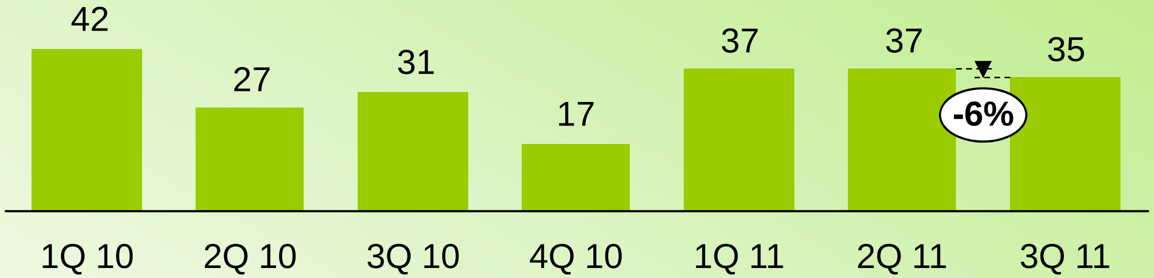
# OTP Group
# First nine months 2011 results

Conference call – 18 November 2011

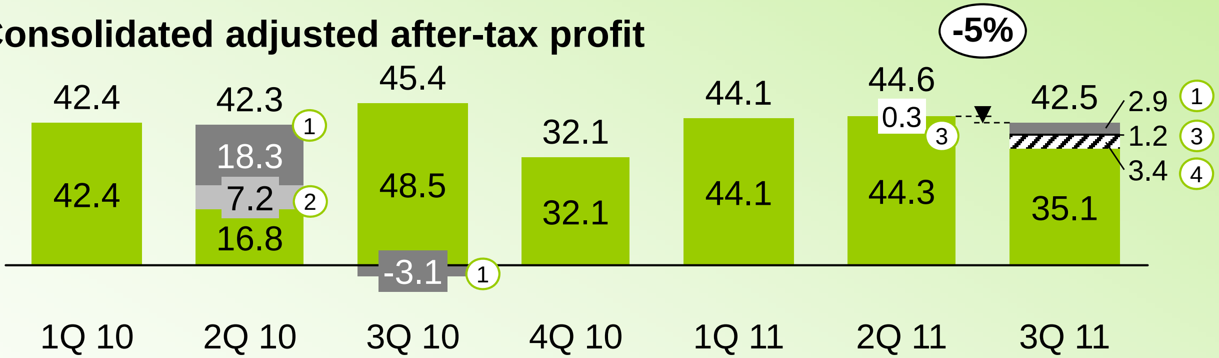
**László Bencsik**
Chief Financial and Strategic Officer

# OTP Group's adjusted after-tax profit – without the banking tax and the negative effect of early repayments of FX mortgages – reached HUF 42.5 billion (-5% q-o-q); the accounting after-tax profit decreased by 6% to HUF 35 billion

**Consolidated after-tax profit** (in HUF billion)




**Consolidated adjusted after-tax profit**




**Adjustments** (after-tax, in HUF billion):

| | 1Q 10 | 2Q 10 | 3Q 10 | 4Q 10 | 1Q 11 | 2Q 11 | 3Q 11 |
|---|---|---|---|---|---|---|---|
| **Goodwill imp.** | **-15.0** | | | | | | |
| **Special tax on financial institutions** | | **-14.7** | **-14.7** | **-7.2** | **-7.2** | **-7.2** | |
| **Loss from early repayment of FX mortgages in Hungary** | | | | | | | **-1.9** |
| **Revaluation result on FX purchased to cover the FX need of repayments** | | | | | | | **+1.4** |

**One-off items** (after-tax)**:**

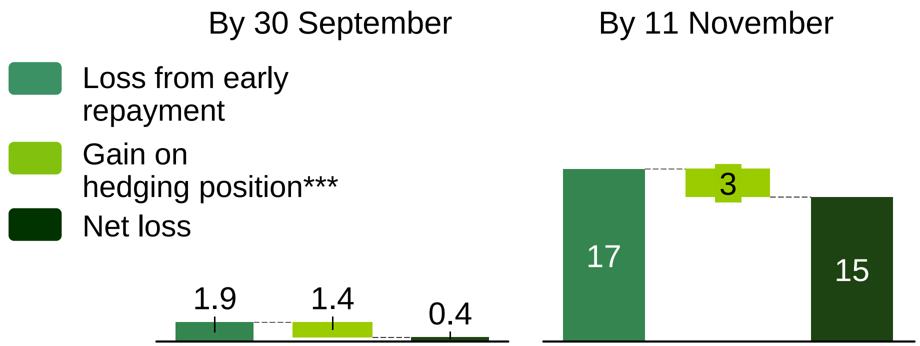
1. Revaluation result realized on FX-swaps of OTP Core booked as interest income
2. Net FX-gain realized on FX hedging transactions related to FX-loans provisions at OTP Bank Ukraine (booked as other non-interest income)
3. Gain on the repurchase of own Upper and Lower Tier2 Capital elements
4. Gain on Croatian government bonds

| | 3Q 10 | 2Q 11 | 3Q 11 |
|---|---|---|---|
| ROE (adj.) | 13.6% | 13.6% | 12.3% |
| ROA (adj.) | 1.8% | 1.8% | 1.7% |
| Total income margin (adj.) w/o one-off items | 7.82% | 8.04% | 8.29% |
| Net interest margin (adj.) w/o one-off items | 6.07% | 6.25% | 6.44% |
| Cost/income ratio (adj.) w/o one-off items | 43.9% | 45.0% | 45.2% |
| Gross loan growth. (q-o-q, FX-adjusted) | 1.0% | -0.6% | 0.6% |
| Deposit growth (q-o-q, FX-adjusted) | 2.4% | 1.0% | -0.9% |
| Risk cost rate (adj.) | 3.20% | 2.89% | 3.15% |
| DPD90+ ratio | 13.2% | 15.4% | 16.0% |
| DPD90+ coverage | 73.4% | 73.3% | 75.1% |
| Gross liquidity buffer (EUR million equivalent) | 5,651 | 5,237[1] | 4,755 |
| CAR (cons., IFRS) | 18.0% | 18.1% | 17.5% |
| Tier1 ratio (cons., IFRS) | 14.1% | 15.2% | 14.1% |
| CAR (OTP Bank, HAR) | 17.8% | 20.0% | 18.4% |

*[1] As of 12 August 2011*

# Based on the current trend of applications, approximately 20% of Hungarian FX mortgage debtors would file applications

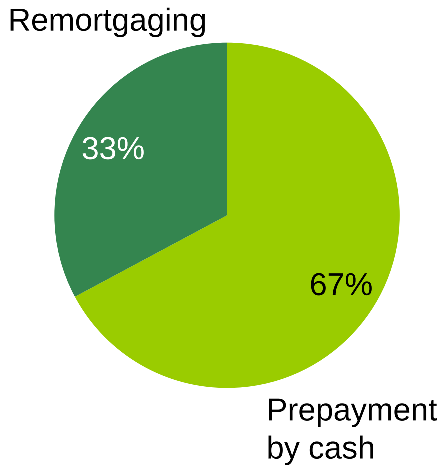
## After tax loss from early repayments
(HUF billion)




| | By 30 September | By 11 November |
|---|---|---|
| HUF/CHF | **243.4** | **244.6*** |
| HUF/EUR | **292.1** | **293.5**** |

Assuming that all applicants prepay.

## Breakdown of applications
(by 11 November)



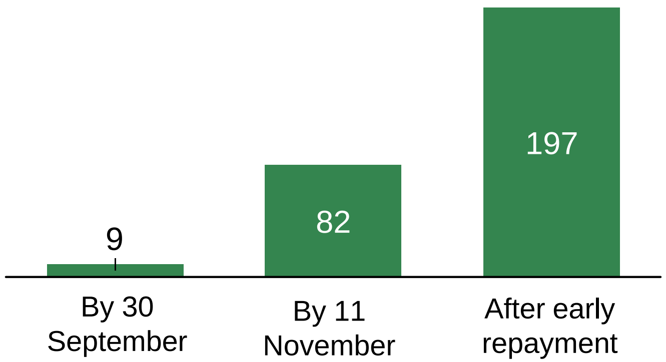

By 30 September calculated after tax loss at OTP Core due to early repayments was HUF 1.9 billion, mitigated by HUF 1.4 billion gain on the hedging position, assuming all applicants prepay.

Until 11 November 14.838 customers of OTP filed their early repayment application with HUF 82 billion principal amount (at market rates) which together with the gain on the hedging position could result in a max. HUF 15 billion after tax loss.

67% of applicants intend to repay by cash based on applications filed by 11 November.

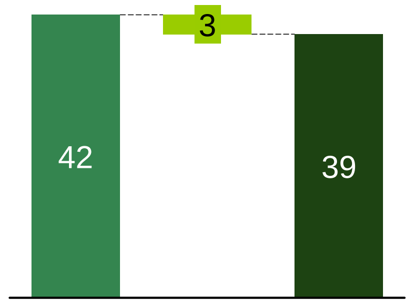
Based on the current trend of applications, cca. 20% of clients applications, cca. 20% of clients would file applications. Assuming that all applicants prepay, the total amount of prepaid loan portfolio could be HUF 197 billion at closing exchange rates of September. The estimated after tax loss may be around HUF 39.5 billion, including the result of the hedging position.

## Loan volumes covered by early repayment applications at market rates (HUF billion)




| Cumulated early repayment rate | By 30 September | By 11 November | After early repayment |
|---|---|---|---|
| Oustanding amount | **0.9%** | **8.3%** | **20.0%** |
| Number of loans | **1.1%** | **9.0%** | **21.7%** |

## Total expected after tax loss from early repayments
(forecast, HUF billion)




| | |
|---|---|
| HUF/CHF | **244.6*** |
| HUF/EUR | **293.5**** |

Assuming that all applicants prepay.

*Average market rate of early repayments closed up to 11 November ** Implied EUR rate assuming 1.2 CHF/EUR cross currency rate with the average market rate of early repayments closed up to 11 November
*** Revaluation gain on EUR 550 million purchased from the National Bank of Hungary for hedging purposes of early repayment

otpbank

# Content

## Hungary: after the expected 1.6% economic growth in 2011, the decline in external demand, tightening credit conditions and the unavoidable structural reforms could slow down the economic growth in 2012 unless growth-propelling steps are taken

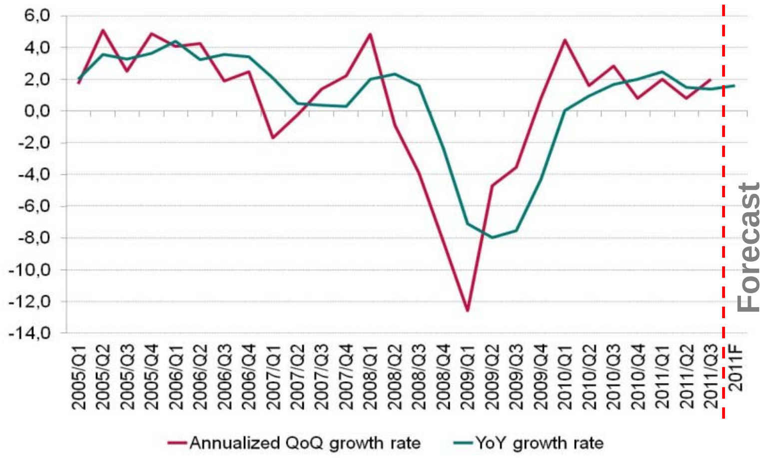
In the third quarter of 2011, Hungary's economy grew by 1.4% year on year, and by 0.5% quarter on quarter. Annual growth is estimated at 1.6%.

In our estimate, GDP growth might lose momentum in 2012 – if the government fails to implement growth-propelling measures.

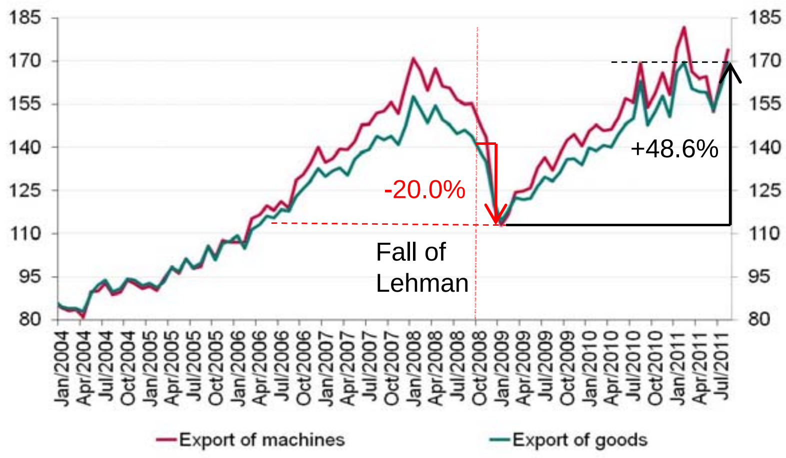
In 2012, the eurozone's debt crisis is likely to noticeably slow down Hungary's external demand, which has been driving the country's economy. The production starting in the Mercedes plant will counterbalance this deceleration in 2012, so export growth is likely to reach 7.5%. Domestic demand, which slightly dropped in 2011, might decrease significantly. Because of the above factors, we forecast decline in consumption and investments in 2012.

As a positive development, the unemployment rate started to decrease moderately in 2011.

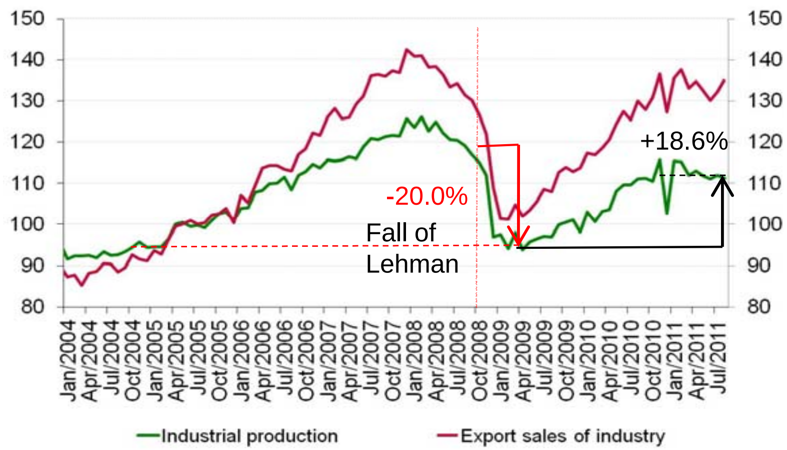
**GDP**
(Y-o-Y and annualized Q-o-Q growth rates, %)



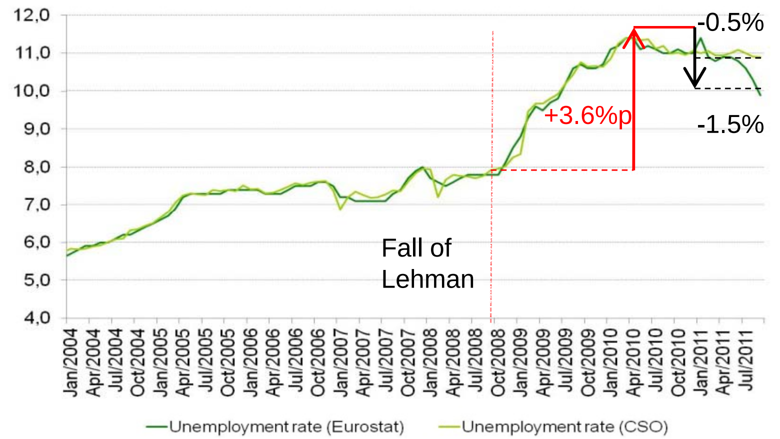

**Export of goods**
(seasonally adjusted monthly data, 2005=100)




**Industrial production**
(seasonally adjusted monthly data, 2005=100)




**Unemployment rate**
(LFS, seasonally adjusted monthly data, %)



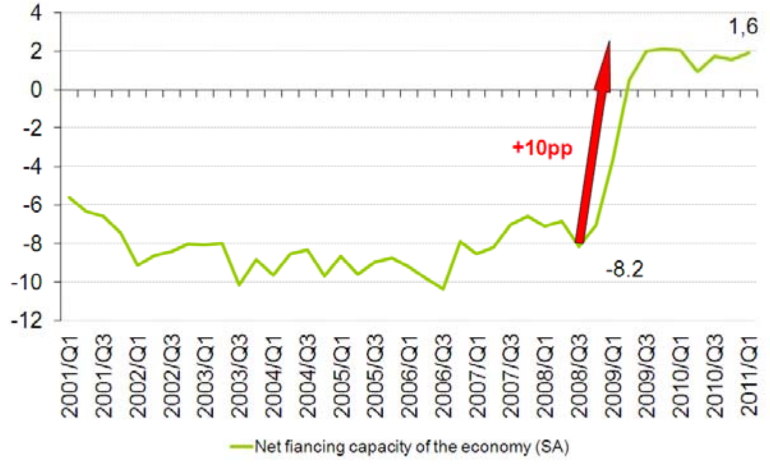

Sources: Central Statistical Office, Eurostat, OTP Research

# Hungary: households' and central budget's financing position will further improve in 2011 and 2012, enhancing the country's net external financing capacity

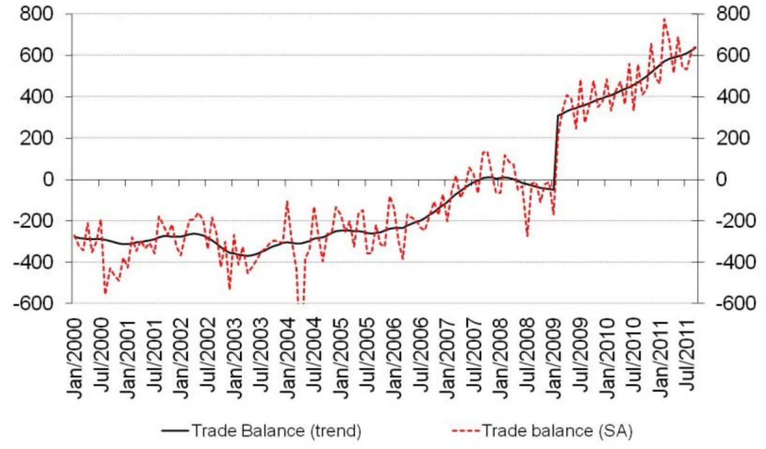
In our opinion, exports are likely to grow faster than imports in both 2011 and 2012, so the net exports may exceed EUR 10 billion, or 10.5% of GDP. Therefore the surplus of the current account balance can expand further, from the forecasted 2.8% of GDP in 2011 to 4.4% in 2012. As a result, net external debt can shrink noticeably.

