

# OTP Bank – 9M 2007 results

*Conference call presentation – November 14, 2007*

*Presented by: Dr. László Urbán, CFO*



## Major factors influencing the Group's activity and results in 3Q 2007

### Macroeconomic and market environment

- After weakening in July and August, HUF strengthened to 250.76 EUR/HUF at the end of September, causing a total pre-tax loss on strategic open position of HUF 2.8 billion in 3Q
- NBH cut base rate by 25 bp, leading to a decrease of 10-25 bp in the Hungarian interest rate environment
- In Hungary, retail credit demand remained strong both on y-o-y and q-o-q, with a yearly 20% increase (disregarding the effects of the strengthening HUF, growth would reach even cca. 30%). Retail deposits grew by 7% y-o-y, however q-o-q dynamics showed a slowing trend (+0.6% in 3Q)
- Proportion of FX-loans is predominant in lending, FX volumes reached 54% in the banking sector, while 39.9% in OTP Group (vs.35.9% in 2Q)
- In the countries of OTP-subsiaries economic growth has been dynamic with yearly GDP growth rates ranging between 5-8%, wage increase and consumption generated strong demand for loans
- However, in many countries lending limitations have been introduced, rules became stricter (in Bulgaria and Croatia), which can influence profitability in mid-run.

### Group level activity

1. Consolidated gross lending volume and deposits increased by 37.2% and 25.3% y-o-y (5.9%, by 7.5% q-o-q).
2. In Hungary OTP concentrated on savings and increased its deposit and assets under management, OTP Fund Management strengthened its market positions Double-digit dynamics of lending in Romania, Bulgaria, Montenegro and Slovakia, robust increase of over 30% q-o-q in retail loans in Russia. Stagnating volumes in Serbia
3. Portfolio quality and coverage remained unchanged on consolidated level, but deteriorated in Russia and Serbia
4. Consolidated after tax profit reached HUF 55.8 bn, loss on strategic open position amounted to HUF 2.8 bn, slight increase in NIM (3 bps), improving C/I ratio and ROE
5. Almost every subsidiaries fulfilled expectations or caused positive surprise, except Serbia
6. New acquisition in November in Russia, fast improving sales network in Ukraine (+19 new branches)
7. Important personal changes in some subsidiaries' top management (Russia, Serbia)

## OTP Bank realised HUF 159.9 billion consolidated profit after tax in 9M and 55.8 in 3Q 2007, respectively

### Financial highlights of OTP Group (consolidated, IFRS)

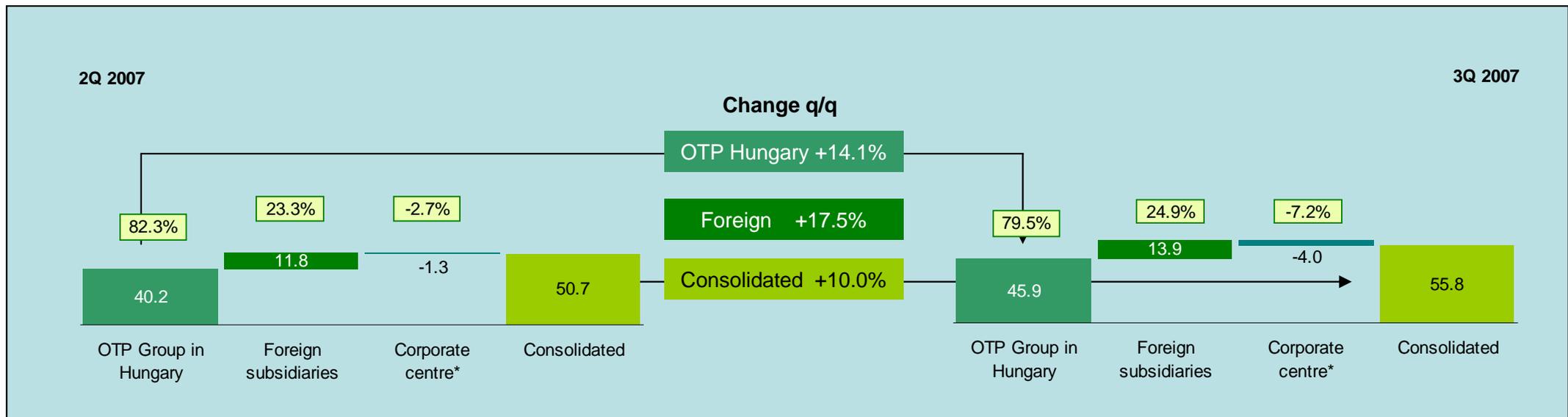
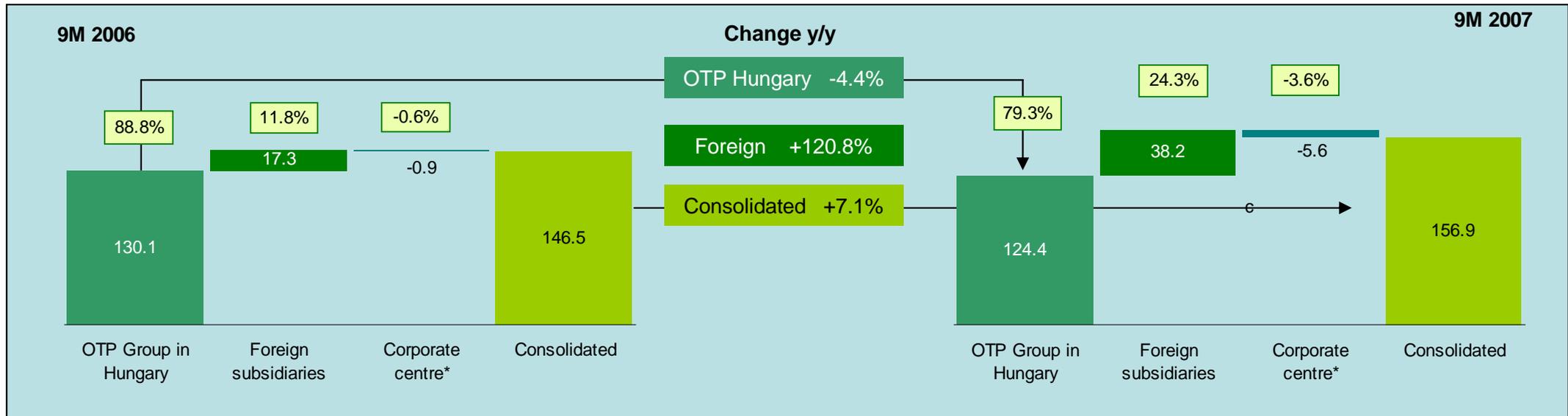
	2006 3Q	2007 2Q	2007 3Q	Q-o-Q	Y-o-Y	2006 9M	2007 9M	Y-o-Y
Net interest income (adj) (HUF bn)*	84.6	102.4	106.9	4.4%	26.3%	252.2	309.2	22.6%
Total income (adj) (HUF bn)*	155.1	169.6	180.9	6.6%	16.6%	419.6	516.6	23.1%
Operating expenses (HUF bn)	83.5	101.2	105.8	4.5%	26.6%	229.2	301.3	31.4%
Pre-tax profits (HUF bn)	62.9	62.1	66.9	7.8%	6.3%	174.1	189.9	9.1%
<b>After tax profits (HUF bn)</b>	<b>53.6</b>	<b>50.7</b>	<b>55.8</b>	<b>10.0%</b>	<b>4.0%</b>	<b>146.5</b>	<b>156.9</b>	<b>7.1%</b>
<b>Total assets (HUF bn)</b>	<b>6,174.7</b>	<b>7,592.1</b>	<b>8,042.6</b>	<b>5.9%</b>	<b>30.3%</b>	<b>6,174.7</b>	<b>8,042.6</b>	<b>30.3%</b>
Total gross customer loans and advances (HUF bn)	3,847.1	4,986.6	5,280.1	5.9%	37.2%	3,847.1	5,280.1	37.2%
Total deposits (HUF bn)	3,743.3	4,364.8	4,691.6	7.5%	25.3%	3,743.3	4,691.6	25.3%
Shareholders' equity (HUF bn)	650.9	842.4	880.8	4.6%	35.3%	650.9	880.8	35.3%
Gross loan/deposit ratio	102.8%	114.2%	112.5%	-1.7%	9.8%	102.8%	112.5%	9.8%
Net interest margin (adj)*	5.68%	5.44%	5.47%	0.03%	-0.21%	5.90%	5.45%	-0.46%
Cost/income ratio*	53.8%	59.7%	58.5%	-1.2%	4.6%	54.6%	58.3%	3.7%
Return on Assets	3.60%	2.69%	2.85%	0.16%	-0.75%	3.43%	2.76%	-0.67%
Return on Equity	34.3%	24.8%	25.9%	1.1%	-8.4%	32.6%	25.1%	-7.5%
EPS base (HUF)	208	193	213	10.3%	2.4%	568	597	5.1%
EPS fully diluted (HUF)	207	182	201	10.5%	-2.8%	563	564	0.2%

