OTP Group
Full year 2018 results

Conference call – 1 March 2019

László Bencsik
Chief Financial and Strategic Officer

2018 was the best-ever year in OTP Group's history, thanks to the favourable macroeconomic environment, within that especially to the outstanding Hungarian economic performance

1.

All-time high profit, outstanding ROE

The Group posted an all-time high consolidated adjusted profit (HUF 325.3 billion, +15% y-o-y). The accounting ROE reached 18.7%, calculating with a CET1 ratio of 12.5% the ROE would stand at 23.2%, comfortably exceeding the 15% medium term management target.

2.

Outstanding loan volume expansion supported by organic growth and new acquisitions

OTP Group's **organic** loan expansion was outstanding even in European context: in 2018 performing volumes grew by 15% y-o-y; each individual markets and all major credit segments demonstrated an increase.

As a result of the completed or announced **acquisitions** during the last two years (Croatia, Bulgaria, Serbia, Albania, Moldova, Montenegro) OTP Bank has become the most active consolidator in the CEE/SEE region, materially improving its market position and strengthening the profit contribution of foreign Group members.

3.

Strong capital and liquidity position

The strong capital position (CET1: 16.5%) and the favourable liquidity position of the Group (net loan-to-deposit ratio: 72%) efficiently supports the organic growth and the regional acquisition efforts of the Group.

4.

Excellent performance in Hungary

Both the adjusted nominal profit and the profitability of OTP Core improved in 2018. The organic performing loan growth accelerated to 18%. OTP's market share improved both in household and corporate loans, as well as in household savings and corporate deposits.

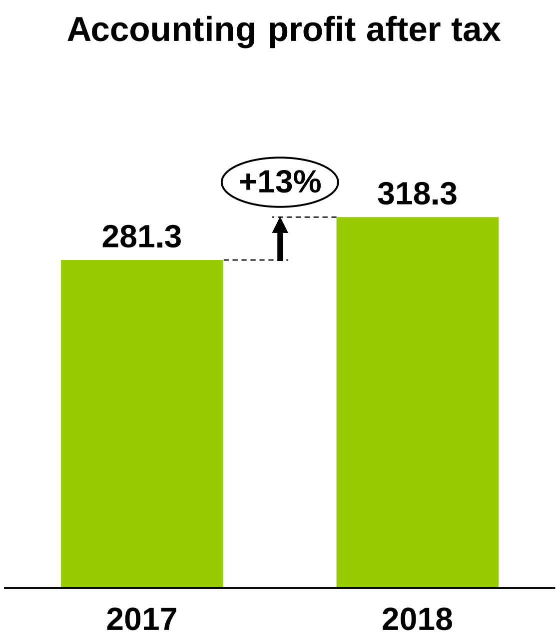
5.

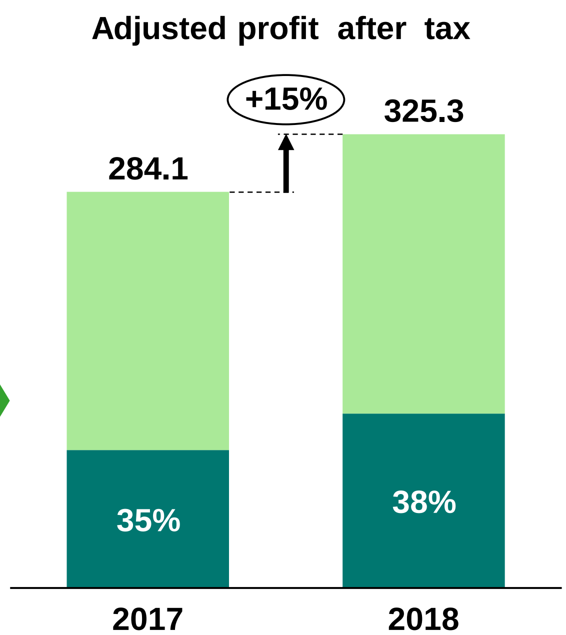
Supporting economic environment continues to propel strong performance

otpbank

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

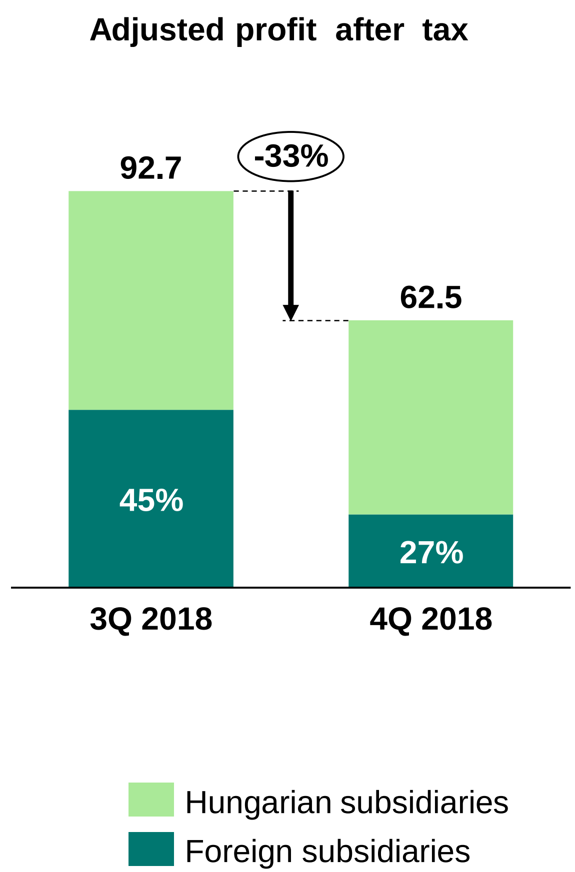
After tax profit development y-o-y (in HUF billion)





