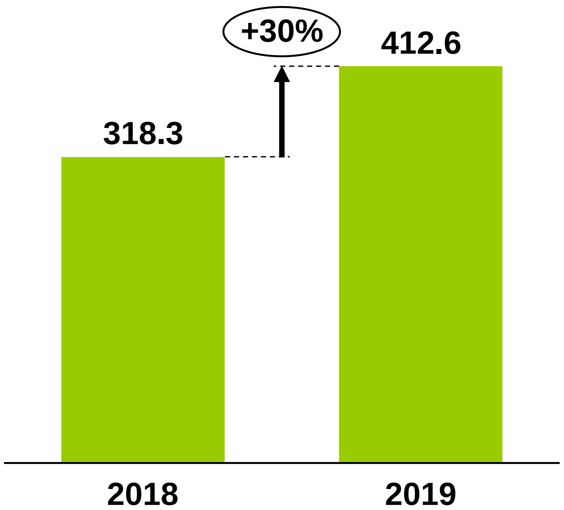
OTP Group
Investor presentation based on 4Q 2019 results

OTP Group has maintained strong profitability, capital adequacy and liquidity

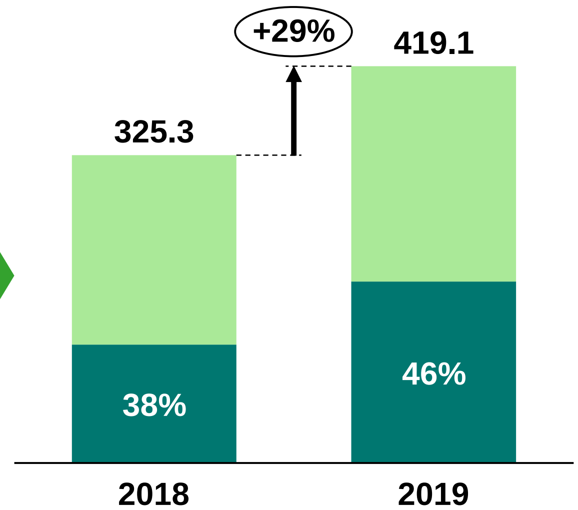
In 2019 the accounting profit surged by 30% y-o-y, while the adjusted profit grew by 29%. The profit contribution of foreign subsidiaries improved to 46%

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

Accounting profit after tax



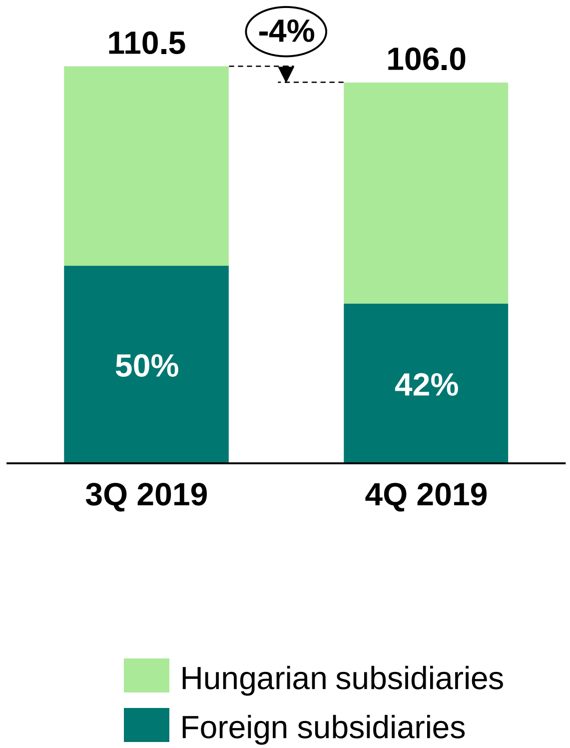
Adjusted profit after tax



Adjustments (after tax)	**2018**	**2019**
Banking tax	-15.3	-16.2
Effect of acquisitions	-6.8	19.3
Others	15.1	-9.6[1]
Total	**-7.0**	**-6.5**

After tax profit development (in HUF billion)

Adjusted profit after tax



[1] Of which -HUF 8.4 billion goodwill / investment impairment charges; +0.5 dividend and net cash transfer; -HUF 1.6 billion one-off impact of regulatory changes related to FX consumer contracts in Serbia.

The annual operating profit without acquisitions improved by 22% (+19% FX-adjusted), thanks to revenue dynamics outpacing operating cost growth

(in HUF billion)	2018	2019	Y-o-Y	2019 without M&A[1]	Y-o-Y without M&A[1]	Y-o-Y FX-adj. without M&A[1]	3Q 19	4Q 19	Q-o-Q	Q-o-Q FX-adj. w/o M&A[2]
Consolidated adjusted after tax profit	**325.3**	**419.1**	**29%**	**389.7**	**20%**	**18%**	**110.5**	**106.0**	**-4%**	**-10%**
Corporate tax	-37.4	-46.9	25%	-44.3	18%	16%	-13.0	-8.6	-34%	-35%
Profit before tax	362.7	466.0	28%	434.0	20%	18%	123.5	114.6	-7%	-13%
Total one-off items	4.0	3.0	-24%	3.0	-24%	-24%	-2.0	-0.5	-75%	75%
Result of the share swap agreement	4.0	3.0	-24%	3.0	-24%	-24%	-2.0	-0.5	-75%	75%
Profit before tax (adjusted, without one-off items)	**358.7**	**462.9**	**29%**	**431.0**	**20%**	**18%**	**125.5**	**115.1**	**-8%**	**-14%**
Operating profit without one-offs	384.9	510.0	33%	469.2	22%	19%	137.1	140.0	2%	-5%
Total income without one-offs	881.7	1,077.7	22%	1,004.3	14%	12%	273.2	305.5	12%	6%
Net interest income	599.8	706.3	18%	652.1	9%	7%	177.1	195.9	11%	4%
Net fees and commissions	220.7	282.5	28%	267.8	21%	19%	73.0	85.5	17%	13%
Other net non interest income without one-offs	61.2	88.9	45%	84.4	38%	35%	23.2	24.1	4%	-3%
Operating costs	-496.8	-567.7	14%	-535.1	8%	6%	-136.1	-165.5	22%	16%
Total risk cost	-26.2	-47.1	80%	-38.2	46%	29%	-11.6	-24.9	114%	90%

[1] In these 3 columns neither 2019 numbers, nor y-o-y changes include the contribution of the Bulgarian Expressbank, OTP Bank Albania, Podgoricka banka in Montenegro, Mobiasbanca in Moldova and OTP banka Srbija in Serbia.
[2] The q-o-q changes are calculated from FX-adjusted numbers, filtering out the contribution of banks consolidated in 3Q 2019 (Podgoricka banka in Montenegro, Mobiasbanca in Moldova and OTP banka Srbija in Serbia) from both 3Q and 4Q numbers.

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In 2019 as a whole the balance of adjustments was -HUF 6.5 billion, of which -HUF 3 billion emerged in the last quarter

(in HUF billion)	2018	2019	Y-o-Y	4Q 18	3Q 19	4Q 19	Q-o-Q	Y-o-Y
Consolidated after tax profit (accounting)	**318.3**	**412.6**	**30%**	**77.8**	**131.6**	**103.0**	**-22%**	**32%**
Adjustments (total)	**-7.0**	**-6.5**	**-8%**	**15.3**	**21.2**	**-3.0**		
Dividends and net cash transfers (after tax)	0.5	0.5	11%	0.1	-0.2	0.1		-50%
Goodwill/investment impairment charges (after tax)	-4.8	-8.4	78%	0.5	0.0	-4.0 (1)		
Special tax on financial institutions (after corporate income tax)	-15.3	-16.2	6%	-0.2	-0.2	-0.6 (2)	205%	196%
Impact of fines imposed by the Hungarian Competition Authority	0.6	0.0		0.0	0.0	0.0		
Effect of acquisitions (after tax)	-6.8	19.3		-4.0	21.4	1.0 (3)	-93%	
Initial NPV gain on the monetary policy interest rate swap (MIRS) deals (after tax)	18.8	0.0		18.8	0.0	0.0		
One-off impact of regulatory changes related to FX consumer contracts in Serbia	0.0	-1.6		0.0	0.1	0.2	26%	
Consolidated adjusted after tax profit	**325.3**	**419.1**	**29%**	**62.5**	**110.5**	**106.0**	**-4%**	**70%**

1 This -HUF 4 billion (after tax) was partially a tax shield related to the recognition or reversal of impairment charges booked in relation to the revaluation of investments in certain subsidiaries (mostly to the reversal of impairment at the Ukrainian bank).

2 Apart from the Slovakian banking tax, in 4Q 2019 -HUF 0.4 billion Romanian banking tax was booked.

3 The +HUF 1.4 billion acquisition impact – among others – incorporated the effects of both the Slovenian bank purchase and the planned sale of the Slovakian bank.

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The improvement in adjusted profit was mainly driven by the stronger foreign contribution, especially from Bulgaria, Ukraine, Croatia, Russia and Serbia. The Hungarian operation posted a 6% profit growth

Effect of acquisitions

Adjusted profit after tax (in HUF billion)

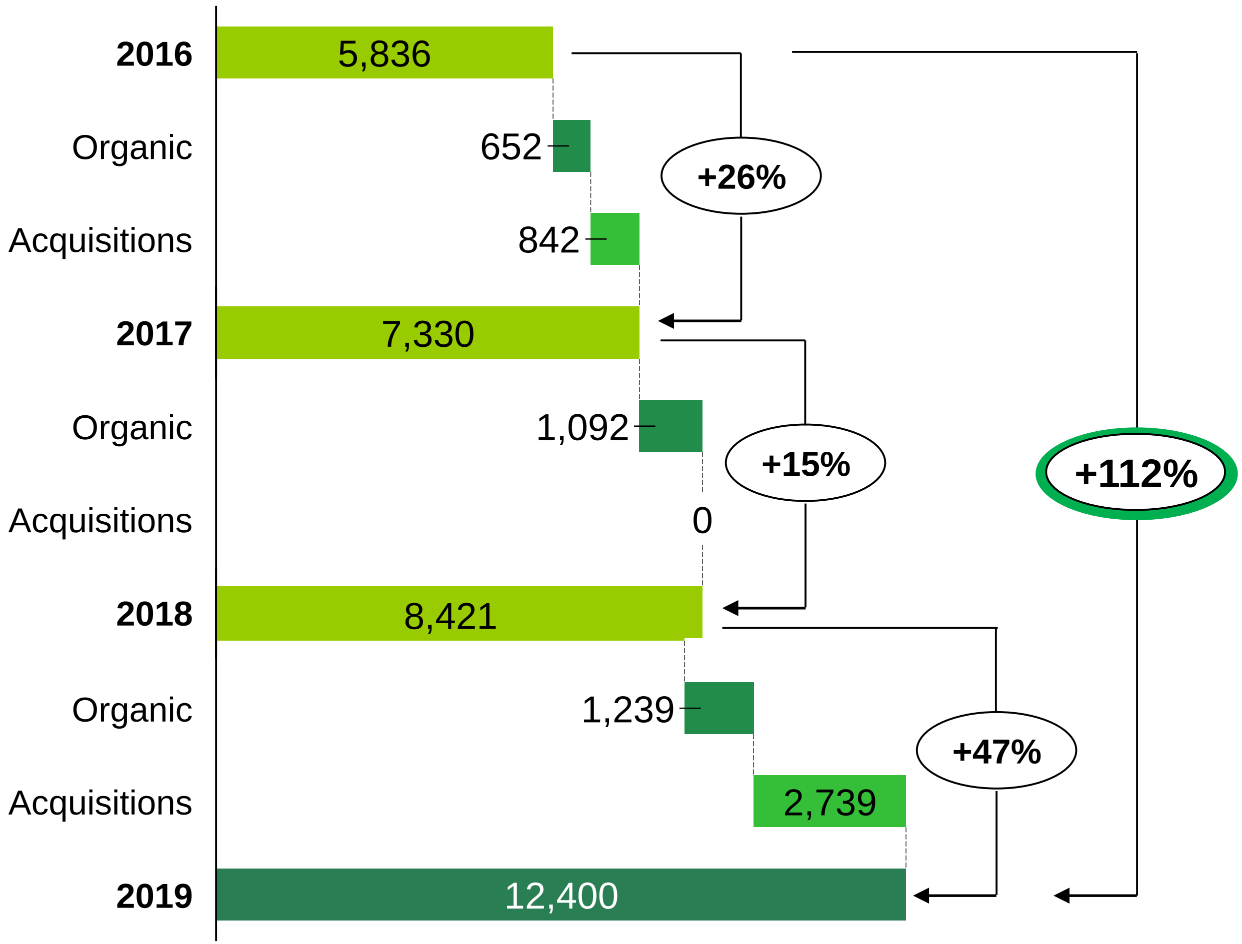
	2018	2019	Y-o-Y
OTP Group	325.3	419.1	29% / 20%[1]
OTP Core (Hungary)	180.4	191.0	6%
DSK Group (Bulgaria)	47.3	50.0 67.9	44% / 6%[1] / 4%[4]
OBH (Croatia)	25.0	30.7	23%/17%[2]
OBSrb (Serbia)	3.0	10.4	248% / 81%[1] / 64%[4]
OBR (Romania)	3.9	6.3	64% / 63%[2]
OBU (Ukraine)	24.4	35.2	44% / 27%[3]
OBRu (Russia)	16.4	28.1	71% / 66%[3]
CKB Group (Montenegro)	2.2	4.5 6.4	188%/102%[1]
OBA (Albania)		2.6	
Mobiasbanca (Moldova)		1.9	
OBS (Slovakia)	0.0	1.6	
Merkantil (Hungary)	7.4	7.1	-4%
OTP Fund Mgmt. (Hungary)	4.1	15.1	266%
Other Group members	11.1	14.7	32%
Other Hungarian subs.	1.6	9.5	493%
Corporate Centre	6.2	3.5	-44%
Other foreign subs + eliminations	3.3	1.7	-51%

Note: from 2019 the foreign leasing companies are presented as part of the operation in the given country.
The foreign leasing companies are shown on the *Other foreign subs + eliminations* line in the above table for 2018.
[1] Changes without the effect of acquisitions. [2] Changes without the effect of the inclusion of the local leasing company.
[3] Change in local currency. [4] Changes without the effect of acquisition and the effect of the inclusion of the local leasing company.

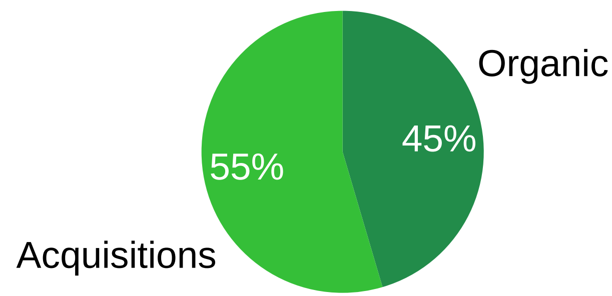
OTP Group has more than doubled its performing loan volumes since 2016, as a result of strong organic growth and acquisitions completed during the last 3 years

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

FX-adjusted, in HUF billion



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



[1] Performing loan data of acquisitions (estimate): Splitska banka: May 2017; Vojvodjanska banka: 4Q 2017; Expressbank, SG Albania, SG Montenegro, SG Moldova, SG Serbia and SG Slovenia: 4Q 2019.
Organic loan growth is calculated as total growth less acquisition-related growth.

