OTP Group – 2008 Results and 2009 Guidance

Conference call presentation – 13 February, 2009

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HUF 219 billion adjusted after tax profit in 2008, in line with modified profit plans

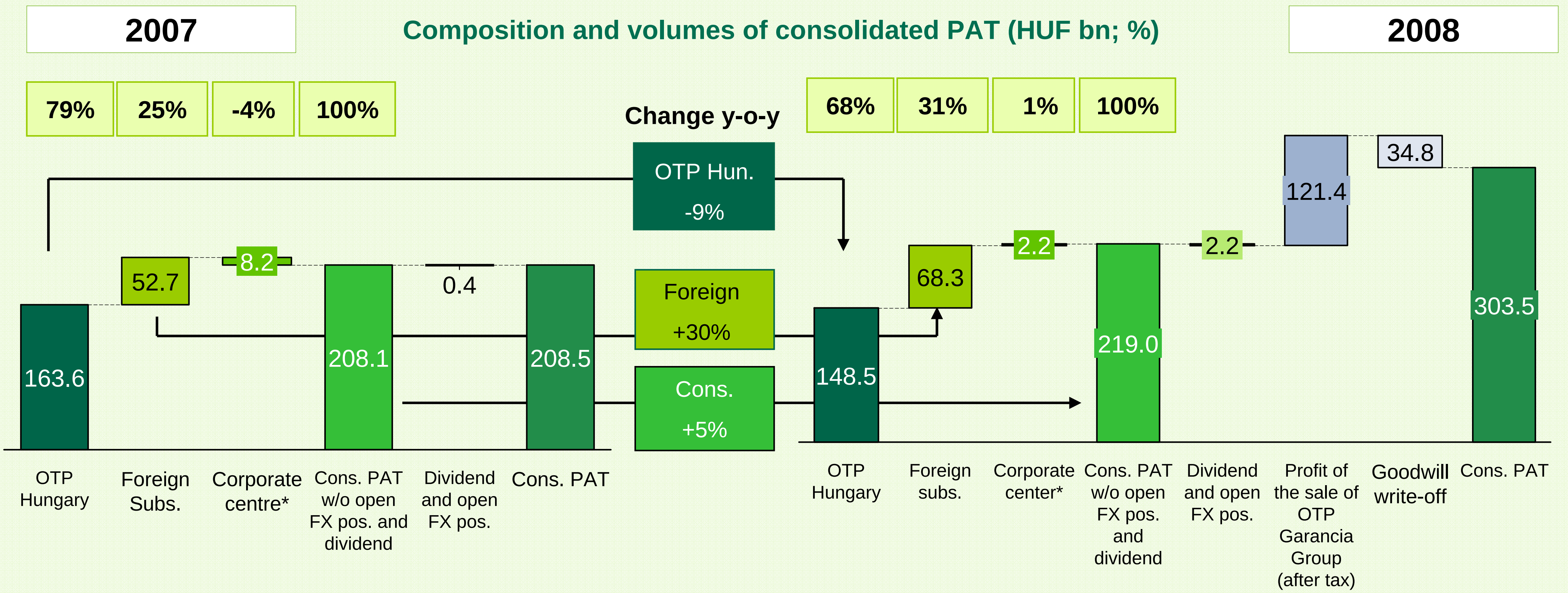
Financial highlights of OTP Group (consolidated, IFRS)

in HUF billion	2007	2008	Y-o-Y	3Q 08	4Q 08	Q-o-Q
After tax profits	**208,5**	**303,5**	**46%**	**172,1**	**1,7**	**-99%**
Dividends and net cash transfers	0,9	2,5	188%	0,7	0,8	14%
Profit of the strategic open FX position (after tax)	-0,5	-4,7	886%	-3,6	-9,5	164%
Profit of the sale of OTP Garancia Group (after tax)	0,0	121,4		121,4	0,0	-100%
Goodwill impairment charges (after tax)	0,0	-34,8		0,0	-34,8	
After tax profit (adj)	**208,1**	**219,0**	**5%**	**53,6**	**45,2**	**-16%**
Pre-tax profit	248,7	249,6	0%	65,0	44,7	-31%
Total income	629,2	733,1	17%	175,1	211,7	21%
Net interest income (adj.)	438,4	515,6	18%	129,2	145,5	13%
Net fees and commissions	133,0	140,6	6%	34,9	37,0	6%
Total other non-interest income (adj.)	57,8	76,9	33%	11,1	29,3	164%
Provision for possible loan losses (adj.)	-42,1	-107,6	156%	-17,2	-62,2	261%
Other provisions	-7,4	-12,3	66%	-2,0	-10,4	416%
Operating expenses (adj.)	-331,1	-363,6	10%	-90,8	-94,4	4%
Total assets	**8.462**	**9.442**	**12%**	**9.363**	**9.442**	**1%**
Total customer loans (gross)	**5.761**	**7.006**	**22%**	**6.660**	**7.006**	**5%**
Total customer deposits	**5.038**	**5.215**	**4%**	**5.376**	**5.215**	**-3%**
Issued securities	985	1.527	55%	1.426	1.527	7%
Subordinated debt	301	317	5%	291	317	9%
Total shareholders' equity	896	1.111	24%	1.136	1.111	-2%
Gross loan/deposit ratio (%)*	114,2%	134,3%	20,0%	123,8%	134,3%	10,4%
Net interest margin (adj.)	5,6%	5,76%	0,12%	5,64%	6,15%	0,51%
Cost/income ratio (adj.)	52,6%	49,6%	-3,0%	51,9%	44,6%	-7,3%
Risk cost to average gross loans (adj.)	0,82%	1,69%	0,86%	1,07%	3,62%	2,55%
ROA (adj.)	2,7%	2,4%	-0,2%	2,3%	1,9%	-0,4%
ROE (adj.)	24,7%	21,8%	-2,9%	20,5%	16,0%	-4,5%

- The all-time high HUF 303.5 billion consolidated profit (+46% y-o-y), 4Q was mainly affected by the negative net effect on the strategic open FX-position, the goodwill write-off in connection with the Ukrainian and Serbian subsidiaries and the extraordinary amount of provisioning for possible loan losses
- HUF 219 billion PAT without one-offs – in line with the modified management objectives
- Record high provisioning – on one hand as a precaution step due to future uncertainties, on the other hand the revaluation gains on the Ukrainian risk provisions enabled higher provisioning in 4Q
- The significant deterioration of LTD ratio in 4Q was due to the decrease of consolidated deposit base; however due to the weakening HUF it is not obvious that the lending was substantially cut back in 4Q in all subsidiaries, and that OTP Core successfully extended its retail deposit base
- Favourable capital position, CAR reached 15.3% with 11.2% Tier1. Improving NIM (5.76%), CIR below 50%, ROE 21.8%
- Portfolio growth +21.6%, deteriorating portfolio quality (NPL: 5.4%), stable NPL-coverage (64%)