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

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

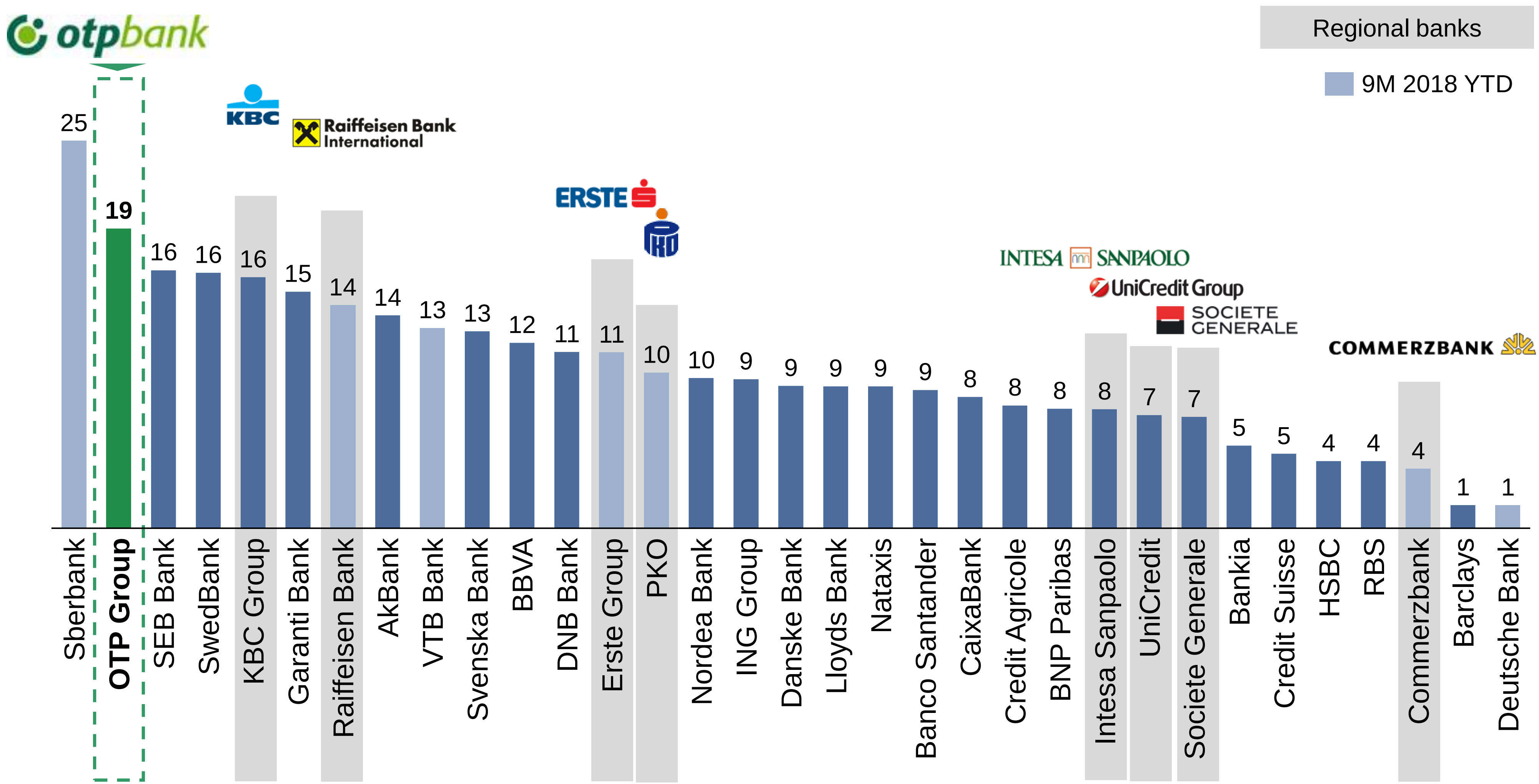


[1] Of which -HUF 6.8 billion effect of acquisitions; +0.5 dividends and net cash transfer; +0.6 impact of fines imposed by the Hungarian Competition Authority.

otpbank

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

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



Source: SNL bank database, OTP, company reports.

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

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

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

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

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

otpbank

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

Adjusted profit after tax (in HUF billion)

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

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

The annual operating profit without acquisitions improved by 3%

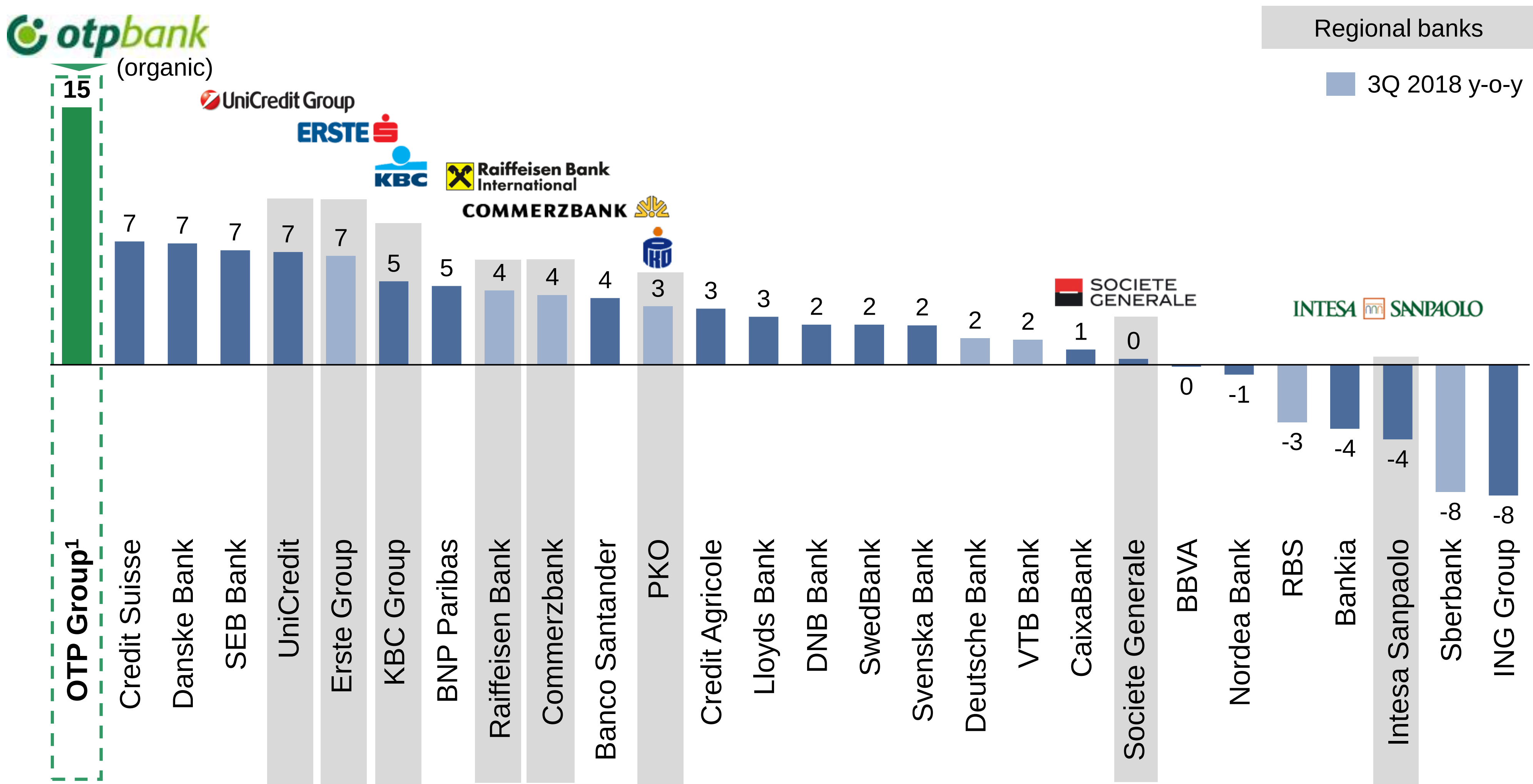
(in HUF billion)	2017	2018	Y-o-Y	2018 without M&A[1]	Y-o-Y without M&A[1]	4Q 17	3Q 18	4Q 18	Q-o-Q	Y-o-Y
Consolidated adjusted after tax profit	**284.1**	**325.3**	**15%**	**307.9**	**13%**	**59.5**	**92.7**	**62.5**	**-33%**	**5%**
Corporate tax	-37.3	-37.4	0%	-33.9	-3%	-6.5	-11.3	-4.7	-58%	-28%
Profit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

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

otpbank

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

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



[1] OTP: change in HUF terms. Other banks data are calculated from EUR figures.
Source: SNL bank database, OTP, company reports.

