OTP Group
Investor presentation based on 3Q 2019 results

OTP Group has maintained strong profitability, capital adequacy and liquidity

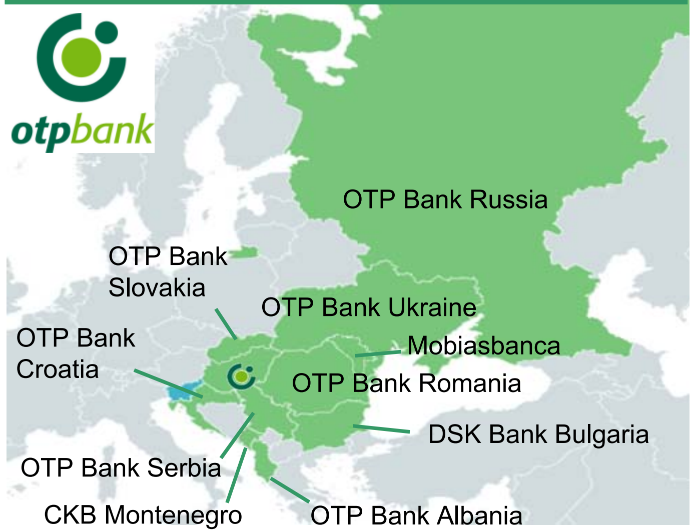
Content

Key pillars of the OTP investment rationale

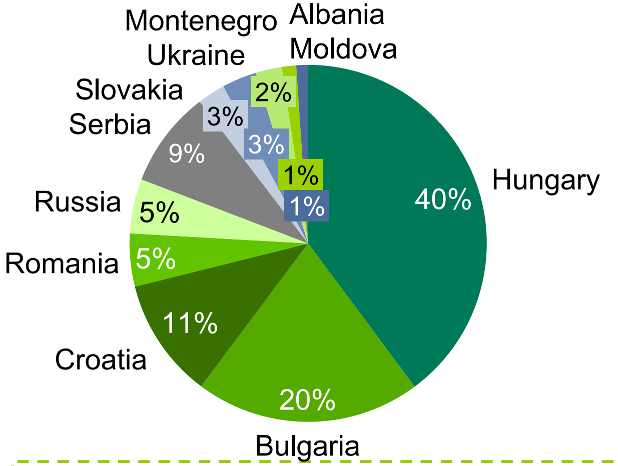
1.	Unique diversified access to the CEE/CIS banking sector
2.	Strong profitability with ROE remaining at attractive levels
3.	Outstanding growth trajectory supported by organic loan growth and new acquisitions
4.	Strong capital generation and liquidity position
5.	Supporting economic environment continues to propel strong performance

1. OTP Group is offering universal banking services to almost 18.8 million customers in 11 countries across the CEE/CIS Region

Major Group Members in Europe

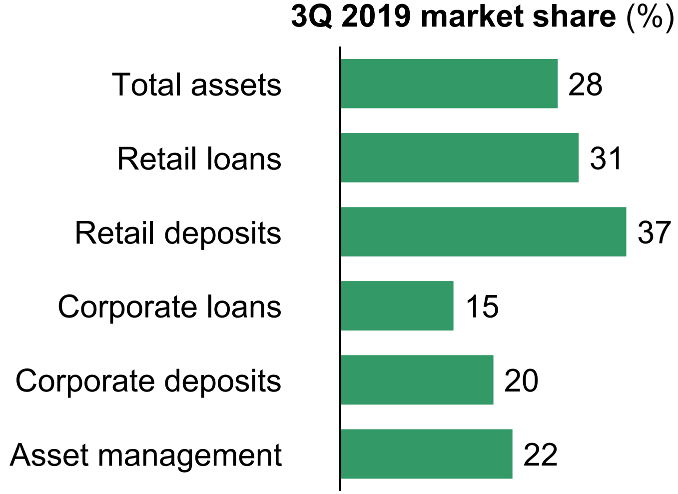


Total Assets

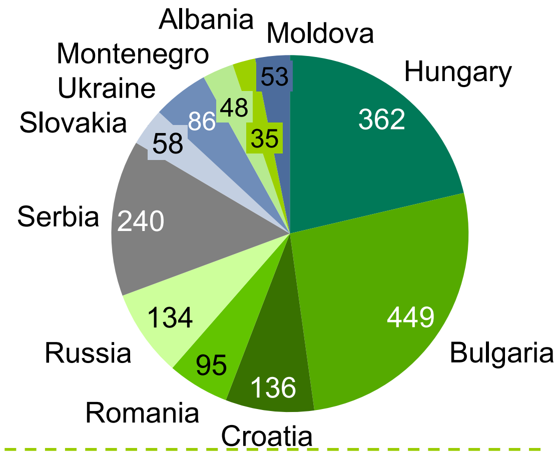


Total Assets: HUF 18,971 billion

Systemic position in Hungary…

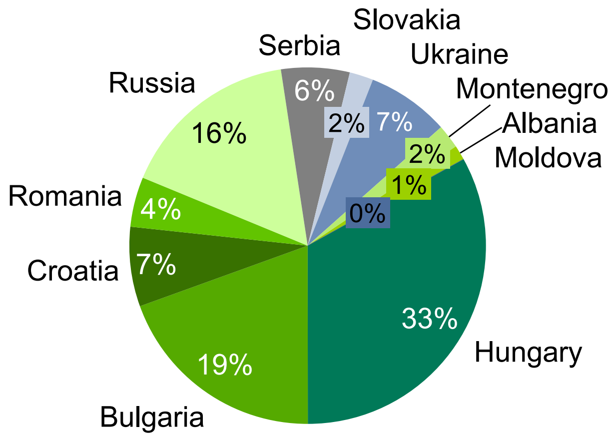


Number of Branches



Total number of branches: 1,696

Headcount



Total headcount: 33,722[1]

… as well as in other CEE countries

Bulgaria
- No. 1 in Total assets
- No. 1 in Retail deposits
- No. 1 in Retail loans

Croatia
- No. 4 in Total assets

Russia
- No. 3 in POS lending
- No. 7 in Credit card business
- No. 30 in Cash loan business

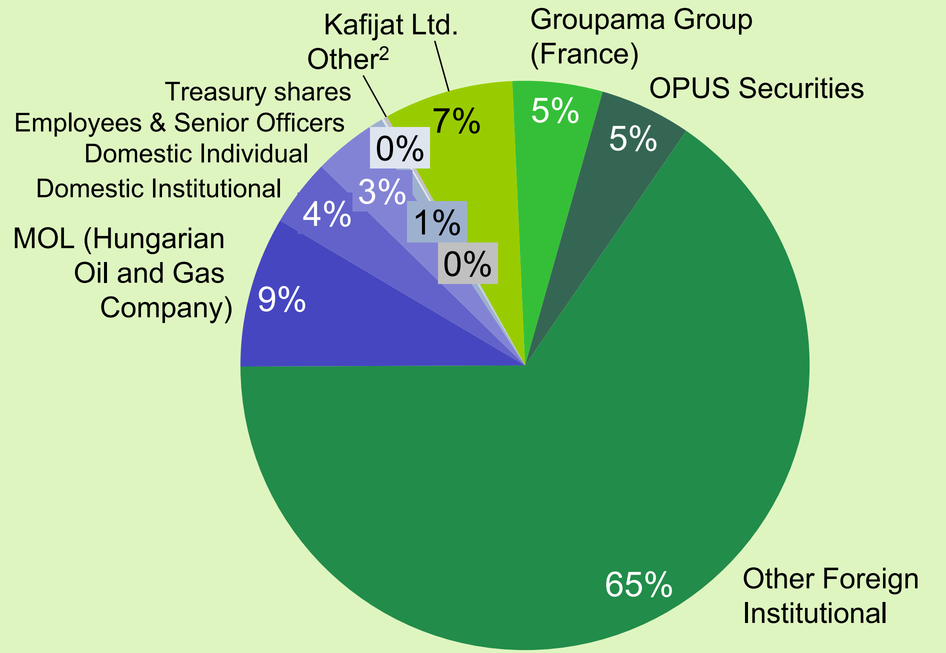
Montenegro
- No. 1 in Total assets

[1] Excluding selling agents employed at OTP Bank Russia and at OTP Bank Ukraine.

OTP offers a unique investment opportunity to access the CEE banking sector. The Bank is a well diversified and transparent player without strategic investors

Market capitalization: EUR 11.7 billion[1]

Ownership structure of OTP Bank on 30 September 2019

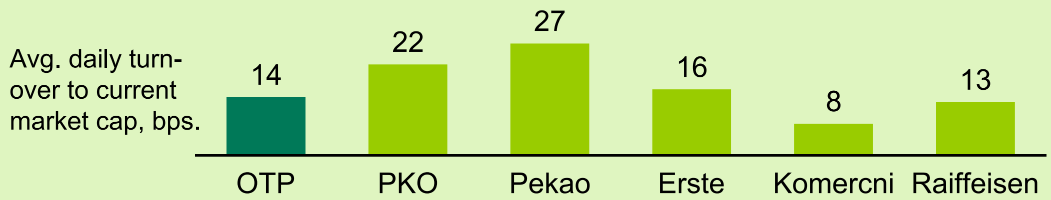


Total number of ordinary shares: 280,000,010, each having a nominal value of HUF 100 and representing the same rights

Since the IPO in 1995 / 1997, OTP Bank has not raised capital on the market, nor received equity from the state

No direct state involvement, the Golden Share was abolished in 2007

OTP is one of the most liquid stocks in a peer group comparison in terms of average daily turnover[3]



	OTP	PKO	Pekao	Erste	Komercni	Raiffeisen
Average daily turnover in EUR million	16	25	17	23	4	10

OTP Group's Capabilities

'Best Private Bank in Hungary'

DSK Bank - 'Best Bank in Bulgaria 2015'

'Best Bank in CEE 2018"
Best Bank in Hungary 2017 and 2018'
Best Bank in Bulgaria 2014 and 2017'

'The Best Private Banking Services in Hungary in 2014, 2017 and 2018'

Index Member of CEERIUS

'Bank of the Year in 2019'

'Retail Online and Mobile Banking Application in 2019'

'The Most Innovative Bank of the Year' – 2nd place in 2019

'Socially Responsible Bank of the Year' – 2nd place in 2019

'Private Bank of the Year' – 2nd place in 2019

'Best Bank in Hungary' since 2012 in all consecutive years

‚Best Consumer Digital Bank Hungary in 2019'

'Best FX providers in Hungary in 2017, 2018, 2019, 2020'

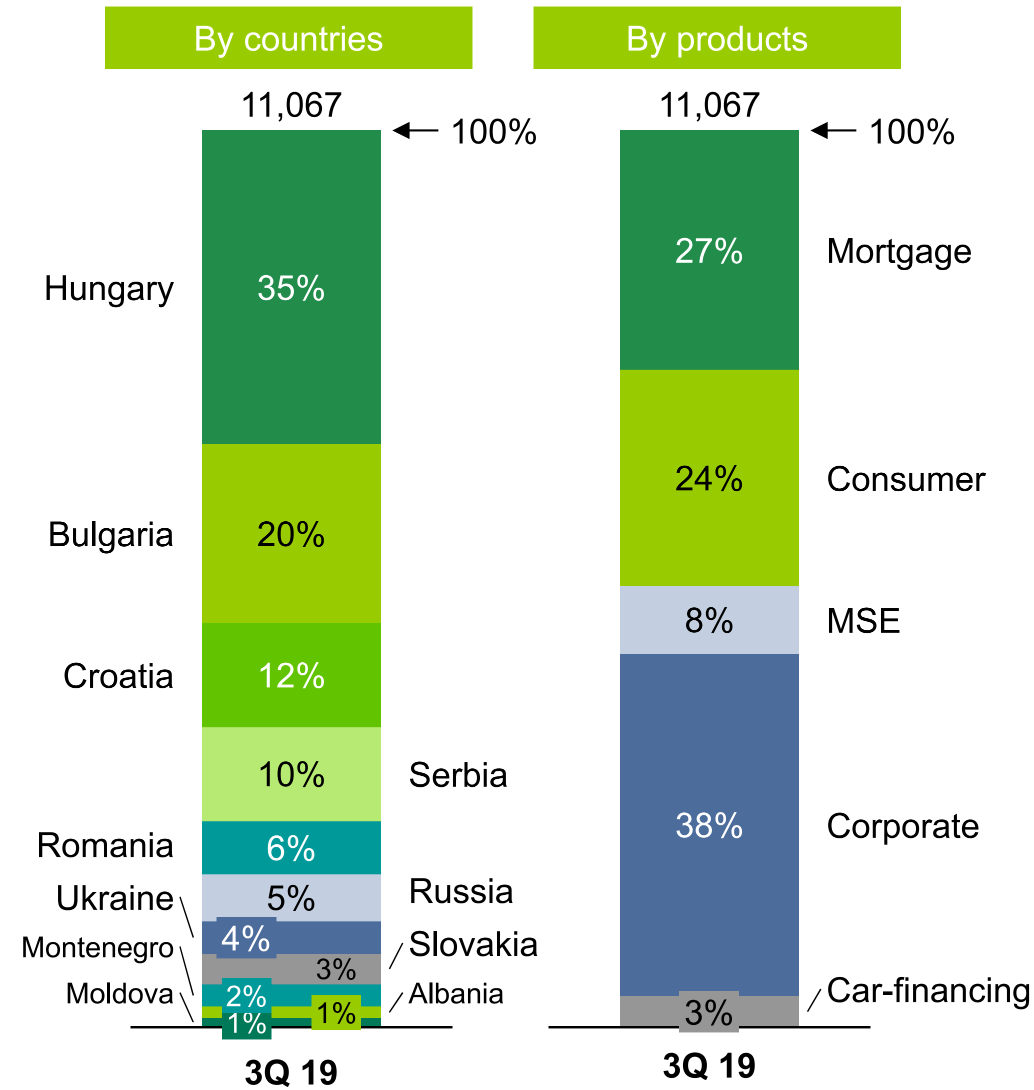
'Best Private Bank in Hungary in 2020'

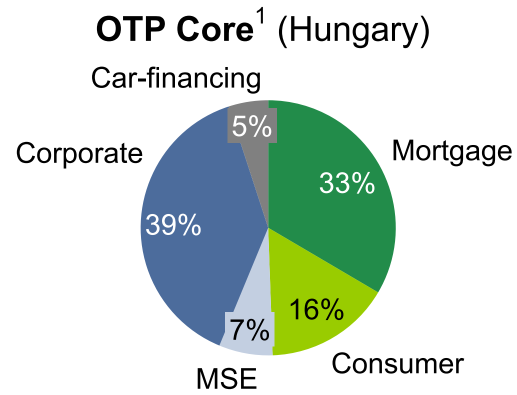
[1] On 11 November 2019.
[2] Foreign individuals, International Development Institutions, government held owner and non-identified shareholders.
[3] Based on the last 6M data (end date: 11 November 2019) on the primary stock exchange.

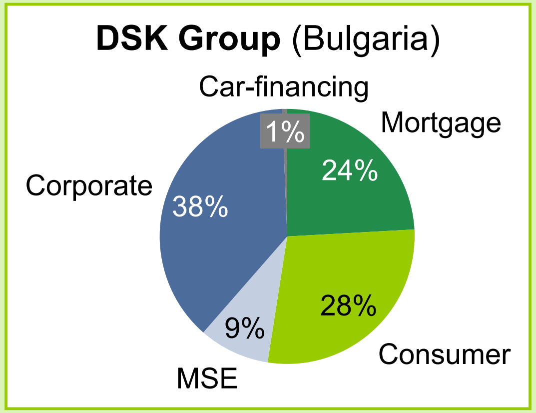
1.

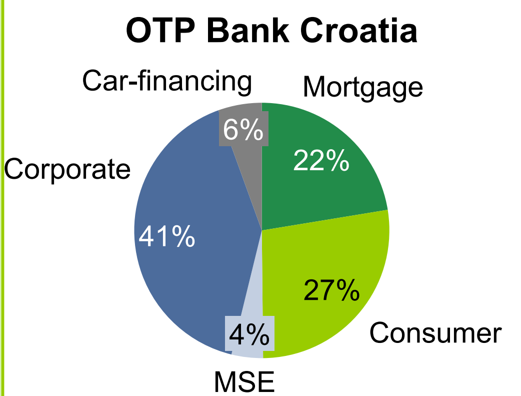
The net loan book is dominated by Hungary and tilted to retail lending; more than 75% of the total book is invested in EU countries with stable earning generation capabilities

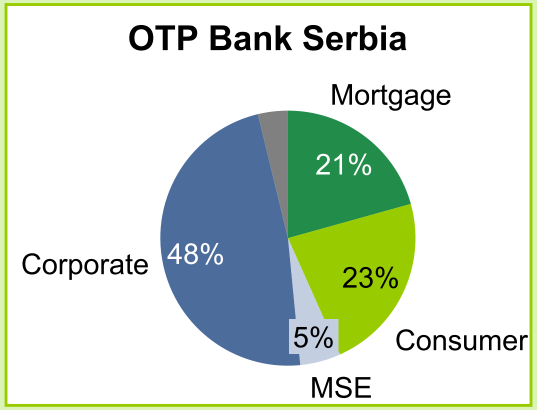
Breakdown of the consolidated net loan book
(in HUF billion)

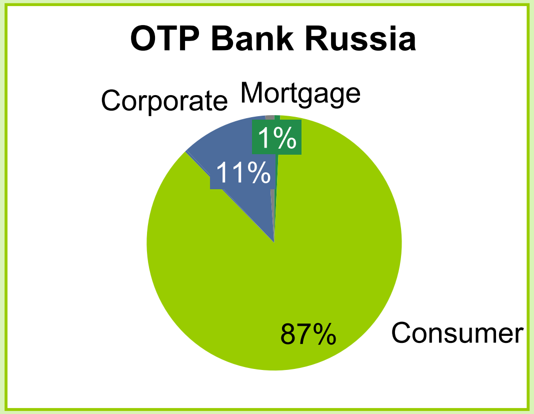


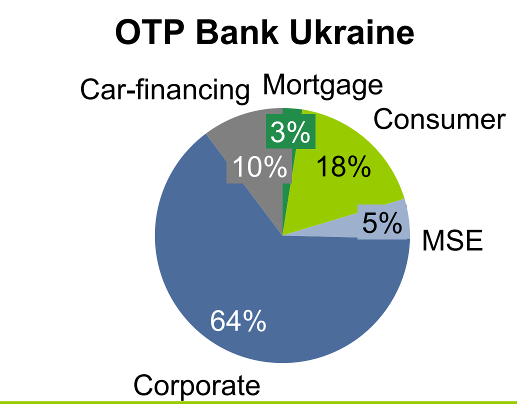










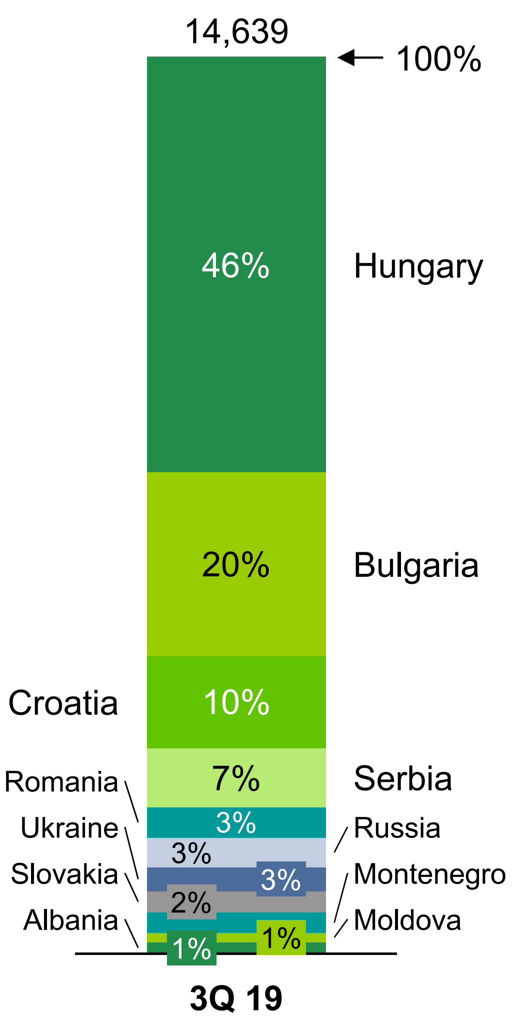


[1] Including Merkantil Bank (Hungary).

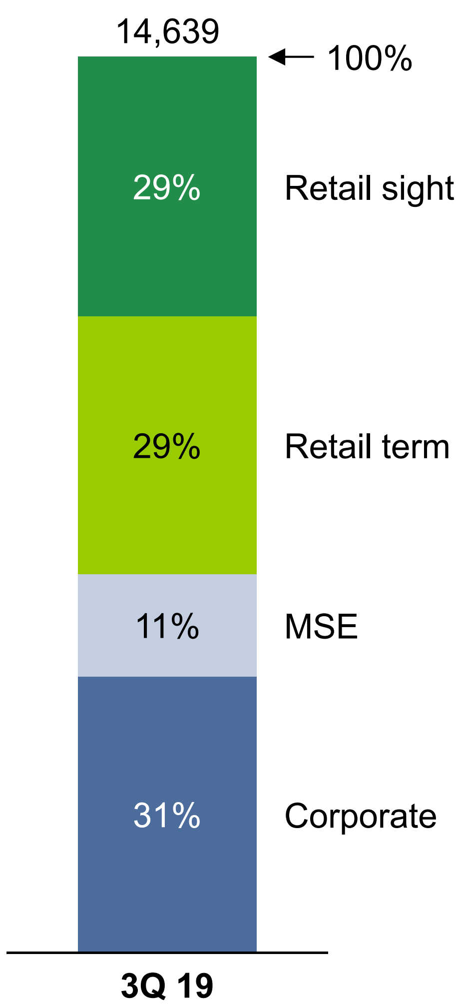
1. In the deposit book Hungary and the retail segment is dominant. In Hungary and Bulgaria OTP and DSK are the largest retail deposit holders

Breakdown of the consolidated deposit base
(in HUF billion)

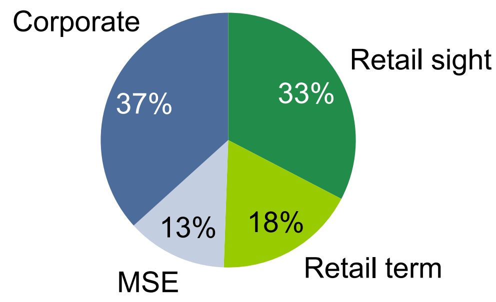
By countries



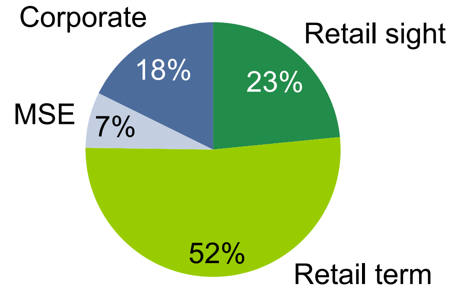
By products



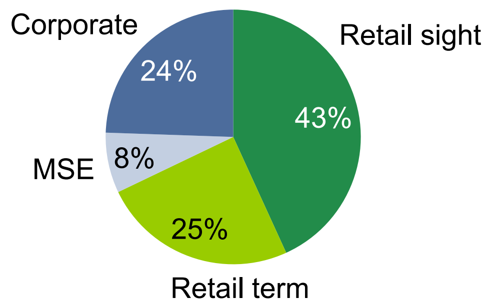
OTP Core (Hungary)



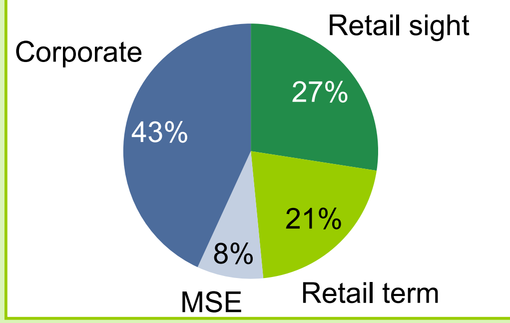
DSK Group (Bulgaria)



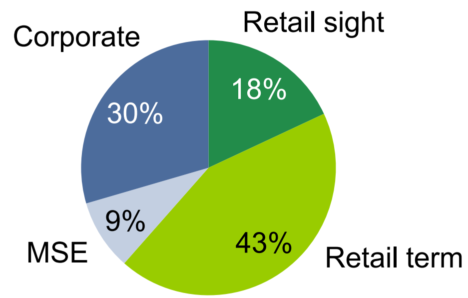
OTP Bank Croatia



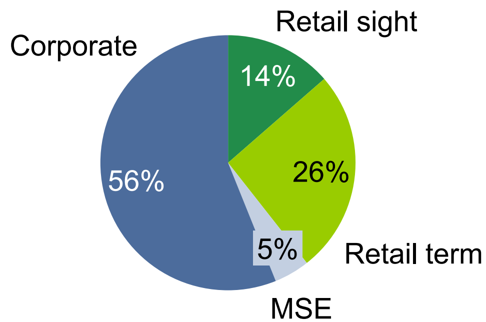
OTP Bank Serbia



OTP Bank Russia



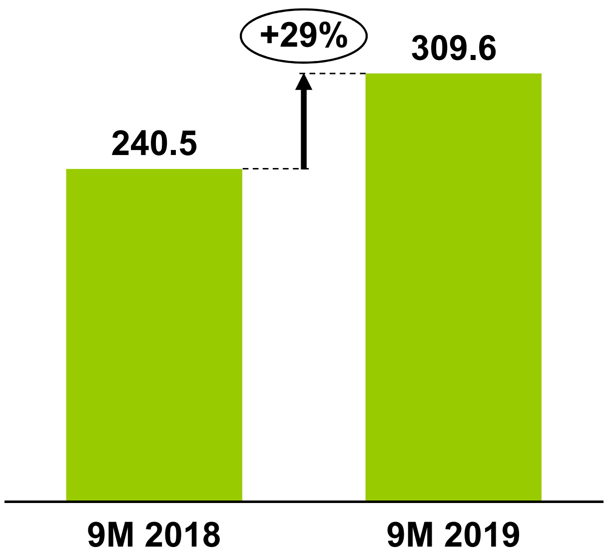
OTP Bank Ukraine



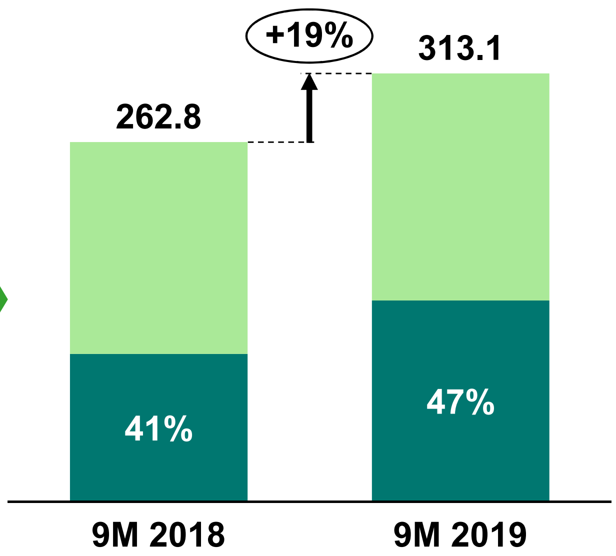
2. 9M accounting profit surged by 29% y-o-y, while the adjusted profit grew by 19%. The profit contribution of foreign subsidiaries improved to 47%

After tax profit development y-o-y (in HUF billion)

Accounting profit after tax



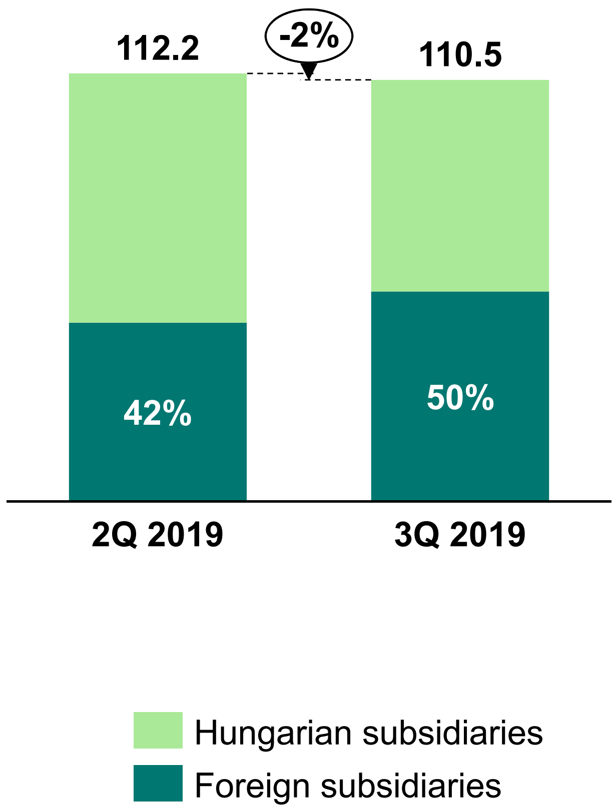
Adjusted profit after tax



Adjustments (after tax)	**9M 2018**	**9M 2019**
Banking tax	-15.1	-15.6
Effect of acquisitions	-2.9	17.9
Others	-4.4	-5.8[1]
Total	**-22.3**	**-3.5**

After tax profit development (in HUF billion)

Adjusted profit after tax



[1] Of which -HUF 4.4 billion goodwill /investment impairment charges; -HUF 1.8 billion one-off impact of regulatory changes related to FX consumer contracts in Serbia; +0.4 dividend and net cash transfer.

