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EBRD boosts capital in central Europe's largest independent bank

€220 million facility to OTP Hungary

Responding to the impact of the global economic slowdown on the region, the EBRD is providing capital facility to OTP Bank Hungary in a move that will strengthen its domestic banking operations as well as its activities in other key eastern European countries.

The EBRD is providing a €200 million subordinated loan to OTP on commercial terms. A further €20 million is being used to acquire OTP treasury shares. The subordinated loan facility will be available for draw-down for a period of six months.

The capital enhancement from the EBRD will help OTP Bank mitigate the impact of the recession and strengthen its market position in the current challenging environment in Hungary as well as in the region in which it operates.

With a regional presence in nine countries, OTP Bank is a systemically important player both in the Hungarian banking sector as well as in those countries where OTP subsidiaries are among the top ten largest banks, including in Ukraine, Bulgaria, Croatia and Montenegro.

“With this new facility to a systemic bank in the region of its operations, the EBRD is demonstrating its support for the real economy. This transaction will further strengthen the capitalisation of OTP Bank and will contribute to raising the overall level of confidence in the banking sector in Hungary and in the region.” said EBRD Business Group Director Peter Reiniger.

The EBRD investment is part of the joint pledge by the EBRD, the World Bank Group and the European Investment Bank (EIB) to provide over €24.5 billion in support of the banking sectors in the region and to fund lending to businesses hit by the global crisis.

The EBRD has committed more than €1.77 billion in new funds for the financial institutions sector in countries of its operations so far in 2009.

“The current deal is a sign of mutual interest: OTP can enhance its lending activity in Hungary and across the group, while EBRD demonstrated again its commitment to the region,” said Dr. László Urbán, CFO of OTP Bank.

OTP Bank is the largest universal bank in Hungary and the biggest independent bank in central Europe with almost 12 million customers in nine countries. The EBRD was already an existing shareholder in OTP Bank and this acquisition of treasury shares takes its stake to 2%.

Since the beginning of its operation in Hungary, the EBRD has invested over €2.5 billion across more than 100 projects in the infrastructure, corporate, energy and financial sectors.

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