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

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

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

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

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

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

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

Core (Hungary) Mortgage breakdown:

Housing loan	**Home equity**
2%	-2%

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

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

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

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

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

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

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

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

[1] Including SME, LME and municipality deposits.

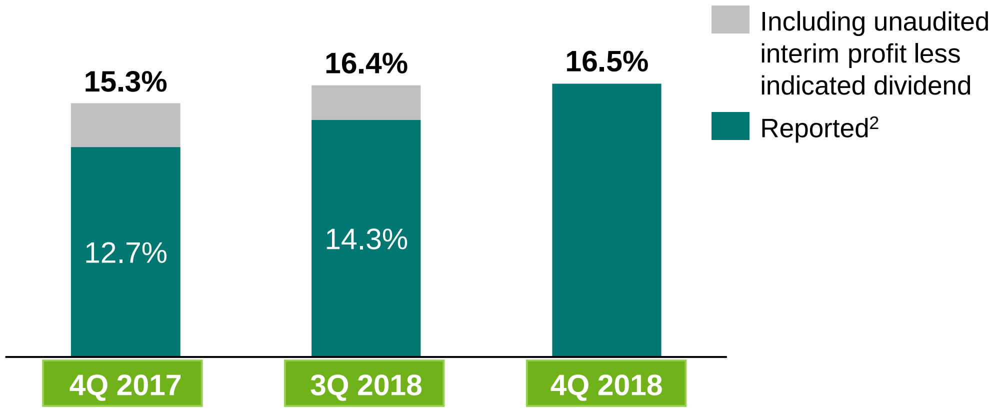
Acquisitions in the past 2 years were concluded at an average of 1 Price to Book value multiple. Transactions have improved our market positions materially, paving the way for better economies of scale

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

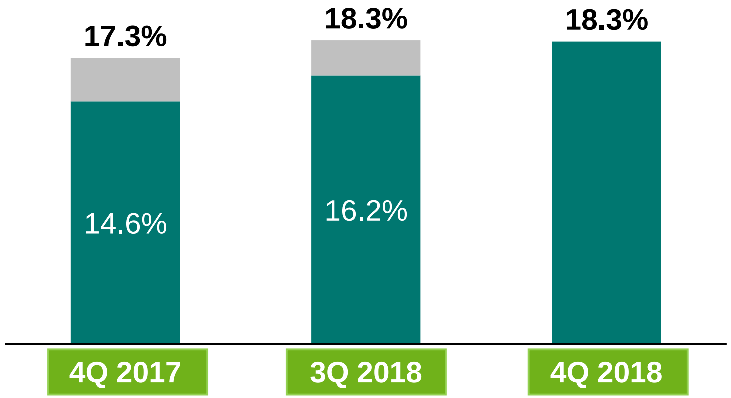
Note: OTP Bank has disclosed the purchase price of Splitska banka (EUR 425 million) and Vojvodjanska banka (EUR 125 million).

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

Development of the fully loaded CET1 ratio of OTP Group



Development of the CAR ratio of OTP Group



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

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

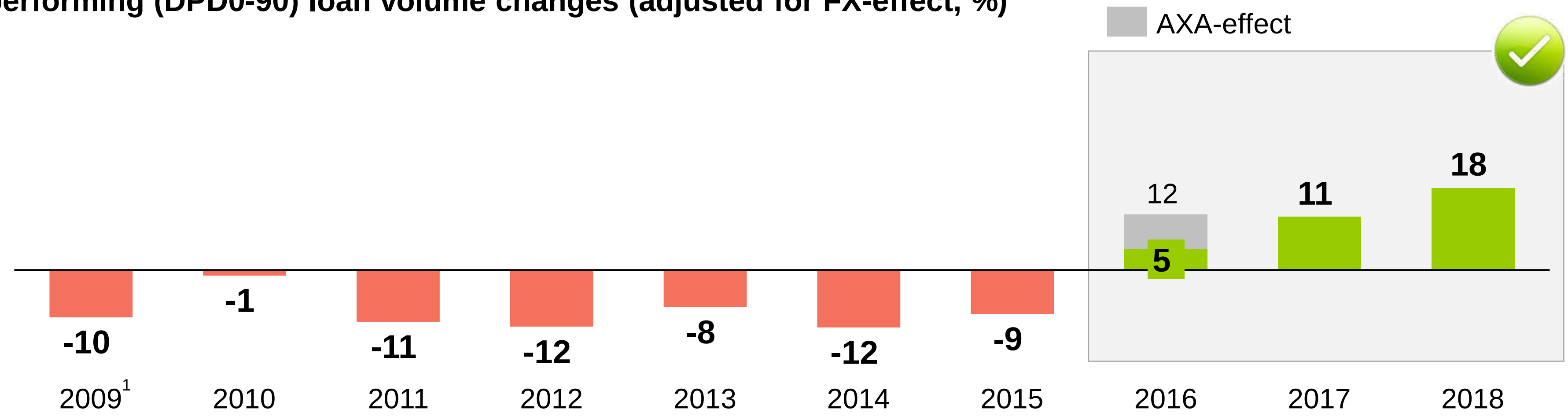
Amongst regional banks active in the CEE region, this was the third best result.

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

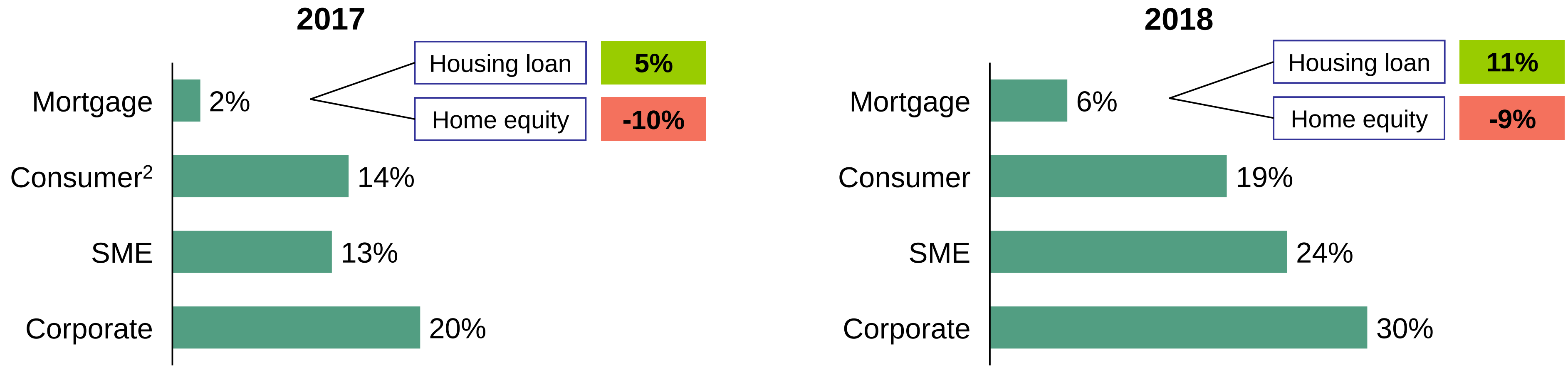
[1] This is not an offer for the sale of securities.
[2] In 4Q 2018 the capital adequacy ratios include the 2018 net earnings less the proposed annual dividend amount.
[3] Including the impact of the introduction of IFRS 9.

