# OTP Group
# First half 2010 results

Conference call presentation – 12 August 2010

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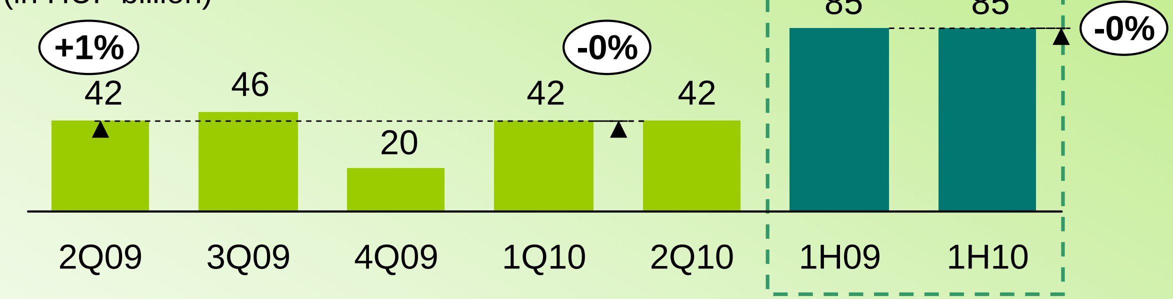
# Adjusted 2Q and 1H net profit remained flat, deteriorating portfolio quality led to record high provisioning

**Consolidated adjusted after-tax profit[2]**
(in HUF billion)




**Unadjusted 2Q profit (HUF 27 billion) including goodwill impairment dropped by 35% q-o-q.**

**In 2Q 2010 there were three one-off items influencing after-tax profitability:**

- HUF 15 billion after-tax effect of CKB goodwill impairment
- HUF 18.3 billion after-tax fair value adjustment gain of FX swaps due to the widening of HUF-FX basis swap spreads (within the interest income of OTP Core under IFRS)
- HUF 7.2 billion after-tax net FX-gain realized on FX hedging transactions related to the FX-loans provisions at OTP Bank Ukraine, identical amount of loss was booked amongst the consolidated capital reserves during the accounting consolidation. Together with this item, foreign currency translation difference improved the consolidated equity in the total amount of HUF 63.4 billion in 2Q.

**The structure of earnings was influenced by a single one-off item:**

- One-off revaluation gain of HUF 8.0 billion (before tax) being offset amongst the risk cost. This profit was realized on the balance sheet position held by OTP Core for hedging purposes offsetting the revaluation results of FX-provisions related to its FX-loan portfolio. Accordingly the total HUF 8 billion foreign exchange gain was offset on the risk cost line in 2Q.

| | 2Q09 | 1Q10 | 2Q10 | 1H09 | 1H10 |
|---|---|---|---|---|---|
| ROE (adj.) | 14.9% | 14.0% | 13.2% | 15.6% | 13.6% |
| Total income margin | 7.86% | 8.10% | 9.68% | 8.39% | 8.71% |
| Total income margin[1] | 7.86% | 8.10% | 8.07% | 8.39% | 7.91% |
| Net interest margin | 5.77% | 6.00% | 7.01% | 6.40% | 6.37% |
| Net interest margin[1] | 5.77% | 6.00% | 6.09% | 6.40% | 5.91% |
| Cost/income ratio | 45.2% | 43.3% | 37.0% | 43.9% | 39.8% |
| Cost/income ratio[1] | 45.2% | 43.3% | 44.4% | 43.9% | 43.8% |
| Risk cost/avg. gross loans | 3.03% | 3.23% | 5.38% | 2.91% | 4.24% |
| DPD 90+ ratio | 7.4% | 10.7% | 12.4% | 7.4% | 12.4% |
| DPD 90+ coverage | 70.9% | 75.8% | 74.0% | 70.9% | 74.0% |
| Gross liquidity buffer (EUR mn) | 4,815 | 5,957 | 5,232[3] | 4,815 | 5,232[3] |
| CAR (cons., IFRS) | 15.9% | 17.5% | 17.3% | 15.9% | 17.3% |
| Tier1 ratio (cons., IFRS) | 12.0% | 13.8% | 13.0% | 12.0% | 13.0% |
| CAR (OTP Bank, HAS) | 15.5% | 17.6% | 16.4% | 15.5% | 16.4% |

1 Without one-off items (fair value adjustment gain on FX swaps, FX gain from revaluation results of FX-provisions related to the FX-loan portfolio of OTP Core, and FX-gain realized on FX hedging transactions related to the FX-loans provisions at OTP Bank Ukraine) 2 After-tax result without one-off items (result of strategic open position, goodwill impairment charges and dividends) 3 As of 10 August 2010

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# Hungary: economic growth has returned. GDP may grow around 0.4% in 2010, and 3.1% in 2011

After five quarters of recession the economy grew again in 1Q 2010 by 0.1% y-o-y and 0.9% q-o-q. The main drivers of the rebound is exports. Since this resulted in a bottoming out on the labour market domestic demand probably also hits the bottom in 2010.

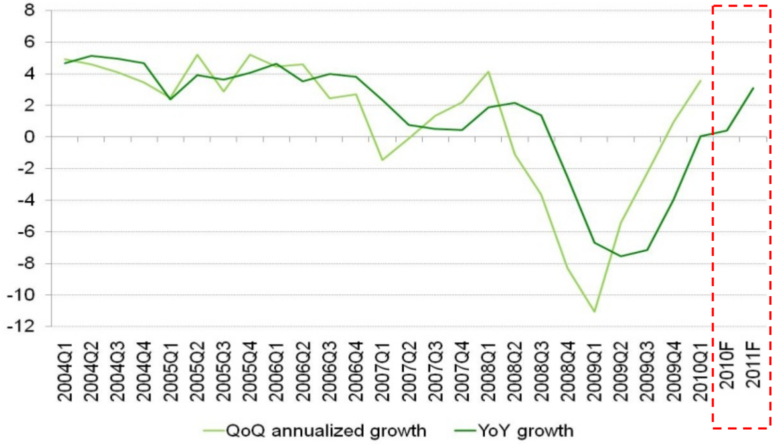
Due to the planned flat tax with a 16% rate the disposable income of the households is expected to increase significantly and loan demand is also expected to pick up in 2011. These factors will result in a 2.9% consumption growth next year.

For 2010 we calculate 0.4% growth, taking into account the sharp fall in agricultural production as a result of the floods.

For 2011 the „no fiscal policy change” scenario would result in a 3.1% GDP growth. Even if the government implements measures to keep the deficit below 3%, economic growth should exceed 2.3 %.

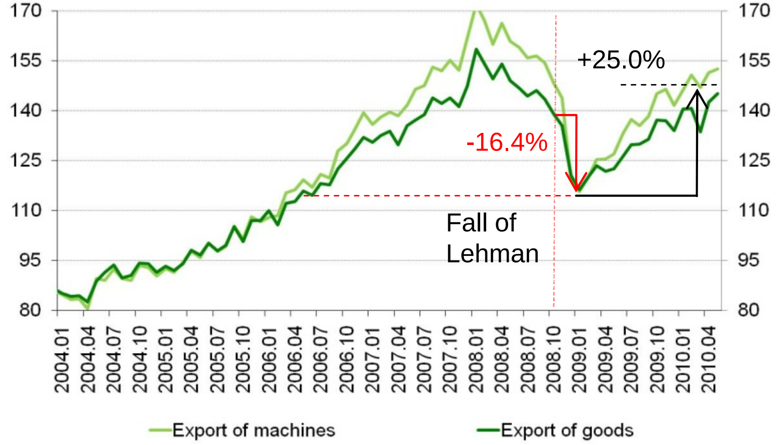
## GDP

(YoY and annualized QoQ growth rate, %)



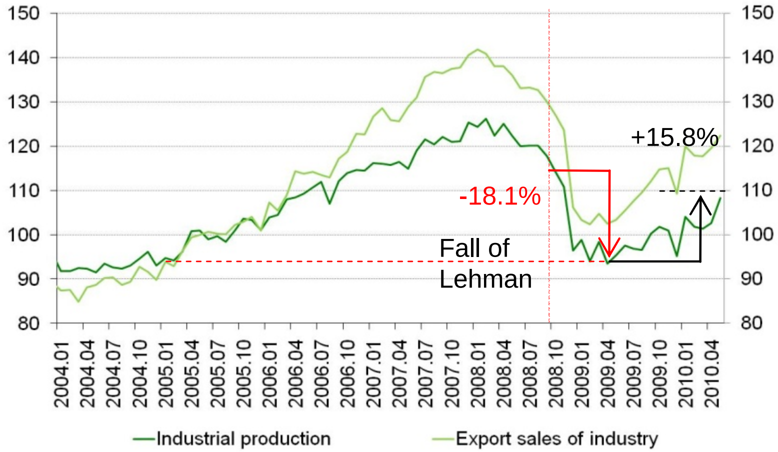

## Export of goods

(seasonally adjusted monthly data, 2005=100)



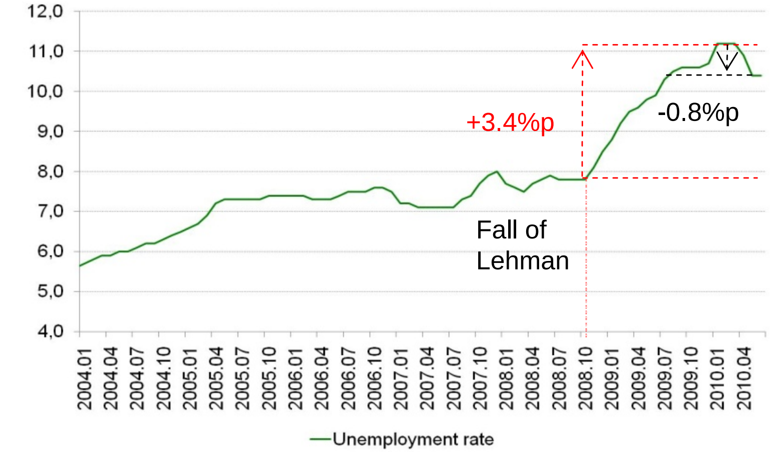

## Industrial production

(seasonally adjusted monthly data, 2005=100)




## Labour market indicators

(LFS, seasonally adjusted monthly data, %)



# Hungary: low external and internal imbalances provide solid fundamentals for good economic performance

After the sudden stop in capital flows in 2008 external imbalances of the Hungarian economy moderated significantly and the deficit has turned into a surplus last year.

The main driver of improving C/A balance is the increasing surplus in the trade balance, as a result of the drastic fall in domestic demand and the rise in exports.

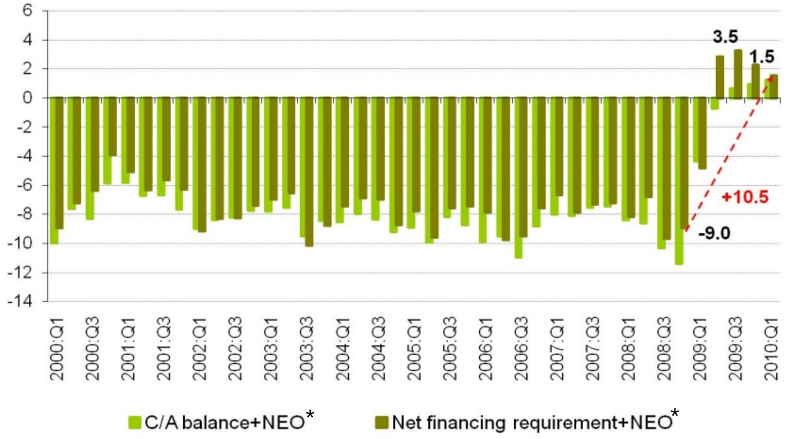
In our „no policy change" scenario we calculate with the measures announced in the governments first action plan (29 points).

Under this scenario the Hungarian government meets the deficit target this year (3.8% of GDP).

However the „no policy change scenario would lead to a budget deficit of 4.4% of GDP next year. Therefore further fiscal measures are expected in the next action plans.

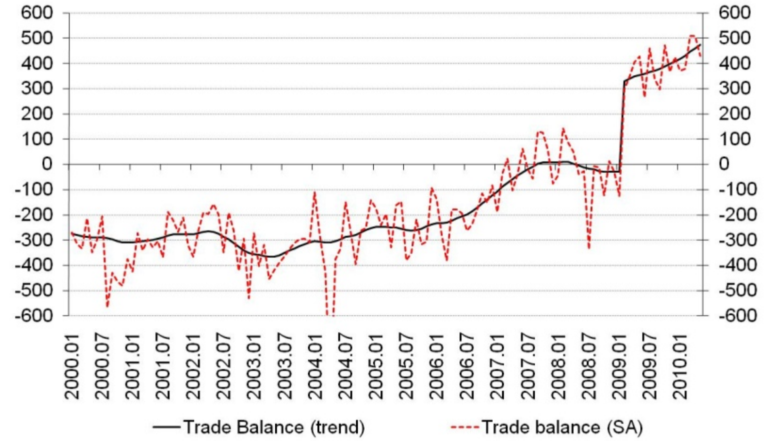
## Indicators of external imbalances

(in % of GDP)



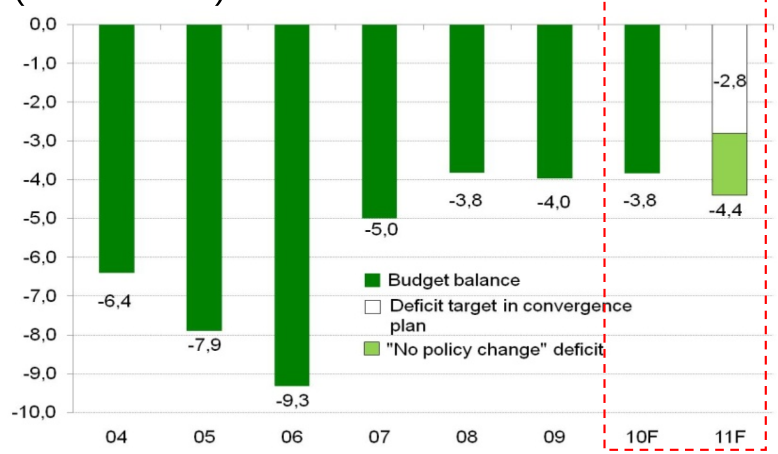

## Trade balance

(seasonally adjusted monthly data, EUR mln.)



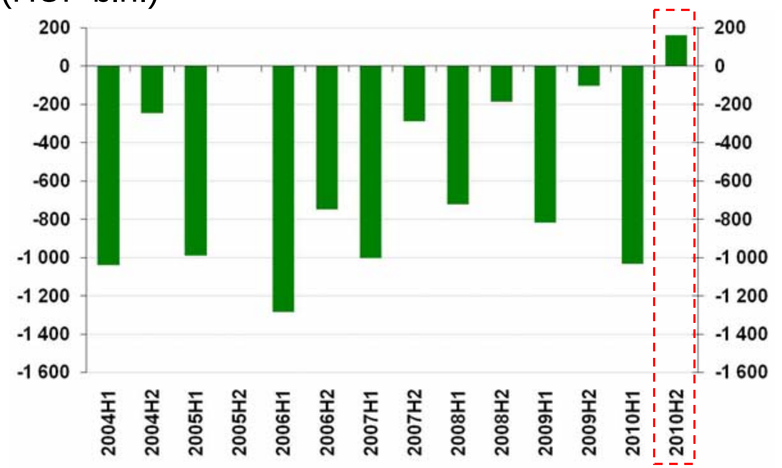

## Budget balance

(in % of GDP)




## Cash-based semi-annual budget balance

(HUF bln.)

