OTP Group
Investor presentation based on 4Q 2018 results

OTP Group has maintained strong profitability, capital adequacy and liquidity

Content

Key pillars of the OTP investment rationale

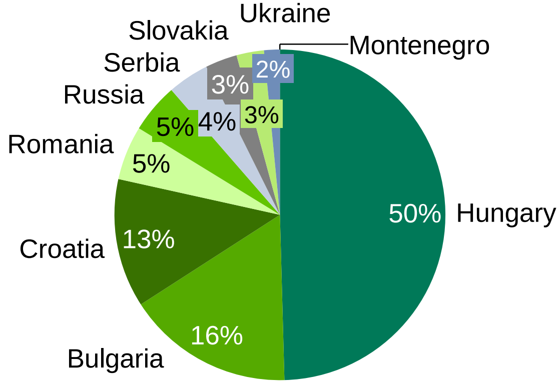
1.	Unique diversified access to the CEE/CIS banking sector
2.	All-time high profit, outstanding ROE
3.	Outstanding loan volume expansion supported by organic growth and new acquisitions
4.	Strong capital and liquidity position
5.	Supporting economic environment continues to propel strong performance

otpbank

1. OTP Group is offering universal banking services to 18.4 million customers in 9 countries across the CEE/CIS Region

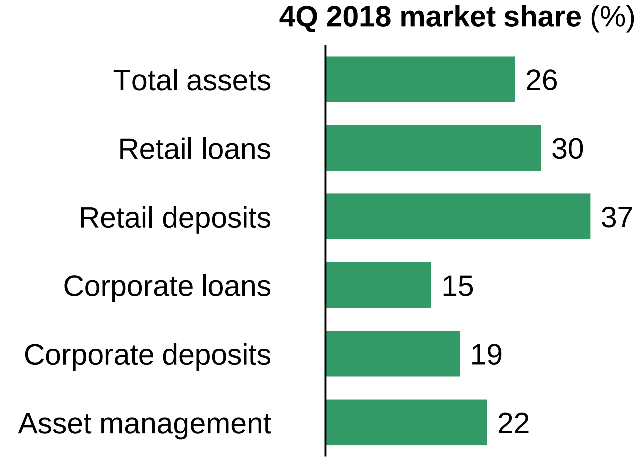
Major Group Members in Europe

Total Assets

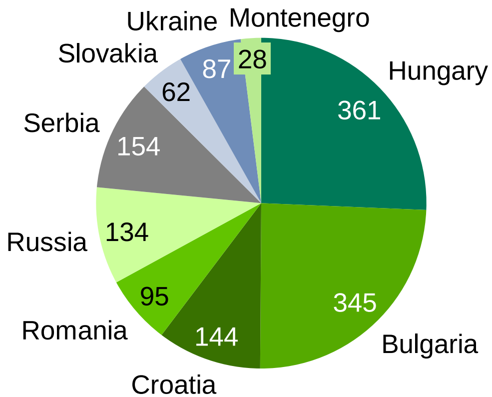


Total Assets: HUF 14,590 billion

Systemic position in Hungary…

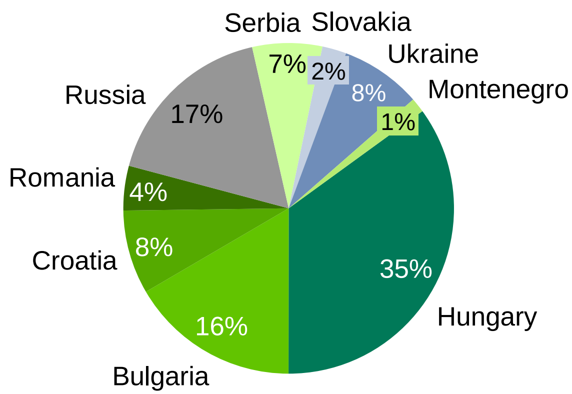


Number of Branches



Total number of branches: 1,411

Headcount



Total headcount: 29,532[1]

... as well as in other CEE countries

Bulgaria

- No. 2 in Total assets
- No. 1 in Retail deposits
- No. 1 in Retail loans

Croatia

- No. 4 in Total assets

Russia

- No. 2 in POS lending
- No. 6 in Credit card business
- No. 41 in Cash loan business

Montenegro

- No. 1 in Total assets

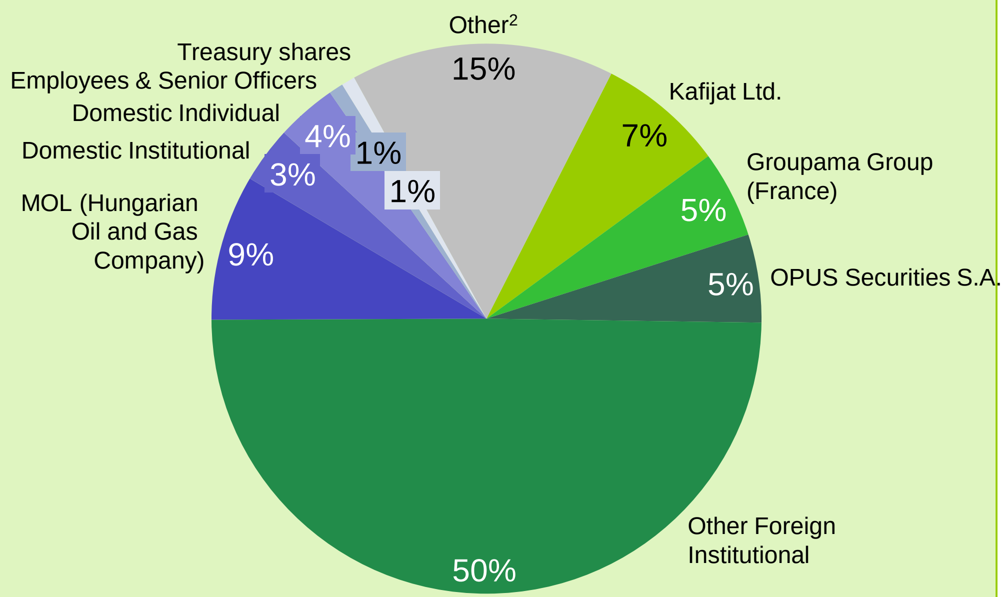
Source: OTP Bank Plc.

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

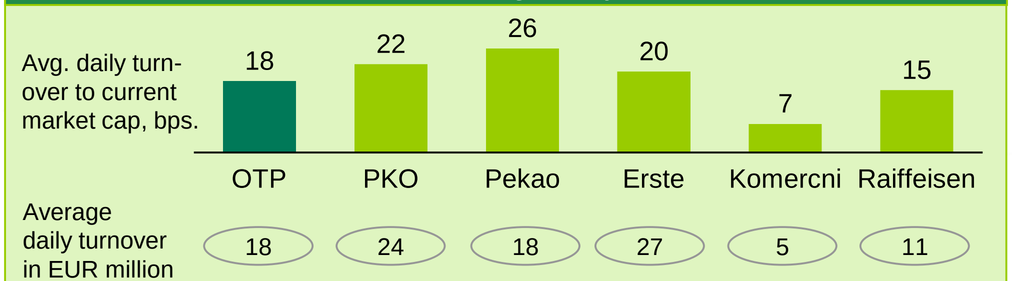
OTP offers a unique investment opportunity to access the CEE banking sector. The Bank is a well diversified, transparent player without strategic investors

Market capitalization: EUR 10.4 billion[1]

Ownership structure of OTP Bank on 31 December 2018



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



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 Group's Capabilities

'Best Private Bank in Hungary'
'Best Private Bank in CEE'
(World Ranking: 177)

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 2018'
'The Most Innovative Bank of Year in 2018'
'The Accessible Banking Innovation of the Year in 2018'
'The Credit Account of the Year' – 2nd place in 2018
'The Saving Account of the Year' – 2nd place in 2018
'The Current Account of the Year ' – 2nd place in 2018
'The Retail Mobile and Online Banking Application ' – 2nd place in 2018

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

‚Best Consumer Digital Bank Hungary in 2018'

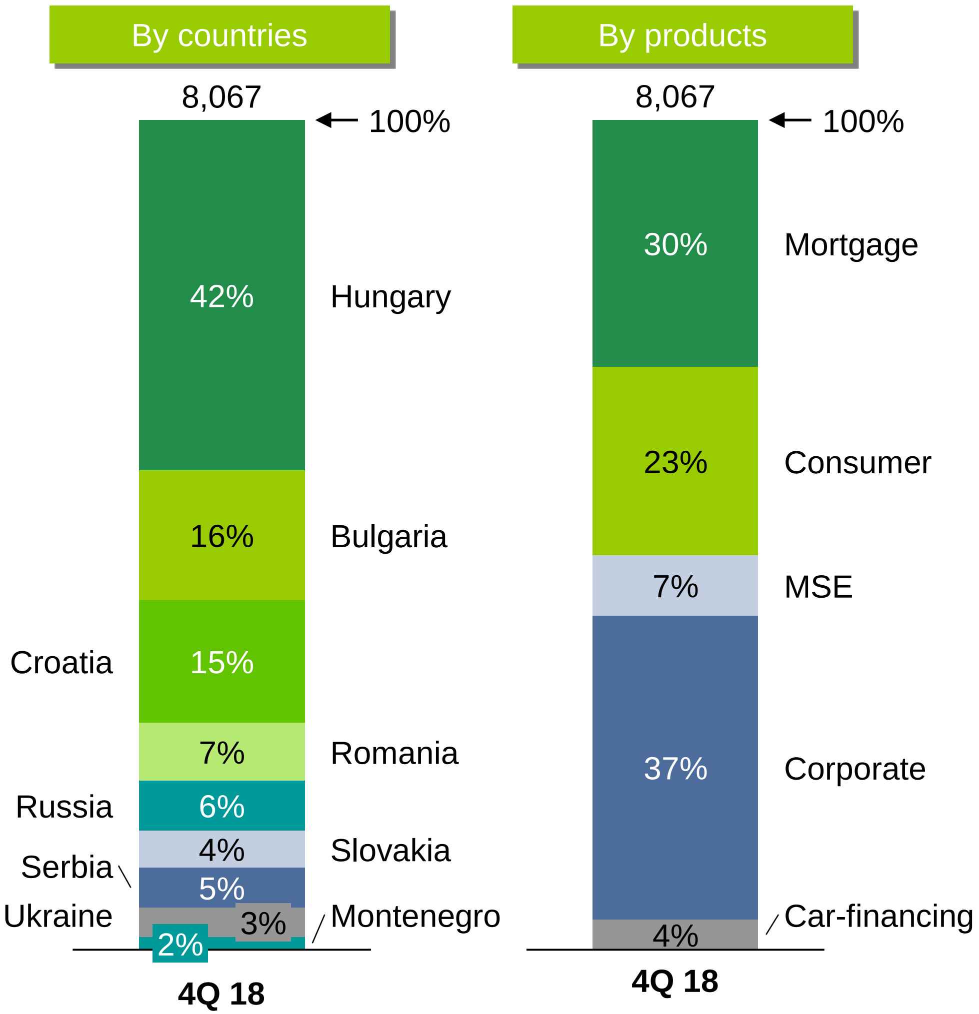
'Best FX providers in Hungary in 2017, 2018, 2019'

'Best Private Bank in Hungary in 2018'

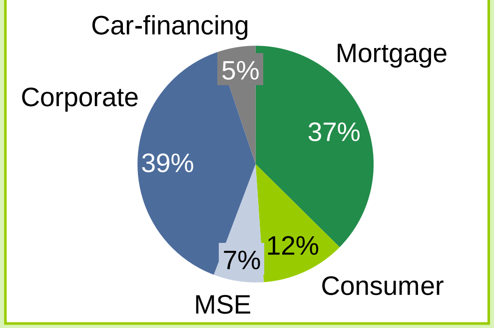
[1] On 27 February 2019.
[2] Foreign individuals, International Development Institutions, government held owner and non-identified shareholders.
[3] Based on the last 6M data (end date: 27 February 2019) on the primary stock exchange.

1. The net loan book is dominated by Hungary and tilted to retail lending; around 85% of the total book is invested in EU countries with stable earning generation capabilities

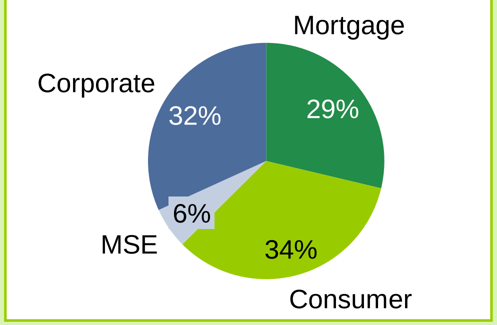
Breakdown of the consolidated net loan book
(in HUF billion)



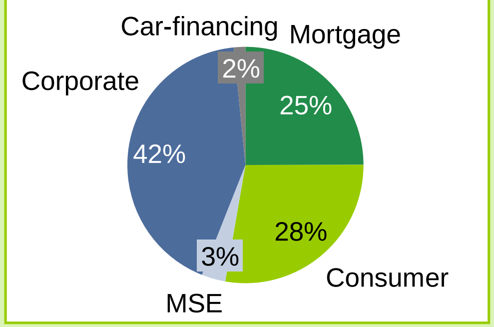
OTP Core[1] (Hungary)



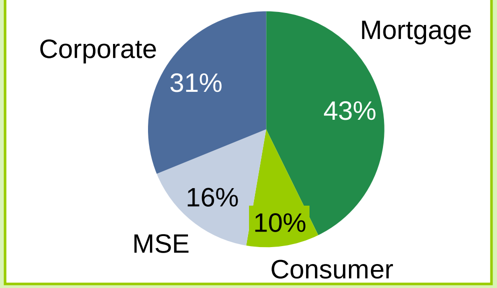
DSK Bank (Bulgaria)



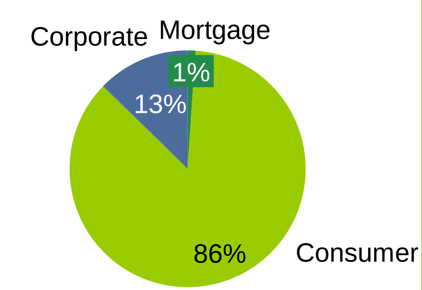
OTP Bank Croatia



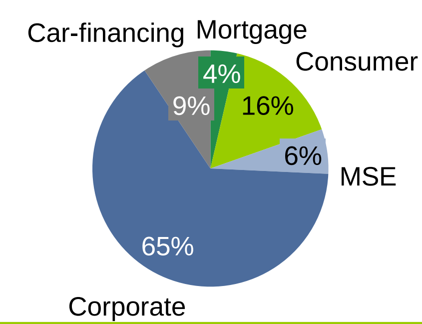
OTP Bank Romania



OTP Bank Russia



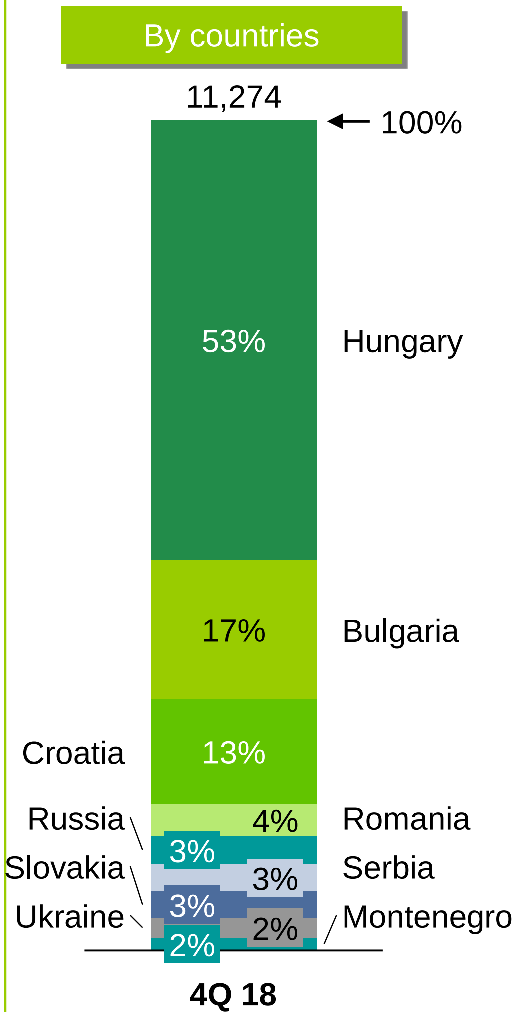
OTP Bank Ukraine

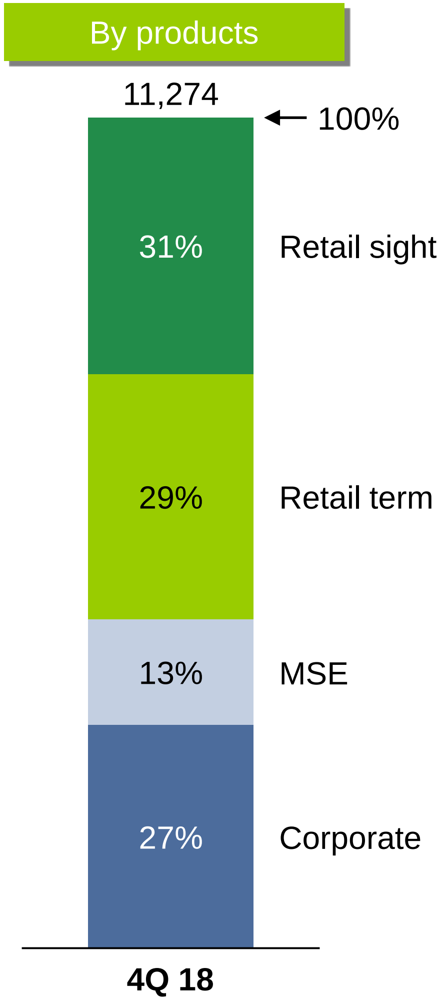


[1] Including Merkantil Bank (Hungary).

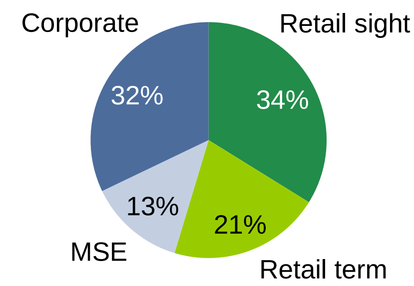
1. **In the deposit book Hungary and the retail segment is dominant. In Hungary and Bulgaria OTP and DSK are the largest retail deposit holders**

Breakdown of the consolidated deposit base
(in HUF billion)

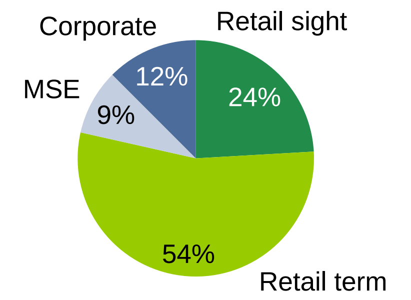




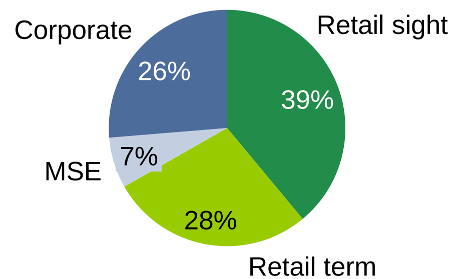
OTP Core (Hungary)



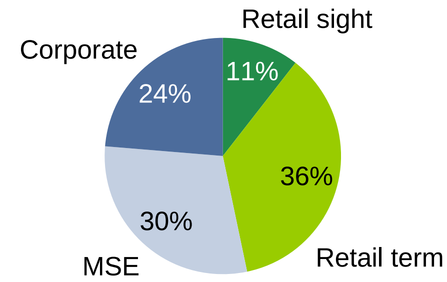
DSK Bank (Bulgaria)



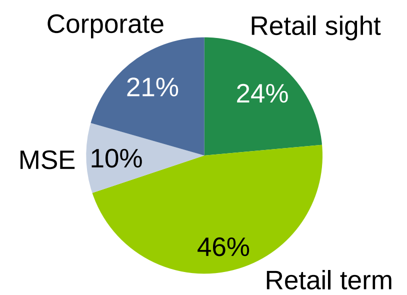
OTP Bank Croatia



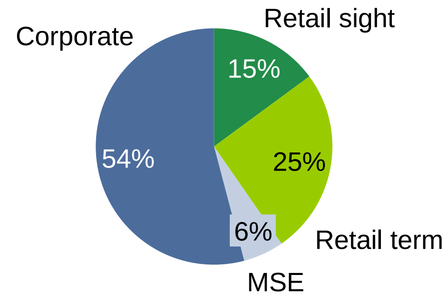
OTP Bank Romania



OTP Bank Russia



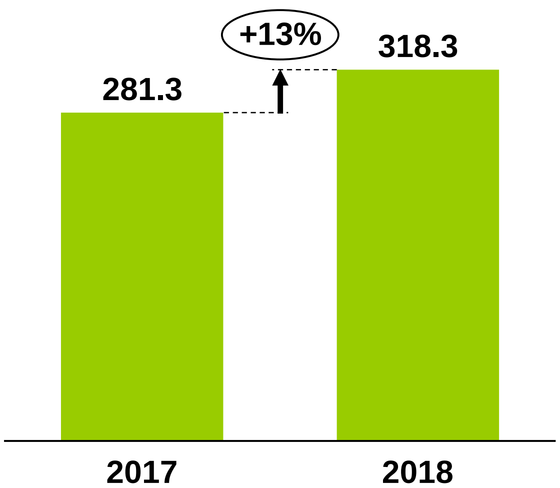
OTP Bank Ukraine



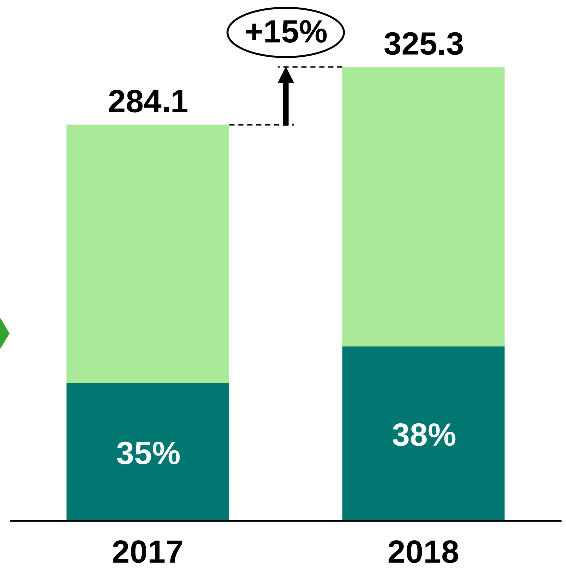
2. The accounting profit grew by 13% in 2018, while the adjusted profit increased by 15%. The annual profit contribution of foreign subsidiaries improved to 38%

