



# CEE bancassurance partnership

**OTP Bank and Groupama to form Emerging Europe insurance partnership**

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# OTP Bank and Groupama to form strong long term insurance partnership in Emerging Europe



- Leading domestic bank
- #1 independent regional banking franchise
- Superior growth strategy in CEE region



- Leading domestic insurer
- Innovative and wide offerings in products and services
- Multi-distribution experience
- CEE as a target region
- Strong financial position

« To build a leading regional bancassurance platform through a long term exclusive partnership »

Long term  
bancassurance/  
assurbanking  
distribution  
agreements

Acquisition of OTP's  
existing insurance  
businesses  
(OTP Garancia)

Strategic  
shareholding  
in OTP Bank

Financial  
terms

## Summary of transaction and financial terms (1/2)

### Long term bancassurance/assurbanking distribution agreements

- Partnerships to cover in the long run **9 countries** of operations for OTP Bank i.e. Hungary, Bulgaria, Romania, Slovakia, Ukraine, Russia, Croatia, Serbia, Montenegro
- **20 year renewable** partnerships
- Exclusivity:
  - OTP Bank will **exclusively distribute Groupama insurance products** where Groupama is already present, and for all remaining countries as soon as Groupama is present in these countries
  - Groupama will be the exclusive provider of insurance products to OTP Bank as soon as OTP Bank has a significant market position – initially Hungary, Bulgaria and Montenegro. Similarly, Groupama will **distribute OTP Bank products on the same levels of exclusivity**
  - At present **bancassurance mutual exclusivity** granted in **Hungary, Bulgaria and Montenegro**
- Partners to **grow bancassurance** business together in “**new markets**” where OTP Bank is operating but not yet OTP Garancia (incl. Russia, Ukraine)
- Access to 10 million clients
- In line with Groupama’s strategy to focus on distribution and further acquisitions

### Acquisition of OTP’s existing insurance businesses (OTP Garancia)

- Acquisition of OTP Garancia (**#2 life** and **#3 non-life** player in **Hungary**) and of its wholly-owned insurance **subsidiaries in Romania, Bulgaria and Slovakia**
- **1 million customers** generating €315m of premiums in 2006
- Multi-distribution platform with **focus on bancassurance** (40% of premiums)

# Summary of transaction and financial terms (2/2)

## Strategic shareholding in OTP Bank

- Mutual benefits for both partners:
  - Partners to reinforce their long term regional partnership
  - Further secure OTP Bank's capital base
  - OTP Bank management incentive based on overall + bancassurance performance
- Groupama acquires **up to 8% in OTP Bank** (5% from OTP Bank at closing and up to 3% more from the market in the year after closing)
- OTP Bank to support and promote election of a **representative of Groupama** at OTP Bank's supervisory board
- Groupama to put in place **management incentive plan**, based on overall performance of OTP Bank as well as bancassurance performance<sup>(1)</sup>
- OTP Bank entered into derivative transaction to facilitate the 5% stakebuilding for Groupama

## Financial terms

- Total consideration reflecting:
  - Existing OTP Garancia operations and foreign subsidiaries
  - Bancassurance partnership potential in 9 countries
  - Strategic alliance with strong and leading regional bank
- Total consideration of **HUF 164 billion** or approximately EUR 617 million<sup>(2)</sup> for the acquisition of **OTP Garancia and the bancassurance agreements**
- Groupama to finance the transactions from internal resources
- Transaction closing **subject to regulatory approvals** and expected in Q2 2008

Note: Subject to regulatory approvals

(1) Subject to approval by OTP Bank's AGM

(2) Exchange rate as at 8 February 2008 (1 Euro = 266 Hungarian Forints)

# OTP Group serves over 10 million customers in 9 countries

## OTP Group

Bank branches*	1,432 <sup>(1)</sup>
Employees	30,532 <sup>(2)</sup>
Number of customers*	~10.5 m
Total assets	€ 32.1 bn
Profit after tax	€ 708 mn
ROAE	28.0%
Cost/income ratio	56.4%

## OTP Bank (Hungary)

Bank branches	407
Employees	8,370
Number of customers	~4.7 m
Total assets	€ 24.4 bn
Profit after tax	€ 644 mn
ROAE	29.8%
Cost/income ratio	43.6%
Market share	19.5%

## OTP Banka Hrvatska (Croatia)

Bank branches	98
Employees	1,022
Number of customers	~430,000
Total assets	€ 1.6 bn
Profit after tax	€ 13.1 mn
ROAE	11.4%
Cost/income ratio	62.2%
Market share	3.5%

IFRS data as at December 31, 2006, excluding branch, employee, client numbers and total assets (Sep 30, 2007)

Market share by total assets

(1) Includes the 46 branches of Donskoy

(2) Includes domestic and non-banking subsidiaries employees

\* Banks only

\*\* Aggregated data (Niska, Kulska, Zepter banka)

