

# 9th CENTRAL EUROPEAN COVERED BOND CONFERENCE

**Budapest**

**OCTOBER 17-18, 2005**

**Csaba Nagy**

**OTP Mortgage Bank Ltd.**



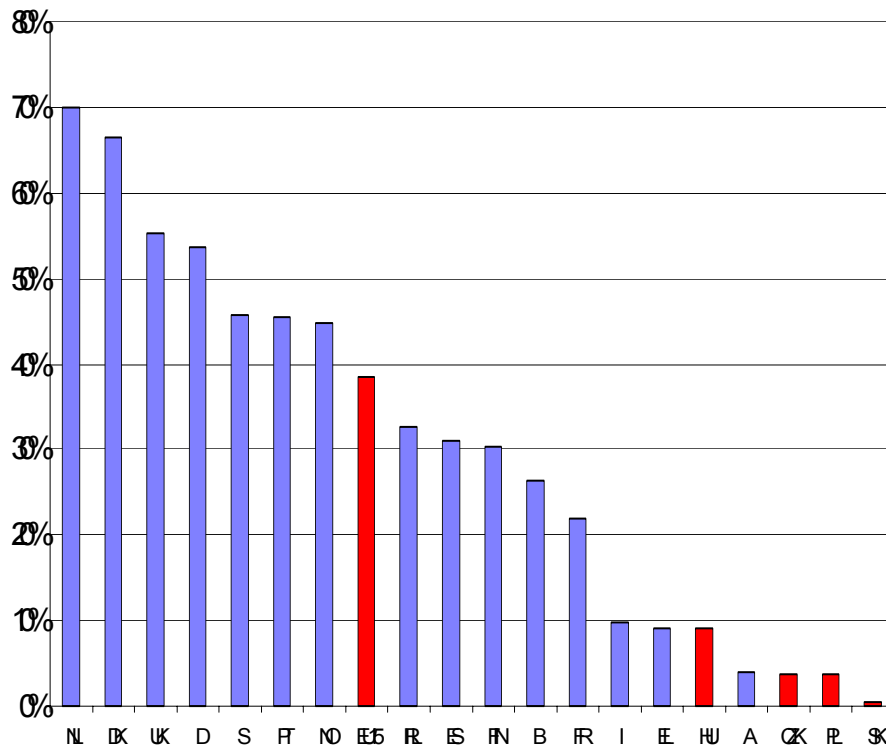
# Legal Framework

- ✓ **Special law on mortgage banking: Act XXX. 1997**
  - Basis: Traditional Pfandbriefe model
    - specialist principle ( Mortgage Bank – as an issuer of CMBs )
    - strict LTV ratio - 60% (MB's average: 42-45%)
    - subject to special supervision ( Coverage supervisor )
    - Special property valuation (three methods)
  - Mortgage Bonds: priority status for CMB holders (claim against all liquid assets)
- ✓ **Interest Rate Subsidy scheme (accepted by EU)**
- ✓ **Balance Principal (June 2004)**
  - ✓ OC on Nominal and NPV basis