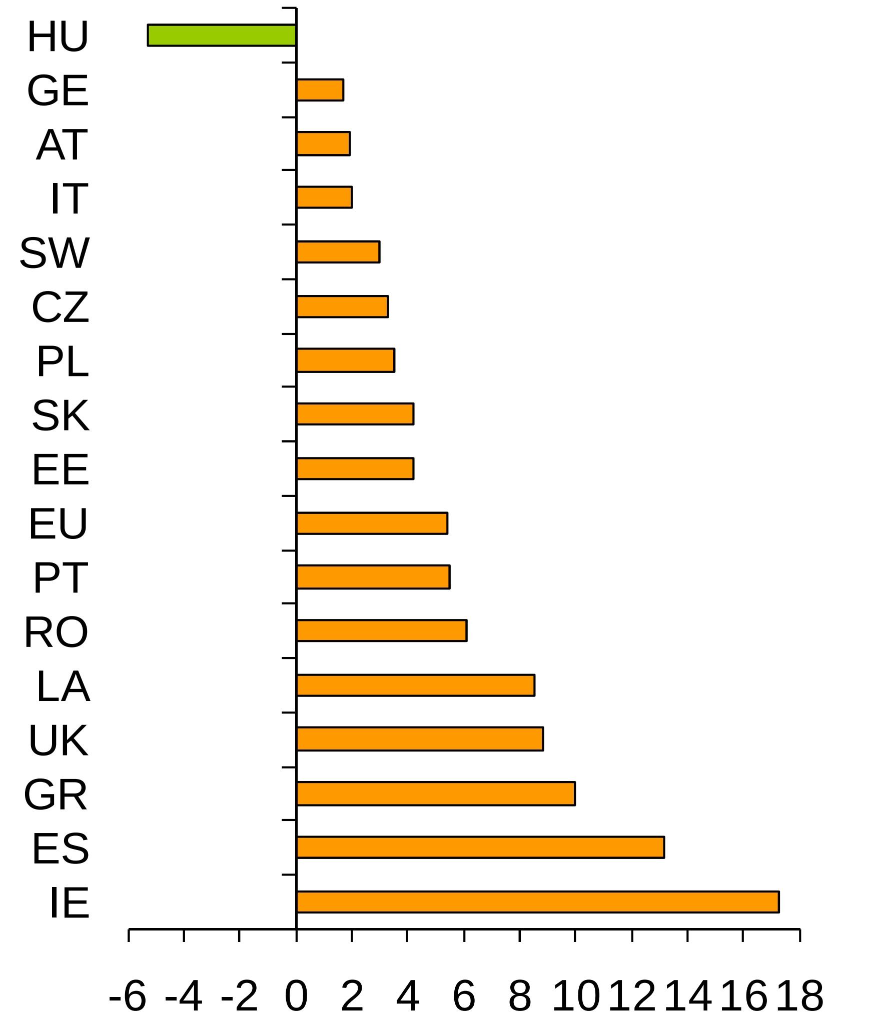


Source: Central Statistical Office, National Bank of Hungary, Ministry of Finance

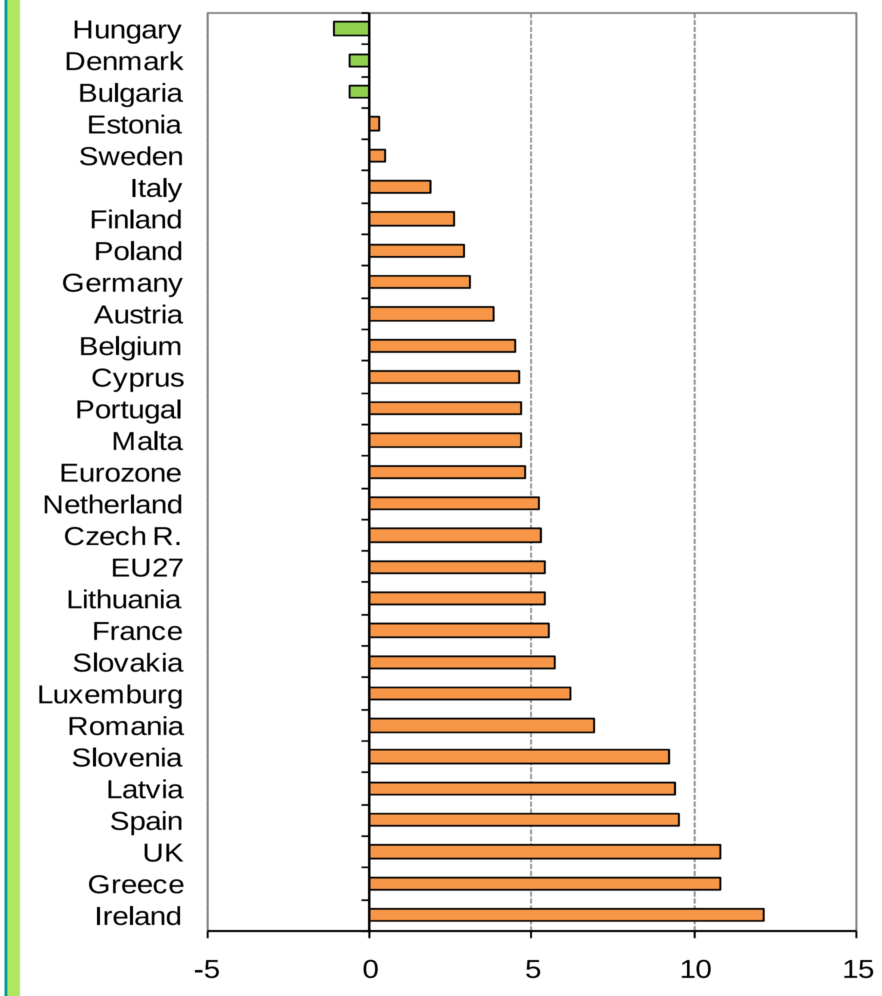
*: Net Errors and Omittions

# Due to the strong fiscal discipline of the previous years Hungary was ranked as a best in the debt sustainability according to the European Commission’s Sustainability Report

**Change in budget balance between 2006-2009** (in % of GDP)




**Required budgetary adjustment to reach 60% public debt in 2060*** (in % of GDP)

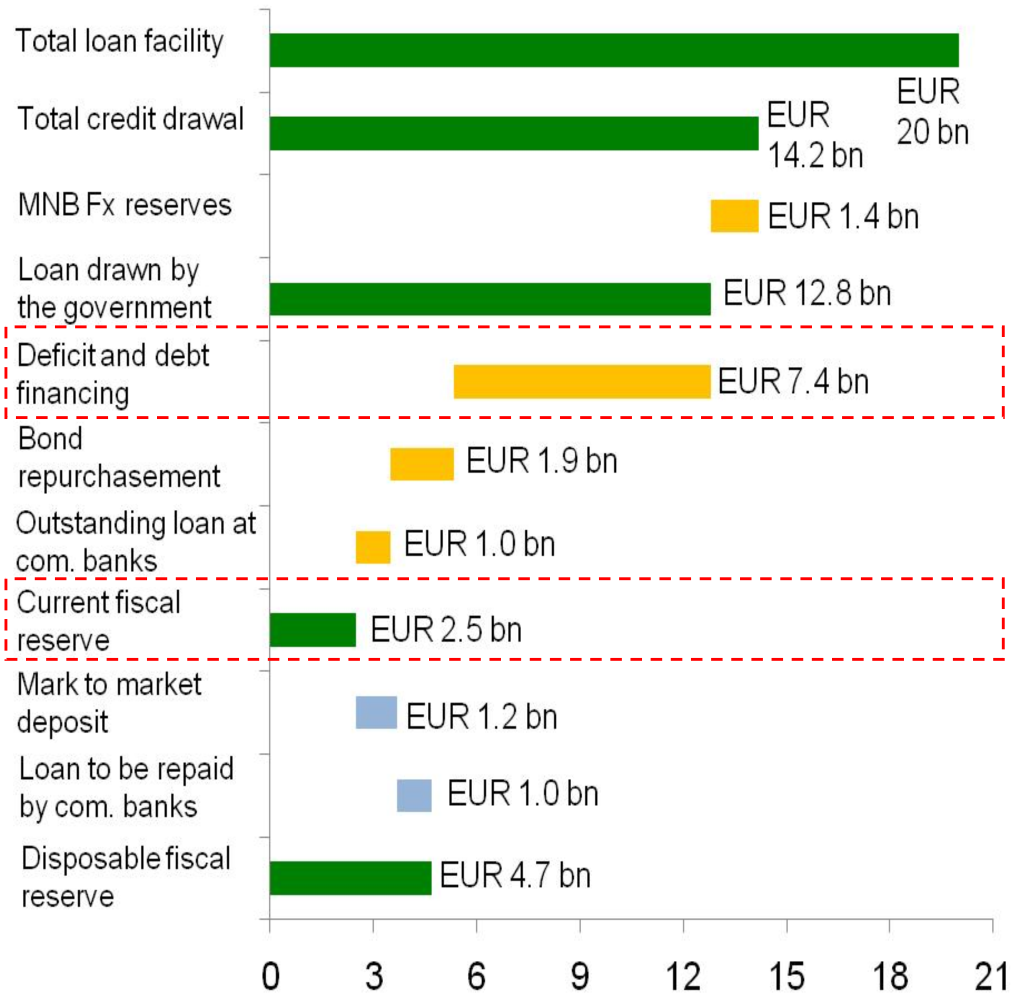



* In the cyclically adjusted primary balance, including aging effects

Source: European Commission

# Until 2010 June the Hungarian government has used EUR 7.4 billion out of the EUR 20 billion IMF&EU loan for deficit and debt financing

## Use of the IMF-EU loan until 30 June 2010




In October 2008 Hungarian government came to an agreement with the IMF and EU about an EUR 20 billion stand by loan facility.

Until now Hungary has drawn EUR 14.2 billion of which EUR 1.4 billion has been drawn by NBH to increase the FX reserves.

The Hungarian government provided EUR 2.5 billion to commercial banks to support the bank's corporate lending activity. Recently, there is an EUR 1 billion outstanding loan at FHB and MFB. This loan is expected to be repaid in the next two years.

Hungarian Debt Management Agency repurchased government bond for EUR 1.9 billion.

EUR 7.4 billion was used to finance the deficit and the maturing debt.

In the end of June 2010 the Hungarian government had EUR 3.7 billion on the Fx treasury account held in the National Bank, of which EUR 1.2 billion is from mark to market deposits.

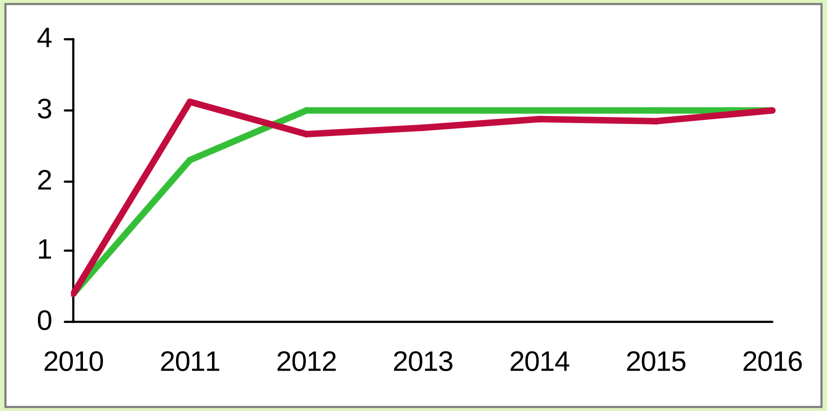
**So, the total amount of the Hungarian government's disposable FX reserves is EUR 4.7 billion**

Source: Hungarian Debt Management Agency

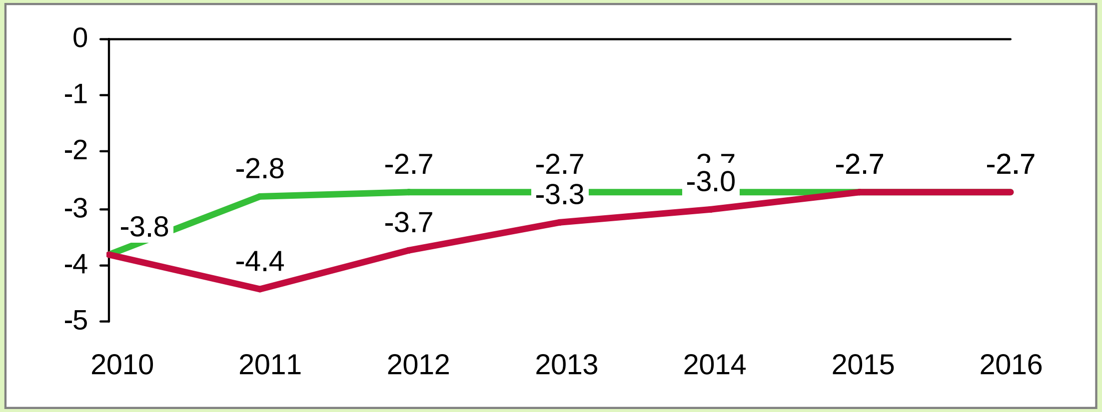
# In the next five years the Hungarian public debt is to decline even with some fiscal loosening compared to the convergence program

Low deficit case
High deficit case

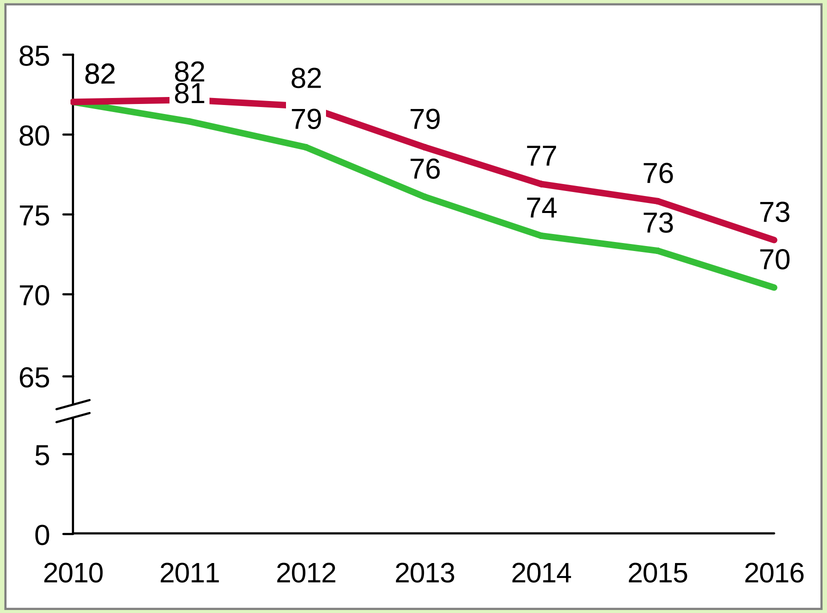
## GDP growth (year-on-year, %)




## General government balance (ESA95, in % of GDP)




## Government debt* (in % of GDP)



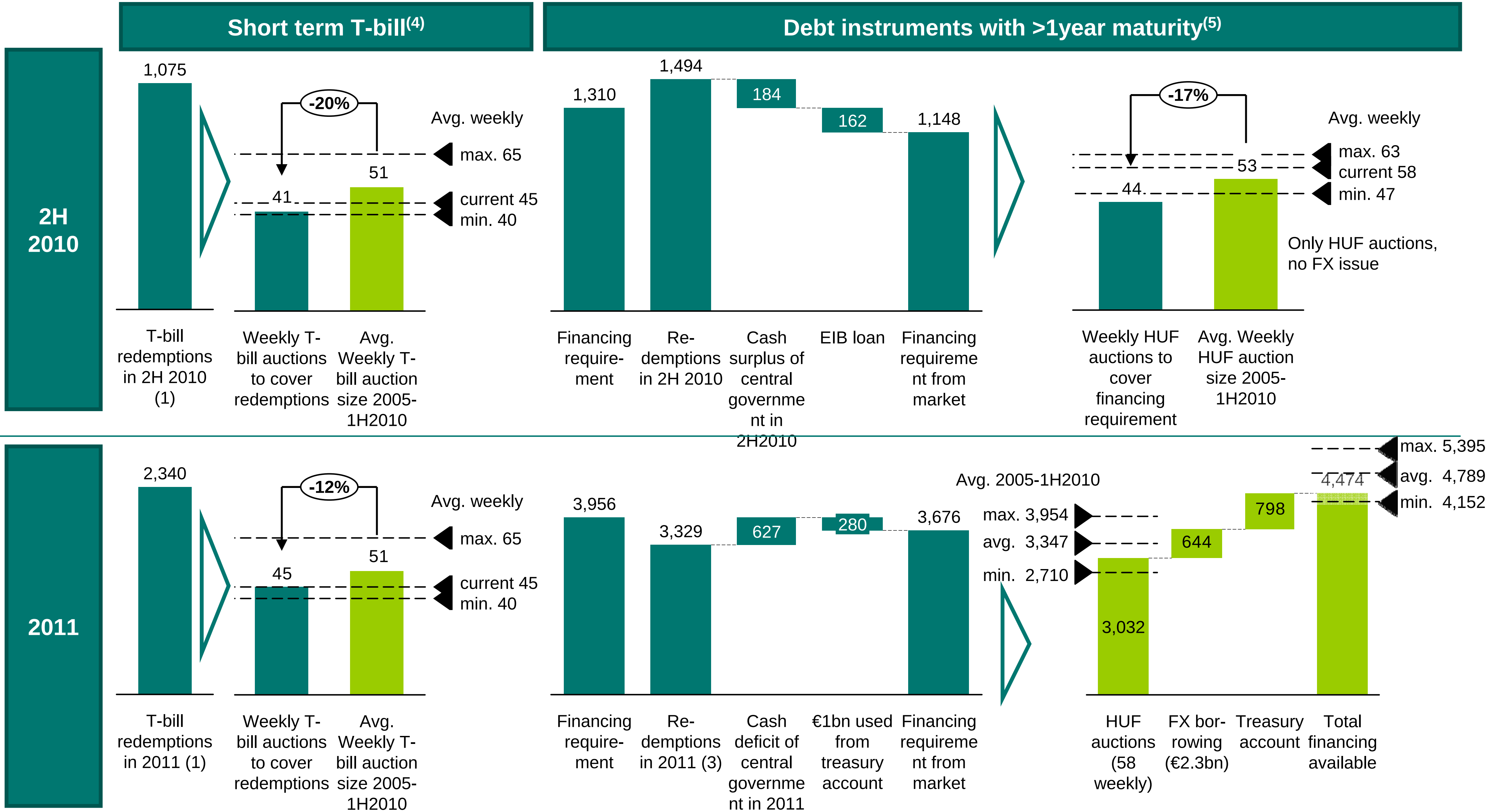

## Financing requirement of government w/o municipalities

| | 2010H2 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| **GFS net financing requirement, Low deficit (EUR bn)** | **-0.7** | **2.2** | **2.2** | **2.6** | **2.3** | **2.5** | **2.5** |
| **GFS net financing requirement, High deficit (EUR bn)** | **-0.7** | **3.9** | **3.3** | **3.2** | **2.3** | **2.5** | **2.5** |
| **Redemptions (EUR bn)** | **9.2** | **20.2** | **21.3** | **23.5** | **23.6** | **20.7** | **24.0** |
| from this FX | 1.3 | 4.2 | 4.8 | 5.1 | 5.6 | 1.4 | 4.1 |
| FX, IMF&EU | 0.0 | 2.0 | 3.4 | 3.6 | 2.3 | 0.0 | 1.5 |
| HUF | 7.9 | 16.0 | 16.5 | 18.4 | 18.0 | 19.3 | 19.9 |
| **Gross financing requirement, Low def. (EUR bn)** | **8.5** | **22.5** | **23.6** | **26.1** | **26.0** | **23.2** | **26.5** |
| **Gross financing requirement, Low def. (HUF bn)** | **2,385** | **6,297** | **6,598** | **7,310** | **7,276** | **6,486** | **7,410** |
| From this 3 mth T-bill (HUF bn) | 1,075 | 2,340 | | | | | |
| At least 1 year maturities (HUF bn) | 1,310 | 3,957 | | | | | |
| **Gross financing requirement, High def. (EUR bn)** | **8.5** | **24.1** | **24.7** | **26.7** | **26.0** | **23.2** | **26.5** |
| **Gross financing requirement, High def. (HUF bn)** | **2,385** | **6,752** | **6,902** | **7,484** | **7,276** | **6,486** | **7,410** |

