# OTP Bank Plc.

# Interim Management Report
# First nine months 2011 result

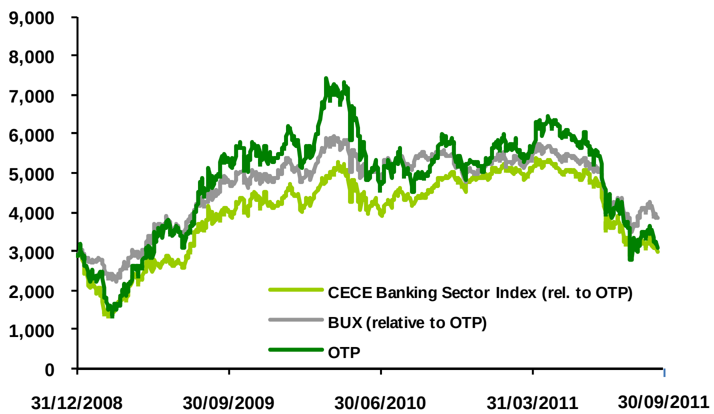
(English translation of the original report submitted to the Budapest Stock Exchange)

Budapest, 18 November 2011

## CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

| Main components of the Statement of recognised income in HUF million | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| **Consolidated after tax profit** | **100,700** | **109,640** | **9%** | **30,941** | **37,288** | **35,165** | **-6%** | **14%** |
| **Adjustments (total)** | **-29,351** | **-21,574** | **-26%** | **-14,422** | **-7,294** | **-7,370** | **1%** | **-49%** |
| **Consolidated adjusted after tax profit** without the effect of adjustments | **130,051** | **131,215** | **1%** | **45,362** | **44,582** | **42,535** | **-5%** | **-6%** |
| Pre-tax profit | 155,839 | 170,818 | 10% | 47,345 | 57,286 | 62,252 | 9% | 31% |
| Operating profit without one-offs | 327,757 | 327,720 | 0% | 111,428 | 106,980 | 112,307 | 5% | 1% |
| Total income without one-offs | 586,325 | 593,293 | 1% | 198,582 | 194,347 | 204,869 | 5% | 3% |
| Net interest income without one-offs | 446,493 | 461,931 | 3% | 154,118 | 150,977 | 159,230 | 5% | 3% |
| Net fees and commissions | 99,121 | 104,683 | 6% | 33,997 | 35,374 | 36,577 | 3% | 8% |
| Other net non-interest income (adj.) without one-offs and the revaluation of FX provisions | 40,712 | 26,679 | -34% | 10,467 | 7,996 | 9,061 | 13% | -13% |
| Operating expenses (adj.) | -258,568 | -265,573 | 3% | -87,154 | -87,368 | -92,562 | 6% | 6% |
| Total risk costs without the revaluation of FX provisions | -199,539 | -166,504 | -17% | -60,226 | -50,012 | -59,339 | 19% | -1% |
| One off items | 27,621 | 9,602 | -65% | -3,858 | 318 | 9,284 | | -341% |
| Corporate taxes | -25,787 | -39,603 | 54% | -1,982 | -12,704 | -19,717 | 55% | 895% |
| Main components of balance sheet closing balances in HUF million | 2010 | 9M 2011 | YTD | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
| Total assets | 9,780,946 | 9,902,667 | 1% | 9,975,685 | 9,712,339 | 9,902,667 | 2% | -1% |
| **Total customer loans (gross, FX adjusted)** | **7,790,073** | **7,730,127** | **-1%** | **7,764,782** | **7,676,243** | **7,730,127** | **1%** | **0%** |
| Allowances for possible loan losses (FX adjusted) | -739,401 | -922,303 | 25% | -739,401 | -869,722 | -922,303 | 6% | 25% |
| **Total customer deposits (FX adjusted)** | **5,938,498** | **6,138,368** | **3%** | **6,102,897** | **6,189,780** | **6,138,382** | **-1%** | **1%** |
| Issued securities | 1,035,153 | 775,939 | -25% | 1,085,245 | 934,346 | 775,939 | -17% | -29% |
| Subordinated loans | 290,630 | 300,894 | 4% | 292,963 | 281,736 | 300,894 | 7% | 3% |
| Total shareholders' equity | 1,308,929 | 1,406,337 | 7% | 1,323,163 | 1,338,717 | 1,406,337 | 5% | 6% |
| Indicators based on one-off adjusted earnings % | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
| ROE | 13.8% | 12.9% | -0.9% | 13.6% | 13.6% | 12.3% | -1.3% | -1.3% |
| ROA | 1.8% | 1.8% | 0.0% | 1.8% | 1.8% | 1.7% | -0.1% | -0.1% |
| Operating profit margin without one-offs | 4.44% | 4.45% | 0.01% | 4.39% | 4.43% | 4.54% | 0.12% | 0.16% |
| Total income margin without one-offs | 7.95% | 8.06% | 0.11% | 7.82% | 8.04% | 8.29% | 0.24% | 0.47% |
| Net interest margin without one-offs | 6.05% | 6.28% | 0.22% | 6.07% | 6.25% | 6.44% | 0.19% | 0.38% |
| Cost-to-asset ratio | 3.50% | 3.61% | 0.10% | 3.43% | 3.62% | 3.74% | 0.13% | 0.31% |
| Cost/income ratio (adj.) without one-offs | 44.1% | 44.8% | 0.7% | 43.9% | 45.0% | 45.2% | 0.2% | 1.3% |
| Risk cost to average gross loans (adj.) | 3.77% | 2.95% | -0.82% | 3.20% | 2.89% | 3.15% | 0.26% | -0.05% |
| Total risk cost-to-asset ratio | 2.70% | 2.26% | -0.44% | 2.37% | 2.07% | 2.40% | 0.33% | 0.03% |
| Effective tax rate | 16.5% | 23.2% | 6.6% | 4.2% | 22.2% | 31.7% | 9.5% | 27.5% |
| Net loan/(deposit+retail bond) ratio (FX adjusted) | 110% | 105% | -5% | 110% | 104% | 105% | 1% | -5% |
| Capital adequacy ratio (consolidated, IFRS) | 18.0% | 17.5% | -0.5% | 18.0% | 18.1% | 17.5% | -0.6% | -0.5% |
| Tier1 ratio | 14.1% | 14.1% | 0.0% | 14.1% | 15.2% | 14.1% | -1.1% | 0.0% |
| Core Tier1 ratio | 12.6% | 12.7% | 0.1% | 12.6% | 13.6% | 12.7% | -1.0% | 0.1% |
| Share Data | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
| EPS diluted (HUF) (from unadjusted net earnings) | 373 | 410 | 10% | 114 | 139 | 132 | -5% | 16% |
| EPS diluted (HUF) (from adjusted net earnings) | 482 | 492 | 2% | 168 | 167 | 160 | -5% | -5% |
| Closing price (HUF) | 5,320 | 3,248 | -39% | 5,320 | 5,965 | 3,248 | -46% | -39% |
| High (HUF) | 7,400 | 6,450 | -13% | 5,640 | 6,450 | 6,020 | -7% | 7% |
| Low (HUF) | 4,500 | 2,798 | -38% | 4,500 | 5,620 | 2,798 | -50% | -38% |
| Market Capitalization (EUR billion) | 5.4 | 3.1 | -42% | 5.4 | 6.3 | 3.1 | -50% | -42% |
| Price/Book Value | 1.1 | 0.6 | -43% | 1.1 | 1.2 | 0.6 | -48% | -43% |
| Price/Tangible Book Value | 1.4 | 0.8 | -44% | 1.4 | 1.5 | 0.8 | -48% | -43% |
| P/E (trailing, from accounting net earnings) | 12.3 | 7.2 | -42% | 12.3 | 13.6 | 7.2 | -47% | -42% |
| P/E (trailing, from adjusted net earnings) | 9.9 | 5.6 | -44% | 9.9 | 10.1 | 5.6 | -45% | -44% |
| Average daily turnover (EUR million) | 59 | 36 | -39% | 42 | 33 | 39 | 17% | -7% |
| Average daily turnover (million share) | 2.8 | 1.9 | -33% | 2.4 | 1.5 | 2.5 | 72% | 7% |

### SHARE PRICE PERFORMANCE (INDEXED)




### MOODY'S RATINGS

| | |
|---|---|
| **OTP Bank** | |
| Foreign currency long term deposits | Baa3 |
| Foreign currency senior unsecured deposits | Baa3 |
| Financial strength | D+ |
| **OTP Mortgage Bank** | |
| Foreign currency long term deposits | Baa3 |
| Covered mortgage bond | Baa1 |
| Financial strength | D+ |
| **DSK Bank** | |
| Long term deposits | Baa3 |
| Local currency long term deposits | Baa3 |
| Financial strength | D+ |

### STANDARD & POOR'S RATING

| | |
|---|---|
| **OTP Bank and OTP Mortgage Bank** | |
| Long term credit rating | BBB– |

[1] Structural adjustments made on consolidated IFRS profit and loss statement together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of the Report.

# INTERIM MANAGEMENT REPORT – OTP BANK'S RESULTS FOR FIRST NINE MONTHS 2011

*Interim Management Report for the first nine months 2011 results of OTP Bank Plc. has been prepared according to the 24/2008. (VIII.15.) PM resolution on the basis of its unconsolidated and consolidated condensed IFRS financial statements for 30 September 2011 or derived from that. At presentation of nine months 2011 report of OTP Bank we applied International Financial Reporting Standards adopted by the European Union.*

## SUMMARY OF THE FIRST NINE MONTHS 2011

### Globally deteriorating investor sentiment, weakening growth prospects

During the third quarter the external business climate to a great extent was determined by a bleaker growth outlook for the global economy and in particular for the European Union, as well as by mounting concerns about the sustainability of public debt financing within the eurozone.

As for Hungary and the forint, the local currency weakened significantly q/q, depreciating against the Swiss franc by 9%, and by 10% against the euro and 18% against the US dollar. Parallel with the weakening of the forint, the Hungarian CDS spread also widened, whereas the local government yields at average moved to the North by 15-84 basis points making debt refinancing more expensive.

### Consolidated earnings: despite growing tax burden HUF 42.5 billion adjusted 3Q net results, improving net interest- and fee income, stable profit contribution of foreign subsidiaries, outstanding capital strength and strong liquidity

In 9M 2011 OTP Group posted HUF 109.6 billion accounting after tax profit. The adjusted net earnings reached HUF 131.2 billion, underpinning a 1% y-o-y growth. The major adjustments were as follows: the special tax on financial institutions, 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.

The 3Q adjusted profit represented HUF 42.5 billion (-5% q-o-q). The 3Q before tax profit grew by 9% q-o-q, while the 9M pre-tax profit went up by 10% y-o-y. The decline in after tax profit was related to the increase in effective tax burden. In 3Q the volume of corporate tax grew by HUF 7 billion q-o-q, due to the weakening of the forint there was a negative tax shield impact at OTP Core.

The negative impact of early repayments of FX mortgage loans under the Country Protection Action Plan (under which FX borrowers may repay at off-market, fixed exchange rates, i.e. at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY) was booked on a separate line. By the end of 3Q 1,736 clients applied for the scheme, which represented HUF 9.3 billion loan volume with a calculated negative after-tax impact of HUF 1.9 billion, should all clients repay their total obligation. Assuming a similar trend in client interest, the anticipated participation ratio may be around 20% by the end of 2011. That would involve approximately HUF 197 billion loan volumes 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.

In 3Q the profit contribution of foreign subsidiaries represented HUF 15 billion, practically unchanged q-o-q. As a result the non-Hungarian profit contribution amounted to HUF 42 billion in 9M 2011 (32% of adjusted consolidated after tax profit and 38% of the accounting profit). During the same period OTP Core's profit melted down by 18% y-o-y, from HUF 111.5 billion to HUF 91.3 billion.

In 3Q the Group posted HUF 112.3 billion operating profit without one-off items (+5% q-o-q), whereas the 9M figures (HUF 327.7 billion) remained basically flat y-o-y. Thus the trend of previous quarters remained unchanged, the Bank realized fairly stable adjusted operating profits (in HUF billion: 3Q 2010: 111, 4Q: 102, 1Q 2011: 108, 2Q: 107). Core banking revenues were favourable: in 3Q the net interest income advanced by 5% q-o-q, while net fees grew by 3%. The 9M adjusted net interest income grew by 3% y-o-y, fees and commissions by 6%. Both the quarterly and 9M net interest margin remained fairly high (6.44% and 6.28%) due to the following factors: on one hand the weaker forint generated higher nominal interest income, also, the improving Russian net interest margin had a positive impact. Furthermore, the comfortable liquidity position did not require deposit campaigns with attractive deposit rates and deposit margins improved, too. Operating costs grew further (+6% q-o-q), thus the 9M costs advanced by 3% y-o-y. Cost-to-income ratio adjusted for one-offs stood at 45.2% in 3Q 2011 (+0.2%-point q-o-q), the 9M ratio of 44.8% grew by 0.7%-point y-o-y.

The FX-adjusted gross loan volumes grew only by mere 1% q-o-q with deposits posting a 1% q-o-q decline. As a result, the net loan/(deposits + retail bonds) ratio (105%) grew by 1%-point q-o-q.

In the past 12 months the fastest portfolio growth was achieved in Russia: the FX-adjusted loan book advanced by 31% y-o-y, within that the retail consumer book grew by 68%. Romania captured a y-o-y 6% growth, while in Bulgaria the portfolio grew by 2%. Bigger scale contraction was registered in Serbia (-13%) and Montenegro (-9%), as well as in the Hungarian car-financing business (-12% y-o-y). Other markets witnessed a smaller yearly decline.

In 3Q the Russian loan portfolio grew by 13%; while there was a 3% growth in Ukraine and 1-1% increase in Bulgaria and Romania. Other markets stagnated or declined slightly. It was highly positive that in Ukraine apart from the 8% increase in corporate lending the consumer loan book advanced very rapidly (+57% q-o-q) albeit from a very low base. In Hungary lending still misses momentum: the overall book slightly contracted (-1%) with a moderate decline in mortgages and a 3% drop in corporate volumes, mostly driven by technical factors in the latter case. Hungarian SME volumes grew by mere 1% q-o-q, whereas the municipality exposure melted down by 4% q-o-q.

As for the deposits, the fastest y-o-y growth was captured at the Romanian, Ukrainian and Serbian subsidiaries (15%, 14% and 12% respectively), but the Russian and Bulgarian volumes kept growing nicely too (by 9% and 5%, respectively). During the same period the Hungarian deposits dropped by 3%, within that the corporate volumes declined by 11% and the municipality ones by 5% respectively. As for the quarterly changes, deposit volumes grew the fastest in Romania (+19%), Croatia (+5%) and Ukraine (+6%).

As a result of the business volume dynamics, on a standalone base the most significant yearly improvement in FX-adjusted net loan-to-deposit ratio was realized in Serbia (-77%-points), Ukraine (-44%-points) and Montenegro (-18%-points).

The solid liquidity position of the Group did not require any international wholesale bond issue; on the contrary, in July the Bank paid back EUR 750 million covered bonds from its liquidity reserves. At the same time the Bank continued its retail targeted local bond issuance programme in Hungary. By the end of September 2011 the outstanding volume reached HUF 324 billion (cca. EUR 1.1 billion).

As a result of further portfolio deterioration, risk costs in 3Q reached HUF 59.3 billion (+19% q-o-q). The apparently significant increase was used for increasing the provision coverage of the non-performing book. In case the Bank had maintained its 2Q DPD90+ coverage level, it would have required by HUF 22 billion less risk costs. 9M risk costs amounted to HUF 167 billion, down by 17% y-o-y. The DPD90+ ratio kept growing and reached 16.0% by the end of September, however the quarterly speed of deterioration practically equalled to that in 2Q. The FX-adjusted DPD90+ loan formation showed a slight decline as expected by the management (3Q 2011: HUF 49 billion). As a result of the q-o-q rising risk costs, the DPD90+ coverage improved from 73.3% to 75.1%.

The consolidated IFRS capital adequacy ratio (‘CAR’) reached 17.5% by September 2011. The Tier1 ratio at 14.1% went down by 1.1%-points in the past three months. The stand alone CAR of OTP Bank under the local regulation stood at 18.4% by end-September, down by 1.5%-points q-o-q.

In 3Q none of the subsidiaries received new capital. In the past nine month OTP Bank injected capital only into its Montenegrin subsidiary in the amount of EUR 10 million. As a post-balance sheet event, a capital increase of EUR 20 million was registered at OTP banka Srbija.

***OTP Group has no material public debt exposure to any eurozone countries, consequently, OTP had no write-offs or any extra provisions in 3Q and no such moves are expected at all going forward.***

### *OTP Core: higher effective tax burden caused lower after tax profit, decline in 9M operating income, slower portfolio quality deterioration, decreasing risk costs, efficient cost control*

Within the Group, the adjusted after tax profit of ***OTP Core*** (basic activity in Hungary) in 2011 9M reached HUF 91.3 billion (-18% y-o-y). The result did not include the negative impact of the banking levy and the early repayment of FX mortgages. The lower profit was mainly related to one-off items heavily influencing the base period and the climbing effective tax rate. The operating income adjusted for one-off items showed a more moderate decline (-6%).

The 3Q after tax profit was falling short of 2Q earnings by 4%, again, due to soaring effective tax rate. Pre-tax profit advanced by 12% q-o-q. The better pre-tax profit can be explained by the one-off items that occurred during 3Q 2011: the Bank realized a gain on the repurchase of own capital elements (Upper and Lower Tier 2) amounting to HUF 1.5 billion and booked a HUF 3.5 billion revaluation result on FX swaps. The operating income remained flat; the quarterly increase of net interest income (+6% q-o-q) was basically offset by higher operating expenses (+10%). The total risk costs remained stable q-o-q, too.

In the last three months the portfolio deterioration accelerated a bit, risk cost remained unchanged q-o-q, the DPD90+ coverage improved further (78.2%).

9M total income adjusted for one-offs dropped by 4%, mainly as a result of diminishing gains on the Hungarian government bond portfolio (booked within other net non interest income). At the same time net interest income grew by 2% y-o-y supported by higher net interest margins (9M 2011: 5.02%, +18 basis points y-o-y). The significant 28 basis points net interest margin increase in 3Q was due to pricing measures in case of corporate deposits aiming at decreasing the Group's liquidity reserves. Furthermore interest payments of previously non-performing project loans were realised, and the weaker forint caused higher nominal interest income on FX loans.

The operating income was supported by stringent cost management in place, 9M total operating expenses dropped by HUF 1.3 billion (-1%). The relatively big leap in costs in 3Q was partly related to a technical factor (for more details please see the Section of OTP Core), but ongoing projects (aiming at improving the efficiency of debt collection) as well as higher mandatory contribution into the Hungarian Deposit Insurance Fund also took their toll.

9M provision for possible loan losses declined by 19% y-o-y. The FX-adjusted NPL formation somewhat moderated compared to the base period (in HUF billion: 9M 2010: 91, 9M 2011: 64, within that 1Q: 28, 2Q: 15, 3Q: 21). The ratio of DPD90+ grew from 11.5% to 12.3% q-o-q. The biggest scale deterioration occurred at the mortgage loan portfolio where DPD90+ ratio grew from 9.9% to 11.0% q-o-q. The corporate exposure and consumer loan portfolio did weaken more moderately.

Loan volumes adjusted for FX effect dropped by 3% y-o-y and 1% q-o-q. In the past twelve months only the SME and municipal loan portfolio could advance (by 18% and 2% respectively). All other categories showed volume declines. The retail book contracted by 2% y-o-y, within that the mortgages portfolio by 3%, whereas the consumer book by 4% respectively. The corporate decline was more substantial (-9%), albeit to some extent caused by a technical factor. As for the quarterly changes, due to the very weak loan demand, none of the major product categories could capture growth, which is the result of weak loan demand. Within the new mortgage loan flows OTP Bank managed to keep its dominant market share, in 9M 2011 it was 30% (9M 2010: 27%). In 9M 2011 new mortgage volumes dropped by 10% y-o-y, and are still significantly falling short of the pre-crisis performance (9M 2008: HUF 310 billion, 9M 2011: HUF 65 billion). The FX mortgage prepayment scheme had no significant impact on the closing mortgage loan volume of 3Q: by the end of September only 55 clients paid back their loans in the amount of HUF 0.5 billion (for more detail please see the Section of Consolidated Statement of Recognised Income).

As for consumer loans, the Bank kept its dominant market position with 52% market share in new flows, but the overall market is very weak, OTP's new origination hardly could grow and outstanding volumes declined.

The FX-adjusted volume of deposits on a yearly and quarterly bases contracted by 3%. Retail deposits expanded only marginally y-o-y, whereas corporate deposits dropped by 11%. The "net loan-to-deposit+retail bond" ratio stood at 84% (FX-adjusted changes: -3%-points y-o-y and +1%-point q-o-q).

***Merkantil Group*** (the Hungarian car financing business) posted a profit of HUF 628 million in 3Q as a result of stable net interest income and declining risk costs. Thus 9M profit – without the banking levy – represented HUF 1.8 billion. New loan origination in 3Q already showed signs of recovery, the DPD90+ ratio slightly improved to 18.8%.

***OTP Fund Management*** posted HUF 2.7 billion net profit in 9M (without the banking tax). In 3Q the company reached HUF 736 million net results. Fee income dropped by 48% y-o-y as a result of a government decree that put a cap on funds management fees. The volume of total assets under management reached HUF 1,008 billion (flat q-o-q, -40% y-o-y). The company's market position somewhat weakened, but still dominant; its estimated share – without duplication – represented 31.5%.

***Q-o-q unchanged profit contribution by foreign subsidiaries: stable profit in Russia, improving profit in Bulgaria, significant one-off gains in Croatia, declining earnings in Ukraine, marginal loss in Romania, small profit in Slovakia, with Serbia and Montenegro still making losses***

Against the 9M 2010 cumulative profit of HUF 14.5 billion, during the same period of 2011 foreign operations of the Group contributed HUF 41.8 billion to the consolidated results. Within that Russia, Bulgaria and Ukraine, i.e. the three core players, who are expected to contribute a growing share of total earnings in medium run, also performed nicely. Against HUF 34.1 billion generated in the base period, in 9M 2011 the three biggest foreign subsidiaries made altogether HUF 42.6 billion.

***OTP Bank Russia*** continued its superior performance, its 3Q results of HUF 9 billion was similar to that of in 2Q. In the first 9M the Bank posted HUF 26 billion almost twice as much as in the base period. 3Q core earnings performed nicely: interest income advanced by 9%, net fee and commission income grew by 15% q-o-q. Net interest margin improved further (+32 basis points q-o-q) and reached 18.44%. Despite the high underlying inflation operating expenses remained flat q-o-q. Given the significant increase of operating income in 3Q (+24%), the cost-to-income ratio improved further and dropped below 40%.

Improving earnings were heavily supported by strong balance sheet dynamics. The FX-adjusted loan portfolio grew by 31% y-o-y, the retail consumer book advanced by 68% respectively. After a seasonally weaker start, POS-lending keeps growing and the loan book advanced by 18% q-o-q. Other retail segments remained active too, with credit card loans expanding by 11% q-o-q and personal loans by 51% respectively. As a result, the bank managed to keep its excellent market position: in case of POS-lending the bank is the second biggest, whereas in credit card issuance it was to no. 5.

The robust loan growth was supported by the strong FX-adjusted deposit growth (+9% y-o-y and +3% q-o-q). Furthermore, the bank continued its successful local bond issuance: as a post-balance sheet event, in early November the Bank managed to print the third series of bonds amid very challenging market conditions and raised RUB 4 billion.

By the end of 3Q the loan quality further improved: the DPD90+ ratio dropped to 13.0%. The risk cost increase was mainly due to methodology change, the DPD90+ coverage improved to 88.8% (+4.7%-points q-o-q).

***DSK Group*** posted a quarterly net result of HUF 3.2 billion, thus 9M profit reached HUF 8.7 billion. Since the operating profit remained practically flat q-o-q (+9% y-o-y), profit after tax was mainly influenced by rising 9M risk costs (+41% y-o-y). Despite 3Q net interest margin moderated by 20 basis points, the 9M net interest margin still remained outstanding (5.92%). The bank's cost efficiency excelled and the cost-to-income ratio remained the best within the Group (9M 2011: 34.7%).

FX-adjusted loan portfolio grew by 1% q-o-q and by 2% y-o-y respectively, whereas deposits expanded by 5% over the past twelve months (were flat q-o-q), supported by a strong performance in the retail segment (+8%). As a result, the net loan-to-deposit ratio did not change q-o-q (108%). Portfolio quality deterioration continued in 3Q – especially in case of mortgages – and the DPD90+ ratio grew to 15.0%. The coverage ratio increased q-o-q and reached 80.3%.

***OTP Bank Ukraine*** posted HUF 1.9 billion after tax profit in 3Q and despite the quarterly decline 9M net results grew by 29% y-o-y. After several quarters the DPD90+ ratio improved for the first time in 3Q (30.8%) underpinning a 1.7% q-o-q improvement. Amongst different loan categories the corporate sector was the best performer. The q-o-q increase of risk costs coupled with weaker operating income was the main reason for the decline in 3Q profits. At the same time the DPD90+ coverage advanced sharply (+3.5%-points q-o-q) reaching 79%.

FX-adjusted loan volumes stopped declining and the portfolio grew by 3% q-o-q. The corporate lending showed a remarkable 11% y-o-y increase with an 8% growth in 3Q. Despite the overall decline in the retail book, POS loan origination started delivering and advanced by 57% q-o-q. FX-adjusted deposit volumes grew steadily (+14% y-o-y and +6% q-o-q respectively), as a result the net loan-to-deposit ratio further improved (9M 2011: 243%, -44%-points y/y).

Supported by the strong POS-activity net interest income grew by 1.3% q-o-q, whereas net fee and commission income increased by a remarkable 22% q-o-q. 9M operating expenses grew by a modest 1.7% y-o-y, however the related expenses of the agency network expansion pushed up the operating expenses by 16% q-o-q.

***OTP Bank Romania (OBR)*** posted HUF 1.5 billion after tax profit in 9M 2011 against HUF 4.2 billion loss in the base period. The improving earnings to a great extent was the result of significantly moderating risk costs (-53% y-o-y), though net interest income also increased (+4%). Operating expenses remained under strict control and 9M cost-to-income ratio (59.6%) improved by 1.7%-points y-o-y.By the end of September the DPD90+ ratio reached 13.1%, the coverage somewhat dropped to 64.9%

***OTP banka Hrvatska (Croatia)*** posted a remarkable 3Q (HUF 3.2 billion) and 9M profit (HUF 4.2 billion). While core banking activity performed nicely, the massive gain is related to a revaluation profit realized on a maturing government securities portfolio (HUF 3.4 billion after tax). With the DPD90+ ratio further declining (10.0%) and risk costs doubling q-o-q, the coverage ratio grew again in a meaningful way reaching 53.5%.

The ***Slovakian subsidiary*** realized another positive quarter and 9M net profit reached HUF 152 million against a loss of HUF 0.8 billion made in the base period. Loan volumes stagnated with the retail segment growing steadily (+13% y-o-y, +4% q-o-q), but the corporate loan portfolio shrank. The DPD90+ ratio grew to 13.3%, mainly due to deteriorating corporate loan book. Despite higher risk costs q-o-q, the DPD90+ coverage dropped (49.6%).

The ***Serbian subsidiary*** remained in red; the Bank failed to achieve a turning point in its operation and posted HUF 3.6 billion loss in 9M. The portfolio deterioration slowed down a bit, the DPD90+ ratio is the worst within the Group (62.6%). Given the high risk costs and the negative operating income the bank is still a loss-maker.

***CKB Montenegro*** posted a loss of HUF 3.5 in 9M. The higher 3Q negative result is due to the q-o-q increase in risk costs. It was positive, however, that the bank realized much better net interest and fee income in 3Q with operating expenses somewhat growing q-o-q. The DPD90+ ratio (37.9%) improved and its coverage increased a lot (74.4%) The FX-adjusted loan book contracted by 5% q-o-q, but deposits already increased (+1%).

By the end of September 2011 OTP Group had 1,431 branches (-62 branches y-o-y, -42 branches q-o-q). The most sizeable decline in the past 3 months was realized in Ukraine (-27 units) and Russia (-15), whereas in Bulgaria 3 new branches were opened serving private banking customers. By the end of 9M 2011 the Group had 32,623 employees. Those were mainly the Russian and Ukrainian operations hiring new people for extending the agent network, as well as the Hungarian factoring business.

### *Credit ratings, shareholder structure*

In 3Q 2011 there was no change in the credit rating of OTP Bank. Accordingly, it has got a 'BBB-' rating from Standard & Poor's and 'Baa3' from Moody's. Both being equal to that of the Hungarian sovereign, the outlook is negative in both cases.

As for the ownership structure, in 3Q Lazard Asset Management also acquired more than 5% shares in the Company, thus currently four investors hold more than 5% stake in the Company, namely the Rahimkulov family (8.89%), MOL (Hungarian Oil and Gas Company) (8.57%), Groupama (8.31%) and Lazard AM (5.04%).

## *POST BALANCE SHEET EVENTS*

### *Hungary*

- On 3 October 2011 the Prime Minister announced that Hungary wants to start negotiations with banks on the repayment schedule and possible rescheduling of the HUF 180 billion debt of county-level municipalities taken over by the central government. The agreement between the county-level municipalities and the government also stipulates that municipalities and their institutions must run their current accounts at the Hungarian State Treasury.
- Moody's placed on review for downgrade the standalone bank financial strength ratings (BFSR) of six Hungarian banks and the debt and deposit ratings of seven Hungarian banks on 4 October 2011. The review for downgrade was prompted by the Act no. CXXI of 2011, which gives foreign-currency mortgage borrowers the option to repay the full outstanding amount at exchange rates below market rates.

  According to Moody's decision
  - the D+ standalone bank financial strength rating (BFSR),
  - the Baa3/Prime-3 foreign and domestic currency deposit ratings,
  - the Baa3 senior unsecured foreign currency debt rating,
  - the Ba1 foreign currency subordinated debt (Lower Tier2) rating and
  - the Ba2 foreign currency junior subordinated debt (Upper Tier2) rating of OTP Bank Plc was placed on review for downgrade.

