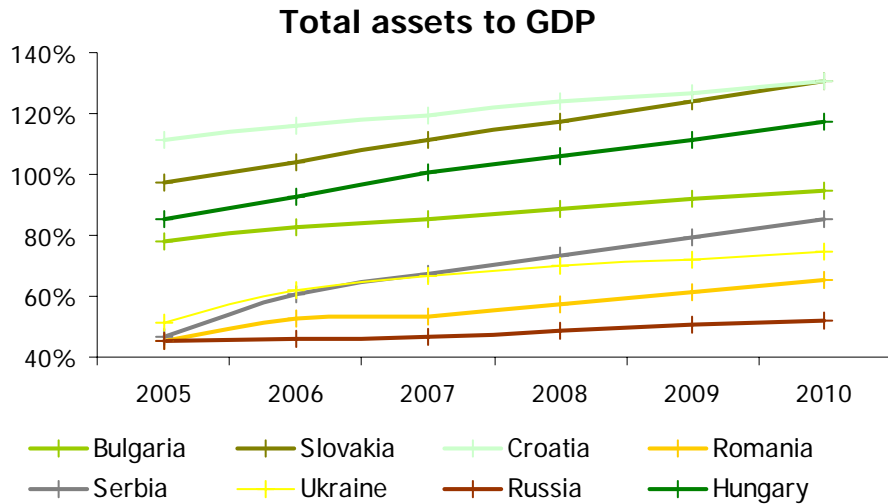
### Inflation (CPI), average



### Key interest rate, end of period



# The banking market has low penetration and promising growth potential in the countries of the subsidiaries



- Macroeconomic environment and financial intermediary 3-7
- Financial performance (consolidated, IFRS) 9-19
- Market position in Hungary (HAR) 21-27
- OTP Subsidiaries in the Region 29-30
- Major developments affecting OTP Group's medium term strategy 32-40

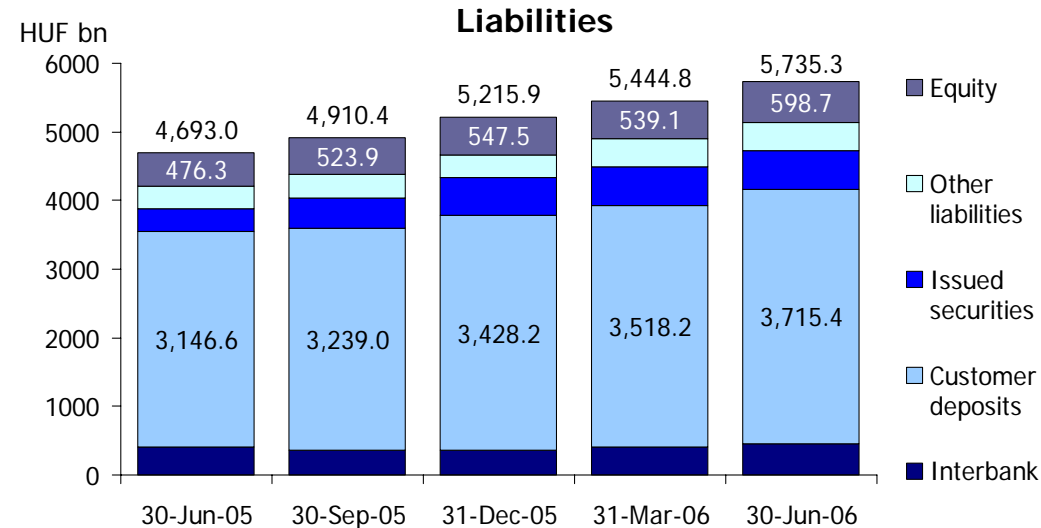
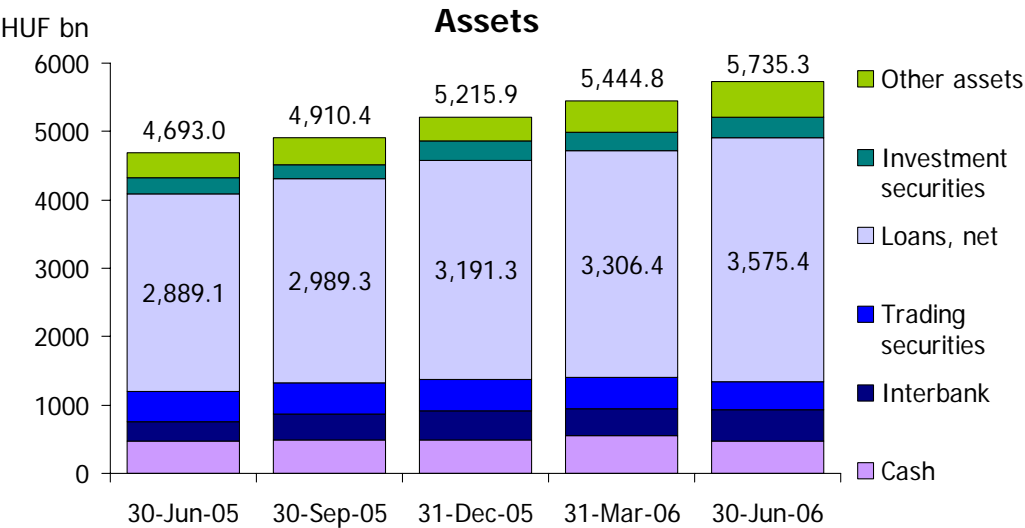


# OTP Bank realised HUF 46.7 billion consolidated profit after tax in 2Q 2006

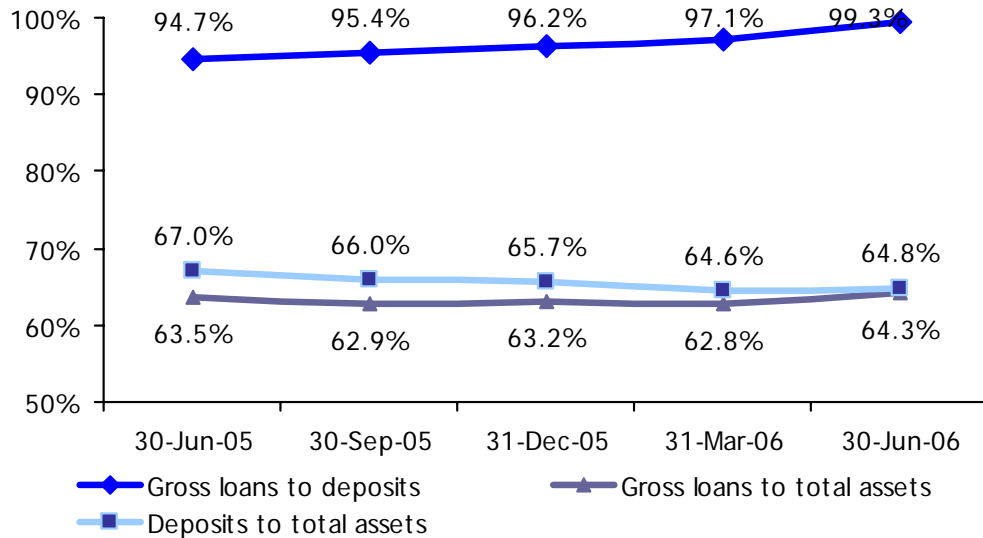
## Financial highlights of OTP Group (consolidated, IFRS)

	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)	2,980.9	3,417.7	3,690.6	8.0%	23.8%	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	94.7%	97.1%	99.3%	2.2%	4.6%	94.7%	99.3%	4.6%
Shareholders' equity (HUF bn)	476.3	539.1	598.7	11.1%	25.7%	433.7	598.7	38.1%
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%	32.9%	-1.1%	-0.7%	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%

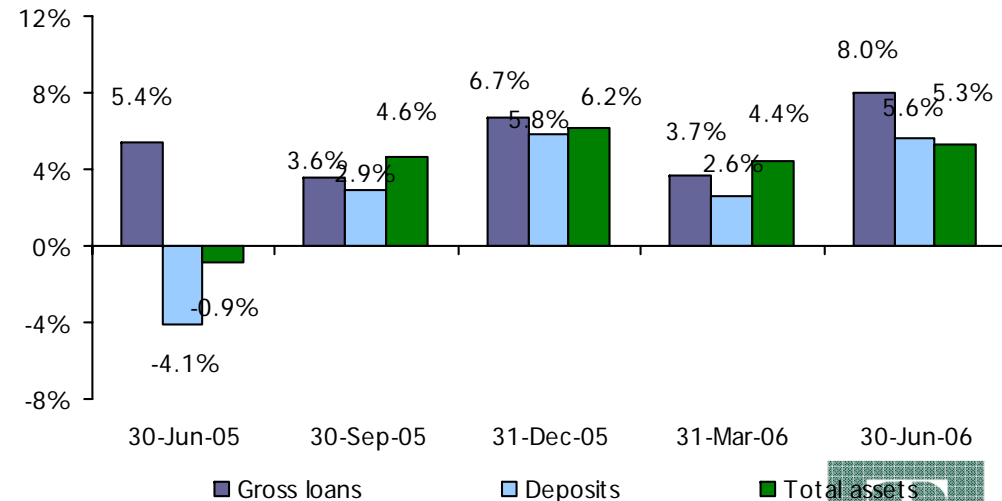
# Consolidated assets grew by 5.3% in 2Q 2006 and by 22.2% on a yearly bases



