# OTP Group – 1Q 2009 Results

Conference call presentation – 20 May 2009

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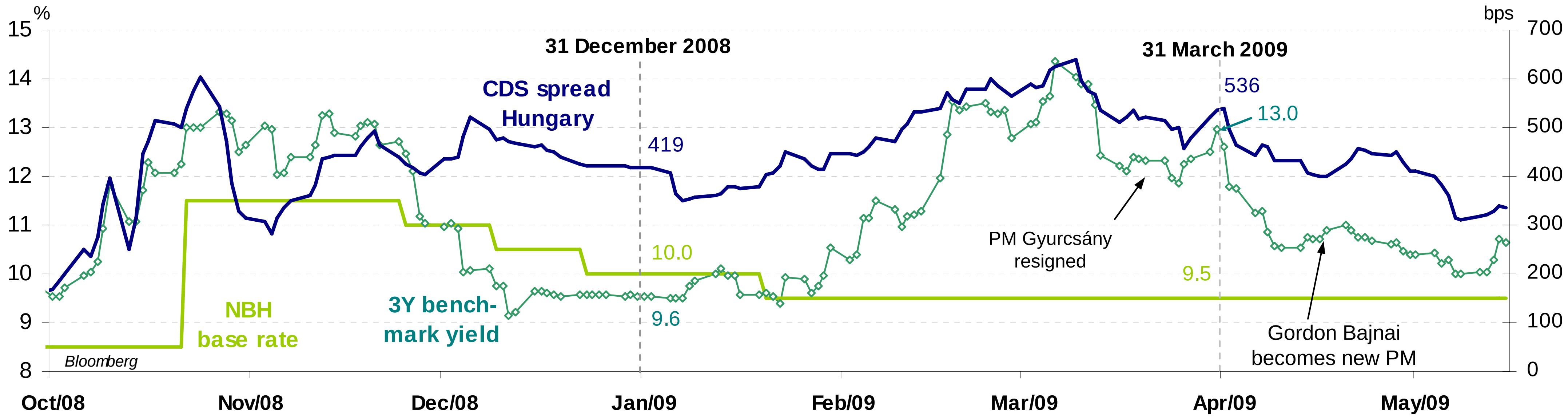
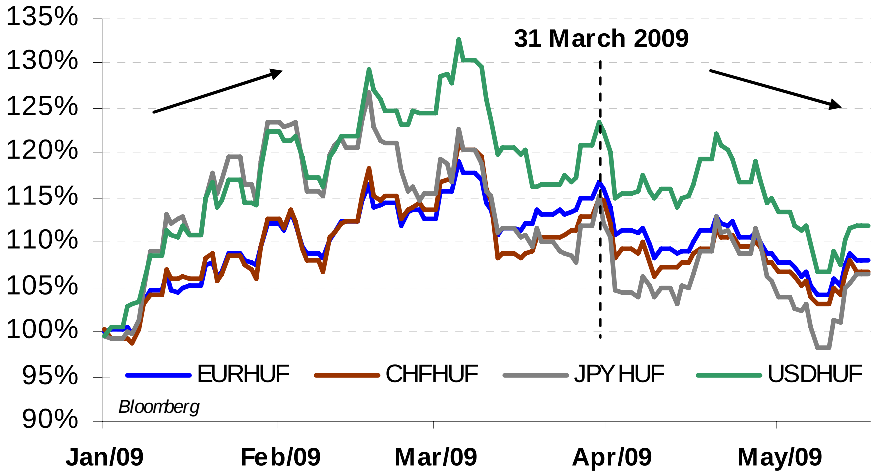
## Operating environment in Hungary was characterized by volatile currency exchange rates, significantly higher risk spreads and government bond yields steadily above 10%

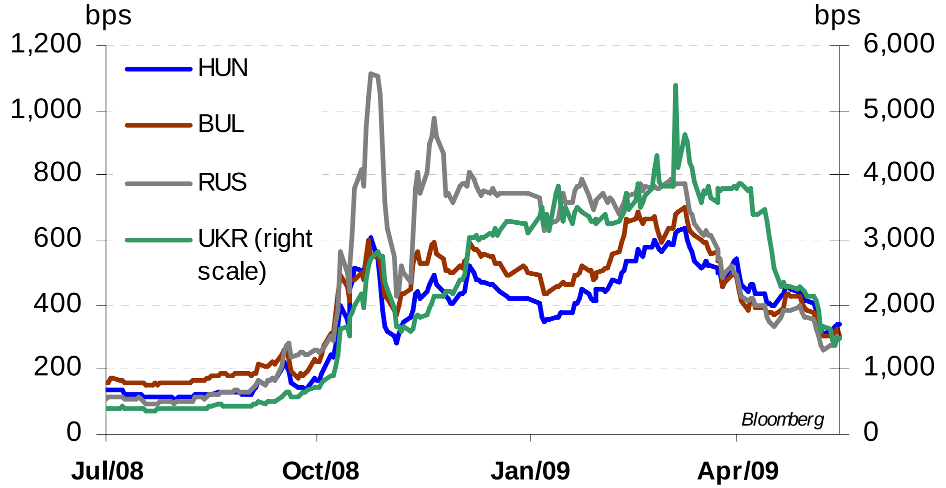
### Development of NBH base rate, Hungarian CDS spread and 3Y Hungarian government bond yield




### Exchange rate developments of HUF in 2009 (relative changes)




### CDS spreads of OTP Group countries

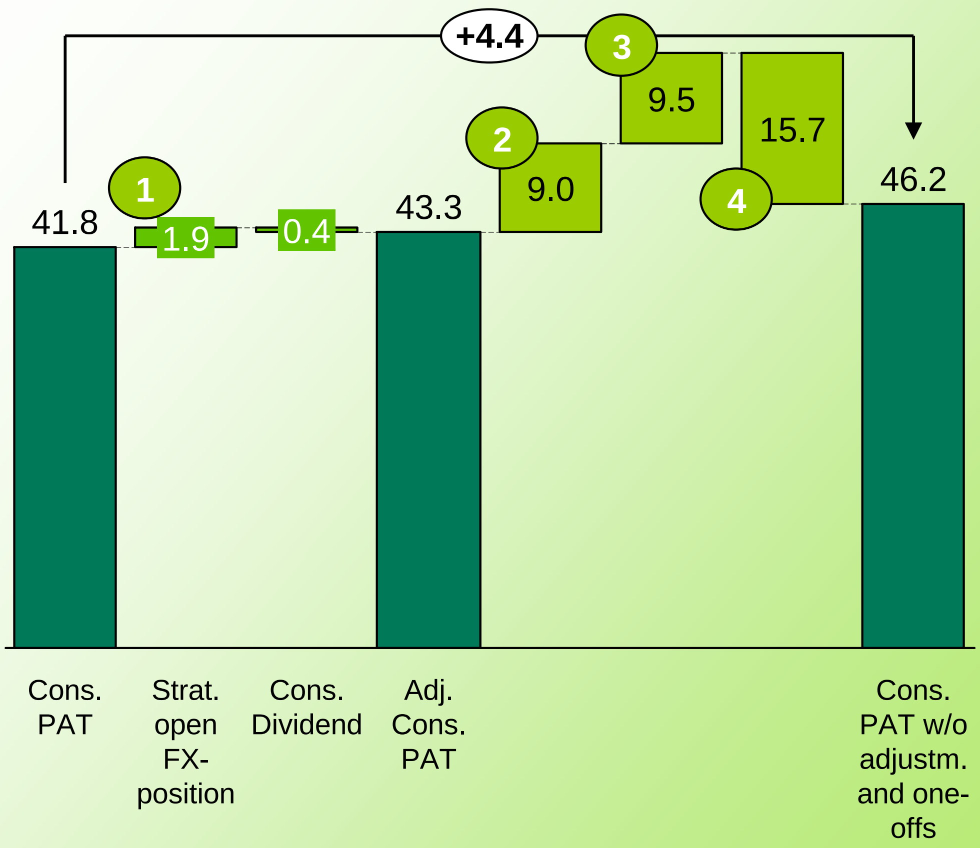


# Due to deteriorating economic outlook government forecasts changed significantly during 2009

| **Components of macro track envisaged by the government** | **Gyurcsány cabinet** (29/01/2009) | **Bajnai cabinet** (18/15/2009) |
|---|---|---|
| Real GDP | (-2.5%) – (-3.0%) | -6.7% |
| CPI | 2.5% – 3.0% | 4.5% |
| Private consumption | (-2.5%) – (-3.0%) | n.a. |
| Investment | -5.0% | n.a. |
| Export | -3.0% | -15.0% |
| Import | (-3.0%) – (-3.5%) | (-16.0%) – (-17.0%) |
| Budget deficit | -2.9% | -3.9% |
| | **Credibility deficit, continuously widening CDS spreads** | **Forward-looking measures, positive market feedback** |

# In 1Q 2009 there were several one-off items

**Composition of consolidated profit after tax in 1Q 2009**
(in HUF billion)




## (1) Strategic open FX-positions

- Bank re-qualified EUR 310 million of the strategic open FX-position as a hedge transaction, the exchange rate effect (1Q 2009 HUF 13.8 billion before tax) will be booked against equity. The FX-effect on the remaining FX-position was HUF -1.9 billion (after tax)

**PAT effect in P&L statement: HUF -1.9 billion**

## (2) Loss on other open FX-positions

- Exchange rate loss realised on other, non-strategic open FX-positions
- In the meantime taking advantage of the strengthening HUF the above positions have been closed partially and against further weakening of HUF beyond HUF/EUR 300 the Bank bought put options
- No further losses expected from these positions

**PAT effect: HUF -9.0 billion**

## (3) Tax shield of subsidiary investments

- Remarkable profit gain (HUF 47.6 billion) according to HAR due to significant HUF weakening; it helped equity as well
- According to IFRS however, only the tax impact is taken into consideration in the profit (HUF -9.5 bn)

**PAT effect: HUF -9.5 billion**

## (4) Upper Tier2 bond repurchase

- OTP bought back EUR 90 million nominal from its subordinated (UT2) debt
- These securities have not been cancelled after repurchase

**PAT effect: HUF 15.7 billion**

# Profit generating capability of  the underlying business remained strong, adjusted pre-tax profit grew by 40% q-o-q, declined only by 6% y-o-y