  Simultaneously Moody's placed on review for downgrade
  - the D+ standalone bank financial strength rating (BFSR) and
  - the Baa3/Prime-3 foreign and domestic currency deposit ratings of OTP Mortgage Bank.
- The Commission de Surveillance du Secteur Financier (CSSF) approved the Base Prospectus (dated 5 October 2011) relating to EUR 5,000,000,000 Euro Medium Term Note Programme of OTP Bank Plc. CSSF File No: C-11439, date 5 October 2011.
- On 10 October 2011 OTP Bank Plc., subject to the conditions of the respective agreement, announced its engagement to cover losses of OTP Mortgage Bank arising from mortgage loan prepayments at foreign exchange rates fixed by 200/B. § of the Act no. CXII. of 1996 on Credit Institutions and Financial Enterprises as supplemented by Act no. CXXI. of 2011 on the Amendment of Certain Acts concerning Home Protection.
- On 18 October 2011 the assistant state secretary at the Economy Ministry said that Hungary will halve the special tax on financial institutions. Thus the financial sector levy is forecast to drop to HUF 90 billion from 2013.
- On 3 November 2011 the Minister for National Economy, the Chairman of the Supervision and the Head of the Banking Association held a joint press conference. The Minister suggested that the government was working with lenders on further measures with an aim to find joint solutions, while the Head of Banking Association told that lenders would present a complex package of proposals on foreign currency loans in two weeks. The government pledged not to implement further measures before a deal with banks.

- On 11 November Fitch Ratings revised the outlooks on Hungary's long-term foreign and local currency Issuer Default Ratings (IDRs) to negative from stable and affirmed at 'BBB-' and 'BBB', respectively. On 11 November 2011 Standard and Poor's placed Hungary's 'BBB-/A-3' investment grade foreign and local currency sovereign credit ratings on CreditWatch with negative implications.
- On 15 November, 2011, Standard & Poor's Ratings Services placed on watch negative 'BBB-/A-3' long- and short-term counterparty credit ratings on OTP Bank Plc. and its subsidiary OTP Mortgage Bank Ltd. The rating action followed the placement of 'BBB-/A-3' foreign and local currency sovereign credit ratings on the Republic of Hungary on CreditWatch negative on 11 November 2011.

### *Russia*

- On 5 October 2011 Moody's placed the 'Ba1' long-term local and foreign currency deposit ratings of OTP Bank Russia on review for potential downgrade.
- On 24 October 2011 Moody's cut the outlook for Russia's banking system to negative.
- On 3 November 2011 OTP Bank Russia placed a RUB 4 billion bond on the local market. The bond has one year put option and matures in three years. The coupon rate is 10.50% per annum and yielding 428 basis points over mid-swap rate.

### *Bulgaria*

- On 31 October 2011 the Finance Minister announced that the government approved a draft 2012 budget with the following assumptions: economic growth of 2.9%, average inflation of 3.2% and a budget deficit of 1.35% of the GDP.

### *Ukraine*

- On 5 October 2011 Moody's placed the 'Ba1' long-term local currency bank deposit ratings of OTP Bank Ukraine on review for downgrade. The Bank Financial Strength Rating and other ratings remained unchanged.
- On 19 October 2011 Ukraine's credit rating outlook was cut to stable from positive at Fitch Ratings, which cited an increase in borrowing costs. Fitch kept its rating for Ukraine's long-term foreign- and local-currency debt at 'B'.
- On 24 October 2011 the central bank said in a statement that the country's current account deficit reached USD 2.6 billion in the third quarter, while the financial account deficit was USD 1 billion. The central bank added that it had to use reserves to cover the shortfall. The country's international reserves fell to USD 34.16 billion at the end of October from 34.95 billion at the end of September, while a month earlier reserves stood at USD 38.2 billion.
- On 4 November 2011, after a 10-day visit, the IMF announced a delay in the decision on paying the next instalment of the IMF loan to Ukraine. The IMF's representative added that policy discussions are expected to resume in the near future.

### *Romania*

- On 2 November 2011 the Romanian central bank unexpectedly lowered the monetary-policy rate to a record-low 6% from 6.25%.
- On 7 November 2011 Romania and joint IMF-European Union mission completed talks on a EUR 5 billion precautionary accord, and reached agreement on next year's budget deficit target (set between 1.9% and 2.1% of GDP). The IMF expects economic growth between 1.8% and 2.3% in 2012.

### *Slovakia*

- On 11 October 2011 the Prime Minister lost the confidence vote in a motion that was tied to a vote on enhancing the euro region's bailout fund. The main opposition party later agreed to back the European Financial Stability Facility in a second vote held on October 13 in exchange for holding early elections on 10 March 2012. On 20 October 2011 the President said that the Prime Minister will stay as a caretaker until early elections.
- On 20 October 2011 lawmakers approved a new banking tax effective from 2012 with a 0.4% tax rate; the base of the levy is the total liabilities excluding insured deposits, shareholders' equity and subordinated debt.
- On 4 November 2011 the Finance Ministry said that the economy would expand at a slower pace than previously estimated. The outlook for economic growth in 2011 was lowered to 3% from 3.3%, while the estimate for 2012 was cut to 1.7% from 3.4%.

### *Serbia*

- On 18 October 2011 Serbia adopted a supplementary 2011 budget, widening the deficit to 4.5% of GDP (from 4.1%). The supplementary 2011 budget was the key for Serbia to win a EUR 1 billion precautionary loan from the IMF on 29 September.
- Following the resolution of the Annual Meeting at OTP banka Srbija a.d. on 29 September 2011 OTP Bank Plc. completed a capital increase. The Serbian Court of Registration registered a capital increase at OTP Bank's Serbian subsidiary. As a result, the subsidiary's registered capital was increased by 547,813,320 RSD through issuing 11,058 ordinary shares with a face value of 49,540 RSD/share. Following the capital increase the registered capital of the Serbian subsidiary grew from 6,600,560,980 RSD to 7,148,374,300 RSD, at the same time OTP Bank Plc's ownership grew from 91.43% to 92.08566%.

## *CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)*[2]

| in HUF million | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| **Consolidated after tax profit** | **100,700** | **109,640** | **9%** | **30,941** | **37,288** | **35,165** | **-6%** | **14%** |
| **Adjustments (total)** | **-29,353** | **-21,574** | **-27%** | **-14,423** | **-7,294** | **-7,370** | **1%** | **-49%** |
| Dividend and total net cash transfers (consolidated) | 374 | 581 | 56% | 303 | -52 | 302 | -682% | 0% |
| Goodwill impairment charges (after tax) | -15,001 | 0 | -100% | 0 | 0 | 0 | | |
| Special tax on financial institutions (after corporate income tax) | -14,725 | -21,725 | 48% | -14,725 | -7,242 | -7,242 | 0% | -51% |
| Loss from early repayment of FX mortgage loans in Hungary (after corporate income tax) | 0 | -1,868 | | 0 | 0 | -1,868 | | |
| Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments (after corporate income tax) | 0 | 1,437 | | 0 | 0 | 1,437 | | |
| **Consolidated adjusted after tax profit without the effect of adjustments** | **130,052** | **131,215** | **1%** | **45,362** | **44,582** | **42,535** | **-5%** | **-6%** |
| Banks total without one-off items[1] | 123,593 | 123,719 | 0% | 41,904 | 43,558 | 38,850 | -11% | -7% |
| OTP CORE (Hungary)[2] | 111,458 | 91,263 | -18% | 28,581 | 29,865 | 28,533 | -4% | 0% |
| Corporate Centre (after tax)[3] | -3,187 | -5,408 | 70% | -3,271 | -1,714 | -1,227 | -28% | -62% |
| OTP Bank Russia | 13,510 | 26,000 | 92% | 8,696 | 9,251 | 9,005 | -3% | 4% |
| OTP Bank Ukraine[4] | 6,066 | 7,827 | 29% | 4,959 | 5,100 | 1,865 | -63% | -62% |
| DSK Bank (Bulgaria)[5] | 14,511 | 8,718 | -40% | 5,292 | 2,015 | 3,219 | 60% | -39% |
| OBR adj. (Romania) | -4,197 | 1,465 | -135% | -2,142 | 1,326 | -9 | -101% | -100% |
| OTP banka Srbija (Serbia)[6] | -3,355 | -3,557 | 6% | -1,935 | -1,514 | -584 | -61% | -70% |
| OBH (Croatia) | 1,716 | 4,176 | 143% | 547 | 711 | 3,225 | 354% | 490% |
| OBH, adj. | 1,716 | 736 | -57% | 547 | 711 | -215 | -130% | -139% |
| OBH one-off items[7] | - | 3,440 | | - | - | 3,440 | | |
| OBS (Slovakia) | -826 | 153 | -119% | 172 | 24 | 24 | 1% | -86% |
| CKB (Montenegro) | -12,103 | -3,480 | -71% | 1,005 | -1,505 | -1,761 | 17% | -275% |
| Leasing | -1,727 | 2,019 | -217% | 744 | 257 | 490 | 91% | -34% |
| Merkantil Bank + Car, adj. (Hungary)[8] | -907 | 1,811 | -300% | 63 | 36 | 628 | | 904% |
| Foreign leasing companies (Slovakia, Croatia, Bulgaria, Romania)[9] | -820 | 207 | -125% | 681 | 221 | -138 | -163% | -120% |
| Asset Management | 5,897 | 2,673 | -55% | 1,589 | 874 | 724 | -17% | -54% |
| OTP Asset Management (Hungary) | 5,890 | 2,708 | -54% | 1,585 | 910 | 736 | -19% | -54% |
| Foreign Asset Management Companies (Ukraine, Romania)[10] | 7 | -35 | -581% | 4 | -36 | -12 | -66% | -382% |
| Other Hungarian Subsidiaries | 647 | -455 | -170% | 103 | 153 | -710 | -565% | -788% |
| Other Foreign Subsidiaries (Slovakia, United Kingdom, Cyprus, Romania, Belize)[11] | -31 | 346 | | 49 | 85 | 161 | 90% | 226% |
| Eliminations | 1,647 | -527 | -132% | 947 | -346 | -420 | 22% | -144% |
| | | | | | | | | |
| Total after tax profit of HUNGARIAN subsidiaries[12] | 115,548 | 89,392 | -23% | 28,008 | 28,903 | 27,540 | -5% | -2% |
| Total after tax profit of FOREIGN subsidiaries[13] | 14,505 | 41,821 | 188% | 17,356 | 15,678 | 14,994 | -4% | -14% |
| Share of foreign profit contribution, % | 11% | 32% | 21% | 38% | 35% | 35% | 0% | -3% |

[2] Belonging footnotes are in the Supplementary data section of the Report.

# *CONSOLIDATED AND UNCONSOLIDATED, UNAUDITED IFRS REPORTS OF OTP BANK PLC.*

## *CONSOLIDATED STATEMENT OF RECOGNIZED INCOME*

| Main components of the Statement of recognized income in HUF million | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| **Consolidated after tax profit** | **100,700** | **109,640** | **9%** | **30,941** | **37,288** | **35,165** | **-6%** | **14%** |
| **Adjustments (total)** | **-29,351** | **-21,574** | **-26%** | **-14,422** | **-7,294** | **-7,370** | **1%** | **-49%** |
| Dividends and net cash transfers (after tax) | 374 | 581 | 55% | 303 | -52 | 302 | -680% | 0% |
| Goodwill impairment charges (after tax) | -15,001 | 0 | -100% | 0 | 0 | 0 | | |
| Special tax on financial institutions (after corporate income tax) | -14,725 | -21,725 | 48% | -14,725 | -7,242 | -7,242 | 0% | -51% |
| Loss from early repayment of FX mortgage loans in Hungary (after corporate income tax) | 0 | -1,868 | | 0 | 0 | -1,868 | | |
| Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments (after corporate income tax) | 0 | 1,437 | | 0 | 0 | 1,437 | | |
| **Consolidated adjusted after tax profit** without the effect of adjustments | **130,051** | **131,215** | **1%** | **45,362** | **44,582** | **42,535** | **-5%** | **-6%** |
| **Before tax profit** | **155,839** | **170,818** | **10%** | **47,345** | **57,286** | **62,252** | **9%** | **31%** |
| **Operating profit without one-offs** | **327,757** | **327,720** | **0%** | **111,428** | **106,980** | **112,307** | **5%** | **1%** |
| **Total income without one-offs** | **586,325** | **593,293** | **1%** | **198,582** | **194,347** | **204,869** | **5%** | **3%** |
| **Net interest income without one-offs** | **446,493** | **461,931** | **3%** | **154,118** | **150,977** | **159,230** | **5%** | **3%** |
| **Net fees and commissions** | **99,121** | **104,683** | **6%** | **33,997** | **35,374** | **36,577** | **3%** | **8%** |
| **Other net non-interest income (adj.) without one-offs** | **40,712** | **26,679** | **-34%** | **10,467** | **7,996** | **9,061** | **13%** | **-13%** |
| Foreign exchange result, net (adj.) without one-offs and the effect of revaluation of FX provisions | 11,064 | 13,957 | 26% | 3,977 | 1,961 | 4,553 | 132% | 14% |
| Gain/loss on securities, net (adj.) without one-offs | 14,731 | 2,243 | -85% | 1,949 | 2,314 | -587 | -125% | -130% |
| Net other non-interest result (adj.) without one-offs | 14,917 | 10,479 | -30% | 4,542 | 3,722 | 5,095 | 37% | 12% |
| **Operating expenses** | **-258,568** | **-265,573** | **3%** | **-87,154** | **-87,368** | **-92,562** | **6%** | **6%** |
| Personnel expenses | -117,917 | -120,634 | 2% | -40,541 | -38,660 | -42,665 | 10% | 5% |
| Depreciation (adj.) | -36,103 | -36,505 | 1% | -12,621 | -12,165 | -12,600 | 4% | 0% |
| Other expenses (adj.) | -104,548 | -108,434 | 4% | -33,992 | -36,542 | -37,297 | 2% | 10% |
| **Total risk costs** | **-199,539** | **-166,504** | **-17%** | **-60,226** | **-50,012** | **-59,339** | **19%** | **-1%** |
| Provision for loan losses (adj.) (without the effect of revaluation of FX provisions) | -198,742 | -166,659 | -16% | -59,501 | -50,768 | -58,500 | 15% | -2% |
| Other provision | -796 | 155 | -119% | -724 | 756 | -839 | -211% | 16% |
| **Total one-off items** | **27,621** | **9,602** | **-65%** | **-3,858** | **318** | **9,284** | | **-341%** |
| Revaluation result of FX swaps at OTP Core (originally booked within net interest income) | 18,731 | 3,530 | -81% | -3,858 | 0 | 3,530 | | -192% |
| FX-gain at OTP Core on hedging transactions related to the FX-loans' provisions at OTP Bank Ukraine (originally booked within foreign exchange result, net) | 8,889 | 0 | -100% | 0 | 0 | 0 | | |
| Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.)) | 0 | 1,772 | | 0 | 318 | 1,454 | 357% | |
| Gain on Croatian government bonds (booked as Gain on securities, net (adj.)) | 0 | 4,300 | | 0 | 0 | 4,300 | | |
| **Corporate taxes** | **-25,787** | **-39,603** | **54%** | **-1,982** | **-12,704** | **-19,717** | **55%** | **895%** |
| INDICATORS (%) | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
| ROE (adjusted) | 13.8% | 12.9% | -0.9% | 13.6% | 13.6% | 12.3% | -1.3% | -1.3% |
| ROA (adjusted) | 1.8% | 1.8% | 0.0% | 1.8% | 1.8% | 1.7% | -0.1% | -0.1% |
| Operating profit margin without one-offs | 4.44% | 4.45% | 0.01% | 4.39% | 4.43% | 4.54% | 0.12% | 0.16% |
| Total income margin without one-offs | 7.95% | 8.06% | 0.11% | 7.82% | 8.04% | 8.29% | 0.24% | 0.47% |
| Net interest margin without one-offs | 6.05% | 6.28% | 0.22% | 6.07% | 6.25% | 6.44% | 0.19% | 0.38% |
| Net fee and commission margin | 1.34% | 1.42% | 0.08% | 1.34% | 1.46% | 1.48% | 0.02% | 0.14% |
| Net other non-interest income margin without one-offs | 0.55% | 0.36% | -0.19% | 0.41% | 0.33% | 0.37% | 0.04% | -0.05% |
| Cost-to-asset ratio | 3.50% | 3.61% | 0.10% | 3.43% | 3.62% | 3.74% | 0.13% | 0.31% |
| Cost/income ratio (adj.) without one-offs | 44.1% | 44.8% | 0.7% | 43.9% | 45.0% | 45.2% | 0.2% | 1.3% |
| Risk cost for loan losses-to-average gross loans (adj.) | 3.77% | 2.95% | -0.82% | 3.20% | 2.89% | 3.15% | 0.26% | -0.05% |
| Total risk cost-to-asset ratio | 2.70% | 2.26% | -0.44% | 2.37% | 2.07% | 2.40% | 0.33% | 0.03% |
| Effective tax rate | 16.5% | 23.2% | 6.6% | 4.2% | 22.2% | 31.7% | 9.50% | 27.49% |
| Non-interest income/total income without one-offs | 24% | 22% | -2% | 22% | 22% | 22% | 0% | 0% |
| EPS base (HUF) (from unadjusted net earnings) | 377 | 410 | 9% | 115 | 139 | 132 | -5% | 14% |
| EPS diluted (HUF) (from unadjusted net earnings) | 373 | 410 | 10% | 114 | 139 | 132 | -5% | 16% |
| EPS base (HUF) (from adjusted net earnings) | 488 | 492 | 1% | 170 | 167 | 160 | -5% | -6% |
| EPS diluted (HUF) (from adjusted net earnings) | 482 | 492 | 2% | 168 | 167 | 160 | -5% | -5% |

| Comprehensive Income Statement | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| **Net comprehensive income** | **134,713** | **117,838** | **-13%** | **821** | **35,362** | **71,664** | **103%** | |
| **Net profit attributable to equity holders** | **100,435** | **109,174** | **9%** | **30,737** | **37,032** | **35,160** | **-5%** | **14%** |
| Consolidated after tax profit | 100,700 | 109,640 | 9% | 30,941 | 37,288 | 35,165 | -6% | 14% |
| (-) Net profit attributable to non-controlling interest | 265 | 466 | 76% | 204 | 256 | 5 | -98% | -98% |
| **Fair value adjustment of securities available-for-sale (recognised directly through equity)** | **5,672** | **-4,122** | **-173%** | **11,432** | **2,213** | **-17,399** | **-886%** | **-252%** |
| **Fair value adjustment of derivative financial instruments designated as cash-flow hedge** | **322** | **357** | **11%** | **109** | **119** | **120** | **1%** | **10%** |
| **Fair value adjustment of strategic open FX position hedging net investment in foreign operations** | **-1,890** | **-3,264** | **73%** | **2,262** | **-344** | **-6,580** | | **-391%** |
| **Foreign currency translation difference** | **30,174** | **15,693** | **-48%** | **-43,719** | **-3,658** | **60,363** | | **-238%** |

- ***HUF 131 billion 9M adjusted after tax profit (+1% y-o-y), quarterly profit decreased by 5% q-o-q (3Q 2011: HUF 42.5 billion) due to climbing tax burden***
- ***Significantly improving 3Q operating income (+5% q-o-q); improving 9M and 3Q net interest margin***
- ***Decelerating 3Q consolidated portfolio quality deterioration (DPD90+ ratio up from 15.4% to 16.0%), increasing risk costs resulted growing DPD90+ coverage (3Q 2011: 75.1%)***
- ***Up to 11 November, 9% of Hungarian FX-mortgage debtors filed their repayment request with a HUF 15 billion estimated net loss. Based on this the estimated total take-up rate may reach 20% and the net negative P&L impact of early repayments is forecast to be around HUF 39.5 billion for OTP Group***

In 9M 2011 OTP Group posted HUF 131.2 billion adjusted after tax profit (excluding the special banking levy, the loss from FX mortgage loan repayments and the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments), by 1% higher than the adjusted profit for the same period of 2010. The HUF 109.6 billion accounting after tax profit, including the special banking tax (net HUF 21.7 billion), the loss from early repayment of FX mortgage loans (net HUF 1.9 billion) and the HUF 1.4 billion revaluation gain on EUR 350 million[3] purchased from the National Bank to cover the FX need of early repayments, was by 9% higher than that in the base period. The accounting profit for 9M 2010 comprised altogether net HUF 30 billion goodwill write-off and banking tax as adjustments.

Adjusted for one-off items, 9M consolidated operating income represents HUF 328 billion, unchanged y-o-y. The negative impact of the missing one-off items posted in the base period[4] was more than offset by a y-o-y 17% decline in risk costs. Thus pre-tax profit grew by 10% to HUF 171 billion.

The 9M 2011 tax burden rose remarkably y-o-y (effective tax rate in 9M 2010: 17%, in 9M 2011: 23%), which is primarily due to the higher effective tax rate of OTP Core (up from 15% to 24%, mainly explained by a base effect). The tax shield on the swap transaction[5] related to the outstanding exchangeable bond (ICES) resulted HUF 4.3 billion tax savings in 9M 2010, while in 2011 it did not influence the payable tax amount. On the top of that the pre-tax profit contribution of the Russian subsidiary with a high effective tax rate (24%) increased significantly and consequently its tax payment was also higher (by HUF 3.9 billion y-o-y).

In 3Q the adjusted after tax profit of the Group (at HUF 42.5 billion) declined by 5% q-o-q. The amount of adjustments remained basically flat q-o-q, thus the accounting profit (at HUF 35.2 billion) suffered a same degree of decline (-6% q-o-q).

The early repayment loss accounted as adjustment item in 3Q 2011 (at HUF 2.3 pre-tax and HUF 1.9 billion after tax) is equal to the expected loss on HUF 9.3 billion mortgage loan portfolio of 1,736 borrowers filing their repayment request up to 30 September, assuming the execution of all requests. To cover part of the FX need of expected early repayments, EUR 550 million has been purchased by OTP Bank from the National Bank of Hungary on spot market rate in two instalments (EUR 350 million by the end of September and a further EUR 200

[3] At the end of September and at the beginning of October OTP Bank purchased altogether EUR 550 million from the National Bank of Hungary. 3Q results contain the revaluation gain on EUR 350 million purchased up to the end of September.

[4] One-off items in 9M 2010: HUF 18.7 billion pre-tax revaluation profit on FX-swap positions. (During 2Q-3Q 2010 the 2 year EUR/HUF basis-swap spreads increased from 100 basis points to 150 basis points, resulting revaluation gain. Furthermore HUF 8.9 billion before tax profit (on the other net non-interest income line) was realised in relation with hedging the FX-risks of the provisions of some FX-loans of OTP Ukraine. Basis swap spread sensitivity of FX/HUF swap portfolio was diminished in 2Q and 3Q 2010 with derivative instruments, thus since 4Q 2010 basis swap spread volatility does not result such a big revaluation gain within the net interest income.

[5] The swap partners, OPUS Securities S.A. and OTP Bank, swap the dividend on shares serving as collateral for the outstanding exchangeable bonds and the interest coupons of the bonds. This transaction practically provides the necessary interest payment amount for OPUS S.A, which then transfers it to bond investors. Unlike under IFRS, under the Hungarian Accounting Standards ('HAS') the swap agreement has to be revalue. However the tax effect of the revaluation is part of the IFRS result, too (at OTP Core and also at OTP Group level). In 9M 2010 a change in the expectable dividend flows of OTP shares diminished the value of the swap (registered only under HAS) and resulted a tax saving (under both HAS and IFRS).

million at the beginning of October). The purchased position represents 16.3% of the outstanding FX mortgage portfolio of OTP Core. Thus the Bank established an FX-hedge position to cap the expectable repayment loss. The HUF 1.4 billion after tax revaluation gain on the position of EUR 350 million by the end of September, purchased as the first instalment, is also an adjustment item in this report.

Up to 11 November 2011, 14,838 OTP customers – 9.0% of FX mortgage debtors of OTP – filed their prepayment request, out of them 8,043 OTP customers have already prepaid their debts. HUF 82 billion loan portfolio was affected by the applications, which is 8.3% of all outstanding FX mortgage loans at OTP Core calculated at market exchange rates. The estimated loss related to this portfolio is at HUF 17.4 billion, assuming the execution of all filed requests. Together with the gain on the hedging position (at HUF 2.9 billion) it could result a HUF 14.6 billion net after tax loss. Up to 11 November, the amount of prepayment related forint loan applications reached HUF 4.6 billion, HUF 3.0 billion of which was requested by OTP clients.

Based on the current trend of applications, approximately 20% of customers would file applications. Assuming that all applicants prepay, the total amount of prepaid loan portfolio could be around 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.

The adjusted before tax profit was supported by three one-off items in 3Q. Firstly HUF 3.5 billion revaluation gain was realised on the Swiss franc-euro FX-swap portfolio of OTP Core (originally accounted as net interest income) as a result of increasing swap spreads in September. In 2010 the Bank entered into hedge transactions only in relation to its forint-FX swap positions, thus the revaluation result on FX cross-currency swaps is still part of the statement of recognised income. Correction in the Swiss franc-euro swap spreads took place in October, thus on a yearly base no significant profit could be expected from FX-swap revaluation. Though, given the volatile market environment, a different outcome cannot be ruled out either. Secondly, HUF 4.3 billion gain on the maturing 20 year government bonds of the Croatian subsidiary was booked. The effect of maturing bonds on the equity of the Croatian bank or OTP Group was almost neutral in 3Q 2011. Previously the revaluation based on the Croatian industrial price index has been accounted against equity and revaluation gain was transferred to the statement of recognized income in a lump sum at maturity. As the third one-off item in 3Q, OTP Core bought back Upper and lower Tier 2 bonds[6] realising HUF 1.5 billion pre-tax profit on the transactions.

The 3Q 2011 operating profit (at HUF 112.3 billion) grew by 5% q-o-q, primarily due to the outstanding net interest income (+5% q-o-q). Pace of portfolio deterioration moderated further, however provisioning remained still significant (up by HUF 9.3 billion q-o-q), resulting remarkable increase in the coverage of the consolidated portfolio (3Q 2011: 75.1%, +1.8%-points q-o-q). From HUF 59 billion total risk cost accounted in 3Q, HUF 22 billion was used to increase coverage. Except for the Romanian and Slovakian portfolio the coverage rate increased throughout the Group, in several cases significantly. At the same time it means that if the Group had kept the coverage level flat, risk cost could have declined to HUF 41 billion.

The corporate tax increased by HUF 7 billion q-o-q, mainly as a result of the tax shield effect of the subsidiary investments of OTP Bank (in 2Q 2011 HUF 0.4 billion tax saving, but in 3Q HUF 6.2 billion additional tax burden arose).

Adjusted for one-off items, stability of 9M operating profit (at HUF 328 billion in 2011) was highly supported by growth of net interest income and net fees (+3% and +6%, respectively). In addition stringent cost control was kept: operating expenses increased only by 3% y-o-y. At the same time other net non-interest income dropped by 34% y-o-y, as a result of significant gain on Hungarian government bond portfolio in the base period (in 9M 2010: HUF +9.3 billion), while the result on the portfolio in 9M 2011 was insignificant (+HUF 0.6 billion).

Within the main revenue categories net interest income for the 9M grew by 3% y-o-y. Net interest margin improved (9M 2011: 6.28%, +22 basis points y-o-y). The improvement of net interest margin was highly supported by the gradual increase of deposit margins: deposit rates have been decreased y-o-y almost in all markets in parallel with the increasing liquidity reserves. The Russian interest income grew at a spectacular pace (up by HUF 23.2 billion or 36% y-o-y), due to outstanding dynamics of consumer lending. Out of larger subsidiaries both DSK and OTP Core managed to increase their interest income (+7% and +2% y-o-y). These factors offset the y-o-y declining net interest income in Ukraine, Montenegro, Serbia and at the Hungarian car financing business (-25%, -27%, -57% and -10% y-o-y, respectively), partially due to declining business activity and increasing share of non-performing loans.

[6] In 2Q 2011 EUR 5 million and in 3Q another EUR 12 million tranche has been repurchased from the perpetual (UT2) bond (original face amount of the serie was EUR 500 million, the remaining outstanding amount is cca. EUR 329 million. Further on in 3Q 2011 EUR 3.2 million has been repurchased from the lower tier 2 (LT2) bond serie with maturity 4 March 2015 (original face amount of the serie was EUR 125 million, the remaining outstanding amount is: EUR 122 million).

Consolidated quarterly net interest income grew by HUF 8.3 billion q-o-q. Main drivers were the following items: pricing measures were taken in case of corporate deposits aiming at decreasing the Group's liquidity reserves (+HUF 1.8 billion effect q-o-q). Furthermore interest payments of previously non-performing project loans were realised (+HUF 0.8 billion q-o-q), and the weaker forint caused higher nominal interest income on FX loans (+HUF 2.6 billion q-o-q). Net interest income of the Russian operation grew also significantly (by HUF 2.4 billion q-o-q) due to the further strengthening business activity.

9M net fee and commission income improved by 6% on a yearly base (by HUF 5.6 billion) which was also mostly attributable to the growth in the Russian contribution (a growth of HUF 5.9 billion y-o-y), where card and deposit commissions grew mainly (by +77% and +44% y-o-y). Beyond that a technical improvement was caused by a basis effect at OTP Core: total fee expenses (cca. HUF 1.3 billion) of a EUR 250 syndicated loan transaction in July 2010 were accounted in 3Q 2010. The 9M commission dynamics was negatively influenced by the HUF 3.3 billion lower commissions of OTP Fund Management (as a consequence of amended regulation, asset- and fund management fees payable by pension funds decreased since 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% respectively). It was also negative that in June 2011 the state took over the assets of returning private pension fund members and following that started to redeem investment fund tickets.

Consolidated 3Q net fees advanced by 3% q-o-q (up by +HUF 1.2 billion). OTP Bank Russia (+HUF 0.6 billion) were the main contributor to that result on the back of improving deposit commissions.

The adjusted other net non-interest income decreased by 34% y-o-y as a result of the securities gain in the base period on Hungarian government papers (HUF 9.3 billion). As for 3Q result the main driver was the HUF 2.6 billion q-o-q increase of FX-gain: within the especially volatile FX environment the FX result improved at OTP Core and at the Russian and Romanian subsidiary too (+HUF 1.2, +HUF 0.9, and +HUF 1.2 billion q-o-q, respectively). The better FX result was partly offset by the declining securities gain (mainly at OTP Core).