### Balance Sheet indicators

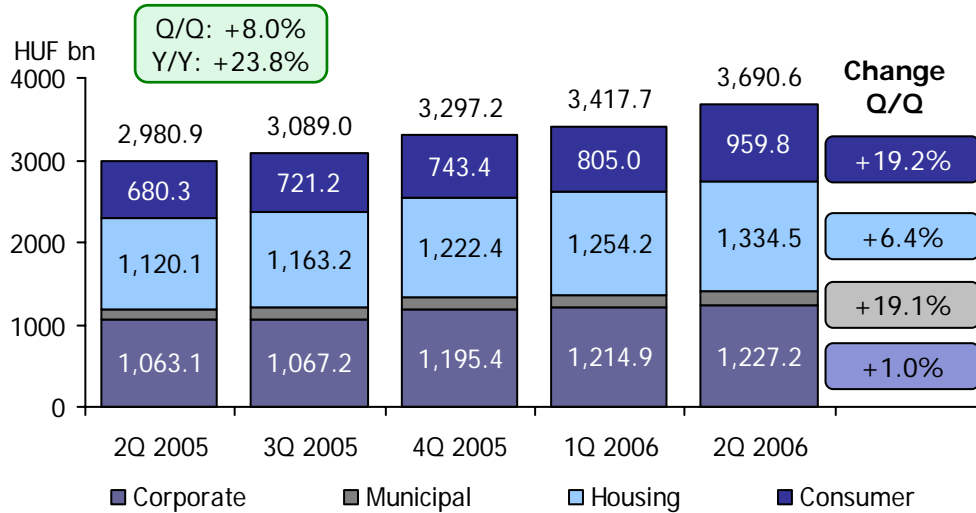


### Quarterly growth of B/S items

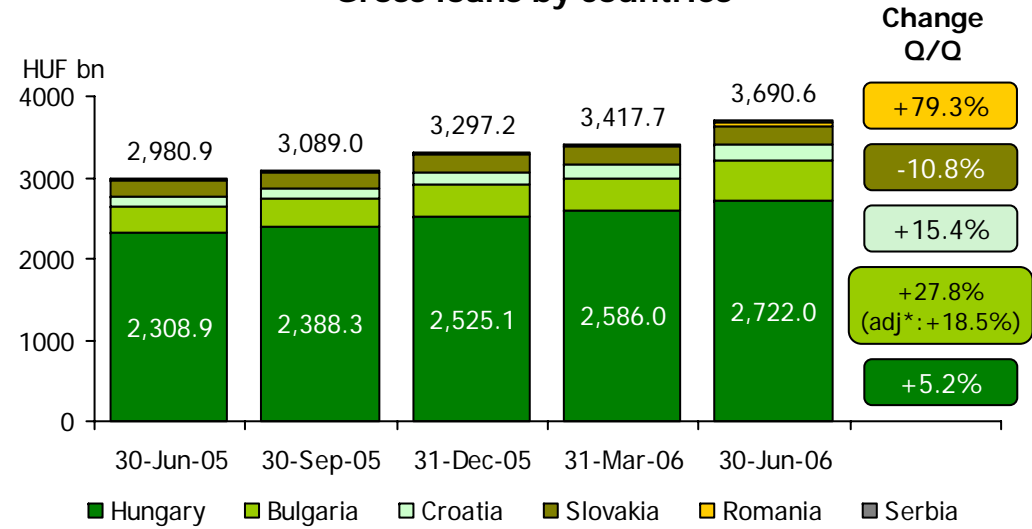


# Consolidated gross loans increased by 8.0% Q/Q and by 23.8% Y/Y, while deposits by 5.6% and 18.1% respectively

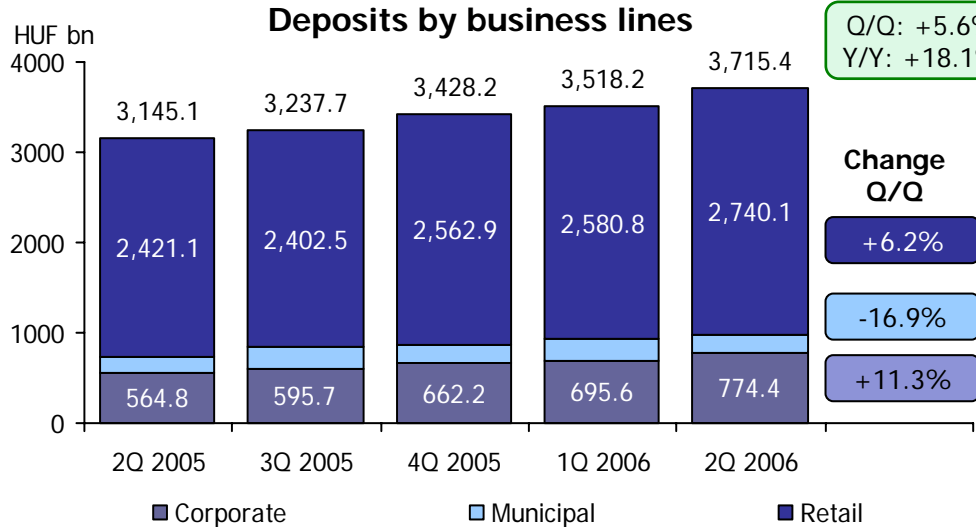
### Gross loans by business lines



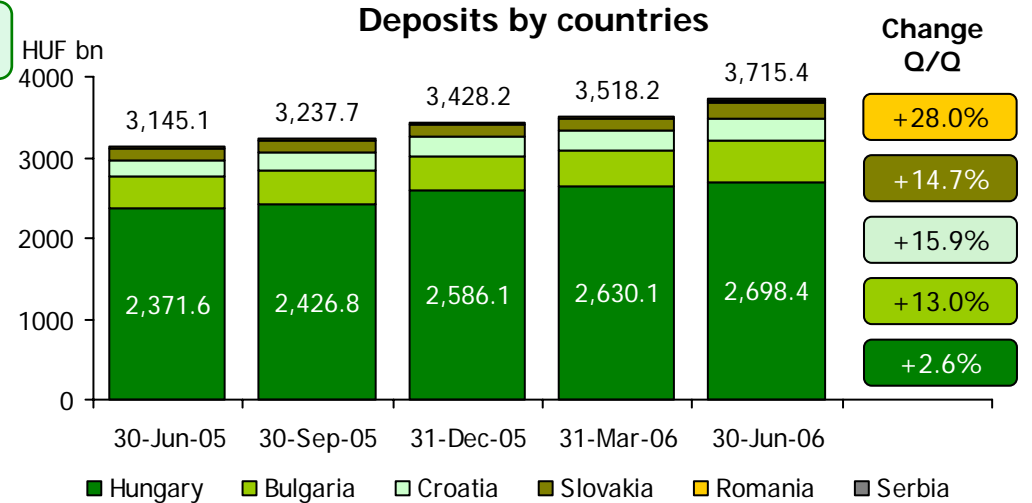
### Gross loans by countries



### Deposits by business lines

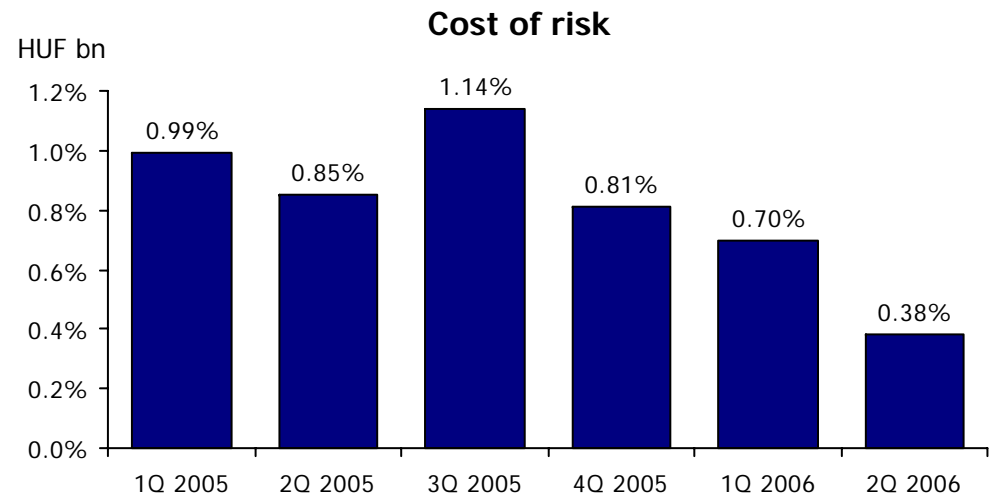
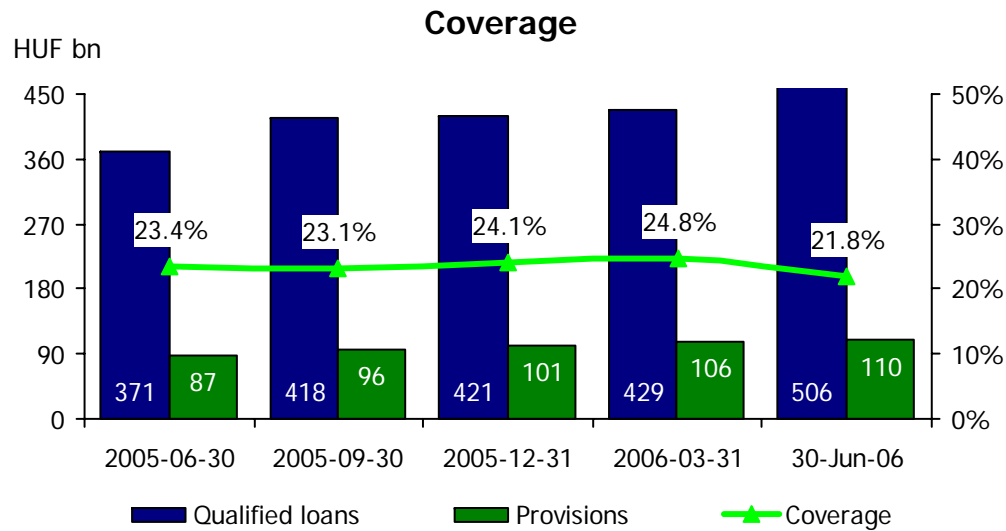
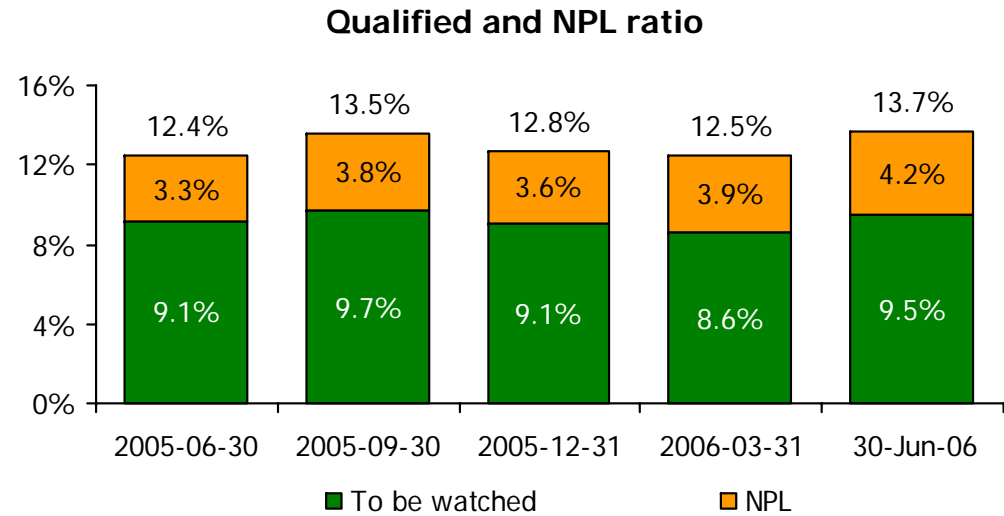
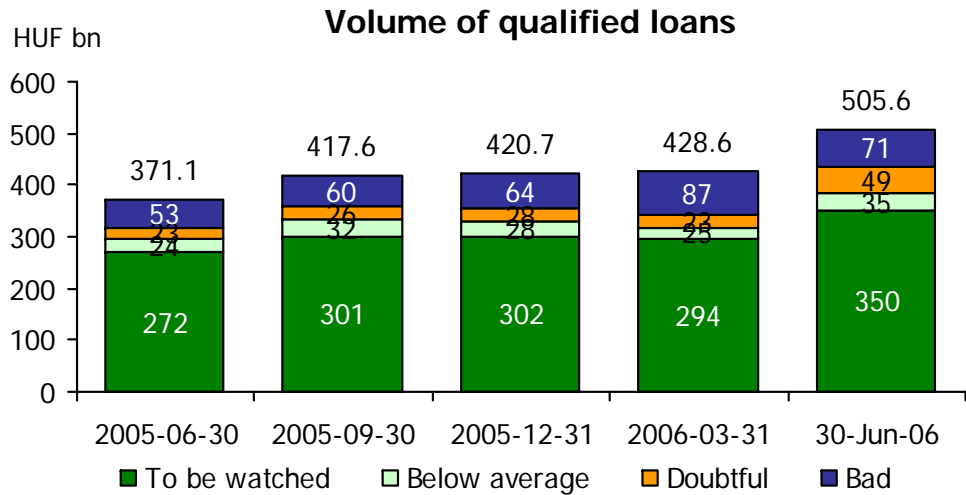


### Deposits by countries



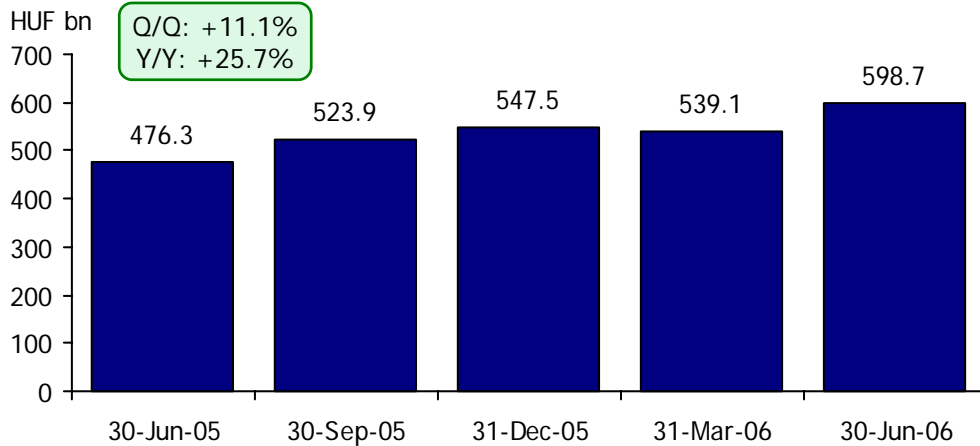
\* Adjusted growth rate, including loans booked outside DSK balance sheet.

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

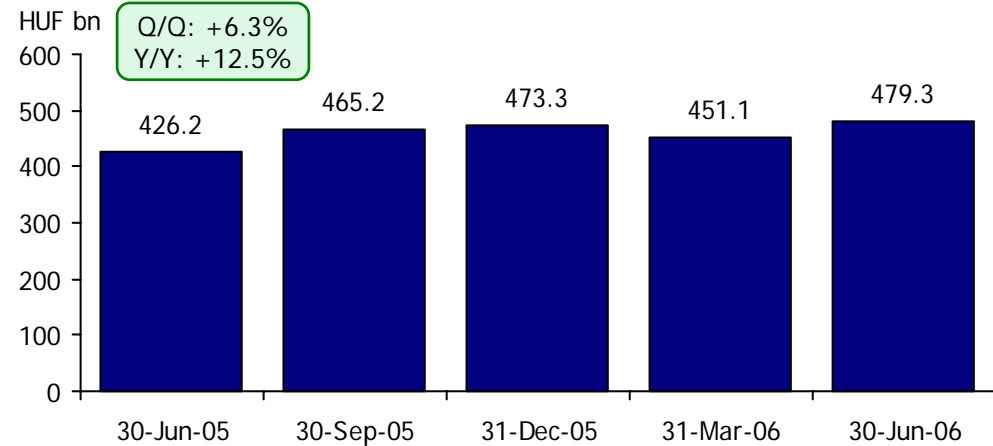


# Capital adequacy ratio of OTP Bank stood at 10,74% on June 30, 2006

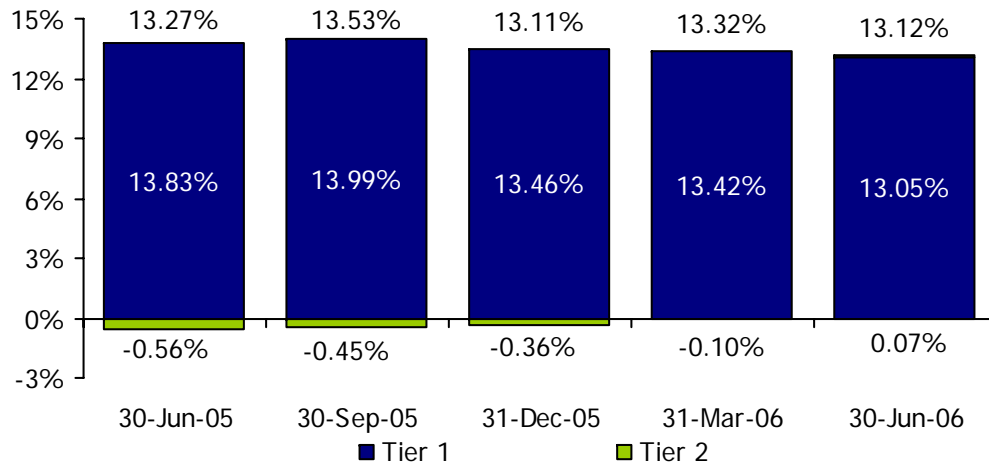
**Consolidated shareholder's equity**



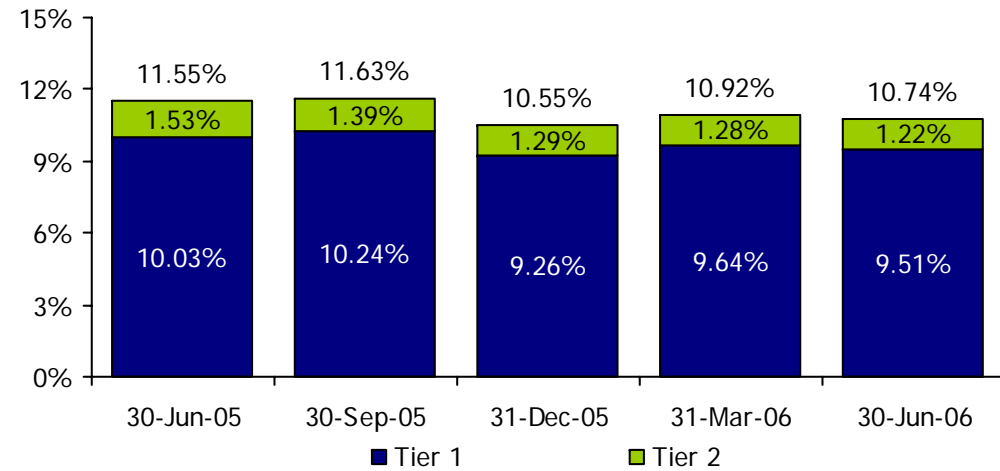
**Non-consolidated shareholders' equity**



**Capital adequacy of OTP Group (aggregated, HAR)\***



**Capital adequacy of OTP Bank (HAR)\*\***

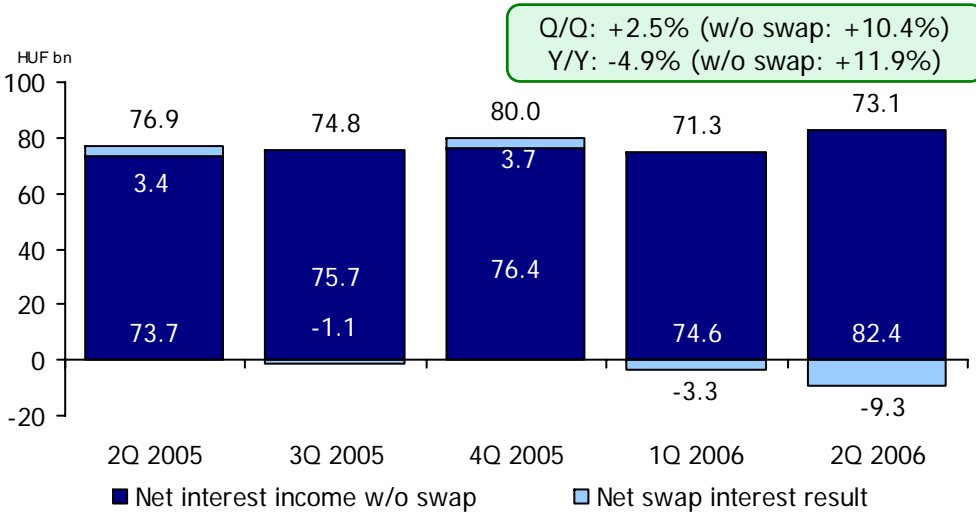


\* According to Hungarian regulation, in case of aggregated capital adequacy calculation, goodwill must be deducted from Tier 2 capital