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

| in HUF billion | 1Q 08 | 4Q 08 | 1Q 09 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|
| **After tax profits** | **55.3** | **-60.7** | **41.8** | **-169%** | -24% |
| Dividends and net cash transfers | 0.8 | 0.6 | 0.4 | -41% | -52% |
| Profit of the strategic open FX position (after tax) | -1.8 | -9.5 | -1.9 | -80% | 7% |
| Profit of the sale of OTP Garancia Group (after tax) | 0.0 | -4.1 | 0.0 | -100% | |
| Goodwill impairment charges (after tax) | 0.0 | -92.6 | 0.0 | -100% | |
| **After tax profit (adj)** | **56.3** | **44.9** | **43.3** | **-3%** | **-23%** |
| Pre-tax profit | 67.8 | 45.3 | 63.5 | 40% | -6% |
| Total income | 166.9 | 211.1 | 200.7 | -5% | 20% |
| Net interest income (adj.) | 117.5 | 145.8 | 158.1 | 8% | 35% |
| Net fees and commissions | 34.2 | 37.0 | 31.9 | -14% | -7% |
| Total other non-interest income (adj.) | 15.2 | 28.4 | 10.7 | -62% | -30% |
| Operating expenses (adj.) | -87.4 | -94.4 | -85.6 | -9% | -2% |
| **Operating income before taxes and provisions** | **79.5** | **116.7** | **115.0** | **-1%** | **45%** |
| Provision for possible loan losses (adj.) | -12.3 | -62.7 | -45.4 | -28% | 270% |
| Other provisions | 0.5 | -8.7 | -6.1 | -30% | |
| **Total assets** | **9,051** | **9,379** | **10,099** | **8%** | **12%** |
| **Total customer loans (gross)** | **6,194** | **7,001** | **7,719** | **10%** | **25%** |
| **Total customer deposits** | **5,331** | **5,219** | **5,551** | **6%** | **4%** |
| Issued securities | 1,300 | 1,527 | 1,498 | -2% | 15% |
| Subordinated debt | 308 | 316 | 336 | 6% | 9% |
| Total shareholders' equity | 919 | 1,049 | 1,151 | 10% | 25% |
| Gross loan/deposit ratio (%) | 116.1% | 134.1% | 139.0% | 4.9% | 22.9% |
| Net interest margin (adj.) | 5.40% | 6.19% | 6.58% | 0.40% | 1.19% |
| Cost/income ratio (adj.) | 52.3% | 44.7% | 42.7% | -2.0% | -9.7% |
| Risk cost to average gross loans (adj.) | 0.83% | 3.65% | 2.50% | -1.15% | 1.68% |
| ROA (adj.) | 2.6% | 1.9% | 1.8% | -0.1% | -0.8% |
| ROE (adj.) | 25.0% | 16.3% | 16.0% | -0.4% | -9.0% |

- **Operating profit: stable q-o-q, robust growth y-o-y (+45%)**
- **Q-o-q significantly improving pre-tax profit (+40%)**
- **HUF 43.3 billion adjusted PAT in 1Q**
  - flat on a quarterly basis, but 23% decline y-o-y
  - combined profit impact of one-offs almost zero
- **Strong net interest income growth, improving net interest margin**
- **Efficient operation, strong cost control, CIR below 50%.**
- **Provisioning in line with plan**

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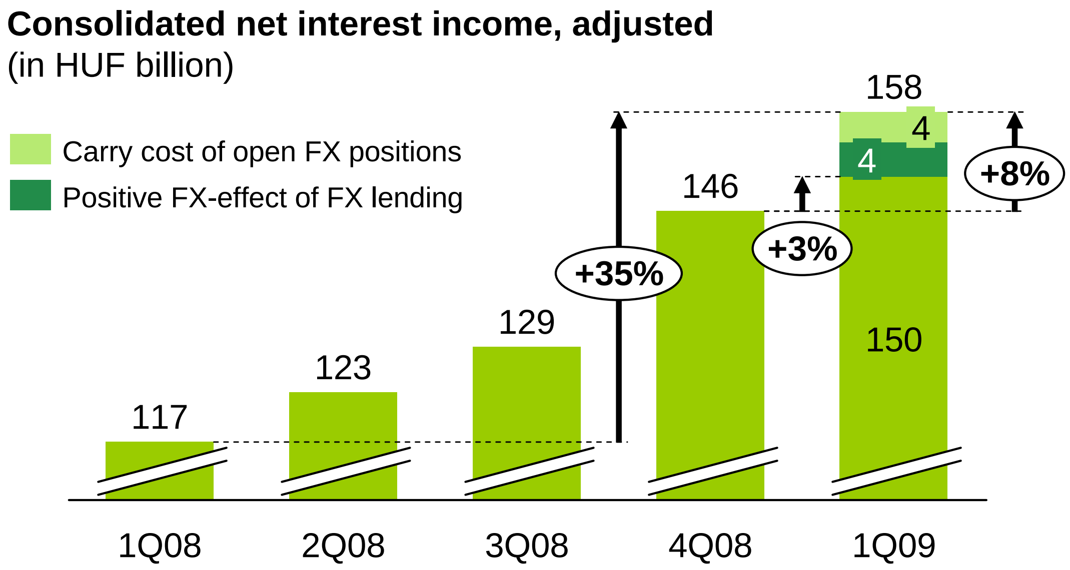
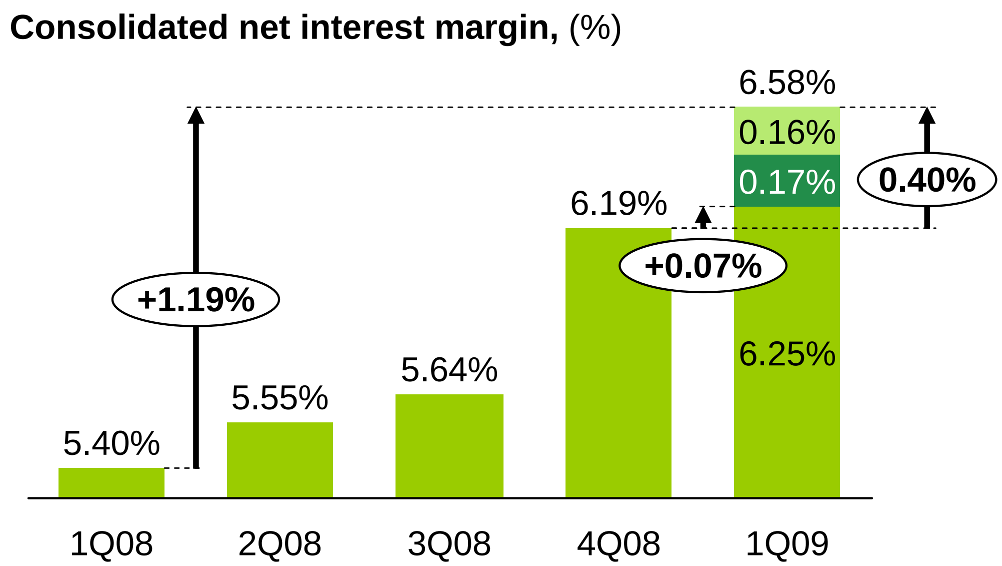
## Strong net interest income (+8% q-o-q, +26% y-o-y) was to a large extent the result of the positive effect of the carry cost of open FX positions and the revaluation of FX denominated NII caused by HUF weakening