* Increase of gross loan/deposit ratio is mainly due to increase of loan portfolio owing to changes in currency rates (HUF weakened vs. EUR 9% q-o-q, vs. CHF 15% q-o-q)

HUF 303.5 billion all-time-high profit in 2008, despite substantial increase of provisioning



The profit dynamics was heavily affected by the sharp increase in provisions for possible loan losses and other provisions (HUF billion):

2007		2008
49.4	+142%	119.8

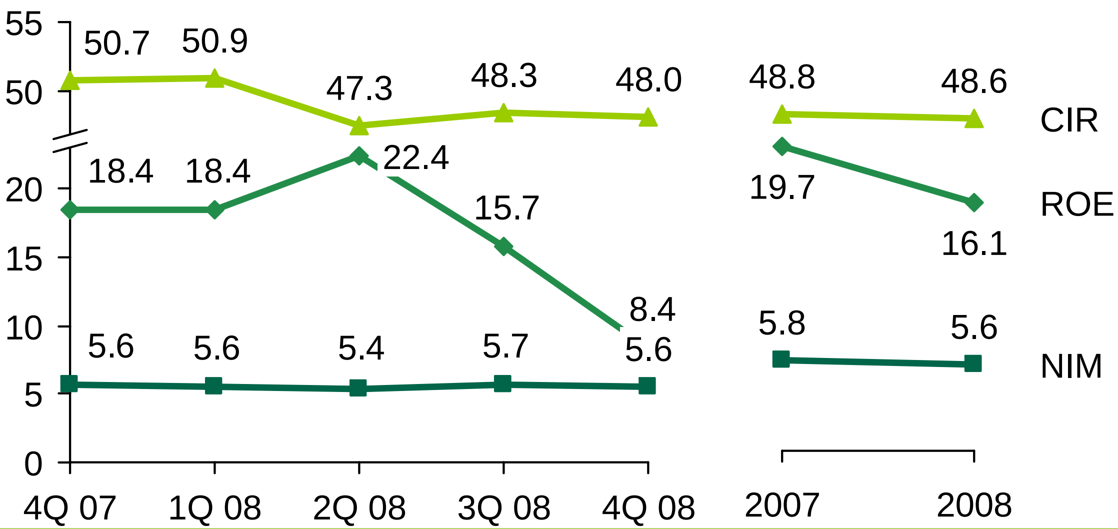
* Corporate Centre is including funding cost of Tier 2 capital, net interest and non interest income of OTP Bank from subsidiary financing

OTP Core: HUF 131.5 billion PAT somewhat lagged behind the management's original plans, along with significant provisioning, cutback of lending activity in November, successful retail deposit campaign

Financial highlights of OTP Core

in HUF million	2008	Y-o-Y	3Q 08	4Q 08	Q-o-Q
After tax profit	***131,534***	***-6%***	***34,733***	***19,572***	***-44%***
Pre-tax profit	143,837	-13%	41,568	14,195	-66%
Total income	370,895	4%	94,352	94,257	0%
NII	270,683	4%	69,766	70,829	2%
Net F&C income	88,107	7%	22,162	22,302	1%
Other net non-interest inc.	12,105	-2%	2,423	1,126	-54%
Cost of risk	-25,384	70%	-5,588	-14,443	158%
Other cost of risk	-21,384	1489%	-1,637	-20,335	1142%
Operating expenses	-180,290	4%	-45,558	-45,284	-1%
Gross loans	***3,348,950***	***9%***	***3,200,309***	***3,348,950***	***5%***
o/w retail	2,179,217	26%	2,018,681	2,179,217	8%
corporate	1,169,733	-13%	1,181,619	1,169,733	-1%
Deposits	***3,244,482***	***5%***	***3,353,600***	***3,244,482***	***-3%***
o/w Retail & SME	***2,420,480***	***10%***	***2,242,101***	***2,420,480***	***8%***
Gross loans to deposits	103%	3%	95%	103%	8%

Profitability and cost-efficiency, %



- **HUF 131.5 billion PAT (-6% y-o-y) somewhat lagged behind the management's original plans, along with provisions increasing by HUF 30.5 billion**
- **Cutback of lending activity, successful retail bond issue and retail deposit campaign in 4Q, but a negative effect from corporate and municipality deposit decline**
- **Deteriorating corporate portfolio quality, but stable retail portfolio quality (NPL ratio 5.2% in 4Q 2008)**
- **OTP's retail book was better than market average**
- **Going forward, in 2009 a further profit decline is forecasted (increase in risk cost, effect of subsidized mortgage repricing, higher swap costs)**

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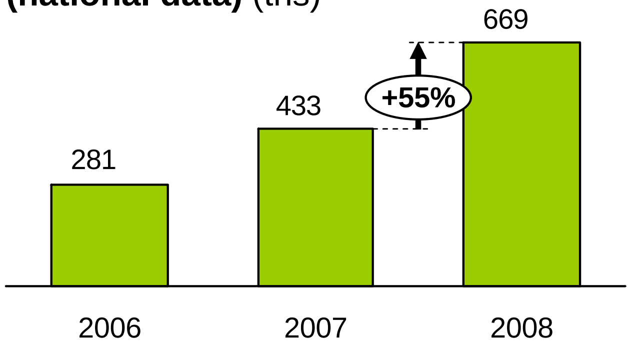
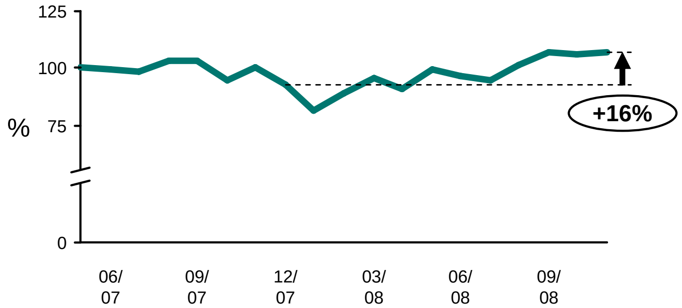
The deterioration of the OTP's Hungarian loan portfolio is below the market average

Difficulties in instalments' payment

Number of loans on CCIS list (national data)** (ths)