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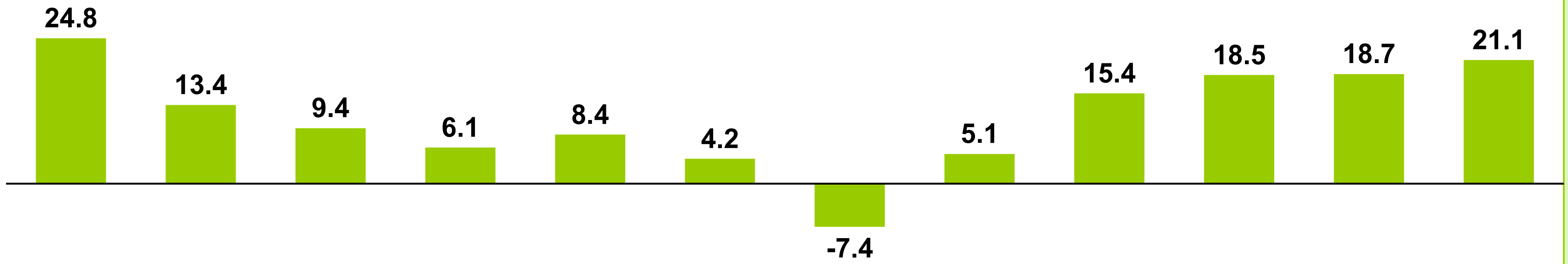
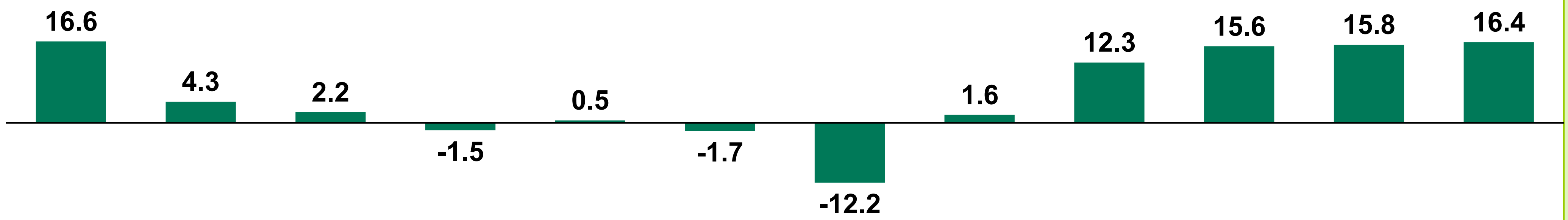
2. Return on Equity remained at attractive levels

Consolidated ROE, accounting (%)



Opportunity cost-adjusted[1] consolidated accounting ROE over the average 10Y Hungarian government bond yields (%)



Price to Book ratio

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	9M 19
Max	2.8	1.4	1.7	1.4	0.8	1.0	0.9	1.4	1.7	1.9	2.0	2.0
Min	0.6	0.4	0.9	0.6	0.6	0.7	0.7	0.8	1.3	1.5	1.5	1.6

Bloomberg

[1] Accounting ROE less the annual average of Hungarian 10Y government bond yields.

The accounting ROE has consistently been above 15% since 2016 on the back of moderate provision charges and vanishing negative adjustment items

	2003-2008 average	2009-2013 average	2014	2015	2016	2017	2018	9M 2019
Accounting ROE	29.4%	8.3%	-7.4%	5.1%	15.4%	18.5%	18.7%	21.1%
Adjusted ROE[1]	29.0%	11.6%	8.5%	9.6%	15.4%	18.7%	19.1%	21.3%
Total Revenue Margin[2]	8.60%	8.17%	7.74%	7.03%	6.79%	6.71%	6.33%	6.26%
Net Interest Margin[2]	6.02%	6.28%	5.96%	5.12%	4.82%	4.56%	4.30%	4.14%/ 4.27%[4]
Net Fee & Comm. Margin	1.50%	1.47%	1.59%	1.55%	1.62%	1.75%	1.58%	1.60%
Other income Margin[2]	1.08%	0.41%	0.19%	0.31%	0.35%	0.41%	0.44%	0.53%
Operating Costs / Average Assets	4.47%	3.80%	3.85%	3.66%	3.70%	3.68%	3.57%	3.26%
Cost / Income (without one-offs)	51.9%	46.5%	49.8%	52.0%	54.4%	54.9%	56.3%	52.1%
Risk Cost Rate[3]	0.90%	3.37%	3.68%	3.18%	1.14%	0.43%	0.23%	0.21%
Leverage (average equity / avg. assets)	10.2%	13.5%	13.0%	11.7%	12.9%	12.7%	12.2%	11.9%

[1] Calculated from the Group's adjusted after tax result.
[2] Excluding one-off revenue items.
[3] Provision for impairment on loan and placement losses-to-average gross loans ratio.
[4] Without the 2019 acquisitions.

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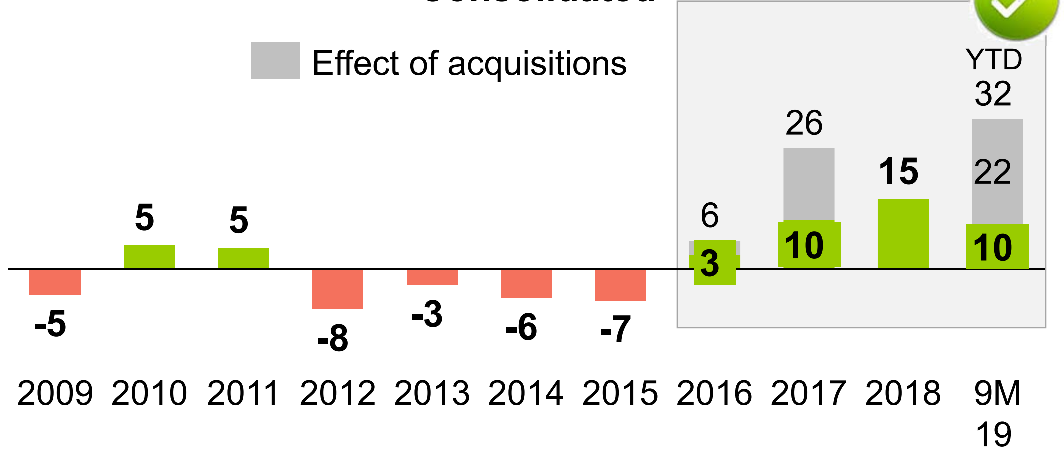
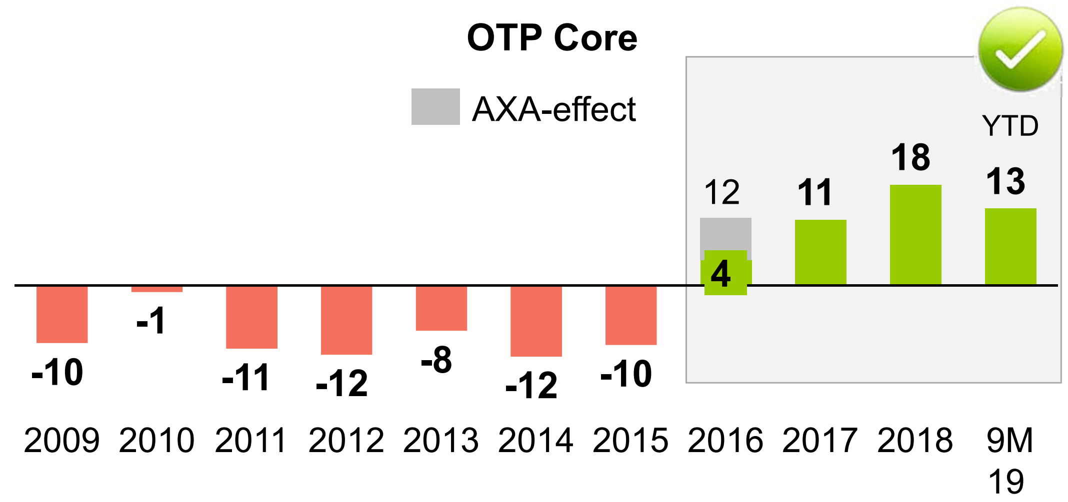
3. Following the contraction in the preceding years, the last almost 4 years brought a spectacular turnaround in loan volumes, while deposits have been growing steadily reflecting our clients' trust in the Bank

Y-o-Y performing (DPD0-90) loan volume changes [1] (adjusted for FX-effect, %)

Consolidated

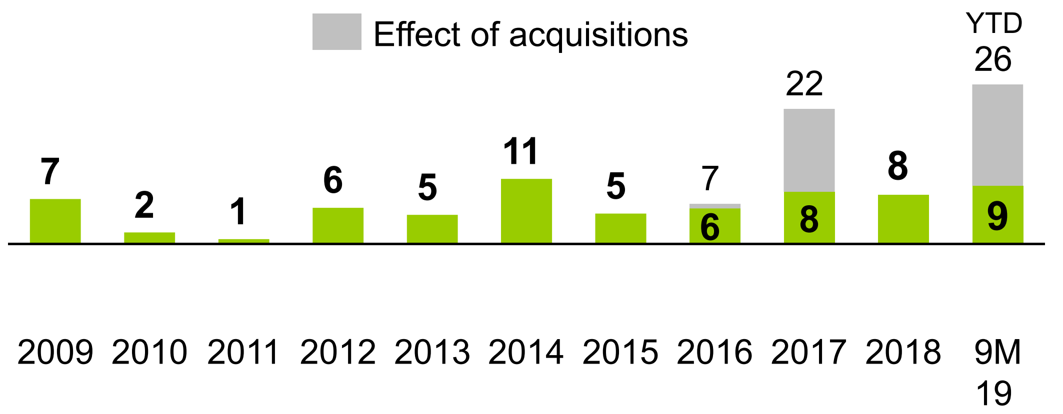


OTP Core

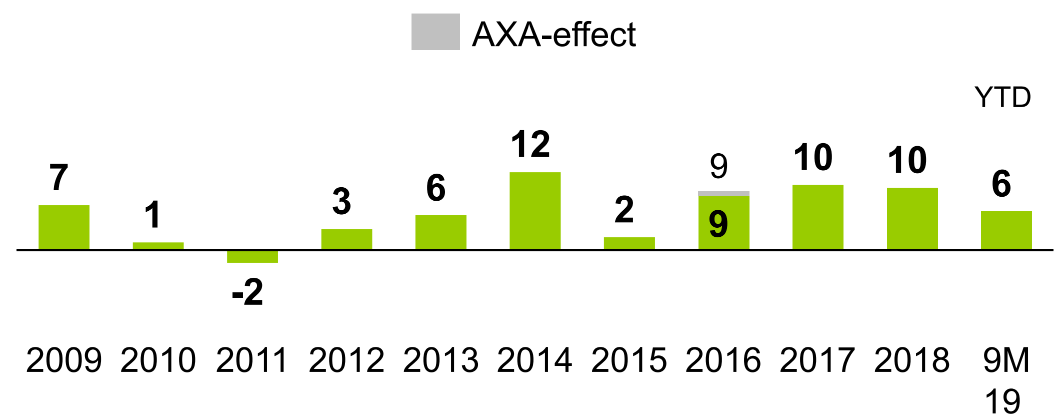


Y-o-Y deposit volume changes (adjusted for FX-effect, %)

Consolidated



OTP Core



[1] Consolidated: net loan volume between 2009-2013. OTP Core: estimation for 2009; for the sake of comparability the elimination of OTP Real Estate Ltd. from OTP Core starting from 2019 is filtered out from the 9M 2019 YTD change.

The Hungarian loan penetration levels are still low in regional comparison implying good volume growth potential. This is also the case for Romania, as well as for the Bulgarian housing loan segment

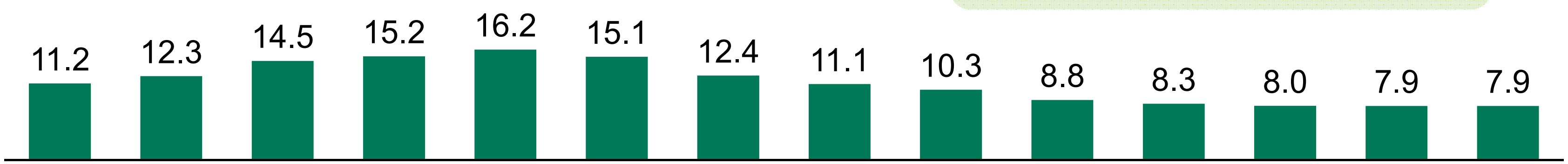
Market penetration levels in Hungary in ...

Net loan to deposit ratio in the Hungarian credit institution system[1]

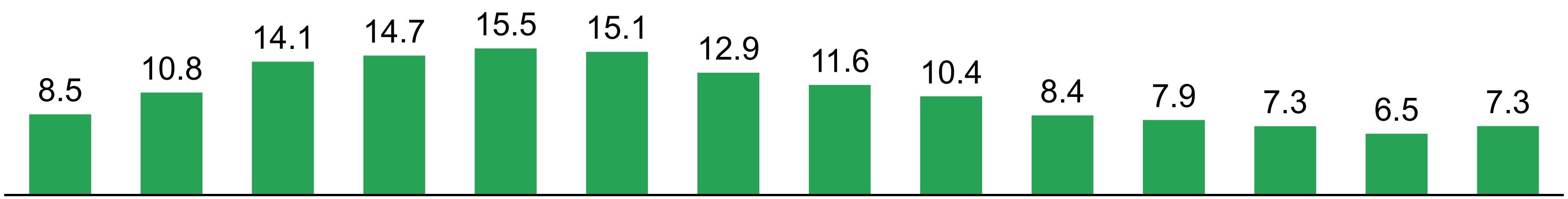
168% → 98%

1Q 2009 → 2Q 2019

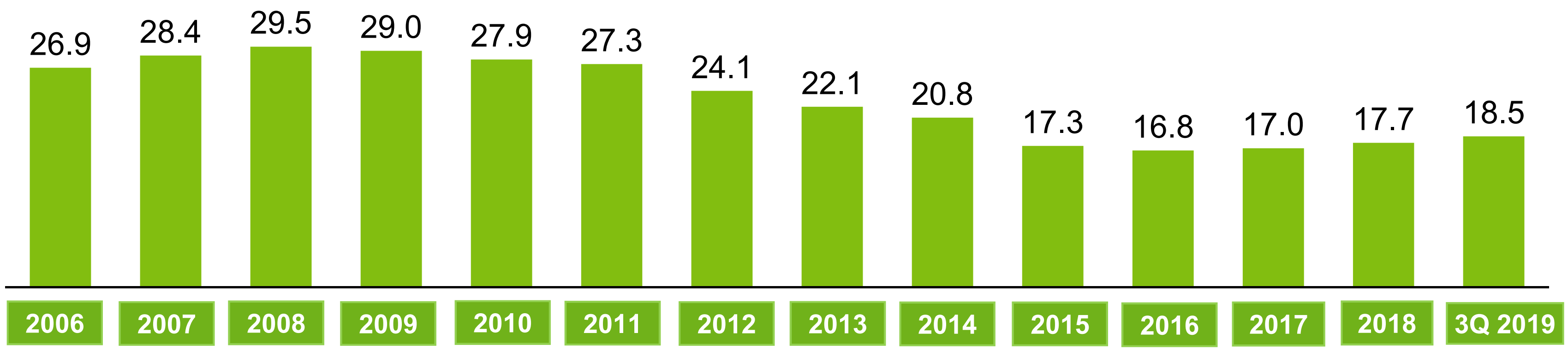
housing loans (in % of GDP)



consumer loans (incl. home equities) (in % of GDP)



corporate loans (in % of GDP)



3Q 2019 data for other CEE/CIS countries

32.0 Slovakia
23.8 Czech Republic
20.0 Poland
14.1 Croatia
9.1 Bulgaria
7.7 Romania
0.9 Ukraine

18.9 Croatia
14.1 Poland
11.5 Bulgaria
9.1 Russia
9.0 Slovakia
7.1 Czech Republic
6.1 Romania
4.4 Ukraine

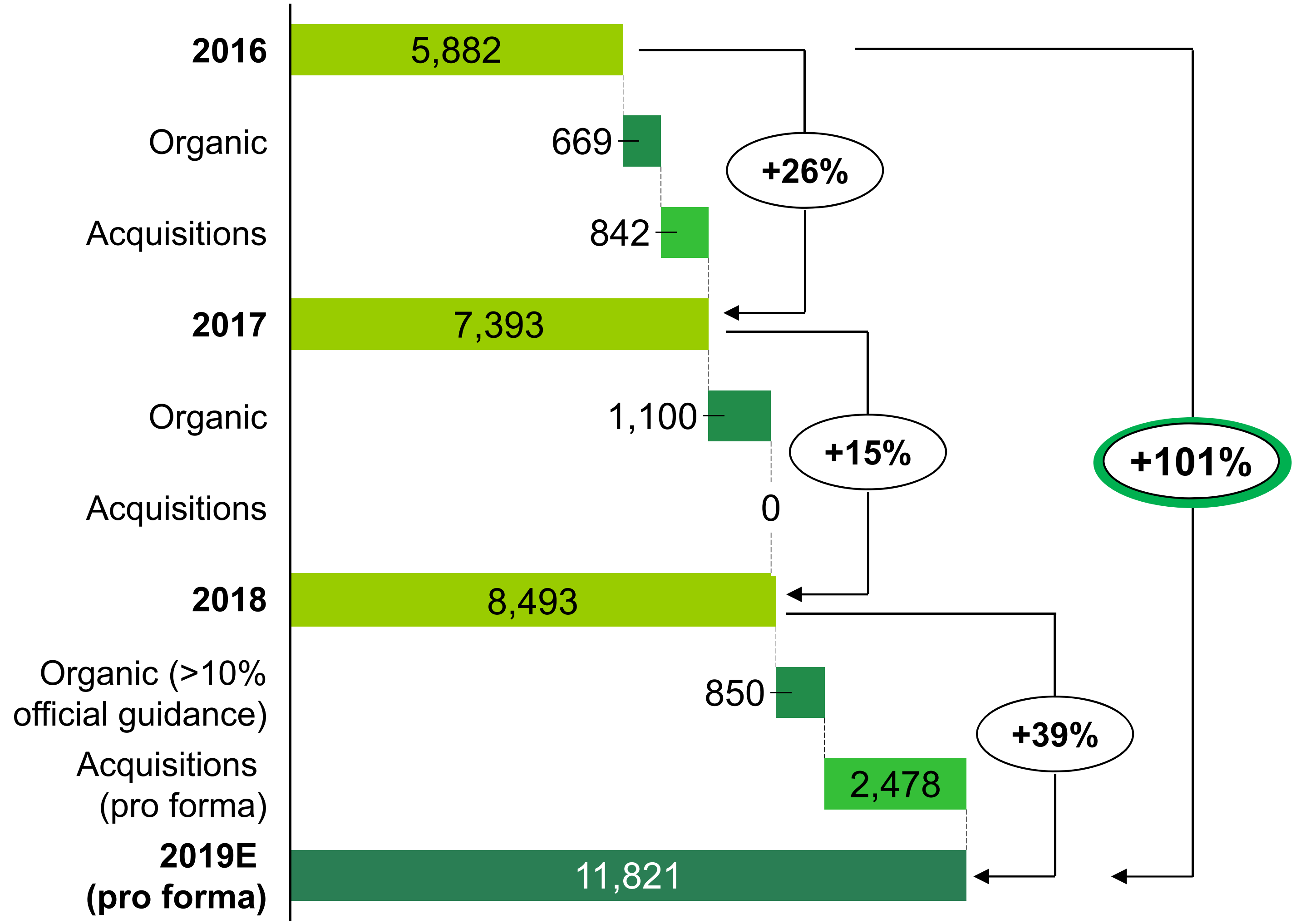
30.0 Bulgaria
23.5 Serbia
21.2 Czech Republic
21.0 Croatia
20.8 Slovakia
19.1 Ukraine
16.8 Poland
11.5 Romania

[1] Latest available data. According to the supervisory balance sheet data provision.

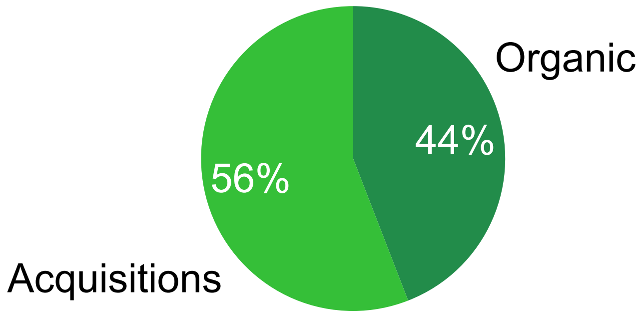
3. By the end of 2019 OTP Group might double its performing loan volumes, as a result of strong organic growth and acquisitions during the last 3 years

OTP Group – performing (DPD0-90) loan growth[1]

FX-adjusted, in HUF billion



Components of OTP Group's expected performing loan growth (between 2016-2019E)



[1] Performing loan data of acquisitions (estimate): Splitska banka: May 2017; Vojvodjanska banka: 4Q 2017; Expressbank: January 2019; SG Albania: 1Q 2019; SG Montenegro, SG Moldova, SG Serbia and SG Slovenia: 4Q 2018. Organic loan growth is calculated as total growth less acquisition-related growth. The 2019E organic loan growth guidance refers to Stage 1+2 loans; in this table the same growth rate was assumed for DPD0-90 loans. In this table, the exact 2019E organic growth figure is just illustrative.

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Acquisitions in the last 2.5 years materially improved OTP's positions in many countries. The *pro forma* CET1 ratio impact of the Slovenian transaction (which was not yet closed in 3Q) is 0.9 pp

	Target (seller, date of closing)		**Net loan volumes** (in HUF billion)	**Market share in total assets** (before/after acquisition[2], %)			**Book value** (in EUR million)
2017	**Splitska banka**, Croatia (SocGen, 2Q 2017)	(Nov 18)	631	4.8	11.2	(4Q 16)	**496**
2017	**Vojvodjanska banka**, Serbia (NBG, 4Q 2017)	(1Q 19)	266	1.5	5.7	(3Q 17)	**174**
2019	**SocGen Expressbank**, Bulgaria (SocGen, 1Q 2019)	(1Q 19)	774	14.0	19.9	(4Q 18)	**421**
2019	**SocGen Albania** (SocGen, 1Q 2019)	(1Q 19)	124		6.0	(4Q 18)	**58**
2019	**SocGen Moldova** (SocGen, 3Q 2019)	(4Q 18)	85		14.0	(4Q 18)	**86**
2019	**SocGen Montenegro** (SocGen, 3Q 2019)	(4Q 18)	122	17.6	30.4	(4Q 18)	**66**
2019	**SocGen Serbia** (SocGen, 3Q 2019)	(4Q 18)	654	5.3	13.7	(4Q 18)	**381**
2019	**SKB Banka**, Slovenia (SocGen, 4Q 2019)	(4Q 18)	785		8.5	(4Q 18)	**356**
	Acquisitions total:		**3,442**				**2,037**

[1] OTP Bank disclosed purchase price for Splitska banka (EUR 425 million) and Vojvodjanska banka (EUR 125 million) only.
[2] Reference date of market share data: Croatia: 2Q 2017, Serbia - Vojvodjanska 4Q 2016, Bulgaria: 1Q 2019, Albania: 4Q 2018, Serbia - SocGen 2Q 2019, Moldova: 2Q 2019, Montenegro: 2Q 2019, Slovenia: 4Q 2018 (SKB Banka including Leasing).

Serbia

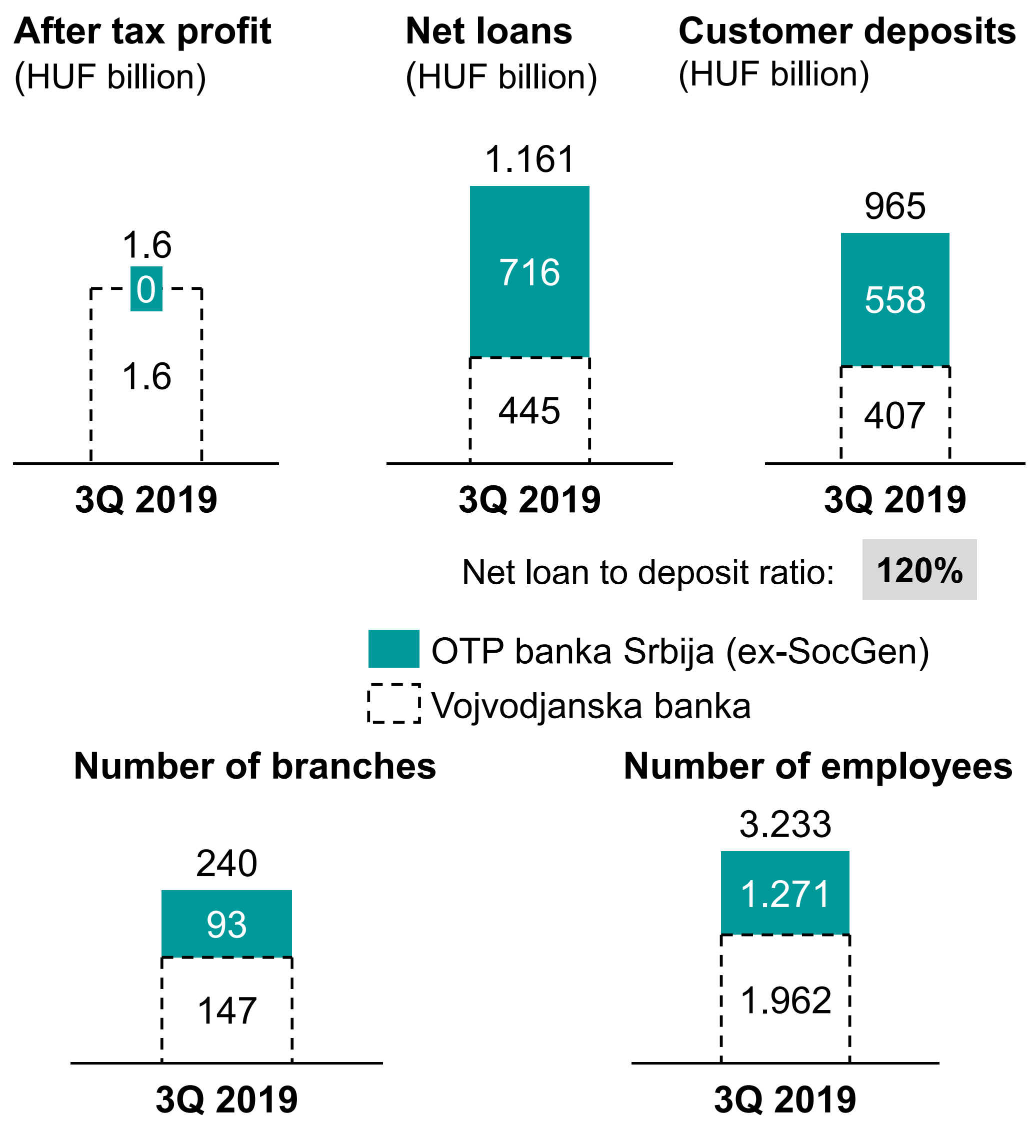
On 24 September 2019 the financial closure of the Serbian transaction has been completed; with a market share of 14% OTP has become the 2nd largest in Serbia (on pro forma basis)

1. 2. 3. 4. 5.

Market share and equity of Serbian banks
(2Q 2019, in EUR million)

	Bank	Total assets	Market share	Equity
1	Banca Intesa A.D.	5,042	15.6%	864
2	**OTP Bank Serbia (pro forma)**	**4,429**	**13.7%**	**677**
2	Unicredit Bank Srbija A.D.	3,733	11.5%	688
3	Komercijalna banka A.D.	3,504	10.8%	587
4	**Societe Generale banka Srbija A.D.**	**2,698**	**8.3%**	**408**
5	Raiffeisen Banka A.D.	2,545	7.9%	473
6	Erste Bank A.D.	1,876	5.8%	211
7	Agroindustrijsko komercijalna banka AIK banka	1,767	5.5%	438
8	**Vojvođanska banka A. D.**	**1,731**	**5.3%**	**269**
9	Banka Poštanska štedionica A.D.	1,545	4.8%	166
10	Eurobank A.D.	1,468	4.5%	439

Source: Serbian National Bank



Source: OTP Bank Serbia

Montenegro

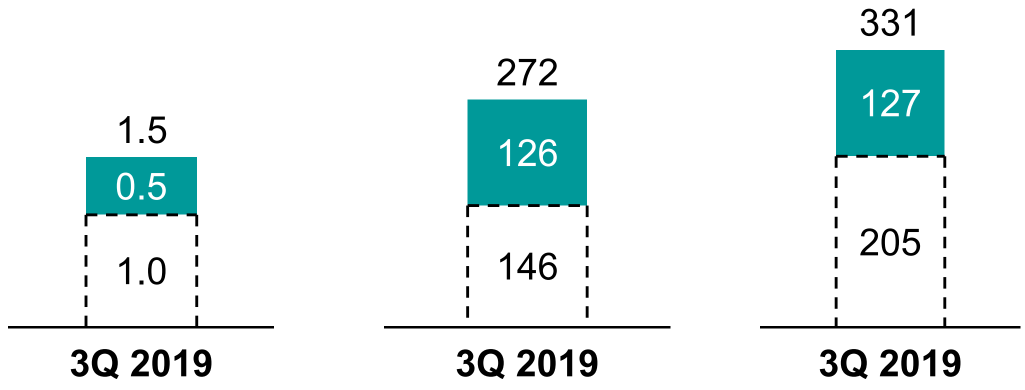
On 16 July 2019 the financial closure of the Montenegrin transaction has been completed; as a result, OTP cemented its market leading position in Montenegro

Market share and equity of Montenegrin banks
(3Q 2019, in EUR million)

	Bank	Total assets	Market share	Equity
1	**CKB Group (pro forma)**	**1,365**	**29.8%**	**239**
1	**Crnogorska komercijalna banka AD**	**810**	**17.7%**	**172**
2	Erste Bank AD Podgorica	581	12.7%	88
3	Hipotekarna Banka AD	559	12.2%	54
4	**Podgorička banka AD**	**555**	**12.1%**	**67**
5	Nlb Banka A.D. Podgorica	537	11.7%	66
6	Prva Banka Cg AD Podgorica Osnovana 1901.Godine	387	8.4%	38
7	Universal Capital Bank AD Podgorica	309	6.7%	13
8	Addiko Bank AD	239	5.2%	25

Source: Montenegrin National Bank

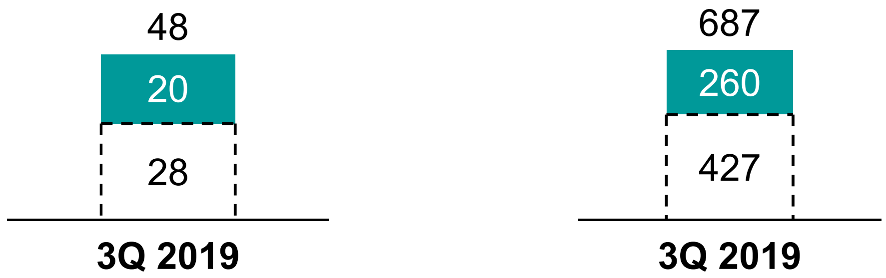
After tax profit (HUF billion) **Net loans** (HUF billion) **Customer deposits** (HUF billion)



