

OTP Group

First nine months 2018 results

Conference call – 9 November 2018

László Bencsik

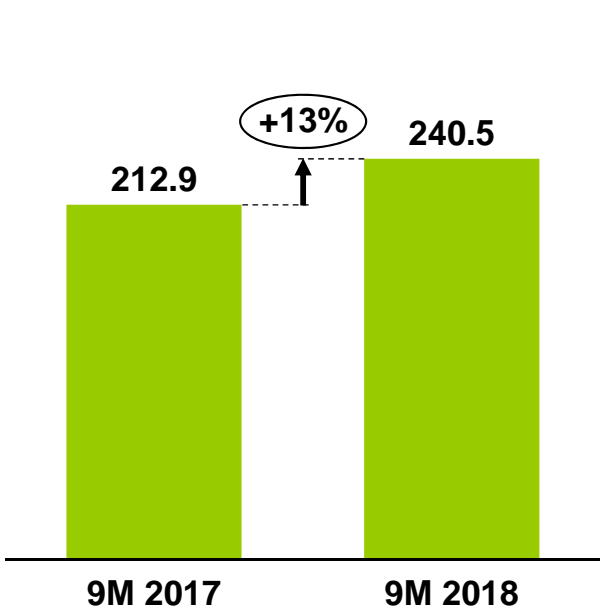
Chief Financial and Strategic Officer



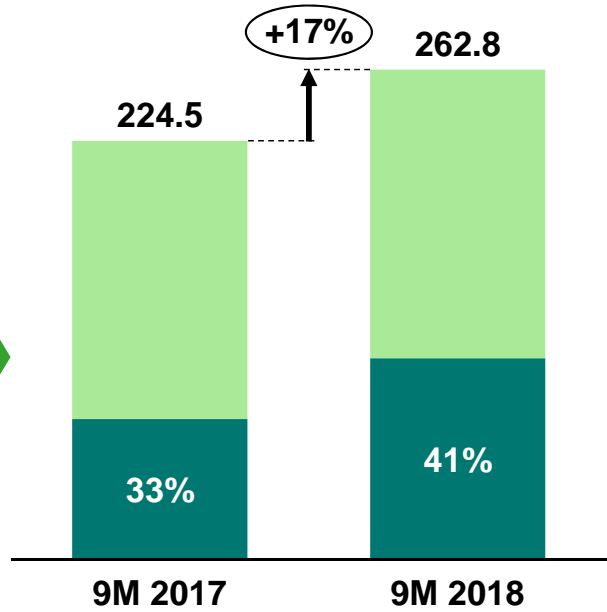
The accounting profit grew by 13% y-o-y in 9M 2018, while the adjusted profit increased by 17%. 9M profit contribution of foreign subsidiaries improved to 41%, whereas in 3Q this ratio was 45%

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

Accounting profit after tax



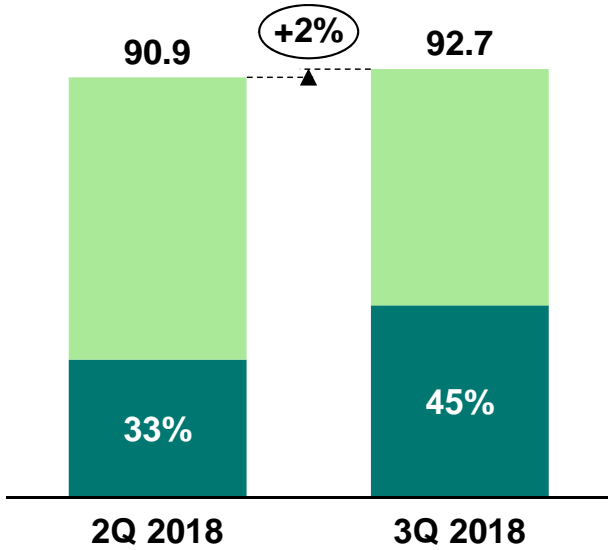
Adjusted profit after tax



| Adjustments (after tax) | 9M 2017 | 9M 2018 |
|-------------------------|--------------|-------------------|
| Banking tax | -15.1 | -15.1 |
| Goodwill impairment | -0.5 | -5.3 |
| Other | 3.9 | -2.0 ¹ |
| Total | -11.7 | -22.3 |

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

Adjusted profit after tax



■ Hungarian subsidiaries
■ Foreign subsidiaries

¹ Of which -HUF 2.9 billion effect of acquisitions; +0.3 dividends and net cash transfer; +0.6 impact of fines imposed by the Hungarian Competition Authority.

The growth of consolidated profit was mainly shaped by the impressive performance improvement of foreign subsidiaries, especially in Ukraine and Croatia

| | 9M 2017 | 9M 2018 | Y-o-Y | 3Q 2017 | 2Q 2018 | 3Q 2018 | Q-o-Q | Y-o-Y | |
|--|----------------|--------------|------------|----------------|-------------|-------------|-----------|------------|----|
| | in HUF billion | | | in HUF billion | | | | | |
| Consolidated adjusted | 224.5 | 262.8 | 17% | 79.5 | 90.9 | 92.7 | 2% | 17% | |
| OTP Core (Hungary) | 136.9 | 139.6 | 2% | 46.7 | 56.3 | 44.3 | -21% | -5% | |
| DSK (Bulgaria) | 36.7 | 38.4 | 5% | 11.3 | 12.9 | 14.3 | 11% | 26% | |
| OBRu¹ (Russia) | 16.3 | 21.4 | 18.9 | 16% | 5.1 | 6.4 | 5.6 | 6.1 | 8% |
| Touch Bank¹ (Russia) | | -5.2 | - | | | -1.3 | - | - | |
| OBH (Croatia, with Splitska banka) | 11.1 | 20.9 | 89% | 6.0 | 4.5 | 8.7 | 92% | 45% | |
| OBU (Ukraine) | 8.9 | 18.2 | 105% | 3.1 | 5.4 | 7.0 | 28% | 127% | |
| OBR (Romania) | 2.1 | 4.8 | 130% | 1.2 | -0.1 | 3.4 | | 180% | |
| OBSrb (Serbia, with Vojvodjanska banka) | -1.3 | 1.3 | | 0.2 | 1.0 | -0.2 | | | |
| CKB (Montenegro) | 0.7 | 2.3 | 243% | 0.7 | 0.7 | 0.9 | 34% | 35% | |
| OBS (Slovakia) | -0.6 | 0.6 | | -0.3 | -0.9 | 0.7 | | | |
| Leasing (HUN, RO, BG, CR) | 7.1 | 7.5 | 6% | 2.9 | 2.3 | 2.7 | 18% | -6% | |
| OTP Fund Management (Hungary) | 3.2 | 2.7 | -16% | 1.2 | 0.8 | 0.8 | -3% | -31% | |
| Corporate Centre and others | 3.6 | 7.6 | 113% | 1.6 | 2.4 | 4.2 | 73% | 165% | |

¹ Starting from 1Q 2018 the performance of Touch Bank is presented as part of OBRu (OTP Bank Russia). Until 4Q 2017 Touch Bank was presented separately.

In 3Q 2018 there were two significant negative adjustment items: the goodwill write-down and the effect of acquisitions covering mainly the acquisition-related integration costs

| (in HUF billion) | 9M 17 | 9M 18 | Y-o-Y | 3Q 17 | 2Q 18 | 3Q 18 | Q-o-Q | Y-o-Y |
|--|--------------|--------------|------------|-------------|-------------|-------------------|------------|------------|
| Consolidated after tax profit (accounting) | 212.9 | 240.5 | 13% | 79.3 | 89.5 | 85.9 | -4% | 8% |
| Adjustments (total) | -11.7 | -22.3 | 91% | -0.2 | -1.4 | -6.8 | | |
| Dividends and net cash transfers (after tax) | 0.6 | 0.3 | -50% | 0.3 | 0.2 | 0.0 | -85% | -92% |
| Goodwill/investment impairment charges (after tax) | -0.5 | -5.3 | | -0.2 | 0.5 | -5.7 ¹ | | |
| Special tax on financial institutions (after corporate income tax) | -15.1 | -15.1 | 0% | -0.2 | -0.2 | -0.2 | -1% | 13% |
| Impact of fines imposed by the Hungarian Competition Authority (after tax) | 0.2 | 0.6 | 220% | 0.0 | 0.0 | 0.6 ² | | |
| Effect of acquisitions (after tax) | 3.0 | -2.9 | | -0.2 | -1.8 | -1.4 ³ | -21% | |
| Consolidated adjusted after tax profit | 224.5 | 262.8 | 17% | 79.5 | 90.9 | 92.7 | 2% | 17% |

¹ -HUF 5.7 billion goodwill write-off on consolidated level related to an OTP Core member company servicing the Group (>90%). On standalone level there was no change in valuation, therefore there was no tax impact.

² +HUF 0.6 billion was related to the revision of the fine imposed by the Hungarian Competition Authority (GVH) back in 2013. In 2016 the Hungarian Supreme Court obliged GVH to conduct a new process, as a result GVH set a lower fine for OTP Bank in August 2018 (HUF 1,435 billion). Simultaneously, OTP Bank released provision set aside earlier for that purpose.

³ -HUF 1.4 billion acquisition effect (after tax) was related mainly to integration costs at Splitska banka and Vojvodjanska banka.