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

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



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



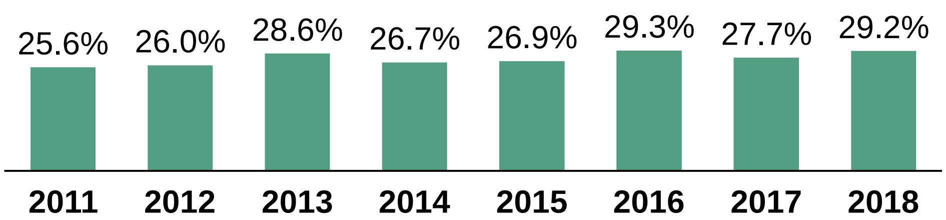
[1] Estimation.
[2] In 2017 performing consumer loans grew by 25% in total, supported by a several big ticket lombard loans, adjusted for these the FX-adjusted yearly growth was 14%.

OTP CORE

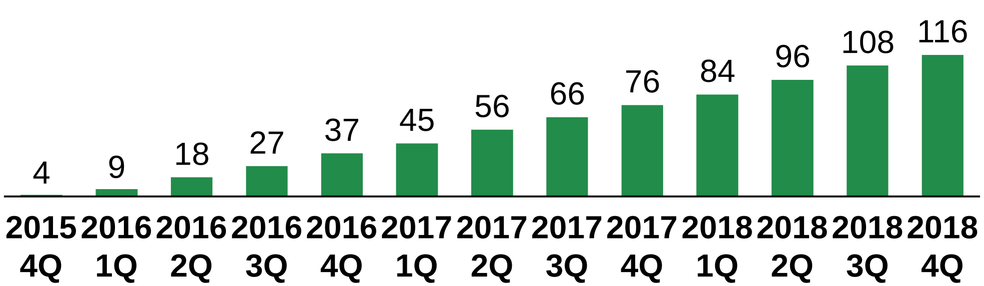
Mortgage loan disbursement remained strong in Hungary. OTP enjoys a y-o-y improving market share in new mortgage and cash loan disbursements, as well as in retail savings

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

OTP's market share in mortgage loan contractual amounts

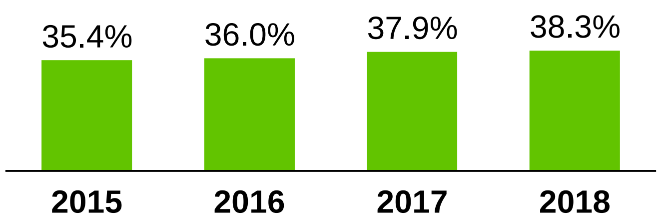


The cumulative amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)

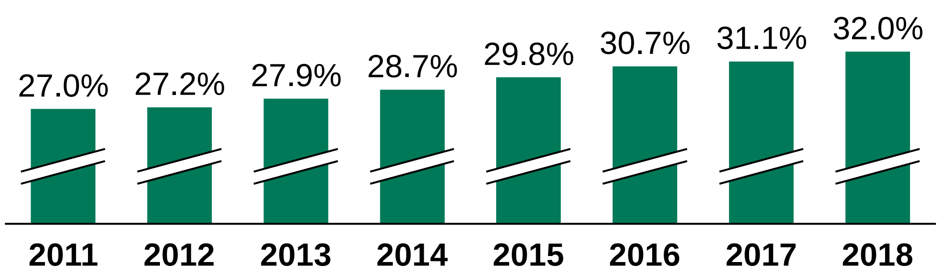


Performing cash loan volume growth (y-o-y , FX-adjusted)

Market share in newly disbursed cash loans

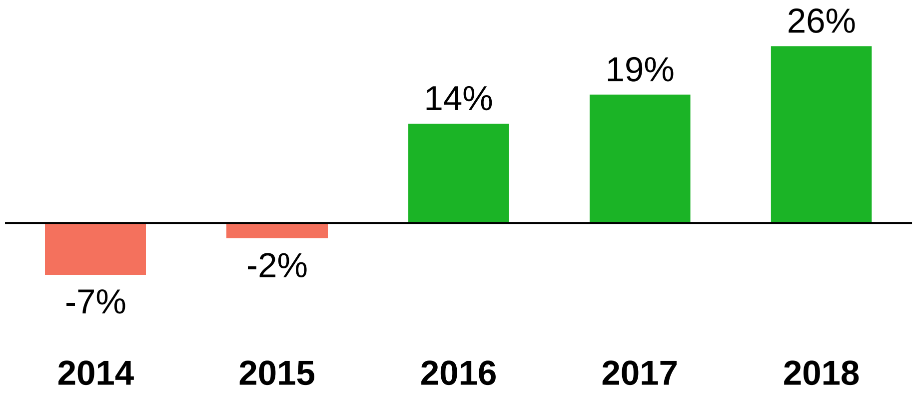


OTP Bank's market share in household savings

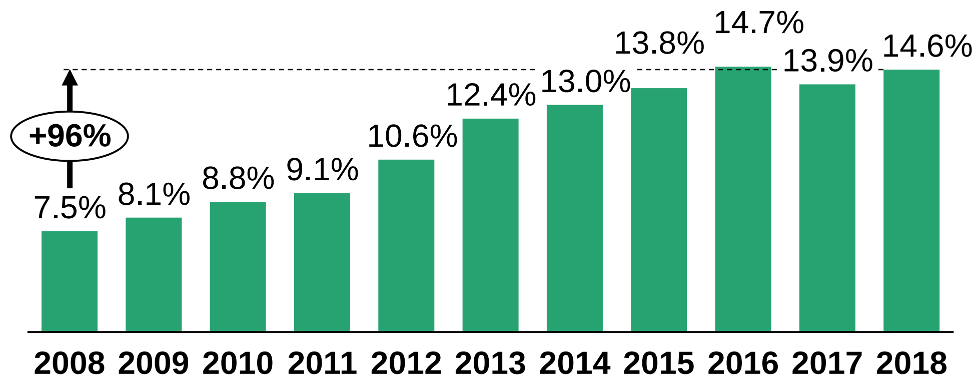


In the corporate segment OTP Core managed to demonstrate above 20% volume dynamics, thus OTP's corporate lending market share improved in 2018