In 9M 2007, consolidated profit before tax was up by 9.1% and profit after tax was 7.1% higher than a year ago.

\* Net interest income also include non-interest result of swaps. Total income does not include other non-interest income resulting from release of pre-acquisition provisions

# In 3Q 2007, both the Hungarian and foreign operation had double-digit performance improvement

## Volume and distribution of consolidated profit after tax (HUF bn; %)

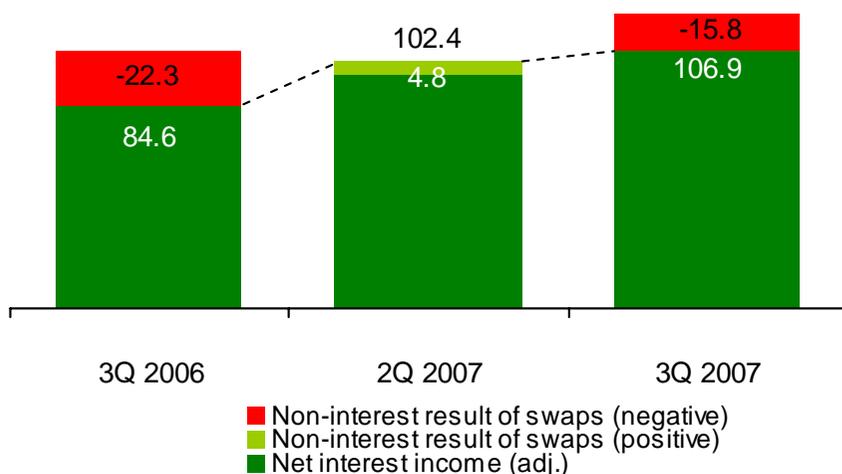


\* Corporate centre is including funding cost of Tier 2 capital, result from open FX position and net interest income of OTP Bank from subsidiary financing

# The swap-adjusted consolidated net interest margin improved slightly by 3 bps in 3Q 2007

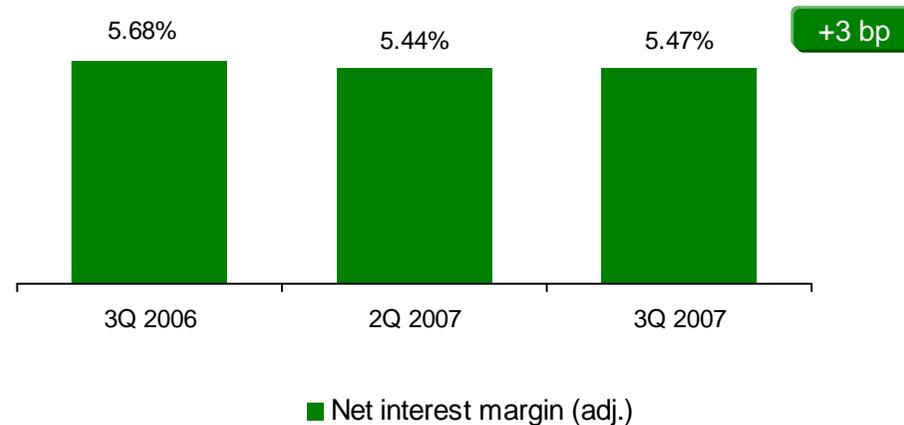
## Net interest income, adjusted\*

HUF bn

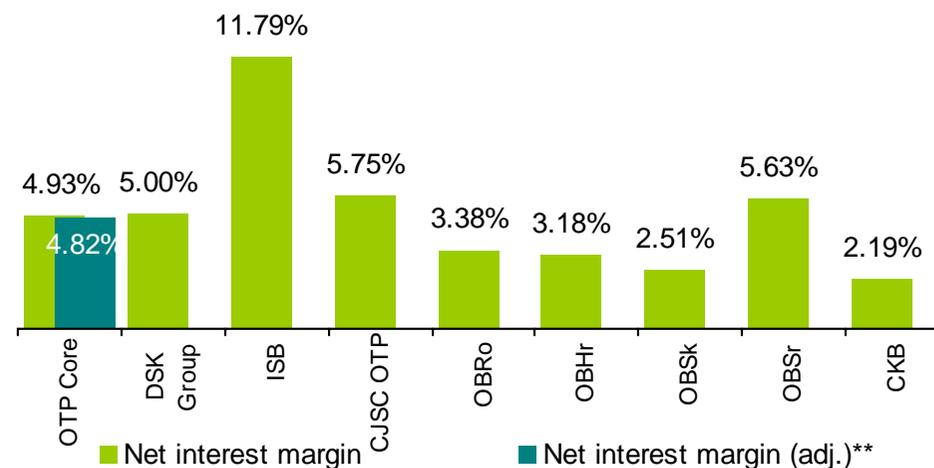


## Net interest margin – adjusted\*, consolidated

Change Q/Q



## Net interest margin of major Group members in 3Q 2007



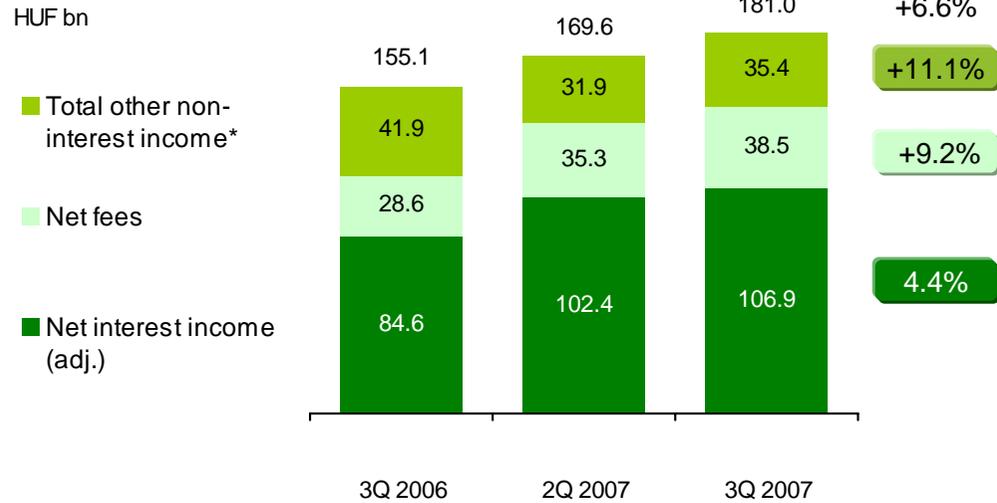
- Consolidated, adjusted net interest margin grew by 3 bps in 3Q 2007, but dropped by 21 bps y-o-y
- Within the Group, ISB captured the highest NIM above 10%