Net loan to deposit ratio: **82%**

Podgorička banka
CKB Bank

Number of branches **Number of employees**



Source: CKB Group

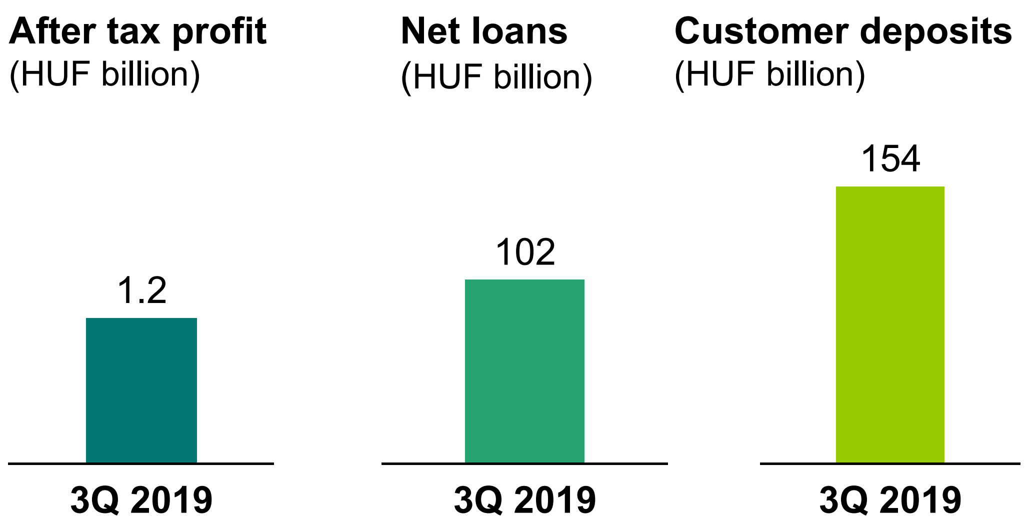
Moldova

On 25 July 2019 the financial closure of the Moldovan transaction has been completed; the new subsidiary is the 4th largest bank on the Moldovan banking market with a market share of 13%

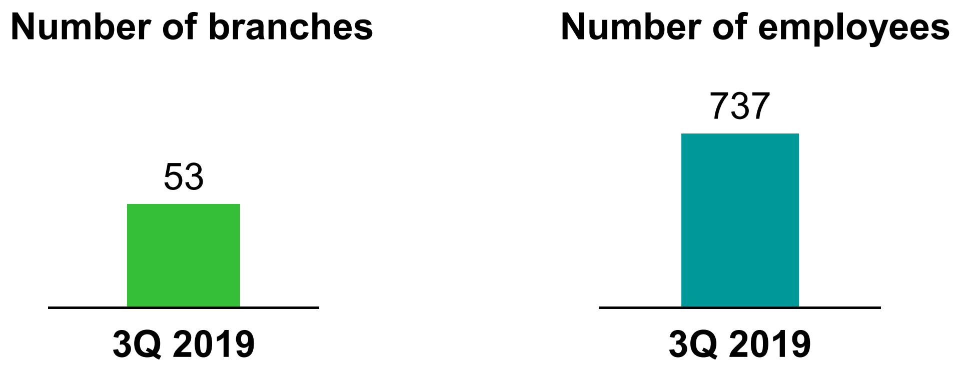
Market share and equity of Moldovan banks
(3Q 2019, in EUR million)

	Bank	Total assets	Market share	Equity
1	BC „Moldova - Agroindbank” S.A.	1,299	28.6%	220
2	BC „Moldindconbank” S.A.	918	20.2%	159
3	B.C. „Victoriabank” S.A.	747	16.5%	136
4	**Mobiasbanca - OTP Group S.A.**	**600**	**13.2%**	**96**
5	B.C. „Eximbank” S.A.	210	4.6%	57
6	BCR Chisinau S.A.	194	4.3%	32
7	„FinCombank” S.A.	181	4.0%	30
8	B.C. „Energbank” S.A.	129	2.8%	34
9	B.C. „ProCredit Bank” S.A.	113	2.5%	25
10	B.C. „Comertbank” S.A.	83	1.8%	18

Source: Moldovan National Bank



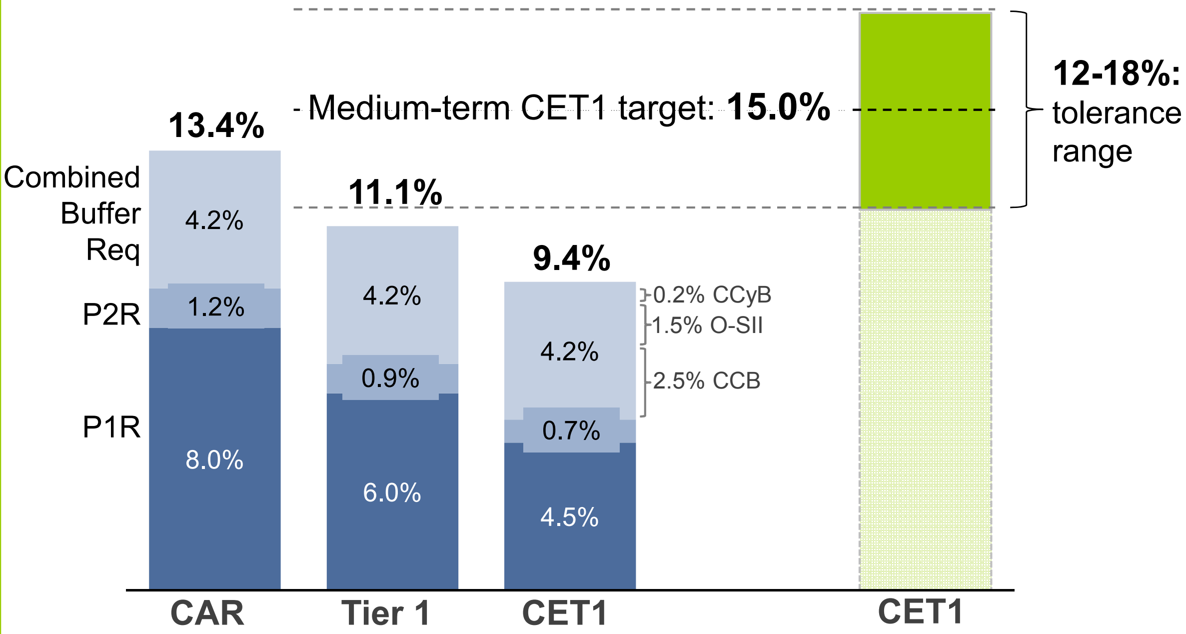
Net loan to deposit ratio: **66%**



Source: Mobiasbanca

Capital adequacy ratios operating well above CRR / CRD IV capital requirements, supported by a proactive and prudent capital management approach and a proven ability to withstand stress

Management target of consolidated CET1[1] in light of regulatory minima for 2019



Regulatory minimum levels forecast for 2019

Management target for consolidated CET1=Tier 1

Capital Management Framework

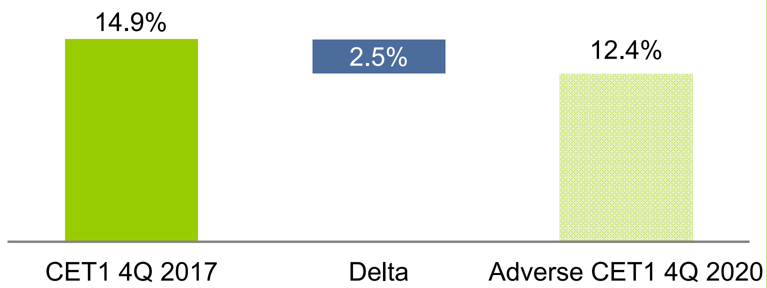
- The (P1R + P2R) / P1R ratio on OTP Group was set by MNB at 114.63% for 2019. This rate may change in the future as a result of future SREP outcomes. This ratio equals a P2R of 1.17% and can be met proportionally with CET1, Tier 1 and Tier 2 Capital[2]
- Capital buffers in Hungary:

  Capital conservation buffer is 2.5%, Systemic risk buffer is 0%, Countercyclical buffer (CCyB) is 0%; O-SII buffer currently at 1.5% of RWA and expected to be fully phased-in at 2.0% in 2020
- Capital buffers in foreign countries affecting consolidated buffers:

  CCyB introduced already in Slovakia (1.25% currently, and 1.5% from August 2019) and expected to be introduced in Bulgaria in 3Q 2019 (at 0.5% level which will increase by another 50 bps in 2020), therefore on the consolidated level weighted CCyB is 0.2% at year-end 2019, according to our conservative estimation
- From 2022, the outstanding ICES bonds can not be taken into account in regulatory capital according to CRR II. Effect: HUF -90 billion in Tier 2 capital.

2018 EBA stress test

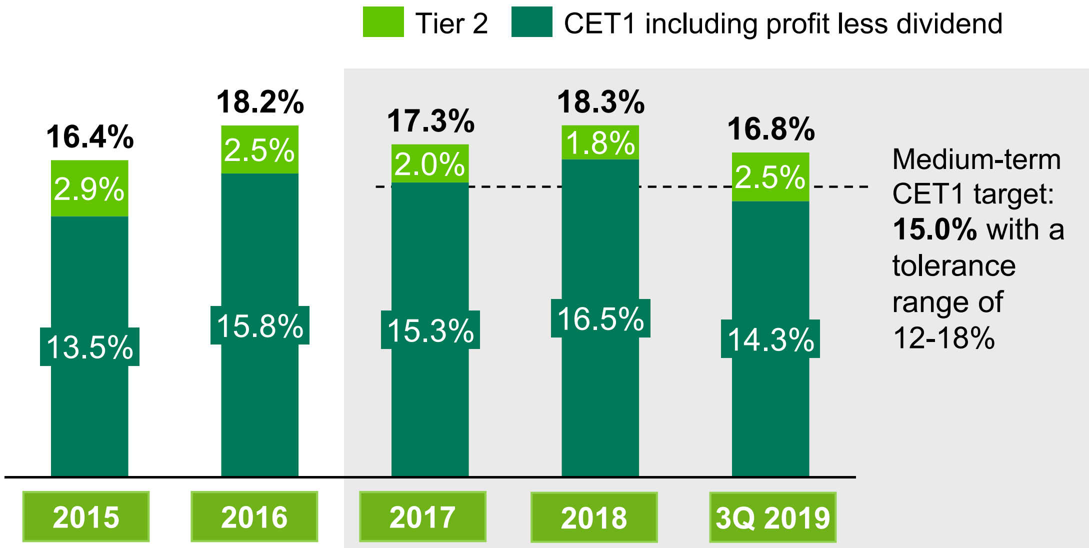
- In addition to its historically countercyclical business model and benign risk profile OTP Group is focused on maintaining a solid capital position at all times
- In the latest stress test conducted by the European Banking Authority (EBA) in 2018, OTP stood out with one of the lowest CET1 depletion out of all European banks
- The starting point was 14.9% CET1 (4Q 2017 – restated, including the impact of IFRS 9 introduction) and 12.4% in the most adverse scenario (4Q 2020), representing a stress test depletion of 2.5% and an implied stress test buffer of 3% over 2019 requirements



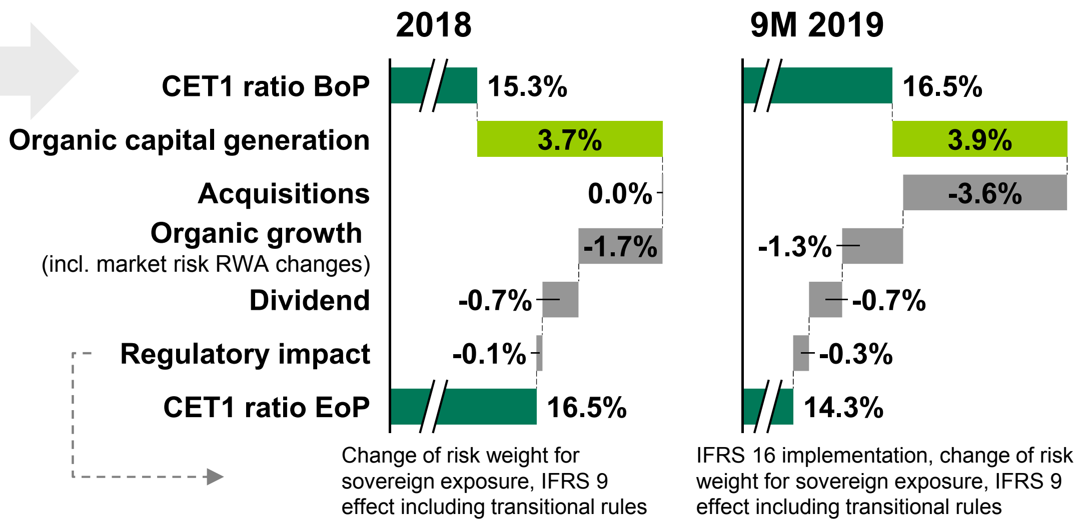
[1] Since OTP Group does not have any AT1 capital instruments, Tier 1 target currently is the same as the CET1 target; the Tier 1 minimum requirement has to be considered as CET1 minimum.
[2] Pillar 2 Requirement (P2R) composed of minimum 56% CET1, 19% AT1 and 25% Tier 2

4. Strong capital and liquidity position coupled with sound internal capital generation; the 3Q 2019 CAR ratio already included the effect of Tier 2 bonds issued on 15 July 2019

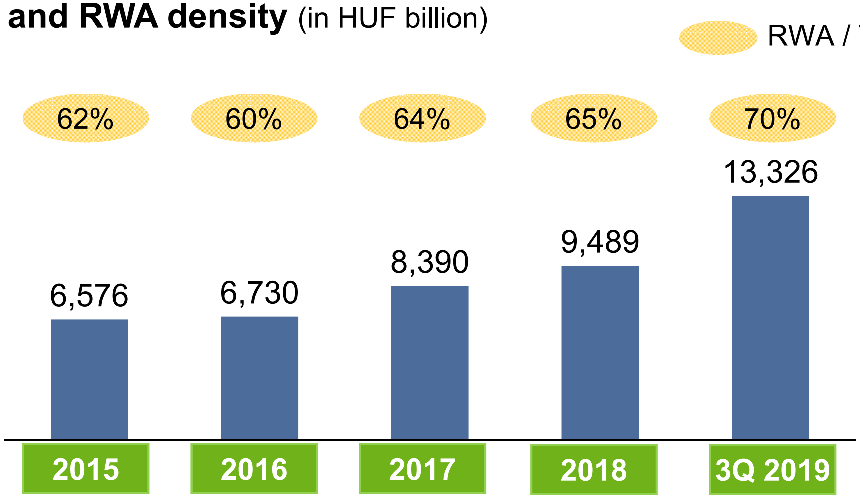
Evolution of CET1 / CAR ratios



Value generative acquisition and dividends offset by organic capital generation



Development of the Risk Weighted Assets of OTP Group and RWA density (in HUF billion)



OTP Group uses the **standard method** for credit risk and market risk. For OpRisk the **AMA** and **BIA** methods are applied.

MREL requirement

- The National Bank of Hungary, acting as resolution authority, set OTP Group's MREL requirement in September 2019. The consolidated MREL requirement has to be reached by 30 June 2023, following a 4-year transitional period.
- The MREL requirement is determined at 14.73% of the Group's total liabilities and own funds (TLOF). This minimum corresponds to 21.89% of the Group's total risk exposure amount (TREA or RWA). The MREL requirement is expected to be reviewed at least once a year in the future.
- OTP expects to meet the MREL requirement by CET1, Tier 2, senior non-preferred (SNP) and senior liabilities.
- OTP's preferred resolution strategy is a Single Point of Entry (SPE) strategy.

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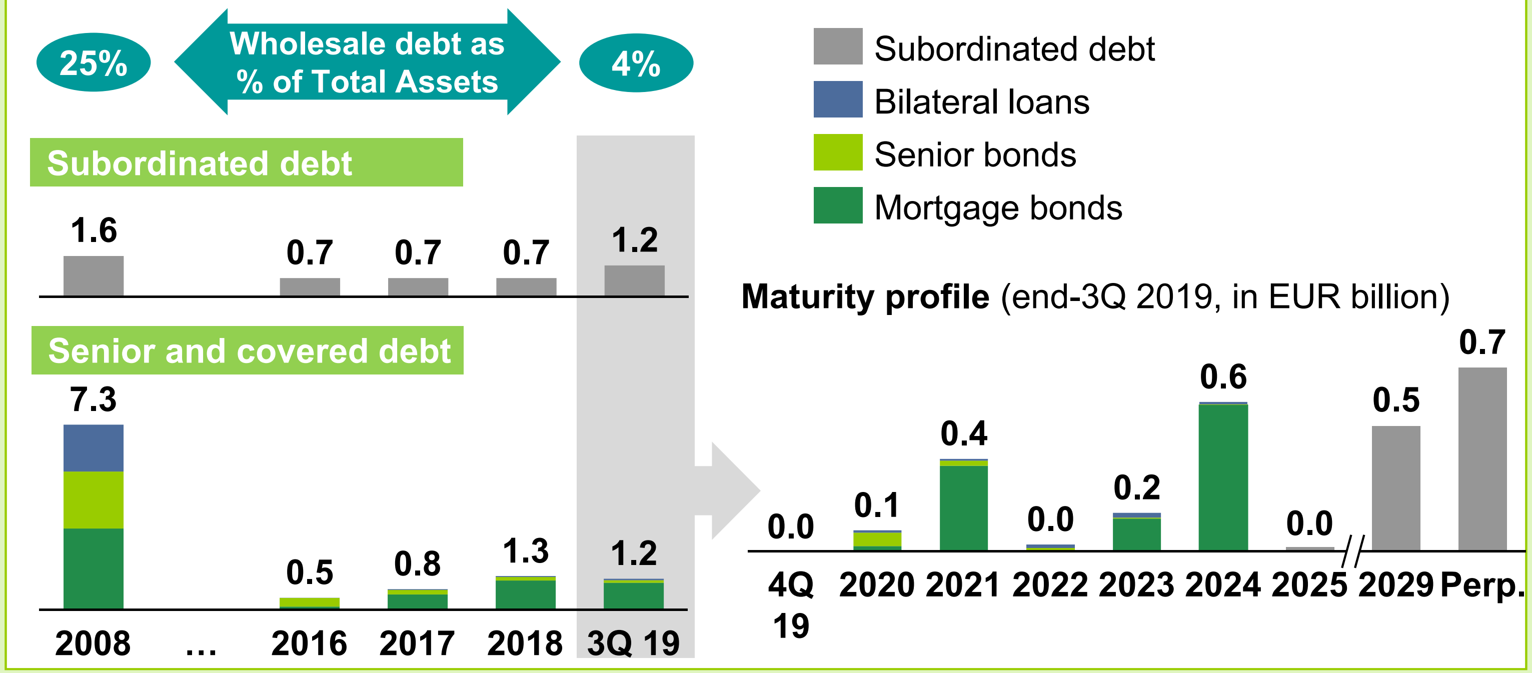
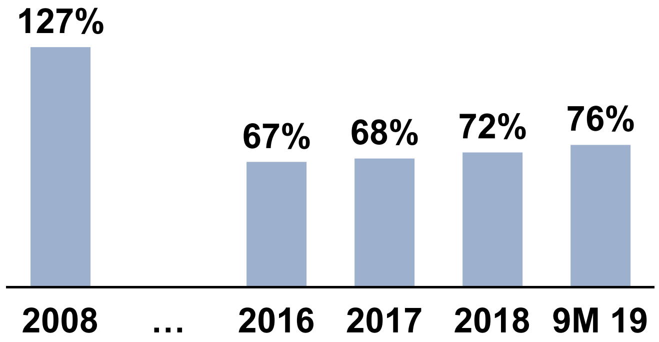
Robust liquidity and funding position: 75% net loan to deposit ratio; share of wholesale debt at 4% of consolidated total assets; 175% LCR, light maturity profile with marginal refinancing needs

Consolidated[1] outstanding amount of wholesale debt (in EUR billion)



Consolidated Net loans / (Deposits + Retail bonds) ratio



Key liquidity ratios	Req.	2017	2018	9M 19
NSFR[2]	-	145%	144%	133%[3]
Liquidity Coverage Ratio (LCR)	≥ 100%	208%	207%	175%
Net loan to deposit ratio	-	68%	72%	76%
Leverage ratio[4]	-	9.3%	10.1%	9.6%

Tier 2 bond issuance

On 15 July 2019 OTP Bank issued Tier 2 bonds, which will appear on the balance sheet in 3Q 2019. This transaction was the first EUR denominated, CRR/CRD IV compliant, MREL eligible Tier 2 bond issuance in the CEE region, after the implementation of BRRD. The rationale for the transaction was to optimise the capital structure of the bank.

Main features of the bonds

Issued amount: EUR 500 million

Issue rating: Ba1 (Moody's)

Type: Tier 2

Maturity date: 15 July 2029, with Issuer's one-time call option at the end of year 5

Interest: fix rate 2.875% p.a. in the first 5 years; starting from year 6 until maturity, the yearly fix coupon is calculated as the sum of the initial margin (320 basis points) and the 5 year mid-swap rate prevailing at the end of year 5

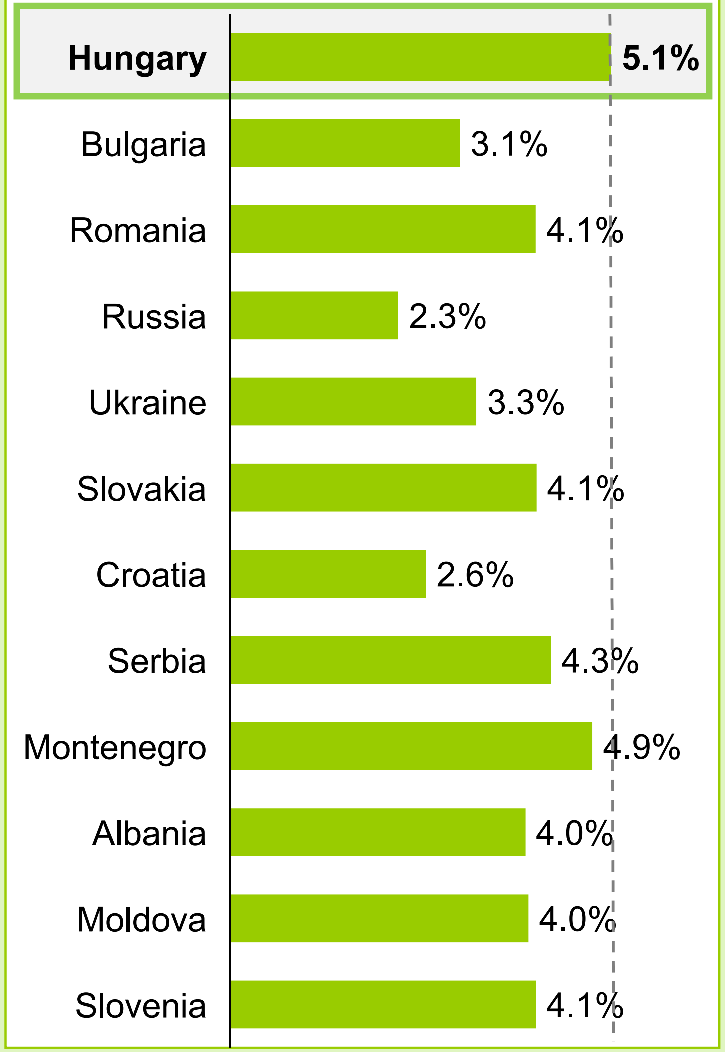
Joint Lead Managers: OTP Bank, BNP Paribas, Citigroup

Listing: Luxembourg Stock Exchange

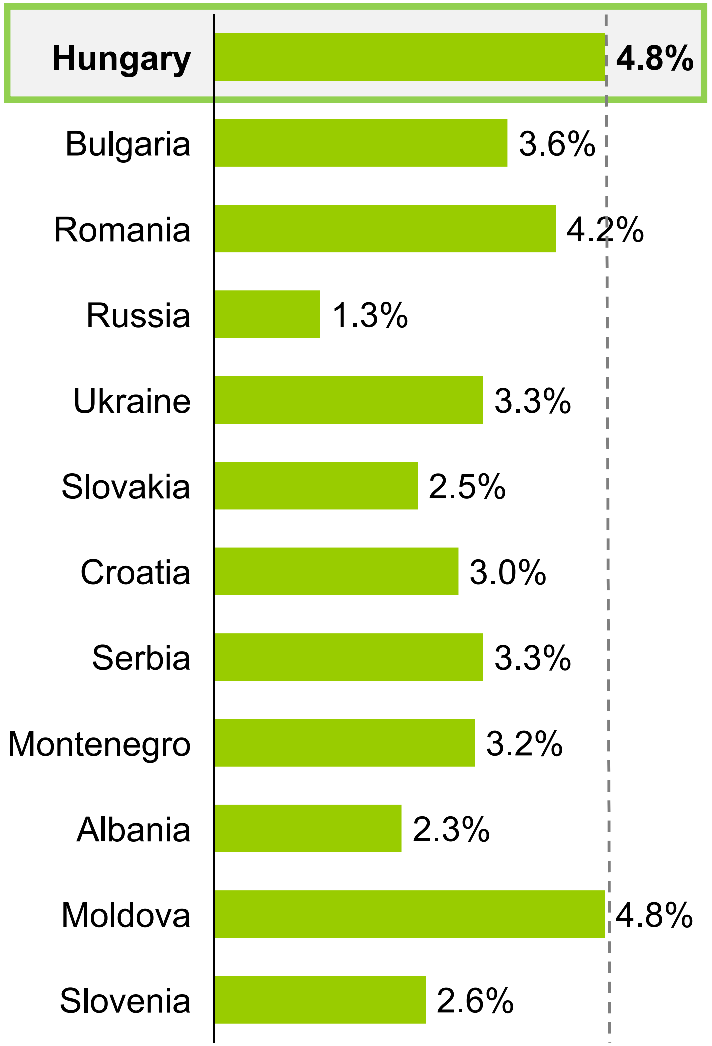
[1] Outstanding amount of bonds are decreased by the amounts purchased by Group members. Senior bonds include retail targeted bonds, too.
[2] Net Stable Funding Ratio was based on BIS QIS (Quantitative Impact Studies) data report, there is no regulatory limit determined.
[3] 2Q 2019 figure. [4] Based on prudential scope of consolidation – CRR.

5. The Hungarian GDP growth is expected to be the highest in 2019

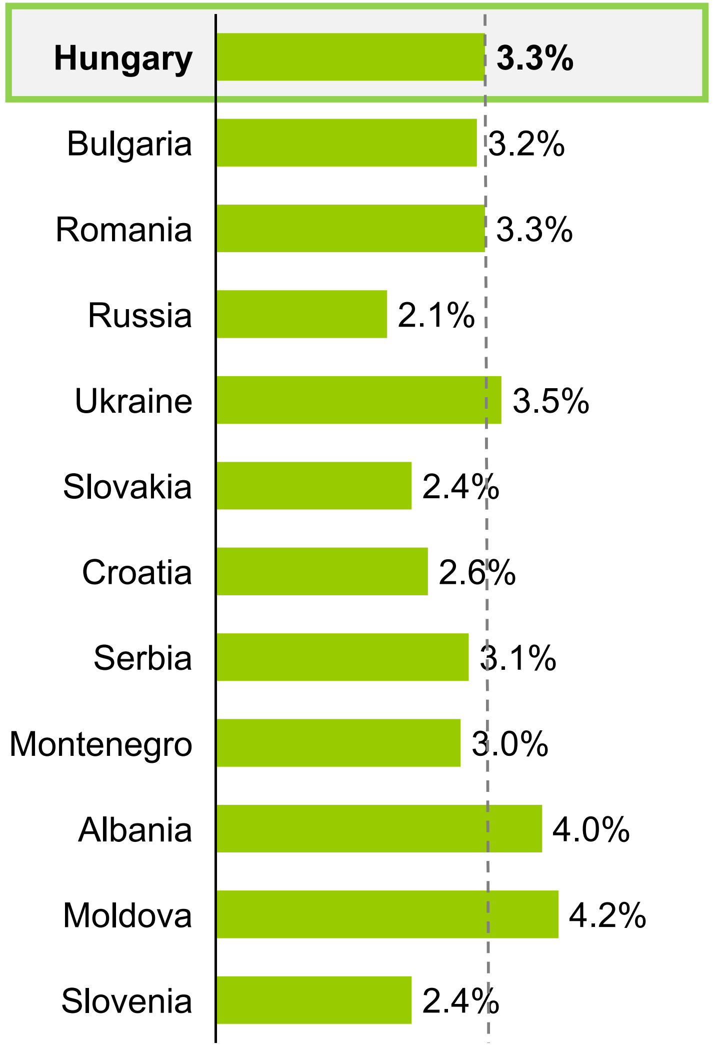
2018 GDP growth (y-o-y)



2019F GDP growth (y-o-y)



2020F GDP growth (y-o-y)



5. Changes in the original management expectations for 2019

Regarding the adjustment items the impact of the banking tax introduced in Romania in 2019 might be around -HUF 700 million against the originally expected maximum of -HUF 2 billion (after tax) and will be booked in 4Q.

Following the 10% ytd organic performing loan growth the volume expansion in 2019 may materially exceed the 10% level originally expected by the management.

In 3Q the consolidated NIM eroded to 4.17% adjusted for the 2019 acquisitions, and according to the management's expectation it may be around this level in 4Q.

The growth rate of the FX-adjusted operating expenses without acquisition effect is expected to be around 6% y-o-y against the originally anticipated level of around 4%. For the first nine months the increase was 6.5% y-o-y and the cost-to-income ratio improved from 54.5% to 52.1% for the same period.

The dividend amount of HUF 69.4 billion calculated in accordance with the Commission Regulation (EU) No. 241/2014. Article 2. (7) Paragraph for the first nine months cannot be considered as an indication of the management's dividend proposal. The dividend proposal after the 2019 fiscal year will be decided by the management in 1Q 2020.

Content

In 3Q 2019 the total amount of adjustments was +HUF 21.2 billion, mostly attributable to the badwill booked upon the consolidation of the newly acquired banks

(in HUF billion)	9M 18	9M 19	Y-o-Y	3Q 18	2Q 19	3Q 19	Q-o-Q	Y-o-Y
Consolidated after tax profit (accounting)	**240.5**	**309.6**	**29%**	**85.9**	**105.4**	**131.6**	**25%**	**53%**
Adjustments (total)	**-22.3**	**-3.5**	**-84%**	**-6.8**	**-6.9**	**21.2**		
Dividends and net cash transfers (after tax)	0.3	0.4	35%	0.0	0.4	-0.2		
Goodwill/investment impairment charges (after tax)	-5.3	-4.4	-16%	-5.7	-4.4			
Special tax on financial institutions (after corporate income tax)	-15.1	-15.6	3%	-0.2	-0.2	-0.2	-6%	0%
Impact of fines imposed by the Hungarian Competition Authority	0.6			0.6				
Effect of acquisitions (after tax)	-2.9	17.9		-1.4	-0.8	21.4 [1]		
One-off impact of regulatory changes related to FX consumer contracts in Serbia		-1.8			-1.9	0.1		
Consolidated adjusted after tax profit	**262.8**	**313.1**	**19%**	**92.7**	**112.2**	**110.5**	**-2%**	**19%**

[1] The Effect of acquisitions line – among others – included the badwill related to the newly acquired banks, as well as the merger and integration expenses booked in the last quarter.