The government's structural reform programme could improve the budget balance by 1.5% of GDP in 2012, and by 2.3% of GDP in 2013. The cabinet is planning additional adjustment actions; as a result of the Convergence Programme's measures (e.g. freezing public wages) and the significant revenue-side adjustment, deficit can be below the EU-mandated 3% deficit ceiling even if growth falls short of official expectations, or even in case of a modest recession.

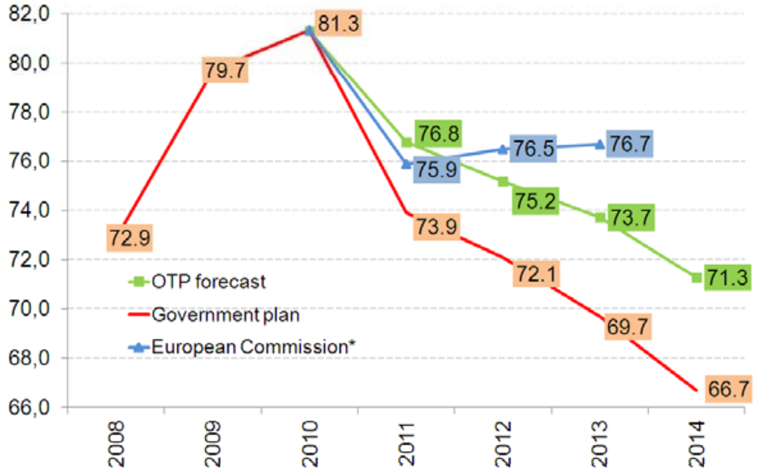
**External balance** (as % of GDP)



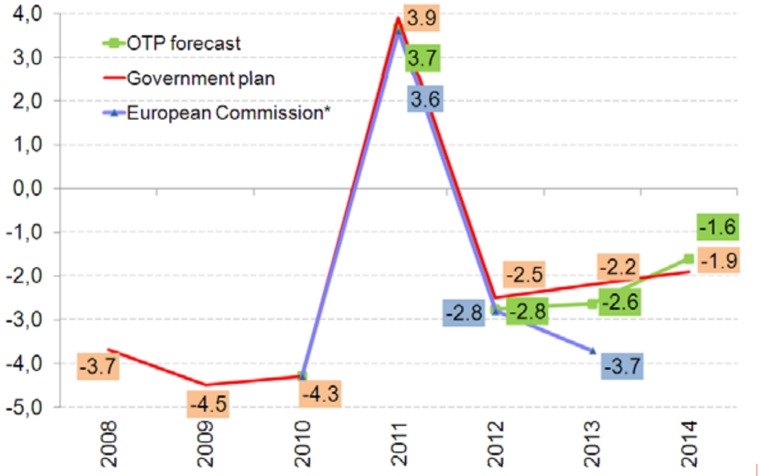

**Trade balance**
(seasonally adjusted monthly data, EUR mn)




**General government gross debt**
(as % of GDP)




**Budget balance**
(as % of GDP)




Sources: CSO, NBH, Ministry for National Economy, European Commission, OTP Research

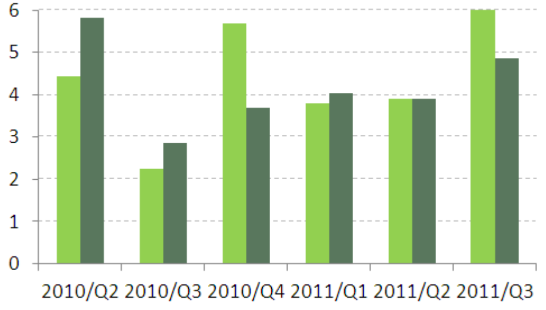
* The European Commission's forecast for 2013 does not allow for the continuation of structural reforms yet

# Russia: accelerating economic growth, improving budget balance
# Ukraine: excellent harvests speed up growth, external balance is deteriorating

## Russia

In the third quarter, GDP grew by 4.8% year on year; quarter on quarter growth was 1.5%. As a result of high commodity prices and the manufacturing activity, GDP could surpass pre-crisis levels within a few quarters. Partly due to the raised social security contributions, general government balance is improving at high speed, therefore we cannot rule out a surplus in Russia's 2011 budget balance, as a result of an improvement that exceeds our expectations.

**Real GDP growth** (%, SA, annualized quarterly and year/year)




**Manufacturing** (2005=100, sa)

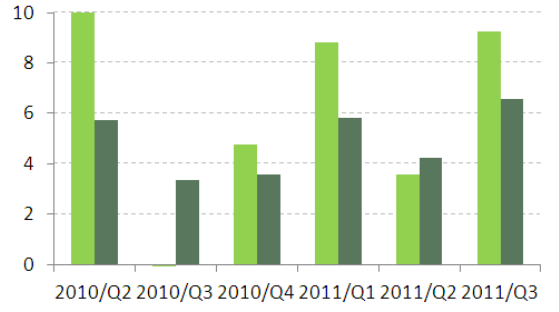
**Government balance** (% of GDP)

## Ukraine

According to preliminary data, in 3Q Ukraine's GDP increased by 6.6% year on year and by 2.2% q-o-q. The production-side reasons for the accelerated growth are the excellent harvests and the commodity prices which are high in historical comparison.

Still, Ukraine's economy remains highly vulnerable. Consumption is rapidly increasing and the external balance is deteriorating. The IMF programme is suspended. The fact that Ukraine's central bank sold USD 4 billion in September-October in the fixed exchange rate regime, is illustrative of the tension.

**Real GDP growth** (%, SA, annualized quarterly and year/year)




**Steel prices** (USD / ton)


**Current account balance** (l.s., 4Q roll.) **and FX reserves** (r,s., USD bn)

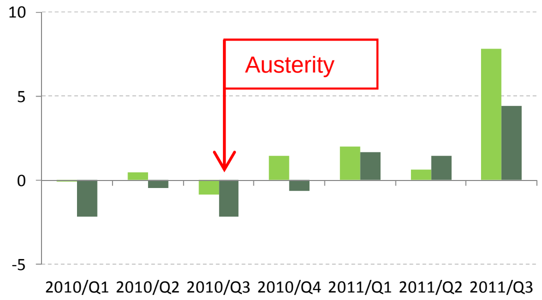
# Romania: improving budget and accelerated growth even with IMF assistance; Bulgaria: economic slowdown, lower indebtedness; Slovakia: stable and high growth

## Romania

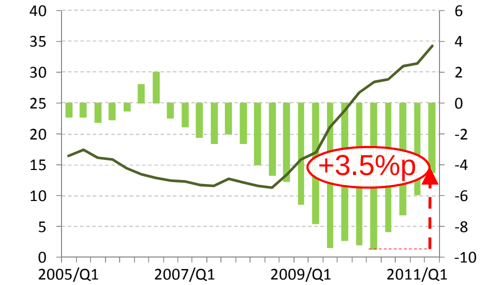
Overseen by IMF, Romania's 3Q GDP growth jumped to 1.9% q-o-q, and to 4.4% y-o-y. based on preliminary data. Exports and industrial production were the main engines of this expansion; the contribution of the agriculture and construction sectors is also strong.

Economy has recovered after last year's fiscal adjustment that reached 5% of GDP. The four-quarter average of public deficit was 4.5% of GDP in 2Q, therefore this year's deficit target of 4.4% seems attainable. Credit markets are still showing considerable growth.

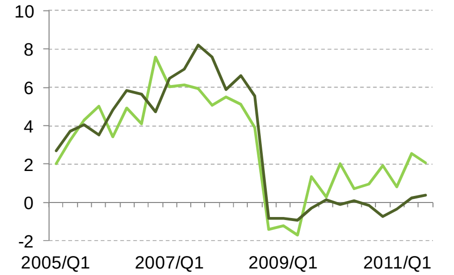
**Real GDP growth** (%, SA, annualized quarterly and year/year)




**Public deficit (four-quarter average) and debt** (% of GDP)



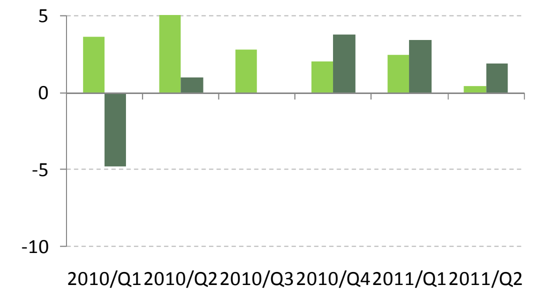

**Net borrowing of companies and households** (SA, % of GDP)




## Bulgaria

Bulgaria's economy grew by 1% in 3Q y-o-y (and stagnated q-o-q), chiefly because of weaker-than-expected investments. Public deficit was at 1.8% of GDP between 3Q 2010 and 2Q 2011, so it is likely to remain below the 2.4% target. Public debt remains relatively low (15% of GDP), and fiscal reserves reach 6.8% of GDP. The 3% surplus in its current account deficit, coupled with the 2.5% FDI influx, result in rapidly shrinking external debt.

**Real GDP growth** (%, SA, annualized quarterly and year/year)

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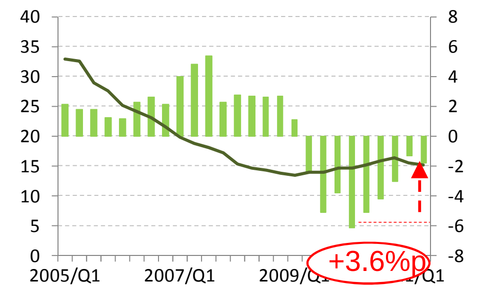
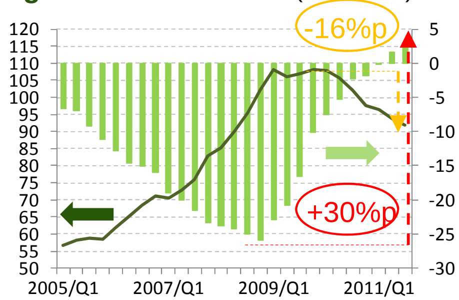


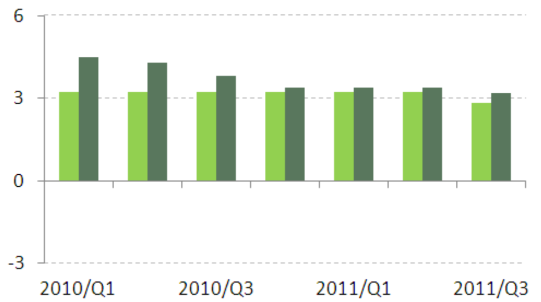

**Current account balance and gross external debt** (% of GDP)




## Slovakia

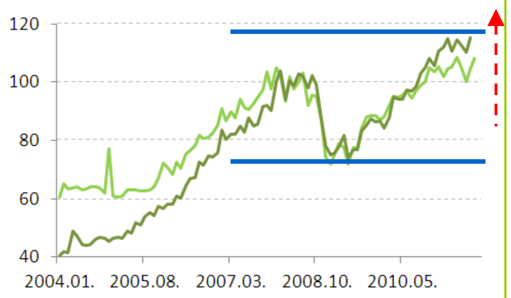
Slovakia's economy is still withstanding the effect of the slowing external environment: in 2Q, its GDP grew by 0.7% q-o-q and by 3.2% y-o-y (adjusted data). External demand remains the key driver: despite a moderate uncertainty, manufacturing output and exports are still above the levels seen before the autumn of 2008. In contrast, domestic demand remains poor. The most important question about Slovakia's economy is: how strongly could it be effected by a possible stronger slowdown in global economic growth, given that the fiscal adjustment launched at the beginning of 2011 is likely to keep domestic demand subdued.

**Real GDP growth** (%, SA, annualized quarterly and year/year)




**Manufg. production and export** (SA, 1H 2008 = 100)

~+50%




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

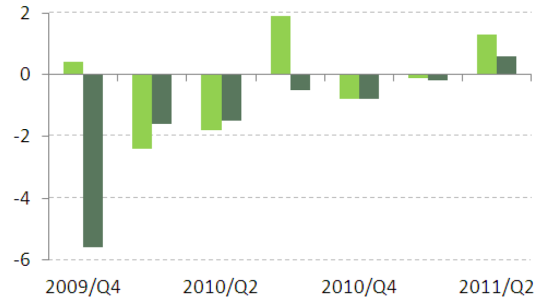

Source: Eurostat, Bulgarian National Bank, Statistical Office of the Slovak Republic

# Croatia: still no turning point in short-based business indicators; Serbia: slowing growth, decreasing inflation; Montenegro: upsurge in 3Q

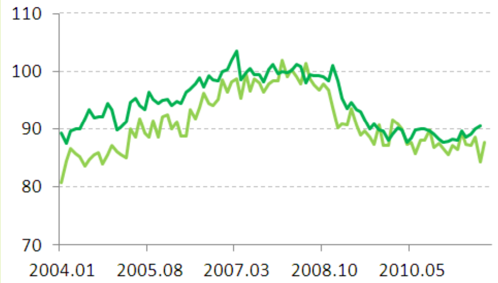
## Croatia

Croatia's economy has not recovered yet. The GDP growth rates of 0.6% (y-o-y) and 0.3% (q-o-q) in 2Q were mostly caused by the reducing imports. Statistics on the import of goods have been revised upward since then, therefore a downside revision of the 2Qdata would not come as a surprise. Since short-term business indicators do not suggest a turning point, we expect stagnating GDP for the whole of 2011 (y-o-y). The rate of unemployment stabilized at an extremely high level of 18% in the recent months.

