

# OTP Group

Banking

08 Jan 2014



Hungary / CEE

## COMPANY DESCRIPTION

OTP Bank Nyrt is a Hungary-based commercial bank. The bank remains the largest universal bank in Hungary with a roughly a 30% market share in retail banking. Following years of aggressive expansion, however, the OTP Group currently operates in 8 countries of the CEE region, namely in Slovakia, Bulgaria, Serbia, Romania, Croatia, Ukraine, Montenegro and Russia. In 2012, OTP Group had more than 36,000 employees and served approximately 13 mil clients through over 1,400 branches. The bank went public in 1995, and the share of the state in the bank capital decreased to one preferential golden share, which also eliminated shortly thereafter. OTP has a high free float accounting for two thirds of its shares. Among the main minority shareholders are one of the Forbes billionaire Megdet Rahimkulov, Hungarian MOL and French Groupama.

**Main Shareholders:** The Rahimkulov Family (8.9%)  
MOL (8.6%), Groupama (8.3%)

## INCOME STATEMENT

HUF bil	2008	2009	2010	2011	2012
Interest Income	975	1,221	1,135	1,115	1,244
Interest Cost	538	631	519	485	598
<b>Net Interest Income</b>	<b>437</b>	<b>590</b>	<b>616</b>	<b>631</b>	<b>645</b>
Net Fee Income	135	133	141	147	154
Other Income	296	67.3	59.9	92.5	30.9
<b>Total Revenues</b>	<b>868</b>	<b>790</b>	<b>817</b>	<b>870</b>	<b>831</b>
Staff Cost	167	156	161	169	189
Depreciation	132	45.1	67.3	73.4	47.4
Other Cost	183	170	176	188	222
<b>Operating Cost</b>	<b>483</b>	<b>370</b>	<b>404</b>	<b>430</b>	<b>458</b>
<b>Operating Profit</b>	<b>386</b>	<b>420</b>	<b>413</b>	<b>440</b>	<b>373</b>
Provisions	111	249	273	317	227
Extra and Other Cost	0.0	0.0	0.0	0.0	0.0
<b>Pre-Tax Profit</b>	<b>274</b>	<b>170</b>	<b>140</b>	<b>123</b>	<b>146</b>
Tax	33.3	20.3	22.1	39.2	23.1
Minorities	0.6	-0.8	0.2	0.7	0.9
<b>Net Profit</b>	<b>240</b>	<b>151</b>	<b>118</b>	<b>83.1</b>	<b>122</b>
Dividends	0	0	20	28	34

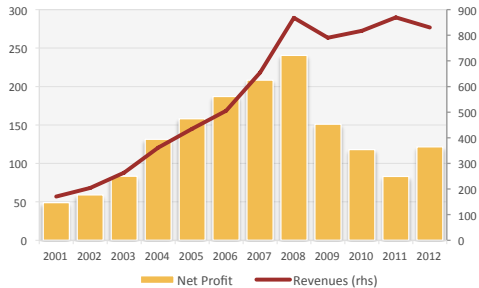
## Growth Rates

Revenues	32.6%	-9.0%	3.4%	6.5%	-4.5%
Operating Profit	25.6%	8.8%	-1.6%	6.4%	-15.2%
Net Profit	15.5%	-37.2%	-21.9%	-29.5%	46.4%

## RATIOS & OTHER

	2008	2009	2010	2011	2012
ROE	24.7%	13.5%	9.4%	6.1%	8.3%
ROA	2.7%	1.6%	1.2%	0.8%	1.2%
Net Interest Margin	4.9%	6.2%	6.3%	6.3%	6.4%
Costs (As % Of Assets)	5.4%	3.9%	4.1%	4.3%	4.5%
Costs (As % Of Income)	55.6%	46.9%	49.4%	49.5%	55.1%
NPLs (As % Of Loans)	4.5%	9.8%	13.7%	16.6%	19.1%
Provisions (As % Of NPLs)	85.8%	73.6%	74.4%	79.5%	80.0%
Equity (As % Of Assets)	11.2%	12.2%	13.4%	13.9%	15.0%
Loans (As % Of Deposits)	129%	113%	116%	110%	99%