\*\*\* Whole year profit not fully consolidated

\*\*\*\* Will be consolidated from 1Q 2007, profit based on local GAAP

Exchange rate as at end of September 2007 used for total assets of 1 Euro = 251 Hungarian Forints

Average exchange rate for 2006 used for Profit After Tax of 1 Euro = 264 Hungarian Forints

## OTP Banka Slovensko (Slovakia)

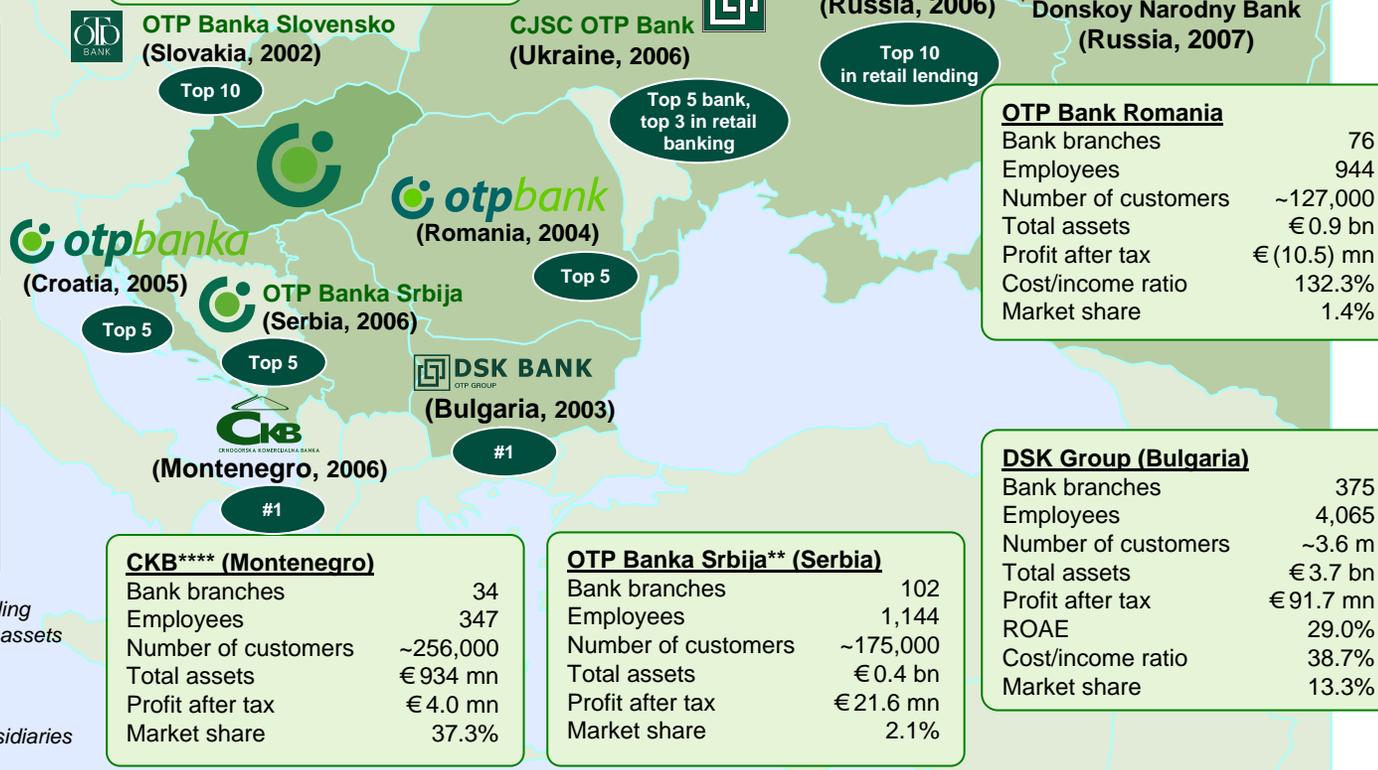
Bank branches	90
Employees	769
Number of customers	~165,000
Total assets	€ 1.4 bn
Profit after tax	€ 7.7 mn
ROAE	10.8%
Cost/income ratio	68.1%
Market share	2.9%

## CJSC OTP Bank\*\*\* (Ukraine)

Bank branches	94
Employees	2,973
Number of customers	~151,000
Total assets	€ 2.1 bn
Profit after tax	€ 50 mn
Market share	~3.0%

## Investsberbank\*\*\* (Russia)

Bank branches	156 <sup>(1)</sup>
Employees	6,854
Number of customers	~0.9 mn
Total assets	€ 1.5 bn
Profit after tax	€ 15 mn
Market share	0.4%



## CKB\*\*\*\* (Montenegro)

Bank branches	34
Employees	347
Number of customers	~256,000
Total assets	€ 934 mn
Profit after tax	€ 4.0 mn
Market share	37.3%

## OTP Banka Srbija\*\* (Serbia)

Bank branches	102
Employees	1,144
Number of customers	~175,000
Total assets	€ 0.4 bn
Profit after tax	€ 21.6 mn
Market share	2.1%