3Q operating profit improved by 7% q-o-q, whereas the 9M operating profit without acquisitions grew by 3%

| (in HUF billion) | 9M 17 | 9M 18 | Y-o-Y | 9M 18 without M&A ¹ | Y-o-Y | 3Q 17 | 2Q 18 | 3Q 18 | Q-o-Q | Y-o-Y |
|---|--------------|--------------|------------|-----------------------------------|------------|-------------|-------------|--------------|-----------|------------|
| Consolidated adjusted after tax profit | 224.5 | 262.8 | 17% | 247.3 | 14% | 79.5 | 90.9 | 92.7 | 2% | 17% |
| Corporate tax | -30.8 | -32.7 | 6% | -29.7 | 4% | -9.3 | -10.9 | -11.3 | 4% | 22% |
| Profit before tax | 255.4 | 295.5 | 16% | 277.0 | 13% | 88.8 | 101.8 | 104.0 | 2% | 17% |
| Total one-off items | 3.8 | 4.1 | 6% | 4.1 | 6% | 1.0 | 5.3 | 0.6 | -88% | -36% |
| Result of the Treasury share swap agreement | 3.8 | 4.1 | 6% | 4.1 | 6% | 1.0 | 5.3 | 0.6 | -88% | -36% |
| Profit before tax (adjusted, without one-offs) | 251.5 | 291.4 | 16% | 272.9 | 13% | 87.8 | 96.5 | 103.4 | 7% | 18% |
| Operating profit without one-offs | 278.1 | 297.3 | 7% | 277.3 | 3% | 92.1 | 98.6 | 105.9 | 7% | 15% |
| Total income without one-offs | 596.1 | 654.0 | 10% | 602.9 | 5% | 202.8 | 219.9 | 227.7 | 4% | 12% |
| Net interest income | 406.1 | 443.4 | 9% | 409.7 | 4% | 137.0 | 145.9 | 153.9 | 5% | 12% |
| Net fees and commissions | 151.4 | 164.1 | 8% | 152.5 | 4% | 53.0 | 56.7 | 57.8 | 2% | 9% |
| Other net non interest income without one-offs | 38.6 | 46.4 | 20% | 40.8 | 12% | 12.7 | 17.3 | 16.0 | -8% | 25% |
| Operating costs | -318.0 | -356.6 | 12% | -325.6 | 6% | -110.7 | -121.4 | -121.8 | 0% | 10% |
| Total risk cost | -26.6 | -5.9 | -78% | -4.4 | -83% | -4.3 | -2.1 | -2.5 | 22% | -40% |

¹ The 9M 2018 numbers and y-o-y changes without acquisitions do not include the contribution from the Croatian Splitska banka and the Serbian Vojvodjanska banka and their Leasing companies.

Miscellaneous

Guidance for 2018 adjusted earnings

According to the guidance provided by the Chairman-CEO on 20 September 2018 at a professional conference organized by the Budapest Stock Exchange, the **full-year 2018 adjusted after tax profit of OTP Group** might reach **EUR 1 billion equivalent** (subject to EURHUF rate).

Amendments to housing subsidy schemes in Hungary

In accordance with a legislative change effective from 17 October 2018 the state subsidy for new **building society** contracts was phased out (the subsidy in the case of already existing contracts won't change). Simultaneously, the Government suggested that the potential savings in the central budget would be re-allocated for extending the **Housing Subsidy for Families scheme (CSOK)**. As a result, on 25 October the Government decided on extending the CSOK, in particular families with two children will be eligible for a preferential housing loan in the amount of up to HUF 10 million (with fix 3% interest rate), whereas the original amount of HUF 10 million preferential loan for families with three children will be increased to HUF 15 million. New conditions are expected to come into force already this year.

Bank tax rate cut from 2019 in Hungary

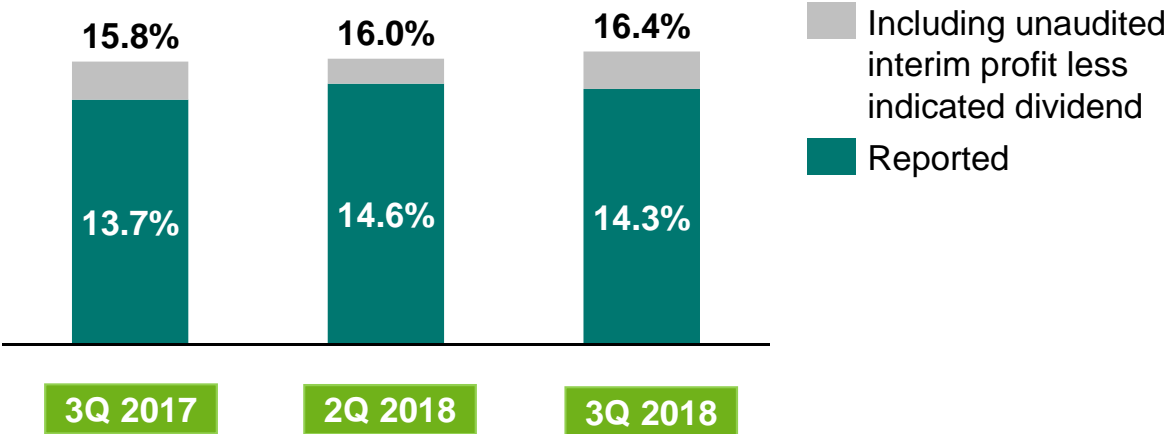
In October 2018 the Government submitted certain tax modifications, accordingly effective from 2019 the rate of the banking tax will be reduced from 0.21% to **0.20%**.

Extension of the preferential VAT for on-going new house buildings

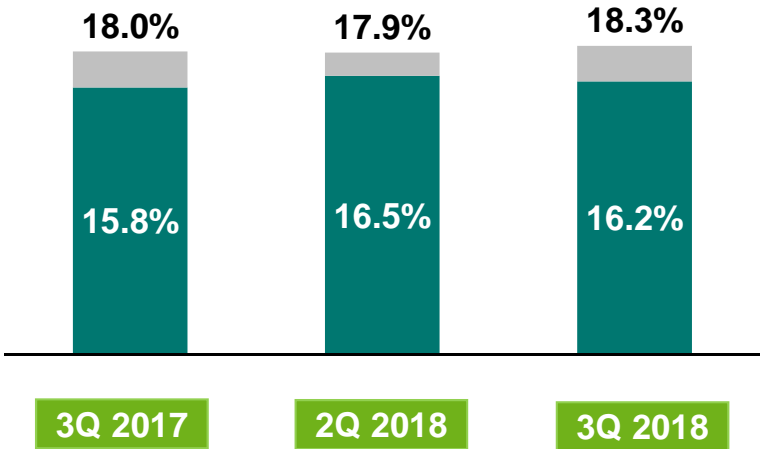
Having consulted with the representatives of the construction sector, on 7 November 2018 the Finance Minister proposed the extension of the deadline for applying the preferential 5% VAT rate until 31 December 2023 (against the originally planned phase-out date of 31 December 2019) in case of newly-built houses provided the final building permit was obtained by 1 November 2018. The proposal has yet to be approved by the Parliament.

Strong capital and liquidity position coupled with robust internal capital generation make room for strong organic growth and further acquisitions

Development of the fully loaded CET1 ratio of OTP Group



Development of the CAR ratio of OTP Group



Net liquidity reserves
(in EUR billion equivalent)



External debt¹
(in EUR billion equivalent)



Net liquidity buffer / total assets (%)



Consolidated net loan to deposit ratio









¹ Senior bonds, mortgage bonds, bilateral loans

OTP demonstrated strong results at the 2018 EBA stress test

CET1 ratio under the adverse scenario: No. 16

Under the adverse scenario out of 48 participants OTP reached 16th place in CET1 ratio ranking. Amongst regional banks active in the CEE region, this is the second best result.







During the previous stress test (2016) OTP secured the 27th place among 51 banks.

| CET1 ratio | 4Q 2017 (restated*) | Adverse 4Q 2020 | Ranking |
|---|------------------------|--------------------|-----------|
|  | 16.0% | 13.6% | 13 |
|  | 14.9% | 12.4% | 16 |
|  | 12.5% | 9.7% | 28 |
|  | 11.8% | 9.7% | 29 |
|  | 12.7% | 9.3% | 31 |
|  | 13.0% | 8.5% | 39 |

CET1 ratio drawdown under the stress scenario: No. 9

From 48 participants OTP reached 9th place in terms of the CET1 ratio drawdown under the adverse scenario.

This compares with the 32th place achieved in 2016.

| CET1 ratio | 4Q 2017 (restated*) | Adverse 4Q 2020 | Delta | Delta Ranking |
|---|------------------------|--------------------|---------------|------------------|
|  | 11.8% | 9.7% | -2.2%p | 6 |
|  | 16.0% | 13.6% | -2.4%p | 7 |
|  | 14.9% | 12.4% | -2.5%p | 9 |
|  | 12.5% | 9.7% | -2.7%p | 14 |
|  | 12.7% | 9.3% | -3.3%p | 18 |
|  | 13.0% | 8.5% | -4.6%p | 30 |

* Including the effect of IFRS9 introduction

Total income grew by 10% y-o-y in 9M 2018, driven partly by the acquisitions, without those the yearly dynamics would have been 5%. The q-o-q increase was due to improving business activity and seasonality

Effect of acquisitions

| TOTAL INCOME without one-off items | | 9M 2018 (HUF billion) | 3Q 2018 (HUF billion) | 9M 2018 Y-o-Y (HUF billion, %) | | 3Q 2018 Q-o-Q (HUF billion, %) | | |
|---------------------------------------|-------------------------------------|--------------------------|--------------------------|-----------------------------------|----|-----------------------------------|----|-----|
| | OTP Group | 654 | 228 | 27 | 58 | 5% ¹ /10% | 8 | 4% |
| | OTP CORE (Hungary) | 284 | 97 | 10 | | 4% | 0 | -1% |
| | DSK (Bulgaria) | 80 | 28 | -1 | | -1% | 2 | 9% |
| | OBRu³ (Russia) | 96 | 33 | 1 | | 1%/11% ² | 2 | 5% |
| | OBH (Croatia) | 59 | 21 | 0 | 15 | 0% ¹ /33% | 1 | 6% |
| | OBU (Ukraine) | 33 | 13 | 8 | | 30%/38% ² | 2 | 16% |
| | OBR (Romania) | 22 | 8 | 1 | | 6% | 1 | 12% |
| | OBSr (Serbia) | 22 | 8 | 1 | 16 | 23% ¹ /265% | 1 | 11% |
| | CKB (Montenegro) | 8 | 3 | 1 | | 16% | 0 | 12% |
| | OBS (Slovakia) | 11 | 4 | -2 | | -15% | 0 | 2% |
| | Others | 38 | 13 | 9 | | 30% | -1 | -5% |

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 slight q-o-q decrease was due to negative technical items and base effect, despite improving net interest income.