## REVENUES & PROFITS (HUF bil)



## BALANCE SHEET

HUF bil	2008	2009	2010	2011	2012
Cash	530	506	513	596	603
Interbank Loans	416	441	511	423	357
<b>Customer Loans</b>	<b>6,779</b>	<b>6,413</b>	<b>6,741</b>	<b>7,047</b>	<b>6,464</b>
Debt Securities	948	1,799	1,414	1,492	2,063
Fixed Assets	470	476	481	492	489
<b>Total Assets</b>	<b>9,368</b>	<b>9,755</b>	<b>9,781</b>	<b>10,201</b>	<b>10,113</b>
<b>Shareholders' Equity</b>	<b>1,049</b>	<b>1,192</b>	<b>1,309</b>	<b>1,418</b>	<b>1,515</b>
Of Which Minority Interest	7	6	6	6	6
<b>Liabilities</b>	<b>8,319</b>	<b>8,564</b>	<b>8,472</b>	<b>8,782</b>	<b>8,599</b>
Interbank Borrowing	849	803	682	647	534
<b>Customer Deposits</b>	<b>5,258</b>	<b>5,689</b>	<b>5,821</b>	<b>6,399</b>	<b>6,551</b>
Issued Debt Securities	1,886	1,691	1,326	1,129	935
Other Liabilities	326	381	643	607	579
Employees	30,884	30,815	30,367	33,826	36,431
Non-Performing Loans	316	672	1,023	1,336	1,443
Loan Provisions	271	494	761	1,061	1,154

Loans	20.1%	-5.4%	5.1%	4.5%	-8.3%
Deposits	3.1%	8.2%	2.3%	9.9%	2.4%
Assets	10.7%	4.1%	0.3%	4.3%	-0.9%

	2008	2009	2010	2011	2012
Capital Adequacy Ratio	15.4%	17.2%	17.5%	17.3%	19.7%
Payout Ratio	0.0%	0.0%	17.4%	34.3%	28.0%
Branches	1,593	1,514	1,486	1,424	1,401
Employees	30,884	30,815	30,367	33,826	36,431
Shares Outstanding (Average)	256.5	263.9	269.6	266.4	266.3
Share Price, Year-End HUF	2,875	5,456	5,020	3,218	4,150
Market Capitalisation (USD mil)	3,877	7,648	6,506	3,532	5,005
P/E	3.1	9.5	11.5	10.3	9.1
P/BV	0.70	1.21	1.03	0.60	0.73

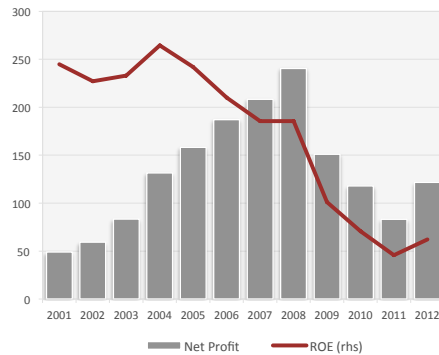
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price



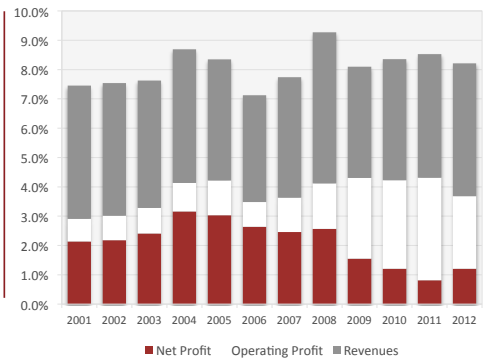
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## Financials

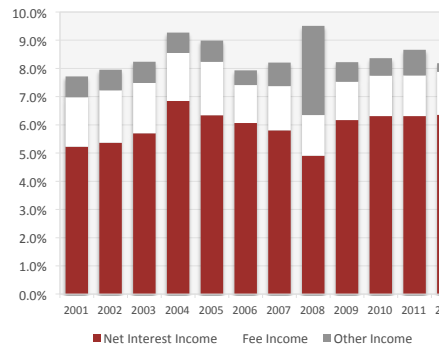
### PROFITABILITY (HUF bil)