\*Including non-interest result of swap transactions

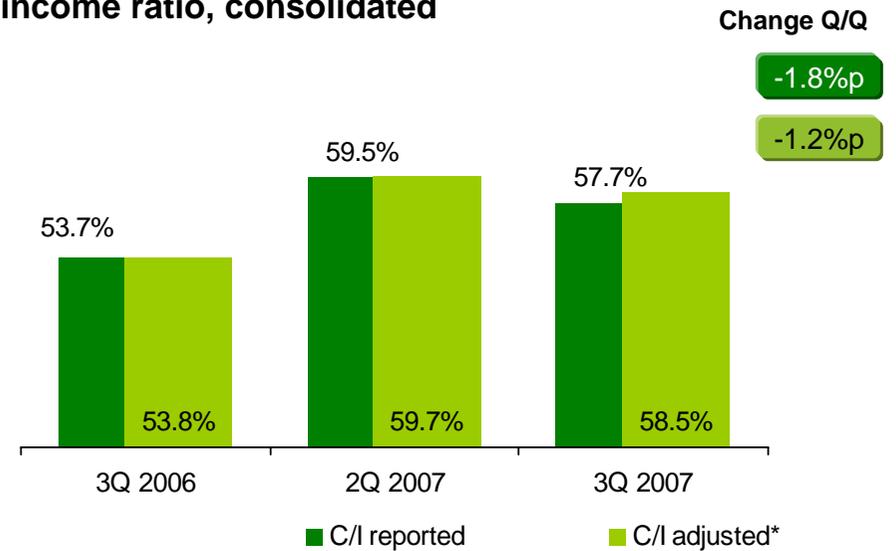
\*\*NII includes non-interest result of swaps, but excludes funding cost of Tier2 Capital and net interest income on interbank loans to subsidiaries; average total assets exclude the volumes of Tier2 capital and interbank financing to subsidiaries

# Adjusted consolidated cost/income ratio improved by 1.2%points q-o-q

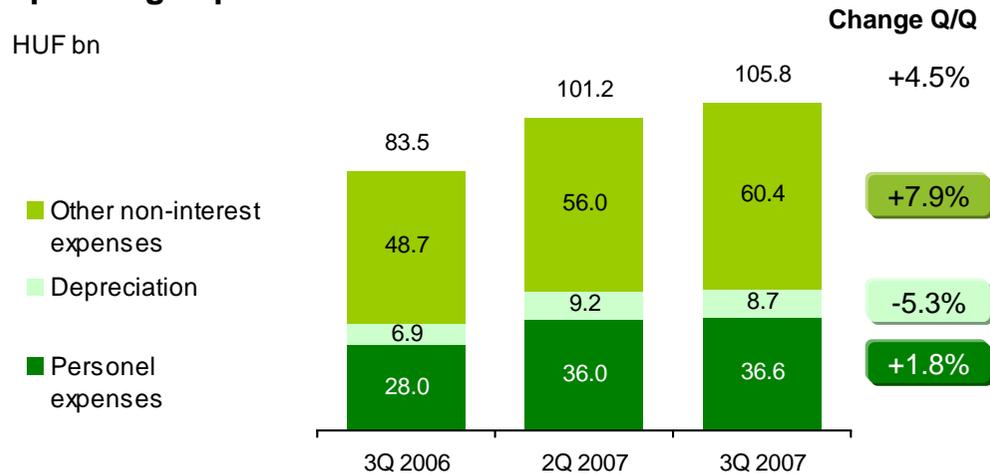
## Total revenues\*



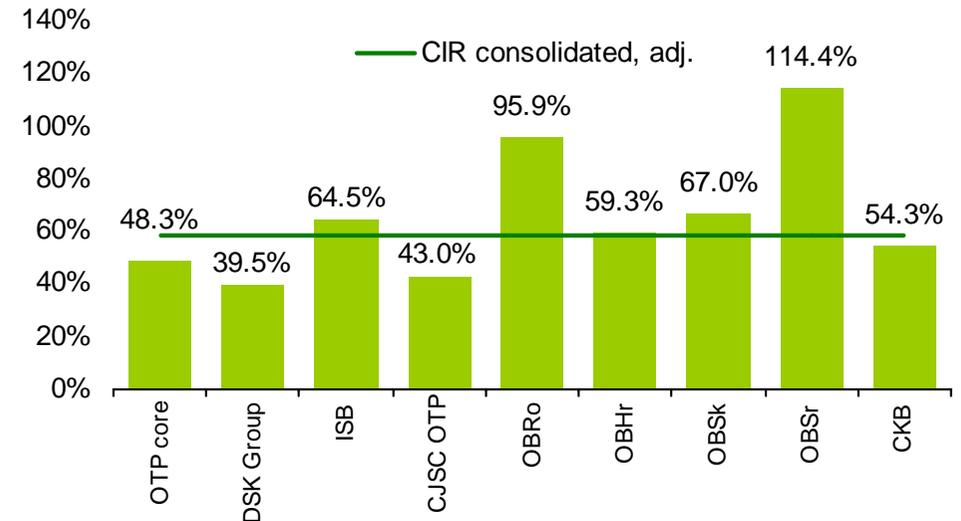
## Cost/income ratio, consolidated



## Operating expenses



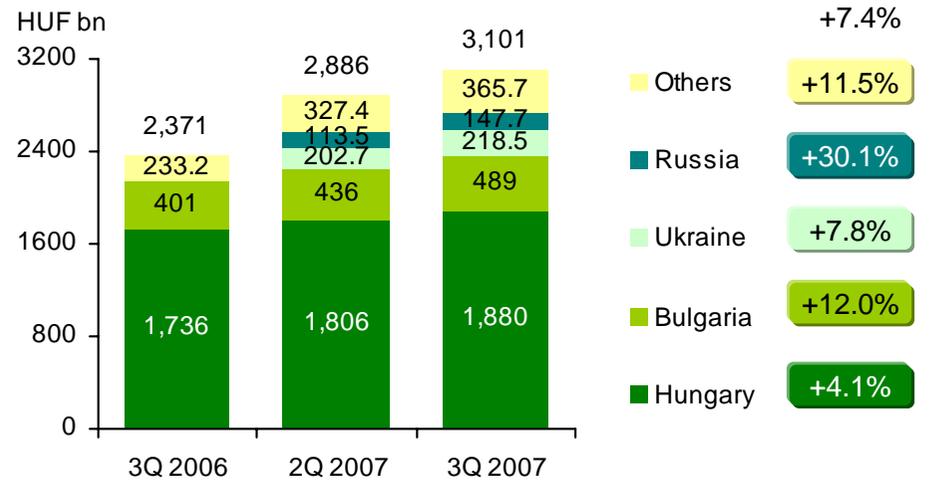
## Cost/income\* ratio of the major Group members in 3Q 2007



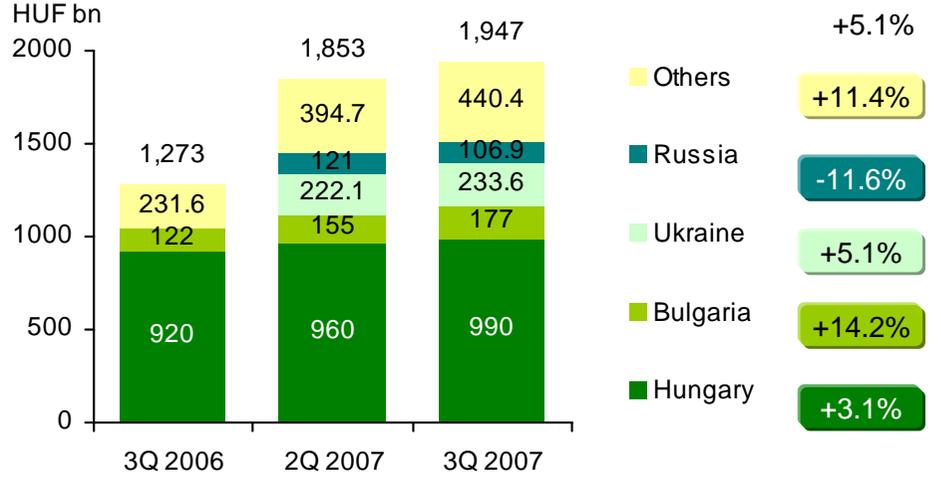
\* Net of income from the release of provisions on loans before acquisition