Operating costs for 9M grew by only 3% y-o-y, which totally comes in from the increasing Russian cost base, which was the only subsidiary where significant y-o-y cost increase was registered. In case of the Russian bank the dynamics (+24%, +HUF 8,6 billion y-o-y) is justified on one hand by the significant pick up in business activity and beyond this, higher social security contribution had to be paid after the employees from January 2011. Expenses of OTP Core, which generates more than half of total costs, decreased by 1%, mainly due to a technical effect: personnel costs decreased as a result of the amended remuneration policy due to changing European Union regulation. The latter influenced the formation of accounting expenses, causing temporary decline of expenses at time of shifting between the methodologies. The shift reduced the 2Q 2011 personnel costs primarily; therefore it overwhelmingly explains the 6% q-o-q increase in consolidated operating expenses too (within that personnel expenses were up by 10%).

The quarterly growth in operating expenses was partly due to the increased expenses at the Ukrainian subsidiary: advisory fees of projects for rationalization of the banking operation and the related one-off personnel expenses were paid, and the costs of the set-up of POS lending arose.

In 3Q 2011 the deterioration of loan portfolio decelerated further, but total risk costs increased by 19% q-o-q (3Q 2011: HUF 59.3 billion), thus the coverage rate of the consolidated non-performing portfolio arose significantly (3Q 2011: 75.1%, +1.8%-points q-o-q).

From HUF 59 billion risk cost accounted in 3Q more than HUF 22 billion was used to increase coverage, thus to keep the coverage level flat at 73.3%, HUF 41 billion risk cost would have been enough.

As for q-o-q developments of the portfolio quality, DPD90+ ratio increased from 15.4% to 16% q-o-q (+2.8%-points y-o-y). The quarterly FX-adjusted DPD90+ loan formation melted down to HUF 49 billion, which is the best rate since the end of 2008.

The DPD90+ loan portfolio decreased remarkably in Ukraine and in Montenegro, resulting significant decrease in the DPD90+ rates also. In Bulgaria and Serbia non-performing loan formation significantly moderated compared to the level of the previous quarters, too. Quality of the Russian loan book remained stable (DPD90+ rate: 13.0%, -0.3%-point q-o-q), however in 3Q 2011 a more conservative provisioning methodology was introduced aiming at increasing the coverage rate of the delinquent credit card loan portfolio. This new methodology resulted 4.5%-points improvement of portfolio coverage (3Q 2011: 88.8%). Simultaneously the Hungarian, Romanian and Slovakian loan portfolio was characterized by negative tendencies. DPD90+ rate of OTP Core climbed up to 12.3% (+0.8%-point q-o-q), the fastest deterioration was experienced in the mortgage book. In Romania also mortgages caused most of the headaches, DPD90+ rate for the total book climbed to 13.1% (+1.1%-points q-o-q), coverage ratio declined by 1.9%-points in spite of significant provisioning. As for Slovakia, the DPD90+ ratio deteriorated mostly in the corporate and the mortgage segment (3Q 2011: 13.3% +1.2%-points q-o-q).

## CONSOLIDATED BALANCE SHEET

| Main components of balance sheet in HUF million | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
|---|---|---|---|---|---|---|---|
| **TOTAL ASSETS** | **9,975,685** | **9,780,946** | **9,712,339** | **9,902,667** | **2%** | **-1%** | **1%** |
| Cash and amount due from banks | 558,709 | 513,038 | 441,575 | 453,926 | 3% | -19% | -12% |
| Placements with other banks | 568,654 | 511,244 | 527,955 | 604,060 | 14% | 6% | 18% |
| Financial assets at fair value | 243,166 | 233,667 | 273,078 | 207,767 | -24% | -15% | -11% |
| Securities available-for-sale | 1,165,820 | 1,008,097 | 1,387,995 | 1,077,531 | -22% | -8% | 7% |
| Net customer loans | 6,620,970 | 6,741,059 | 6,332,757 | 6,807,824 | 8% | 3% | 1% |
| **Net customer loans (FX adjusted)** | **7,024,806** | **7,000,971** | **6,806,364** | **6,807,824** | **0%** | **-3%** | **-3%** |
| Gross customer loans | 7,321,728 | 7,502,331 | 7,133,174 | 7,730,127 | 8% | 6% | 3% |
| **Gross customer loans (FX adjusted)** | **7,764,207** | **7,790,119** | **7,676,085** | **7,730,127** | **1%** | **0%** | **-1%** |
| o/w Retail loans | 4,864,065 | 4,951,778 | 4,952,354 | 5,022,854 | 1% | 3% | 1% |
| Retail mortgage loans (incl. home equity) | 3,082,755 | 3,118,900 | 3,087,764 | 3,079,323 | 0% | 0% | -1% |
| Retail consumer loans | 1,321,628 | 1,364,858 | 1,403,804 | 1,493,274 | 6% | 13% | 9% |
| SME loans | 459,345 | 468,021 | 460,786 | 450,257 | -2% | -2% | -4% |
| Corporate loans | 2,408,935 | 2,371,499 | 2,294,319 | 2,285,411 | 0% | -5% | -4% |
| Loans to medium and large corporates | 2,046,930 | 1,996,437 | 1,917,662 | 1,922,070 | 0% | -6% | -4% |
| Municipal loans | 361,974 | 375,062 | 376,502 | 363,340 | -3% | 0% | -3% |
| Car financing loans | 422,034 | 406,307 | 368,800 | 355,930 | -3% | -16% | -12% |
| Bills and accrued interest receivables related to loans | 69,172 | 60,535 | 60,612 | 65,932 | 9% | -5% | 9% |
| Allowances for loan losses | -700,758 | -761,272 | -800,417 | -922,303 | 15% | 32% | 21% |
| Allowances for loan losses (FX adjusted) | -739,401 | -789,148 | -869,722 | -922,303 | 6% | 25% | 17% |
| Equity investments | 16,608 | 11,554 | 8,529 | 8,635 | 1% | -48% | -25% |
| Securities held-to-maturity | 205,474 | 172,302 | 147,621 | 139,485 | -6% | -32% | -19% |
| Premises, equipment and intangible assets, net | 460,689 | 480,828 | 460,866 | 485,503 | 5% | 5% | 1% |
| o/w Goodwill, net | 204,348 | 209,320 | 197,284 | 211,638 | 7% | 4% | 1% |
| Premises, equipment and other intangible assets, net | 256,341 | 271,508 | 263,582 | 273,865 | 4% | 7% | 1% |
| Other assets | 135,595 | 109,157 | 131,963 | 117,936 | -11% | -13% | 8% |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **9,975,685** | **9,780,946** | **9,712,339** | **9,902,667** | **2%** | **-1%** | **1%** |
| Liabilities to credit institutions and governments | 727,112 | 681,949 | 698,421 | 670,385 | -4% | -8% | -2% |
| Customer deposits | 5,955,439 | 5,821,489 | 5,898,200 | 6,138,382 | 4% | 3% | 5% |
| **Customer deposits (FX adjusted)** | **6,102,935** | **5,938,550** | **6,189,799** | **6,138,382** | **-1%** | **1%** | **3%** |
| o/w Retail deposits | 4,335,308 | 4,462,068 | 4,440,656 | 4,568,490 | 3% | 5% | 2% |
| Household deposits | 3,892,995 | 4,010,293 | 3,976,198 | 4,023,499 | 1% | 3% | 0% |
| SME deposits | 442,313 | 451,775 | 464,458 | 544,991 | 17% | 23% | 21% |
| Corporate deposits | 1,729,277 | 1,447,646 | 1,713,547 | 1,528,590 | -11% | -12% | 6% |
| Deposits to medium and large corporates | 1,429,989 | 1,211,067 | 1,480,282 | 1,227,690 | -17% | -14% | 1% |
| Municipal deposits | 299,275 | 236,573 | 233,261 | 300,900 | 29% | 1% | 27% |
| Accrued interest payable related to customer deposits | 38,350 | 28,836 | 35,596 | 41,288 | 16% | 8% | 43% |
| Issued securities | 1,085,245 | 1,035,153 | 934,346 | 775,939 | -17% | -29% | -25% |
| o/w Retail bonds | 275,553 | 283,646 | 308,466 | 323,741 | 5% | 17% | 14% |
| Other liabilities | 591,763 | 642,796 | 560,919 | 610,730 | 9% | 3% | -5% |
| Subordinated bonds and loans | 292,963 | 290,630 | 281,736 | 300,894 | 7% | 3% | 4% |
| **Total shareholders' equity** | **1,323,163** | **1,308,929** | **1,338,717** | **1,406,337** | **5%** | **6%** | **7%** |
| Indicators | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
| Loan/deposit ratio (FX adjusted) | 127% | 131% | 124% | 126% | 2% | -1% | -5.1% |
| Net loan/(deposit + retail bond) ratio (FX adjusted) | 110% | 112% | 104% | 105% | 1% | -5% | -7.1% |
| 90+ days past due loan volume | 954,268 | 1,022,944 | 1,092,425 | 1,228,114 | 12% | 29% | 20% |
| 90+ days past due loans/gross customer loans | 13.2% | 13.7% | 15.4% | 16.0% | 0.6% | 2.9% | 2.3% |
| Total provisions/90+ days past due loans | 73.4% | 74.4% | 73.3% | 75.1% | 1.8% | 1.7% | 0.7% |
| Consolidated capital adequacy | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
| Capital adequacy ratio (consolidated, IFRS) | 18.0% | 17.5% | 18.1% | 17.5% | -0.6% | -0.5% | 0.0% |
| Tier1 ratio | 14.1% | 14.0% | 15.2% | 14.1% | -1.1% | 0.0% | 0.1% |
| Core Tier1 ratio | 12.6% | 12.5% | 13.6% | 12.7% | -1.0% | 0.1% | 0.2% |
| Leverage (Total Assets/Shareholder's Equity) | 7.5x | 7.5x | 7.3x | 7x | | | |
| Regulatory capital (consolidated) | 1,337,286 | 1,304,476 | 1,330,218 | 1,397,720 | 5% | 5% | 7% |
| o/w Tier1 Capital | 1,047,573 | 1,046,308 | 1,116,015 | 1,124,070 | 1% | 7% | 7% |
| o/w Core Tier1 Capital | 933,439 | 933,496 | 1,004,964 | 1,014,470 | | | |
| Hybrid Tier1 Capital | 114,134 | 112,812 | 111,051 | 109,600 | -1% | -4% | -3% |
| Tier2 Capital | 290,150 | 258,632 | 214,622 | 274,068 | 28% | -6% | 6% |
| Deductions from the regulatory capital | -437 | -464 | -418 | -418 | 0% | -4% | -10% |
| Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk) | 7,429,742 | 7,464,481 | 7,361,063 | 7,986,649 | 8% | 7% | 7% |
| o/w RWA (Credit risk) | 5,963,207 | 6,010,646 | 5,661,489 | 6,057,947 | 7% | 2% | 1% |
| RWA (Market & Operational risk) | 1,466,535 | 1,453,835 | 1,699,574 | 1,928,702 | 13% | 32% | 33% |

| Closing exchange rate of the HUF (in forint) | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
|---|---|---|---|---|---|---|---|
| EURHUF | 277 | 279 | 266 | 292 | 10% | 5% | 5% |
| CHFHUF | 208 | 223 | 220 | 239 | 9% | 15% | 8% |
| USDHUF | 203 | 209 | 183 | 216 | 18% | 6% | 3% |
| JPYHUF | 244 | 257 | 228 | 281 | 23% | 15% | 9% |

- ***1% FX-adjusted loan portfolio growth q-o-q supported by a strong increase in Russian consumer lending (+23%)***
- ***Reviving mortgage lending at the Bulgarian, Slovakian and Romanian subsidiaries (+1%, +4%, +2% q-o-q growth)***
- ***In Hungary FX mortgage prepayments had only a limited impact on closing volumes in 3Q (-HUF 0.5 billion effect), by the end of the application period the anticipated participation rate may be around 20%, leading to the prepayment of cca. HUF 197 billion of FX loans (at closing exchange rates of September)***
- ***Corporate lending picking up in the Ukraine and Bulgaria***
- ***Declining deposits in Hungary as corporate deposits melted down on the back of repricing***
- ***Stable or slightly expanding retail deposits across the Group***

*Methodological notes:*

*The tables of the report include the FX-adjusted loan and deposit volumes by different segments. For the adjustment the Bank used the 3Q 2011 closing cross currency rates when calculating the HUF equivalent of the loan and deposit volumes in the base periods. Thus the particular segment volumes will be different from those published earlier and calculated with current cross currency rates.*

*Furthermore, in Russia and Montenegro a certain part of the corporate deposits – HUF 56 billion and HUF 20 billion respectively – was reclassified into the SME deposits, and in Russia an equivalent of HUF 17 billion corporate exposure was reclassified as municipality deposits. Those changes had a significant impact on consolidated and standalone product volumes.*

In 3Q the consolidated FX-adjusted loan book grew by 1% q-o-q (flat y-o-y). The key engine of growth was the steady expansion of Russian consumer lending (+23% q-o-q, +68% y-o-y) and as a positive momentum, mortgage lending picked up in Slovakia, Romania and Bulgaria (+4%, +2% and +1%). In the Ukraine POS-lending launched at the end of March grew sharply in 3Q (+57% q-o-q), true, from a low base. The network enlargement was dynamic and the total number of selling agents reached 1,000 people by the end of September. The total volume of POS-loans represented HUF 2 billion. The recruitment of further agents, as well as the extension of retail partner chains continues.

In Hungary the weak loan demand took its toll through declining retail volumes. In case of mortgages the book moderated by 0.6% q-o-q and by 2.7% y-o-y, whereas the consumer loan book decreased by 0.4% q-o-q and by 4% y-o-y. So far the repayment option of FX mortgage loans in Hungary did not result in material volume drop (in 3Q around -HUF 0.5 billion), however calculating with an anticipated 20% participation rate by the end of the repayments the amount of repaid FX loans can reach HUF 197 billion at closing exchange rates of September. On the top of that, the corporate portfolio also shrank (-3% q-o-q), during the last 3 months mostly due to a technical factor, though: the fine-tuning of the product segmentation at the collection company (OTP Factoring) negatively influenced the volume of loans to large companies. Adjusted for this effect, volumes would have remained stable.

Out of the bigger markets, in Bulgaria the mortgage lending and corporate loans could expand (+1% and +4% q-o-q respectively), while in the Ukraine apart from the strong growth in POS-lending the corporate sector also performed nicely (+8% q-o-q and +11% y-o-y).

As for the smaller subsidiaries, in Slovakia the mortgage portfolio expanded a lot (+4% q-o-q, +17% y-o-y), supported by marketing campaigns during the spring and autumn. Car financing in general declined all across the Group, the consolidated exposure dropped by 3% q-o-q and by 16% y-o-y.

The FX-adjusted deposit volumes grew by mere 1% y-o-y and melted down by 1% q-o-q. The latter is related to the decline in corporate deposits. Parallel with the improving liquidity situation, OTP Core repriced a great deal of corporate deposits; hence their volume dropped by 18% q-o-q. This negative impact was partially mitigated by the stable or slightly growing retail deposits across the Group, the consolidated retail deposits expanded by 3% q-o-q. Also, in Hungary municipal deposits advanced q-o-q by a remarkable 25% supported by higher seasonal local tax revenues (in 1Q and 3Q the seasonality stemming from the collection of local taxes always boosts closing volumes).

The volume of issued securities dropped by 29% y-o-y and by 17% q-o-q. The yearly volume drop was related to senior bond maturities: in December 2010 EUR 300 million expired and another EUR 500 million matured in May 2011, both papers were issued by OTP Bank Hungary. On 11 July 2011 OTP Mortgage Bank paid back EUR 750 million covered bonds issued in 2006. The senior bonds were kept on the liability side in the virtual book of the

Corporate Centre, whereas the mortgage bond was registered at OTP Core. The significant drop from redemptions was mitigated by the growth of Hungarian retail bonds (+HUF 15 billion q-o-q, +HUF 48 billion y-o-y) as well as by bond issues in Russia (in March 2011 RUB 2.5 billion, in July RUB 5 billion, all-in around HUF 50 billion). In Hungary OTP Bank also managed to sell senior notes to local institutional clients, their closing volume reached HUF 85 billion by the end of 3Q 2011 (+HUF 39 billion y-o-y, +HUF 13 billion q-o-q).

The FX adjusted volume of Lower and Upper Tier2 ('LT2', 'UT2') elements declined as a result of repurchase transactions resumed in June. Thus their volume increase reflects only the revaluation effect caused by the weaker forint. As for the UT2 in 2Q the Bank bought back EUR 5 million and another EUR 12 million in 3Q, whereas from the LT2 (maturing in 2015) the Company bought back EUR 3.2 million in 3Q. As a result its total outstanding volume shrank to EUR 122 million.

Since the beginning of the crisis OTP Group accumulated a significant liquidity buffer[7]: its gross volume exceeded EUR 4.7 billion equivalent by the end of 3Q 2011 covering all outstanding external obligations of the Group. Provided the Bank redeems all its external debt, the remaining liquidity buffer would still amount to EUR 3.2 billion. This amount well exceeds the required buffer under a possible liquidity shock scenario. The main source of that strong liquidity buffer on one hand is the growing deposit book, but also the internal FX liquidity generation stemming from normal FX mortgage loan repayments (especially after stopping FX-lending in Hungary and the Ukraine during the crisis).

Such a comfortable liquidity position enabled the Bank to service its maturing debt obligations mainly from its own sources with a minimal new issuance activity. In 2009 EUR 2.3 billion, in 2010 EUR 1.5 billion, in 9M 2011 EUR 1.4 billion bond, loan and covered bond obligations matured. In 2010 OTP issued in total EUR 420 million external obligations (EUR 170 million bonds and EUR 250 million syndicated loan), in 2011 such activity included EUR 500 million equivalent through RUB bond issues and an EUR 300 million syndicated loan. In August OTP Mortgage Bank issued EUR 750 million covered bonds of which EUR 15.5 million was sold to third parties, the remaining stock was bought by OTP Bank and this amount will be used for repo transactions with the central bank.

## *CONSOLIDATED CAPITAL ADEQUACY RATIO (IN ACCORDANCE WITH BASEL II)*

At the end of September 2011 the regulatory capital of OTP Group represented HUF 1.398 billion, while the preliminary estimated risk-weighted-assets, taking into account the capital needs for credit-, market- and operational risks too, stood at HUF 7.987 billion. The capital adequacy ratio stood at 17.5% with Tier1 ratio (after deducting goodwill and intangible assets) at 14.1% and Core Tier1 ratio (further deducting hybrid instruments) at 12.7%. The main reason behind the decline of Core Tier1 ratio was FX-effect. The significant forint depreciation in September increased the volume of risk weighted assets, as well as the capital requirement of market risk. At the same time Core Tier1 elements, being registered mostly in forint, remained mostly stable and were supported only by the balance sheet earnings.

The second European stress test results published by EBA on 15 July 2011 demonstrated the outstanding capital strength of OTP Group. After reaching second position in 2010 in the first round, in the second stress test under the adverse scenario OTP Group's Core Tier1 ratio still would be at 13.6%, the third highest amongst the European banks.

[7] Assets within the liquidity buffer include notes of the National Bank of Hungary, government bonds, repoable mortgage bonds an municipal bonds as well as the liquid asset surplus calculated over a one month horizon.

## OTP BANK'S HUNGARIAN CORE BUSINESS[8]

**OTP Core Statement of recognized income:**

| Main components of the Statement of recognised income in HUF million | 9M 2011 | 9M 2010 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| OTP CORE after-tax profit without the banking levy, dividends and net cash transfer | 111,458 | 91,263 | -18% | 28,581 | 29,865 | 28,533 | -4% | 0% |
| OTP CORE pre-tax profit | 130,547 | 120,207 | -8% | 27,925 | 39,030 | 43,815 | 12% | 57% |
| Operating profit without one-offs | 195,879 | 184,212 | -6% | 66,654 | 61,721 | 61,622 | 0% | -8% |
| Total income without one-offs | 326,125 | 313,170 | -4% | 109,997 | 103,950 | 108,100 | 4% | -2% |
| Net interest income without one-offs | 240,007 | 245,083 | 2% | 83,047 | 79,724 | 84,884 | 6% | 2% |
| Net fees and commissions | 62,225 | 63,591 | 2% | 20,095 | 21,640 | 21,731 | 0% | 8% |
| Other net non-interest income (adj.) without one-offs and without the effect of revaluation of FX provisions | 23,892 | 4,495 | -81% | 6,854 | 2,585 | 1,485 | -43% | -78% |
| Operating expenses | -130,245 | -128,958 | -1% | -43,343 | -42,229 | -46,477 | 10% | 7% |
| Total risk costs | -92,952 | -69,307 | -25% | -34,872 | -23,009 | -22,792 | -1% | -35% |
| Provisions for possible loan losses (without the effect of revaluation of FX provisions) | -90,187 | -72,707 | -19% | -32,553 | -25,213 | -23,169 | -8% | -29% |
| Other provisions | -2,766 | 3,400 | -223% | -2,319 | 2,204 | 378 | -83% | -116% |
| Total one-off items | 27,621 | 5,303 | -81% | -3,858 | 318 | 4,984 | | -229% |
| Revaluation result of FX swaps at OTP Core (booked within Net interest income) | 18,731 | 3,530 | -81% | -3,858 | 0 | 3,530 | | -192% |
| FX-gain at OTP Core on hedging transactions related to the FX-loans' provisions at OTP Bank Ukraine (booked within Other net non-interest income) | 8,889 | 0 | -100% | 0 | 0 | 0 | | |
| Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Other net non-interest income (adj)) | 0 | 1,772 | | 0 | 318 | 1,454 | 357% | |
| Corporate income tax | -19,089 | -28,944 | 52% | 656 | -9,165 | -15,282 | 67% | |
| **Revenues by Business Lines** | | | | | | | | |
| RETAIL | | | | | | | | |
| Total income | 244,744 | 241,980 | -1% | 82,464 | 80,640 | 83,164 | 3% | 1% |
| Net interest income | 184,468 | 184,037 | 0% | 62,582 | 60,926 | 63,365 | 4% | 1% |
| Net fees and commissions | 56,514 | 55,177 | -2% | 18,669 | 18,890 | 18,649 | -1% | 0% |
| Other net non-interest income | 3,761 | 2,766 | -26% | 1,213 | 824 | 1,150 | 40% | -5% |
| CORPORATE | | | | | | | | |
| Total income | 27,658 | 28,124 | 2% | 9,034 | 9,974 | 9,076 | -9% | 0% |
| Net interest income | 19,473 | 19,567 | 0% | 6,964 | 7,165 | 5,860 | -18% | -16% |
| Net fees and commissions | 7,085 | 7,749 | 9% | 1,716 | 2,569 | 2,880 | 12% | 68% |
| Other net non-interest income | 1,099 | 808 | -26% | 355 | 241 | 336 | 40% | -5% |
| Treasury ALM | | | | | | | | |
| Total income without one-offs | 54,149 | 42,838 | -21% | 18,756 | 13,586 | 14,361 | 6% | -23% |
| Net interest income without one-offs | 36,066 | 41,479 | 15% | 13,502 | 11,634 | 15,659 | 35% | 16% |
| Net fees and commissions | 1,075 | 581 | -46% | 420 | 376 | 128 | -66% | -70% |
| Other net non-interest income without one-offs | 17,009 | 778 | -95% | 4,834 | 1,577 | -1,426 | -190% | -130% |
| **Indicators (%)** | **9M 2011** | **9M 2010** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| ROE | 14.0% | 10.1% | -4.0% | 10.3% | 9.7% | 8.8% | -0.9% | -1.5% |
| ROA | 2.3% | 1.9% | -0.4% | 1.7% | 1.8% | 1.7% | -0.1% | 0.0% |
| Operating profit margin (operating profit / avg. total assets) without one-offs | 4.0% | 3.8% | -0.2% | 4.0% | 3.7% | 3.7% | 0.0% | -0.3% |
| Total income margin without one-offs | 6.59% | 6.42% | -0.17% | 6.53% | 6.24% | 6.44% | 0.21% | -0.08% |
| Net interest margin without one-offs | 4.85% | 5.02% | 0.18% | 4.93% | 4.78% | 5.06% | 0.28% | 0.13% |
| Net fee and commission margin | 1.3% | 1.3% | 0.0% | 1.2% | 1.3% | 1.3% | 0.0% | 0.1% |
| Net other non-interest income margin without one-offs | 0.5% | 0.1% | -0.4% | 0.4% | 0.2% | 0.1% | -0.1% | -0.3% |
| Operating costs to total assets ratio | 2.6% | 2.6% | 0.0% | 2.6% | 2.5% | 2.8% | 0.2% | 0.2% |
| Cost/income ratio without one-offs | 39.9% | 41.2% | 1.2% | 39.4% | 40.6% | 43.0% | 2.4% | 3.6% |
| Cost of risk/average gross loans | 3.59% | 2.71% | -0.88% | 3.66% | 2.95% | 2.61% | -0.34% | -1.05% |
| Effective tax rate | 14.6% | 24.1% | 9.5% | -2.3% | 23.5% | 34.9% | 11.4% | 37.2% |

[8] OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc, OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financing Netherlands Ltd and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Centre, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across OTP Group.

- ***9M after profit declined by 18% mainly due to base effects of one-off items and y-o-y soaring corporate tax burden***
- ***3Q profit dropped by 4% as a result of higher corporate tax***
- ***Pre-tax earnings improved by 12% q-o-q due to one-off items (swap revaluation and gain on debt repurchase), whereas 3Q operating income and risk costs remained flat***
- ***Slightly increasing portfolio deterioration in 3Q with the mortgage segment weakening the most***
- ***Unchanged market-leader position in mortgage and cash loan origination***
- ***Corporate deposits dropped by 11% q-o-q as a result of pricing measures, the retail deposit portfolio remained stable***

### *P&L developments*

Without the effect of the banking tax and mortgage prepayment **OTP Core** posted HUF 91 billion net profit in 9M 2011, by 18% lower than in 2010 corresponding period. The declining profit is mainly the result of significant one-off items[9] in the base period as well as a y-o-y 52% increase in corporate taxes (the effective tax burden y-o-y grew from 15% to 24%). Without one-off items operating income diminished only moderately (-6% y-o-y). It was mainly influenced by the total income decreasing by 4% y-o-y even without one-offs, while the cost formation was favourable (-1% y-o-y). The reduction in total income is primarily due to significant gains on securities in the base period. (In 9M 2010 the Bank realised HUF 9.3 billion gain on the Hungarian government bond portfolio, whereas in 2011 9M gains on that line were immaterial.) In 9M the deterioration of the portfolio quality moderated, risk costs dropped by 25% y-o-y.

Q-o-q 5% decline of quarterly after tax profit to a large extent was induced by increasing effective corporate tax burden (effective tax rate in 3Q was 35% versus 23% in 2Q), mainly due to the negative tax shield effect stemming from the revaluation of subsidiary investments of OTP Bank. In 3Q 2011 the heavy depreciation of closing forint rate against the currencies of subsidiaries resulted a HUF 33 billion FX-gain on subsidiary investments – under the local accounting standards, but not under IFRS – and HUF 6.2 billion additional tax obligation (both under the local standards and IFRS). In 2Q 2011 this tax effect was marginal (only HUF 0.4 billion tax saving was booked). Quarterly pre-tax profit of OTP Core increased by 12% q-o-q due to one-off revenue items, while the operating profit and risk costs basically remained flat q-o-q.

Those one-offs were as follows: on the repurchase[10] of Lower and Upper Tier 2 ('LT2', 'UT2') capital elements the Bank realized HUF 1.5 billion gain. Furthermore, HUF 3.5 billion revaluation gain was realised on the Swiss franc-euro FX-swap portfolio of OTP Core (originally accounted as net interest income) as a result of increasing swap spreads in September. In 2010 the Bank entered into hedge transactions only in relation to its forint-FX swap positions, thus the revaluation result on FX cross-currency swaps is still part of the statement of recognised income. Correction in the Swiss franc-euro swap spreads took place in October, thus on a yearly base no significant profit could be expected from FX-swap revaluation. Though, given the volatile market environment, a different outcome cannot be ruled out either.

Regarding income formation without one-off elements: the main reason behind the 4% y-o-y decrease of 9M income is the HUF 9.3 billion gain on government securities realised in the base period, while in 9M 2011 only HUF 0.6 billion gain was made on the portfolio. Q-o-q improvement of quarterly income was related to better interest income.

9M net interest income grew by 2% y-o-y in line with the 18 basis points increase of the interest margin (9M 2011: 5.02%), being positively influenced by the deposit pricing measures of the Bank. 3Q net interest income advanced by 6% q-o-q. Main drivers were as follows: pricing measures were taken in case of corporate deposits aiming at decreasing the Group's liquidity reserves (+HUF 1.8 billion effect q-o-q). Furthermore interest payments of previously non-performing project loans were realised (+HUF 0.8 billion q-o-q), and the weaker forint caused higher nominal interest income on FX loans (+HUF 2.6 billion q-o-q).

9M net fees grew by 2% y-o-y – primarily due to base effect. In July 2010 the Bank arranged an EUR 250 million syndicated loan and all related fees were booked in 3Q 2010. If net fees were adjusted for this effect, they would have remained flat y-o-y.

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[9] One-off items in 9M 2010: HUF 18.7 billion pre-tax revaluation profit on FX-swap positions. (During 2Q-3Q 2010 the 2 year EUR/HUF basis-swap spreads increased from 100 basis points to 150 basis points, resulting revaluation gain. Furthermore HUF 8.9 billion before tax profit (on the other net non-interest income line) was realised in relation with hedging the FX-risks of the provisions of some FX-loans of OTP Ukraine. Basis swap spread sensitivity of FX/HUF swap portfolio was diminished in 2Q and 3Q 2010 with derivative instruments, thus since 4Q 2010 basis swap spread volatility does not result such a big revaluation gain within the net interest income.

[10] In 2Q 2011 EUR 5 million and in 3Q another EUR 12 million tranche has been repurchased from the perpetual (UT2) bond (original face amount of the serie was EUR 500 million, the remaining outstanding amount is cca. EUR 329 million. Further on in 3Q 2011 EUR 3.2 million has been repurchased from the lower tier 2 (LT2) bond serie with maturity 4 March 2015 (original face amount of the serie was EUR 125 million, the remaining outstanding amount is: EUR 122 million).