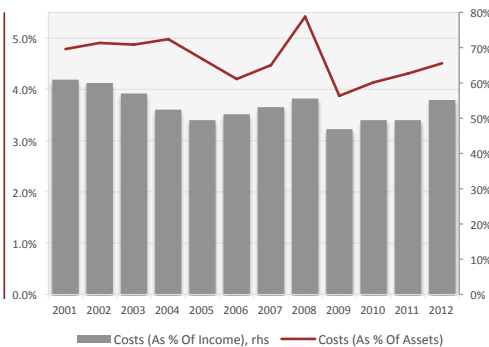
### RETURN ON ASSETS



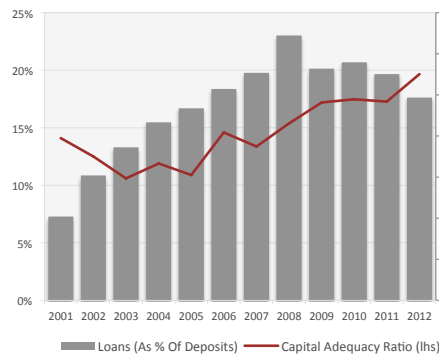
### REVENUE BREAKDOWN (AS OF ASSETS)



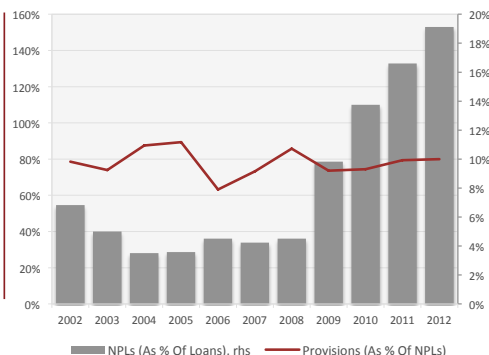
### COST EFFICIENCY



### LIQUIDITY & CAPITALIZATION



### ASSET QUALITY



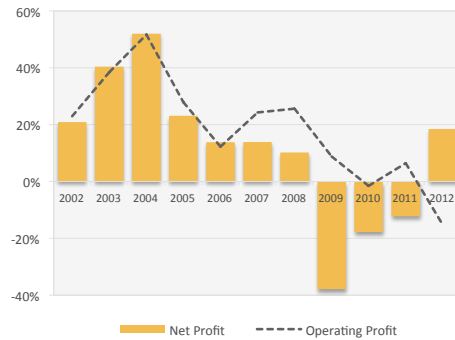
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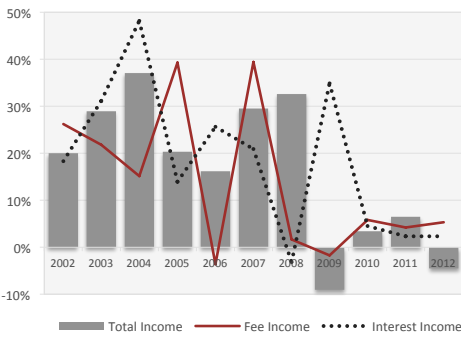
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## Momentum