# Loan volume grew by 37.2% y-o-y (+5.9% q-o-q); deposits increased by 25.3% on a yearly base (+7.5% q-o-q); loan to deposit ratio improved (-1.7%q-o-q)

## Retail loan volume by countries

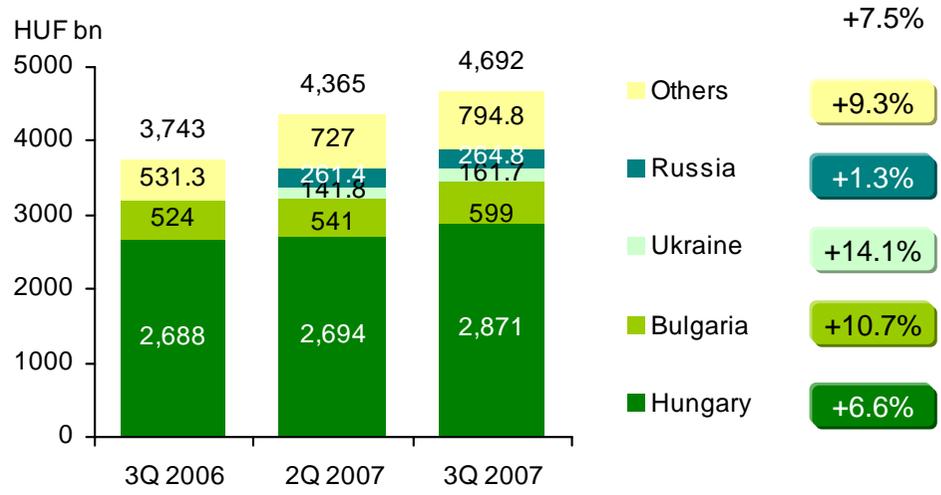


## Corporate loan volume by countries



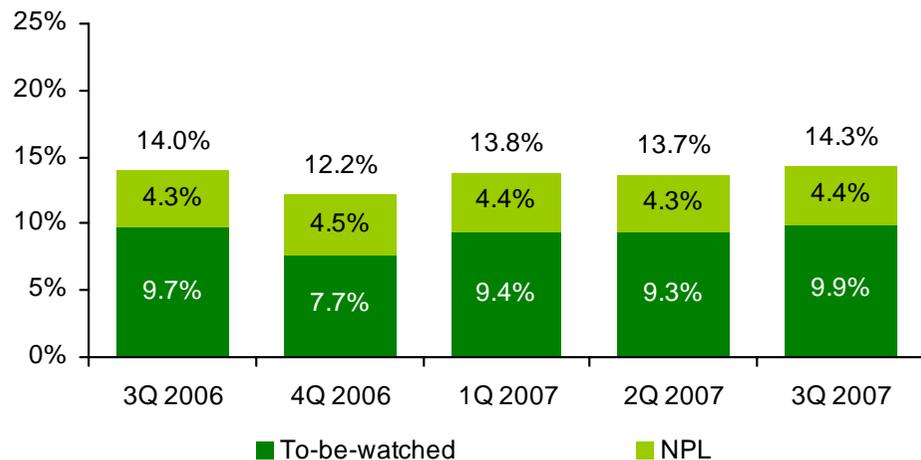
- **Retail lending** growth of over 30% q-o-q in Russia and +20% in Montenegro and Romania
- As for **corporate lending**, strong dynamics (>10%) in Bulgaria, Ukraine, Slovakia, Romania and Montenegro
- Double-digit q/q growth in **customer deposits** in Bulgaria, Ukraine, Romania and Montenegro

