OTP Group
Investor presentation based on 3Q 2018 results

OTP Group has maintained strong profitability, capital adequacy and liquidity

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Content

Key pillars of the OTP investment rationale

1.	Unique diversified access to the CEE/CIS banking sector
2.	Return on Equity has returned to attractive levels (>15%) as a new era of structurally low risk environment has commenced
3.	Lending momentum building: accelerating organic performing loan growth (+14% y-o-y), on top of that acquisitions added another 4%-points in the last 12 months
4.	Strong capital and liquidity position coupled with robust internal capital generation make room for further regional acquisitions
5.	OTP is a frontrunner and has always been committed to innovation in digital banking

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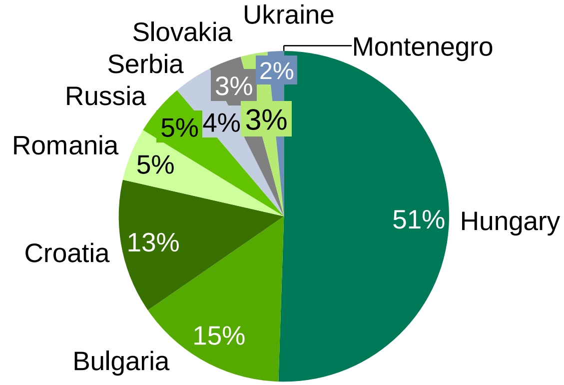
1. OTP Group is offering universal banking services to almost 18 million customers in 9 countries across the CEE/CIS Region

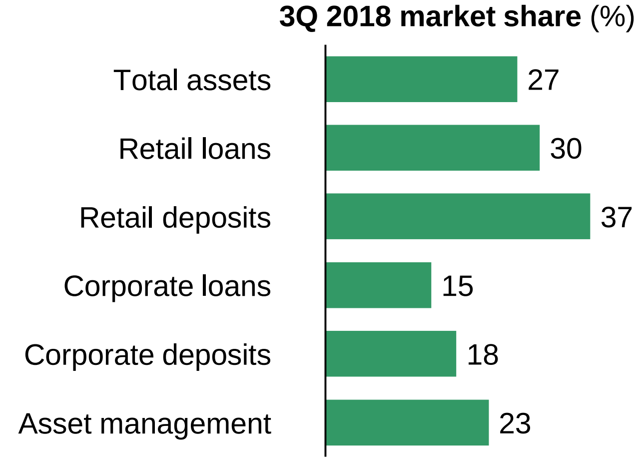
Major Group Members in Europe

Total Assets

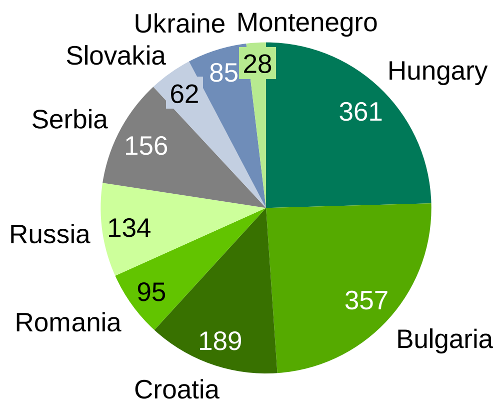


Total Assets: HUF 14,363 billion

Systemic position in Hungary…

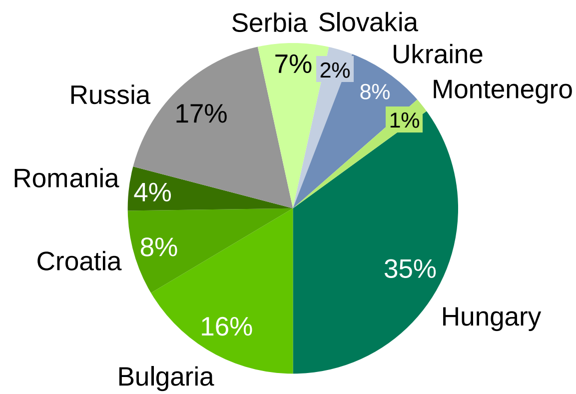


Number of Branches



Total number of branches: 1,467

Headcount



Total headcount: 29,374[1]

... as well as in other CEE countries

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

Croatia
- No. 4 in Total assets

Russia
- No. 2 in POS lending
- No. 6 in Credit card business
- No. 40 in Cash loan business