Acquisitions in the last 3 years materially improved OTP's positions in many countries

	Target (seller, date of closing)		Net loan volumes (in HUF billion)	Market share in total assets (before/after acquisition[2], %)		Book value (in EUR million)	
2017	**Splitska banka**, Croatia (SocGen, 2Q 2017)	(Nov 18)	631	4.8	11.2	(4Q 16)	**496**
2017	**Vojvodjanska banka**, Serbia (NBG, 4Q 2017)	(1Q 19)	266	1.5	5.7	(3Q 17)	**174**
2019	**SocGen Expressbank**, Bulgaria (SocGen, 1Q 2019)	(1Q 19)	774	14.0	19.9	(4Q 18)	**421**
2019	**SocGen Albania** (SocGen, 1Q 2019)	(1Q 19)	124		6.0	(4Q 18)	**58**
2019	**SocGen Moldova** (SocGen, 3Q 2019)	(3Q 19)	102		14.0	(4Q 18)	**86**
2019	**SocGen Montenegro** (SocGen, 3Q 2019)	(3Q 19)	126	17.6	30.4	(4Q 18)	**66**
2019	**SocGen Serbia** (SocGen, 3Q 2019)	(3Q 19)	716	5.3	13.7	(4Q 18)	**381**
2019	**SKB Banka**, Slovenia (SocGen, 4Q 2019)	(4Q 19)	827		8.5	(4Q 18)	**356**
	Acquisitions total:		**3,566**				**2,038**

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

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Slovenia

The acquisition of SKB Banka was completed on 13 December, thus OTP became the 4th largest player in Slovenia, with a market share of almost 9%. The P&L of the Slovenian bank will be recognized from 1Q 2020

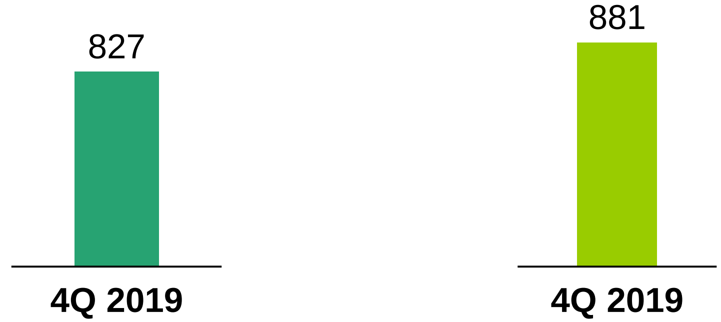
Market share and equity of Slovenian banks
(4Q 2018, in EUR million)

	Bank	Total assets	Market share	Equity
1	Nova Ljubljanska banka d.d.	8,811	22.7%	1,295
2	Nova Kreditna banka Maribor d.d.	4,978	12.8%	723
3	Abanka d.d.	3,729	9.6%	583
4.	**SKB Banka d.d.[1]**	**3,314**	**8.5%**	**356**
5	UniCredit Banka Slovenija d.d.	2,656	6.8%	251
6	Banka Intesa Sanpaolo d.d.	2,596	6.7%	284
7	Slovenska izvozna in razvojna banka	2,319	6.0%	422

same owner

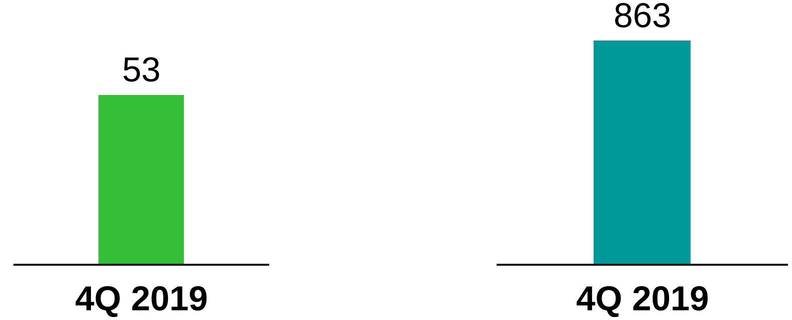
Source: National Bank of Slovenia, annual reports

Net loans (HUF billion) **Customer deposits** (HUF billion)



Net loan to deposit ratio: **94%**

Number of branches **Number of employees**



[1] Including Leasing.

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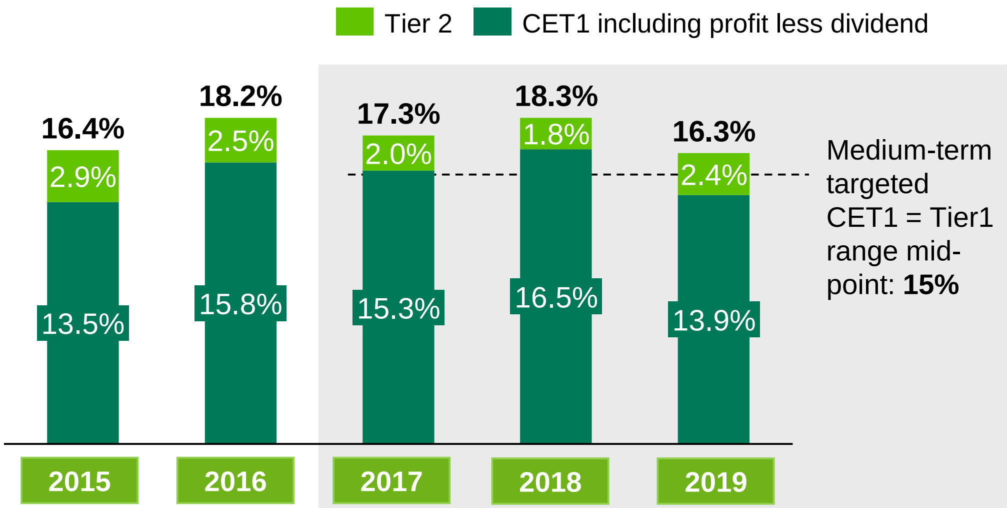
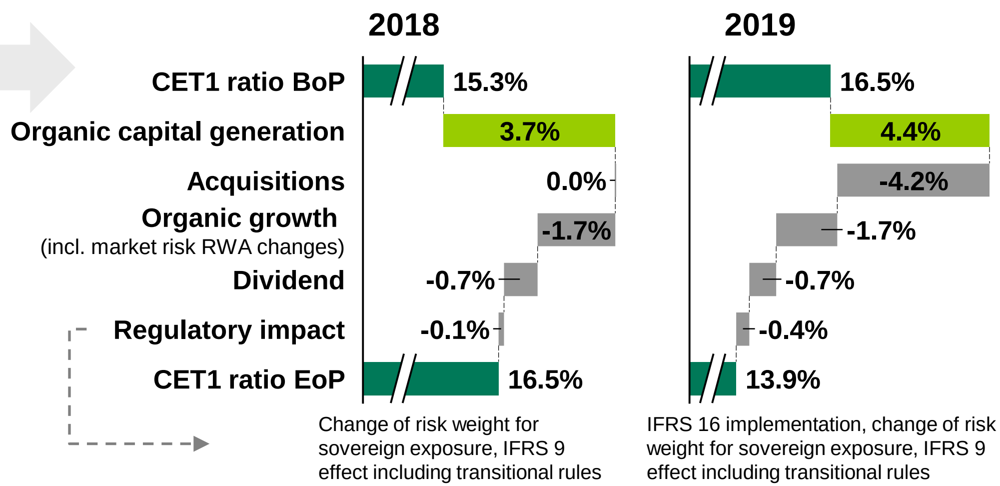
Strong capital position coupled with sound internal capital generation

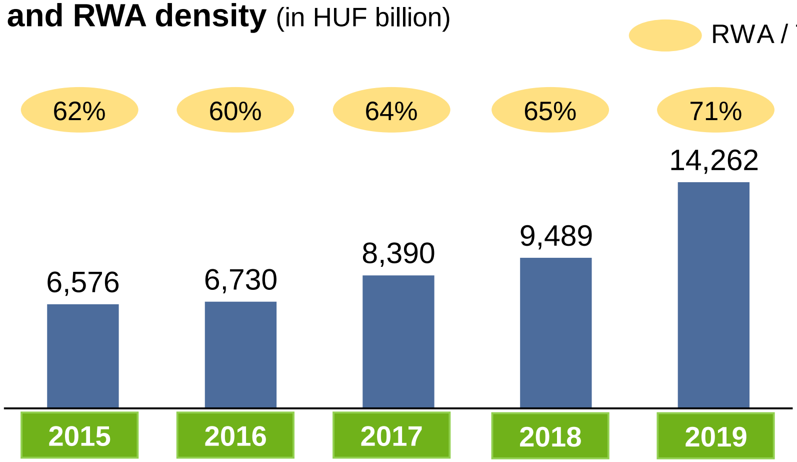
Evolution of CET1 / CAR ratios



Value generative acquisition and dividends offset by organic capital generation

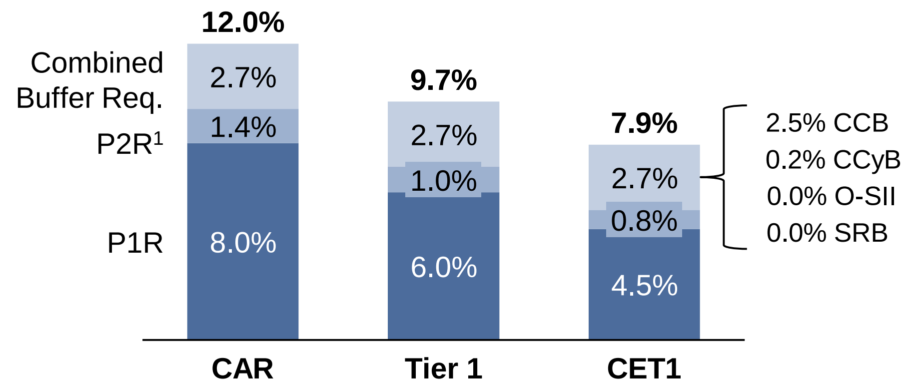


Development of the Risk Weighted Assets of OTP Group and RWA density (in HUF billion)



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

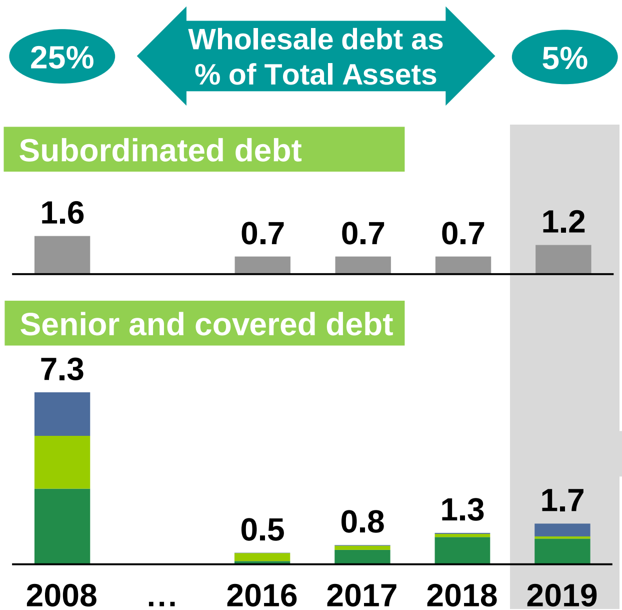
Regulatory minimum of capital adequacy ratios for OTP Group, forecast[2] for 2020



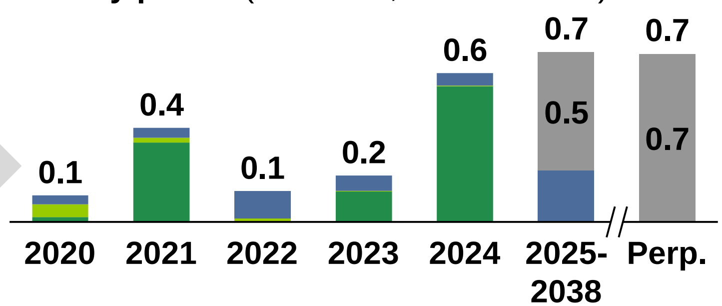
Abbreviations: P1R: Pillar 1 requirement; P2R: Pillar 2 req.; CCB: Capital conservation buffer; CCyB: Countercyclical buffer; O-SII: Other Systemically Important Institutions buffer; SRB: Systemic Risk buffer. [1] The (P1R + P2R) / P1R ratio on OTP Group was set by the NBH at 117.25% for 2020. [2] Assumptions for CCyB: 1.5% in Slovakia, 0.5% in Bulgaria (in March 2020 the BNB suspended the gradual CCyB increase to 1% in 2020). On 1 April the NBH reduced the O-SII buffer req. to zero effective from 1 July 2020.

Robust liquidity and funding position: 79% net loan to deposit ratio; share of wholesale debt at 5% of consolidated total assets; 169% LCR, light maturity profile with marginal refinancing needs

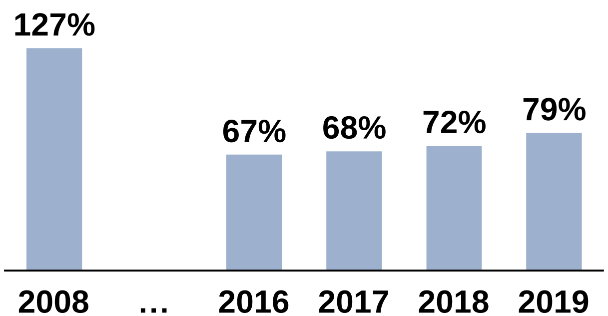
Consolidated[1] outstanding amount of wholesale debt (in EUR billion)



Maturity profile (end-2019, in EUR billion)



Consolidated Net loans / (Deposits + Retail bonds) ratio



Key liquidity ratios	Req.	2018	2019
NSFR[2]	-	144%	133%[3]
Liquidity coverage ratio	≥ 100%	207%	169%
Net loan-to-deposit ratio	-	72%	79%
Leverage ratio[4]	-	8.3%	8.6%
Leverage ratio[5]	-	10.1%	n.a.

Tier 2 bond issuance

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

Main features of the bonds

Issued amount: EUR 500 million

Issue rating: Ba1 (Moody's)

Type: Tier 2

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

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

Joint Lead Managers: OTP Bank, BNP Paribas, Citigroup

Listing: Luxembourg Stock Exchange

[1] Outstanding amount of bonds are decreased by the amounts purchased by Group members. Senior bonds include retail targeted bonds, too. [2] Net Stable Funding Ratio was based on BIS QIS (Quantitative Impact Studies) data report, there is no regulatory limit determined. [3] 2Q 2019 figure. [4] Based on prudential scope of consolidation – pursuant to Article 429 of CRR; capital (numerator) does not include eligible profit for the year. [5] Same as above, but capital (numerator) includes eligible profit.