## Total deposit volume by countries

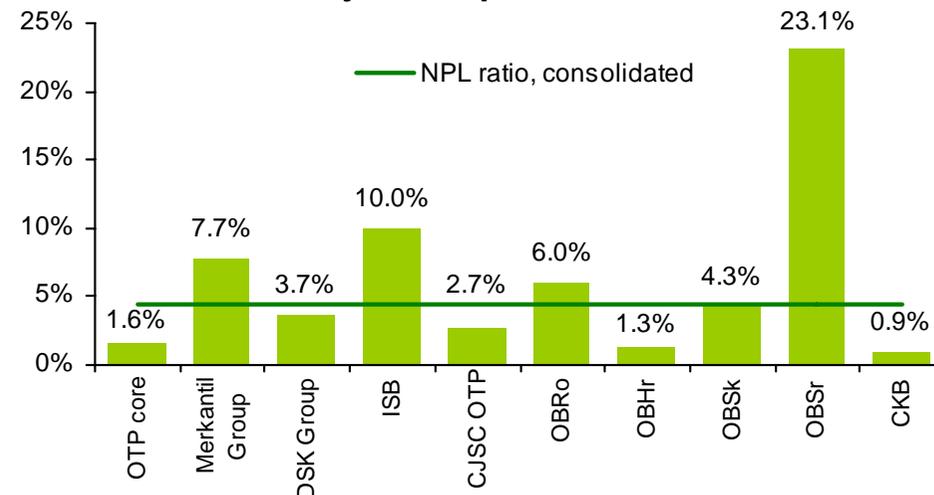


# The portfolio quality remained stable, NPL ratio stood at 4.4% at the end of 3Q 2007

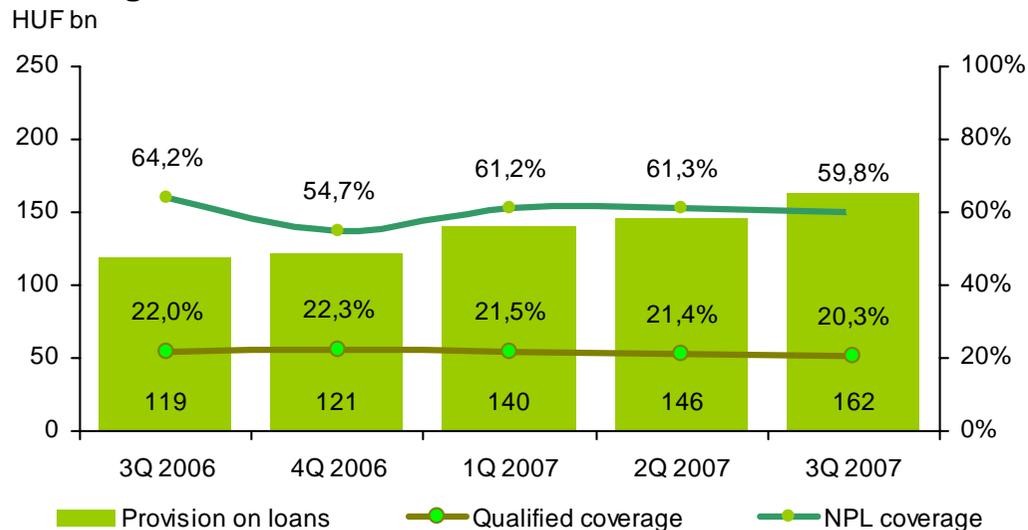
## Qualified and NPL ratio\*



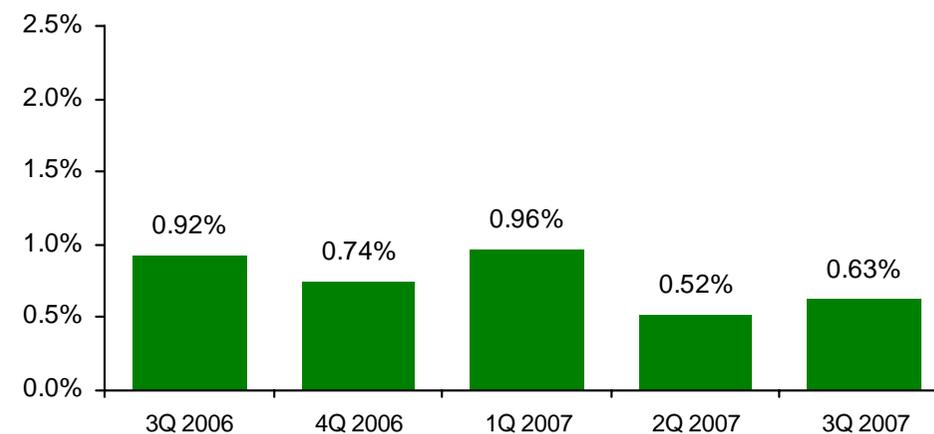
## NPL ratio at the major Group members\* in 3Q 2007



## Coverage



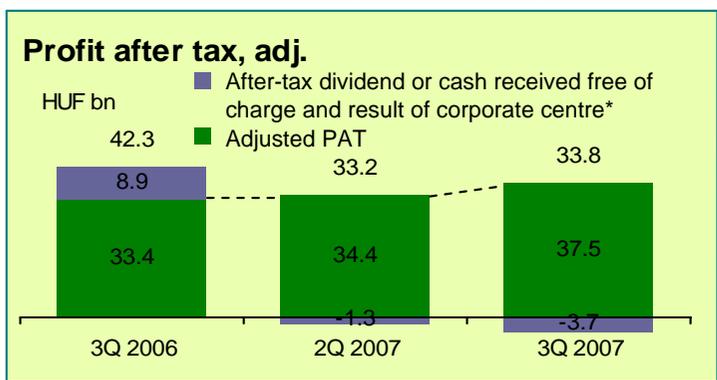
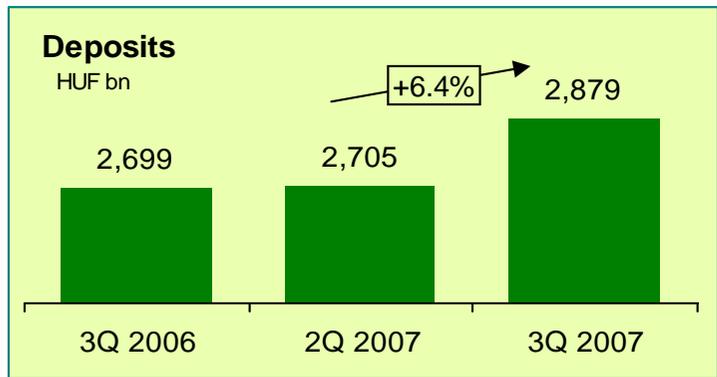
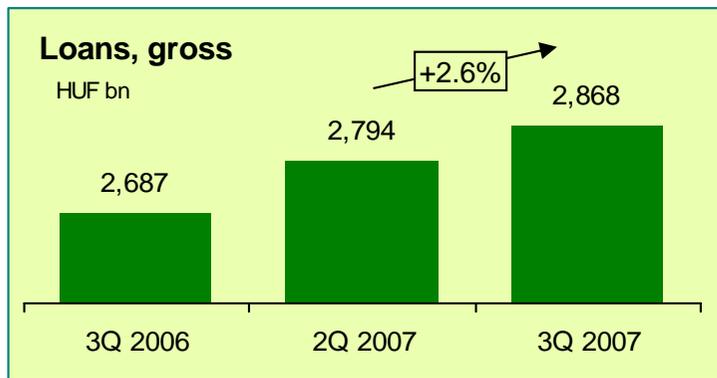
## Cost of risk to the average loans\*\*



\* The figures of foreign subsidiaries are based on OTP's classification rules

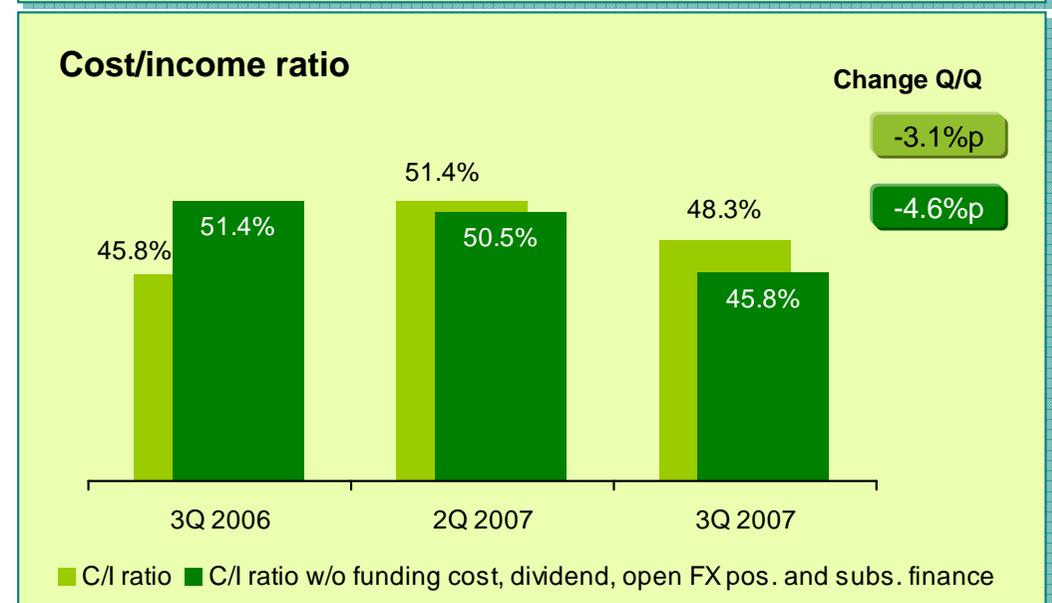
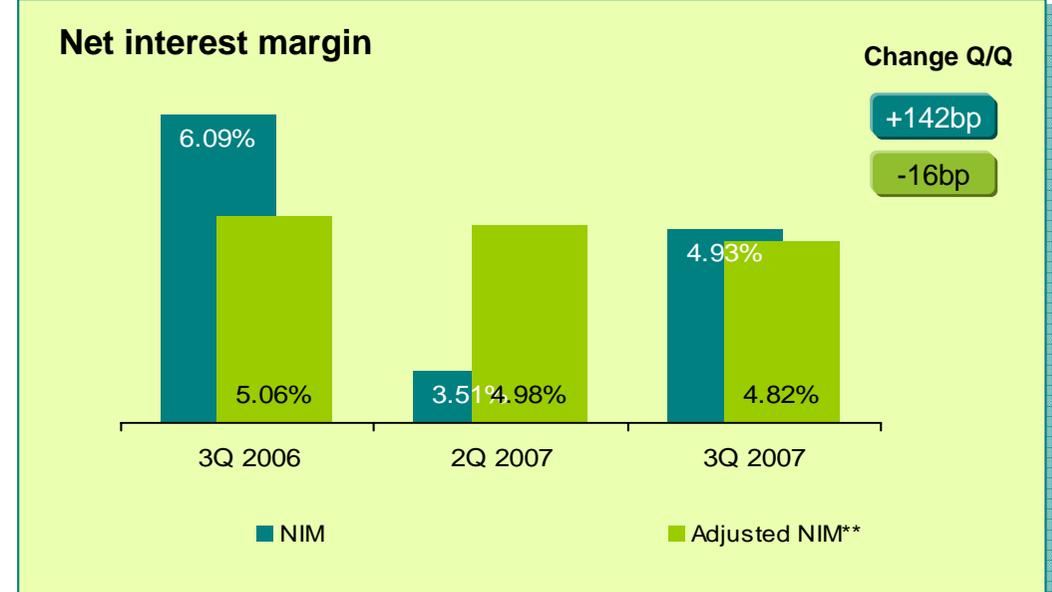
\*\* Including the income from the release of provisions before acquisitions