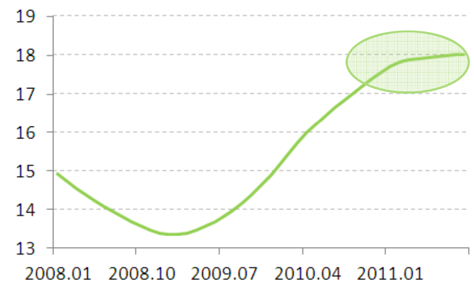
**Real GDP growth** (%, SA, annualized quarterly and year/year)




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



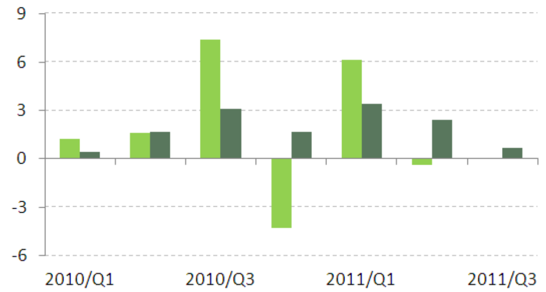

**Unemployment rate** (12-month rolling average, %)




## Serbia

Serbia's economic growth strongly decelerated in 2011, according to the 3Q preliminary figure, Serbia's GDP increased by 0.7% y-o-y. The slower growth is attributable to the fall in the external demand: 3Qindustrial production fell at annual level. If Serbia's main export partner Italy sinks into recession in 2012, it will have an adverse effect on the former economy. Inflation is steadily declining and it became single-digit in September. This enabled the central bank to lower its base rate by a total of 250 bps. The country's stability is supported by a credit line from the IMF.

**Real GDP growth** (%, SA, annualized quarterly and year/year)




**Industrial prod.** (year/year, %)

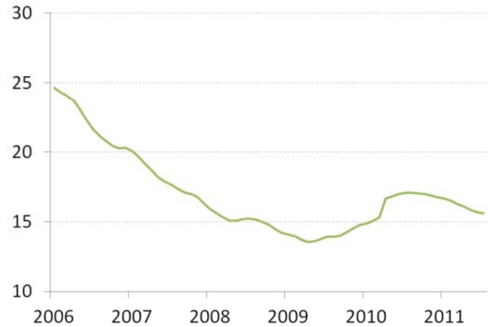

**RSD/EUR, base rate** (r.a., %), and **Inflation** (r.a., %)


## Montenegro

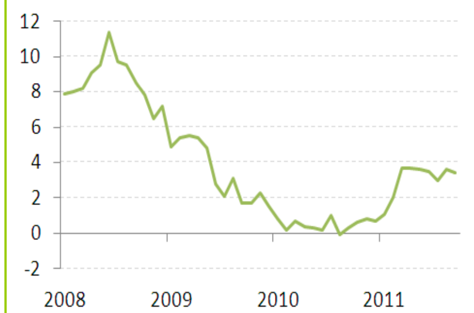
Industrial output recovered in 3Q, and on average, retail sales have been 30% above their 2010 vaue since May. Tourism's y-o-y performance has improved and overnight stays have increased by more than 10% since 2010. Unemplyoment continues to decline – the most recent (seasonally adjusted) reading was 15.6%, after the 16.7% seen at the beginning of the year. Inflation remained around 3.5%.

**Retail trade and industrial production** (2010=100)


**Unemployment rate** (%, SA)




**Inflation** (year/year, %)




Sources: Eurostat, Croatian National Bank, National Bank of Serbia, Central Bank of Montenegro

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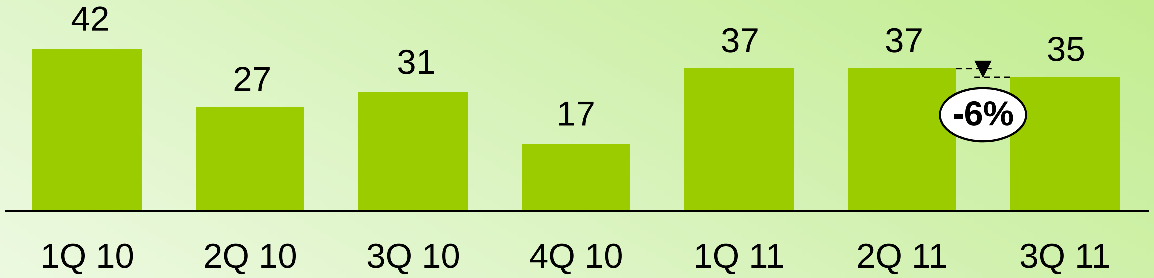
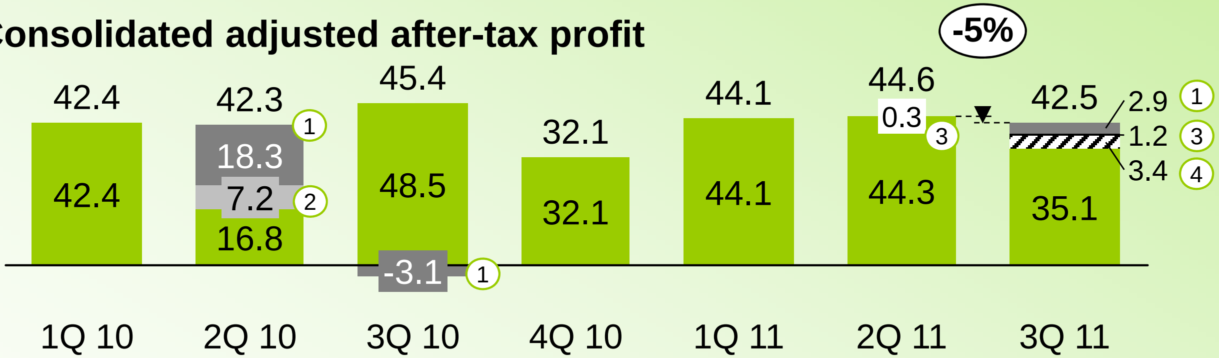
**Consolidated after-tax profit** (in HUF billion)




**Consolidated adjusted after-tax profit**




**Adjustments** (after-tax, in HUF billion):

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| **Goodwill imp.** | **-15.0** | | | | | | |
| **Special tax on financial institutions** | | | **-14.7** | **-14.7** | **-7.2** | **-7.2** | **-7.2** |
| **Loss from early repayment of FX mortgages in Hungary** | | | | | | | **-1.9** |
| **Revaluation result on FX purchased to cover the FX need of repayments** | | | | | | | **+1.4** |

**One-off items** (after-tax)**:**

1. Revaluation result realized on FX-swaps of OTP Core booked as interest income
2. Net FX-gain realized on FX hedging transactions related to FX-loans provisions at OTP Bank Ukraine (booked as other non-interest income)
3. Gain on the repurchase of own Upper and Lower Tier2 Capital elements
4. Gain on Croatian government bonds

| | 3Q 10 | 2Q 11 | 3Q 11 |
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| ROE (adj.) | 13.6% | 13.6% | 12.3% |
| ROA (adj.) | 1.8% | 1.8% | 1.7% |
| Total income margin (adj.) | 7.82% | 8.04% | 8.29% |
| Net interest margin (adj.) | 6.07% | 6.25% | 6.44% |
| Cost/income ratio (adj.) | 43.9% | 45.0% | 45.2% |
| Gross loan growth. (q-o-q, FX-adjusted) | 1.0% | -0.6% | 0.6% |
| Deposit growth (q-o-q, FX-adjusted) | 2.4% | 1.0% | -0.9% |
| Risk cost rate (adj.) | 3.20% | 2.89% | 3.15% |
| DPD90+ ratio | 13.2% | 15.4% | 16.0% |
| DPD90+ coverage | 73.4% | 73.3% | 75.1% |
| Gross liquidity buffer (EUR million equivalent) | 5,651 | 5,237[1] | 4,755 |
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| CAR (OTP Bank, HAR) | 17.8% | 20.0% | 18.4% |

*[1] As of 12 August 2011*

# Improving operating profit on the back of higher net interest income; increasing risk costs aimed at boosting the coverage of the non performing book; higher corporate taxes as a result of the revaluation of subsidiary investments of OTP Bank (HU)

| Consolidated, adjusted Profit & Loss Statement (in HUF billion) | 3Q 10 | 2Q 11 | 3Q 11 | Q-o-Q changes (3Q 2011/2Q 2011 ) | Y-o-Y changes (3Q 2011/3Q 2010) |
|---|---|---|---|---|---|
| Net interest income w/o one-off items | 154 | 151 | 159 | 5% ① | 3% |
| Net fees & commissions | 34 | 35 | 37 | 3% | 8% |
| Other net non-interest income (adj.) w/o one-offs | 10 | 8 | 9 | 13% | -13% |
| Total income w/o one-off items | 199 | 194 | 205 | 5% | 3% |
| Operating cost | -87 | -87 | -93 | 6% ② | 6% |
| Operating profit w/o one-off items | 111 | 107 | 112 | 5% | 1% |
| One-off items | -4 | 0 | ③ 9 | | |
| Total risk costs (for loan losses and other) | -60 | -50 | -59 | 19% ④ | -1% |
| Profit before tax | 47 | 57 | 62 | 9% | 31% |
| Corporate tax | -2 | -13 | -20 | 55% ⑤ | |
| **Consolidated, adjusted after tax profit** | **45** | **45** | **43** | **-5%** | **-6%** |

① Improving net interest income at OTP Core (due to repricing of corporate deposits, interest payment of previously non-paying corporate loans and higher interest result on FX loans due HUF depreciation) and at OTP Russia (from the stronger business activity).

② The 2011 change in the Group level remuneration policy caused temporary decline in the 2Q 2011 personnel expenses of OTP Core. Ukrainian cost increased in 3Q 2011: costs of projects for rationalization of the banking operation and related one-off personnel costs were paid, and the costs of setting-up POS business arose.

③ Revaluation gain on CHF/EUR FX-swap portfolio (HUF 3.5 bn); gain on maturing Croatian government bonds (HUF 4.3 bn) and profit on the buyback of Tier2 Capital of OTP Bank (HUF 1.5 bn).

④ Moderating portfolio deterioration coupled with a higher risk cost level resulted in increasing coverage levels q-o-q.

⑤ Increasing tax burden as a result of the tax shield effect of OTP Bank's subsidiary investments (in HUF billion 3Q 2010: 6.0 tax saving, in 2Q 2011: 0.4 tax saving, in 3Q 2011: 6.2 additional tax burden arising).

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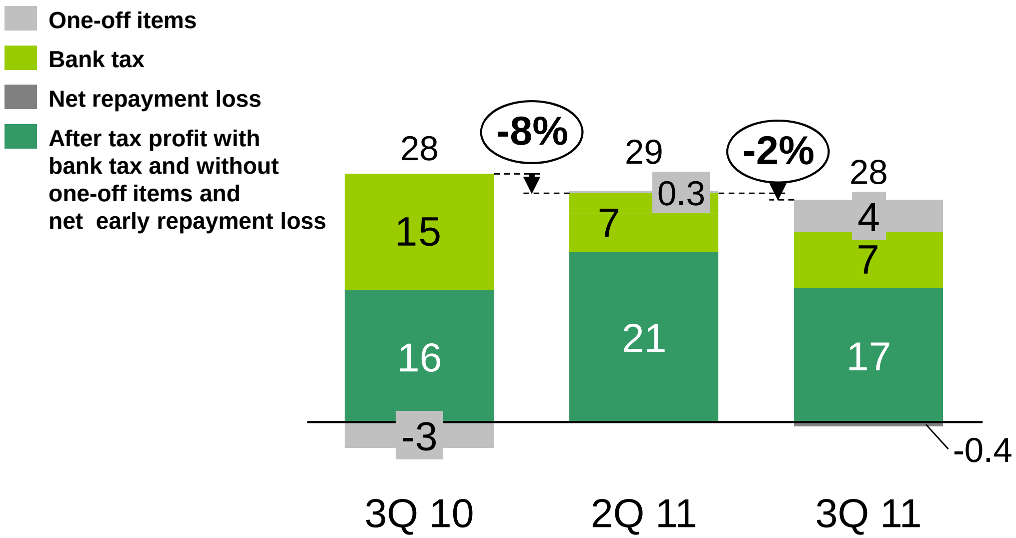
**Profit contribution of foreign subsidiaries remained unchanged in 3Q, their share within the adjusted profit together with bank tax and early repayment loss was 42%, whereas they delivered 35% of the adjusted profit**

## ***Development of adjusted after tax profit*** *(HUF billion)*

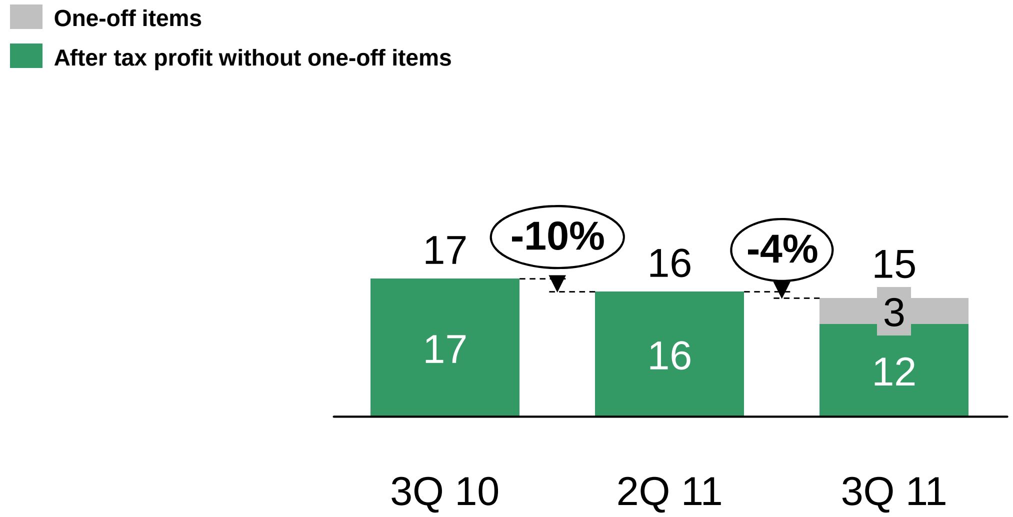
### Hungarian operation total




*Contribution to the consolidated adjusted after tax profit*

| | 3Q 10 | 2Q 11 | 3Q 11 |
|---|---|---|---|
| ***With bank tax and net result of early repayment*** | *43%* | *58%* | *58%* |
| ***Without bank tax and net result of early repayment*** | *62%* | *65%* | *65%* |

### Foreign subsidiaries total




*Contribution to the consolidated adjusted after tax profit*

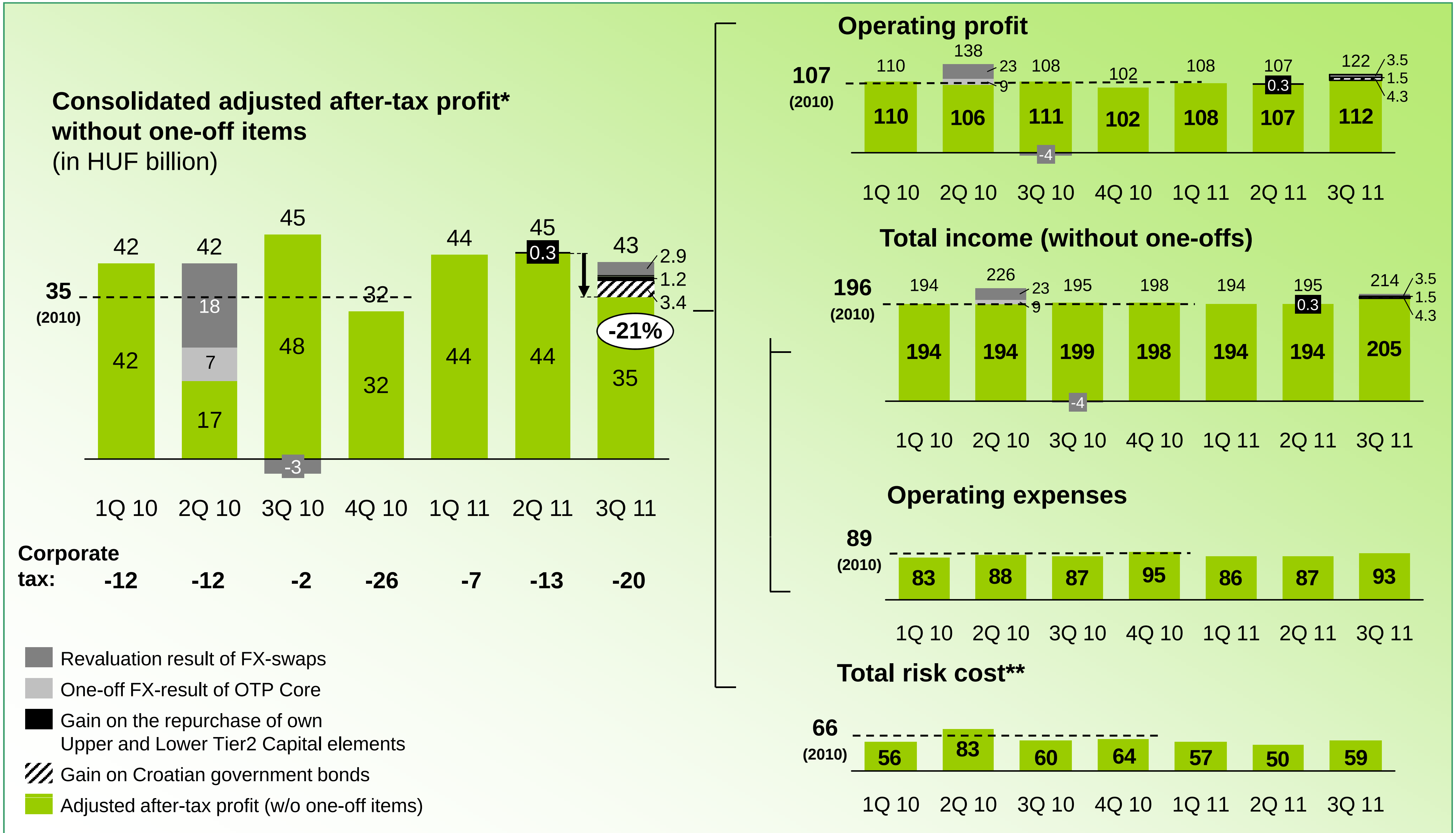
| | 3Q 10 | 2Q 11 | 3Q 11 |
|---|---|---|---|
| ***With bank tax and net result of early repayment*** | *+57%* | *+42%* | *+42%* |
| ***Without bank tax and net result of early repayment*** | *+38%* | *+35%* | *+35%* |