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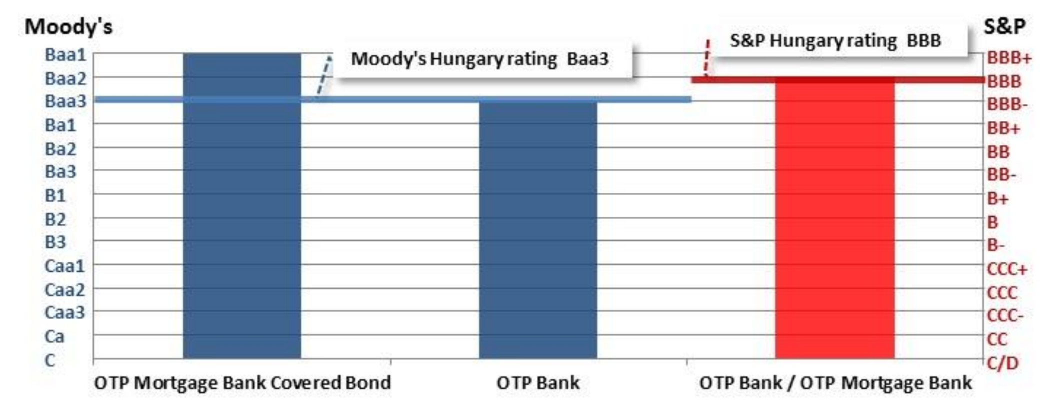
While OTP Bank ratings closely correlate with the sovereign ceilings, subsidiaries' ratings enjoy the positive impact of parental support

(rating outlook) + positive, - negative, 0 stable

Hungarian sovereign, OTP Bank and OTP Mortgage Bank ratings



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

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

Rating history

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

OTP Group related rating actions

- Moody's upgraded **OTP Bank**'s long term local currency deposit rating to Baa1 from Baa2. The Tier2 dated instrument issued by the Bank enjoys Ba1 rating. *(17 July 2019)*
- Fitch upgraded **OTP Bank Russia**'s and Bulgarian-based **Expressbank**'s Long-Term Issuer Default Ratings to BB+ from BB, with stable outlook. *(29 July 2019)*
- S&P upgraded **OTP Bank**'s long and short-term issuer credit ratings to BBB/A-2 from BBB-/A-3, with stable outlook. Furthermore the rating agency upgraded long and short-term issuer credit ratings of **OTP Mortgage Bank** to BBB/A-2 from BBB-/A-3, with stable outlook. *(27 January 2020)*
- Moody's has changed **OTP Mortgage Bank**'s backed issuer rating to negative from stable *(3 April 2020)*

Recent sovereign rating developments

- Fitch upgraded **Serbia**'s ratings to BB+ from BB, with stable outlook. *(27 September 2019)*
- Moody's has changed the outlook on **Ukraine** to positive from stable. *(22 November 2019)*
- S&P upgraded **Bulgaria**'s ratings to BBB from BBB-, with positive outlook. *(29 November 2019)*
- S&P has changed the outlook on **Romania** to negative from stable. *(10 December 2019)*
- S&P upgraded **Serbia**'s ratings to BB+ from BB, with positive outlook. *(13 December 2019)*
- S&P has changed the outlook on **Hungary** to positive from stable. *(14 February 2020)*
- Moody's has changed the outlook on **Montenegro** to stable from positive. *(06 March 2020)*
- Fitch has changed the outlook on **Croatia** to stable from positive. *(01 April 2020)*
- Fitch has changed the outlook on **Romania** to negative from stable. *(17 April 2020)*

Last update: 17/04/2020
Sovereign ratings: long term foreign currency government bond ratings,
OTP Mortgage Bank Moody's rating: covered bond rating; Other bank ratings: long term foreign currency deposit ratings
Abbreviations: ALB – Albania, BG - Bulgaria, CR - Croatia, HU - Hungary, MN - Montenegro, MO – Moldova, RO - Romania, RU - Russia, SRB - Serbia, SK - Slovakia, SV – Slovenia, UA - Ukraine

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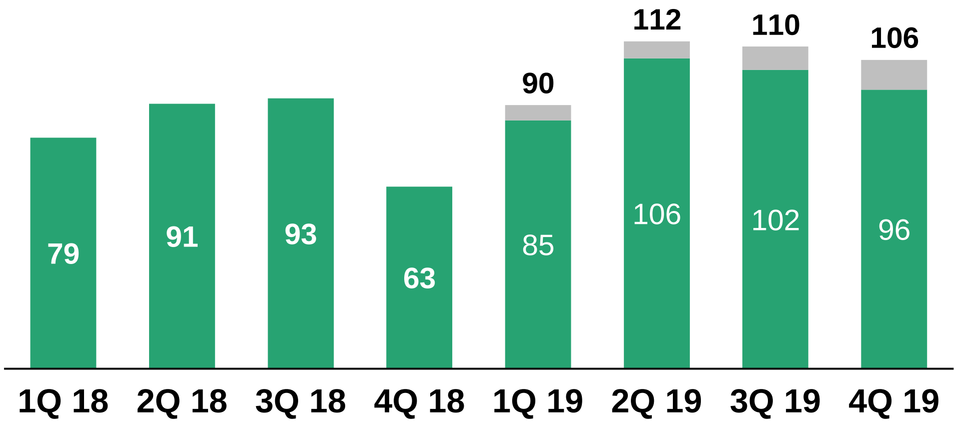
Despite the y-o-y eroding net interest margin, the booming volumes helped net interest income growth. In 2019 the completed acquisitions added HUF 29 billion to the consolidated adjusted profit

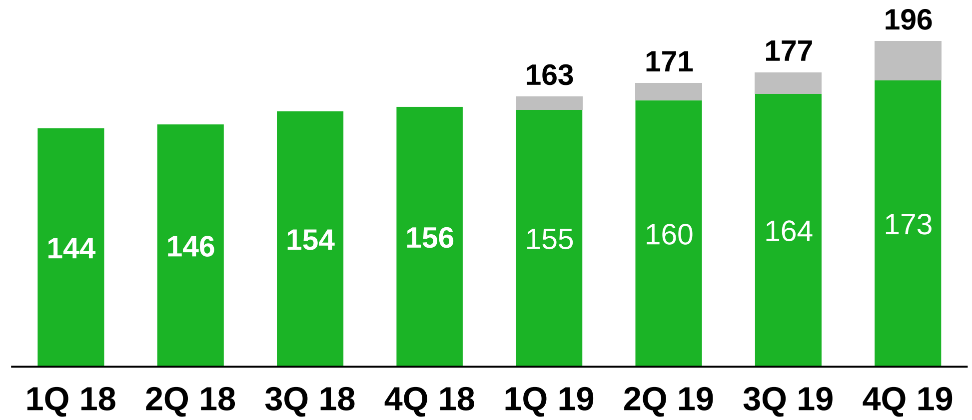
Effect of acquisitions

Adjusted after-tax profit
(in HUF billion)

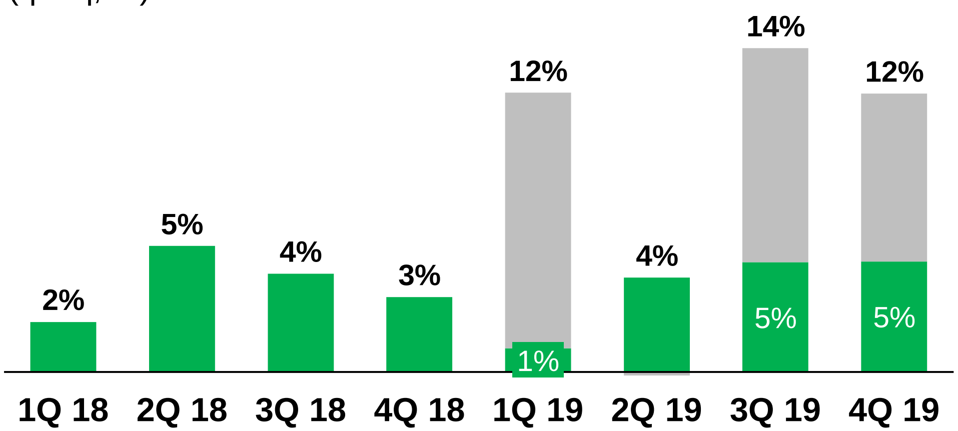
Effect of acquisitions:
HUF 29 billion in 2019



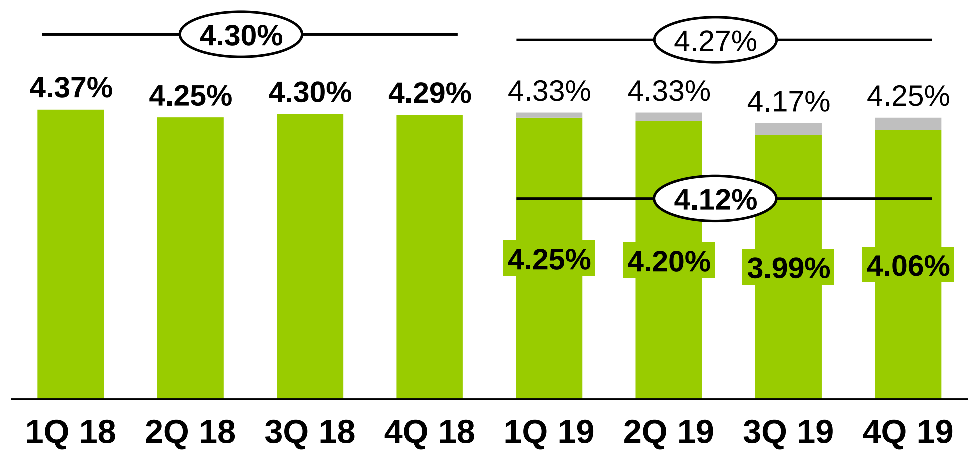
Net interest income
(in HUF billion)



FX-adjusted performing loan[1] volume growth
(q-o-q, %)



Net interest margin



[1] Performing loan volume changes are calculated from DPD0-90 loan volumes for the 1Q-2Q 2018 periods, and from Stage 1+2 loan volumes from 3Q 2018.

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Consolidated performing (Stage 1+2) loans expanded by 12% q-o-q, o/w organic growth was 4%. The 14% expansion in consumer loans at OTP Core was mainly due to the subsidized baby loans; housing loan growth speeded up to 5% q-o-q

Q-o-Q performing (Stage 1 + 2) LOAN volume changes in 4Q 2019, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBH (Croatia)	OBSrb (Serbia)	OBR (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Monten.)	OBA (Albania)	Mobias (Moldova)	OBS (Slovakia)
Nominal change (HUF billion)	1,297 / 476[2]	231	43	34	39	29	11	53	31	3	2	-4
Total	12% / 4%[2]	7%	2%	3%	3%	5%	3%	8%	12%	2%	2%	-1%
Consumer	9% / 9%[2]	14% / 2%[3]	1%	2%	3%	2%	10%	5%	0%	-1%	6%	-1%
Mortgage	14% / 15%[2]	3%	4%	5%	2%	6%			4%	-4%	15%	-2%
Corporate[1]	10% / 11%[2]	6%	-1%	3%	4%	4%	0%	34%	23%	4%	-3%	0%

Housing loan	Home equity
5%	-3%

[1] Loans to MSE and MLE clients and local governments.
[2] Without the effect of SKB Banka acquisition closed in 4Q 2019.
[3] Cash loan growth.

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Consolidated performing (Stage 1 + 2) loans jumped to 1.5-fold y-o-y, of which organic growth represented 15%. The Hungarian growth was even faster (22%), supported by accelerating expansion in loans to households

Y-o-Y performing (Stage 1 + 2) LOAN volume changes in 4Q 2019, adjusted for FX-effect

	Cons.	Core[3] (Hungary)	DSK[4] (Bulgaria)	OBH[4] (Croatia)	OBSr[4] (Serbia)	OBR[4] (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Montenegro)	OBS (Slovakia)
Nominal change (HUF billion)	3,965 / 1,252[2]	670	920 / 139[2]	77	761 / 38[2]	103	82	71	169 / 28[2]	-1
Total	48% / 15%[2]	22%	73% / 11%[2]	6%	184% / 9%[2]	19%	27%	12%	133% / 22%[2]	0%
Consumer	48% / 26%[2]	81% / 27%[5]	47% / 13%[2]	12%	122% / 15%[2]	15%	40%	9%	153% / 7%[2]	-1%
Mortgage	39% / 13%[2]	7% (Housing loan: 12%; Home equity: -11%)	54% / 15%[2]	5%	334% / -2%[2]	21%			131% / 13%[2]	0%
Corporate[1]	53% / 13%[2]	18%	106% / 7%[2]	3%	183% / 9%[2]	17%	22%	20%	125% / 32%[2]	0%

[1] Loans to MSE and MLE clients and local governments. [2] Without the effect of acquisitions closed in 2019.
[3] Without the elimination of OTP Real Estate Lease from OTP Core from 1Q 2019 (+HUF 21 bn effect, out of which 19 bn mortgage, 2 bn corporate loan). [4] In case of DSK, OBH, OBR and OBSr loan volumes of the local leasing companies are included in the subsidiary bank figures in the base period, as well. [5] Cash loan growth.

Consolidated deposits increased by 10% q-o-q (+4% w/o acquisitions). Hungarian retail deposits increased by 4%

Q-o-Q DEPOSIT volume changes in 4Q 2019, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBH (Croatia)	OBSrb (Serbia)	OBR (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Monten.)	OBA (Albania)	Mobias (Moldova)	OBS (Slovakia)
Total	10% / 4%[2]	6%	2%	-1%	-4%	12%	15%	-3%	-3%	-2%	6%	1%
Retail	10% / 4%[2]	4%	4%	0%	2%	9%	15%	2%	1%	1%	8%	-2%
Corporate[1]	9% / 4%[2]	9%	-3%	-1%	-10%	14%	14%	-12%	-7%	-14%	4%	5%

In case of OTP Core and consolidated total and corporate deposits the changes are based on figures excluding the q-o-q HUF 400 billion decline in the repo book (recognized among corporate deposits in the balance sheet) of OTP Core.

[1] Including MSE, MLE and municipality deposits.

[2] Without the effect of SKB Banka acquisition closed in 4Q 2019.