* We assume, that on the forecasting horizon the balance of the FX treasury account and repayment of bank loans will be used for deficit financing.
** Central government: general government w/o local governments
Source: Government Debt Management Agency, OTP Research Center

# 2H 2010 and 2011 financing of the Hungarian budget is feasible without IMF or EU funding

**Financing requirement of Hungarian budget and comparison to weekly issuances** (in HUF billion, estimates)




(1) Assuming, that T-bills sold to households, which is a negligible amount will be rolled on.
(2) 356 FX + 490 HUF 12 months T-bill + 648 HUF bonds; (3) 1,176 FX + 1,090 HUF 12 months T-bill + 1,063 HUF bonds
(4) 3 months T-bill (5) 12months T-bill, HUF bonds and loans, FX bonds and loans;
Source: Government Debt Management Agency, OTP Research Center

# If fiscal policy remains tight budget financing will be manageable. In the case of a high deficit scenario funding will be much more risky

Low deficit case
High deficit case

**A. Gross financing requirement of government w/o municipalities** (EUR billion)

| | 2H 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| Low deficit | 8.5 | 22.5 | 23.6 | 26.1 | 26.0 | 23.2 | 26.5 |
| High deficit | 8.5 | 24.1 | 24.7 | 26.7 | 26.0 | 23.2 | 26.5 |

**B. Central government assets available for financing** (EUR billion)

| | 2H 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| **Financing from available assets** | **-0.2** | **1.5** | **0.6** | **1.1** | **1.1** | **-1.1** | **0.9** |
| Loan repayment by banks | 0 | 0.5 | 0.5 | 0 | 0 | 0 | 0 |
| Decrease of the treasury accounts | -0.2 | 1.0 | 0.1 | 1.1 | 1.1 | -1.1 | 0.9 |
| *memo: Treasury account balance* | *3.9* | *2.8* | *2.7* | *1.6* | *0.5* | *1.6* | *0.7* |

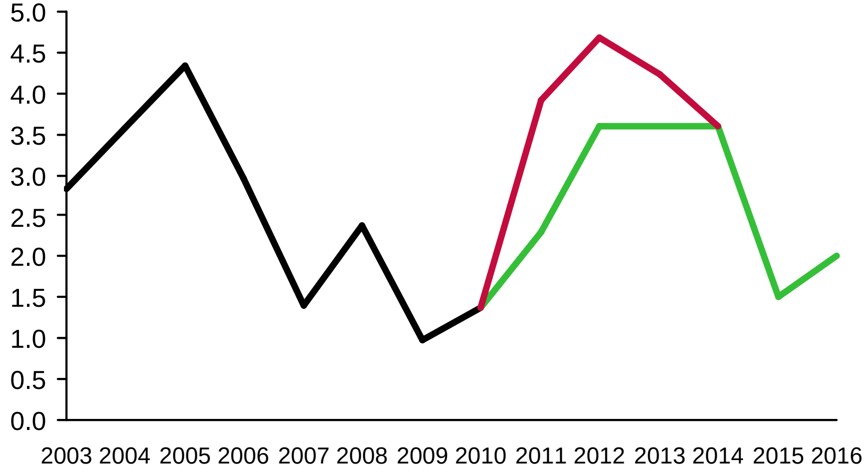
**C. Safe load* for the HUF bond market** (EUR billion)

| | 2H 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| Gross household saving flows | 2.8 | 5.3 | 5.8 | 6.4 | 6.8 | 7.3 | 7.7 |
| Household savings chanelled to the bond market | 1.4 | 2.6 | 2.8 | 3.0 | 3.2 | 3.4 | 3.7 |
| **Gross HUF issuance**** | **10.0** | **18.7** | **19.3** | **21.4** | **21.3** | **22.7** | **23.5** |

**D. Required gross foreign funding (A – B – C)** (EUR billion)

| | 2H 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| **IMF&EU** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Low deficit case | -1.4 | 2.3 | 3.6 | 3.6 | 3.6 | 1.5 | 2.0 |
| High deficit case | -1.4 | 3.9 | 4.7 | 4.2 | 3.6 | 1.5 | 2.0 |

**Gross FX bond issuance** (EUR billion)




**General government balance** (in % of GDP) **and Gross FX borrowing** (EUR billion)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| **Low deficit case** | | | | | | |
| Government deficit (ESA-95) | -2.8 | -2.7 | -2,7 | -2.7 | -2.7 | -2.7 |
| Gross FX borrowing | 2.3 | 3.6 | 3.6 | 3.6 | 1.5 | 2.0 |
| **High deficit case** | | | | | | |
| Government deficit (ESA-95) | -4.4 | -3.7 | -3.3 | -3.0 | -2.7 | -2.7 |
| Gross FX borrowing | 3.9 | 4.7 | 4.2 | 3.6 | 1.5 | 2.0 |

* The sum of redemption in HUF bonds and the household savings channeled to the bond market
** Without EIB loan in 2H 2010 (HUF 162 bn)
Source: Government Debt Management Agency, OTP Research Center

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# Ukraine: shows more and more signs of recovery

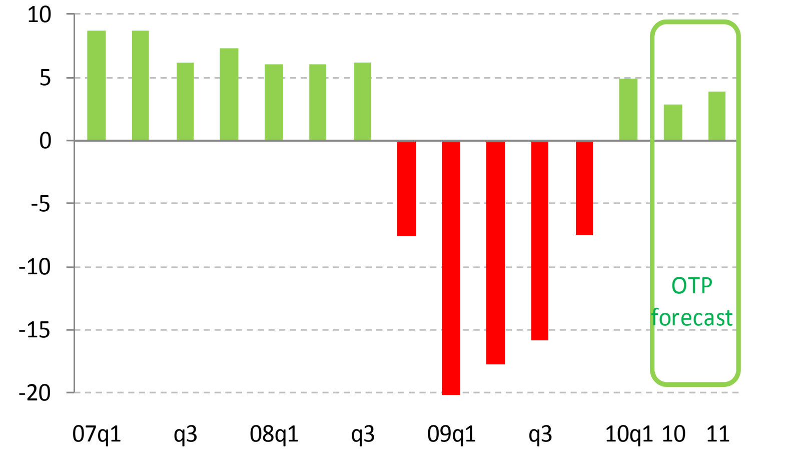
After so many uncertainty the decision on the second IMF loan facility was made: in June 2010 USD 14.9 bn has been approved for Ukraine to structural reforms in the areas of the budget, national bank and exchange rate policy. The loan mostly covers financial obligations of the next few years and the reforms are likely to result in sound fiscal and monetary policy.

Recovery of global demand and the depreciated hryvnia boosted export industries in the last few quarters, but industrial and steel production have declined in recent months as the global outlook has worsened. Steel productions rose by 81% after the deep and deteriorated 13% in May-June.

An agreement in April 2010 between Russia and Ukraine resulted in lowering the import gas prices by 30%. Saving may reach 2% of GDP (cc USD 2.7 bn) this year which helps to ease the pressure on the fiscal deficit. Russia engaged in investing USD 4 bn on average in the following 10 years.

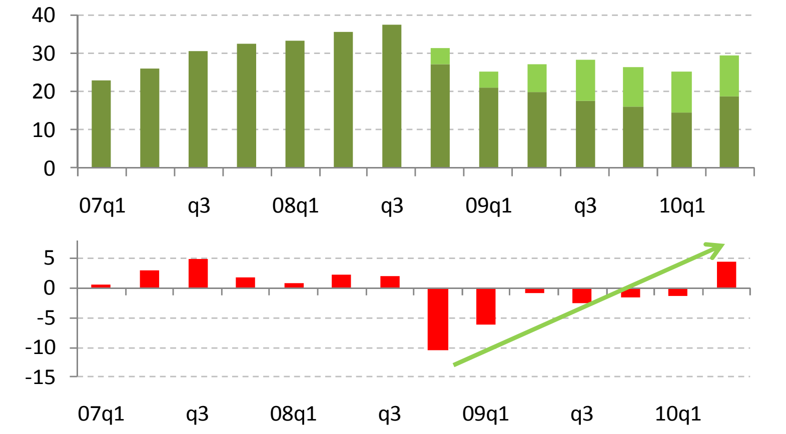
Recent developments triggered Fitch and S&P to upgrade sovereign debt (to B and B+, respetively). S&P rating is now 4 notches below investment grade.

**GDP growth**
(%, yoy)

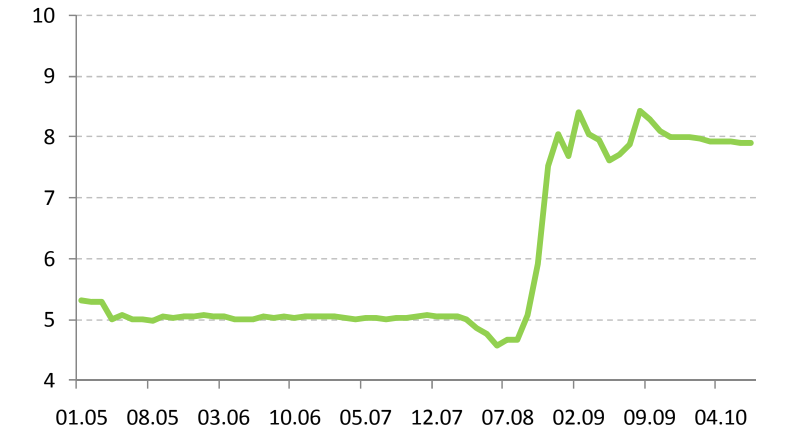



**Cumulated FDI-inflow in Ukraine**
(End of period stock USD bn)


**FX-reserves of which IMF-loan and FX-reserves' flows*** (USD bn)




**Foreign exchange rate** (USD/UAH)




* Without IMF-loan
Source: National Bank of Ukraine, State Statistics Committee, Bloomberg, OTP Research

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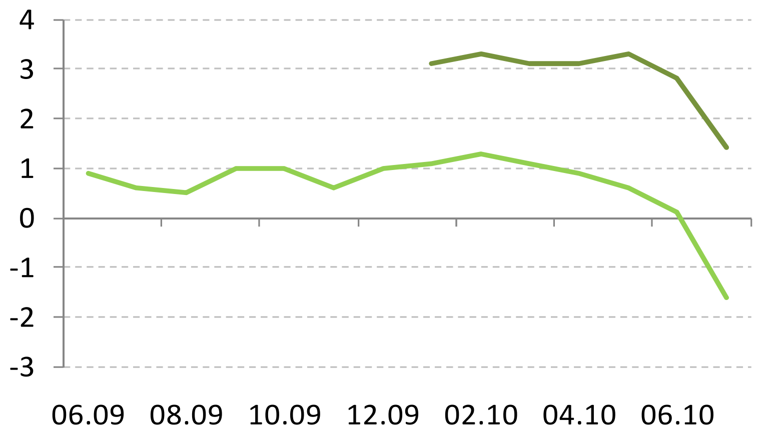
# Romania: due to the huge and partly VAT-hike based fiscal consolidation outlook for the Romanian economy significantly deteriorated

Due to the turn in external demand in late 2009, exports and industrial production started to pick up fast, so until May the market believed, that in 2010 the economy will be able to grow.

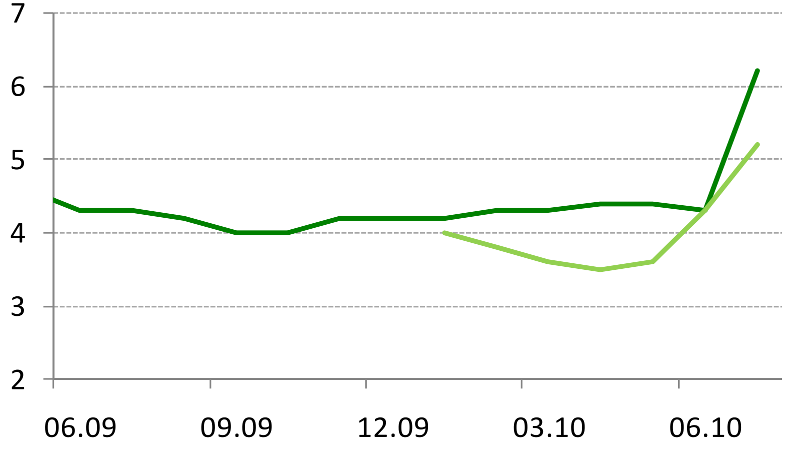
However, this spring became clear that the Romanian budget position was worse than expected. Under the IMF arrangement a painful fiscal adjustment has been started.

In June 2010 the government decided to cut public wages by 25% and pensions by 15% (among other measures) to improve public balance and to defend the private sector and competitiveness at the same time. As the cut in pensions fell against the Constitutional Court, the government decided to raise VAT instead. As the VAT hike put heavy burdens on the private sector, the new measures – together with the -2.6% yoy 1Q GDP figure, which was worse than our expectation – resulted in a drastic deterioration of Romanian growth outlook for 2010: from the above +1% in 1Q to -1.6% in July.

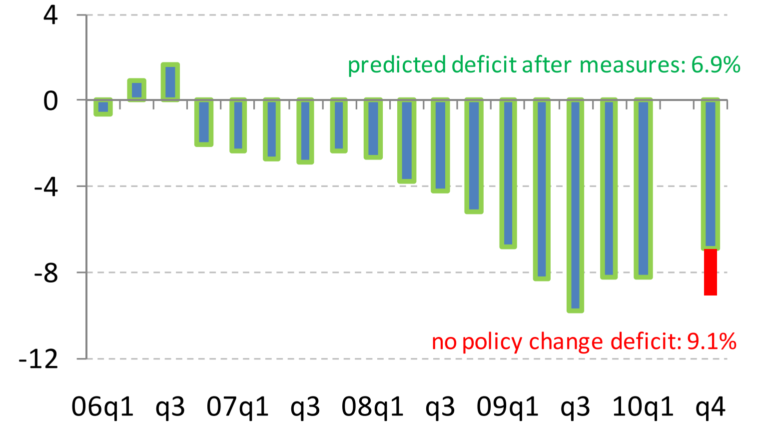
## Evolution of GDP growth expectations for 2010 and 2011 (%, yoy)




## Evolution of the inflation expectations for 2010 and 2011 (%, yearly average)




## Budget deficit
(4Q rolling, in the % of GDP)




## Measures taken
(effect in % of GDP)

| | |
|---|---|
| **Deficit, no policy change** | **9.1** |
| **Deficit, after measures** | **6.9** |
| **Required adjustment effort** | **2.2** |
| *of wich* | |
| Reduction in personal spending (25% compensation cut) | 1.0 |
| VAT-hike (5 pp to 24%) | 0.8 |
| Other cuts in spending (transfers, subsidies) | 0.4 |
| Lost taxes (due to wage and social transfers cuts) | -0.3 |
| Broadening of tax base | 0.1 |
| Net lending repayment | 0.2 |
| Turnover tax on medical distributors | 0.0 |

Source: IMF, Eurostat, Consensus Economics, OTP Research

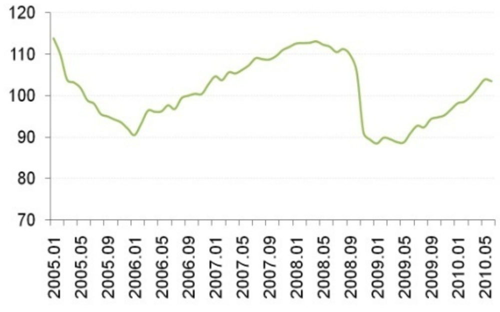
# Russia: strong growth everywhere; Bulgaria: low debt and reserves ensures stability; Slovakia: strong foreign demand accelerates the recovery

## Russia

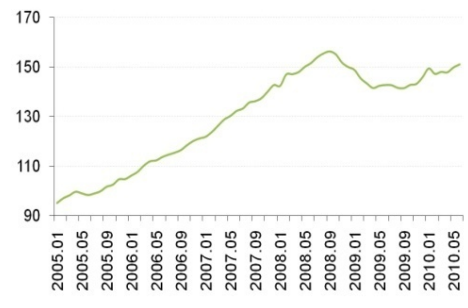
Government decided to implement counter-cyclical spending from the accumulated fiscal reserves (Reserve Fund and Wellbeing Fund; amount of the fiscal reserves are 125 bn $; 9.7% of GDP, intended to be spent in two years) a key factor which will mitigate the size of the recession. Strong growth can be observed in nearly every sector of the economy.

**Real GDP growth** (%)

**Manufacturing** (2005=100)



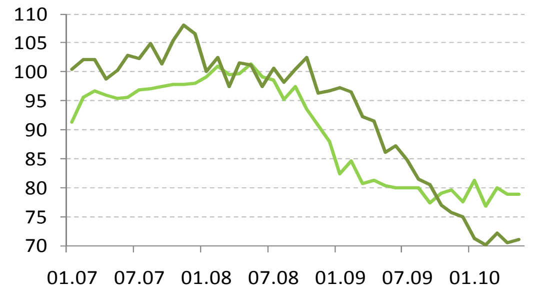
**Retail sales** (2005=100)



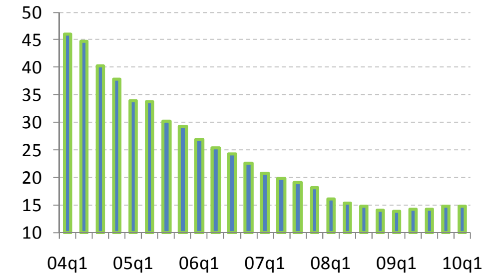
## Bulgaria

As the external financing disappeared with no possibility of currency depreciation Bulgaria experienced one of the longest recession among Eastern-European countries. The fall in main domestic sectors (industry, retail trade, construction, real estate market) and also the rise in unemployment rate seem to be over at the half of 2010, even the export sector performs well. The state of the budget is risky but the prudent fiscal policy of the past years (which resulted in low level of government debt and significant amount of fiscal reserves) helps pass recent painful years.