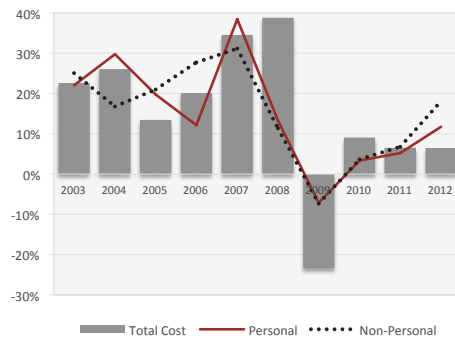
### PROFIT GROWTH



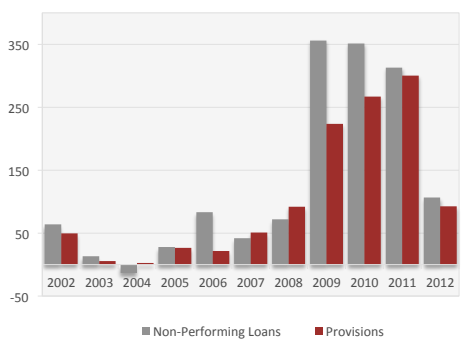
### SALES GROWTH



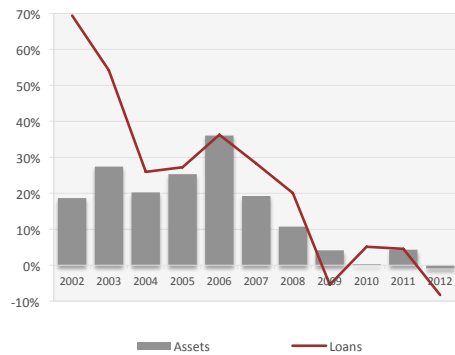
### COST GROWTH



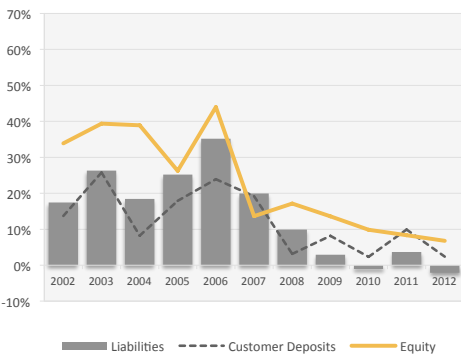
### INCREASE IN NON-PERFORMING LOANS (HUF bil)



### ASSET GROWTH



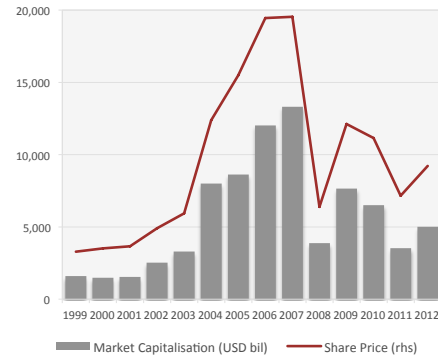
### EQUITY & LIABILITIES GROWTH



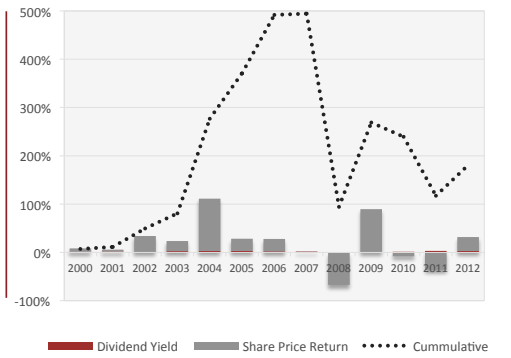
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price

## Valuation

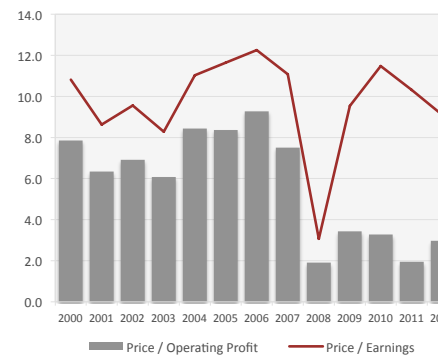
### MARKET CAPITALISATION & SHARE PRICE



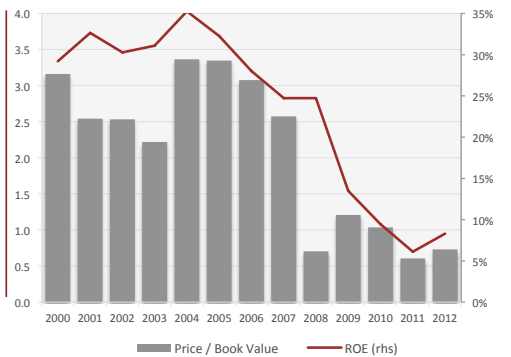
### TOTAL RETURN FROM HOLDING BANK'S SHARES



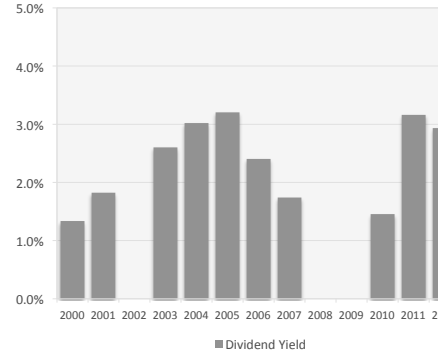
### PRICE TO EARNINGS & OPERATING PROFIT