## DSK Group (Bulgaria)

Bank branches	375
Employees	4,065
Number of customers	~3.6 m
Total assets	€ 3.7 bn
Profit after tax	€ 91.7 mn
ROAE	29.0%
Cost/income ratio	38.7%
Market share	13.3%

## OTP Group level regional strategy

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- OTP Bank seeks to build a diversified regional financial group, offering a full-scale of financial services via multiple channels in every country in which OTP Bank operates
- OTP Bank follows customised strategies in each country aimed at achieving a stronger regional presence
  - Generalist incumbent in Hungary, Bulgaria and Montenegro
  - Mid-sized bank with diverse value proposition in Croatia and Slovakia
  - Focused aggressive attacker in Russia, Ukraine, Romania, Serbia
- Regional expansion will continue to be pursued with a combination of organic growth and selected acquisition opportunities
  - OTP Bank plans to expand its branch network across the region from approximately 1,400 to almost 2,000 by 2010

**To achieve its overall strategy, OTP Bank will focus on its core banking franchise across the CEE region**

# Transaction rationale for OTP Bank

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## **The sale of OTP Garancia meets three strategic objectives for OTP Bank:**

### **Creates a strong regional insurance partnership to benefit OTP Bank customers**

- Opportunity to engage with regional partner – Groupama will eventually partner with OTP Bank across the region
- Groupama has significant experience in partnering banks to distribute life and non-life products to banking customers
- Leverages Groupama's product development expertise to provide superior products and improved service proposition to OTP Bank customers

### **Improves OTP Bank's flexibility to expand banking operations and grow network organically and through acquisitions**

- Focuses OTP Bank's business on core universal banking activities, including bancassurance
- Improves flexibility to take advantage of further acquisition opportunities

### **Strengthens OTP Bank's capital position**

- Divestment of OTP Garancia strengthens OTP Bank's capital ratios

# Pro forma financial impact on OTP Bank

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- OTP Bank will receive HUF 164 billion (approximately €617 million<sup>(1)</sup>) as total consideration for OTP Garancia and the 20 year bancassurance partnership
- Subject to meeting business plan commission targets, OTP Bank can receive further upside through a purchase price adjustment linked to the overall performance of OTP Bank. This purchase price adjustment will be used to fund a management incentive plan<sup>(2)</sup>

<u>Financial impact of sale on OTP Bank</u>		
Acquisition price	€617 million	HUF 164 billion
Book value of OTP Garancia and subs <sup>(3)</sup>	€60 million	HUF 16 billion
Capital gain (gross)	€557 million	HUF 148 billion

- Additionally, OTP Bank expects to benefit from growth in commission payments for insurance products sold through the bancassurance channel

Note: Subject to regulatory approvals

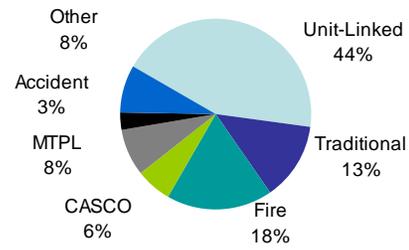
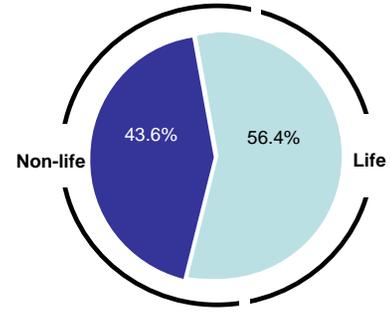
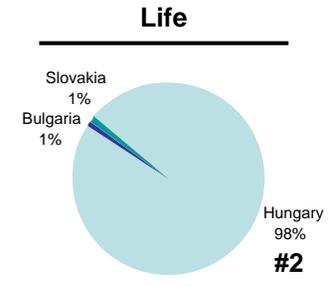
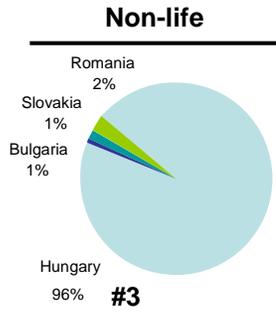
(1) Exchange rate as at 8 February 2008 (1 Euro = 266 Hungarian Forints)

(2) Subject to approval by OTP Bank's AGM

(3) As per OTP Bank accounts

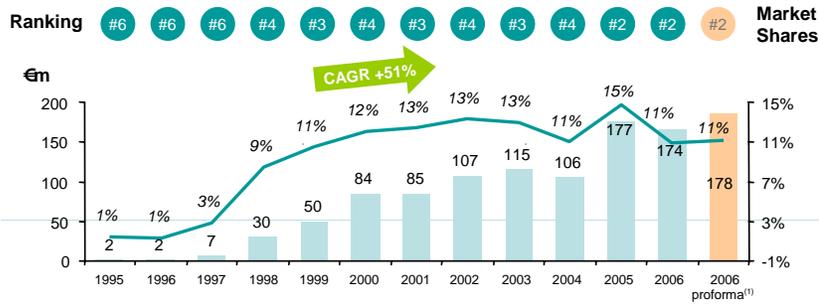
# Introducing OTP Garancia

- Strong domestic positions in Hungary (#2 in Life and #3 in non-life)
- Existing operations in 3 satellite countries
- Profitability indicators are overall attractive