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

Accounting profit after tax



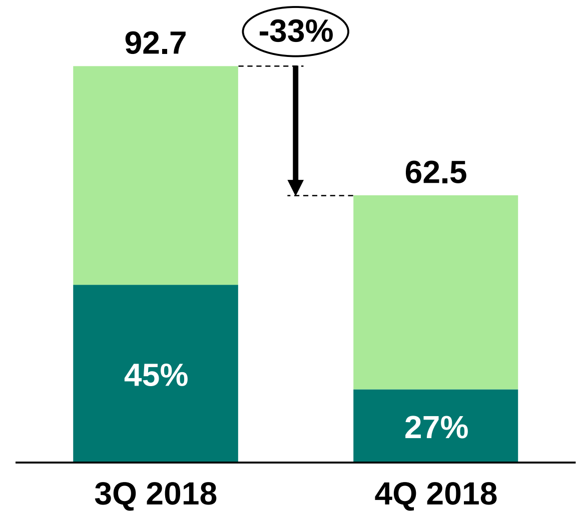
Adjusted profit after tax



Adjustments (after tax)	2017	2018
Banking tax	-15.2	-15.3
Goodwill impairment	-6.1	-4.7
Gain on MIRS deals	0.0	18.8
Others	18.6	-5.8[1]
Total	-2.7	-7.0

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

Adjusted profit after tax

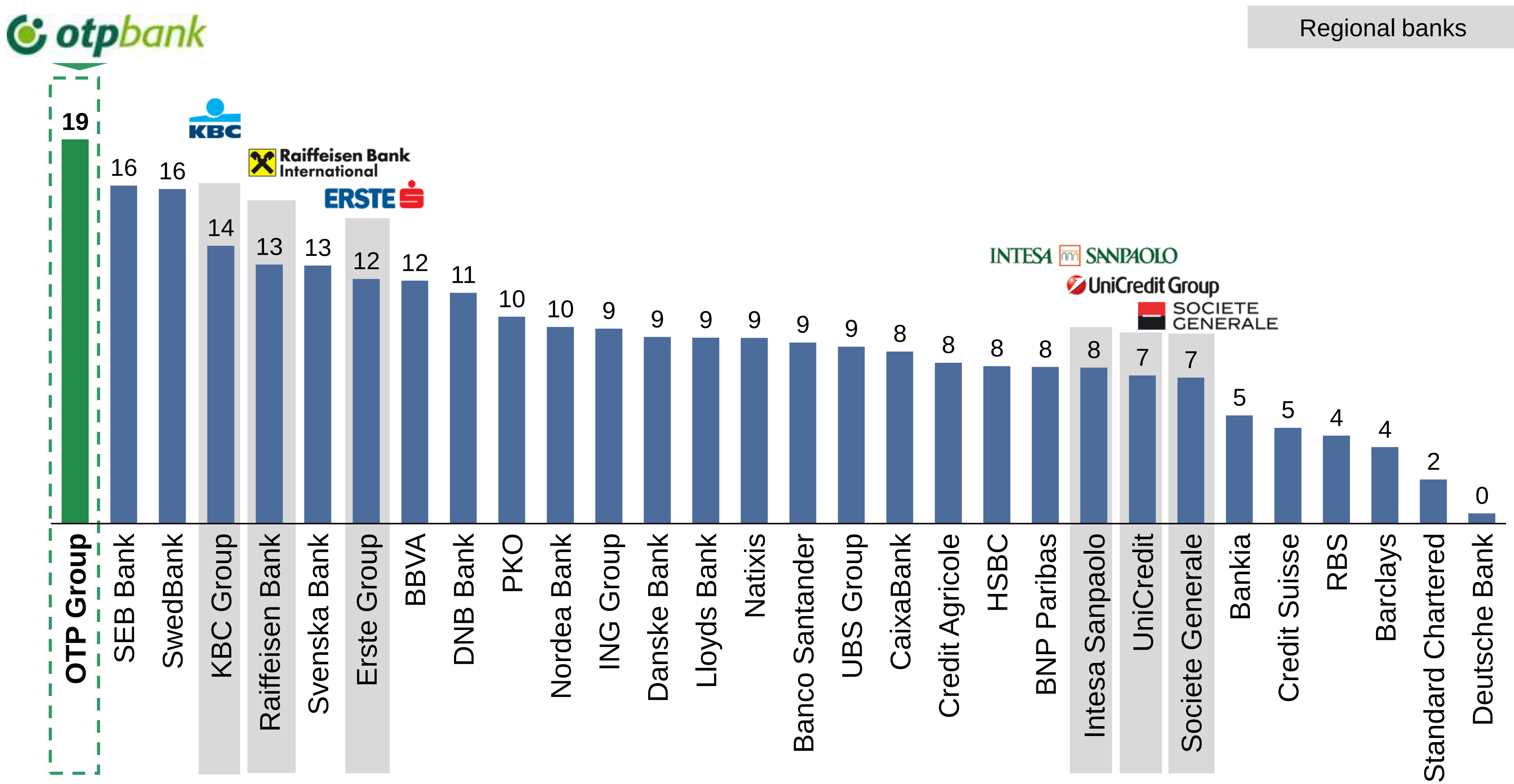


Hungarian subsidiaries
Foreign subsidiaries

[1] Of which -HUF 6.8 billion effect of acquisitions; +0.5 dividends and net cash transfer; +0.6 impact of fines imposed by the Hungarian Competition Authority.

The profitability of OTP Group is the highest among European banking groups

Return on Equity (ROE) of European banking groups[1], 2018 (%)



[1] Those members of Bloomberg BEUBANK Index are displayed which are headquartered within the EU.
Source: SNL bank database, company reports, OTP.

2. The accounting ROE has been growing steadily since 2015 on the back of moderating provision charges and vanishing negative adjustment items

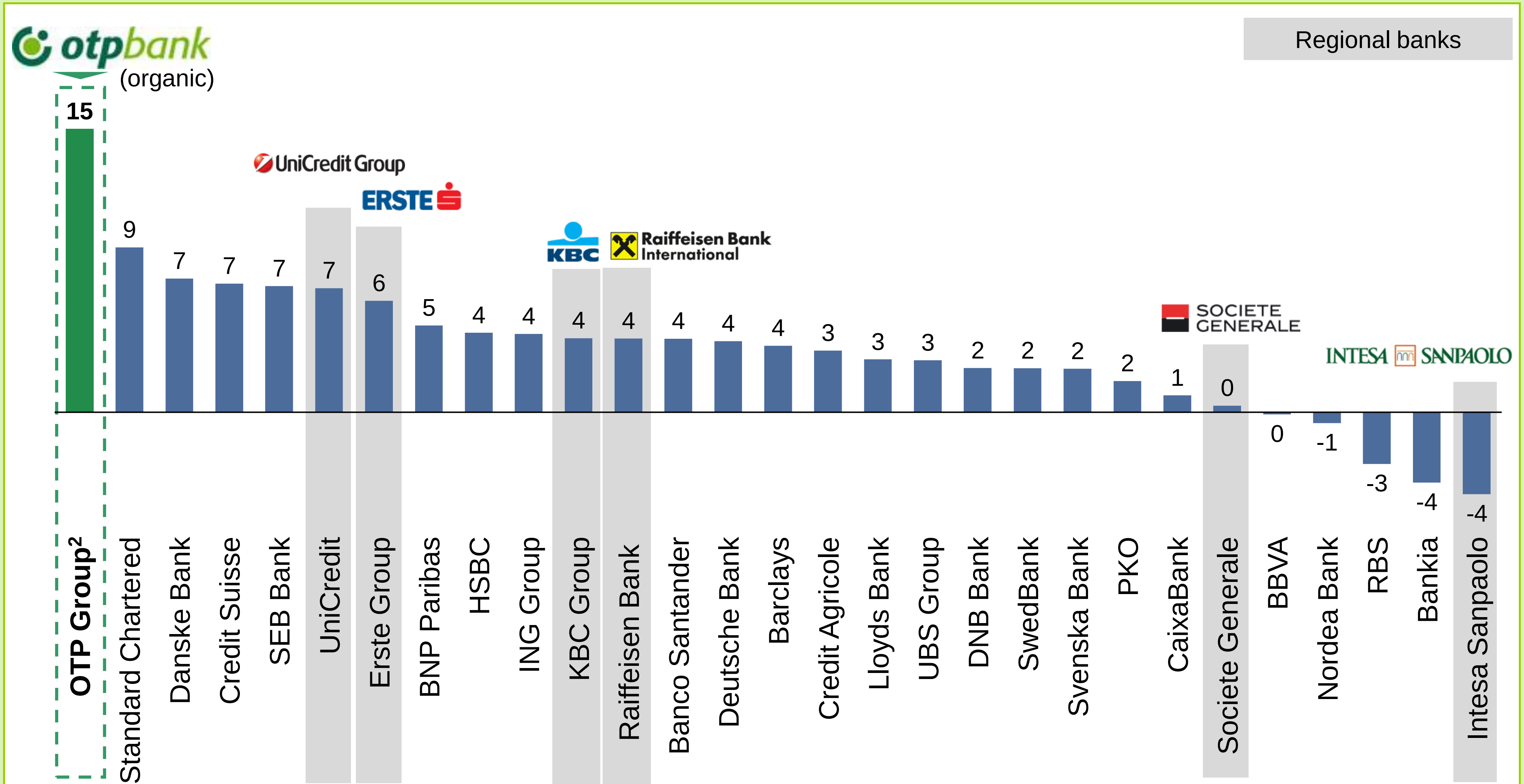
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Accounting ROE	9.4%	6.1%	8.4%	4.2%	-7.4%	5.1%	15.4%	18.5%	18.7%
Accounting ROE on 12.5% CET1 ratio[1]						5.4%	17.6%	22.4%	23.2%
Adjusted ROE[2]	13.0%	11.8%	10.2%	9.6%	8.5%	9.6%	15.4%	18.7%	19.1%
Total Revenue Margin[3]	8.03%	8.12%	8.31%	8.44%	7.74%	7.03%	6.79%	6.71%	6.33%
Net Interest Margin[3]	6.16%	6.31%	6.40%	6.37%	5.96%	5.17%	4.82%	4.56%	4.30%
...									
Operating Costs / Average Assets	3.62%	3.76%	3.89%	4.07%	3.85%	3.66%	3.70%	3.68%	3.57%
Risk Cost Rate[4]	3.69%	2.95%	3.11%	3.51%	3.68%	3.18%	1.14%	0.43%	0.23%
Leverage (average equity / avg. assets)	12.8%	13.6%	14.4%	14.8%	13.0%	11.5%	12.9%	12.7%	12.2%

[1] The indicated / approved dividend and the CET1 capital surplus (as calculated from the difference between the 12.5% CET1 and the actual CET1 ratio including the interim result less approved dividend) is deducted from the equity base.
[2] Calculated from the Group's adjusted after tax result. [3] Excluding one-off revenue items.
[4] Provision for impairment on loan and placement losses-to-average gross loans ratio.

otpbank

3. The 15% y-o-y net loan growth of OTP Group stands out from European banking groups, thanks to the increasing loan demand amid supportive economic environment

Net loan growth of European banking groups[1] in 2018 (y-o-y, %)

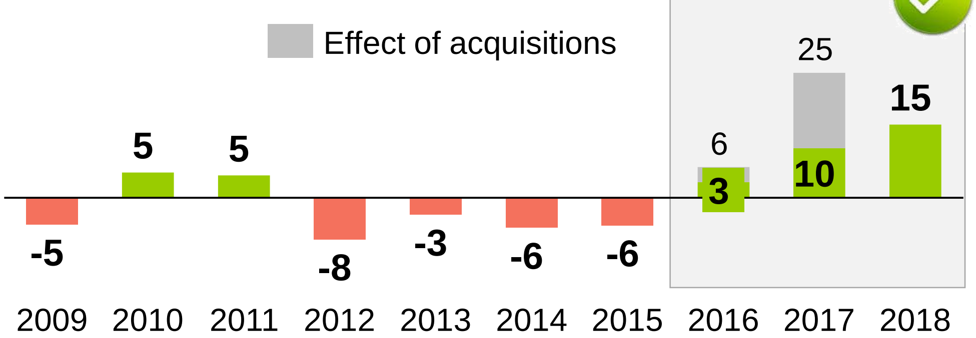


[1] Those members of Bloomberg BEUBANK Index are displayed which are headquartered within the EU. Natixis is not displayed on the chart because of outlier data (-49% y-o-y).
[2] OTP: change in HUF terms. Other banks data are based on EUR figures.
Source: SNL bank database, company reports, OTP.

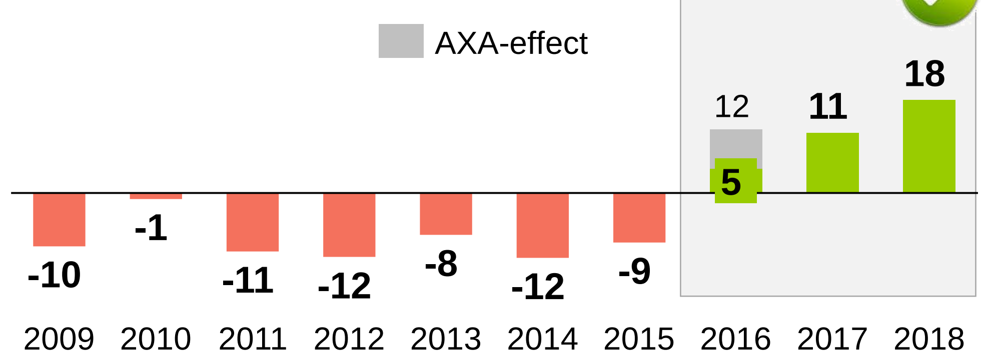
3. Following the contraction in the previous years, the last 3 years brought a spectacular turnaround in loan volumes, while deposits have been growing steadily reflecting our clients' trust in the Bank

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

Consolidated

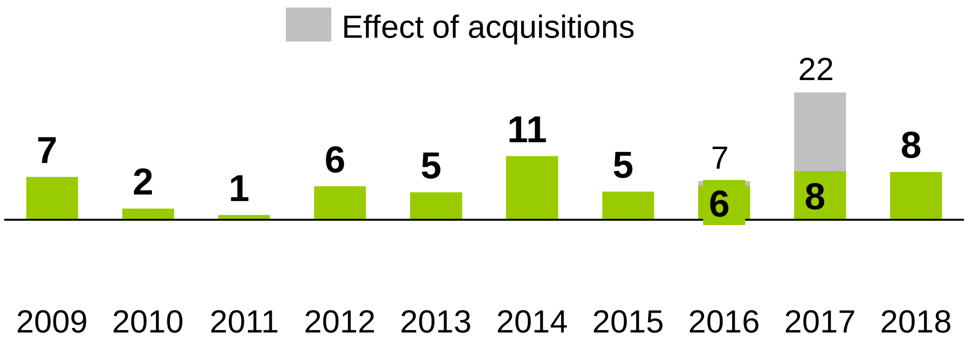


OTP Core

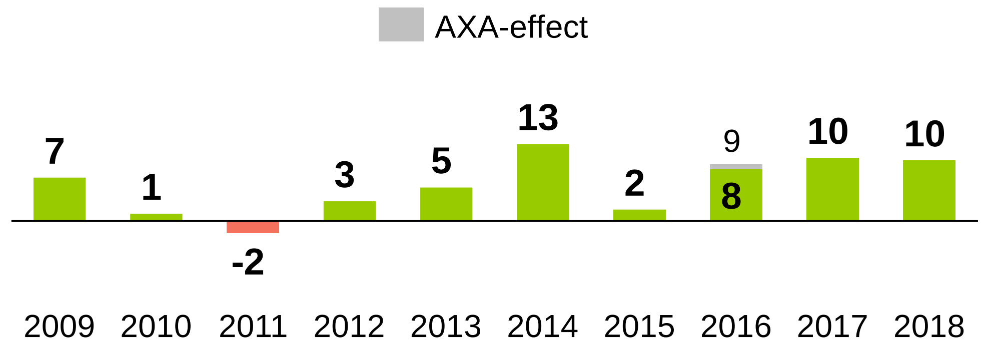


Y-o-Y deposit volume changes (adjusted for FX-effect, %)

Consolidated



OTP Core



[1] Consolidated: net loan volume between 2009-2013; OTP Core: estimation for 2009.

3.

Consolidated performing loans surged by 15% y-o-y organically. Hungarian growth was even higher at 18% with steady consumer and corporate portfolio expansion and housing loan growth above 10%

Y-o-Y performing (DPD0-90) loan volume changes in 4Q 2018, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu[2] (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Nominal change (HUF billion)	**1,055**	**462**	**123**	**123**	**25**	**69**	**67**	**90**	**30**	**4**
Total	15%	18%	11%	30%	2%	30%	14%	31%	31%	1%
Consumer	14%	19%	7%	31%	1%	87%	1%	22%	0%	-1%
Mortgage	6%	6%	14%		1%		9%	16%	10%	3%
Corporate[1]	21%	29%	12%	36%	4%	26%	22%	42%	63%	-1%

Core (Hungary) mortgage breakdown:

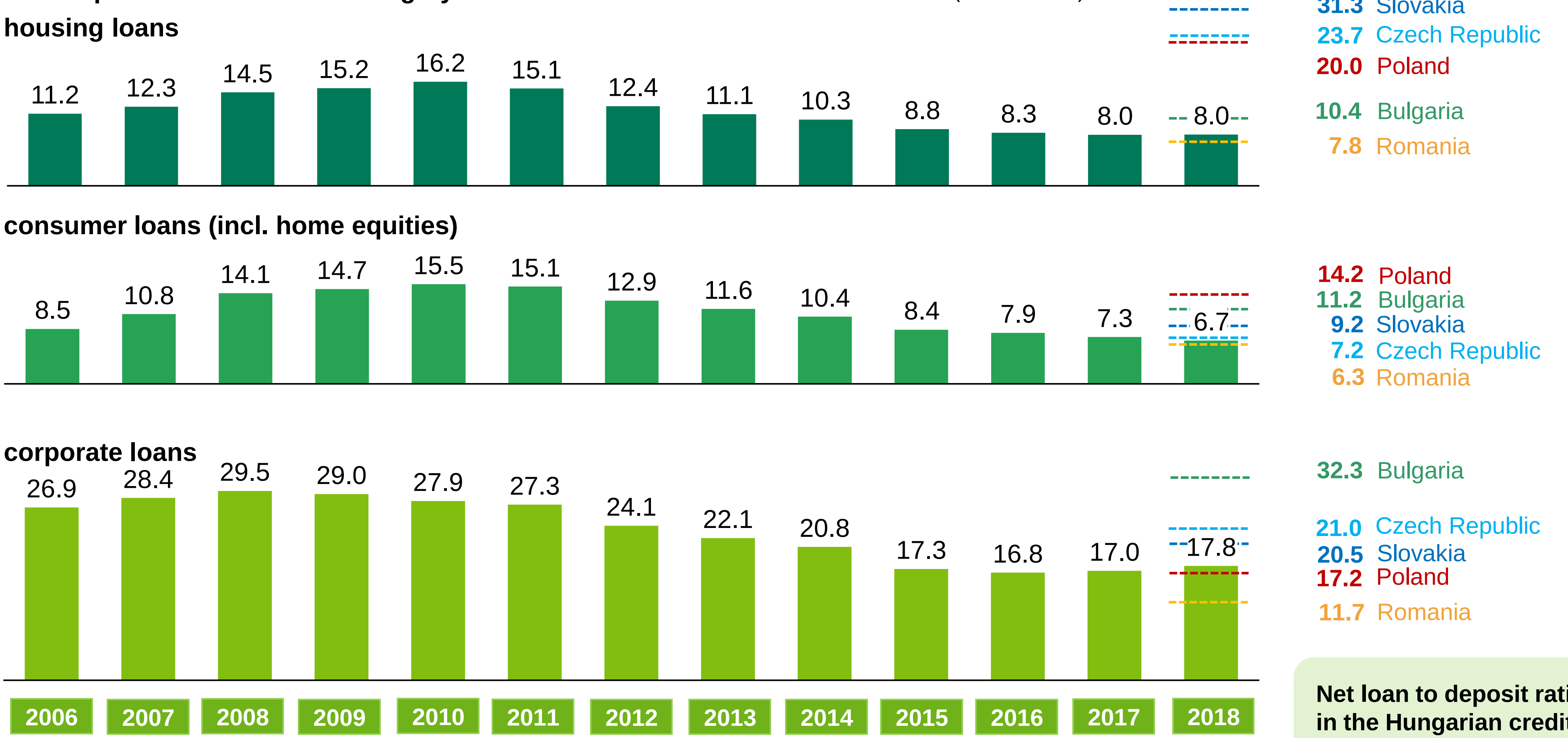
Housing loan	**Home equity**
11%	-9%

[1] Loans to MSE and MLE clients and local governments.
[2] The y-o-y changes are affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

otpbank

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

Market penetration levels in Hungary in ... (in % of GDP)



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

168% (1Q 09) → 93% (3Q 18)

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

The consolidated deposit base increased by 8% y-o-y driven by steady inflows in the Hungarian retail segment and strong Bulgarian, Russian, Ukrainian, Romanian, Serbian and Montenegrin performances

Y-o-Y deposit volume changes in 4Q 2018, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu[2] (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Nominal change (HUF billion)	**852**	**538**	**201**	**54**	**-30**	**13**	**84**	**10**	**17**	**3**
Total	8%	10%	12%	17%	-2%	5%	24%	3%	11%	1%
Retail	10%	15%	10%	19%	0%	14%	18%	2%	6%	-4%
Corporate[1]	6%	5%	20%	12%	-5%	0%	29%	3%	20%	9%
Deposit – net loan gap (HUF billion)	**3,207**	**2,867**	**659**	**-104**	**317**	**-12**	**-107**	**-7**	**47**	**-1**

[1] Including MSE, MLE and municipality deposits.
[2] The changes are affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

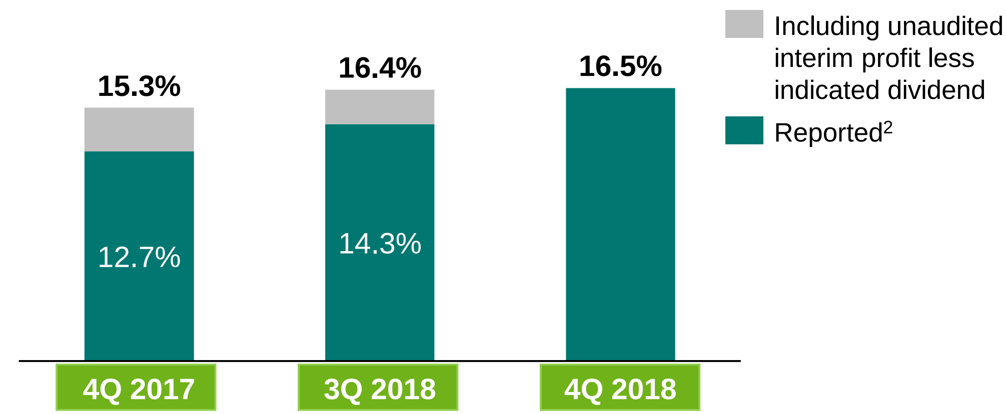
Acquisitions in the past 2 years were concluded at an average of 1 Price to Book value multiple. Transactions have improved our market positions materially paving the way for better economies of scale

Target (seller, date of announcement) (date of closing)	**Net loan volumes** (HUF billion)		**Market share in total assets** (%) before/after acquisition		**Book value** (in EUR million)	
Splitska banka (SocGen, 4Q 2016) (2Q 2017)	(Nov 18)	631	4.0	11.3	(4Q 16)	**496**
Vojvodjanska banka (NBG, 3Q 2017) (4Q 2017)	(4Q 18)	258	1.5	5.7	(3Q 17)	**174**
SocGen Expressbank (SocGen, 3Q 2018) (1Q 2019)	(4Q 18)	780	12.7	19.4	(4Q 18)	**421**
SocGen Albania (SocGen, 3Q 2018) (1Q 2019)	(4Q 18)	124		5.7	(4Q 18)	**58**
SocGen Serbia *(SocGen, 4Q 2018)* *(in progress)*	(4Q 18)	653	5.8	14.2	(4Q 18)	**383**
SocGen Moldova *(SocGen, 1Q 2019)* *(in progress)*	(3Q 18)	83		13.3	(3Q 18)	**81**
SocGen Montenegro *(SocGen, 1Q 2019)* *(in progress)*	(3Q 18)	118	15.8	27.3	(3Q 18)	**67**
Acquisitions total:		**2,647**				**1,680**

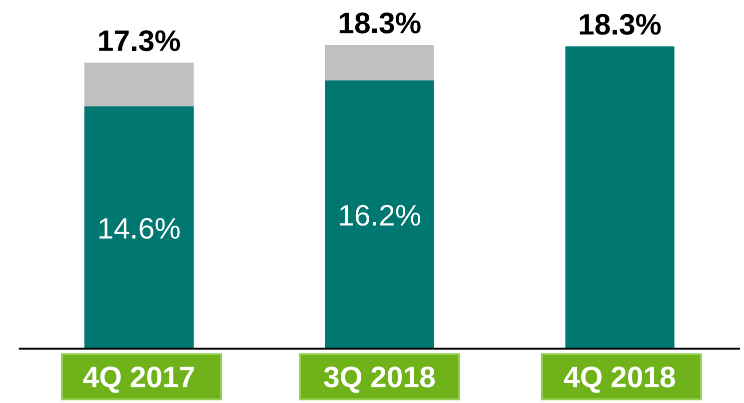
Note: OTP Bank has disclosed the purchase price of Splitska banka (EUR 425 million) and Vojvodjanska banka (EUR 125 million).