Other net non-interest income without one-off items (9M 2011: HUF 4.5 billion) declined significantly y-o-y. This was the result of the already mentioned base effect (gain on Hungarian securities portfolio). Furthermore, FX-result within other non-interest income was influenced unfavourably by the following measures: since July 2010 OTP Bank stopped FX lending and in accordance with the amended legislation – passed by the Parliament in October 2010 – since December 2010 monthly instalments of outstanding FX housing loan portfolio are translated to forint at the Bank's mid-rate instead of the ask rate.

Operating expenses for 9M 2011 decreased by HUF 1.3 billion (1%) y-o-y. The savings were realised mainly on personnel costs (9M 2011: HUF 53.9 billion, -6% y-o-y), primarily due to a technical reason. In accordance with the resolution of the 2011 Annual General Meeting of the company as well as in compliance with the changing EU regulation, the group-level remuneration policy of OTP has been changed, which had an impact on the timing of the payable remuneration. At the same time the change has an effect on the timing of the personnel expenses in the P&L, causing a temporary reduction of personal costs in 2Q 2011. Basically that was the key reason behind the significant q-o-q cost increase of 10% (within that personnel costs advanced by 22%).

Rise in depreciation costs in 9M was falling short of the inflation level (9M 2011: HUF 18.5 billion, y-o-y +2% versus 9M 2011 CPI at 3.9%). Effectiveness of operating cost control is underpinned by decreasing other expenses (y-o-y down by 3 %, 9M 2011: HUF 56.5 billion). Results of disciplined cost-management and continuous cost rationalising measures are most obvious with respect to telecommunication and utility expenses (both down by 11% y-o-y). Furthermore, marketing expenses were cut back by 7%. The y-o-y increase in other expenses was induced by some ongoing projects (related to enhancing the effectiveness of debt collection) and also, the Bank had to pay more into the Deposit Insurance Fund[11] the yearly contribution was raised in 3Q but with a retrospective effect back to 1 January, causing a one-off HUF 0.9 billion jump in 3Q costs.

9M risk costs (without the effect of mortgage loan prepayments) shrank by 25% y-o-y, the quarterly cost declined by 1% q-o-q. In the first nine months formation of non-performing loans moderated somewhat compared to the base period (FX-adjusted non-performing loan formation in HUF billion 9M 2010: 91, 9M 2011: 64, within that 1Q: 28, 2Q: 15, 3Q: 21). Ratio of loans with more than 90 days past due payments (so called "DPD90+ ratio") increased from 11.5% to 12.3% during 3Q. Regarding the composition of portfolio deterioration: in 9M 2011 retail mortgage loans suffered the most intensive deterioration (DPD 90+ ratio 2010: 8.1%, 2011: 2Q: 9.9%, 3Q: 11.0%). Within the same period the consumer loan portfolio reflected a significantly slower deterioration while corporate loans improved (consumer loans DPD90+: 2010: 20.4%, 2Q 2011: 20.7%, 3Q: 21.6% corporate loans: 2010: 13.7%, 2Q 2011: 13.6%, 3Q: 13.4%). Coverage ratio of DPD90+ loan portfolio decreased in 1Q 2011 (from 78.2% to 75.5%). But this was mainly the result of technical effects (older than 5 years exposures at OTP Factoring with 100% provision coverage were written off, and a corporate loan defaulted in 1Q 2011, for which provisioning had been made previously). However in 2Q and 3Q 2011 coverage ratio grew again (3Q: 78.2% +0.9% q-o-q). In case OTP Core "only" maintained its 2Q coverage, it had to make by HUF 3.9 billion less risk costs in 3Q.

**Main components of OTP Core's Statement of financial position:**

| Main components of the balance sheet (closing balances, in HUF million) | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
|---|---|---|---|---|---|---|---|
| Total Assets | 6,702,333 | 6,495,965 | 6,767,919 | 6,547,111 | -3% | -2% | 1% |
| Net customer loans | 3,236,061 | 3,285,981 | 3,151,267 | 3,247,674 | 3% | 0% | -1% |
| **Net customer loans (FX adjusted)** | **3,427,419** | **3,404,179** | **3,319,848** | **3,247,674** | **-2%** | **-5%** | **-5%** |
| Gross customer loans | 3,511,458 | 3,584,077 | 3,457,506 | 3,593,390 | 4% | 2% | 0% |
| **Gross customer loans (FX adjusted)** | **3,720,184** | **3,713,657** | **3,644,719** | **3,593,390** | **-1%** | **-3%** | **-3%** |
| Retail loans | 2,478,185 | 2,465,287 | 2,437,016 | 2,426,317 | 0% | -2% | -2% |
| Retail mortgage loans (incl. home equity) | 1,925,923 | 1,917,939 | 1,885,140 | 1,874,544 | -1% | -3% | -2% |
| Retail consumer loans | 458,407 | 452,286 | 442,424 | 440,871 | 0% | -4% | -3% |
| SME loans | 93,856 | 95,062 | 109,452 | 110,902 | 1% | 18% | 17% |
| Corporate loans | 1,241,998 | 1,248,371 | 1,207,703 | 1,167,074 | -3% | -6% | -7% |
| Loans to medium and large corporates | 918,921 | 909,564 | 865,870 | 838,001 | -3% | -9% | -8% |
| Municipal loans | 323,078 | 338,807 | 341,833 | 329,073 | -4% | 2% | -3% |
| Provisions | -275,397 | -298,096 | -306,240 | -345,716 | 13% | 26% | 16% |
| **Provisions (FX adjusted)** | **-292,764** | **-309,478** | **-324,871** | **-345,716** | **6%** | **18%** | **12%** |

[11] From 1 January 2011, the insurance fee was raised from 0.02% to 0.06% of insured deposits and securities.

| Main components of the balance sheet (closing balances, in HUF million) | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
|---|---|---|---|---|---|---|---|
| Deposits from customers + retail bonds | 3,891,113 | 3,711,491 | 3,908,912 | 3,870,533 | -1% | -1% | 4% |
| **Deposits from customers + retail bonds (FX adjusted)** | **3,928,414** | **3,741,084** | **3,981,518** | **3,870,532** | **-3%** | **-1%** | **3%** |
| Retail deposits + retail bonds | 2,716,741 | 2,792,474 | 2,754,334 | 2,781,559 | 1% | 2% | 0% |
| Household deposits + retail bonds | 2,439,306 | 2,505,410 | 2,469,574 | 2,491,118 | 1% | 2% | -1% |
| SME deposits | 277,434 | 287,063 | 284,760 | 290,441 | 2% | 5% | 1% |
| Corporate deposits | 1,211,673 | 948,610 | 1,227,184 | 1,088,974 | -11% | -10% | 15% |
| Deposits to medium and large corporates | 958,733 | 750,891 | 1,035,422 | 848,801 | -18% | -11% | 13% |
| Municipal deposits | 252,940 | 197,719 | 191,762 | 240,173 | 25% | -5% | 21% |
| Liabilities to credit institutions | 618,036 | 559,506 | 611,169 | 574,209 | -6% | -7% | 3% |
| Issued securities without retail bonds | 497,093 | 514,103 | 492,476 | 308,638 | -37% | -38% | -40% |
| Total shareholders' equity | 1,120,526 | 1,131,311 | 1,272,663 | 1,288,399 | 1% | 15% | 14% |
| Loan Quality (%) | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
| 90+ days past due loan volume | 352,261 | 381,262 | 396,026 | 442,044 | 12% | 25% | 16% |
| 90+ days past due loans/gross customer loans | 10.0% | 10.6% | 11.5% | 12.3% | 0.8% | 2.3% | 1.7% |
| Total provisions/90+ days past due loans | 78.2% | 78.2% | 77.3% | 78.2% | 0.9% | 0.0% | 0.0% |
| Market Share (%) | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
| Loans | 18.3% | 18.4% | 18.6% | 18.3% | -0.3% | 0.0% | -0.1% |
| Deposits | 24.7% | 24.0% | 24.7% | 23.5% | -1.2% | -1.3% | -0.5% |
| Total Assets | 24.9% | 24.8% | 25.2% | 25.6% | 0.4% | 0.7% | 0.9% |
| Indicators (%) | 3Q 2010 | 4Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y | YTD |
| Net loans to (deposits + retail bonds) (FX adjusted) | 87% | 91% | 83% | 84% | 1% | -3% | -7% |
| Leverage (Shareholder's Equity/Total Assets) | 16.7% | 17.4% | 18.8% | 19.7% | 0.9% | 3.0% | 2.3% |
| Leverage (Total Assets/Shareholder's Equity) | 6x | 5.7x | 5.3x | 5.1x | | | |
| Capital adequacy ratio (OTP Bank, non-consolidated, HAS) | 17.8% | 18.1% | 20.0% | 18.4% | -1.5% | 0.7% | 0.3% |
| Tier1 ratio (OTP Bank, non-consolidated, HAS) | 15.0% | 15.4% | 17.6% | 16.2% | -1.4% | 1.1% | 0.8% |

### *Balance sheet trends*

In 3Q 2011 FX-adjusted loan portfolio of OTP Core decreased by 1% q-o-q as a result of moderately shrinking retail and by 3% decreasing corporate loan book. The deposit book together with retail bond portfolio also dropped by 3%, as a result of repricing measures in the corporate segment. Thus the FX-adjusted “net loan /(deposit + retail bond)” ratio increased slightly (3Q 2011: 84%, on FX-adjusted base up by 1%-point q-o-q and down by 3%-point y-o-y).

Recovery of loan demand in the retail sector is still to come. Despite the market share of OTP Core in mortgage loan disbursement significantly improved y-o-y (market share in loan flows without CHF in 9M 2010: 27%, 9M 2011: 30%), the newly originated volumes in 9M 2011 were lower by 9% on a yearly base and fell short of the before crisis levels (in HUF billion: 9M 2008: 310, 9M 2009: 48, 9M 2010: 72, 9M 2011: 65). As a result, the FX-adjusted mortgage loan portfolio declined further (4Q 2010: -0,4%, 1Q 2011: -1,5%, 2Q: -0,2%, 3Q: -0.6% q-o-q). In 3Q mortgage volumes remained basically untouched by mortgage prepayments: by end-September – actually within two days only – altogether 55 clients made repayments under the scheme, which decreased outstanding volumes by HUF 0.5 billion only. However calculating with an anticipated 20% participation rate by the end of the repayments the amount of repaid FX loans can reach HUF 197 billion at closing exchange rates of September.

Recovery of consumer lending is also in delay. Notwithstanding that the Bank’s market share in cash loan sales is at record high levels (9M 2011: 52% versus 9M 2010: 49%), because of weak demand the amount disbursed by OTP somewhat declined compared to the base period (disbursement in HUF billion 9M 2010: 40, 9M 2011: 37), the outstanding FX-adjusted consumer loan portfolio diminished by 0.4% q-o-q and by 4% y-o-y.

The decline in corporate volumes continued and the portfolio dropped by 3% q-o-q, mostly due to a technical factor, though. The fine-tuning of the product segmentation at the collection company (OTP Factoring) negatively influenced the volume of loans to large companies. Adjusted for this effect, volumes would have remained stable (-1% q-o-q). Furthermore, in 3Q even the local government exposure decreased (-4% q-o-q), mainly due to the lower volumes of overdrafts. The SME book increased further, however the growth lost steam (+1%).

The deposit base of OTP Core (together with retail bonds) q-o-q decreased (-3%), but remained practically flat y-o-y. The decline was due to corporate deposit outflows. In line with its improving liquidity position, the bank cut back the corporate deposit rates generating a significant drop in volumes (-18% q-o-q).

On the contrary, municipal deposits, supported by the seasonality in local tax collection, advanced by 25% q-o-q (this type of seasonality has a positive effect in the first and third quarters). The retail deposits together with retail bonds remained stable (up by 2% y-o-y and almost flat q-o-q).

During 9M 2011, the portfolio of issued securities (without retail bonds) decreased by HUF 184 billion (3Q 2011: HUF 309 billion, -38% y-o-y, -37% q-o-q).

The significant drop is related to a disbursement by OTP Mortgage Bank (being part of OTP Core): on 11 July the bank repaid EUR 750 million covered bonds (cca. HUF 199 billion) issued in 2006. Apart from this transaction there were no major covered bond transactions[12] in the past twelve months (neither issuance, nor redemption). Smaller sized HUF denominated mortgage bonds matured in 1Q and 3Q 2011 (altogether in the amount of HUF 32 billion). Those redemptions were partly offset by forint denominated covered bond issues (in the amount of HUF 9 billion) and the increasing amount of forint denominated senior notes bought by Hungarian institutional investors (3Q 2011 closing amount: HUF 85 billion, HUF +39 billion y-o-y, HUF +13 billion q-o-q).

The stand alone capital adequacy ratio of OTP Bank Hungary was at 18.4% in 3Q 2011 – down by 1.5%-points q-o-q. The decline was mainly related to the significant forint weakening in September boosting required regulatory capital for credit and market risk and also increasing the deductions after subsidiary investments. On the positive side, the weaker forint pushed up the nominal values of the Upper and Lower Tier2 elements. The capital adequacy still improved by 0.6% y-o-y. The improvement to a great extent is related to strong 2Q results of the bank under Hungarian Accounting Standards, supported by the dividends collected from subsidiaries (all-in their amount reached HUF 52.2 billion, of which HUF 40.7 billion came from DSK Bulgaria[13] and the HUF 11.6 billion from the Ukraine.

### Summary of the „Home Protection Action Plan" filed by the Prime Minister and the Minister for National Economy to the Parliament on 30 May 2011

The Government and the Hungarian Banking Association announced their „Mortgage Relief Programme", containing several measures aimed at helping mortgage loan debtors with payment difficulties, to address social and economic problems stemming from FX-lending and to develop a schedule of foreclosures.

1. *Fixing of the exchange rate for calculating the monthly instalments and government guarantee*

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates has been announced. Accordingly, natural persons (FX mortgage debtors) can initiate between 12 August and 31 December 2011 the fixing of the exchange rate used to specify the monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates are set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the actual spot exchange rate, banks will provide a special purpose HUF denominated mortgage loan (so called „special account loan"), granting of which is not regulated by the rules of prudent lending. During the time of fixing, the Bank is entitled to charge the 3-months BUBOR interest rate on the forint obligations on the special account. Accumulating interest on the account could be capitalised in every three months. From January 2015, instalments of both the original mortgage and the special account loans have to be paid. From that time the interest rate charged on the special account should not surpass the market rate applicable for forint denominated mortgages provided for the same purpose as the original FX mortgage loan. As regulated by Government Decree no. 163/2011. (VIII.22.) being in force from 25 August 2011., the monthly instalment of the special account loan shall not be higher than 15% of the last instalment paid within the fixed exchange rate period, unless the client asks the credit institution for a higher amount or the fulfilment of other conditions implies a higher instalment. These conditions are as follows: the tenor of the special account loan may exceed that of the original mortgage loan by max. 30 years, whereas the servicing of both the original mortgage loan and the special account loan should come to an end before the debtor reaches 75 years of age.

The Government backs the special account in full through a State Guarantee during the fixed exchange rate period, the guarantee applies to 25% of the special account after 1 January 2015.

2. *Implementation of a quota system for foreclosures*

In accordance with the above mentioned Act, by introducing a quota system for foreclosures, a schedule of foreclosure of residential real estates serving as collateral for mortgage loans has been implemented for the following three years. For the period in between 1 July and 1 October 2011 the Act maintains the auction and foreclosure moratorium, but with further restricted scope – it is not eligible for high value real estates (above HUF 30 million market value and covering at least HUF 20 million loan amount) – and from 1 October 2011 the so called „quota system for foreclosures" will be effective. The quota determines how many real estates – as a ratio of the creditors' DPD90+ loan portfolio – are allowed to be offered for foreclosure on a quarterly base by the lenders. The quarterly quotas for 2011, 2012, 2013 and 2014 are set at 2%, 3%, 4% and 5% respectively. From 2015

[12] The mortgage bond issued by OTP Mortgage Bank on 10 August 2011 with a notional principal of EUR 750 million was mostly purchased by OTP Bank. Only a tranche of EUR 16 million was bought by investors outside OTP Group. Senior notes issued by OTP Bank Hungary are registered on the liability side of the virtual balance sheet of the Corporate Center under the reporting methodology.

[13] The Bulgarian dividend was settled in two instalments: in 2Q 2011 HUF 23.2 billion, in 3Q further HUF 17.5 billion was paid out.

onwards, the quota system as well as any foreclosure moratorium will cease to exist and the system of foreclosures returns to its normal operation in accordance with the rules of civil law and the legislation for lending.

*3. Interest subsidy scheme*

State subsidy is going to be provided on mortgage loans taken out to purchase apartments collateralising delinquent (by at least 180 days) or cancelled mortgage loan contracts. Furthermore mortgage loan debtors with more than 90 days past due instalments can apply for subsidized loan if the debtor concerned decides on selling his home and moving to cheaper accommodation. The interest rate subsidy – depending on the fulfilment of eligibility criteria – is provided up to 5 years, the amount of it shall be 50% of the government bond yield in the first year and is to be gradually decreasing thereafter. As for loans taken out to finance smaller accommodation, the subsidy shall not be more than 3.5%. The cabinet expects some 3 to 5 thousand families to take out the subsidy, which would entail HUF 1.3 billion budget expenditure. The final regulation has not been approved by the deadline of this report.

*4. National Asset Management Company ('NAMC') and social housing program*

The Government proposes to establish a National Asset Management Company. The lender and the debtor can jointly offer the collateral for purchase to NAMC at a selling price fixed by the regulation. NAMC buys the real estate if it is eligible and rent it to the original owner. The NAMC will also build new homes for households in need in the scope of public work programmes. These homes will be offered for rental to the families in need.

*5. Resuming euro denominated mortgage lending*

With strict conditions euro denominated mortgage lending is available again for retail customers. The borrower has to have an income in euro and of at least 15 times the minimum wage to apply for an euro denominated mortgage-backed loan.

**Summary of the „Country Protection Action Plan" filed by the Prime Minister to the Parliament on 12 September 2011**

On 12 September 2011, Hungary's Prime Minister announced a "Country Protection Action Plan" comprising several measures influencing Hungarian lending practices. The proposals directly affecting the banking sector are as follows:

*1. Possibilities for early repayment at fixed, off-market exchange rates*

Full early repayment of FX mortgage loans is to be allowed for debtors at off-market exchange rates of HUF/CHF 180, HUF/EUR 250 or HUF/JPY 2.00. The law, effectuating the early repayment option (Act CXXI 2011 on Amendments of the laws related to home protection) came into force on 29 September 2011. Accordingly, all costs of early repayment transactions should be absorbed by banks, including the loss, stemming from the mismatch between the book value of the loans registered at market rates and the lower amount of the repayment implied by the fixed rates. If the FX borrower meets the eligibility criteria stipulated by the law, banks can not reject the application, and should 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 early repayment option is available for FX mortgage borrowers in case the exchange rate of the forint at origination was weaker than the fixed rates.

• 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.

• The written application should be submitted by 30 December 2011. The fixed exchange rates for the early repayment are applicable only, if the client pays back his loan(s) within 60 days after the application.

Based on the statistics of financial markets regulator (HFSA), in total 29.427 FX mortgage debtors have chosen to repay their loans over the first three weeks of the application period, i.e. out of the total number of FX mortgage debtors (cca. 800 thousand) around 3.7% made prepayments under the scheme. Their outstanding debt amounts to HUF 175 billion (cca. 3.3% of outstanding market volumes), causing HUF 44 billion worth of pre-tax losses for the lenders. By that time all-in 485 pieces of forint loans in the amount of HUF 2.3 billion were originated by the banks to cover prepayment needs.

*2. Ceiling the annual percentage rate ('APR')*

The Hungarian Parliament approved a law[14] on 7th November 2011 which stipulates that the maximum APR of customer loans can exceed the Central Bank's base rate by no more than 24% (given the current 6.0% underlying policy rate the maximum APR is capped at 30%). Consumer loans, credit card loans or loans linked to payment accounts are exempt: in those cases the maximum APR is capped at base rate+39%, i.e. currently at 45%. The regulation will come into effect from 1 January 2012

[14] Act CXLVIII 2011 on ceiling the interest rate and the annual percentage rate on loans and on amendment of financial regulation in order to promote transparency in pricing practices.

and afterwards those limits should be applied for new contracts only.

3. *Costs raising in forint can only be transferred in forint also in case of FX loans*

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 (Act CXXI 2011 on Amendments of the laws related to home protection) came into force on 29 September 2011.

4. *Banks are required to apply a more transparent benchmark-linked interest rate on mortgage loans*

According to the law[17] approved by the Parliament on 7 November 2011, 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. Apart from the interest rate banks are not allowed to charge any other regular expense for clients servicing debt properly or offer preferential rates for a limited period of time. The benchmark rates are as follows: 3 months, 6 months and 12 months BUBOR, EURIBOR or CHF LIBOR, in case of state subsidized loans the 3-year or 5-year benchmark treasury yields. Under such scheme 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 loans with interest rates fixed for longer interest periods, banks should notify the clients about the new applied interest rate minimum 90 days prior to the change so that the client could decide about a potential prepayment. The client is allowed to terminate its contract free of charge at the end of every interest period, thus he can decide about prepaying its loan obligation being notified about the new interest rate terms.

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 fee or early repayment.

The regulation will come into effect from 1 January 2012.

5. *Complete credit registry*

Introduction of a positive credit registry for households, in order to promote sound assessment of creditworthiness, support responsible lending practices and lessen credit risk. The law, effectuating the establishment of a central credit registry (Act CXXII 2011 on Central credit registry) was approved by the Parliament on 19 September and came into force on 11 October 2011.

## *OTP FUND MANAGEMENT (HUNGARY)*

**Changes in assets under management and financial performance of OTP Fund Management:**

| Main components of P&L account in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends, net cash transfer and banking tax | 5,890 | 2,708 | -54% | 1,585 | 910 | 736 | -19% | -54% |
| Pre-tax profit | 7,066 | 3,343 | -53% | 1,957 | 1,123 | 909 | -19% | -54% |
| Total income | 7,327 | 4,326 | -41% | 2,404 | 1,479 | 1,254 | -15% | -48% |
| Net interest income | 174 | 66 | -62% | 5 | 31 | 0 | -100% | -100% |
| Net fee and commission income | 6,942 | 3,633 | -48% | 2,305 | 1,236 | 1,130 | -9% | -51% |
| Other net non-interest income | 211 | 627 | 198% | 94 | 212 | 124 | -42% | 32% |
| Operating expenses | -1,147 | -983 | -14% | -447 | -356 | -345 | -3% | -23% |
| Personnel expenses | -419 | -358 | -15% | -135 | -89 | -149 | 68% | 10% |
| Operating expenses | -968 | -614 | -37% | -562 | -265 | -192 | -28% | -66% |
| Depreciation | -14 | -11 | -18% | -5 | -3 | -4 | 46% | -3% |
| **Main components of balance sheet closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 12,963 | 7,967 | -39% | 12,800 | 7,302 | 7,967 | 9% | -38% |
| Total shareholders' equity | 11,389 | 6,422 | -44% | 11,287 | 5,420 | 6,422 | 18% | -43% |

[15] Act CXLVIII 2011 on ceiling the interest rate and the annual percentage rate on loans and on amendment of financial regulation in order to promote transparency in pricing practices.

| Asset under management in HUF billion | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| **Assets under management, total (w/o duplicates)** | **1,693** | **1,008** | **-40%** | **1,693** | **1,006** | **1,008** | **0%** | **-40%** |
| Retail investment funds (closing, w/o duplicates) | 619 | 610 | -1% | 619 | 601 | 610 | 2% | -1% |
| Volume of managed assets (closing, w/o duplicates) | 1,074 | 398 | -63% | 1,074 | 405 | 398 | -2% | -63% |
| **Volume of investment funds (with duplicates)** | **1,111** | **945** | **-15%** | **1,111** | **1,108** | **945** | **-15%** | **-15%** |
| money market | 349 | 359 | 3% | 349 | 340 | 359 | 6% | 3% |
| bond | 133 | 137 | 3% | 133 | 166 | 137 | -18% | 3% |
| mixed | 15 | 12 | -21% | 15 | 14 | 12 | -12% | -21% |
| security | 462 | 326 | -29% | 462 | 468 | 326 | -30% | -29% |
| guaranteed | 125 | 91 | -27% | 125 | 97 | 91 | -6% | -27% |
| other | 27 | 20 | -25% | 27 | 23 | 20 | -13% | -25% |

**OTP Fund Management** posted 2.7 billion net profit for 9M 2011(excluding the special banking tax on financial institutions, by 54% lower than in 2010 corresponding period. The quarterly after-tax result of the Company was HUF 736 million, representing a decline of 20% on a yearly basis. The decline of operated income was somewhat moderated (-37% y-o-y), it was substantially influenced by the favourable development of operated expenses (-14% y-o-y), since the total income was by 41% below the level realized a year earlier. The income generation was driven by the decline in fund and wealth management fee a s a consequence of the approved regulatory measures coming in force since January 2011. Furthermore, in June 2011 the volume of investment funds units held earlier in the portfolios of private pension funds were transferred to the Government Debt Management Agency. In 3Q 2011 the government has already started the redemption of these units, and as a consequence the related fee on investments funds declined further.

Operating expenses for the 9M 2011 were lower by 14% y-o-y; the decline was mainly driven by the savings on other expenses.

Regarding the domestic market for investment funds following the favourable first quarter, the negative impact of global economic slowdown, the rising funding costs for eurozone banks as well as the unfolding events of Greek debt crisis increased, the redemption of investment funds has intensified further. During 3Q 2011 the volume of asset under management decreased by 8%, was partially driven by the negative investor sentiment, however the transfer of private pension fund assets had also impact. In 3Q 2011 equity funds were significantly influenced by capital withdrawals, the asset of these funds decreased by 33%, was primarily influenced by declining market performance and institutional redemptions.

In case of OTP Fund Management, the net asset value of investment funds suffered a HUF 95 billion capital withdrawal. Mainly equity and stock funds suffered from capital outflow, however in case of money market funds there was a HUF 12 billion capital inflow. During 3Q 2011 the Company launched 4 guaranteed funds, and 1 fund was terminated due to expiration.

The volume of asset under management of the Company (w/o duplicated) represented HUF 1,008 billion. The volume of investment fund transferred to the state is still being reported in the asset under management statistics of OTP Fund Management (on line “volume of investment funds with duplicates”). The q-o-q decrease of this line was primarily driven by redemptions of transferred investment units.

Despite the decline of managed assets in investment funds, OTP Fund Management maintained its market leadership position, as at the end of September 2011 market share stood at 31.5% (adjusted for estimated duplications) representing a 19 basis points decrease q-o-q. The client base of the Company q/q increased by over 7,000 person, due to the favourable market reception of guaranteed and money market funds.

The other two consolidated fund management companies within OTP Group (in Ukraine and in Romania) realized HUF 35 million loss in 9M 2011.

## *MERKANTIL GROUP (HUNGARY)*

**Performance of Merkantil Bank and Car:**

| Main components of P&L account in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends, net cash transfers and one-offs | -907 | 1,811 | -300% | 63 | 36 | 628 | | 904% |
| Pre-tax profit | -907 | 1,811 | -300% | 63 | 36 | 628 | | 904% |
| Operating profit | 6,260 | 7,704 | 23% | 2,189 | 2,448 | 2,146 | -12% | -2% |
| Total income | 9,896 | 12,061 | 22% | 3,337 | 4,023 | 3,416 | -15% | 2% |
| Net interest income | 13,231 | 11,916 | -10% | 4,340 | 3,884 | 3,857 | -1% | -11% |
| Net fees and commissions | -3,122 | -2,548 | -18% | -1,013 | -865 | -820 | -5% | -19% |
| Other net non-interest income without the effect of revaluation of FX provisions | -213 | 2,694 | | 11 | 1,005 | 378 | -62% | |
| Operating expenses | -3,635 | -4,357 | 20% | -1,148 | -1,575 | -1,270 | -19% | 11% |
| Total risk costs | -7,167 | -5,893 | -18% | -2,127 | -2,412 | -1,518 | -37% | -29% |
| Provision for possible loan losses without the effect of revaluation of FX provisions | -7,008 | -5,661 | -19% | -2,091 | -2,340 | -1,419 | -39% | -32% |
| Other provision | -159 | -232 | 46% | -36 | -71 | -99 | 39% | 177% |
| **Main components of balance sheet closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 285,360 | 265,071 | -7% | 291,328 | 249,049 | 265,071 | 6% | -9% |
| Gross customer loans | 308,200 | 300,204 | -3% | 306,253 | 287,882 | 300,204 | 4% | -2% |
| Gross customer loans (FX-adjusted) | 325,901 | 300,204 | -8% | 341,165 | 306,493 | 300,204 | -2% | -12% |
| Retail loans | 403 | 1,727 | 328% | 244 | 1,006 | 1,727 | 72% | 607% |
| Corporate loans | 29,709 | 31,731 | 7% | 32,092 | 30,679 | 31,731 | 3% | -1% |
| Car financing loans | 295,789 | 266,747 | -10% | 308,829 | 274,808 | 266,747 | -3% | -14% |
| Allowances for possible loan losses | -47,550 | -52,526 | 10% | -42,645 | -50,802 | -52,526 | 3% | 23% |
| Allowances for possible loan losses (FX-adjusted) | -48,445 | -52,526 | 8% | -44,141 | -51,722 | -52,526 | 2% | 19% |
| Deposits from customers | 4,784 | 5,311 | 11% | 4,477 | 4,886 | 5,311 | 9% | 19% |
| Deposits from customers (FX-adjusted) | 4,784 | 5,311 | 11% | 4,477 | 4,902 | 5,311 | 8% | 19% |
| Retail deposits | 2,017 | 2,286 | 13% | 1,591 | 2,144 | 2,286 | 7% | 44% |
| Corporate deposits | 2,767 | 3,025 | 9% | 2,886 | 2,758 | 3,025 | 10% | 5% |
| Liabilities to credit institutions | 228,908 | 209,670 | -8% | 228,802 | 194,574 | 209,670 | 8% | -8% |
| Total shareholders' equity | 22,180 | 23,789 | 7% | 29,132 | 23,463 | 23,789 | 1% | -18% |
| **Loan Quality** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| 90+ days past due loan volume (in HUF million) | 50,565 | 56,517 | 11.77% | 50,565 | 54,582 | 56,517 | 3.5% | 11.8% |
| 90+ days past due loans/gross customer loans (%) | 16.5% | 18.8% | 2.3% | 16.5% | 19.0% | 18.8% | -0.1% | 2.3% |
| Cost of risk/average gross loans | 3.05% | 2.49% | -0.56% | 2.62% | 3.32% | 1.92% | -1.40% | -0.70% |
| Total provisions/90+ days past due loans (%) | 84.3% | 92.9% | 8.6% | 84.3% | 93.1% | 92.9% | -0.1% | 8.6% |
| **Performance Indicators (%)** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| ROA | -0.4% | 0.9% | 1.3% | 0.1% | 0.1% | 1.0% | 0.9% | 0.9% |
| ROE | -4.0% | 10.5% | 14.5% | 0.8% | 0.6% | 10.5% | 9.9% | 9.7% |
| Net interest margin | 5.93% | 5.79% | -0.14% | 5.72% | 6.25% | 5.95% | -0.30% | 0.24% |
| Cost/income ratio | 36.7% | 36.1% | -0.6% | 34.4% | 39.2% | 37.2% | -2.0% | 2.8% |

- ***The HUF 1.8 billion after tax profit in 9M 2011 was partly driven by decreasing risk cost***
- ***The DPD90+ rate came down slightly q-o-q to 18.8% the, provision coverage remained stably high at 92.9%***
- ***Continuing decline in car financing volumes despite stronger lending activity in 2011 (the FX-adjusted decrease was 14% y-o-y and 3% q-o-q)***

In the first nine months of 2011, **Merkantil Bank and Car**'s aggregated after tax result totalled to HUF 1.8 billion, excluding the special tax levied on financial institutions. The bank tax amounted to HUF 948 million in 9M 2011 and is shown on the Group level only. The result of the base period was a HUF 0.9 billion loss. The main factors behind the improving result were the higher total income (+22% y-o-y) driven by increasing other net non interest income, and the lower risk cost (-18% y-o-y).