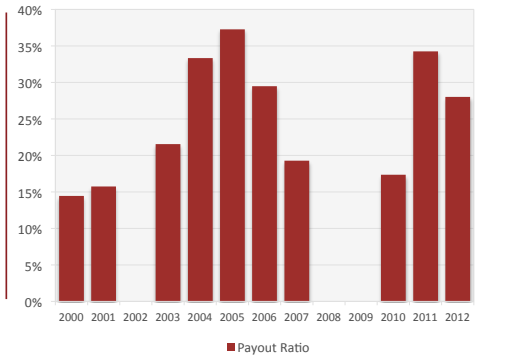
### PRICE TO BOOK VALUE



### DIVIDEND YIELD



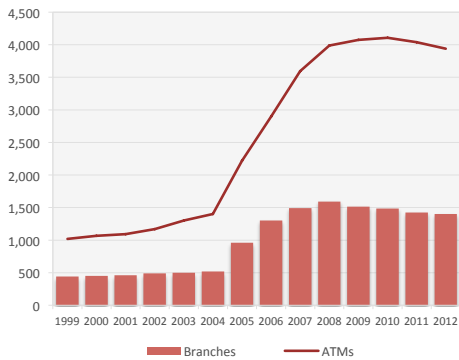
### DIVIDEND PAYOUT



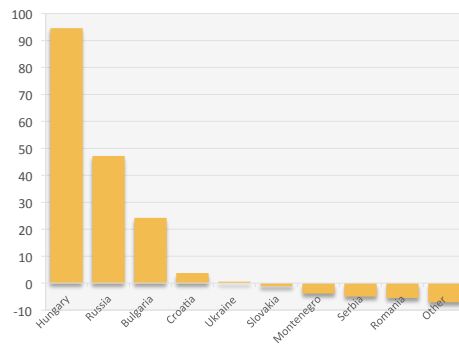
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## Business Specifics

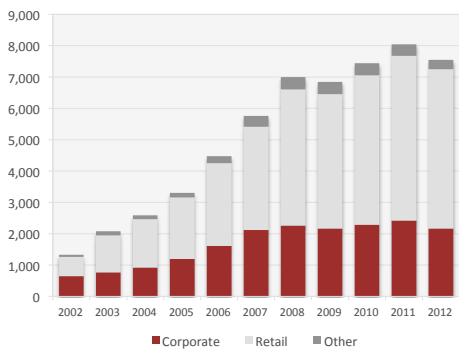
### OTP GROUP'S INFRASTRUCTURE



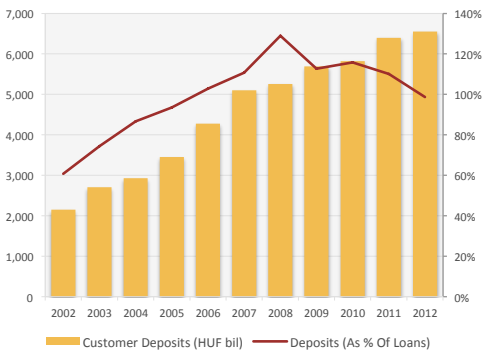
### OTP'S GROUP PROFIT BREAKDOWN (HUF bil), 2012



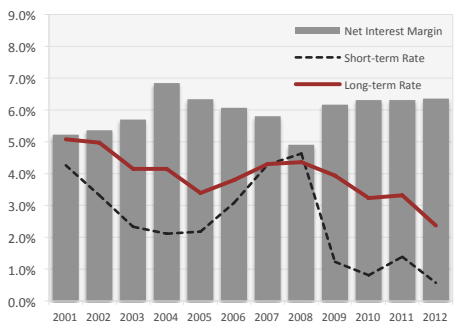
### LOAN BOOK (HUF bil)



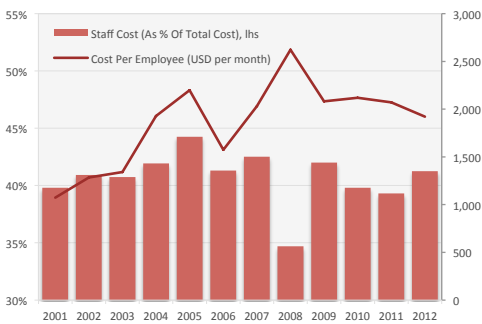
### DEPOSIT STRUCTURE (HUF bil)