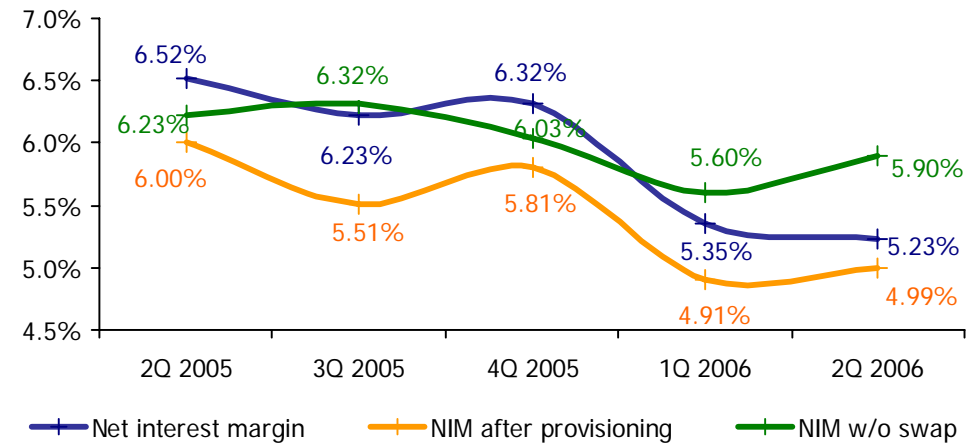
\*\* Deductions of investments in financial institutions and limit breaches are deducted from Tier 1 and Tier 2 capital proportionally

# Net interest margin dropped by 12 bps, without swaps grew by 30 bps compared to 1Q 2006

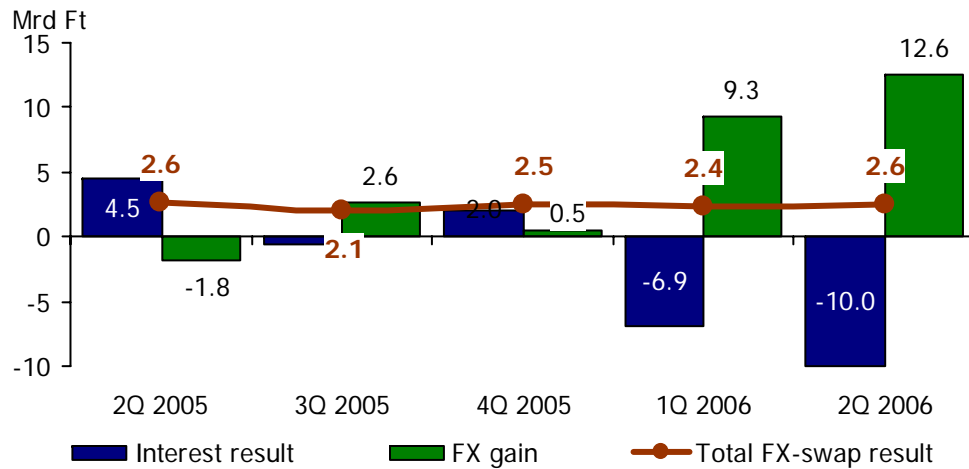
**Net interest income**



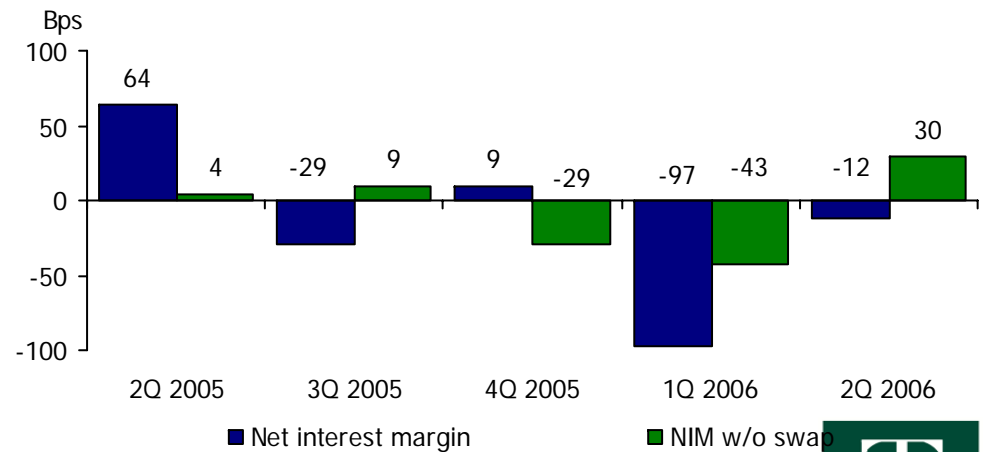
**Net interest margin**



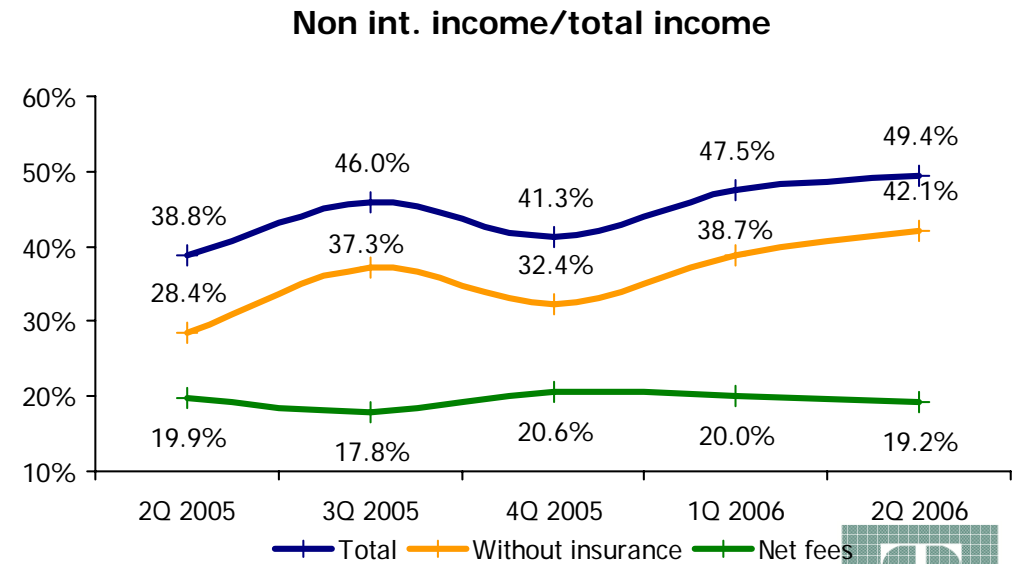
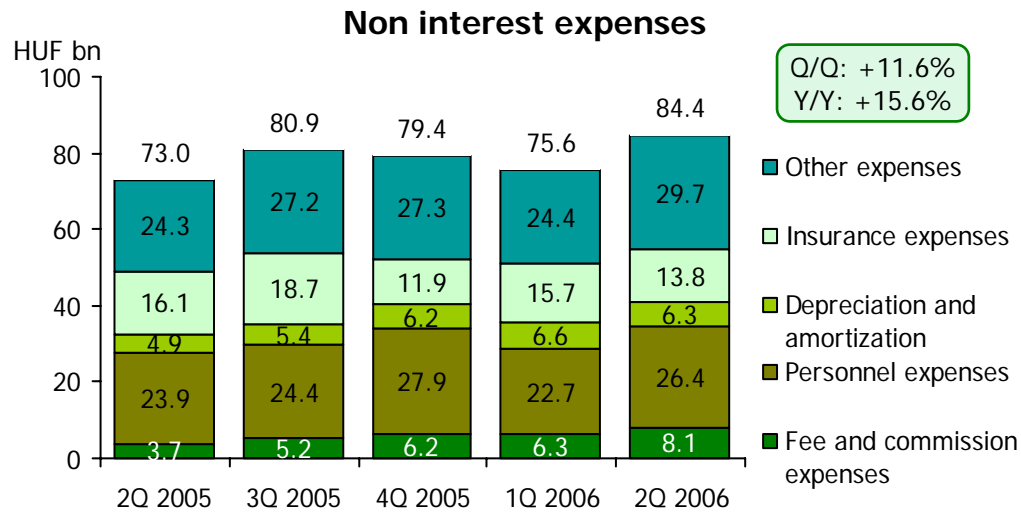
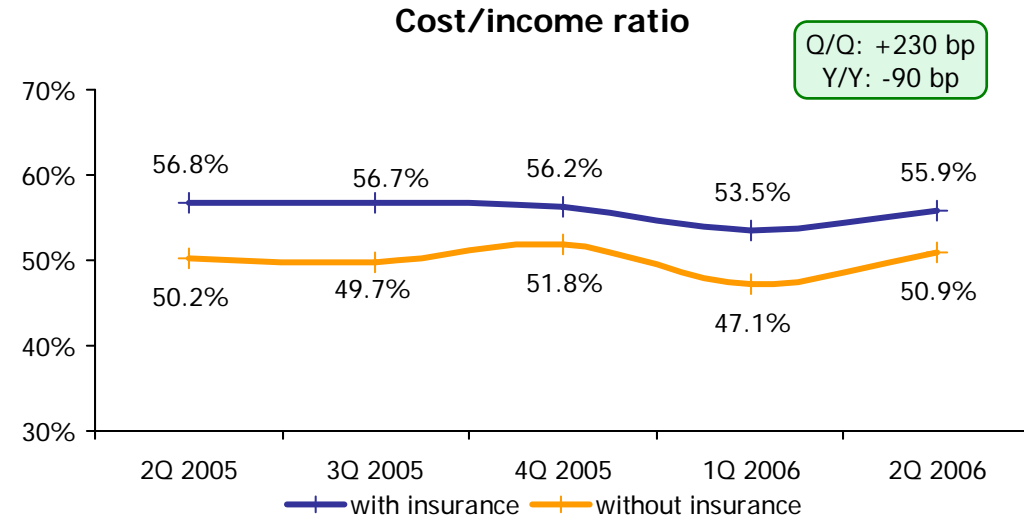
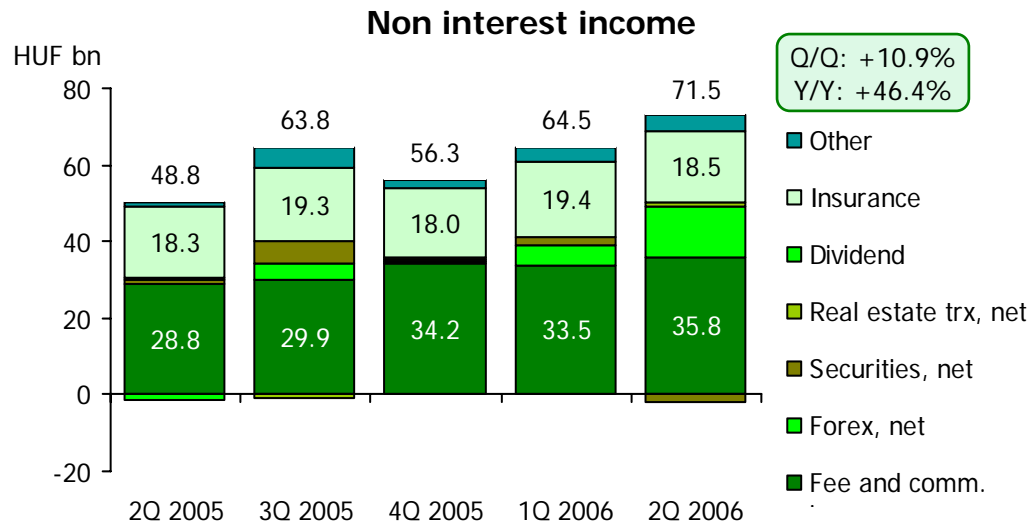
**Total result on FX swaps, non-consolidated**