# Stable core banking activity\* in Hungary with improving net earnings



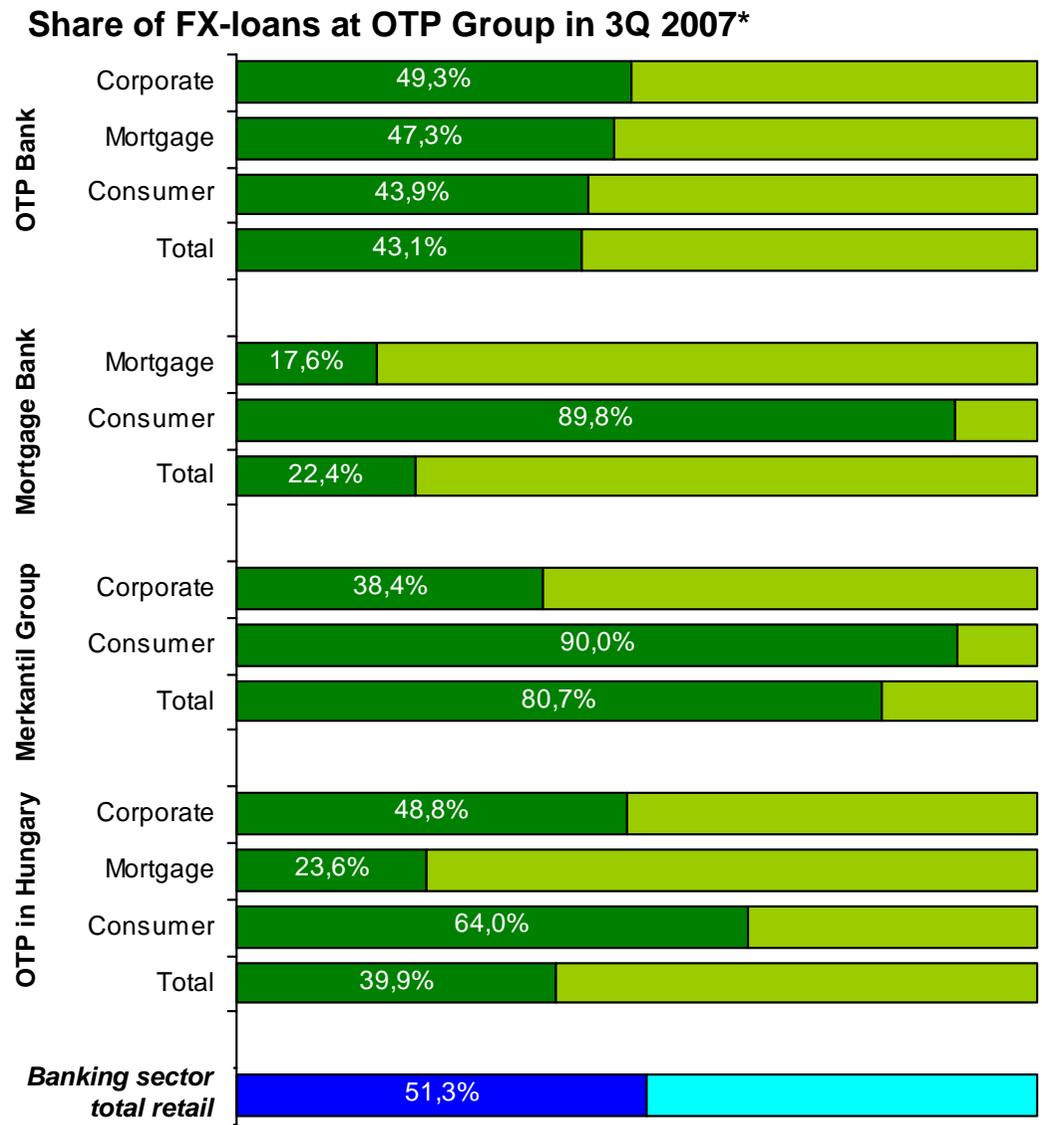
\* OTP Bank, OTP Mortgage Bank and OTP Building Society together

\* Includes the funding cost of Tier2 Capital, the net interest income of subsidiary financing and the result of strategic open FX position

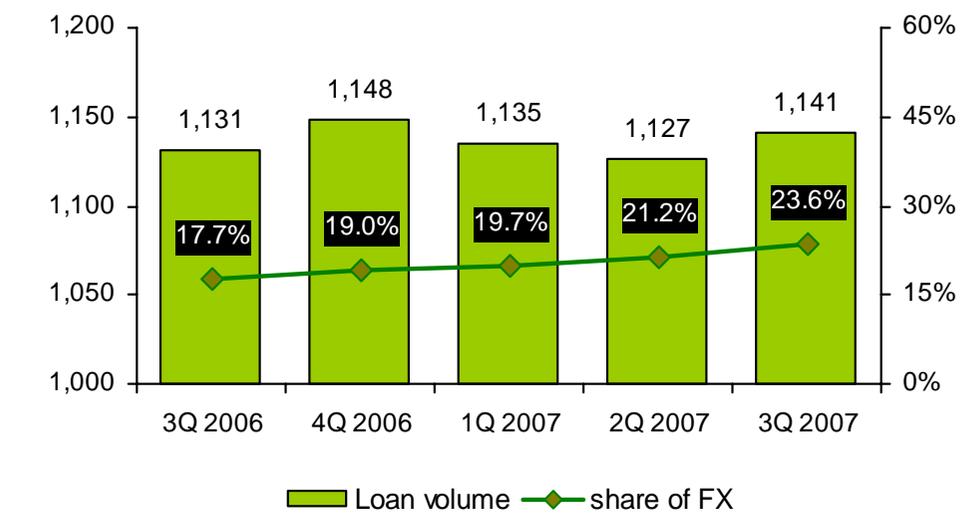


\*\* Adjusted NIM with non-interest result from swaps, minus funding costs, minus interest income from subs. finance

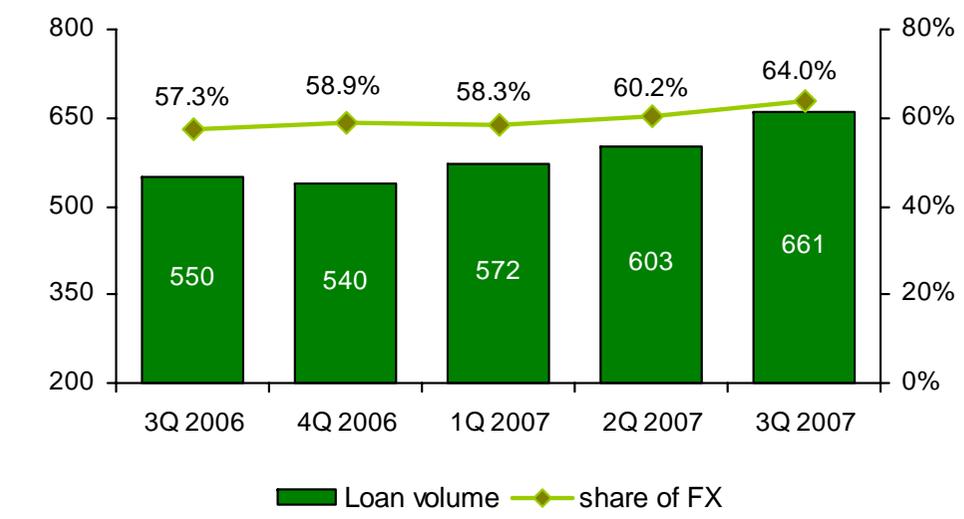
# Share of FX-loans increased in every loan segments