## Consolidated adjusted profit declined q-o-q; weaker OTP Core due to higher taxes, increasing risk cost lowered the Russian and Ukrainian profits, Bulgaria improved on the back of slowing portfolio deteriortaion

| Group members' contribution to the consolidated, ADJUSTED AFTER TAX PROFIT in 3Q 2011 (in HUF billion) | | | Q-o-Q changes (in HUF billion) | Y-o-Y changes (in HUF billion) |
|---|---|---|---|---|
| OTP Group | 100% | 42.5 | -2.0 | -2.8 |
| OTP Core | 67% | 28.5 | -1.3 (1) | 0.0 |
| OBRu | 21% | 9.0 | -0.2 (2) | 0.3 |
| DSK | 8% | 3.2 | 1.2 (3) | -2.1 |
| OBU | 4% | 1.9 | -3.2 (4) | -3.1 |
| OBH | 8% | 3.2 | 2.5 (5) | 2.7 |
| OBS | 0% | 0.0 | 0.0 | -0.1 |
| OBR | 0% | 0.0 | -1.3 | 2.1 |
| CKB | -4% | -1.8 | -0.3 | -2.8 |
| OBSrb | -1% | -0.6 | 0.9 | 1.4 |
| OTP Fund Mgmt. | 2% | 0.7 | -0.2 | -0.8 (6) |
| Merkantil | 1% | 0.6 | 0.6 | 0.6 |

1. OTP Core: increasing effective corporate tax burden (effective tax rate in 3Q 35% vs. 23% in 2Q) induced decline in net profit q-o-q.
2. Russian operating profit advanced further. However, more conservative provisioning method was introduced for delinquent credit card loans, pushing up risk costs and provision coverage in 3Q 2011.
3. Moderating portfolio deterioration and lower risk costs in Bulgaria.
4. Higher costs as a result of setting up POS business and due to projects rationalising the banking operation. Increasing risk cost and provision coverage.
5. Croatia: one-off result on maturing government bonds. The total capital impact was close to neural in 3Q, as the revaluation of the bonds was accounted against equity previously and the cumulated gain was transferred to the P&L at maturity.
6. Negative impact of the regulatory decrease of fund management fees and the pension fund reform.

# The quarterly after-tax profit without one-offs decreased q-o-q as a result of higher risk costs aiming at increasing the provision coverage of the bad book and due to higher corporate taxes at OTP Core

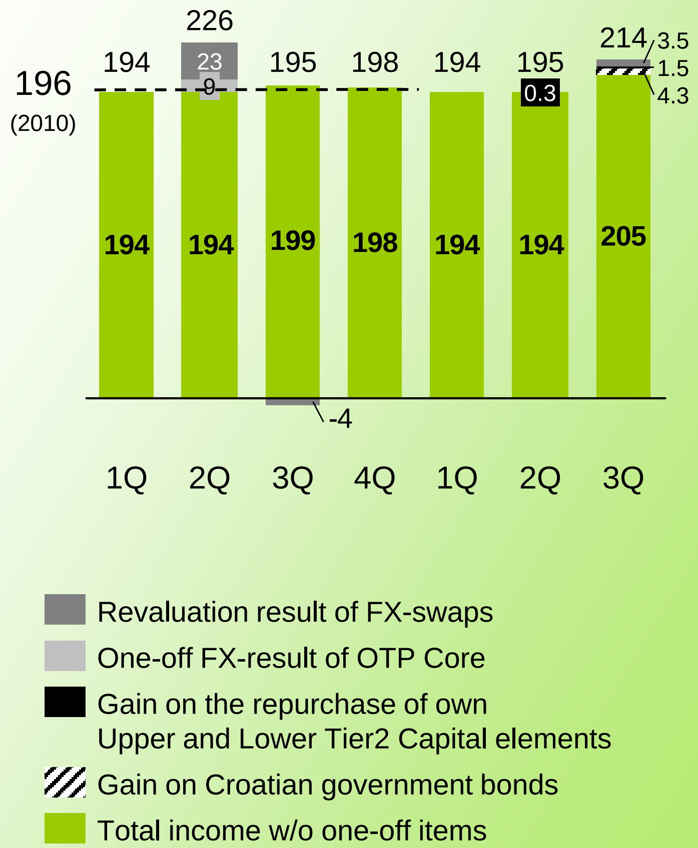



* Profit after tax is shown without adjustments (special banking tax, goodwill impairment, consolidated dividends, the loss from early repayment of FX mortgage loans in Hungary and the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments)

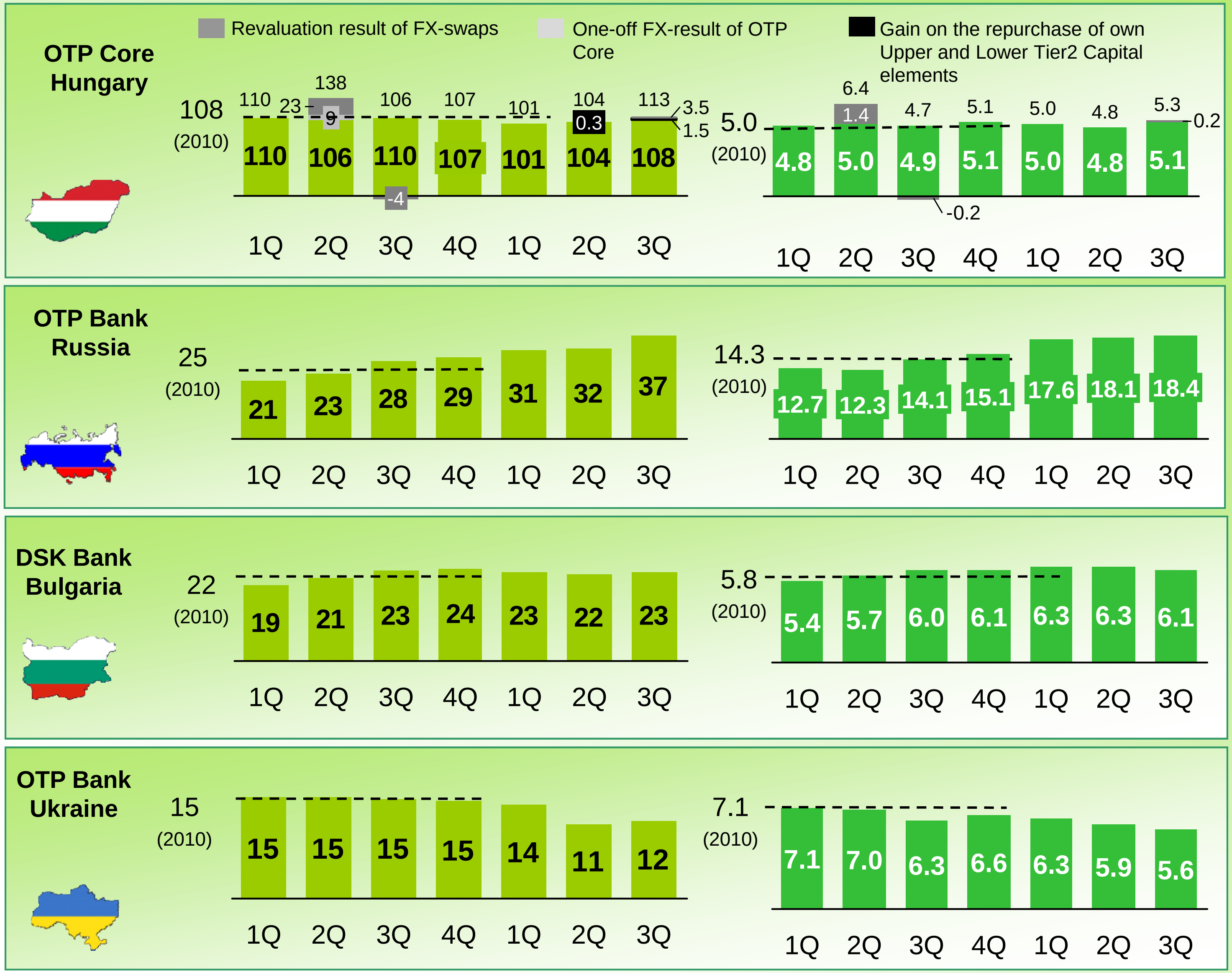
** Provisions for loan losses together with other provisions

## Q-o-q growth of consolidated income is the result of increasing Hungarian and Russian interest income: at OTP Core as a result of repricing of corporate deposits, interest payment of previously non-paying loans and revaluation effect due to HUF depreciation; at the Russian subsidiary thanks to further enhancing business activity.

**Consolidated total income** (HUF billion)




**Total income (HUF billion)** | **Net interest margin* (%)**




*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.

# Increasing net interest income on the back of improving Hungarian and Russian contribution; stabilising income generation in the Ukraine; steadily high Bulgarian income

| Group members' contribution to the consolidated NET INTEREST INCOME in 3Q 2011 (in HUF billion) | Share | NII | Q-o-Q changes (in HUF billion) | Y-o-Y changes (in HUF billion) |
|---|---|---|---|---|
| OTP Group | 100% | 159.2 | 8.3 | 5.1 |
| OTP Core | 53% | 84.9 | 5.2 | 1.8 |
| OBRu | 19% | 30.6 | 2.4 | 6.1 |
| DSK | 12% | 18.4 | 0.4 | -0.2 |
| OBU | 6% | 9.4 | 0.1 | -3.0 |
| OBH | 2% | 3.7 | -0.3 | -0.1 |
| OBS | 2% | 2.7 | 0.1 | -0.2 |
| OBR | 3% | 4.7 | -0.3 | -0.2 |
| CKB | 1% | 1.5 | 0.2 | -0.5 |
| OBSrb | 0% | 0.4 | 0.1 | -0.2 |
| Mer-kantil | 2% | 3.9 | 0.0 | -0.5 |

1. Main drivers q-o-q: pricing measures in case of corporate deposits aiming at decreasing the Group's liquidity reserves (+HUF 1.8 billion); interest payment of previously non-performing project loans (+HUF 0.8 billion); weaker forint caused higher interest income on FX loans (+HUF 2.6 billion).

2. The Russian performance is still supported by the successful sale of consumer loans with high margin content.

3. Steadily high net interest income in Bulgaria is due to the successful deposit pricing strategy.

4. Transferring non-performing loans to OTP Factoring (Ukraine) had adverse impact on interest income generation y-o-y, since interest accruals are stopped after the transfer. Given the recent material slow down in loan transfers, net interest income generation shows signs of stabilization q-o-q.

# Due to seasonality the Group members' net fee and commission income improved q-o-q, y-o-y the outstanding Russian performance offset the drop at OTP Fund Management

| Group members' contribution to the consolidated NET FEES AND COMMISSIONS in 3Q 2011 (in HUF billion) | Share | | Q-o-Q changes (in HUF billion) | Y-o-Y changes (in HUF billion) |
|---|---|---|---|---|
| OTP Group | 100% | 36.6 | 1.2 (1) | 2.6 |
| OTP Core | 59% | 21.7 | 0.1 | 1.6 (2) |
| OBRu | 13% | 4.7 | 0.6 | 1.9 (3) |
| DSK | 11% | 3.9 | 0.1 | -0.1 |
| OBU | 6% | 2.3 | 0.4 | 0.2 |
| OBH | 3% | 1.1 | 0.1 | -0.1 |
| OBS | 2% | 0.6 | -0.1 | -0.1 |
| OBR | 2% | 0.6 | -0.1 | 0.0 |
| CKB | 2% | 0.8 | 0.1 | -0.1 |
| OBSrb | 1% | 0.5 | 0.0 | 0.0 |
| OTP Fund Mgmt. | 3% | 1.1 | -0.1 | -1.2 (4) |

1. Due to seasonality most of the Group members attained q-o-q growth: majority of the increase came from Russia, due to improving deposit related fees.

2. Negative base effect at OTP Core: total fee expenses (approximately HUF 1.3 billion) of an EUR 250 syndicated loan transaction in July 2010 were accounted in 3Q 2010.

3. The outstanding y-o-y performance of OTP Bank Russia was the result of the spectacular pick-up in consumer lending. Mainly card and deposit related fees grew (by 46% and 30% respectively y-o-y).

4. Fund management fees payable by pension funds were lowered from January 2011 (in case of private pension funds from 0.8% to 0.2%, in case of voluntary pension funds from 0.8% to 0.7%). It was also negative that in June 2011 the state took over the assets of returning pension fund members and following that the redemption of investment units started.

# The 3%-points q-o-q increase of the consolidated net loan to deposit ratio was mainly the result of FX rate movements, the FX-adjusted ratio showed a 1%-point growth only

**Loan to deposit ratio, %** (30 September 2011)

Net loan to deposit**
Gross loan to deposit

100%

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

| | Net loan to deposit** | Gross loan to deposit | Q-o-Q | Y-o-Y |
|---|---|---|---|---|
| **OTP Group**** | 105% | 126% | +1%p | -5%p |
| **OTP Core**** | 84% | 101% | +1%p | -3%p |
| **OBRu** | 134% | 152% | +11%p | +25%p |
| **DSK** | 108% | 123% | 0%p | -8%p |
| **OBU** | 243% | 321% | -8%p | -44%p |
| **OBR** | 272% | 297% | -49%p | -31%p |
| **OBH** | 82% | 86% | -5%p | -3%p |
| **OBS** | 100% | 107% | -1%p | -3%p |
| **OBSrb** | 163% | 224% | -17%p | -77%p |
| **CKB** | 64% | 89% | -6%p | -18%p |

The q-o-q 1% FX-adjusted growth of consolidated „net loan/(deposit+ retail bond)" ratio (3Q 2011: 105%) is driven by the increase of gross loans and provisions (+1% and 6% respectively) and the 1% decline of deposits.

The net loan to deposit ratio of the Russian subsidiary moved upward y-o-y significantly because of the continued spectacular growth in consumer lending. The Bank commenced its rouble bond issuance program in March 2011 (issued RUB 2.5 billion in March and RUB 5 billion in July, and after the closing of the balance sheet further RUB 4 billion in November) in order to diversify its liability structure.