2 At DSK the strong q-o-q revenue growth was reasoned mainly by technical items related to NII and net fee income.

3 The Russian 9M total revenues grew by 11% y-o-y in RUB terms, mainly due to stronger NII and net fees. 3%-points income growth was related to the incorporation of Touch Bank. The quarterly improvement was induced mainly by stronger new disbursements and growing loan volumes.

4 The q-o-q increase at OBH was due to seasonally stronger other revenues amid the peak tourism season.

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

6 The Romanian total income enjoyed the positive effect of expanding margin and further pick-up in loan volumes.

¹ Changes without acquisitions.

² Changes in local currency.

³ Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

The cumulated net interest income grew by 4% y-o-y even without acquisitions. On quarterly basis higher business activity and margin expansion drove the NII growth

■ Effect of acquisitions

| NET INTEREST INCOME | | 9M 2018 (HUF billion) | 3Q 2018 (HUF billion) | 9M 2018 Y-o-Y (HUF billion, %) | | 3Q 2018 Q-o-Q (HUF billion, %) | | |
|---------------------|-------------------------------------|--------------------------|--------------------------|-----------------------------------|----|-----------------------------------|----|------|
| | OTP Group | 443 | 154 | 17 | 37 | 4% ¹ /9% | 8 | 5% |
| | OTP CORE (Hungary) | 183 | 63 | 9 | | 5% | 3 | 5% |
| | DSK (Bulgaria) | 52 | 18 | -2 | | -4% | 1 | 8% |
| | OBRu³ (Russia) | 76 | 26 | -1 | | -1%/8% ² | 1 | 4% |
| | OBH (Croatia) | 41 | 14 | 0 | 10 | 2% ¹ /32% | 0 | -1% |
| | OBU (Ukraine) | 23 | 9 | 6 | | 36%/43% ² | 1 | 14% |
| | OBR (Romania) | 17 | 6 | 1 | | 5% | 1 | 17% |
| | OBSr (Serbia) | 15 | 5 | 1 | 11 | 16% ¹ /240% | 0 | 8% |
| | CKB (Montenegro) | 6 | 2 | 1 | | 13% | 0 | 8% |
| | OBS (Slovakia) | 8 | 3 | -2 | | -17% | 0 | 2% |
| | Merkantil (Hungary) | 10 | 3 | 1 | | 6% | 0 | 5% |
| | Corporate Centre | 5 | 2 | 3 | | 119% | 0 | 15% |
| | Others | 8 | 2 | 2 | | 44% | -1 | -19% |

1 At OTP Core the 5% y-o-y growth in 9M was due to expanding loans. The strong q-o-q increase in 3Q was shaped mainly by further growth in loan volumes and increasing NIM. The repricing of variable rate loans linked to short term interbank interest rates was positive on NII generation. Moreover, total interest revenues on the securities book and the related swap portfolio improved over the third quarter.

2 At DSK the 4% yearly drop was due to ongoing margin contraction which outweighed the positive effect of higher loan volumes. The q-o-q jump was due to an accounting correction made in 2Q, positively affecting the q-o-q NII dynamics by HUF 0.9 billion.

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. Out of the 8% local currency increase in 9M, 3%-point growth was related to the incorporation of Touch Bank.

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

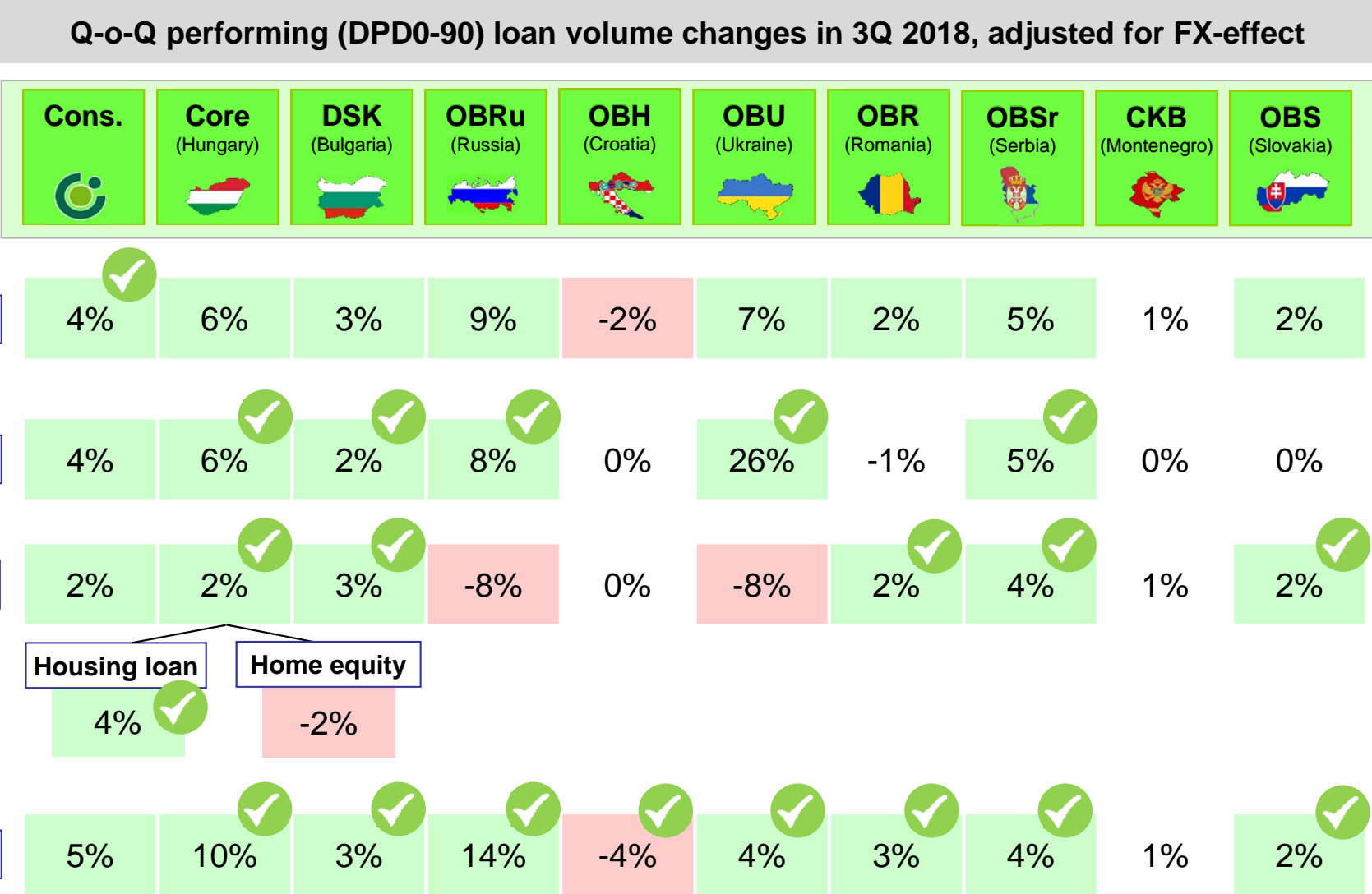
5 The Romanian NII was helped by both expanding loans and better margins amid increasing rate environment.

¹ Changes without acquisitions.

² Changes in local currency.

³ Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

On a quarterly basis the consolidated performing loan portfolio expanded by 4%, Hungary grew by 6%: the corporate and consumer lending remained strong, and housing loans increased by 4%



¹ Loans to MSE and MLE clients and local governments.