In 9M 2011 the net interest income was 10% lower than in the base period. Factors behind were as follows: intragroup funding spreads became wider; interest income declined because of the gradual decline of the gross loan portfolio; and the non-realized interest income grew further (as a consequence of deteriorating loan portfolio quality). However, the decrease was somewhat offset by the weakening average exchange rate of HUF versus CHF (+12% y-o-y), which exerted a positive effect on the interest income from CHF denominated loans in HUF terms.

The lower 9M net fee and commission expenses (-18% y-o-y) reflects moderate business activity, the accruals for dealer fees that were made in previous years characterized by higher sales volumes are gradually phasing out.

The increase of other net non-interest income influenced 9M 2011 results significantly: a HUF 2.9 billion increment can be seen on this P&L line compared to the base period. The explanation is that in 9M 2010, the loss caused by open FX-positions in Merkantil Group was presented on the other net non-interest income line, which reduced the basis substantially. These open FX positions had been closed in the meantime; therefore, practically no FX-loss caused by open FX-position influenced the other net non-interest income between January and September 2011.

Operating expenditures in the first nine months of 2011 were 20% higher y-o-y; the growth was driven by the higher personnel expenses.

In 9M 2011, provisions for possible loan losses developed favourably compared to previous year, risk cost decreased by 18% y-o-y. Nevertheless, the DPD90+ coverage ratio remained at comfortably high level (92.9%, +8.6%-points y-o-y). The reason for the improving coverage even with lower risk cost is the significantly lower volume of loans falling into more than 90 days of delinquency during the first nine months of 2011 (adjusted for FX-effect: HUF 3 billion in 9M 2011 versus HUF 11 billion in the base period). The DPD90+ ratio reached 18.8%, representing a minimal improvement q-o-q but went up by 2.3%-points y-o-y.

The FX-adjusted car financing loan book continued shrinking in 9M 2011. The FX-adjusted decline was 14% y-o-y and 3% q-o-q. In the course of the first nine months of 2011, the demand for loans developed favourably, the newly disbursed volume was 40% higher y-o-y. The new disbursements in the actual period amounted to almost HUF 10 billion, and within the newly granted loans the share of HUF was 94%. In 2011 the big ticket leasing sales performance showed promising signs, although the portfolio is still relatively low.

## IFRS REPORTS OF THE MAIN SUBSIDIARIES

*In the following parts of the Interim Management Report, the net profit for the period of the subsidiaries are presented without any received dividends and net cash transfers. The structural adjustments on the lines of subsidiaries' Statements of recognised income as well as description of calculation methods of performance indices are to be found in supplementary data annex.*

## OTP BANK RUSSIA

**Performance of OTP Bank Russia:**

| Main components of P&L account in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends, net cash transfers and one-offs | 13,510 | 26,000 | 92% | 8,696 | 9,251 | 9,005 | -3% | 4% |
| Pre-tax profit | 17,847 | 34,259 | 92% | 11,525 | 12,179 | 11,848 | -3% | 3% |
| Operating profit | 35,803 | 56,243 | 57% | 15,207 | 17,882 | 22,197 | 24% | 46% |
| Total income | 71,416 | 100,492 | 41% | 27,566 | 32,375 | 36,679 | 13% | 33% |
| Net interest income | 63,858 | 87,014 | 36% | 24,415 | 28,148 | 30,565 | 9% | 25% |
| Net fees and commissions | 6,361 | 12,282 | 93% | 2,825 | 4,097 | 4,716 | 15% | 67% |
| Other net non-interest income without the effect of revaluation of FX provisions | 1,198 | 1,195 | 0% | 326 | 130 | 1,398 | 974% | 328% |
| Operating expenses | -35,613 | -44,248 | 24% | -12,359 | -14,494 | -14,482 | 0% | 17% |
| Total risk costs | -17,956 | -21,984 | 22% | -3,682 | -5,702 | -10,349 | 81% | 181% |
| Provision for possible loan losses without the effect of revaluation of FX provisions | -18,266 | -21,410 | 17% | -3,449 | -5,579 | -10,038 | 80% | 191% |
| Other provision | 309 | -575 | -286% | -234 | -124 | -311 | 151% | 33% |
| **Main components of balance sheet closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 664,403 | 706,781 | 6% | 653,779 | 608,635 | 706,781 | 16% | 8% |
| Gross customer loans | 508,139 | 597,200 | 18% | 444,152 | 509,943 | 597,200 | 17% | 34% |
| Gross customer loans (FX-adjusted) | 505,555 | 597,200 | 18% | 455,512 | 529,746 | 597,200 | 13% | 31% |
| Retail loans | 401,853 | 533,146 | 33% | 348,994 | 445,872 | 533,146 | 20% | 53% |
| Corporate loans | 87,738 | 50,546 | -42% | 89,972 | 69,421 | 50,546 | -27% | -44% |
| Car financing loans | 15,964 | 13,509 | -15% | 16,546 | 14,454 | 13,509 | -7% | -18% |
| Allowances for possible loan losses | -54,718 | -68,786 | 26% | -59,284 | -57,007 | -68,786 | 21% | 16% |
| Allowances for possible loan losses (FX-adjusted) | -54,574 | -68,786 | 26% | -60,680 | -58,803 | -68,786 | 17% | 13% |
| Deposits from customers | 396,788 | 394,145 | -1% | 354,455 | 367,611 | 394,145 | 7% | 11% |
| Deposits from customer (FX-adjusted) | 395,179 | 394,145 | 0% | 362,592 | 384,040 | 394,145 | 3% | 9% |
| Retail and SME deposits | 262,767 | 320,909 | 22% | 238,703 | 272,672 | 320,909 | 18% | 34% |
| Corporate deposits | 132,411 | 73,235 | -45% | 123,888 | 111,368 | 73,235 | -34% | -41% |
| Liabilities to credit institutions | 117,474 | 89,278 | -24% | 158,513 | 62,084 | 89,278 | 44% | -44% |
| Issued securities | 22,814 | 68,612 | 201% | 20,111 | 34,613 | 68,612 | 98% | 241% |
| Subordinated debt | 15,421 | 15,873 | 3% | 14,862 | 14,437 | 15,873 | 10% | 7% |
| Total shareholders' equity | 97,778 | 120,053 | 23% | 89,720 | 113,177 | 120,053 | 6% | 34% |
| **Loan Quality** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| 90+ days past due loan volume (in HUF million) | 71,321 | 77,437 | 8.6% | 71,321 | 67,748 | 77,437 | 14.3% | 8.6% |
| 90+ days past due loans/gross customer loans (%) | 16.1% | 13.0% | -3.1% | 16.1% | 13.3% | 13.0% | -0.3% | -3.1% |
| Cost of risk/average gross loans (%) | 6.00% | 5.18% | -0.82% | 3.06% | 4.50% | 7.19% | 2.69% | 4.13% |
| Total provisions/90+ days past due loans (%) | 83.1% | 88.8% | 5.7% | 83.1% | 84.1% | 88.8% | 4.7% | 5.7% |
| **Performance Indicators (%)** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| ROA | 2.9% | 5.1% | 2.1% | 5.0% | 6.0% | 5.4% | -0.5% | 0.4% |
| ROE | 22.4% | 31.9% | 9.5% | 38.3% | 33.8% | 30.6% | -3.2% | -7.7% |
| Total income margin | 15.48% | 19.60% | 4.12% | 15.95% | 20.84% | 22.13% | 1.28% | 6.17% |
| Net interest margin | 13.84% | 16.97% | 3.13% | 14.13% | 18.12% | 18.44% | 0.32% | 4.31% |
| Cost/income ratio | 49.9% | 44.0% | -5.8% | 44.8% | 44.8% | 39.5% | -5.3% | -5.4% |
| Net loans to deposits (FX-adjusted) | 109% | 134% | 25% | 109% | 123% | 134% | 11% | 25% |

- ***HUF 26 billion profit for 9M 2011 is almost twice as much as in the base period***
- ***Operating profit surged by 57% y-o-y supported by robust net interest and fee income***
- ***Strong consumer loan disbursement, extremely successful cross-selling of credit card products, further increasing cash loan disbursement***
- ***Cost efficiency is still improving (3Q 2011 CIR at 39.5%, -5.4%-points y-o-y)***

*The HUF denominated financials of OTP Bank Russia were influenced by the development of the RUB/HUF exchange rate: in 3Q 2011 the closing rate of the HUF weakened by 1% y-o-y, while the average rate strengthened by 7% y-o-y against RUB. The 2011 9M average rate shows y-o-y 3% HUF strengthening. Concerning the closing rate of RUB/HUF in 3Q there was a 2% q-o-q depreciation of HUF, while the average rate in 3Q showed about 1% HUF weakening q-o-q.*

After tax profit of **OTP Bank Russia** for 9M 2011 amounted to HUF 26.0 billion, which is almost double the net profit of the base period. In 1H 2010 the Russian subsidiary had to set aside almost HUF 7.8 billion provisions as a one-off item for a corporate exposure defaulting in February (a retailer company called Technosila Group was the debtor). The defaulted exposure was sold in 1H 2011 with a net profit of HUF 1 billion, since the sale price exceeded 10 percent of the exposure, which was not covered by provisions. Adjusting to the above mentioned one-off items, the 9M 2011 profit would have exceeded the yearly base by 31%.

Total income in the first nine months of 2011 showed dynamic increase, net interest income grew by 36%, net fees and commissions jumped by 93% y-o-y. Besides swelling loan volumes higher interest margin (9M 2011: 17%, +3.1%-points y-o-y) also fuelled the increase of net interest income. Net fees and commissions growth was mainly driven by the still outstandingly strong dynamics of consumer lending. Net fees and commissions income grew by 93% y-o-y, which is due to the expanding credit card sales. In line with the stronger business activity operating costs increased (+24% y-o-y), however due to the strong income dynamics operating profit grew even faster, by 57% compared to 9M 2010.

Risk cost increased by 17% y-o-y in 9M 2011, mainly in the third quarter of the year (+80% q-o-q). This is primarily due to a more conservative approach of provisioning overdue credit card loans in order to enhance provision coverage. The provision coverage of problem loans grew q-o-q by 4.7%-points to 88.8% due to the recently enhanced provision coverage of credit card loans.

Although profit after tax in 3Q 2011 declined by 3% q-o-q due to the previously mentioned higher provisions on credit card loans, the robust profit generating ability of the company is still proved by the q-o-q 24% growth of operating profit (+46% y-o-y). The income from core banking activities shaped well, both net interest income (+9% q-o-q, +25% y-o-y) and net fees and commissions income (+15% q-o-q, +67% y-o-y) improved. Moreover, as a result of the favourable USD/RUB exchange rate movements FX-gains also boosted the 3Q profit by about HUF 1.4 billion through other net non-interest income.

Net interest margin further strengthened to 18.4% in 3Q (+0.3%-points q-o-q). Despite the high inflation operating expenses decreased by 1% q-o-q in RUB. Owing to the extremely strong operating income accumulation in the last 3 months, cost/income ratio improved further in 3Q, dropping below 40%, so both yearly and quarterly improvement exceeded 5%-points.

The good financial performance of the Bank is mainly due to the robust increment of the income side supported by the successful sale of consumer loans. Latter is proved by the fact, that the FX-adjusted consumer loan portfolio in 3Q 2011 is more than half as much as in the base period (+68% y-o-y). The outstanding growth is fuelled by the POS loan, credit card loan and cash loan disbursements.

In case of the flagship POS-loan product the dynamics of origination remained outstandingly strong and due to seasonal effects (financing back-to-school retail sales and electronic devices) the portfolio swelled by 18% q-o-q (+39% y-o-y). The Bank managed to keep its No. 2 position on the market, its market share reached 20% by the end of September.

The other success story of the Bank, the credit card business continued its massive expansion, in 3Q 2011 the portfolio grew by 59% y-o-y and 11% q-o-q. Besides the outstanding dynamics of card issues (in 3Q almost 500 thousand card were sent out), utilization rate also kept its high level, so with respect to credit card loans the bank is the 5th largest player on the Russian market. Further improvements are possible with co-branded cards, and alternative sales channels.

It is also favourable that cash loans sold in the branch network started to thrive in the course of 2010, in 3Q 2011 the portfolio grew from a relatively low base by +231% y-o-y and +51% q-o-q. After changing some conditions of the product, the average loan size has been growing since 2Q 2011, so 3Q cash loan portfolio is almost 70% of the size of the credit card loan portfolio. The sale of cash loans was supported with a new risk based pricing method and advertising campaign.

Due to the low margins the management deliberately cut back the corporate loan portfolio, in 3Q 2011 the portfolio shrank both on the yearly as well as on quarterly basis (-44% y-o-y and -27%

q-o-q), it is to be noted that loan sale also took its toll in these changes.

The growth of FX-adjusted deposits in 3Q 2011 was 9% y-o-y, while on a quarterly base the portfolio increased by 3%. In course of 3Q there was a technical transfer of SME deposits from the corporate portfolio to the retail portfolio, so 2011 3Q data are not comparable with the previous quarters' data. Adjusted to the transfer the corporate deposit base grew by 5% y-o-y (+16% q-o-q), while retail deposit base grew by 11% on the yearly basis (q-o-q -3%); within that the highest growth was achieved in the otherwise dominating term deposits segment.

As the combined effect of the above changes the FX-adjusted net loans to deposits ratio further increased (3Q 2011: 134%, +25%-points y-o-y, +11%-points q-o-q). By reason of financing the significant growth on the asset side, the interbank funding of the Bank increased q-o-q (+44%). At the same time, in order to diversify its funding base, the Bank continued its bond issuance programme launched in March 2011. After the first, highly successful RUB 2.5 billion bond transaction in March 2011 the Bank printed a RUB 5 billion paper in July. Both bonds have 3 years maturity and 8.25% and 7.95% coupon rate, respectively. After balance sheet close, in November 2011 the bank concluded another successful bond issuance. The bond has a face value of RUB 4 billion, 3 years of maturity (with a one year put option), and due to the turbulent market conditions a bit higher coupon than its predecessors (10.5%). In the beginning of July 2011 Moody's upgraded the Bank's Bank Financial Strength Rating (BFSR) from "E+" to "D-" with stable outlook, and in October it put the Bank's ratings on review for downgrade triggered by the same action in connection with the mother bank's ratings.

Parallel with the growing business operations the number of employees grew q-o-q by 59 to 5,019 by the end of 2Q, at the same time the number of branches decreased from 158 to 143. The number of POS loan agents increased by 15% q-o-q in 3Q approaching 20 thousand.

## *DSK GROUP (BULGARIA)*[16]

**Performance of DSK Group:**

| Main components of P&L account in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends, net cash transfers and one-offs | 14,511 | 8,718 | -40% | 5,292 | 2,015 | 3,219 | 60% | -39% |
| Pre-tax profit | 16,125 | 9,688 | -40% | 5,882 | 2,240 | 3,574 | 60% | -39% |
| Operating profit | 40,806 | 44,378 | 9% | 15,046 | 14,619 | 14,651 | 0% | -3% |
| Total income | 63,971 | 67,985 | 6% | 23,050 | 22,301 | 22,720 | 2% | -1% |
| Net interest income | 51,377 | 54,731 | 7% | 18,545 | 17,942 | 18,379 | 2% | -1% |
| Net fees and commissions | 11,395 | 11,318 | -1% | 4,073 | 3,849 | 3,950 | 3% | -3% |
| Other net non-interest income | 1,198 | 1,936 | 62% | 431 | 510 | 391 | -23% | -9% |
| Operating expenses | -23,165 | -23,607 | 2% | -8,004 | -7,681 | -8,068 | 5% | 1% |
| Total provisions | -24,681 | -34,690 | 41% | -9,164 | -12,380 | -11,077 | -11% | 21% |
| Provision for possible loan losses | -24,662 | -34,772 | 41% | -9,172 | -12,455 | -11,075 | -11% | 21% |
| Other provision | -19 | 81 | -532% | 8 | 75 | -2 | -103% | -127% |
| **Main components of balance sheet closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 1,218,627 | 1,254,625 | 3% | 1,205,428 | 1,149,230 | 1,254,625 | 9% | 4% |
| Gross customer loans | 1,072,128 | 1,146,641 | 7% | 1,062,335 | 1,030,118 | 1,146,641 | 11% | 8% |
| Gross customer loans (FX-adjusted) | 1,123,415 | 1,146,641 | 2% | 1,119,034 | 1,133,055 | 1,146,641 | 1% | 2% |
| Retail loans | 902,472 | 907,148 | 1% | 902,299 | 903,279 | 907,148 | 0% | 1% |
| Corporate loans | 220,943 | 239,492 | 8% | 216,735 | 229,776 | 239,492 | 4% | 11% |
| Allowances for possible loan losses | -96,706 | -138,590 | 43% | -85,576 | -115,352 | -138,590 | 20% | 62% |
| Allowances for possible loan losses (FX-adjusted) | -101,330 | -138,590 | 37% | -89,784 | -126,871 | -138,590 | 9% | 54% |
| Deposits from customers | 847,807 | 932,887 | 10% | 842,458 | 843,881 | 932,887 | 11% | 11% |
| Deposits from customer (FX-adjusted) | 887,961 | 932,887 | 5% | 887,616 | 930,346 | 932,887 | 0% | 5% |
| Retail deposits | 768,280 | 806,017 | 5% | 749,324 | 792,056 | 806,017 | 2% | 8% |
| Corporate deposits | 119,681 | 126,870 | 6% | 138,292 | 138,290 | 126,870 | -8% | -8% |
| Liabilities to credit institutions | 37,541 | 7,077 | -81% | 31,006 | 6,796 | 7,077 | 4% | -77% |
| Subordinated debt | 97,866 | 103,005 | 5% | 97,609 | 93,270 | 103,005 | 10% | 6% |
| Total shareholders' equity | 217,992 | 192,883 | -12% | 213,015 | 189,704 | 192,883 | 2% | -9% |

[16] Since 3Q 2010 based on the consolidated Profit and Loss Statement of DSK Group and the newly established Bulgarian factoring company, OTP Factoring Bulgaria LLC. Loan portfolio contains the assets sold to the factoring company at pre-sale gross value and with the related provisioning.

| Loan Quality | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| 90+ days past due loan volume (in HUF million) | 113,809 | 172,566 | 51.6% | 113,809 | 145,579 | 172,566 | 18.5% | 51.6% |
| 90+ days past due loans/gross customer loans (%) | 10.7% | 15.0% | 4.34% | 10.7% | 14.1% | 15.0% | 0.92% | 4.34% |
| Cost of risk/average gross loans (%) | 3.16% | 4.19% | 1.04% | 3.37% | 4.87% | 4.04% | -0.83% | 0.67% |
| Total provisions/90+ days past due loans (%) | 75.2% | 80.3% | 5.1% | 75.2% | 79.2% | 80.3% | 1.1% | 5.1% |
| **Performance Indicators (%)** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| ROA | 1.6% | 0.9% | -0.7% | 1.7% | 0.7% | 1.1% | 0.4% | -0.7% |
| ROE | 9.6% | 5.7% | -3.9% | 9.8% | 4.0% | 6.7% | 2.6% | -3.2% |
| Total income margin | 7.09% | 7.35% | 0.26% | 7.49% | 7.78% | 7.50% | -0.29% | 0.01% |
| Net interest margin | 5.69% | 5.92% | 0.22% | 6.02% | 6.26% | 6.07% | -0.20% | 0.04% |
| Cost/income ratio | 36.21% | 34.72% | -1.49% | 34.72% | 34.44% | 35.51% | 1.07% | 0.79% |
| Net loan to deposit ratio (FX-adjusted) | 116% | 108% | -8% | 116% | 108% | 108% | 0% | -8% |

- ***Improving operating income (+9% y-o-y) coupled with decreasing 9M after tax profit (-40% y-o-y) due to higher credit risk costs (+41% y-o-y)***
- ***Slightly increasing loan and deposit portfolio y-o-y, 108% net loan-to-deposit rate***
- ***Y-o-y improving net interest margin (5.92%)***
- ***Continuously outstanding cost efficiency (cost/income ratio 9M 2011: 34.7%)***
- ***Moderating pace of portfolio deterioration, increasing DPD90+ coverage (80.3%)***

*HUF denominated financials of DSK Group were highly influenced by the development of the BGN/HUF exchange rate: in 3Q 2011 the closing rate of the HUF weakened by 5% y-o-y and 10% q-o-q against BGN, while the 9M average rate depreciated by 2% y-o-y.*

9M 2011 the **DSK Group** posted HUF 8.7 billion after tax profit, by 40% less than a year ago. Despite the 9% growth of operating income the drop is primarily due to the y-o-y +41% higher provisioning for loan losses due to portfolio quality deterioration and the amended, more conservative portfolio qualification methodology. 9M 2011 total income was higher by 6% y-o-y as a result of higher net interest income and lower net fee and commission income (+7% and -1% respectively). It was a positive improvement that on a yearly base 9M 2011 net interest margin increased by 22 basis points to 5,92%, mainly as a result of pricing and liquidity management measures taken on the liability side. Due to the stringent cost control the 9M cost/income ratio improved by 1.5%-points y-o-y (9M 2011: 34.7%, 9M 2010: 36.2%), and operating expenses increased by only 2% y-o-y.

In the last nine months the loan portfolio quality deterioration moderated quarter by quarter. Still, in 3Q the level of DSK's DPD90+ portfolio lagged behind that of the Bulgarian banking sector, which was improved by partial write-offs. Ratio of DPD90+ loans rose from 14.1% to 15% q-o-q. The highest, 1.8%-point increase was experienced at mortgage loans (from 14.8% to 16.6%). In case of consumer loans DPD90+ rate was up from 12.3% to 13.2%, while in SME segment the ratio rose from 36.6% to 37.9%. However, in the corporate segment the DPD90+ rate decreased from 8.6% to 8.3% q-o-q due to a 90 basis point improvement in July, partially due to restructuring. Due to significant provisioning the coverage ratio grew to 80.3% (+5.1%-points y-o-y, +1.1%-points q-o-q).

In 9M 2011 total revenues of DSK improved further (in HUF y-o-y +6%, q-o-q +2%), within that net interest income grew and fee income was stable. Net interest margin gained momentum also (y-o-y +22 basis points, q-o-q -20 basis points): Due to its outstanding liquidity position the Bank managed to keep its deposit rates below the market level since 2010. As a result of continuous deposit rate cuts by the end of August the DSK's market share was down to 17.6% in the retail segment (-108 basis point y-o-y) and to 5.4% in the corporate segment (-69 basis points y-o-y). Still, its market share in customer deposits is 11.8% in 3Q 2011 (-74 basis points y-o-y).

As for 9M, due to the prolonged mortgage and consumer loan campaigns FX-adjusted loan portfolio increased slightly (+2% y-o-y). Within the stagnating retail portfolio the mortgage book y-o-y was up by 3%, while consumer loans declined by 1% (+1% and 0% q-o-q, respectively). Thanks to the successful product package campaign corporate loan book increased by 11% y-o-y (+4% q-o-q), thus the bank managed to keep its loan book almost unchanged y-o-y. Corporate loan demand aimed at working capital and refinancing loans, but since 2Q demand also picked up for investment loans, mainly for EU co-financed projects. The SME loan book decreased by 4% y-o-y, in September the Bank launched a promotional campaign to boost the loan portfolio. DSK's market share improved by 13 basis points to 14.3%. Within that the Bank has a stable 30.1% market share in retail and 6.2% in corporate loans.

In spite of the previously mentioned pricing measures, FX-adjusted deposit book of the Bank grew by 5% y-o-y. Within that, the retail deposits had 8% expansion, however the average deposit rates for new and old deposits being below the market average. In the same period the corporate deposit book dropped by 8% y-o-y with average interest rate also below the average market level. At the end of September the FX-adjusted net loan-to-deposit rate was 108% (0%-point q-o-q, -8%-points y-o-y). The amount of interbank funding, which was diminished in 1Q 2011 due to outstandingly strong liquidity position of the Bank, shrank by 5% q-o-q in BGN (in HUF +4%, exchange rate effect). The subordinated capital base remained flat in BGN (in HUF +10% q-o-q, exchange rate effect).

Capital position of DSK is still very strong, the capital adequacy ratio is almost twice as high as the regulatory minimum (3Q 2011: 23.4% vs. 12%; Tier1 ratio: 16.9% vs. 6%). Ytd 16% decrease of shareholders equity in BGN (in HUF -12%) is caused by dividend payment to the mother bank. DSK paid in June BGN 170.6 million (HUF 23.2 billion) and in September BGN 127.5 million (HUF 16.9 billion) out of the retained earnings for 2009 and 2010. However this dividend payment had no negative impact either on the size of the regulatory capital or capital adequacy ratio.

As part of its Private Banking Project launched in this year, in 3Q DSK opened three new branches (thus number of branches is 386), number of employees increased by 63 employees to 4,463 q-o-q.

## *OTP BANK UKRAINE*[17]

**Performance of OTP Bank Ukraine:**

| Main components of P&L account in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends, net cash transfers | 6,066 | 7,827 | 29% | 4,959 | 5,100 | 1,865 | -63% | -62% |
| Pre-tax profit | 6,059 | 8,000 | 32% | 4,959 | 5,113 | 2,025 | -60% | -59% |
| Operating profit | 27,930 | 18,978 | -32% | 8,792 | 5,488 | 5,101 | -7% | -42% |
| Total income | 46,132 | 37,485 | -19% | 15,234 | 11,339 | 11,892 | 5% | -22% |
| Net interest income | 38,640 | 29,168 | -25% | 12,335 | 9,249 | 9,369 | 1% | -24% |
| Net fees and commissions | 5,657 | 6,116 | 8% | 2,175 | 1,921 | 2,343 | 22% | 8% |
| Other net non-interest income without the effect of revaluation of FX provisions | 1,835 | 2,201 | 20% | 724 | 169 | 181 | 7% | -75% |
| Operating expenses | -18,201 | -18,508 | 2% | -6,442 | -5,851 | -6,791 | 16% | 5% |
| Total risk costs | -21,871 | -10,978 | -50% | -3,833 | -375 | -3,077 | 721% | -20% |
| Provision for possible loan losses without the effect of revaluation of FX provisions | -21,436 | -10,921 | -49% | -3,997 | -470 | -3,062 | 552% | -23% |
| Other provision | -435 | -57 | -87% | 164 | 95 | -14 | -115% | -109% |
| **Main components of balance sheet closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 715,760 | 713,537 | 0% | 725,526 | 609,337 | 713,537 | 17% | -2% |
| Gross customer loans | 692,878 | 702,643 | 1% | 660,940 | 585,434 | 702,643 | 20% | 6% |
| Gross customer loans (FX-adjusted) | 716,942 | 702,643 | -2% | 701,335 | 684,504 | 702,643 | 3% | 0% |
| Retail and SME loans | 335,250 | 312,711 | -7% | 337,960 | 318,811 | 312,711 | -2% | -7% |
| Corporate loans | 327,534 | 345,134 | 5% | 310,225 | 319,422 | 345,134 | 8% | 11% |
| Car financing loans | 54,158 | 44,797 | -17% | 53,150 | 46,271 | 44,797 | -3% | -16% |
| Allowances for possible loan losses | -154,126 | -170,888 | 11% | -141,068 | -143,849 | -170,888 | 19% | 21% |
| Allowances for possible loan losses (FX-adjusted) | -159,529 | -170,888 | 7% | -149,678 | -168,175 | -170,888 | 2% | 14% |
| Deposits from customers | 190,061 | 219,133 | 15% | 182,207 | 177,491 | 219,133 | 23% | 20% |
| Deposits from customer (FX-adjusted) | 196,583 | 219,133 | 11% | 192,258 | 206,111 | 219,133 | 6% | 14% |
| Retail and SME deposits | 117,101 | 126,122 | 8% | 112,847 | 123,491 | 126,122 | 2% | 12% |
| Corporate deposits | 79,482 | 93,011 | 17% | 79,411 | 82,620 | 93,011 | 13% | 17% |
| Liabilities to credit institutions | 366,979 | 325,229 | -11% | 378,403 | 285,557 | 325,229 | 14% | -14% |
| Subordinated debt | 43,895 | 44,149 | 1% | 43,723 | 37,888 | 44,149 | 17% | 1% |
| Total shareholders' equity | 109,469 | 108,752 | -1% | 113,076 | 93,518 | 108,752 | 16% | -4% |
| **Loan Quality** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| 90+ days past due loan volume (in HUF million) | 190,523 | 216,406 | 13.59% | 190,523 | 190,536 | 216,406 | 13.6% | 13.6% |
| 90+ days past due loans/gross customer loans (%) | 28.8% | 30.8% | 1.97% | 28.8% | 32.5% | 30.8% | -1.75% | 1.97% |
| Cost of risk/average gross loans (%) | 4.30% | 2.09% | -2.21% | 2.23% | 0.31% | 1.89% | 1.57% | -0.34% |
| Total provisions/90+ days past due loans (%) | 74.0% | 79.0% | 4.92% | 74.0% | 75.5% | 79.0% | 3.5% | 4.9% |

[17] From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the financial statement and balance sheet of LLC OTP Credit was also added.

| Performance Indicators (%) | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| ROA | 1.1% | 1.5% | 0.3% | 2.5% | 3.3% | 1.1% | -2.2% | -1.4% |
| ROE | 8.0% | 9.6% | 1.6% | 17.2% | 20.9% | 7.3% | -13.6% | -9.9% |
| Total income margin | 8.59% | 7.01% | -1.57% | 7.72% | 7.27% | 7.13% | -0.13% | -0.59% |
| Net interest margin | 7.19% | 5.46% | -1.73% | 6.25% | 5.93% | 5.62% | -0.31% | -0.63% |
| Cost/income ratio | 39.5% | 49.4% | 9.9% | 42.3% | 51.6% | 57.1% | 5.5% | 14.8% |
| Net loan to deposit ratio (FX-adjusted) | 287% | 243% | -44% | 287% | 251% | 243% | -8% | -44% |

- ***Net result in 9M 2011 was higher by almost 30% compared to the base period, basically due to the halved risk cost***
- ***The disbursement of POS-loans showed a dynamic quarterly growth, the FX-adjusted corporate loan book expanded as well (+8% q-o-q)***
- ***DPD90+ ratio decreased by 1.75%-points q-o-q, the loan portfolio quality improved in 3Q 2011, the DPD90+ coverage grew further (+3.5%-points q-o-q)***
- ***The FX-adjusted retail and corporate deposit base expanded further on a yearly basis (+12%, and +17%)***

*Regarding the HUF denominated balance sheet items of OTP Bank Ukraine it should be considered that the depreciation of the quarterly closing rate of HUF against UAH (+17% q-o-q, +6% y-o-y) causing significant distortion. However, the HUF denominated financials were influenced by the appreciation of HUF average rate versus UAH (+8% y-o-y). At the same time the UAH exchange rate against the USD remained relatively stable during the period under review.*

In 9M 2011 **OTP Bank Ukraine** realized HUF 7.8 billion after-tax profit, which is almost 30% higher than a year earlier. The favourable profit trend was basically driven by the significant decrease of risk cost (-50% y-o-y), while the coverage of non-performing loans improved further (+5%-points y-o-y). The operating income of the Bank shrank by 32% on a yearly basis; however the income dynamics in UAH terms reflected a moderate decrease due to the depreciation of the UAH against the HUF. Total income for the first nine months dropped y-o-y by 12% in UAH terms; while operating expenses of the period were 11% higher in UAH terms over a year earlier.