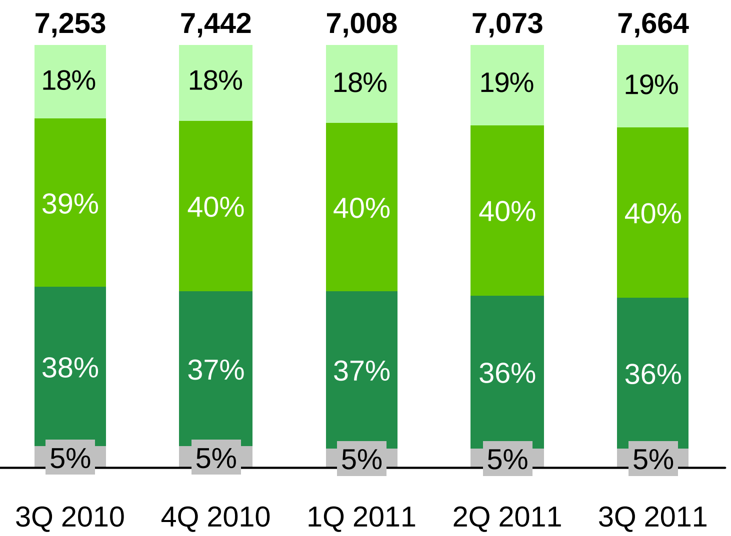
In case of OTP Core the improved liquidity position induced the repricing of corporate deposits. As a result, the corporate deposit book dropped by 18%, but this was partially offset by the 25% q-o-q pick-up of municipal deposits due to the favourable seasonality of local tax collection.

* changes are adjusted for the effects of FX-rate movements

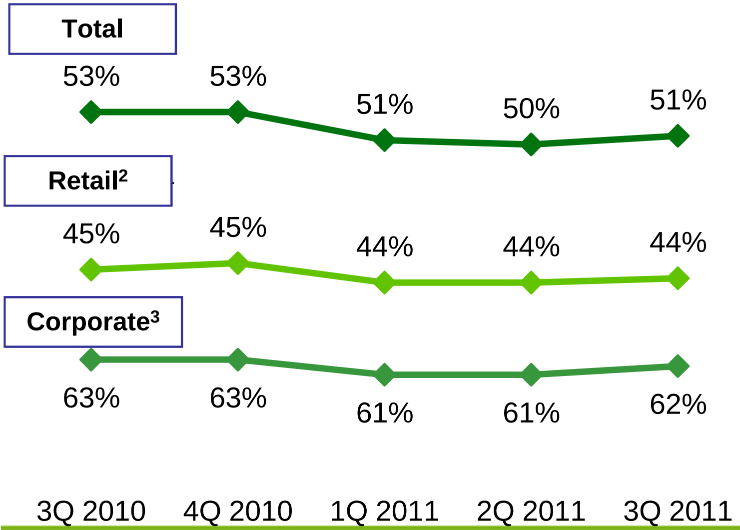
** in case of the ratio of the Group and of OTP Core the applied formula is „net loan/(deposit+retail bond)"

## 1% q-o-q growth of consolidated loans is primarily due to the Russian and partly to the Ukrainian consumer loans. Further pick-up of mortgage lending in Romania, Slovakia and Bulgaria. Reviving corporate loan demand in Ukraine.

### Breakdown of consolidated loan book (in HUF billion)




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




### Q-o-Q loan volume changes in 3Q 2011, adjusted for FX-effect

| | Cons. | Core | Merk | OBRu | OBU | DSK | OBR | OBH | OBS | OBSr | CKB |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 1% | -1% | -2% | 13% | 3% | 1% | 1% | 0% | 0% | -5% | -5% |
| Consumer | 6% | 0% | | 23% | 57% | 0% | 0% | 1% | 4% | 0% | -1% |
| Mortgage | 0% | -1% | | -5% | -3% | 1% | 2% | 0% | 4% | -2% | -2% |
| Corporate¹ | -1% | -1%* | 5% | -23% | 5% | 3% | 1% | -1% | -2% | -6% | -7% |
| Car financing | -3% | | -3% | -7% | -3% | | | -11% | 5% | | |

### Y-o-Y loan volume changes in 3Q 2011, adjusted for FX-effect

| | Cons. | Core | Merk | OBRu | OBU | DSK | OBR | OBH | OBS | OBSr | CKB |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 0% | -3% | -12% | 31% | 0% | 2% | 6% | -1% | -1% | -13% | -9% |
| Consumer | 13% | -4% | | 68% | 40% | -1% | -23% | 5% | | 9% | 5% |
| Mortgage | 0% | -3% | | -14% | -8% | 3% | 7% | 1% | 17% | -1% | -9% |
| Corporate¹ | -5% | -3%* | 4% | -41% | 6% | 6% | 9% | -5% | -10% | -19% | -13% |
| Car financing | -16% | | -14% | -18% | -16% | | | -33% | | | |

* Adjusted for the effect of technical reclassification of loans at OTP Factoring
(1) including SME, LME and municipality loans as well
(2) including loans to households and SME loans
(3) including LME and municipality loans as well

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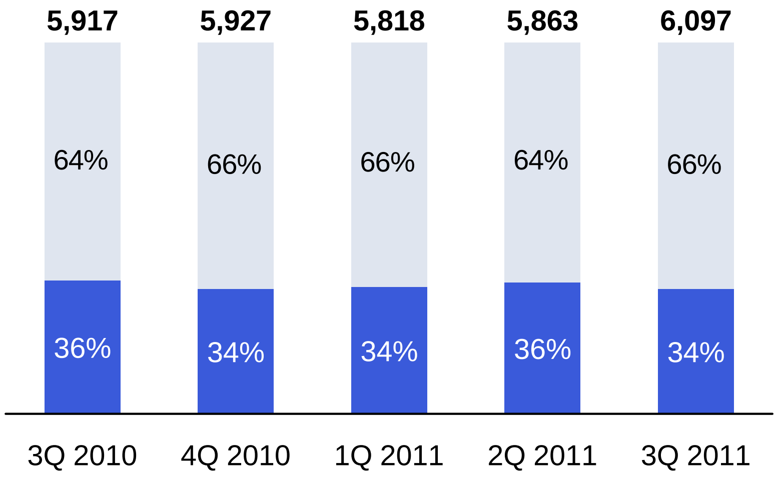
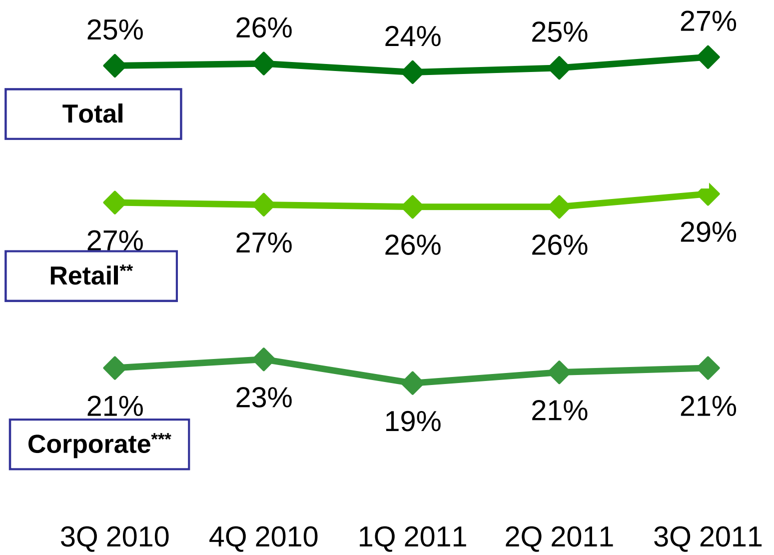
## The 1% drop of consolidated deposits was due to diminishing Hungarian corporate deposit book as a result of lower deposit rates; retail deposits typically remained stable or grew throughout the Group

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




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




### Q-o-Q deposit volume changes in 3Q 2011, adjusted for FX-effect

| | Cons. | Core | OBRu | OBU | DSK | OBR | OBH | OBS | OBSr | CKB |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | -1% | -3% | 3% | 6% | 0% | 19% | 5% | 1% | 3% | 1% |
| Retail | 1% | 0% | -3% | 3% | 2% | 3% | 4% | -2% | 1% | 4% |
| Corporate* | -5% | -9% | 16% | 10% | -4% | 37% | 13% | 6% | 7% | -3% |

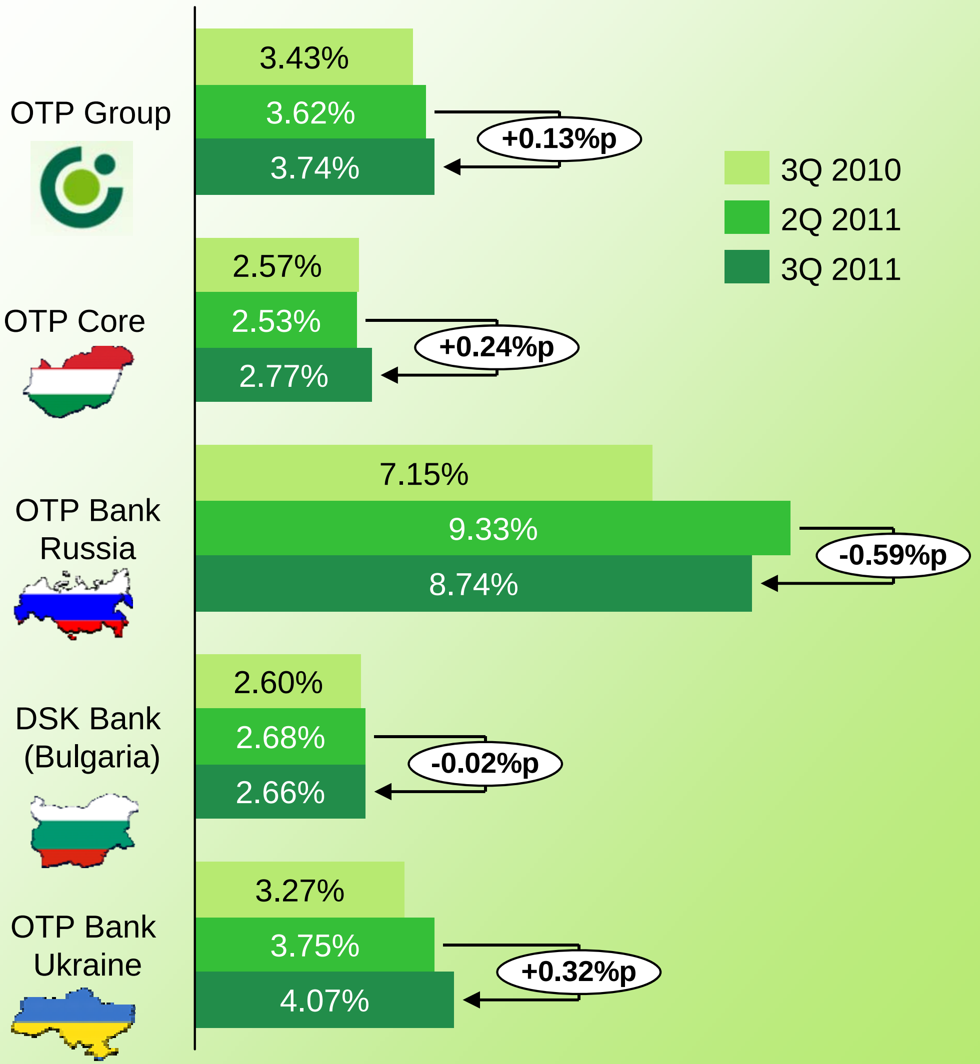
### Y-o-Y deposit volume changes in 2Q 2011, adjusted for FX-effect

| | Cons. | Core | OBRu | OBU | DSK | OBR | OBH | OBS | OBSr | CKB |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 1% | -3% | 9% | 14% | 5% | 15% | 1% | 1% | 12% | 1% |
| Retail | 3% | 0% | 11% | 12% | 6% | 5% | 3% | 2% | 21% | 8% |
| Corporate* | -5% | -7% | 5% | 16% | 2% | 25% | -5% | 0% | 0% | -11% |

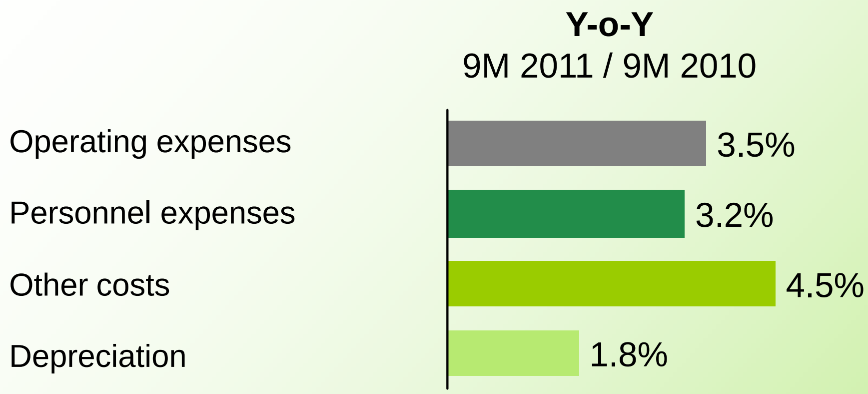
*including SME, LME and municipality deposits as well
** including households' deposits and SME deposits
*** including LME and municipality deposits as well

# The 9M consolidated cost growth was mainly attributable to the consumer lending boom in Russia, while the higher Ukrainian cost was explained by the rationalization of the operation and the expansion of POS lending

**Operating Cost / Average Asset ratio** (%)




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




The consolidated cost increase in 9M 2011 reached 3.5% y-o-y, explained fully by the higher expenses in Russia. The Russian costs went up y-o-y on the back of strong lending activity, but q-o-q costs remained stable and the cost-to-asset ratio improved.

The 9M consolidated personnel expenses grew by 3.2%. A technical factor played a role: personnel expenses at OTP Core declined by 6%. The remuneration policy has been changed, leading to a temporary reduction in the cost base when shifting to the new policy, but especially in 2Q 2011. The q-o-q 12% increase in the consolidated personnel expenses is explained primarily by this base effect.

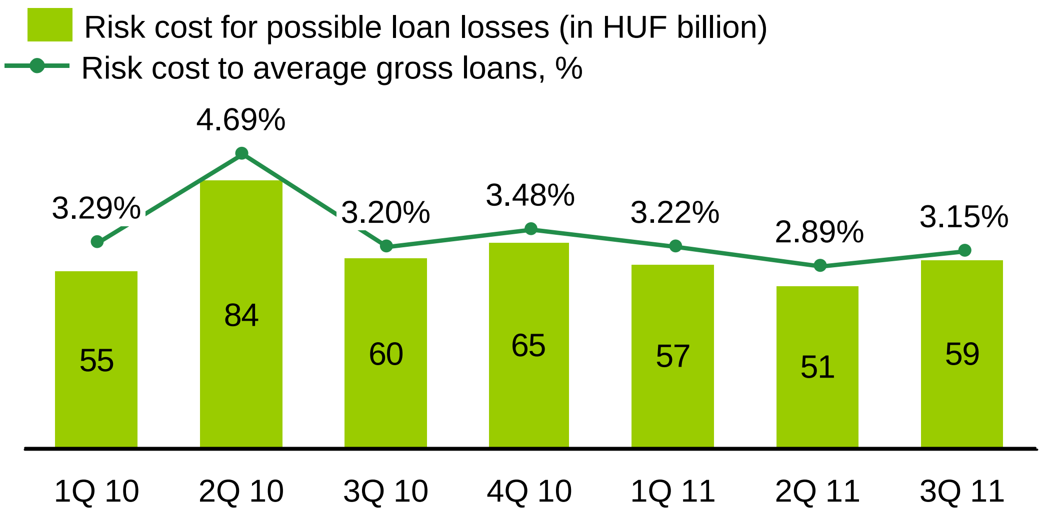
The reasons for the rise of the Ukrainian costs: additional expenses emerged temporarily, parallel with the fast expansion of POS lending and the rationalization of banking operations.

The higher other costs in 9M were attributable to the higher Deposit Insurance Fund fees** and higher advisory fees related to projects (aiming at enhancing the effectiveness of collection) in Hungary.

*Adjusted for FX-effect
** The fee increased in Hungary from 0.02% to 0.06% of the insured deposit volumes, effective from 3Q 2011 but retrospectively from January 2011.