**Quarterly changes of net interest margin**

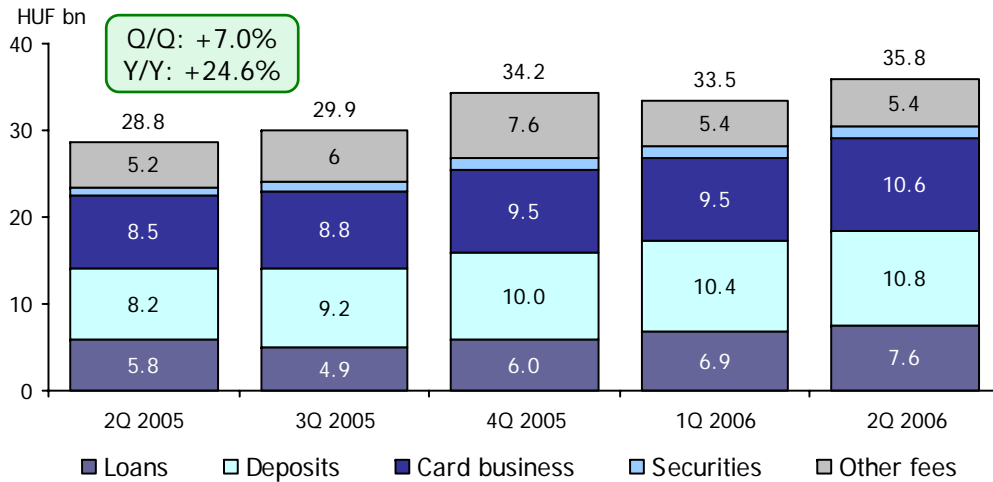


# Cost income ratio increased by 230 bps to 55.9% in 2Q 2006

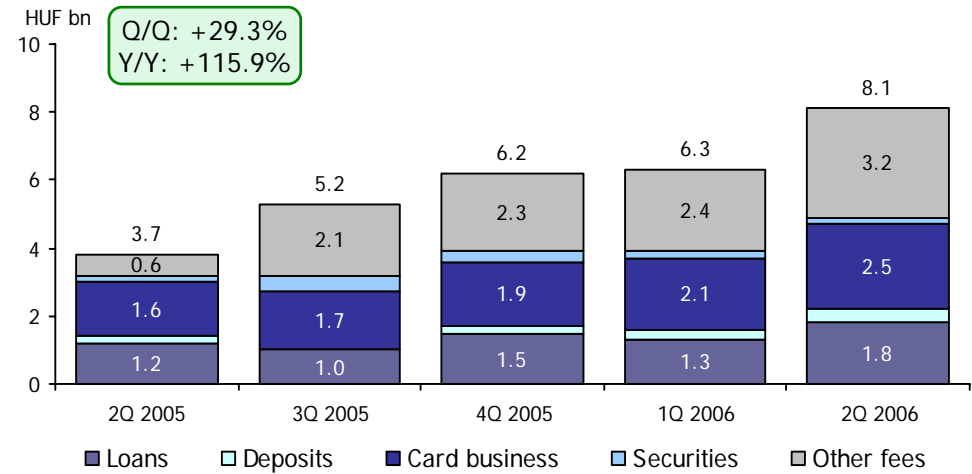


# Net fees and commissions increased by 1.8% Q/Q and by 10.9% Y/Y

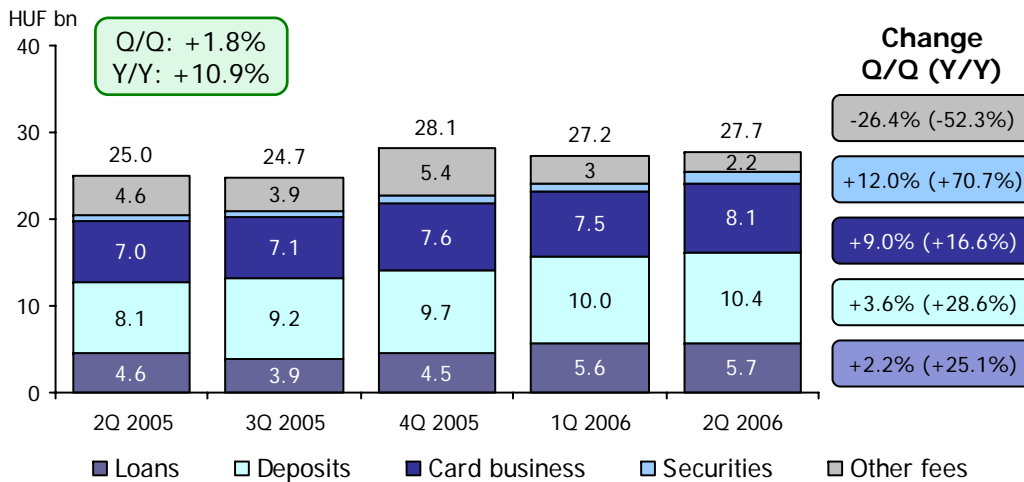
### Fee and commission income



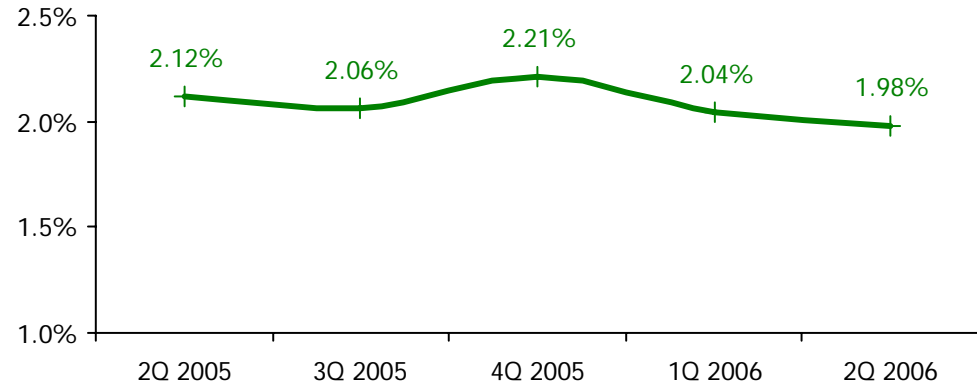
### Fee and commission expenses



### Net fees and commission



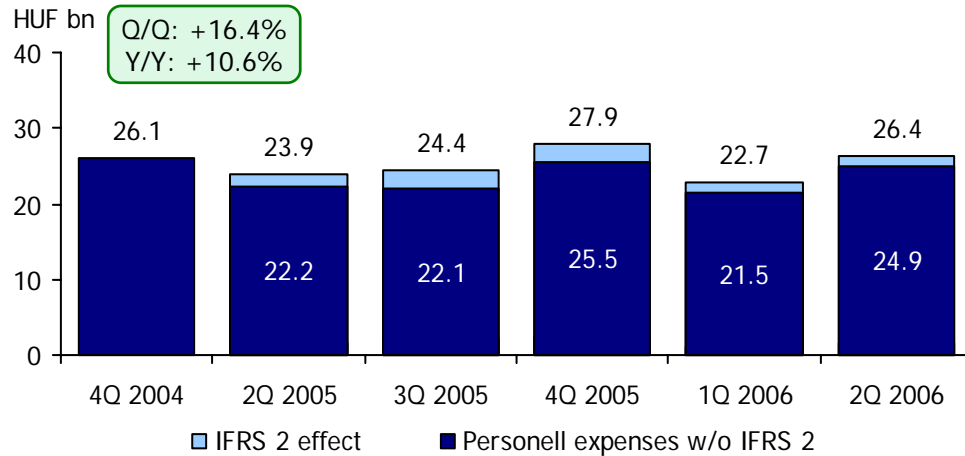
### Net fees to average assets



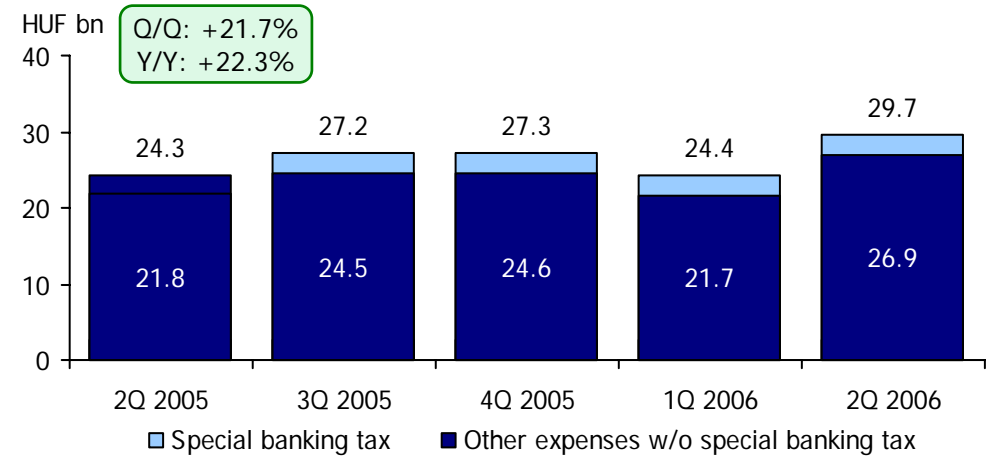


# Personnel expenses were higher by 16.4%, while other non-interest expenses grew by 21.7% q/q

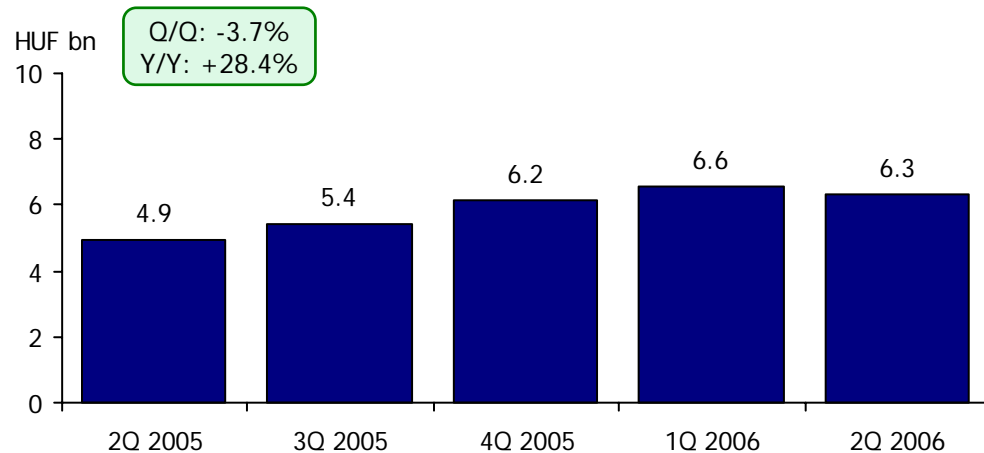
### Personnel expenses



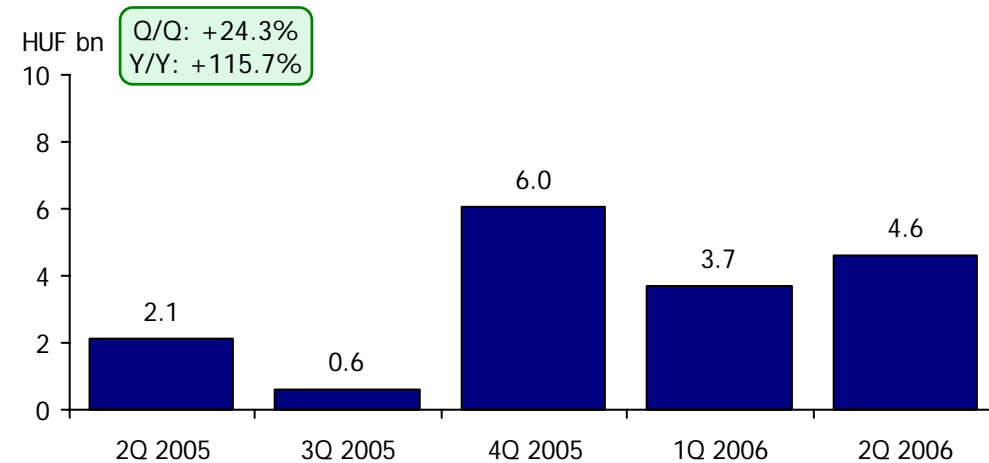
### Other non-interest expenses



### Depreciation

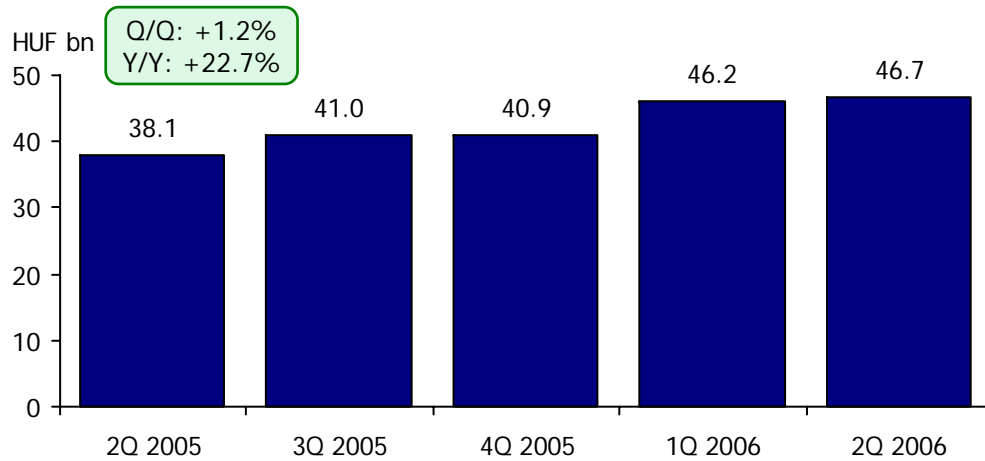


### Net insurance income

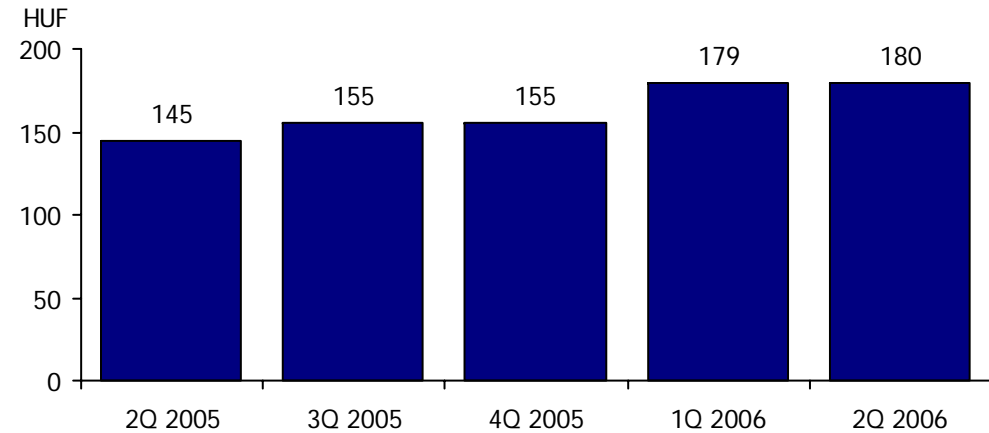


## Consolidated ROE stood at 32.9%, ROA at 3.34% in 2Q 2006

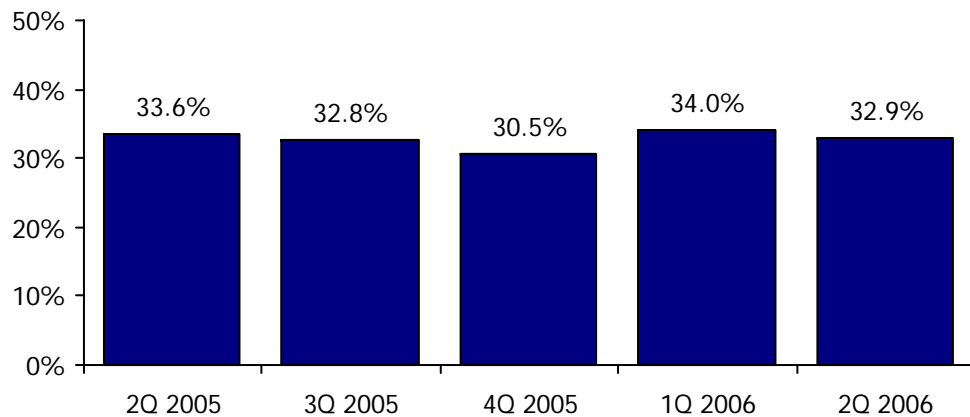
### Profit after tax



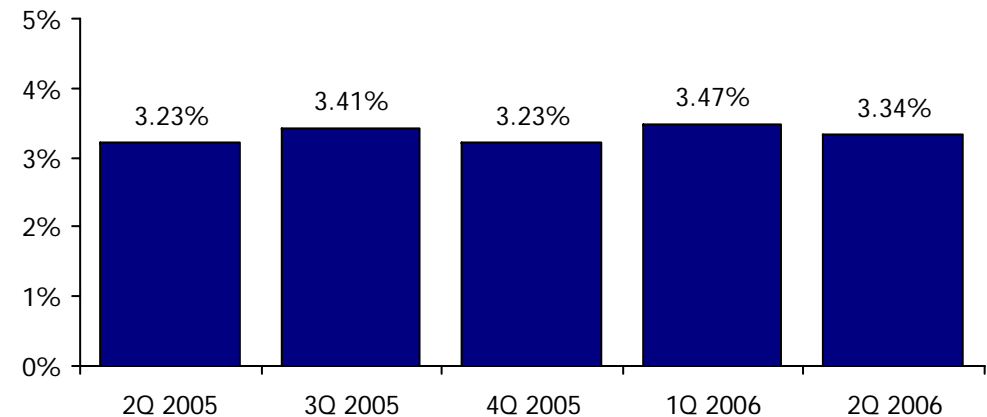
### EPS, diluted



### Return on average equity (ROE)



### Return on average assets (ROA)

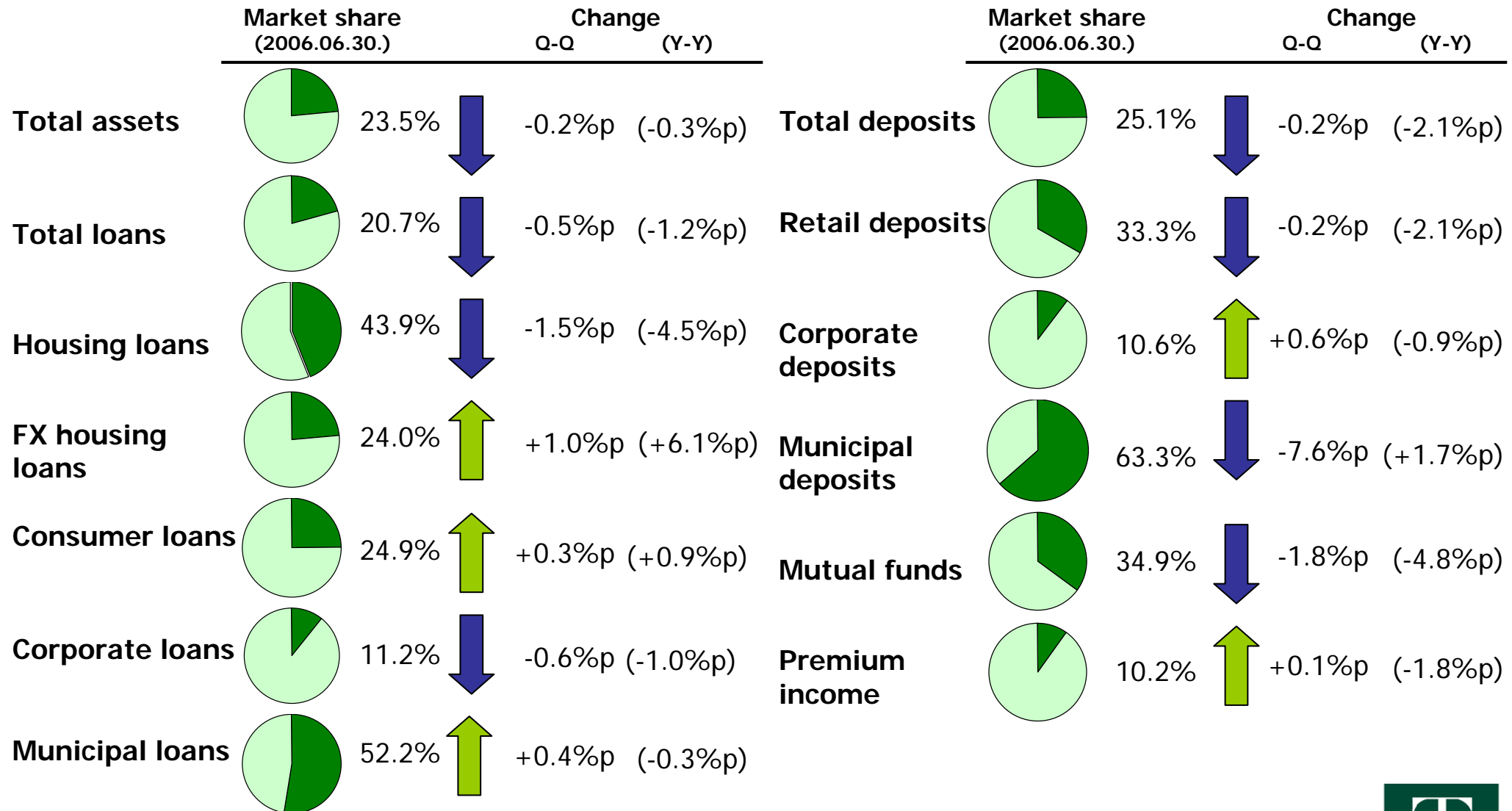


## Within domestic subsidiaries OTP Garancia Insurance reached HUF 2.6 bn; Merkantil Group HUF 2.0 bn; OTP Fund Management HUF 1.1 bn profit after tax