4. Strong capital and liquidity position coupled with robust internal capital generation. The Bank is exploring the opportunity to issue a euro denominated benchmark tier 2 item[1]

Development of the fully loaded CET1 ratio of OTP Group



Development of the CAR ratio of OTP Group



In the 2018 stress test conducted by the European Banking Authority (EBA), OTP closed with strong results.

Under the adverse scenario out of 48 participants OTP reached 9th place in CET1 ratio drawdown ranking.

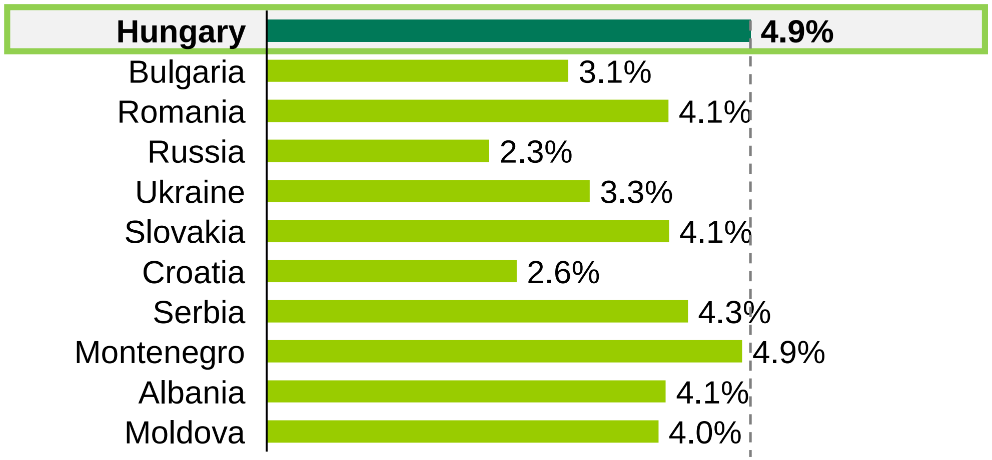
Amongst regional banks active in the CEE region, this was the third best result.

CET1 ratio	4Q 2017 (restated[3])	Adverse 4Q 2020	Delta	Delta Ranking
Intesa Sanpaolo	11.8%	9.7%	-2.2%p	6
KBC	16.0%	13.6%	-2.4%p	7
otpbank	**14.9%**	**12.4%**	**-2.5%p**	**9**
Raiffeisen Bank International	12.5%	9.7%	-2.7%p	14
UniCredit Group	12.7%	9.3%	-3.3%p	18
Erste	13.0%	8.5%	-4.6%p	30

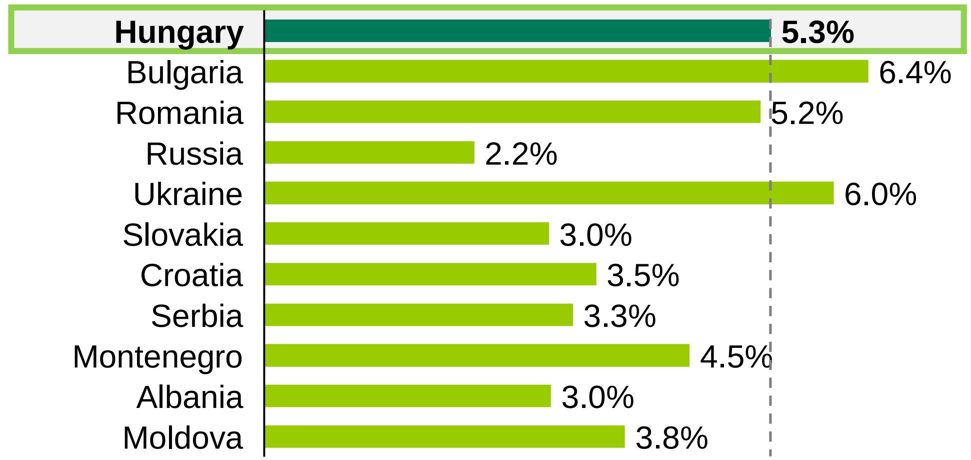
[1] This is not an offer for the sale of securities.
[2] In 4Q 2018 the capital adequacy ratios include the 2018 net earnings less the proposed annual dividend amount.
[3] Including the impact of the introduction of IFRS 9.

5. In 2018 the Hungarian economic growth was the fastest within the Group supported by strong household consumption and outstanding gross fixed capital formation

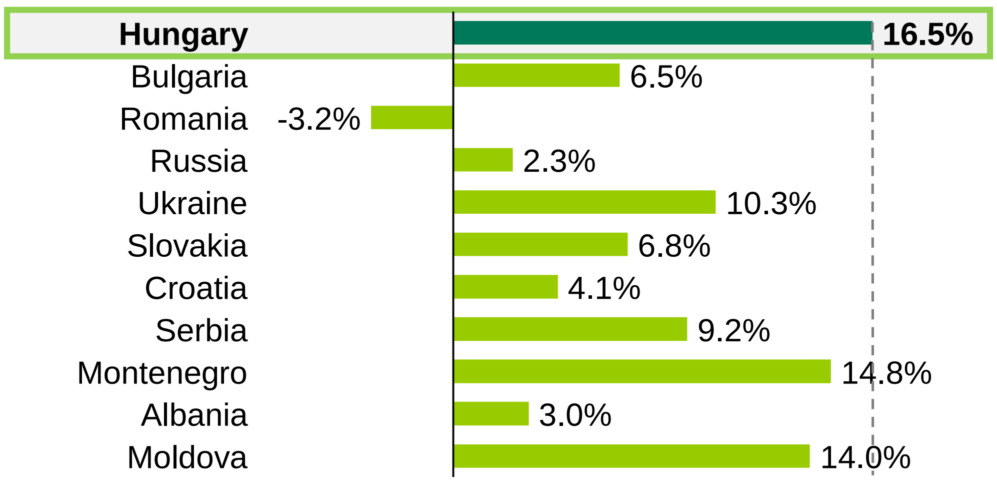
Real GDP growth, 2018[1] (y-o-y)



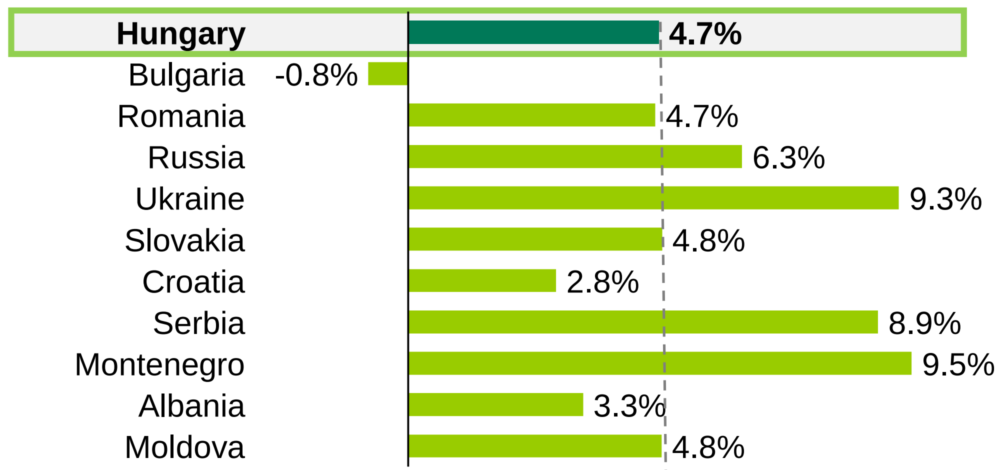
Household consumption growth[1] (y-o-y)



Gross fixed capital formation[1] (y-o-y)

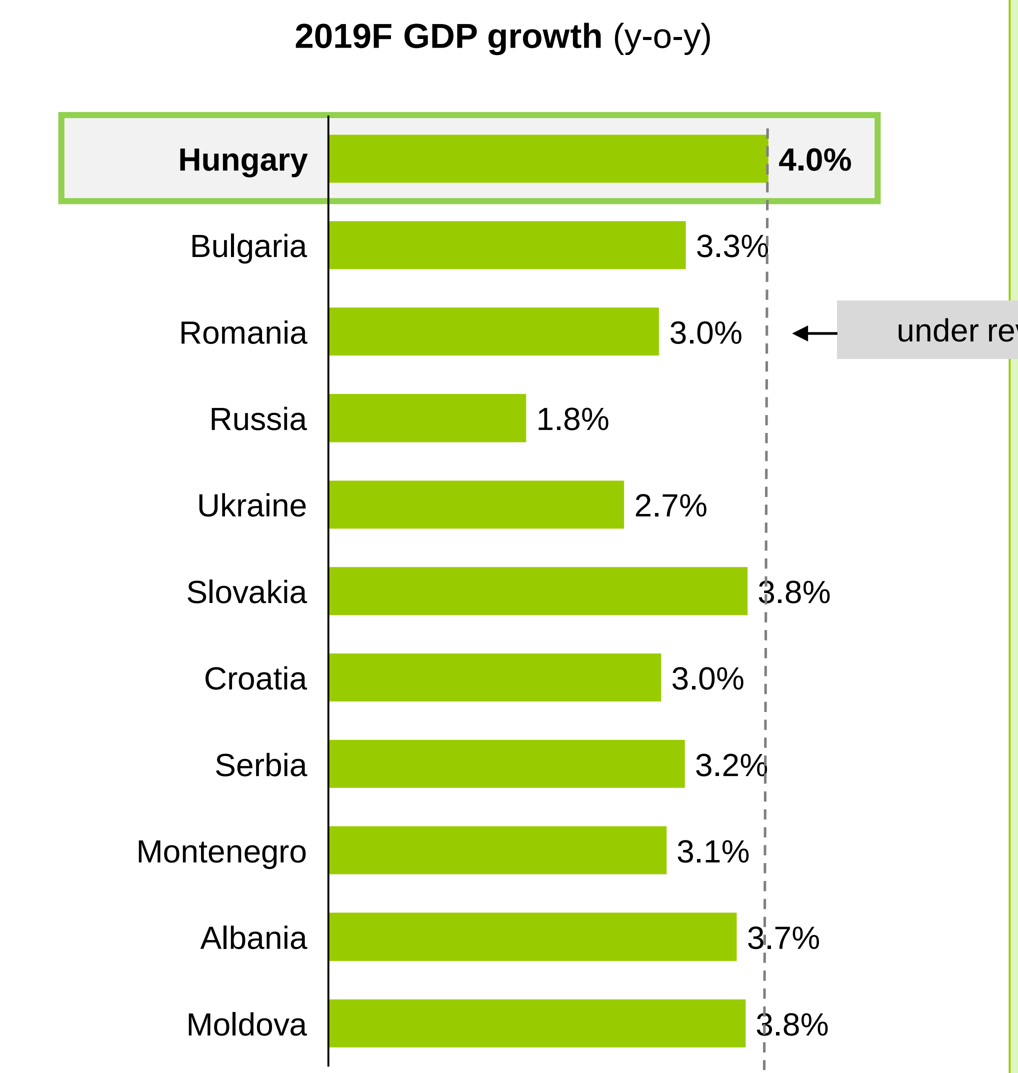


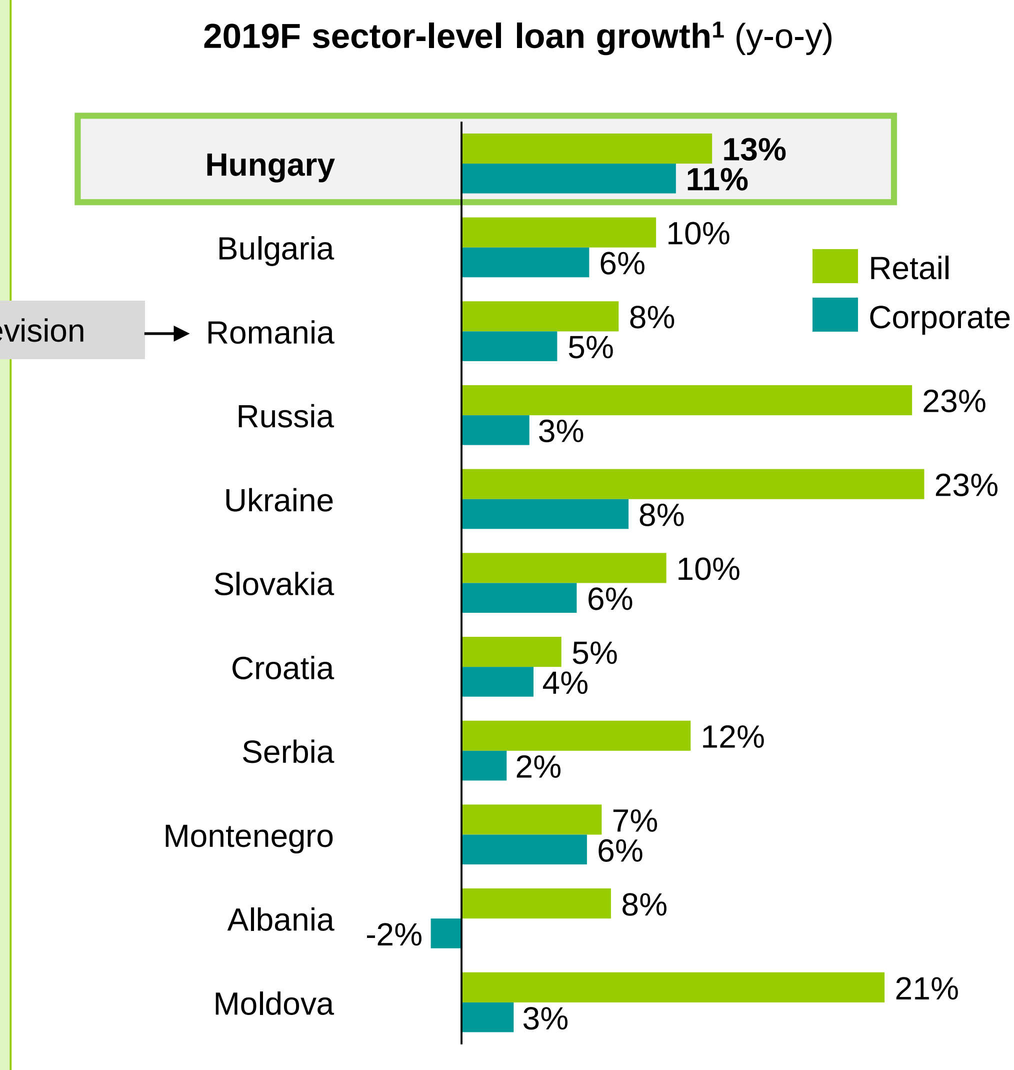
Export growth[1] (y-o-y)



[1] In case of Albania the average of 1Q-4Q 2018 was displayed.

5. In 2019 the GDP is expected to continue to grow dynamically in Hungary and in other Group members' countries, inducing healthy growth in loan volumes





[1] 2019 net loan flow / end of previous year volume.

OTP Group: management expectations for 2019 – 1.

The ROE target of above 15% (assuming 12.5% Common Equity Tier 1 ratio) announced at the 2015 Annual General Meeting remains in place.

Apart from the negative impact of the Hungarian and Slovakian banking tax (HUF 16 billion after tax) the potential introduction of the Romanian banking tax with a currently unclear earnings effect and further acquisitions may result in material adjustment items.

The FX-adjusted growth of performing loans (Stage 1 plus Stage 2 under IFRS 9) – without the effect of further acquisitions – may be around 10% in 2019.

The net interest margin started to flatten out in 2018, and it may not fall below the 2Q 2018 level (4.25%) in 2019. The forecast does not incorporate the effect of the already completed Bulgarian and Albanian acquisitions, and the ongoing Serbian, Moldovan and Montenegrin ones, or any further potential acquisitions.

Assuming no material change in the external environment, favourable credit quality trends – similar to 2018 – are expected to remain in 2019. The Stage 3 and DP90+ ratios may decline further and the risk cost rate (provision for impairment on loan and placement losses to average gross loans ratio) may be around the 2018 level.

The FX-adjusted operating expenses without acquisition effect are expected to increase by 4% y-o-y, mainly as a result of wage inflation, ongoing digital and IT transformation and strong organic growth, but these factors will be partially off-set by the cost synergy benefits realized in Croatia.

The proposed dividend to be paid after the 2018 financial year will be the same as in the previous year, HUF 61.32 billion. The dividend proposal after the 2019 financial year will be formulated in 1Q 2020

OTP Group: management expectations for 2019 – 2.

Beyond the capital required for organic growth the management intends to allocate significant part of the generated excess capital for further value-creating acquisitions:

- **The proposed dividend amount to be paid from 2018 earnings will be the same as the dividend amount after the 2017 financial year, i.e. HUF 61.32 billion.**
- **The dividend proposal after the 2019 financial year will be decided by the management in 1Q 2020 (similar to the practice concerning the 2018 dividend policy), taking into account the actual organic growth and M&A developments.**

  The acquisition of Expressbank in Bulgaria was completed in January 2019, the Albanian one at the end of March; the Moldovan and the new Serbian and Montenegrin acquisitions are still in progress. According to 2018 year-end or the latest available data, the aggregated shareholders' equity of these entities comprised around EUR 1 billion equivalent. Furthermore, the management continues to assess further value-creating acquisition opportunities.
- **As for the indicated / deducted dividend amount presented among the financial data in the quarterly Stock Exchange Reports in 2019, the basis for the calculation will be the dividend proposal after the 2018 financial year (HUF 61.32 billion). However, the final dividend proposal can differ from this amount.**

Content

In 4Q 2018 there were two significant adjustment items: the one-off gain booked in relation to monetary policy interest rate swaps, and the effect of acquisitions covering mainly the acquisition-related integration costs

(in HUF billion)	2017	2018	Y-o-Y	4Q 17	3Q 18	4Q 18	Q-o-Q	Y-o-Y
Consolidated after tax profit (accounting)	**281.3**	**318.3**	**13%**	**68.5**	**85.9**	**77.8**	**-9%**	**14%**
Adjustments (total)	**-2.7**	**-7.0**	**157%**	**8.9**	**-6.8**	**15.3**	**-327%**	**71%**
Dividends and net cash transfers (after tax)	0.7	0.5	-33%	0.0	0.0	0.1		
Goodwill/investment impairment charges (after tax)	-6.1	-4.7	-22%	-5.6	-5.7	0.5 (1)		
Special tax on financial institutions (after corporate income tax)	-15.2	-15.3	0%	-0.2	-0.2	-0.2	3%	11%
Impact of fines imposed by the Hungarian Competition Authority (after tax)	0.2	0.6	220%	0.0	0.6	0.0		
Effect of acquisitions (after tax)	17.7	-6.8		14.7	-1.4	-4.0 (2)	178%	-127%
Initial NPV gain on MIRS deals (after tax)	0.0	18.8		0.0	0.0	18.8 (3)		
Consolidated adjusted after tax profit	**284.1**	**325.3**	**15%**	**59.5**	**92.7**	**62.5**	**-33%**	**5%**

1 Tax shield related to the recognition or reversal of impairment charges booked in relation to investments in certain subsidiaries.

2 The acquisition effect was related mainly to the integration costs at Splitska banka and Vojvodjanska banka, and expert fees occurred in the HQ.