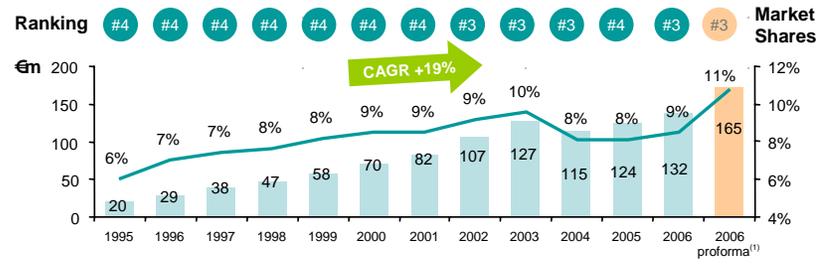


Breakdown of GWP by type of business and Ranking<sup>(2)</sup> (2006)

## Evolution of Life GWP and Market Shares in Hungary



## Evolution of Non-life GWP and Market Shares in Hungary



## Key Consolidated Financials (2005 H1 2007)<sup>(3)</sup>

€millions	2005	2006	H1 2007
<b>Life</b>			
Gross Written Premiums	183.9	177.8	88.3
Net income	16.0	18.4	7.8
<b>Non-life</b>			
Gross Written Premiums	127.3	137.5	78.7
Net Income	10.8	9.1	5.5
Net Claims Ratio (Hungary)	53.8%	54.2%	47.5%
Net Administrative Ratio (Hungary)	41.3%	39.8%	41.0%
Net Combined Ratio	95.1%	94.0%	88.5%
<b>Total</b>			
Gross Written Premiums	311.2	315.3	167.0
Shareholders' Equity	94.8	104.4	120.2
Net Income	26.8	27.6	13.3
Total Assets	658.2	787.5	834.7
RoAE	32.0%	28.4%	23.7%

Source : Company data

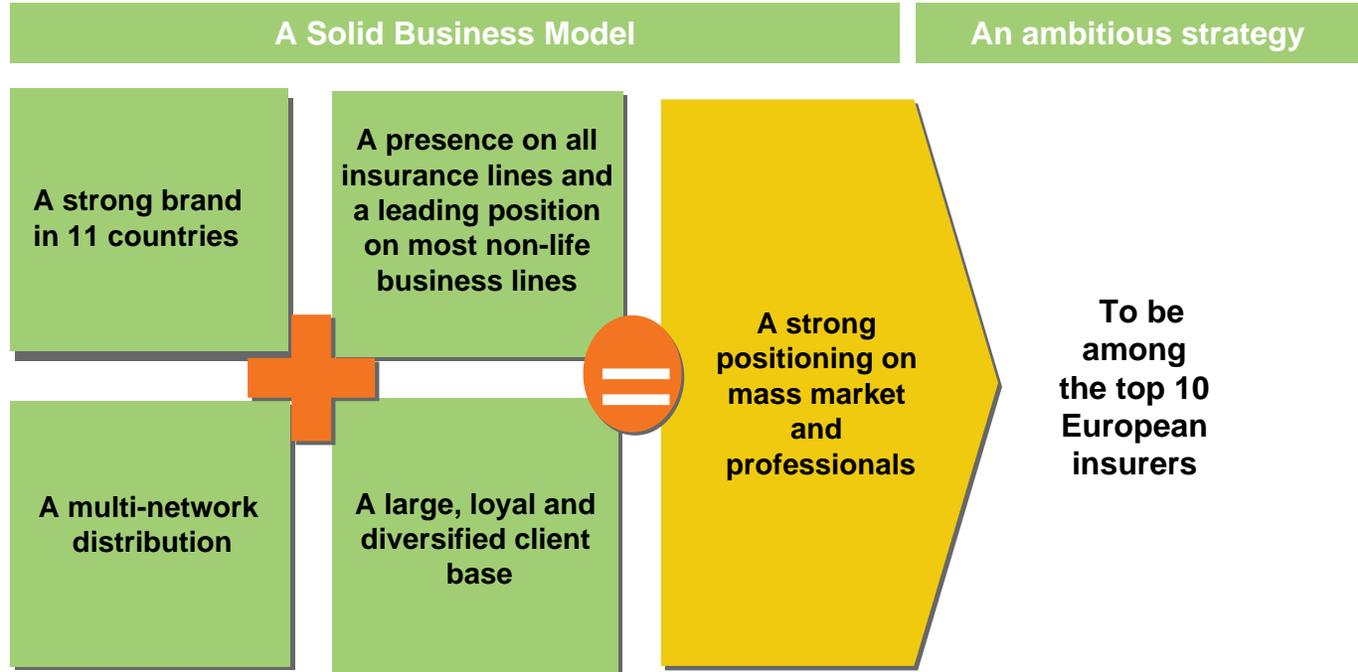
Note : Average exchange rate for 2006 (1 Euro = 264 Hungarian Forints) and for 2005 (1 Euro = 248 Hungarian Forints)