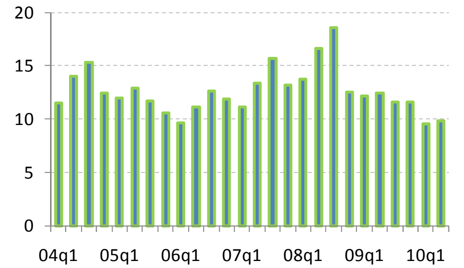
**Industrial production and construction** (SA,1H 2008 = 100)



**Government debt** (in % of GDP)



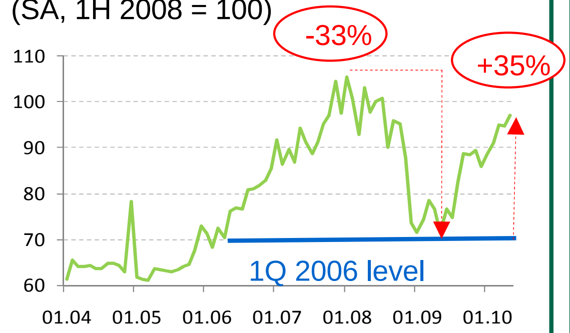
**Fiscal reserves** (in % of GDP)



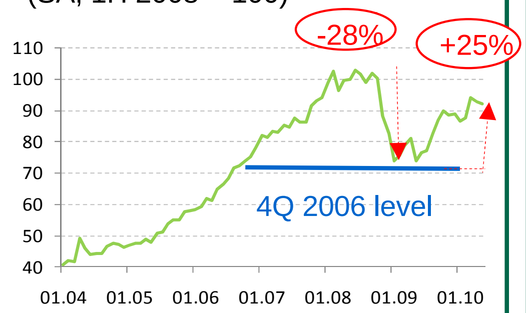
## Slovakia

As world recovery took place after the fall of '09 the Slovakian economy gains momentum: both manufacturing production and export rose by about 25-35% from the deep. The household credit flow has remained in positive territory and especially housing loan flow has performed well – despite of the still fragile domestic demand. Most analysts predict about 3% GDP growth for this year which will rise further in coming years. However, the new government has to take measures to handle the budget deficit which could undermine current optimism.

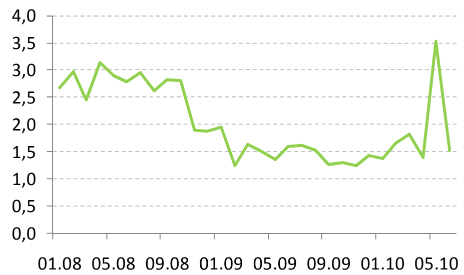
**Manufacturing** (SA, 1H 2008 = 100)




**Export** (SA, 1H 2008 = 100)




**Monthly, annualized household mortgage loan flow** (SA, in % of GDP)



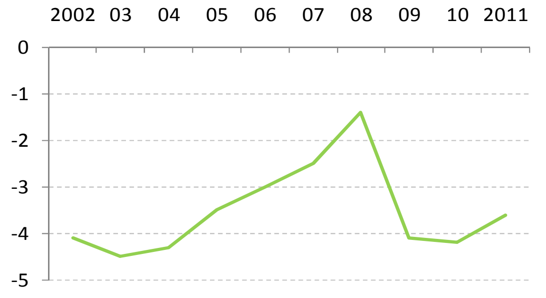
Source: Eurostat, Statistical Office of Russia, National Bank of Bulgaria, National Bank of Slovakia

# Croatia: still strong fiscal commitment and stable Kuna; Serbia: strict fiscal policy and low public debt; Montenegro: positive developments in the last three months

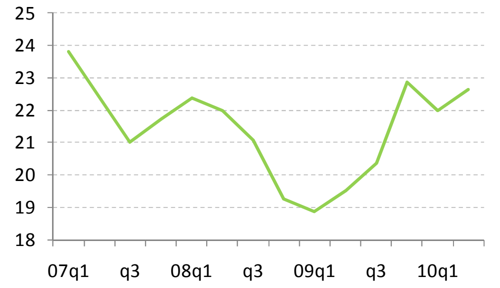
## Croatia

Croatian politicians are still committed to solid policy framework: the budget deficit – even after abolishing some previous year introduced income measures – could be around 4% of GDP which is among the lowest levels across Europe and the exchange rate of Kuna is still in a tight corridor. This provides a base for future dynamic growth. But in the present it has its own cost: the lack of fiscal stimulus and currency depreciation are obstacles to the recovery, so industrial and construction production as well as retail trade and tourism records have not bottoming out yet.

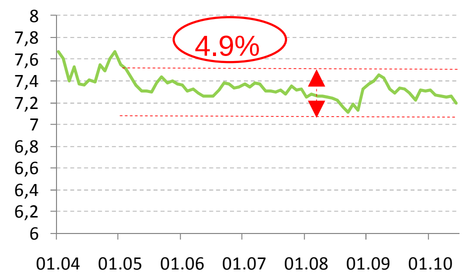
**Deficit of general government ***
(in % of GDP)




**FX Reserves**
(in % of GDP)



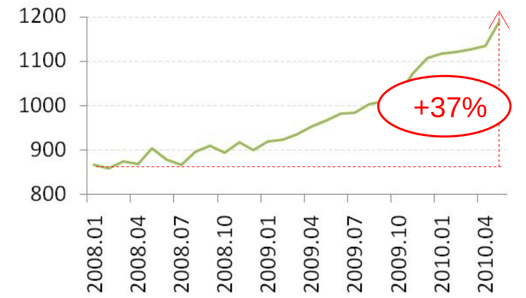

**EUR/HRK**
(eop)



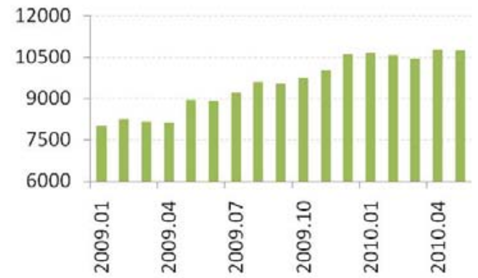

## Serbia

Due to the IMF, fiscal policy is solid, the budget deficit is under control. Public debt is still low, while GDP growth could reach 2% this year (the latest data is 1.8% for 2Q). The depreciation of the dinar is manageable, but if anything happened, the National Bank's FX Reserves are over 40% of the GDP.
Continuing positive loan and deposit flows on the banking market.

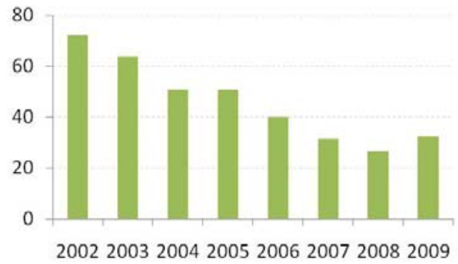
**Deposit stocks** (RSD bn)




**FX Reserves** (EUR mln)



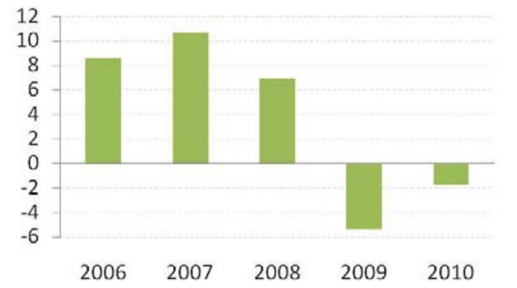

**Public debt** (as % of GDP)



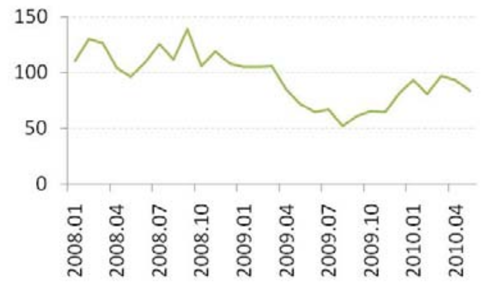

## Montenegro

Though the current account deficit is still near 30% of the GDP, developments tend to a positive direction: in the last five quarters the deficit shrank by 22%points. Due to the lack of currency depreciation the country lost competitiveness against regional competitors but on the other hand there is no need to fear a currency crisis. In the last three months the number of unemployed persons decreased by 6%.

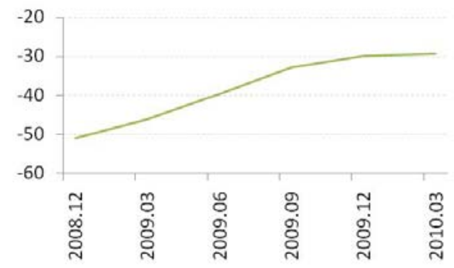
**Real GDP growth**
(%, IMF estimation for 2010)




**Industrial production** (2000=100)

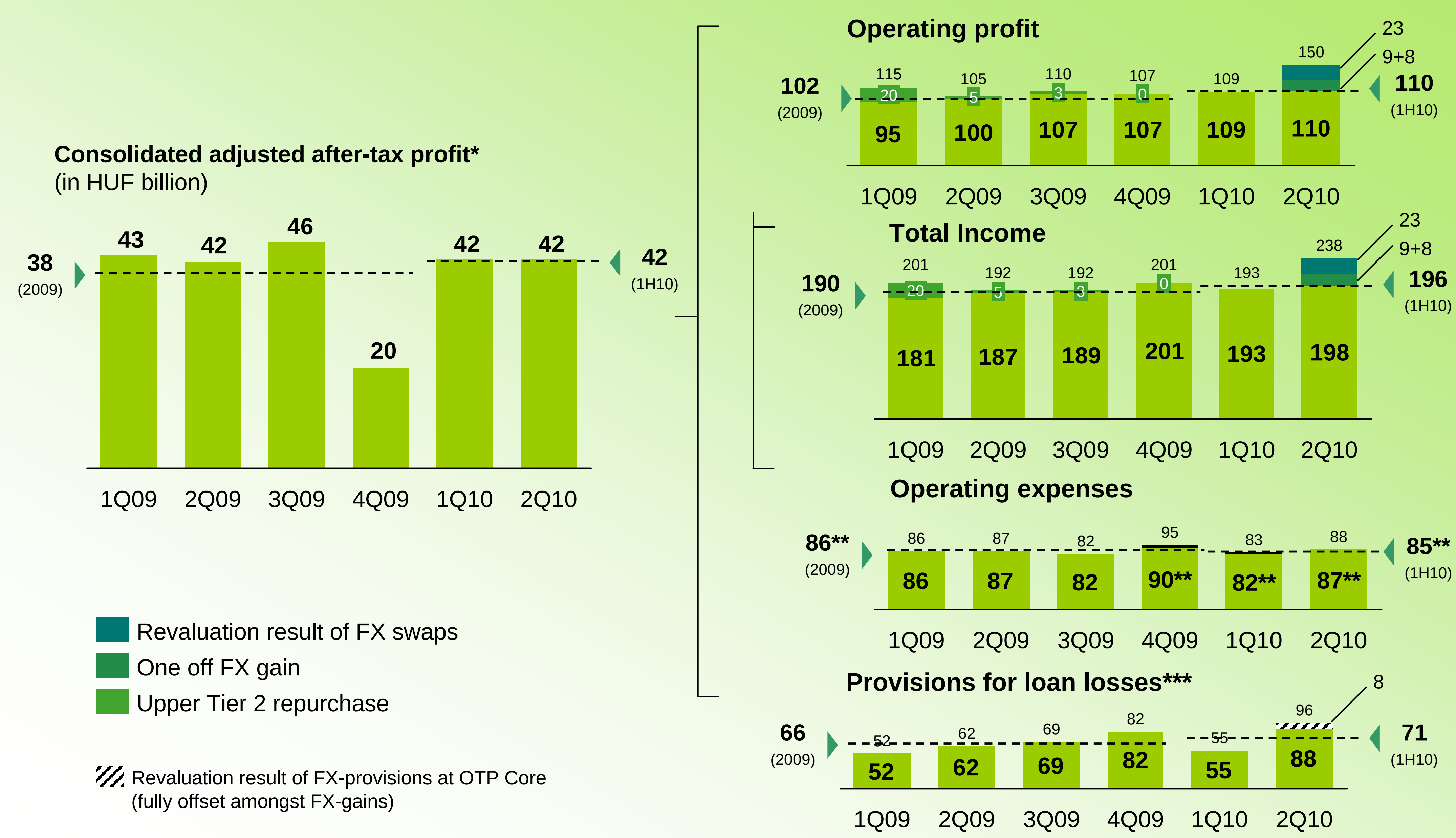



**Current Account balance**
(as % of GDP)




*Consensus Economics' forecast
Source: Eurostat, National Bank of Croatia, Consensus Economics, Central Bank of Montenegro, National Bank of Serbia

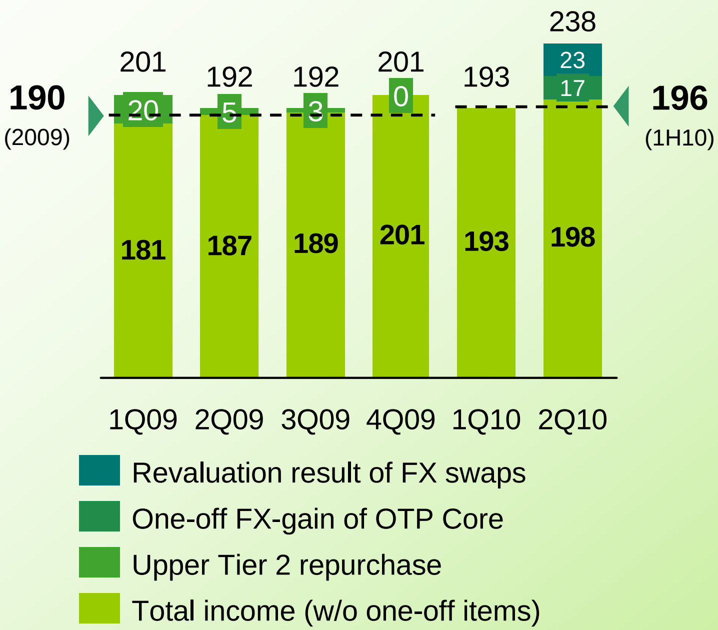
# Adjusted for one-off items 2Q operating profit amounted to HUF 110 billion, as a result of slightly increasing revenues and strict cost control



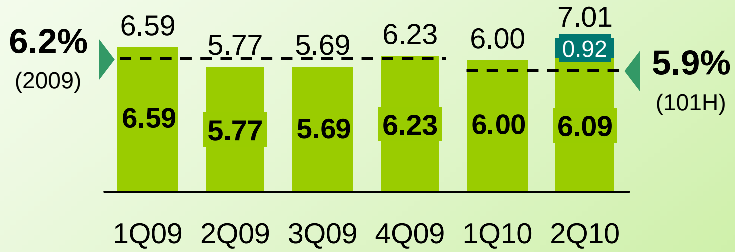

* Profit after tax is shown without one-off items (result of strategic open FX position, goodwill impairment of CKB and consolidated dividends)
** From 4Q 2009 without the consolidated result of foreign leasing companies
*** Provisions for loan losses together with other provisions

# HUF 5 billion q-o-q increase in one-off item adjusted total income is due on one hand to strengthening net interest income of the main subsidiaries and on the other hand to strong Russian and Bulgarian net fee and commission income

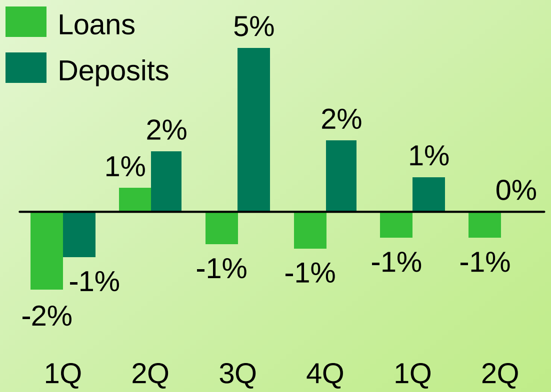
**Total income** (HUF billion)



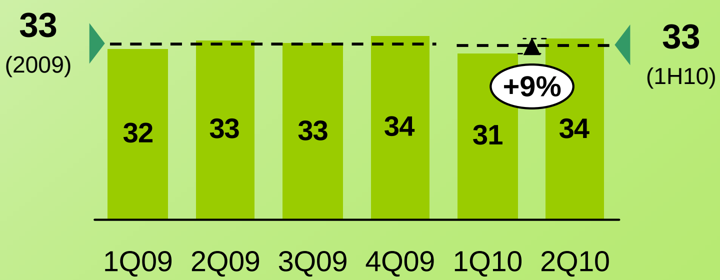

**Net interest margin** (%)




**FX-adjusted growth of loans and deposits*, consolidated, q-o-q**




**Net fee and commission income** (HUF billion)




HUF 30 billion q-o-q increase of the consolidated **net interest income** is basically due to the one-off revaluation result of FX-swaps (HUF+23 billion)

Furthermore:

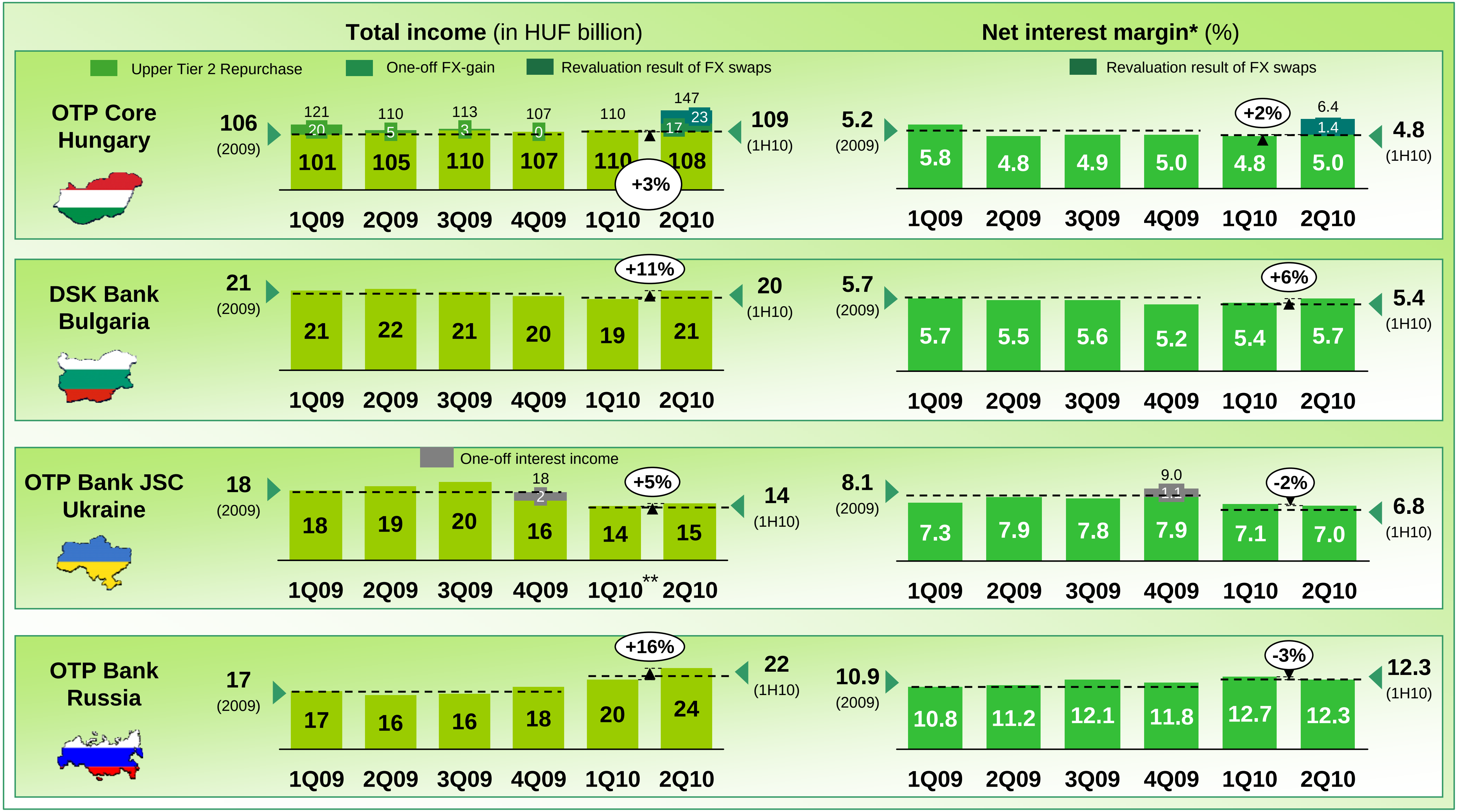
- Net interest income of OTP Core was improved by positive revaluation of FX denominated interest income as a result of weaker HUF
- Soaring Russian consumer lending (HUF +1.7 billion net interest income q-o-q)
- Positive effects of deposit repricing at DSK (HUF +1.3 billion q-o-q)
- Liquidity management in line with improving liquidity position – intentional reduction of liquidity reserves

**Net fee and commission income** was led by outstanding Russian and Bulgarian performance: (HUF +3 billion q-o-q):

- Q-o-q by HUF 1 billion increasing Russian commissions due to successful credit-card cross-selling and deposit campaigns
- Q-o-q HUF 0.7 billion growth in Bulgaria as a result of the intensifying retail lending and the advantageous seasonal effects

•In 2Q 2010 adjusted with the reclassification effect of municipal bonds into loans of OTP Core. Since 2Q 2010 portfolio of municipality bonds bought by OTP Bank are reclassified from the category securities-available-for-sale into customer loans. The base periods has not been adjusted according to this. For information purposes: the size of the relevant bond portfolio (in HUF billion: 2Q 2009: 86; 1Q 2010: 89; 2Q 2010:99).

# Bulgarian and adjusted Hungarian net interest margins increased due to improving deposit margins; in Russia excellent y-o-y income dynamics, temporary margin decline is the result of the still significant liquidity surplus; in Ukraine q-o-q total income increased due to HUF depreciation, but NIM showed a slight reduction




*The accrued but not paid interest income of problematic loans is included into net interest income and total income of some subsidiaries. This means material difference only in case of the Ukraine.** Q-o-q decline of income in the Ukraine is caused by: the interest rate accrual is ceased on loans sold to OTP Factoring (Ukraine). Interest accrual on DPD30+ loans is ceasing if the following conditions are met: 1. the loan is under judicial enforcement, 2. all loans of the customer go bankrupt, 3. the loan is in bad or doubtful category

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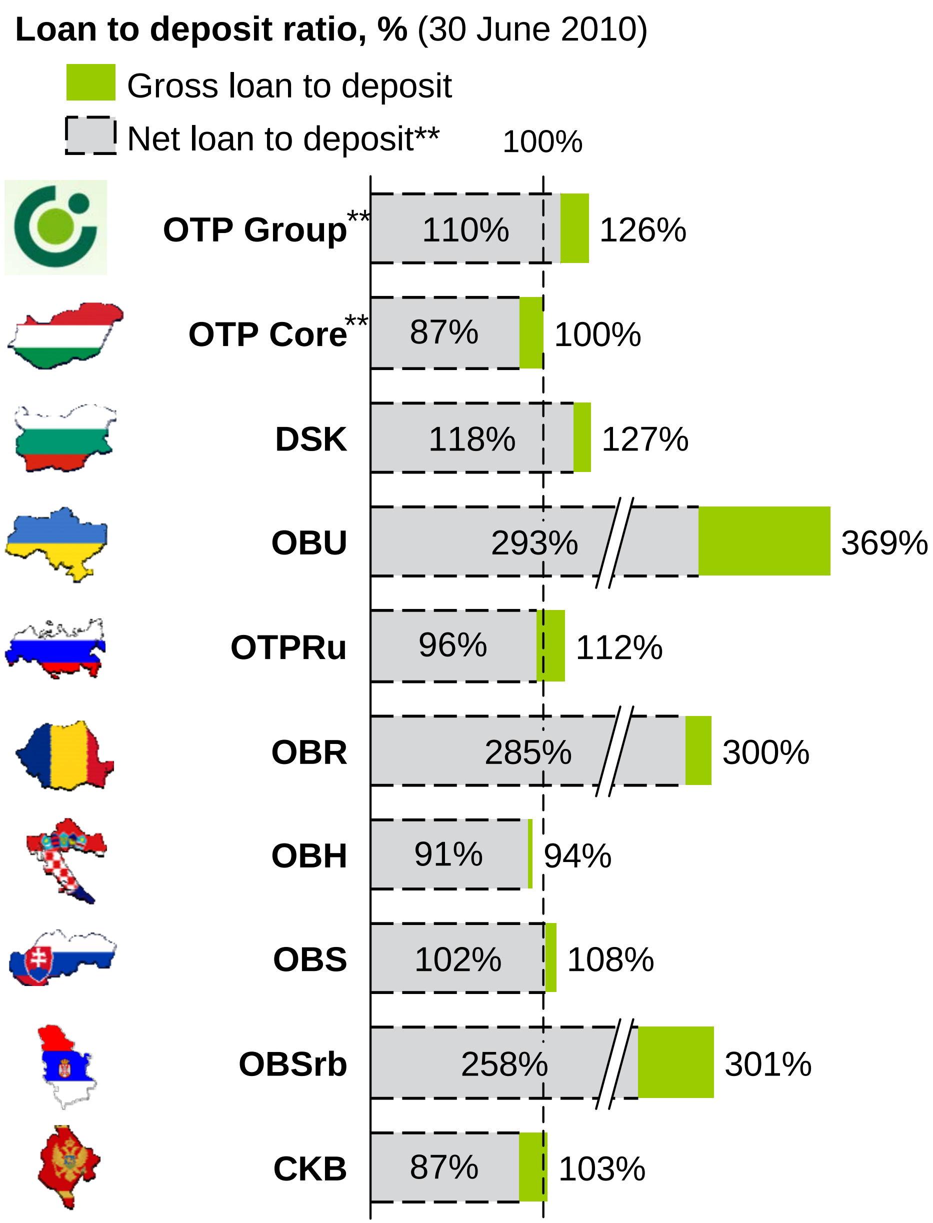
# Change of net loan-to-deposit ratios adjusted for technical effects* shows a Group-wide y-o-y improvement, q-o-q the decline of the ratios continued, though with a moderate dynamics




**Change of net loan to deposit ratio, adjusted***

| | Y-o-Y | Q-o-Q |
|---|---|---|
| OTP Group | -19% | -2% |
| OTP Core | -12% | 0% |
| DSK | -10% | 0% |
| OBU | -164% | -37% |
| OTPRu | -42% | -9% |
| OBR | -76% | -7% |
| OBH | -7% | -2% |
| OBS | -14% | -1% |
| OBSrb | +2% | -5% |
| CKB | -52% | -8% |

At the end of June on Group level the retail bond adjusted net loan/(deposit + retail bond) ratio stood at 110%. The reason of the significant y-o-y decline is that the deposit book grew dynamically while y-o-y the gross loan portfolio dropped (adjusted with the effects of FX-rate changes and the reclassification of municipality bonds into customer loans in 2Q. In the meantime even provisions incremented significantly.

Q-o-q the consolidated, FX-adjusted net loan/(deposit + retail bond) ratio declined by 2%, mainly due to the continuous business adjustment of subsidiaries with high ratios.

In 2Q 2010 the consolidated FX-adjusted deposit book q-o-q stagnated, but y-o-y increased by 8%. The Russian, Ukrainian and Romanian deposit collection is still successful, since mid-2009 deposit base continuously broadening. However q-o-q more than 1% decline experienced in Montenegro and in Hungary (in Hungary due to the seasonality of municipal deposits). At the end of 2Q 2010 issued retail bond portfolio reached HUF 254 billion (HUF +96 billion y-o-y).

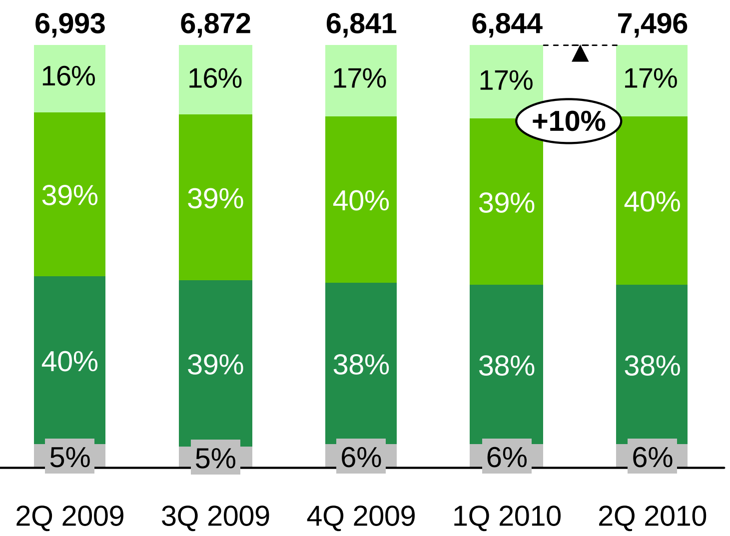
FX-adjusted gross loans declined or stagnated in all countries y-o-y, except Russia, where the strong consumer lending was the engine of growth. Q-o-q the most significant FX-adjusted loan portfolio decline was experienced in Montenegro and in the Ukraine

*Q-o-q and y-o-y changes are adjusted with the effects of FX-rate changes and the reclassification of Hungarian municipality bonds into customer loans in 2Q 2010

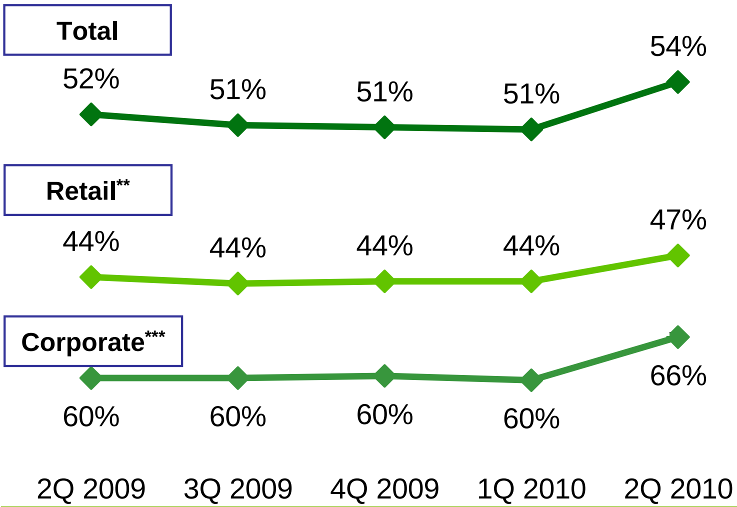
** In case of the consolidated and OTP Core's ratio the displayed ratio is: net loan/(deposit+retail bond)

# Stabilizing Hungarian mortgage loan portfolio, still spectacular Russian consumer loan dynamics, revitalizing retail lending at some markets, higher share of FX loans as a result of HUF weakening

**Breakdown of consolidated loan book** (HUF billion)




**Share of FX loans in the consolidated loan portfolio**




**Q-o-Q loan volume changes in 2Q 2010, adjusted for FX-effect******

| | Cons. | Core | Merk | OBRu | OBU | DSK | OBR | OBH | OBS | OBSr | CKB |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | -1% | 0% | -1% | 0% | -6% | 0% | 1% | 0% | -1% | 0% | -6% |
| Consumer | 1% | -1% | | 7% | | 1% | -8% | 1% | 10% | 4% | -6% |
| Mortgage | 0% | 0% | | -2% | -1% | 1% | 1% | 0% | 2% | 0% | -3% |
| Corporate* | -3% | 0% | 6% | -12% | -8% | -1% | 2% | -1% | -3% | 0% | -8% |
| Car financing | -2% | | -3% | 3% | -8% | | | -6% | | | |

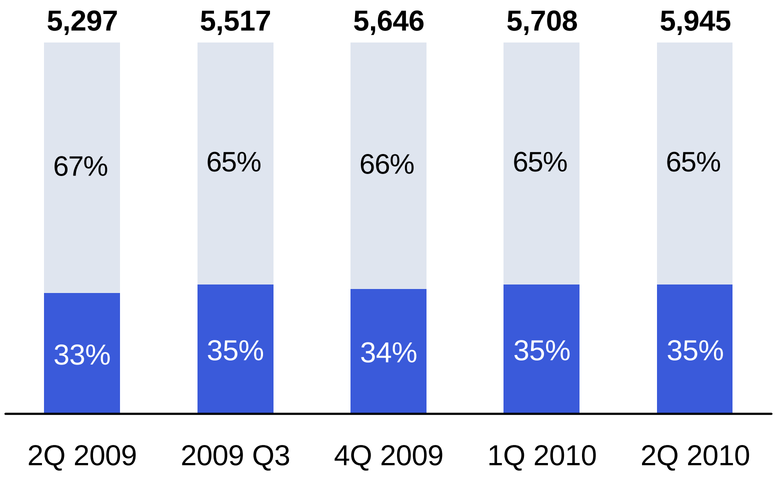
**Y-o-Y loan volume changes in 2Q 2010, adjusted for FX-effect******

| | Cons. | Core | Merk | OBRu | OBU | DSK | OBR | OBH | OBS | OBSr | CKB |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | -2% | 0% | -9% | 7% | -13% | 1% | -6% | -1% | -8% | 1% | -30% |
| Consumer | 5% | 2% | | 35% | -13% | 1% | -26% | 3% | 30% | 4% | -24% |
| Mortgage | -2% | -2% | | -11% | -9% | 5% | 1% | -2% | 3% | 0% | -11% |
| Corporate* | -6% | 2% | 6% | -17% | -12% | -3% | -12% | -2% | -14% | 0% | -36% |
| Car financing | -5% | | -11% | -20% | -26% | | | -21% | | | |

* including SME, LME and municipality loans as well
** including loans to households and SME loans *** including LME and municipality loans as well
**** in 2Q 2010adjusted for the effect of reclassification of municipality bonds into customer loans

## Quarterly deposit dynamics reflects the effects of pricing measures in accordance with the excellent liquidity position, but in majority of the markets the y-o-y expansion is remarkable