Consolidated performing loans surged by 18% y-o-y, the organic growth was 14%. Hungarian organic growth was even higher at 16% with steady consumer and corporate expansion, and housing loan growth above 10%

Y-o-Y performing (DPD0-90) loan volume changes in 3Q 2018, adjusted for FX-effect

| | Cons. | Core (Hungary) | DSK (Bulgaria) | OBRu ³ (Russia) | OBH (Croatia) | OBU (Ukraine) | OBR (Romania) | OBSr (Serbia) | CKB (Montenegro) | OBS (Slovakia) |
|------------------------------|-------------------------|----------------|----------------|----------------------------|---------------|---------------|---------------|--------------------------|------------------|----------------|
| Total | 18% 14% ² | 16% | 12% | 33% | 3% | 26% | 11% | 298% 26% ² | 40% | 3% |
| Consumer | 19% 14% ² | 19% | 6% | 34% | 3% | 95% | 3% | 324% 31% ² | -2% | 0% |
| Mortgage | 7% 6% ² | 6% | 13% | | 2% | -25% | 5% | 413% 25% ² | 4% | 5% |
| Housing loan | 11% | | | | | | | | | |
| Home equity | | | | | | | | | -8% | |
| Corporate¹ | 24% 20% ² | 27% | 16% | 49% | 5% | 21% | 19% | 262% 23% ² | 104% | 1% |

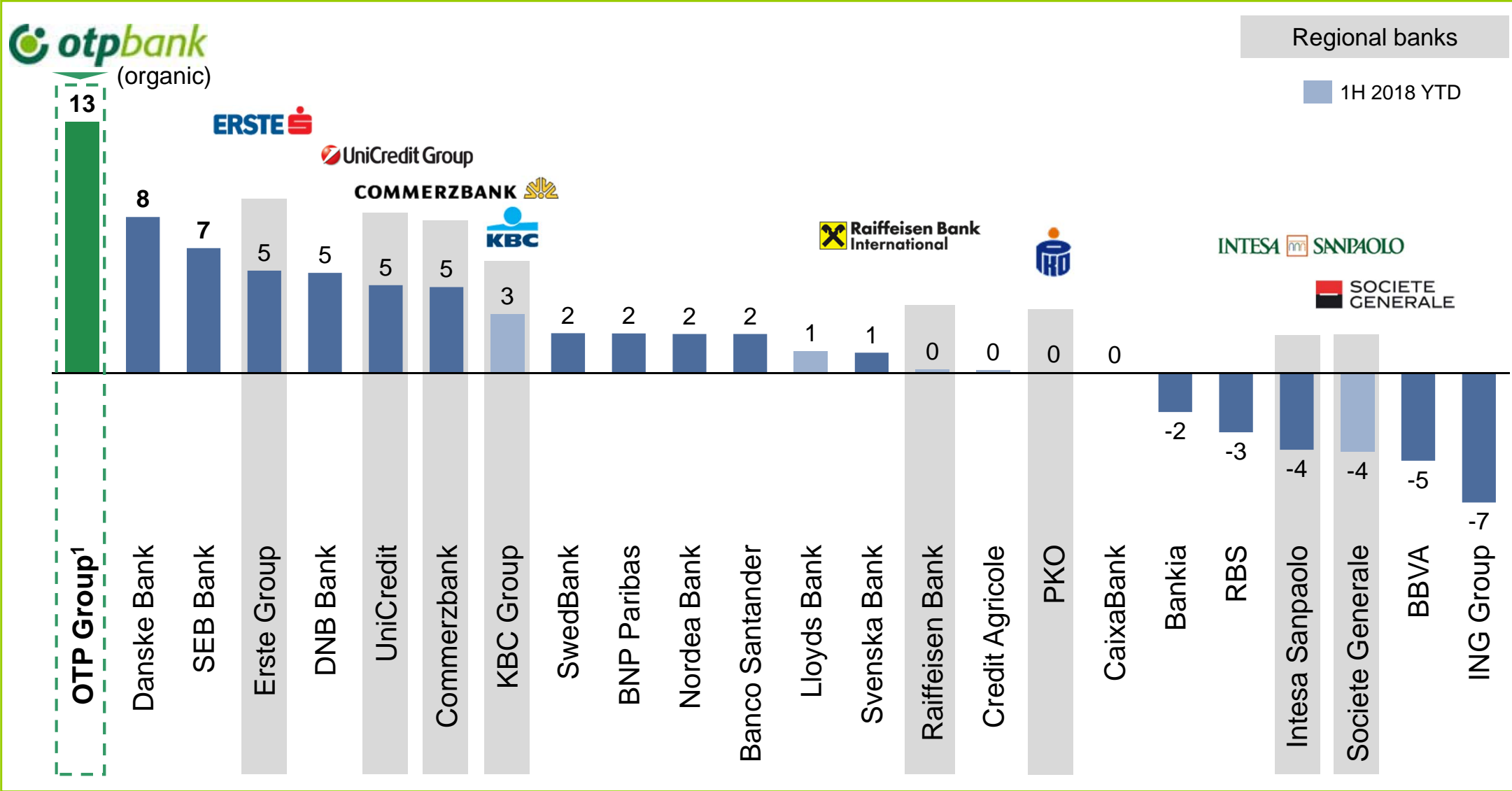
¹ Loans to MSE and MLE clients and local governments.

² Without the effect of Vojvodjanska banka acquisition.

³ The y-o-y changes are affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

The 13% ytd net loan growth of OTP Group stands out from European banking groups

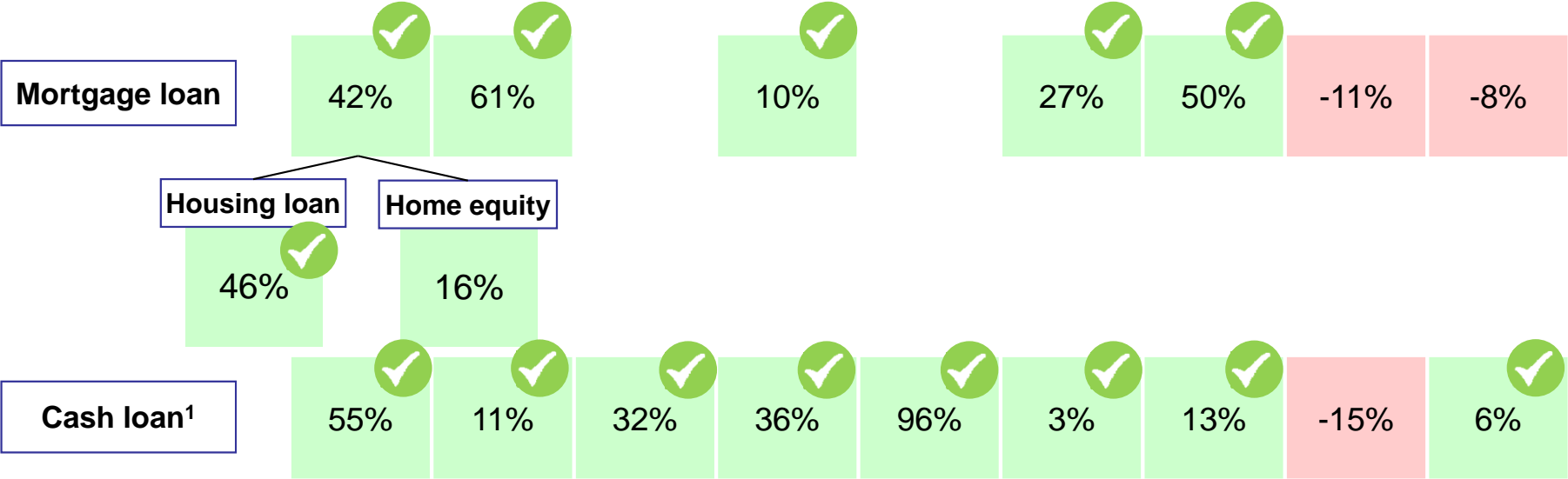
Net loan growth of European banking groups 9M 2018 (YTD, %)



¹ OTP: change in HUF terms. Other banks data are calculated from EUR figures.
Source: SNL banking database.

Household loan disbursements showed strong y-o-y dynamics at OTP Core and the larger foreign subsidiaries

Y-o-Y change of new disbursements (in local currency) – 9M 2018



¹ Including POS loan disbursements in case of DSK (Bulgaria), OBRu (Russia) and OBU (Ukraine)

² The change is affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

The consolidated deposit base increased by 12% y-o-y, the 9% organic growth was driven by steady inflows in Hungary, and strong Russian, Ukrainian, Romanian and Serbian performances

Q-o-Q deposit volume changes in 3Q 2018, adjusted for FX-effect

| | Cons. | Core (Hungary) | DSK (Bulgaria) | OBRu ³ (Russia) | OBH (Croatia) | OBU (Ukraine) | OBR (Romania) | OBSr (Serbia) | CKB (Montenegro) | OBS (Slovakia) |
|------------------------------|-------|----------------|----------------|----------------------------|---------------|---------------|---------------|---------------|------------------|----------------|
| Total | 3% | 2% | 3% | 8% | 2% | 5% | 3% | 0% | 9% | 2% |
| Retail | 3% | 2% | 2% | 6% | 4% | 0% | 5% | 1% | 6% | 0% |
| Corporate¹ | 3% | 2% | 7% | 14% | -1% | 8% | 1% | -3% | 15% | 5% |

Y-o-Y deposit volume changes in 3Q 2018, adjusted for FX-effect

| | Cons. | Core (Hungary) | DSK (Bulgaria) | OBRu ³ (Russia) | OBH (Croatia) | OBU (Ukraine) | OBR (Romania) | OBSr (Serbia) | CKB (Montenegro) | OBS (Slovakia) |
|------------------------------|-------------------------|----------------|----------------|----------------------------|---------------|---------------|---------------|--------------------------|------------------|----------------|
| Total | 12% 9% ² | 12% | 6% | 22% | 2% | 15% | 15% | 317% 11% ² | 8% | 1% |
| Retail | 13% 10% ² | 13% | 11% | 23% | 1% | 18% | 16% | 424% 7% ² | 10% | -2% |
| Corporate¹ | 11% 8% ² | 10% | -9% | 19% | 4% | 14% | 15% | 220% 14% ² | 6% | 6% |

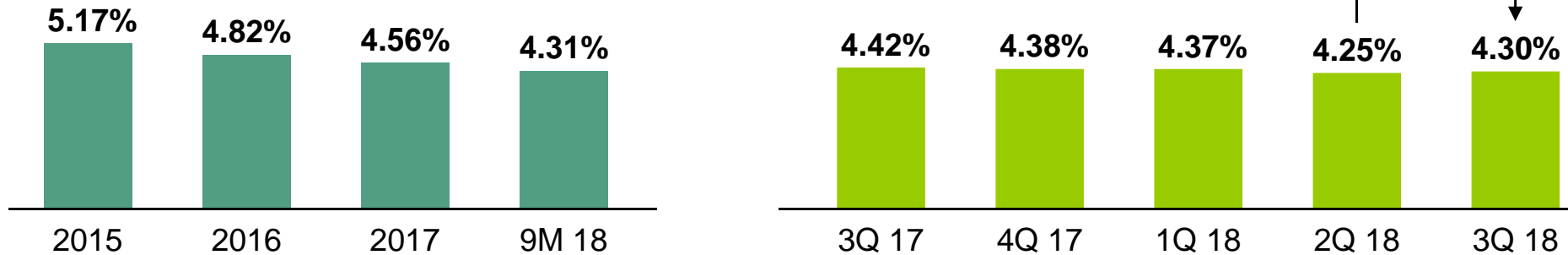
¹ Including SME, LME and municipality deposits

² Without the effect of Vojvodjanska banka acquisition.