Montenegro
- No. 1 in Total assets

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

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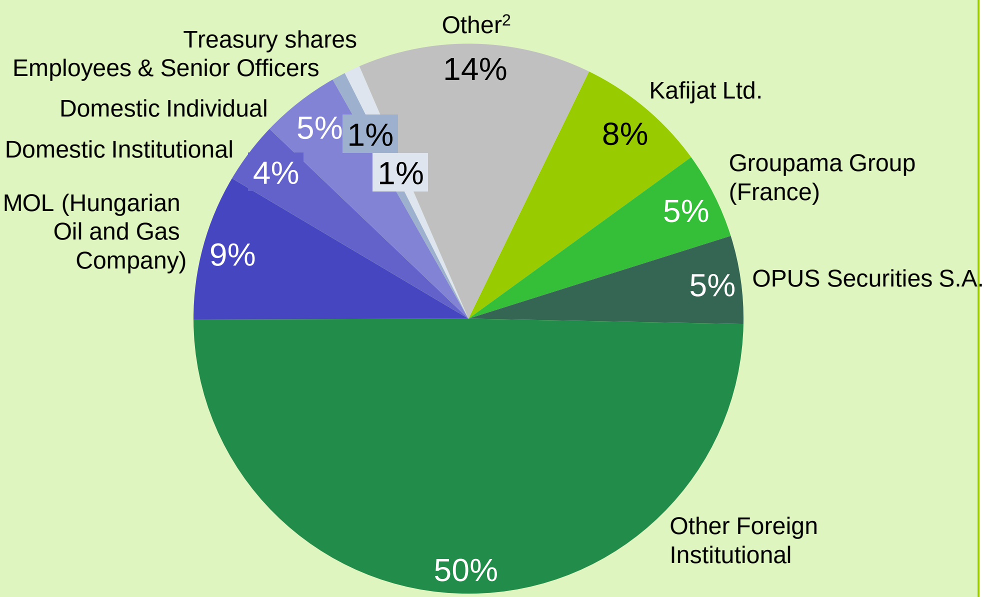
1. OTP offers a unique investment opportunity to access the CEE banking sector. The Bank is a well diversified, transparent player without strategic investors

Market capitalization: EUR 9.7 billion[1]

Ownership structure of OTP Bank on 30 September 2018



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

	OTP	PKO	Pekao	Erste	Komercni	Raiffeisen
Avg. daily turn-over to current market cap, bps.	18	17	27	16	7	15
Average daily turnover in EUR million	17	21	18	26	5	12

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

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

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

OTP Group's Capabilities

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

'Bank of the Year in 2017'
'The Most Innovative Bank of the Year in 2017'
'The Retail Online and Mobile Application of the Year in 2017'
'The Current Account of the Year' - 2nd place in 2017
'The Socially Responsible Bank of the Year' - 3rd place in 2017

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'

'Best Consumer Digital Bank Hungary in 2018'

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

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

Index Member of CEERIUS

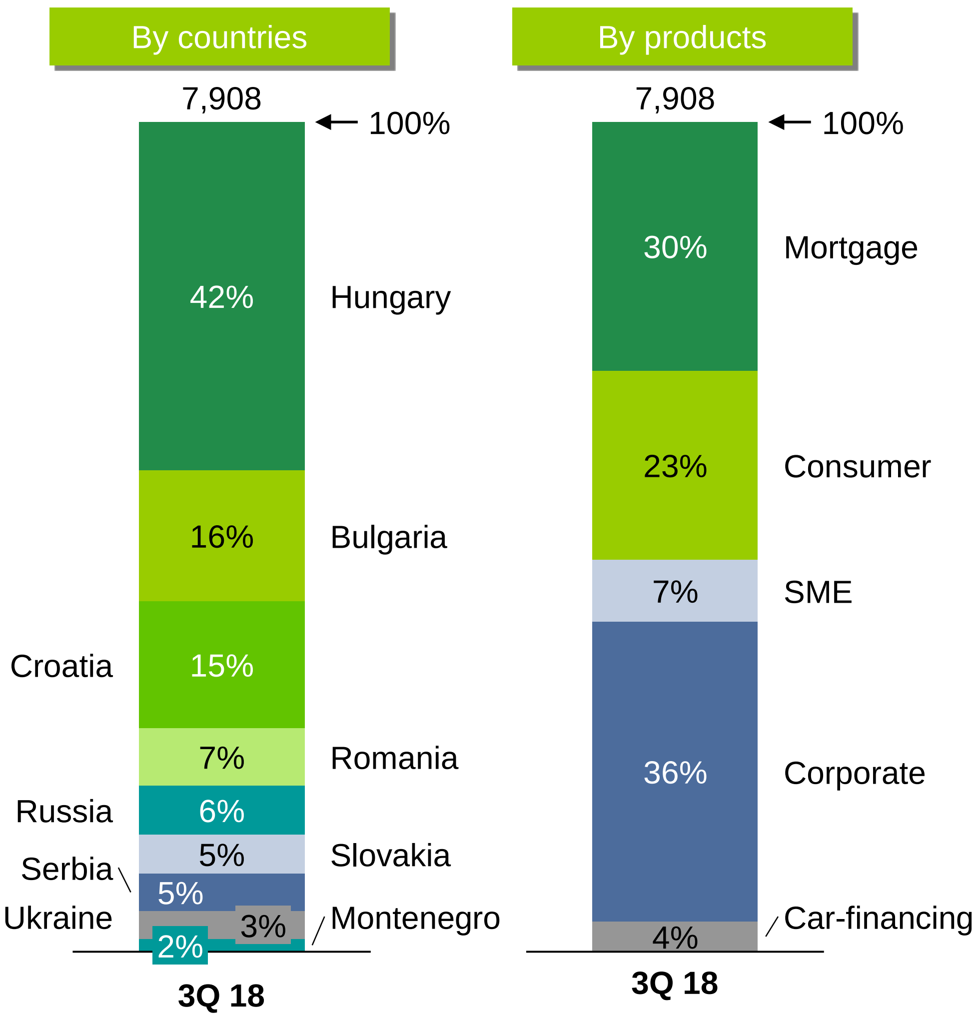
'Best FX providers in Hungary in 2017, 2018'

'Best Private Bank in Hungary in 2018'

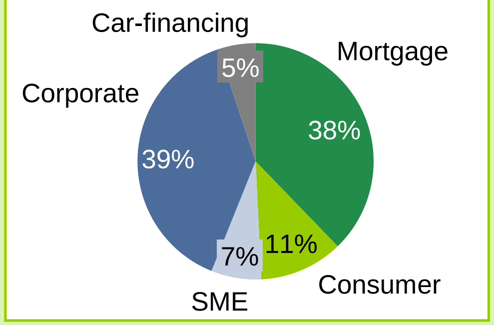
[1] On 9 November 2018.
[2] Foreign individuals and non-identified shareholders.
[3] Based on the last 6M data (end date: 9 November 2018) on the primary stock exchange.