# In 3Q 2011 the pace of loan portfolio deterioration remained close to the 2Q 2011 level. Significant provisioning resulted 75.1% coverage (+1.8%-points q-o-q) on the DPD90+ loan portfolio

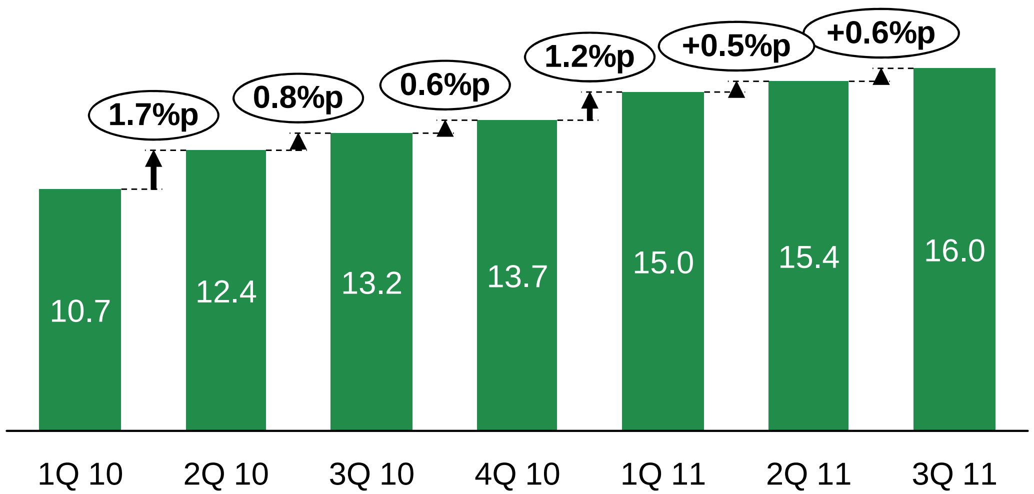
## Consolidated risk costs and its ratio to average gross loans



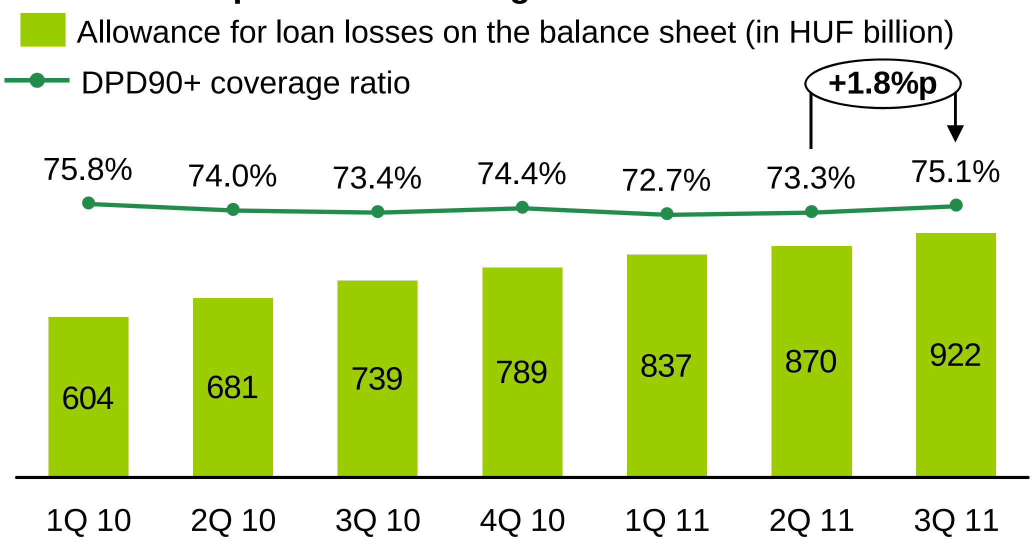

**One-off items in 9M 2011:**

- in 1Q 0.7%-points decrease in coverage was caused by a HUF 10 billion syndicated loan at OTP Core defaulting in January 2011, since provisions had been already set aside in 2010. According to management expectations, the syndicate will agree with the client and the deal will probably be removed from DPD90+ loans.
- in 1Q 0.5%-points decrease in coverage is due to the write-off of non-performing loans purchased by OTP Factoring more than 5 years ago. The written-off portfolio amounted to cca. HUF 18 billion (gross principal) and had 100% provision coverage. This write-off decreased the coverage through a composition effect.
- in 2Q the exposure to the Russian Technosila Group was sold (USD 47 million exposure, 90 days of delinquency was reached in 2Q 2010). Provision coverage was about 90%, the pre-tax profit realised on the sale amounted to about HUF 1.3 billion.

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

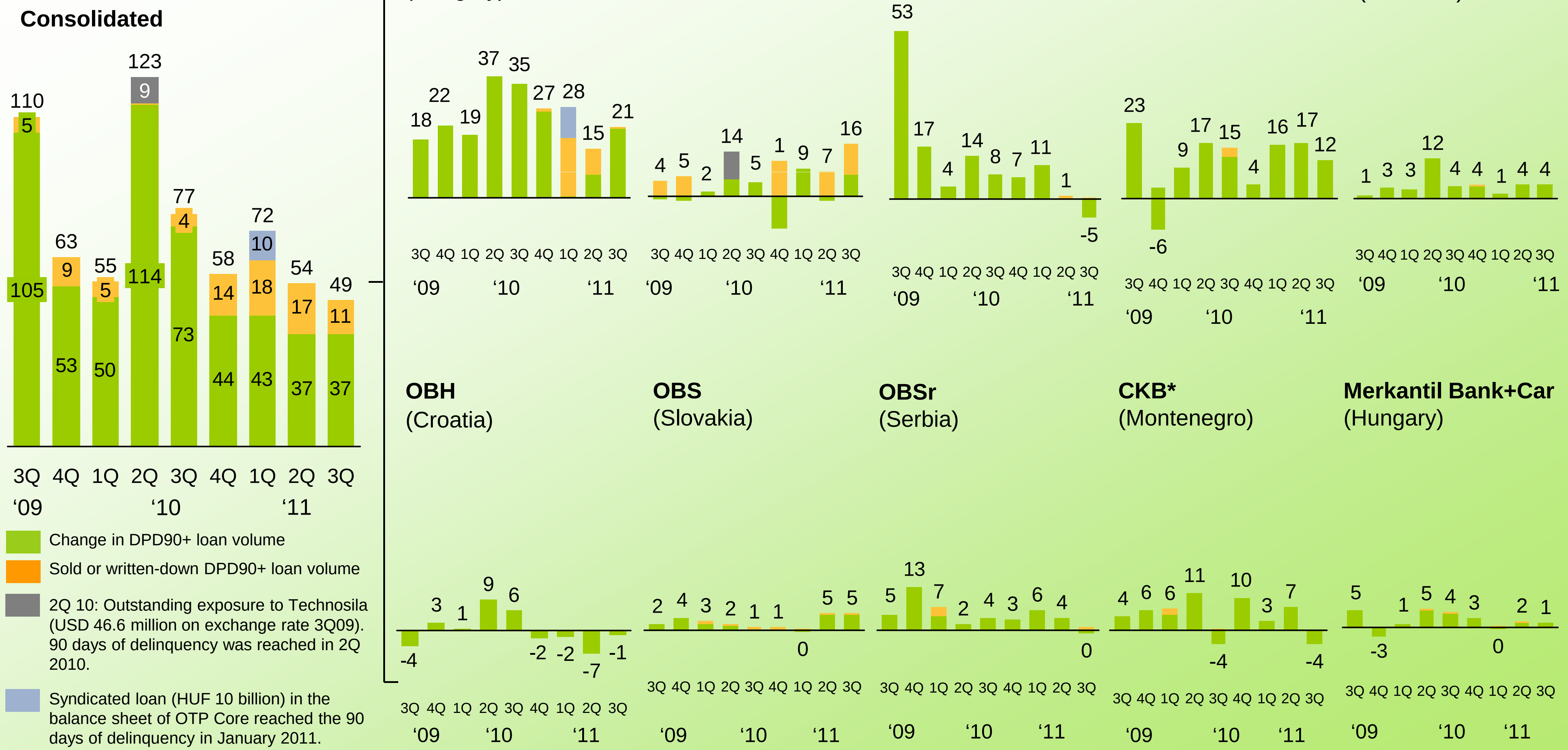



## Consolidated provision coverage ratio



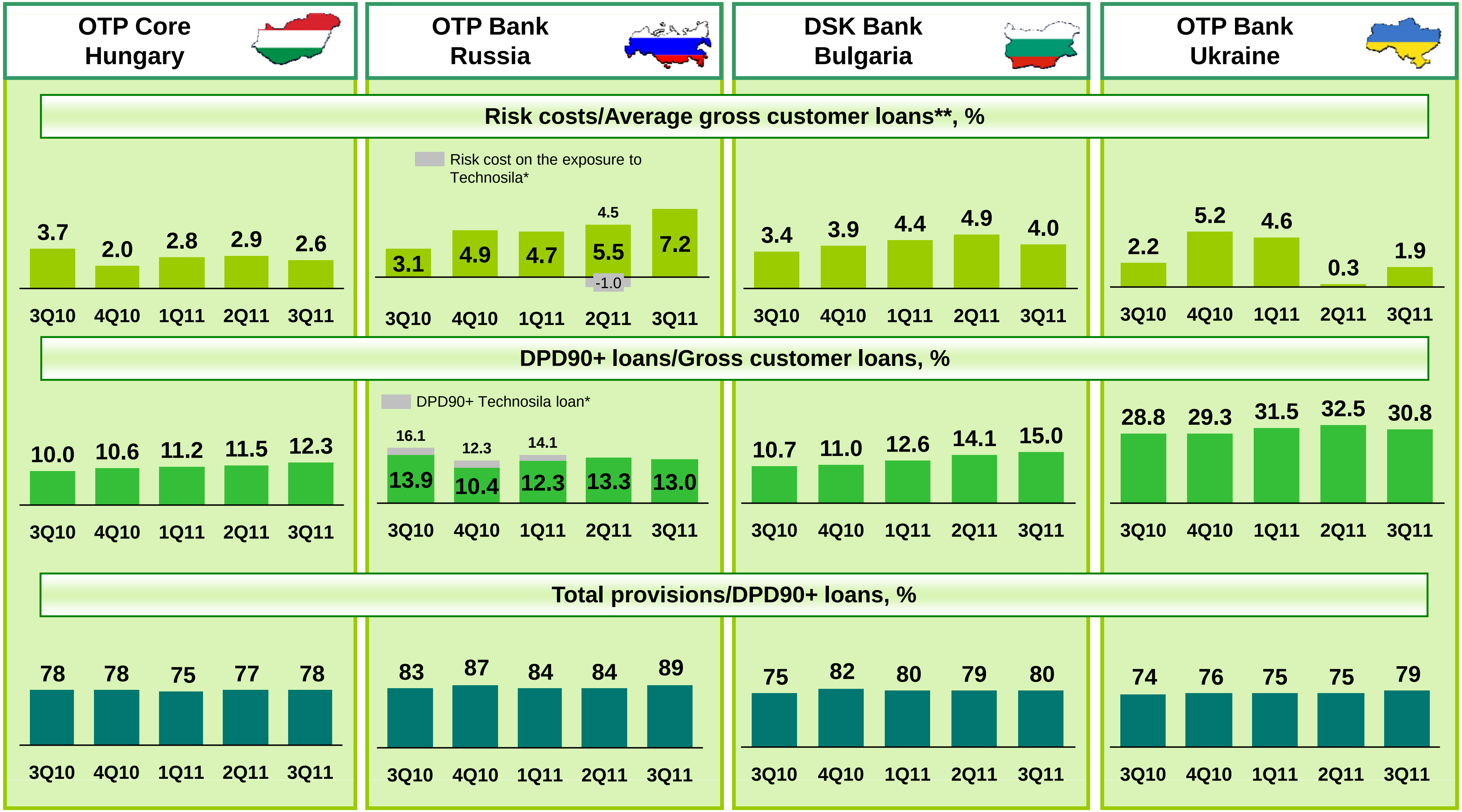
## The consolidated FX-adjusted DPD90+ loan formation reached its new low level since the end of 2008; non-performing loan volume even decreased in Ukraine and Montenegro, the Bulgarian portfolio deterioration slowed down, however the Hungarian portfolio developments reflected an unfavourable trend

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




* DPD90+ loan formation statistics of both OTP Core and CKB were adjusted for the effect of a portfolio swap between the two companies in 1Q 2011. From legal aspects the portfolio swap was necessary because of the enforceability of the collaterals behind non-performing loans.

## Provision coverage of non-performing loans improved at the main Group members, in Russia and in the Ukraine substantially. Shifting to a more conservative provisioning methodology for credit card loans pushed up the coverage and the risk cost rate in Russia




*The exposure of Technosila Group (USD 46.6 million) became overdue in 2Q 2010. The defaulted exposure was sold in 2Q 2011, the provision coverage was 90% in RUB terms, the before tax profit realized on the sale was appr. HUF 1.3 billion.**Risk cost ratios were adjusted for the revaluation result of FX-denominated provisions.

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## Further deteriorating mortgage book in Hungary and Bulgaria, the Hungarian municipal portfolio quality worsened q-o-q due to the debt of county-level municipalities; this debt will be taken over by the central government

**DPD90+ loan volumes**

| OTP Core (Hungary) | 3Q 10 | 4Q 10 | 1Q 11 | 2Q 11 | 3Q 11 | Q-o-Q |
|---|---|---|---|---|---|---|
| **Total** | **10.0%** | **10.6%** | **11.2%** | **11.5%** | **12.3%** | ***0.8%p*** |
| Retail | 9.8% | 10.5% | 11.5% | 12.0% | 13.0% | *1.0%p* |
| Mortgage | 7.4% | 8.1% | 9.1% | 9.9% | 11.0% | *1.1%p* |
| Consumer | 19.1% | 20.4% | 21.5% | 20.7% | 21.6% | *0.9%p* |
| MSE** | 12.7% | 12.5% | 14.7%* | 14.8% | 14.8% | *0.1%p* |
| Corporate | 12.6% | 13.7% | 13.4%* | 13.6% | 13.4% | *-0.1%p* |
| Municipal | 0.7% | 0.1% | 0.2% | 0.2% | 2.2% | *2.0%p* |

**DPD90+ loan volumes**

| OTP Bank Russia | 3Q 10 | 4Q 10 | 1Q 11 | 2Q 11 | 3Q 11 | Q-o-Q |
|---|---|---|---|---|---|---|
| **Total** | **16.1%** | **12.3%** | **14.1%** | **13.3%** | **13.0%** | ***-0.3%p*** |
| Mortgage | 10.5% | 8.8% | 9.0% | 10.2% | 10.3% | *0.1%p* |
| Consumer | 16.9% | 11.8% | 14.4% | 14.7% | 13.6% | *-1.1%p* |
| Corporate+ SME | 18.3% | 18.1% | 17.8% | 7.9% | 10.8% | *2.9%p* |
| Car-financing | 17.0% | 13.1% | 13.6% | 13.7% | 14.1% | *0.3%p* |

**DPD90+ loan volumes**

| DSK (Bulgaria) | 3Q 10 | 4Q 10 | 1Q 11 | 2Q 11 | 3Q 11 | Q-o-Q |
|---|---|---|---|---|---|---|
| **Total** | **10.7%** | **11.0%** | **12.6%** | **14.1%** | **15.0%** | ***0.9%p*** |
| Mortgage | 9.9% | 11.0% | 13.0% | 14.8% | 16.6% | *1.7%p* |
| Consumer | 9.6% | 10.5% | 11.3% | 12.3% | 13.2% | *0.8%p* |
| MSE** | 28.7% | 27.5% | 32.0% | 36.6% | 37.9% | *1.3%p* |
| Corporate | 7.5% | 6.2% | 7.5% | 8.6% | 8.3% | *-0.2%p* |