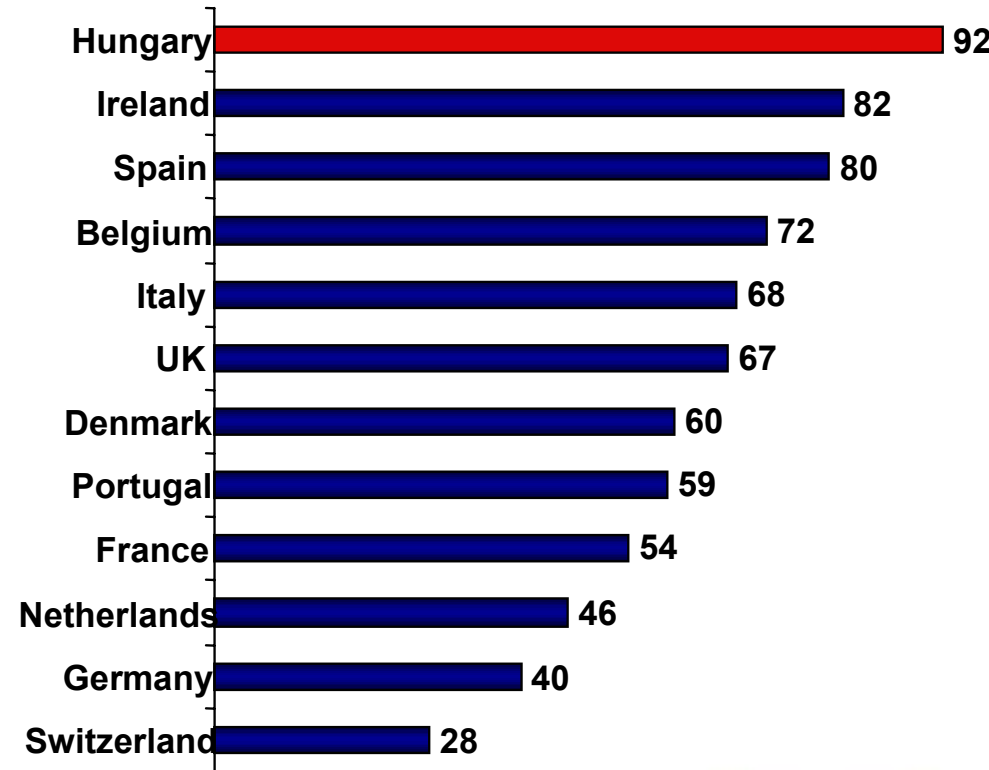


# Main macro indicators

Outstanding Residential Mortgage Loans as a % of GDP



Home ownership ratios across Europe (%)