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

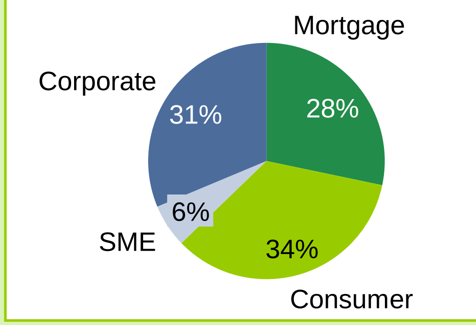
Breakdown of the consolidated net loan book
(in HUF billion)



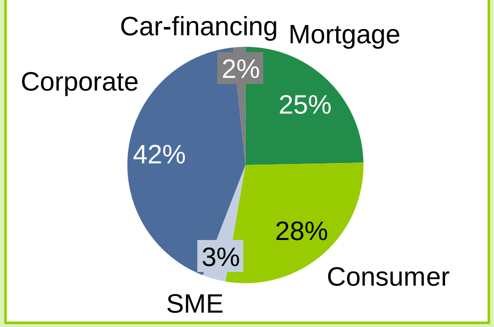
OTP Core[1] (Hungary)



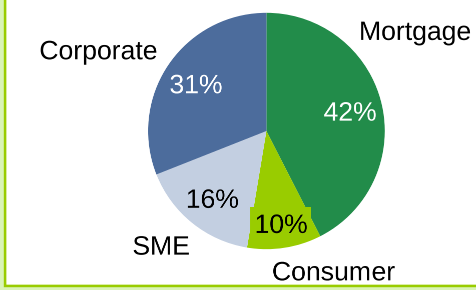
DSK Bank (Bulgaria)