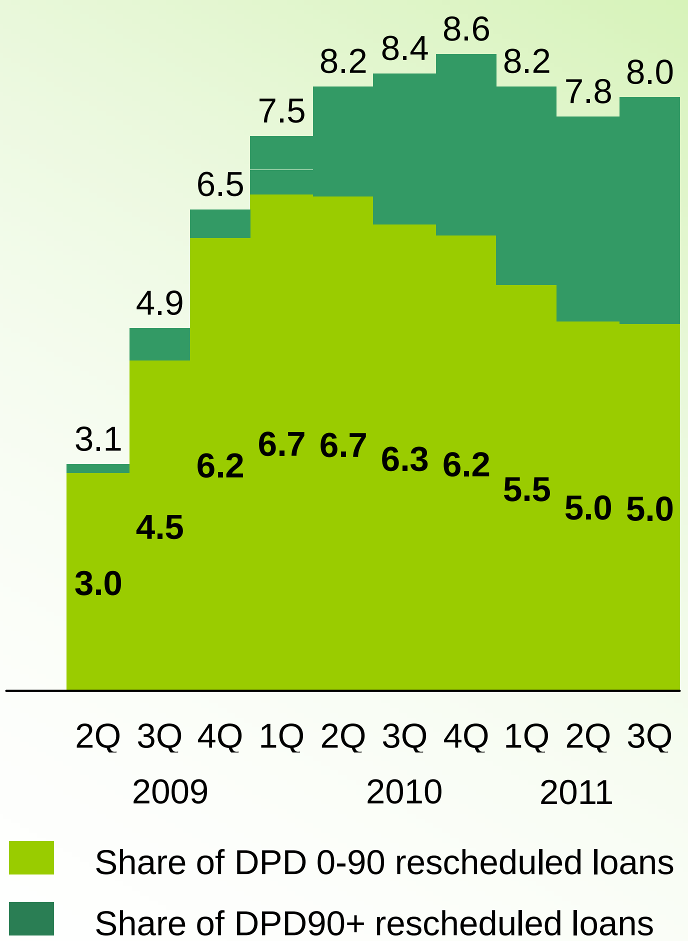
**DPD90+ loan volumes**

| OTP Bank Ukraine | 3Q 10 | 4Q 10 | 1Q 11 | 2Q 11 | 3Q 11 | Q-o-Q |
|---|---|---|---|---|---|---|
| **Total** | **28.8%** | **29.3%** | **31.5%** | **32.5%** | **30.8%** | ***-1.7%p*** |
| Mortgage | 33.1% | 37.2% | 40.1% | 41.7% | 43.2% | *1.5%p* |
| SME | 43.6% | 46.0% | 49.0% | 51.4% | 53.5% | *2.1%p* |
| Corporate | 20.7% | 18.3% | 19.5% | 19.4% | 15.8% | *-3.6%p* |
| Car-financing | 27.0% | 30.5% | 35.4% | 37.4% | 38.2% | *0.8%p* |

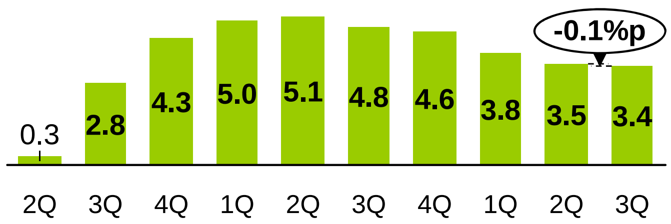
*The q-o-q change in the quality of loans to micro- and small enterprises were influenced by a technical effect. The product breakdown of non-performing loans at OTP Factoring (the collection company within OTP Core) has been refined, at the same time it decreased DPD90+ corporate volumes. **Micro and small enterprises

# The share of rescheduled retail loans without re-defaults has decreased further in Bulgaria and Hungary, the Ukrainian ratio remained stable q-o-q, consolidated ratio reached 5.0% by the end of September

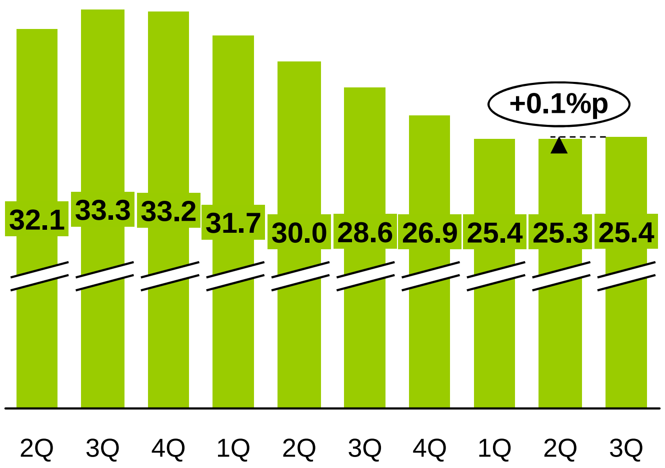
**Share of rescheduled loans within retail portfolio*** (%, without SME exposures)



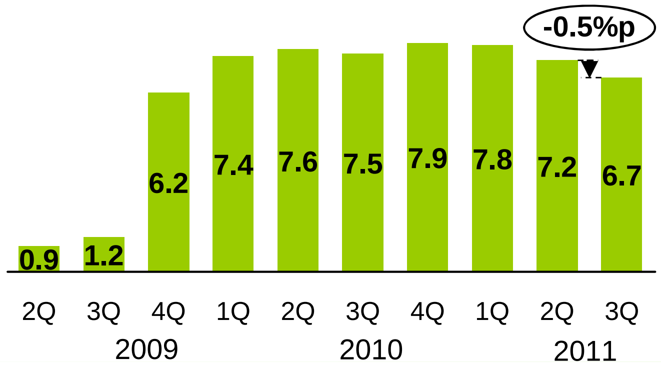

**OTP Core (Hungary)**



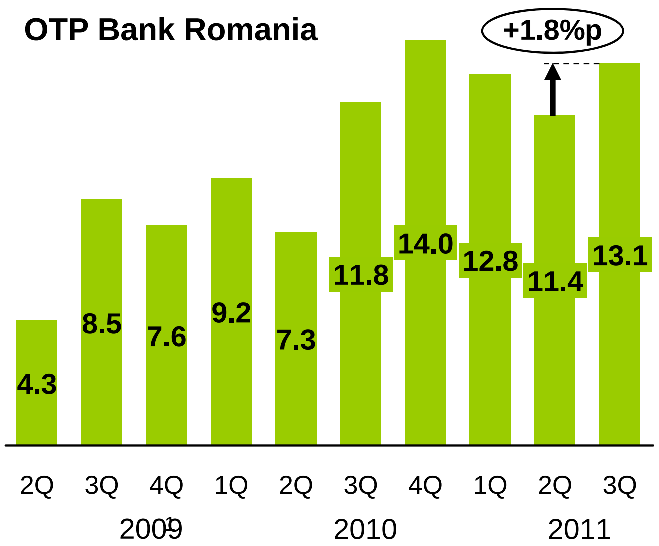

**OTP Bank Ukraine**




**DSK (Bulgaria)****




**OTP Bank Romania**




•From 1Q 2010, rescheduled volumes of OTP Core includes loan volumes transferred to OTP Faktoring (the Hungarian collection company) too. Therefore the currently released dataset slightly differs from previous publications. ** DSK's 2Q-4Q 2009 statistics include DPD90+ volumes

# Measures of the Country Protection Action Plan have negative implications on the banking sector

On 19 September 2011 the Parliament approved the government's proposal (as part of the Country Protection Action Plan) aiming at providing relief for Hungarian FX mortgage debtors. The laws effectuating the measures were approved during the autumn session of the Parliament.

**Among the measures of the Plan the followings may directly influence the Hungarian banking system:**

1. **Full early repayment of FX mortgage loans is to be allowed for debtors at a fixed exchange rate** of HUF/CHF 180, HUF/EUR 250 or HUF/JPY 2.00. All costs of such transactions should be absorbed by banks, including the loss stemming from the mismatch between the book value of the loans registered at market CHF rate and the lower amount of the repayment implied by the fixed rate.
   If the FX borrower meets the eligibility criteria stipulated by the law, banks can not reject the application, and shall prepare the closure of the loan contract(s) within 60 days. The main eligibility conditions in respect of the early repayment opportunity are as follows:
   - The option is available only for those FX mortgage borrowers who took out their loan at lower FX rate than the fixed rates.
   - The application period is open by 30 December 2011. The client must pay back his loan(s) within 60 days after the application.
   - Borrowers shall assume the full repayment of the original FX mortgage as well as any bridge loan or special account related to it.
   - The loan contract of the client was not abrogated by the bank until 30 June 2011.

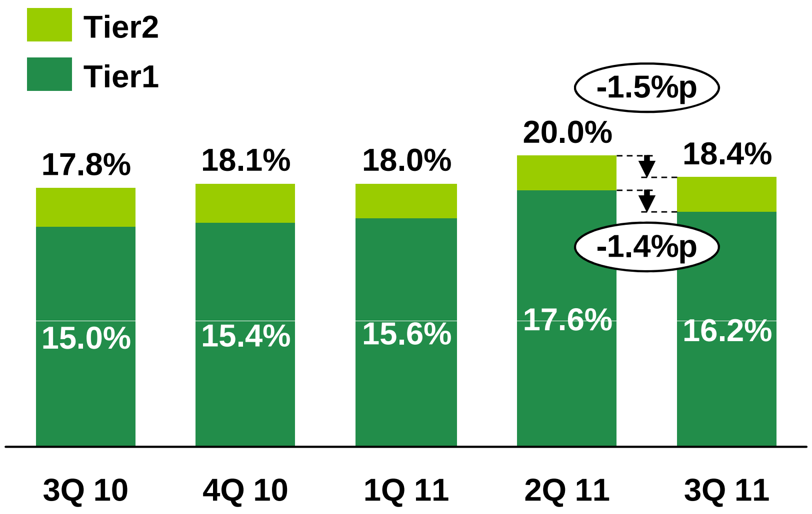
2. **The maximum annual percentage rate (APR) of customer loans** can exceed the central bank's base rate by no more than 24%.
   In case of consumer loans, credit card loans or loans linked to payment accounts the maximum APR is capped at base rate +39. The already approved regulation will come into effect from 1 January 2012 and afterwards those limits should be applied for new contracts.

3. **Costs arising in forint with respect to foreign currency lending of the banks may be charged only in forint.** In the case of FX and FX-based loans, only charges and fees directly related to the raising and maintaining of FX funds (including interest like handling fees) are allowed to be charged in FX. The law effectuating this restriction came into force on 29 September 2011.

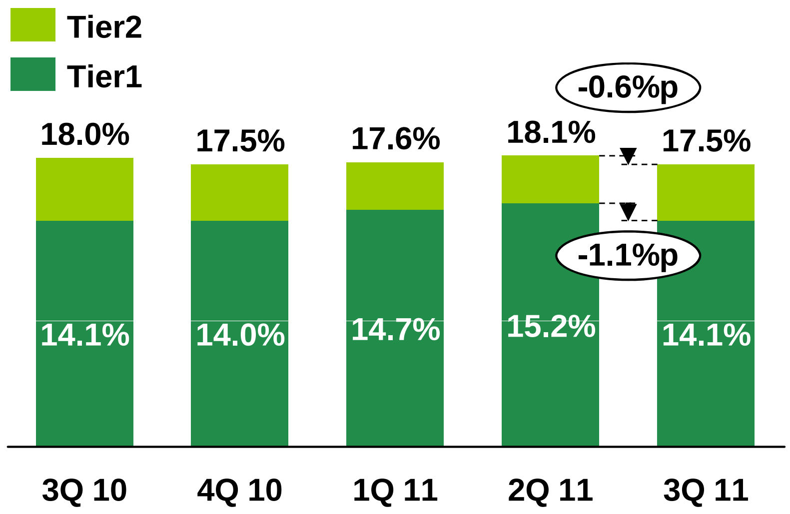
4. In case of new mortgage loan origination banks are required to apply either a **benchmark-linked interest rate or** should **fix the interest rate for a longer period** (minimum for three years). Banks will be allowed to change the benchmark-linked pricing strictly within the framework of existing regulations only in case there is a change in the credit risk. As for earlier originated loans (with a remaining maturity of more than 1 year) that do not meet the above mentioned pricing criteria, clients are once allowed to either amend the loan contract or enter into a new contract or refinance the loan until 31 May 2012. In respect of these transactions, banks are prohibited to charge any fees for contract modification or early repayment.

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

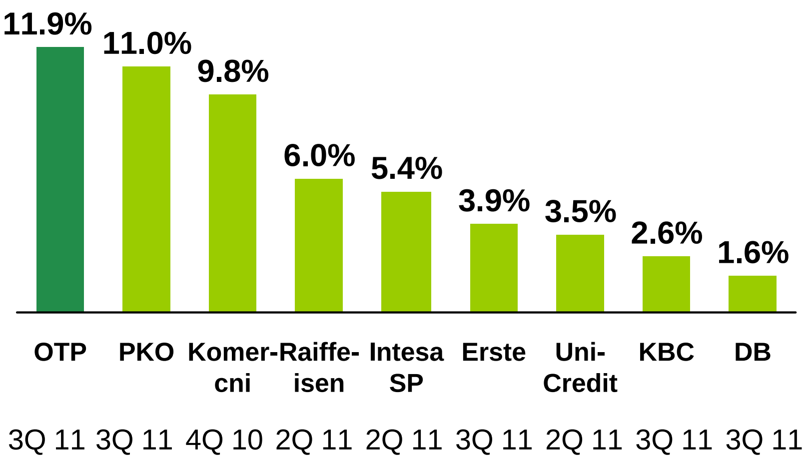
**OTP Bank unconsolidated CAR** (HAR)



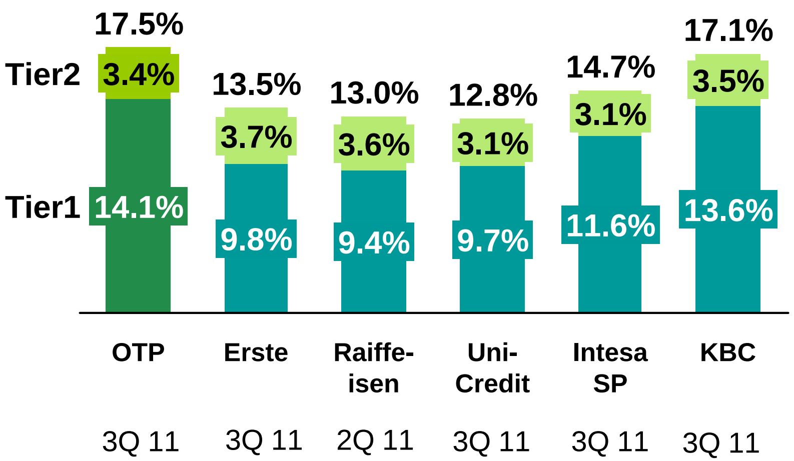

**OTP Group Consolidated CAR** (IFRS)




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




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




**Capital transactions in 2011:**

The **Ukrainian subsidiary** paid HUF 11.6 billion (UAH 500 million) dividend to OTP Bank.

According to management decision the HUF 40.7 billion dividend payable by the **Bulgarian subsidiary** was settled in two instalments: in 2Q 2011 about HUF 23.2 billion, in 3Q the remaining part (cca. HUF 17.5 billion) got paid.

CKB received an EUR 10 million capital increase in **1Q 2011**. The capital of the Serbian subsidiary was raised by EUR 20 million in November.

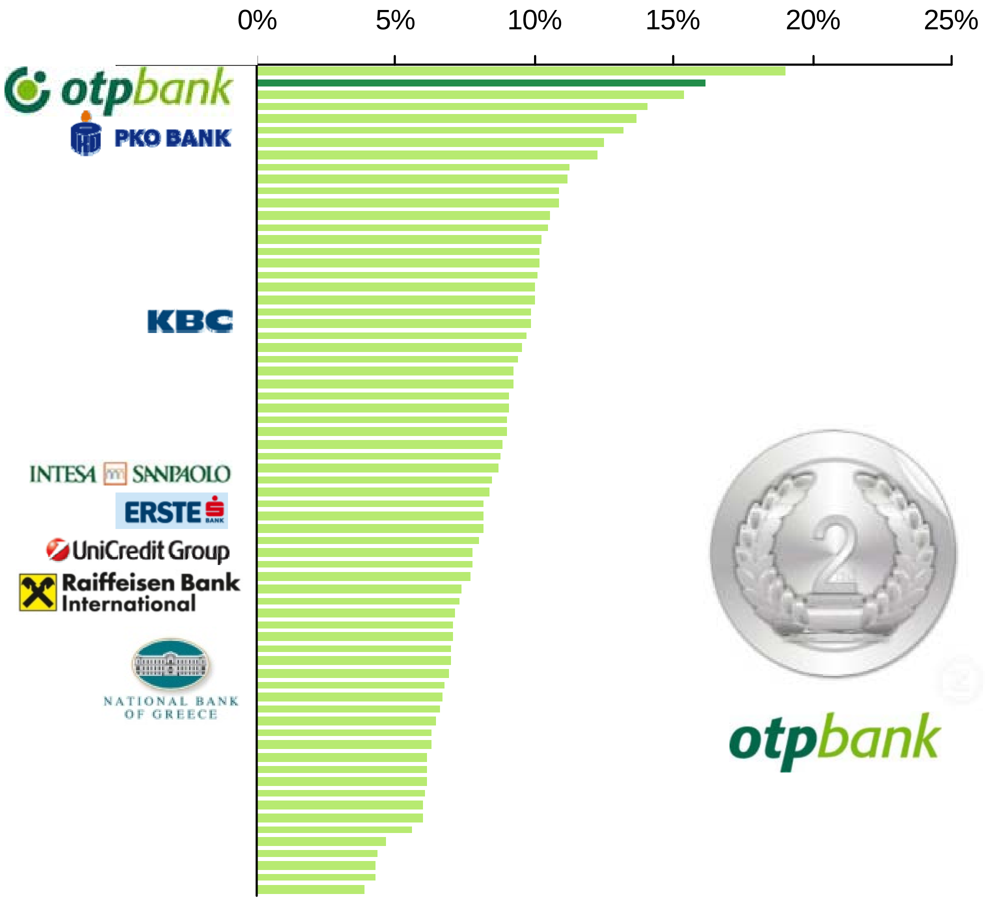
In **3Q 2011** the main reason for the declining Tier1 ratio was the FX-effect. The significant HUF depreciation in September increased the volume of risk weighted assets, as well as the capital requirement of market risk.