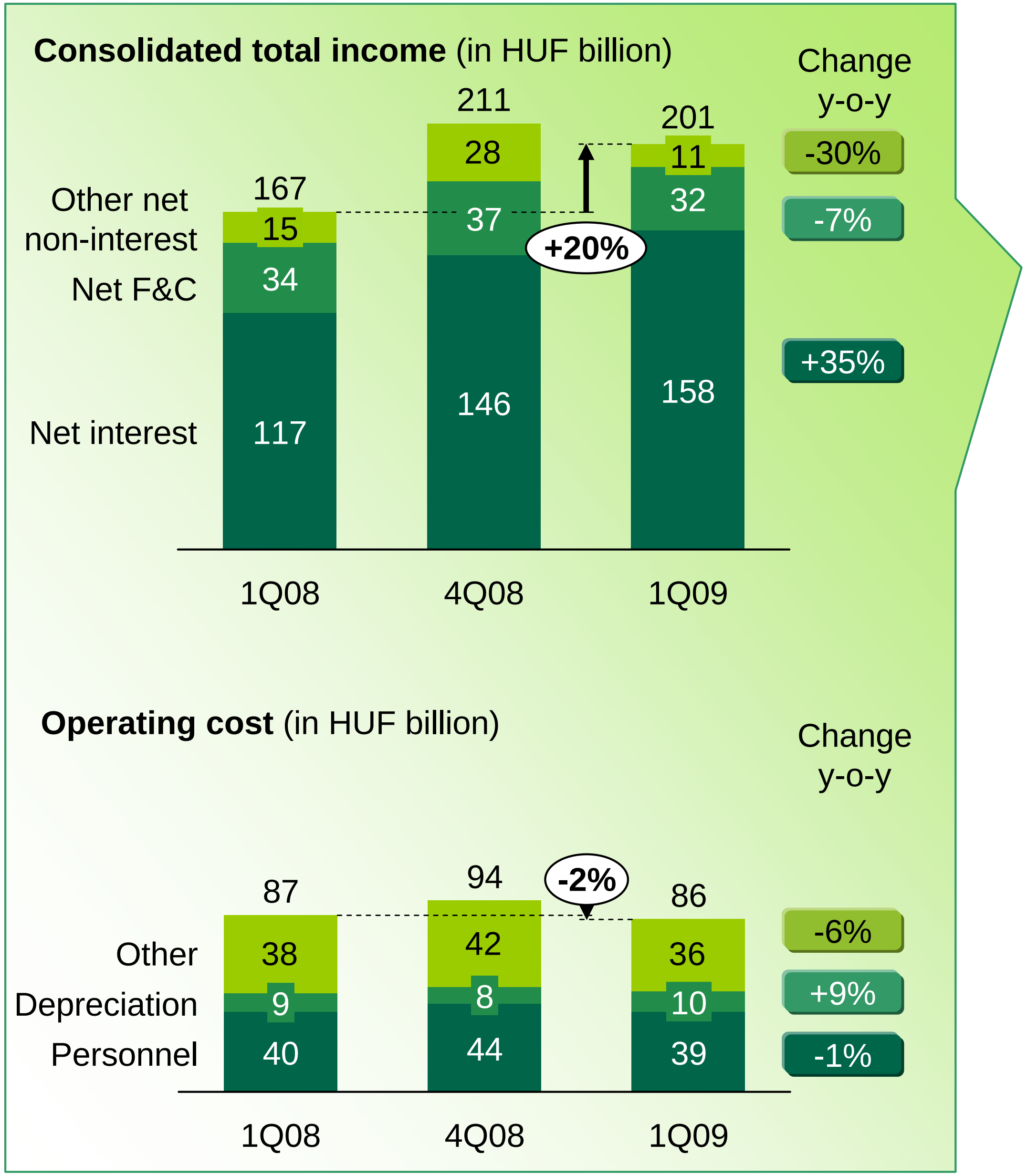


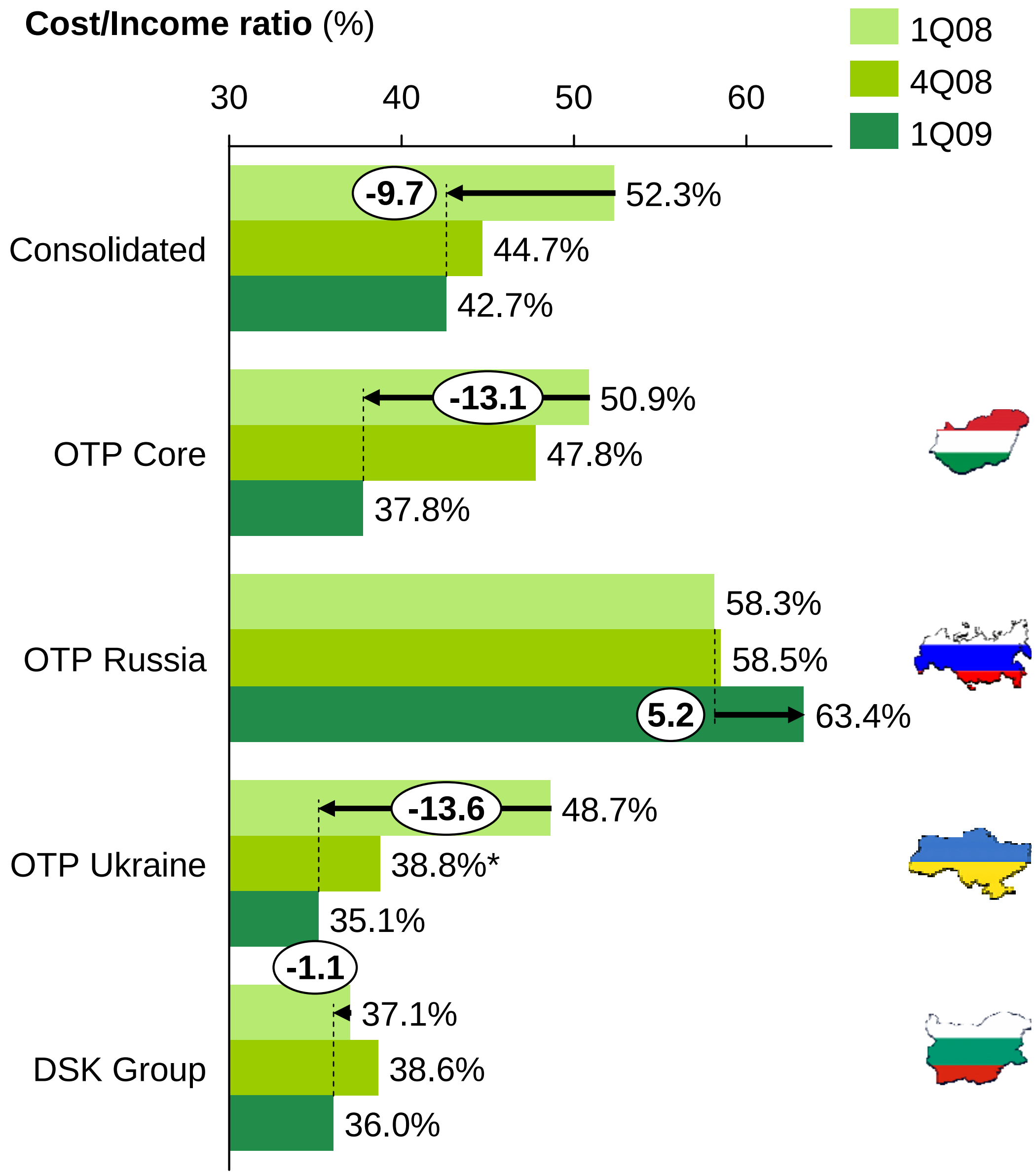




**The improvement of net interest income and net interest margin is mainly due to HUF depreciation:**

- **The NII earned in FX lending at OTP Core grew by HUF 4.1 billion q-o-q due to the effect of HUF weakening**
  - FX lending practically operates as a natural hedge regarding the HUF equivalent of FX interest margins. The negative effect of higher provisioning as a result of HUF weakening is partially offset by higher interest income.
- **Positive impact of carry cost of open FX positions on interest income was HUF 3.8 billion 1Q 2009**
  - The Bank funded itself by lower interest FX funding instead of more expensive HUF.

# Cost/Income ratio improved, approaching 43% (-10pp y-o-y), total income increase (+20% y-o-y) driven by excellent net interest income growth (+35% y-o-y) and stringent cost control (-2% y-o-y)




* In case of the Ukrainian subsidiary other non-interest income in 4Q 2008 is adjusted by the revaluation effect of provisions

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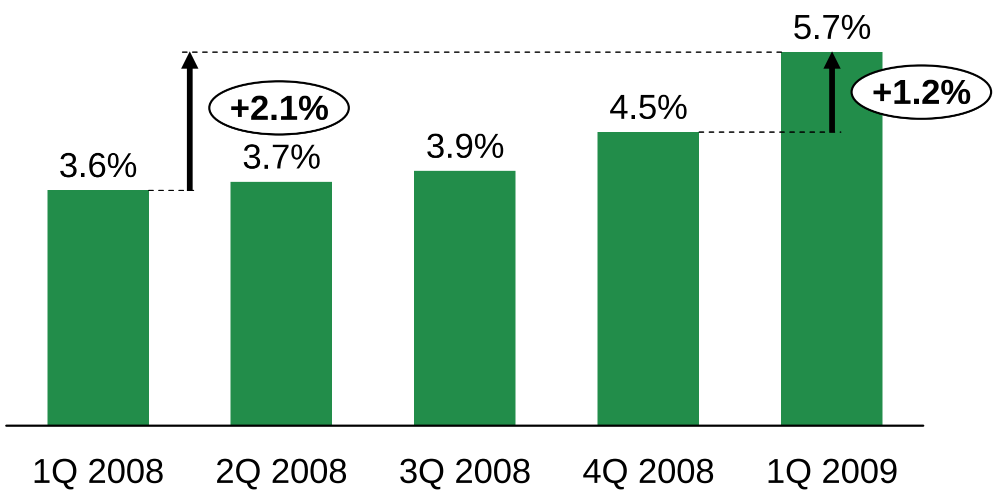
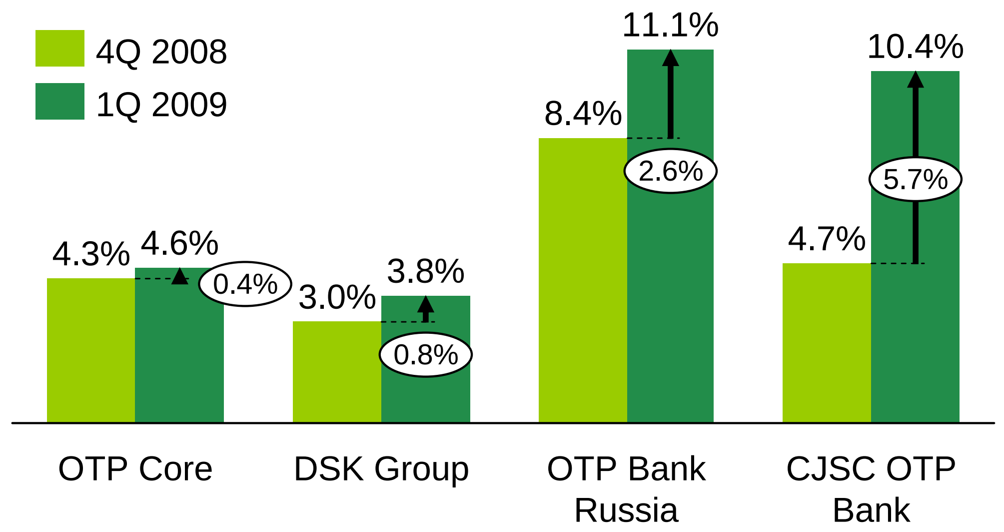
## At consolidated level DPD90+ ratio increased to 5.7% (+1.2pp q-o-q), most significant deterioration observed in Ukraine; 78% of provisioning in the P&L is related to foreign subsidiaries

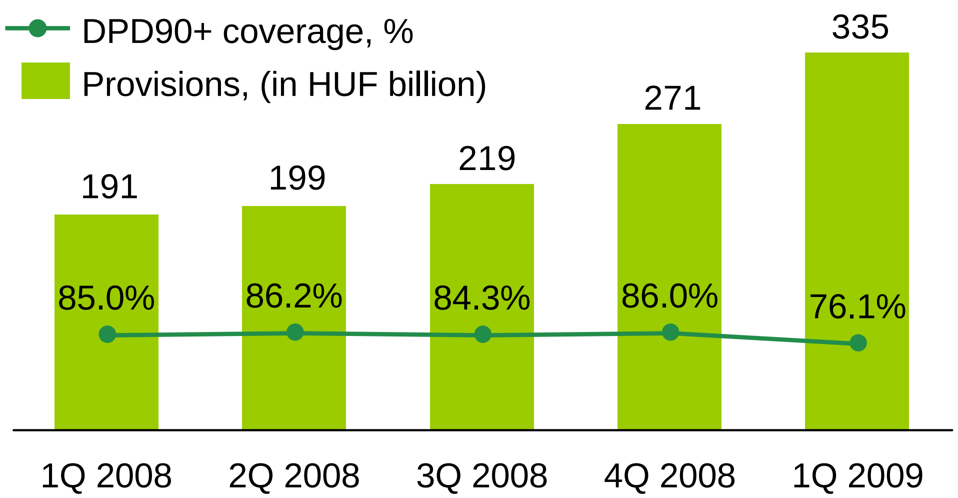
**Consolidated DPD90+ ratio** (%)



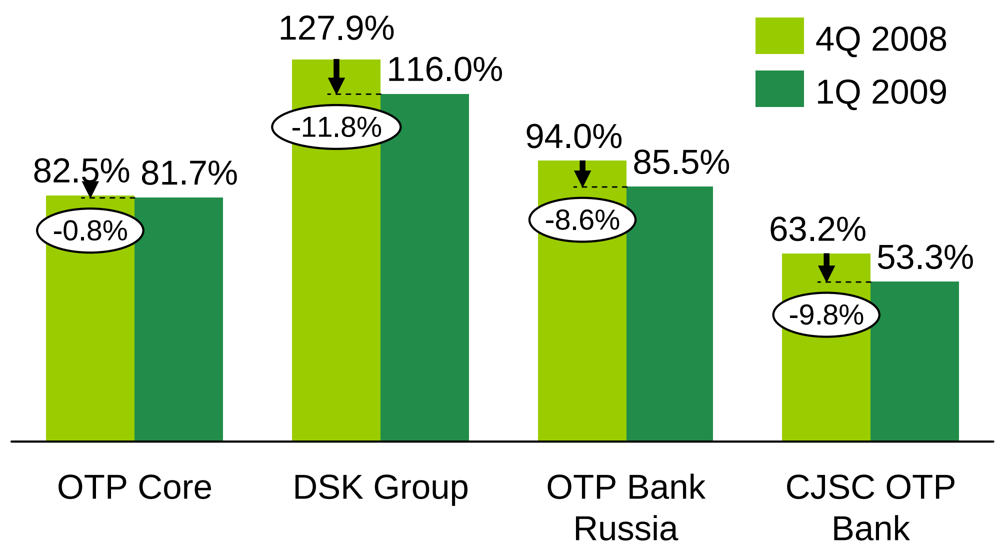

**DPD 90+ ratio at major subsidiaries**




**Consolidated coverage**




**Coverage at major subsidiaries** (%)

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## Increase of DPD90+ ratio is basically due to the forecasted deterioration of retail portfolio, corporate sector performed above average