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Consolidated deposits went up by 34% y-o-y, even without acquisitions the growth was double digit (+11%). The strong Hungarian household deposit inflow continued, but Bulgaria, Ukraine and Romania also saw fast increase in deposits

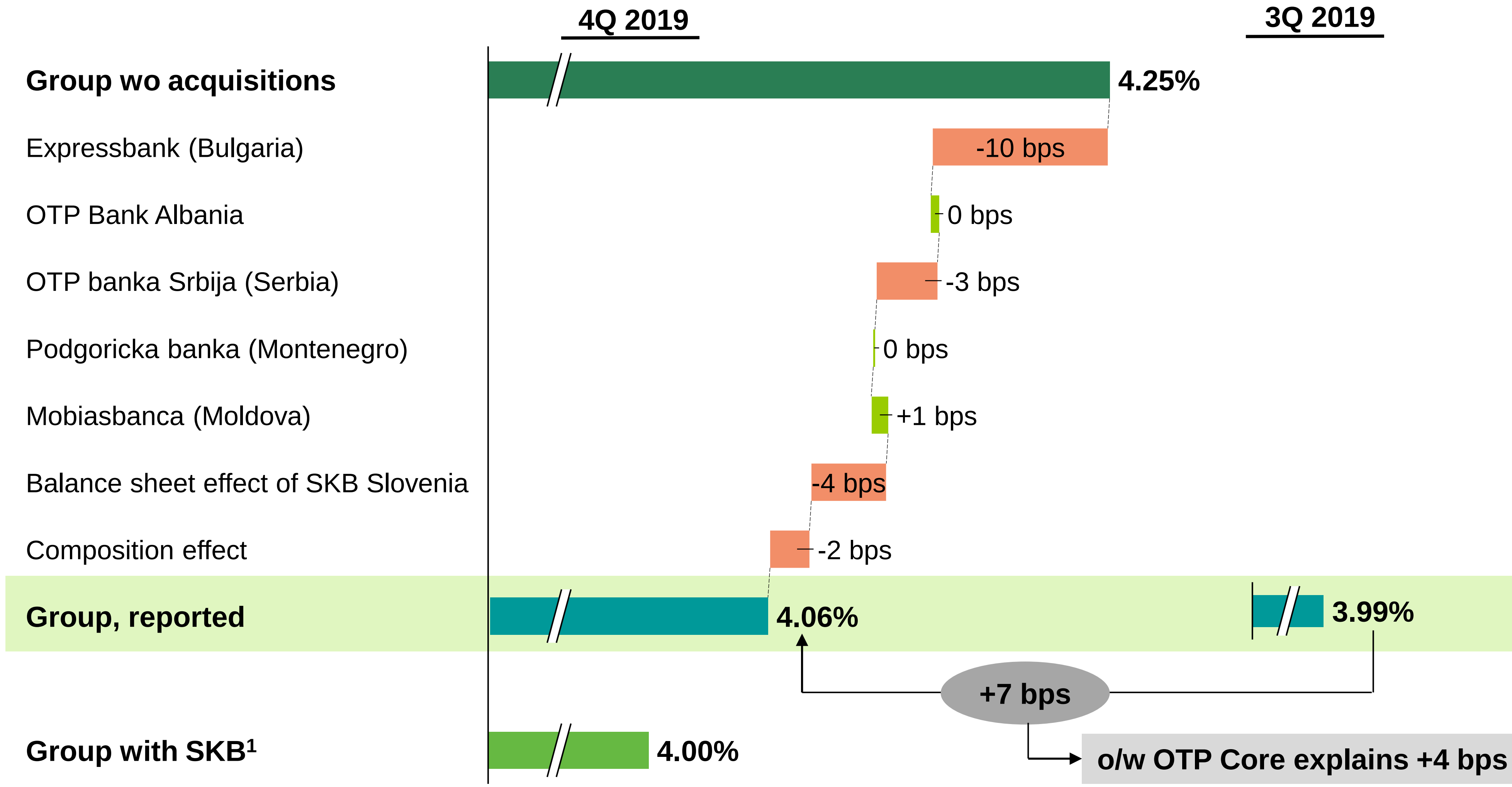
Y-o-Y DEPOSIT volume changes in 4Q 2019, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBH (Croatia)	OBSr (Serbia)	OBR (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Montenegro)	OBS (Slovakia)
Nominal change (HUF billion)	3,972 / 1,219[2]	772	1,070 / 181[2]	13	526 / 1[2]	107	119	31	137 / 19[2]	-18
Total	34% / 11%[2]	13%	55% / 9%[2]	1%	137% / 0%[2]	24%	38%	7%	76% / 11%[2]	-5%
Retail	32% / 8%[2]	9%	51% / 11%[2]	3%	111% / 2%[2]	18%	38%	0%	61% / 9%[2]	-9%
Corporate[1]	38% / 15%[2]	18%	69% / 5%[2]	-3%	173% / -2%[2]	30%	38%	25%	97% / 13%[2]	1%
Deposit – net loan gap (HUF billion)	3,261	3,026	801	177	-270	-123	33	-162	18	-17

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

The consolidated 4Q net interest margin improved by 7 bps q-o-q, mainly due to the widening margin at OTP Core

Consolidated net interest margin development

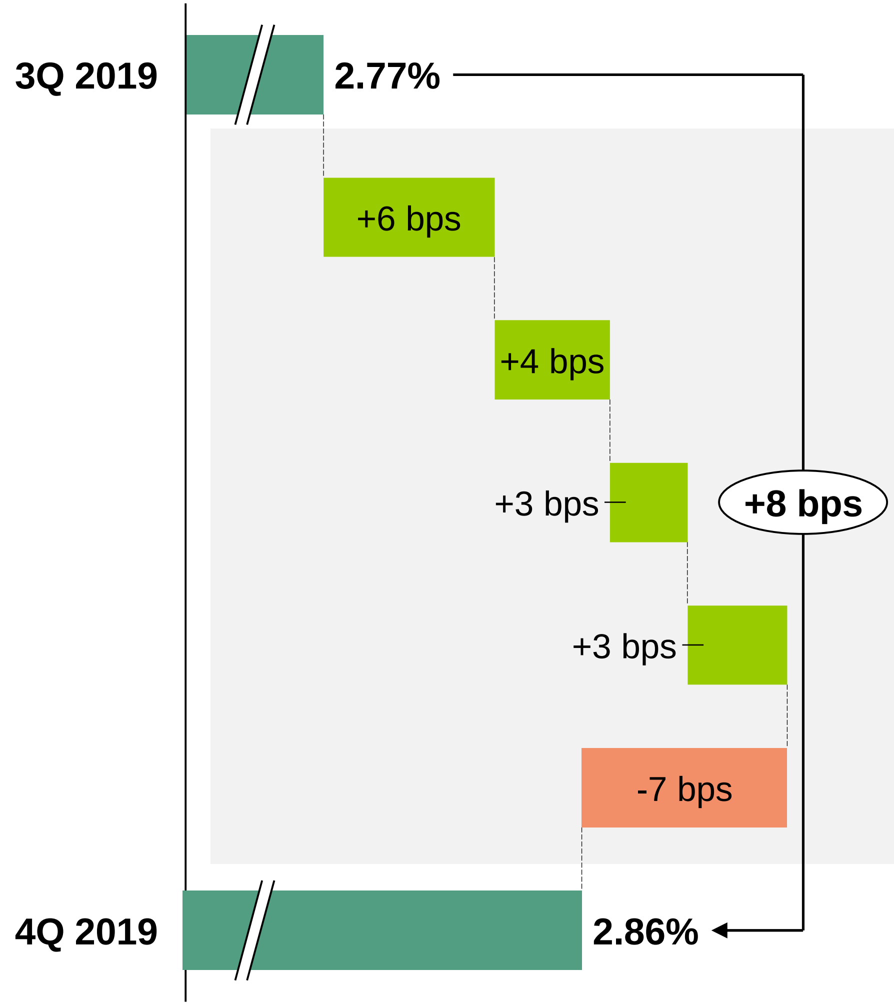


[1] Had the Slovenian bank's balance sheet and P&L been fully consolidated in 4Q 2019, the Group NIM would have been 4.00% in 4Q 2019 (estimate).

OTP CORE

At OTP Core the net interest margin widened by 8 basis points q-o-q, shaped by five main factors

OTP Core net interest margin development



The swap result (partly related to intra-group swaps with DSK Bank) improved by HUF 1.2 billion q-o-q.

The accounting of certain hedging transactions reduced net interest income by HUF 0.8 billion in 3Q, resulting in a lower base.

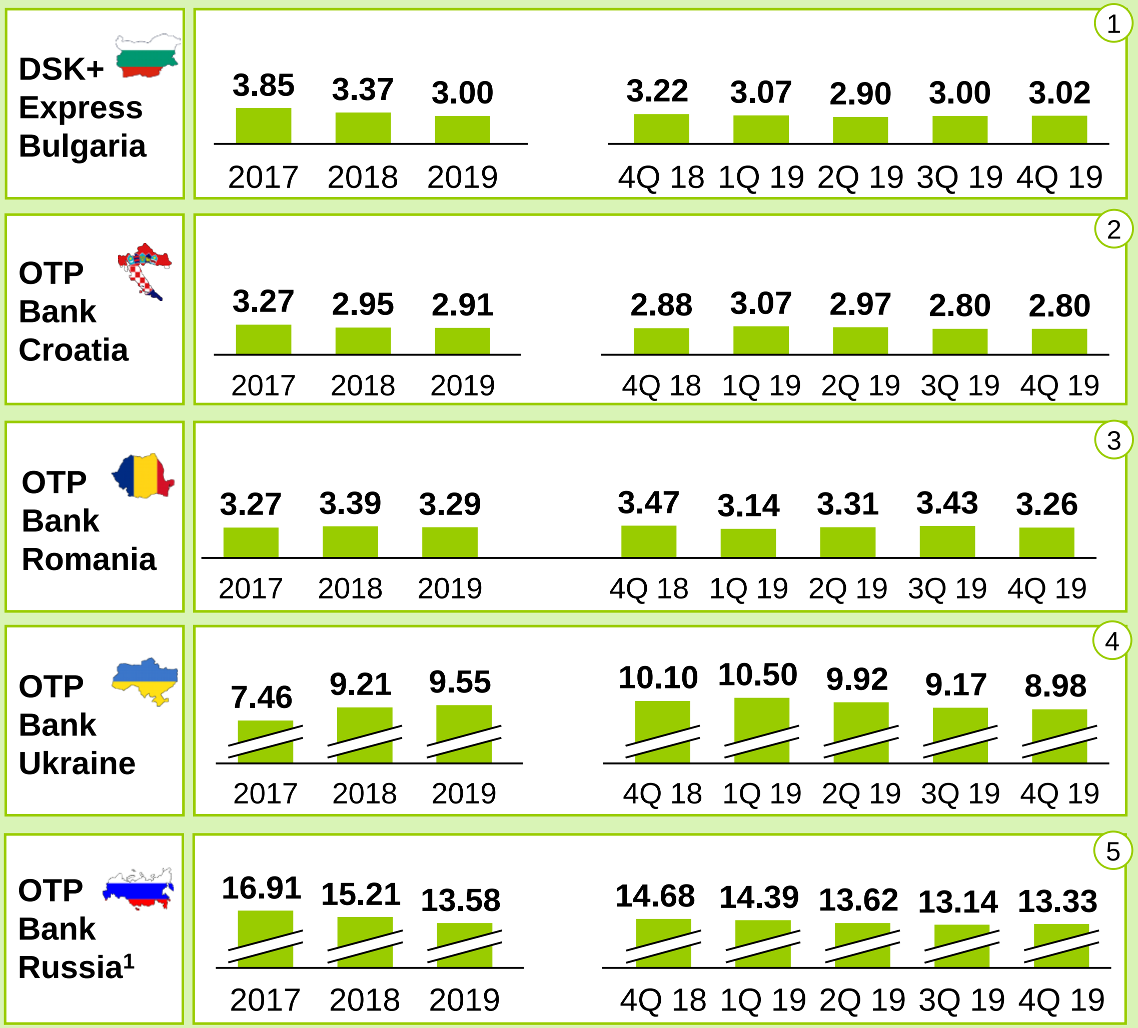
The average outstanding repo volumes shrank q-o-q by around HUF 100 billion, reducing the total assets.

The increase in the share of household loans in the balance sheet exerted a positive mix effect on the NIM.

The increase in non-interest bearing assets, mostly investments in subsidiaries held by OTP Bank, diluted the NIM.

In Bulgaria and Russia the net interest margin improved in quarterly comparison, but declined in Ukraine and Romania

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



1 The annual net interest margin shrank by 37 bps, partly because of the dilution effect stemming from the lower margin of the newly consolidated Express Group, and due to the continued margin erosion at DSK Bank (w/o Expressbank). In 4Q the margin slightly improved; the swap result appearing within NII did not change materially q-o-q.

2 The annual net interest margin eroded by 4 bps amid declining consumer loan rates. The quarterly NIM remained stable q-o-q.

3 In Romania the NIM narrowed by 17 bps q-o-q. In line with the Bank's growth strategy, deposit volumes and average interest rates on deposits grew, which contributed to the decline in margins. The loan portfolio also increased, but there was a slight decline in the average interest rate of the performing loan portfolio.

4 The annual NIM increased to 9.55%: the mix of outstanding loans gradually shifted towards higher margin consumer loans, while the policy rate was cut by 4.5 pps during 2019 in several steps. In 4Q NIM contracted by 19 bps due to the increasing deposit volumes.

5 Reasons for the y-o-y lower NIM included the continued decline in interest rates on consumer loans and a slight increase in average deposit interest rates. In 4Q the NIM improved by 19 bps as a result of increasing weight of higher margin consumer loans amid stronger lending activity, replacing low margin liquid assets. Also, starting from 3Q the bank cut its deposit rates in several steps.

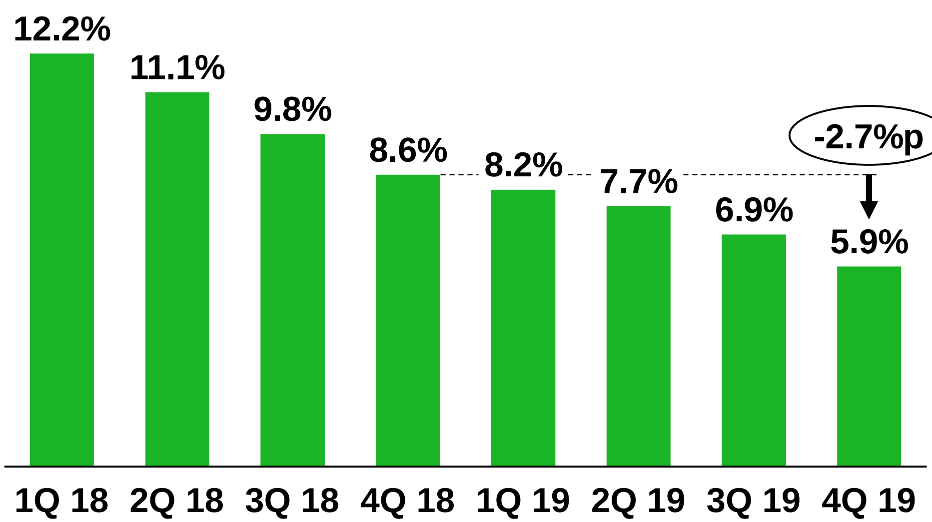
[1] Including Touch Bank from 1Q 2018.

The Stage 3 ratio diminished further, while the own provision coverage of Stage 3 loans stood at 65.2%. At the end of 2019 the ratio of adjusted total provisions to Stage 3 loans ratio reached 90.6%, and the coverage of DPD90+ loans by total provisions amounted to 128.3%

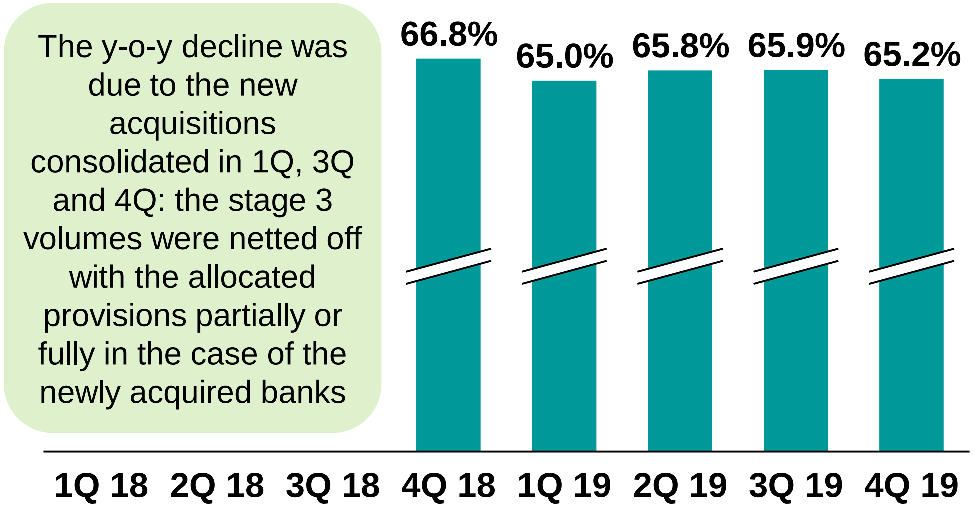
At the end of 2019 the total consolidated exposure, including both on and off balance sheet exposure, to the Hotel & Accommodation, Manufacture of Air & Spacecraft & Related Machinery, Air Transport, Sea & Costal Passenger Water Transport, Inland Passenger Water Transport and Travel Agency & Tour Operator Activities segments represented EUR 0.8 billion equivalent, or 2.9% of the total gross on and off balance sheet exposure to legal entities.