*Source: Bloomberg, OTP

# OTP excelled itself both in 2010 and 2011 based on the European stress tests results

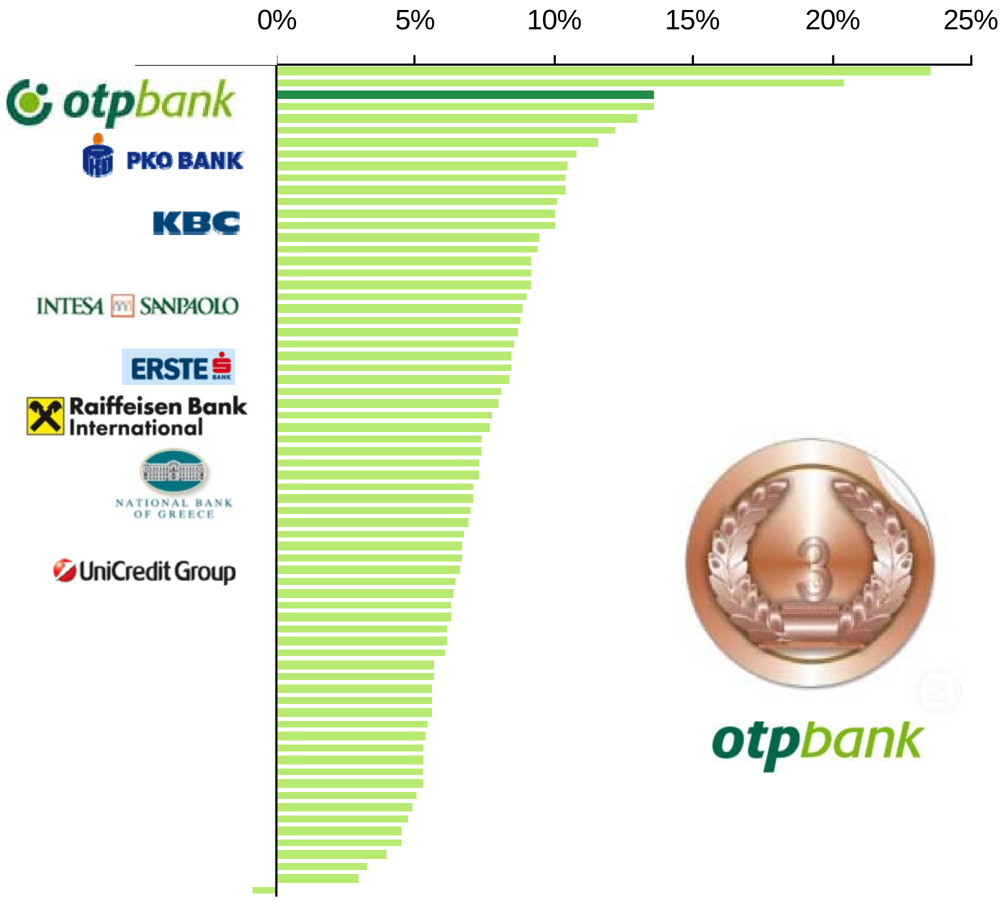
## 2010: CEBS stress test for the measure of capital strength

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



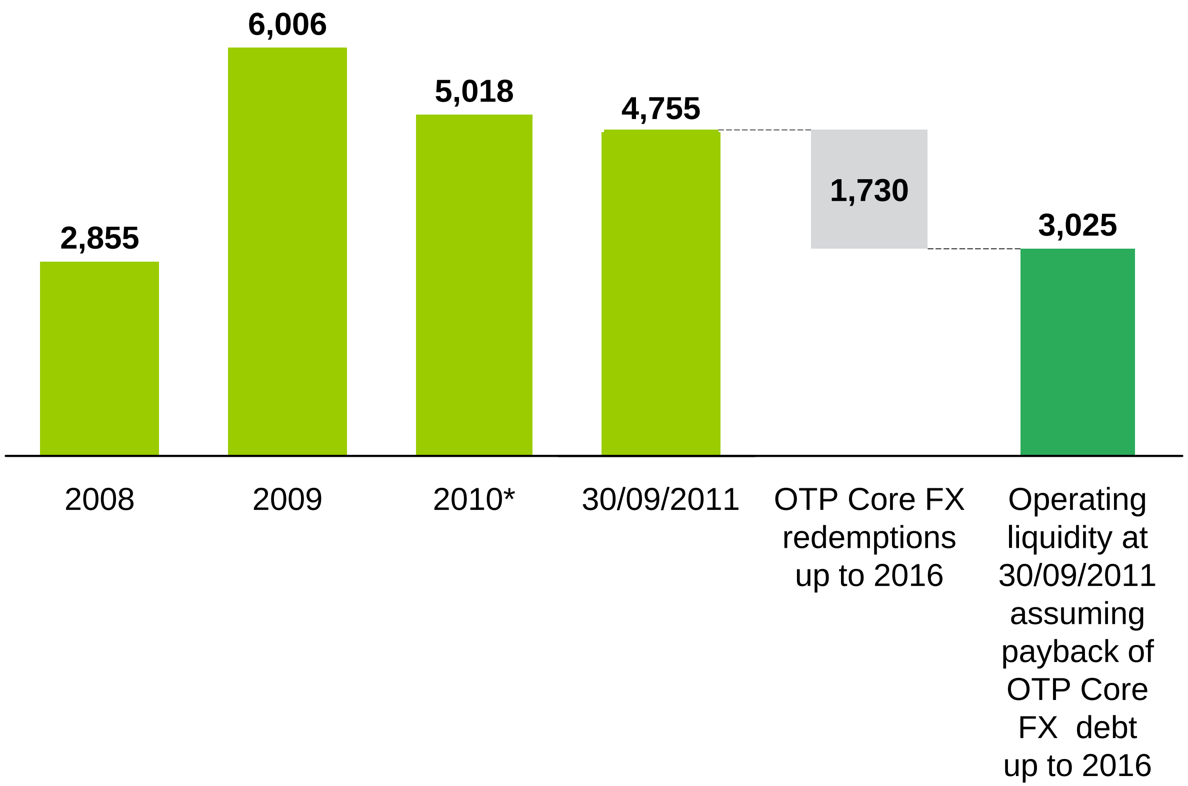

## 2011: EBA stress test with more rigorous stress scenario

**Core Tier1 ratios under the adverse 'C' scenario in 2012:**



# The operating liquidity of OTP Group is EUR 4.8 billion equivalent, exceeding all outstanding external FX obligations of OTP Core until 2016 by a total of EUR 3 billion equivalent

## OTP Group operating liquidity
(EUR million equivalent)




**Having paid back a senior note and a mortgage bond redemption for 2011 (together net EUR 1.13 billion), at the end of 3Q 2011 the Group's operating liquidity still exceeds all outstanding external FX obligations of OTP Core until 2016 by a total of 3 billion EUR equivalent.**

**Debt and capital market activities in 2011:**

- In March, OTP Bank Russia printed a RUB 2.5 billion senior bond with heavy oversubscription (the coupon was 8.25%); in July the second bond issue was completed, the RUB 5 billion senior bond had 3 years maturity with a coupon rate of 7.95%, on 3 November a RUB 4 billion senior bond was printed with 1 year put option and 3 years maturity carrying a coupon of 10.5%.
- In May, OTP Bank Hungary signed an EUR 300 million syndicated loan having a 2 years tenor and carrying an all-in margin of 250 bps above 3 million Euribor.
- Stable Hungarian retail bond market: closing volume reached HUF 324 billion (EUR 1.1 billion) by 3Q 2011.

**Repaid capital market redemptions in 2011:**

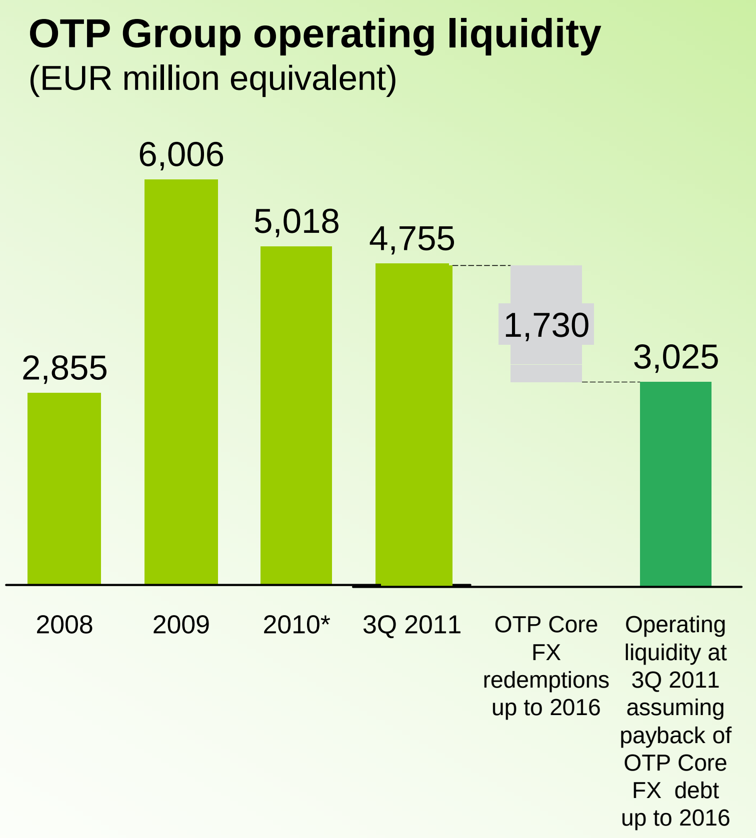
- On 16 May OTP Bank paid back a EUR 500 million senior bond issued in 2008.
- On 11 July OTP Mortgage Bank paid back EUR 750 million covered bond.

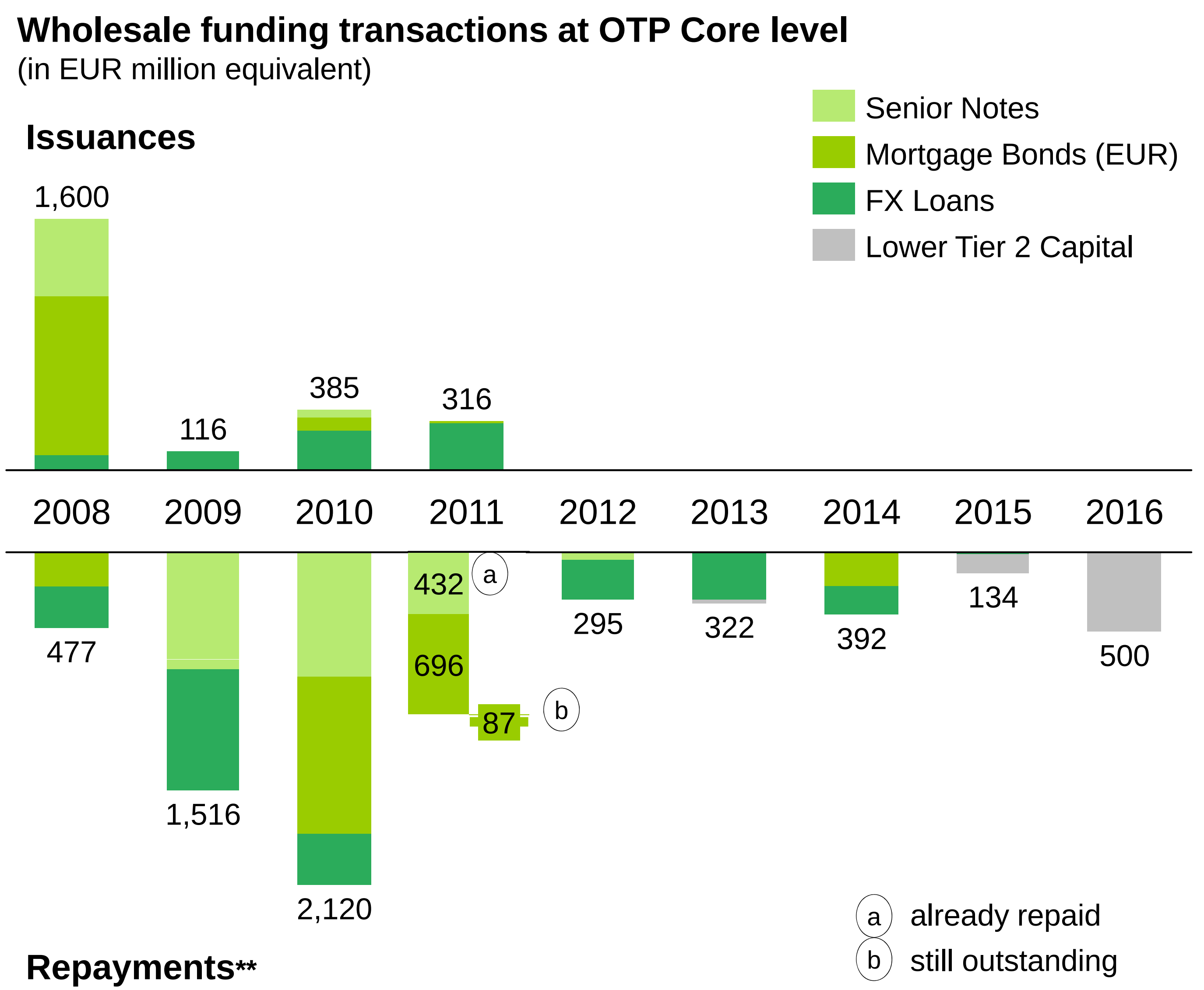
**Redemptions until 30/09/2012:**

- EUR 84 million covered bond (December 2011) and seven HUF denominated covered bond series with a total volume of EUR 201 million equivalent (covered bonds have limited renewal risk, as those are repoable instruments).
- EUR 43 million equivalent senior bond denominated in CHF (February 2012).
- EUR 250 million syndicated loan (July 2012).

*as at 31/01/2011

# Since the beginning of the crisis, external redemptions of OTP Core have been covered by intra-group generated liquidity instead of new wholesale issuances




*as at 31/01/2011
** Wholesale funding transactions do not include intra-group holdings

# OTP Group has practically no exposure either to Southern Euro-zone countries or to Ireland*

| 30 September 2011 | Exposure | Deal Type | Currency | Bulk of Exposure Due | Longest Maturity |
|---|---|---|---|---|---|
| Portugal | EUR 1.7 million | FX-spot FX-swap IAM** | USD, EUR, CHF, PLN, HUF | November 2011 | December 2011 |
| Ireland | EUR 0.23 million | IAM | HUF | November 2011 | November 2011 |
| Italy | EUR 0 | - | - | - | - |
| Greece | EUR 0 | - | - | - | - |
| Spain | EUR 0 | - | - | - | - |

*Without the transactions with those banks, whose mother banks are domiciled in GIIPS countries

**IAM – Interest at Maturity

## 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 guaranteed profit forecast.

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