30+ days overdue retail loans at OTP Bank* (pieces) (05.2007.=100%)

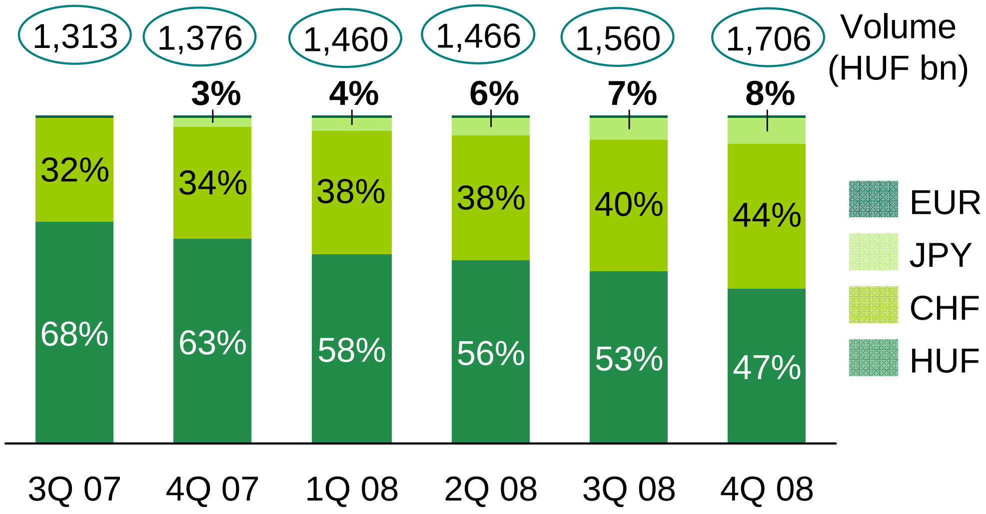


- Share of NPLs(60+) grew to 5,2% from 4,4% q-o-q
- Share of Retail NPLs went to 4,2% from 4,0%
- Share of Corporate NPLs grew to 8,1% from 5,9%
- Precautionary reserve creation for corporate portfolio

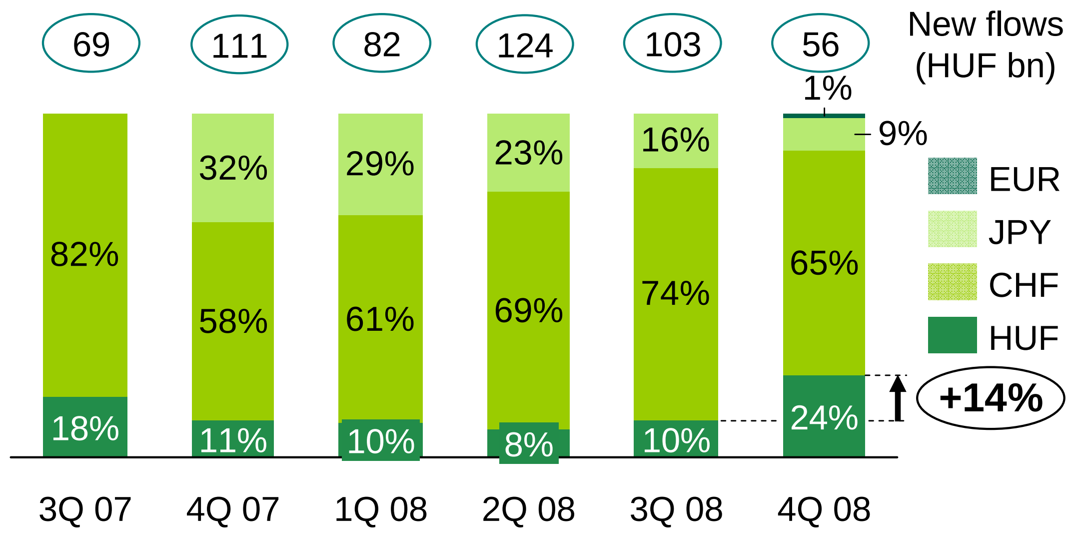
* OTP retail loans **CCIS=Central Credit information System

As a result of loan repricing and stricter underwriting standards weight of FX in new flows started declining, successful deposit promotion and retail driven bond issues in 4Q

Currency split of mortgage lending at OTP Core



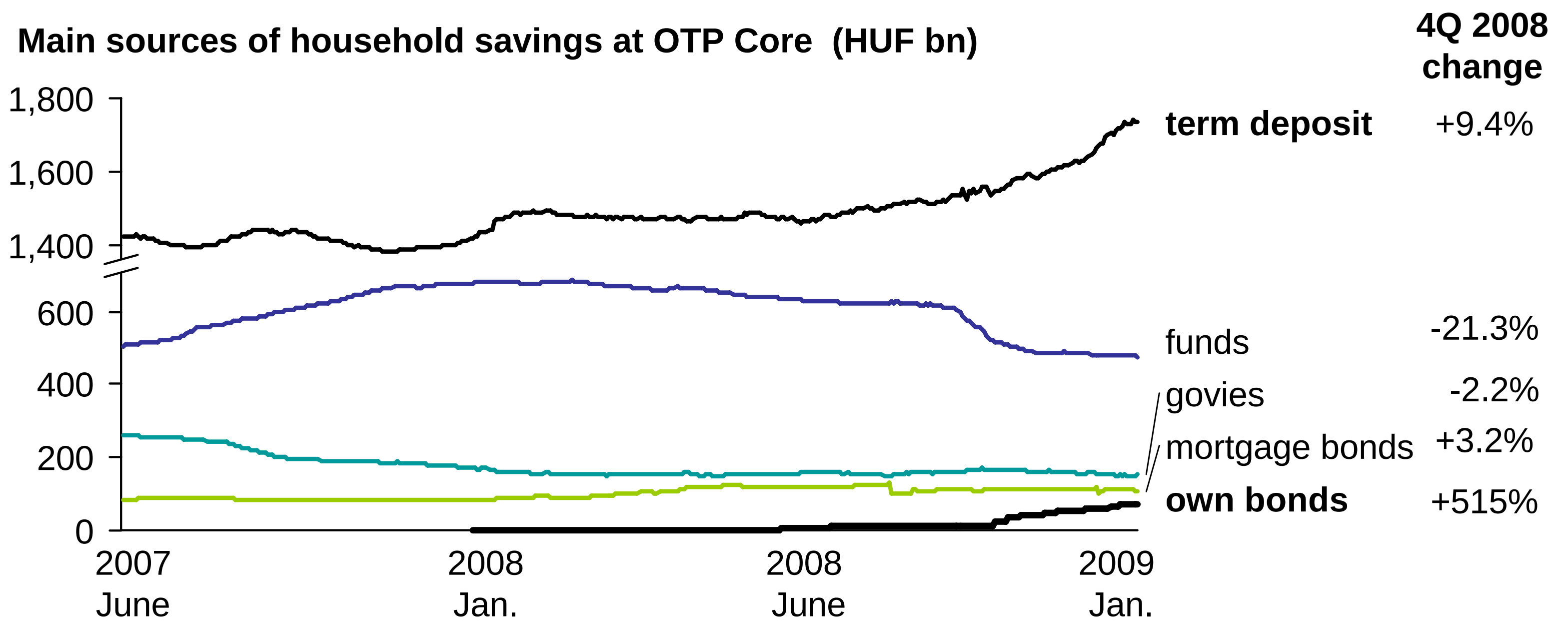
OTP Core mortgage loan origination by currencies