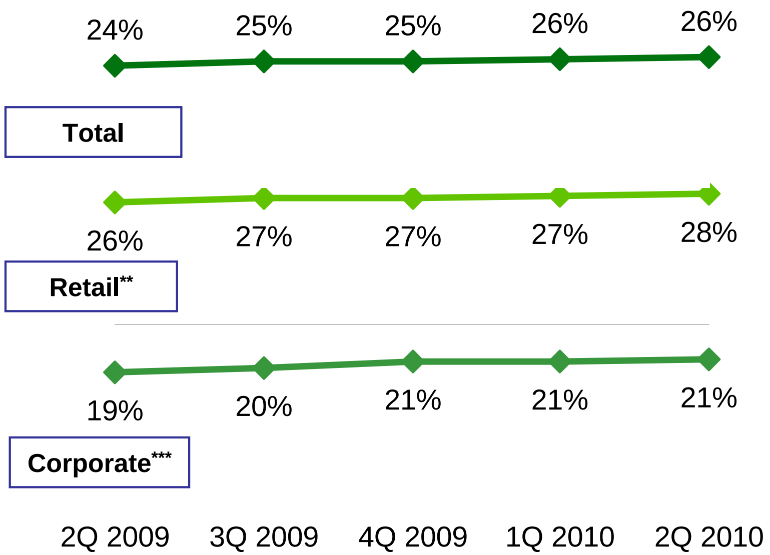
### Breakdown of consolidated customer deposits (HUF billion)




### Q-o-Q deposit volume changes in 2Q 2010 adjusted for FX-effect

| | Cons. | Core | OBRu | OBU | DSK | OBR | OBH | OBS | OBSr | CKB |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 0% | -1% | 8% | 3% | -1% | 2% | 2% | -1% | 1% | -4% |
| Retail | 0% | 0% | 2% | 5% | -1% | -6% | 1% | -1% | 2% | -1% |
| Corporate* | -1% | -3% | 18% | 1% | 1% | 14% | 9% | 0% | 0% | -7% |

### Proportion of FX deposits in the consolidated deposit portfolio



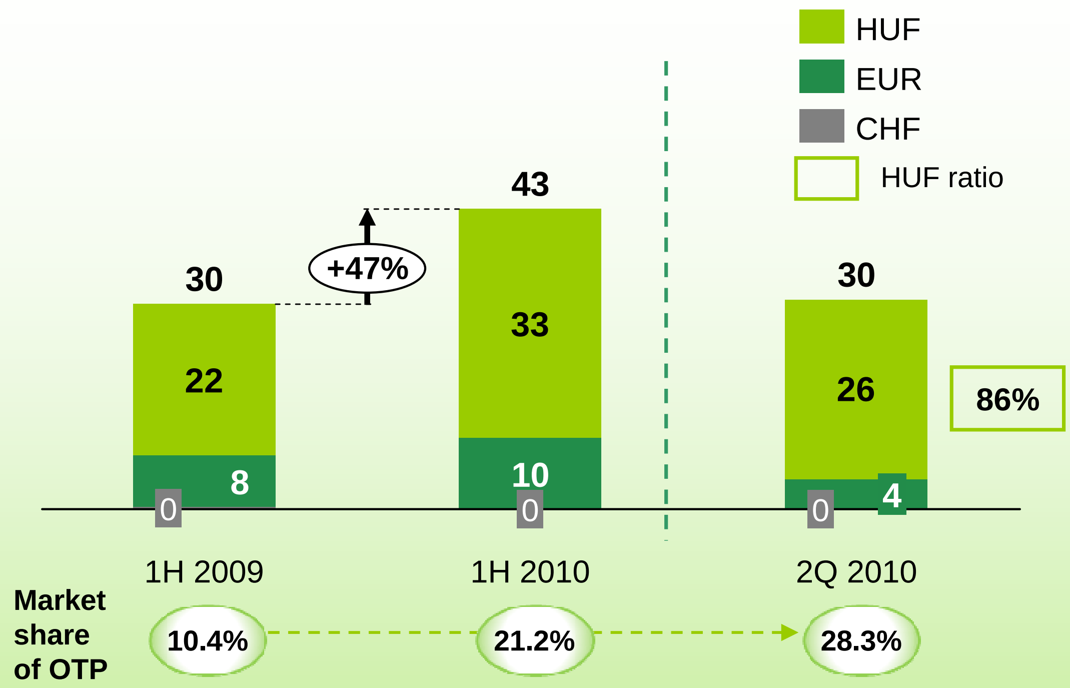

### Y-o-Y deposit volume changes in 2Q 2010 adjusted for FX-effect

| | Cons. | Core | OBRu | OBU | DSK | OBR | OBH | OBS | OBSr | CKB |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 8% | 7% | 49% | 18% | 8% | 16% | 5% | 1% | -8% | -2% |
| Retail | 4% | -1% | 34% | 36% | 8% | 18% | 7% | 3% | -7% | 17% |
| Corporate* | 14% | 20% | 88% | 3% | 5% | 15% | -7% | -2% | -11% | -21% |

* including SME, LME and municipality deposits as well
** including households' deposits and SME deposits
*** including LME and municipality deposits as well

# In 1H 2010 OTP Bank doubled its market share in new mortgage loan disbursements y-o-y and was able to raise its market share in savings by 0.5%

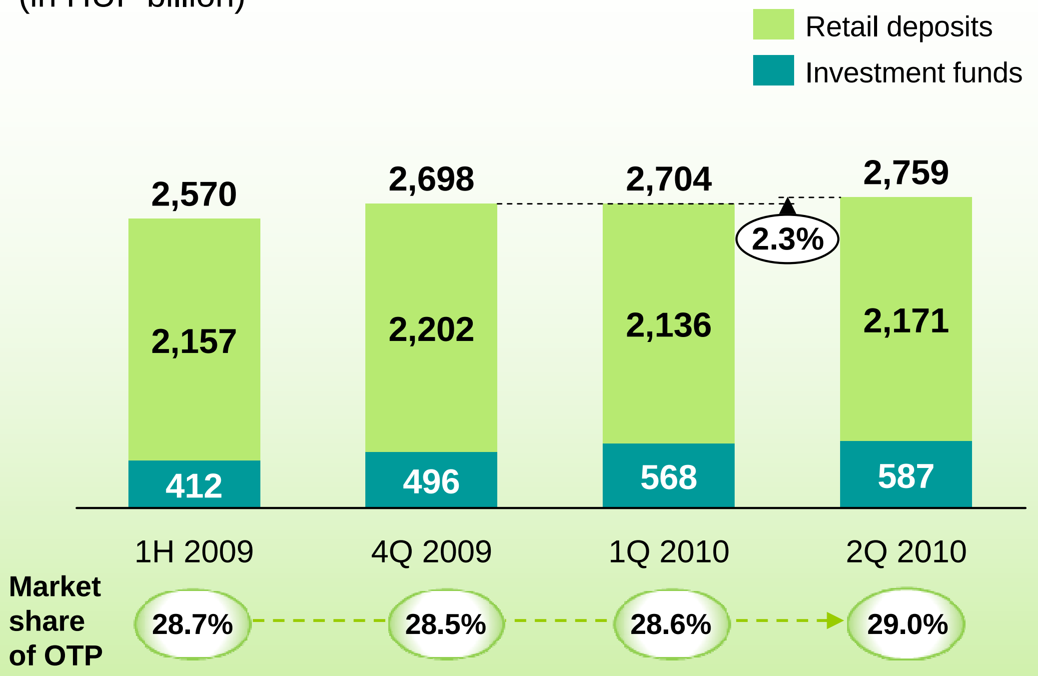
**Mortgage loan disbursements of OTP Core*** (in HUF billion)




In 2Q 2010 FX-adjusted pace of the decline in OTP Core's mortgage loan portfolio halved (1Q 2010: HUF -24 billion, 2Q 2010: HUF -13.4 billion)**.
In order to diminish the monthly instalments of customers' OTP Bank several times voluntarily decreased interest rates:

- 15-300bps interest rate decrease of CHF housing loans (effective from 4 June 2010)
- 75 bps decrease of interest rate on all CHF-denominated loans – for the period of steadily high CHF rates (effective also from 4 June 2010)

**Liquid savings portfolio and market share of OTP Bank** (in HUF billion)




In 1H 2010 the yield and FX-rate adjusted liquid savings portfolio of OTP Core grew by HUF 9.5 billion.

Year-to-date OTP Fund Management launched 4 yield protected fund, while two other funds were launched for institutional investors.

* Calculated on the basis of new contractual amounts
**Portfolios calculated on the base of the supervisory balance sheet methodology

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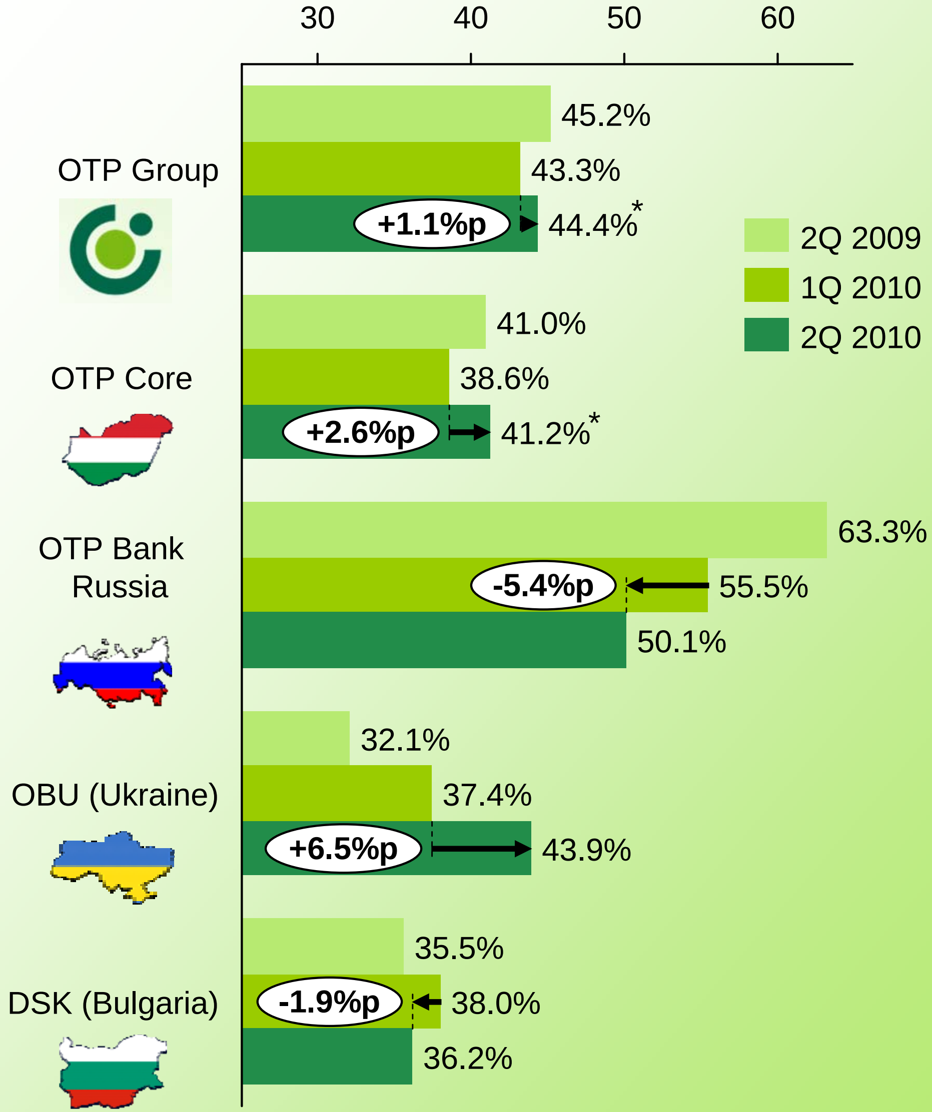
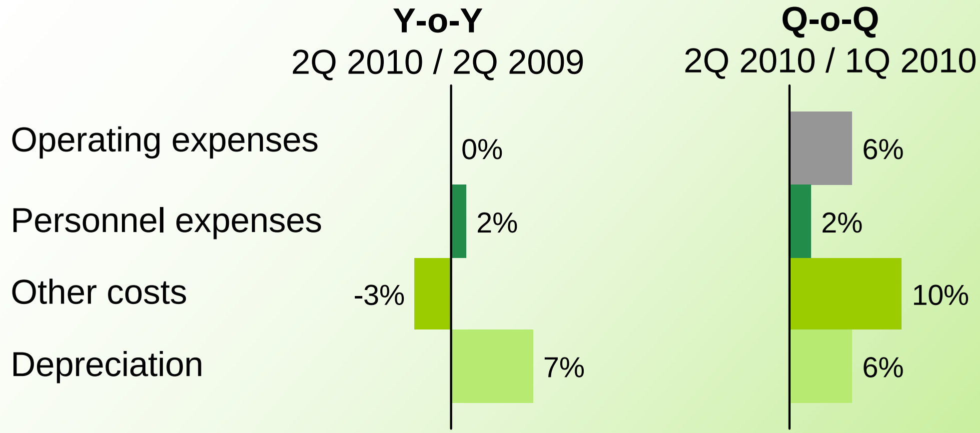
# Development of operating expenses denotes henceforward strong cost control; in 2Q adjusted consolidated cost/income ratio, adjusted for the one-off income items slightly increased q-o-q

**Cost/Income ratio** (%)




**Change of consolidated operating expenses**** (%)




In 2Q consolidated operating expenses (calculated considering comparability) did not change y-o-y, in spite of the high CPI in many markets (2Q 2010 CPI in UKR: 8.4%, RUS: 6.0%, HUN: 5.4%)

Operating expenses in HUF terms were negatively affected by the fact, that in 2Q HUF depreciated against all subsidiary currencies, but RSD (HUF depreciation vs. UAH -13%, vs. RUB -10%)

Operating expenses in Ukraine grew by 23% in HUF terms, which is mainly reasoned by the FX-effect; Russian operating expenses rose by 5% q-o-q, still in local currency cost saving was accomplished

Q-o-q growth of expenses was mainly determined by other expenses of OTP Core (+8% q-o-q); the HUF 0.5 billion aid transferred to the Hungarian Red Cross to help people suffering flood damages was also booked on this line

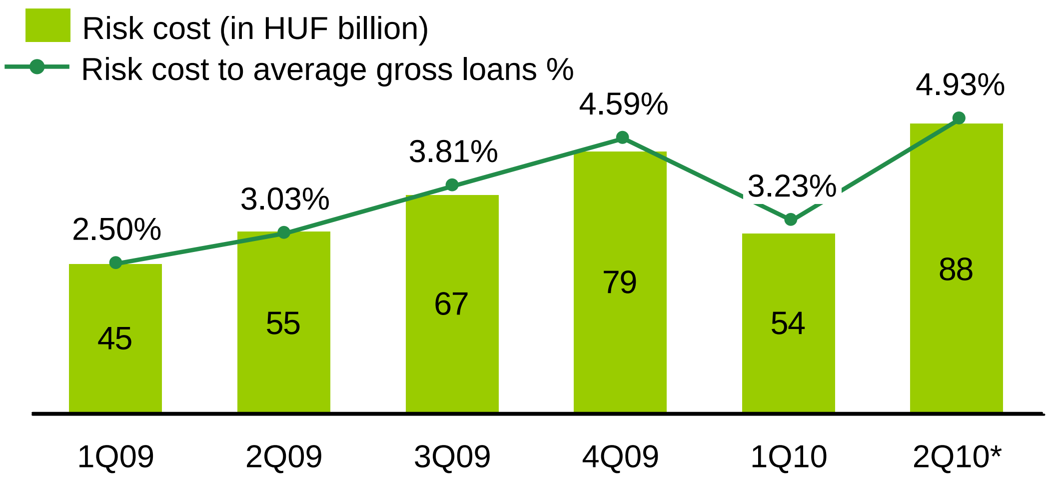
In 2Q 2010 decrease of headcount continued in the Ukraine (-4% q-o-q), Serbia (-3% q-o-q), Russia and Slovakia (-2% q-o-q). Regarding the number of branches, the declining trend started at the end of 2008 broke in 2Q 2010, q-o-q 3 new branches were opened

* Adjusted ratio in 2Q 2010: result of swap revaluation (HUF 22.6 billion), FX-gain related to revaluation of provisions (HUF 8.0 billion) and FX gain from revaluation of hedging position related to Ukrainian provision (HUF 8.9 billion) is deducted from the total income of OTP Group and OTP Core

** Without the operating expenses of leasing companies first time consolidated in 4Q 2009

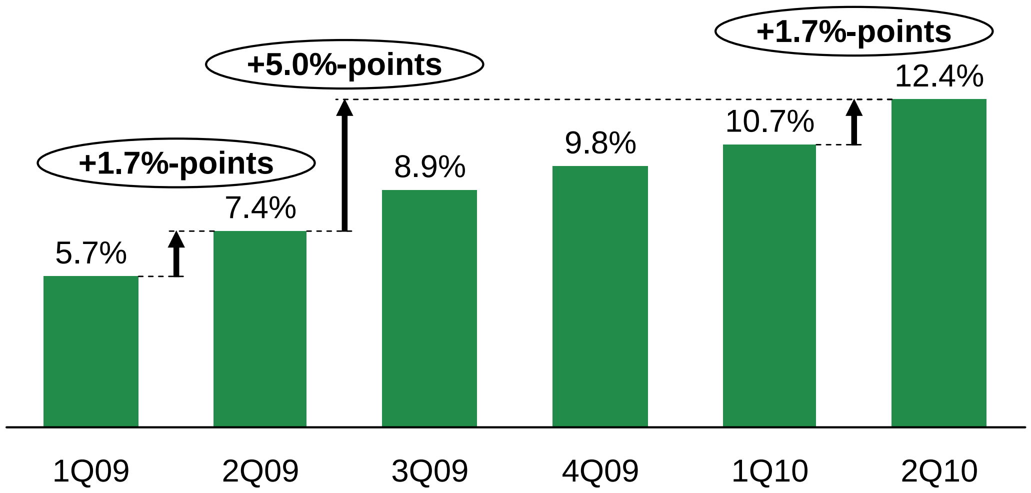
## The q-o-q acceleration of portfolio quality deterioration resulted in record high risk costs, however, coverage is stable at a high level (74%), in addition 2Q risk cost contained forward-looking and technical items as well