The net interest income diminished by 18% y-o-y in UAH terms. Main reasons were as follows: the average interest-bearing loan volumes diminished further driven by the moderate business activity. On the other hand the transfer of the delinquent portfolio to OTP Factoring (Ukraine) has unfavourable impact on interest income generation as well, since the Bank does not book any interest income on transferred portfolio; however their volumes are still kept in OTP Bank Ukraine's balance sheet. Up until recently, the Bank has transferred loans in the amount of roughly HUF 164 billion to its Ukrainian factoring company, at the same time the growth rate of transferred loan volumes decreased significantly y-o-y parallel with the modest loan portfolio deterioration. Accordingly, the net interest income generation show signs of stabilization in UAH terms (-3% q-o-q). The quarterly decrease of net interest margin (31 basis points q-o-q) was partially explained by exchange rate effect, in UAH terms it shows a moderate decline (-17 basis points q-o-q).

The net fee and commission income in the first nine months showed a dynamic growth (+18% y-o-y in UAH terms). On the one hand, the favourable development was supported by the increasing disbursement of consumer loans. On the other hand, deposit and payment related fees, as well as, the card and transaction related fees grew further, due to the steady improvement of card related products and services.

During 9M 2011 periodic operating expenses surged by 11% y-o-y in UAH terms; o/w personnel and other expenses increased further. The quarterly growth in other expenses was mainly due to advisory fees in relation with projects aiming to support the rationalization of banking operations, however additional cost emerged parallel with the expansion of POS lending base. Accordingly, the recruitment of selling agents came into focus, the number of agents increased by more than 970 people ytd. As a consequence of network rationalization, some of the branches were closed (-32 branches) and the staff level of the Bank decreased by 167 people ytd (3Q 2011: 3,068 people). Periodic costs, associated with these above mentioned processes, also put a downward pressure on income generation.

The portfolio deterioration was showing a decelerating trend on a yearly basis (FX-adjusted DPD90+ loan volumes grew by HUF 26 billion in 9M 2010 and by HUF 5 billion in 9M 2011). Accordingly, the periodic risk cost volumes decreased significantly y-o-y (-42% in UAH terms), DPD90+ coverage increased by 5%-points y-o-y.

Regarding the quality of the loan portfolio, it should be emphasized that in 3Q 2011 DPD90+ ratio decreased by 1.75%-points q-o-q reaching 30.8%. The spectacular turnaround was partially due to improvement of corporate lending (FX-adjusted volumes grew by +8% q-o-q), while the DPD90+ ratio of the corporate segment reflected a 3.6%-points q-o-q decrease as a result of repayments of earlier non-performing corporate loans. Regarding the retail segment, apart from POS lending, the revival of retail lending activity still misses momentum. The ratio of restructured retail loans increased further, representing 44.5% (+1.5%-points q-o-q) by the end of September.

The expansion of retail consumer lending is still in the focus of the Bank lending activity. The network development reflected a dynamic growth during the last 6 months; the bank is currently recruiting its regional agency network and partnering up with retail chains. OTP Credit has started its operation in March 2011; the new entity has already originated POS-loans in the volume of UAH 84 million.

The FX-adjusted deposit base expanded by 14% y-o-y, and by 6% q-o-q, however, the Bank – unlike its main competitors – did not launch deposit campaign in 9M 2011. The growth of retail deposit base was mainly fuelled by the increase of sight deposits. Simultaneously, the FX-adjusted corporate deposit base increased by 17% y-o-y.

The Ukrainian subsidiary retained its stable capital position, the capital adequacy ratio calculated under local standards increased by 0.6%-points q-o-q, reaching 20.3% (regulatory minimum 10%) as at the end of September 2011.

## *OTP BANK ROMANIA*

**Performance of OTP Bank Romania:**

| Main components of P&L account in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends, net cash transfers and one-offs[1] | -4,197 | 1,465 | -135% | -2,142 | 1,326 | -9 | -101% | -100% |
| Pre-tax profit | -4,195 | 1,577 | -138% | -2,141 | 1,327 | 93 | -93% | -104% |
| Operating profit | 6,152 | 6,493 | 6% | 2,537 | 1,559 | 2,382 | 53% | -6% |
| Total income | 15,894 | 16,066 | 1% | 5,719 | 4,787 | 5,444 | 14% | -5% |
| Net interest income | 13,043 | 13,555 | 4% | 4,887 | 5,032 | 4,731 | -6% | -3% |
| Net fees and commissions | 1,832 | 1,768 | -3% | 578 | 642 | 566 | -12% | -2% |
| Other net non-interest income without the effect of revaluation of FX provisions | 1,019 | 742 | -27% | 255 | -887 | 147 | -117% | -42% |
| Operating expenses | -9,742 | -9,573 | -2% | -3,182 | -3,228 | -3,062 | -5% | -4% |
| Total risk costs | -10,346 | -4,916 | -52% | -4,678 | -232 | -2,289 | 886% | -51% |
| Provision for possible loan losses without the effect of revaluation of FX provisions | -10,308 | -4,860 | -53% | -4,692 | -189 | -2,264 | | -52% |
| Other provision | -38 | -56 | 47% | 14 | -44 | -25 | -42% | -280% |
| **Main components of balance sheet[2] closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 424,464 | 453,877 | 7% | 393,855 | 401,883 | 453,877 | 13% | 15% |
| Gross customer loans | 329,005 | 367,923 | 12% | 313,695 | 332,483 | 367,923 | 11% | 17% |
| Gross customer loans (FX-adjusted) | 349,433 | 367,923 | 5% | 347,336 | 362,532 | 367,923 | 1% | 6% |
| Retail loans | 255,800 | 267,915 | 5% | 253,337 | 263,343 | 267,915 | 2% | 6% |
| Corporate loans | 93,633 | 100,008 | 7% | 93,999 | 99,189 | 100,008 | 1% | 6% |
| Allowances for possible loan losses | -24,702 | -31,322 | 27% | -19,935 | -26,593 | -31,322 | 18% | 57% |
| Allowances for possible loan losses (FX-adjusted) | -26,014 | -31,322 | 20% | -21,435 | -29,001 | -31,322 | 8% | 46% |
| Deposits from customers | 112,619 | 123,842 | 10% | 102,521 | 95,839 | 123,842 | 29% | 21% |
| Deposits from customers (FX-adjusted) | 117,266 | 123,842 | 6% | 107,639 | 104,038 | 123,842 | 19% | 15% |
| Retail deposits | 76,774 | 91,187 | 19% | 76,540 | 80,431 | 91,187 | 13% | 19% |
| Corporate deposits | 40,492 | 32,654 | -19% | 31,099 | 23,608 | 32,654 | 38% | 5% |
| Liabilities to credit institutions | 266,155 | 271,916 | 2% | 247,208 | 254,104 | 271,916 | 7% | 10% |
| Total shareholders' equity | 25,144 | 27,233 | 8% | 22,126 | 25,392 | 27,233 | 7% | 23% |
| **Loan Quality** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| 90+ days past due loan volume (in HUF million) | 30,167 | 48,276 | 60% | 30,167 | 39,802 | 48,276 | 21% | 60% |
| 90+ days past due loans/gross customer loans (%) | 9.6% | 13.1% | 3.5% | 9.6% | 12.0% | 13.1% | 1.1% | 3.5% |
| Cost of risk/average gross loans (%) | 4.54% | 1.86% | -2.68% | 5.86% | 0.24% | 2.56% | 2.33% | -3.30% |
| Total provisions/90+ days past due loans (%) | 66.1% | 64.9% | -1.2% | 66.1% | 66.8% | 64.9% | -1.9% | -1.2% |
| **Performance Indicators (%)** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| ROA | -1.5% | 0.4% | 1.9% | -2.1% | 1.4% | 0.0% | -1.4% | 2.1% |
| ROE | -23.6% | 7.5% | 31.0% | -36.6% | 21.1% | -0.1% | -21.2% | 36.5% |
| Total income margin | 5.60% | 4.89% | -0.70% | 5.65% | 4.88% | 5.05% | 0.17% | -0.61% |
| Net interest margin | 4.59% | 4.13% | -0.46% | 4.83% | 5.13% | 4.39% | -0.74% | -0.44% |
| Cost/income ratio | 61.3% | 59.6% | -1.7% | 55.6% | 67.4% | 56.2% | -11.2% | 0.6% |
| Net loans to deposits (FX-adjusted) | 303% | 272% | -31% | 303% | 321% | 272% | -49% | -31% |

[1] Adjusted with result of CIRS swap transactions executed with OTP Bank in relation to interbank financing.
[2] Before transfer balance sheet numbers are displayed

- ***HUF 1.5 billion after tax profit in 9M 2011, the good operating profit (+6%) and the halving risk cost were the sources of the significant y-o-y improvement***
- ***The loan quality deterioration continued while the coverage ratio went down by 1.9%-points q-o-q***
- ***In the first nine months the lending activity was focused on retail mortgage- and SME lending, but a pick-up was observed in case of corporate lending as well***
- ***FX adjusted deposits jumped q-o-q by 19%, the engine of growth was the corporate segment***

*The Bank's financial performance in HUF terms was influenced by the FX rate changes. The closing FX rate of HUF versus RON weakened by 3% y-o-y and by 7% q-o-q. The 9M average FX rate of HUF versus RON strengthened by 2% y-o-y.*

**OTP Bank Romania** realized HUF 1.5 million after tax profit in 9M 2011 compared to the loss of HUF 4.2 billion in the base period. The spectacular turnaround was due to the strong operating profit (+6% y-o-y) and the risk cost declining by more than 50%.

In 9M 2011 the net interest income advanced by 4% y-o-y. The main reason for that: part of the revaluation result of swaps made for liquidity management purposes was booked on net interest income line. This revaluation result reached +HUF 880 million in 9M 2011 (-HUF 320 million in 1Q, +HUF 840 million in 2Q and +HUF 360 million in 3Q). Excluding the swap revaluation result the net interest income declined by 1% y-o-y. The net interest income was positively influenced by the lower deposit interest expenses, but the Bank charged lower client interest rates on the asset side as well.

The 3Q net interest income slipped by 6%, but excluding the swap revaluation result it would have gone up by 4%. The 3Q net interest income without swap effect was positively influenced by the weak RON versus the core currencies, and the expanding loan volumes (adjusted for the FX-effect). These factors were partly offset by the elevated interest expenses on deposits as the significant deposit expansion was the result of new SME and corporate deposits collected with attractive deposit rates in 3Q. The net interest margin (excluding the swap effect) narrowed by 20 basis points as a consequence of the significantly expanding total assets.

The 9M net fee and commission income lagged behind the base period by 3% because of the base effect (without the non-recurring type fee income booked in 2Q 2010 the net fee income would have increased by 2% y-o-y). In 3Q 2011 net fees dropped by 12% explained by a correction in accounting.

In 9M 2011 the other net non-interest income declined by 27% y-o-y. The otherwise volatile FX result showed a rebound in 3Q after the significant loss realized in the previous quarter.

The operating costs came out 2% below the 9M 2010 level, thanks to the lower depreciation and personnel expenses; other costs were stable. The effective cost control remained in place, taking into consideration the inflationary environment. The 5% q-o-q cost saving in 3Q 2011 was the consequence of lower bonuses and marketing expenses.

The development of the 9M after tax result was determined by the significantly decreasing risk cost (-52% y-o-y). Although the portfolio quality deterioration continued, its pace showed a significant slow-down.

The portfolio quality worsened in 3Q 2010 in every segment. The deterioration came mainly from the mortgage loan portfolio. The DPD90+ ratio reached 13.1% at end-September (+1.1%-points q-o-q).

The Bank implemented an IFRS methodological change in 2Q 2011. Accordingly, as a one-off effect, part of the stock of the provision set aside in relation to households' loans was released. In accordance with the new methodology, this released provision will be added again in the coming quarters (with different pace in the different portfolio segments). In 3Q 2011 risk cost approached the 1Q level again, while the coverage of loans with more than 90 days of delay declined q-o-q by 1.9%-points to 64.9%.

At the end of the third quarter 13% of the households' loan portfolio was involved in the debtor protection program without the re-defaulted volumes, while a year ago this ratio was 12%.

The FX-adjusted gross loan portfolio expanded by 1% q-o-q and 6% y-o-y. After the lending campaigns with extensive marketing support launched at the end of 2010, the volume of mortgage and SME loans expanded further: regarding the mortgage portfolio the growth reached 7% y-o-y, while SME loans expanded by 16%. The SME lending boomed during 2Q 2011 followed by a stagnation in 3Q. After the setback seen in the course of 2010, the corporate loan volumes expanded in every quarter in 2011 (+7% YTD and +1% q-o-q, adjusted for the FX-effect).

Thanks to the attractive offered deposit rates in the corporate business, the total deposit volumes jumped by 19% in 2Q 2011 q-o-q (FX-adjusted). SME deposits grew by 36% q-o-q. The corporate volumes climbed by 38% q-o-q, so the portfolio recovered after the significant drop in the previous two quarters (+5% y-o-y). The households' deposits showed a more balanced trajectory (+3% q-o-q and +5% y-o-y).

During the nine months of the year, the branch number decreased by 4 units to 102. The number of employees reached 1,009 on 30 September 2011 (-115 persons y-o-y, +28 persons q-o-q).

## OTP BANKA HRVATSKA (CROATIA)

**Performance of OTP banka Hrvatska:**

| Main components of P&L account in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends and net cash transfers | 1,716 | 4,176 | 143% | 547 | 711 | 3,225 | 354 | 490% |
| One-off items, after-tax | 0 | 3,440 | | 0 | 0 | 3,440 | | |
| After tax profit w/o dividends, net cash transfers and one-offs | 1,716 | 736 | -57% | 547 | 711 | -215 | -130% | -139% |
| Pre-tax profit | 2,159 | 920 | -57% | 688 | 887 | -269 | -130% | -139% |
| Operating profit | 4,814 | 5,946 | 24% | 2,049 | 2,119 | 2,334 | 10% | 14% |
| Total income | 14,832 | 15,838 | 7% | 5,449 | 5,354 | 5,633 | 5% | 3% |
| Net interest income | 10,311 | 11,259 | 9% | 3,802 | 4,041 | 3,705 | -8% | -3% |
| Net fees and commissions | 2,947 | 2,904 | -1% | 1,142 | 943 | 1,054 | 12% | -8% |
| Other net non-interest income without the effect of revaluation of FX provisions | 1,573 | 1,675 | 6% | 506 | 370 | 875 | 136% | 73% |
| Operating expenses | -10,017 | -9,892 | -1% | -3,400 | -3,235 | -3,299 | 2% | -3% |
| Total risk costs | -2,656 | -5,027 | 89% | -1,361 | -1,231 | -2,603 | 111% | 91% |
| Provision for possible loan losses without the effect of revaluation of FX provisions | -2,444 | -4,403 | 80% | -1,187 | -1,280 | -1,846 | 44% | 56% |
| Other provision | -212 | -624 | 195% | -175 | 49 | -757 | | 333% |

| Main components of balance sheet closing balances in HUF mn | 2010 | 9M 2011 | YTD | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| Total assets | 484,923 | 508,438 | 5% | 505,486 | 453,364 | 508,438 | 12% | 1% |
| Gross customer loans | 335,828 | 346,901 | 3% | 330,993 | 317,646 | 346,901 | 9% | 5% |
| Gross customer loans (FX-adjusted) | 351,487 | 346,901 | -1% | 349,291 | 347,948 | 346,901 | 0% | -1% |
| Retail loans | 218,441 | 219,705 | 1% | 215,553 | 219,233 | 219,705 | 0% | 2% |
| Corporate loans | 131,028 | 125,720 | -4% | 131,525 | 127,057 | 125,720 | -1% | -4% |
| Car financing loans | 2,018 | 1,477 | -27% | 2,212 | 1,659 | 1,477 | -11% | -33% |
| Allowances for possible loan losses | -13,083 | -18,472 | 41% | -12,475 | -15,122 | -18,472 | 22% | 48% |
| Allowances for possible loan losses (FX-adjusted) | -13,568 | -18,472 | 36% | -12,924 | -16,450 | -18,472 | 12% | 43% |
| Deposits from customers | 373,813 | 402,742 | 8% | 379,625 | 347,734 | 402,742 | 16% | 6% |
| Deposits from customer (FX-adjusted) | 389,743 | 402,742 | 3% | 397,289 | 383,772 | 402,742 | 5% | 1% |
| Retail deposits | 345,531 | 354,602 | 3% | 345,340 | 340,468 | 354,602 | 4% | 3% |
| Corporate deposits | 44,212 | 48,140 | 9% | 51,949 | 43,305 | 48,140 | 11% | -7% |
| Liabilities to credit institutions | 40,271 | 32,401 | -20% | 56,629 | 35,373 | 32,401 | -8% | -43% |
| Subordinated debt | 1,425 | 1,493 | 5% | 1,417 | 1,355 | 1,493 | 10% | 5% |
| Total shareholders' equity | 57,262 | 60,624 | 6% | 56,794 | 56,639 | 60,624 | 7% | 7% |
| **Loan Quality** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| 90+ days past due loan volume (in HUF million) | 45,408 | 34,530 | -24.0% | 45,408 | 32,846 | 34,530 | 5.1% | -24.0% |
| 90+ days past due loans/gross customer loans (%) | 13.7% | 10.0% | -3.76% | 13.7% | 10.3% | 10.0% | -0.4% | -3.8% |
| Cost of risk/average gross loans (%) | 1.01% | 1.72% | 0.72% | 1.39% | 1.62% | 2.20% | 0.59% | 0.81% |
| Total provisions/90+ days past due loans (%) | 27.5% | 53.5% | 26.0% | 27.5% | 46.0% | 53.5% | 7.5% | 26.0% |
| **Performance Indicators (%)** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| ROA | 0.5% | 0.2% | -0.3% | 0.4% | 0.6% | -0.2% | -0.8% | -0.6% |
| ROE | 3.9% | 1.7% | -2.2% | 3.5% | 5.1% | -1.5% | -6.5% | -5.0% |
| Total income margin | 4.07% | 4.26% | 0.19% | 4.27% | 4.72% | 4.65% | -0.07% | 0.38% |
| Net interest margin | 2.83% | 3.03% | 0.20% | 2.98% | 3.56% | 3.06% | -0.51% | 0.08% |
| Cost/income ratio | 67.54% | 62.46% | -5.08% | 62.40% | 60.43% | 58.57% | -1.86% | -3.83% |
| Net loans to deposits (FX-adjusted) | 85% | 82% | -3% | 85% | 87% | 82% | -5% | -3% |

- ***Decreasing after tax profit (-57% y-o-y) in spite of favourable one-off adjusted operating profit (+24% y-o-y) due to significant loan loss provisioning (y-o-y +80%)***
- ***Outstanding 3Q 2011 after tax profit (q-o-q +354%) due to a one-off item***
- ***Y-o-y doubled DPD90+ coverage rate (53.5%)***
- ***Increasing deposit and decreasing loan portfolio, moderating net loan-to-deposit ratio (3Q 2011: 82%, -5%-points q-o-q)***
- ***Y-o-y 20 basis point net interest margin improvement (3%), q-o-q 51 basis point decline due to maximised spread level***
- ***Declining cost/income ratio: 62.5% (y-o-y -5%-points)***

*HUF denominated financials of OBH Group were highly influenced by the development of the HRK/HUF exchange rate: in 3Q 2011 the closing rate of the HUF weakened by 3% y-o-y and by 8% q-o-q against HRK, while the 9M average rate appreciated by 4% y-o-y.*

In 9M 2011 **OTP banka Hrvatska** (OBH) Group posted HUF 4.2 billion net profit (+143% y-o-y), mainly as a result of a one-off item (about HUF 4.3 billion before tax revaluation result on government securities[18], after tax amount is HUF 3.4 billion).

9M one-off adjusted after tax profit was HUF 736 million (-57% y-o-y). In spite of significant increase of one-off adjusted operating profit (+24% y-o-y) drop of after tax was due to y-o-y 80% higher provisioning for loan losses compared to the same period in 2010. Y-o-y 7% growth of total income in HUF is based on y-o-y 9% increase of net interest income.

New accounting methodology[19], introduced in 2Q, was also a positive driver of net interest income in 3Q, while two other factors diminished this effect (-8% q-o-q). On one hand since 1 July 2011 the Croatian central bank decreased the discount rate (base rate for lending rates) from 9% to 7% and abolished interest payment on mandatory central bank reserves. Central bank measures influenced negatively net interest income mainly through credit card and overdraft interest. On the other hand because of the sluggish loan demand, funds from maturing government bonds were placed at a significantly lower interest rate level on the interbank market and in central bank deposits which also did not boosted interest income. As a result in 3Q net interest margin declined by 51 basis points to 3.1% q-o-q, while y-o-y improvement is 20 basis points.

In 3Q net fee income gained momentum (q-o-q +12%) due to seasonal effects of the tourist season, in spite of that in 9M 2011 it decreased by 1% y-o-y.

With regards to operating expenses stringent cost control prevailed, in 9M 2011 operating expenses matched that of the previous year (-1% y-o-y, +2% q-o-q). Cost/income ratio of the Bank in the first nine months of the year denotes a further improvement (62.5%, -5%-points y-o-y).

The shrinking one-off adjusted net profit for 9M 2011 was mainly due to the meaningful rise of provisioning for possible loan losses (+80% y-o-y and +44% q-o-q). Such a high provisioning is reasoned on one hand by the eligibility to new central bank provisioning rules of retail loans to be effective since January 2012 and on the other hand to improve previously lower coverage ratio of problematic SME and corporate loan portfolio. Further provisioning was required by the doubtful recovery of receivables from matured and sued bonds, issued by the Croatian state to finance a housing related transaction at the beginning of '90-ies.

In 3Q the portfolio quality improved further, DPD90+ ratio was down to 10% (-3.7%-points y-o-y, -0.4%-points q-o-q). As against the improving retail and SME loan portfolio DPD90+ rate of corporate segment is 14.7% at the end of September (-1%-point q-o-q), the 6.7%-points y-o-y improvement is due to loan restructuring, repayments in 2Q and the change of methodology, introduced in June. Due to the outstanding one-off income OBH improved its coverage ratio significantly, at the end of 3Q DPD90+ coverage ratio was 53.5%, almost doubled on a yearly base (+26%-points y-o-y, +7.5%-points q-o-q).

In 9M 2011 on the Croatian market the demand for loans remained flat (y-o-y -1%, 0% q-o-q) due to moderate growth of the economy and the increasing level of unemployment. Demand for mortgage and consumer loans stagnated in the retail segment. Corporate loan book was down by -1% q-o-q (y-o-y -4% due to repayments). Based on those trends the market share of OBH moderated to 3.2% (-0.1%-point y-o-y).

In spite of continuous decline of deposit rates OBH managed to boost its FX-adjusted deposit book by 1% y-o-y. Q-o-q growth of deposit portfolio is +5% as a result of the successful retail campaign in the tourist season. OBH's stagnating 4.3% market share

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[18] Monthly revaluation results (revaluation benchmark :Croatian industrial price index) of HRK denominated government bonds issued in 1991 with 20 years tenor, 5% fixed interest rates aiming the restructuring of the Croatian economy were accounted against capital during the maturity. At maturity the revaluation result was transferred from capital to P&L on Other net non-interest income line.

[19] The priority order of accounting of paid instalments among penalty interest, fees, interest and principal has been changed in accordance with the general practice of the Croatian market. After crediting the total amount of penalty interest, the related fees, interest and principal amount is accounted starting with the oldest ones. Due to the new accounting order some part of the loan portfolio re-qualified as performing and the related interest claims are taken into the P&L statement as interest income.

reflects an increase of the portfolio in line with the market trends.

Due to stagnating loan and growing loan portfolio in 3Q the (FX-adjusted) net loan-to-deposit rate diminished by 5%-points to 82%.

Capital adequacy ratio of the Bank (15.7%) was well above the 12% regulatory minimum level at the end of 3Q 2011.

## OTP BANKA SLOVENSKO (SLOVAKIA)

**Performance OTP Banka Slovensko:**

| Main components of P&L account in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends, net cash transfers and one-offs | -826 | 152 | -118% | 172 | 24 | 23 | -5% | -87% |
| Pre-tax profit | -703 | 203 | -129% | 170 | 29 | 38 | 31% | -78% |
| Operating profit | 2,888 | 2,682 | -7% | 1,092 | 879 | 911 | 4% | -17% |
| Total income | 10,381 | 9,996 | -4% | 3,648 | 3,302 | 3,339 | 1% | -8% |
| Net interest income | 8,398 | 8,054 | -4% | 2,930 | 2,643 | 2,729 | 3% | -7% |
| Net fees and commissions | 1,797 | 1,797 | 0% | 669 | 612 | 559 | -9% | -16% |
| Other net non-interest income | 186 | 145 | -22% | 49 | 47 | 50 | 8% | 2% |
| Operating expenses | -7,494 | -7,314 | -2% | -2,556 | -2,423 | -2,428 | 0% | -5% |
| Total risk costs | -3,591 | -2,479 | -31% | -922 | -850 | -874 | 3% | -5% |
| Provision for possible loan losses | -3,861 | -2,467 | -36% | -1,108 | -874 | -865 | -1% | -22% |
| Other provision | 270 | -12 | -105% | 186 | 24 | -9 | -136% | -105% |
| **Main components of balance sheet closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 349,448 | 370,159 | 6% | 352,726 | 335,731 | 370,159 | 10% | 5% |
| Gross customer loans | 273,641 | 290,496 | 6% | 277,551 | 262,735 | 290,496 | 11% | 5% |
| Gross customer loans (FX-adjusted) | 286,765 | 290,496 | 1% | 292,439 | 289,109 | 290,496 | 0% | -1% |
| Retail loans | 188,053 | 206,912 | 10% | 182,467 | 199,410 | 206,912 | 4% | 13% |
| Corporate loans | 98,712 | 83,055 | -16% | 109,972 | 89,197 | 83,055 | -7% | -24% |
| Allowances for possible loan losses | -15,677 | -19,222 | 23% | -15,577 | -16,649 | -19,222 | 15% | 23% |
| Allowances for possible loan losses (FX-adjusted) | -16,473 | -19,222 | 17% | -16,408 | -18,312 | -19,222 | 5% | 17% |
| Deposits from customers | 256,751 | 270,237 | 5% | 254,289 | 243,108 | 270,237 | 11% | 6% |
| Deposits from customer (FX-adjusted) | 268,997 | 270,237 | 0% | 267,847 | 267,729 | 270,237 | 1% | 1% |
| Retail and SME deposits | 245,734 | 249,018 | 1% | 241,726 | 247,456 | 249,018 | 1% | 3% |
| Corporate deposits | 23,263 | 21,219 | -9% | 26,121 | 20,273 | 21,219 | 5% | -19% |
| Liabilities to credit institutions | 11,825 | 19,708 | 67% | 9,930 | 16,872 | 19,708 | 17% | 98% |
| Issued securities | 43,655 | 38,791 | -11% | 49,481 | 37,399 | 38,791 | 4% | -22% |
| Subordinated debt | 8,109 | 8,503 | 5% | 8,066 | 7,729 | 8,503 | 10% | 5% |
| Total shareholders' equity | 24,551 | 26,338 | 7% | 24,694 | 23,910 | 26,338 | 10% | 7% |
| **Loan Quality** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| 90+ days past due loan volume (in HUF million) | 27,961 | 38,719 | 38.5% | 27,961 | 31,698 | 38,719 | 22.1% | 38.5% |
| 90+ days past due loans/gross customer loans (%) | 10.1% | 13.3% | 3.3% | 10.1% | 12.1% | 13.3% | 1.3% | 3.3% |
| Cost of risk/average gross loans (%) | 1.90% | 1.19% | -0.71% | 1.59% | 1.34% | 1.24% | -0.10% | -0.35% |
| Total provisions/90+ days past due loans (%) | 55.7% | 49.6% | -6.1% | 55.7% | 52.5% | 49.6% | -2.88% | -6.06% |
| **Performance Indicators (%)** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| ROA | -0.3% | 0.1% | 0.4% | 0.2% | 0.0% | 0.0% | 0.0% | -0.2% |
| ROE | -4.5% | 0.8% | 5.3% | 2.7% | 0.40% | 0.4% | 0.0% | -2.4% |
| Total income margin | 3.81% | 3.71% | -0.10% | 3.99% | 3.96% | 3.75% | -0.20% | -0.24% |
| Net interest margin | 3.08% | 2.99% | -0.09% | 3.21% | 3.17% | 3.07% | -0.10% | -0.14% |
| Cost/income ratio | 72.2% | 73.2% | 1.0% | 70.1% | 73.4% | 72.7% | -0.7% | 2.7% |
| Net loans to deposits (FX-adjusted) | 103% | 100% | -3% | 103% | 101% | 100% | -1% | -3% |

- ***HUF 152 million after tax profit in 9M 2011***
- ***Decreasing risk cost on yearly basis; deteriorating portfolio quality***
- ***Q-o-q improving operating profit, with flat operating costs***
- ***Further strengthening of retail focus: home equity and consumer loans further expanded***

*HUF denominated financials of OBS were highly influenced by the development of the EUR/HUF exchange rate: in 3Q 2011 the closing rate of the HUF weakened by 5% y-o-y and 10% q-o-q against EUR, while the 9M average rate depreciated by 2% y-o-y.*

In 9M 2011 **OTP Banka Slovensko**[20] posted HUF 203 million profit before tax, as against the HUF 703 million loss of the base period. The profit improved mainly owing to the y-o-y 31% drop of provisions,

[20] From 3Q 2010 on OBS sold loans to Group members. The balance sheet of OBS reflects the standing before the transfer of loans. Accordingly, in 2011 Balance Sheet contains consolidated data of OBS and OTP Faktor Slovensko s.r.o., adjusted to loans sold to OTP Bank Plc and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements in the 2011 figures.

operating profit was less by 7% than in the base period. Total income and operating expenses slightly decreased (-4% and -2% respectively), cost/income ratio shrank by 1%-point to 73.2%.