The improvement in adjusted profit was mainly due to stronger foreign contributions, especially from Bulgaria, Croatia, Ukraine, Serbia and Russia. The Hungarian operation posted a 4% profit growth

Effect of acquisitions

Adjusted profit after tax (in HUF billion)

	9M 2018	9M 2019	Y-o-Y
OTP Group	262.8	313.1	19% / 13%[1]
OTP Core (Hungary)	139.6	145.7	4%
DSK Group (Bulgaria)	38.4	38.7 53.8	40% / 1%[1] / -1%[3]
OBRu (Russia)	18.9	22.1	17%/14%[2]
OBH (Croatia)	20.9	26.5	27% / 20%[5]
OBU (Ukraine)	18.2	25.6	40% / 26%[2]
OBR (Romania)	4.8	5.4	13% / 12%[5]
OBSrb (Serbia)	1.3	4.6	241% / 160%[5]
CKB (Montenegro)	2.3	2.8 3.3	45%/23%[4]
OBA (Albania)		2.2	
Mobiasbanca (Moldova)		1.2	
OBS (Slovakia)	0.6	2.0	247%
Merkantil (Hungary)	5.3	5.3	2%
OTP Fund Mgmt. (Hungary)	2.7	2.6	-4%
Corporate Centre, others	9.9	12.8	30%

Note: from 2019 the foreign leasing companies are presented as part of the operation in the given country.
The foreign leasing companies are shown on the *Corporate Centre, others* line in the above table for 9M 2018.
[1] Changes without the effect of Expressbank acquisition. [2] Change in local currency. [3] Changes without the effect of Expressbank acquisition and the inclusion of the Bulgarian leasing company. [4] Changes without the effect of Podgoricka banka acquisition.
[5] Changes without the effect of the inclusion of the local leasing company.

9M operating profit without acquisitions improved by 16%, due to earnings dynamics outpacing operating cost growth

(in HUF billion)	9M 18	9M 19	Y-o-Y	9M 19 without M&A[1]	Y-o-Y without M&A[1]	2Q 19	3Q 19	Q-o-Q	Q-o-Q w/o M&A FX-adj.[2]
Consolidated adjusted after tax profit	**262.8**	**313.1**	**19%**	**294.0**	**12%**	**112.2**	**110.5**	**-2%**	**-4%**
Corporate tax	-32.7	-38.3	17%	-36.3	11%	-13.9	-13.0	-6%	-9%
Profit before tax	295.5	351.4	19%	330.3	12%	126.1	123.5	-2%	-5%
Total one-off items	4.1	3.5	-13%	3.5	-13%	6.3	-2.0		
Result of the Treasury share swap agreement	4.1	3.5	-13%	3.5	-13%	6.3	-2.0		
Profit before tax (adjusted, without one-offs)	**291.4**	**347.8**	**19%**	**326.8**	**12%**	**119.8**	**125.5**	**5%**	**2%**
Operating profit without one-offs	297.3	370.1	24%	345.4	16%	124.2	137.1	10%	7%
Total income without one-offs	654.0	772.2	18%	729.8	12%	259.3	273.2	5%	3%
Net interest income	443.4	510.4	15%	479.6	8%	170.7	177.1	4%	1%
Net fees and commissions	164.1	197.0	20%	188.1	15%	66.8	73.0	9%	7%
Other net non interest income without one-offs	46.4	64.8	39%	62.1	34%	21.8	23.2	7%	4%
Operating costs	-356.6	-402.2	13%	-384.4	8%	-135.1	-136.1	1%	-2%
Total risk cost	-5.9	-22.2	277%	-18.6	216%	-4.4	-11.6	165%	136%

[1] In the grey columns neither 9M 2019 numbers, nor y-o-y changes include the contribution of the Bulgarian Expressbank, OTP Bank Albania, Podgoricka banka in Montenegro and Mobiasbanca in Moldova.
[2] The q-o-q changes do not include the contribution from Podgoricka banka in Montenegro and Mobiasbanca in Moldova.

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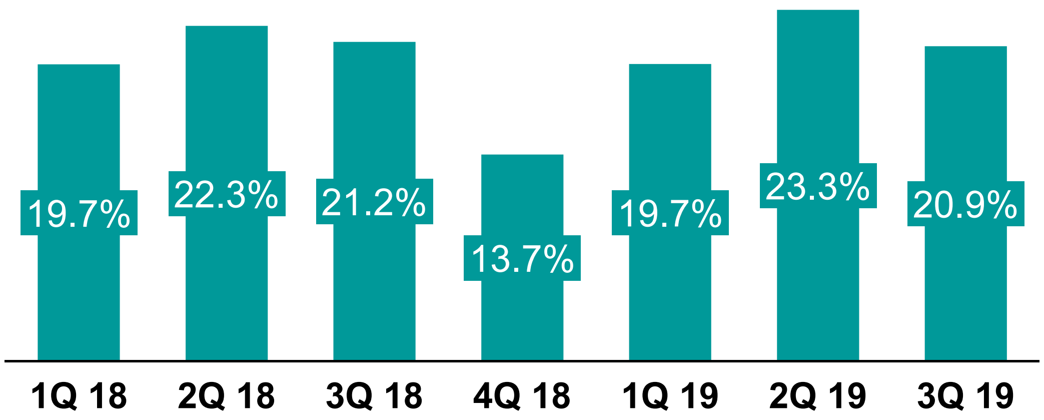
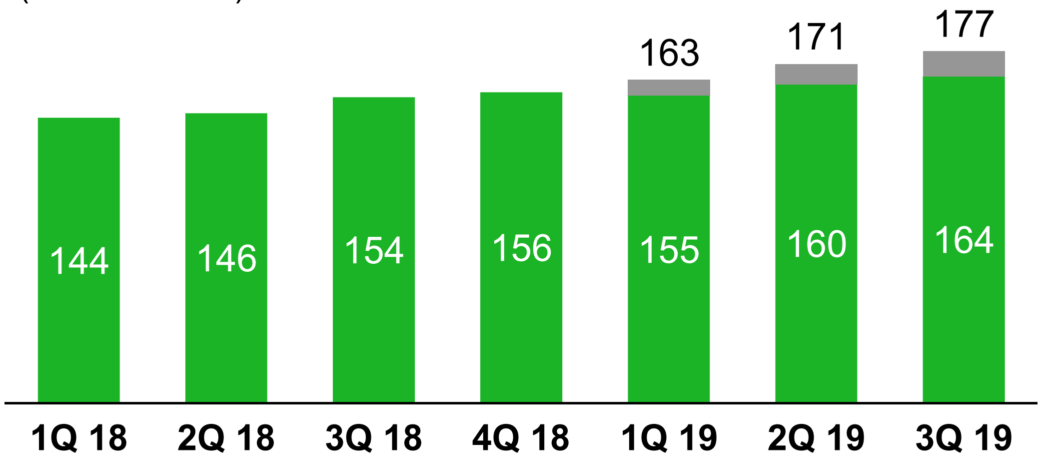
Despite the eroding net interest margin the net interest income kept on increasing even without acquisitions, adding to the bottom line earnings, whereas the ROE could remain above 20% in 3Q 2019

Effect of acquisitions

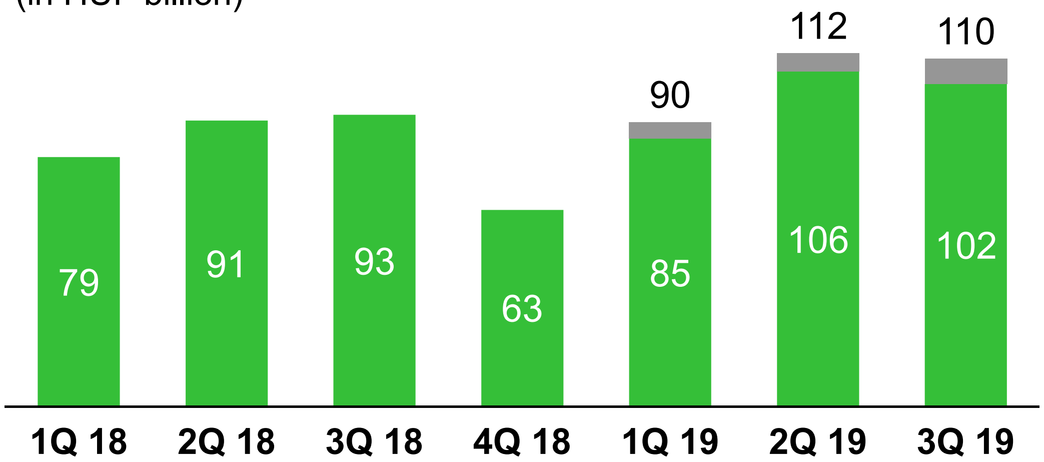
Adjusted ROE



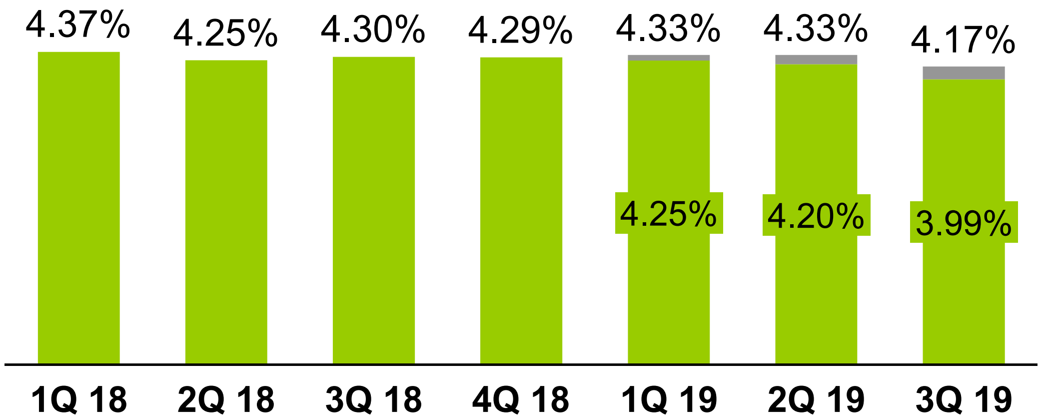
Net interest income
(in HUF billion)



Adjusted after-tax profit
(in HUF billion)



Net interest margin



Consolidated performing (Stage 1+2) loans expanded by 14%, o/w organic growth represents 4%. Outstanding volume expansion at the OTP Core consumer loan segment partly due to the subsidized baby loans

Q-o-Q performing (Stage 1 + 2) loan volume changes in 3Q 2019, adjusted for FX-effect

	Konsz.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSrb (Serbia)	CKB (Montenegro)	OBA (Albania)	OBS (Slovakia)
Nominal change (HUF billion)	1,340 / 402[2]	269	42	11	4	25	39	717 / 8[2]	125 / -1[2]	5	-5
Total	14% / 4%[2]	8%	2%	2%	0%	7%	7%	166% / 2%[2]	88% / -1%[2]	3%	-1%
Consumer	19% / 10%[2]	43%/6%[3]	3%	1%	4%	12%	5%	104% / 4%[2]	144% / 2%[2]	2%	0%
Mortgage	11% / 2%[2]	2%	4%		1%		5%	335% / -1%[2]	110% / 1%[2]	2%	0%
Corporate[1]	13% / 2%[2]	4%	1%	3%	-2%	5%	8%	162% / 1%[2]	58% / -3%[2]	4%	-3%

Core mortgage breakdown:

Housing loan	Home equity
3%	-3%

[1] Loans to MSE and MLE clients and local governments.
[2] Without the effect of acquisitions closed in 3Q 2019.
[3] Cash loans growth.

Consolidated performing (Stage 1 + 2) loans expanded by 33% year-to-date, within that the organic growth reached 10%. The consumer book, driven by booming volumes in Hungary, has been the engine of growth

YTD performing (Stage 1 + 2) loan volume changes in 9M 2019, adjusted for FX-effect

	Cons.	Core[3] (Hungary)	DSK[4] (Bulgaria)	OBRu (Russia)	OBH[4] (Croatia)	OBU (Ukraine)	OBR[4] (Romania)	OBSrb[4] (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Nominal change (HUF billion)	2,696 / 830[2]	440	889 / 103[2]	18	44	73	76	732 / 22[2]	139 / 13[2]	3
Total	33% / 10%[2]	14%	70% / 8%[2]	3%	4%	23%	13%	175% / 5%[2]	108% / 10%[2]	1%
Consumer	36% / 18%[2]	58%	45% / 11%[2]	4%	10%	27%	12%	116% / 10%[2]	154% / 6%[2]	0%
Mortgage	22% / 5%[2]	4%	48% / 10%[2]		0%		14%	327% / -2%[2]	122% / 7%[2]	2%
Housing loan		7%								
Home equity		-9%								
Corporate[1]	38% / 8%[2]	11%	109% / 4%[2]	-10%	0%	22%	12%	172% / 5%[2]	83% / 13%[2]	0%

[1] Loans to MSE and MLE clients and local governments.
[2] Without the effect of acquisitions closed in 2019.
[3] Without the elimination of OTP Real Estate Lease from OTP Core from 1Q 2019 (+HUF 22 bn effect, out of which 18 bn mortgage, 3 bn corporate loan).
[4] In case of DSK, OBH, OBR and OBSr loan volumes of the local leasing companies are included in the subsidiary bank figures in the base period, as well.

Consolidated performing (Stage 1 + 2) loans grew by 37% over the last 12 month, within that the organic growth hit 14% (without the new acquisitions in Bulgaria, Albania, Serbia, Montenegro and Moldova)

Y-o-Y performing (Stage 1 + 2) loan volume changes in 3Q 2019, adjusted for FX-effect

	Cons.	Core[3] (Hungary)	DSK[4] (Bulgaria)	OBRu (Russia)	OBH[4] (Croatia)	OBU (Ukraine)	OBR[4] (Romania)	OBSrb[4] (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Nominal change (HUF billion)	2,954 / 1,088[2]	525	920 / 134[2]	71	38	89	94	768 / 59[2]	145 / 19[2]	3
Total	37% / 14%[2]	18%	74% / 11%[2]	13%	3%	30%	17%	201% / 15%[2]	118% / 15%[2]	1%
Consumer	41% / 23%[2]	63%	47% / 12%[2]	14%	9%	53%	12%	123% / 14%[2]	159% / 8%[2]	-2%
Mortgage	24% / 7%[2]	5%	54% / 15%[2]		1%		18%	341% / 1%[2]	134% / 13%[2]	1%
Corporate[1]	43% / 12%[2]	16%	114% / 7%[2]	-4%	-1%	26%	16%	213% / 21%[2]	93% / 19%[2]	2%

Core mortgage breakdown:

Housing loan	Home equity
7%	-9%

[1] Loans to MSE and MLE clients and local governments.
[2] Without the effect of acquisitions closed in 2019.
[3] Without the elimination of OTP Real Estate Lease from OTP Core from 1Q 2019 (+HUF 22 bn effect, out of which 18 bn mortgage, 3 bn corporate loan).
[4] In case of DSK, OBH, OBR and OBSr loan volumes of the local leasing companies are included in the subsidiary bank figures in the base period, as well.

Consolidated deposits increased by 11% q-o-q (+5% w/o acquisitions). Hungarian retail deposits increased by 2% q-o-q, despite the introduction of the new type of retail government bonds (MÁP Plusz) from June 2019

Q-o-Q deposit volume changes in 3Q 2019, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSrb (Serbia)	CKB (Montenegro)	OBA (Albania)	OBS (Slovakia)
Total	11% / 5%[2]	5%	2%	2%	7%	12%	3%	165% / 12%[2]	85% / 14%[2]	4%	-4%
Retail	7% / 2%[2]	2%	1%	-4%	4%	4%	3%	112% / 2%[2]	56% / 7%[2]	1%	-5%
Corporate[1]	18% / 9%[2]	9%	4%	12%	11%	17%	2%	246% / 26%[2]	126% / 28%[2]	16%	-4%

In case of OTP Core and consolidated total deposits and corporate deposits the changes are calculated based on figures excluding the q-o-q HUF 200 billion repo book (presented among corporate deposits) growth of OTP Core.

[1] Including MSE, MLE and municipality deposits.

[2] Without the effect of acquisitions closed in 3Q 2019.

Consolidated deposits went up by 22% ytd, whereas the growth without acquisitions reached 6%, driven by the Hungarian deposit inflow, as well as outstanding expansion in Ukraine, Romania, Russia and Montenegro

YTD deposit volume changes in 9M 2019, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSrb (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Nominal change (HUF billion)	2,611 / 703[2]	368	1,021 / 137[2]	47	23	66	51	575 / 17[2]	148 / 21[2]	-23
Total	22% / 6%[2]	6%	52% / 7%[2]	11%	2%	21%	11%	148% / 4%[2]	81% / 12%[2]	-6%
Retail	20% / 4%[2]	4%	45% / 6%[2]	-3%	3%	20%	8%	106% / 0%[2]	58% / 6%[2]	-8%
Corporate[1]	26% / 9%[2]	8%	75% / 11%[2]	42%	-2%	21%	14%	204% / 11%[2]	111% / 19%[2]	-4%
Deposit – net loan gap (HUF billion)	3,172	2,855	787	-95	226	-14	-158	-196	59	-27

With respect to OTP Group and OTP Core, the deposit - net loan gap figures are based on 3Q 2019 figures excluding HUF 400 billion repo book of OTP Core (presented among corporate deposits) and changes in total deposits and corporate deposits are also adjusted for the HUF 400 billion ytd growth of the repo volumes.

[1] Including MSE, MLE and municipality deposits. [2] Without the effect of 2019 acquisitions.

Consolidated deposits went up by 26% y-o-y, even without acquisitions the growth was 9%, driven by the Hungarian deposit inflow, as well as the outstanding expansion in Bulgaria, Ukraine, Romania and Russia

Y-o-Y deposit volume changes in 3Q 2019, adjusted for FX-effect

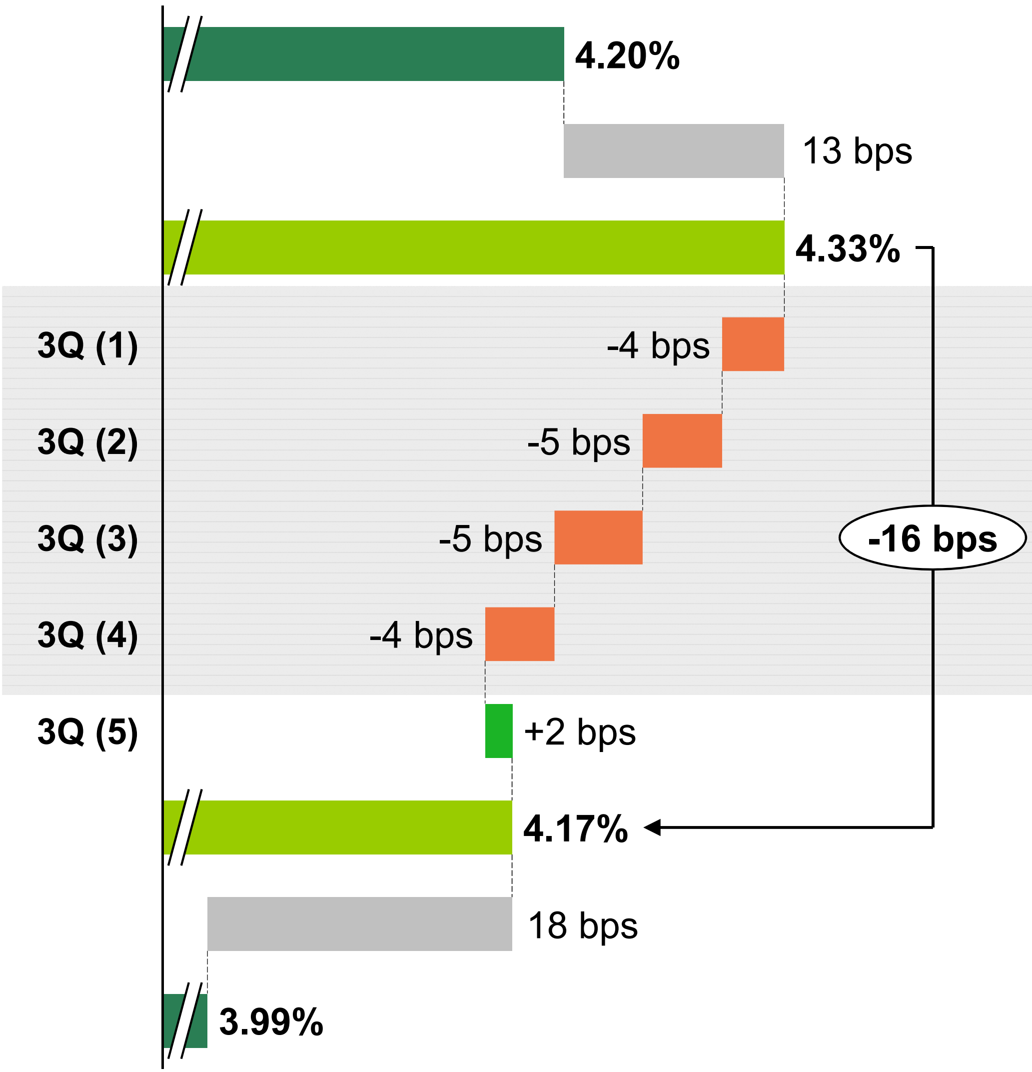
	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSrb (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Nominal change (HUF billion)	2,912 / 1,004[2]	557	1,130 / 246[2]	66	-42	84	88	583 / 24[2]	150 / 23[2]	-25
Total	26% / 9%[2]	10%	61% / 13%[2]	16%	-3%	28%	22%	152% / 6%[2]	82% / 13%[2]	-7%
Retail	24% / 7%[2]	9%	51% / 10%[2]	1%	1%	23%	13%	104% / -2%[2]	58% / 6%[2]	-10%
Corporate[1]	29% / 12%[2]	10%	99% / 26%[2]	51%	-9%	31%	30%	225% / 18%[2]	117% / 23%[2]	-1%
Deposit – net loan gap (HUF billion)	3,172	2,855	787	-95	226	-14	-158	-196	59	-27

With respect to OTP Group and OTP Core, the deposit - net loan gap figures are based on 3Q 2019 figures excluding HUF 400 billion repo book of OTP Core (presented among corporate deposits) and changes in total deposits and corporate deposits are also adjusted for the HUF 400 billion ytd growth of the repo volumes.

[1] Including MSE, MLE and municipality deposits. [2] Without the effect of 2019 acquisitions.

The consolidated net interest margin showed a 16 bps q-o-q decline without acquisitions, explained mainly by four factors

Consolidated net interest margin development



Notes:

Reported net interest margin in 2Q 2019

Effect of acquisitions (Bulgaria, Albania)

2Q 2019 net interest margin without the effect of acquisitions

3Q (1): lower yields realized on the reinvestment of the **maturing** Hungarian government **bond portfolio** of OTP Core at the end of 2Q

3Q (2): the NIM was lowered by total asset increasing effect and the interest expense of the **Tier 2 bond** issued in July 2019

3Q (3): the average amount of **outstanding repo deals** at OTP Core increased by HUF 200 billion q-o-q, pushing up total assets

3Q (4): the one-off effect related to the accounting of certain **hedging transactions** booked within OTP Core was a drag on the NIM path

3Q (5): other, non-quantified effects

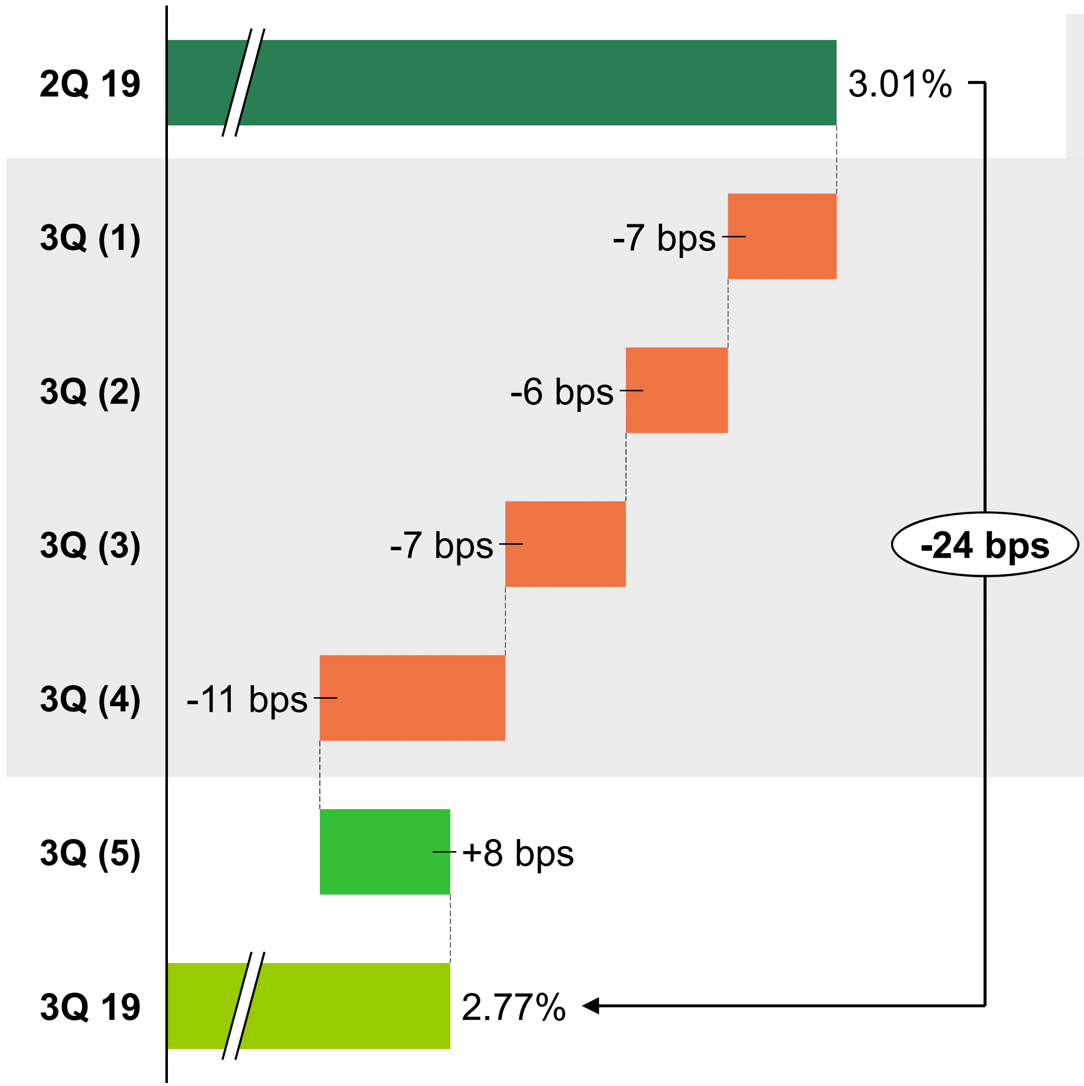
3Q 2019 net interest margin without the effect of acquisitions

Effect of acquisitions (Bulgaria, Albania, Montenegro, Moldova, Serbia)

Reported net interest margin in 3Q 2019

In 3Q 2019 the net interest margin of OTP Core melted down by 24 bps q-o-q due to four margin reducing factors

OTP Core net interest margin development



Notes:

3Q (1): the **maturity** of higher yielding government **bonds** at the end of 2Q pushed down the margin by 7 bps q-o-q. In 3Q 2019 there were no fixed rate Hungarian government bond maturities, whereas the margin effect of maturing bonds during 4Q is not significant

3Q (2): in 3Q 2019 the average amount of **outstanding repo deals** increased by HUF 200 billion q-o-q, diluting the margin through the higher balance sheet total

3Q (3): the one-off effect related to the accounting of certain **hedging transactions** was a drag on the NIM path of OTP Core. Given that in 3Q 2019 a negative amount of -HUF 0.8 billion appeared on the NII line, and in 4Q 2019 no such one-off item is expected, this effect in itself might lead to a 4 bps q-o-q margin improvement in 4Q 2019

3Q (4): **intra-group swap deals** with DSK Bank induced a q-o-q decline in the NIM. Due to the eliminations on consolidated level this item did not affect the consolidated margin path

3Q (5): as for business developments, the further expanding loan volumes, within that especially the **booming consumer credits** were conducive to the q-o-q margin development, even amid slightly further declining interest rates on the stock of household loans. In 3Q the short term interbank rates remained relatively stable: the closing 3M BUBOR rate declined by 4 bps to 21 bps, whereas its quarterly average rate edged up by 6 bps to 25 bps

The net interest margin in Bulgaria and Romania improved on quarterly basis, but declined In Russia, Ukraine and Croatia

Net interest margin development at the largest Group members (%)

	2017	2018	9M 19	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	
DSK+ Express Bulgaria	3.85	3.37	2.99	3.33	3.22	3.07	2.90	3.00	1
OTP Bank Russia[1]	16.91	15.21	13.68	14.78	14.68	14.39	13.62	13.14	2
OTP Bank Croatia	3.27	2.95	2.94	2.87	2.88	3.07	2.97	2.80	3
OTP Bank Ukraine	7.46	9.21	9.80	9.51	10.10	10.50	9.92	9.17	4
OTP Bank Romania	3.27	3.39	3.30	3.56	3.47	3.14	3.31	3.43	5

(For DSK+ Express Bulgaria the quarter labels are printed as 18 3Q, 18 4Q, 19 1Q, 19 2Q, 19 3Q.)

1. At DSK the net interest income grew by 8% or HUF 2.0 billion q-o-q, partly because the income on the swap transactions (mostly in relation to the swaps with OTP Bank) recognized within the NII improved the q-o-q NII dynamics by HUF 1.2 billion. The increase in the interest income was also supported by the continued growth in loan volumes. Net interest margin rose by 10 bps q-o-q to 3.00%. Without the effect of swap result it would have declined by 3 bps q-o-q.

2. Reasons for the lower Russian NIM included the continued decline in interest rates on consumer loans, a slight increase in average deposit rates, as well as the dilution effect of the higher average total assets.

3. One-quarter of the q-o-q 17 bps decline in interest margin was induced by a technical item: in the third quarter a seven-month cumulated rental income was shifted from the net interest income to other income in the amount of HUF 0.2 billion.

4. In the retail segment the average interest rates on all type of loans but credit card loans kept decreasing q-o-q, and the increasing average interest on deposits also took their toll through eroding margins.

5. The margin expansion was due to the fact that the reference rate which serves as a basis for deposit pricing declined by an average of 19 bps q-o-q, while the benchmark interest rate for the pricing of variable-rate loans has slightly picked up in q-o-q comparison.

[1] Including Touch Bank from 1Q 2018.