DPD90+ ratio

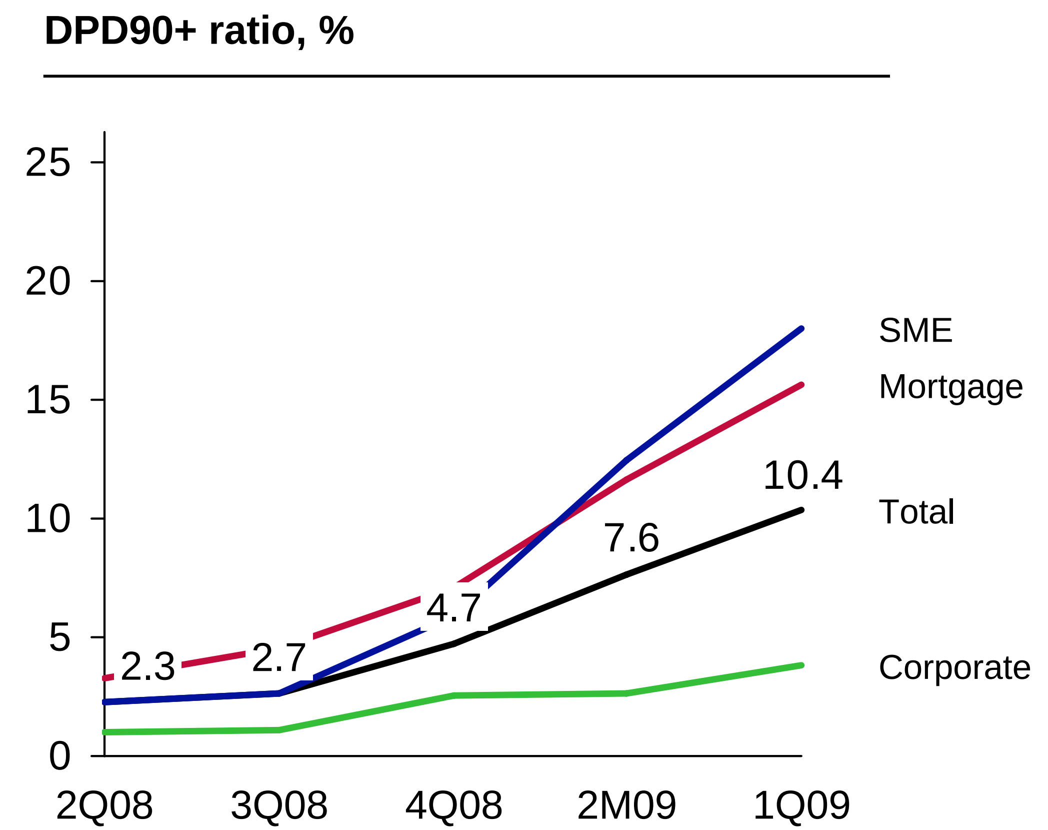
| OTP Core | 082Q | 083Q | 084Q | 091Q | q-o-q |
|---|---|---|---|---|---|
| **Total** | **3.8%** | **4.0%** | **4.3%** | **4.6%** | ***0.4%*** |
| Housing | 3.8% | 3.9% | 4.2% | 4.9% | *0.6%* |
| Consumer (+home equity) | 4.9% | 4.5% | 4.2% | 4.8% | *0.6%* |
| SME & Corporate | 3.8% | 4.4% | 5.1% | 4.9% | *-0.1%* |
| Municipal | 0.0% | 0.1% | 0.1% | 0.1% | *0.0%* |

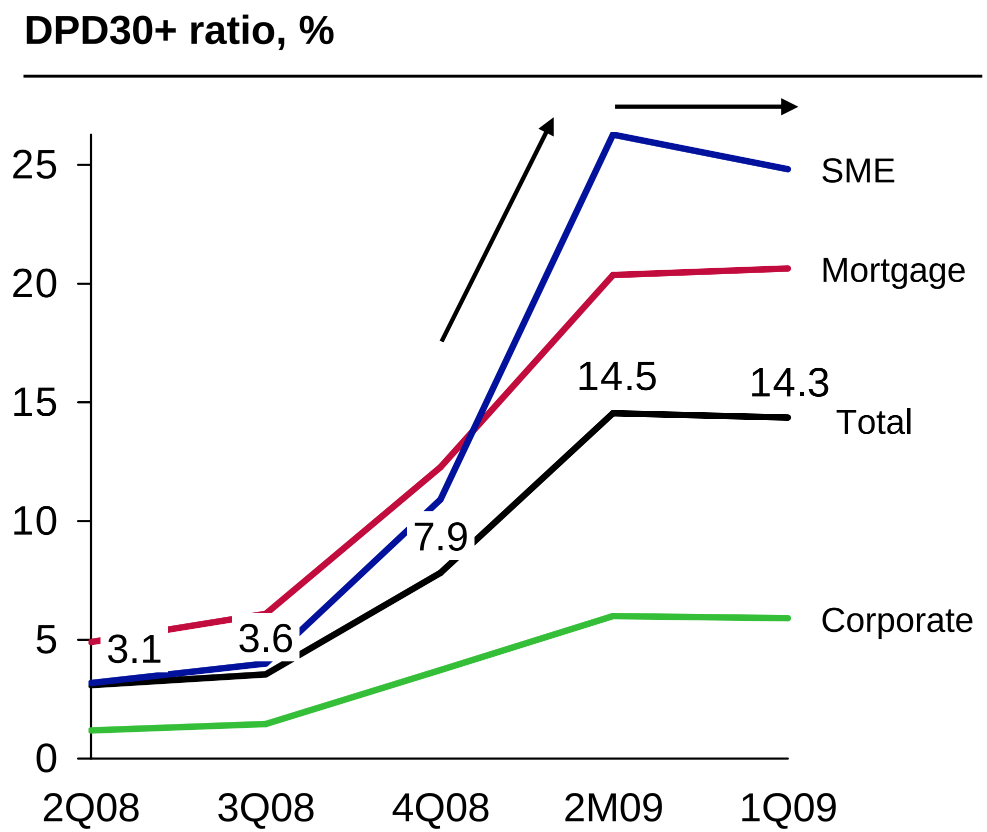
| OTP Bank Russia | 082Q | 083Q | 084Q | 091Q | q-o-q |
|---|---|---|---|---|---|
| **Total** | **7.3%** | **8.1%** | **8.4%** | **11.1%** | **2.6%** |
| Mortgage | 0.1% | 0.1% | 0.4% | 1.9% | 1.5% |
| Consumer | 14.2% | 15.4% | 16.3% | 22.4% | 6.0% |
| SME & Corporate | 0.6% | 1.2% | 1.4% | 1.9% | 0.6% |
| Car finance | 3.2% | 3.7% | 4.6% | 7.7% | 3.1% |

| DSK | 082Q | 083Q | 084Q | 091Q | q-o-q |
|---|---|---|---|---|---|
| **Total** | **2.5%** | **2.8%** | **3.0%** | **3.8%** | ***0.8%*** |
| Mortgage | 1.9% | 2.0% | 2.0% | 3.0% | *1.0%* |
| Consumer | 3.8% | 4.1% | 4.4% | 5.2% | *0.8%* |
| SME | 3.1% | 4.6% | 6.1% | 7.4% | *1.3%* |
| Corporate | 0.3% | 0.3% | 0.4% | 0.4% | *0.0%* |

| CJSC OTP Bank | 082Q | 083Q | 084Q | 091Q | q-o-q |
|---|---|---|---|---|---|
| **Total** | **2.3%** | **2.7%** | **4.7%** | **10.4%** | ***5.7%*** |
| Mortgage | 3.3% | 4.5% | 7.1% | 15.6% | *8.5%* |
| Consumer | 21.2% | 22.2% | 26.2% | 24.3% | *-2.0%* |
| SME | 2.3% | 2.6% | 5.9% | 18.0% | *12.1%* |
| Corporate | 1.0% | 1.1% | 2.5% | 3.8% | *1.3%* |
| Car finance | 3.6% | 3.5% | 4.7% | 10.3% | *5.7%* |

## In Ukraine DPD90+ ratio grew significantly q-o-q, however DPD30+ ratio already decreased in March m-o-m



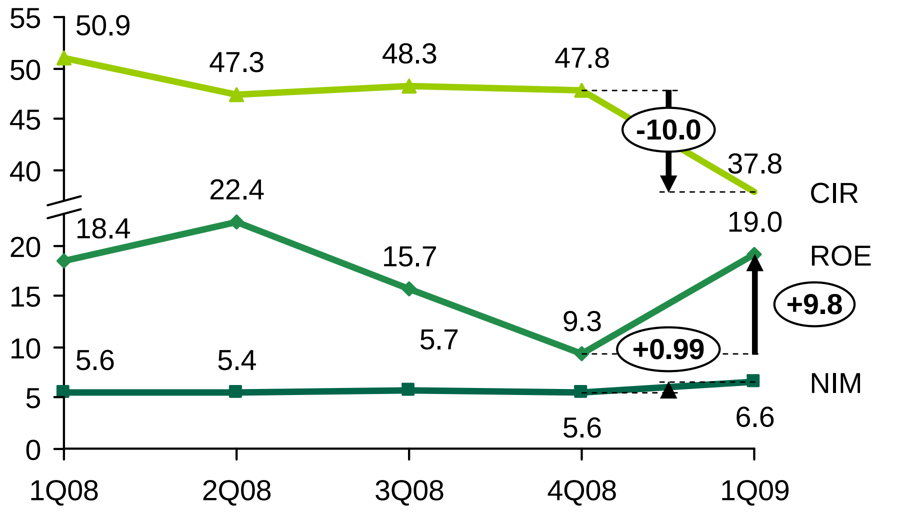

- **Corporate portfolio quality still relatively stable, better than average**
- **Regarding retail loans the Bank tries to decrease default risk by proactive restructuring**