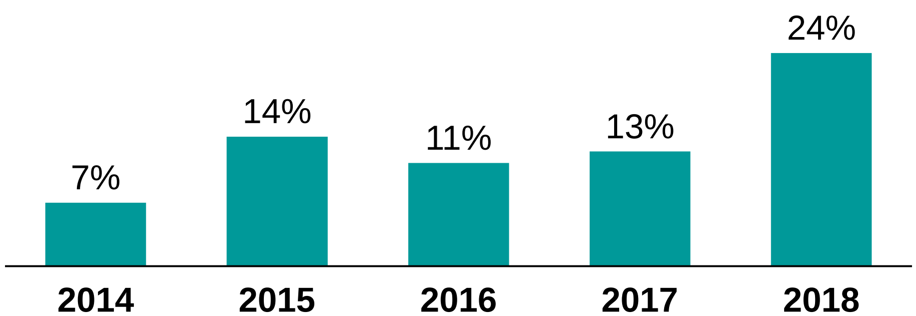
Performing medium and large corporate loan volume change (FX-adjusted)



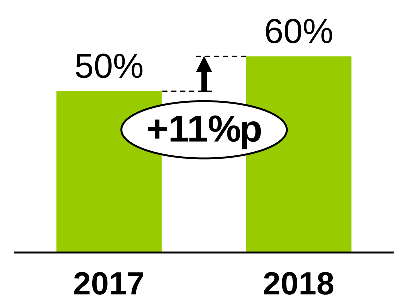
OTP Group's market share in loans to Hungarian companies[1]



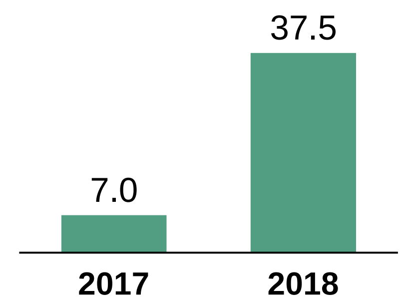
Performing loan volume change at micro and small companies (FX-adjusted)



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



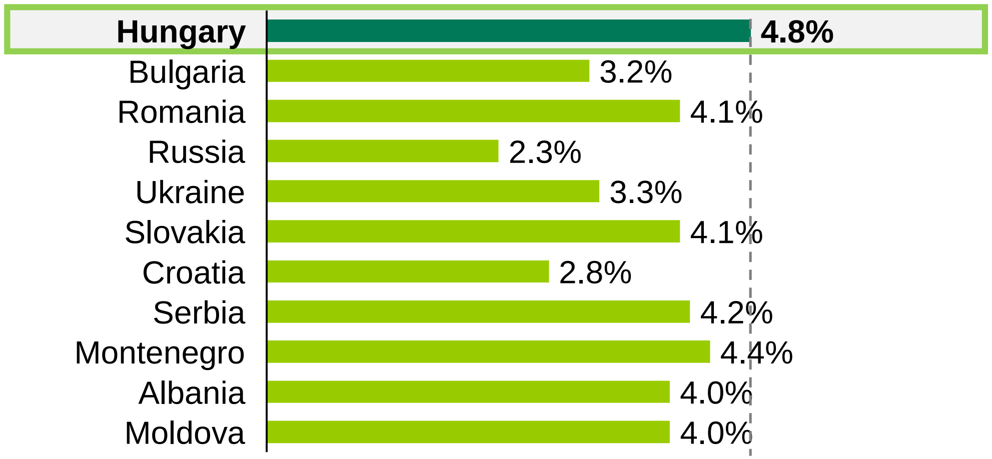
MFB Points - the amount of credit accepted through the OTP network
(in HUF billion)



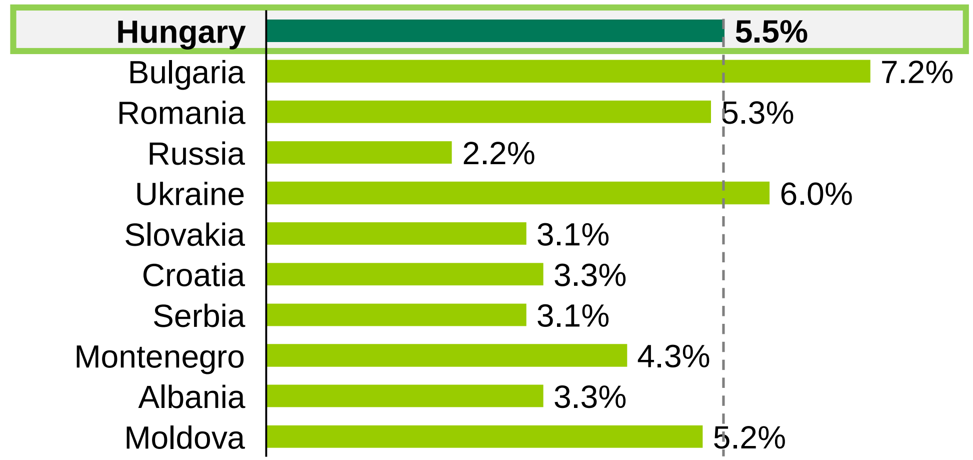
[1] Aggregated market share of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil, based on central bank data (Supervisory Balance Sheet data provision until 2016 and Monetary Statistics from 2017.
[2] Source: Hungarian Factoring Association

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

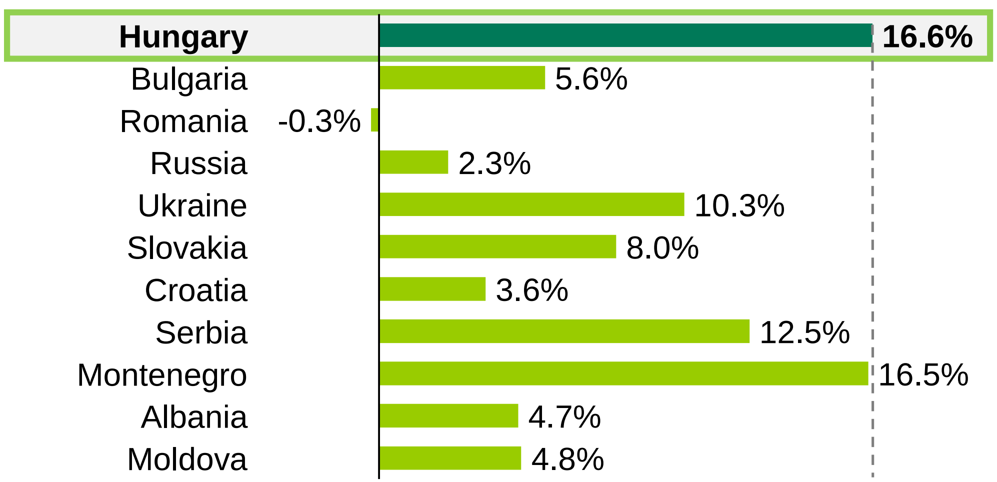
Real GDP growth, 2018[1] (y-o-y)