At the end of 2019 the total consolidated exposure including both on and off balance sheet exposure, to the Oil & Gas segment represented EUR 1.0 billion equivalent, or 3.6% of the total gross on and off balance sheet exposure to legal entities.

OTP Group - consolidated Stage 3 ratio[1]



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



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

The DPD90+ category is a subset of Stage 3, and it stood at 4.2% at Group level at the end of 4Q 2019.

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

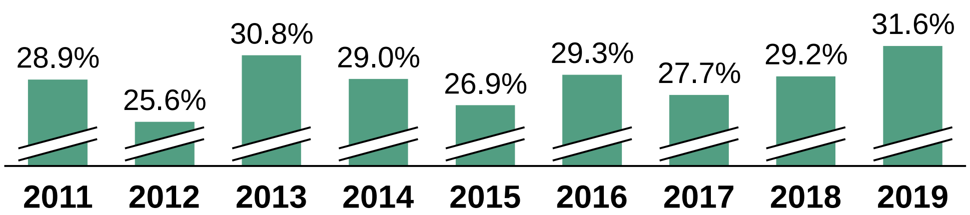
OTP CORE

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

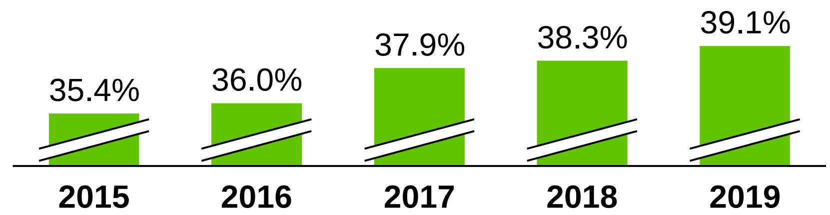
Change of housing loan disbursements of OTP Bank
(2019, y-o-y)

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

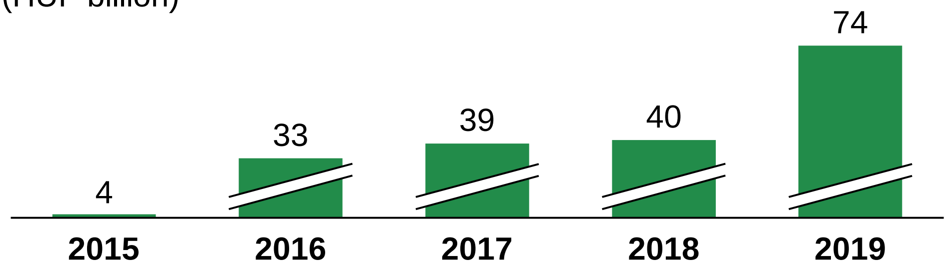
OTP's market share in mortgage loan contractual amounts



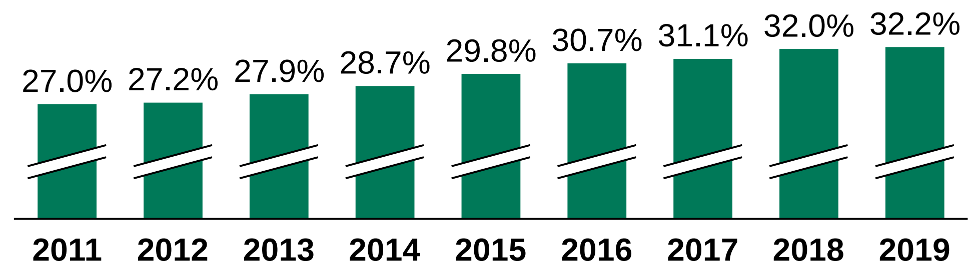
Market share in newly disbursed cash loans



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



OTP Bank's market share in household savings

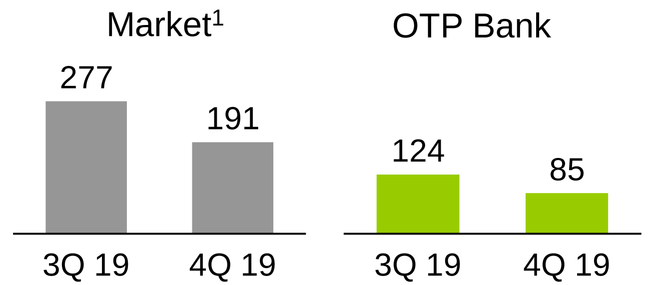


OTP CORE

OTP Bank has experienced huge demand for the newly introduced subsidized baby loans: the contractual amount hit HUF 209 billion in the second half of the year, which is consistent with close to 45% market share

Subsidized baby loan – key statistics for the second half of 2019

Contractual amount (HUF billion)



OTP's market share in new contractual amounts

2H 2019 statistics:

Number of new contracts:	22 thousands
Average ticket size:	HUF 9.5 million
Average maturity:	19.7 years

Subsidized baby loan – key elements of the structure

General features

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

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

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

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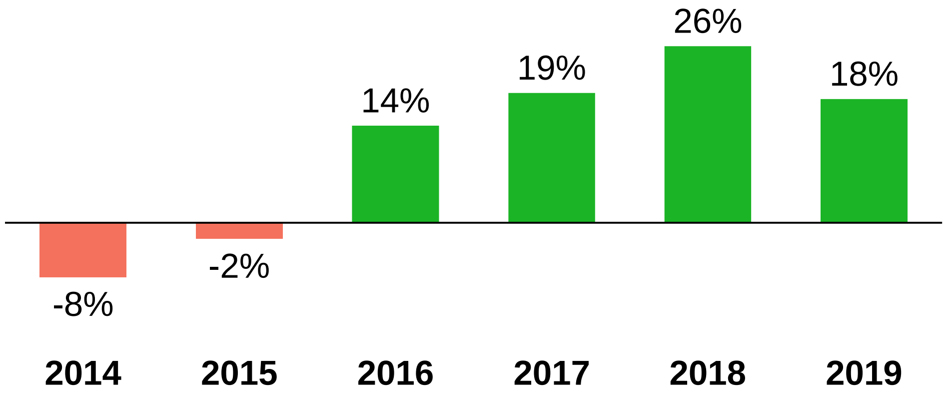
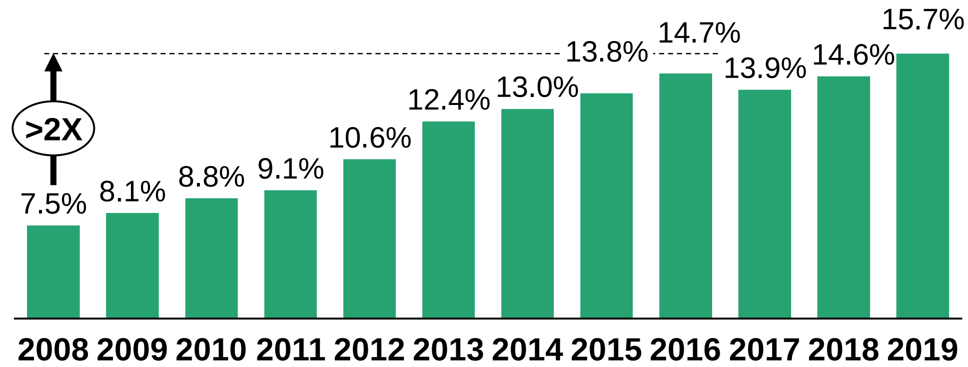
OTP CORE

In the MSE segment OTP Core managed to demonstrate 14% y-o-y volume dynamics, whereas the medium and large corporate loans increased by 18% y-o-y. OTP's market share in corporate loans got close to 16%

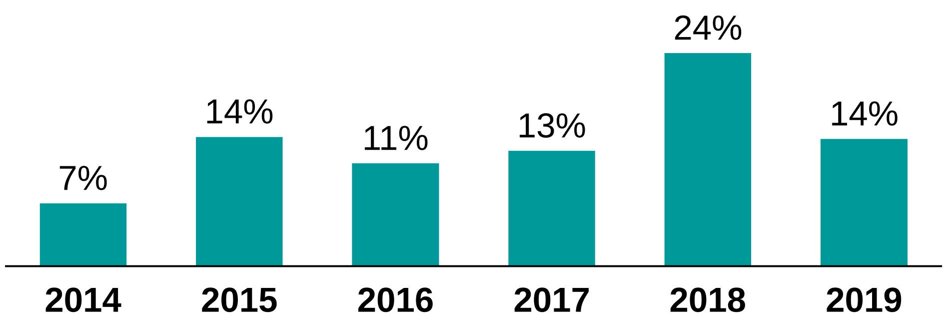
Performing (DPD0-90) medium and large corporate loan volume change (FX-adjusted)



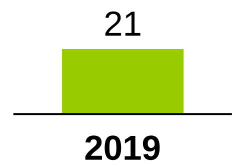
OTP Group's market share in loans to Hungarian companies[1]



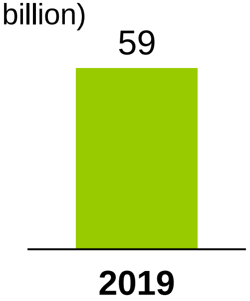
Performing (DPD0-90) loan volume change at micro and small companies (FX-adjusted)



The nominal value of bonds underwritten by OTP under the Bond Funding for Growth Scheme launched by the National Bank of Hungary
(HUF billion)



The cumulated amount of loan applications for the *Funding for Growth Scheme Fix* at OTP Bank since the launch of the programme in 2019
(HUF billion)



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

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Management expectations are fundamentally positive for 2020, credit demand might temporarily moderate in 2Q

OTP Group: Management expectations for 2020, as of 6 March 2020 – 1.

Management expectations for 2020 are overall positive and assume supporting operating environment. However, recent developments might create temporary impact on the affected economies. This factor introduces higher than usual uncertainties concerning expectations:

The Return on Equity (ROE[1]) target of above 15% announced at the 2015 Annual General Meeting remains in place.

The expected quantifiable adjustment items (after tax) in 2020 are: -HUF 18 billion banking tax and around -HUF 12 billion related to the completed acquisitions.

The FX-adjusted organic growth of performing loans may decelerate in 2Q 2020 compared to 2019 trajectory. However, in 2H 2020 it may return to an annualized growth rate above 10%.

The development of net interest margin mainly depends on the Hungarian and Ukrainian interest rate environments and the performing loans growth. Both factors are difficult to forecast, but margin erosion is likely to continue.

The credit risk cost rate might increase further even in the base case scenario, primarily due to the gradual decline of the nominal amount and proportion of NPL recoveries.

Operating expenses adjusted for the positive base effect of the already completed acquisitions might expand by around 6% y-o-y (FX-adjusted).

[1] Assuming 12.5% Common Equity Tier1 (CET1) ratio.

OTP Group: Management expectations for 2020, as of 6 March 2020 – 2.

Concerning capital adequacy, there is no change in the targeted CET1 = Tier1 ratio range mid-point of 15%, which was set in November 2017.

As a result of recent acquisitions, the market position of the Group improved materially in a number of markets, and it obtained substantial market shares in new markets. Following the big wave of acquisitions, in 2020, capital accumulation and integration of the acquired banks will be in focus.

Nevertheless, the management continues to assess further value-creating acquisition opportunities.

Furthermore, the management seeks to pay out higher dividend amount to the shareholders, thus:

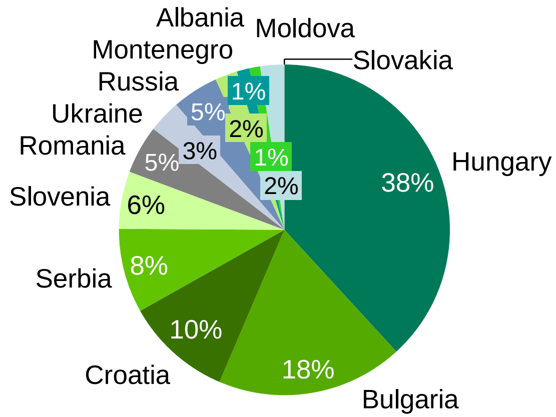
- **the management proposal for the dividend amount after the 2019 financial year increases by 13% y-o-y to HUF 69.44 billion, implying a dividend per share of HUF 248;**
- **the AGM on 17 April 2020 makes the final decision on dividends;**
- **similar to the practice in previous years, the dividend proposal after the 2020 financial year will be made by the management in 1Q 2021.**

Further details and financials

OTP Group is offering universal banking services to more than 19 million customers in 12 countries across the CEE/CIS Region

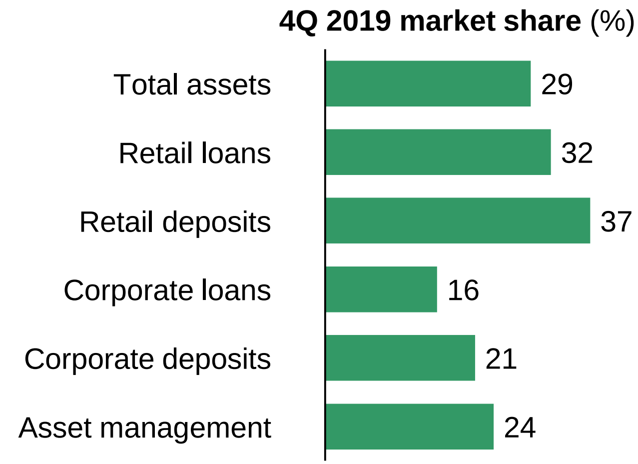
Major Group Members in Europe

Total Assets

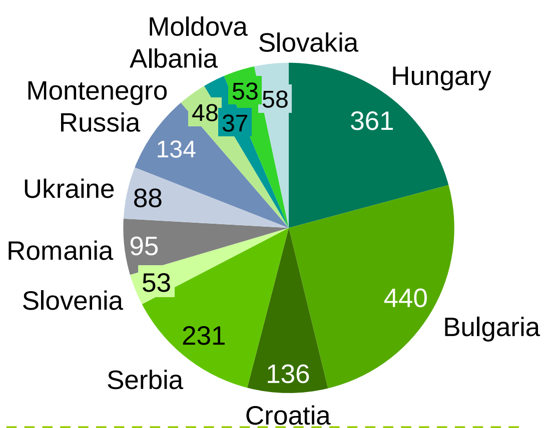


Total Assets: HUF 20,122 billion

Systemic position in Hungary…

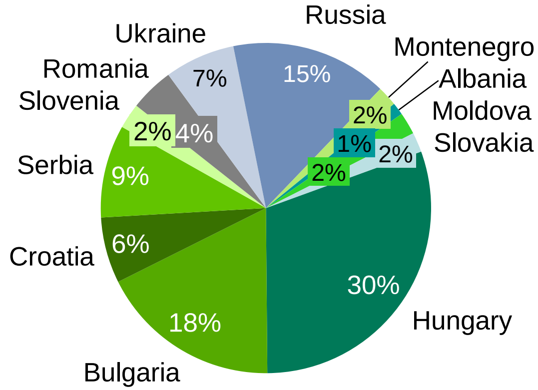


Number of Branches



Total number of branches: 1,734

Headcount



Total headcount: 34,992[1]