³ The y-o-y changes are affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

The consolidated net interest margin widened by 5 bps q-o-q, as a result 9M NIM declined by 7 bps compared to 4Q 2017

Net interest margin (%)



In 3Q 2018 the net interest margin rose by **5 bps¹** q-o-q.

Interest rate effect: +2 bps

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

| o/w: | | |
|-------------|--------------------|--|
| OTP Core | +5 bps | |
| OTP Russia | -4 bps | |
| DSK Bank | +1 bp ¹ | |
| OTP Romania | +1 bp | |

FX rate changes: +2 bps

Appreciating currencies of certain foreign subsidiaries (Bulgarian Lev, Croatian Kuna, Romanian Lei) against HUF q-o-q increased the contribution of these operations to the Group NII.

| o/w: | | |
|----------|-------|--|
| DSK Bank | +1 bp | |

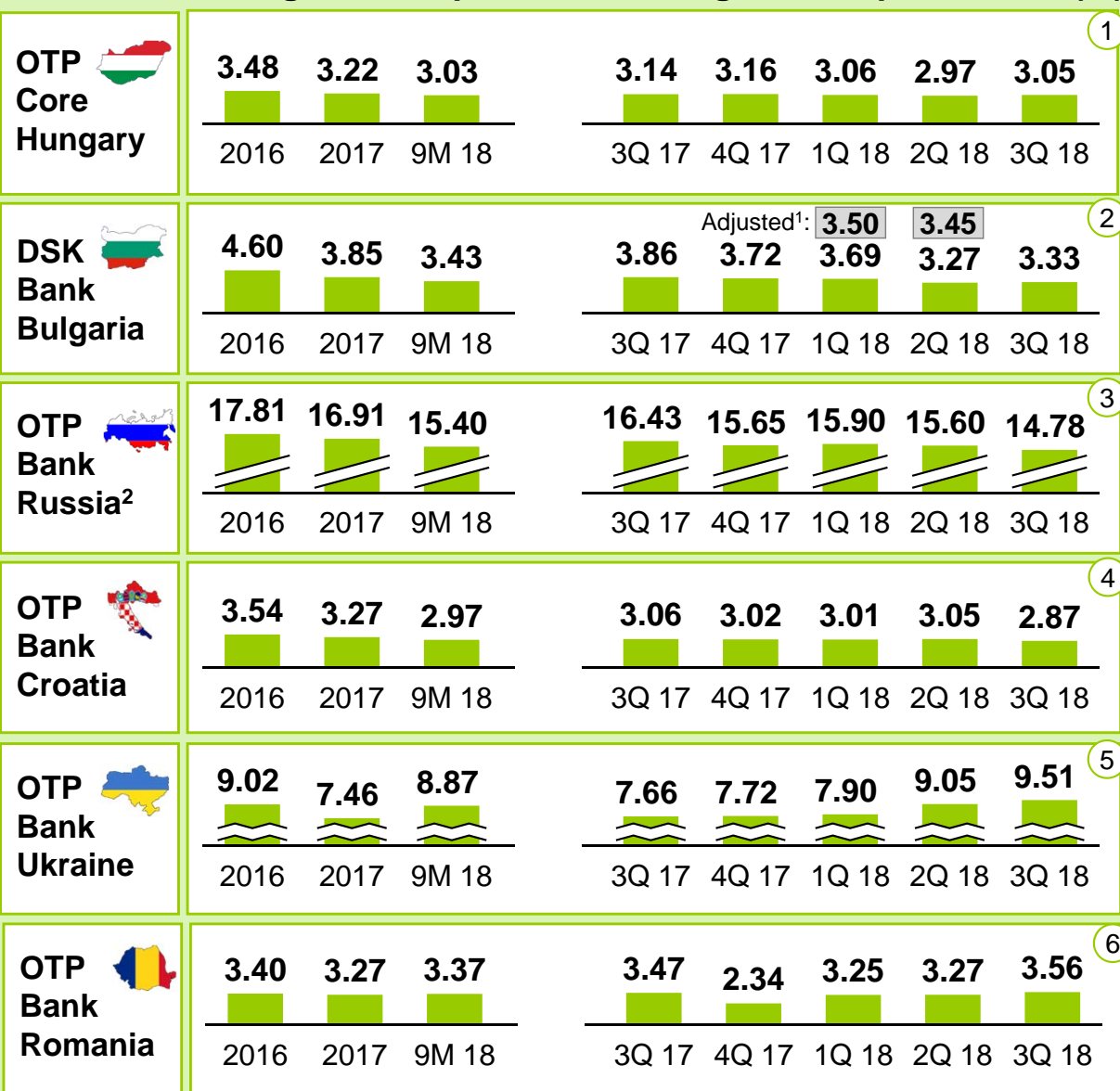
Composition effects: 0 bp

Capturing the weight changes within the Group in LCY terms.

¹ 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, 4.28% in 2Q 2018, therefore the quarterly decline would have been 7 bps in 2Q 2018 and the quarterly improvement would have been 2 bps in 3Q 2018.

At OTP Core the margin pick-up was mainly reasoned by the higher interbank rates. The underlying declining margin trend at DSK remained in place. The Russian margin dropped by 82 bps q-o-q. The Ukrainian spreads kept on improving

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



- At OTP Core the q-o-q NIM improvement was driven by:
 - Repricing of variable rate loans priced on short term interbank interest rates: in 2Q the 3M BUBOR picked up by 23 bps and the 6M BUBOR by 31 bps q-o-q, and their effect started to materialize in 3Q due to the delay in the repricing.
 - Beside 1% growth of average balance sheet total, the dynamic loan growth brought about an increasing share of loans within total assets.
 - The total interest revenues realized on the securities book and the related swap portfolio improved q-o-q.
 - Within liquid assets the lowest margin part declined q-o-q contrary to the increase observed in the previous quarter.
 - The average interest rate of the mortgage loan stock continued to contract.
- At DSK the crude NIM bounced back due to a technical item improving the q-o-q NII dynamics. Filtering this out, the underlying declining trend continued, as shown by the 12 bps q-o-q drop in the adjusted NIM.
- The Russian net interest margin declined further due to continued erosion of lending rates.
- In Croatia the NIM decline was mainly reasoned by the decreasing rates on corporate loans, and the lower interest rate on the excess liquidity.
- The Ukrainian NIM was driven by higher rates charged on consumer and SME loans, while deposit interest expenses remained flat q-o-q.
- Romanian interbank rates increased by ~70 bps q-o-q on average. Bulk of the loan book is floating. Interest expenditure growth was more muted.

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.

Strong underlying business activity was the ultimate driver of q-o-q improving net fee and commission income, outweighing two negative technical items at OTP Core affecting the q-o-q dynamics

■ Effect of acquisitions

| NET FEE INCOME | | 9M 2018 (HUF billion) | 3Q 2018 (HUF billion) | 9M 2018 Y-o-Y (HUF billion, %) | | 3Q 2018 Q-o-Q (HUF billion, %) | | |
|----------------|-------------------------------------|--------------------------|--------------------------|-----------------------------------|----|-----------------------------------|----|-----|
| | OTP Group | 164 | 58 | 6 | 13 | 4% ¹ /8% | 1 | 2% |
| | OTP CORE (Hungary) | 81 | 28 | -2 | | -2% | -1 | -4% |
| | DSK (Bulgaria) | 22 | 8 | 2 | | 10% | 1 | 9% |
| | OBRu³ (Russia) | 20 | 7 | 3 | | 16%/28% ² | 0 | 7% |
| | OBH (Croatia) | 12 | 4 | 0 | 3 | -2% ¹ /39% | 0 | 1% |
| | OBU (Ukraine) | 8 | 3 | 1 | | 17%/24% ² | 0 | 15% |
| | OBR (Romania) | 3 | 1 | 0 | | 15% | 0 | 5% |
| | OBSrb (Serbia) | 5 | 2 | 0 | 4 | 13% ¹ /299% | 0 | 7% |
| | CKB (Montenegro) | 2 | 1 | 0 | | 23% | 0 | 14% |
| | OBS (Slovakia) | 3 | 1 | 0 | | -7% | 0 | 2% |
| | Fund mgmt. (Hungary) | 5 | 2 | 0 | | -1% | 0 | -2% |

1 The 9M 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. In 3Q the q-o-q decline can be explained by two technical items:

- a one-timer negative correction item (HUF 1.4 billion) was booked in 3Q. This item was neutral to 3Q earnings, as other provisions were created for this purpose already in 2Q, and those provisions were released in 3Q;
- the accounting of Compensation Fund contributions and the related tax deductions induced a decline of HUF 0.5 billion q-o-q.