FX rate and volume changes in 4Q 2008

currency	FX rate change	volume change
CHF/HUF	15.4%	19.1%
EUR/HUF	8.9%	19.7%
JPY/HUF	29.3%	33.5%

Main sources of household savings at OTP Core (HUF bn)

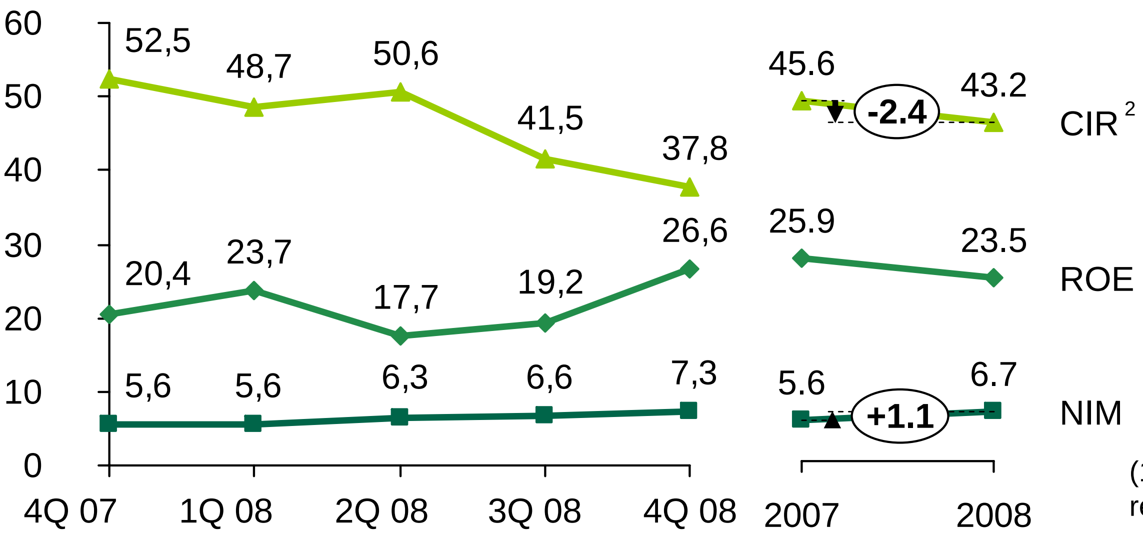


CJSC OTP Bank realized HUF 17.2 bn PAT, its contribution to the Group profit pool reached 5.7%

Financial highlights of CJSC OTP Bank

in HUF million	2008	Y-o-Y	3Q 08	4Q 08	Q-o-Q
After tax profit [1]	***17,206***	***22%***	***4,167***	***6,161***	***48%***
Pre-tax profit	23,551	22%	5,955	8,372	41%
Total income	62,106	76%	15,755	22,284	41%
NII	49,086	67%	13,245	15,431	17%
Net F&C income	5,738	44%	1,359	2,043	50%
Other net non-interest inc. [2]	7,281	281%	1,151	4,810	318%
Cost of risk [2]	-11,505		-2,862	-5,663	627%
Other cost of risk	-223	-613%	-393	165	-142%
Operating expenses	-26,827	66%	-6,546	-8,414	29%
Gross loans	***763,758***	***44%***	***728,876***	***763,758***	***5%***
o/w retail	351,838	58%	322,540	351,838	9%
Deposits	***167,232***	-1%	***214,205***	***167,232***	***-22%***

Profitability and cost efficiency %



- UAH depreciation made room for significant increase in provisioning, yet net earnings still remained strong
- 22.1% yearly PAT growth was supported by the favourable NII and FX-trade results
- Outstanding NII dynamics (+67% y-o-y) due to improving interest margins on SME and corporate loans
- Remarkable Net Fee&Commission increase: 44% y-o-y and 50% q-o-q
- The sharp increase of cost of risk y-o-y is the consequence of the UAH depreciation against USD (almost 58% decrease in 4Q).
- NPL ratio increased from 1.9% to 3.6% q-o-q.
- Expenses remained under strict control, CIR improved by 2.4% y-o-y despite a significant branch network expansion (+71 new branches)

(1) PAT w/o dividend and final cash transfers. (2) Adjusted by the positive revaluation result of risk cost booked as non-interest income. Adjusted CIR is indicated.

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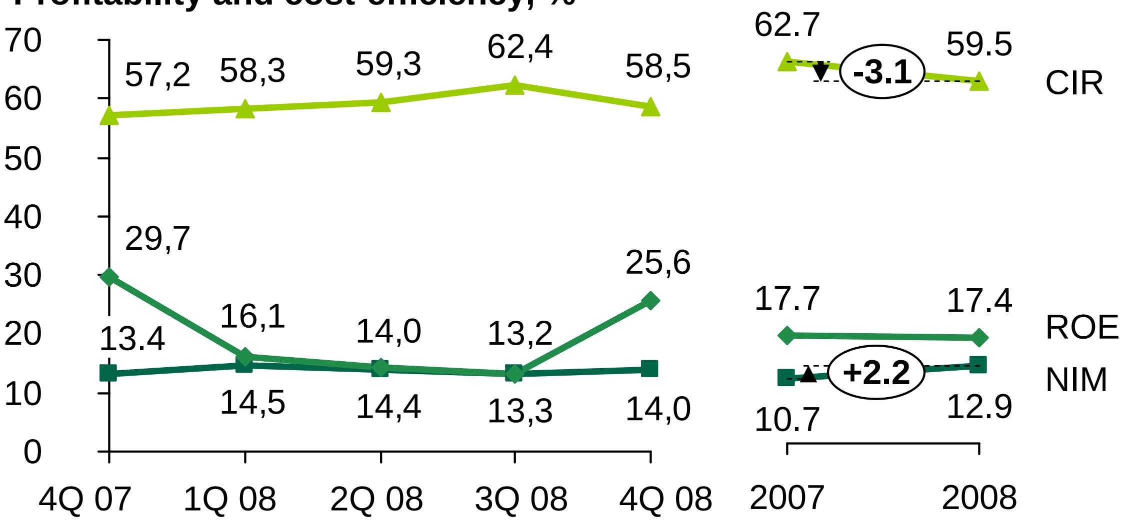
OTP Russia: 26% profit growth y-o-y, while on quarterly basis it more than doubled, fuelled by the good NII (+18% q-o-q) and one-off items