... as well as in other CEE countries

Bulgaria

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

Croatia

- No. 4 in Total assets

Russia

- No. 3 in POS lending
- No. 7 in Credit card business
- No. 32 in Cash loan business

Montenegro

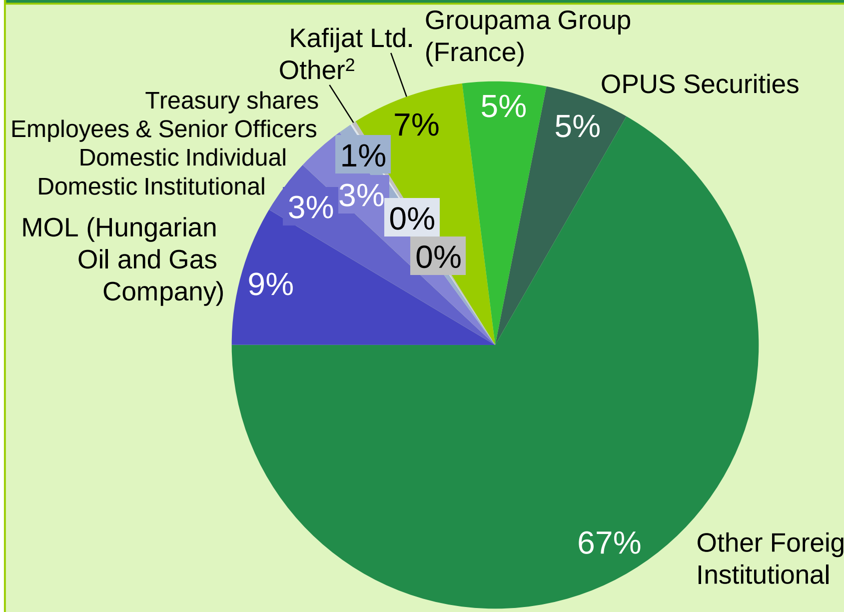
- No. 1 in Total assets

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

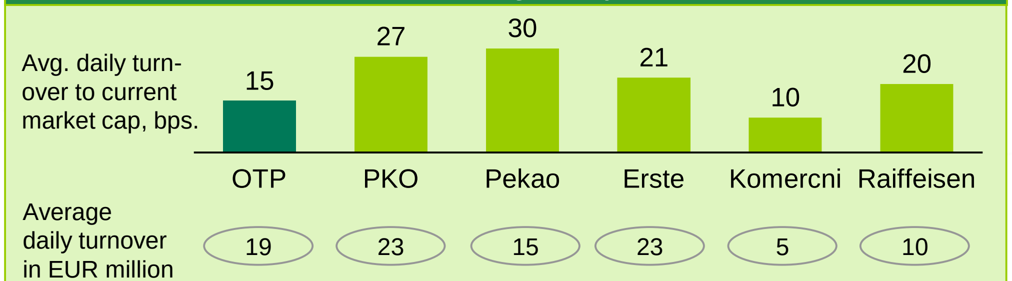
OTP offers a unique investment opportunity to access the CEE banking sector. The Bank is a well diversified and transparent player without strategic investors

Market capitalization: EUR 10.8 billion[1]

Ownership structure of OTP Bank on 31 December 2019



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'

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'

'Bank of the Year in 2019'

'Retail Online and Mobile Banking Application in 2019'

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

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

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

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

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

‚Best Consumer Digital Bank Hungary in 2019'

Index Member of CEERIUS

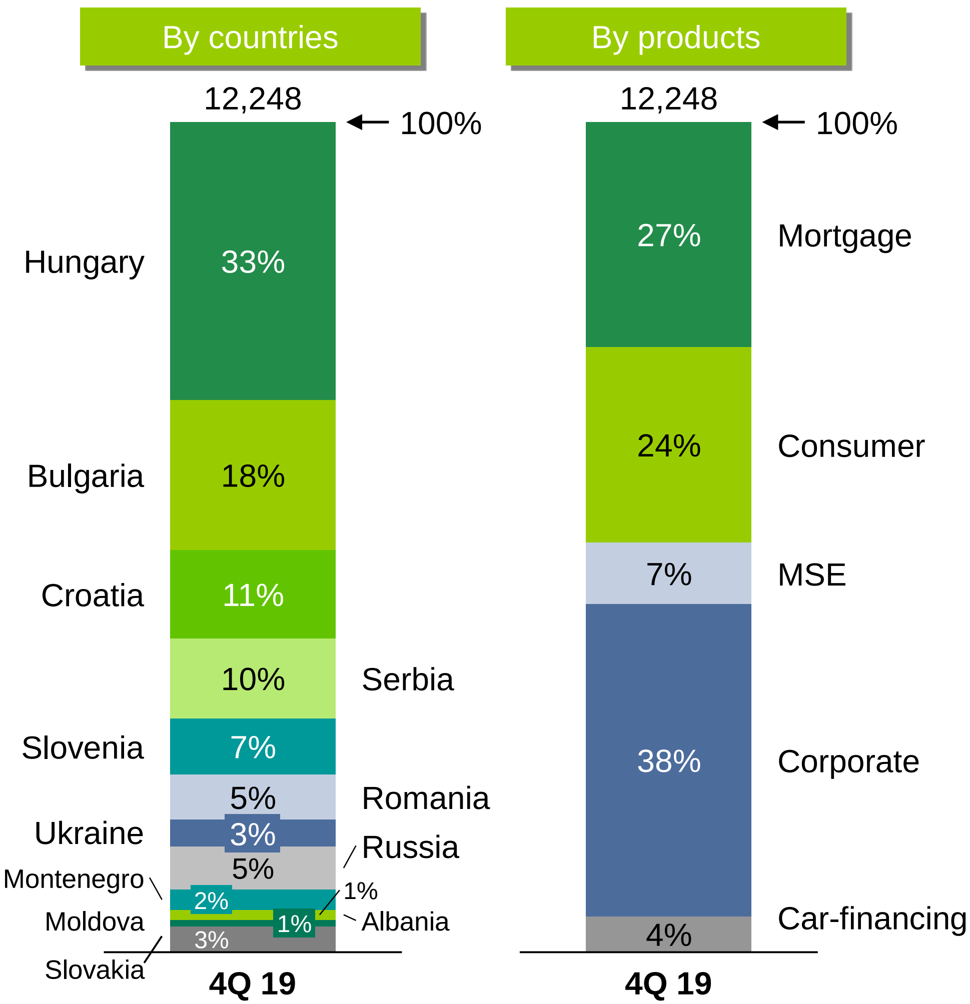
'Best FX providers in Hungary in 2017, 2018, 2019, 2020'

'Best Private Bank in Hungary in 2019'

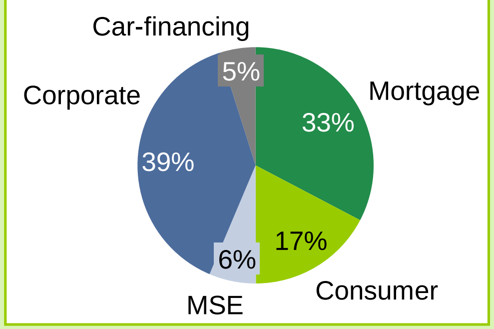
[1] On 09 March 2020.
[2] Foreign individuals, International Development Institutions, government held owner and non-identified shareholders.
[3] Based on the last 6M data (end date: 09 March 2020) on the primary stock exchange.

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

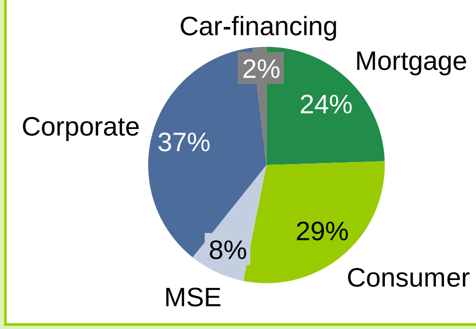
Breakdown of the consolidated net loan book
(in HUF billion)



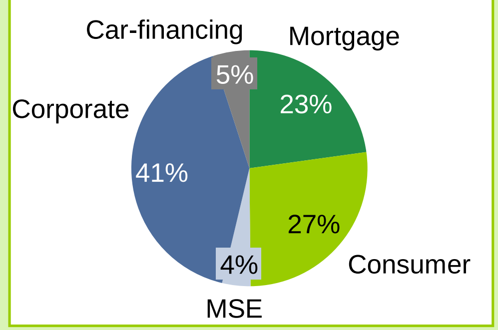
OTP Core[1] (Hungary)



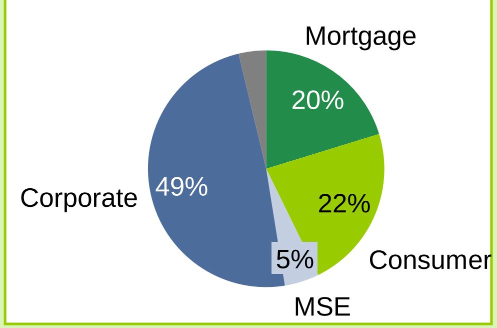
DSK Group (Bulgaria)



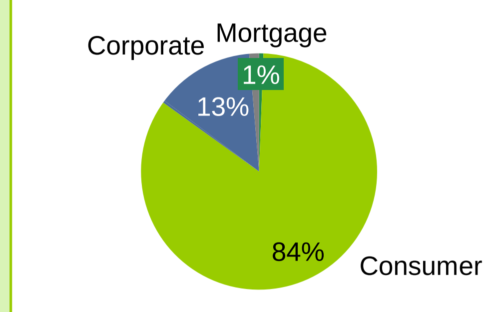
OTP Bank Croatia



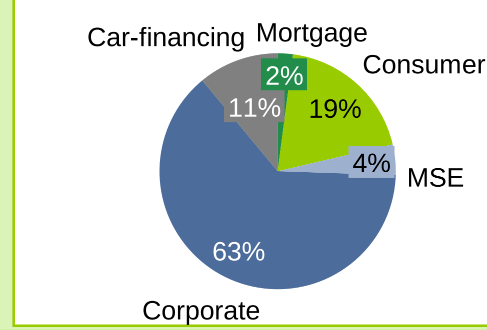
OTP Bank Serbia



OTP Bank Russia



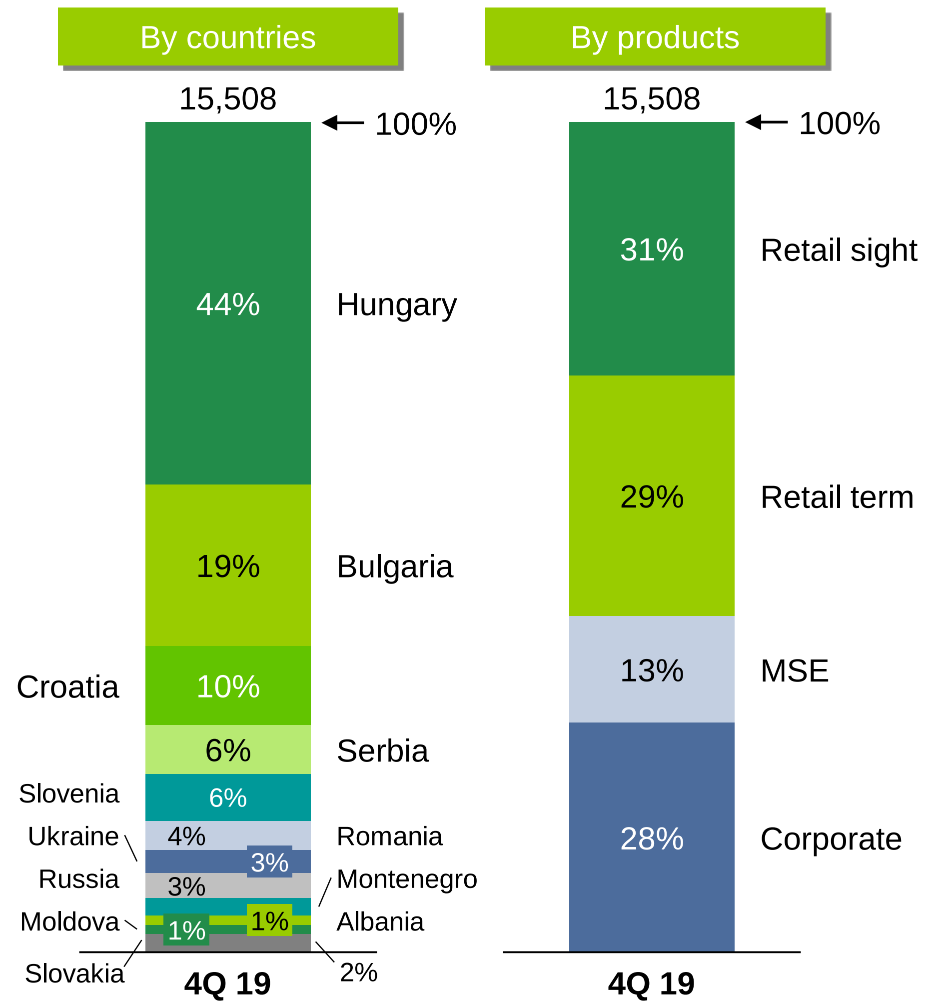
OTP Bank Ukraine



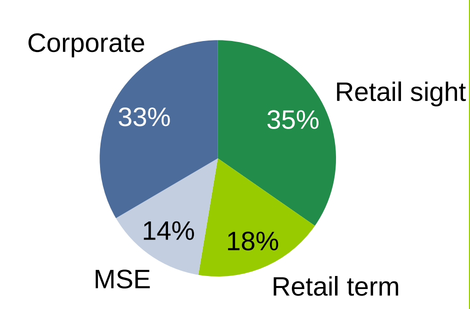
[1] Including Merkantil Bank (Hungary).