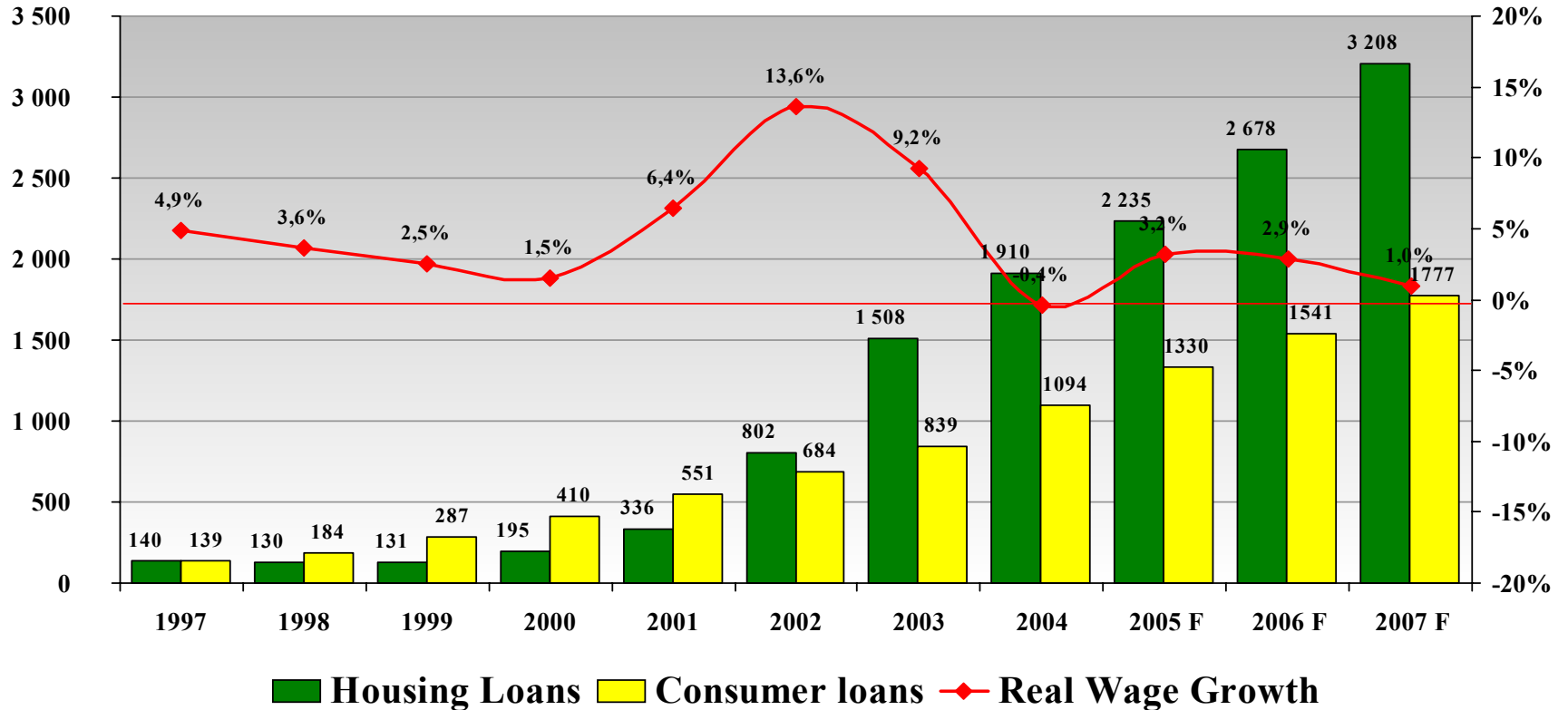


Source: European Mortgage Federation, Eurostat



# Real Wages & Housing Loans

Retail Loans Outstanding (HUF billion) vs. Real Wage Growth

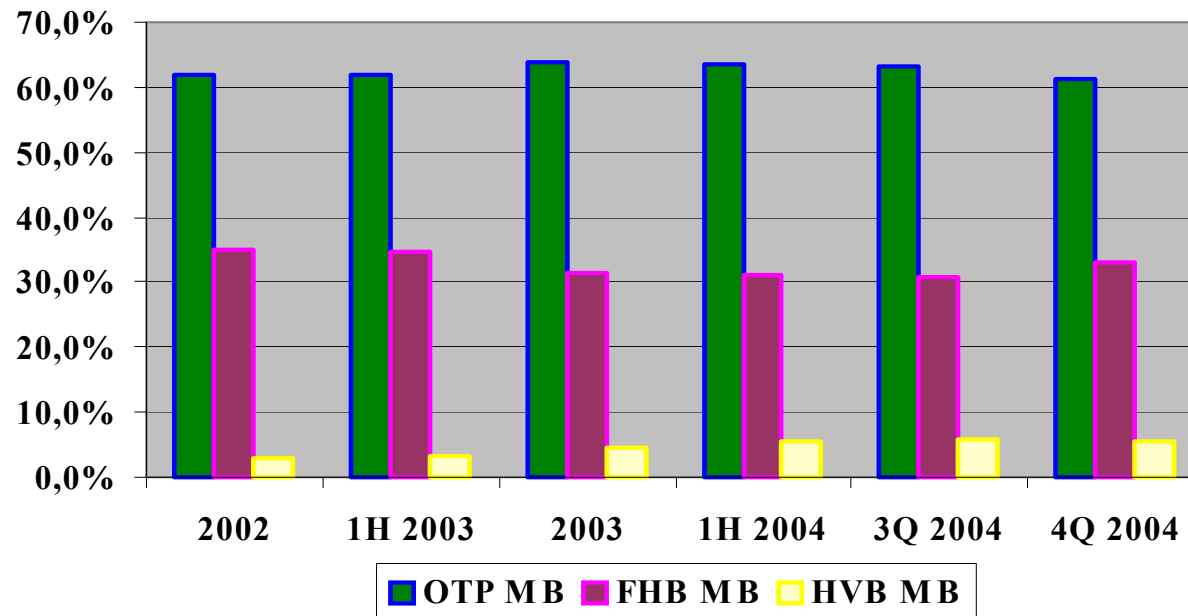


- Real wages in the positive territory
- Steady housing loan growth is expected



# Competition – Mortgage Banks

Market shares (loans)



- **OTP Mortgage Bank is undisputed No.1**
- **Based on the comprehensive network of OTP Bank**