### INTEREST RATES & NET INTEREST MARGIN

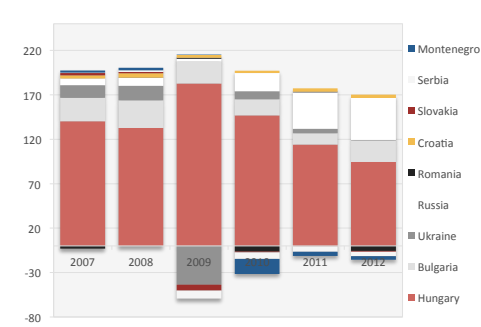


### STAFF COSTS

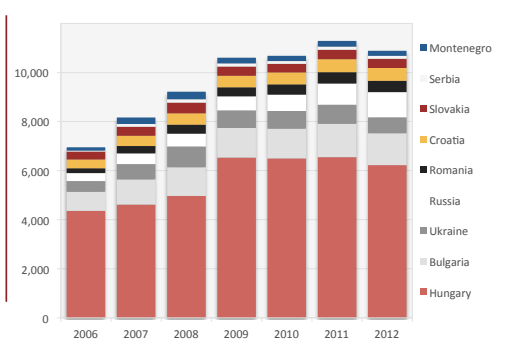


## OTP Group's Key Markets

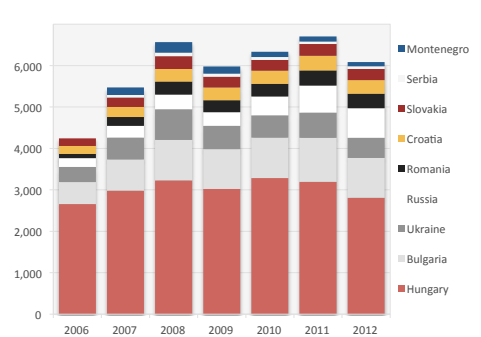
### OTP GROUP'S NET PROFIT (HUF bil)



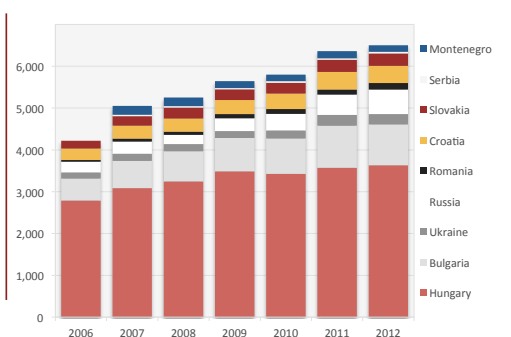
### OTP GROUP'S ASSETS (HUF bil)



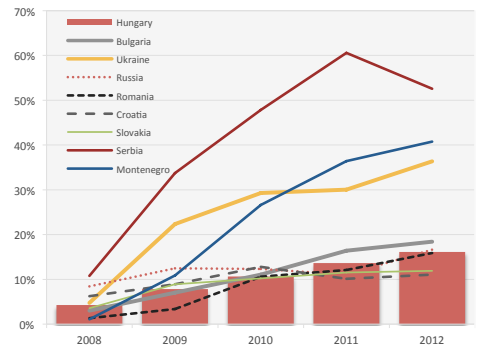
### OTP GROUP'S LOANS (HUF bil)



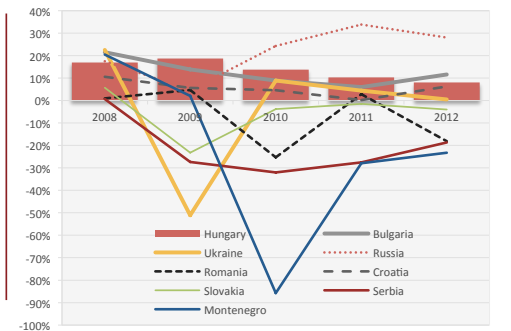
### OTP GROUP'S DEPOSITS (HUF bil)