Financial highlights of OTP Bank Russia:

in HUF million	2008	Y-o-Y	3Q 08	4Q 08	Q-o-Q
After tax profit [1]	***8,899***	***26%***	***1,745***	***3,925***	***125%***
Pre-tax profit	11,688	16%	2,383	4,757	100%
Total income	75,374	35%	17,550	22,429	28%
NII	62,112	53%	14,984	17,652	18%
Net F&C income	10,165	-30%	2,766	2,229	-19%
Other net non-interest inc.	3,097	250%	-200	2,547	-1372%
Cost of risk	-18,998	76%	-4,231	-4,719	12%
Other cost of risk	186	-391%	14	170	1105%
Operating expenses	-44,874	28%	-10,949	-13,123	20%
Gross loans	***383,118***	***26%***	***397,182***	***383,118***	***-4%***
o/w Retail	247,927	35%	251,049	247,927	-1%
Deposits	***224,152***	***-23%***	***247,696***	***224,152***	***-10%***
o/w Retail & SME	137,252	-18%	160,766	137,252	-15%
o/w Corporate	86,901	-30%	86,929	86,901	0%

Profitability and cost-efficiency, %



- The main reason for lower profits compared to original targets was the moderating lending activity due to the financial crisis
- Still, PAT grew (+26%) despite heavy provisioning (+76%), whereas
- NPL ratio remained fairly stable (NPL coverage remained flat)
- NIM improved both y-o-y and q-o-q
- as a result of the strict cost control the C/I ratio dropped by 3%-points below 60% y-o-y (layoff of 600 employees in 4Q reflecting the slow-down in lending activity)

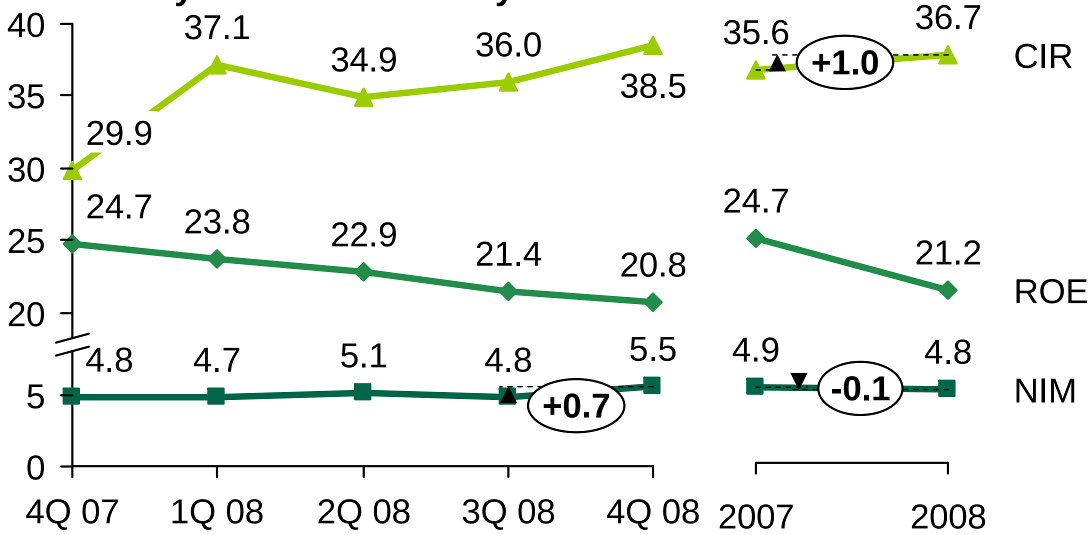
(1) After tax profit w/o dividends, net cash transfer and one-off items. 25% of 1Q 2007 after tax profit is considered as one-off item, taking into consideration that 4 months result was accounted. From 2Q 2008, figures are based on the aggregated financial statements of OAO OTP Bank and the newly acquired Donskoy Narodny Bank.

DSK Group: profit dynamics in line with management targets, favourable trends in NII and NIM

Financial highlights of DSK Group (with SPVI)

in HUF million	2008	Y-o-Y	3Q 08	4Q 08	Q-o-Q
After tax profit [1]	***30,605***	***16%***	***7,376***	***8,070***	***9%***
Pre-tax profit	34,129	17%	8,201	9,070	11%
Total income	71,149	18%	17,230	20,129	17%
NII	53,064	20%	12,557	15,565	24%
Net F&C income	16,983	22%	4,380	4,368	0%
Other net non-interest inc.	1,103	-40%	293	195	-33%
Cost of risk	-9,625	6%	-2,834	-2,035	-28%
Other cost of risk	-1,303	259%	-1	-1,282	
Operating expenses	-26,093	22%	-6,194	-7,742	25%
Gross loans	***1,014,894***	***30%***	***909,549***	***1,014,894***	***12%***
Deposits	***722,880***	***11%***	***676,831***	***722,880***	***7%***
o/w Retail & SME	626,576	20%	572,688	626,576	9%
o/w Corporate	96,304	-26%	104,143	96,304	-8%