The 9M total income grew by 12% without acquisitions. The quarterly growth was driven by Hungary, whereas the foreign subsidiaries' contribution was shaped by the weakening HUF, too

Effect of acquisitions

TOTAL INCOME without one-off items	9M 2019 (HUF billion)	3Q 2019 (HUF billion)	9M 2019 Y-o-Y (HUF billion)	9M 2019 Y-o-Y (%)	3Q 2019 Q-o-Q (HUF billion)	3Q 2019 Q-o-Q (%)
OTP Group	**772**	**273**	76 42 118	18%/12%[1]	10 4 14	5%/4%[1]
OTP CORE (Hungary)	**317**	**112**	33	12%	5	4%
DSK (Bulgaria)	**116**	**40**	2 36	44%/1%[2]	1	2%
OBRu[3] (Russia)	**108**	**38**	12	13%/10%[3]	2	6%/4%[3]
OBH (Croatia)	**64**	**22**	5	8%/2%[4]	1	5%
OBU (Ukraine)	**48**	**18**	15	45%/31%[3]	2	13%/5%[3]
OBR (Romania)	**28**	**10**	5	23%/20%[4]	1	8%
OBSrb (Serbia)	**23**	**8**	1	5%/2%[2]	0 0	-4%
CKB (Montenegro)	**11**	**5**	1 3	36%/17%[1]	0 2	55%/7%[1]
OBA (Albania)	**5**	**3**	5	-	0	-2%
Mobiasbanca (Moldova)	**2**	**2**	2	-	2	-
OBS (Slovakia)	**11**	**4**	0	-2%	0	0%
Others	**39**	**13**	1	4%	-1	7%

[1] Changes without the effect of acquisitions.
[2] Changes without the effect of acquisition and the inclusion of the local leasing company.
[3] Changes in local currency.
[4] Changes without the effect of the inclusion of the local leasing company.

9M net interest income increased by 8% without acquisitions, whereas in 3Q it grew by 2%; both changes were mainly driven by the strong business volume growth

Effect of acquisitions

NET INTEREST INCOME	9M 2019 (HUF billion)	3Q 2019 (HUF billion)	9M 2019 Y-o-Y (HUF billion)	9M 2019 Y-o-Y (%)	3Q 2019 Q-o-Q (HUF billion)	3Q 2019 Q-o-Q (%)
OTP Group	**510**	**177**	36 / 67	15%/8%[1]	4 / 3 / 6	4%/2%[1]
OTP CORE (Hungary)	**193**	**63**	11	6%	-2	-4% (1)
DSK (Bulgaria)	**80**	**28**	4 / 28	54%/7%[2]	2	8% (2)
OBRu (Russia)	**83**	**29**	7	10%/7%[3] (3)	1	5%/2%[3]
OBH (Croatia)	**42**	**14**	2	4%/-2%[4]	0	0%
OBU (Ukraine)	**34**	**13**	11	49%/35%[3]	1	12%/3%[3] (4)
OBR (Romania)	**21**	**8**	4	22%/19%[4]	1	12% (5)
OBSrb (Serbia)	**17**	**5**	1 / 1	10%/6%[2]	0 / 0	-4%
CKB (Montenegro)	**7**	**3**	1 / 2	34%/12%[1]	0 / 1	62%/2%[1]
OBA (Albania)	**4**	**2**	4	-	0	-6%
OBM (Moldova)	**1**	**1**	1	-	1	-
OBS (Slovakia)	**8**	**3**	-1	-6%	0	1%
Merkantil (Hungary)	**10**	**4**	1	8%	0	7%
Corporate Centre	**4**	**1**	-1	-24%	0	-14%
Others	**4**	**2**	-4	-51%	1	55%

1 While 9M net interest income showed a decent performance, in 3Q it dropped by 4%, to a great extent due to technical factors. Firstly, in 3Q the swap result deteriorated by HUF 2.3 billion q-o-q, mainly in relation to intra-group swap deals with DSK Bank. Secondly, the q-o-q NII momentum was also shaped by a one-off effect related to the accounting of certain hedging transactions (-HUF 1.7 billion q-o-q impact, this item was offset in the other income).
On the other hand, interest revenues were boosted by the dynamic expansion of the performing loans.

2 At DSK the result on swap deals with OTP Bank improved NII by HUF 1.2 billion q-o-q. The increase in the interest income was also supported by the continued growth in loan volumes.

3 The Russian 9M NII in RUB terms was supported by increasing performing volumes (+13% y-o-y) but offset by the erosion of NIM (-1.7 pps y-o-y).

4 The Ukrainian 9M NII got support from both the improving NIM and soaring volumes. 3Q performing volume growth was largely offset by margin erosion.

5 OBR: both 9M y-o-y and 3Q q-o-q growth was propelled by the dynamic retail loan expansion; on quarterly basis the improving NIM helped, too.

[1] Changes without the effect of acquisitions.
[2] Changes without the effect of acquisition and the inclusion of the local leasing company.
[3] Changes in local currency.
[4] Changes without the effect of the inclusion of the local leasing company.

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The net fee and commission income in 3Q leaped by 8% q-o-q without acquisition; seasonality and strengthening business activity were the key drivers

Effect of acquisitions

NET FEE INCOME	9M 2019 (HUF billion)	3Q 2019 (HUF billion)	9M 2019 Y-o-Y (HUF billion)	9M 2019 Y-o-Y (%)	3Q 2019 Q-o-Q (HUF billion)	3Q 2019 Q-o-Q (%)
OTP Group	197	73	24 / 33	20%/15%[1]	5 / 6	9%/8%[1]
OTP CORE (Hungary)	94	36	13	16%	3	10%
DSK (Bulgaria)	31	11	1 / 9	39%/4%[2]	0	1%
OBRU (Russia)	23	8	3	17%/14%[3]	1	10%/7%[3]
OBH (Croatia)	13	5	1	8%/4%[4]	0	11%
OBU (Ukraine)	11	4	2	29%/16%[3]	1	25%/16%[3]
OBR (Romania)	2	1	0	-8%/-11%[4]	0	-9%
OBSrb (Serbia)	6	2	0 / 0	5%/5%[2]	0 / 0	-16%
CKB (Montenegro)	3	1	0 / 1	24%/14%[1]	0 / 0	43%/17%[1]
OBA (Albania)	1	0	1	-	0	38%
OBM (Moldova)	0	0	0	-	0	-
OBS (Slovakia)	3	1	0	11%	0	0%
Fund mgmt. (Hungary)	4	1	-1	-11%	0	3%

1 At OTP Core in 3Q 2019 the net fees were mainly shaped by further improving deposit and transaction-related, as well as higher securities distribution fees mainly related to the newly introduced retail bond, the Hungarian Government Security Plus (MÁP Plusz) Against the previous quarter, in 3Q the one-off items affecting the q-o-q development of net fee income were insignificant in total.

2 At OBU NFC income advanced by 16% q-o-q supported mainly by a 20% q-o-q surge in performing credit card loans.

[1] Changes without the effect of acquisitions.
[2] Changes without the effect of acquisition and the inclusion of the local leasing company.
[3] Changes in local currency.
[4] Changes without the effect of the inclusion of the local leasing company.

9M and 3Q other income growth was boosted by better Hungarian, Russian and Croatian results

Effect of acquisitions

OTHER INCOME without one-off items	9M 2019 (HUF billion)	3Q 2019 (HUF billion)	9M 2019 Y-o-Y (HUF billion)	9M 2019 Y-o-Y (%)	3Q 2019 Q-o-Q (HUF billion)	3Q 2019 Q-o-Q (%)
OTP Group	**65**	**23**	16 / 18	39%/34%[1]	0 / 1	7%/5%[1]
OTP CORE (Hungary)	**30**	**13**	10	47%	4	44%
DSK (Bulgaria)	**4**	**0**	-1 / -3	-23%/-61%[2]	-1	-77%
OBRU (Russia)	**2**	**1**	1	514%/502%[3]	0	31%/41%[3]
OBH (Croatia)	**8**	**3**	2	28%/27%[4]	1	21%
OBU (Ukraine)	**3**	**1**	1	61%/43%[3]	0	-12%
OBR (Romania)	**5**	**1**	2	60%/58%[4]	0	-6%
OBSrb (Serbia)	**1**	**0**	-1 / -1	-35%/-37%[2]	0 / 0	72%
CKB (Montenegro)	**0**	**0**	0 / 0	-370%/-352%[1]	0 / 0	25%/3%[1]
OBA (Albania)	**0**	**0**	0	-	0	-14%
OBM (Moldova)	**0**	**0**	0	-	0	-
OBS (Slovakia)	**0**	**0**	0	2%	0	-23%
Others	**11**	**3**	4	50%	-2	-42%

1 At OTP Core the 9M surge was supported partly by higher securities gain. In 3Q 2019 other income increased by HUF 4 billion q-o-q, of which +HUF 3 billion was related to the result on intragroup swap transactions (with DSK Bank). Additional +HUF 1.7 billion is explained by the shift of certain hedging transactions' result from interest revenues to other income.

2 In Russia y-o-y changes are driven partly by the losses on securities in the base period due to the then rising yield environment, which trend reversed in 2019 resulting in gains on the securities book.

3 At the Croatian subsidiary the q-o-q development in 3Q is explained by a technical factor: a seven-month lump-sum rental income of HUF 0.2 billion was shifted to other income from NII.

4 Key components of the 9M growth at the other companies: newly consolidated companies added HUF 2 billion other income; on the other hand, OTP Real Estate Ltd. realized higher revenues from new home sales in 2Q, explaining also the q-o-q decline in the third quarter.

[1] Changes without the effect of acquisitions.
[2] Changes without the effect of acquisition and the inclusion of the local leasing company.
[3] Changes in local currency.
[4] Changes without the effect of the inclusion of the local leasing company.

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Operating costs grew by 6.5% y-o-y adjusted for acquisitions and FX-effect, fuelled by higher IT spending, wage inflation and intensifying business activity

Effect of acquisitions

OPERATING COSTS – 9M 2019 (HUF billion)		Y-o-Y (HUF bn)	Y-o-Y (%)	Y-o-Y (FX-adj., HUF bn)	Y-o-Y (FX-adj., %)
OTP Group	402	28 / 46	13% / **7.8%**[1]	24 / 42	11% / **6.5%**[1]
OTP CORE (Hungary)	185	19	11%	19	11% (1)
DSK (Bulgaria)	52	2 / 15	42%/4%[2]	1 / 15	39%/2%[2]
OBRU (Russia)	45	1	1%	0	-1% (2)
OBH (Croatia)	31	-1	-4%/-9%[3]	-2	-6%/-10%[3] (3)
OBU (Ukraine)	16	4	33%	3	20% (4)
OBR (Romania)	18	4	27%/23%[3]	4	27%/23%[3] (5)
OBSrb (Serbia)	18	1 / 1	3%/1%[2]	0 / 0	1%/-1%[2]
CKB (Montenegro)	7	0 / 1	18%/5%[1]	0 / 1	16%/3%[1]
OBA (Albania)	3	3	-	3	-
Mobiasbanca (Moldova)	1	1	-	1	-
OBS (Slovakia)	9	0	4%	0	3%
Merkantil (Hungary)	5	0	9%	0	9%

1 OTP Core: 9M opex increased by 11%, partly due to the increasing average headcount. Besides, the amortization also grew y-o-y, as well as the IT and real estate-related expenses and marketing costs, and the +HUF 0.6 billion higher contributions paid into the Deposit Insurance Fund, Investor Protection Fund and Resolution Fund played a role, too.

2 Russia: costs shrank by 1% y-o-y in RUB terms: the drop in both personnel expenses and amortization, partly associated with the integration of Touch Bank, was counterbalanced by the increase in administrative costs.

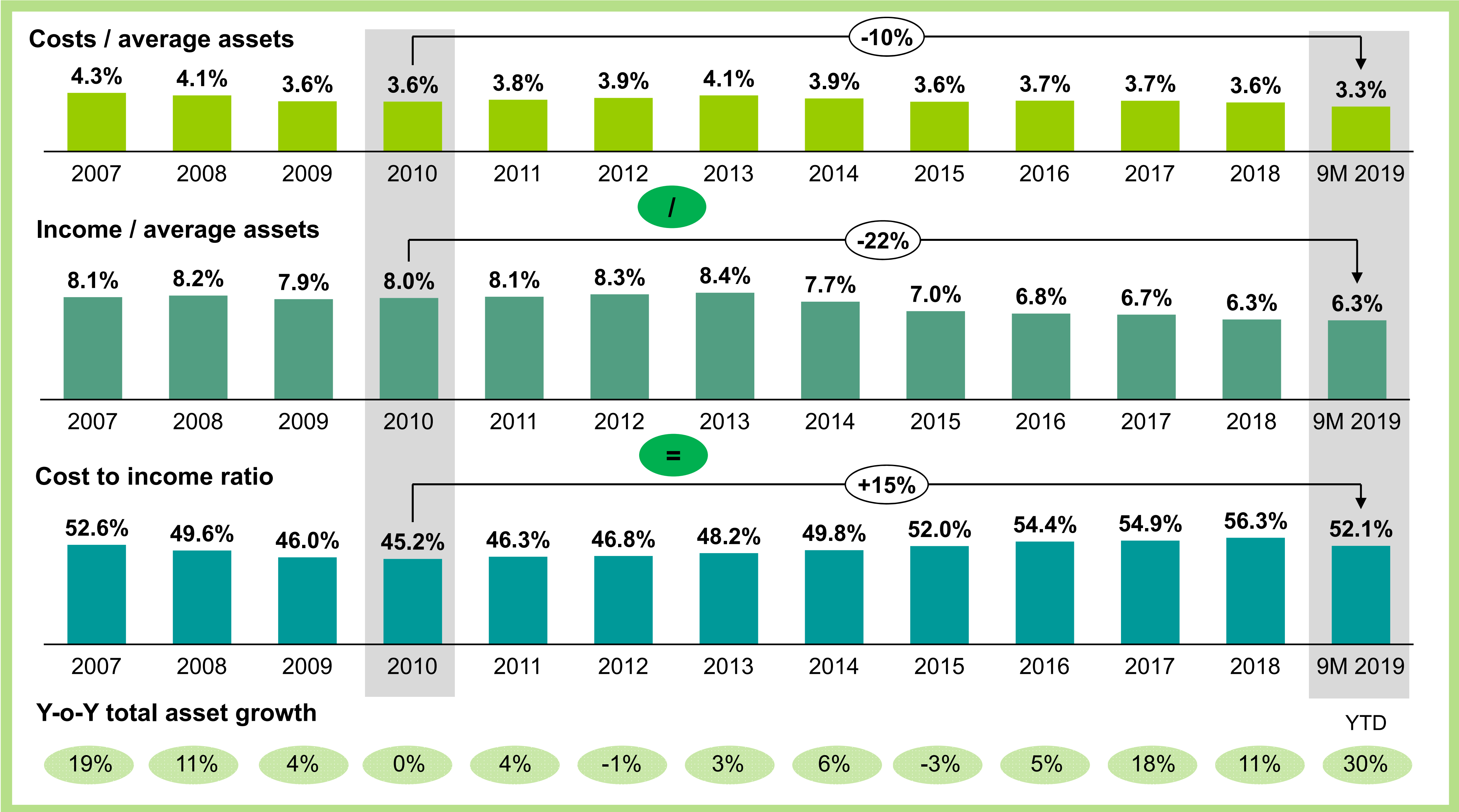
3 OBH: the 9M opex declined by 10% (FX-adjusted, and also adjusted for the inclusion of the local leasing company from 2019) as a result of the cost synergies extracted after the merger. The 9M average number of employees decreased by 5%, while the branch number was reduced by 53 to 136 units over the last twelve months.

4 OBU: costs in UAH terms went up by 20% (amid 9% inflation), driven by higher personnel expenses as a result of wage increase and 7% higher average number of employees, as well as higher operational expenses induced by stronger business activity.

5 OBR: the 23% y-o-y growth (w/o leasing inclusion effect) was due to higher personnel expenses caused by the overall wage inflation and the 10% rise in the average headcount. Other costs grew on the back of stronger business activity, higher expert fees in relation to implementing the Bank's growth strategy, and charges paid to supervisory bodies.

[1] Changes without the effect of acquisitions.
[2] Changes without the effect of acquisition and the inclusion of the local leasing company.
[3] Changes without the effect of the inclusion of the local leasing company.

In 9M 2019 cost efficiency indicators improved, fostered by better economies of scale reached in certain countries and total income margin remaining fairly stable



OTP CORE

9M after tax profit of OTP Core improved by 4% y-o-y driven by the 12% increase in operating profit. Total income (without one-off revenue items) expanded by 12% y-o-y

OTP CORE (in HUF billion)	9M 2018	9M 2019	Y-o-Y	3Q 2018	2Q 2019	3Q 2019	Q-o-Q	Y-o-Y
Profit after tax	**139.6**	**145.7**	**4%**	**44.3**	**57.7**	**48.3**	**-16%**	**9%**
Corporate tax	-11.9	-12.5	5%	-3.7	-4.8	-4.2	-13%	12%
Before tax profit	**151.5**	**158.1**	**4%**	**48.0**	**62.5**	**52.5**	**-16%**	**9%**
Operating profit w/o one-off items	118.4	132.8	12%	39.3	45.0	50.5	12%	29%
Total income w/o one-off items	284.2	317.4	12%	97.1	107.1	111.9	4%	15%
Net interest income	182.8	193.5	6%	63.3	65.8	63.5	-4%	0%
Net fees and commissions	81.2	94.2	16%	28.2	32.5	35.7	10%	27%
Other net non interest income without one-offs	20.2	29.7	47%	5.6	8.9	12.7	44%	127%
Operating costs	-165.8	-184.6	11%	-57.8	-62.1	-61.3	-1%	6%
Total risk costs	29.0	21.8	-25%	8.1	11.2	3.9	-65%	-51%
Total one-off items	4.1	3.5	-13%	-3.4	0.7	-2.0		-41%

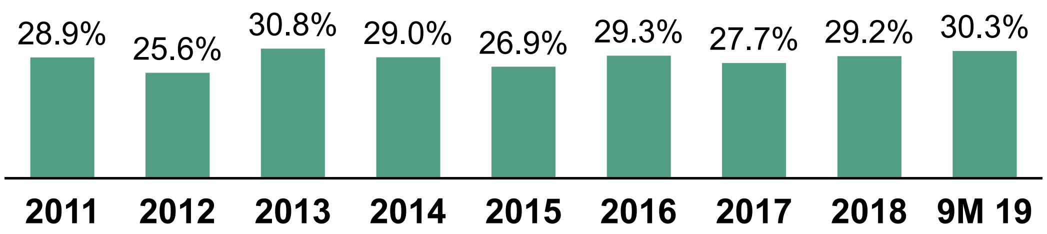
OTP CORE

The upward trend of housing loan disbursements remained in place. OTP enjoys a stable or improving market share in new mortgage and new cash loan disbursements, as well as in retail savings

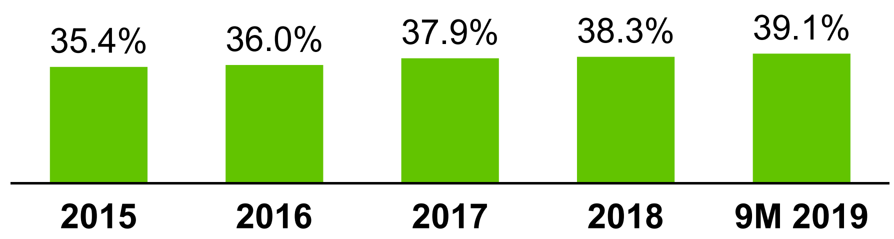
Change of housing loan disbursements of OTP Bank
(9M 2019, y-o-y)

Performing (DPD0-90) cash loan volume growth
(y-o-y , FX-adjusted)

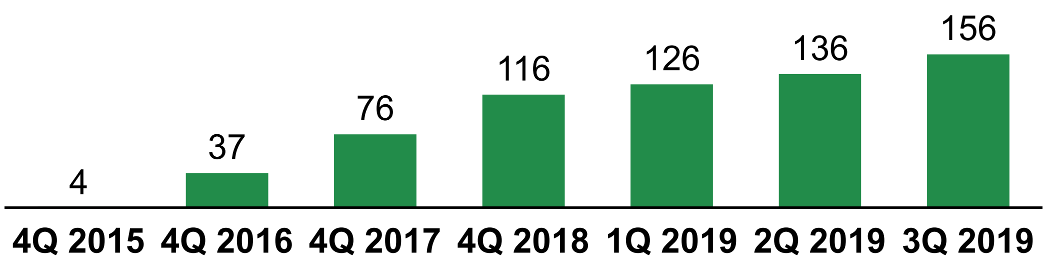
OTP's market share in mortgage loan contractual amounts



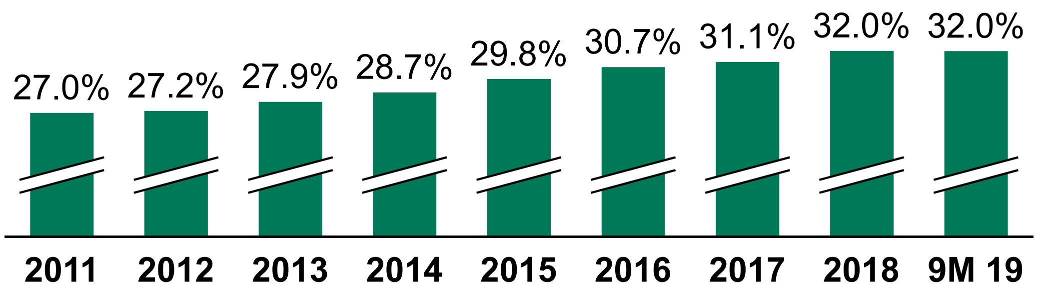
Market share in newly disbursed cash loans



The cumulative amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme
(HUF billion)



OTP Bank's market share in household savings

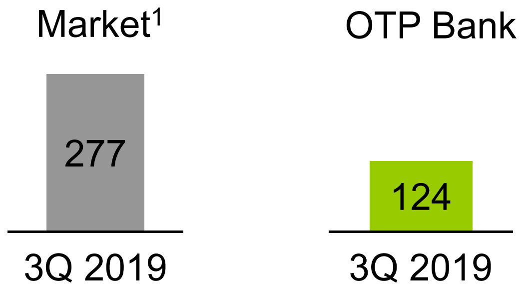


OTP CORE

OTP Bank has experienced huge demand for the newly introduced subsidized baby loans: the contractual amount hit HUF 124 billion in the third quarter

Subsidized baby loan – key statistics for 3Q 2019

Contractual amount (HUF billion)



OTP's market share in new contractual amounts

Number of new contracts:	13 thousands
Average ticket size:	HUF 9.5 million
Average maturity:	19.7 years

Subsidized baby loan – key elements of the structure

General features

Baby loans are available from 1 July 2019 until 31 Dec 2022. The primary target group is young married couples who intend to have (more) children. Eligible clients can take out max. HUF 10 million general-purpose loan.
There is 100% State guarantee for the whole loan amount. The client pays the principal and the guarantee fee (0.5% p.a., transferred by banks to the State) on a monthly basis.
Upon the request of the client, the principal repayment can be suspended for 3 years when the first child is born; for another 3 years when the second baby arrives, at the same time 30% of the outstanding principal is waived and repaid in a lump-sum by the Government. After the birth of the third child the then outstanding full principal is paid by the Government to the bank (thus, it is waived from the client's perspective).

Interest rate: in the first five years the loan is free of interest for the client, and banks receive an interest subsidy from the State on a monthly basis. The maximum interest rate is determined by a Government Decree and set at *Benchmark*[2] *+ 2%*.
If the first new baby is not born within 5 years or the couple divorces, the client must pay back the interest subsidy to the Government in a lump sum retroactively, and the exposure will carry a penalty interest rate computed as follows: the then prevailing *Benchmark + 5%*.
Handling fee: the handling fee is 0.3% p.a. of the outstanding principal at the end of every calendar year, and is paid by the State to banks (i.e. first time in 2020). At OTP this item is booked within NII and scattered over the whole remaining maturity of the loan.
Opening support fee: this up-front fee amounts to 0.8% of the principal, and is paid by the State to banks. In the case of OTP this item was booked within the fee income in July, and starting from August it was accounted for within the net interest income, spread over the whole maturity of the loan.

[1] Based on statistics published by the National Bank of Hungary
[2] Benchmark = 5Y Government bond yield * 1.3

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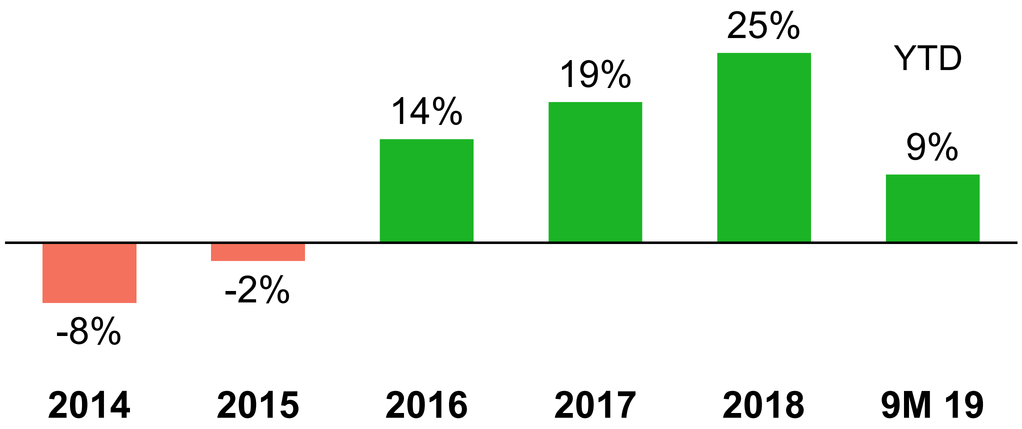
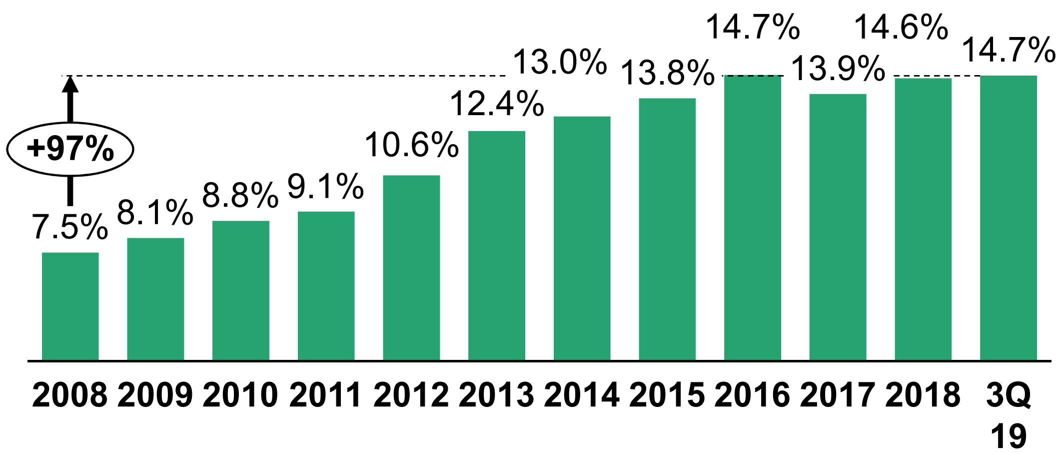
OTP CORE

In the MSE segment OTP Core managed to demonstrate 14% ytd volume dynamics, whereas the medium and large corporate loans increased by 9% ytd. OTP's market share in corporate loans got close to 15%

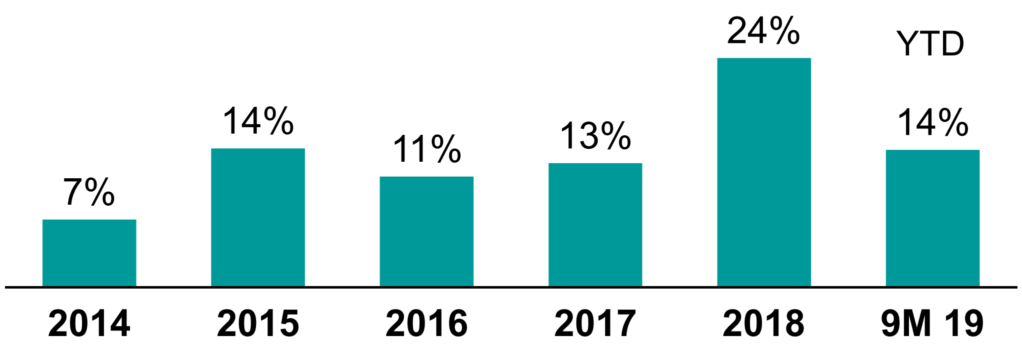
Performing (DPD0-90) medium and large corporate loan volume change (FX-adjusted)



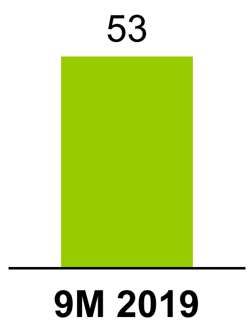
OTP Group's market share in loans to Hungarian companies[1]



Performing (DPD0-90) loan volume change at micro and small companies (FX-adjusted)



The cumulated amount of loan applications for the *Funding for Growth Scheme Fix* at OTP Bank since the launch of the programme (HUF billion)



[1] Aggregated market share of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil, based on central bank data (Supervisory Balance Sheet data provision until 2016 and Monetary Statistics from 2017.