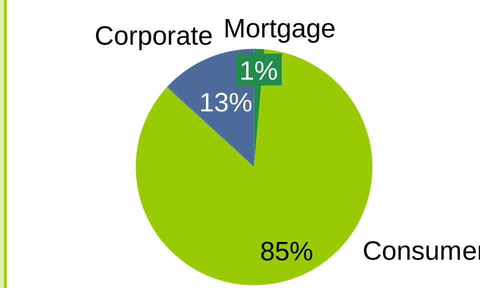
OTP Bank Croatia



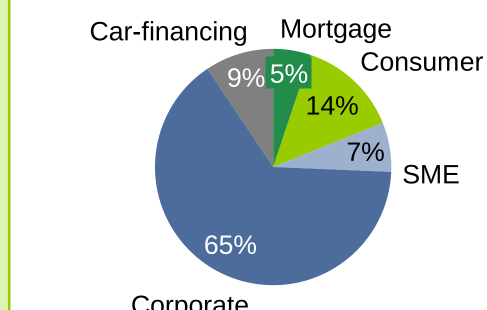
OTP Bank Romania



OTP Bank Russia



OTP Bank Ukraine

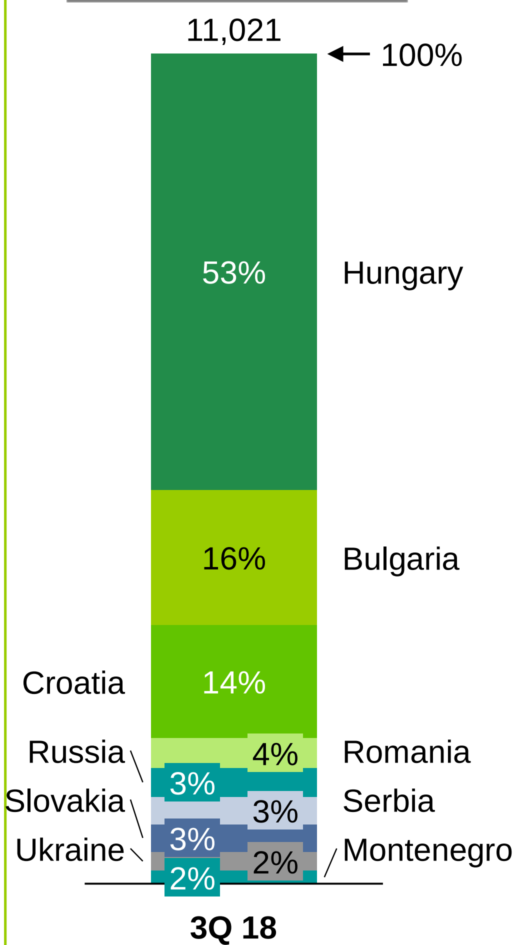


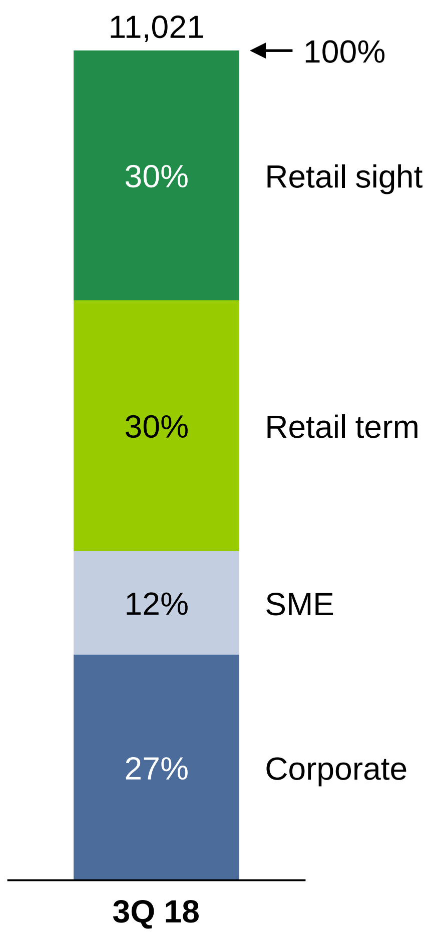
[1] Including Merkantil Bank and Merkantil Car (Hungary).

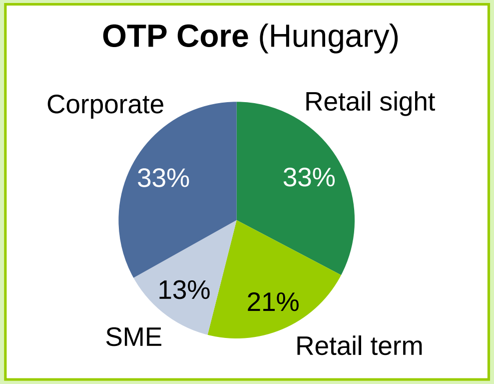
1.

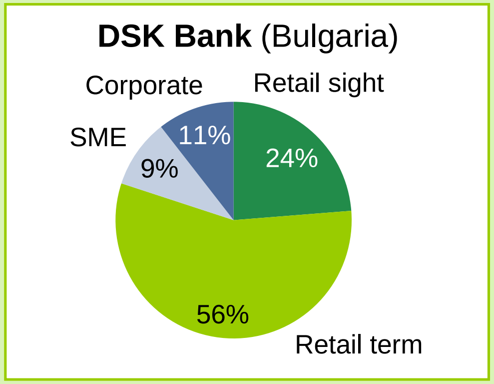
In the deposit book Hungary and the retail segment is dominant. In Hungary and Bulgaria OTP and DSK are the largest retail deposit holders

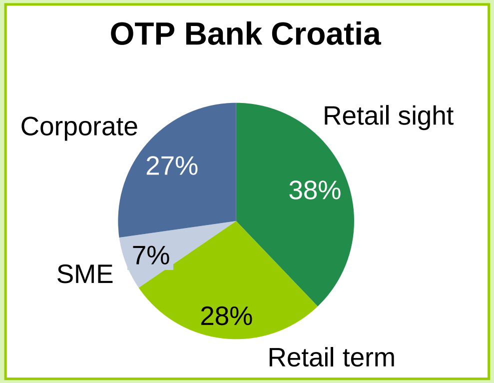
Breakdown of the consolidated deposit base
(in HUF billion)