Profitability and cost efficiency %

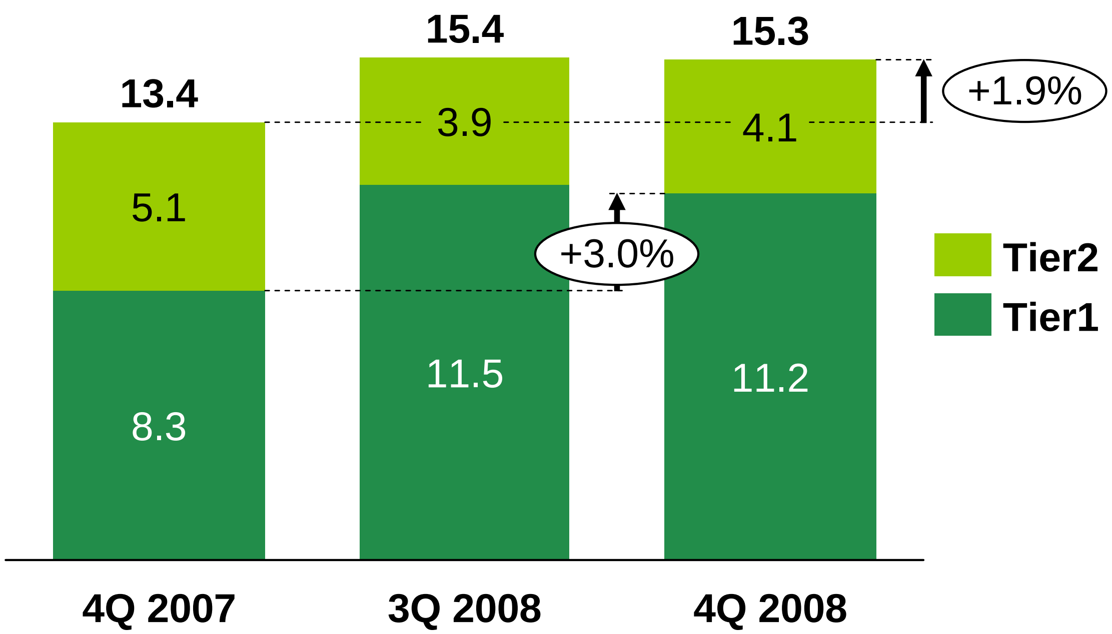


- 16% PAT dynamics – in line with management targets
- 20% increase in net income y-o-y
- Flat y-o-y net interest margin (4.82%)
- Continuous strict cost control ('08 CIR 36.7%, the lowest at OTP Group)
- Only slight deterioration in portfolio quality ('08 NPL: 4.0%, +0,3% q-o-q)

(1) PAT w/o dividend and final cash transfers.

Continuously stable, outstanding capital position in peer-group comparison (consolidated CAR: 15.3%, Tier1: 11.2%)

Consolidated capital adequacy ratio (IFRS, Basel II)



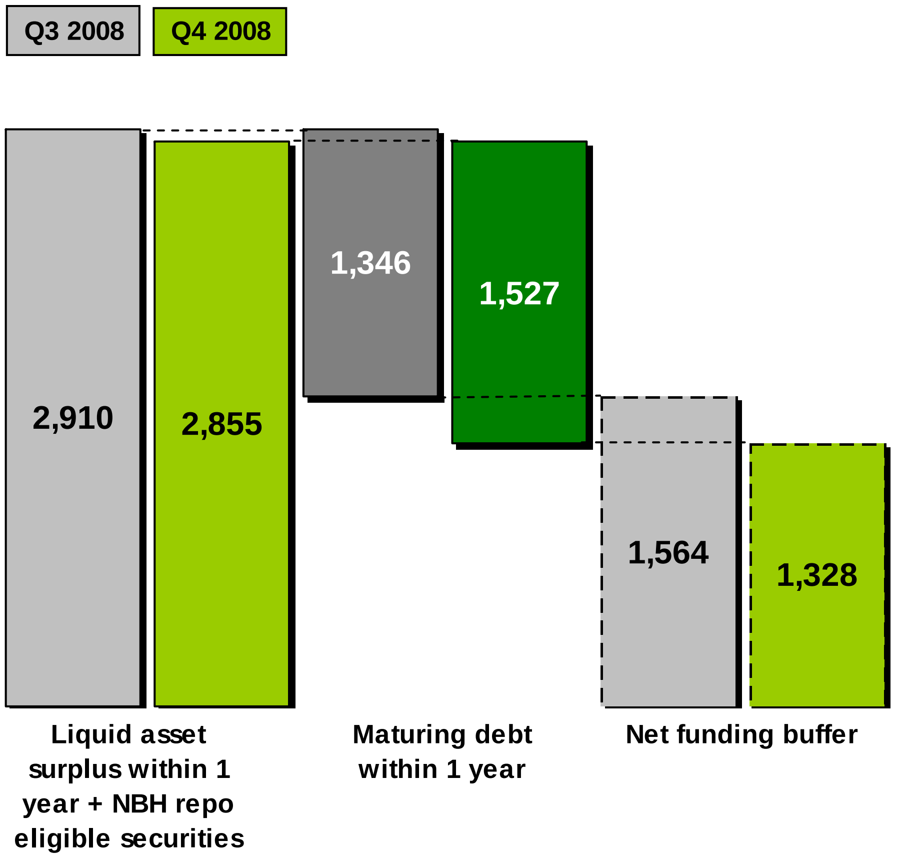
In 4Q 2008 and the possible further future goodwill write-offs have no impact on the consolidated capital adequacy ratio.

The negative effect of a depreciating HUF is mitigated by two factors:

- EUR denominated subordinated debt value in HUF automatically increases,
- FX mortgages have lower risk weighting.

OTP Group's liquidity buffer is somewhat smaller after the shock in 4Q, but it shrank only to the extent that the within 1 year maturing debt grew

Liquidity position of OTP Group (EUR mn)



1. **Manageable maturity structure: first repayment EUR 750M is due at 27 February 2009**

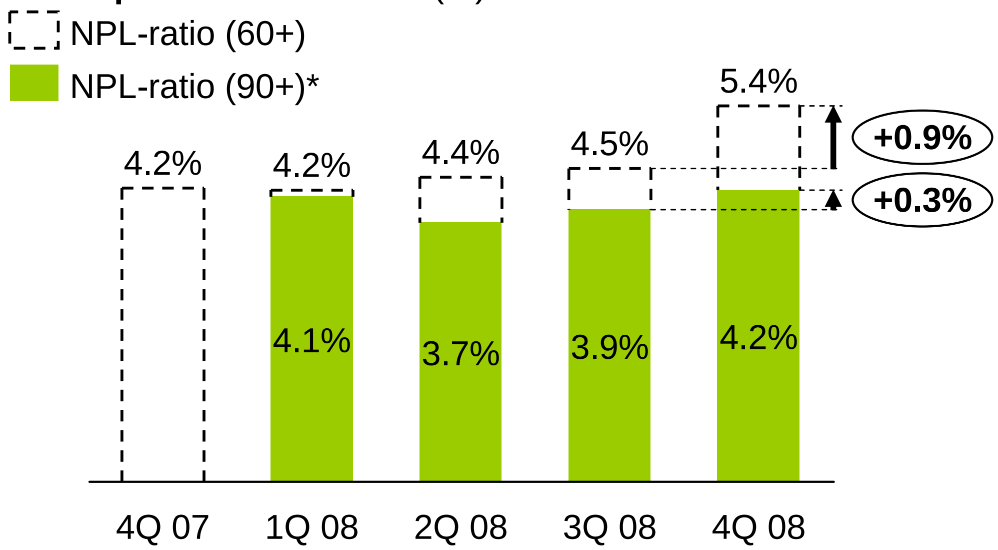
2. **Recovering inter-bank lending, restored swap lines, market priced FX swap transactions**