	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%
<b>Main P&amp;L items, HUF million</b>															
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%

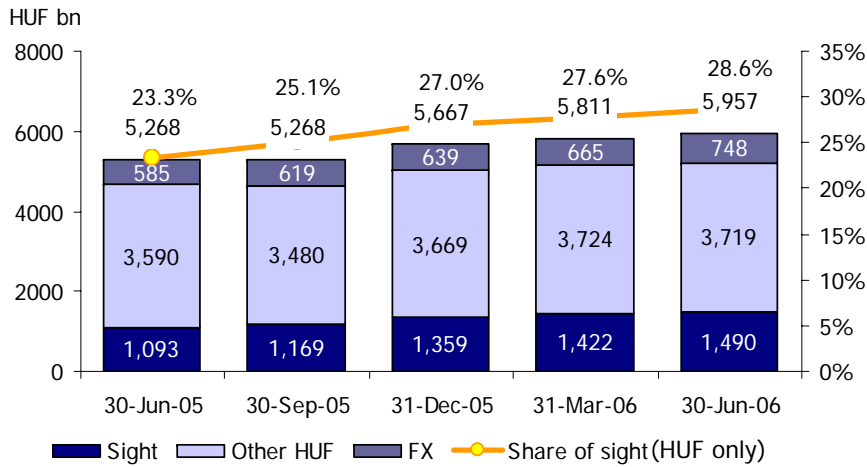
- Macroeconomic environment and financial intermediary 3-7
- Financial performance (consolidated, IFRS) 9-19
- Market position in Hungary (HAR) 21-27
- OTP Subsidiaries in the Region 29-30
- Major developments affecting OTP Group's medium term strategy 32-40

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

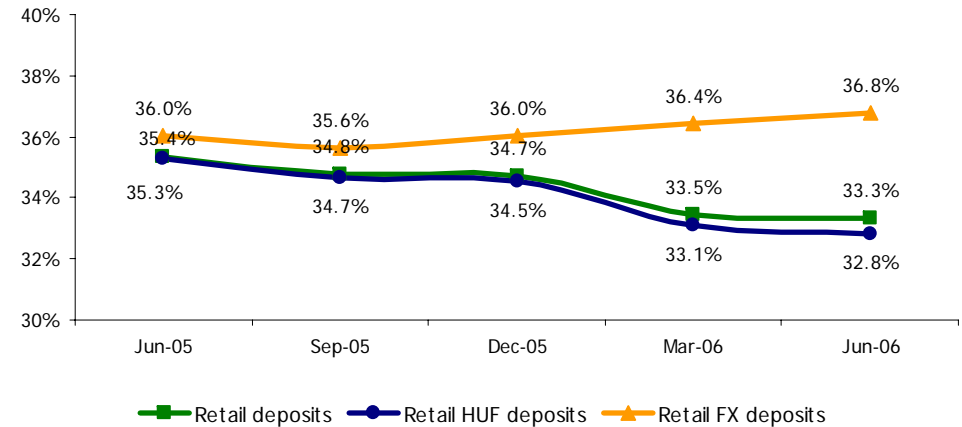


# OTP Group's market share in retail deposits declined to 33.3% in Hungary

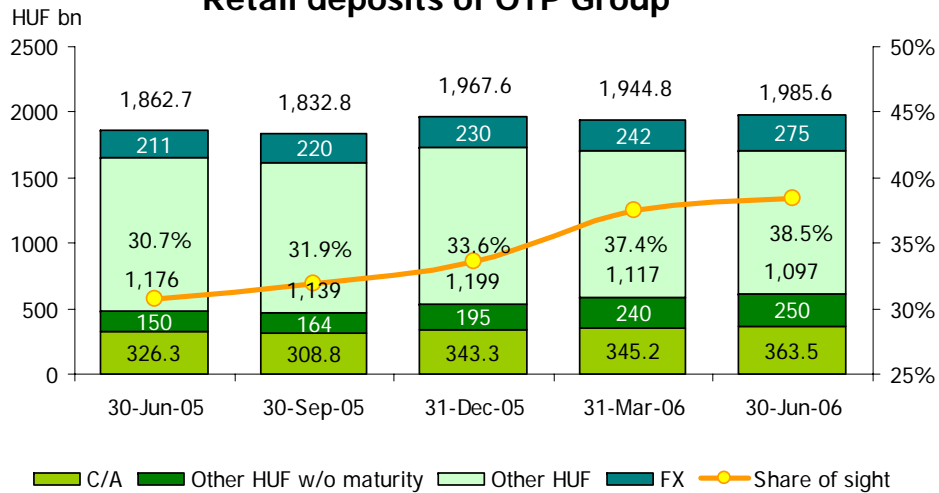
Retail deposits of credit institutions



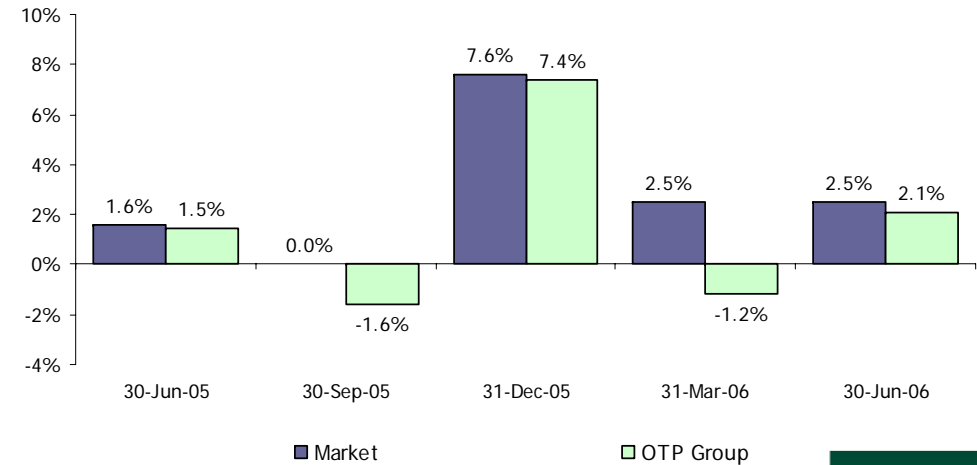
Market share – OTP Group



Retail deposits of OTP Group

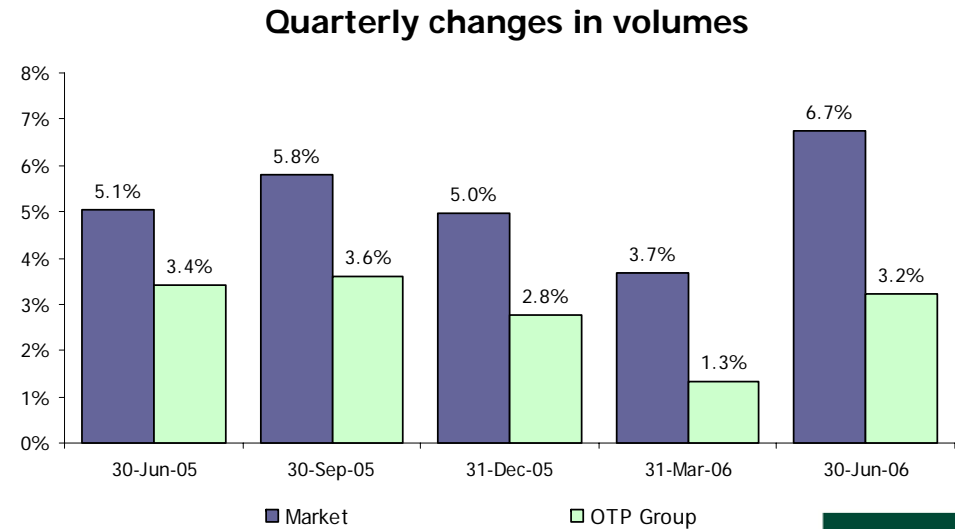
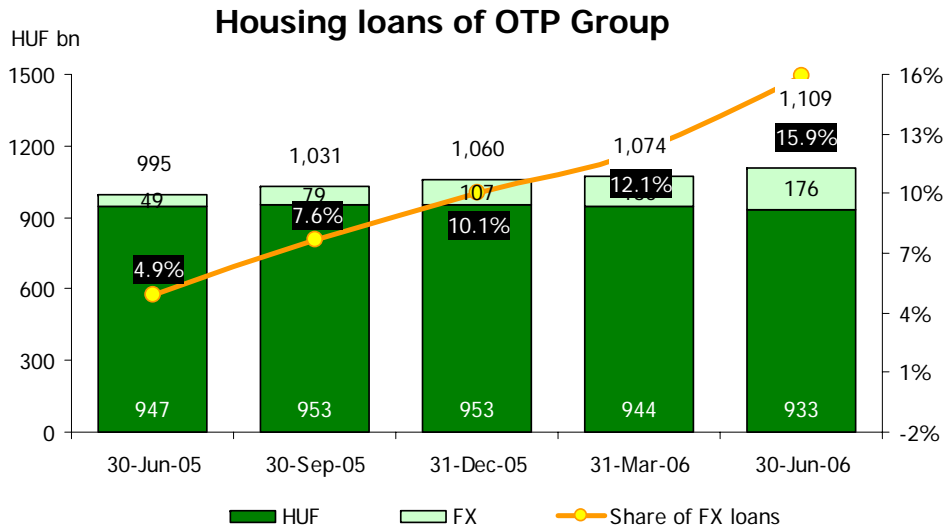
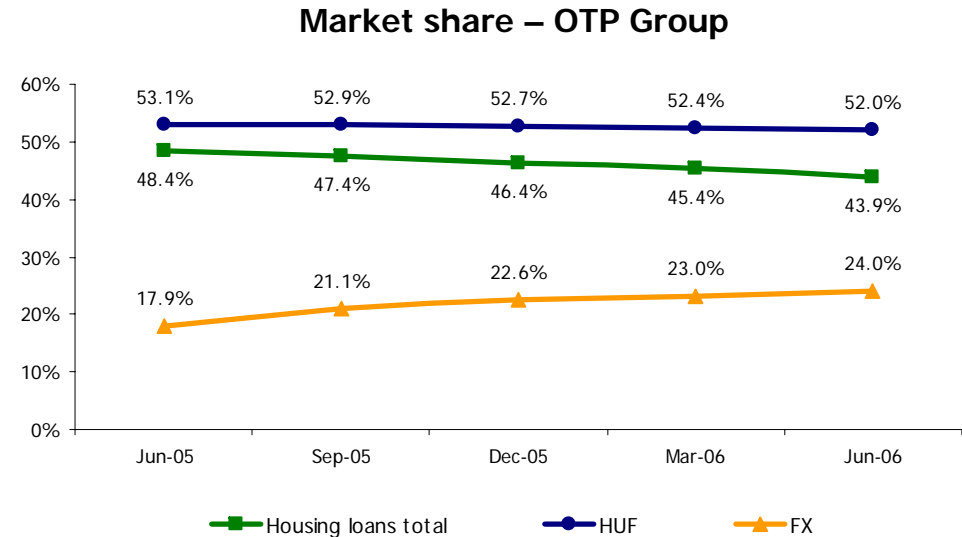
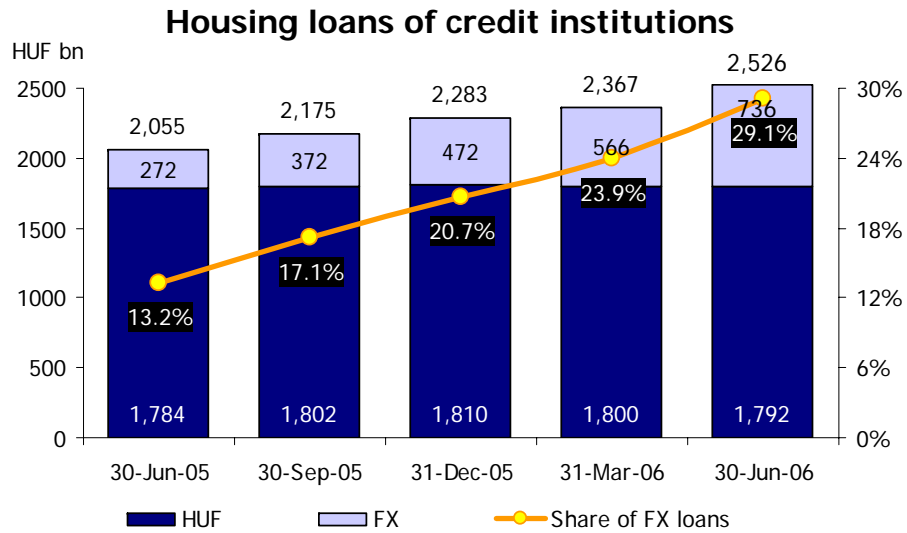


Quarterly changes in volumes



In this section OTP Group contains only the Hungarian financial institutions such as OTP Bank, OTP Mortgage Bank, Merkantil Bank, OTP Building Society