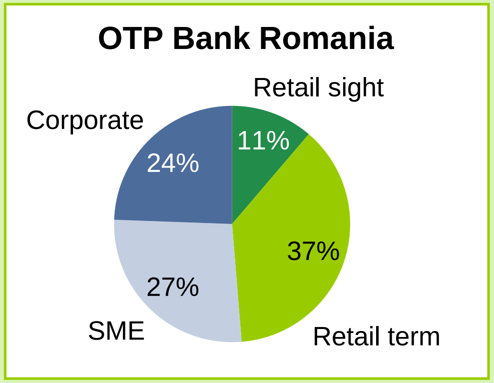


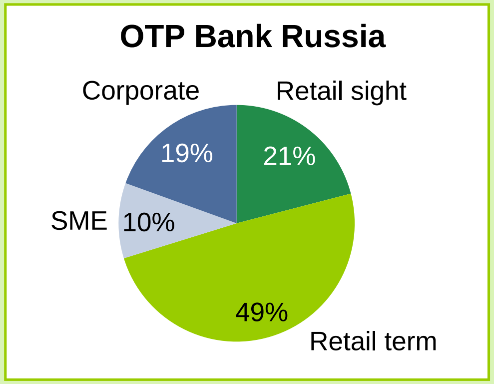


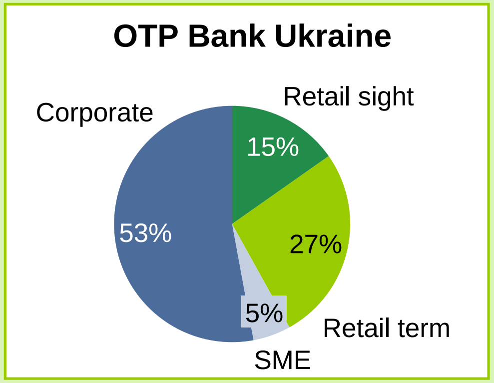






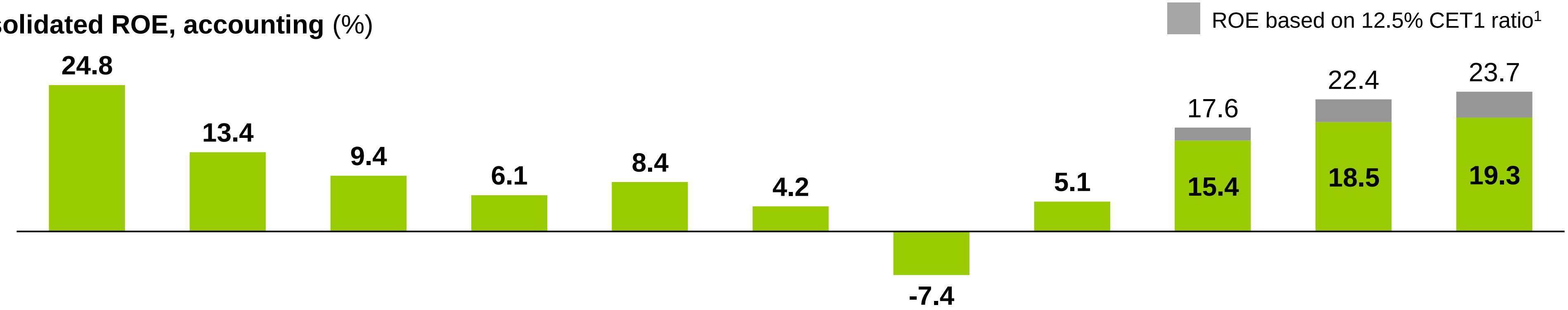




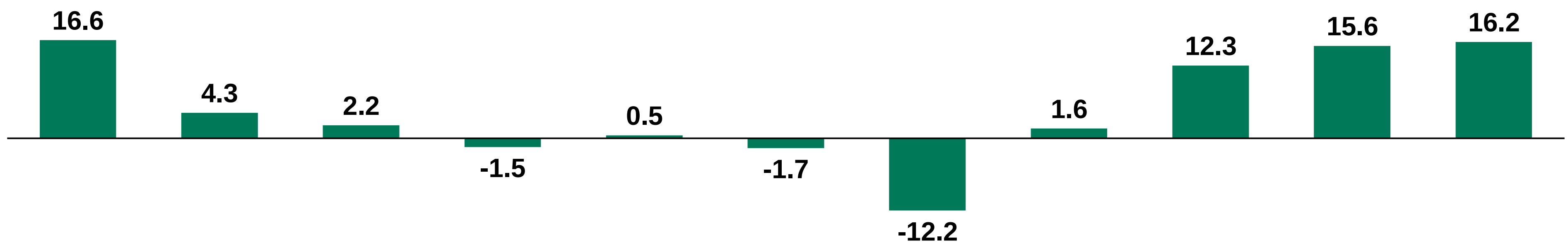


2. Return on Equity has returned to attractive levels

Consolidated ROE, accounting (%)



Opportunity cost-adjusted[2] 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	9M 2018
Max	2.8	1.4	1.7	1.4	0.8	1.0	0.9	1.4	1.7	1.9	2.0
Min	0.6	0.4	0.9	0.6	0.6	0.7	0.7	0.8	1.3	1.5	1.6

Bloomberg

[1] The indicated / approved dividend and the CET1 capital surplus (as calculated from the difference between the 12.5% CET1 and the actual CET1 ratio including the interim result less approved dividend) is deducted from the equity base.
[2] Accounting ROE less the annual average of Hungarian 10Y government bond yields.

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2. The accounting ROE has been growing steadily since 2015 on the back of moderating provision charges and vanishing negative adjustment items; the total revenue margin has been relatively resilient

	2010	2011	2012	2013	2014	2015	2016	2017	9M 2018
Accounting ROE	9.4%	6.1%	8.4%	4.2%	-7.4%	5.1%	15.4%	18.5%	19.3%
Accounting ROE on 12.5% CET1 ratio[1]						5.4%	17.6%	22.4%	23.7%
Adjusted ROE[2]	13.0%	11.8%	10.2%	9.6%	8.5%	9.6%	15.4%	18.7%	21.1%
Total Revenue Margin[3]	8.03%	8.12%	8.31%	8.44%	7.74%	7.03%	6.79%	6.71%	6.36%
Net Interest Margin[3]	6.16%	6.31%	6.40%	6.37%	5.96%	5.17%	4.82%	4.56%	4.31%
...									
Operating Costs / Average Assets	3.62%	3.76%	3.89%	4.07%	3.85%	3.66%	3.70%	3.68%	3.47%
Risk Cost Rate	3.69%	2.95%	3.11%	3.51%	3.68%	3.18%	1.14%	0.43%	0.07%
Leverage (average equity / avg. assets)	12.8%	13.6%	14.4%	14.8%	13.0%	11.5%	12.9%	12.7%	12.1%

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

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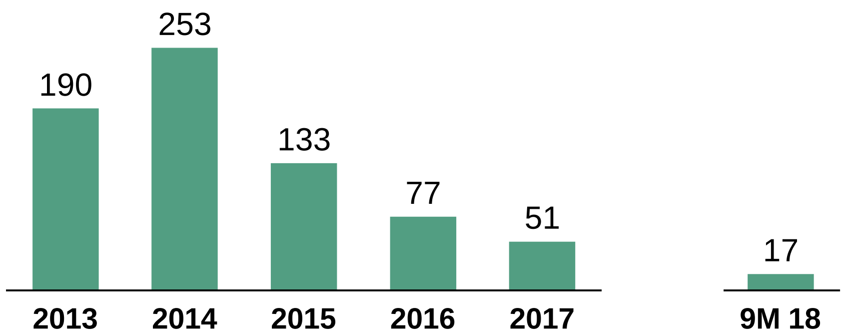
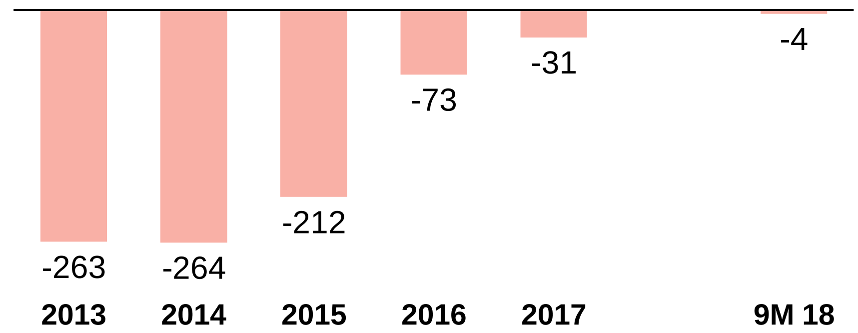
2. Credit quality indicators kept further improving. The risk cost rate was 7 basis points in the first nine months of 2018