(1) Proforma aggregate figures for Garancia and Groupama

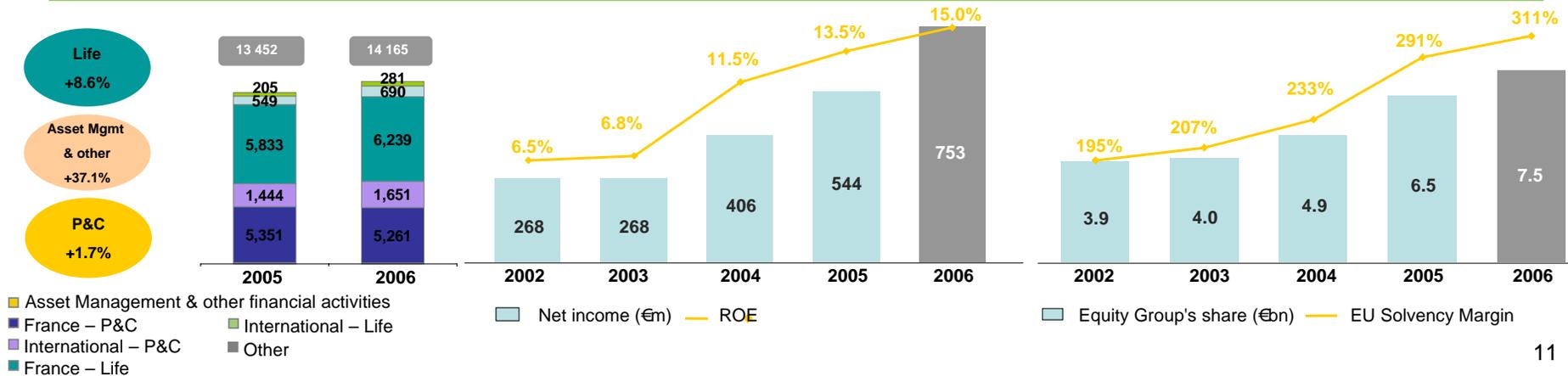
(2) Ranking based on 2006 Gross Written Premiums (3) 2005 and 2006 data in IFRS, non-consolidated figures for H1 2007 in Local Accounting GAAP

# Groupama at a glance

- # 1 Mutual insurance group in France
- A diversified multi-line and multi-channel insurance group
- Leading market positions in France with 8m customers and 11m worldwide
- Increasing international diversification and growth
- Strong track record in operational and financial performance
- An ambitious strategic development plan



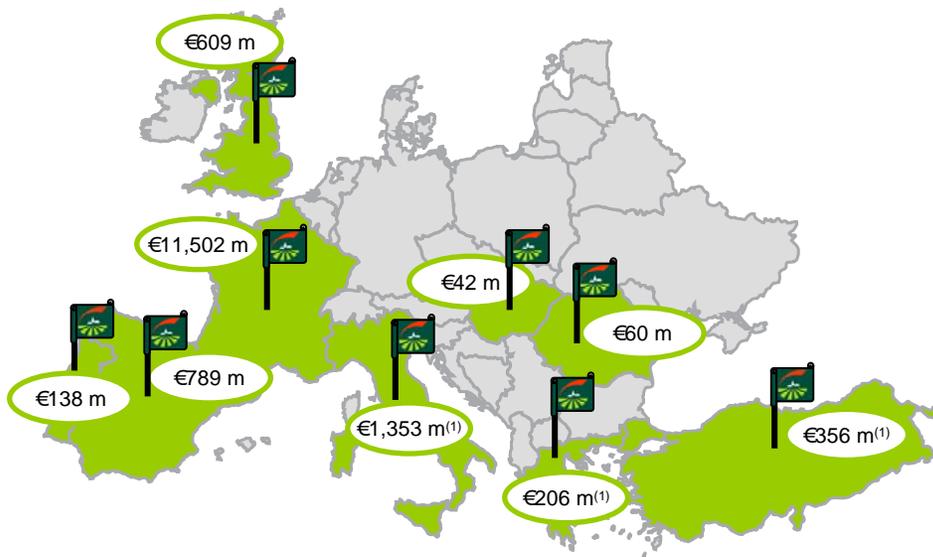
## A leadership position strengthened by excellent results



# Groupama is accelerating its International development

## International Operations with High Potential Revenues (2006 GWP)

- Mainly present in stable European markets with exposure to higher growth potential countries



- Actively monitoring Central and Eastern European markets for growth opportunities in the region
- Rest of the world : €69 m
- Positioned in Asian markets (China, Vietnam) in order to take advantage of potential long term growth opportunities