3 According to the decision by the Monetary Council (MC) of the National Bank of Hungary on 21 November 2017, an unconditional interest rate swap (IRS) facility was introduced with 5 and 10 years maturity. Counterparty banks could access the IRS facility on regular tenders from the beginning of January 2018. In line with the fine-tuning of the unconventional policy instruments affecting long-term yields, on 18 September 2018 MC made a decision to phase out the monetary policy IRS facilities by the end of 2018. The Council set the annual maximum stock of monetary policy IRS for 2018 at HUF 1,100 billion. Until November 2018 – in coordination with the auditor – the initial positive net present value (NPV) gained on MIRS deals was accrued for the whole maturity of MIRS transactions within the net interest income. In December 2018 NBH published guidelines, according to which those swap facilities were unconditional, therefore in NBH's opinion there was no such binding criteria within the conditions that would require the accrual of NPVs. Taking into consideration the NBH's guidelines, OTP Bank – with the consent of the auditor – decided to book the total initial positive NPVs in one lump sum within its P&L. As a result, in the adjusted P&L structure the total HUF 20.7 billion (before tax) gain realized in 2018 as a whole was presented in 4Q 2018 within adjustment items on the Initial NPV gain on the monetary policy interest rate swap (MIRS) deals line.

otpbank

The annual operating profit without acquisitions improved by 3%

(in HUF billion)	2017	2018	Y-o-Y	2018 without M&A[1]	Y-o-Y without M&A[1]	4Q 17	3Q 18	4Q 18	Q-o-Q	Y-o-Y
Consolidated adjusted after tax profit	**284.1**	**325.3**	**15%**	**307.9**	**13%**	**59.5**	**92.7**	**62.5**	**-33%**	**5%**
Corporate tax	-37.3	-37.4	0%	-33.9	-3%	-6.5	-11.3	-4.7	-58%	-28%
Profit before tax	321.4	362.7	13%	341.8	11%	66.1	104.0	67.2	-35%	2%
Total one-off items	3.9	4.0	1%	4.0	1%	0.1	0.6	-0.1		
Result of the Treasury share swap agreement	3.9	4.0	1%	4.0	1%	0.1	0.6	-0.1		
Profit before tax (adjusted, without one-offs)	**317.5**	**358.7**	**13%**	**337.8**	**11%**	**66.0**	**103.4**	**67.3**	**-35%**	**2%**
Operating profit without one-offs	363.2	384.9	6%	358.8	3%	85.1	105.9	87.6	-17%	3%
Total income without one-offs	804.9	881.7	10%	813.6	6%	208.9	227.7	227.8	0%	9%
Net interest income	546.7	599.8	10%	554.5	6%	140.5	153.9	156.4	2%	11%
Net fees and commissions	209.4	220.7	5%	205.2	2%	58.1	57.8	56.6	-2%	-3%
Other net non interest income without one-offs	48.9	61.2	25%	53.9	20%	10.3	16.0	14.7	-8%	44%
Operating costs	-441.8	-496.8	12%	-454.8	7%	-123.8	-121.8	-140.2	15%	13%
Total risk cost	-45.7	-26.2	-43%	-21.0	-52%	-19.1	-2.5	-20.3		6%

[1] 2018 numbers and y-o-y changes without acquisitions do not include the contribution from the Croatian Splitska banka (estimated) and the Serbian Vojvodjanska banka and their Leasing companies.

otpbank

In 2018 primarily the Hungarian, Croatian, Ukrainian and Serbian profit contribution improved remarkably

Adjusted profit after tax (in HUF billion)

	2017	2018	Y-o-Y
OTP Group	284.1	325.3	15%
OTP Core (Hungary)	168.6	180.4	7%
DSK (Bulgaria)	47.1	47.3	0%
OBRu[1] (Russia)	20.4	16.4	-19% / -13%[2]
OBH (Croatia)	17.1	25.0	46% / 61%[3]
OBU (Ukraine)	14.1	24.4	73%
OBR (Romania)	3.0	3.9	27%
OBSrb (Serbia)	-2.9	3.0	
CKB (Montenegro)	-0.2	2.2	
OBS (Slovakia)	-2.1	0.0	
Leasing (HUN, RO, BG, CR)	9.8	9.8	0%
OTP Fund Mgmt. (Hungary)	8.3	4.1	-50%
Corporate Centre, others	0.8	8.7	

[1] The performance of Touch Bank is presented as part of OBRu (OTP Bank Russia) in both periods.
[2] Change in local currency.
[3] Change without acquisition (December 2018 figure estimated).

otpbank

Total income grew by 10% y-o-y in 2018 driven partly by the acquisitions; without those the yearly dynamics would have been 6%. On a quarterly basis total income remained stable

Effect of acquisitions

TOTAL INCOME without one-off items	2018 (HUF billion)	4Q 2018 (HUF billion)	2018 Y-o-Y (HUF billion)	2018 Y-o-Y (%)	4Q 2018 Q-o-Q (HUF billion)	4Q 2018 Q-o-Q (%)
OTP Group	882	228	43 / 77	10%/6%[1]	0	0%
OTP CORE (Hungary)	379	94	13	4%	-3	-3%
DSK (Bulgaria)	108	28	0	0%	0	-1%
OBRu[3] (Russia)	130	34	5	4%/13%[2]	1	4%
OBH (Croatia)	78	19	0 / 15	23%/-1%[1]	-2	-8%
OBU (Ukraine)	47	14	13	36%/40%[2]	1	9%
OBR (Romania)	31	8	4	13%	0	1%
OBSr (Serbia)	30	8	2 / 20	201%/25%[1]	0	-1%
CKB (Montenegro)	11	3	1	11%	0	2%
OBS (Slovakia)	15	4	-2	-14%	0	3%
Others	53	15	10	23%	2	17%

1 At OTP Core the y-o-y growth was mainly driven by the stronger net interest income supported by dynamic organic loan growth and higher other net non-interest income; the q-o-q decrease was mainly due to negative technical items affecting net fee income.

2 At DSK the annual income stayed flat as a combination of declining net interest income and improving net fee revenues.

3 In Russia the annual total revenues grew by 13% y-o-y in RUB terms (2%-points income growth was related to the incorporation of Touch Bank), mainly due to stronger NII and net fees. The quarterly improvement was induced by improving NII on the back of strong new disbursements and growing volumes.

4 The q-o-q drop at OBH was partly attributable to seasonality of tourism-related revenues: within other income FX conversion results declined q-o-q.

5 In Ukraine the total income benefited from intense business activity and widening net interest margin.

[1] Changes without acquisitions (December 2018 figure estimated in the case of Croatia).
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank was included into OTP Bank Russia, but this doesn't change FY y-o-y dynamics significantly.

The full-year net interest income grew by 6% y-o-y even without acquisitions. On a quarterly basis mainly Russia and Ukraine drove the NII growth

Effect of acquisitions

NET INTEREST INCOME	2018 (HUF billion)	4Q 2018 (HUF billion)	2018 Y-o-Y (HUF billion)	2018 Y-o-Y (%)	4Q 2018 Q-o-Q (HUF billion)	4Q 2018 Q-o-Q (%)
OTP Group	600	156	30 53	10%/6%[1]	3	2%
OTP CORE (Hungary)	246	63	12	5%	0	0%
DSK (Bulgaria)	70	18	-2	-3%	0	1%
OBRu[3] (Russia)	102	27	1	1%/10%[2]	1	3%
OBH (Croatia)	54	13	0 10	22%/1%[1]	0	-1%
OBU (Ukraine)	33	10	10	43%/48%[2]	1	11%
OBR (Romania)	23	7	4	18%	0	3%
OBSr (Serbia)	21	5	1 13	184%/16%[1]	0	0%
CKB (Montenegro)	8	2	1	15%	0	1%
OBS (Slovakia)	11	3	-2	-17%	0	-2%
Merkantil (Hungary)	13	3	1	5%	0	1%
Corporate Centre	7	2	4	116%	0	-9%
Others	11	3	3	31%	1	41%

1. At OTP Core the 5% y-o-y growth was due to expanding loans, partially mitigated by margin erosion. The 4Q NII did not change q-o-q because further increasing loan volumes were overshadowed by eroding margins.

2. At DSK net interest income declined by 3% y-o-y due to the 48 bps margin erosion, reflecting mainly the ongoing repricing of assets. This was partially offset by the dynamic loan expansion.
   On quarterly basis the on-going volume growth could fully counterbalance the continued margin erosion.

3. The Russian NII in RUB terms went up both q-o-q and y-o-y as a joint effect of soaring volumes and contracting margins.

4. In Ukraine NII was supported by strong business activity and improving margins.

5. In Romania, Serbia and Montenegro the dynamic loan growth was the key driver behind improving NII. In Slovakia both declining loan volumes and margin attrition were a drag on interest income.

[1] Changes without acquisitions (December 2018 figure estimated in the case of Croatia).
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank was included into OTP Bank Russia, but this doesn't change FY y-o-y dynamics significantly.

On a quarterly basis the consolidated performing loans expanded by 3%, Hungary grew by 2%. In Russia and Ukraine the quarterly growth was propelled by seasonally strong demand for consumer loans

Q-o-Q performing (DPD0-90) loan volume changes in 4Q 2018, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Total	3%	2%	2%	10%	0%	4%	3%	10%	4%	-1%
Consumer	4%	3%	1%	10%	0%	18%	0%	4%	2%	-2%
Mortgage	2%	1%	4%	-8%	1%	-21%	4%	4%	5%	-1%
Corporate[1]	3%	3%	1%	7%	0%	3%	4%	15%	5%	-1%

Core (Hungary) Mortgage breakdown:

Housing loan	Home equity
2%	-2%

[1] Loans to MSE and MLE clients and local governments.

Consolidated deposits increased by 3% q-o-q supported by the steady retail and corporate deposit inflows

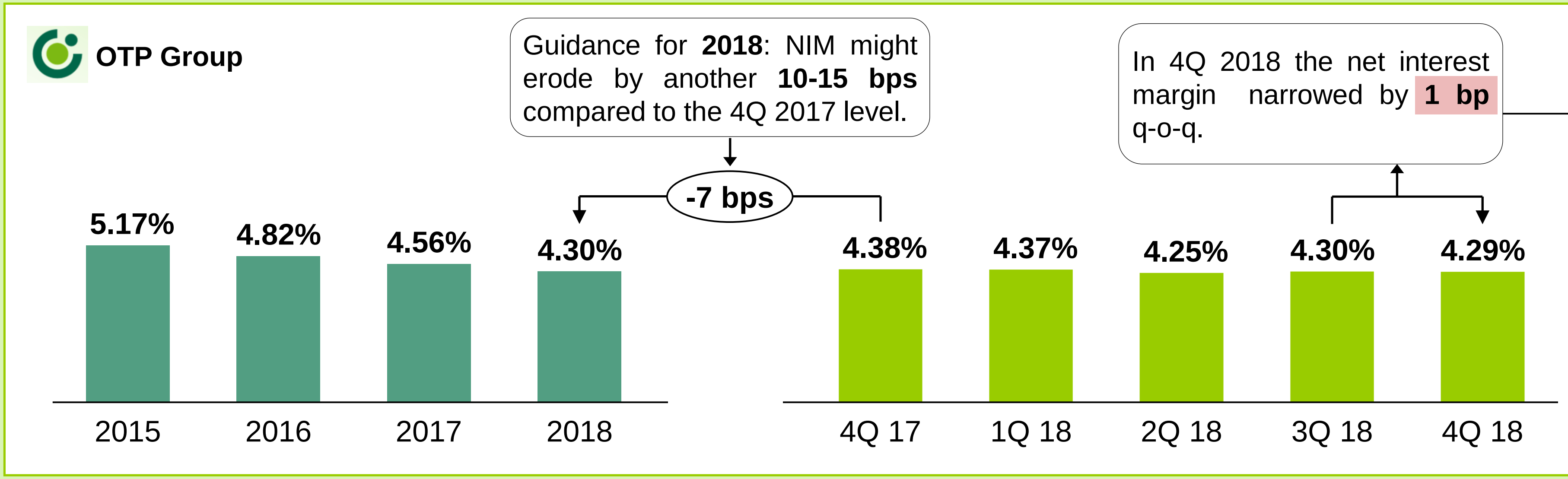
Q-o-Q deposit volume changes in 4Q 2018, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Total	3%	3%	6%	4%	-4%	6%	9%	2%	1%	0%
Retail	3%	5%	4%	3%	-2%	2%	5%	-1%	0%	-3%
Corporate[1]	2%	2%	14%	6%	-8%	8%	14%	7%	3%	3%

[1] Including MSE, MLE and municipality deposits.

The consolidated annual net interest margin contracted by 7 bps compared to the 4Q 2017 level, whereas on a quarterly basis it remained fairly resilient

Net interest margin (%)



Interest rate effect: **-5 bps**

Capturing asset and liability side interest rate changes as well as one-off items.

o/w:	**OTP Core**	**-4 bps**
	DSK Bank	**-2 bps**
	OTP Russia	**-1 bp**
	OTP Ukraine	**+2 bps**

FX rate changes: **-1 bp**

Depreciating RUB against HUF decreased the contribution of the Russian operation to the Group NII.

o/w: **OTP Russia** **-1 bp**

Composition effects: **+6 bps**

Capturing the weight changes within the Group in LCY terms.

Note: at DSK a one-off accounting correction booked in 2Q 2018 related to IFRS 9 reduced the q-o-q NII dynamics by HUF 1.8 billion in 2Q – both at DSK and on consolidated level. Filtering this out, the consolidated NIM would have stood at 4.35% in 1Q and 4.28% in 2Q 2018.

At OTP Core the margin returned to levels seen in 2Q 2018. Russia and Croatia remained stable q-o-q. The underlying declining margin trend at DSK continued. Margins kept on improving in the Ukraine

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

	2016	2017	2018	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18
OTP Core Hungary (1)	3.48	3.22	3.01	3.16	3.06	2.97	3.05	2.98
DSK Bank Bulgaria (2)	4.60	3.85	3.37	3.72	3.69	3.27	3.33	3.22
DSK Bank Bulgaria – Adjusted[1]						3.50	3.45	
OTP Bank Russia[2] (3)	17.81	16.91	15.21	15.65	15.90	15.60	14.78	14.68
OTP Bank Croatia	3.54	3.27	2.95	3.02	3.01	3.05	2.87	2.88
OTP Bank Ukraine (4)	9.02	7.46	9.21	7.72	7.90	9.05	9.51	10.10
OTP Bank Romania	3.40	3.27	3.39	2.34	3.25	3.27	3.56	3.47

1 At OTP Core the q-o-q NIM erosion was driven by:

- The swap result declined q-o-q mainly because declining long yields generated negative fair value adjustment on interest rate swaps held for non-hedging purposes.
- The q-o-q margin development was negatively influenced by the interbank rate movements: while in 3Q margins were supported by the increase in the interbank rates in the preceding period, rates have declined since then, exerting a pressure on 4Q NIM (in 4Q the closing rate of 3M and 6M BUBOR declined by 4-4 bps, while their average rate declined by 6-6 bps).
- Mortgage bonds issued in the last quarter added to interest expenditures.
- In 4Q the average interest rate of the mortgage loan stock continued to contract.

2 At DSK the underlying declining trend continued, exaggerated by a technical item in 4Q: the capital increase received in December was a drag on NIM development, because of the higher average total assets and due to the fact that it added to the excess liquidity placed at negative rates. Stripping out the above diluting effects of the capital increase, the quarterly NIM erosion would have been 6 bps.

3 The Russian net interest margin declined further due to continued erosion of lending rates.

4 In Ukraine the q-o-q NIM expansion was driven by expanding consumer loans and higher interest income realized on corporate exposures, despite higher interest expenditures on deposits.

[1] At DSK a one-off accounting correction booked in 2Q 2018 reduced the q-o-q NII dynamics by HUF 1.8 billion in 2Q, and improved the q-o-q NII dynamics by HUF 0.9 billion in 3Q. The one-off effects are filtered out from the adjusted NIMs.

[2] Including Touch Bank from 1Q 2018.

Net fee income grew by 2% on an annual basis without acquisitions. The 2% quarterly decline was attributable to technical items at OTP Core

Effect of acquisitions

NET FEE INCOME	2018 (HUF billion)	4Q 2018 (HUF billion)	2018 Y-o-Y (HUF billion)	2018 Y-o-Y (%)	4Q 2018 Q-o-Q (HUF billion)	4Q 2018 Q-o-Q (%)
OTP Group	**221**	**57**	3 / 11	5%/2%[1]	-1	-2%
OTP CORE (Hungary)	**107**	**26**	-2	-2%	-2	-8%
DSK (Bulgaria)	**30**	**8**	3	10%	0	-1%
OBRu[3] (Russia)	**27**	**7**	4	17%/27%[2]	0	2%
OBH (Croatia)	**16**	**4**	0 / 3	27%/1%[1]	0	-6%
OBU (Ukraine)	**11**	**3**	2	18%/21%[2]	0	3%
OBR (Romania)	**4**	**1**	0	16%	0	-1%
OBSrb (Serbia)	**7**	**2**	0 / 5	220%/12%[1]	0	6%
CKB (Montenegro)	**3**	**1**	0	-3%	0	-10%
OBS (Slovakia)	**4**	**1**	0	-3%	0	17%
Fund mgmt. (Hungary)	**7**	**2**	-5	-39%	1	63%

1. The y-o-y decline at Core was reasoned by lower distribution fees on certain household targeted government bonds, which could not be offset by increasing transaction, deposit and card related income.
Decline in 4Q 2018 was explained by two negative technical items: firstly, the total annual amount of credit card refunds (HUF 2.5 bn) was booked in lump-sum in 4Q, similar to previous years. Secondly, -HUF 1.4 billion additional fee expense emerged in 4Q: from 4Q 2018 the Bank started to accrue the so-called scheme fee (that part of the fee expenses paid to credit card issuers which is paid quarterly on the basis of the turnover in the previous quarter), as opposed to the earlier cash-flow based accounting practice. Therefore, both the scheme fee paid after 3Q 2018, and the accrued fee for the last quarter of 2018 was booked in 4Q 2018.

2. The annual growth of 10% was due to higher deposits and transactions related revenues.

3. In Russia cash loans with insurance policies and card-related fees propelled F&C income.

4. Ukraine benefited from stronger fee income on corporate transactions and credit cards.

5. Success fees were booked in the last quarter, but their annual amount was by HUF 4 billion lower y-o-y.

[1] Changes without acquisitions (December 2018 figure estimated in the case of Croatia).
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank was included into OTP Bank Russia, but this doesn't change FY y-o-y dynamics significantly.

otpbank

The annual other net non-interest income went up by 20% without acquisitions

Effect of acquisitions

OTHER INCOME without one-off items	2018 (HUF billion)	4Q 2018 (HUF billion)	2018 Y-o-Y (HUF billion)	2018 Y-o-Y (%)	4Q 2018 Q-o-Q (HUF billion)	4Q 2018 Q-o-Q (%)
OTP Group	**61**	**15**	9 / 12	25%/20%[1]	-1	-8%
OTP CORE (Hungary)	**26**	**5**	3	15%	0	-4%
DSK (Bulgaria)	**7**	**2**	-1	-11%	0	-14%
OBRu[2] (Russia)	**1**	**0**	0	-35%	0	230%
OBH (Croatia)	**8**	**2**	0 / 1	22%/-10%[1]	-1	-42%
OBU (Ukraine)	**3**	**1**	1	46%/51%[2]	0	11%
OBR (Romania)	**4**	**1**	-1	-12%	0	-12%
OBSrb (Serbia)	**3**	**1**	1 / 2	347%/330%[1]	0	-21%
CKB (Montenegro)	**0**	**0**	0	-83%	0	-285%
OBS (Slovakia)	**0**	**0**	0	-29%	0	41%
Others	**10**	**3**	6	174%	0	15%

1 The annual other net non-interest income (without one-offs) grew by 15% y-o-y. This was partially owing to the better FX-result realized in 2Q 2018, whereas the gain on securities moderated.

2 The other net non-interest income dropped by 42% q-o-q as a result of base effect: FX conversion results were seasonally stronger in 3Q amid the peak tourism season.

3 The improvement was mainly attributable to sale of assets at Other Hungarian subsidiaries.

[1] Changes without acquisitions (December 2018 figure estimated in the case of Croatia).
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank was included into OTP Bank Russia, but this doesn't change FY y-o-y dynamics significantly.

In 2018 operating costs without acquisitions grew by 8.2% on an FX-adjusted basis, partly because of fastly expanding personnel expenses in the wake of high wage inflation and strong business activity

Effect of acquisitions

Effect of Touch Bank inclusion in 2018

OPERATING COSTS – 2018 (HUF billion)		Y-o-Y (HUF bn)	Y-o-Y (%)	Y-o-Y (FX-adj., HUF bn)	Y-o-Y (FX-adj., %)
OTP Group	497	32 / 55	12%/**7.5%**[1]	33 / 57	13%/**8.2%**[1]
OTP CORE (Hungary)	234	19	9%	19	9% (1)
DSK (Bulgaria)	51	4	8%	2	5%
OBRu[2] (Russia)	61	1 / 7	15%/2%[3]	5 / 7	25%/11%[3] (2)
OBH (Croatia)	43	0 / 8	23%/1%[1]	-1 / 8	-4%
OBU (Ukraine)	17	1	8%	2	12% (3)
OBR (Romania)	20	2	13%	2	12% (4)
OBSrb (Serbia)	24	1 / 15	176%/9%[1]	0 / 15	162%/3%[1]
CKB (Montenegro)	8	0	3%	0	0%
OBS (Slovakia)	12	2	15%	1	11% (5)
Merkantil (Hungary)	6	0	3%	0	3%

1. OTP Core: higher personnel expenses due to higher avg. headcount (+7%) and salary increases (at a lower pace than the avg. wage inflation of 7.9% in the financial sector in 2018). In December a non-recurring one-off bonus was paid to non-managerial employees (HUF 5.4 billion). 2.5 pps reduction in social contributions from 2018. Other costs were driven by higher business activity.

2. Russia: 11% FX-adjusted growth w/o Touch Bank. Bulk of that was personnel expenses-driven as a result of wage inflation and the increase of average headcount w/o agents by 3%. Stronger business activity resulted in higher variable costs (marketing expenses and telco costs).

3. Ukraine: FX-adjusted OPEX up by 12% partly due to higher personnel expenses amid 29% wage inflation in the financial sector in 2018. Higher real estate-related, hardware and office equipment and marketing costs also played a role.

4. OBR: FX-adjusted OPEX grew by 12% due to higher personnel expenses (+19%) induced by wage inflation (9% in the financial sector) and the 7% growth of average headcount.

5. Slovakia: Higher personnel expenses (+14% in LCY), explained partly by higher headcount (+3% on avg.). 29% higher marketing spend.