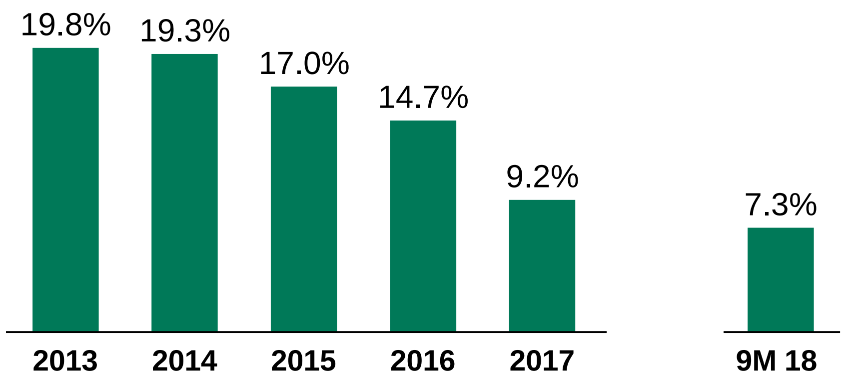
Change in DPD90+ loan volumes (consolidated, adjusted for FX and sales and write-offs, in HUF billion)



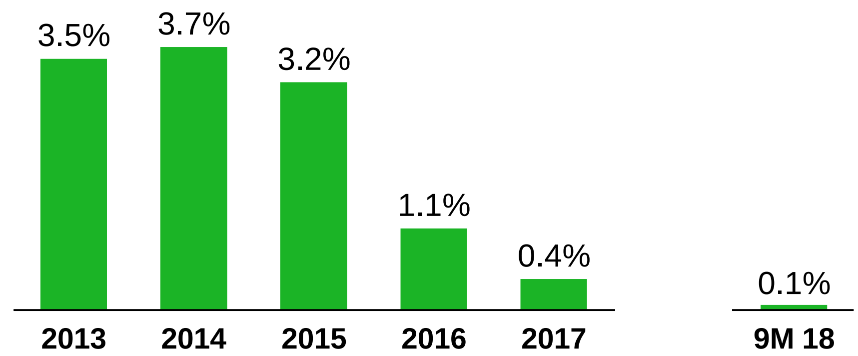
Consolidated risk cost for possible loan losses (in HUF billion)



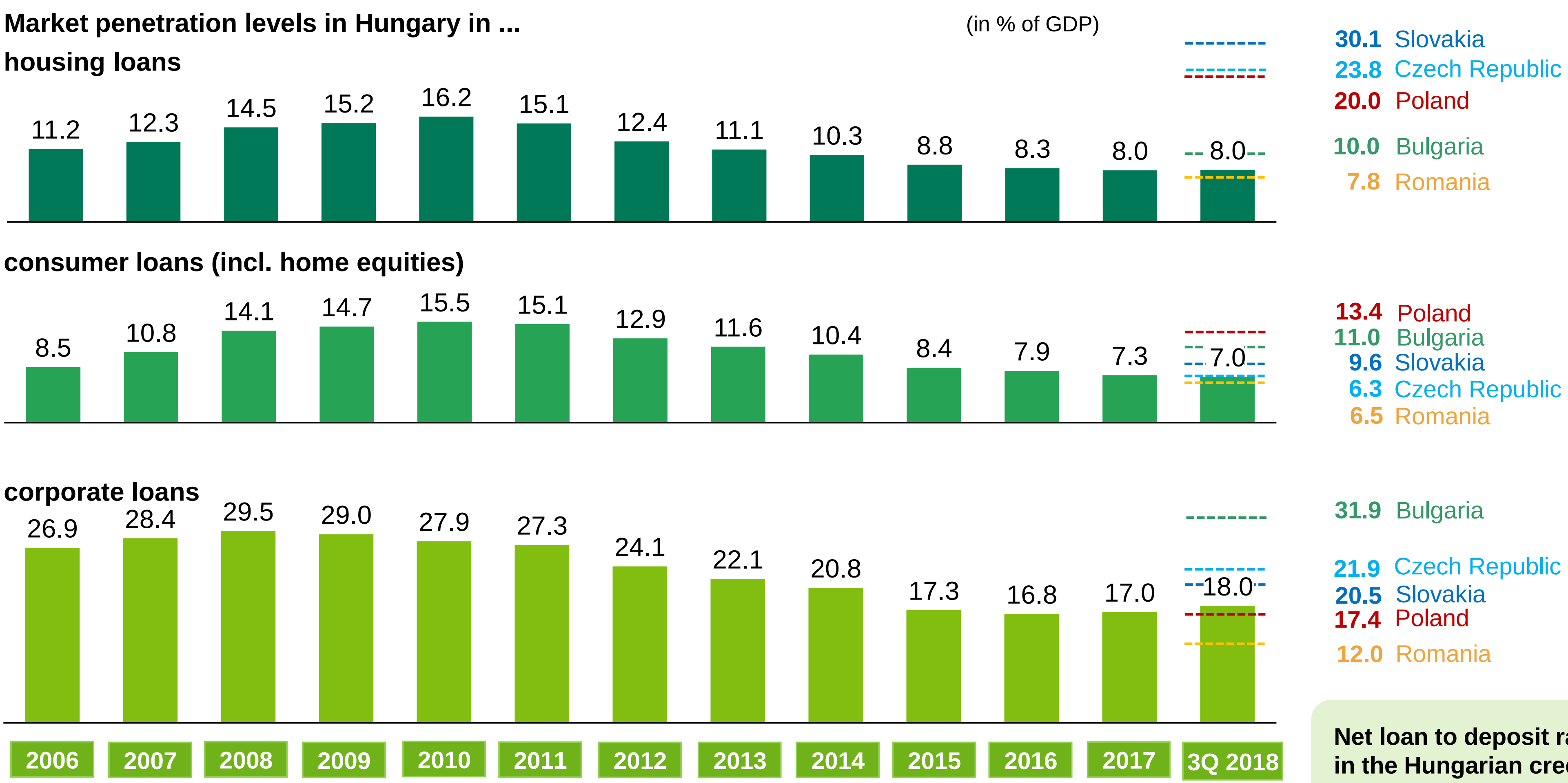
Ratio of consolidated DPD90+ loans to total loans