(1) Pro-forma 2006 Gross Premiums Written

## Latest Acquisitions 2006 - 2007

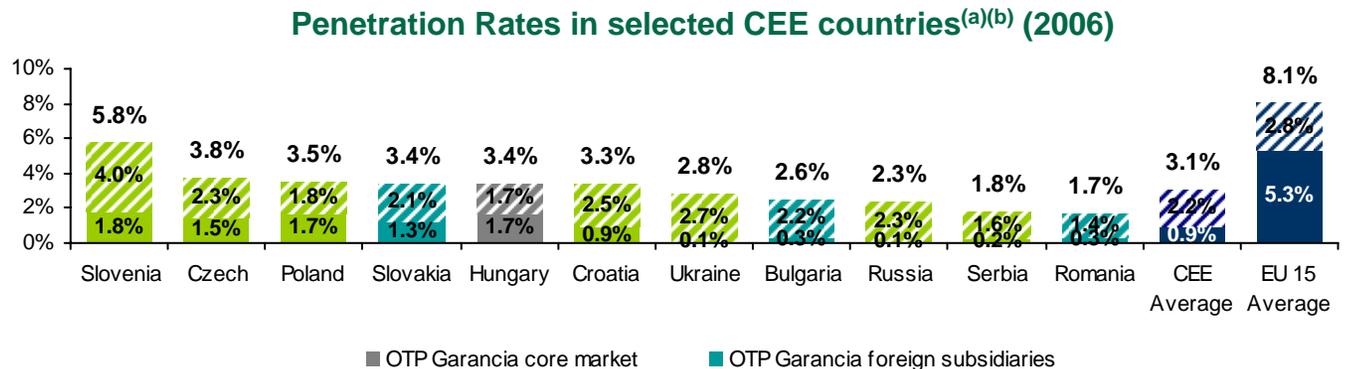
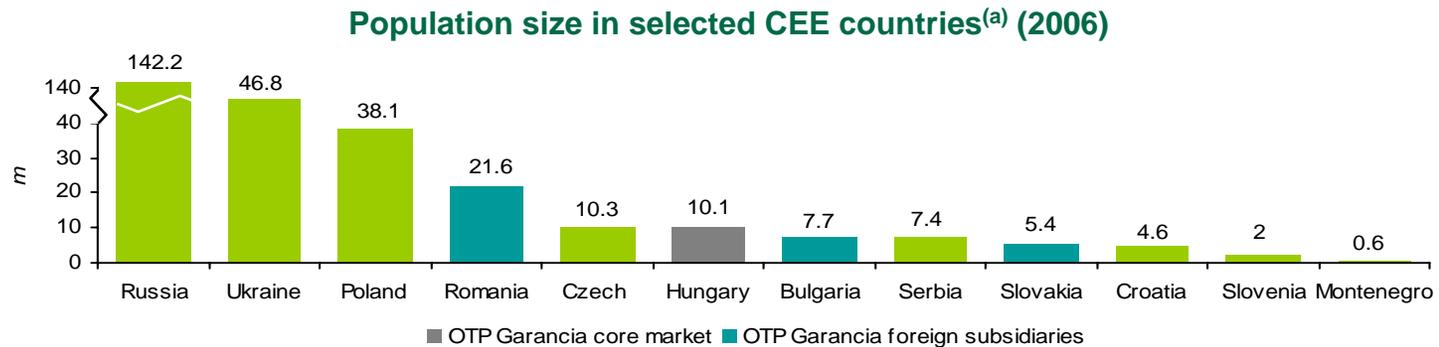
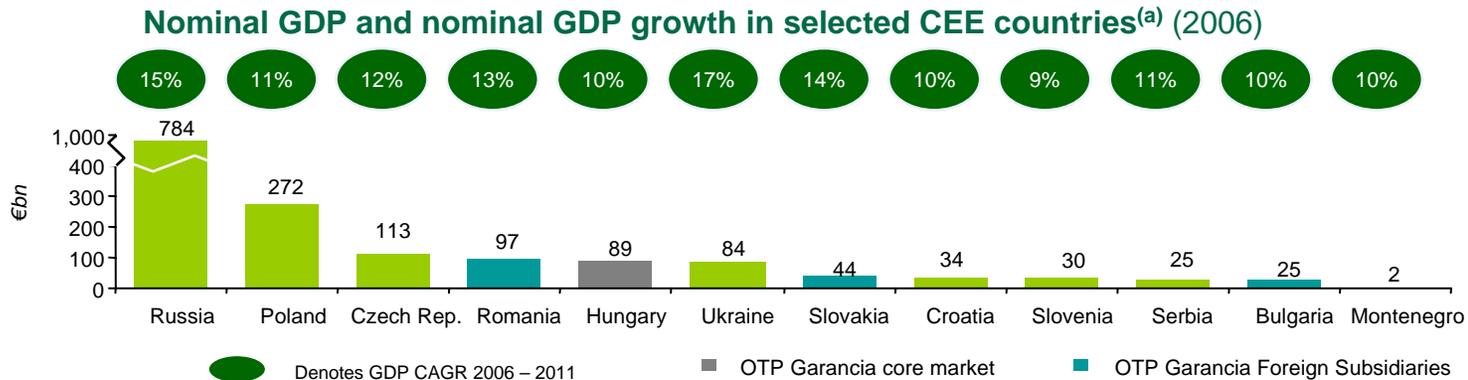
- In Turkey
  - **Basak Sigorta** and **Basak Emeklilik** (June 2006): 5<sup>th</sup> largest insurer in Turkish market
- In the UK
  - Acquisition of British brokers **Bollington** (June 2007) and **Lark** (September 2007)
- In Greece
  - Closing of **Phoenix Metrolife** (June 2007): 2<sup>nd</sup> largest non-life insurer and 8<sup>th</sup> largest life insurer
- In Italy
  - Closing of **Nuova Tirrena** (October 2007): 9<sup>th</sup> largest non-life insurer and 3<sup>rd</sup> motor insurer
- In Romania
  - Signing of **BT Asigurari** (October 2007)

