Strategy and Finance Division

Investor Relations & DCM

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Extraordinary announcement

OTP Bank Plc announces that on 4 July 2014 the Hungarian Parliament approved the act on the *"Settlement of certain questions related to the Supreme Court's (Curia) uniformity decision on loans to customers provided by financial institutions".* The act will become effective eight days after publishing it once the Head of State signed that.

The scope of the act includes all customer loans, i.e. retail foreign currency and HUF loans, as well as financial leasing contracts. According to the act in case of foreign currency denominated loans the use of foreign exchange rate margins is void, furthermore in case of all customer loans the act declares disputable presumption regarding the unilateral rate increases executed by the banks. The concrete way of financial settlement with clients is going to be handled in another act.

OTP Bank is still on the opinion that in its lending practice it maximally abided by all the relevant rules and regulations. On a professional ground the Bank also questions the verdict that the use of FX margin was unjustified and thus invalid, furthermore it maintains its opinion that all of its provisions on unilateral amendments in contracts were in line with the prevailing legal regulations. The Bank claims that it is not evident whether the act meets the constitutional requirements and it considers the possibility of remedy provided by the law.

In case the act approved today will come into force with an unchanged content OTP Group's refund obligation stemming from the invalid nature of using FX margin is expected to be around HUF 27 billion. Taking into account that the Bank had already made some provision on that item the total negative pre-tax impact is expected to be around HUF 25 billion. The Bank is going to book the result in 2Q 2014. The impact is higher by around HUF 20 billion against the earlier estimation of the Bank as a result of a recently submitted independent MP motion which overrules even the Supreme Court's legal interpretation contained in the effective Civil Code, i.e. beyond the five years statute of limitation legal consequences of severability cannot be applied.

The Bank intends to exercise its right to take legal action to prove that the clauses in loan contracts allowing the unilateral amendment of the contract were fair. According to the Bank's estimates, the sum of money affected by this legal action is close to HUF 90 billion in case of FX denominated loans and further approximately HUF 20-30 billion in case of HUF mortgage and consumer loans. Similar to the matter of FX conversion margin, the use of different definition of the deadline of statute of limitation compared to the legal practice in force increased the sum of money affected by this legal action by HUF 40 billion.

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Under an extreme scenario, if the Bank had to incur the highest potential loss in all the two above mentioned cases, OTP Group's consolidated capital adequacy ratio as of 1Q 2014 would be *ceteris paribus* by 1.7 ppts lower. Accordingly, the consolidated Common Equity Tier1 ratio under Basel3 would change from 16.4% to 14.7% and the consolidated capital adequacy ratio would decline from 20.2% to 18.5%, which would be still significantly above the 8% regulatory minimum level. The Group's liquidity and ability to lend will remain intact even in the long term.

OTP Bank continues to be highly committed to its Hungarian clients and does not intend to change its business policy. Furthermore, the management believes that no major change in the earmarked dividend payment is justified.

OTP Bank Plc.