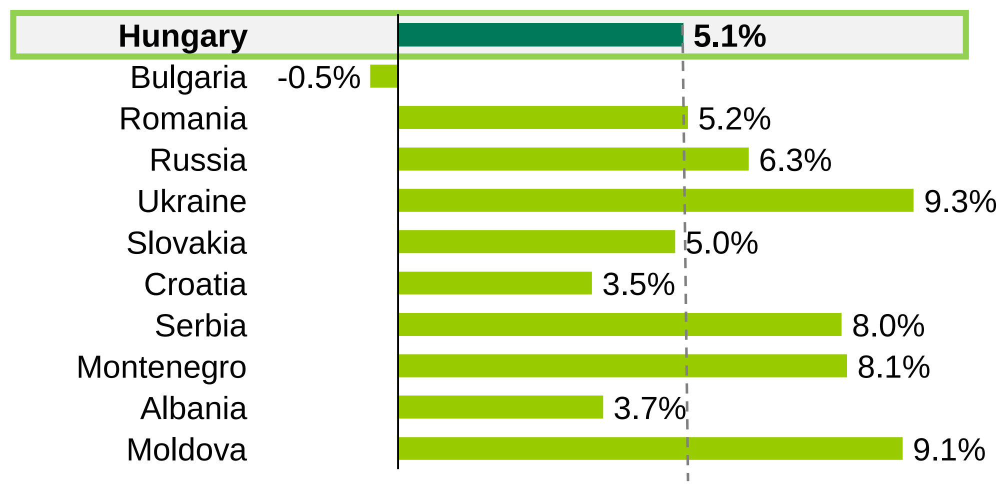
Household consumption growth[2] (y-o-y)



Gross fixed capital formation[2] (y-o-y)



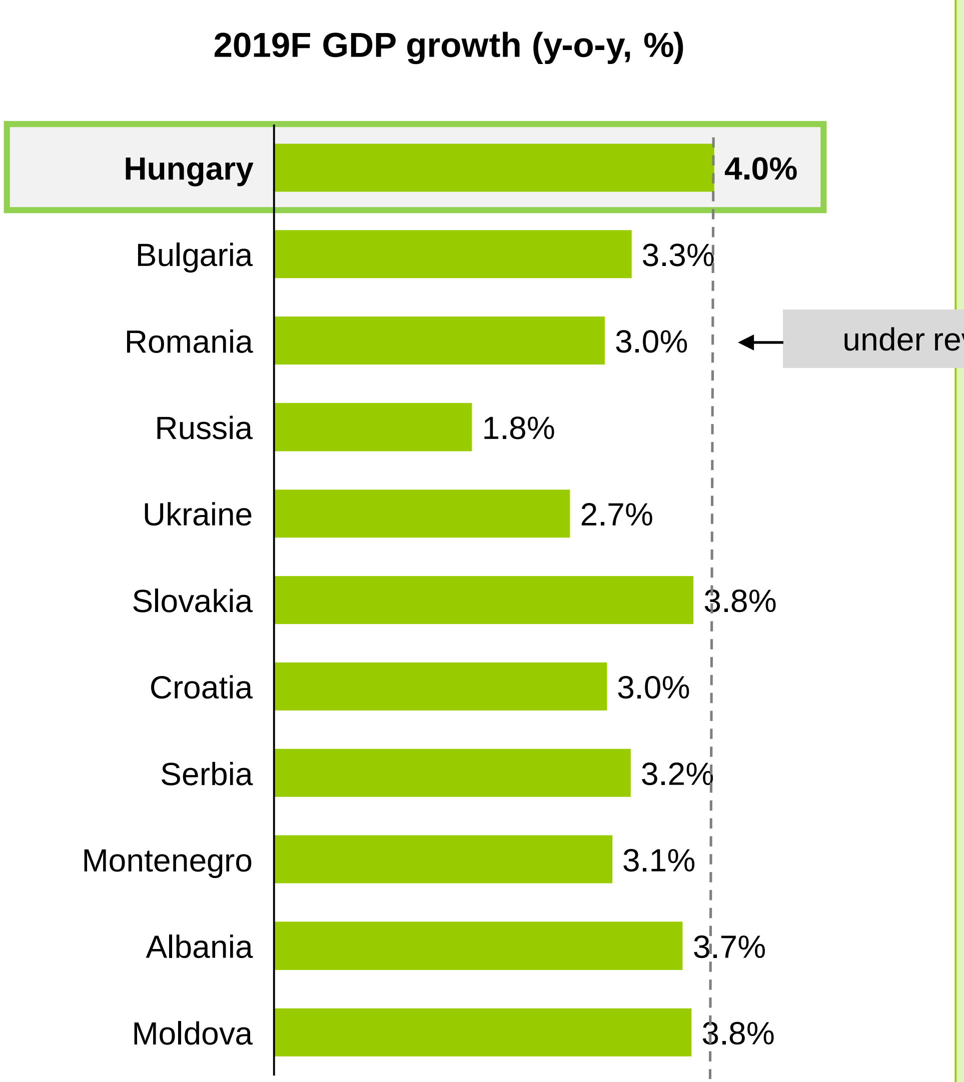
Export growth[2] (y-o-y)