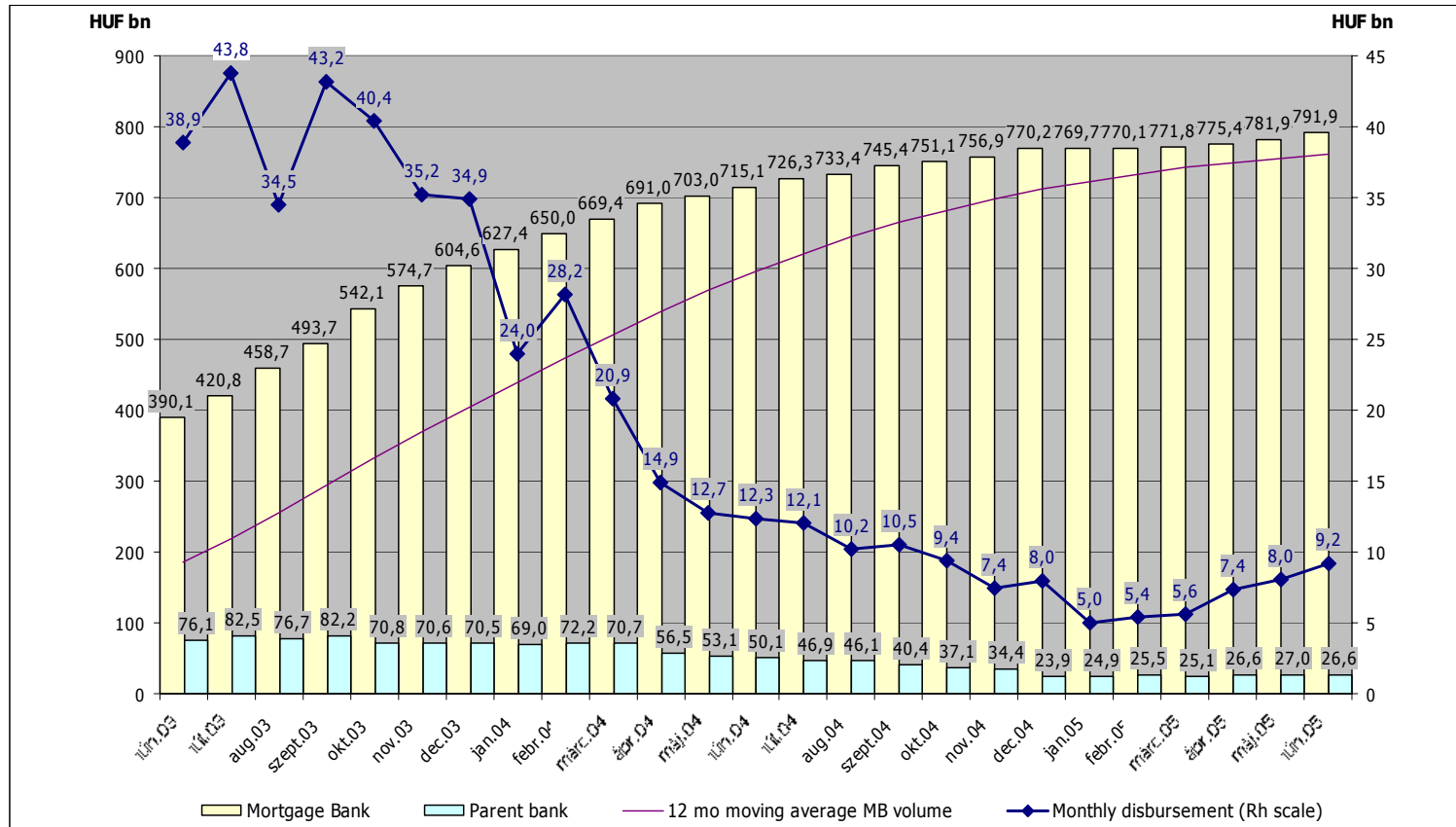


# Mortgage Loans at OTP Group

Cumulative

HUF bn.

Monthly

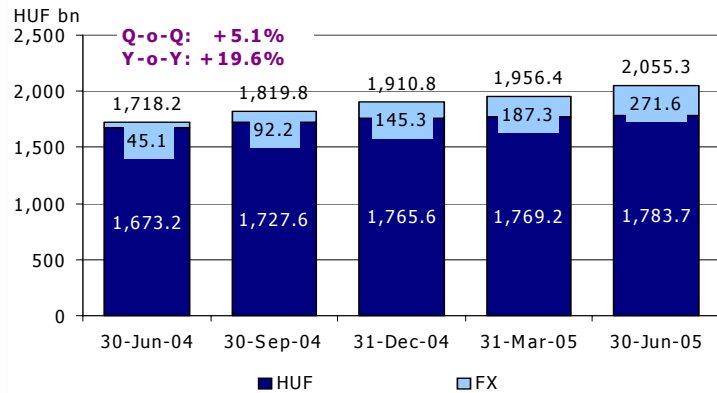


- Prominent loan outflow in 2003 - induced by legal changes
- Slowing accumulation in 2004 and 2005



OTP Group kept its 53% market share in HUF housing loans, while share in FX housing loans increased to 18%