Consolidated risk cost rate



3. **In Hungary the retail loan penetration ratios halved since 2010 and returned to the levels before the lending boom**



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

168% → 90%

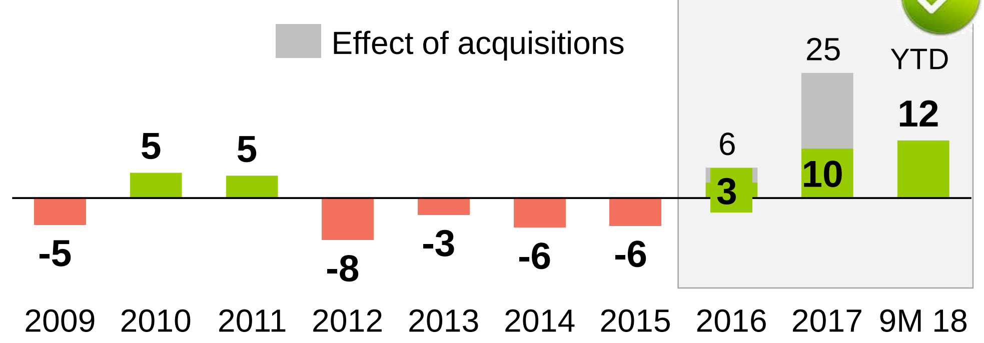
1Q 09 | 1H 18

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

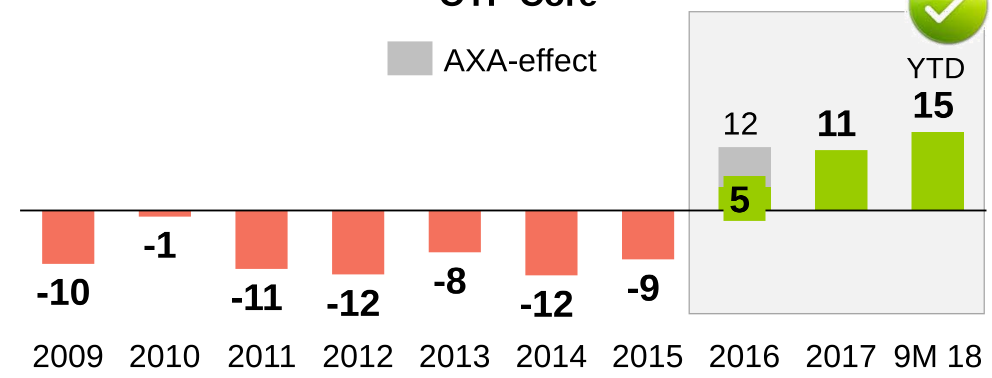
3. Following the contraction in the previous years, the last 3 years brought a spectacular turnaround in loan volumes, while deposits have been growing steadily reflecting our clients' trust in the Bank