[1] Without the OPEX of the newly consolidated entities due to the Splitska (Dec 2018: estimate) and Vojvodjanska transactions.
[2] Starting from 1Q 18 Touch Bank was included into OTP Bank Russia.
[3] Without the effect of inclusion of Touch Bank in 2018.

otpbank

OTP Core

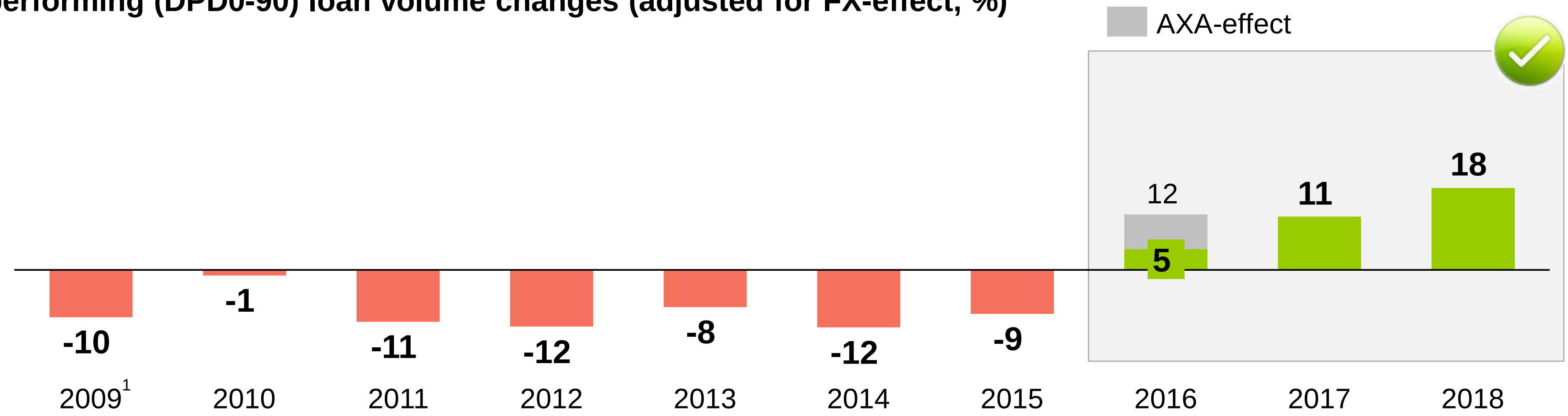
The annual profit of OTP Core grew by 7% y-o-y with net interest income increasing by 5%. Risk costs added to the bottom line earnings in 4Q, too

OTP CORE (in HUF billion)	2017	2018	Y-o-Y	4Q 2017	3Q 2018	4Q 2018	Q-o-Q	Y-o-Y
Profit after tax	**168.6**	**180.4**	**7%**	**31.7**	**44.3**	**40.8**	**-8%**	**29%**
Corporate tax	-17.0	-14.7	-13%	-1.6	-3.7	-2.8	-24%	74%
Before tax profit	**185.6**	**195.2**	**5%**	**33.3**	**48.0**	**43.7**	**-9%**	**31%**
Operating profit w/o one-off items	150.8	144.6	-4%	33.0	39.3	26.2	-33%	-21%
Total income w/o one-off items	365.6	378.5	4%	91.5	97.1	94.4	-3%	3%
Net interest income	234.3	245.9	5%	60.1	63.3	63.1	0%	5%
Net fees and commissions	109.1	107.0	-2%	26.2	28.2	25.8	-8%	-1%
Other net non interest income without one-offs	22.2	25.6	15%	5.2	5.6	5.4	-4%	5%
Operating costs	-214.8	-234.0	9%	-58.5	-57.8	-68.2	18%	17%
Total risk costs	30.8	46.6	51%	0.2	8.1	17.6	117%	
Total one-off items	3.9	4.0	1%	0.1	-3.4	-0.1	-97%	-181%

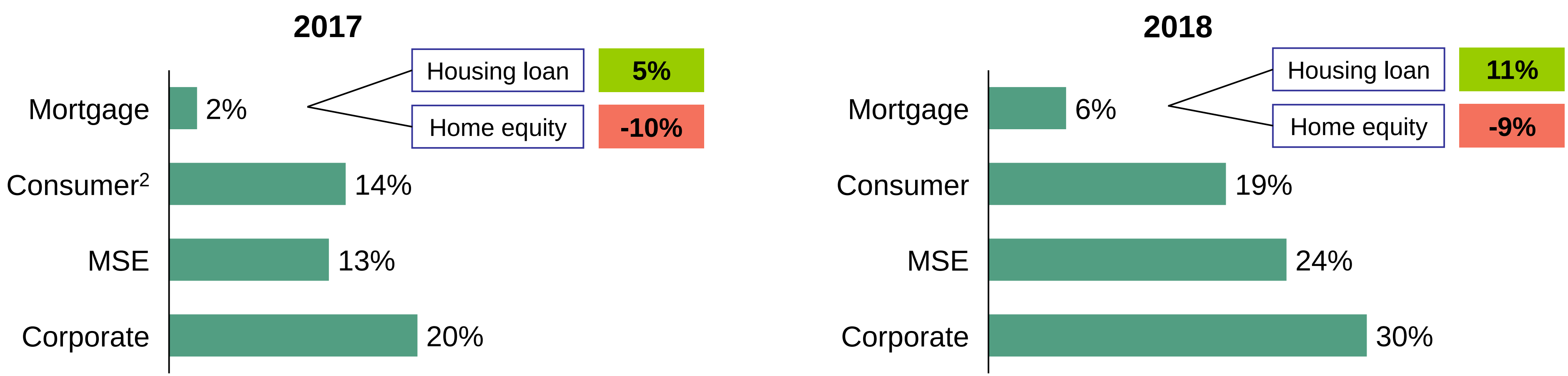
OTP CORE

The last 3 years brought a spectacular turnaround in Hungarian loan growth: the organic growth surged to 18%. Beside robust corporate loan growth the retail segments also shifted gears

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



Y-o-Y performing (DPD0-90) loan volume changes by product segments (adjusted for FX-effect)



[1] Estimation.
[2] In 2017 performing consumer loans grew by 25% in total, supported by a several big ticket lombard loans, adjusted for these the FX-adjusted yearly growth was 14%.

otpbank

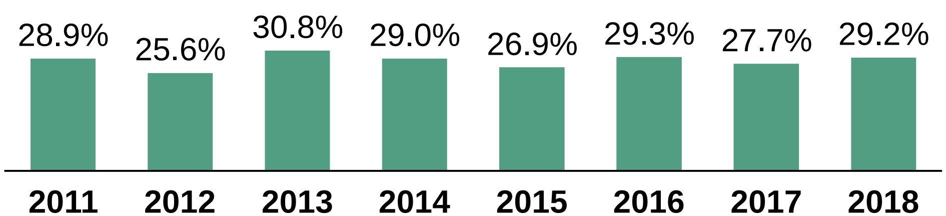
OTP CORE

Mortgage loan disbursement remained strong in Hungary. OTP enjoys a y-o-y improving market share in new mortgage and cash loan disbursements, as well as in retail savings

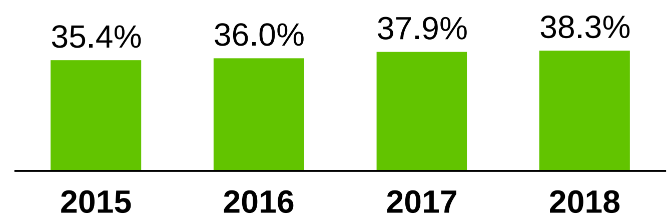
Change of mortgage loan disbursement of OTP Core
(2018, y-o-y change)

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

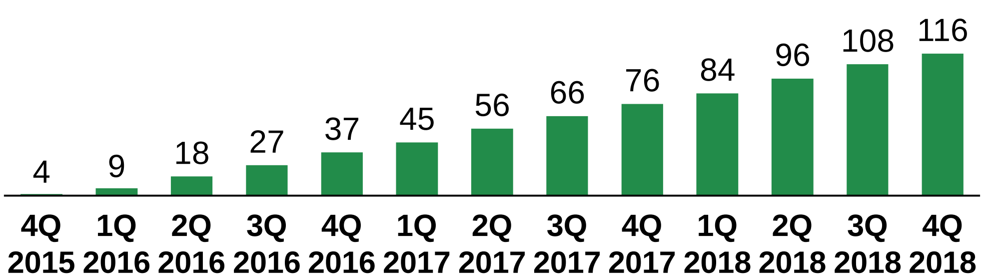
OTP's market share in mortgage loan contractual amounts



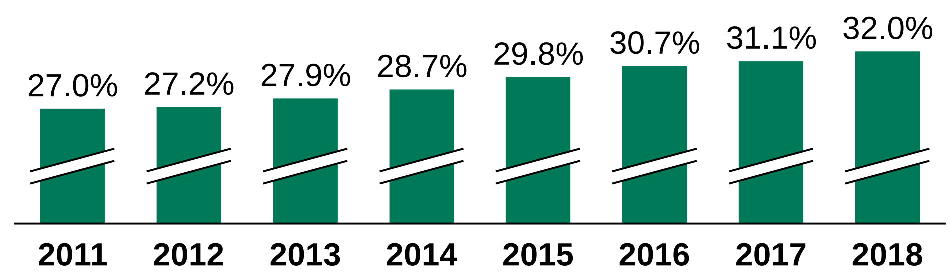
Market share in newly disbursed cash loans



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



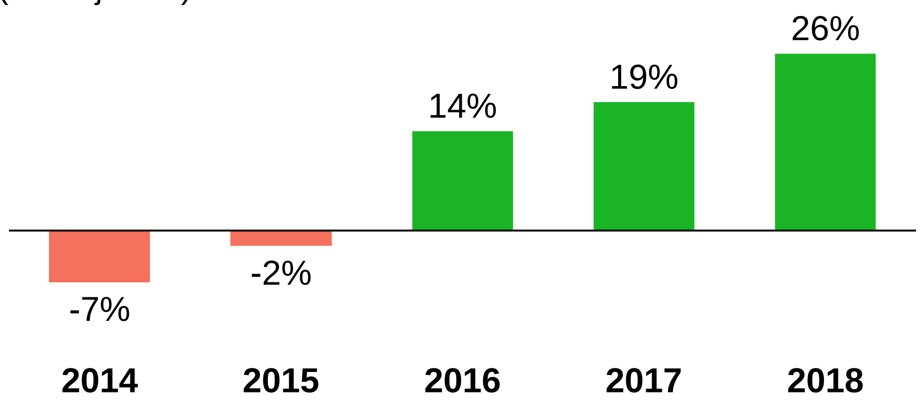
OTP Bank's market share in household savings



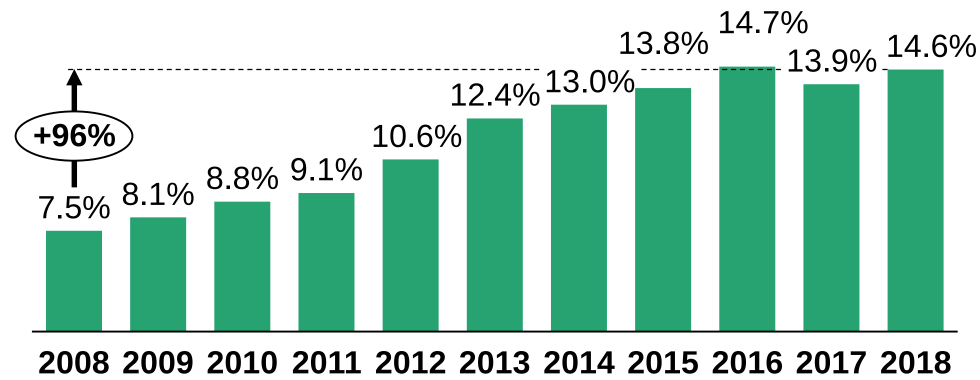
OTP CORE

In the corporate segment OTP Core managed to demonstrate above 20% volume dynamics, thus OTP's corporate lending market share improved in 2018

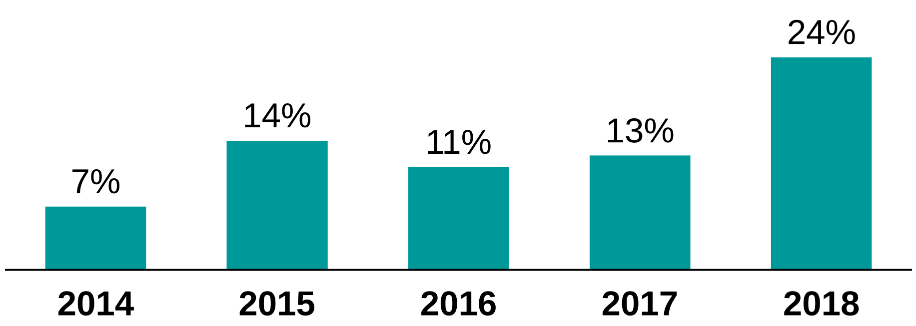
Performing medium and large corporate loan volume change (FX-adjusted)



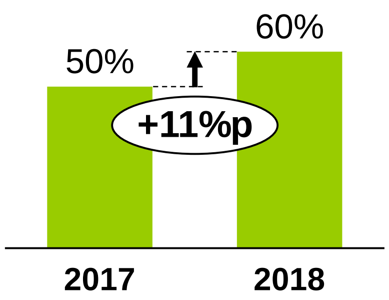
OTP Group's market share in loans to Hungarian companies[1]



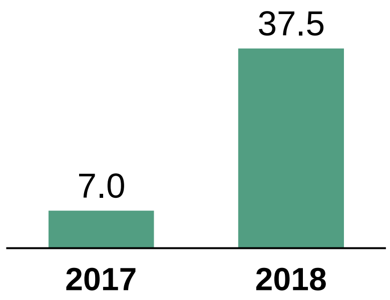
Performing loan volume change at micro and small companies (FX-adjusted)



OTP Group's market share in commercial factoring turnover[2]



MFB Points - the amount of credit accepted through the OTP network
(in 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.
[2] Source: Hungarian Factoring Association

otpbank

DSK Bank Bulgaria

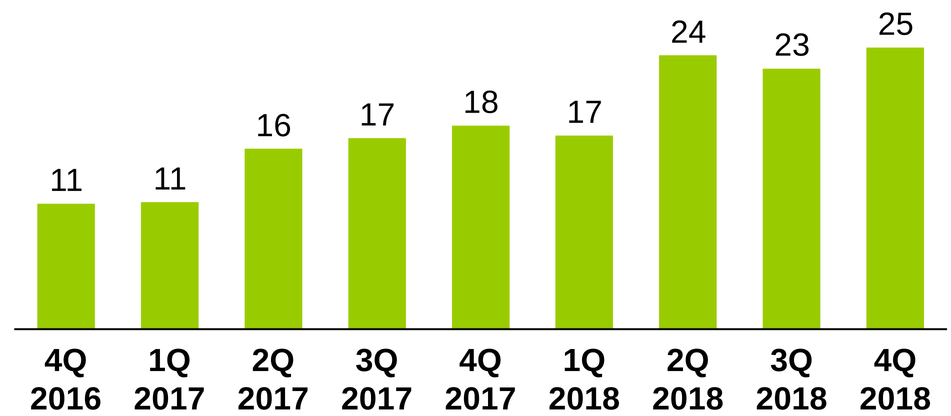
DSK Bank retained its strong profitability in 2018, despite the spike in risk costs in 4Q 2018. The strengthening business activity manifested in trend-like improvement in retail loan sales

Income statement

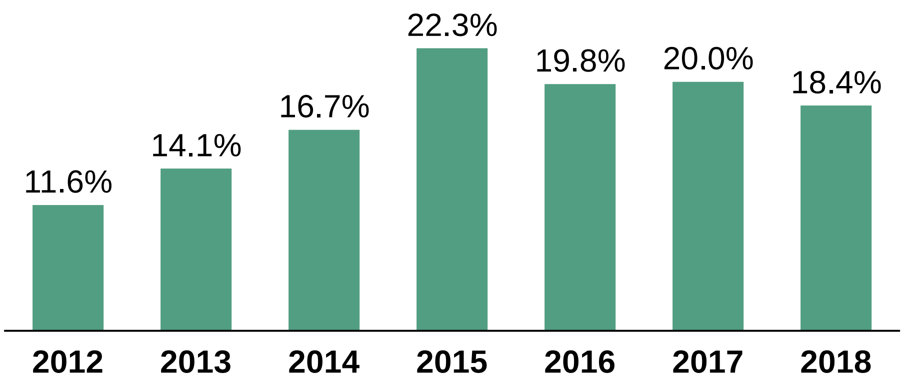
(in HUF billion)	4Q 17	3Q 18	4Q 18	Q-o-Q	Y-o-Y
Profit after tax	**10.4**	**14.3**	**8.9**	**-37%**	**-15%**
Profit before tax	11.3	15.8	9.2	-42%	-18%
Operating profit	13.7	15.0	13.5	-10%	-2%
Total income	27.0	27.8	27.6	-1%	2%
Net interest income	17.8	17.7	17.9	1%	1%
Net fees and commissions	7.3	8.1	8.0	-1%	10%
Other income	1.9	2.0	1.7	-14%	-11%
Operating costs	-13.3	-12.8	-14.1	11%	7%
Total risk cost	-2.5	0.8	-4.3		73%

New mortgage loan disbursements

(in HUF billion, without refinancing)

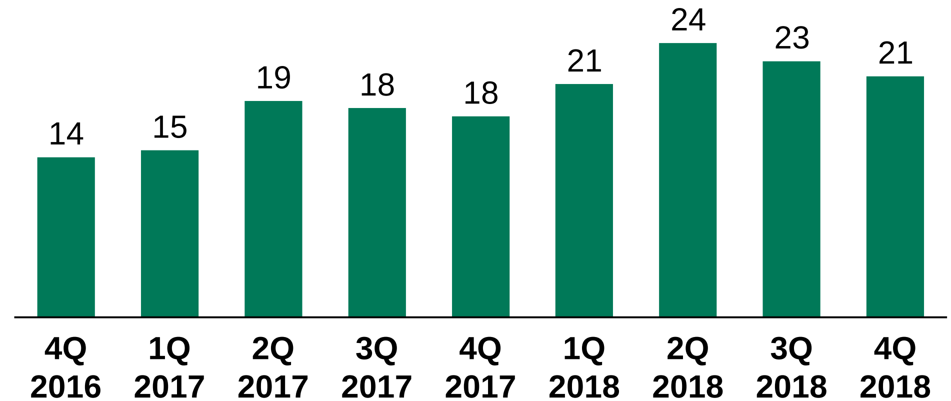


Return on Equity



New cash loan disbursements

(in HUF billion, without refinancing)



otpbank

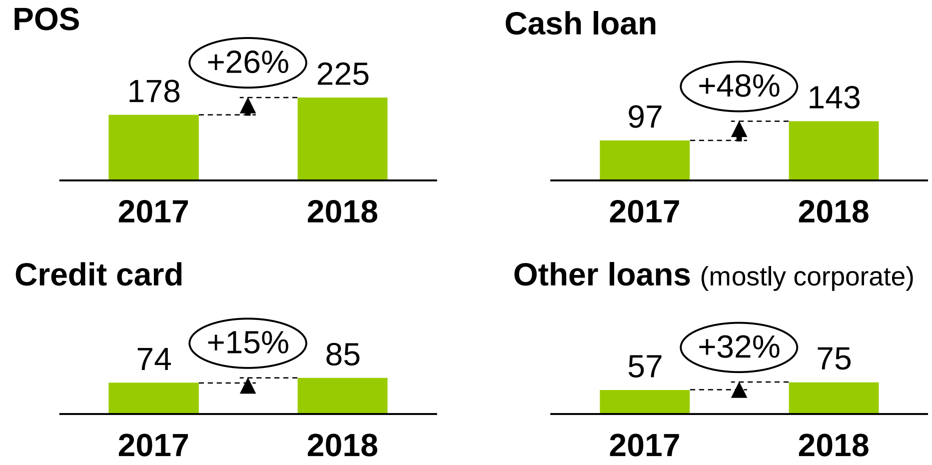
OTP Bank Russia

In 4Q the Russian profit decreased q-o-q mainly due to higher risk cost, explained mainly by the revision of parameters in the IFRS9 provisioning models. Loan growth remained strong both in retail and corporate

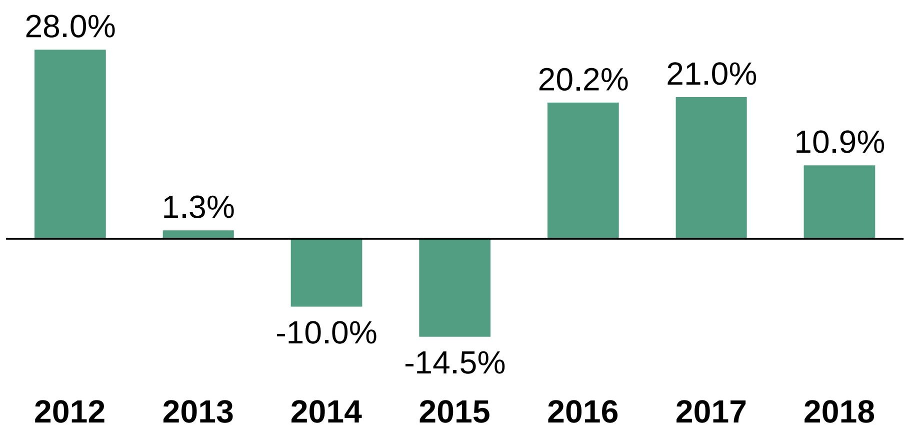
Income statement

(in HUF billion)	4Q 17	3Q 18	4Q 18	Q-o-Q	Y-o-Y
Profit after tax	**6.3**	**6.1**	**-2.5**		
Profit before tax	8.0	7.5	-2.9		
Operating profit	16.6	18.8	17.5	-7%	6%
Total income	30.7	32.9	34.1	4%	11%
Net interest income	24.4	25.9	26.6	3%	9%
Net fees and commissions	6.0	6.9	7.1	2%	17%
Other income	0.3	0.1	0.4	230%	34%
Operating costs	-14.1	-14.1	-16.6	17%	17%
Total risk cost	-8.6	-11.3	-20.4	81%	136%

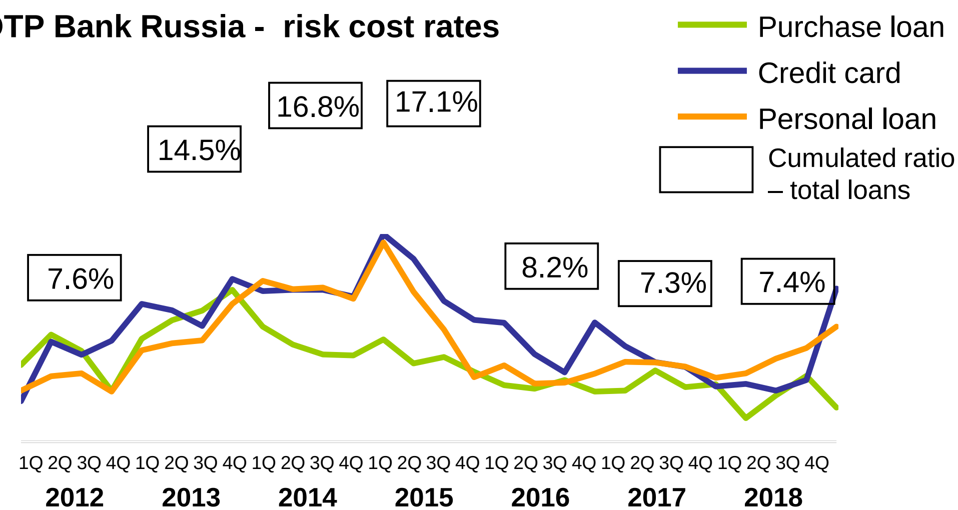
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity



OTP Bank Russia - risk cost rates



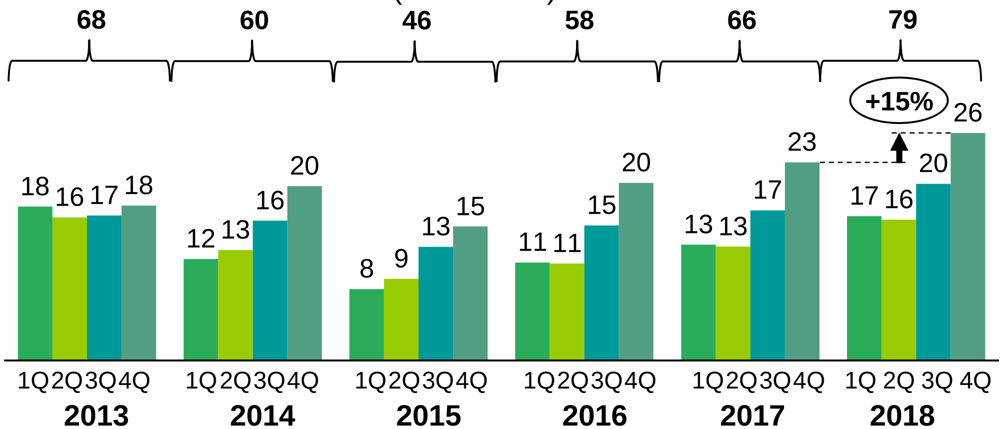
General note: from 1Q 2018 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 2017 Touch Bank's performance was presented separately.