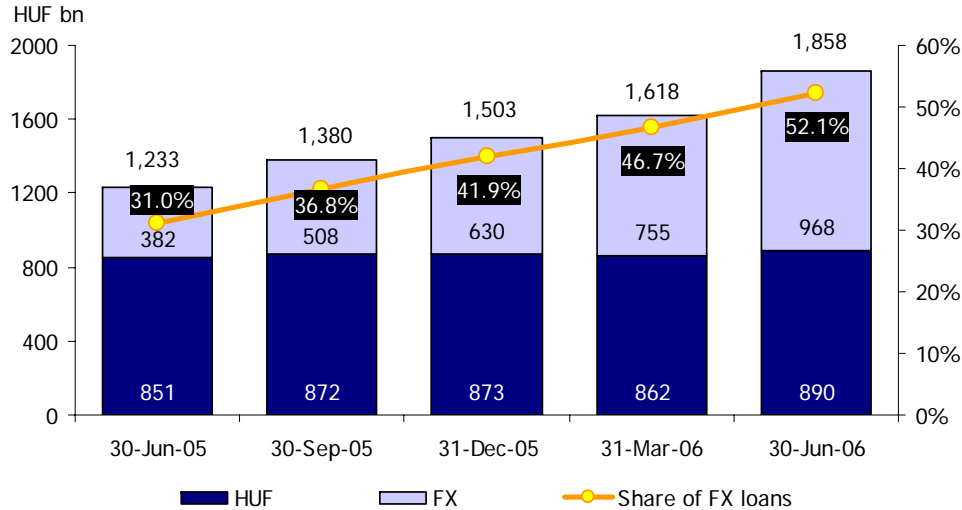
# OTP Group lost market share in HUF housing loans, while share in FX housing loans increased to 24.0%



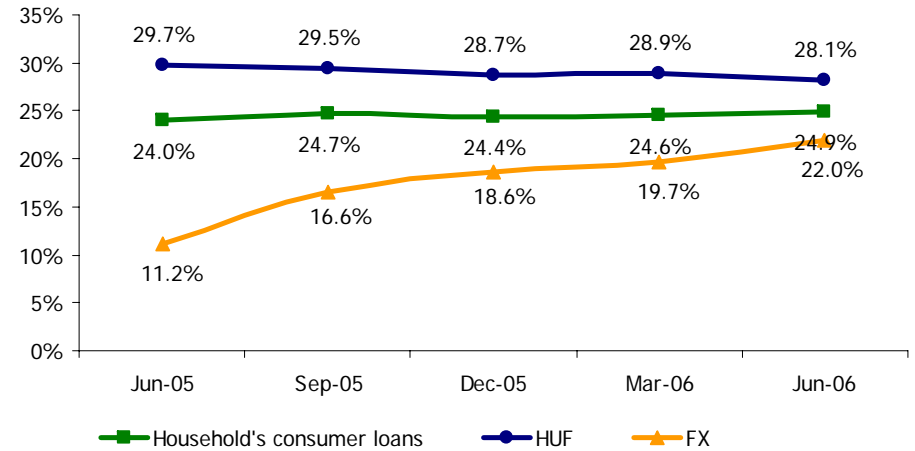
In this section OTP Group contains only the Hungarian financial institutions such as OTP Bank, OTP Mortgage Bank, Merkantil Bank, OTP Building Society

# OTP Group market share in household's consumer loans reached 24.9% in the second quarter of 2006

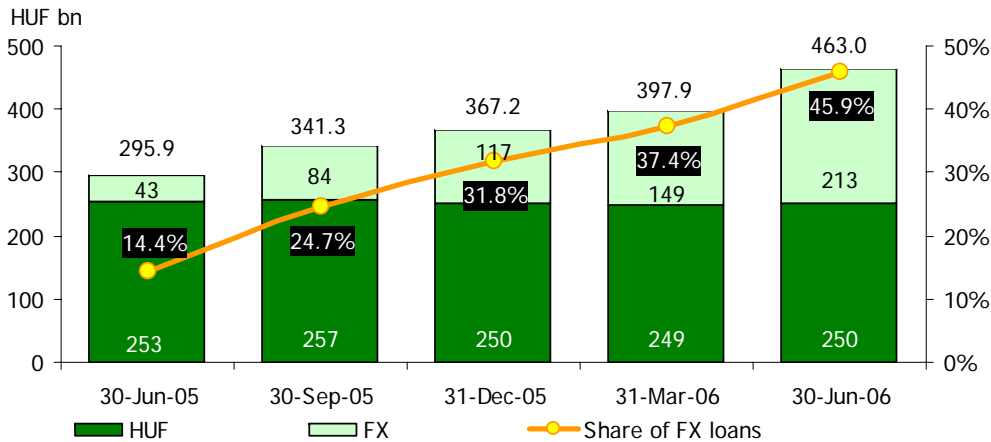
Consumer loans of credit institutions



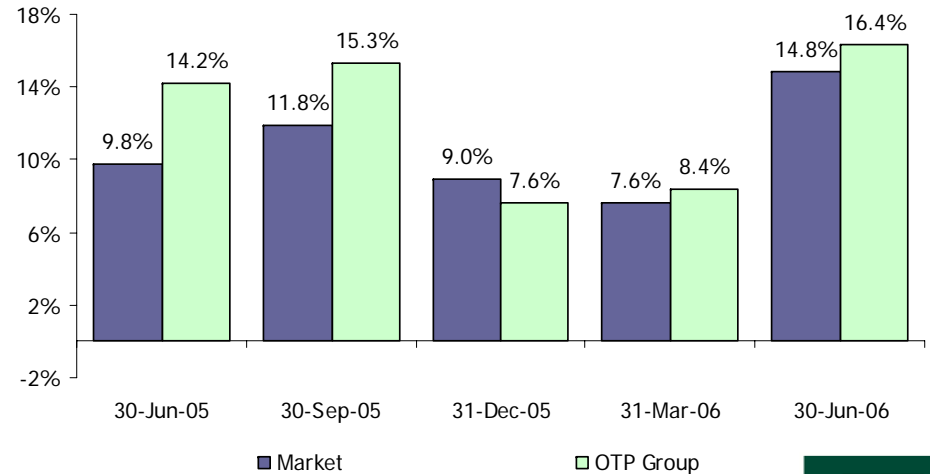
Market share – OTP Group



Consumer loans of OTP Group



Quarterly changes in volumes

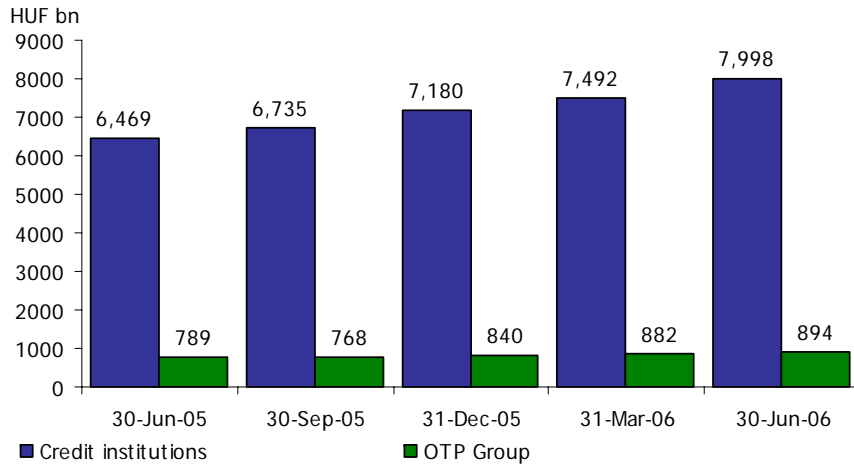


In this section OTP Group contains only the Hungarian financial institutions such as OTP Bank, OTP Mortgage Bank, Merkantil Bank, OTP Building Society

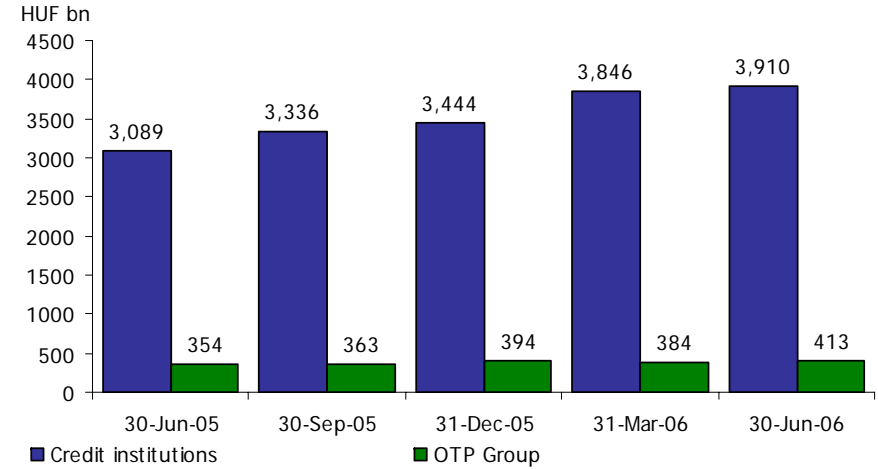


# OTP Group is amongst the top players also in the corporate banking sector

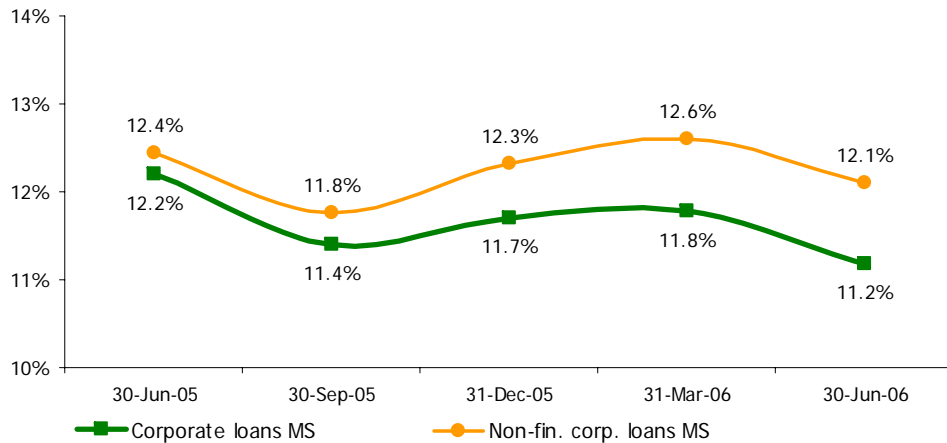
**Corporate loans**  
(volume of credit institutions and OTP Group)



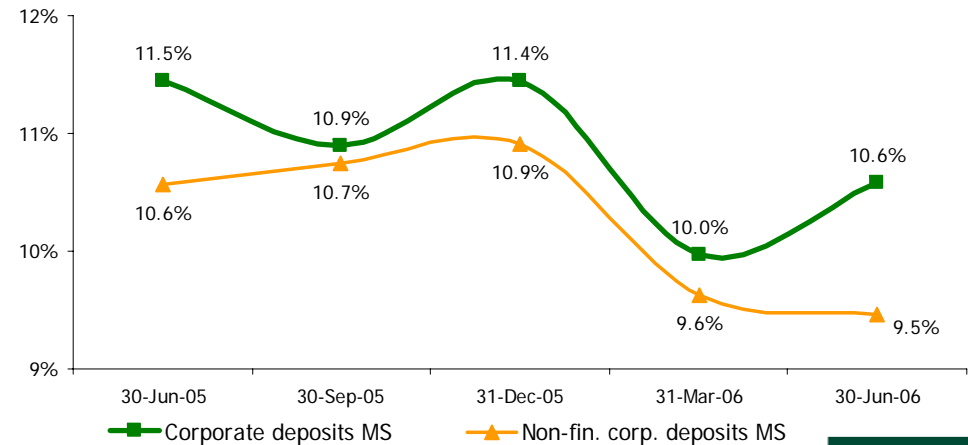
**Corporate deposits**  
(volume of credit institutions and OTP Group)



**OTP Group market share – corporate loans**



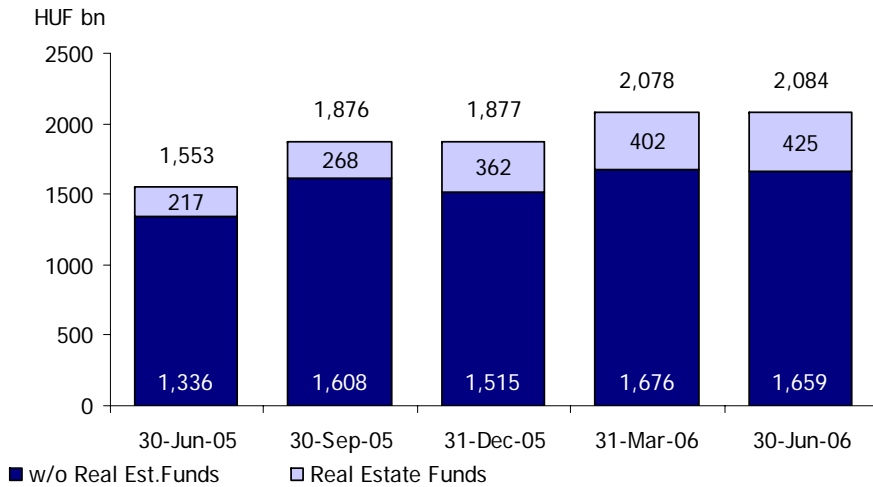
**OTP Group market share – corporate deposits**



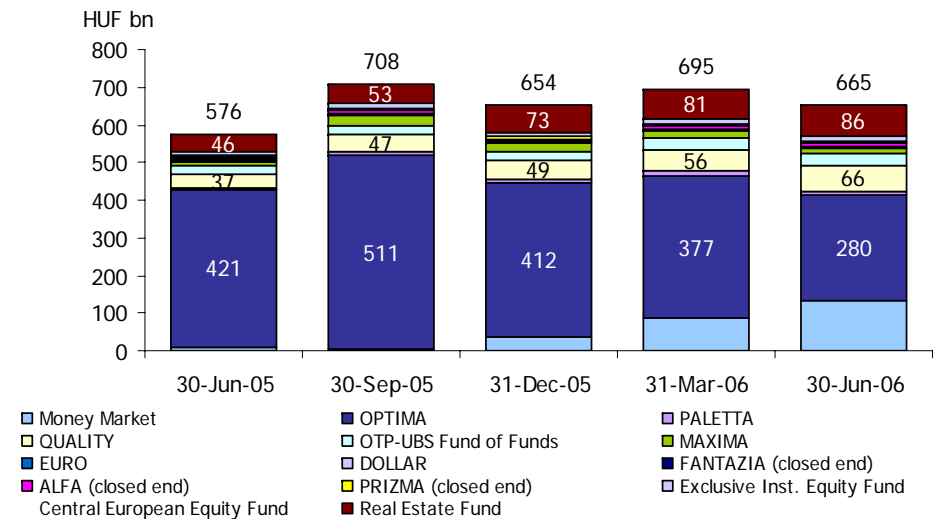
In this section OTP Group contains only the Hungarian financial institutions such as OTP Bank, OTP Mortgage Bank, Merkantil Bank, OTP Building Society