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

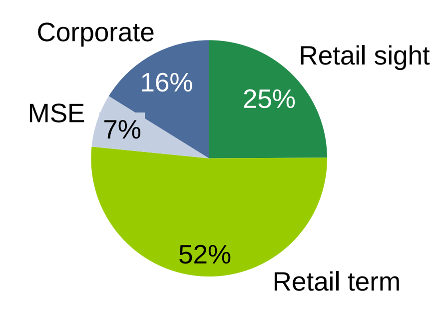
Breakdown of the consolidated deposit base
(in HUF billion)



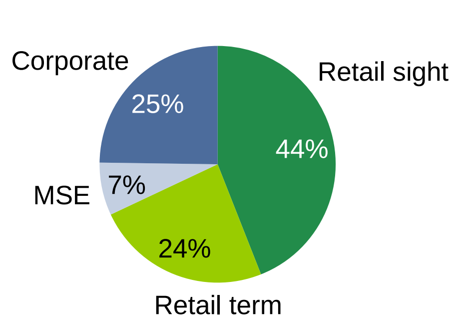
OTP Core (Hungary)



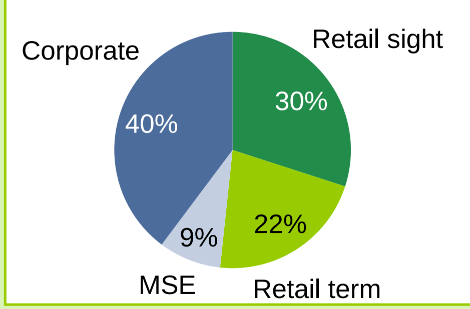
DSK Group (Bulgaria)



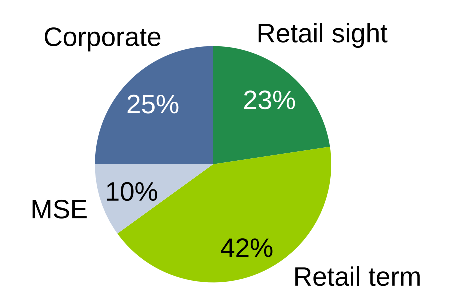
OTP Bank Croatia



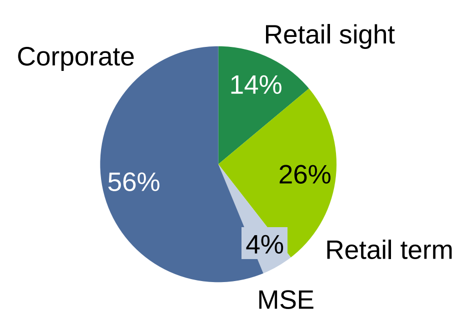
OTP Bank Serbia



OTP Bank Russia

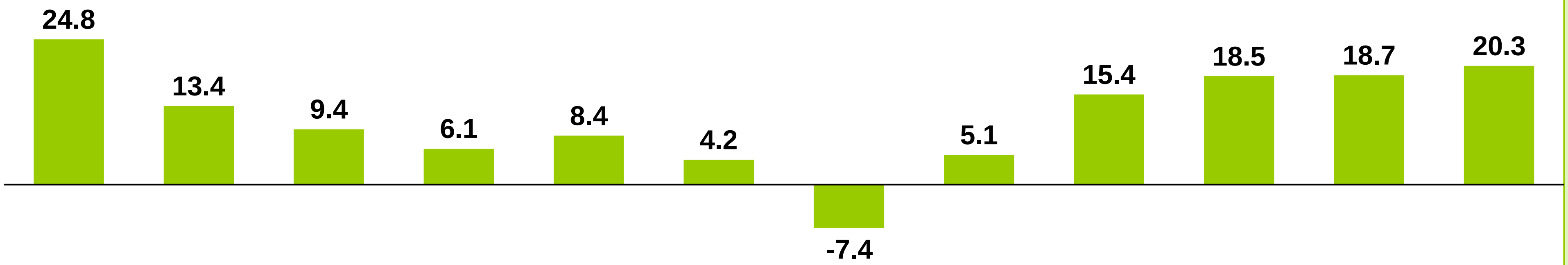


OTP Bank Ukraine

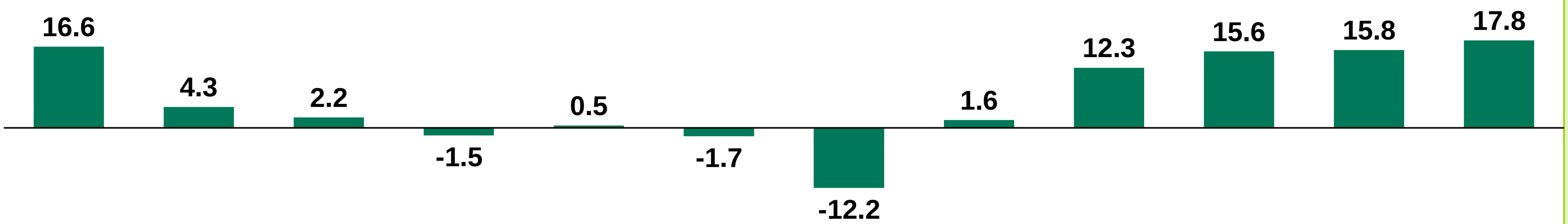


Return on Equity surpassed 20% in 2019

Consolidated ROE, accounting (%)



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



Price to Book ratio

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Max	2.8	1.4	1.7	1.4	0.8	1.0	0.9	1.4	1.7	1.9	2.0	2.0
Min	0.6	0.4	0.9	0.6	0.6	0.7	0.7	0.8	1.3	1.5	1.5	1.6

Bloomberg

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

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

	2003-2008 average	2009-2013 average	2014	2015	2016	2017	2018	2019
Accounting ROE	29.4%	8.3%	-7.4%	5.1%	15.4%	18.5%	18.7%	20.3%
Adjusted ROE[1]	29.0%	11.6%	8.5%	9.6%	15.4%	18.7%	19.1%	20.6%
Total Revenue Margin[2]	8.60%	8.17%	7.74%	7.03%	6.79%	6.71%	6.33%	6.28%
Net Interest Margin[2]	6.02%	6.28%	5.96%	5.12%	4.82%	4.56%	4.30%	4.12%/ 4.27%[4]
Net Fee & Comm. Margin	1.50%	1.47%	1.59%	1.55%	1.62%	1.75%	1.58%	1.65%
Other income Margin[2]	1.08%	0.41%	0.19%	0.31%	0.35%	0.41%	0.44%	0.52%
Operating Costs / Average Assets	4.47%	3.80%	3.85%	3.66%	3.70%	3.68%	3.57%	3.31%
Cost / Income (without one-offs)	51.9%	46.5%	49.8%	52.0%	54.4%	54.9%	56.3%	52.7%
Risk Cost Rate[3]	0.90%	3.37%	3.68%	3.18%	1.14%	0.43%	0.23%	0.28%
Leverage (average equity / avg. assets)	10.2%	13.5%	13.0%	11.7%	12.9%	12.7%	12.2%	11.9%

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

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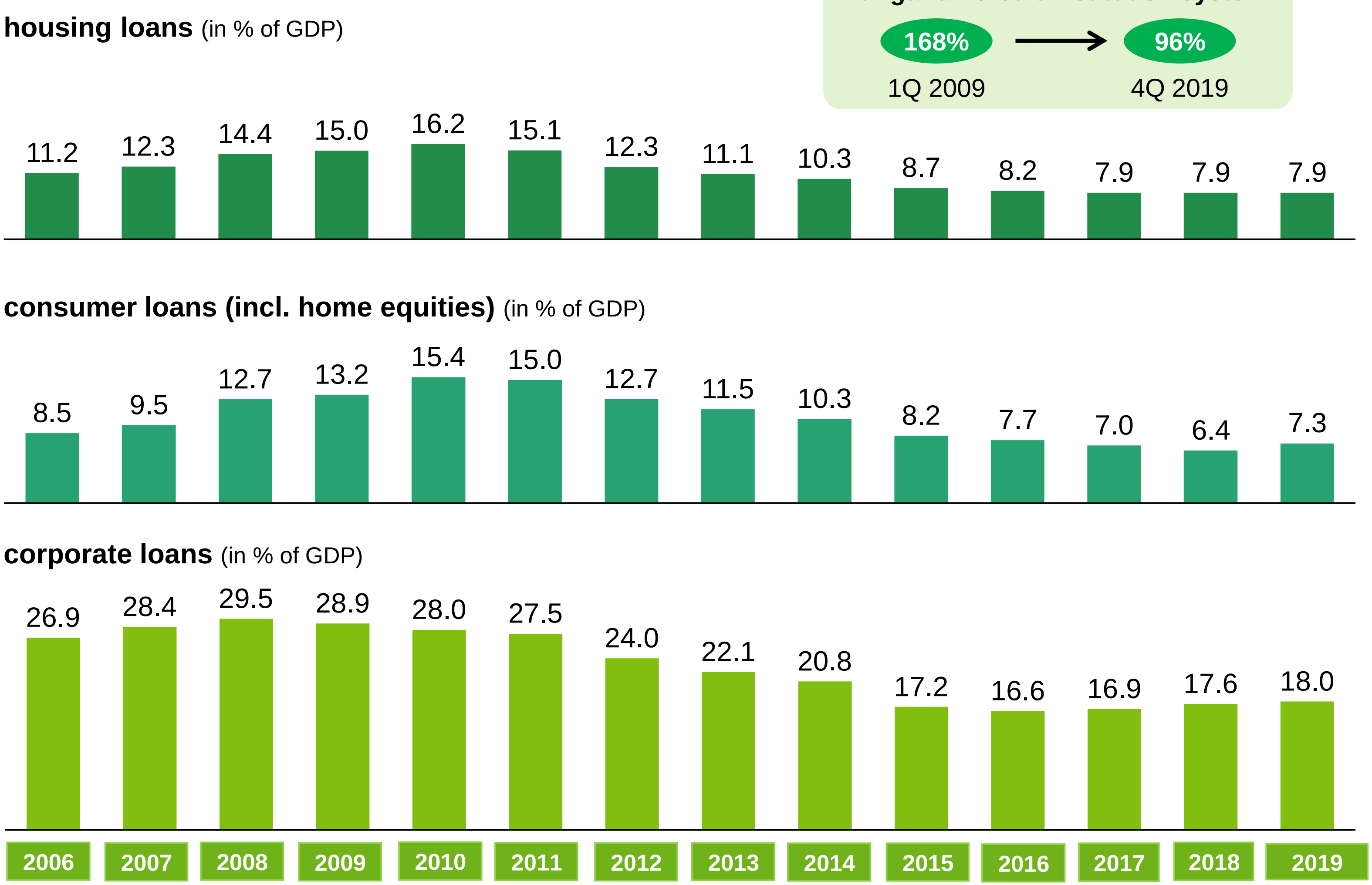
The Hungarian loan penetration levels are still low in regional comparison implying good volume growth potential. This is also the case for Romania, as well as for the Bulgarian housing loan segment

Market penetration levels in Hungary in ...

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

168% → **96%**

1Q 2009 → 4Q 2019



4Q 2019 data for other CEE/CIS countries

32.9 Slovakia
24.2 Czech Republic
20.4 Poland
14.3 Croatia
9.2 Bulgaria
7.7 Romania
0.8 Ukraine

18.8 Croatia
14.1 Poland
11.3 Bulgaria
9.3 Russia
9.0 Slovakia
7.1 Czech Republic
5.9 Romania
4.5 Ukraine

29.7 Bulgaria
24.0 Serbia
21.0 Croatia
20.8 Czech Republic
20.4 Slovakia
18.7 Ukraine
16.8 Poland
11.2 Romania

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

The annual total income grew by 14% without acquisitions. The quarterly growth was driven by the excellent success fee revenues earned by OTP Fund Management (Hungary), and the newly acquired Serbian bank

Effect of acquisitions

TOTAL INCOME without one-off items	**2019** (HUF billion)	**4Q 2019** (HUF billion)	**2019 Y-o-Y** (HUF billion, %)		**4Q 2019 Q-o-Q** (HUF billion, %)	
OTP Group	**1,078**	**306**	123 73 196	22%/14%[1]	18 14 32	12%/7%[1]
OTP CORE (Hungary)	**432**	**115**	53	14%	3	2%
DSK Group (Bulgaria)	**156**	**40**	4 48	44%/2%[2]	0	1%
OBH (Croatia)	**85**	**21**	7	9%/4%[4]	-1	-3%
OBSrb (Serbia)	**43**	**20**	1 13	43%/1%[2]	1 12 12	163%/9%[2]
OBR (Romania)	**38**	**10**	7	22%/19%[4]	0	2%
OBU (Ukraine)	**67**	**19**	20	43%/26%[3]	2	11%
OBRu (Russia)	**147**	**39**	17	13%/8%[3]	0	1%
CKB Group (Montenegro)	**16**	**6**	2 5	50%/15%[1]	0 1	16%/-1%[1]
OBA (Albania)	**8**	**3**	8	-	0	-2%
Mobiasbanca (Moldova)	**6**	**4**	6	-	1	
OBS (Slovakia)	**15**	**4**	0	-2%	0	4%
Others	**66**	**26**	12	23%	13	97%

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

The annual net interest income increased by 9% without acquisitions, whereas in 4Q it grew by 5%; both changes were mainly driven by the strong loan growth

Effect of acquisitions

NET INTEREST INCOME	2019 (HUF billion)	4Q 2019 (HUF billion)	2019 Y-o-Y (HUF billion)	2019 Y-o-Y (%)	4Q 2019 Q-o-Q (HUF billion)	4Q 2019 Q-o-Q (%)
OTP Group	**706**	**196**	52 / 106	18%/9%[1]	8 / 10 / 19	11%/5%[1]
OTP CORE (Hungary)	**262**	**68**	16	6% (1)	5	8% (1)
DSK Group (Bulgaria)	**109**	**29**	7 / 39	56%/9%[2] (2)	0	1%
OBH (Croatia)	**57**	**14**	3	5%/-1%[4]	0	2%
OBSrb (Serbia)	**31**	**14**	2 / 10	50%/4%[2]	9 / 9	163%/3%[2]
OBR (Romania)	**28**	**8**	5	21%/18%[4] (3)	0	1%
OBU (Ukraine)	**48**	**14**	15	46%/28%[3] (4)	1	11%/5%[3]
OBRu (Russia)	**114**	**30**	11	11%/6%[3]		5%/2%[3]
CKB (Montenegro)	**11**	**4**	1 / 4	52%/11%[1]	1	21%/3%[1]
OBA (Albania)	**7**	**2**	7	-	0	7%
Mobiasbanca (Moldova)	**4**	**3**	4	-	1	
OBS (Slovakia)	**11**	**3**	-1	-6%	0	-1%
Merkantil (Hungary)	**14**	**4**	1	7%	0	-2%
Corporate Centre	**4**	**0**	-3	-39%	-1	-71%
Others	**7**	**3**	-4	-39%	1	45%

(1) The full-year net interest income was up 6%, mostly owing to the continued dynamic organic loan growth, but the revenues were also boosted by the gross interest income realized from the placement of additional liquidity.
Regarding the q-o-q growth of HUF 5 billion, key drivers were: continued loan growth; lower interest expenditures on deposits; the swap result improved by HUF 1.2 billion q-o-q; a one-off effect related to the accounting of certain hedging transactions reduced net interest income by HUF 0.8 billion in 3Q (being offset in other income, this item is neutral to the profit).

(2) In Bulgaria bulk of the NII growth was explained by the Expressbank acquisition; the standalone NII of DSK Bank improved by 9%, as a joint effect of continued loan growth and margin erosion.

(3) The Romanian annual NII was supported by expanding loans (+23% y-o-y), partly offset by the eroding NIM (-11 bps y-o-y).

(4) The Ukrainian annual NII surged by 28% y-o-y in UAH terms, supported by both the improving NIM (+33 bps y-o-y) and soaring volumes.