3. **Liquidity of the banking sector is actively managed by NBH:**
   - **extension of repo-eligible securities; since 4th February municipal bonds are repo-eligible securities; additional HUF 80 bn liquidity for OTP;**
   - **lower mandatory reserve requirements;**
   - **providing of EUR/HUF and CHF/EUR swap facilities.**

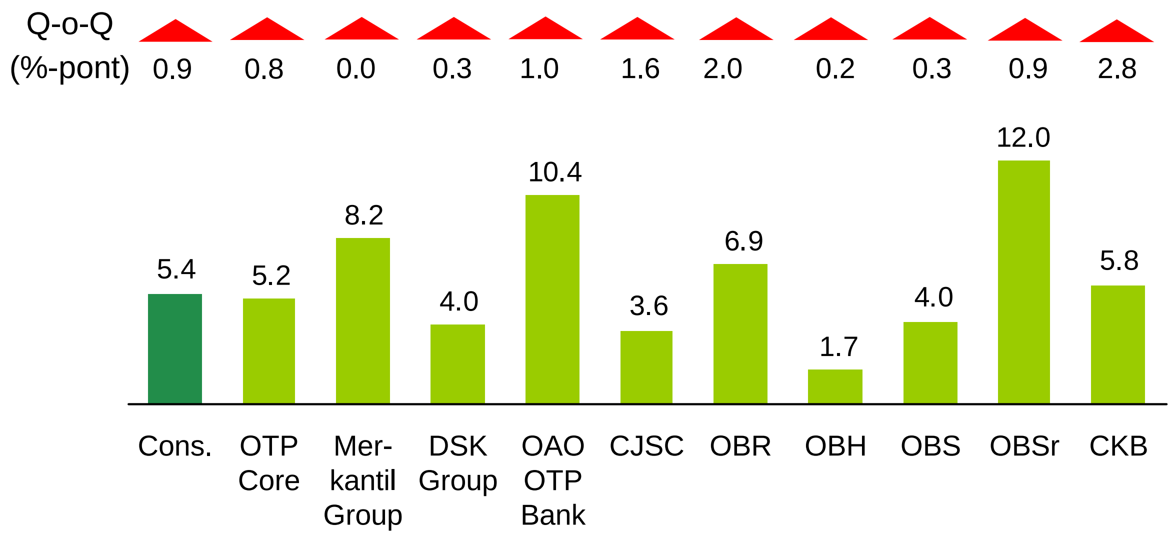
4. **Basic lending principal unchanged:**
   - **increase of lending volume can be based only on increase of deposits**

The NPL-ratio (60+) increased by 0.9%-points, while the growth of NPL-ratio (90+) was much lower (+0.3%-points)

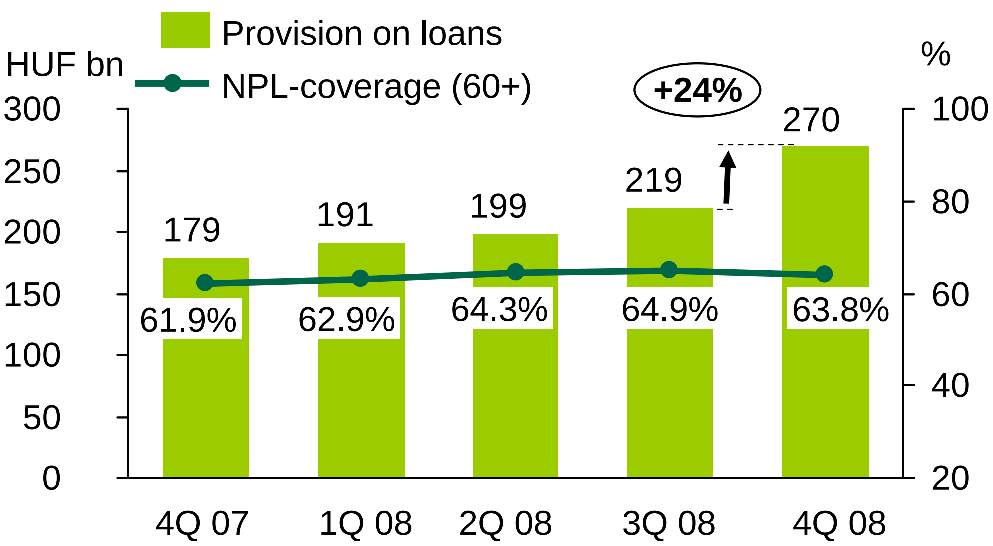
Development of NPL ratio (%)



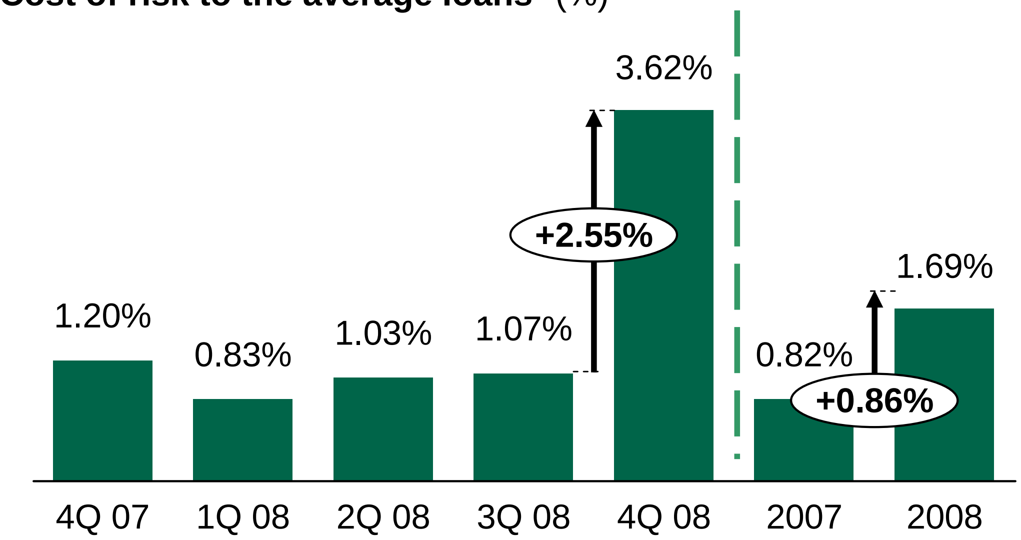
NPL ratio at the major Group members[1]