### Mortgage loans (OTP Group in Hungary)



### Consumer loans (OTP Group in Hungary)



\* FX-loan volumes are calculated on end-of-period FX-rates, so the changes of HUF exchange rates influenced the FX volumes and ratios

# Profit after tax of foreign subsidiaries was HUF 13.9 bn in 3Q 2007 (HUF 11.8 bn in 2Q)...

Main balance sheet items, HUF bn	 DSK Group (with SPV)			 OTP banka Hrvatska			 OTP Banka Slovensko			 OTP Bank Romania		
	3Q 2007	Q-o-Q	Y-o-Y	3Q 2007	Q-o-Q	Y-o-Y	3Q 2007	Q-o-Q	Y-o-Y	3Q 2007	Q-o-Q	Y-o-Y
<b>Total assets</b>	<b>933.8</b>	<b>5.4%</b>	<b>10.2%</b>	<b>397.2</b>	<b>5.8%</b>	<b>8.3%</b>	<b>353.3</b>	<b>4.7%</b>	<b>12.0%</b>	<b>236.4</b>	<b>15.9%</b>	<b>53.5%</b>
Gross loans	666.6	12.7%	27.3%	227.3	5.6%	14.6%	228.6	11.7%	27.2%	160.6	18.3%	78.0%
Deposits	599.0	10.7%	14.2%	285.2	4.7%	-1.4%	221.7	6.6%	11.3%	61.9	21.7%	62.7%
Shareholders' equity	108.3	8.7%	17.3%	39.4	6.0%	23.3%	21.8	4.0%	11.8%	27.4	14.1%	2.2%
Gross loans/deposits ratio	111.3%	1.9%	11.4%	79.7%	0.6%	11.1%	103.1%	4.6%	12.9%	259.5%	-7.5%	22.2%
<b>Main P&amp;L items, HUF million</b>												
Net interest income	11,267	8.3%	5.1%	3,066	10.0%	3.4%	2,170	10.5%	9.7%	1,861	93.0%	74.1%
Net fee and commission income	4,558	3.1%	20.1%	846	14.0%	21.6%	540	8.9%	11.2%	58	-64.6%	-81.6%
Total income	16,378	6.3%	7.4%	4,370	9.5%	-1.9%	3,347	23.7%	26.7%	3,305	82.0%	46.7%
Operating expenses	6,468	-3.6%	-3.0%	2,742	-6.6%	-5.7%	2,243	1.1%	16.0%	3,168	-3.7%	50.8%
<b>Profit after tax</b>	<b>6,768</b>	<b>-3.6%</b>	<b>20.6%</b>	<b>1,183</b>	<b>37.0%</b>	<b>38.2%</b>	<b>508</b>	<b>140.2%</b>	<b>-19.1%</b>	<b>-245</b>	<b>-</b>	<b>-</b>
Cost/income ratio	39.5%	0.0%	0.1%	59.3%	-7.7%	-5.9%	67.0%	-15.0%	-6.2%	95.9%	-85.2%	2.6%
Net interest margin	4.95%	0.24%	-0.35%	3.18%	0.20%	-0.09%	2.51%	0.17%	0.02%	3.38%	1.41%	0.15%
ROA	2.97%	-0.2%	0.2%	1.23%	0.3%	0.3%	0.59%	0.3%	-0.2%	-0.44%	-	-
ROE	26.0%	-3.0%	1.4%	12.4%	2.9%	1.7%	9.5%	5.5%	-3.6%	-3.8%	-	-
<b>Market share, %</b>												
Total assets	13.3%	-0.9%	-1.0%	3.5%	0.0%	-0.1%	2.9%	-0.1%	-0.1%	1.4%	0.1%	0.1%
Retail loans	32.3%	-0.2%	-1.3%	4.2%	-0.1%	0.3%	3.3%	-0.1%	-0.4%	2.2%	0.0%	0.4%
Corporate loans	7.0%	-0.3%	-0.3%	2.8%	0.1%	-0.2%	4.4%	0.2%	0.2%	1.8%	0.1%	0.7%
Retail deposits	21.0%	-0.4%	-1.8%	5.6%	0.1%	0.1%	2.6%	0.0%	0.1%	0.7%	0.1%	0.1%
Corporate deposits	6.4%	-0.5%	-0.7%	2.0%	-0.4%	-0.3%	2.7%	0.3%	-0.3%	0.7%	0.1%	0.2%