# Net asset value of OTP Funds decreased by 1.9% in 2Q 2006 but increased by 16.4% on a yearly bases

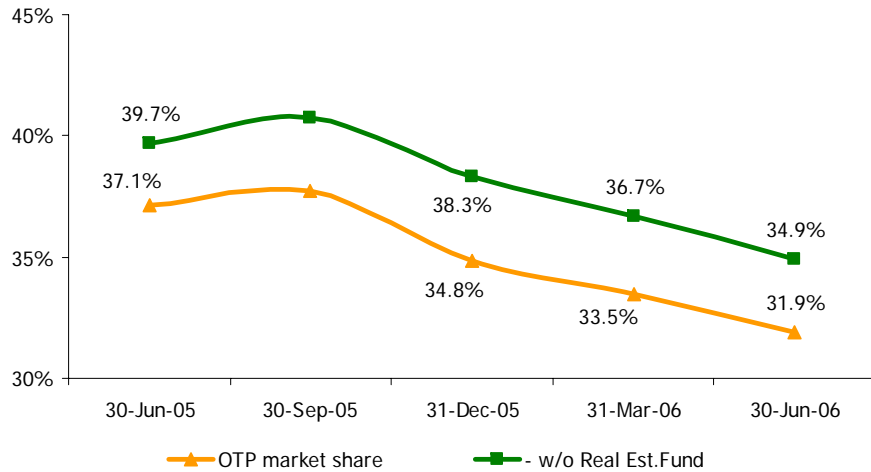
Market volume of mutual funds



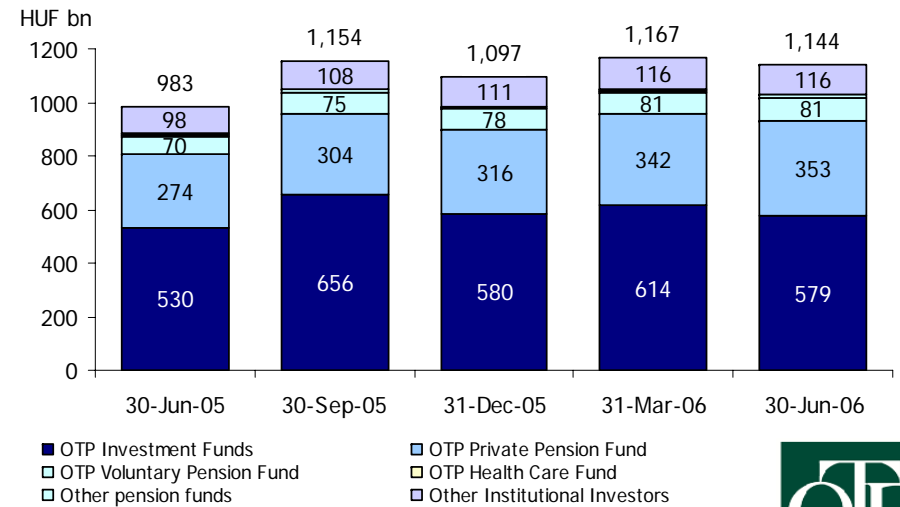
Net asset value of OTP Funds



Market share of OTP Funds

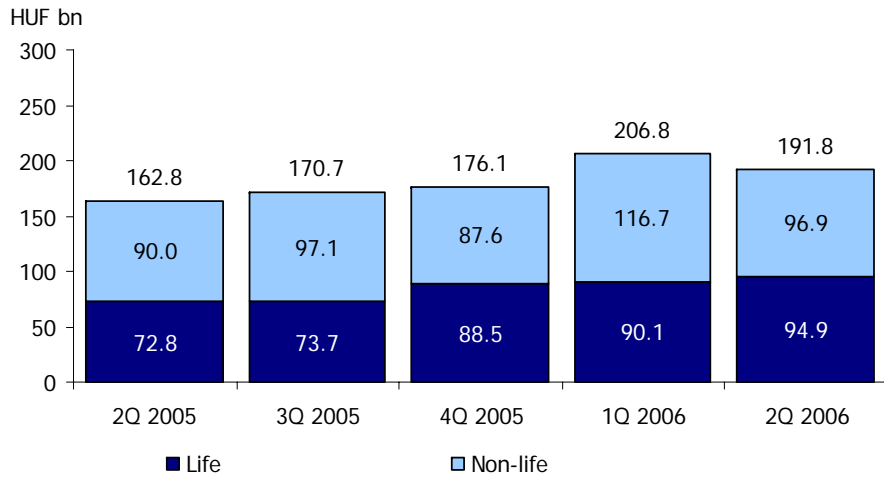


Assets under management

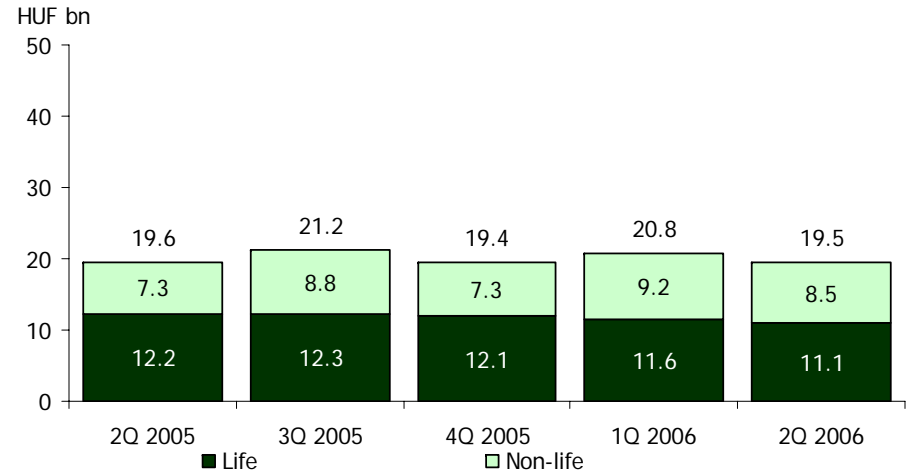


# OTP Garancia is the 2<sup>th</sup> largest life insurance company in Hungary with 11.6% share of premium income

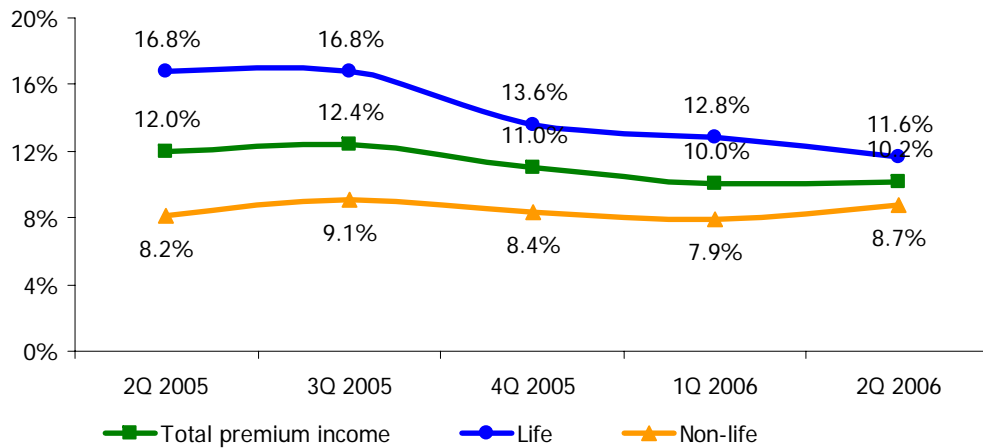
Life and non-life premium income (market)



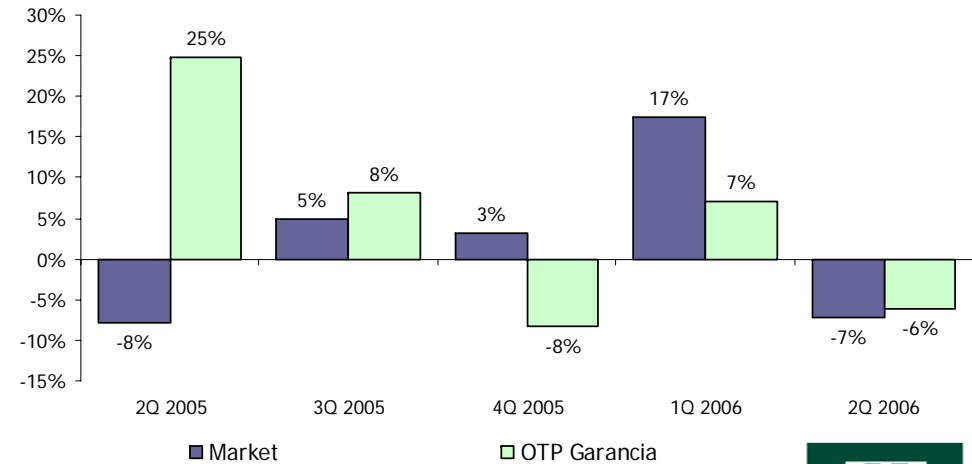
Life and non-life premium income (OTP Garancia)



Market share of OTP Garancia



Quarterly changes of total premium income



- Macroeconomic environment and financial intermediary 3-7
- Financial performance (consolidated, IFRS) 9-19
- Market position in Hungary (HAR) 21-27
- OTP Subsidiaries in the Region 29-30
- Major developments affecting OTP Group's medium term strategy 32-40

# OTP Bank is represented in eight countries in the region

## OTP Group

Branches*	1,012
Employees	18,905
Number of clients*	~9,0 m
Total assets	HUF 5,735 bn
Profit after tax	HUF 46.7 bn
ROAE	32.9%
Cost/income ratio	55.9%

## OTP Bank

Branches	408
Employees	8,001
Number of clients	~4.8 m
Total assets	HUF 3,956 bn
Profit after tax	HUF 32.1 bn
ROAE	27.6%
Cost/income ratio	47.0%
Market share	17.4%

## OTP banka Hrvatska

Branches	96
Employees	961
Number of clients	~0.4 m
Total assets	HUF 359 bn
Profit after tax	HUF 1.0 bn
ROAE	13.6%
Cost/income ratio	58.8%
Market share	3.4%

## OTP Banka Slovensko

Branches	82
Employees	788
Number of clients	~0,2 m
Total assets	HUF 318 bn
Profit after tax	HUF 0.1 bn
ROAE	2.9%
Cost/income ratio	63.6%
Market share	2.9%

## Raiffeisenbank Ukraine\*\*\*

Branches	55
Number of clients	~50 th
Total assets	€ 1,200 mn
Profit before tax	€ 39.7 mn
Market share	~3.3%

## Investsberbank\*\*\*

Branches	78
Number of clients	~880 th
Total assets	€ 980 mn
Profit before tax	€ 9.1 mn
Market share	~0.4%

## OTP Bank Romania

Branches	45
Employees	641
Number of clients	~0.04 m
Total assets	HUF 110 bn
Profit after tax	HUF -1.1 bn
ROAE	-
Cost/income ratio	160.8%
Market share	~0.6%

## DSK Group

Branches	356
Employees	4,057
Number of clients	~4.4m
Total assets	HUF 737 bn
Profit after tax	HUF 5.2 bn
ROAE	24.5%
Cost/income ratio	45.5%
Market share	14.2%



OTP banka  
Hrvatska  
(2005)



Niška banka (2006)



Zepter banka (2006)



Kulska banka (2006)

Serbia



CKB  
(2006)  
Montenegro



OTP Bank Romania  
(2004)



DSK Bank (2003)  
Bulgaria



Raiffeisenbank  
Ukraine (2006)



Investsberbank  
(2006)  
Russia

## CKB\*\*\*

Branches	33
Number of clients	~150 th
Total assets	€ 303 mn
Profit after tax	€ 3.0 mn
Market share	44%

## Niška banka\*\*

Branches	25
Number of clients	~80 th
Total assets	HUF 11.3 bn
Profit before tax	HUF 45 mn
Market share	0.38%

## Zepter banka\*\*\*

Branches	17
Number of clients	~52 th
Total assets	€ 77 mn
Profit before tax	€ 0.7 mn
Market share	~1.0%

## Kulska banka\*\*\*

Branches	39
Number of clients	~62 th
Total assets	€ 136 mn
Profit before tax	€ 11.8 mn
Market share	~1.4%





IFRS data as at June 30, 2006; in case of new acquisitions local GAAP, end of 2005.

\* Banks only

\*\* Acquisition of Niska banka closed on March 7, 2006; (consolidated since 2Q2006)

\*\*\* Ongoing acquisitions

# 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
		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
<b>Main balance sheet items, HUF bn</b>																
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%			
<b>Main P&amp;L items, HUF million</b>																
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%			
<b>Market share, %</b>																
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 adjusted 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).

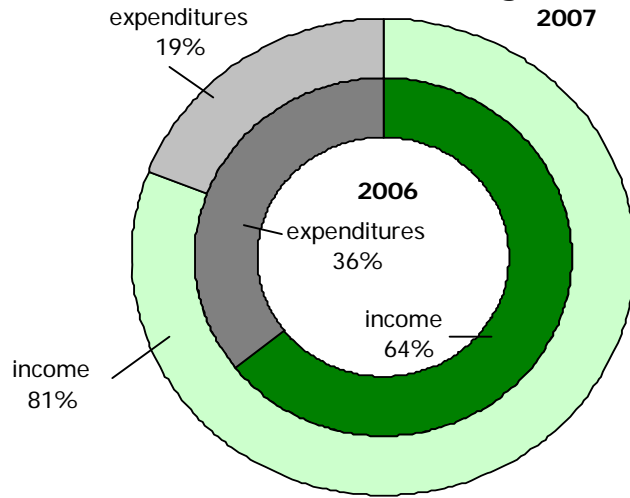


- Macroeconomic environment and financial intermediary 3-7
  - Financial performance (consolidated, IFRS) 9-19
  - Market position in Hungary (HAR) 21-27
  - OTP Subsidiaries in the Region 29-30
- Major developments affecting OTP Group's medium term strategy 32-40

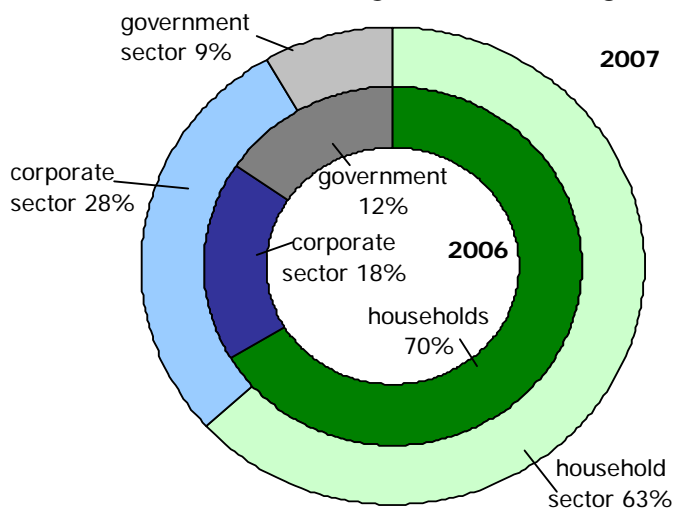


## The austerity package focuses almost solely on budget's revenue side thus preserving the current unhealthy structure on the expenditure side

### Structure of the fiscal savings



### Structure of fiscal adjustments by sectors



Source: OTP Bank Research Department

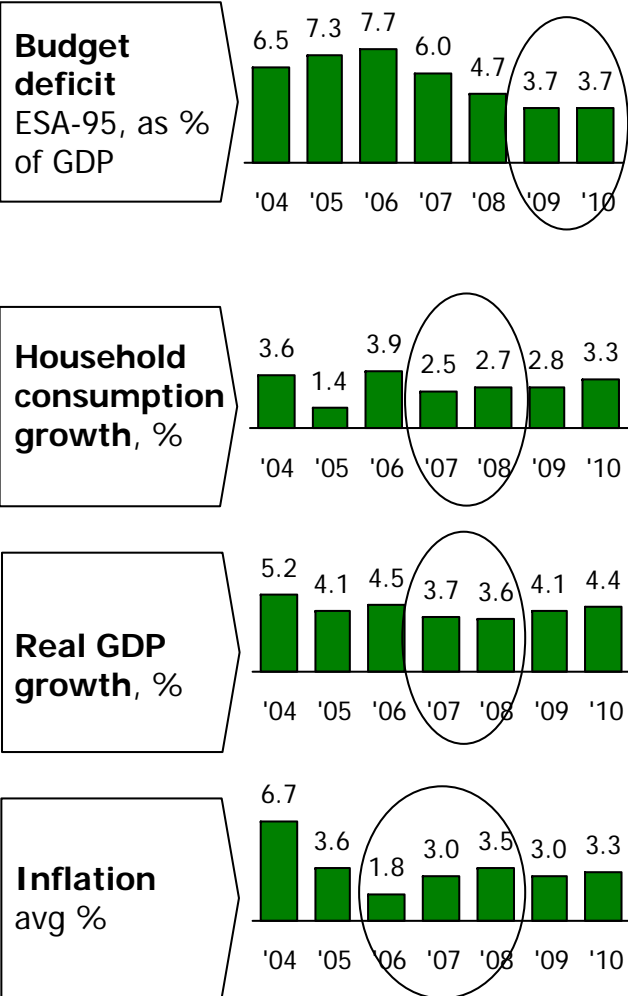
### OTP's comments on the economics of the austerity package

- 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

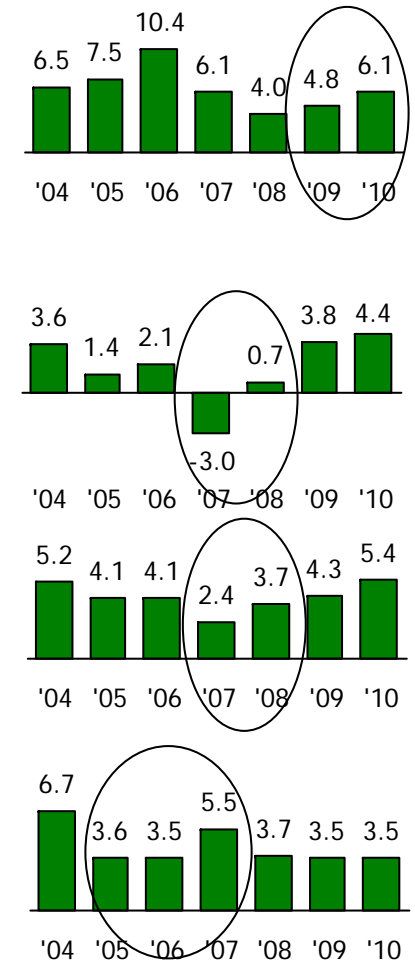
Assumptions in the original strategy



Effects of the austerity package

- HUF 550 bn 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.