# OTP Core: profitable core activity, effective cost control, portfolio dynamics significantly influenced by weakening HUF; FX mortgage origination: decreasing CHF and increasing EUR ratio

## Financial highlights, in HUF mn

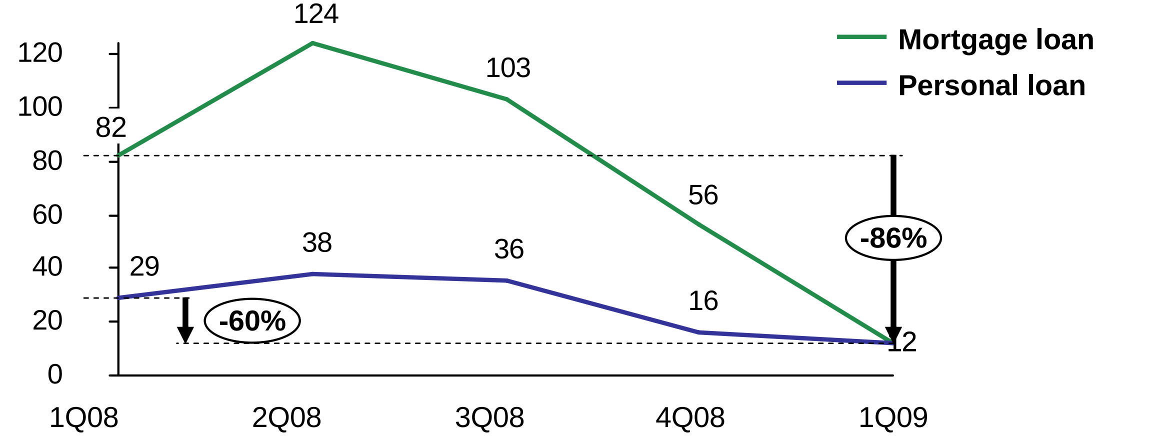
| | 4Q 2008 | 1Q 2009 | Q/Q | Y/Y |
|---|---|---|---|---|
| Total income | 94,753 | 115,435 | 22% | 31% |
| NII | 71,057 | 82,613 | 16% | 26% |
| Net F&C income | 22,516 | 21,672 | -4% | -2% |
| Other income | 1,181 | 11,150 | 844% | -15% |
| Operating expenses | -45,274 | -43,635 | -4% | -3% |
| **Operating profit** | **49,479** | **71,800** | **45%** | **66%** |
| Cost of risk | -33,037 | -12,354 | -63% | |
| Profit before tax | 16,443 | 59,446 | 262% | 42% |
| ***PAT*** | **20,869** | **40,856** | **96%** | **20%** |
| Gross loans | 3,348,950 | 3,582,218 | 7% | 12% |
| Customer deposits | 3,244,482 | 3,373,389 | 4% | 1% |

## Profitability and efficiency %

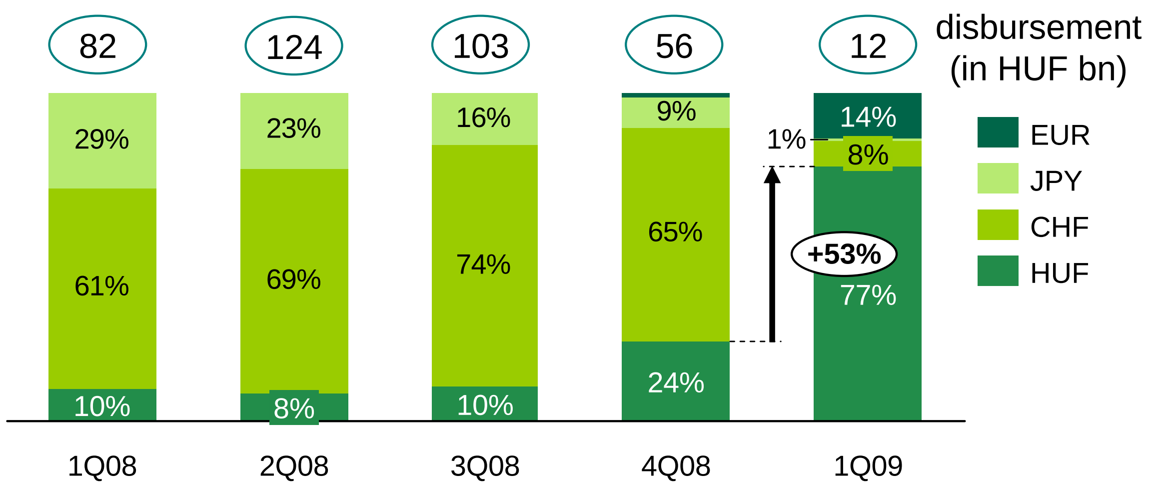



### After outstanding disbursements in first 9M 2008, a significant adjustment since 3Q

**Mortgage and personal loan disbursements** (quarterly, HUF bn)




**FX-structure of mortgage loan disbursements** (quarterly)

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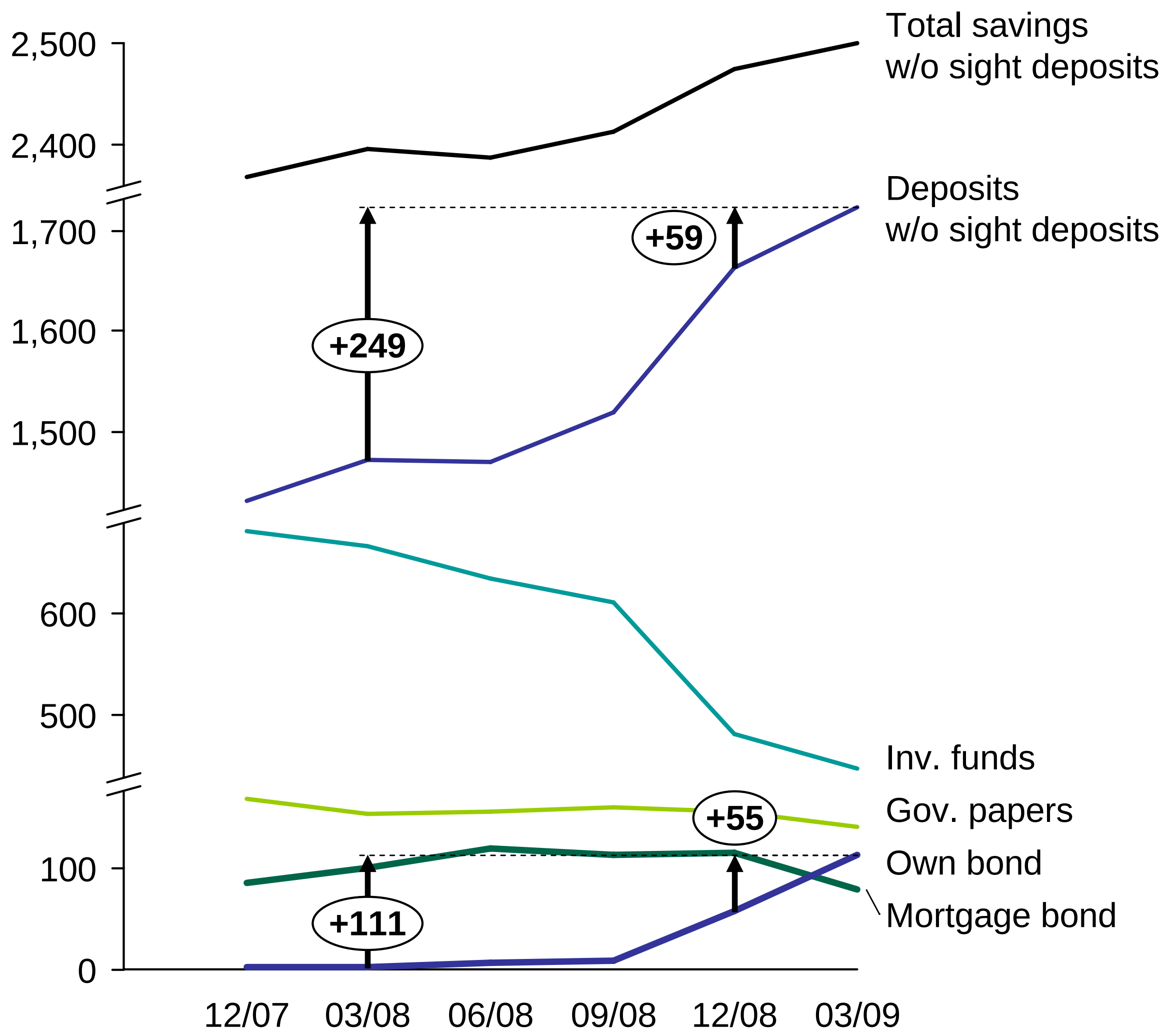
# In global liquidity crisis stable liquidity, within that own resources got special focus – EUR 1.4 billion loan makes room for a higher than planned business activity