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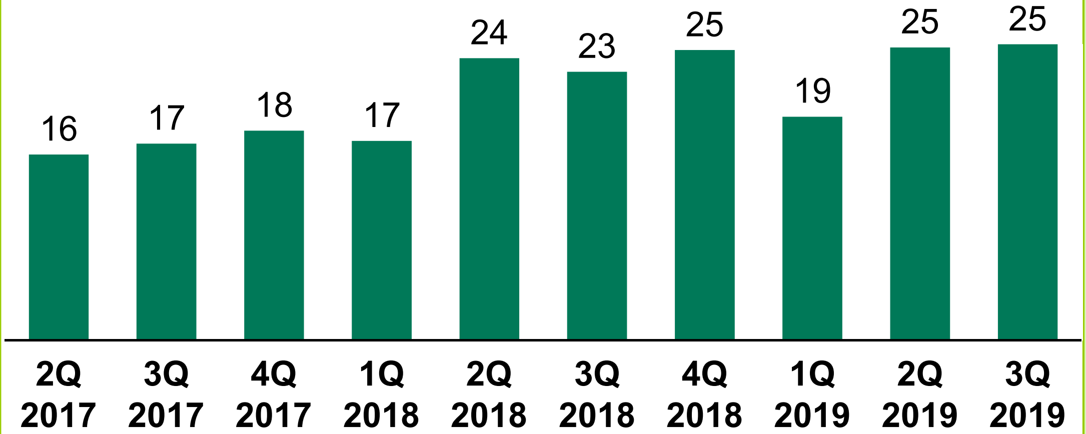
DSK Bank Bulgaria

The Bulgarian operation posted HUF 19.6 billion profit in 3Q including HUF 5.2 billion made by Expressbank. The stronger business activity was reflected in the trend-like improvement in cash and mortgage loan sales

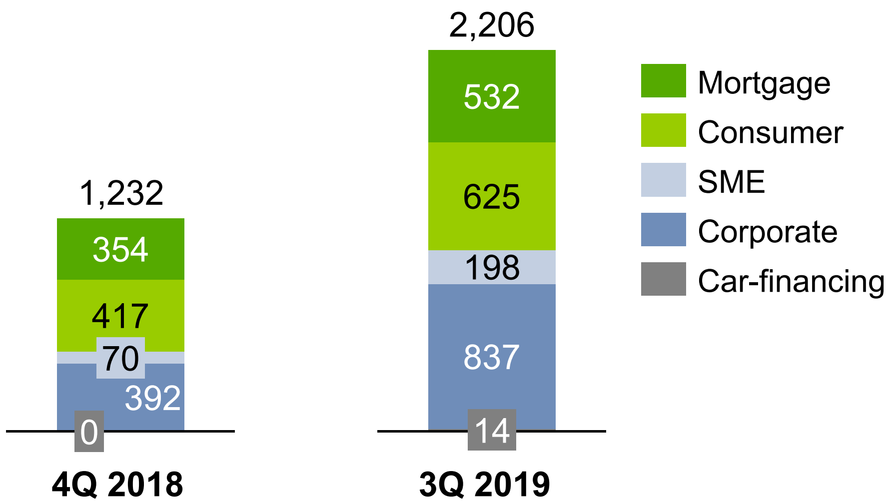
Income statement

(in HUF billion)	3Q 18	2Q 19	3Q 19	Q-o-Q	Y-o-Y
Profit after tax	**14.3**	**16.6**	**19.6**	**18%**	**37%**
Profit before tax	15.8	18.9	20.9	10%	32%
Operating profit	15.0	21.4	22.2	4%	48%
Total income	27.8	38.9	39.6	2%	42%
Net interest income	17.7	26.4	28.4	8%	60%
Net fees and commissions	8.1	10.6	10.8	1%	33%
Other income	2.0	1.9	0.4	-77%	-78%
Operating costs	-12.8	-17.5	-17.4	0%	36%
Total risk cost	0.8	-2.5	-1.3	-49%	-258%

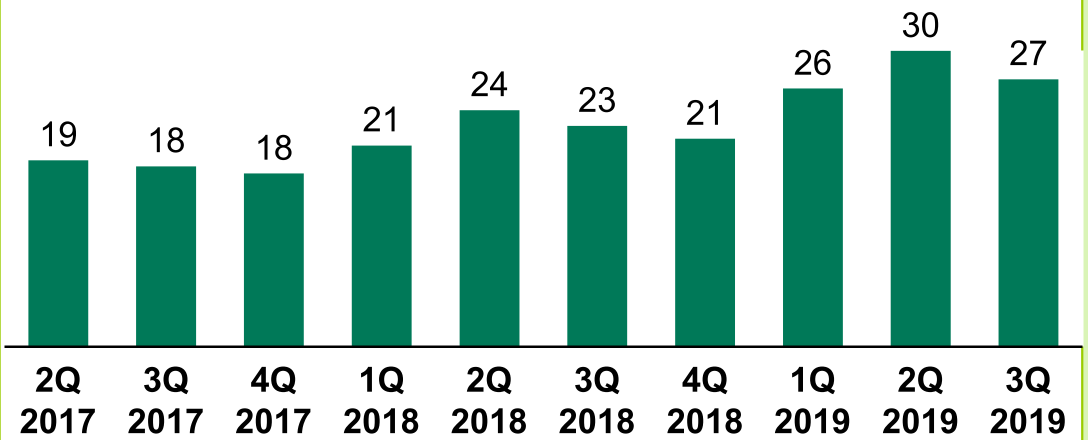
New mortgage loan disbursements
(DSK Bank w/o Expressbank, in HUF billion, without refinancing)



Breakdown of the net loan book (in HUF billion)



New cash loan disbursements
(DSK Bank w/o Expressbank, in HUF billion, without refinancing)



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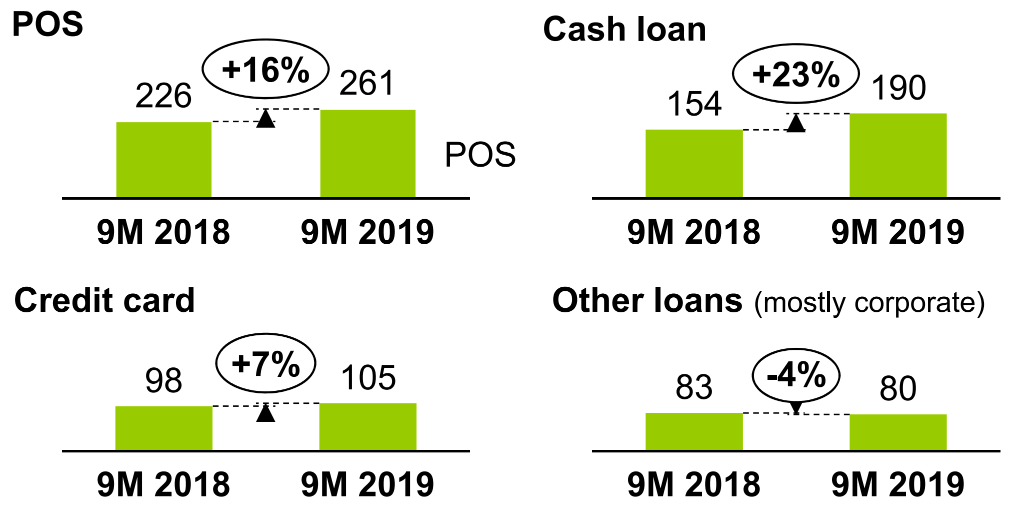
OTP Bank Russia

The Russian profit improved q-o-q driven by increasing total income and stable cost base. Amid the overall slow-down of loan volume expansion, POS and cash loans exhibited double-digit y-o-y growth rates

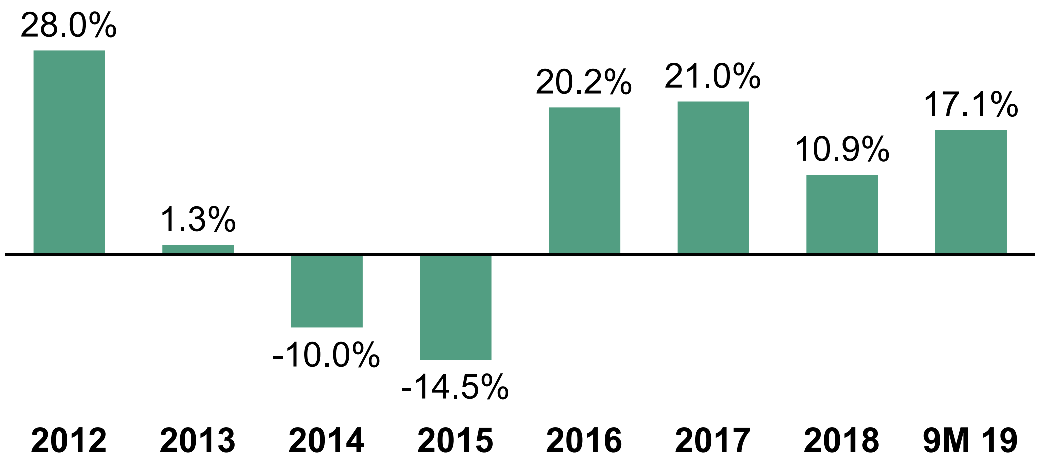
Income statement

(in RUB billion)	3Q 18	2Q 19	3Q 19	Q-o-Q	Y-o-Y
Profit after tax	**1.4**	**1.6**	**1.8**	**10%**	**25%**
Profit before tax	1.8	2.1	2.3	12%	32%
Operating profit	4.4	4.7	5.0	7%	14%
Total income	7.7	8.1	8.4	4%	8%
Net interest income	6.1	6.2	6.4	2%	5%
Net fees and commissions	1.6	1.7	1.8	7%	13%
Other income	0.0	0.1	0.1	41%	480%
Operating costs	-3.3	-3.3	-3.3	0%	1%
Total risk cost	-2.6	-2.6	-2.7	2%	2%

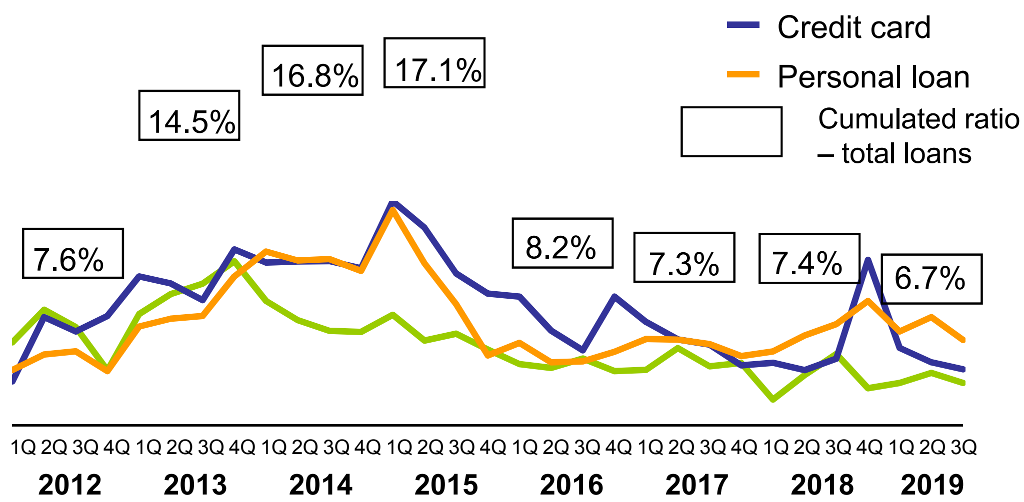
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity



OTP Bank Russia - risk cost rates

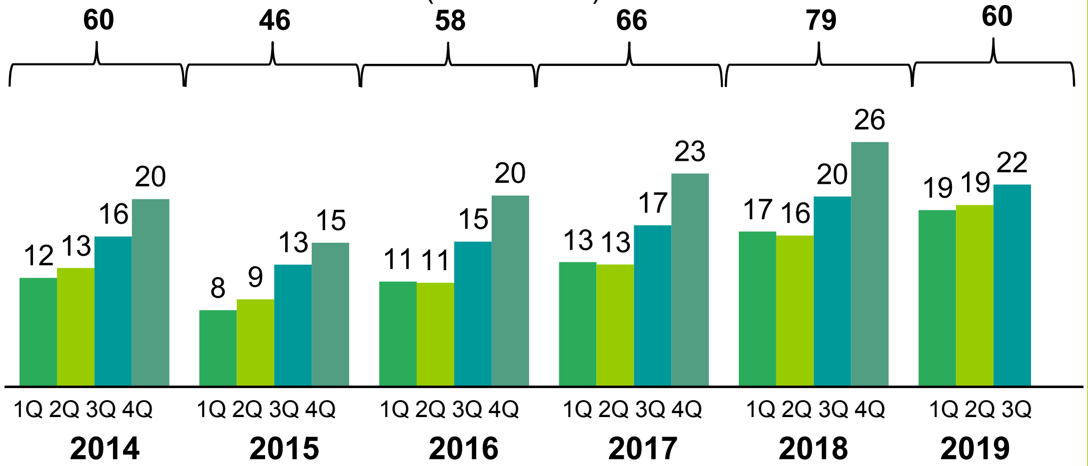


otpbank

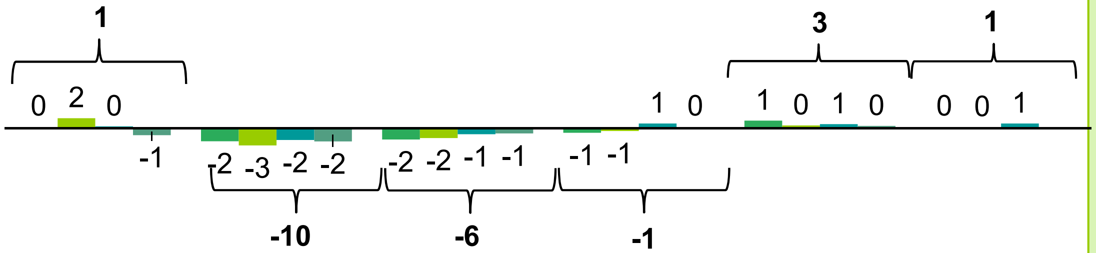
OTP Bank Russia

In 3Q POS loan sales grew by 6% y-o-y, while cash loan disbursements moderated by more than 20%. Deposit volume growth continued in 3Q with deposit rates broadly remaining stable

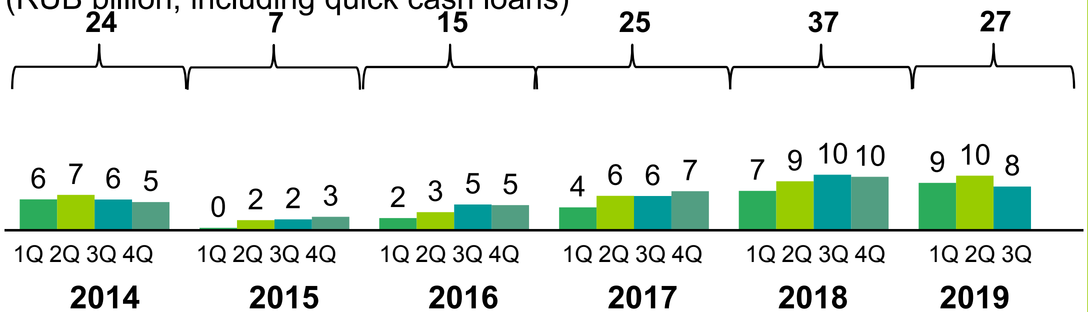
POS loan disbursements (RUB billion)



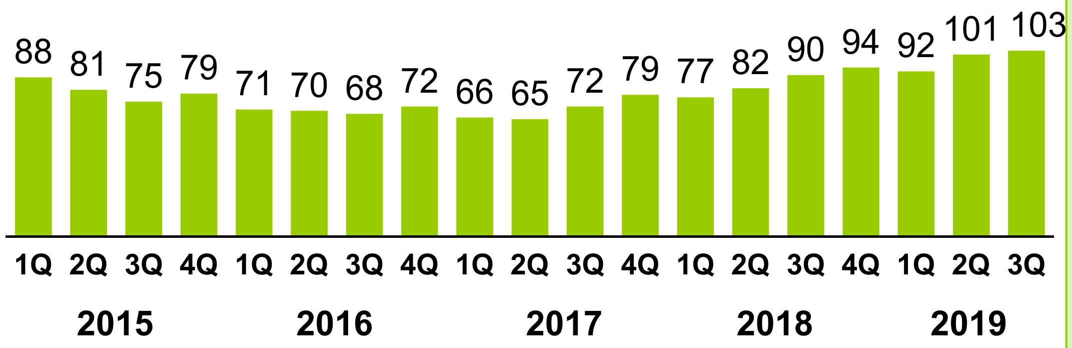
DPD0-90 credit card loan volume q-o-q changes (RUB billion)



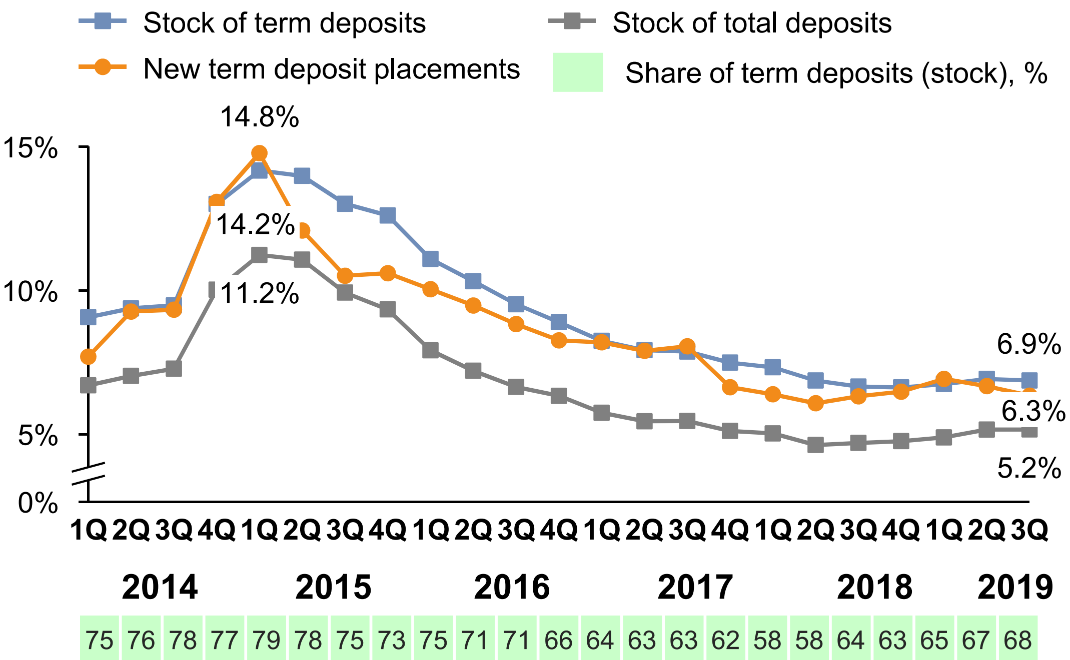
Cash loan disbursements
(RUB billion, including quick cash loans)



Development of customer deposits (RUB billion)



Average interest rates for RUB deposits



General note: from 1Q 2018 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 2017 Touch Bank's performance was presented separately.

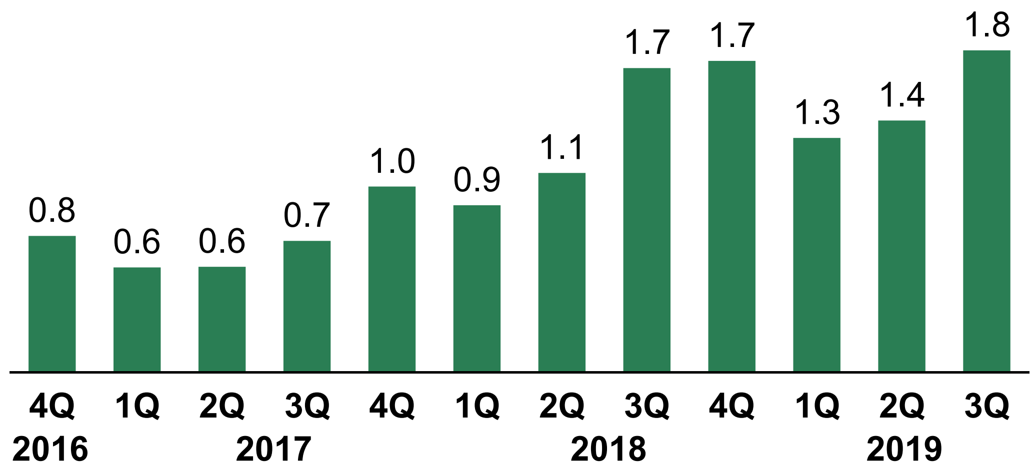
otpbank

The Ukrainian ROE remained above 45% in 9M 2019 supported by y-o-y widening margins and expanding performing loan volumes

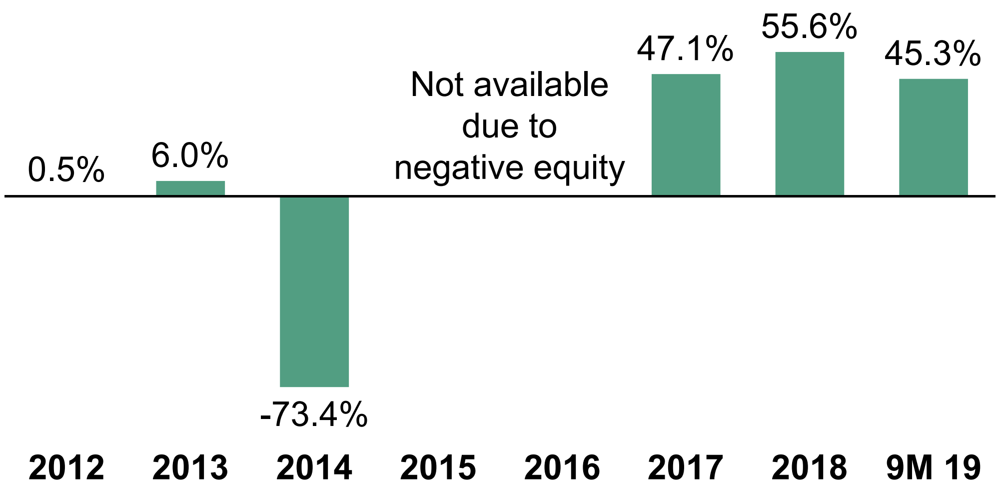
Income statement

in UAH billion	3Q 18	2Q 19	3Q 19	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**0.7**	**0.7**	**0.8**	**15%**	**20%**
Profit before tax	0.8	0.9	1.0	15%	20%
Operating profit	0.8	0.9	1.0	7%	21%
Total income	1.3	1.4	1.5	5%	20%
Net interest income	0.9	1.0	1.1	3%	21%
Net fees and commissions	0.3	0.3	0.3	16%	14%
Other non-interest income	0.1	0.1	0.1	-12%	33%
Operating costs	-0.4	-0.5	-0.5	1%	17%
Total risk cost	0.0	-0.1	0.0	-84%	215%

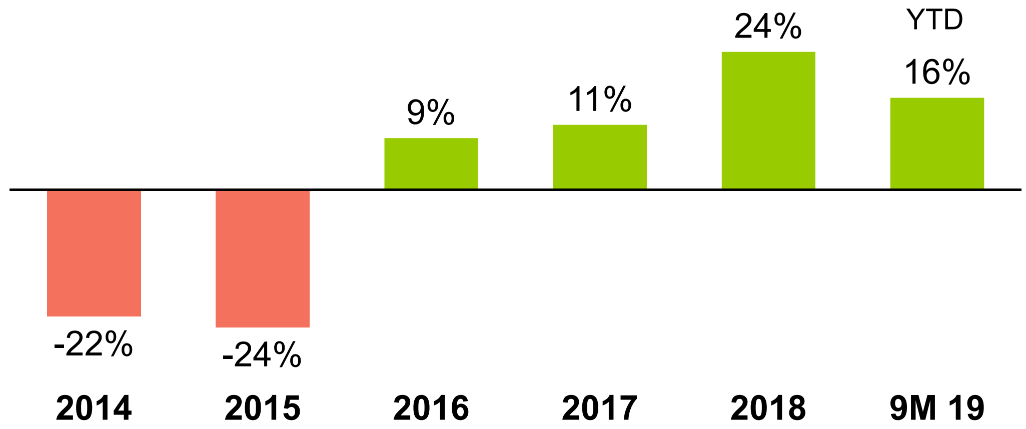
New cash and POS loan disbursements (in UAH billion)



Return on Equity (based on after tax profit without adjustment items)



Performing (DPD0-90) corporate + MSE loan volumes changes (FX-adjusted, y-o-y)



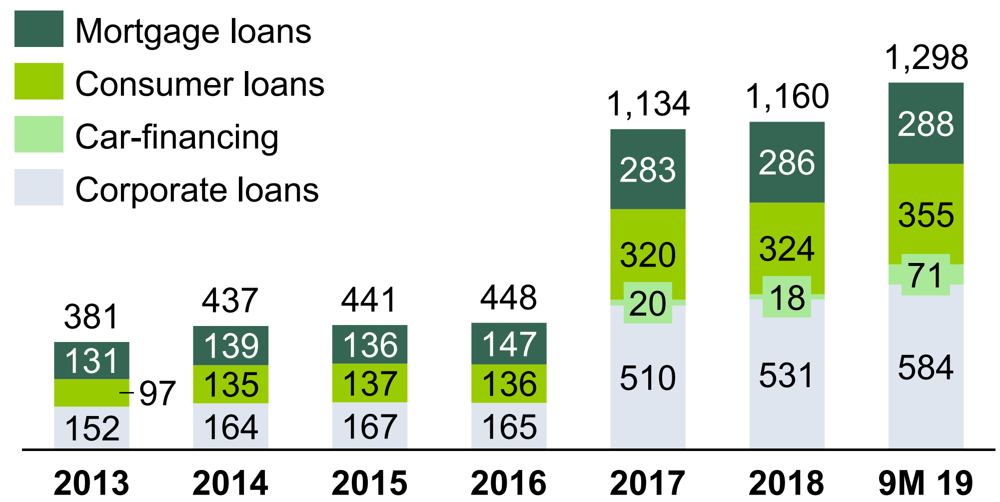
OBH (Croatia)

The Croatian operation posted HUF 26.5 billion adjusted after tax profit in 9M, up by 27%, as a result of diminishing risk costs and improving operating profit on the back of better cost efficiency

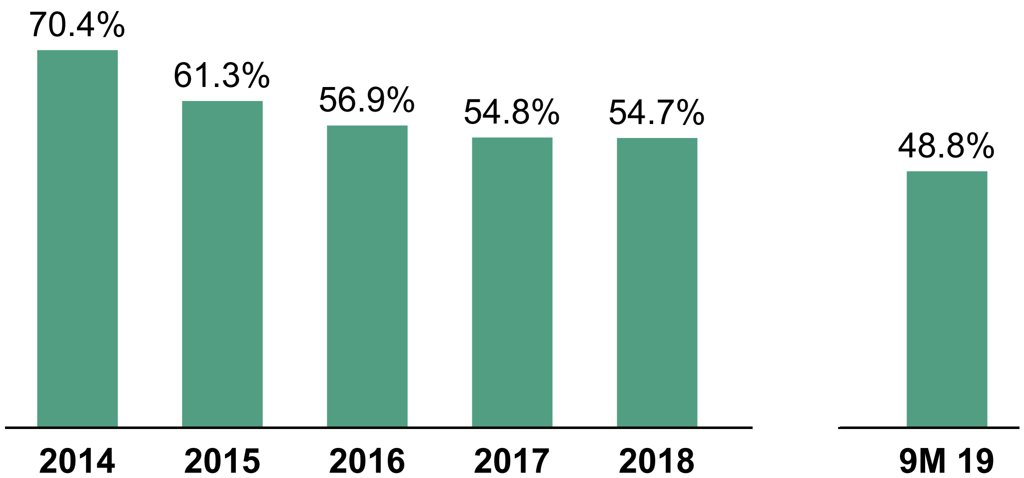
Income statement

in HUF billion	3Q 18	2Q 19	3Q 19	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**8.7**	**8.6**	**9.1**	**5%**	**5%**
Profit before tax	10.7	10.5	11.0	5%	3%
Operating profit	10.0	10.3	12.0	16%	20%
Total income	21.0	21.1	22.1	5%	5%
Net interest income	13.7	14.1	14.2	0%	4%
Net fees and commissions	4.3	4.3	4.8	11%	12%
Other non-interest income	3.1	2.7	3.2	21%	4%
Operating costs	-11.0	-10.8	-10.1	-6%	-8%
Total risk cost	0.7	0.2	-1.0	-522%	-239%

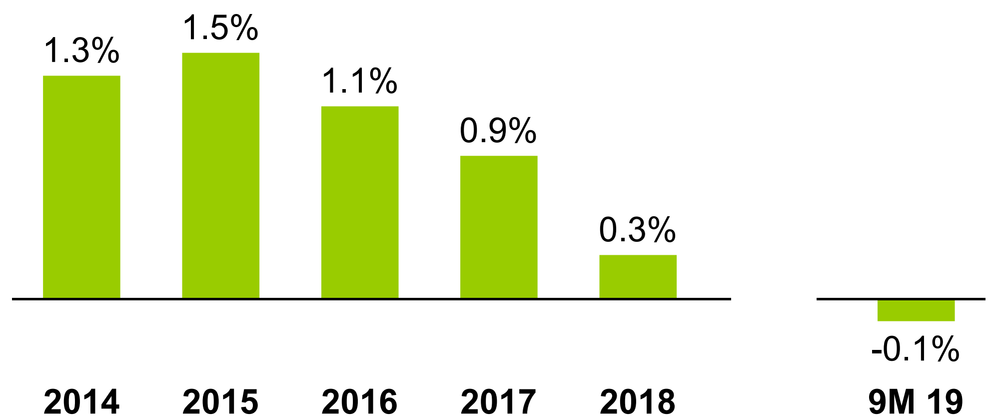
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Cost to income ratio

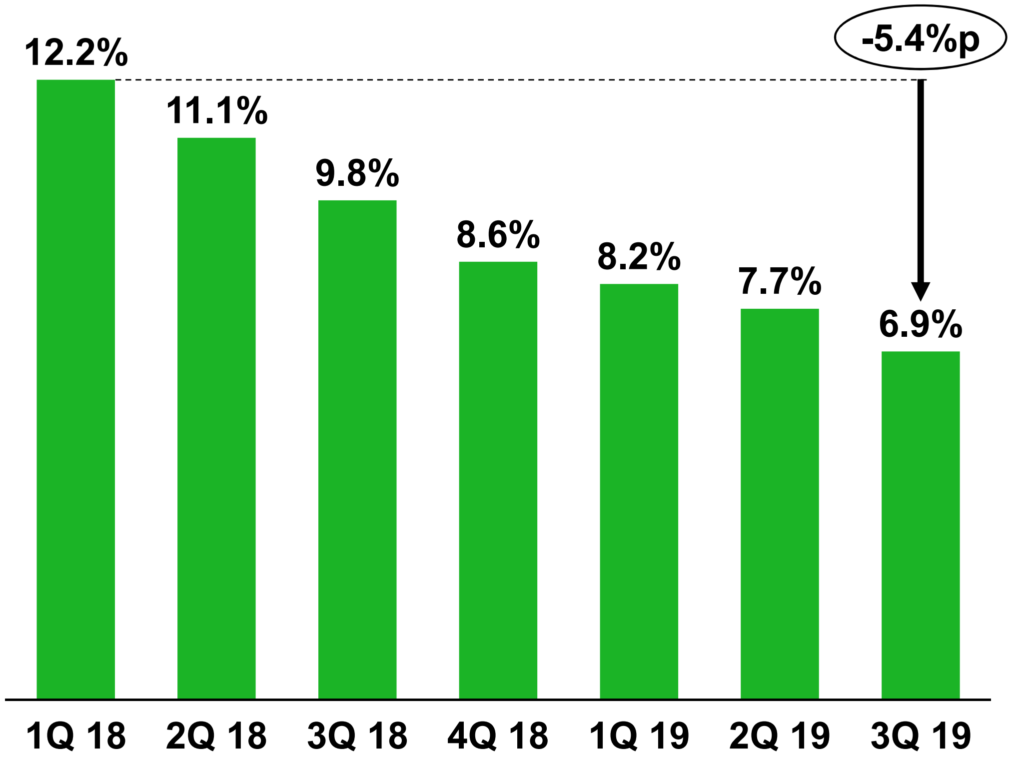


Risk cost rate

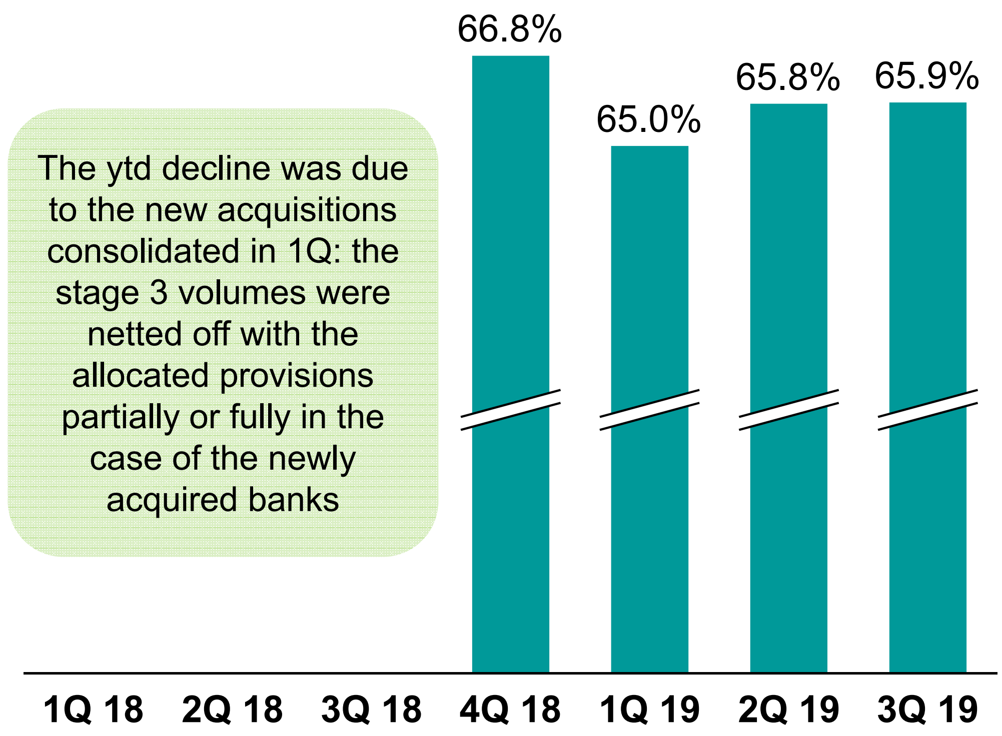


The Stage 3 ratio diminished further, at the end of 3Q it stood at 6.9%, while its own coverage stood at 65.9%

OTP Group - consolidated Stage 3 ratio[1]



OTP Group - own coverage of consolidated Stage 3 loans[1]



The non-performing loan category previously used by OTP, the ratio of 90+ days overdue loans (DPD90+) is replaced by the Stage 3 ratio with the introduction of IFRS 9.