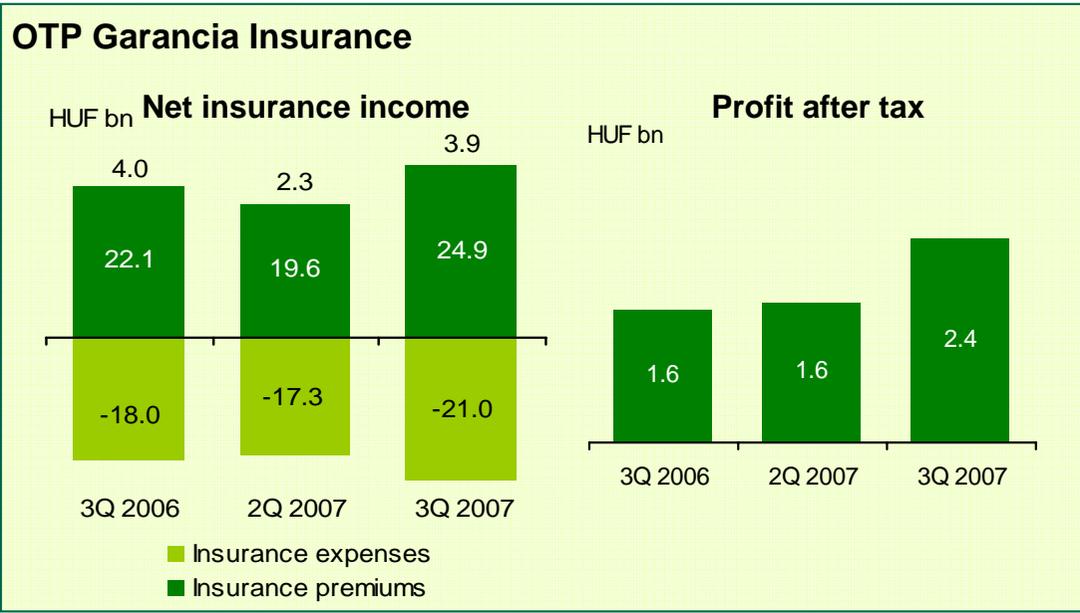
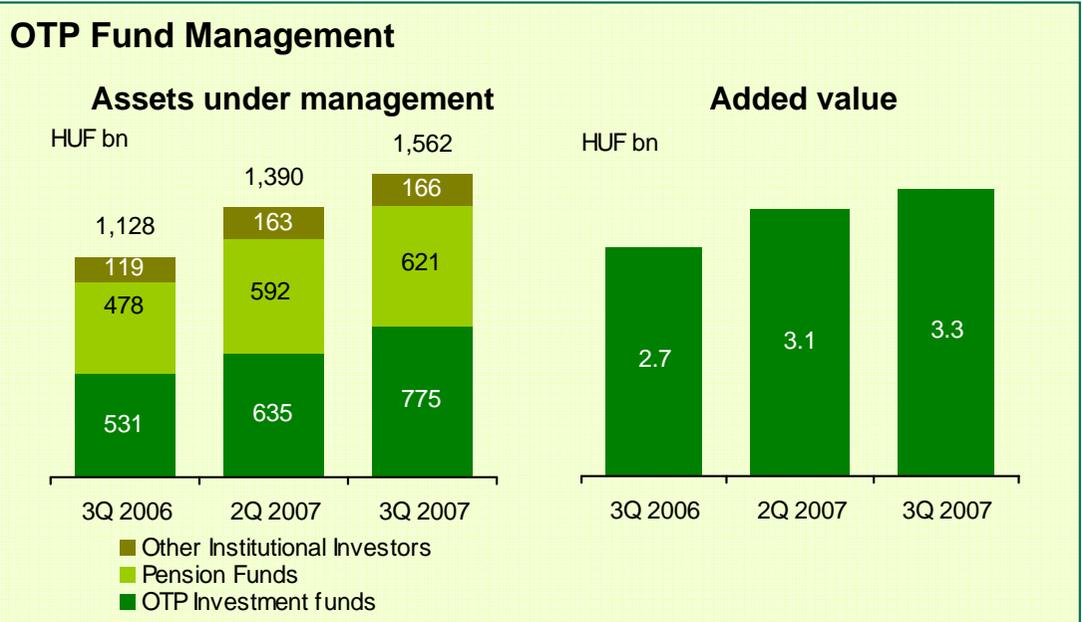
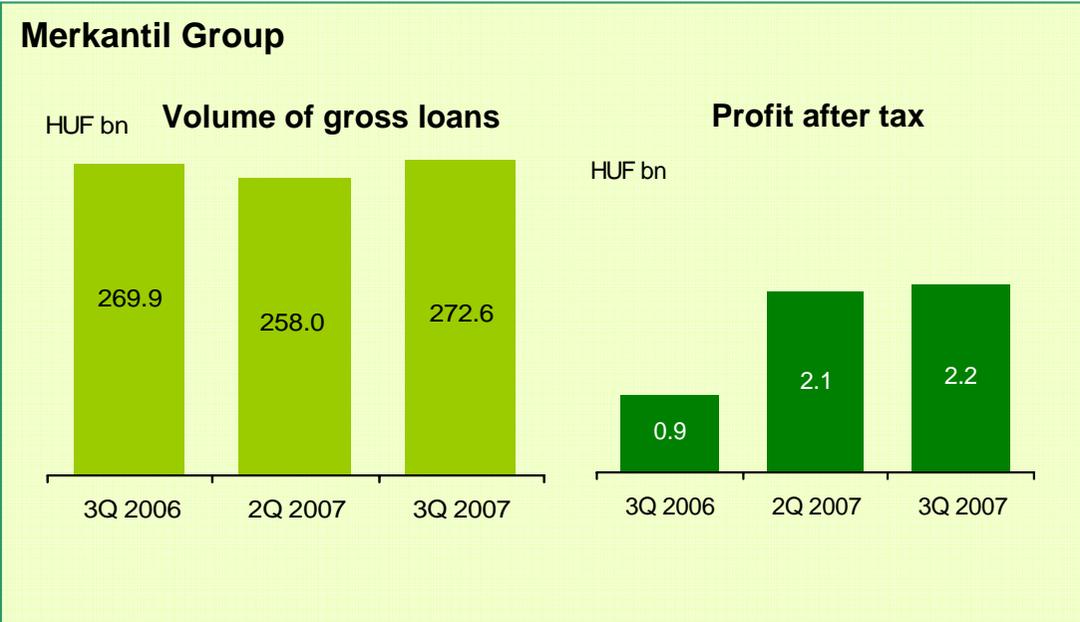
Total income does not contain income from the release of provisions before acquisitions. The same regards C/I ratio.

## ...thus 24.8% of total after tax profit came from foreign banks

Main balance sheet items, HUF bn	 CJSC OTP Bank		 ISB		 OTP banka Srbija		 CKB		Contribution of foreign subsidiaries			Share of newly consolidated subsidiaries
	3Q 2007	Q-o-Q	3Q 2007	Q-o-Q	3Q 2007	Q-o-Q	3Q 2007	Q-o-Q	3Q 2007	Q-o-Q	Y-o-Y	3Q 2007
<b>Total assets</b>	<b>538.5</b>	<b>10.6%</b>	<b>375.4</b>	<b>1.5%</b>	<b>99.1</b>	<b>-0.8%</b>	<b>234.1</b>	<b>25.8%</b>	<b>40.0%</b>	<b>0.6%</b>	<b>11.8%</b>	<b>15.7%</b>
Gross loans	452.0	6.4%	256.5	8.5%	50.1	0.6%	156.0	20.4%	42.3%	1.8%	15.6%	17.6%
Deposits	161.7	14.1%	264.8	1.3%	35.8	-11.7%	190.2	22.4%	38.8%	0.5%	10.6%	13.9%
Shareholders' equity	55.4	2.9%	39.7	-1.1%	39.2	1.8%	10.0	8.6%	39.5%	0.3%	11.9%	16.7%
Gross loans/deposits ratio	279.5%	-20.2%	96.9%	6.5%	140.1%	17.2%	82.0%	-1.4%				
<b>Main P&amp;L items, HUF million</b>												
Net interest income	7,370	2.4%	10,981	27.1%	1,399	-12.8%	1,150	3.7%	32.4%	-3.6%	16.2%	17.2%
Net fee and commission income	1,415	65.4%	4,007	25.3%	468	-19.3%	882	2.6%	32.2%	1.7%	16.7%	17.1%
Total income	9,017	5.2%	13,980	13.3%	2,771	-20.7%	2,110	2.5%	32.2%	2.5%	15.7%	16.2%
Operating expenses	4,164	11.8%	9,014	18.8%	3,170	13.3%	1,147	10.8%	31.8%	1.8%	13.8%	17.3%
<b>Profit after tax</b>	<b>3,633</b>	<b>9.1%</b>	<b>1,650</b>	<b>85.0%</b>	<b>62</b>	<b>-87.4%</b>	<b>643</b>	<b>1.0%</b>	<b>24.8%</b>	<b>1.7%</b>	<b>13.3%</b>	<b>10.5%</b>
Cost/income ratio	43.0%	-0.2%	64.5%	2.9%	114.4%	34.3%	54.3%	4.1%				
Net interest margin	5.75%	-0.4%	11.79%	1.9%	5.6%	-0.6%	2.2%	-0.4%				
ROA	2.83%	0.0%	1.77%	0.7%	0.25%	-1.7%	1.22%	-0.2%				
ROE	26.6%	0.0%	16.5%	7.6%	0.6%	-4.6%	26.8%	-1.8%				
<b>Market share, %</b>												
Total assets	3.0%	0.0%			2.1%	-0.2%	37.3%	1.5%				
Retail loans	4.0%	-0.7%			1.4%	-0.1%	29.7%					
Corporate loans	3.3%	0.1%			2.4%	-0.3%						
Retail deposits	1.5%	-0.1%			1.3%	-0.1%	41.5%					
Corporate deposits	2.3%	0.2%			2.1%	-0.7%	54.3%					

Total income does not contain income from the release of provisions before acquisitions. The same regards C/I ratio.

# Domestic „non-core” business profit contribution was 11.5% of consolidated PAT in 3Q 2007



- Despite of the saturation on the domestic leasing market, Merkantil Group’s total car-financing loan portfolio increased y-o-y by 8.7% to HUF 244.7 billion, PAT improvement, too
- OTP Fund Management increased its market shares, volume of assets under management reached HUF 1,562 billion
- At OTP Garancia, insurance premiums increased by 27.5% q/q, while insurance expenses grew by 21.7% resulting in an improving net insurance results of HUF 3.9 bn in 3Q vs HUF 2.3 bn in 2Q 2007 to



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