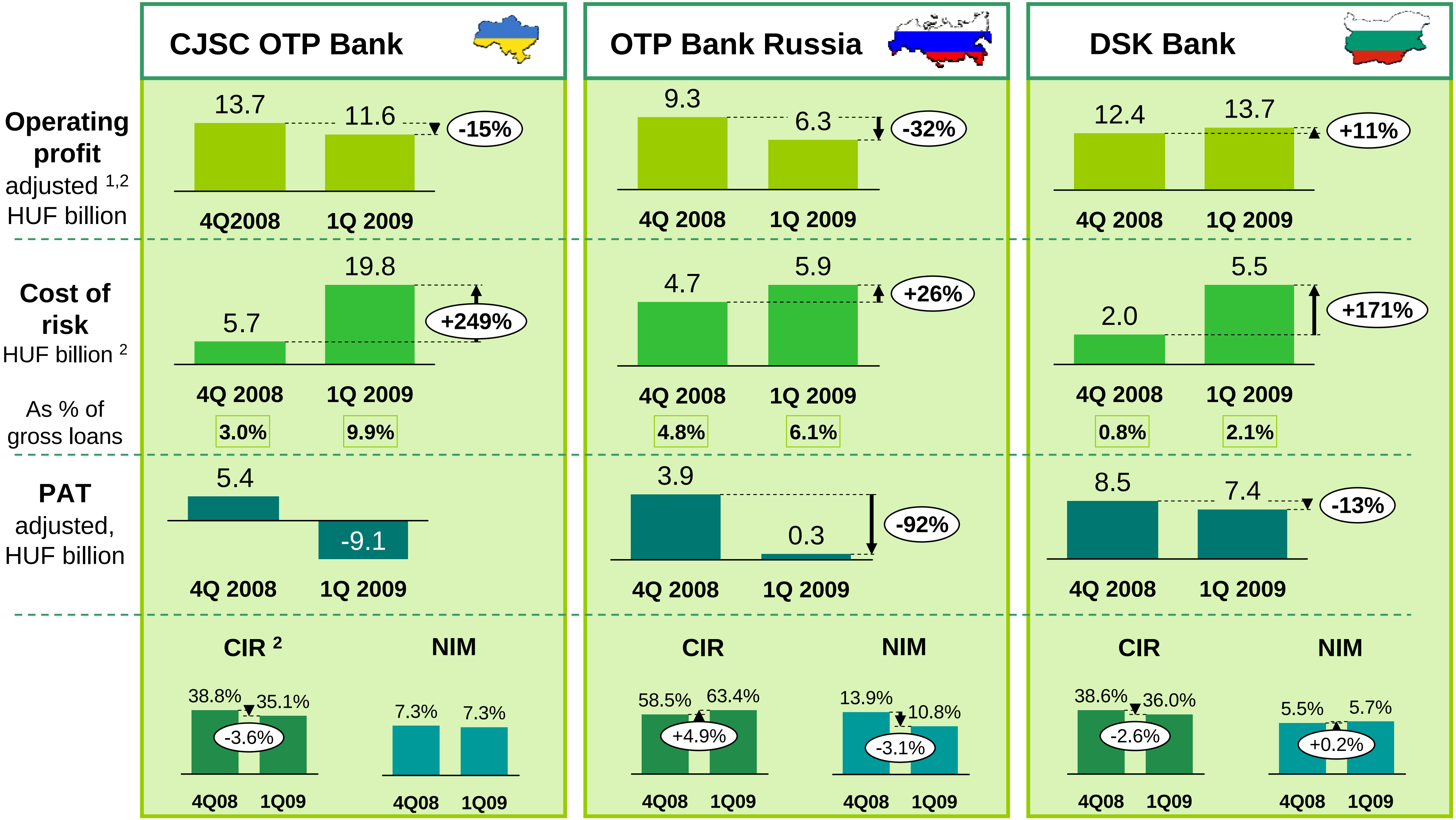
## Closing amount of retail savings
(HUF bn)




## Savings of the Bank

- **Successful retail funding activity**
  - Continuous, successful retail term deposit campaigns since 2H 2008
  - Retail bond issuance program: closing amount at 1Q HUF 113 billion (HUF+55 billion q-o-q)
- **Post B/S event – EUR 1.4 billion state loan**
  - EUR1 bn has been drawn down at 1st April 2009 (EUR+ 400 million due on 30th June)
  - Goal: to enhance primarily domestic corporate loan disbursement
  - Average maturity cca. 2.5 years
  - Coupon: 250 bps above relevant benchmark yields

# Increasing provisioning, cost effective operation



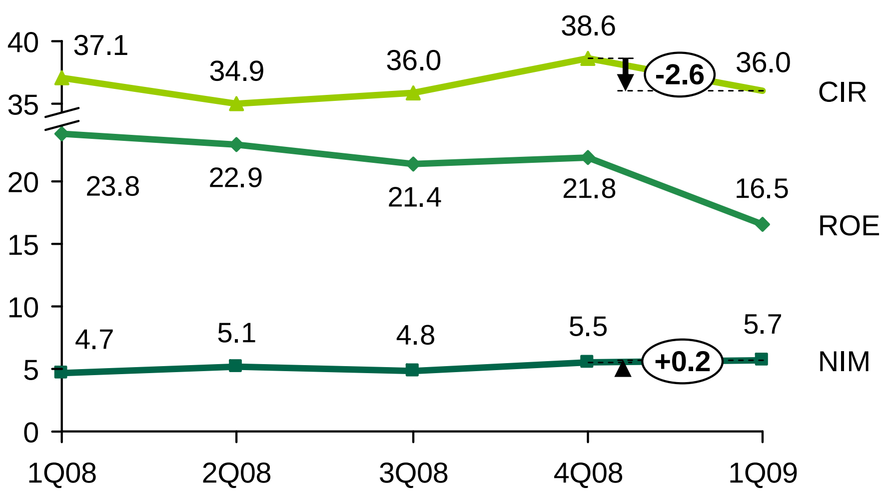

[1] Total income less operating expenses. [2] In 4Q 2008 in case of Ukraine, the other net non-interest income and risk costs for possible loan losses do not include the effect of the provisions' revaluation.

# DSK: PAT in line with the plans as a result of strong NII (improving NIM), strict cost control and increasing cost of risks; stable portfolios after adjusted for FX effect

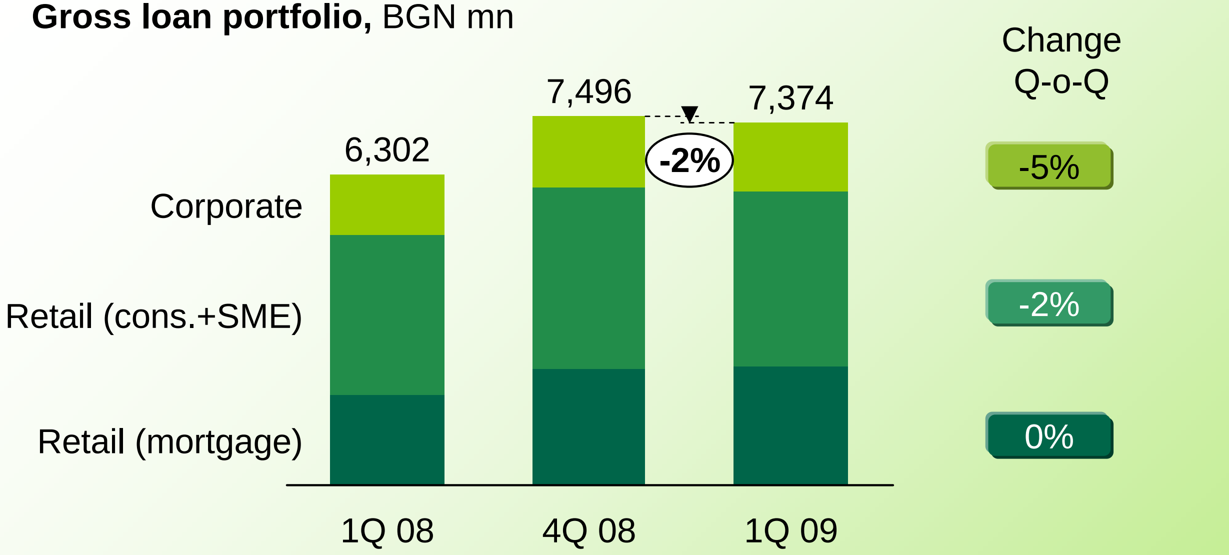
## Financial highlights, in HUF mn

| | 4Q 2008 | 1Q 2009 | Q/Q | Y/Y |
|---|---|---|---|---|
| Total income | 20,187 | 21,484 | 6% | 33% |
| NII | 15,565 | 17,568 | 13% | 46% |
| Net F&C income | 4,368 | 3,650 | -16% | -6% |
| Other income | 253 | 266 | 5% | -15% |
| Operating expenses | -7,800 | -7,742 | -1% | 29% |
| **Operating profit** | **12,387** | **13,742** | **11%** | **35%** |
| Cost of loan risk | -2,035 | -5,519 | 171% | 229% |
| Other cost of risk | -930 | -21 | -98% | 34% |
| ***PAT*** | **8,485** | **7,388** | **-13%** | **-3%** |
| Gross loans | 1,014,893 | 1,165,839 | 15% | 40% |
| Customer deposits | 722,880 | 838,068 | 16% | 22% |