The DPD90+ category is a subset of Stage 3, and it stood at 5.0% at Group level at the end of 3Q 2019.

[1] In 4Q 2018 with POCI, from 1Q 2018 POCI was distributed among Stage categories

Compared to regional peers, OTP has the highest own coverage ratio in all three stages of impairment under IFRS 9

Gross customer loans' split by the 3 stages of impairment under IFRS 9 definition

			Stage 1	Stage 2	Stage 3
otpbank	3Q 2019	incl. POCI	88.1%	5.0%	6.9%
Raiffeisen Bank International	3Q 2019	incl. POCI	86.9%	10.5%	2.5%
UniCredit	4Q 2018	incl. POCI	85.3%	8.0%	6.7%
ERSTE	3Q 2019	excl. POCI	90.2%	7.4%	2.4%
INTESA SANPAOLO	4Q 2018	incl. POCI	82.8%	9.9%	7.3%
KBC	3Q 2019	excl. POCI	88.0%	9.1%	2.9%

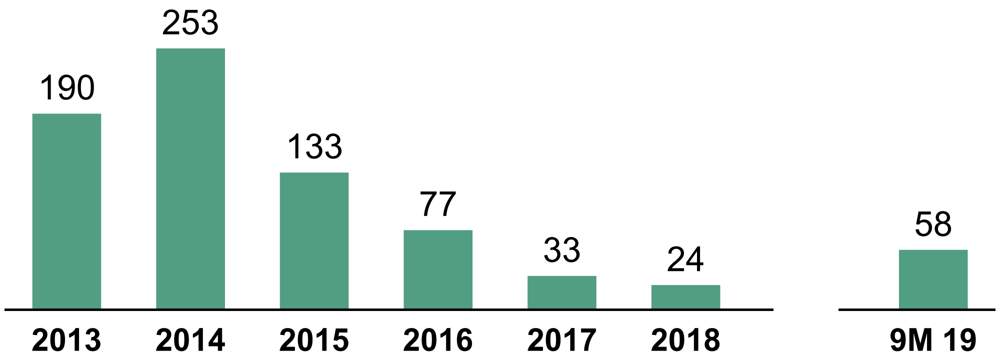
Own coverage ratios by the 3 stages of impairment under IFRS 9 definition

			Stage 1	Stage 2	Stage 3
otpbank	3Q 2019	incl. POCI	1.2%	10.2%	65.9%
Raiffeisen Bank International	3Q 2019	incl. POCI	0.2%	2.8%	64.7%
UniCredit	4Q 2018	incl. POCI	0.2%	3.4%	61.0%
ERSTE	3Q 2019	excl. POCI	0.2%	4.0%	59.0%
INTESA SANPAOLO	4Q 2018	incl. POCI	0.2%	2.8%	54.6%
KBC	3Q 2019	excl. POCI	0.1%	1.7%	44.5%

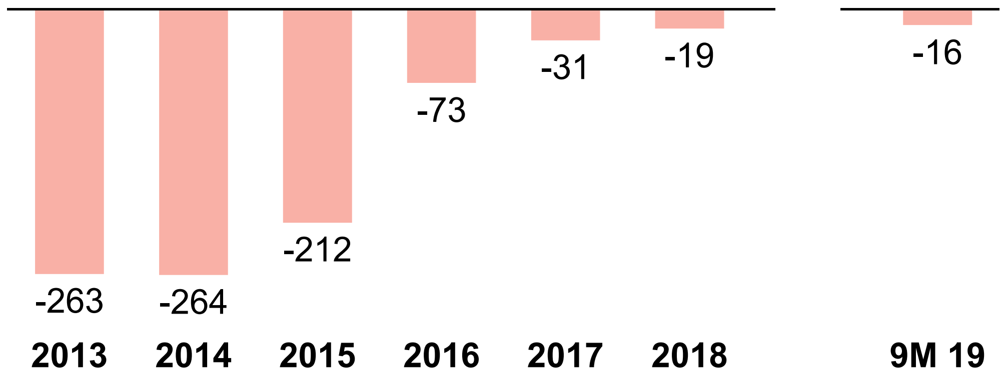
General note: treatment of POCI (Purchased or Originated Credit Impaired): OTP, RBI, UniCredit, Intesa: POCI is included in the Stage categories; Erste, KBC: POCI is reported separately from Stage 1-3.
Own calculation based on company websites.

Credit quality indicators remained favourable. The DPD90+ ratio declined further and the 9M consolidated risk cost rate remained somewhat below the last year's level

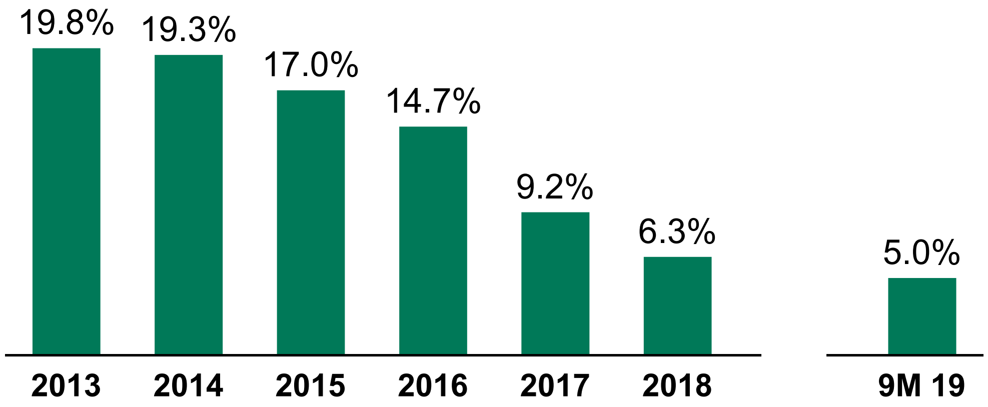
Change in DPD90+ loan volumes (consolidated, without the technical effect of new acquisitions[1], adjusted for FX and sales and write-offs, in HUF billion)



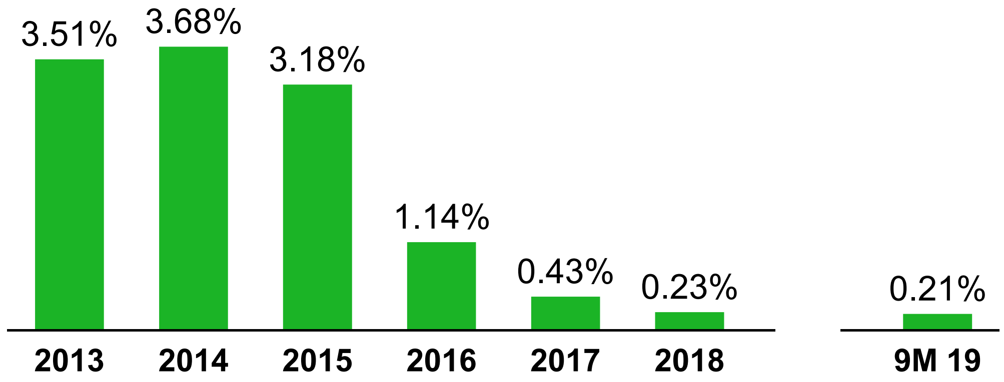
Consolidated provision for impairment on loan and placement losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



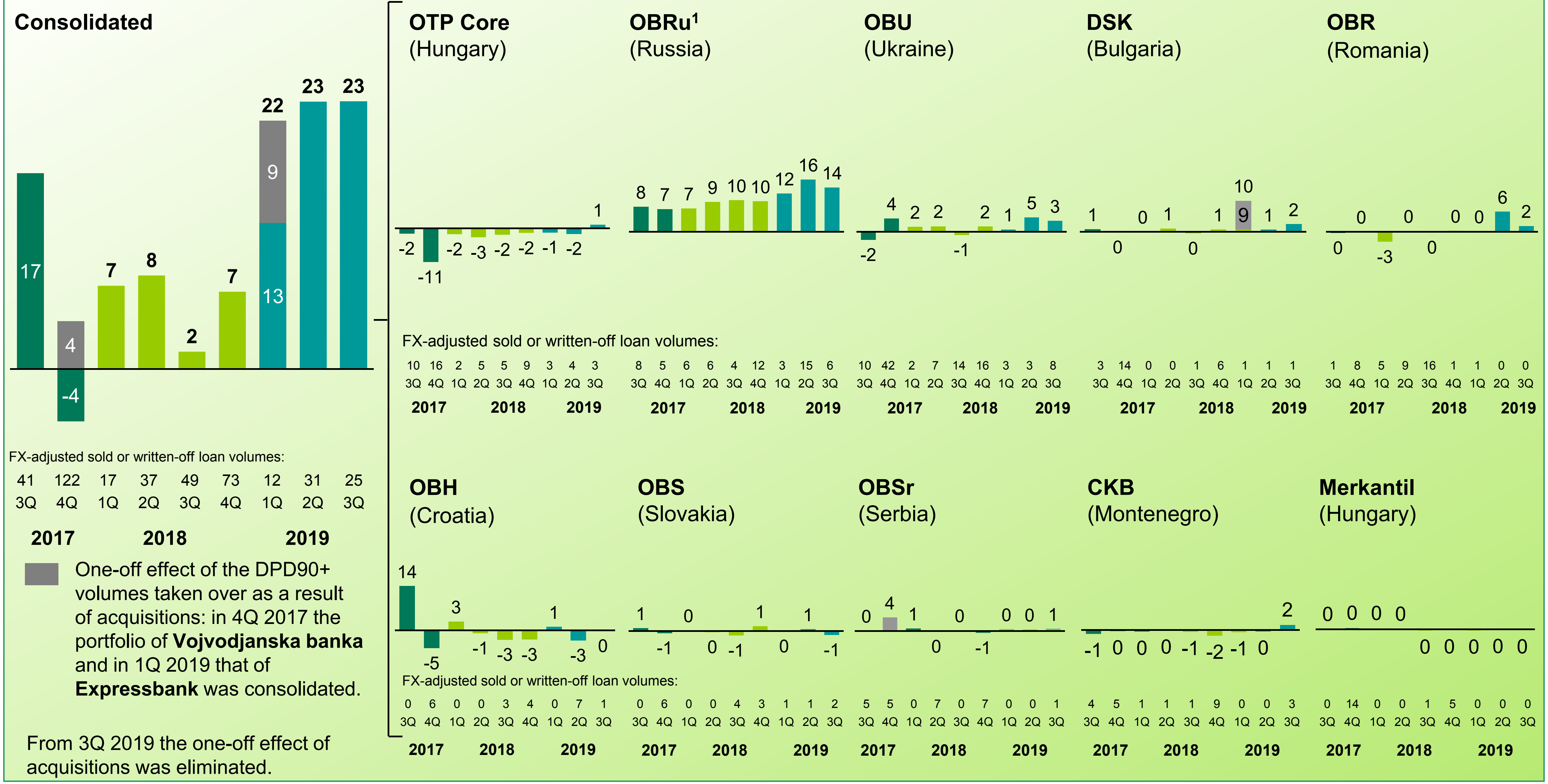
Consolidated risk cost rate (provision for impairment on loan and placement losses-to-average gross loans)



[1] One-off effect of the DPD90+ volumes taken over as a result of acquisitions.

In 3Q 2019 the consolidated DPD90+ formation remained flat q-o-q, within that the Russian deterioration moderated

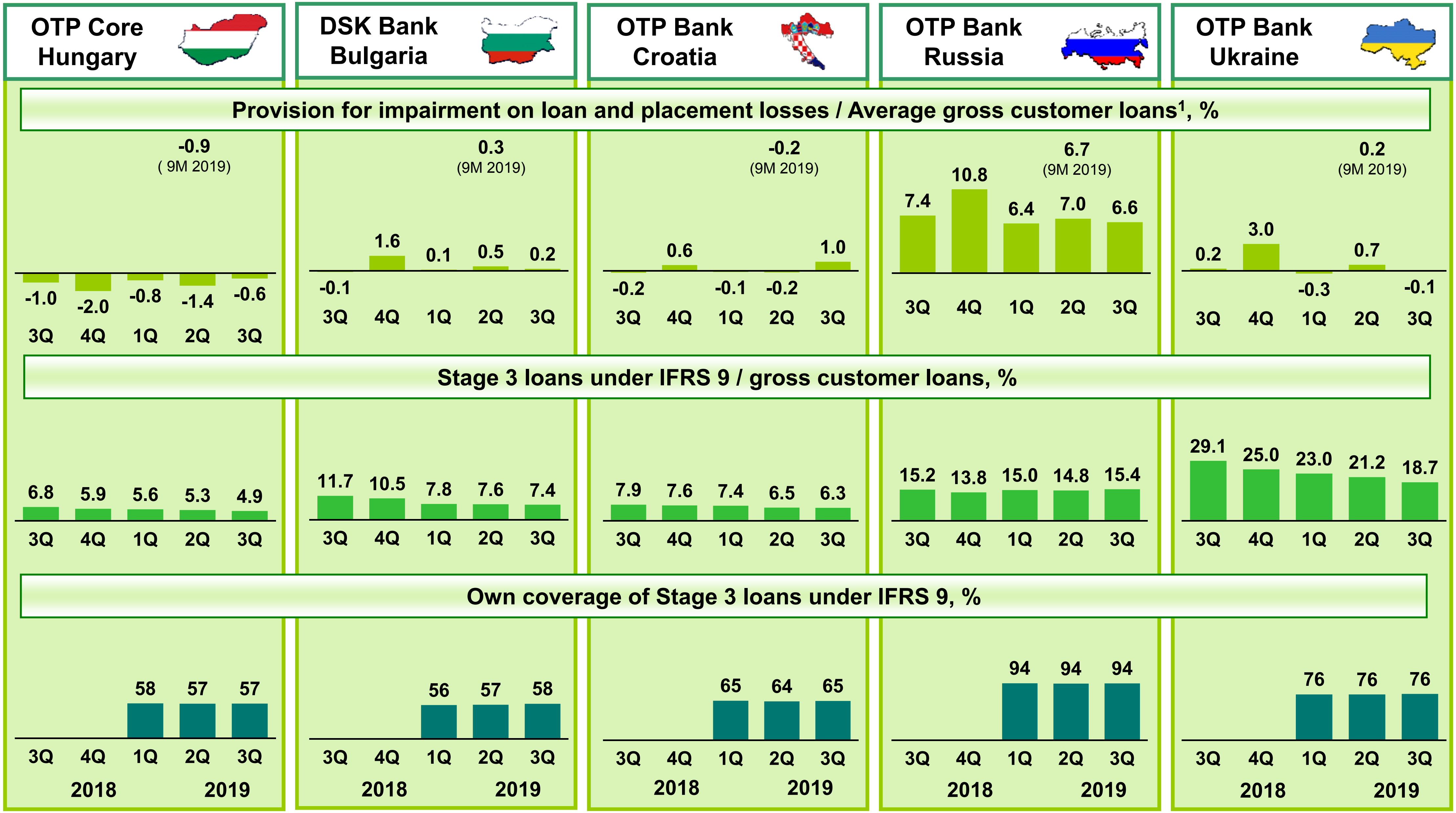
FX-adjusted quarterly change in DPD90+ loan volumes
(without the effect of sales / write-offs, in HUF billion)



The formation figures of the two new Group member bank, Albania and Moldova are not showed on this slide as their inflow was close to zero in total.

[1] Including Touch Bank from 1Q 2018.

The declining trend of Stage 3 ratio continued in most key geographies, with risk cost rates remaining benign



[1] Negative amount implies positive (earnings accretive) risk costs.

In 3Q 2019 the reported Tier1=CET1 ratio of 14.3% already included the new acquisitions completed this year and the first nine months interim profit less dividend, while the CAR of 16.8% reflected the newly issued Tier 2 bond

OTP Group consolidated capital adequacy ratios (IFRS)

BASEL III	2014	2015	2016	2017	2018	3Q 19
Capital adequacy ratio (CAR)	17.5%	16.2%	16.0%	14.6%	18.3%	16.8%
Tier1 = Common Equity Tier1 ratio	14.1%	13.3%	13.5%/ 15.8%[1]	12.7%/ 15.3%[1]	16.5%	14.3%

1. In 2018 and 3Q 2019 the reported capital adequacy ratios included the interim after tax profit less dividend.
2. In 3Q 2019 the Bank's standalone regulatory capital, as opposed to previous periods, does not include the interim profit less dividend.
3. The CAR of DSK Bank (owning the shares of Expressbank) under local regulation stood at 27.7% at the end of September 2019.
4. OBR received a capital increase from OTP Bank in 3Q 2019.
5. CAR of Vojvodjanska banka following the merger in April 2019. The shares of OTP banka Srbija purchased from SocGen are held by OTP Bank (Hungary).
6. The CAR of CKB Bank (owning the shares of Podgoricka banka) under local regulation stood at 24.2% at the end of 3Q 2019.

Capital adequacy ratios (under local regulation)

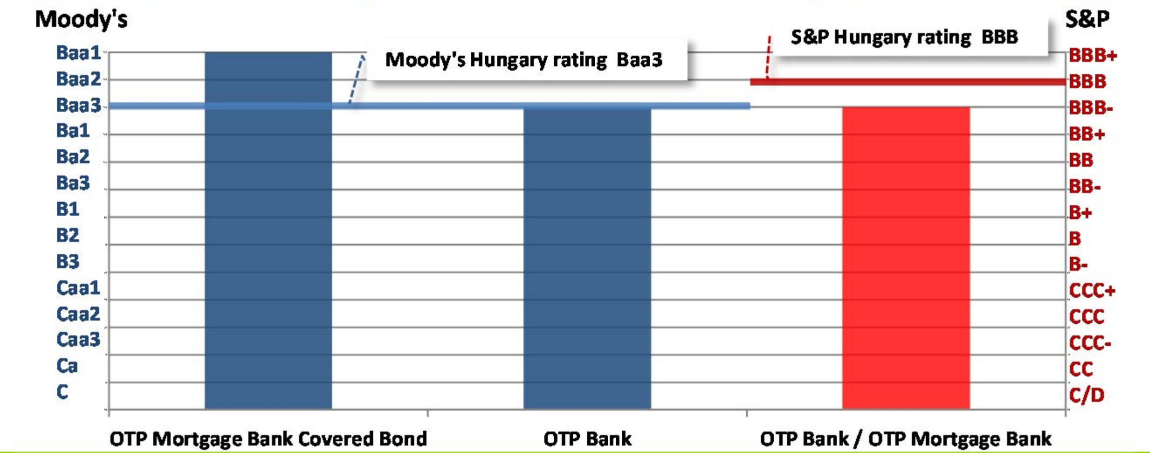
	2014	2015	2016	2017	2018	3Q 19
OTP Group (IFRS)	**16.9%**	**16.2%**	**16.0%**	**14.6%**	**18.3%**	**16.8%**
Hungary	19.0%	26.6%	27.7%	31.4%	28.2%	26.6% (2)
Bulgaria	18.0%	17.3%	17.6%	17.2%	16.3%	25.7% (3)
Russia	12.1%	13.3%	16.2%	15.9%	15.0%	15.0%
Croatia	16.5%	15.5%	16.7%	16.5%	20.0%	19.0%
Ukraine	10.4%	15.7%	12.4%	15.5%	19.6%	20.8%
Romania	12.6%	14.2%	16.0%	14.5%	18.0%	20.5% (4)
Serbia	30.8%	26.1%	22.8%	28.4%	22.6%	21.6% (5)
Montenegro	15.8%	16.2%	21.1%	22.6%	22.7%	24.2% (6)
Slovakia	13.7%	13.4%	12.9%	15.0%	16.6%	15.7%
Albania						14.5%
Moldova						21.6%

[1] Including the interim net profit less dividend.

While OTP Bank ratings closely correlate with the sovereign ceilings, subsidiaries' ratings enjoy the positive impact of parental support

(rating outlook)
+ positive
- negative
0 stable

Hungarian sovereign, OTP Bank and OTP Mortgage Bank ratings



Rating history

- OTP Bank Slovakia, DSK Bank Bulgaria, OTP Bank Ukraine and OTP Bank Russia cancelled cooperation with Moody's in 2011, 2013, 2015 and 2016 respectively.
- Currently OTP Bank, OTP Mortgage Bank and OTP Bank Russia have solicited ratings from either Moody's, S&P Global, Fitch.

OTP Group related rating actions

- Moody's upgraded **OTP Bank**'s long and short-term local-currency deposit ratings to Baa2/Prime-2 from Baa3/Prime-3. The long-term foreign currency deposit rating was affirmed at Baa3. Both long-term deposit ratings carry stable outlook. At the same time the junior subordinated rating of the bank was raised by one notch to Ba3 (hyb). Furthermore the rating agency upgraded the backed long-term local-currency issuer rating of **OTP Mortgage Bank** to Baa3 from Ba1, with stable outlook. *(19 October 2017)*
- Moody's upgraded **OTP Bank**'s long term local currency deposit rating to Baa1 from Baa2. The Tier2 dated instrument issued by the Bank enjoys Ba1 rating. *(17 July 2019)*
- Fitch upgraded **OTP Bank Russia**'s and Bulgarian-based **Expressbank**'s Long-Term Issuer Default Ratings to BB+ from BB, with stable outlook. *(29 July 2019)*

Recent sovereign rating developments

- Moody's has changed the outlook on **Serbia** to positive from stable. *(06 September 2019)*
- Fitch upgraded **Ukraine**'s ratings to B from B-, with positive outlook. *(06 September 2019)*
- Moody's has changed the outlook on **Slovakia** to stable from positive. *(27 September 2019)*
- S&P upgraded **Ukraine**'s ratings to B from B-, with stable outlook. *(27 September 2019)*
- Fitch upgraded **Serbia**'s ratings to BB+ from BB, with stable outlook. *(27 September 2019)*
- Moody's has changed the outlook on **Ukraine** to positive from stable. *(22 November 2019)*
- S&P upgraded **Bulgaria**'s ratings to BBB from BBB-, with positive outlook. *(29 November 2019)*
- S&P upgraded **Serbia**'s ratings to BB+ from BB, with positive outlook. *(13 December 2019)*

	Moody's	S&P	Fitch
OTP Bank	Baa3 (0)	BBB- (0)	
OTP Mortgage Bank	Baa1	BBB- (0)	
OTP Bank Russia			BB+ (0)
Expressbank			BB+ (0)

Moody's		S&P Global		Fitch	
Aaa		AAA		AAA	
Aa1		AA+		AA+	
Aa2		AA		AA	
Aa3		AA-	SV(0)	AA-	
A1		A+	SK(0)	A+	SK(0)
A2	SK(0)	A		A	SV(0)
A3		A-		A-	
Baa1	SV(+)	BBB+		BBB+	
Baa2	BG(+)	BBB	BG(+) HU(0)	BBB	BG(+) HU(0) RU(0)
Baa3	RO(0) HU(0) RU(0)	BBB-	RO(0) RU(0) CR(0)	BBB-	CR(+) RO(0)
Ba1		BB+	SRB(+)	BB+	SRB(0)
Ba2	CR(+)	BB		BB	
Ba3	SRB(+)	BB-		BB-	
B1	MN(+) ALB(0)	B+	MN(0) ALB(0)	B+	
B2		B	UA(0)	B	UA(+)
B3	MO(0)	B-		B-	
Caa1	UA(+)	CCC+		CCC+	
Caa2		CCC		CCC	
Caa3		CCC-		CCC-	

Last update: 13/12/2019
Sovereign ratings: long term foreign currency government bond ratings,
OTP Mortgage Bank Moody's rating: covered bond rating; Other bank ratings: long term foreign currency deposit ratings
Abbreviations: ALB – Albania, BG - Bulgaria, CR - Croatia, HU - Hungary, MN - Montenegro, MO – Moldova, RO - Romania, RU - Russia, SRB - Serbia, SK - Slovakia, SV – Slovenia, UA - Ukraine

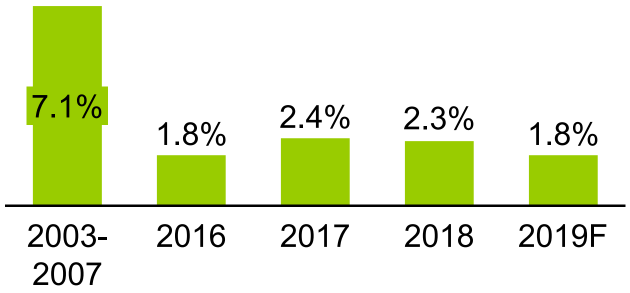
Content

Hungary

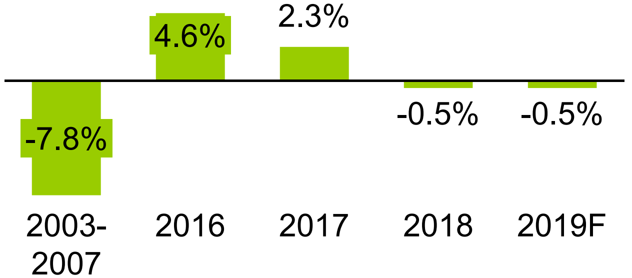
After the robust 3Q expansion of 5.0% y-o-y, GDP growth can be around 4.8% in 2019 as a whole. Soaring investments might be the strongest catalyst of growth

Balance

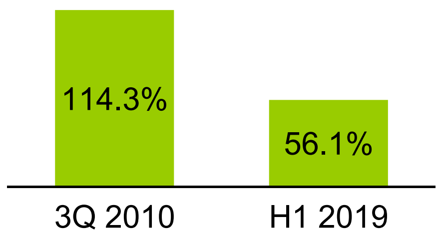
Budget deficit



Current account balance

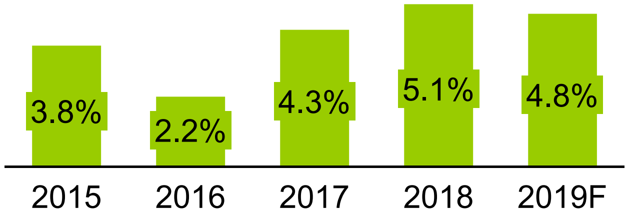


Gross external debt[1] (as % of GDP)

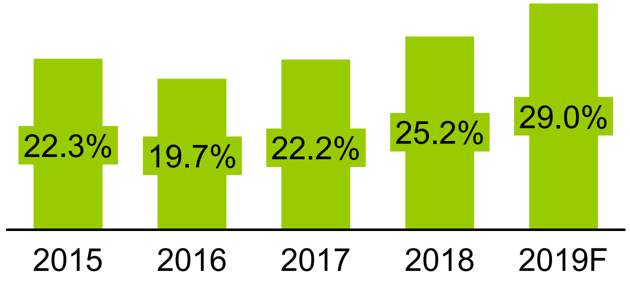


Growth

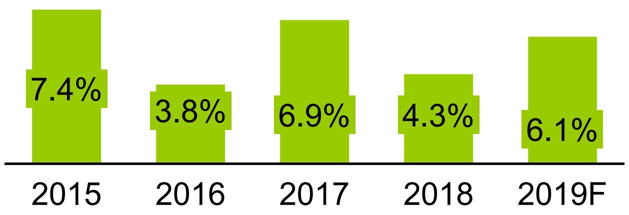
Real GDP growth



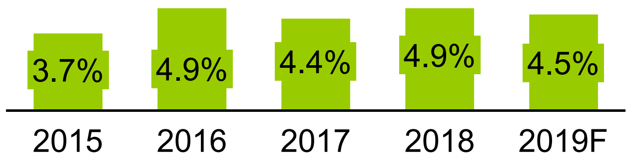
Investment to GDP



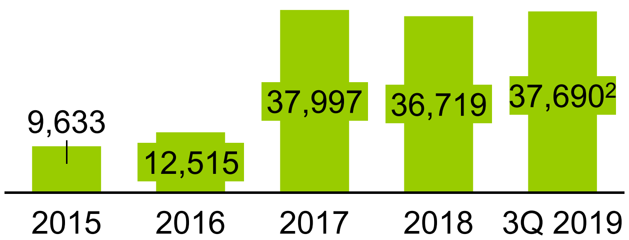
Exports growth



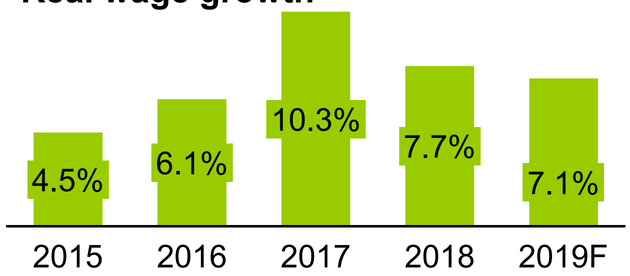
Household consumption



Housing construction permits



Real wage growth



Sources: CSO, NBH; forecasts: OTP Research Centre
[1] Without inter-company loans
[2] Seasonally adjusted and annualized

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Hungary

Strong revenue growth and lower-than-expected expenditures make the 2019 deficit target safely attainable, further deficit reduction for 2020 is on track. The deterioration of current account balance stopped and was just below zero. As the deficit is covered by FDI and EU funds, external indebtedness declined further

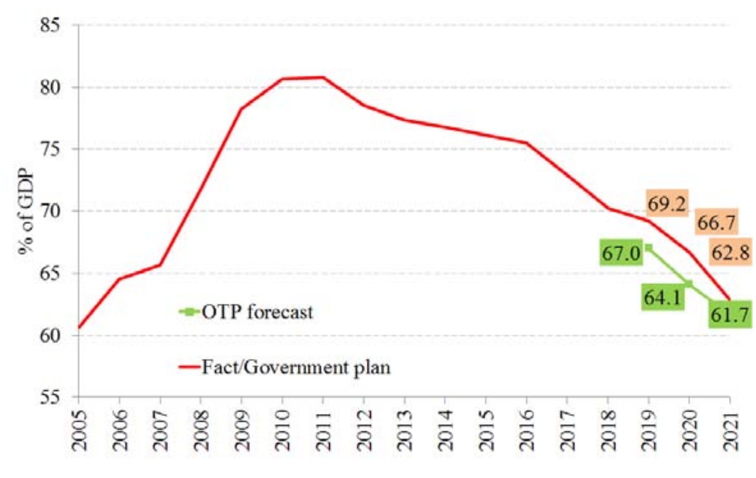
As a result of higher-than-expected revenues and moderating expenditures the yearly ESA budget deficit turned out at 1% of GDP in 2019 2Q, well below the 1.8% whole-year target. Although expenditures are expected to pick-up in 2H due to the Demographic Program, we consider the 2019 deficit target of 1.8% of GDP as safely attainable. The achievement of the ambitious 1% deficit target for 2020 is also realistic given the solid base, but the room for possible loosening measures is limited.