### Consolidated risk costs and its ratio to average gross loans

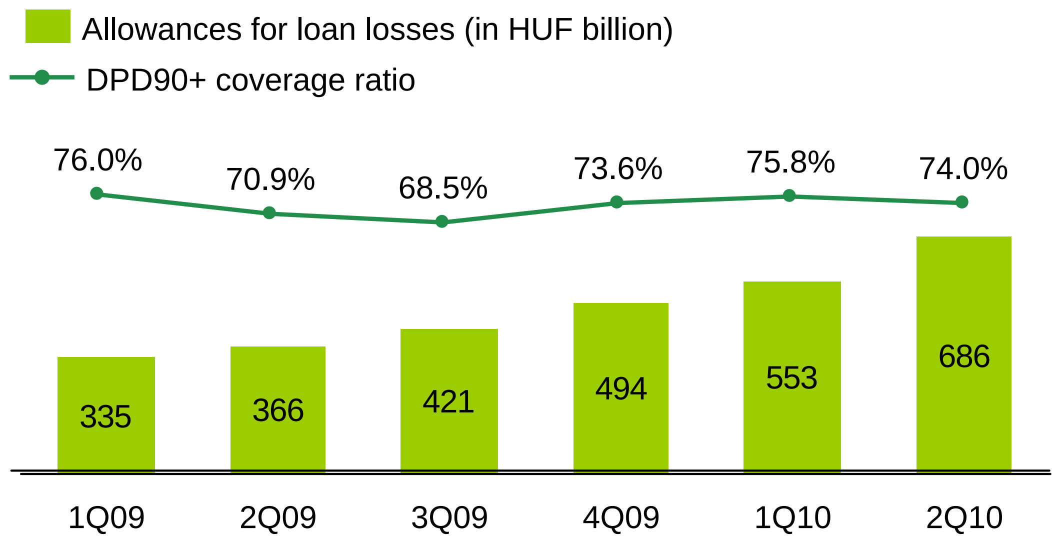



- Coverage ratio of OTP Core improved significantly (2Q 2010: 78%, +3%-points q-o-q) taking into consideration the expected future effects on portfolio quality of the HUF depreciation in June. Furthermore, the provisioning in 2Q contained HUF 8 billion revaluation loss of provisions (without this item, consolidated risk cost rate would be at 4.93% in 2Q), which was offset on the FX gains line.
- In Russia, further provisions for Technosila in 2Q amounted to HUF 2.7 billion, thus the provision coverage of the deal grew to 89%
- In Ukraine, half of the quarterly growth of DPD90+ ratio was due to the shrinking gross loan book
- Still significant provisioning in Montenegro (2Q: HUF 7.6 billion, risk cost rate: 18%), the portfolio quality, however, shows sign of stabilization
- Materially worsening macro environment in Romania resulted in HUF 2.7 billion increase of risk cost q-o-q

### Consolidated DPD90+ loans to total loans (%)




### Development of the consolidated coverage ratio




* Without revaluation result of FX-provisions at OTP Core (2Q 2010: HUF -8.0 billion)

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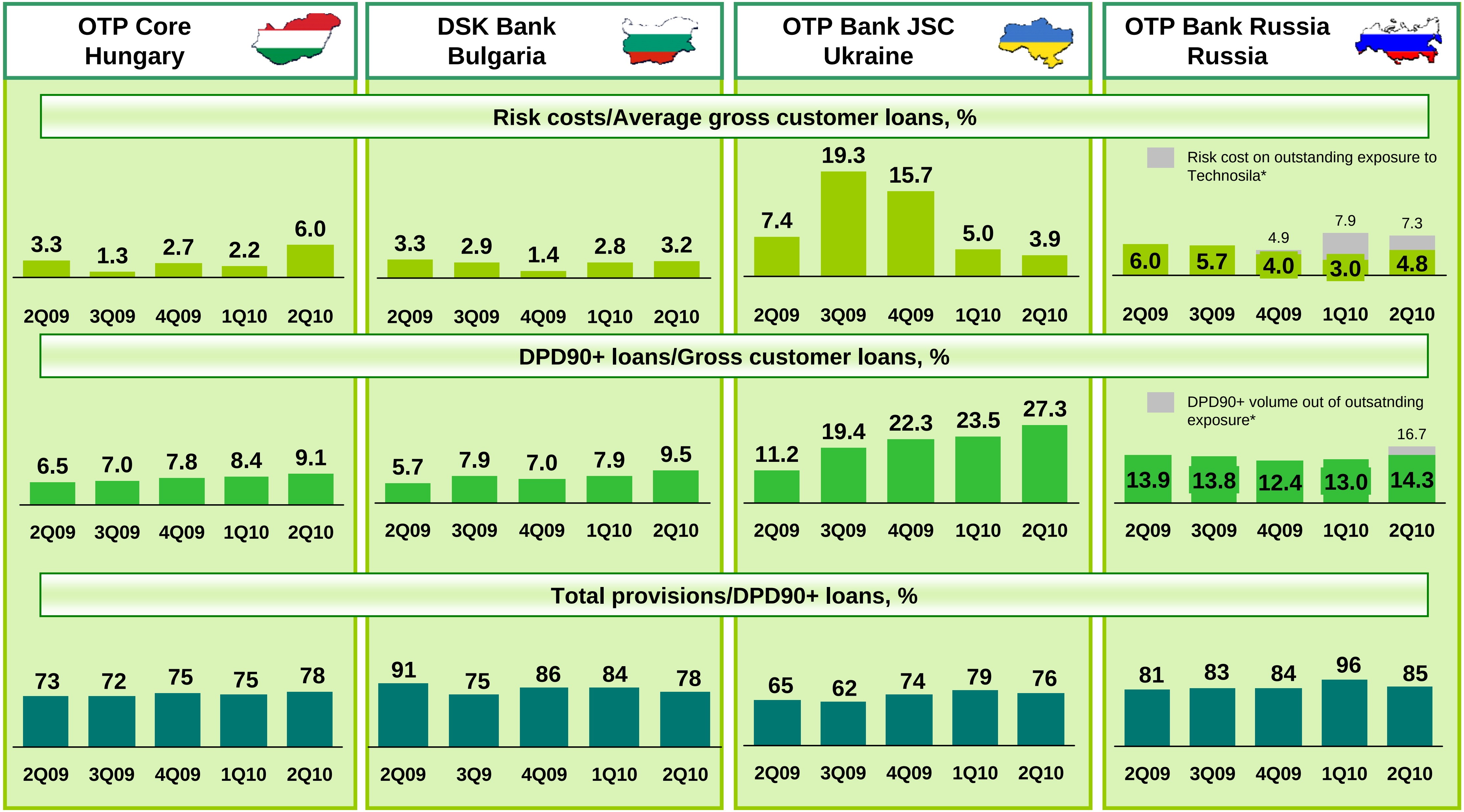
## Stable or improving coverage in case of large portfolios, increasing risk cost rate at OTP Core and in the Bulgarian unit, shrinking risk cost rate in Ukraine, at the Russian unit the risk cost rate will return to normal levels after the phasing-out of a one-off item




*One-timer provisioning was made for the loan of Techosila Group (engaged in retail trade of electronic and home appliances) amounted to HUF 0.8 billion in 4Q 2009, HUF 4.6 billion in 1Q 2010 and 2.7 billion in 2Q 2010. The total outstanding exposure of OTP Bank Russia to the above mentioned company amounted to USD 46.6 million, majority of which was overdue. The total provision coverage of the exposure was 89% at the end of June 2010, further increase of provision coverage is not expected in the future.

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## Deterioration of the mortgage portfolio accelerated at OTP Core; Russian DPD90+ rate increased due to a one-off effect; corporate driven quality deterioration at DSK; in Ukraine roughly half of the q-o-q increase in the DPD90+ ratio is attributable to the decreasing total loan book

### DPD90+ loan volumes

| OTP Core | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | Q/Q |
|---|---|---|---|---|---|---|
| **Total** | **6.5%** | **7.0%** | **7.8%** | **8.4%** | **9.1%** | ***0.6%*** |
| Household | 6.5% | 7.1% | 7.2% | 7.7% | 8.5% | *0.8%* |
| Mortgage | 4.5% | 5.0% | 5.1% | 5.5% | 6.3% | *0.8%* |
| Consumer | 14.4% | 15.4% | 15.9% | 16.5% | 17.8% | *1.3%* |
| SME | 10.4% | 10.7% | 11.2% | 11.1% | 12.6% | *1.5%* |
| Corporate | 6.4% | 7.0% | 9.7% | 10.8% | 12.0% | *1.2%* |
| Municipal | 0.3% | 0.0% | 0.0% | 0.0% | 0.9% | *0.9%* |

### DPD90+ loan volumes

| OTP Bank Russia | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | Q/Q |
|---|---|---|---|---|---|---|
| **Total** | **13.9%** | **13.8%** | **12.4%** | **13.0%** | **16.7%** | ***3.7%p*** |
| Mortgage | 4.8% | 5.9% | 10.2% | 8.8% | 10.9% | *2.1%p* |
| Consumer | 26.5% | 23.6% | 17.8% | 18.3% | 19.0% | *0.7%p* |
| Corporate+ SME | 3.3% | 3.6% | 4.0% | 4.6% | 15.3% | *10.7%p* |
| Car-financing | 10.8% | 14.0% | 15.4% | 17.0% | 17.1% | *0.1%p* |

### DPD90+ loan volumes

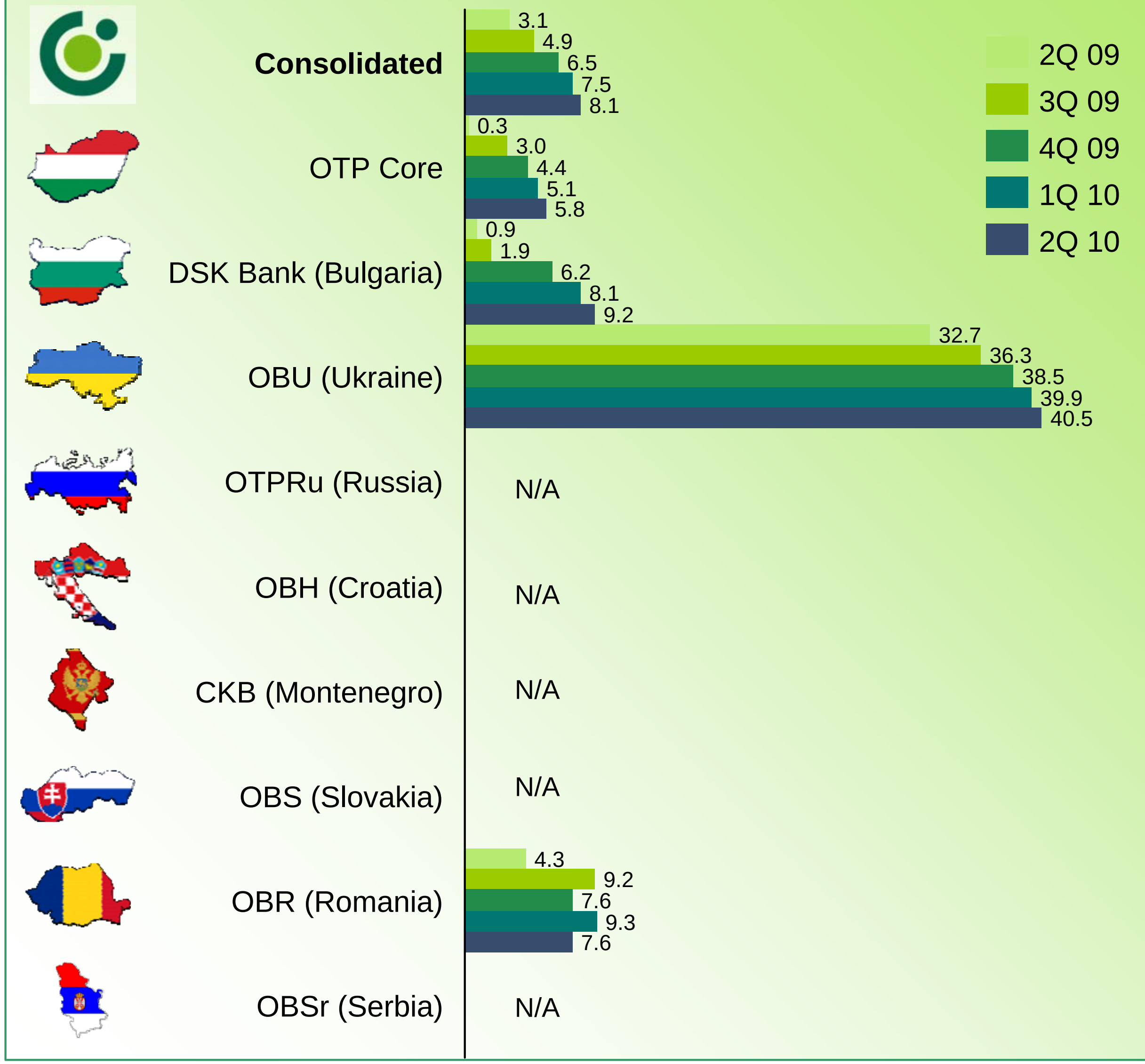
| DSK | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | Q/Q |
|---|---|---|---|---|---|---|
| **Total** | **5.7%** | **7.9%** | **7.0%** | **7.9%** | **9.5%** | ***1.6%p*** |
| Mortgage | 5.2% | 7.4% | 6.6% | 7.0% | 8.3% | *1.3%p* |
| Consumer | 6.8% | 8.0% | 7.3% | 8.2% | 9.2% | *1.0%p* |
| SME | 12.8% | 17.9% | 18.2% | 22.4% | 25.4% | *3.0%p* |
| Corporate | 1.1% | 4.0% | 2.3% | 3.0% | 6.1% | *3.2%p* |

### DPD90+ loan volumes

| OTP Bank JSC | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | Q/Q |
|---|---|---|---|---|---|---|
| **Total** | **11.2%** | **19.4%** | **22.3%** | **23.5%** | **27.3%** | ***3.9%p*** |
| Mortgage | 16.5% | 19.4% | 22.3% | 25.6% | 30.2% | *4.6%p* |
| SME | 16.2% | 25.4% | 29.1% | 35.7% | 40.5% | *4.8%p* |
| Corporate | 5.5% | 18.3% | 21.2% | 18.3% | 20.7% | *2.4%p* |
| Car-financing | 11.8% | 13.6% | 16.3% | 20.1% | 23.5% | *3.4%p* |

# The speed of retail rescheduling is slowing down, material rescheduling has taken place in the Ukraine (41%), Bulgaria (9%), Romania (8%) and at OTP Core (6%), at other units the rescheduled book is negligible so far

**Development of rescheduled retail portfolio*** (as % of the outstanding retail loan portfolio*)




Altogether 8% of consolidated retail loan book was participating in the loan protection programme as at end 2Q 2010.

Rescheduling started in Ukraine during 1Q 2009, the pace of it slowed down materially in 2H 2009. The volume of the rescheduled book has been decreasing since 1Q 2010. However, the pace of the decline is lagging behind the decrease in the total loan book, therefore the rescheduled ratio is still on the rise. In 2Q 2010 the ratio of re-default is 26% within the rescheduled retail book (ratio of DPD90+ loans within the rescheduled retail loan portfolio - 2009 4Q: 14%, 2010 1Q: 20%).

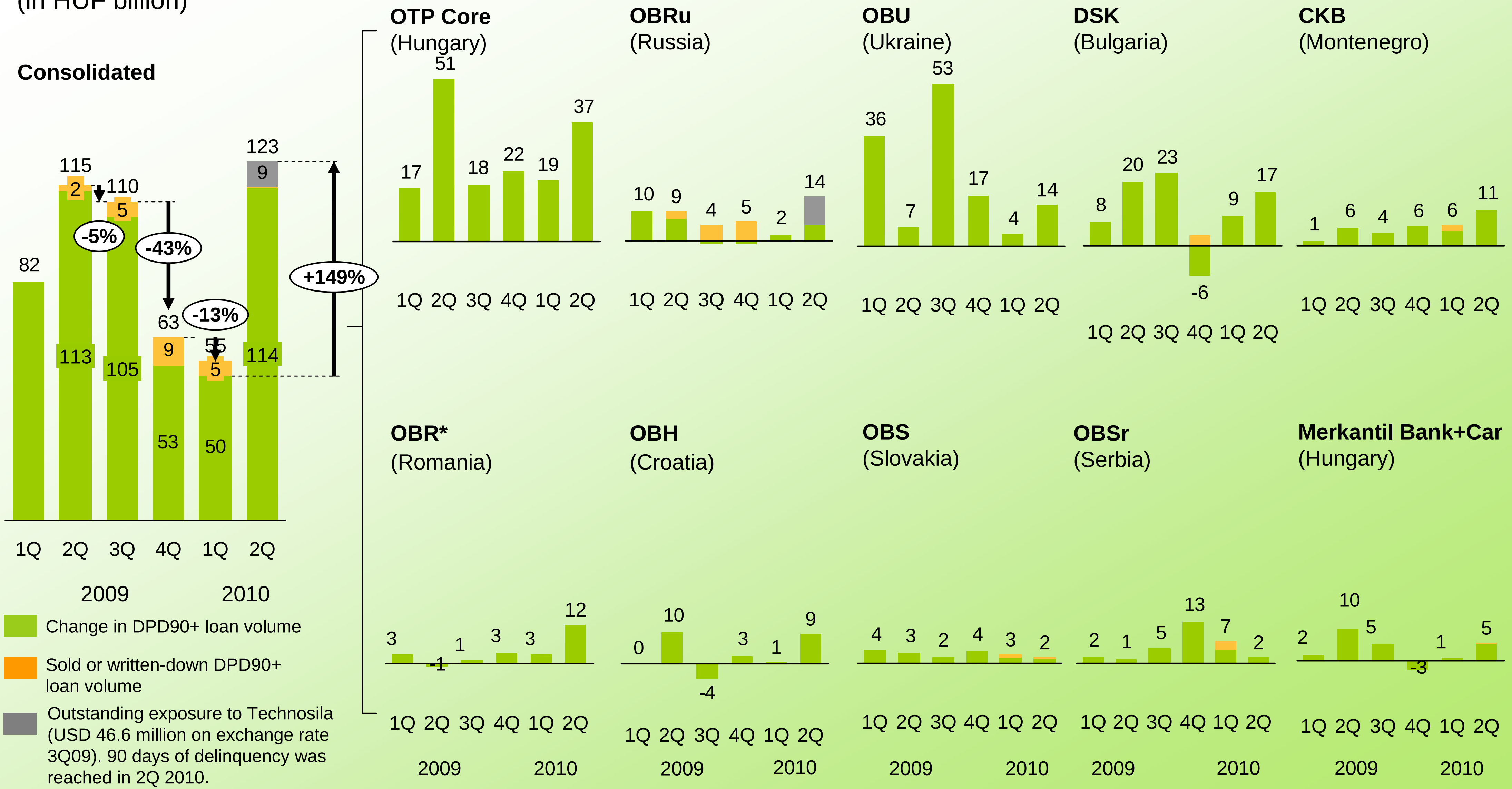
In Romania the rescheduling started in 2Q 2009, in Hungary and Bulgaria in 3Q 2009.