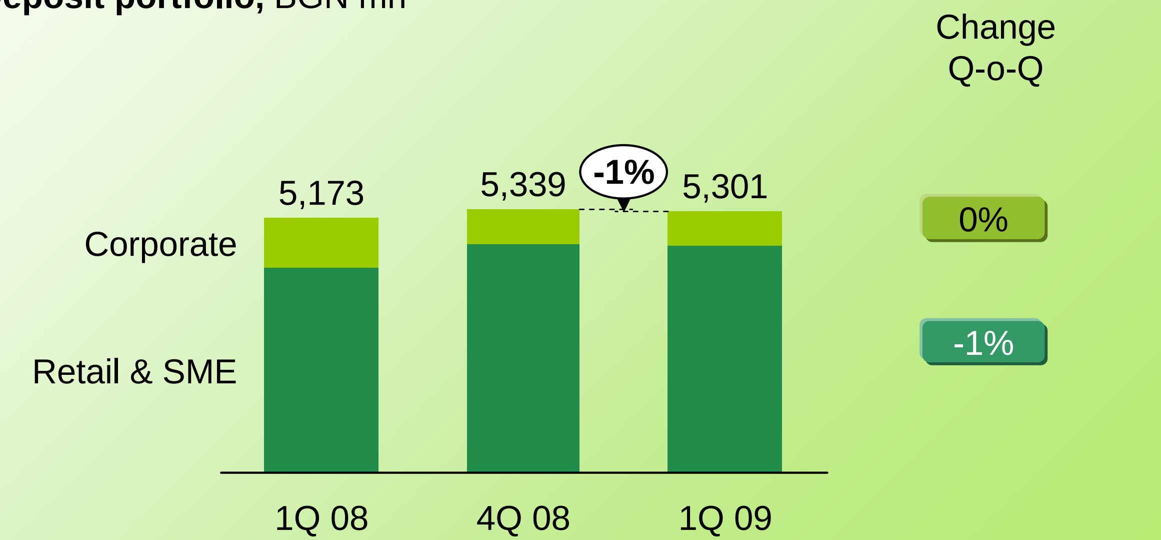
## Profitability and efficiency %




**Gross loan portfolio,** BGN mn




**Deposit portfolio,** BGN mn

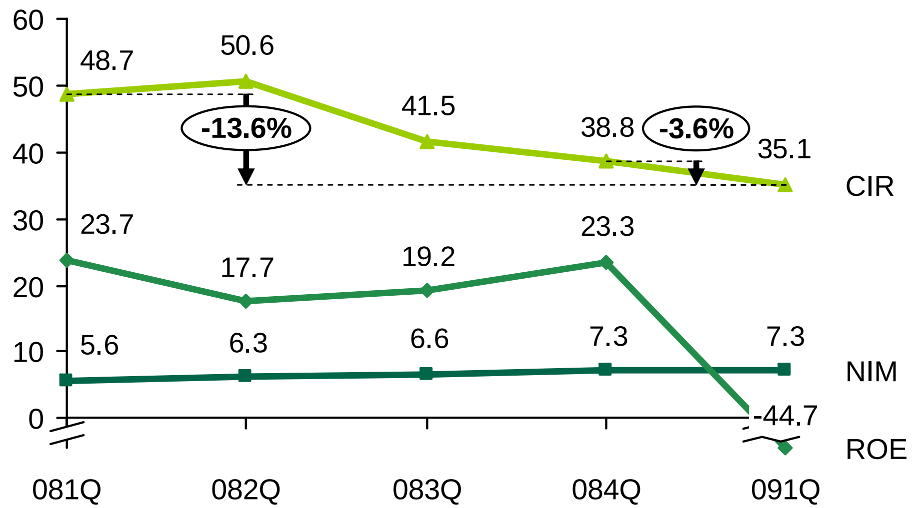


# Ukraine: HUF 9 billion quarterly loss, high provisioning, but NIM is stable (7,3%), outstanding CIR (35.1%)

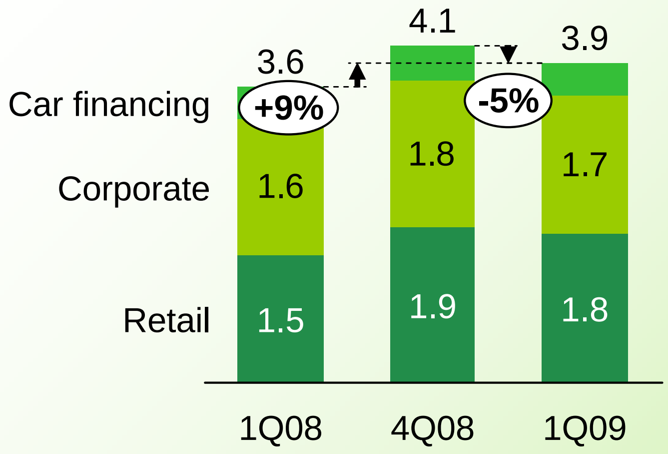
## Financial highlights, in HUF mn

| | 4Q 2008 | 1Q 2009 | Q/Q | Y/Y |
|---|---|---|---|---|
| Total income[1] | 22,303 | 17,878 | -20% | 63% |
| NII | 15,454 | 15,795 | 2% | 74% |
| Net F&C income | 2,041 | 1,527 | -25% | 43% |
| Other income[1] | 4,808 | 555 | -88% | -33% |
| Operating expenses | -8,653 | -6,284 | -27% | 18% |
| **Operating profit** | **13,650** | **11,594** | **-15%** | **106%** |
| Cost of loan risk[1] | -5,663 | -19,783 | -250% | 229% |
| Other cost of risk | -89 | -845 | 850% | 34% |
| ***PAT*** | **5,369** | **-9,120** | **-270%** | **-334%** |
| Gross loans | 763,758 | 859,199 | 12% | 46% |
| Customer deposits | 169,888 | 157,579 | -7% | -13% |

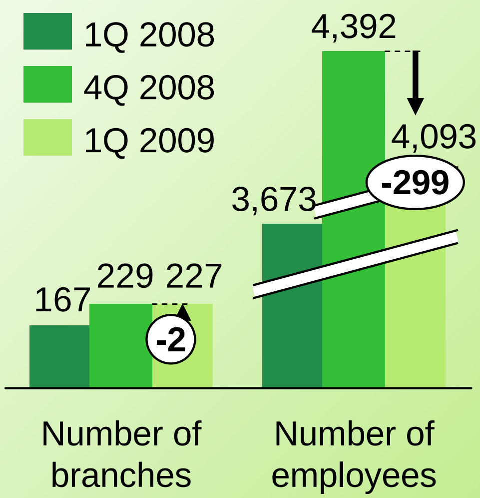
## Profitability and efficiency %



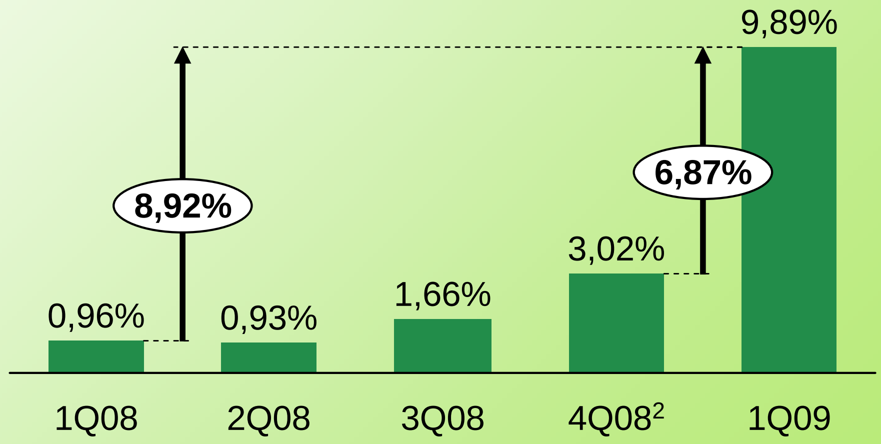

## Gross loan portfolio, USD bn




## Branch network and staff




## Cost of risk as % of average loan portfolio, %



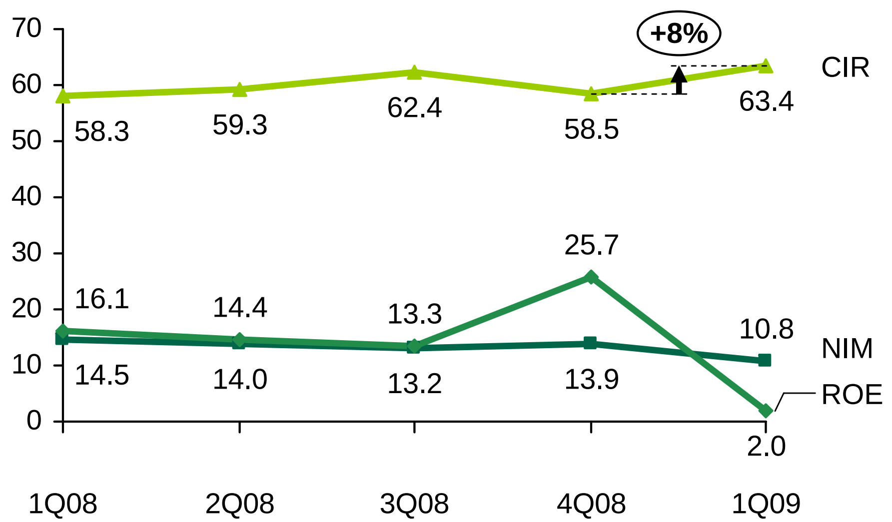

(1) Adjusted by the positive revaluation result of provisions
(2) PAT w/o dividend and final cash transfers

# OTP Bank Russia: decreasing profitability as a result of increasing provisioning and decreasing income; latter explained by the decline of POS loan portfolio with higher margin, interest expense increased as a side effect of successful deposit campaigns; declining F&C (lower transaction activity)

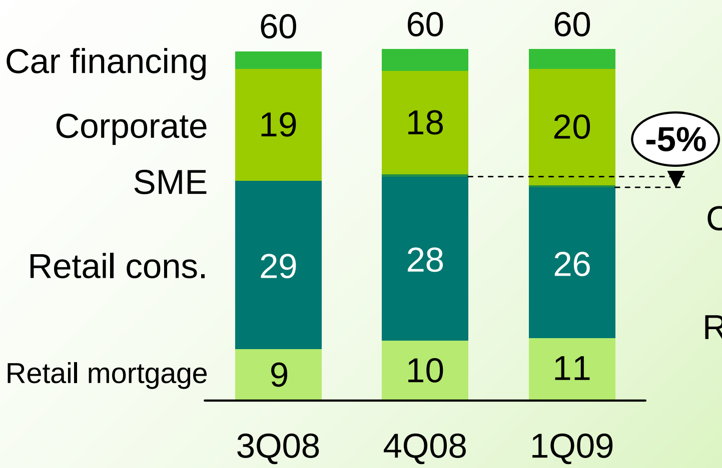
## **Financial highlights,** in HUF mn

| | 4Q 2008 | 1Q 2009 | Q/Q | Y/Y |
|---|---|---|---|---|
| Total income | 22,409 | 17,156 | -23% | -4% |
| NII | 17,633 | 14,700 | -17% | -2% |
| Net F&C income | 2,229 | 1,203 | -46% | -56% |
| Other income | 2,547 | 1,253 | -51% | -15% |
| Operating expenses | -13,123 | -10,881 | -17% | 4% |
| **Operating profit** | **9,286** | **6,275** | **-32%** | **-16%** |
| Cost of loan risk | -4,719 | -5,948 | 26% | 19% |
| Other cost of risk | 190 | 85 | -55% | -169% |
| ***PAT*** | **3,942** | **313** | **-92%** | **-81%** |
| Gross loans | 383,118 | 412,918 | 8% | 33% |
| Customer deposits | 224,153 | 243,929 | 9% | -4% |