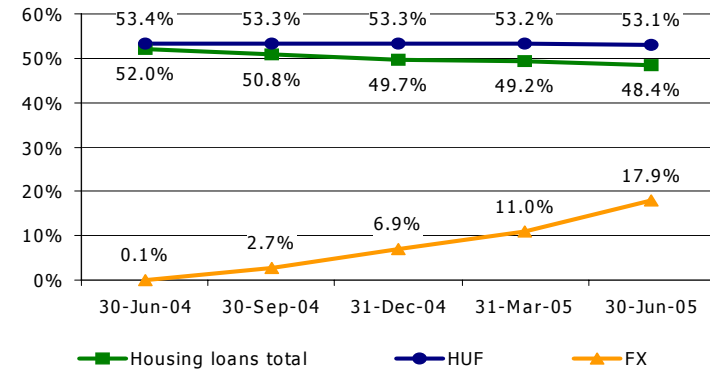
HOUSING LOANS OF CREDIT INSTITUTIONS



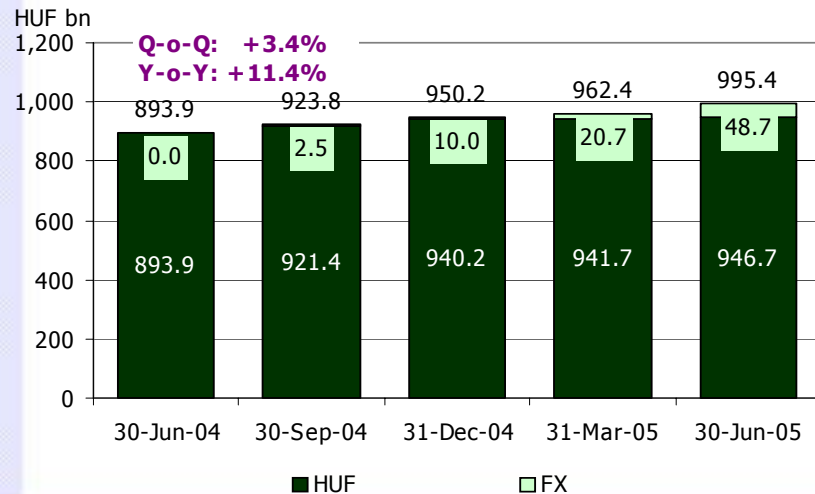
Share of FX loans

13.2%

MARKET SHARE – OTP GROUP



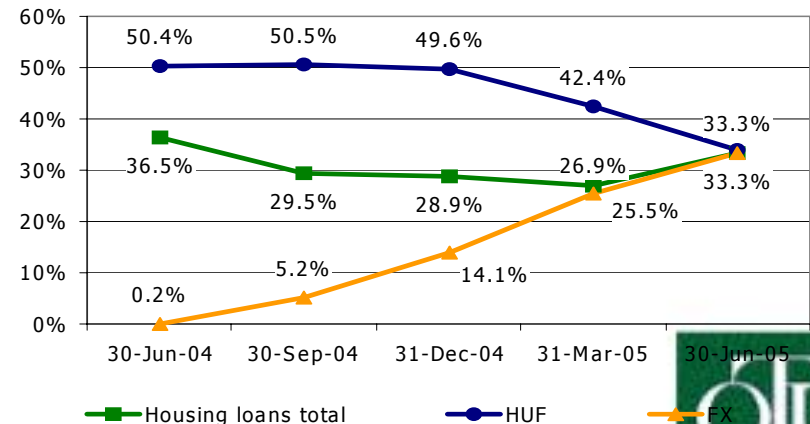
HOUSING LOANS OF OTP GROUP



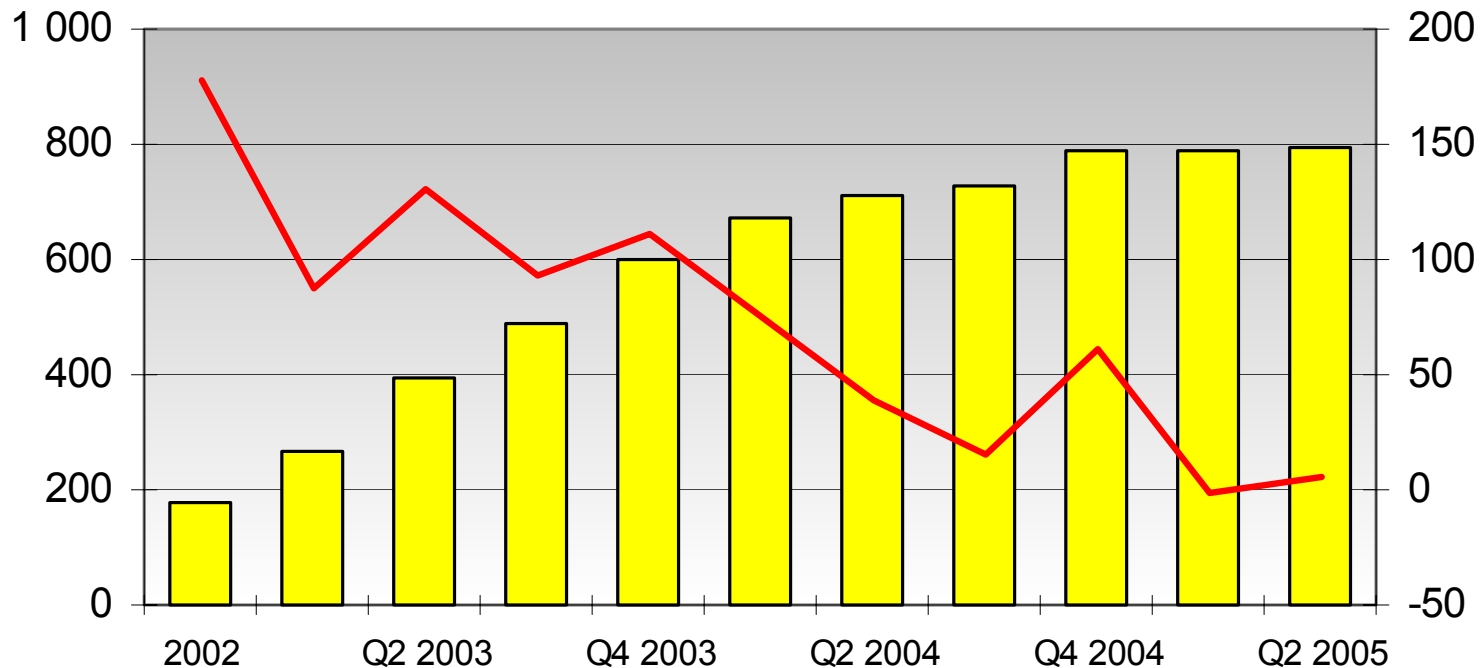
Share of FX loans

4.9%

SHARE IN VOLUME CHANGES – OTP GROUP



# Net Issuance and Outstanding Mortgage Bonds (billion HUF)

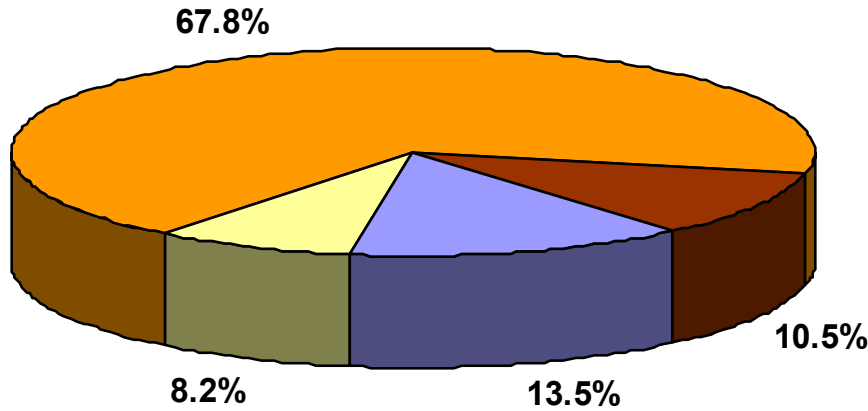


Outstanding mortgage bonds (left sc.)
  Net issuance (right sc)