In other countries the volume of rescheduled portfolio is negligible.

* Without loans to SMEs.

# Except for Serbia and Slovakia the speed of portfolio quality deterioration accelerated – the increase in DPD90+ loan volumes was significant at OTP Core

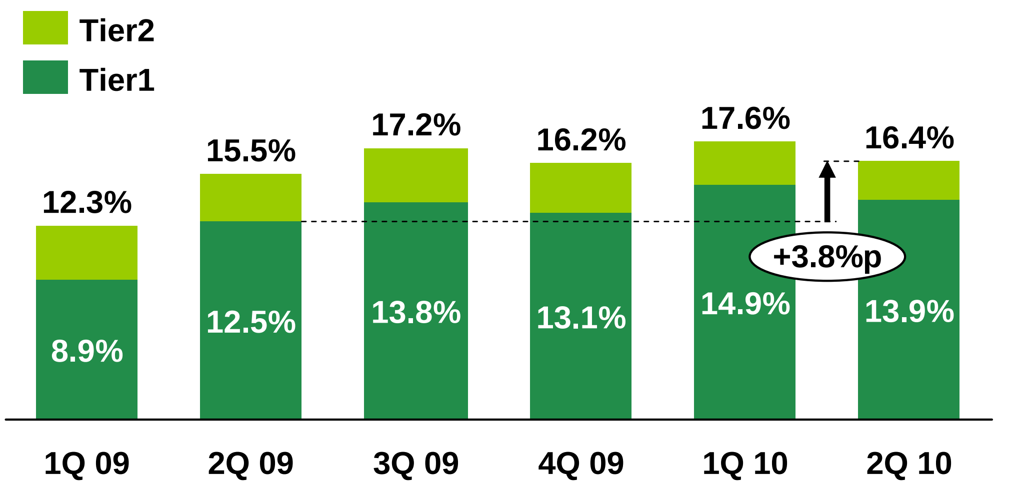
## FX-adjusted quarterly change in DPD90+ loan volumes
(in HUF billion)



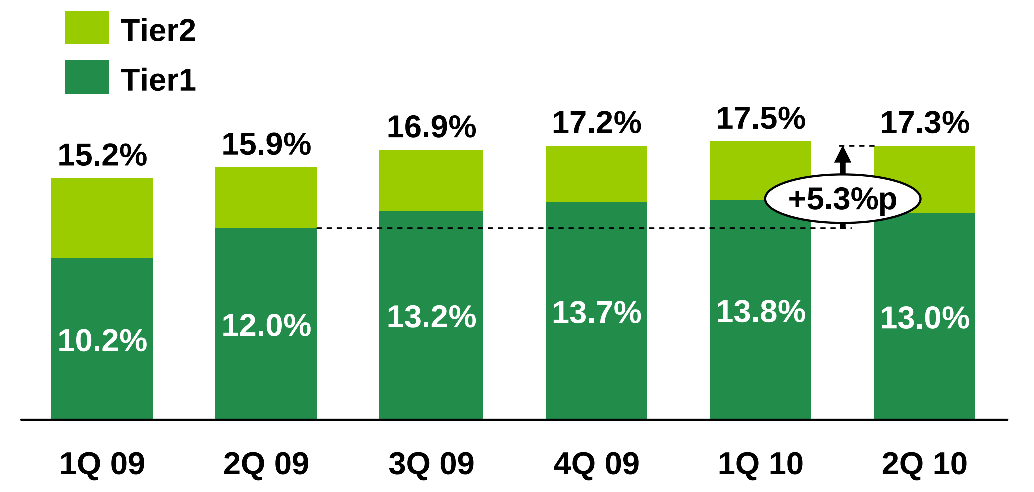

* From 2Q 2010 including the loan volumes transferred to OTP Faktoring Romania SRL.

# Capital adequacy ratios of both OTP Bank (unconsolidated) and OTP Group (consolidated) are above regulatory minimum and remained outstandingly high in international comparison

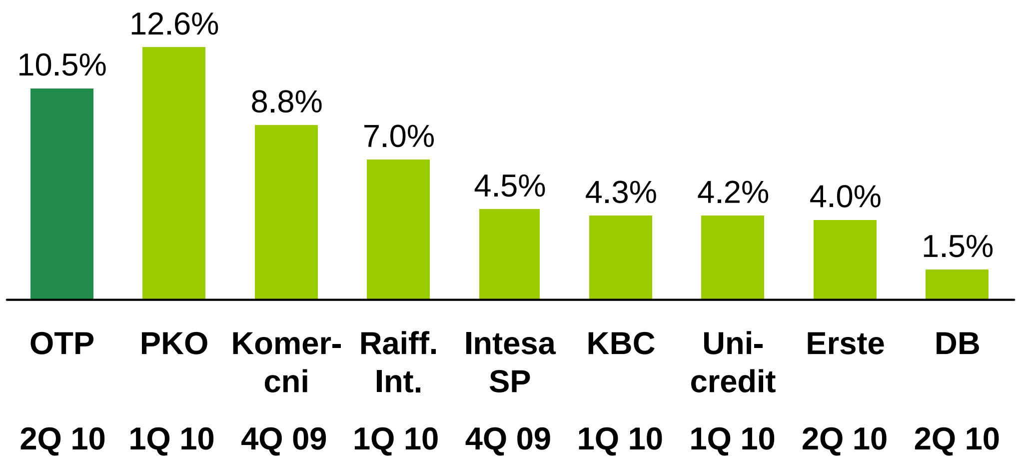
**Capital Adequacy Ratio – OTP Bank unconsolidated** (HAR)



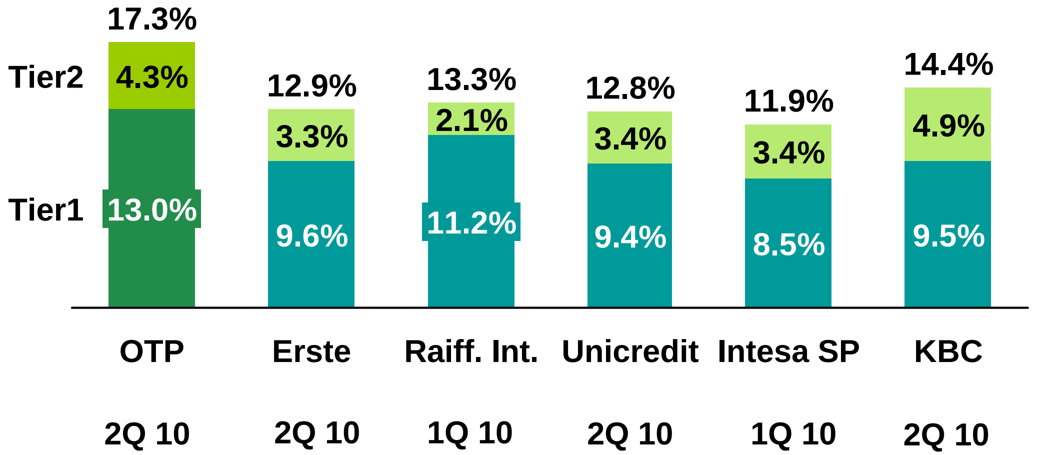

**Capital Adequacy Ratio – OTP Group consolidated** (IFRS)




**Tangible equity/tangible asset ratios in international comparison***



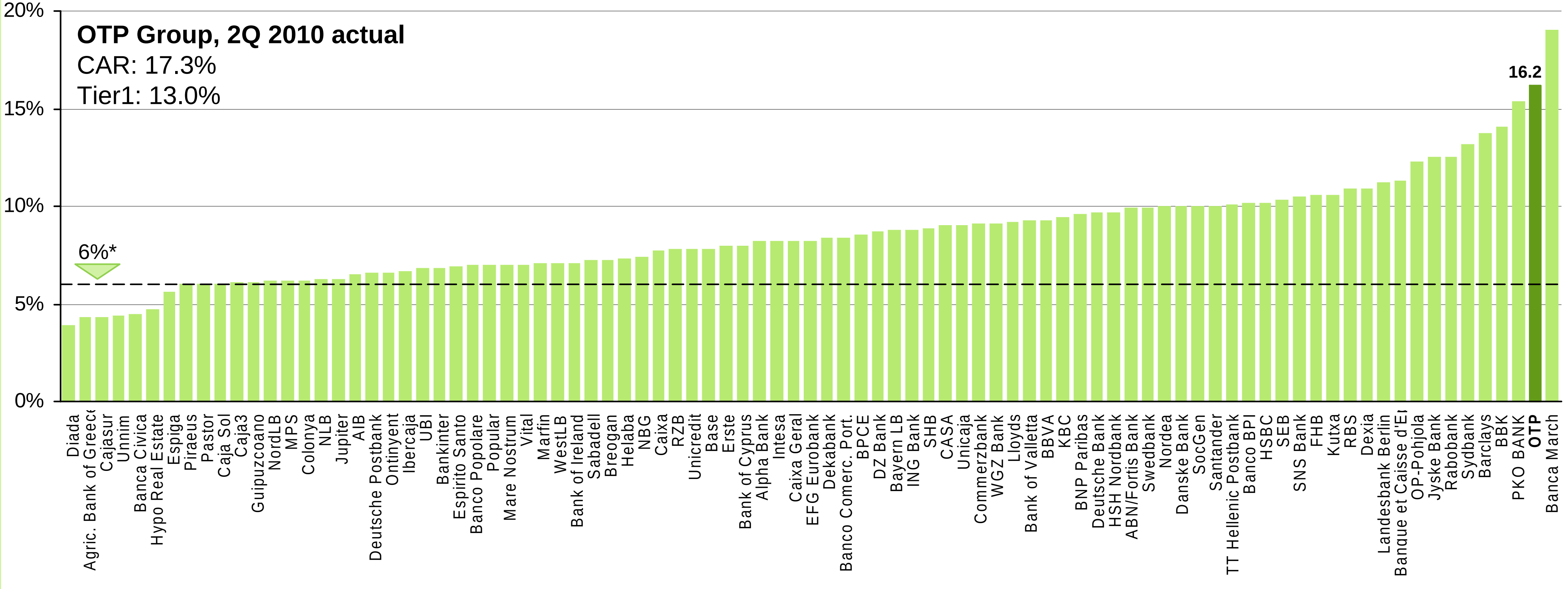

**OTP Group's capital adequacy ratio in international comparison***




*Source: Bloomberg, OTP

## CEBS stress test results of OTP Group are sound and well above the threshold expected; under the most adverse scenario the Tier 1 ratio is the 2nd best in international comparison

**Tier1 ratios under the most adverse scenario (2011)**




The EU-wide stress testing exercise of financial institutions, coordinated by the Committee of European Banking Supervisors (CEBS) has been carried out by 91 banks from 20 EU Member States. Among others OTP Bank Plc. has represented Hungary in the test.

Based on the parameters defined by ECB and CEBS, **under the most adverse scenario OTP Group's Tier 1 ratio would stand at 16.2% by the end of 2011**, which is more than four times the mandatory minimum level of 4% and which was the 2nd best in international comparison.

* 6% threshold used exclusively for the purpose of this stress test exercise.

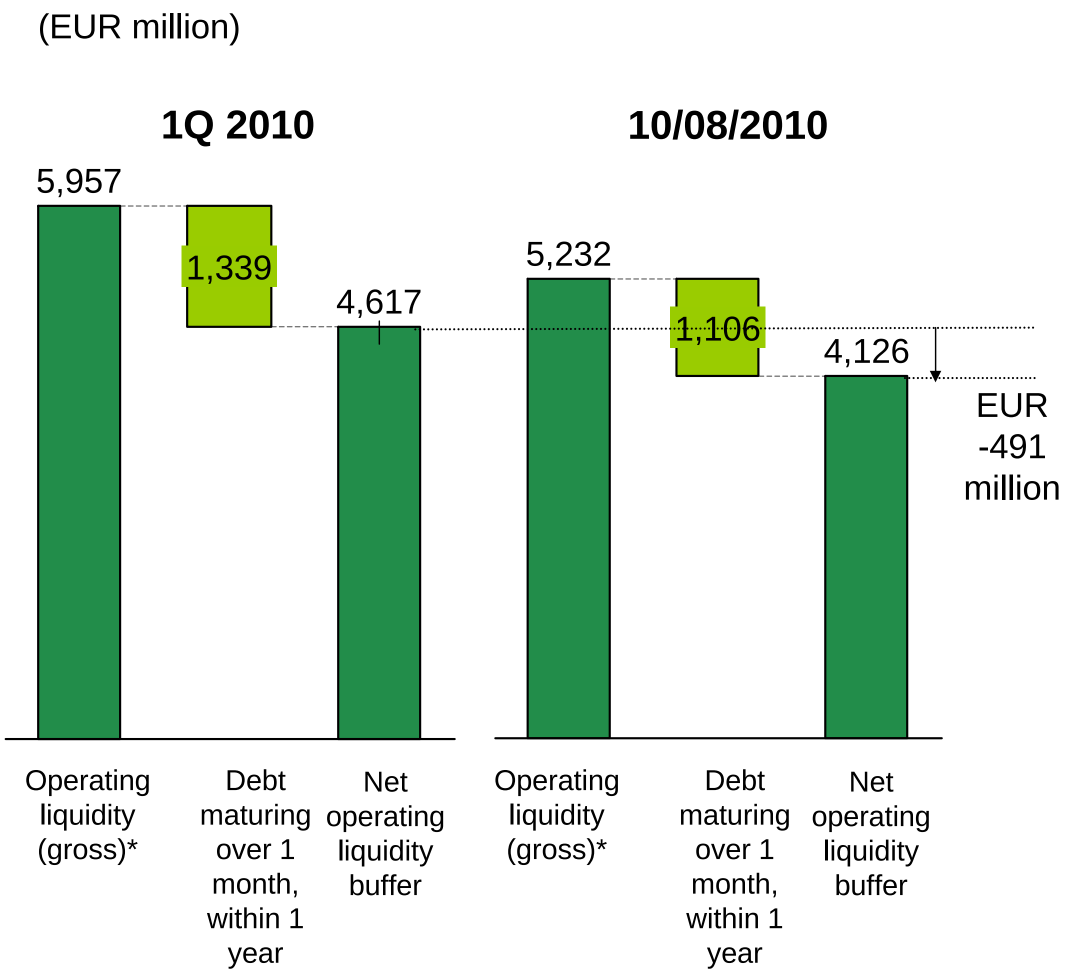
## Based on our current knowledge, the Basel 3 regulation has eased a lot - OTP Group could comfortably meet the earlier proposed stricter requirements in 2012

| | Expected regulatory minimum | OTP Group (1H 2010)** | Expected implementation |
|---|---|---|---|
| **Core Tier1** | (4%)* ? | 13.0% | 2012 |
| **CAR** | (8%)* ? | 17.3% | |
| **Leverage ratio** | 3% | 8% - 9% | 2018 |
| **Liquidity coverage ratio** | 100% | ~ 170% | 2012 |
| **Net stable funding ratio** | 100% | ~ 100% | 2018 |

* Currently in effect
**Estimated ratios according to currently available information

## Despite significant debt redemptions since March 2010, OTP Group managed to maintain a safe liquidity cushion with operating liquidity reserves of EUR 5.2 billion at early August

### Current net liquidity buffer is by EUR 4.1 billion above debt maturing within 1 year




- **Key reasons behind the decline in liquidity reserves:**
  - **Debt redemptions**

    EUR 140 mn syndicated loan (08/04/2010)

    EUR 500 mn senior bond (01/07/2010)
  - **Higher margin requirements of FX swaps as a result of weakening HUF**
- **Liquidity boosting tools:**
  - **Stable Hungarian retail bond market**
    Closing volume reached HUF 254 bn (EUR 886 mn) by the end of 2Q
  - **EUR 250 million syndicated loan** (July 2010)
  - **Steady inflow of intragroup liquidity**
- **Comfortable redemption profile**
  - EUR 300 mn senior bond + 300 mn loans (December 2010)
  - EUR 500 mn senior bond (May 2011)

*Liquid asset surplus within 1 month + repo value of government bonds, covered bonds, municipal bonds

## 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.

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