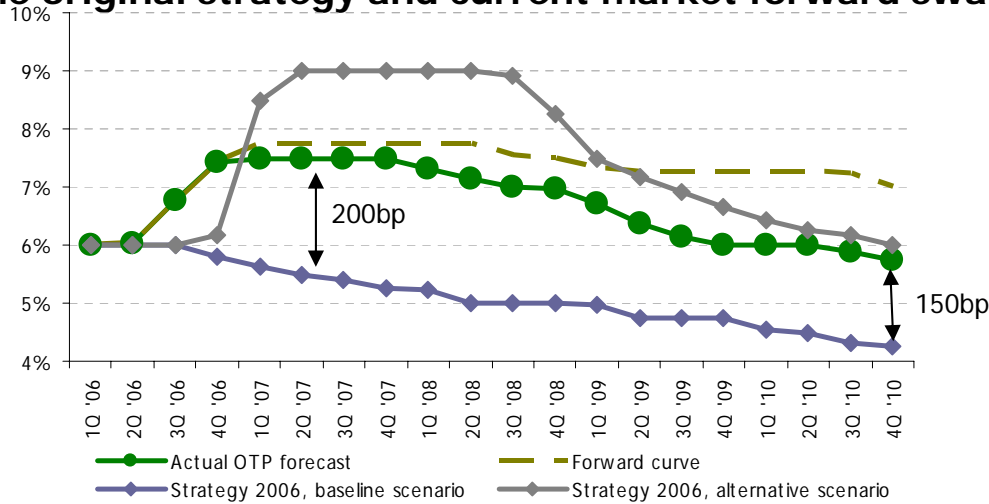
New forecasts



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



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

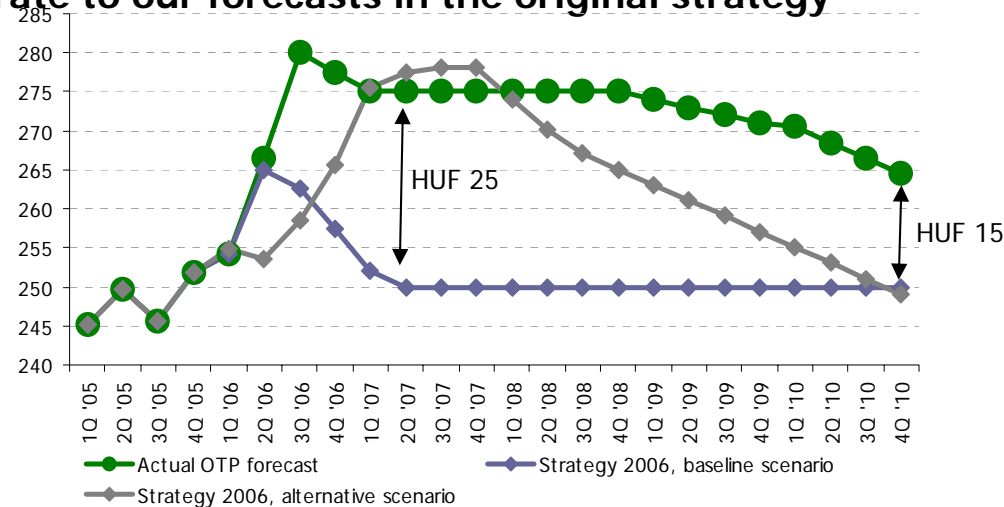
- Budget deficit decreases significantly in 2007, reducing external imbalances and the risk of a crises and the required risk premium.
- The market expects the exchange rate remain weak.

### 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

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



Source: Bloomberg, OTP Bank Research Department



# 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.

### 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.

Source: OTP

# 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
<b>Original strategy's profit target</b> (published on April AGM)	185	208	317	15%
<b>Major effects of government program on OTP Bank</b>				
▪ Direct impact of tax increase	-3	-12	-15	
▪ Indirect macroeconomic effects				
▪ Higher interest level				
▪ Weaker exchange rate				
▪ Slower loan and deposit growth				
▪ Higher risk cost				
	+3	+3	-9	
<b>Total effect of the austerity package</b>	<b>0</b>	<b>-9</b>	<b>-25</b>	
<b>New net profit target with impact of austerity package</b>	<b>185</b>	<b>199</b>	<b>293</b>	<b>12%</b>

## Austerity package in Hungary

## Recent acquisitions in CEE

- Major acquisition developments
- Entering into Ukraine buying 7th largest bank
  - Entering into Russian market
  - Merge of 3 small banks in Serbia to reach economies of scale
  - Planned issue of hybrid and subordinated capital elements ensures financing

Estimated effect of acquisitions*	0	+23	+52	
<b>New net profit target</b>	<b>185</b>	<b>222</b>	<b>345</b>	

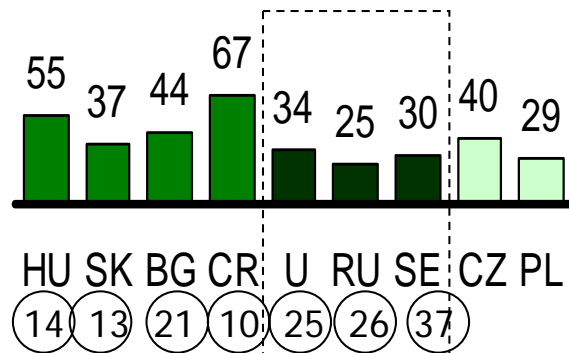


\* Based on the due diligence and the local management's own projections and not on OTP Bank's own strategic planning model, thus they carry certain risk.

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

## Strong growth potential

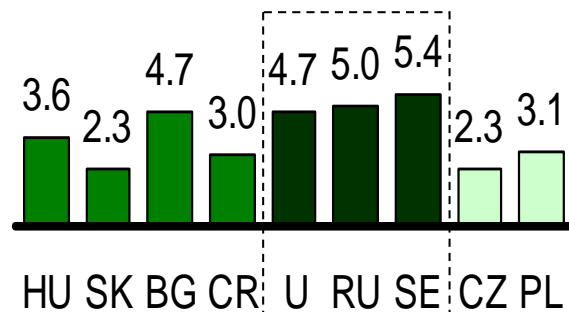
Total loans as % of GDP, 2005 (bars) and expected CAGR of loans in LCY 2005-2010, (in circles)



- 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



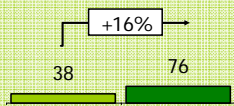
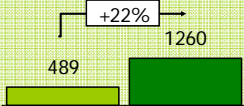
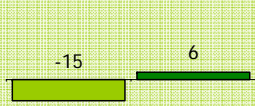
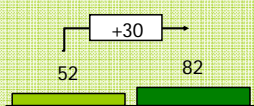
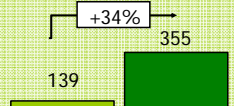
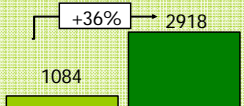
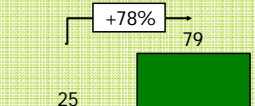
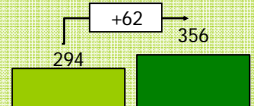
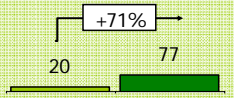
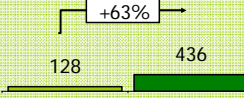

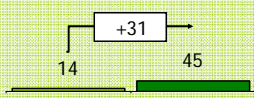
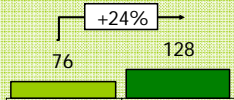
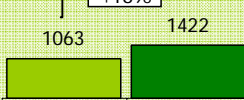
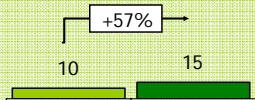
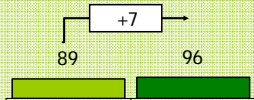
- Interest rate margins still high in the newly entered markets
- The acquired Serbian and Russian banks has large cost efficiency potential
- Economies of scale can be leveraged stronger



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

	Date of trx	Price	P/BV	Equity, m €	Total assets, m €	Profit bt, m €	No of branches
IRB (SK) ↓ OTP Banka Slovensko	2002	€ 17 m	0.5				
DSK Bank (BG)	2003	€ 311 m	2.2				
RoBank (RO) ↓ OTP Bank Romania	2004	€ 39 m	1.9				
Nova banka (HR) ↓ OTP banka Hrvatska	2005	€ 236 m	2.8				
<b>Bank acquisitions until 2005:</b>		<b>€ 603 m</b>		<b>€ 637 m</b>	<b>€ 6,035 m</b>	<b>€ 91 m</b>	<b>579</b>
Niska banka (SE)	2006	€ 14 m	0.9	€ 18 m	€ 38 m	€ 0.3 m	24
Zepter banka (SE)	2006	€ 34 m	2.8	€ 17 m	€ 77 m	€ 0.7 m	17
RBUA (UA)	2006	€ 650 m	4.7	€ 139 m	€ 1,229 m	€ 42.5 m	55
Investsberbank (RU)	2006	€ 373 m	3.8	€ 102 m	€ 980 m	€ 9.1 m	78
Kulska banka (SE)	2006	€ 119 m	2.6	€ 69 m	€ 136 m	€ 11.8 m	39
CKB (CG)	2006	€ 105 m	5.4	€ 19 m	€ 303 m	€ 3.3 m	33
<b>Bank acquisitions in 2006:</b>		<b>€ 1,294 m</b>		<b>€ 363 m</b>	<b>€ 2,762 m</b>	<b>€ 68 m</b>	<b>213</b>

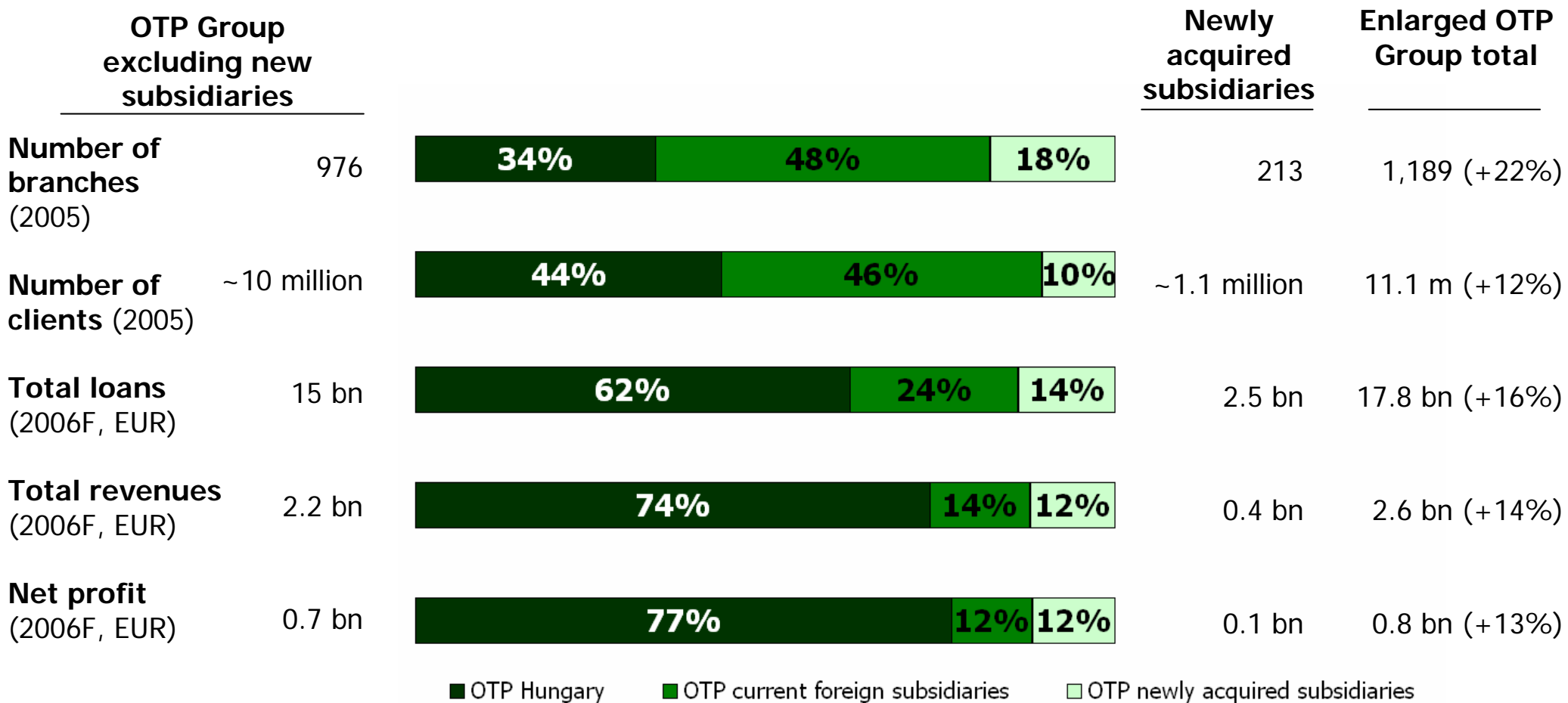
 at the date of acquisition  
 2006 2Q

 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



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

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

Austerity package in Hungary

Recent acquisitions in CEE

\* 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.



## Further information

### OTP Bank Investor Relations

Tel: + 36 1 473 5460  
+ 36 1 473 5457  
Fax: + 36 1 473 5951

E-mail: [investor.relations@otpbank.hu](mailto:investor.relations@otpbank.hu)  
Website: [www.otpbank.hu](http://www.otpbank.hu)

## 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.