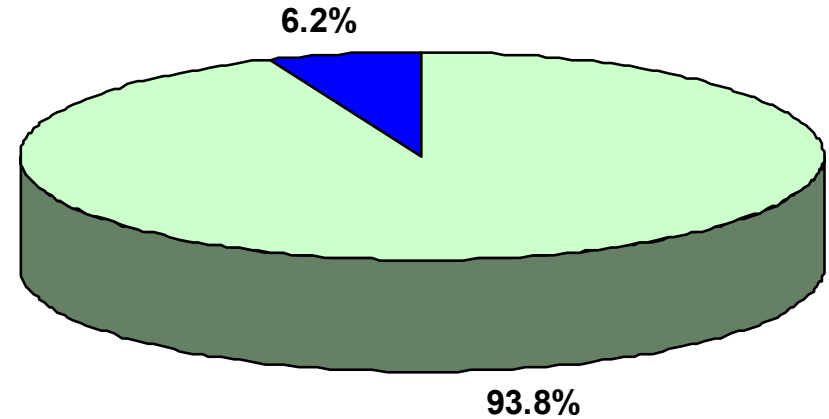




# Investor Base and Denomination of Covered Mortgage Bonds



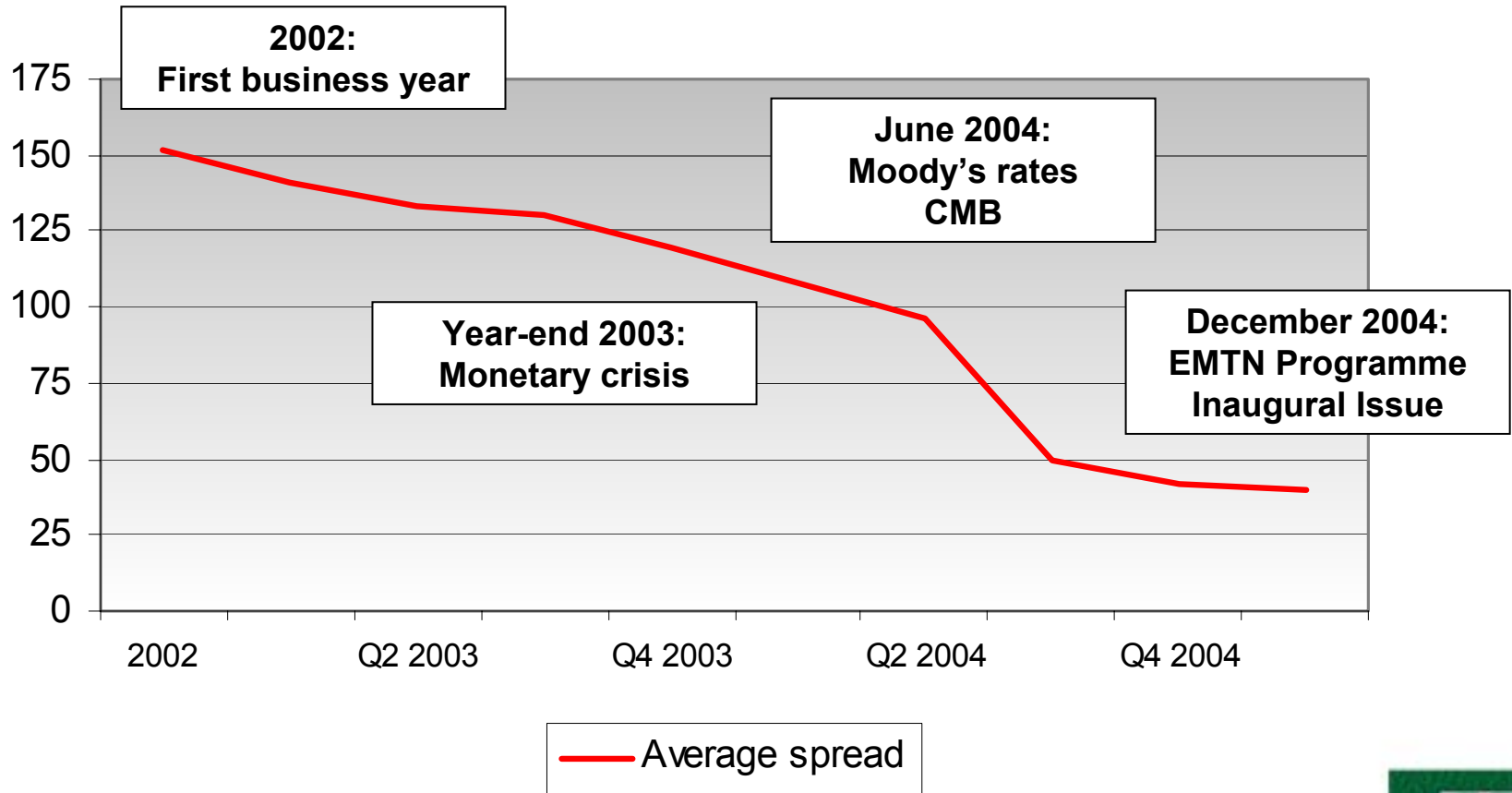
Foreign Retail OTP Domestic institutional



Forint Euro

- Diversified investor base
- Activity is based on local and international issuance program

# Historical Spread Development



## Summary of the Inaugural € CMB Issuance

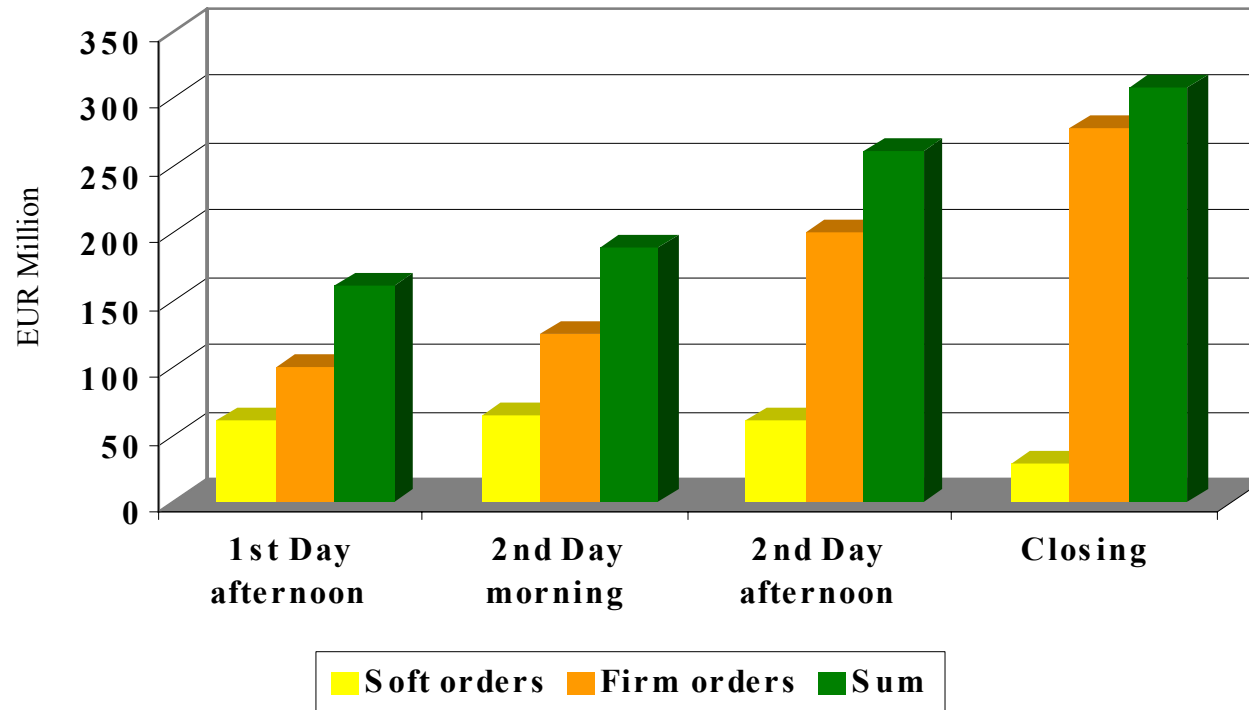
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<b>Issuer:</b>	<b>OTP Mortgage Bank Ltd.</b>
<b>Amount:</b>	<b>€ 200 Mn</b>
<b>Maturity:</b>	<b>10 years</b>
<b>Price:</b>	<b>Midswap + 24 bp</b>
<b>Rating:</b>	<b>A1 Moody's</b>
<b>Listing:</b>	<b>Luxembourg Stock Exchange</b>
<b>Documentation:</b>	<b>Under the € 1Bn EMTN Program</b>
<b>Law:</b>	<b>Hungarian</b>
<b>Coverage Supervisor:</b>	<b>PWC</b>
<b>Status:</b>	<b>Securities are unsubordinated obligations of the Issuer ranking <i>pari passu</i> among themselves and are covered in accordance with the Hungarian Act on Mortgage Loan Credit Institutions and on Mortgage Bonds</b>
<b>Clearing:</b>	<b>Keler, Clearstream</b>