Net interest income dropped by 4% y-o-y due to 9 basis points lower NIM in 9M 2011 explained by the higher interest cost of interest bearing liabilities. Net fees and commissions income did not change compared to 9M 2010, net F&C income margin was also stable at the 0.67% level.

In 9M 2011 OBS set aside HUF 2.5 billion provision for loan losses (-31% y-o-y), while 3Q risk cost was HUF 0.9 billion (+3% q-o-q). By the end of 3Q 2011 the DPD90+ ratio worsened by 1.3%-points to 13.3% y-o-y. As total loans remained flat in the period in EUR terms, the main result of the DPD90+ ratio deterioration was the growth of DPD90+ portfolio (+38.5% y-o-y, +22.1% q-o-q). Within the DPD90+ portfolio especially the corporate segment grew, which alone gives one third of total. True, in case of the corporate portfolio the DPD90+ ratio is also stricken by the portfolio shrinkage. Provision coverage of DPD90+ loans decreased by 6.1% to 49.6% y-o-y. It is to be noted, that the ratio of retail loans in the debtor protection program is still negligible within total.

3Q 2011 before tax profit increased (HUF 38 million), along with 4% q-o-q operating profit growth. At the same time total risk cost increased by 3%.

Total income increased by 1% q-o-q, within that net interest income grew by 3%, while net F&C income decreased by 9%. Latter is mainly due to higher costs of card business and lower fee income from corporate business. Cost/income ratio decreased by 0.7%-points to 72.7% on the quarterly basis.

The development of loan and deposit volumes was in line with the intention to strengthen the retail focus of the Bank. The FX adjusted loan portfolio was flat on the quarterly basis, decreased by 1% y-o-y. While the medium and large corporate exposure dropped by 24% y-o-y and 7% q-o-q, retail lending gained momentum advancing by 13% y-o-y and by 4% q-o-q. New mortgages even grew faster than the market average supported also by promotion campaign launched in spring 2011; their volume grew by 4% q-o-q.

Deposits grew by 1% y-o-y, which is a composition of the 3% growth of retail deposits (within that term deposits surged by 25%) and 19% drop of corporate deposits. Retail deposit base decreased by 2% q-o-q, which is due to the strong price competition on the market. Nevertheless, growth of SME and municipal deposits outpaced the shrinkage of corporate deposit base, thus total deposits grew by 1% q-o-q.

Net loans-to-deposits ratio is stable, in 3Q 2011 it stood at 100% (-3%-points y-o-y, -1%-points q-o-q). On 12 August 2011 the bank chose not to renew its contract with Moody's rating agency in order to save costs.

Since the beginning of the crisis there was a significant branch network rationalization (13 branches have been closed since 3Q 2008) in the last 3 quarters the number of branches did not change (76). The number of employees has grown by 4 to 604 in 3Q 2011.

## OTP BANKA SRBIJA (SERBIA)

**Performance of OTP banka Srbija:**

| Main components of P&L account[1] in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends, net cash transfers and one-offs | -3,355 | -3,557 | 6% | -1,935 | -1,514 | -584 | -61% | -70% |
| Pre-tax profit | -3,355 | -3,557 | 6% | -1,935 | -1,514 | -584 | -61% | -70% |
| Operating profit | 248 | -367 | -248% | 146 | -355 | -56 | -84% | -138% |
| Total income | 4,820 | 3,906 | -19% | 1,611 | 1,039 | 1,414 | 36% | -12% |
| Net interest income | 2,148 | 914 | -57% | 600 | 297 | 362 | 22% | -40% |
| Net fees and commissions | 1,251 | 1,381 | 10% | 461 | 460 | 466 | 1% | 1% |
| Other net non-interest income without the effect of revaluation of FX provisions | 1,420 | 1,611 | 13% | 550 | 282 | 586 | 108% | 6% |
| Operating expenses | -4,572 | -4,273 | -7% | -1,465 | -1,394 | -1,469 | 5% | 0% |
| Total risk costs | -3,603 | -3,190 | -11% | -2,081 | -1,159 | -529 | -54% | -75% |
| Provision for possible loan losses without the effect of revaluation of FX provisions | -3,508 | -3,260 | -7% | -2,160 | -1,200 | -509 | -58% | -76% |
| Other provision | -94 | 70 | -174% | 78 | 41 | -20 | -148% | -125% |
| **Main components of balance sheet[1] closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 114,796 | 109,735 | -4% | 116,189 | 101,011 | 109,735 | 9% | -6% |
| Gross customer loans | 88,753 | 85,586 | -4% | 91,567 | 81,705 | 85,586 | 5% | -7% |
| Gross customer loans (FX-adjusted) | 94,674 | 85,586 | -10% | 98,487 | 89,636 | 85,586 | -5% | -13% |
| Retail loans | 38,532 | 36,875 | -4% | 39,325 | 38,144 | 36,875 | -3% | -6% |
| Corporate loans | 56,142 | 48,712 | -13% | 59,162 | 51,492 | 48,712 | -5% | -18% |

| Main components of P&L account[1] in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| Allowances for possible loan losses | -18,560 | -23,169 | 25% | -15,204 | -20,782 | -23,169 | 11% | 52% |
| Allowances for possible loan losses (FX-adjusted) | -19,852 | -23,169 | 17% | -16,386 | -22,797 | -23,169 | 2% | 41% |
| Deposits from customers | 37,180 | 38,257 | 3% | 31,930 | 33,703 | 38,257 | 14% | 20% |
| Deposits from customers (FX-adjusted) | 39,449 | 38,257 | -3% | 34,153 | 37,056 | 38,257 | 3% | 12% |
| Retail deposits | 28,910 | 29,921 | 3% | 25,542 | 29,098 | 29,921 | 3% | 17% |
| Corporate deposits | 10,540 | 8,336 | -21% | 8,611 | 7,959 | 8,336 | 5% | -3% |
| Liabilities to credit institutions | 15,922 | 6,882 | -57% | 19,262 | 9,278 | 6,882 | -26% | -64% |
| Subordinated debt | 40,846 | 43,425 | 6% | 40,485 | 40,249 | 43,425 | 8% | 7% |
| Total shareholders' equity | 17,987 | 18,388 | 2% | 22,293 | 15,157 | 18,388 | 21% | -18% |
| Loan Quality | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
| 90+ days past due loan volume (in HUF million) | 38,968 | 53,538 | 37.4% | 38,968 | 49,947 | 53,538 | 7.2% | 37.4% |
| 90+ days past due loans/gross customer loans (%) | 42.6% | 62.6% | 20.0% | 42.6% | 61.1% | 62.6% | 1.4% | 20.0% |
| Cost of risk/average gross loans (%) | 5.17% | 5.00% | -0.17% | 9.18% | 5.88% | 2.41% | -3.46% | -6.76% |
| Total provisions/90+ days past due loans (%) | 39.0% | 43.3% | 4.3% | 39.0% | 41.6% | 43.3% | 1.7% | 4.3% |
| Performance Indicators (%) | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
| ROA | -3.7% | -4.2% | -0.5% | -6.4% | -5.9% | -2.2% | 3.7% | 4.2% |
| ROE | -17.9% | -26.1% | -8.2% | -32.3% | -38.7% | -13.8% | 24.9% | 18.5% |
| Total income margin | 5.30% | 4.65% | -0.65% | 5.33% | 4.07% | 5.32% | 1.25% | 0.00% |
| Net interest margin | 2.36% | 1.09% | -1.27% | 1.98% | 1.16% | 1.36% | 0.20% | -0.62% |
| Cost/income ratio | 94.9% | 109.4% | 14.5% | 90.9% | 134.2% | 103.9% | -30.2% | 13.0% |
| Net loans to deposits (FX-adjusted) | 240% | 163% | -77% | 240% | 180% | 163% | -17% | -77% |

[1] Balance sheet and P&L lines show the aggregated financial performance of OTP banka Srbija and OTP Factoring Serbia d.o.o

- ***The HUF 3.6 billion loss in 9M 2011 is the consequence of negative operating result and high risk cost***
- ***The shareholders' equity grew by 21% q-o-q, mainly as a result of the gain booked in relation to sold premises; the capital adequacy ratio (18.3%) improved a lot q-o-q***
- ***The share of performing loans went down further in 3Q; the coverage ratio climbed in quarterly comparison***
- ***The FX-adjusted gross loan portfolio declined further in 3Q (-5% q-o-q), while a growth was registered in every deposit segments***

*The Bank's financial performance in HUF terms was influenced by the FX rate changes. The closing FX rate of HUF versus RSD weakened by 11% y-o-y and by 9% q-o-q. The 9M average FX rate of HUF versus RON strengthened by 2% y-o-y.*

*In 3Q 2011 OTP banka Srbija sold real estates. The difference between the selling price and the book value was booked as a gain within the Statement of Recognized Income. Since the buyer is a fully consolidated OTP Group member, no profit was realized on Group level. Consequently, in this Interim Management Report the P&L impact of the transaction is eliminated from OTP banka Srbija's Statement of Recognized Income, but the gain from this transaction appears in the shareholders' equity.*

The 9M 2011 net loss of **OTP banka Srbija** reached HUF 3.6 billion in the first nine months of 2011 (+6% y-o-y). The financial performance was influenced by the gradually deteriorating loan portfolio quality and consequently the diminishing net interest income, and high risk cost.

The ratio of DPD90+ loans grew further, reaching 62.6% at the end of September 2011 (+20%-points y-o-y and +1.4%-points q-o-q). In 3Q the contracting total gross loans played key role in the ongoing rise of the ratio, while the DPD90+ loan volumes in RSD terms declined q-o-q. The coverage ratio of DPD90+ loans reached 43.3% at the end of September (+4.3%-points y-o-y, +1.7%-points q-o-q). Risk cost dropped by 11% in 9M y-o-y.

In 9M 2011 total revenues dropped by 19%. The net interest income decreased by 57%; the primary reason for such significant decline is that the loan portfolio on which interest income is booked is gradually declining as the loan quality keeps deteriorating. The decline is further explained by the elevated interest expense in relation to deposits. The 3Q net interest income went up by 22% q-o-q, driven by lower interest expenses on deposits as deposits collected at the end of 2010 with attractive interest rates were gradually phasing out.

The net fee and commission income in 9M 2011 showed a 10% improvement y-o-y. The dynamics was supported by the base effect (in 2Q 2010 HUF 90 million was rebooked from net fees to net interest income line).

The 9M other net non-interest income grew by 13% y-o-y, while in 3Q 2011 it doubled. This line was primarily influenced by the previously suspended but in the current period collected interest income that appears on this line and shows significant volatility.

In 9M 2011 7% operating cost saving was realized y-o-y. This reflects further significant cost cutting efforts even taking into account that sixth of this cost saving was of technical nature: the reversal of booked but not collected interest income through the increase of other expenses was much higher in the base period. The operating costs went up by 5% over the third quarter; the underlying reasons were the non-recurring-type spike in personnel expenses and higher contractor charges.

Despite the strong other revenues, the operating result remained in red in the third quarter. The diminishing after tax loss (-61% q-o-q) was due to the lower risk cost.

The deposit volumes grew by 12% y-o-y adjusted for the FX-effect, mainly reflecting the results of the deposit collection campaigns launched in 4Q 2010. Deposits dropped both in 1Q and 2Q 2011 but in 3Q volumes grew again – fuelled mainly by SME and corporate deposits.

The Bank concentrated its lending activity on the RSD personal loans, which resulted in remarkable FX-adjusted volume growth in the consumer loan segment (+30% y-o-y). The gross loan portfolio contracted by 5% in 3Q (adjusted for the FX-effect), explained by the relatively weak lending activity – but apart from this, both loan sale, write-down and loan recovery played a role (altogether in the gross amount of HUF 1.3 billion).

The net loan to deposit ratio fall by 17%-points to 163% in 3Q 2011 (the y-o-y decline calculated from FX-adjusted volumes reached 77%-points).

The capital adequacy ratio (CAR) reached 18.3% in September, compared to 13.5% a quarter ago and the 12% regulatory minimum. The significant q-o-q improvement came mainly from the increasing shareholders' equity (thanks to the gain of the real estate transaction), but the 8% q-o-q RWA contraction in RSD terms exerted a positive impact on the CAR.

The number of employees reached 680 persons on 30 September (-57 persons y-o-y). The number of branches shrank to 52 (-3 units YTD).

## *CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)[23]*

**Performance of CKB:**

| Main components of P&L account[1] in HUF mn | 9M 2010 | 9M 2011 | Y-o-Y | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|---|---|---|
| After tax profit w/o dividends and net cash transfer | -12,103 | -3,480 | -71% | 1,005 | -1,505 | -1,761 | 17% | -275% |
| Pre-tax profit | -12,103 | -3,480 | -71% | 1,005 | -1,505 | -1,761 | 17% | -275% |
| Operating profit | 3,214 | 1,467 | -54% | 1,556 | 470 | 722 | 54% | -54% |
| Total income | 7,549 | 5,954 | -21% | 2,676 | 1,919 | 2,306 | 20% | -14% |
| Net interest income | 5,481 | 3,975 | -27% | 2,010 | 1,273 | 1,476 | 16% | -27% |
| Net fees and commissions | 2,221 | 1,959 | -12% | 829 | 652 | 771 | 18% | -7% |
| Other net non-interest income | -153 | 20 | -113% | -163 | -6 | 59 | | -136% |
| Operating expenses | -4,335 | -4,487 | 4% | -1,120 | -1,449 | -1,584 | 9% | 41% |
| Total risk costs | -15,317 | -4,947 | -68% | -551 | -1,975 | -2,483 | 26% | 351% |
| Provision for possible loan losses | -15,467 | -3,844 | -75% | -534 | -1,821 | -1,464 | -20% | 174% |
| Other provision | 150 | -1,103 | -836% | -17 | -154 | -1,019 | 563% | |
| **Main components of balance sheet[1] closing balances in HUF mn** | **2010** | **9M 2011** | **YTD** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| Total assets | 212,228 | 223,111 | 5% | 208,722 | 202,510 | 223,111 | 10% | 7% |
| Gross customer loans | 158,321 | 149,168 | -6% | 156,224 | 142,968 | 149,168 | 4% | -5% |
| Gross customer loans (FX-adjusted) | 165,914 | 149,168 | -10% | 164,556 | 157,238 | 149,168 | -5% | -9% |
| Retail and SME loans | 104,869 | 69,403 | -34% | 102,033 | 85,082 | 69,403 | -18% | -32% |
| Corporate loans | 61,045 | 79,765 | 31% | 62,522 | 72,156 | 79,765 | 11% | 28% |
| Allowances for possible loan losses | -31,149 | -42,109 | 35% | -26,107 | -37,191 | -42,109 | 13% | 61% |
| Allowances for possible loan losses (FX-adjusted) | -32,644 | -42,109 | 29% | -27,500 | -40,903 | -42,109 | 3% | 53% |
| Deposits from customers | 158,021 | 167,694 | 6% | 158,081 | 150,188 | 167,694 | 12% | 6% |
| Deposits from customers (FX-adjusted) | 165,541 | 167,694 | 1% | 166,550 | 165,550 | 167,694 | 1% | 1% |
| Retail and SME deposits | 106,127 | 130,609 | 23% | 102,507 | 106,980 | 130,609 | 22% | 27% |
| Corporate deposits | 59,415 | 37,085 | -38% | 64,044 | 58,570 | 37,085 | -37% | -42% |
| Liabilities to credit institutions | 21,860 | 21,601 | -1% | 13,638 | 20,304 | 21,601 | 6% | 58% |
| Subordinated debt | 7,532 | 7,930 | 5% | 7,521 | 7,178 | 7,930 | 10% | 5% |
| Total shareholders' equity | 16,222 | 16,179 | 0% | 20,899 | 16,404 | 16,179 | -1% | -23% |
| **Loan Quality** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| 90+ days past due loan volume (in HUF million) | 32,063 | 56,605 | 76.5% | 32,063 | 55,847 | 56,605 | 1.4% | 76.5% |
| 90+ days past due loans/gross customer loans (%) | 20.5% | 37.9% | 17.42% | 20.5% | 39.1% | 37.9% | -1.12% | 17.42% |
| Cost of risk/average gross loans (%) | 12.26% | 3.34% | -8.92% | 1.30% | 5.07% | 3.98% | -1.09% | 2.67% |
| Total provisions/90+ days past due loans (%) | 81.4% | 74.4% | -7.0% | 81.4% | 66.6% | 74.4% | 7.8% | -7.0% |
| **Performance Indicators (%)** | **9M 2010** | **9M 2011** | **Y-o-Y** | **3Q 2010** | **2Q 2011** | **3Q 2011** | **Q-o-Q** | **Y-o-Y** |
| ROA | -7.3% | -2.1% | 5.2% | 1.9% | -3.0% | -3.3% | -0.3% | -5.2% |
| ROE | -73.6% | -28.7% | 44.9% | 19.2% | -35.2% | -42.9% | -7.7% | -62.1% |
| Total income margin | 4.55% | 3.66% | -0.89% | 5.00% | 3.80% | 4.30% | 0.50% | -0.70% |
| Net interest margin | 3.30% | 2.44% | -0.86% | 3.75% | 2.52% | 2.75% | 0.23% | -1.00% |
| Cost/income ratio | 57.4% | 75.4% | 17.9% | 41.9% | 75.5% | 68.7% | -6.8% | 26.8% |
| Net loans to deposits (FX-adjusted) | 82% | 64% | -18% | 82% | 70% | 64% | -6% | -18% |

- ***Net loss decreased significantly y-o-y due to lower risk cost***
- ***On a yearly basis, operating income deteriorated by 54% y-o-y as a consequence of diminishing total income***
- ***Portfolio quality improved q-o-q, parallel with the further increase of non-performing loans (3Q 2011: 74.4%; +7.8%-points)***
- ***Shrinking loan volumes driven by sluggish credit demand (-5% q-o-q), however deposit campaign was highly successful***

*HUF denominated financials of CKB were highly influenced by the development of the EUR/HUF exchange rate: in 3Q 2011 the closing rate of the HUF weakened by 5% y-o-y and 10% q-o-q against EUR, while the 9M average rate depreciated by 2% y-o-y.*

In the first nine month of 2011 **Crnogorska Komercijalna Banka** (CKB) posted a net loss of HUF 3.5 billion, reflecting a significant improvement on a yearly basis. The operating profit, excluding loan impairment charges, halved on a yearly basis; total income decreased by 21% y-o-y, at the same time operating expenses increased slightly (+4% y-o-y).

The unfavourable development of the income side was primarily due to diminishing volume of interest bearing customer loans. The net interest income dropped by 27% y-o-y and the reasons were as follows: on the one hand the FX-adjusted loans volumes decreased further (-5% q-o-q) due to the weak demand for loans. On the other hand, the loan portfolio deterioration has negative impact on interest income generation, since the Bank does not book any interest income on transferred portfolio to its Montenegrin collection company. The Bank has already transferred loans in the amount of roughly HUF 21.3 billion through three major transfers: HUF 17.6 billion in 4Q 2010, HUF 1.7 billion in 1Q 2011, and HUF 2 billion in 3Q 2011. The q-o-q 16% decrease of interest income is partially supported by the positive impact of pricing actions on retail deposits.

The y-o-y 12% decline in net fees and commissions realized in 9M 2011 is a consequence of the shrinking loan portfolio. The 18% increase over 2Q is due to the favourable effect of tourist season; card and transaction related fees expanded further on a quarterly basis.

The periodic operating expenses were 4% higher than level of the last year. The significant increase in its quarterly level was mainly reasoned by the increase of staff level at CKB (3Q 2011: 452 person, +9 person q-o-q), as well as, accounted personnel expenses in respect of the financial year 2010 also put pressure (considered as one-timer).

During the first nine months 2011 demand for loans remained moderate; the FX-adjusted decrease of loan portfolio was 5% y-o-y. The effect of the new customer segmentation method, adopted in 2Q 2011, does not allow the yearly comparison of total retail and corporate portfolio with previously reported data. However, it is worth highlighting that due to the successful personal loan promotion campaign, the FX-adjusted retail customer loan volumes remained stable. Regarding the development of mortgage lending, CKB participated in state-subsidized housing loan program of "1000+", aiming to provide financing for local couples without property in Montenegro for purchasing newly build apartments. Under this scheme, there was a one-off housing loan disbursement in the volume of HUF 1 billion (EUR 3.5 million).

In quarterly comparison, the quality of the loan portfolio reflected a positive development. The DPD90+ ratio drop to 37.9% (-1.1%-points q-o-q); the FX-adjusted volume of non-performing loans decreased by HUF 4 billion q-o-q. The improvement was experienced in case of retail consumer and mortgage portfolios; the positive move was partially due to the more effective collection activity, while the touristic season had also positive effect on claim paying ability of retail clients.

The coverage of non-performing loans increased further to 74.4% (+7.8%-points q-o-q), enhanced by the high level of provisioning, as well as, the positive development of the loan portfolio.

The successful deposit campaign of the Bank continued in 3Q 2011. The deposit collection campaign mainly focused on retail clients, offering favourable interest rate for 3 months deposit period. As a result of the seasonal deposit campaign, the deposit base of the Bank remained stable (+1% y-o-y). In 3Q 2011 new customer segmentation method was implemented in case of deposit base, so time series comparison is not available for product segments.

Capital adequacy of the Bank reached 14.0% as at September 2011 (the regulatory minimum level: 10%), capital injection was received in the amount of EUR 10 million from its parent company in March 2011.

[21] In 4Q 2010 OTP Groups's Montenegrin collection company (OTP Factoring Montenegro d.o.o.) started its operation, therefore from 4Q 2010 CKB Bank and its subsidiary's consolidated balance sheet and P&L statement are reported.

## STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group was 32,623 as at 30 September 2011; during the 9M 2011 the changes in staff was mainly driven by the POS-lending pick-up; the scaling up of agent network as well as the support of factoring activity. Accordingly, the staff number increased significantly in case of the Ukrainian and the Russian subsidiary (+828 person, and +747 person q-o-q)

OTP Bank has an extensive distribution network in Hungary, which includes 378 branches and more than 2,000 ATM terminals. At the same time, OTP Group provides its services through more than 1,400 branches in 9 countries of the region and more than 4,000 ATMs are available for clients.

| | 3Q 2010 | 2Q 2011 | 3Q 2011 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|
| OTP Bank | | | | | |
| Closing headcount (person) | 7,843 | 7,799 | 7,947 | 2% | 1% |
| Per capita total asset (HUF million) | 859 | 833 | 856 | 3% | 0% |
| Per capita quarterly after-tax profit (HUF million) | 2.0 | 9.6 | 2.5 | -74% | |
| OTP GROUP | | | | | |
| Closing headcount (person) | 30,044 | 30,684 | 32,623 | 6% | 9% |
| Per capita total asset (HUF million) | 332 | 315 | 304 | -4% | -9% |
| Per capita quarterly after-tax profit (HUF million) | 0.9 | 1.2 | 1.1 | -11% | 18% |

| | 30 September 2011 | | | | | | 31 December 2010 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Bank branches | ATM | POS | Bank cards (th) | Number of banking clients (th) | Staff (closing) | Bank branches | ATM | POS | Bank cards (th) | Number of banking clients (th) | Staff (closing) |
| OTP Core | 378 | 1,994 | 41,171 | 3,873 | 4,563 | 8,491 | 380 | 1,995 | 39,231 | 3,841 | 4,592 | 8,034 |
| OTP Bank Russia | 143 | 249 | 2,218 | 7,622 | 3,782 | 5,019 | 155 | 249 | 2,218 | 7,394 | 3,715 | 4,768 |
| DSK Group | 386 | 868 | 4,417 | 1,234 | 2,909 | 4,463 | 387 | 880 | 5,049 | 1,196 | 2,978 | 4,321 |
| OTP Bank Ukraine | 157 | 171 | 350 | 147 | 251 | 4,038 | 189 | 216 | 400 | 124 | 337 | 3,075 |
| OTP Bank Romania | 102 | 139 | 1,277 | 175 | 232 | 1,009 | 106 | 138 | 1,106 | 171 | 219 | 1,104 |
| OTP banka Hrvatska | 104 | 217 | 1,128 | 360 | 388 | 974 | 105 | 217 | 1,102 | 385 | 382 | 1,016 |
| OTP Banka Slovensko | 76 | 115 | 585 | 129 | 236 | 604 | 76 | 117 | 671 | 119 | 193 | 573 |
| OTP banka Srbija | 52 | 169 | 3,170 | 99 | 349 | 680 | 55 | 190 | 4,054 | 100 | 349 | 708 |
| CKB | 33 | 87 | 4,023 | 157 | 296 | 452 | 33 | 105 | 3,819 | 167 | 290 | 451 |
| Foreign banks, total | 1,053 | 2,015 | 17,168 | 9,923 | 8,444 | 17,238 | 1,106 | 2,112 | 18,419 | 9,656 | 8,464 | 16,016 |
| Other Hungarian and foreign subsidiaries | | | | | | 622 | | | | | | 8,985 |
| ***Group total (aggregated)*** | **1,431** | **4,009** | **58,339** | **13,796** | **13,007** | **32,623** | **1,486** | **4,107** | **57,650** | **13,497** | **13,056** | **30,367** |
| ***Group total (aggregated w/o contractual agents)*** | | | | | | **26,351** | | | | | | **25,009** |
| **OTP Bank Russia** | **30 September 2011** | | | | | | **31 December 2010** | | | | | |
| ***Total number of agents*** | | | | | | ***19,891*** | | | | | | ***13,845*** |
| employed agents | | | | | | 6.272 | | | | | | 5,444 |
| contractual agents | | | | | | 13.619 | | | | | | 11,898 |
| Other employees | | | | | | 5,019 | | | | | | 4,768 |
| **OTP Bank Ukraine** | | | | | | | | | | | | |
| ***Total number of agents*** **(OTP Credit)** | | | | | | ***970*** | | | | | | |
| Other employees | | | | | | 3,068 | | | | | | |

## PERSONAL AND ORGANIZATIONAL CHANGES

The Annual General Meeting of OTP Bank held on 29 April 2011 elected Dr. Sándor Csányi, Dr. Antal Pongrácz, Mihály Baumstark, Dr. Tibor Bíró, Péter Braun, Zsolt Hernádi, Dr. István Kocsis, Dr. László Utassy and Dr. József Vörös to the member of the Bank's Board of Directors until the closing AGM of the fiscal year 2015 but latest until 30 April 2016. The Board elected Dr. Sándor Csányi as its Chairman and Dr. Antal Pongrácz as its Deputy Chairman. The Annual General Meeting elected Mr. Tibor Tolnay, Dr. Gábor Horváth, Antal Kovács, Pierre Lefèvre, András Michnai and Dr. Márton Gellért Vági to the member of the Bank's Supervisory Board until the closing AGM of the fiscal year 2013 but the latest until 30 April 2014.

In the first nine months of 2011 the Auditor of the Bank did not changed.