Public debt declined to 68.2% of GDP by 2Q 2019 (from 73.5% a year before) on account of improvements in the cash deficit and strong GDP growth. Government debt can drop as low as 64% of GDP by 2020.

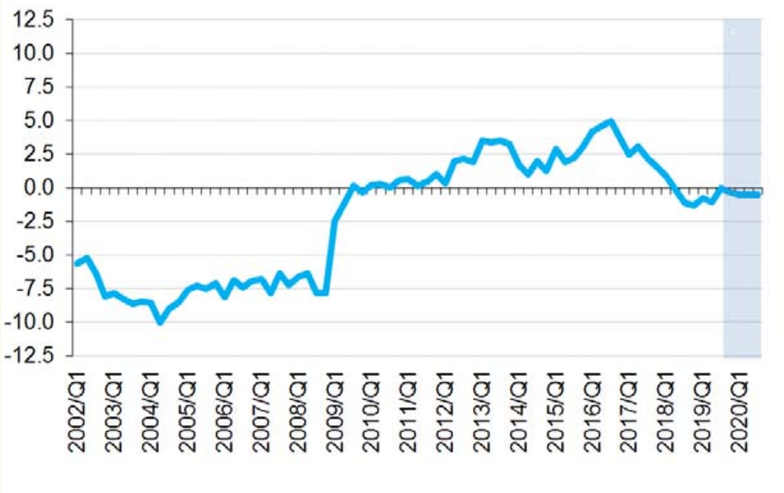
Based on revised data Hungary's current account balance deteriorated to -0.5% of GDP in 2018 from 2.3% a year earlier, due to higher commodity prices and strong domestic demand. In 2019 the deterioration came to an end. As the deficit is lower than the inflow from FDI and gross EU transfers, net and gross FX external debt compared to GDP kept further declining.

Budget balance (as % of GDP)

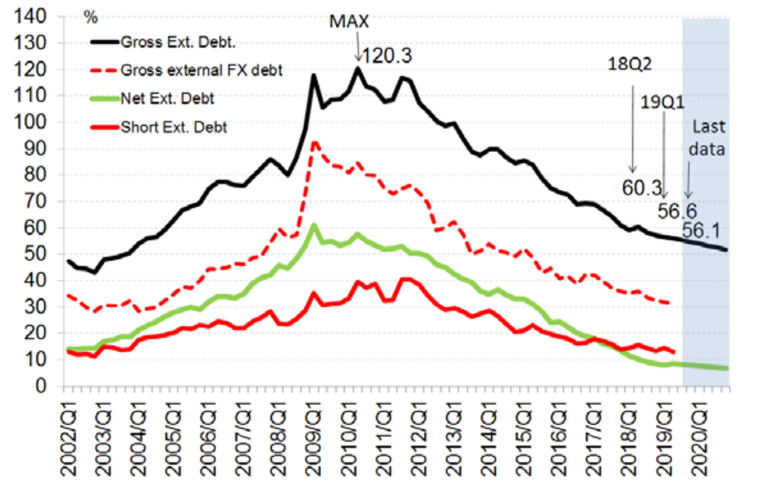
Public debt (as % of GDP, including Eximbank)



Current account balance (as % of GDP)



External debt indicators (as % of GDP)



Sources: HCSO, NBH, Ministry for National Economy, OTP Research.
The net financial capacity shows the amount of absorbed external funding / accumulated foreign assets in a period (equal to the sum of the current account balance + capital balance (EU funds) + Net errors and omissions).

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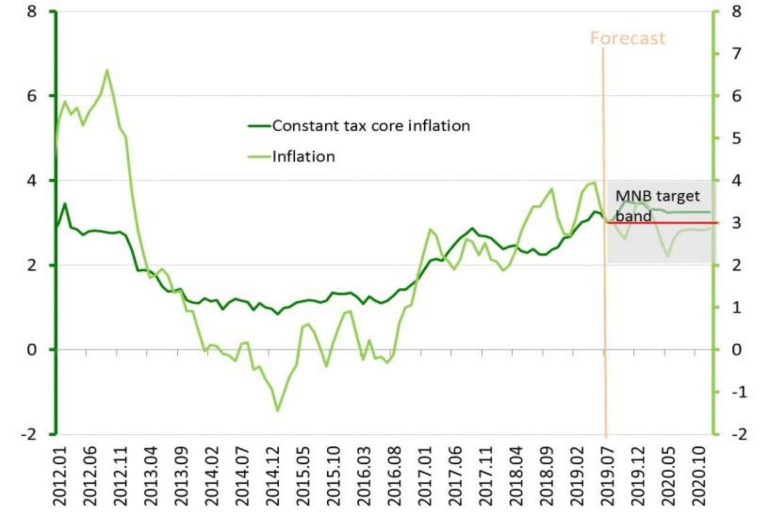
Imported inflation still supports the disinflation, but due to domestic factors – the re-accelerating households consumption – the disinflation trend will not be as strong as it was anticipated few months ago

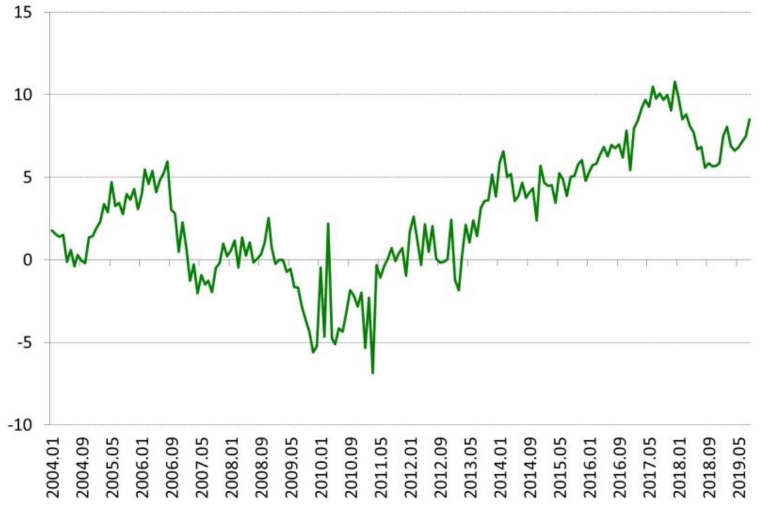
The inflation fell below the MNB' target in the last two months, but due to basis effects it re-accelerates in the end of 2019 and approaches again the 4% upper level of the MNB' target band. However, after that inflation may decline sharply below the target. The closely watched constant tax core inflation re-accelerated in the last two months, due to the higher food prices. The CPI picture became not so rosy as it seemed during the summer, but the inflation of the most "in demand" and exchange-rate sensitive items remained stable around 3%. As the international environment is still supports the disinflation through the imported inflation we think underlying inflation indicators may stabilize around the 3% MNB target, and consequently the headline CPI will also oscillate around that level depending on the basis effects coming from the very volatile inflation-linked items.

In our view the new inflation data will not change the MNB' broader picture about the inflationary processes, so OTP still holds that the reference rate (3M BUBOR) is likely to remain around its current level until 2020.

Inflation (y-o-y, %)

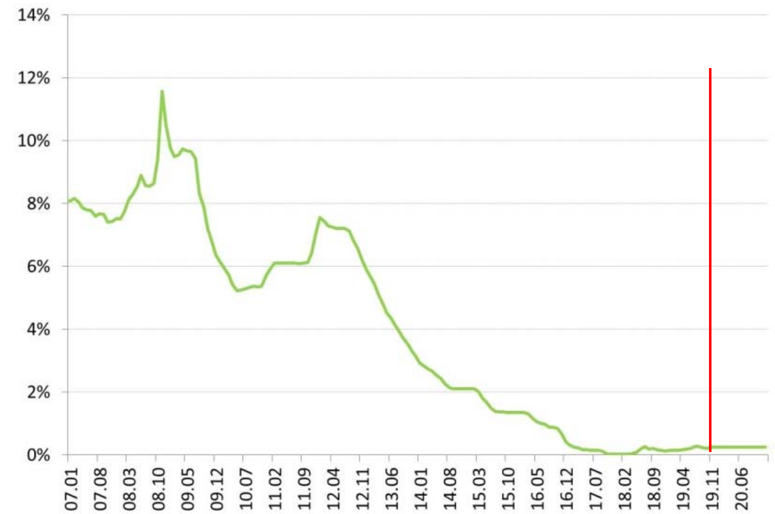


Real wage growth (%)



Real estate market indicators (real home price and completed dwellings; 2000=100)

3M BUBOR (%)



Sources: HCSO, NBH, Reuters, OTP Research

Hungary

Hungary's economic growth may have reached its cyclical peak in 2019, but GDP growth should remain fairly strong even under a deteriorating external environment

Key economic indicators	2014	2015	2016	2017	2018	OTP Research 2019F	OTP Research 2020F	Focus Economics* 2019F	Focus Economics* 2020F
Nominal GDP (at current prices, HUF billion)	32,694	34,785	35,896	38,835	42,662	**46,729**	**50,181**	**45,994**	**48,834**
Real GDP change	4.2%	3.8%	2.2%	4.3%	5.1%	**4.8%**	**3.3%**	**4.5%**	**3.0%**
Household final consumption	2.1%	3.7%	4.2%	4.2%	4.0%	**4.3%**	**2.9%**	**4.6%**	**3.7%**
Household consumption expenditure	2.5%	3.7%	4.9%	4.4%	4.9%	**4.5%**	**4.1%**		
Collective consumption	9.8%	1.1%	0.3%	3.2%	2.0%	**3.3%**	**-0.3%**	**1.0%**	**0.9%**
Gross fixed capital formation	12.3%	4.8%	-10.6%	18.7%	17.1%	**14.3%**	**4.7%**	**15.0%**	**4.1%**
Exports	9.2%	7.4%	3.8%	6.9%	4.3%	**6.1%**	**5.4%**		
Imports	11.0%	6.0%	3.4%	8.2%	6.8%	**7.7%**	**6.3%**		
General government balance (% of GDP)	-2.8%	-2.0%	-1.8%	-2.4%	-2.3%	**-1.8%**	**-1.1%**	**-1.8%**	**-1.5%**
General government debt (% of GDP ESA 2010)	76.8%	76.1%	75.5%	72.9%	70.2%	**67.0%**	**64.1%**	**68.9%**	**66.9%**
Current account (% of GDP)**	1.2%	2.4%	4.6%	2.3%	-0.5%	**-0.5%**	**-0.5%**	**-0.4%**	**-0.4%**
Gross external debt (% GDP)***	82.4%	73.0%	67.9%	58.9%	56.3%				
FX reserves (in EUR billion)	34.6	30.3	24.4	23.4	27.4				
Gross real wages	3.9%	4.5%	6.1%	10.3%	7.7%	**7.1%**	**3.8%**		
Gross real disposable income	4.7%	5.9%	1.8%	6.5%	5.1%	**4.9%**	**2.6%**		
Employment (annual change)	5.3%	2.7%	3.4%	1.6%	1.1%	**0.6%**	**-0.2%**		
Unemployment rate (annual average)	7.7%	6.8%	5.1%	4.2%	3.7%	**3.6%**	**3.7%**	**3.5%**	**3.5%**
Inflation (annual average)	-0.2%	-0.1%	0.4%	2.4%	2.8%	**3.2%**	**2.8%**	**3.4%**	**3.2%**
3M Interbank Rate (BUBOR, end of year)	2.10%	1.35%	0.41%	0.03%	0.13%	**0.19%**	**0.19%**	**0.23%**	**0.31%**
1Y Treasury Bill (average)	2.28%	1.17%	0.77%	0.09%	0.25%	**0.16%**	**0.06%**		
Real interest rate (average. ex post)****	2.5%	1.2%	0.4%	-2.2%	-2.5%	**-2.9%**	**-2.7%**		
EUR/HUF exchange rate (end of year)	314.9	313.1	311.0	310.1	321.5	**335.0**	**340.0**	**332.0**	**330.0**

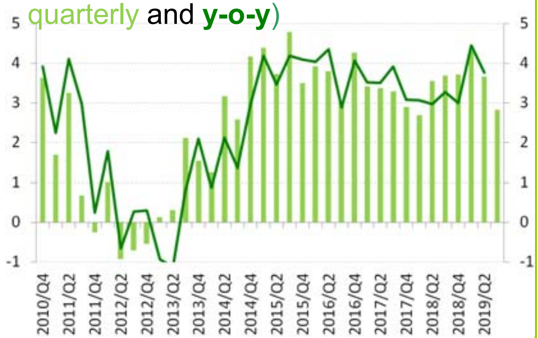
Source: CSO, National Bank of Hungary.
* November 2019 consensus . **Official data of balance of payments (excluding net errors and omissions).
*** w/o FDI related intercompany lending. last data. **** = (1+ Yield of the 1Y Treasury Bill (average)) / (1+ annual average inflation) – 1

Bulgaria: GDP growth could slow down slightly in 3Q, inflation decelerates: volatile GDP growth with slight deterioration in balance indicators; Romania: GDP slows and the budget deterioration remains a major risk factor

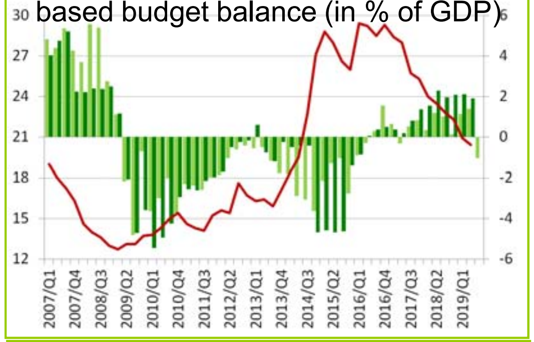
Bulgaria

Preliminary estimates of 3Q GDP data indicate a slight slowdown. GDP expanded by 3.7% y-o-y SA, fueled by consumption and investment, while exports rebounded. Government balance turned into deficit in 3Q due to the fighter jet purchase by the army. Both headline and core inflation decelerated considerably since the end of 1Q as a result of declining fuel prices and a slowdown of service inflation.

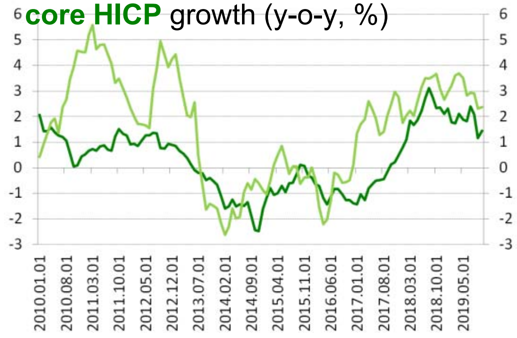
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Government debt, **ESA** and **Cash** based budget balance (in % of GDP)



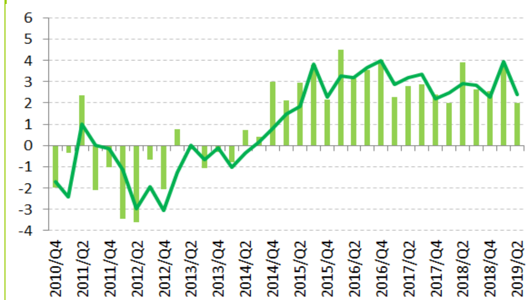
Headline CPI & **core HICP** growth (y-o-y, %)



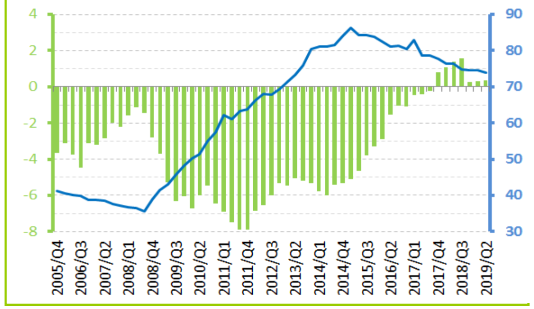
Croatia

GDP growth turned out at 2.4% in 2Q 2019 (partly a correction of 3.9% 1Q data) as all major components slowed. Monthly data for 3Q suggest a similar pace, hence overall GDP growth could be around 3% this year. Balance indicators slightly weakened: the government budget balance and the current account surplus shrunk. Croatia may enter ERM2 in 2020, which could be followed by Eurozone membership.

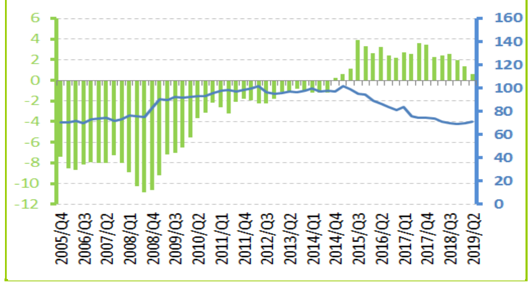
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Budget balance (LHS, ESA), Debt (RHS) as % of GDP



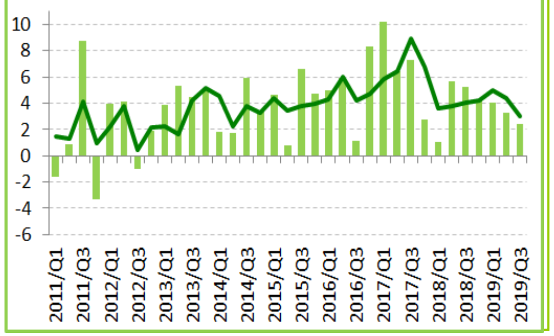
Current account balance (LHS, ESA), External Debt (RHS) as % of GDP



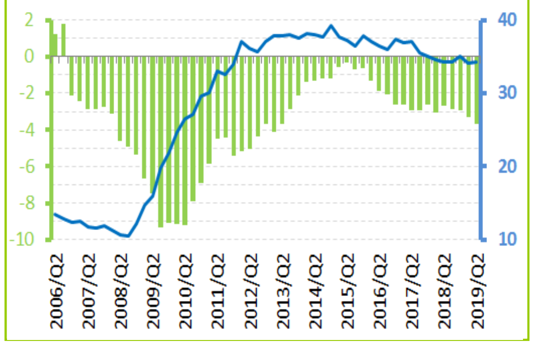
Romania

The country's economy started the year on a strong note (5% y-o-y) but growth slowed gradually to 4.4% and 3% by 2Q and 3Q. Monthly data suggest that all sectors lost pace in 3Q compared to 2Q with the exception of retail, which picked-up slightly y-o-y. Consumption was boosted by another round of minimum and public wage hikes, the latter supported a ballooning budget deficit to 3.7% by 2Q. Due to the relatively high twin-deficits the economy seems to be less resilient to shocks.

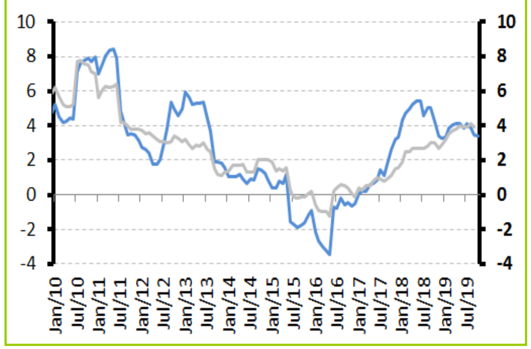
Real GDP growth (%, SA annualized q-o-q and NSA y-o-y)



Budget deficit (LHS, **ESA**), **Debt (RHS)** as % of GDP



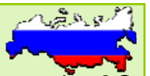
Headline inflation and **core inflation**, (y-o-y; %)



Source: Eurostat, national banks and statistical offices

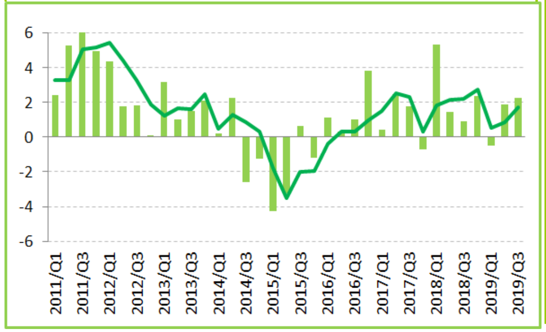
Russia: 2019 brings a temporary slowdown as national projects start slowly, CBR continues its easing cycle. Ukraine: GDP growth was 4.2% y-o-y in 3Q 2019, inflation at 6.5%, the NBU reduced the base rate by 200 bps since June

Russia

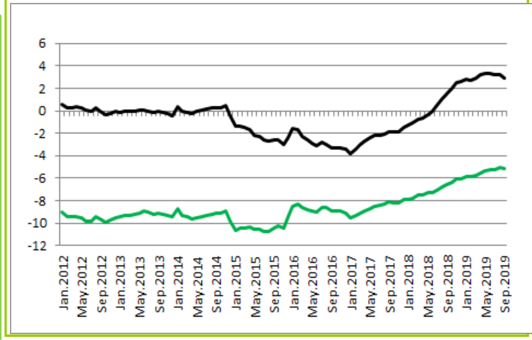


GDP growth picked-up to 1.7% y-o-y in 3Q 2019 (from 0.9% in 2Q), as agricultural posted a good season and domestic demand started to recover. Inflation declined quickly after a peak in March, hence CBR cut the base rate by 125 bps at four consecutive meetings. Given a very low inflation outlook for 1H 2020, we expect further policy rate cuts. The prospect of looser monetary policy, declining global yields and the lack of new easing steps in international sanction led to a swift downward in the yield curve: the 10Y swap rate declined by 150 bps just in a few months time.
The start of government's national projects and looser monetary policy could stimulate growth to around 2% by 2020

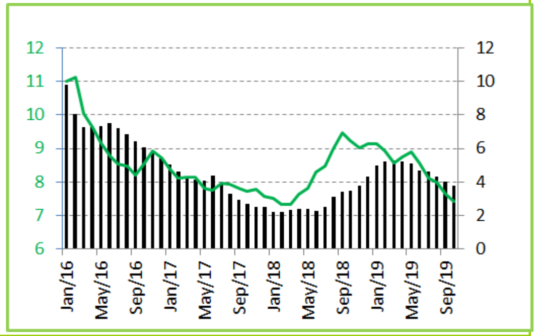
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Headline budget balance and non-oil budget balance (% of GDP)



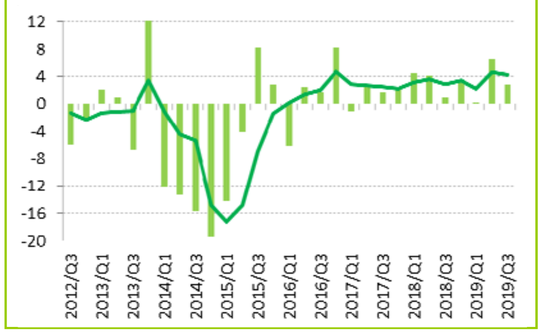
10Y swap rate (l.a.%) and **inflation** (r.a.%)



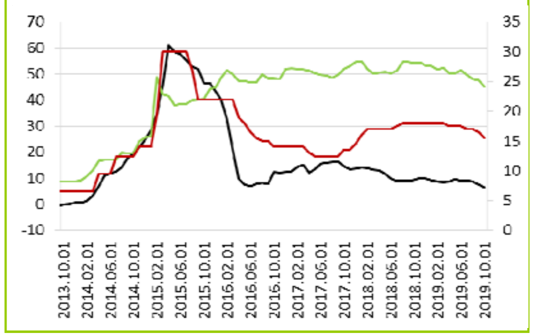
Ukraine

GDP increased by 4.2% y-o-y (+0.7% q-o-q) in 3Q 2019, beating expectations due to strong domestic demand.
Inflation declined to 6.5%. The NBU cut interest rates by 200 bps (to 15.5%) since June and further rate cuts are on the table. Due to the still high base rate and the easing of major central banks, the UAH appreciated in 3Q against the USD. External debt and government debt are decreasing, and fiscal and CA deficit are at stable levels. Renewing the current IMF program is a key for continuing development and for debt financing, as well.

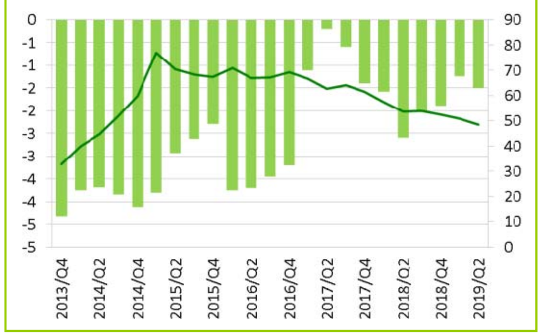
Real GDP growth (%, SA, annualized quarterly* and y-o-y)



USD/UAH (r.a., %), **base rate** (r.a., %), and **Inflation** (%)



Fiscal balance (l.a.) and government debt (r.a.) as % of GDP



Sources: CBR, Rosstat, Ukrstat, National Bank of Ukraine, Focus Economics
*annualized q-o-q growth is OTP Research estimate

General macro trends remained favourable in CEE countries, with growth levels exceeding EU average, while the recovery in Russia and Ukraine is expected to continue

REAL GDP GROWTH (%)	2017	2018	2019F	2020F
Hungary	4.3	5.1	4.8	3.3
Ukraine	2.5	3.3	3.3	3.5
Russia	1.6	2.3	1.3	2.1
Bulgaria	3.5	3.1	3.6	3.2
Romania	7.0	4.1	4.2	3.3
Croatia	3.1	2.6	3.0	2.6
Slovakia	3.2	4.1	2.5	2.4
Serbia	2.0	4.3	3.3	3.1
Montenegro	4.7	4.9	3.2	3.0
Albania	3.8	4.0	2.3	4.0

EXPORT GROWTH (%)	2017	2018	2019F	2020F
Hungary	6.9	4.3	6.1	5.4
Ukraine	3.6	-1.6	3.0	4.0
Russia	5.0	5.5	-1.0	3.0
Bulgaria	5.8	1.7	-0.2	4.3
Romania	9.7	5.4	2.9	1.5
Croatia	6.9	7.4	2.8	3.0
Slovakia	5.9	4.8	3.0	3.9
Serbia	8.2	8.9	8.5	7.0
Montenegro	1.8	9.5	6.2	5.4
Albania	12.9	3.0	2.8	5.9

UNEMPLOYMENT RATE (%)	2017	2018	2019F	2020F
Hungary	4.2	3.7	3.6	3.7
Ukraine	9.9	9.3	8.4	8.0
Russia	5.2	4.8	4.5	4.2
Bulgaria	6.2	5.2	4.4	4.2
Romania	4.9	4.2	3.9	3.8
Croatia	11.1	8.6	6.7	6.0
Slovakia	8.1	6.6	6.5	6.3
Serbia	13.5	13.3	12.5	11.5
Montenegro	16.0	15.2	15.0	15.6
Albania	13.8	12.2	13.7	13.2

BUDGET BALANCE* (in % of GDP)	2017	2018	2019F	2020F
Hungary	-2.4	-2.3	-1.8	-1.1
Ukraine	-1.4	-1.9	-2.0	-2.2
Russia	-1.4	2.6	2.3	1.3
Bulgaria	1.2	2.0	-1.6	-0.3
Romania	-2.7	-3.0	-4.5	-5.0
Croatia	0.8	0.3	-0.2	-0.5
Slovakia	-0.8	-0.7	-0.7	-0.7
Serbia	1.1	0.6	-0.5	-0.5
Montenegro	-5.5	-3.0	-2.9	-0.8
Albania	-1.4	-1.6	-1.8	-1.7

CURRENT ACCOUNT BALANCE (in % of GDP)	2017	2018	2019F	2020F
Hungary	2.3	-0.5	-0.5	-0.5
Ukraine	-1.9	-3.3	-3.1	-3.3
Russia	2.0	6.9	4.9	4.6
Bulgaria	4.4	4.5	6.4	4.2
Romania	-3.2	-4.5	-5.1	-5.5
Croatia	3.5	1.9	0.2	-0.3
Slovakia	-1.9	-2.3	-1.0	-1.0
Serbia	-5.2	-5.2	-5.0	-4.8
Montenegro	-16.2	-17.3	-15.1	-14.1
Albania	-7.4	-6.4	-6.0	-5.8

INFLATION (%)	2017	2018	2019F	2020F
Hungary	2.4	2.8	3.2	2.8
Ukraine	13.4	10.9	8.9	6.0
Russia	3.7	2.9	4.5	3.2
Bulgaria	2.1	2.8	2.9	2.8
Romania	1.3	4.6	4.0	3.3
Croatia	1.1	1.5	0.8	1.6
Slovakia	1.3	2.5	2.4	2.4
Serbia	3.2	2.0	2.6	2.8
Montenegro	1.5	-0.3	2.4	2.6
Albania	2.0	2.0	2.2	2.4

Source: OTP Research
* For EU members, deficit under the Maastricht criteria

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