### OTP GROUP'S SHARE OF NON-PERFORMING LOANS



### OTP GROUP'S ROE

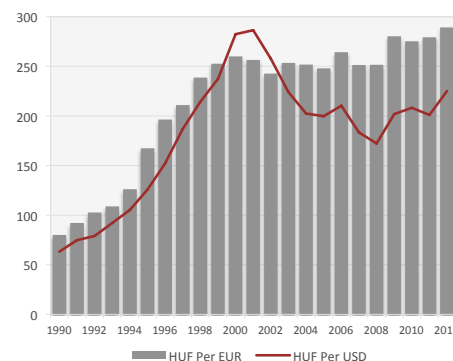


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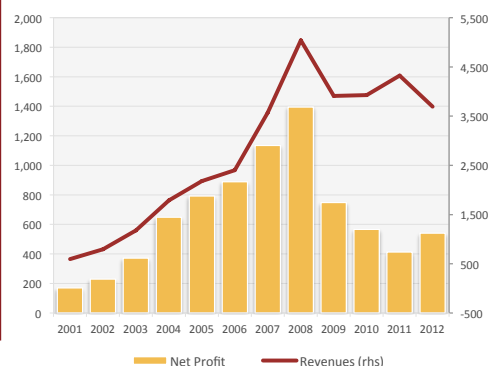
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price

## Financials (USD)

### FX RATES (Annual Average)



### REVENUES & PROFITS (USD mil)



### INCOME STATEMENT

USD mil	2008	2009	2010	2011	2012
Interest Income	5,661	6,047	5,456	5,547	5,528
Interest Cost	3,123	3,126	2,494	2,410	2,659
<b>Net Interest Income</b>	<b>2,538</b>	<b>2,921</b>	<b>2,962</b>	<b>3,137</b>	<b>2,868</b>
Net Fee Income	785	658	676	729	686
Other Income	1,717	333	288	460	137
<b>Total Revenues</b>	<b>5,040</b>	<b>3,912</b>	<b>3,926</b>	<b>4,326</b>	<b>3,691</b>
Staff Cost	972	770	772	841	840
Depreciation	767	224	324	365	211
Other Cost	1,062	840	844	933	985
<b>Operating Cost</b>	<b>2,801</b>	<b>1,833</b>	<b>1,940</b>	<b>2,139</b>	<b>2,035</b>
<b>Operating Profit</b>	<b>2,239</b>	<b>2,079</b>	<b>1,986</b>	<b>2,186</b>	<b>1,656</b>
Provisions	647	1,234	1,312	1,575	1,009
Extra and Other Cost	0	0	0	0	0
<b>Pre-Tax Profit</b>	<b>1,592</b>	<b>844</b>	<b>674</b>	<b>612</b>	<b>647</b>
Tax	193	100	106	195	103
Minorities	3	-4	1	3	4
<b>Net Profit</b>	<b>1,396</b>	<b>748</b>	<b>567</b>	<b>413</b>	<b>541</b>
Dividends	0	0	98	142	151

### BALANCE SHEET

USD mil	2008	2009	2010	2011	2012
Cash	3	3	2	2	2,728
Interbank Loans	2	2	2	2	1,616
<b>Customer Loans</b>	<b>36</b>	<b>34</b>	<b>32</b>	<b>29</b>	<b>29,272</b>
Debt Securities	5	10	7	6	9,344
Fixed Assets	2	3	2	2	2,215
<b>Total Assets</b>	<b>49</b>	<b>52</b>	<b>47</b>	<b>42</b>	<b>45,798</b>
<b>Shareholders' Equity</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6,858</b>
Of Which Minority Interest	0	0	0	0	26
<b>Liabilities</b>	<b>44</b>	<b>45</b>	<b>41</b>	<b>36</b>	<b>38,939</b>
Interbank Borrowing	4	4	3	3	2,420
<b>Customer Deposits</b>	<b>28</b>	<b>30</b>	<b>28</b>	<b>26</b>	<b>29,664</b>
Issued Debt Securities	10	9	6	5	4,232
Other Liabilities	2	2	3	3	2,623
Employees	30,884	30,815	30,367	33,826	36,431
Non-Performing Loans	1,659	3,567	4,918	5,503	6,533
Loan Provisions	1,423	2,626	3,660	4,372	5,227

### Growth Rates (USD-denominated)

Revenues	41.3%	-22.4%	0.4%	10.2%	-14.7%
Operating Profit	33.8%	-7.2%	-4.5%	10.1%	-24.3%
Net Profit	23.0%	-46.4%	-24.2%	-27.0%	30.8%

Loans	9.4%	-4.4%	-4.9%	-10.4%	0.8%
Deposits	-6.1%	9.3%	-7.4%	-5.8%	12.5%
Assets	0.8%	5.2%	-9.2%	-10.6%	9.0%

### RATIOS & OTHER

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P/E	3.1	9.5	11.5	10.3	9.1
P/BV	0.70	1.21	1.03	0.60	0.73

Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price



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