2 Growth at DSK was fuelled by higher business activity and a one-off item: insurance agent fees are now accrued for a longer period of time, related to that the YTD difference was booked as a correction item in 3Q, which lowered the fee expenses by about HUF 0.3 billion.

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 The y-o-y increase at CKB was reasoned by the fact that deposit insurance fees booked earlier within net fees were shifted to the operating cost line. The q-o-q surge in net fees and commissions was due to seasonally higher card and transaction related fees.

¹ Changes without acquisitions.

² Changes in local currency.

³ Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

The 9M other net non-interest income rose by 12% without acquisitions

■ Effect of acquisitions

| OTHER INCOME without one-off items | | 9M 2018 (HUF billion) | 3Q 2018 (HUF billion) | 9M 2018 Y-o-Y (HUF billion, %) | | 3Q 2018 Q-o-Q (HUF billion, %) | | |
|---------------------------------------|-------------------------------------|--------------------------|--------------------------|-----------------------------------|---|-----------------------------------|----|------|
| | OTP Group | 46 | 16 | 5 | 8 | 12% ¹ /20% | -1 | -8% |
| | OTP CORE (Hungary) | 20 | 6 | 3 | | 19% | -3 | -33% |
| | DSK (Bulgaria) | 6 | 2 | -1 | | -11% | 0 | 28% |
| | OBRu³ (Russia) | 0 | 0 | 0 | | -60% | 0 | 14% |
| | OBH (Croatia) | 6 | 3 | 0 | 1 | -10% ¹ /30% | 1 | 64% |
| | OBU (Ukraine) | 2 | 1 | 0 | | 33%/44% ² | 0 | 65% |
| | OBR (Romania) | 3 | 1 | 0 | | 6% | 0 | -7% |
| | OBSrb (Serbia) | 2 | 1 | 1 | 2 | 169% ¹ /494% | 0 | 57% |
| | CKB (Montenegro) | 0 | 0 | 0 | | -11% | 0 | -49% |
| | OBS (Slovakia) | 0 | 0 | 0 | | -36% | 0 | -17% |
| | Others | 7 | 3 | 2 | | 46% | -1 | -24% |

¹ The 9M other net non-interest income (without one-offs) grew by 19% y-o-y. This was partially owing to the better FX-result realized in 2Q 2018. The 33% q-o-q set-back seen in 3Q was partially due to this base effect, and partially to weaker securities gains.

² Other net non-interest income surged by 64% as a result of seasonally stronger FX conversion results amid the peak tourism season.

³ The changes are mainly attributable to sale of assets at Other Hungarian subsidiaries in 2Q 2018.

¹ Changes without acquisitions.

² Changes in local currency.

³ Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

9M operating costs growth without acquisitions was 6.8% on an FX-adjusted basis; personnel expenses grew as a result of high wage inflation and strong business activity

■ Effect of acquisitions
■ Effect of Touch Bank inclusion in 9M 2018

| OPERATING COSTS – 9M 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 | 357 | 18 / 39 | 6.0% ¹ / 12% | 21 / 41 | 6.8% ¹ / 13% |
| | OTP CORE (Hungary) | 166 | 9 | 6% | 9 | 6% |
| | DSK (Bulgaria) | 37 | 3 | 9% | 2 | 6% |
| | OBRu² (Russia) | 44 | 0 / 5 | 1% ³ /14% | 4 / 9 | 10% ³ /25% |
| | OBH (Croatia) | 32 | 0 / 8 | 2% ¹ /33% | 0 / 7 | -1% ¹ /29% |
| | OBU (Ukraine) | 12 | 1 | 5% | 1 | 11% |
| | OBR (Romania) | 14 | 1 | 11% | 1 | 10% |
| | OBSrb (Serbia) | 18 | 1 / 13 | 12% ¹ /236% | 0 / 12 | 6% ¹ /216% |
| | CKB (Montenegro) | 6 | 1 | 14% | 1 | 11% |
| | OBS (Slovakia) | 9 | 1 | 15% | 1 | 12% |
| | Merkantil (Hungary) | 5 | 0 | 3% | 0 | 3% |

1 OTP Core: higher personnel expenses due to higher avg. headcount (+5%) and salary increases (at a lower pace than the avg. base salary inflation of 7.7% in the financial sector in Jan-Aug). 2.5%-points reduction in social contributions from 2018. Other costs were driven by higher business activity.

2 Russia: 10% 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 4%. Stronger business activity resulted in higher variable costs (marketing expenses and telco costs).

3 Ukraine: FX-adjusted opex up by 11% due to higher personnel expenses (increase at OBU was a bit lower than the Ukrainian avg. wage inflation of 26% in Jan-Aug). Higher hardware, real estate-related and office equipment costs played role, too.

4 OBR: 9M FX-adj. opex grew by 10% due to higher personnel expenses (+14%) induced by wage inflation (in Jan-Aug employers' wage costs went up by 9% in the financial sector, the avg. increase was somewhat less at OBR) and the average headcount growth (+6%) due to stronger business activity.

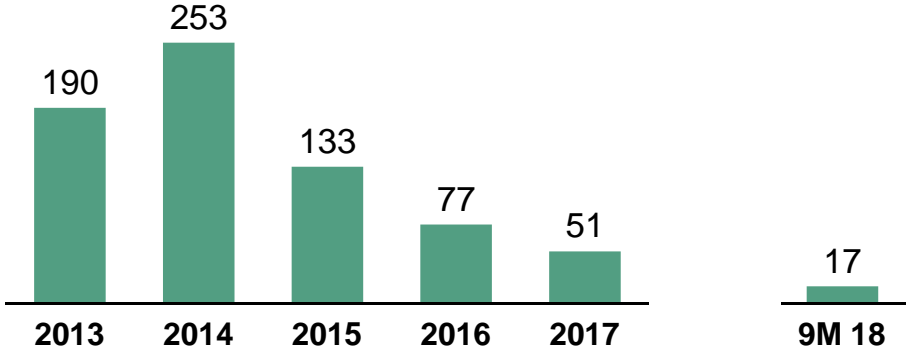
5 CKB: FX-adj. cost growth HUF 0.6 billion, the entire amount was due to reclassification of deposit protection fees from net fees to operating costs.

6 Slovakia: Higher personnel expenses (+14%, explained partly by higher bonuses; headcount +3% on avg.), 43% higher marketing budget.

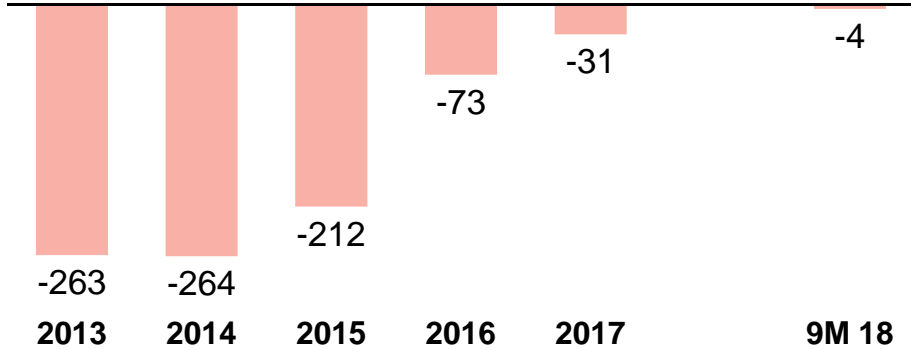
¹ Without the OPEX of the newly consolidated entities due to the Splitska and Vojvodjanska transactions.
² Starting from 1Q 2018 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 2017 Touch Bank was presented separately.
³ Without the effect of inclusion of Touch Bank in 9M 2018.

Credit quality indicators kept further improving. The risk cost rate was 7 basis points in the first nine months of 2018

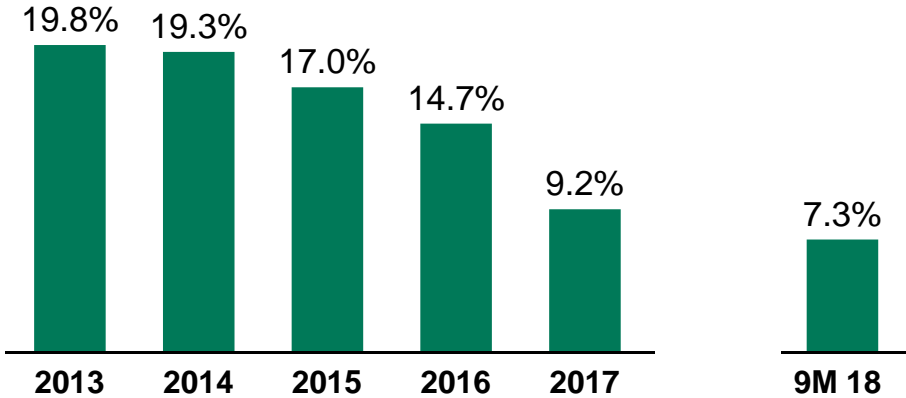
Change in DPD90+ loan volumes (consolidated, adjusted for FX and sales and write-offs, in HUF billion)