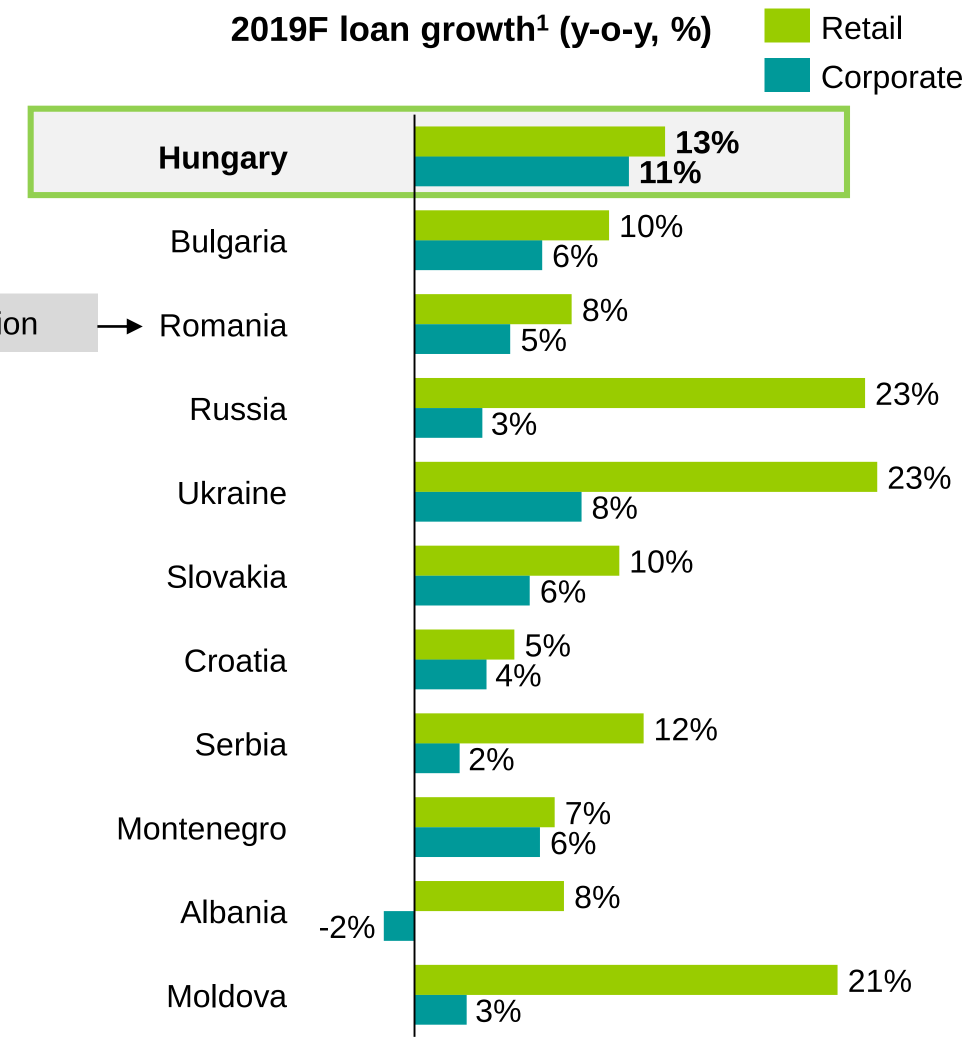


[1] In case of Bulgaria, Croatia, Montenegro, Albania and Moldova the figures are forecasts for 2018, others are actual data.
[2] Forecasts.

otpbank

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





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

OTP Group: management expectations for 2019 – 1.

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

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

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

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

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

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

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

OTP Group: management expectations for 2019 – 2.

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

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

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

Further details and financials

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

Effect of acquisitions

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

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

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

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

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

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

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

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

Effect of acquisitions

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

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

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

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

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

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

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

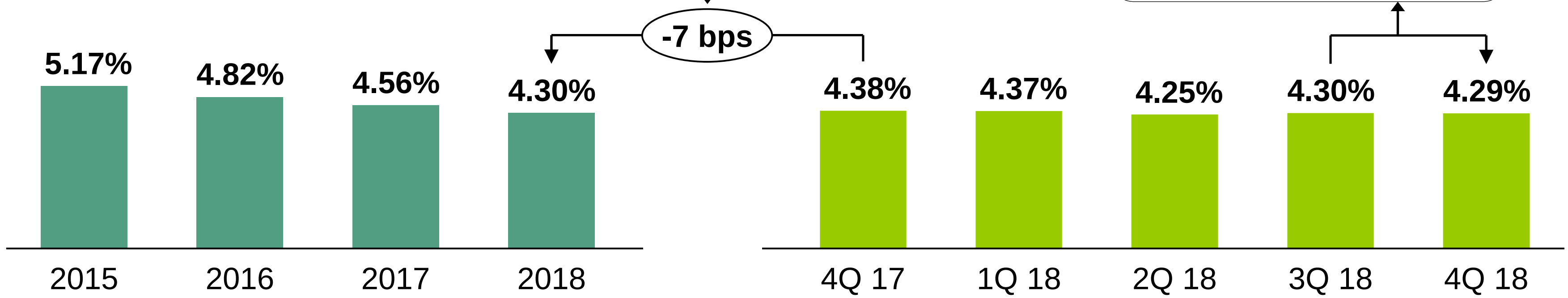
The consolidated annual net interest margin contracted by 7 bps compared to the 4Q 2017 level, whereas on a quarterly basis it remained fairly resilient

Net interest margin (%)

OTP Group

Guidance for **2018**: NIM might erode by another **10-15 bps** compared to the 4Q 2017 level.

In 4Q 2018 the net interest margin narrowed by **1 bp** q-o-q.



Interest rate effect: **-5 bps**

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

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

FX rate changes: **-1 bp**

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

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

Composition effects: **+6 bps**

Capturing the weight changes within the Group in LCY terms.

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

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

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

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

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

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

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

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

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

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

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

Effect of acquisitions

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

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

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

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

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

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

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

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

Effect of acquisitions

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

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

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

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

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

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

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

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

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

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

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

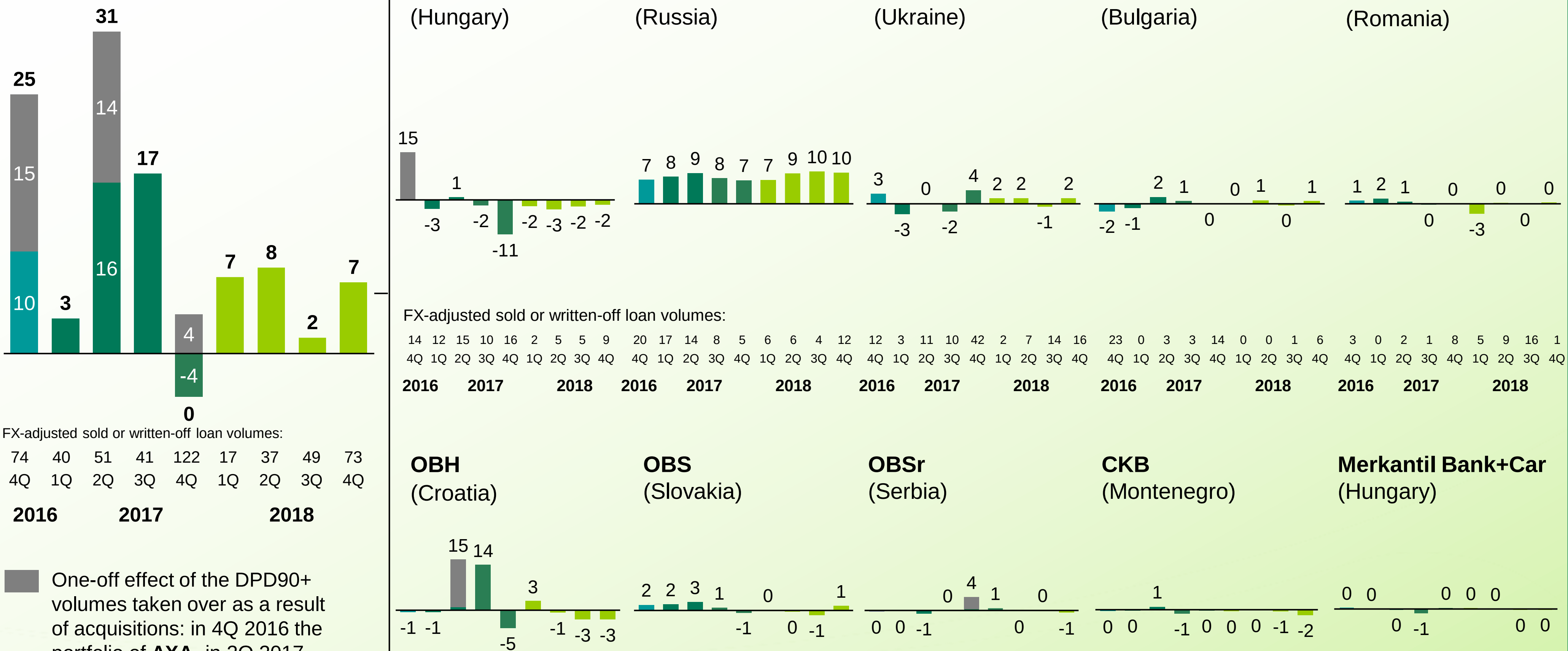
4. OBR: FX-adjusted opex grew by 12% due to higher personnel expenses (+19%) induced by wage inflation (9% in the financial sector) and the 7% growth of average headcount.