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

The net fee and commission income in 4Q leaped by 14% q-o-q without the Serbian acquisition; apart from the strong business activity the key driver was the robust success fee earned by OTP Asset Mgmt (Hungary)

Effect of acquisitions

NET FEE INCOME	2019 (HUF billion)	4Q 2019 (HUF billion)	2019 Y-o-Y (HUF billion, %)		4Q 2019 Q-o-Q (HUF billion, %)	
OTP Group	**283**	**86**	47 62	28%/21%[1]	10 13	17%/14%[1]
OTP CORE (Hungary)	**127**	**33**	20	19%	-3	-8%
DSK Group (Bulgaria)	**42**	**11**	1 12	38%/3%[2]	0	2%
OBH (Croatia)	**17**	**4**	1	6%/3%[4]	-1	-16%
OBSrb (Serbia)	**10**	**4**	0 2	30%/2%[2]	0 2	127%/12%[2]
OBR (Romania)	**3**	**1**	0	-11%/ -14%[4]	0	-3%
OBU (Ukraine)	**15**	**4**	3	30%/14%[3]	0	4%/-1%[3]
OBRU (Russia)	**31**	**8**	4	16%/11%[3]	0	-5%/-8%[3]
CKB Group (Montenegro)	**4**	**1**	0 1	31%/13%[1]	0 0	-2%/-11%[1]
OBA (Albania)	**1**	**0**	1	-	0	-33%
Mobiasbanca (Moldova)	**1**	**0**	1	-	0	
OBS (Slovakia)	**4**	**1**	0	10%	0	12%
Fund mgmt. (Hungary)	**20**	**16**	13	175%	14	996%

1 At OTP Core in 2019 the net fees were mainly shaped by further improving deposit and transaction-related, as well as higher securities distribution fees mainly on the back of newly introduced retail bond, the Hungarian Government Security Plus (MÁP Plusz).
The HUF 3.0 billion q-o-q decline was explained by one-offs: they worsened the q-o-q dynamics of net fees by HUF 3.5 billion. The largest one-off item was the refund for credit card usage booked in lump sum in 4Q, amounting to HUF 2.6 billion.

2 The y-o-y jump in net fee income largely stemmed from the success fees received in the fourth quarter. 85% of the full-year success fees were related to the OTP Supra derivative investment fund's performance, which boasted a yield of nearly 24% in 2019.

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

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The annual other income growth was boosted primarily by the better Hungarian results

Effect of acquisitions

OTHER INCOME without one-off items	2019 (HUF billion)	4Q 2019 (HUF billion)	2019 Y-o-Y (HUF billion)	2019 Y-o-Y (%)	4Q 2019 Q-o-Q (HUF billion)	4Q 2019 Q-o-Q (%)
OTP Group	**89**	**24**	23 / 28	45%/38%[1]	1 / 1	4%/-2%[1]
OTP CORE (Hungary)	**43**	**14**	18	69%	1	7%
DSK Group (Bulgaria)	**5**	**0**	-3 / -5	-39%/-69%[2]	0	-66%
OBH (Croatia)	**11**	**3**	3	37%/40%[4]	0	-6%
OBSrb (Serbia)	**3**	**2**	-1 / 0	18%/-27%[4]	1	290%/58%[4]
OBR (Romania)	**6**	**2**	2	61%/59%[4]	0	14%
OBU (Ukraine)	**4**	**1**	2	67%/48%[3]	0	38%/25%[3]
OBRU (Russia)	**2**	**0**	1	210%/206%[3]	0	-67%/-69%[3]
CKB Group (Montenegro)	**0**	**0**	0 / 0	-	0 / 0	62%/19%[1]
OBA (Albania)	**0**	**0**	0	-	0	-73%
Mobiasbanca (Moldova)	**1**	**1**	1	-	0	
OBS (Slovakia)	**0**	**0**	0	-1%	0	51%
Others	**12**	**2**	2	22%	-1	-44%

1 At OTP Core the HUF 18 billion annual increase was driven mainly by higher securities gains.

2 In Bulgaria the y-o-y decline was driven partly by the decline in the swap result booked within other income (-HUF 2.3 billion y-o-y), as well as the deterioration in the foreign exchange result, while Expressbank and DSK Leasing generated a combined HUF 2 billion other income in 2019.

3 At the Croatian subsidiary the y-o-y development can be mainly explained by higher securities gains.

4 The annual growth at Other subsidiaries was mainly attributable to the fact that OTP Real Estate Ltd. realized higher revenues from new home sales in 2019.

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

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Operating costs grew by 6.0% y-o-y adjusted for acquisitions and FX-effect, fuelled by higher IT spending, wage inflation and intensifying business activity

Effect of acquisitions

OPERATING COSTS – 2019 (HUF billion)		Y-o-Y (HUF bn)	Y-o-Y (%)	Y-o-Y (FX-adj., HUF bn)	Y-o-Y (FX-adj., %)
OTP Group	568	38 / 71	14% / **7.7%**[1]	31 / 64	12% / **6.0%**[1]
OTP CORE (Hungary)	258	24	10%	24	10%
DSK Group (Bulgaria)	72	3 / 21	42%/5%[2]	2 / 21	39%/3%[2]
OBH (Croatia)	42	-1	-2%/-6%[3]	-2	-4%/-8%[3]
OBSrb (Serbia)	30	1 / 6	25%/1%[2]	0 / 5	21%/-1%[2]
OBR (Romania)	25	5	25%/21%[3]	5	25%/21%[3]
OBU (Ukraine)	23	6	35%	4	19%
OBRu (Russia)	62	1	1%	-2	-3%
CKB Group (Montenegro)	10	0 / 2	28%/5%[1]	0 / 2	25%/2%[1]
OBA (Albania)	4	4	-	4	-
Mobiasbanca (Moldova)	3	3	-	3	-
OBS (Slovakia)	13	1	5%	0	3%
Merkantil (Hungary)	7	1	10%	1	10%

1 OTP Core: personnel expenses were shaped mainly by the 5% rise in the average employee count, as well as by the wake hike (which was much lower at OTP than the 10.6% nominal growth in regular wages in the financial sector). Similar to 2018, the Hungarian non-managerial employees received a one-off year-end bonus in 2019.

2 Croatia: as a result of the integration, the average number of full-time employees dropped by 6% y-o-y. In 2019 further 8 branches were closed.

3 Romania: the cost increase was partly due to the Bank's growth strategy: higher personnel costs were driven by both general wage inflation and the 14% increase in average headcount (adjusted for leasing inclusion). In addition, the Bank paid higher sales commissions for the stronger new loan disbursements. Administrative expenses surged as a combined effect of stronger business activity and higher expert fees in relation to the implementation of the Bank's growth strategy.

4 Ukraine: costs went up by 19% in UAH terms amid average inflation of 8%. This was mainly driven by higher personnel expenses as a result of wage hikes and 1.5% increase in the average number of employees, as well as higher operational expenses induced by stronger business activity.

5 Russia: 3% cost saving was achieved, the drop in both personnel expenses and amortization, partly due to the integration of Touch Bank in 2018, offset the increase in administrative costs which went up in line with increasing business volumes.

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

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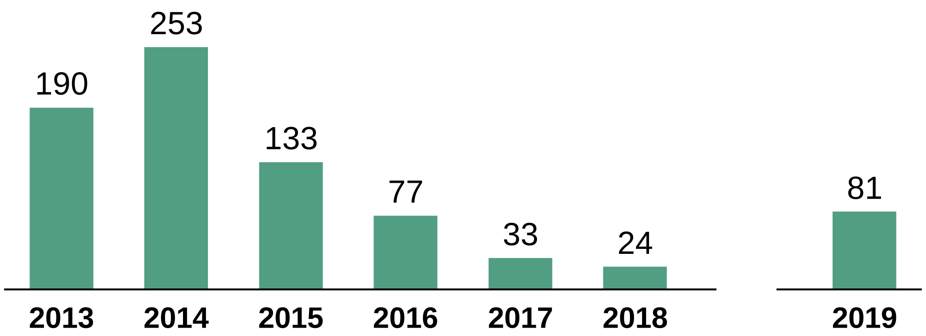
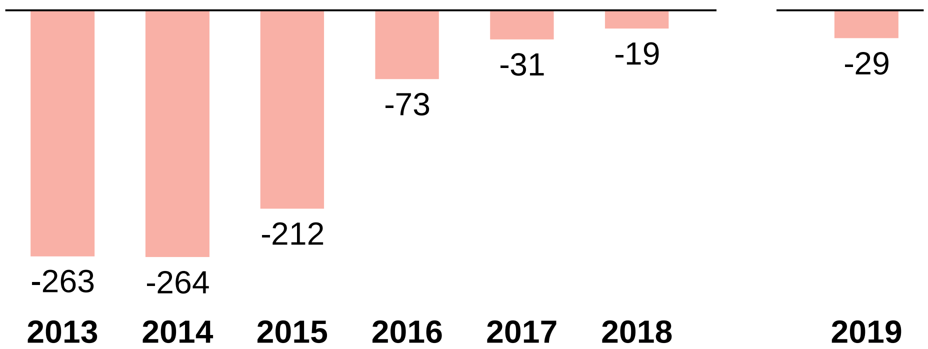
Credit quality indicators remained favourable. The DPD90+ ratio declined further, while the annual consolidated credit risk cost rate grew by 5 bps y-o-y

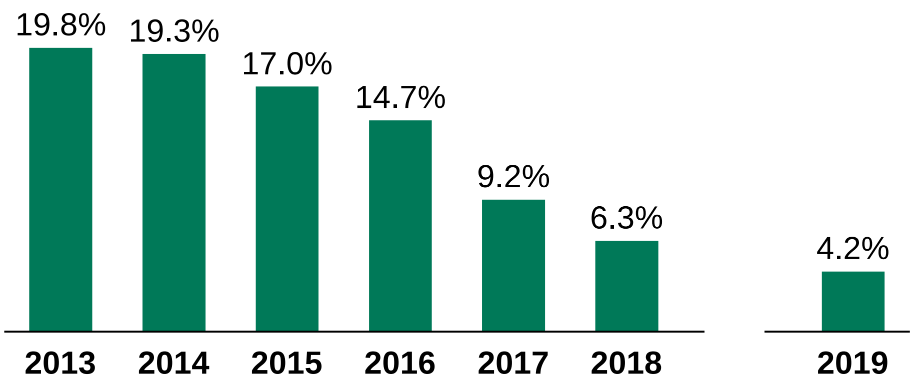
Change in DPD90+ loan volumes (consolidated, without the technical effect of new acquisitions[1], adjusted for FX and sales and write-offs, in HUF billion)



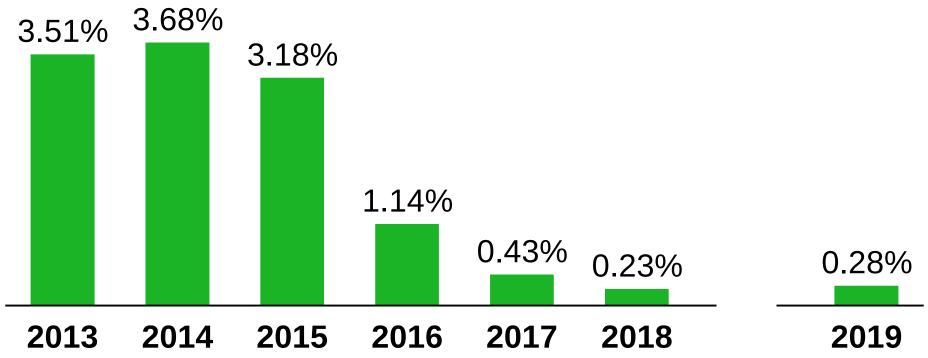
Consolidated provision for impairment on loan and placement losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



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



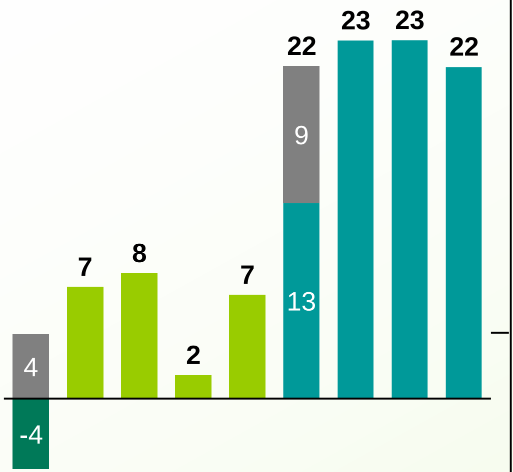
[1] One-off effect of the DPD90+ volumes taken over as a result of acquisitions.

In 4Q 2019 the consolidated DPD90+ formation decreased slightly q-o-q, within that the Russian deterioration moderated further

FX-adjusted quarterly change in DPD90+ loan volumes

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

Consolidated

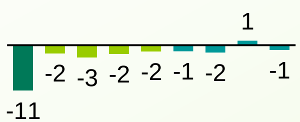


FX-adjusted sold or written-off loan volumes:

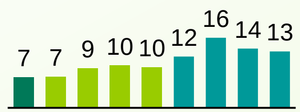
One-off effect of the DPD90+ volumes taken over as a result of acquisitions: in 4Q 2017 the portfolio of **Vojvodjanska banka** and in 1Q 2019 that of **Expressbank** was consolidated.

From 3Q 2019 the one-off effect of acquisitions was eliminated.

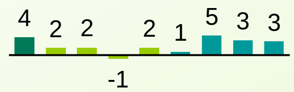
OTP Core (Hungary)



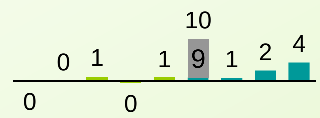
OBRu[1] (Russia)



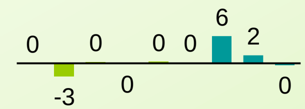
OBU (Ukraine)



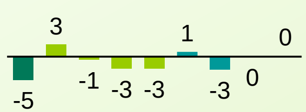
DSK Group (Bulgaria)



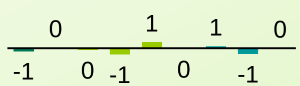
OBR (Romania)



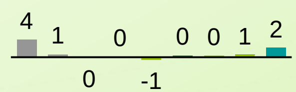
OBH (Croatia)



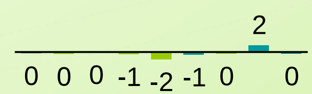
OBS (Slovakia)



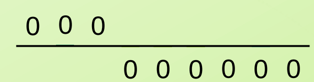
OBSr (Serbia)



CKB Group (Montenegro)



Merkantil (Hungary)



FX-adjusted sold or written-off loan volumes:

	2017 4Q	2018 1Q	2018 2Q	2018 3Q	2018 4Q	2019 1Q	2019 2Q	2019 3Q	2019 4Q
Consolidated	122	17	37	49	73	12	34	25	61
OTP Core	16	2	5	5	9	3	4	3	4
OBRu	5	6	6	4	12	3	15	6	29
OBU	42	2	7	14	16	3	3	8	8
DSK Group	14	0	0	1	6	1	1	1	2
OBR	8	5	9	16	1	1	0	0	1
OBH	6	0	0	3	4	0	7	1	4
OBS	6	0	0	4	3	1	1	2	3
OBSr	5	0	7	0	7	0	0	1	3
CKB Group	5	1	1	1	9	0	0	3	7
Merkantil	14	0	0	1	5	0	0	0	2

The formation figures of the two new Group member bank, Albania, Moldova and Slovenia are not showed on this slide as their DPD90+ formation was less than HUF 1 billion in 2019 in total.

[1] Including Touch Bank from 1Q 2018.

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