# Successful Inaugural Issue

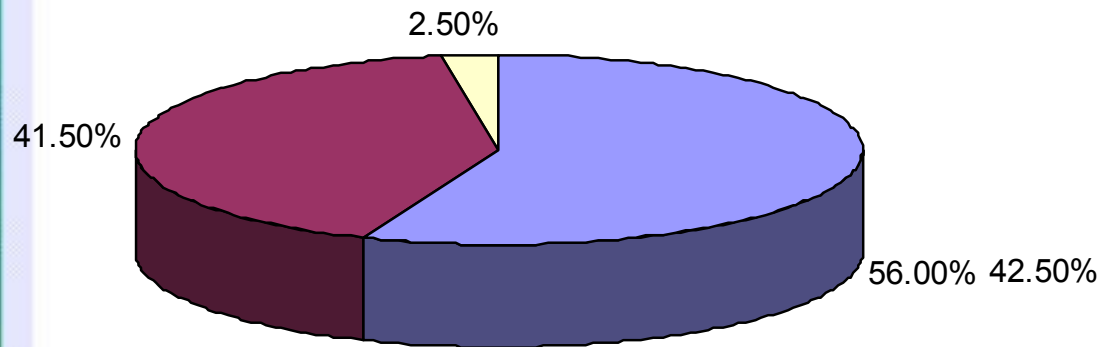
Development of the Orderbook



- Healthy demand helped to complete the transaction quickly

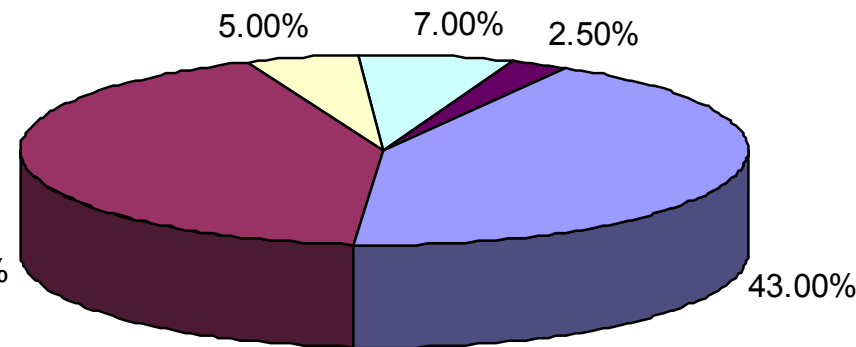
# Allocation

Placement by investor type



■ Bank ■ Fund manager ■ Corporate

Placement by investor country



■ Germany ■ Luxembourg ■ France ■ Austria ■ Spain

■ Diversified allocation



# Lessons Learned

## ✓ Preparation

- Establish the right contacts early
- Realistic time frames

## ✓ Transparency

- Go beyond the minimum – strive for the maximum
- Pool characteristics moving to the forefront

## ✓ Execution

- Road shows and investor meetings are essential
- Close cooperation with clearing houses and stock exchanges



Thank you for your attention!

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