## BT Asigurari Acquisition (October 2007)

- Groupama acquired Banca Transilvania's insurance company (BT Asigurari) in Romania and entered into an exclusive distribution agreement for non-life products with Banca Transilvania
- BT Asigurari:
  - Total market share of 4% in 2006
  - #9 in P&C and #12 in Life sector in Romania
- Banca Transilvania
  - #5 bank in Romania
  - #2 network with 270 points of sales throughout the country

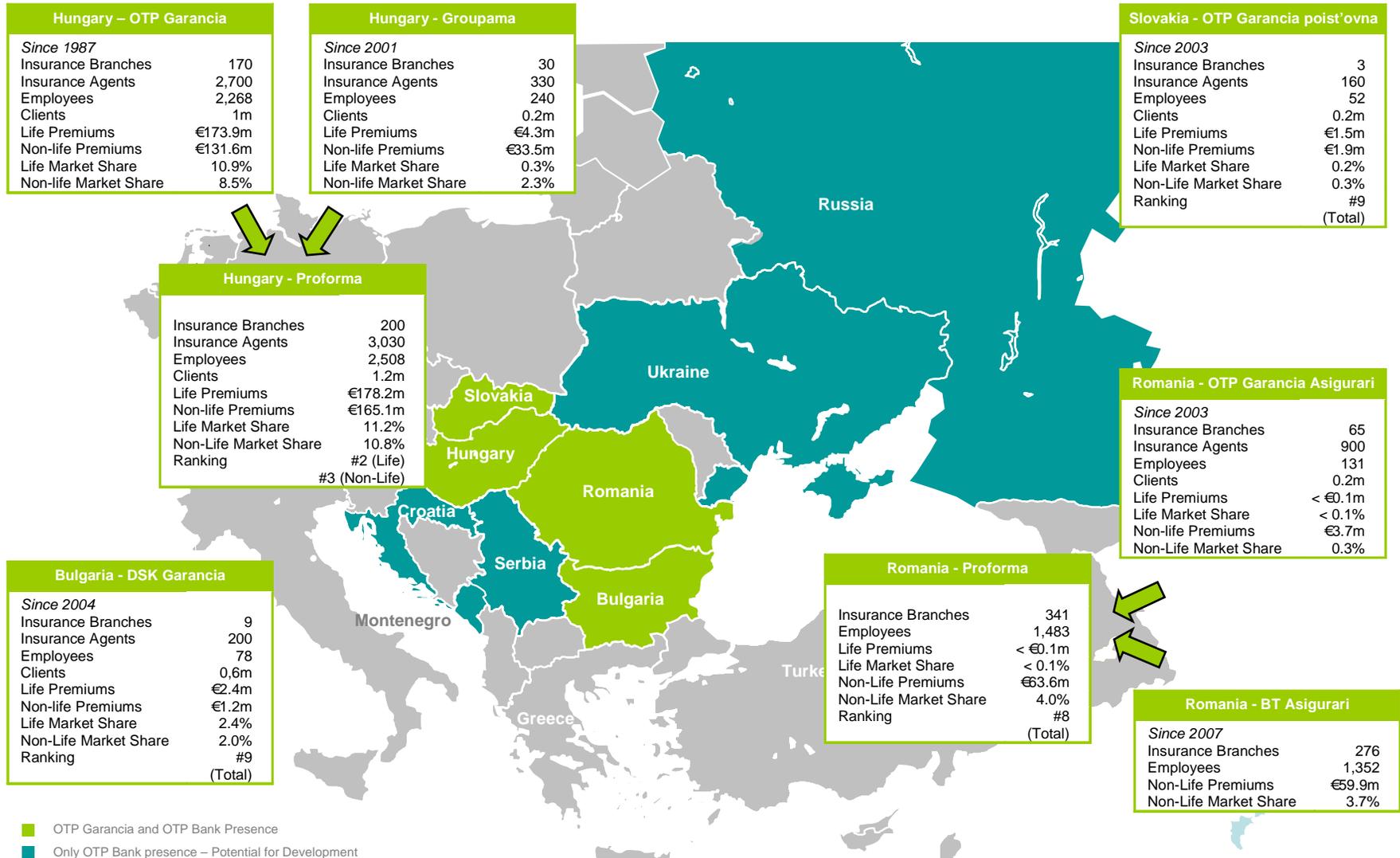
# Highly attractive macroeconomic and demographic fundamentals = significant growth opportunity for Groupama