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

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

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

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



FX-adjusted sold or written-off loan volumes:

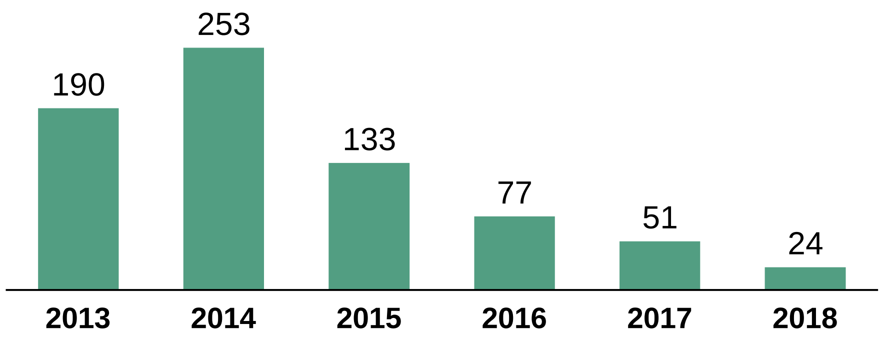
	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
Consolidated	74	40	51	41	122	17	37	49	73
OTP Core (Hungary)	14	12	15	10	16	2	5	5	9
OBRu[1] (Russia)	20	17	14	8	5	6	6	4	12
OBU (Ukraine)	12	3	11	10	42	2	7	14	16
DSK (Bulgaria)	23	0	3	3	14	0	0	1	6
OBR (Romania)	3	0	2	1	8	5	9	16	1
OBH (Croatia)	0	0	2	0	6	0	0	3	4
OBS (Slovakia)	0	0	1	0	6	0	0	4	3
OBSr (Serbia)	3	2	0	5	5	0	7	0	7
CKB (Montenegro)	0	5	0	4	5	1	1	1	9
Merkantil Bank+Car (Hungary)	0	0	0	0	14	0	0	1	5

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.

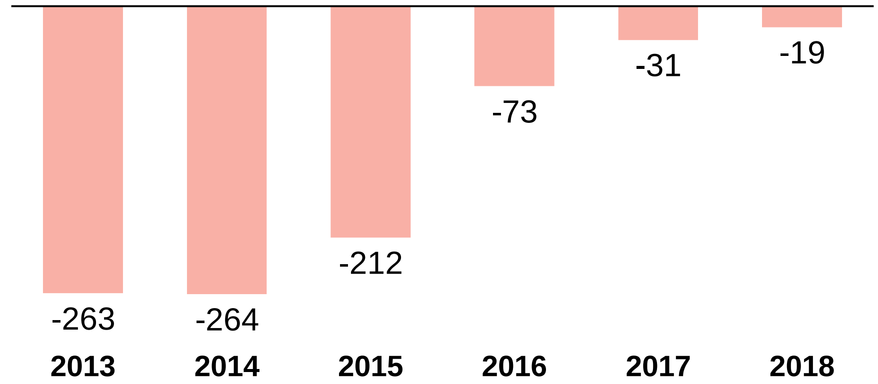
[1] Including Touch Bank from 1Q 2018.

Credit quality indicators kept further improving. The risk cost rate was 23 basis points in 2018

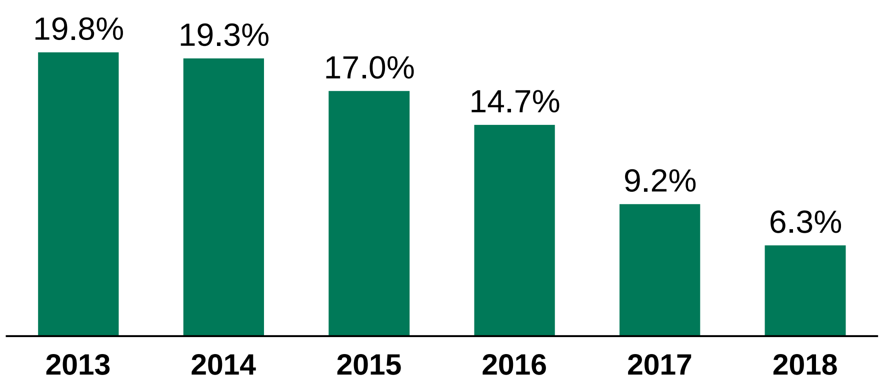
Change in DPD90+ loan volumes (consolidated, adjusted for FX and sales and write-offs, in HUF billion)



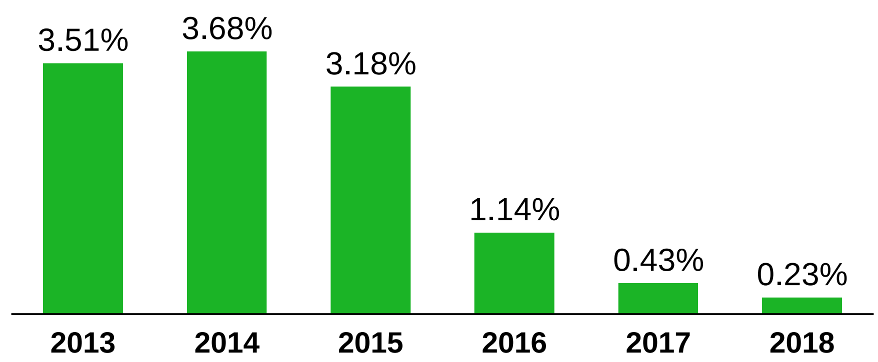
Consolidated provision for impairment on loan and placement losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



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



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

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

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

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

otpbank

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

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

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

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

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