otpbank

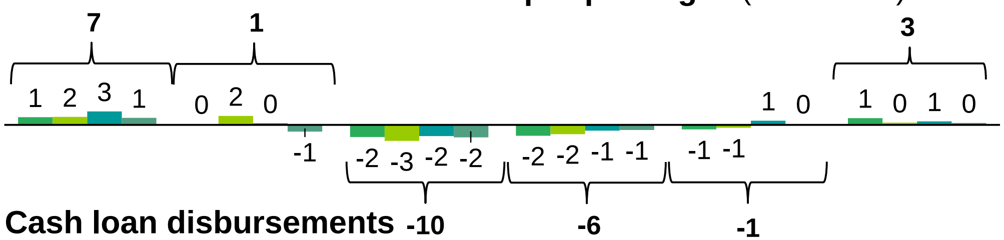
OTP Bank Russia

In 4Q POS and cash loan sales retained their strong momentum. Performing credit card volumes also exhibited growth on yearly basis. Deposits grew during the quarter with RUB deposit rates flattening out

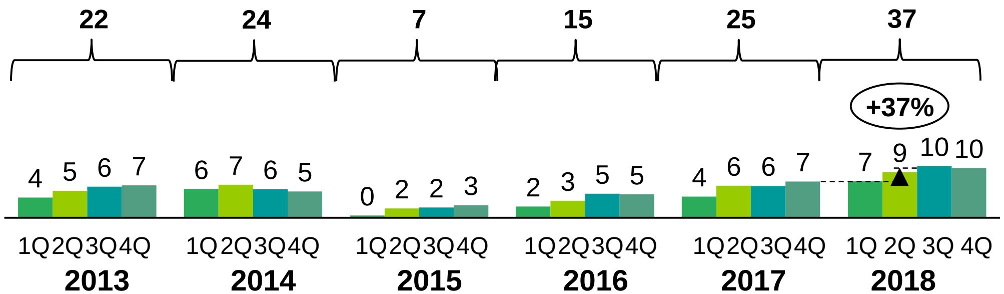
POS loan disbursements (RUB billion)



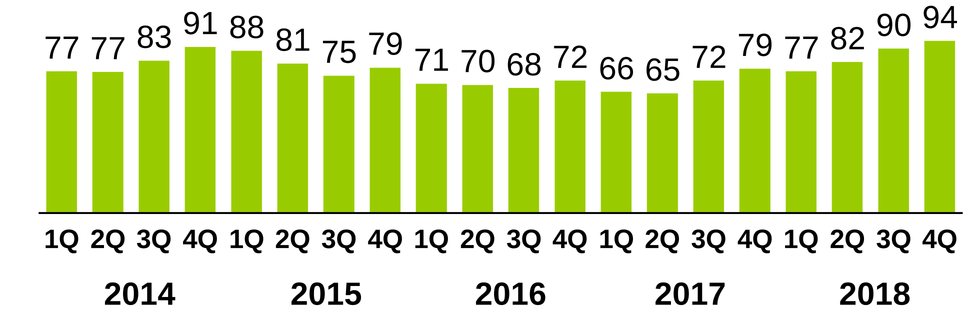
DPD0-90 credit card loan volume q-o-q changes (RUB billion)



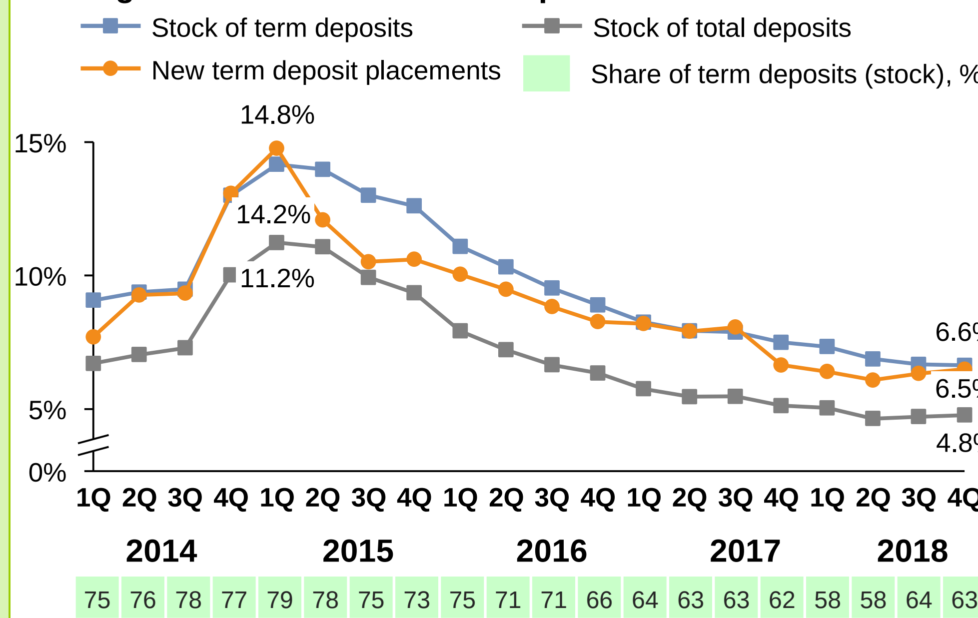
Cash loan disbursements (RUB billion, including quick cash loans)



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

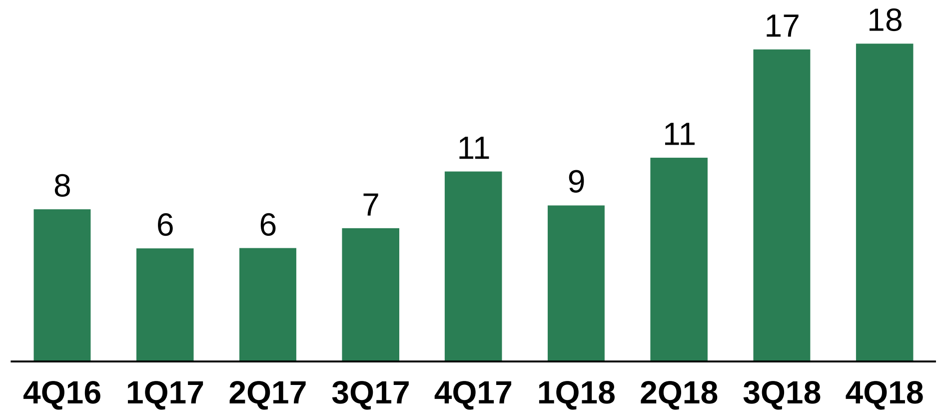
OTP Bank Ukraine

The Ukrainian ROE improved to 55.6% in 2018, the highest within the Group, supported by widening margins and expanding performing loan volumes

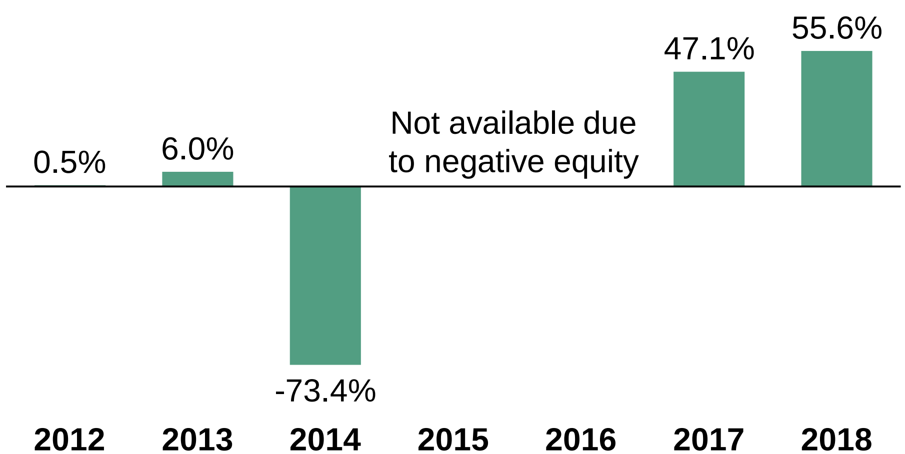
Income statement

(in HUF billion)	4Q 17	3Q 18	4Q 18	Q-o-Q	Y-o-Y
Profit after tax	**5.2**	**7.0**	**6.2**	**-11%**	**18%**
Profit before tax	6.4	8.4	7.3	-13%	14%
Operating profit	4.9	8.4	8.9	6%	83%
Total income	9.1	12.8	13.9	9%	52%
Net interest income	6.1	9.0	10.0	11%	65%
Net fees and commissions	2.7	3.1	3.2	3%	19%
Other income	0.4	0.7	0.7	11%	98%
Operating costs	-4.3	-4.4	-5.0	14%	17%
Total risk cost	1.5	0.0	-1.6		-208%

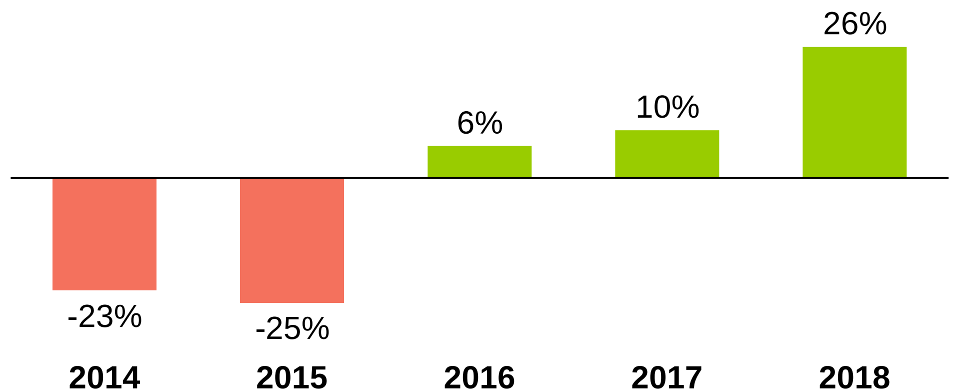
New cash and POS loan disbursements (in HUF billion)



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



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

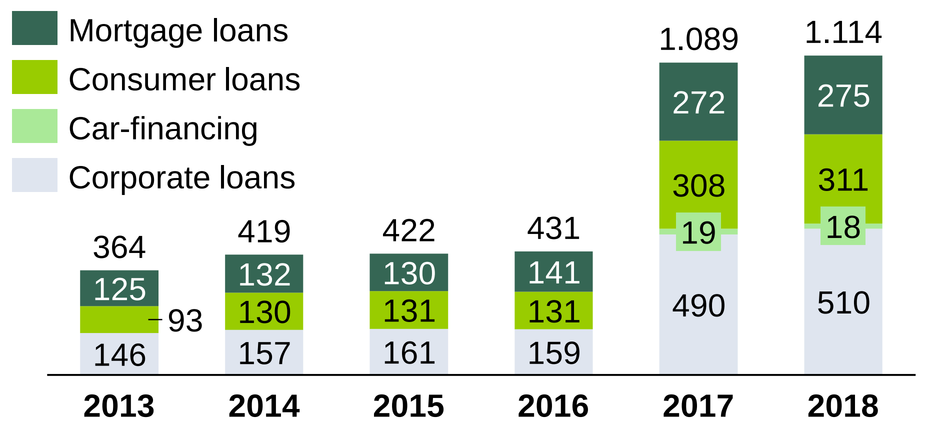


The Croatian ROE improved y-o-y. In December 2018 the integration of Splitska banka was successfully completed

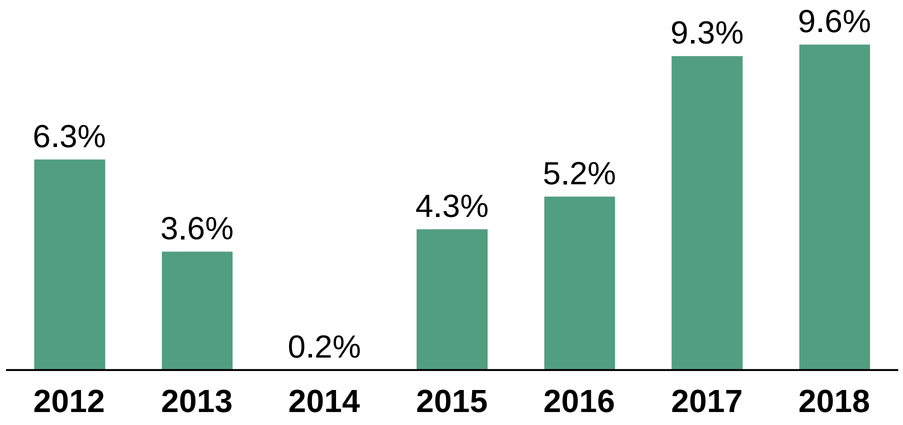
Income statement

(in HUF billion)	4Q 17	3Q 18	4Q 18	Q/Q	Y/Y
Profit after tax	**6.0**	**8.7**	**4.1**	**-53%**	**-33%**
Profit before tax	7.0	10.7	4.9	-54%	-30%
Operating profit	8.7	10.0	8.8	-12%	1%
Total income	19.2	21.0	19.3	-8%	0%
Net interest income	13.5	13.7	13.5	-1%	0%
Net fees and commissions	3.9	4.3	4.0	-6%	2%
Other income	1.8	3.1	1.8	-42%	-1%
Operating costs	-10.5	-11.0	-10.5	-5%	-1%
Total risk cost	-1.7	0.7	-3.9	-647%	128%

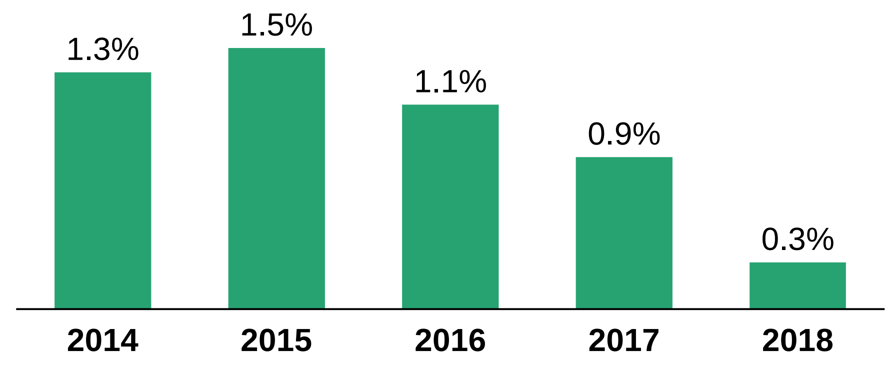
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity

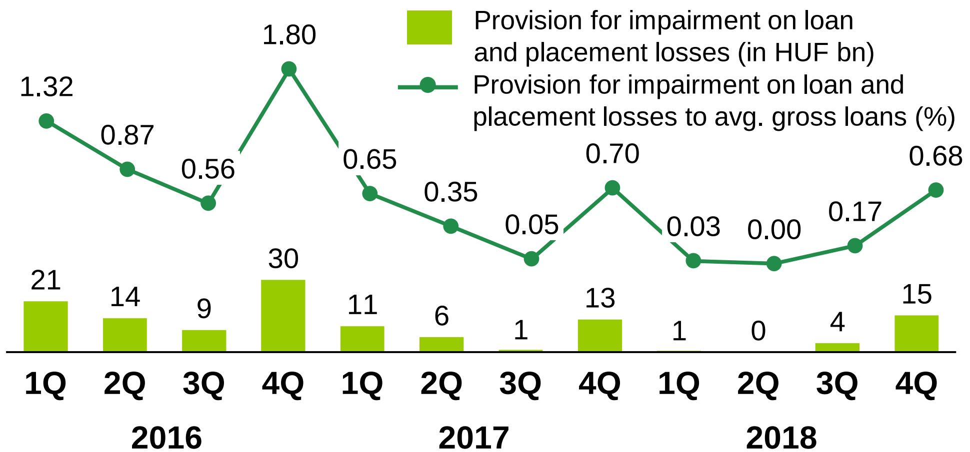


Risk cost rate

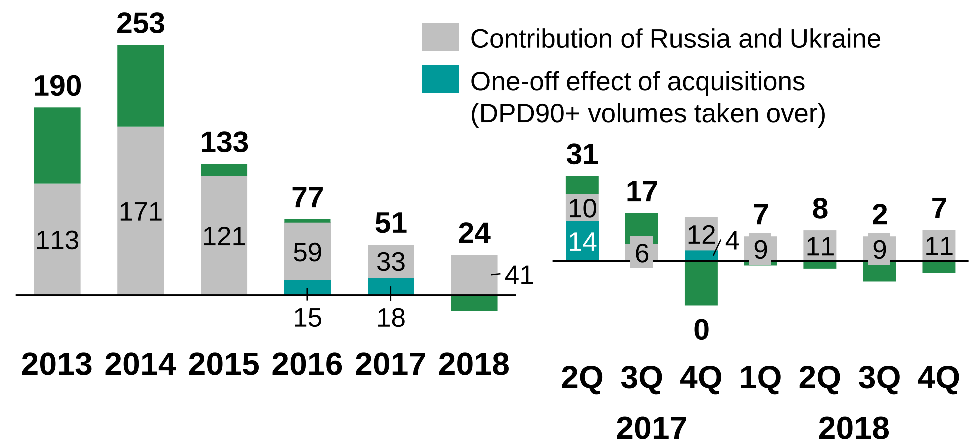


Benign credit quality trends remained in place: further declining DPD90+ ratio coupled with moderate DPD90+ loan formation. The annual risk cost rate sank to new lows despite the increase in 4Q due to IFRS9 model fine-tuning

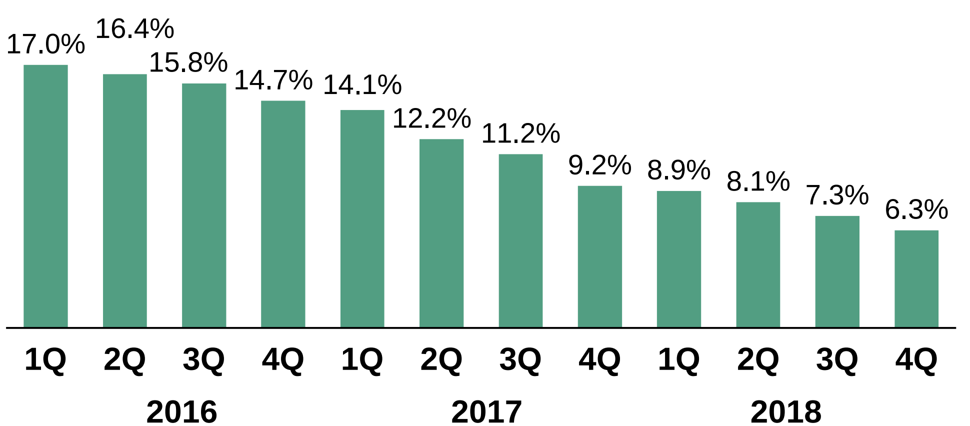
Consolidated provision for impairment on loan and placement losses and its ratio to average gross loans



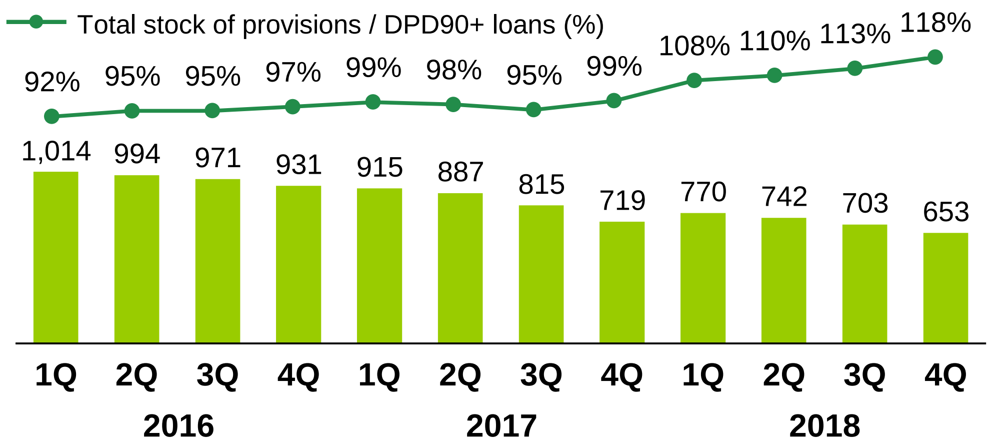
Change in DPD90+ loan volumes
(consolidated, adjusted for FX and sales and write-offs, in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



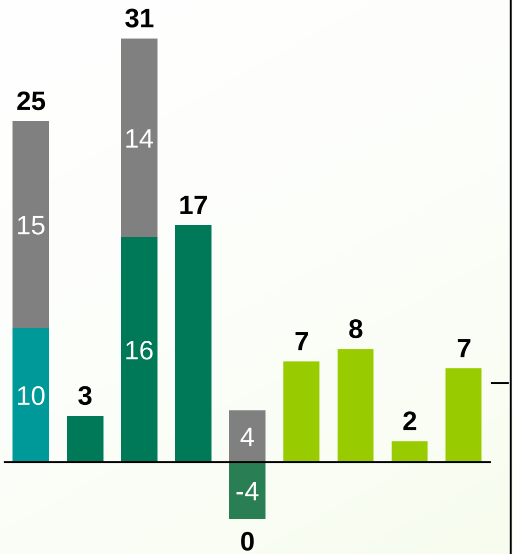
Consolidated allowance and their ratio to DPD90+ loans



In 4Q 2018 the consolidated DPD90+ formation was subdued, trends remained favourable in all geographies

FX-adjusted quarterly change in DPD90+ loan volumes

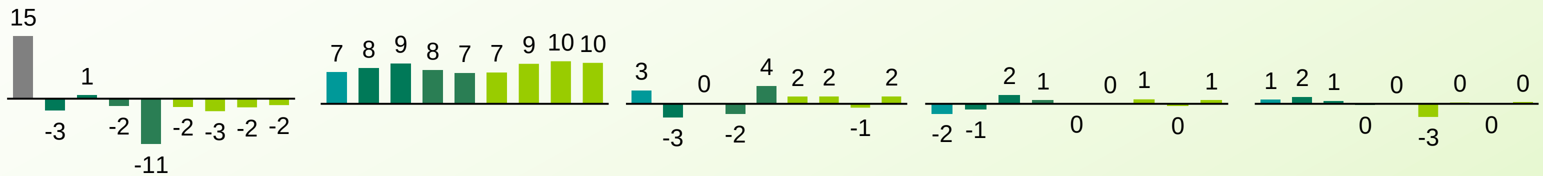
(without the effect of sales / write-offs, in HUF billion)

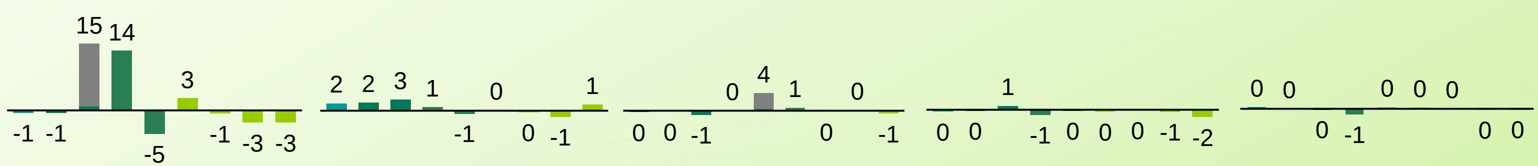


FX-adjusted sold or written-off loan volumes:

	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
Consolidated	74	40	51	41	122	17	37	49	73

One-off effect of the DPD90+ volumes taken over as a result of acquisitions: in 4Q 2016 the portfolio of **AXA**, in 2Q 2017 that of **Splitska banka** and in 4Q 2017 that of **Vojvodjanska banka** was consolidated.