# *FINANCIAL DATA*

## *UNCONSOLIDATED AND CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION*

| In HUF million | OTP Bank | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 30/09/2011 | 31/12/2010 | change | 30/09/2011 | 31/12/2010 | change |
| Cash, due from banks and balances with the National Bank of Hungary | 164,384 | 171,677 | -4% | 453,926 | 513,038 | -12% |
| Placements with other banks, net of allowance for possible placement losses | 1,026,106 | 794,686 | 29% | 604,060 | 511,244 | 18% |
| Financial assets at fair value through profit and loss | 235,348 | 248,790 | -5% | 207,767 | 233,667 | -11% |
| Securities available-for-sale | 1,779,547 | 1,477,930 | 20% | 1,077,531 | 1,008,097 | 7% |
| Loans, net of allowance for loan losses | 2,666,097 | 2,723,784 | -2% | 6,807,824 | 6,741,059 | 1% |
| Investments in subsidiaries | 655,883 | 637,819 | 3% | 8,635 | 11,554 | -25% |
| Securities held-to-maturity | 136,407 | 154,003 | -11% | 139,485 | 172,302 | -19% |
| Premises, equipment and intangible assets, net | 101,880 | 105,149 | -3% | 485,503 | 480,828 | 1% |
| Other assets | 38,450 | 44,512 | -14% | 117,936 | 109,157 | 8% |
| **TOTAL ASSETS** | **6,804,102** | **6,358,350** | 7% | **9,902,667** | **9,780,946** | 1% |
| Due to banks and deposits from the National Bank of Hungary and other banks | 1,017,274 | 741,845 | 37% | 670,385 | 681,949 | -2% |
| Deposits from customers | 3,399,644 | 3,279,573 | 4% | 6,138,382 | 5,821,489 | 5% |
| Liabilities from issued securities | 439,095 | 512,466 | -14% | 775,939 | 1,035,153 | -25% |
| Financial liabilities at fair value through profit or loss | 292,393 | 257,328 | 14% | 265,030 | 257,052 | 3% |
| Other liabilities | 204,624 | 231,288 | -12% | 345,700 | 385,744 | -10% |
| Subordinated bonds and loans | 311,888 | 297,638 | 5% | 300,894 | 290,630 | 4% |
| **TOTAL LIABILITIES** | **5,664,918** | **5,320,138** | 6% | **8,496,330** | **8,472,017** | 0% |
| SHARE CAPITAL | 28,000 | 28,000 | 0% | 28,000 | 28,000 | 0% |
| RETAINED EARNINGS AND RESERVES | 1,116,510 | 1,013,941 | 10% | 1,427,948 | 1,327,638 | 8% |
| TREASURY SHARES | -5,326 | -3,729 | 43% | -54,193 | -52,597 | 3% |
| MINORITY INTEREST | | | | 4,582 | 5,888 | -22% |
| TOTAL SHAREHOLDERS' EQUITY | 1,139,184 | 1,038,212 | 10% | 1,406,337 | 1,308,929 | 7% |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **6,804,102** | **6,358,350** | 7% | **9,902,667** | **9,780,946** | 1% |

## *UNCONSOLIDATED AND CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME*

| in HUF million | OTP Bank | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 9M 2011 | 9M 2010 | change | 9M 2011 | 9M 2010 | change |
| Loans | 168,615 | 168,507 | 0% | 552,726 | 554,589 | 0% |
| Interest income without swap | 157,089 | 161,471 | -3% | 541,200 | 547,520 | -1% |
| Results of swaps | 11,526 | 7,036 | 64% | 11,526 | 7,069 | 63% |
| Placements with other banks | 191,006 | 243,399 | -22% | 205,525 | 247,834 | -17% |
| Interest income without swap | 12,929 | 15,773 | -18% | 5,887 | 4,914 | 20% |
| Results of swaps | 178,077 | 227,626 | -22% | 199,638 | 242,920 | -18% |
| Due from banks and balances with the National Bank of Hungary | 4,699 | 3,619 | 30% | 4,943 | 3,911 | 26% |
| Securities held-for-trading | 1,448 | 1,983 | -27% | 1,141 | 1,643 | -31% |
| Securities available-for-sale | 86,654 | 79,511 | 9% | 57,667 | 53,205 | 8% |
| Securities held-to-maturity | 7,655 | 11,064 | -31% | 6,275 | 9,603 | -35% |
| Total Interest Income | 460,077 | 508,083 | -9% | 828,277 | 870,785 | -5% |
| Due to banks and deposits from the National Bank of Hungary and other banks | 152,750 | 195,339 | -22% | 158,219 | 181,587 | -13% |
| Interest expenses without swap | 14,653 | 14,454 | 1% | 13,101 | 11,421 | 15% |
| Losses of swaps | 138,097 | 180,885 | -24% | 145,118 | 170,166 | -15% |
| Deposits from customers | 97,802 | 92,952 | 5% | 156,027 | 166,748 | -6% |
| Interest expenses without swap | 89,150 | 87,807 | 2% | 147,375 | 161,711 | -9% |
| Losses of swaps | 8,652 | 5,145 | 68% | 8,652 | 5,037 | 72% |
| Liabilities from issued securities | 22,061 | 26,072 | -15% | 39,832 | 47,192 | -16% |
| Subordinated bonds and loans | 11,917 | 12,311 | -3% | 8,720 | 9,875 | -12% |
| Other entrepreneurs | 0 | 0 | | 2,495 | 158 | |
| *Total Interest Expense* | 284,530 | 326,674 | -13% | 365,293 | 405,560 | -10% |
| **NET INTEREST INCOME** | **175,547** | **181,409** | **-3%** | **462,984** | **465,225** | **0%** |
| Provision for possible loan losses | 51,835 | 84,463 | -39% | 182,982 | 204,753 | -11% |
| Provision for possible placement losses | -643 | -734 | -12% | -387 | -1,404 | -72% |
| Provision for possible loan and placement losses | 51,192 | 83,729 | -39% | 182,595 | 203,348 | -10% |
| NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES | 124,355 | 97,680 | 27% | 280,389 | 261,876 | 7% |
| Fees and commissions | 95,099 | 108,735 | -13% | 133,584 | 129,838 | 3% |
| Foreign exchange gains and losses, net | 13,775 | 7,857 | 75% | 28,385 | 24,502 | 16% |
| Gains and losses on securities, net | 1,237 | 4,112 | -70% | 6,544 | 5,347 | 22% |
| Gains and losses on real estate transactions, net | -17 | -11 | | 711 | 732 | -3% |
| Dividend income and gains and losses of associated companies | 74,701 | 57,378 | 30% | 846 | 397 | 113% |
| Other | 3,660 | 1,583 | 131% | 17,033 | 16,757 | 2% |
| Total Non-Interest Income | 188,455 | 179,654 | 5% | 187,103 | 177,573 | 5% |
| Fees and commissions | 15,513 | 16,123 | -4% | 26,424 | 30,716 | -14% |
| Personnel expenses | 51,924 | 55,608 | -7% | 120,634 | 117,918 | 2% |
| Depreciation and amortization | 18,291 | 17,869 | 2% | 36,505 | 54,622 | -33% |
| Other | 78,470 | 82,022 | -4% | 139,659 | 116,538 | 20% |
| Total Non-Interest Expense | 164,198 | 171,622 | -4% | 323,222 | 319,794 | 1% |
| **INCOME BEFORE INCOME TAXES** | **148,612** | **105,712** | **41%** | **144,270** | **119,655** | **21%** |
| Income taxes | **18,436** | **5,964** | **209%** | **34,630** | **18,955** | **83%** |
| **INCOME AFTER INCOME TAXES** | **130,176** | **99,748** | **31%** | **109,640** | **100,700** | **9%** |
| Minority interest | 0 | 0 | | -466 | -265 | 76% |
| **NET INCOME** | **130,176** | **99,748** | **31%** | **109,174** | **100,435** | **9%** |

## UNCONSOLIDATED AND CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

| in HUF million | OTP Bank | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 30/09/2011 | 30/09/2010 | change | 30/09/2011 | 30/09/2010 | change |
| **OPERATING ACTIVITIES** | | | | | | |
| **Income before income taxes** | 148,612 | 105,712 | 41% | 144,270 | 119,655 | 21% |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities | | | | | | |
| Income tax paid | -5,258 | -4,330 | 21% | -19,378 | -12,376 | 57% |
| Goodwill impairment | | | | 0 | 18,519 | -100% |
| Depreciation, amortization | 18,291 | 17,869 | 2% | 36,505 | 36,103 | 1% |
| Provision for loan and placement losses | 59,022 | 89,142 | -34% | 182,441 | 194,762 | -6% |
| Share-based compensation | 5,592 | 4,716 | 19% | 5,992 | 4,716 | 27% |
| Unrealised losses on fair value adjustment of securities held of trading | 1,318 | 7,912 | -83% | 1,246 | 2,313 | -46% |
| Unrealised losses / (gains) on fair value adjustment of derivative financial instruments | -3,691 | 13,879 | -127% | -44,012 | 62,189 | -171% |
| Changes in operating assets and liabilities | 68,126 | 24,074 | 183% | 129,876 | -65,893 | -297% |
| **Net cash provided by operating activities** | **292,012** | **258,974** | 13% | **436,540** | **359,988** | 21% |
| **INVESTING ACTIVITIES** | | | | | | |
| **Net cash used in investing activities** | **-500,776** | **174,534** | -387% | **-172,924** | **24,423** | -808% |
| **FINANCING ACTIVITIES** | | | | | | |
| **Net cash provided by financing activities** | **199,841** | **-367,019** | -154% | **-307,492** | **-334,781** | -8% |
| **Net (decrease) / increase in cash and cash equivalents** | **-8,923** | **66,489** | -113% | **-43,876** | **49,630** | -188% |
| Cash and cash equivalents at the beginning of the period | 88,197 | 105,679 | -17% | 255,045 | 243,541 | 5% |
| **Cash and cash equivalents at the end of the period** | **79,274** | **172,168** | -54% | **211,169** | **293,171** | -28% |
| **DETAILS OF CASH AND CASH EQUIVALENTS** | | | | | | |
| Cash, due from banks and balances with the National Bank of Hungary | 171,677 | 178,217 | -4% | 513,038 | 505,649 | 1% |
| Mandatory reserve established by the National Bank of Hungary | -83,480 | -72,538 | 15% | -257,993 | -262,108 | -2% |
| **Cash and equivalents at the beginning of the period** | **88,197** | **105,679** | -17% | **255,045** | **243,541** | 5% |
| Cash, due from banks and balances with the National Bank of Hungary | 164,384 | 252,833 | -35% | 453,926 | 558,709 | -19% |
| Compulsory reserve established by the National Bank of Hungary | -85,110 | -80,665 | 6% | -242,757 | -265,538 | -9% |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **79,274** | **172,168** | -54% | **211,169** | **293,171** | -28% |

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (IFRS)

| in HUF million | Share capital | Capital reserve | Share-based payment reserve | Retained earnings and reserved | Put option reserve | Treasury shares | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| ***Balance as at 1 January 2011*** | ***28,000*** | ***52*** | ***28*** | ***1,383,026*** | ***-55,468*** | ***-52,597*** | ***5,888*** | ***1,308,929*** |
| Comprehensive income for the period | -- | -- | -- | 117,838 | | -- | -- | ***117,838*** |
| Share-based payment | -- | -- | 5,592 | | | -- | -- | ***5,592*** |
| Closed share-based payment | | | | | | | | ***0*** |
| Treasury share transactions | | | | | | | | ***0*** |
| Dividend of the year 2010 | -- | -- | -- | -20,160 | | -- | -- | ***-20,160*** |
| Change in the volume of treasury shares due to put option | | | | | | | | ***0*** |
| Treasury shares | | | | | | | | ***0*** |
| - sale of Treasury shares | | | | | | 2,878 | | ***2,878*** |
| - loss on sale of Treasury shares | | | | -24 | | | | ***-24*** |
| - change in the volume of Treasury shares | | | | | | -4,474 | | ***-4,474*** |
| ICES (convertible bond) - payments to owners | | | | -2,936 | | | | ***-2,936*** |
| Minority interest | -- | -- | -- | -- | -- | -- | -1,306 | ***-1,306*** |
| ***Balance as at 30 September 2011*** | ***28,000*** | ***52*** | ***5,620*** | ***1,477,744*** | ***-55,468*** | ***-54,193*** | ***4,582*** | ***1,406,337*** |

| in HUF million | Share capital | Capital reserve | Share-based payment reserve | Retained earnings and reserves | Put option reserve | Treasury shares | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| ***Balance as at 1 January 2010*** | ***28,000*** | ***52*** | ***6,830*** | ***1,258,718*** | ***-55,468*** | ***-52,678*** | ***6,152*** | ***1,191,606*** |
| Comprehensive income for the period | -- | -- | -- | 134,713 | | -- | -- | **134,713** |
| Share-based payment | -- | -- | 4,716 | -- | | -- | -- | **4,716** |
| Share-based payments (closed) | | | | | | | | **0** |
| Treasury share transactions | | | | | | | | **0** |
| Dividend of the year 2009 | -- | -- | -- | -- | | -- | -- | **0** |
| Change in the volume of treasury shares due to put option | | | | | | | | **0** |
| Treasury shares | | | | | | | | **0** |
| – loss on sale of Treasury shares | | | | -30 | | | | **-30** |
| – change in the volume of Treasury shares | | | | | | 51 | | **51** |
| ICES - payment to owners | | | | -7,653 | | | | **-7,653** |
| Non-controlling interest | -- | -- | -- | -- | -- | -- | -240 | **-240** |
| ***Balance as at 30 September 2010*** | ***28,000*** | ***52*** | ***11,546*** | ***1,385,748*** | ***-55,468*** | ***-52,627*** | ***5,912*** | ***1,323,163*** |

### Ownership structure of OTP Bank Plc.

| Description of owner | Total equity | | | | | |
|---|---|---|---|---|---|---|
| | 1 January 2011 | | | 30 September 2011 | | |
| | %[1] | %[2] | Qty | %[1] | %[2] | Qty |
| Domestic institution/company | 16.8% | 17.0% | 46,993,728 | 14.1% | 14.3% | 39,573,342 |
| Foreign institution/company | 69.9% | 71.0% | 195,839,614 | 69.2% | 70.3% | 193,793,434 |
| Domestic individual | 7.4% | 7.5% | 20,639,194 | 10.2% | 10.3% | 28,433,433 |
| Foreign individual | 0.1% | 0.1% | 409,291 | 1.3% | 1.3% | 3,579,637 |
| Employees, senior officers | 1.7% | 1.8% | 4,875,825 | 1.7% | 1.8% | 4,875,825 |
| Treasury shares | 1.5% | 0.0% | 4,226,432 | 1.5% | 0.0% | 4,181,653 |
| Government held owner[3] | 0.4% | 0.4% | 1,230,367 | 0.4% | 0.5% | 1,242,127 |
| International Development Institutions[4] | 2.1% | 2.1% | 5,785,559 | 1.5% | 1.6% | 4,320,559 |
| Other | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 0 |
| **TOTAL** | **100.0%** | **100.0%** | **280,000,010** | **100.0%** | **100.0%** | **280,000,010** |

[1] Voting rights
[2] Beneficial ownership
[3] E.g.: State Privatization Holding Co. Ltd., Social Security, Municipality, 100% state-owned companies etc.
[4] E.g.: EBRD, EIB, etc.

### Number of treasury shares held in the year under review

| | 1 January | 31 March | 30 June | 30 September | 31 December |
|---|---|---|---|---|---|
| Company | 2.152.872 | 2.107.981 | 2.108.971 | 2.576.105 | |
| Subsidiaries | 2.073.560 | 2.073.560 | 2.073.560 | 2.073.560 | |
| TOTAL | 4.226.432 | 4.181.541 | 4.182.531 | 4.649.665 | |

### Shareholders with over/around 5% stake

| Name | Number of shares | Voting rights | Beneficial ownership |
|---|---|---|---|
| Megdet, Timur and Ruszlan Rahimkulov | 24,903,412 | 8.89% | 9.03% |
| MOL (Hungarian Oil and Gas Company Plc.) | 24,000,000 | 8.57% | 8.70% |
| Groupama Group | 23,257,160 | 8.31% | 8.43% |
| Lazard Asset Management LLC | 14,123,220 | 5.04% | 5.12% |

### Changes in the headcount (number of persons) employed by the Bank and the subsidiaries[1]

| | End of reference period | Current period opening | Current period closing |
|---|---|---|---|
| Bank | 7,843 | 7,800 | 7,947 |
| Consolidated | 30,044 | 30,367 | 32,623 |

### Senior officers, strategic employees and their shareholding of OTP shares

| Type[1] | Name | Position | No. of shares held |
|---|---|---|---|
| IT | Dr. Sándor Csányi [2] | Chairman and CEO | 200,000 |
| IT | Mihály Baumstark | member | 0 |
| IT | Dr. Tibor Bíró | member | 32,681 |
| IT | Péter Braun | member | 527,905 |
| IT | Zsolt Hernádi | member | 0 |
| IT | Dr. István Kocsis | member | 81,600 |
| IT | Dr. Antal Pongrácz | Deputy Chairman, Deputy CEO | 200,000 |
| IT | Dr. László Utassy | member | 260,000 |
| IT | Dr. József Vörös | member | 117,200 |
| FB | Tibor Tolnay | Chairman | 54 |
| FB | Dr. Gábor Horváth | member | 10,000 |
| FB | Antal Kovács | member, Deputy CEO | 23,000 |
| FB | András Michnai | member | 15,600 |
| FB | Pierre Lefévre | member | 0 |
| FB | Dr. Márton Gellért Vági | member | 0 |
| SP | László Bencsik | CFO, Deputy CEO | 0 |
| SP | Dr. István Gresa | Deputy CEO | 63,758 |
| SP | Daniel Gyuris | Deputy CEO | 0 |
| SP | Ákos Takáts | Deputy CEO | 153,347 |
| SP | László Wolf | Deputy CEO | 644,640 |
| **TOTAL No. of shares held by management:** | | | **2,329,785** |

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Mr. Csányi directly or indirectly: 2,700,000

## *SUPPLEMENTARY DATA*

## FOOTNOTES OF THE TABLE 'CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)

*General note: regarding OTP Core and other subsidiaries, profit after tax is calculated without received dividends and net cash transfers. Regarding dividends and net cash transfers received from non-group member companies, it is shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.*

(1) OTP Core, Corporate Centre and foreign banks aggregated, excluding one-timers.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc, OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financing Netherlands Ltd and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Centre, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across OTP Group.

(3) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core plus the subordinated debt and senior notes arranged by OTP Bank under its running EMTN program. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Within OTP Group, the full range of financing and investments into non-OTP Core subsidiaries is allocated to the Corporate Centre. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Car Ltd, Merkantil Leasing Ltd, OTP Real Estate Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: leasing companies, factoring companies.

(4) From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the financial statement and balance sheet of LLC OTP Credit was also added.

(5) From 3Q 2010, statements are based on the aggregated financials of DSK Group and the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC.

(6) Including the financial performance of OTP Factoring Serbia d.o.o from 4Q 2010.

(7) Revaluation result (revaluation benchmark: Croatian industrial price index) of HRK denominated government bonds issued in 1991 with 20 years tenor, 5% fixed interest rates aiming the restructuring of the Croatian economy was accounted against capital during the maturity. At maturity the revaluation result was transferred from capital to P&L on Other net non-interest income line.

(8) Aggregated after tax profit of Merkantil Bank and Merkantil Car without dividends, net cash transfer and provisioning for investments in subsidiaries.

(9) From 4Q 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o. (Croatia), OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).

(10) LLC AMC OTP Capitol (Ukraine) and OTP Asset Management SAI S.A. (Romania).

(11) HIF Ltd. (United Kingdom), OTP Faktoring Slovensko (Slovakia) (until 1Q 2011), OTP Buildings (Slovakia), OTP Real Slovensko (Slovakia), OTP Holding Limited (Cyprus), Velvin Ventures Ltd. (Belize), OTP Faktoring SRL (Romania).

(12) Total Hungarian subsidiaries: sum of after tax results of Hungarian group members including (Corporate Centre) and related eliminations.

(13) Total Foreign subsidiaries: sum of profit after tax (without dividends and net cash transfers) of foreign subsidiaries.

## CALCULATION OF ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS PRESENTED IN THE REPORT

*In order to present Group level trends in a comprehensive way in the Interim Management Report, the presented consolidated and unconsolidated profit and loss statements of the Report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with unconsolidated accounting figures of OTP Bank are still disclosed in the Financial Data section of the Report.*

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, special tax on financial institutions, 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.
- Other non-interest income elements stemming from provisioning release in connection with loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising material cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations, which are quasi marketing expenses but kept as paid cash transfer on the P&L –, Other non-interest expenses and Special tax on financial institutions.
- In 1Q 2010, parallel losses on sale of securities and release of other provisions for these securities were netted and are shown together on line "Gain/loss on securities, net" both at OTP Group consolidated and at OTP Core stand alone level. The negative P&L effect stemming from the deteriorated value of these securities was suffered in previous quarters – at the time of emerging of the above mentioned other provisions.
- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense on the accounting income statement. Earlier this item had been booked as fee expense. In order to create a comparable time series, since 4Q 2010 dealer fees have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.
- Cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, the after tax effect of the goodwill write-downs, the effect of special banking tax, 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. Cost/income ratio is calculated from operating costs, excluding other risk costs.
- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L, By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.

## ADJUSTMENTS OF CONSOLIDATED IFRS P&L LINES

| in HUF million | 1Q 10 | 2Q 10 | 3Q 10 | 9M 10 | 4Q 10 Audited | 2010 Audited | 1Q 11 | 2Q 11 | 3Q 11 | 9M 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net interest income** | **142,633** | **172,332** | **150,260** | **465,224** | **151,200** | **616,425** | **150,868** | **150,143** | **161,974** | **462,985** |
| (-) Agent fees paid to car dealers by Merkantil Group | | | | 0 | -3,929 | -3,929 | -856 | -834 | -787 | -2,477 |
| **Net interest income (adj.)** | **142,633** | **172,332** | **150,260** | **465,224** | **155,130** | **620,354** | **151,724** | **150,977** | **162,761** | **465,462** |
| | | | | | | | | | | |
| **Net fees and commissions** | **31,141** | **33,983** | **33,997** | **99,121** | **41,510** | **140,631** | **33,587** | **36,208** | **37,364** | **107,160** |
| (+) Agent fees paid to car dealers by Merkantil Group | | | | 0 | -3,929 | -3,929 | -856 | -834 | -787 | -2,477 |
| **Net fees and commissions (adj.)** | **31,141** | **33,983** | **33,997** | **99,121** | **37,581** | **136,702** | **32,731** | **35,374** | **36,577** | **104,683** |
| | | | | | | | | | | |
| **Foreign exchange result on Consolidated IFRS P&L** | **4,448** | **22,881** | **-2,827** | **24,502** | **7,310** | **31,811** | **-3,651** | **9,078** | **22,958** | **28,385** |
| (-) Revaluation result of FX positions hedging the revaluation of FX provisions | -992 | 12,345 | -6,804 | 4,549 | 5,058 | 9,607 | -11,095 | 7,117 | 16,631 | 12,653 |
| (-) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments | | | | | | | 0 | 0 | 1,775 | 1,775 |
| **Foreign exchange result (adj.)** | **5,441** | **10,535** | **3,977** | **19,953** | **2,252** | **22,204** | **7,444** | **1,961** | **4,553** | **13,957** |
| | | | | | | | | | | |
| **Gain/loss on securities, net** | **311** | **3,088** | **1,949** | **5,347** | **98** | **5,445** | **516** | **2,314** | **3,713** | **6,543** |
| (+) Release of other provisions for securities | 9,384 | 0 | 0 | 9,384 | 0 | 9,384 | 0 | 0 | 0 | 0 |
| **Gain/loss on securities, net (adj.)** | **9,695** | **3,088** | **1,949** | **14,731** | **98** | **14,829** | **516** | **2,314** | **3,713** | **6,543** |
| | | | | | | | | | | |
| **Gains and losses on real estate transactions** | **198** | **341** | **194** | **733** | **112** | **845** | **255** | **351** | **104** | **711** |
| **(+) Other non-interest income** | **5,202** | **6,084** | **5,472** | **16,758** | **4,133** | **20,891** | **4,807** | **5,376** | **6,850** | **17,033** |
| (-) Received cash transfers | 1 | 21 | 36 | 58 | -26 | 32 | 0 | 5 | 15 | 20 |
| (-) Non-interest income from the release of pre-acquisition provisions | 334 | 300 | -576 | 57 | 108 | 165 | 775 | 72 | 130 | 976 |
| (+) Other non-interest expenses | -346 | -448 | -1,664 | -2,458 | -1,653 | -4,112 | -2,625 | -1,611 | -261 | -4,496 |
| **Net other non-interest result (adj.)** | **4,719** | **5,655** | **4,542** | **14,917** | **2,510** | **17,426** | **1,662** | **4,040** | **6,549** | **12,251** |
| | | | | | | | | | | |
| **Provision for possible loan losses** | **-54,822** | **-96,406** | **-52,121** | **-203,349** | **-69,675** | **-273,024** | **-47,070** | **-57,958** | **-77,566** | **-182,594** |
| (+) Non-interest income from the release of pre-acquisition provisions | 334 | 300 | -576 | 57 | 108 | 165 | 775 | 72 | 130 | 976 |
| (-) Revaluation result of FX provisions | 992 | -12,345 | 6,804 | -4,549 | -5,058 | -9,607 | 11,095 | -7,117 | -16,631 | -12,653 |
| (-) Loss from early repayment of FX mortgage loans in Hungary | | | | | | | 0 | 0 | -2,306 | -2,306 |
| **Provision for possible loan losses (adj.)** | **-55,481** | **-83,760** | **-59,501** | **-198,742** | **-64,510** | **-263,252** | **-57,390** | **-50,768** | **-58,500** | **-166,659** |
| | | | | | | | | | | |
| **Other expenses** | **-25,234** | **-36,844** | **-54,460** | **-116,537** | **-59,204** | **-175,742** | **-45,878** | **-46,424** | **-47,357** | **-139,659** |
| (-) Other provisions | 8,761 | 551 | -724 | 8,588 | 910 | 9,498 | 237 | 756 | -839 | 155 |
| (-) Paid cash transfers | -350 | -213 | -79 | -642 | -1,556 | -2,199 | -205 | -438 | -312 | -956 |
| (+) Film subsidies and cash transfers to public benefit organisations | -298 | -227 | -38 | -562 | -1,142 | -1,704 | -176 | -277 | -217 | -670 |
| (-) Other non-interest expenses | -346 | -448 | -1,664 | -2,458 | -1,653 | -4,112 | -2,625 | -1,611 | -261 | -4,496 |
| (-) Special tax on financial institutions | | | -18,038 | -18,038 | -18,060 | -36,098 | -8,866 | -8,866 | -8,866 | -26,597 |
| **Other expenses (adj.)** | **-33,596** | **-36,960** | **-33,992** | **-104,548** | **-39,986** | **-144,535** | **-34,595** | **-36,542** | **-37,297** | **-108,434** |
| | | | | | | | | | | |
| **Other risk costs** | **8,761** | **551** | **-724** | **8,588** | **910** | **9,498** | **237** | **756** | **-839** | **155** |
| (-) Release of other provisions for securities | 9,384 | 0 | 0 | 9,384 | 0 | 9,384 | 0 | 0 | 0 | 0 |
| **Other risk costs (adj.)** | **-624** | **551** | **-724** | **-796** | **910** | **113** | **237** | **756** | **-839** | **155** |
| | | | | | | | | | | |
| **After tax dividends and net cash transfers** | **-319** | **-134** | **266** | **-187** | **-1,028** | **-1,215** | **155** | **-329** | **85** | **-89** |
| (-) Film subsidies and cash transfers to public benefit organisations | -298 | -227 | -38 | -562 | -1,142 | -1,704 | -176 | -277 | -217 | -670 |
| **After tax dividends and net cash transfers** | **-21** | **92** | **303** | **374** | **114** | **488** | **331** | **-52** | **302** | **581** |
| | | | | | | | | | | |
| **Depreciation** | **-11,423** | **-30,578** | **-12,621** | **-54,622** | **-12,702** | **-67,324** | **-11,740** | **-12,165** | **-12,600** | **-36,505** |
| (-) Goodwill impairment charges (OTP banka Srbija (Serbia), OTP Bank JSC (Ukraine)) | 0 | -18,519 | 0 | -18,519 | 0 | -18,519 | 0 | 0 | 0 | 0 |
| **Depreciation (adj.)** | **-11,423** | **-12,059** | **-12,621** | **-36,103** | **-12,702** | **-48,805** | **-11,740** | **-12,165** | **-12,600** | **-36,505** |

## FX RESULT FROM THE REVALUATION OF OPEN FX POSITION HEGDING THE REVALUATION OF FX PROVISIONS (THIS ITEM IS COMPENSATED BY THE REVALUATION OF FX PROVISIONS THROUGH THE RISK COST LINE OF THE ACCOUNTING INCOME STATEMENT)

| in HUF million | 1Q 2010 | 2Q 2010 | 3Q 2010 | 9M 2010 | 4Q 2010 | 2010 | 1Q 2011 | 2Q 2011 | 3Q 2011 | 9M 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| **OTP Group Total** | **-992** | **12,345** | **-6,804** | **4,549** | **5,058** | **9,607** | **-11,095** | **7,117** | **16,631** | **12,653** |
| of which OTP Core (Hungary) | 403 | 9,541 | -6,686 | 3,257 | 3,274 | 6,531 | -8,188 | 5,035 | 15,723 | 12,571 |
| of which OTP Bank | 403 | 8,016 | -5,935 | 2,484 | 1,721 | 4,206 | -6,374 | 1,334 | 10,014 | 4,974 |
| OTP Mortgage Bank | 0 | 1,525 | -752 | 773 | 1,552 | 2,325 | -1,814 | 1,341 | 2,553 | 2,080 |
| OTP Factoring | | | | | | | | 2,360 | 3,156 | 5,516 |
| OTP Bank Russia | -178 | 556 | -241 | 137 | 117 | 253 | -839 | 76 | 475 | -288 |
| OTP Bank JSC (Ukraine) | -1,372 | -645 | 676 | -1,341 | 499 | -842 | 306 | 355 | -429 | 232 |
| OBR adj. (Romania) | -92 | 844 | -307 | 444 | 454 | 898 | -1,117 | 1,342 | 526 | 751 |
| OBH (Croatia) | -7 | -8 | 25 | 10 | 68 | 78 | -21 | 66 | 49 | 94 |
| OTP banka Srbija (Serbia) | 249 | 317 | -9 | 556 | 34 | 590 | -231 | -183 | -119 | -533 |
| Merkantil Bank + Car (Hungary) | 6 | 1,742 | -262 | 1,486 | 612 | 2,098 | -1,005 | 426 | 405 | -174 |

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**OTP Bank Plc.**

Postal address: P.O.Box: 501 Budapest H-1876 Hungary

Phone: +36 1 473 5460

Fax: +36 1 473 5951

E-mail: investor.relations@otpbank.hu

Internet: www.otpbank.hu