Consolidated coverage



Cost of risk to the average loans[2] (%)



(1) The figures of foreign subsidiaries are based on local classification rules, (2) Release of provisions set aside before acquisition is taken into account *with NPL definition of overdue over 90 days, in case of foreign subsidiaries the calculation is based on the gross volumes before acquisition

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OTP Group is well prepared for the difficulties of 2009

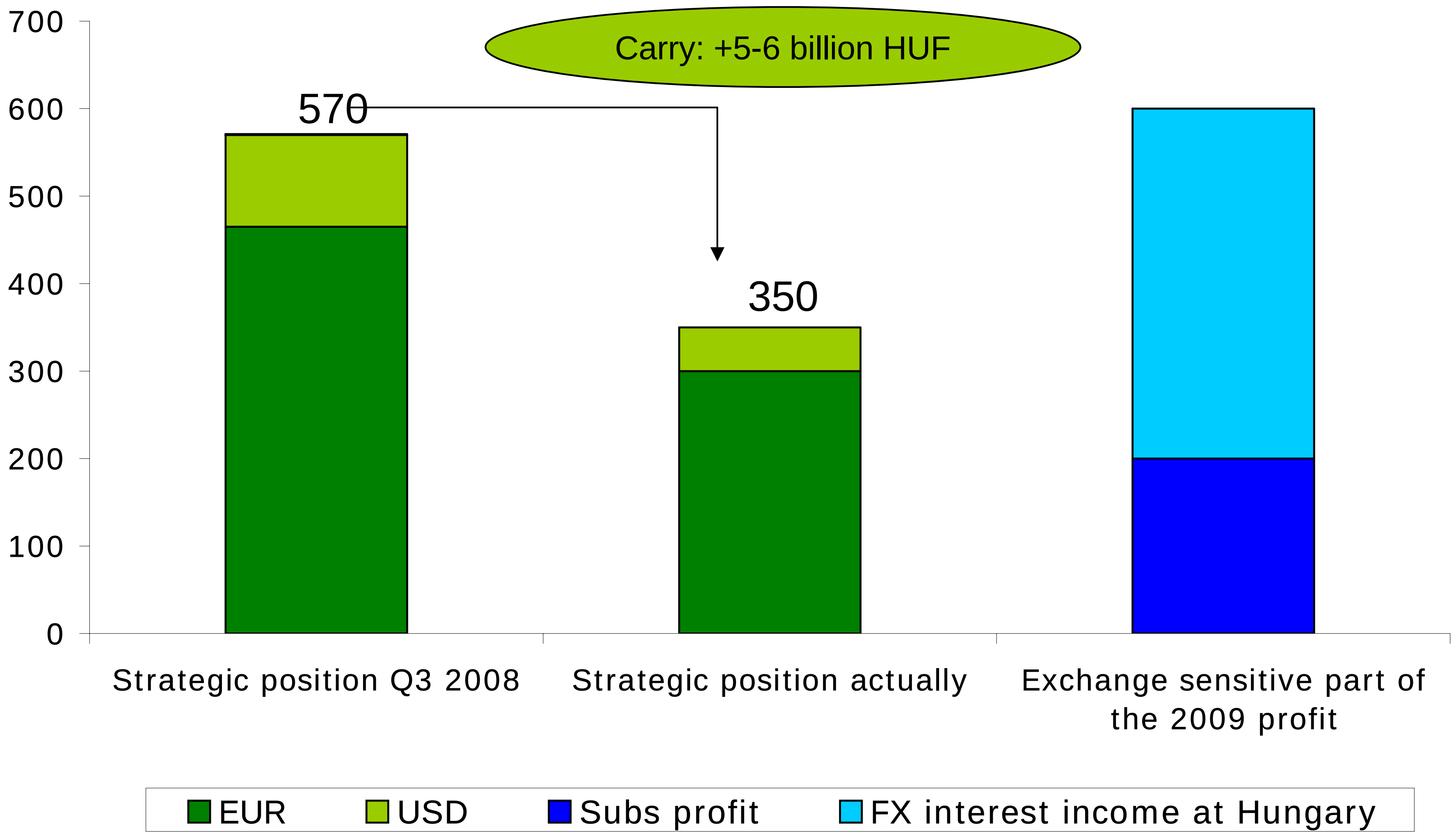
	Measures taken by OTP Group	Results
Capital	• Sale of OTP Garancia (HUF 121.4 bn) • Adjustment of the dividend policy	**OTP Group CAR** 2007 YE **13.4%** 2008 YE **15.3%**

Liquidity	• Cutting down of lending activity, strict liquidity monitoring and control
	• Deposit collection campaigns
	• Taking advantage of steps taken by the National Bank
	  • Broadening range of repoable securities
	  • Decrease of the compulsory reserve rate
	  • SWAP lines
		Liquidity reserve
		(1 year operative liquidity in excess of liabilities with <1 year maturity)
		2008 YE **> EUR 1.3 bn**

Risk management	• Stricter lending requirements • Setup of debtor protection scheme • Coaching the network on handling loan restructuring and debt collection cases • Accumulation of risk provisions	**Provision/loans** 2007 YE **3.1%** 2008 YE **3.9%**
Profitability	• Stable interest margins • Headcount reduction • Operating cost efficiency	**OTP Group Cost/Income ratio** 2007 FY **52.6%** 2008 FY **49.6%**

The volume of strategic open FX-position decreased significantly in 4Q 2008. The current volume of position is less than exchange sensitive part of the 2009 profit. The realized loss on FX-position caused by HUF depreciation was lower than the growth of P&L items in HUF.

Strategic open FX-position and exchange sensitive part of P&L items (in EUR mn)



2009 Guidance of OTP Group

	Consolidated plan for the Y2009
Profit after tax	**Over HUF 150 billion**
Consolidated gross loan growth	**0%** (adjusted by the FX-effect)
Consolidated deposit growth	**4 - 5%**
Cost/income ratio	**around 50%**
	Stable capital position, safe liquidity reserve