FX-adjusted sold or written-off loan volumes:

	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
OTP Core (Hungary)	14	12	15	10	16	2	5	5	9
OBRu[1] (Russia)	20	17	14	8	5	6	6	4	12
OBU (Ukraine)	12	3	11	10	42	2	7	14	16
DSK (Bulgaria)	23	0	3	3	14	0	0	1	6
OBR (Romania)	3	0	2	1	8	5	9	16	1
OBH (Croatia)	0	0	2	0	6	0	0	3	4
OBS (Slovakia)	0	0	1	0	6	0	0	4	3
OBSr (Serbia)	3	2	0	5	5	0	7	0	7
CKB (Montenegro)	0	5	0	4	5	1	1	1	9
Merkantil Bank+Car (Hungary)	0	0	0	0	14	0	0	1	5

[1] Including Touch Bank from 1Q 2018.

The declining trend of DPD90+ ratio continued in all key geographies, with risk cost rates typically hovering around all-time low levels. The Russian risk cost rate trajectory reflects the provisioning need for the fast growing new disbursements

Provision for impairment on loan and placement losses / Average gross customer loans[2], %

	2017	2018	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
OTP Core Hungary	-1.2	-1.6	-0.6	-1.1	-2.2	-1.0	-2.0
DSK Bank Bulgaria	0.3	0.7	0.9	1.4	0.1	-0.1	1.6
OTP Bank Croatia	0.9	0.3	0.3	-0.6	1.2	-0.2	0.6
OTP Bank Russia[1]	7.3	7.4	6.5	4.9	6.1	7.4	10.8
OTP Bank Ukraine	0.3	0.5	-0.7	-1.8	0.1	0.2	3.0

DPD90+ loans / Gross customer loans, %

	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
OTP Core Hungary	6.4	6.2	5.5	5.0	4.5
DSK Bank Bulgaria	7.9	7.7	7.6	7.2	6.7
OTP Bank Croatia	6.6	6.9	6.6	6.2	5.5
OTP Bank Russia[1]	15.8	15.3	15.3	14.8	13.4
OTP Bank Ukraine	26.4	25.1	21.6	18.3	15.1

Total provisions / DPD90+ loans, %

	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
OTP Core Hungary	88	98	99	100	98
DSK Bank Bulgaria	116	117	116	117	124
OTP Bank Croatia	86	90	96	103	109
OTP Bank Russia[1]	134	139	140	142	154
OTP Bank Ukraine	119	125	128	134	136

[1] Including Touch Bank from 1Q 2018.

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

otpbank

The DPD90+ ratios kept on decreasing at the largest subsidiaries

DPD90+ ratio (%)

OTP Core (Hungary)	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	Q-o-Q (pp)
Total	**6.4**	**6.2**	**5.5**	**5.0**	**4.5**	***-0.5***
Retail	8.9	8.5	8.0	7.4	6.8	*-0.5*
Mortgage	8.5	8.1	7.7	7.2	6.8	*-0.4*
Consumer	10.3	9.7	9.0	7.8	7.0	*-0.8*
MSE**	5.1	5.2	4.8	4.5	4.4	*-0.1*
Corporate	2.6	2.7	2.2	1.9	1.5	*-0.4*
Municipal	0.0	0.0	0.0	0.0	0.0	*0.0*

DPD90+ ratio (%)

DSK Bank (Bulgaria)	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	Q-o-Q (pp)
Total	**7.9**	**7.7**	**7.6**	**7.2**	**6.7**	***-0.6***
Mortgage	9.9	9.4	9.0	8.6	7.8	*-0.8*
Consumer	7.2	7.5	7.6	7.8	7.9	*0.1*
MSE	9.3	9.0	8.3	7.8	6.8	*-1.0*
Corporate	6.7	6.2	6.0	5.4	4.3	*-1.1*

DPD90+ ratio (%)

OTP Bank Croatia	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	Q-o-Q (pp)
Total	**6.6**	**6.9**	**6.6**	**6.2**	**5.5**	***-0.7***
Mortgage	4.9	5.3	5.2	5.1	4.8	*-0.2*
Consumer	6.6	7.4	7.3	7.3	7.0	*-0.3*
Corporate	11.3	11.4	10.7	9.3	7.7	*-1.6*
Car-finance	1.0	1.1	1.2	1.0	1.2	*0.2*

DPD90+ ratio (%)

OTP Bank Russia[1]	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	Q-o-Q (pp)
Total	**15.8**	**15.3**	**15.3**	**14.8**	**13.4**	***-1.3***
Mortgage	39.9	43.5	43.5	43.9	43.8	*0.0*
Consumer	15.8	15.5	15.4	15.1	14.2	*-0.9*
Credit card	27.6	25.9	25.4	25.0	24.1	*-0.9*
POS loan	10.4	10.7	11.3	11.3	10.2	*-1.0*
Cash loan	14.7	14.3	13.3	12.9	12.7	*-0.2*

DPD90+ ratio (%)

OTP Bank Ukraine	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	Q-o-Q (pp)
Total	**26.4**	**25.1**	**21.6**	**18.3**	**15.1**	***-3.2***
Mortgage	71.1	71.3	70.5	72.1	74.9	*2.8*
Consumer	20.2	18.7	16.8	11.0	4.9	*-6.1*
SME	81.8	57.6	49.2	42.5	38.3	*-4.2*
Corporate	4.2	4.8	4.1	2.4	0.9	*-1.5*
Car-finance	17.5	14.8	12.8	1.4	0.9	*-0.5*

[1] Including Touch Bank from 1Q 2018.

In 2018 the reported CET1 of 16.5% and CAR of 18.3% already included 2018 after tax profit less the proposed dividend

OTP Group consolidated capital adequacy ratios (IFRS)

BASEL III	2013	2014	2015	2016	2017	2018
Capital adequacy ratio	19.7%	17.5%	16.2%	16.0%	14.6%	18.3% (1)
Common Equity Tier1 ratio	16.0%	14.1%	13.3%	13.5%/ 15.8%[1]	12.7%/ 15.3%[1]	16.5%

1. In 2018 the capital adequacy ratios included the 2018 after tax profit less the proposed dividend. In 2017 the reported CET1 was 12.7%, while the CET1 including the interim profit less dividend stood at 15.3%.
2. Beside the strong organic loan growth, the additional RWA due to the inclusion of incremental subsidiary investments as a result of the capital increase at DSK with 250% risk weight played a role in the total RWA increase, too.
3. The Ukrainian CAR improved partly due to a subordinated loan taken in 2Q with 7 years tenor.
4. In December 2018 DSK Bank received a capital injection from OTP Bank, the registration of which, thus its inclusion into the regulatory capital has not yet happened by the end of 2018.
5. CAR of the mother bank owning the shares of Vojvodjanska banka.
6. CAR of the merged Croatian bank (Splitska banka d.d. merged into OTP banka Hrvatska dd. In December 2018).

Capital adequacy ratios (under local regulation)

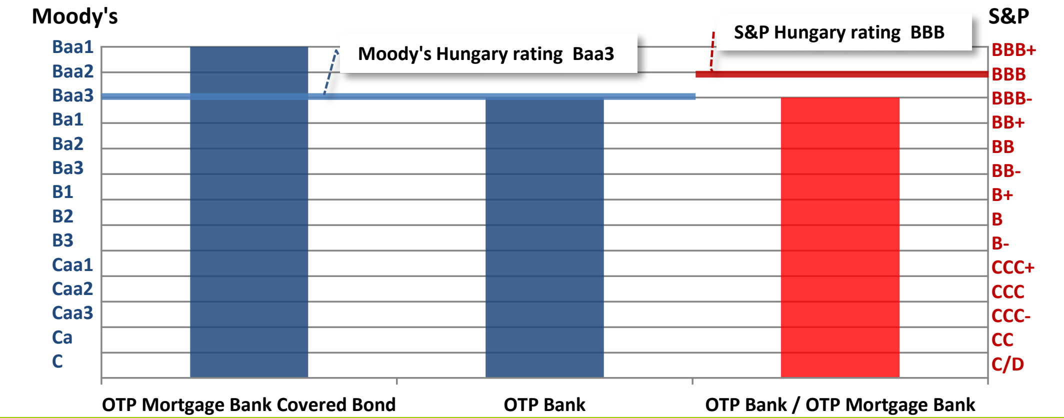
	2013	2014	2015	2016	2017	2018
OTP Group (IFRS)	**19.7%**	**16.9%**	**16.2%**	**16.0%**	**14.6%**	**18.3%**
Hungary	23.0%	19.0%	26.6%	27.7%	31.4%	28.2% (2)
Russia	14.0%	12.1%	13.3%	16.2%	15.9%	15.0%
Ukraine	20.6%	10.4%	15.7%	12.4%	15.5%	19.6% (3)
Bulgaria	16.4%	18.0%	17.3%	17.6%	17.2%	16.3% (4)
Romania	12.7%	12.6%	14.2%	16.0 %	14.5%	18.0%
Serbia	37.8%	30.8%	26.1%	22.8%	28.4%	22.6% (5)
Croatia	16.7%	16.5%	15.5%	16.7%	16.5%	20.0% (6)
Slovakia	10.6%	13.7%	13.4%	12.9%	15.0%	16.6%
Montenegro	14.4%	15.8%	16.2%	21.1%	22.6%	22.7%

[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



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

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

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 or Dagong.

OTP Group related rating actions

- Moody's has upgraded **OTP Bank**'s long-term foreign currency deposit rating to Baa3 with a stable outlook and **OTP Mortgage Bank**'s covered bonds rating to Baa1. *(07 November 2016)*
- S&P raised its long- and short-term foreign and local currency counterparty credit ratings on **OTP Bank** and **OTP Mortgage Bank** from BB+/B to BBB-/A-3 with stable outlook *(24 July 2017)*.
- 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)*
- Dagong Global has assigned a Long-Term Credit Rating of BBB+' and equivalent Short-Term Credit Rating of A-2 to **OTP Bank.** The Outlook is stable. *(22 November 2017)*

Recent sovereign rating developments)

- S&P has changed the outlook on **Croatia** to positive from stable. *(21 September 2018)*
- S&P has changed the outlook on **Serbia** to positive from stable. *(14 December 2018)*
- Moody's upgraded **Ukraine**'s ratings to Caa1 from Caa2, with stable outlook. *(21 December 2018)*
- Moody's upgraded **Russia'**s ratings to Baa3 from Ba1, with stable outlook. *(08 February 2019)*
- S&P upgraged **Hungary**'s ratings to BBB from BBB-, with stable outlook. *(15 February 2019)*
- Fitch upgraged **Hungary**'s ratings to BBB from BBB-, with stable outlook. *(22 February 2019)*

Last update: 22/02/2019
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: BG - Bulgaria, CR - Croatia, HU - Hungary, MN - Montenegro, RO - Romania, RU - Russia, SRB - Serbia, SK - Slovakia, UA - Ukraine

otpbank

The definition of performing loans is switching from DPD0-90 loans to Stage 1 and Stage 2 category loans under IFRS 9. OTP adopted the new standard concerning its guidance for the expected loan growth in 2019

Development of DPD0-90 and Stage 1 + Stage 2 loan volumes (FX-adjusted, in HUF billion)

		DPD0-90 loan volumes			Stage 1 + Stage 2 loan volumes		
		2Q18	3Q18	4Q18	2Q18	3Q18	4Q18
Cons.	**Total**	**7,658**	**7,946**	**8,168**	**7,414**	**7,722**	**7,966**
	Consumer	1,763	1,836	1,902	1,733	1,807	1,873
	Mortgage	2,280	2,327	2,366	2,216	2,265	2,306
	Corporate[1]	3,335	3,490	3,600	3,189	3,363	3,493
Core (Hungary)	**Total**	**2,849**	**3,023**	**3,094**	**2,766**	**2,967**	**3,051**
	Consumer	364	386	396	362	384	395
	Mortgage	1,194	1,223	1,239	1,176	1,208	1,227
	Corporate[1]	1,291	1,415	1,459	1,228	1,375	1,429
DSK (Bulgaria)	**Total**	**1,201**	**1,231**	**1,254**	**1,149**	**1,172**	**1,202**
	Consumer	425	432	435	405	411	415
	Mortgage	330	342	354	314	320	333
	Corporate[1]	446	458	464	430	441	454
OBRu (Russia)	**Total**	**443**	**482**	**528**	**438**	**480**	**526**
	Consumer	382	414	457	381	415	457
	Mortgage	8	7	6	4	4	3
	Corporate[1]	53	61	65	53	61	65
OBH (Croatia)	**Total**	**1,135**	**1,111**	**1,114**	**1,119**	**1,091**	**1,090**
	Consumer	313	312	311	308	307	305
	Mortgage	273	272	275	270	269	271
	Corporate[1]	530	509	510	523	497	497

[1] Loans to MSE and MLE clients and local governments.

The definition of performing loans is switching from DPD0-90 loans to Stage 1 and Stage 2 category loans under IFRS 9. OTP adopted the new standard concerning its guidance for the expected loan growth in 2019

Development of DPD0-90 and Stage 1 + Stage 2 loan volumes (FX-adjusted, in HUF billion)

		DPD0-90 loan volumes			Stage 1 + Stage 2 loan volumes		
		2Q18	3Q18	4Q18	2Q18	3Q18	4Q18
OBU (Ukraine)	**Total**	**271**	**289**	**301**	**231**	**251**	**266**
	Consumer	31	39	46	31	38	46
	Mortgage	18	16	13	8	8	6
	Corporate[1]	200	208	215	171	180	187
OBR (Romania)	**Total**	**517**	**530**	**548**	**494**	**509**	**526**
	Consumer	54	54	54	54	54	54
	Mortgage	219	224	232	210	215	224
	Corporate[1]	243	251	262	230	239	248
OBSr (Serbia)	**Total**	**331**	**346**	**380**	**327**	**342**	**376**
	Consumer	106	111	115	105	110	114
	Mortgage	50	52	54	49	51	53
	Corporate[1]	175	183	211	173	181	210
CKB (Montenegro)	**Total**	**123**	**124**	**129**	**117**	**118**	**124**
	Consumer	28	28	29	28	28	29
	Mortgage	27	27	28	26	27	28
	Corporate[1]	68	69	72	63	64	67
OBS (Slovakia)	**Total**	**361**	**367**	**364**	**351**	**357**	**357**
	Consumer	60	60	59	60	60	59
	Mortgage	162	164	163	160	163	162
	Corporate[1]	140	143	142	132	135	137

[1] Loans to MSE and MLE clients and local governments.

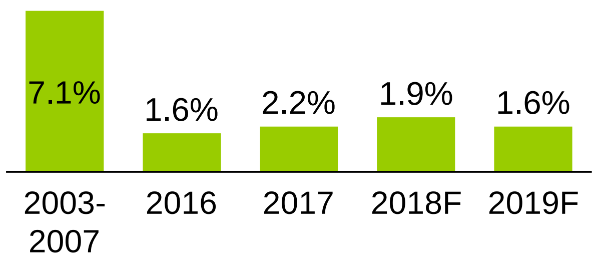
Content

Hungary

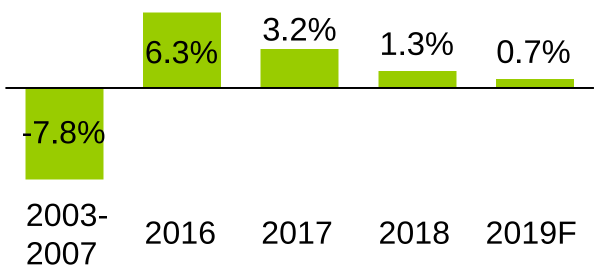
Economic growth was 4.8% in Hungary in 2018, higher than previously expected; GDP growth may slow down in 2019, but it can remain strong despite the deteriorating external environment

Balance

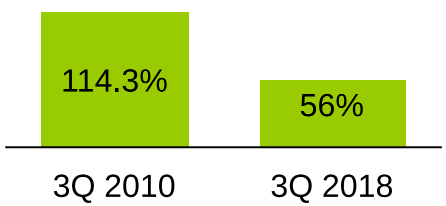
Budget deficit



Current account balance

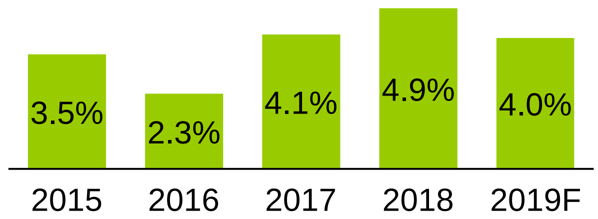


Gross external debt[1] (in % of GDP)

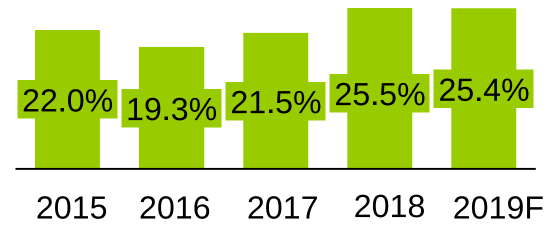


Growth

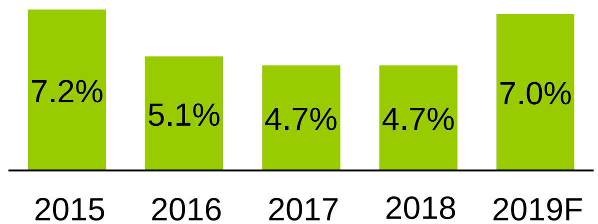
Real GDP growth



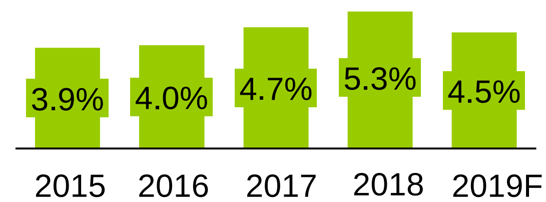
Investment to GDP



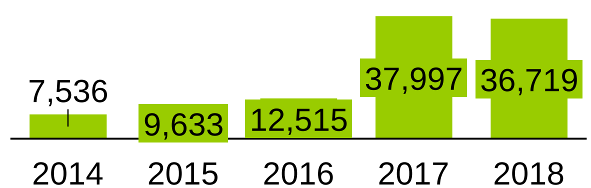
Export growth



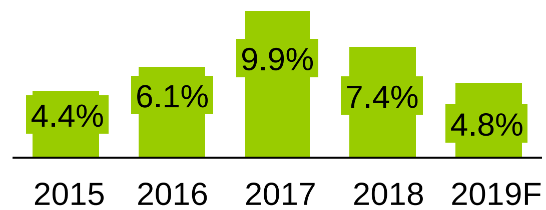
Household consumption



Housing construction permits



Real wage growth



Sources: CSO, NBH; forecasts: OTP Research Centre
[1] Without inter-company loans

otpbank

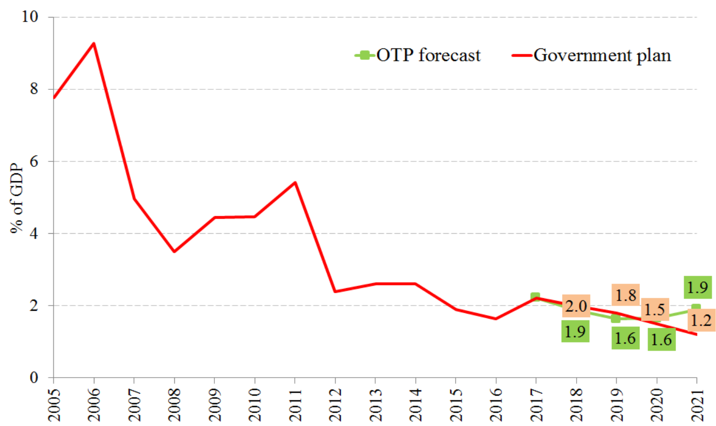
Better-than-expected 2018 budgetary position makes 2019 deficit target safely attainable. The public debt can reach 62.4% by 2021. The current account surplus moderated, while external indebtedness fell further

The budget deficit might have fallen to 1.9% of GDP in 2018, well below the 2.4% target, as a result of higher-than-expected revenues and moderating expenditures. We consider the 2019 deficit target of 1.8% of GDP as safely attainable, although the Government will decide on further measures in March-April, which could add some extra spending.

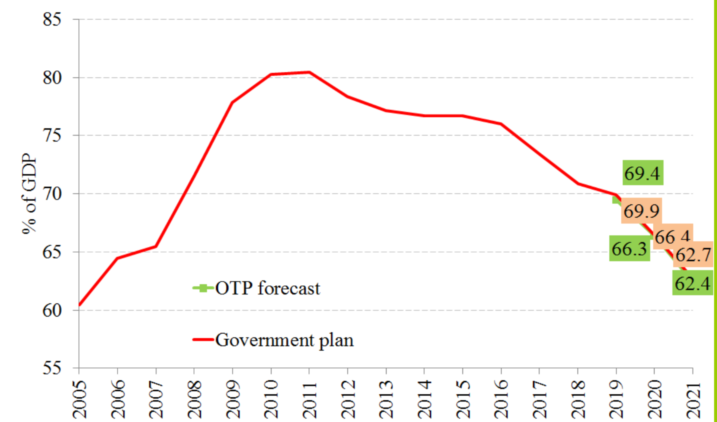
Public debt declined to 70.9% of GDP by end-2018 (from 73.4% a year before) on account of a sizable surplus in the December cash deficit, related to substantial (HUF 740 billion) EU related revenues. We expect the debt reduction to continue as the EU related government balance will improve visibly, and economic growth still remaining robust. Government debt can reach 62.4% by 2021.

The current account balance could sink to 1.3% in 2018 from 3.2% in 2017 as strong domestic demand resulted in higher imports, while the slowdown in Germany and the new emission standards weakened exports. However, as FDI and EU transfers together reach 5% of GDP, gross, net and gross FX external debt compared to GDP fell further.