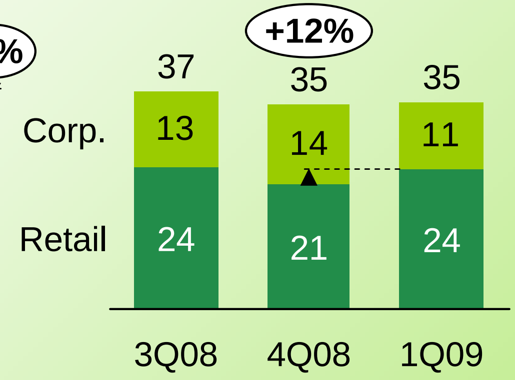
## **Profitability and efficiency** %



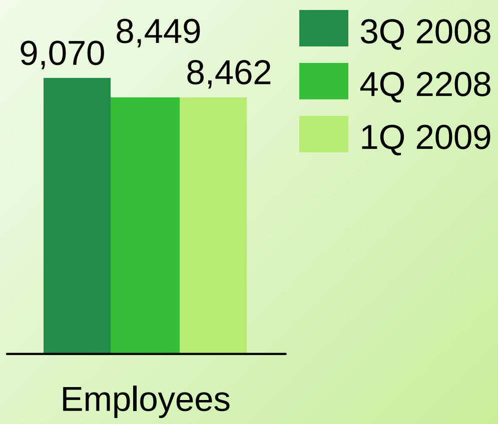

## **Gross loan portfolio,** RUB bn




## **Deposit portfolio,** RUB bn




## **Staff**, number of employees

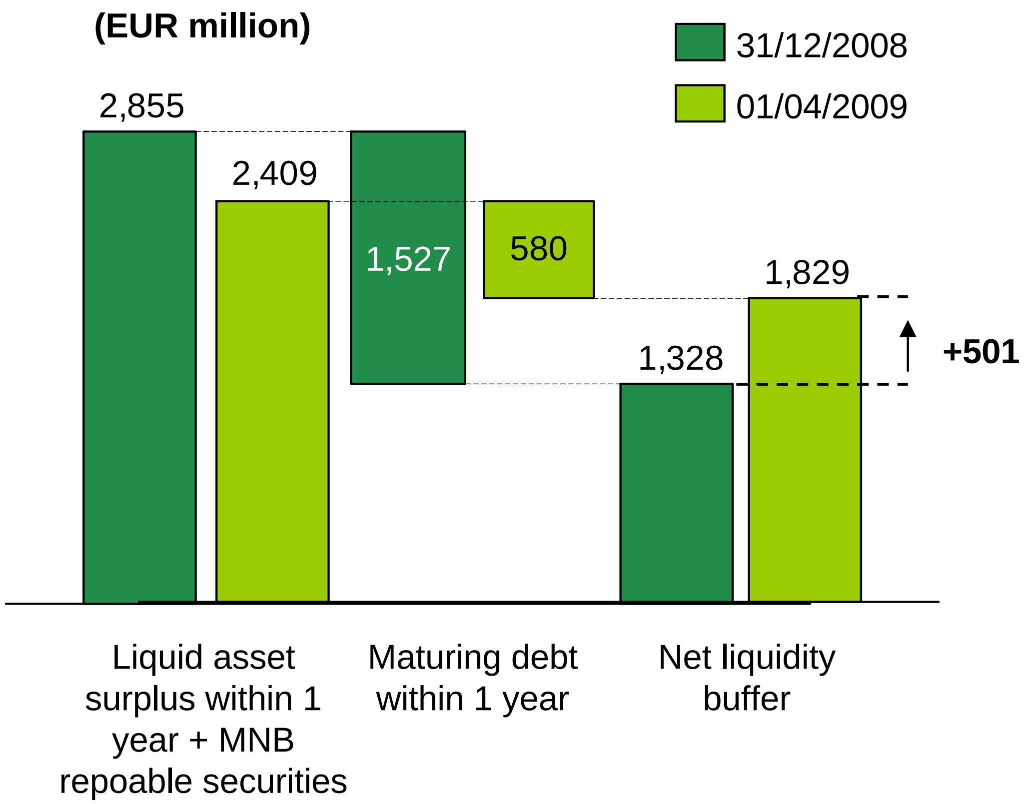



## Deposit product developments to promote deposit collection


(1) PAT w/o one-off items

# Liquidity buffer of the Group further increased even with the repayment of significant maturing debt amount (EUR 1 billion+)

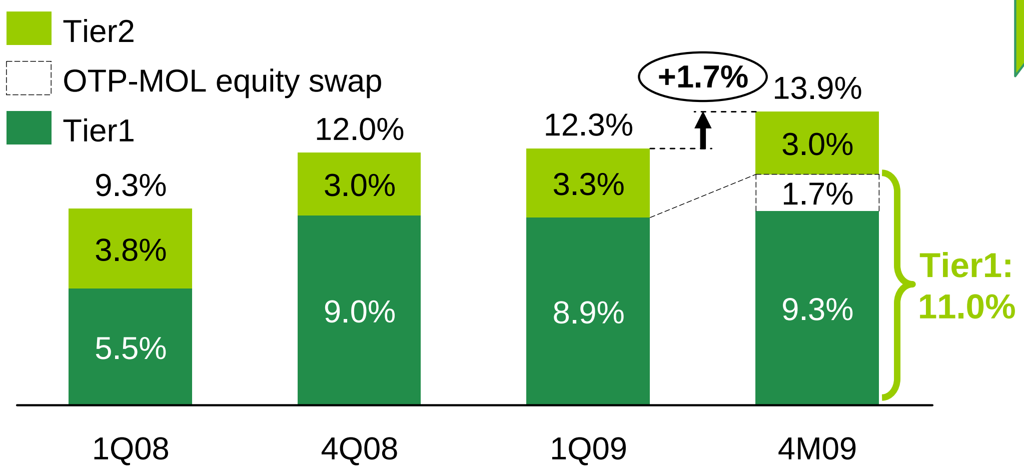
**By the beginning of April liquidity buffer above debt maturing within 1 year grew to EUR 1.8 billion**




- **Maturing debt was repayed on time:**
  - EUR 750 million senior bond at 27/02/2009
  - EUR 365 million syndicated loan at 03-06/04/2009
  - EUR 420 million is due up to the end of the year
- **Deposit book increased in all countries in 1Q 2009 (except: Ukraine, Montenegro, Serbia)**
- **Successful and frequent issuance on the Hungarian retail bond market**
  - HUF+55 billion increase in outstanding volumes q-o-q
- **Operational liquidity increased by the EUR 1 billion tranche of the EUR 1.4 billion state loan facility**

## Capital adequacy of the mother bank further strengthened, as a result of the OTP - MOL share exchange the unconsolidated CAR under HAR is almost 14%; CAR of major subsidiaries is well above the regulatory minimum

### **Capital Adequacy Ratio – OTP Bank unconsolidated** (HAR)




### **CAR of major subsidiaries**
(according to local regulation)

| CAR | Minimum CAR | 4Q 2008 | 1Q 2009 |
|---|---|---|---|
| OTP Russia | 11.0% | 17.3% | 17.5% |
| DSK Bank | 12.0% | 18.0% | 23.1% |
| CJSC OTP Bank | 10.0% | 10.2% | 11.1% |

### **Main items of unconsolidated CAR** (according to HAR)

| in HUF billion | 4Q08 | 1Q09 | 1Q09 adj. Share-swap | 2009 April | Change 4Q08/April09 |
|---|---|---|---|---|---|
| Capital adequacy ratio | 12.0% | 12.3% | 13.9% | 13.9% | 1.9% |
| Tier 1 | 9.0% | 8.9% | 10.5% | 11.0% | 2.0% |
| **Guarantee capital** | **486** | **539** | **603** | **581** | **20%** |
| Tier 1 | 545 | 597 | 661 | 663 | 22% |
| Tier 2 | 303 | 353 | 353 | 328 | 8% |
| Lower tier 2 | 170 | 198 | 198 | 185 | 8% |
| Upper tier 2 | 132 | 155 | 155 | 144 | 9% |
| Deductions | -362 | -411 | -411 | -410 | 13% |
| investments in financial institutions | -315 | -359 | -359 | -361 | 15% |
| cap. req. of limit breaches | -47 | -51 | -51 | -49 | 4% |
| cap. req. of country risk | | | | | |
| **Risk weighted assets (RWA) - credit risk** | **3,469** | **3,819** | **3,755** | **3,576** | **3%** |
| **Capital requirement** | **323** | **352** | **347** | **334** | **3%** |
| Credit risk | 277 | 306 | 300 | 286 | 3% |
| Operational risk | 19 | 18 | 18 | 18 | -1% |
| Market risk | 27 | 28 | 28 | 29 | 4% |

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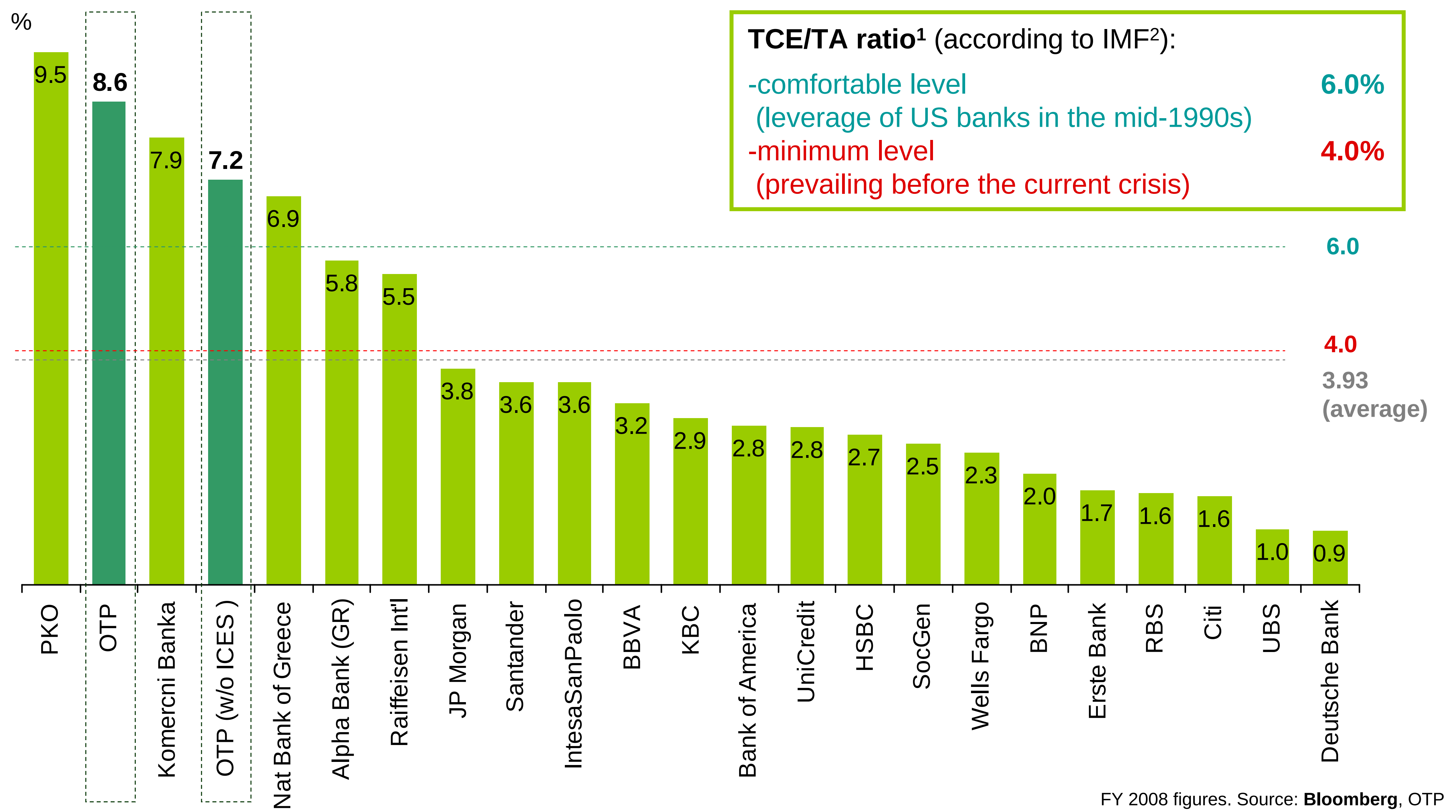
# Tangible equity / tangible assets ratio comparison




FY 2008 figures. Source: **Bloomberg**, OTP

[1] TCE: tangible common equity; TA: tangible assets

[2] According to equity requirement analysis for banks in the Global Financial Stability Report (published by IMF in April 2009). The equity requirement calculation is based on assumed TCE/TA ratio of 4% and 6% after the recapitalization.

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