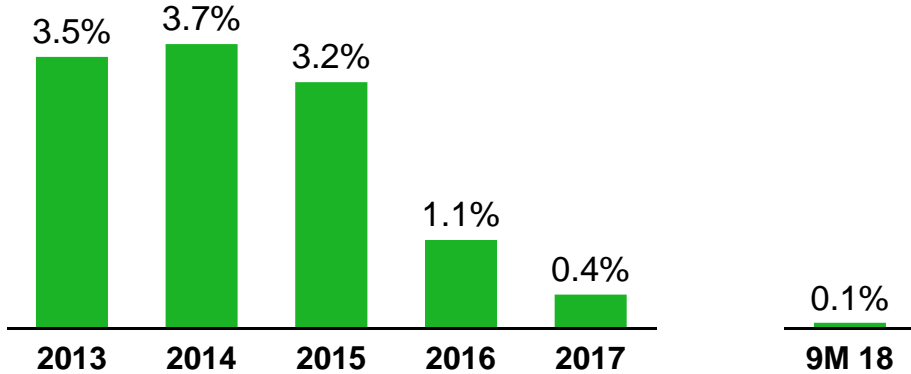
Consolidated risk cost for possible loan losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



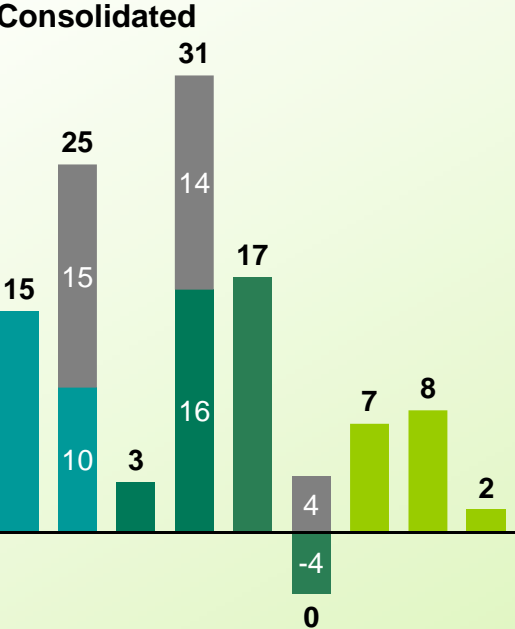
Consolidated risk cost rate



In 3Q 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)

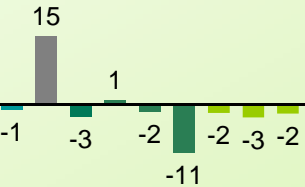


FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 42 |
| 2016 | 4Q | 74 |
| 2017 | 1Q | 40 |
| 2017 | 2Q | 51 |
| 2017 | 3Q | 41 |
| 2017 | 4Q | 122 |
| 2018 | 1Q | 17 |
| 2018 | 2Q | 37 |
| 2018 | 3Q | 49 |

■ 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.

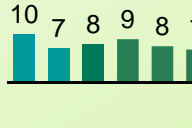
OTP Core (Hungary)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 9 |
| 2016 | 4Q | 14 |
| 2017 | 1Q | 12 |
| 2017 | 2Q | 15 |
| 2017 | 3Q | 10 |
| 2017 | 4Q | 16 |
| 2018 | 1Q | 2 |
| 2018 | 2Q | 5 |
| 2018 | 3Q | 5 |

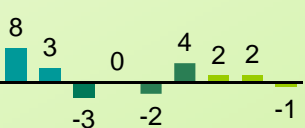
OBRu¹ (Russia)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 15 |
| 2016 | 4Q | 20 |
| 2017 | 1Q | 17 |
| 2017 | 2Q | 14 |
| 2017 | 3Q | 8 |
| 2017 | 4Q | 5 |
| 2018 | 1Q | 6 |
| 2018 | 2Q | 6 |
| 2018 | 3Q | 4 |

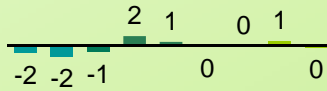
OBU (Ukraine)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 7 |
| 2016 | 4Q | 12 |
| 2017 | 1Q | 3 |
| 2017 | 2Q | 11 |
| 2017 | 3Q | 10 |
| 2017 | 4Q | 42 |
| 2018 | 1Q | 2 |
| 2018 | 2Q | 7 |
| 2018 | 3Q | 14 |

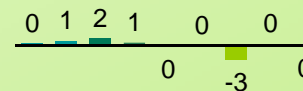
DSK (Bulgaria)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 2 |
| 2016 | 4Q | 23 |
| 2017 | 1Q | 0 |
| 2017 | 2Q | 3 |
| 2017 | 3Q | 3 |
| 2017 | 4Q | 14 |
| 2018 | 1Q | 0 |
| 2018 | 2Q | 0 |
| 2018 | 3Q | 1 |

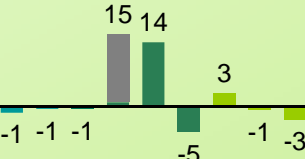
OBR (Romania)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 5 |
| 2016 | 4Q | 3 |
| 2017 | 1Q | 0 |
| 2017 | 2Q | 2 |
| 2017 | 3Q | 1 |
| 2017 | 4Q | 8 |
| 2018 | 1Q | 5 |
| 2018 | 2Q | 9 |
| 2018 | 3Q | 16 |

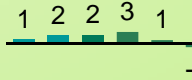
OBH (Croatia)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 0 |
| 2016 | 4Q | 0 |
| 2017 | 1Q | 0 |
| 2017 | 2Q | 2 |
| 2017 | 3Q | 0 |
| 2017 | 4Q | 6 |
| 2018 | 1Q | 0 |
| 2018 | 2Q | 0 |
| 2018 | 3Q | 3 |

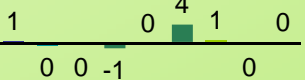
OBS (Slovakia)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 0 |
| 2016 | 4Q | 0 |
| 2017 | 1Q | 0 |
| 2017 | 2Q | 1 |
| 2017 | 3Q | 0 |
| 2017 | 4Q | 6 |
| 2018 | 1Q | 0 |
| 2018 | 2Q | 0 |
| 2018 | 3Q | 4 |

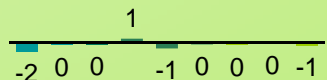
OBSr (Serbia)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 2 |
| 2016 | 4Q | 3 |
| 2017 | 1Q | 2 |
| 2017 | 2Q | 0 |
| 2017 | 3Q | 5 |
| 2017 | 4Q | 5 |
| 2018 | 1Q | 0 |
| 2018 | 2Q | 7 |
| 2018 | 3Q | 0 |

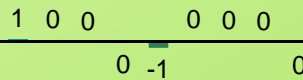
CKB (Montenegro)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 0 |
| 2016 | 4Q | 0 |
| 2017 | 1Q | 5 |
| 2017 | 2Q | 0 |
| 2017 | 3Q | 4 |
| 2017 | 4Q | 5 |
| 2018 | 1Q | 1 |
| 2018 | 2Q | 1 |
| 2018 | 3Q | 1 |

Merkantil Bank+Car (Hungary)



FX-adjusted sold or written-off loan volumes:

| Year | Quarter | Volume (HUF billion) |
|------|---------|----------------------|
| 2016 | 3Q | 1 |
| 2016 | 4Q | 0 |
| 2017 | 1Q | 0 |
| 2017 | 2Q | 0 |
| 2017 | 3Q | 0 |
| 2017 | 4Q | 0 |
| 2018 | 1Q | 14 |
| 2018 | 2Q | 0 |
| 2018 | 3Q | 0 |
| 2018 | 4Q | 1 |

¹ Including Touch Bank from 1Q 2018.



OTP Core

The 9M profit of OTP Core grew by 2% with total income increasing by 4% y-o-y. In 3Q the 21% q-o-q drop was mainly due to declining positive risk costs and seasonally lower one-off items

| OTP CORE (in HUF billion) | 9M 2017 | 9M 2018 | Y-o-Y | 3Q 2017 | 2Q 2018 | 3Q 2018 | Q-o-Q | Y-o-Y |
|--|--------------|--------------|-----------|-------------|-------------|-------------|-------------|------------|
| Profit after tax | 136.9 | 139.6 | 2% | 46.7 | 56.3 | 44.3 | -21% | -5% |
| Corporate tax | -15.3 | -11.9 | -23% | -3.8 | -4.6 | -3.7 | -19% | -2% |
| Before tax profit | 152.2 | 151.5 | 0% | 50.5 | 60.9 | 48.0 | -21% | -5% |
| Operating profit w/o one-off items | 117.8 | 118.4 | 1% ✓ | 36.4 | 41.2 | 39.3 | -5% | 8% |
| Total income w/o one-off items | 274.1 | 284.2 | 4% | 91.0 | 97.6 | 97.1 | -1% | 7% |
| Net interest income | 174.2 | 182.8 | 5% | 57.9 | 60.0 | 63.3 | 5% | 9% |
| Net fees and commissions | 82.9 | 81.2 | -2% | 28.8 | 29.2 | 28.2 | -4% | -2% |
| Other net non interest income without one-offs | 17.0 | 20.2 | 19% | 4.3 | 8.4 | 5.6 | -33% | 30% |
| Operating costs | -156.3 | -165.8 | 6% | -54.6 | -56.4 | -57.8 | 2% | 6% |
| Total risk costs | 30.6 | 29.0 | -5% | 13.1 | 14.4 | 8.1 | -44% | -38% |
| Total one-off items | 3.8 | 4.1 | 6% | 1.0 | 5.3 | 0.6 | -88% | -36% |