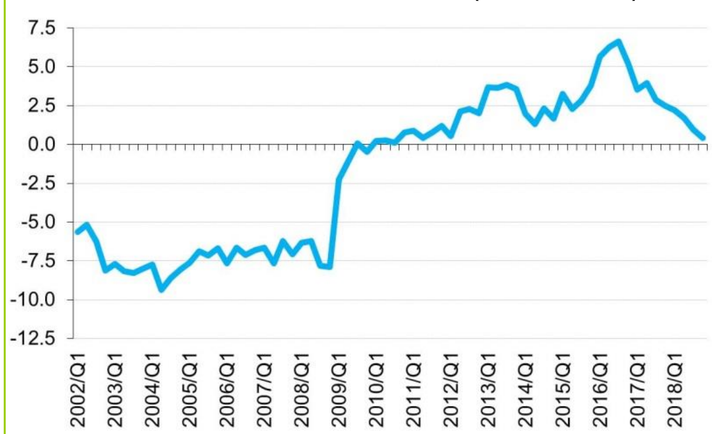
Budget balance (as % of GDP)



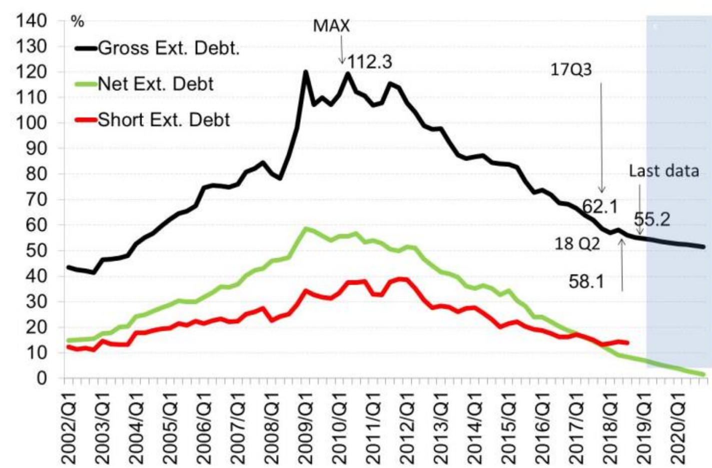
Public debt (as % of GDP, including Eximbank)



Current account balance (as % of GDP)



External debt indicators (as % of GDP)



Sources: HCSO, MNB, 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).

The zero interest rate environment may come to an end in 2019

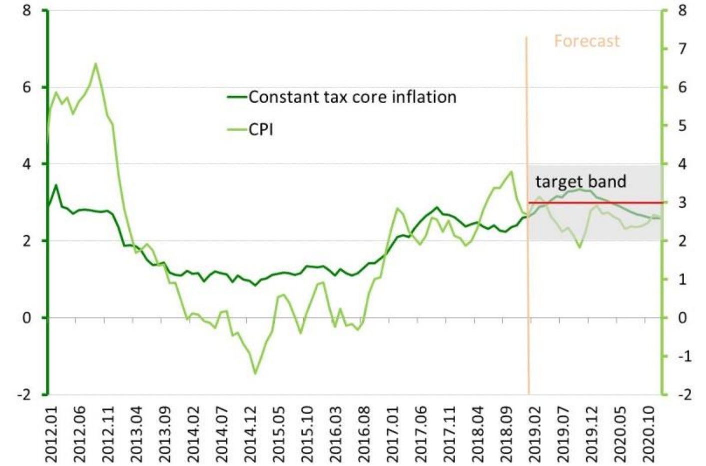
Despite the headline inflation fell below the MNB' target in the last two months, the closely watched constant tax core inflation reached the threshold level and it can accelerate further in the coming quarters.

Under the baseline scenario, the rising constant tax core inflation could prompt the MNB to start the normalization of monetary policy in March, when the new Inflation Report is released.

As the first step, the O/N deposit rate may rise. Then the MNB can gradually reduce the outstanding amount of FX swaps. The reduction of the FX swap volume will initially just counterbalance the liquidity increasing effect of phasing out the preferential deposits, from the end of February, so its effect on the monetary conditions will be minor at the beginning.

We expect these measures to become effective later on, so the MNB could drive up BUBOR rates by 20-30 bps quarterly to around 0.9% by the end of 2019, such move could be followed by a base rate hike in 1H 2020.

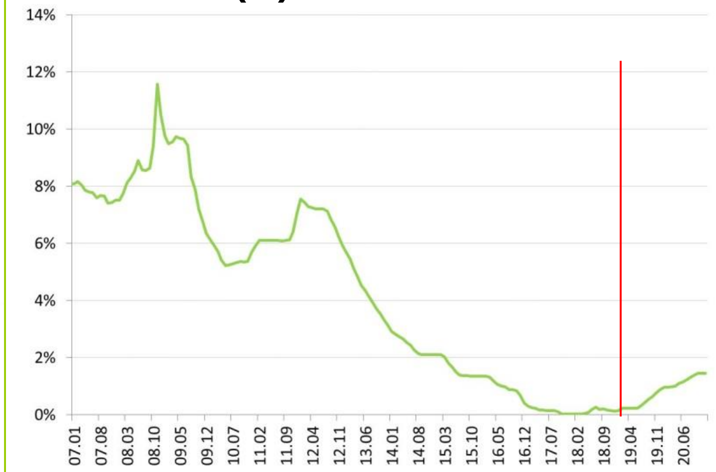
Inflation (y-o-y, %)



Real Wage growth in the economy (y-o-y,%)

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

3M BUBOR (%)



Sources: HCSO, NBH, Reuters, OTP Research

Hungary

Hungarian economic growth may have reached the cyclical peak in 2018, but the GDP growth may remain strong even under a deteriorating external environment

Key economic indicators	2014	2015	2016	2017	OTP Research 2018	OTP Research 2019F	Focus Economics* 2018F	Focus Economics* 2019F
Nominal GDP (at current prices, HUF billion)	32,541	34,332	35,422	38,285	**42,007**	**44,850**	**41,227**	**43,906**
Real GDP change	4.2%	3.5%	2.3%	4.1%	**4.9%**	**4.0%**	**4.7%**	**3.4%**
Household final consumption	2.4%	3.7%	3.4%	4.1%	**4.6%**	**3.9%**	**5.1%**	**3.9%**
Household consumption expenditure	2.8%	3.9%	4.0%	4.7%	**5.3%**	**4.5%**		
Collective consumption	10.0%	0.0%	0.9%	2.0%	**-2.1%**	**1.7%**	**1.0%**	**1.1%**
Gross fixed capital formation	12.3%	4.7%	-11.7%	18.2%	**16.5%**	**9.8%**	**16.5%**	**7.8%**
Exports	9.1%	7.2%	5.1%	4.7%	**4.7%**	**7.0%**		
Imports	11.0%	5.8%	3.9%	7.7%	**7.1%**	**8.1%**		
General government balance (% of GDP)	-2.6%	-1.9%	-1.6%	-2.2%	**-1.9%**	**-1.6%**	**-2.2%**	**-2.0%**
General government debt (% of GDP ESA 2010)	76.6%	76.7%	76.0%	73.6%	**70.9%**	**69.4%**	**70.9%**	**69.7%**
Current account (% of GDP)**	1.5%	2.8%	6.3%	3.2%	**1.3%**	**0.7%**	**1.6%**	**1.2%**
Gross external debt (% GDP)***	82.4%	73.0%	67.9%	58.9%				
FX reserves (in EUR billion)	34.6	30.3	24.4	23.4				
Gross real wages	3.8%	4.4%	6.1%	9.9%	**7.4%**	**4.8%**		
Gross real disposable income	4.8%	5.0%	2.1%	4.6%	**6.3%**	**3.9%**		
Employment (annual change)	5.3%	2.7%	3.4%	1.6%	**1.2%**	**0.2%**		
Unemployment rate (annual average)	7.7%	6.8%	5.1%	4.2%	**3.7%**	**3.0%**	**3.7%**	**3.6%**
Inflation (annual average)	-0.2%	-0.1%	0.4%	2.4%	**2.8%**	**2.7%**	**2.8%**	**3.1%**
Base rate (end of year)	2.10%	1.35%	0.41%	0.03%	**0.13%**	**0.88%**	**0.13%**	**0.82%**
1Y Treasury Bill (average)	2.28%	1.17%	0.77%	0.09%	**0.25%**	**0.64%**		
Real interest rate (average. ex post)****	2.5%	1.2%	0.4%	-2.4%	**-2.5%**	**-2.0%**		
EUR/HUF exchange rate (end of year)	314.9	313.1	311.0	310.1	**321.5**	**320.0**	**321.5**	**321.0**

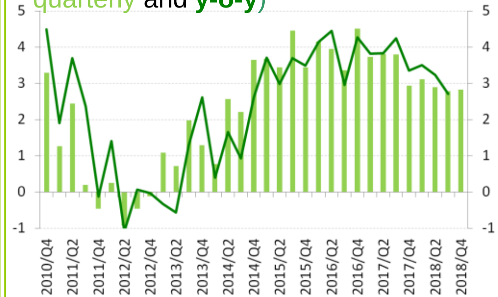
Source: CSO, National Bank of Hungary.
* February 2019 consensus . **Official data of balance of payments (excluding net errors and omissions).
*** w/o FDI related intercompany lending. last data. **** = (1+ Yield of the 1Y Treasury Bill (average)) / (1+ annual average inflation) – 1

Bulgaria: maintained good economic performance; Croatia: solid but moderating GDP growth with improving balance indicators; Romania: stellar GDP growth, but the budget execution remains a major risk factor

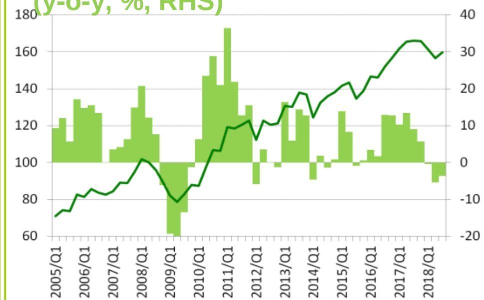
Bulgaria

Preliminary estimates for 4Q GDP data (+3.1% y-o-y, +0.7% q-o-q) suggest growth to be in line with previous quarters, but underlying indicators reveal a more fragile outlook. In 2018 exports fell (Turkey, Russia), and we only expect a partial rebound due to weakness in the European economy. The growth of real wage amount decelerated as labor market reserves are exhausted, which could indicate a slowdown of household consumption growth.

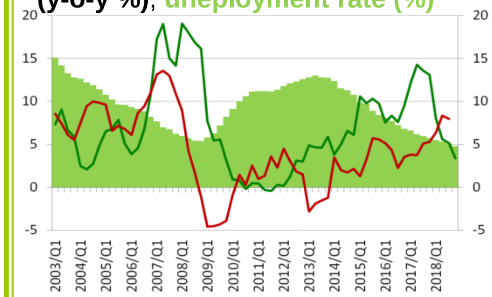
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Exports (2010=100; LHS) & **growth (y-o-y, %, RHS)**



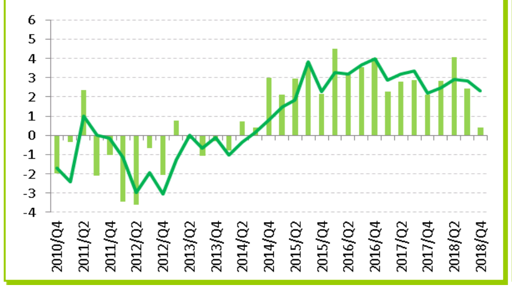
Real wage amount & **hh. cons. (y-o-y %)**, **uneployment rate (%)**



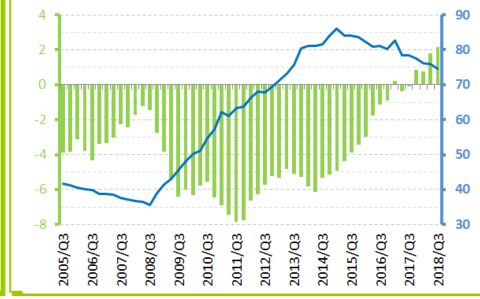
Croatia

GDP growth turned out at 2.6% in 2018. Despite strong private sector domestic demand, 4Q data came out at surprisingly low of 2.3% y-o-y on account of sharp slowdown in government consumption and exports. Balance indicators showed further improvement: as government budget surplus increased to 2.1% by 3Q and debt fell below 75% of GDP. The country could enter ERM2 in 2020, which could be followed by eurozone entry.

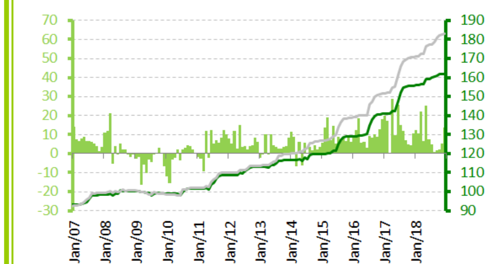
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



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



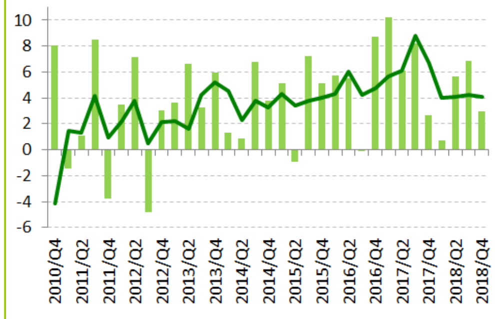
Tourist nights (3M, y-o-y, LHS) & tourist nights, tourist arrivals (12M, 2010 = 100)



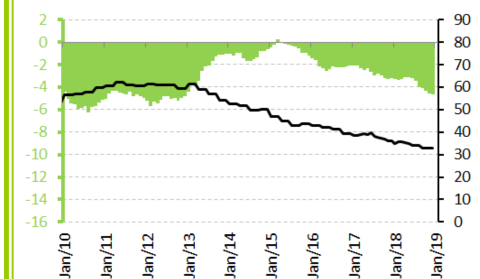
Romania

In 2018 as a whole and in 4Q GDP grew by 4.1% y-o-y, while q-o-q growth was 0.7% in 4Q. Growth was driven by consumption boosted by fast real wage growth, while gross fixed capital formation fell on weaker public investments and higher financing costs in the private sector. Due to overheated demand the CA balance widened further, but it is still covered by FDI and EU transfers, so external debt moderates. As inflation returned to the target band of the central bank, the rate hiking cycle has come to an end, at least for a while.

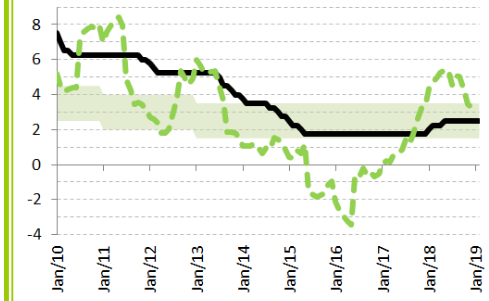
Real GDP growth (%, SA annualized q-o-q and NSA y-o-y)



Current account deficit (4Q avg. r.h.s.), external debt (in % of GDP, l.h.s)



Headline inflation, target band (y-o-y; %), and the **policy rate** (%)



Source: Eurostat, national banks and statistical offices

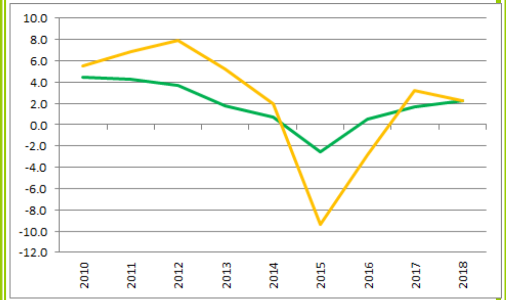
otpbank

Russia: slow recovery continues, oil prices help to accumulate reserves, geopolitical risks increase
Ukraine: GDP growth was 3.4% y-o-y in 4Q 2018, inflation is below 10%, rate cuts are unlikely in the near future

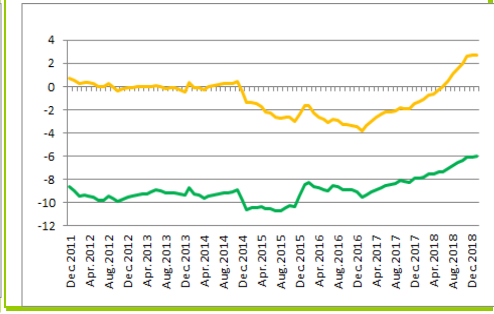
Russia

GDP growth stood at 2.3% in 2018. Higher oil prices brought the budget into a 2.7% surplus, improved the current account, piled up FX reserves. Inflation increased on account of rising food prices and the January VAT hike. The RUB/USD as well as government bond yields stabilized after September 2018. This was helped by CBR rate hikes in September and December (to 7.75%). We expect economic growth to slow this year (to 1.8%), but it could recover thereafter to around 2% per annum. Growth will be supported by the gradual loosening of macro policies as well as reform measures. Renewed US sanctions pose downside risks, while stronger-than-expected effect of policy loosening points to the upside.

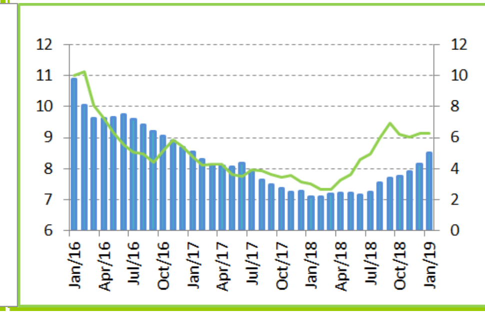
Real GDP growth and household consumption expenditure (y-o-y, %)



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



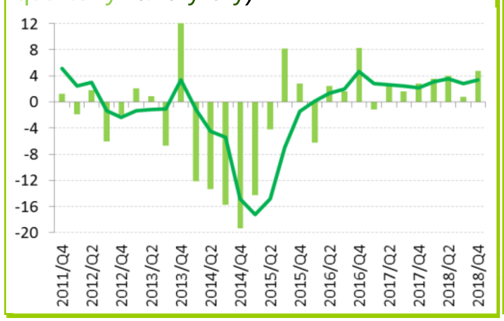
Government bond yield (l.a.%) and **inflation** (r.a.%)



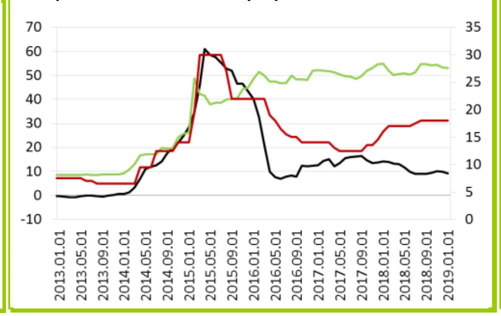
Ukraine

GDP increased by 3.4% y-o-y in 4Q 2018, which translates 3.3% yearly growth for 2018. Growth in 2018 was driven by the increase in domestic demand. Inflation decreased from 14.5% from December 2017 to 10.9% in December 2018 due to the restrictive monetary policy by the NBU. No more rate hikes are expected, but rate cuts are not likely either in the near future. The new, USD 3.9 billion worth of IMF program runs until 1Q 2020. After that a new IMF program is a must in order to avoid financing difficulties.

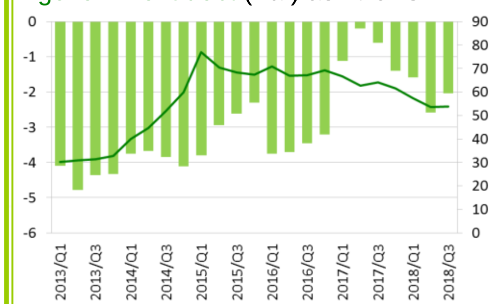
Real GDP growth (%, SA, annualized quarterly* and y-o-y)



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



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



Source: 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

	2016	2017	2018	2019F
Hungary	2.3%	4.1%	4.9%	4.0%
Ukraine	-2.3%	2.5%	3.3%	2.7%
Russia	0.5%	1.6%	2.3%	1.8%
Bulgaria	3.9%	3.6%	3.1%	3.2%
Romania	4.8%	6.9%	4.1%	3.0%
Croatia	3.5%	2.9%	2.6%	2.7%
Slovakia	3.1%	3.2%	4.1%	3.6%
Serbia	3.3%	2.0%	4.3%	3.3%
Montenegro	2.9%	4.7%	4.9%	3.1%

EXPORT GROWTH

	2016	2017	2018	2019F
Hungary	5.1%	4.7%	4.7%	7.0%
Ukraine	-1.6%	3.6%	9.3%	3.0%
Russia	3.2%	5.0%	6.3%	3.5%
Bulgaria	8.1%	5.8%	-0.8%	5.0%
Romania	8.7%	9.7%	4.7%	4.5%
Croatia	5.6%	6.4%	2.8%	3.0%
Slovakia	5.5%	5.9%	4.8%	6.0%
Serbia	11.9%	8.2%	8.9%	8.5%
Montenegro	5.9%	1.8%	9.5%	4.9%

UNEMPLOYMENT

	2016	2017	2018	2019F
Hungary	5.1%	4.2%	3.7%	3.0%
Ukraine	9.7%	9.9%	8.8%	8.4%
Russia	5.5%	5.2%	4.8%	4.5%
Bulgaria	7.6%	6.2%	5.2%	5.0%
Romania	5.9%	4.9%	4.2%	4.1%
Croatia	13.3%	11.1%	8.5%	8.0%
Slovakia	9.7%	8.1%	6.6%	6.5%
Serbia	15.3%	13.5%	13.3%	12.5%
Montenegro	17.7%	16.1%	15.4%	15.6%

BUDGET BALANCE*

	2016	2017	2018	2019F
Hungary	-1.6%	-2.2%	-1.9%	-1.6%
Ukraine	-2.3%	-1.4%	-2.5%	-2.5%
Russia	-3.4%	-1.4%	2.7%	1.7%
Bulgaria	0.2%	0.9%	0.4%	-0.9%
Romania	-3.0%	-2.9%	-3.0%	-3.0%
Croatia	-0.9%	0.8%	0.0%	0.2%
Slovakia	-2.2%	-0.8%	-1.0%	-0.5%
Serbia	-1.2%	1.1%	0.6%	-0.5%
Montenegro	-3.3%	-5.5%	-3.0%	-2.9%

CURRENT ACCOUNT BALANCE

	2016	2017	2018	2019F
Hungary	6.3%	3.2%	1.3%	0.7%
Ukraine	-1.5%	-1.9%	-3.5%	-3.3%
Russia	1.9%	2.1%	7.0%	6.1%
Bulgaria	2.3%	4.4%	4.5%	2.6%
Romania	-2.1%	-3.2%	-4.6%	-5.0%
Croatia	2.6%	4.1%	2.7%	2.2%
Slovakia	-2.1%	-1.9%	-1.5%	-1.0%
Serbia	-2.9%	-5.2%	-5.2%	-5.0%
Montenegro	-16.3%	-16.2%	-17.6%	-16.2%

INFLATION

	2016	2017	2018	2019F
Hungary	0.4%	2.4%	2.8%	2.7%
Ukraine	13.9%	13.4%	10.9%	9.1%
Russia	7.1%	3.7%	2.9%	5.1%
Bulgaria	-0.8%	-2.1%	2.9%	3.0%
Romania	-1.5%	1.3%	4.6%	3.0%
Croatia	-1.1%	1.2%	1.5%	0.9%
Slovakia	-0.5%	1.3%	2.5%	2.4%
Serbia	1.1%	3.2%	2.0%	3.0%
Montenegro	-0.3%	2.4%	2.6%	2.5%

Source: OTP Research

* For EU members, deficit under the Maastricht criteria

Forward looking statements

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of OTP Bank. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this announcement should be construed as a guaranteed profit forecast.

otpbank

Investor Relations & Debt Capital Markets

Tel: + 36 1 473 5460; + 36 1 473 5457

Fax: + 36 1 473 5951

E-mail: investor.relations@otpbank.hu

www.otpbank.hu