- Significant economic growth potential expected throughout the region
- Russia and Ukraine outstanding in terms of growth and size
- Insurance market under-penetrated overall, in particular in Russia, Ukraine, Romania, Serbia & Montenegro



(a) Including Russia and Ukraine  
 (b) Hatched colours for Non-life segment  
 Source: Global Insight as at Q2 2007  
 2006 Sigma Report

# The creation of a true pan-regional insurance platform



■ OTP Garancia and OTP Bank Presence

■ Only OTP Bank presence – Potential for Development

Proforma based on 2006 Data

Note: Subject to regulatory approvals

Note: Average exchange rate for 2006 (1 Euro = 264 Hungarian Forints)

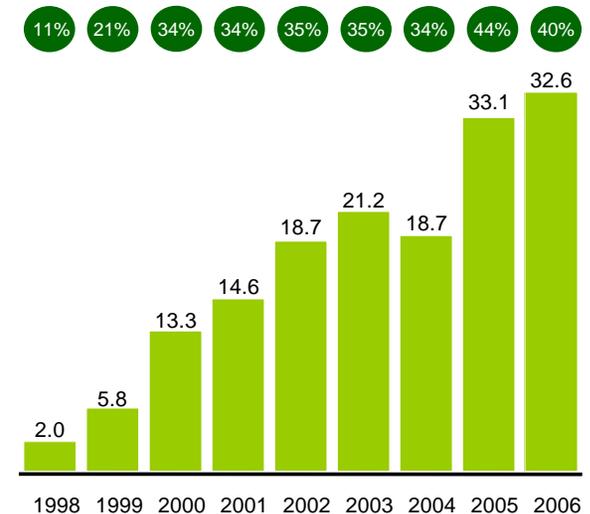
# Bancassurance and traditional channels underpin a substantial regional distribution footprint

	Hungary	Bulgaria	Slovakia	Romania
<b>Distribution channels</b>				
<b>Number of agents</b>	2,700**	200	160	900
<b>Number of insurance company branches</b>	170	9	3	65
<b>Number of bank branches</b>	407	375	90	76
<b>Major insurance products sold in bank's branch network</b>				
Unit-linked life insurance	✓			
Traditional life insurance	✓	✓	✓	✓
Bankcard insurance	✓	✓	✓	✓
Household insurance	✓	✓	✓	✓
Travel insurance	✓	✓	✓	✓

## Insurance premiums sold through OTP Bank branches (2006)

	Life	Non-life	Total
<b>Hungary</b>	62%	12%	40%
<b>Slovakia</b>	55%	12%	30%
<b>Bulgaria</b>	50%	80%	77%*
<b>Romania</b>	53%*	8%*	16%*

## Premiums of products sold through OTP Bank branches and as a proportion of total premium income of OTP Garancia, HUF bn, %\*\*\*



\* 2007 estimate

\*\* Including 1,900 OTP Garancia employees and contracted partners

\*\*\* Hungary only

# Groupama's regional expansion strategy

## Groupama's regional aspirations

- Groupama aiming at entering new markets (e.g. Russia, Ukraine) alongside development of OTP's banking franchise
- Groupama also aiming at accelerating development in CEE region leveraging on the distribution capacities with OTP Bank as a strong banking partner
- Groupama targeting to generate over €1bn in premiums from CEE Region in 5 years, of which half from bancassurance, and a 5% market share by 2016 (excluding Russia)

## Group 1 countries: Hungary, Bulgaria and Romania

- Existing countries of operation of OTP Garancia
- In Hungary, integrate Groupama's existing platform and further leverage on bancassurance
- In Bulgaria, leverage on DSK Bank's leadership to strengthen position in life sector, as well as further build life and non-life agents networks
- In Romania, integrate local operations and leverage on bancassurance as well as build on agent networks to increase presence in life market

## Group 2 countries: Russia and Ukraine

- Countries where OTP operates as bank and not yet as insurance company (nor Groupama)
- Strong growth potential with large populations and significantly under-penetrated markets
- Leverage a priori only on bancassurance opportunity with OTP Bank's branch network after set up of local insurance operations before end of 2009

## Group 3 countries: Croatia, Serbia, Slovakia and Montenegro

- Countries where OTP operates as bank and not yet as insurance company (nor Groupama), except for Slovakia
- In Slovakia, build on agents network and leverage bancassurance with OTP Bank in Life
- In Croatia, Serbia and Montenegro, focus on bancassurance potential with OTP Bank, to the extent possible

# **Q&A Session**