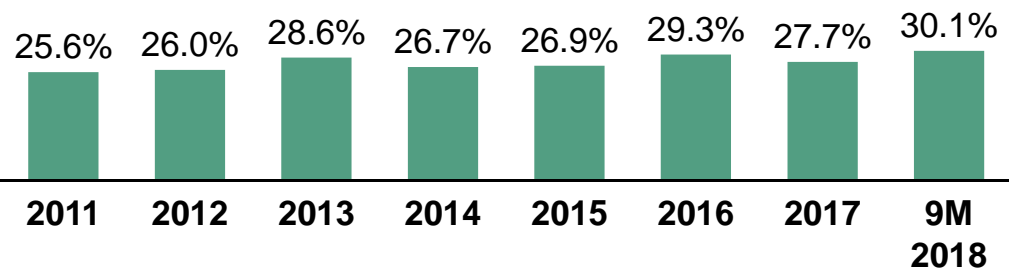
OTP Core

Mortgage loan disbursement momentum remained strong in Hungary, while the popularity of fixed rate loans with longer fixation period has been further increasing. OTP enjoys a dominant and even improving market share in new mortgage and cash loan disbursements, as well as in retail savings

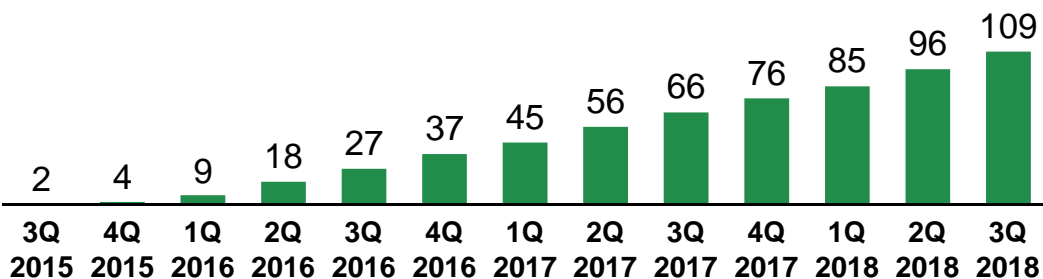
Change of mortgage loan application and disbursement of OTP Bank (9M 2018, y-o-y changes)



OTP's market share in mortgage loan contractual amounts



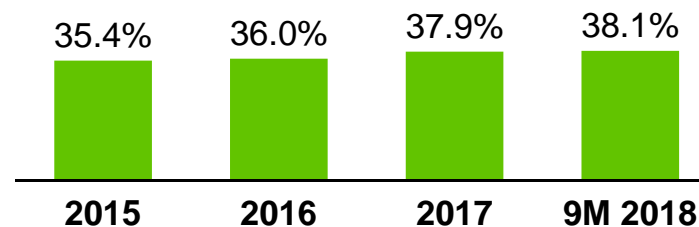
The cumulative amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)



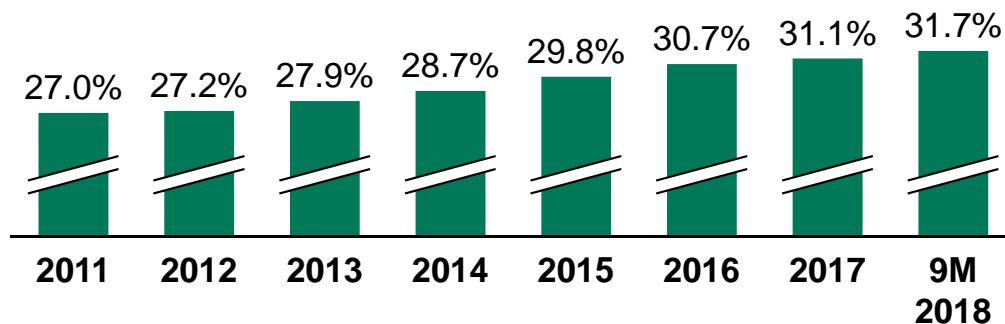
Performing cash loan volume growth (y-o-y , FX-adjusted)



Market share in newly disbursed cash loans



OTP Bank's market share in household savings

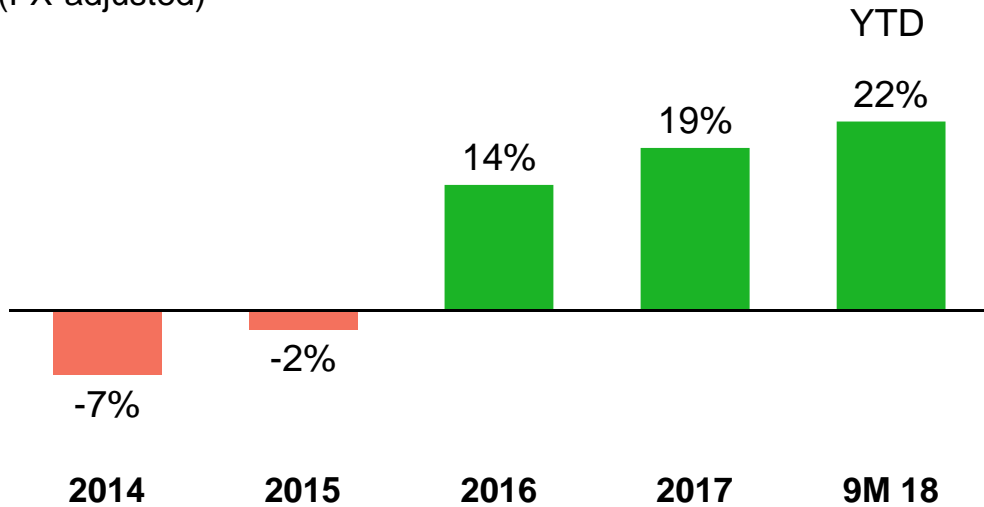




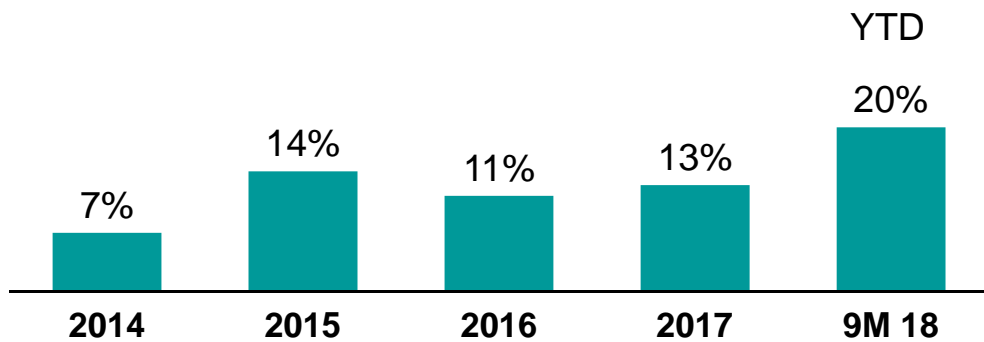
OTP Core

In the corporate segment OTP Core can boast above 20% volume dynamics ytd, thus OTP's corporate lending market share improved further in the first nine months

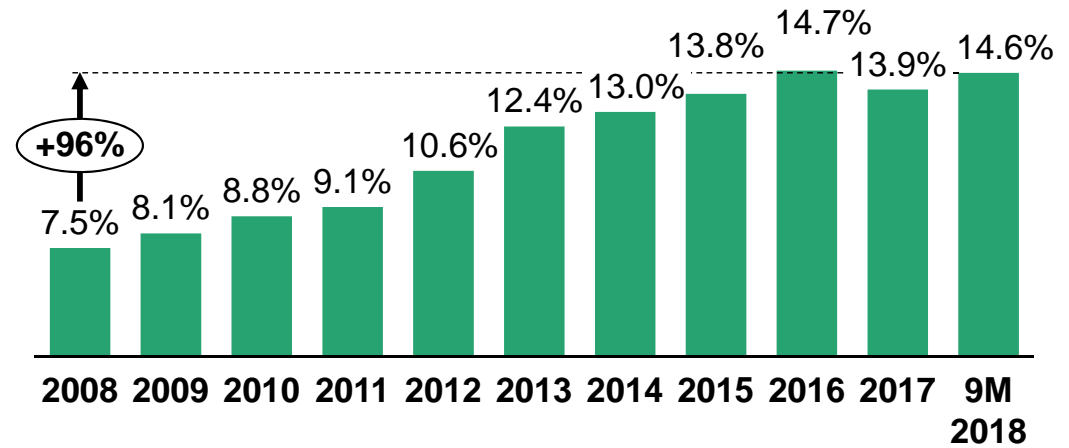
Performing medium and large corporate loan volume change (FX-adjusted)



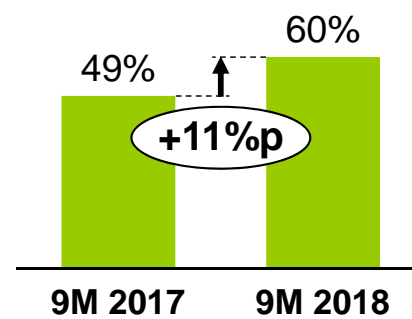
Performing loan volume change at micro and small companies (FX-adjusted)



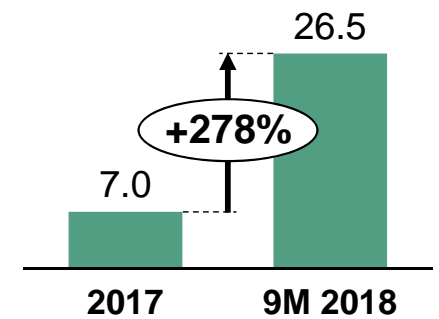
OTP Group's market share in loans to Hungarian companies¹



OTP Group's market share in commercial factoring turnover²



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

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.



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