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

Consolidated

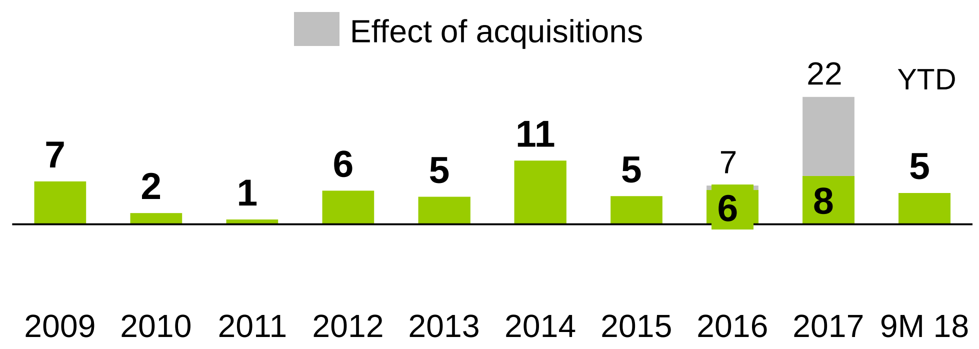


OTP Core

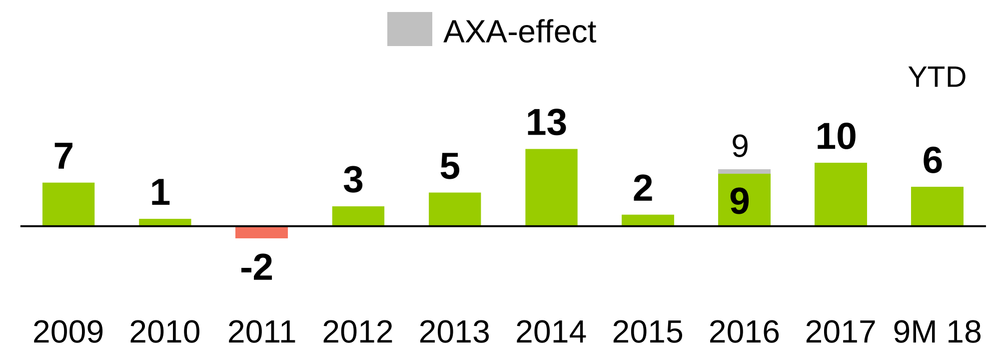


Y-o-Y deposit volume changes (adjusted for FX-effect, %)

Consolidated



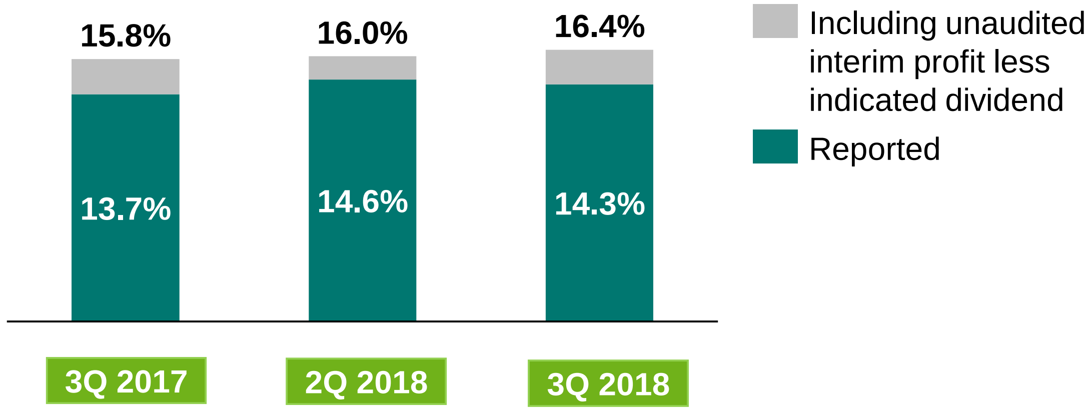
OTP Core



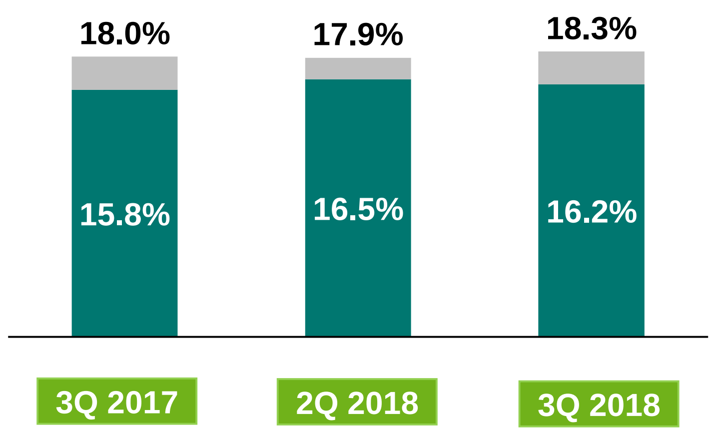
[1] Consolidated: net loan volume between 2009-2013; OTP Core: estimation for 2009.

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

Development of the fully loaded CET1 ratio of OTP Group



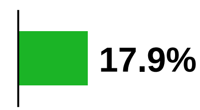
Development of the CAR ratio of OTP Group



Net liquidity reserves
(in EUR billion equivalent)

External debt[1]
(in EUR billion equivalent)

Net liquidity buffer / total assets (%)



Consolidated net loan to deposit ratio

[1] Senior bonds, mortgage bonds, bilateral loans

4. OTP demonstrated strong results at the 2018 EBA stress test

CET1 ratio under the adverse scenario: No. 16

Under the adverse scenario out of 48 participants OTP reached 16th place in CET1 ratio ranking. Amongst regional banks active in the CEE region, this is the second best result.
During the previous stress test (2016) OTP secured the 27th place among 51 banks.

CET1 ratio	4Q 2017 (restated*)	Adverse 4Q 2020	Ranking
KBC	16.0%	13.6%	13
otpbank	**14.9%**	**12.4%**	**16**
Raiffeisen Bank International	12.5%	9.7%	28
INTESA SANPAOLO	11.8%	9.7%	29
UniCredit Group	12.7%	9.3%	31
ERSTE	13.0%	8.5%	39

CET1 ratio drawdown under the stress scenario: No. 9

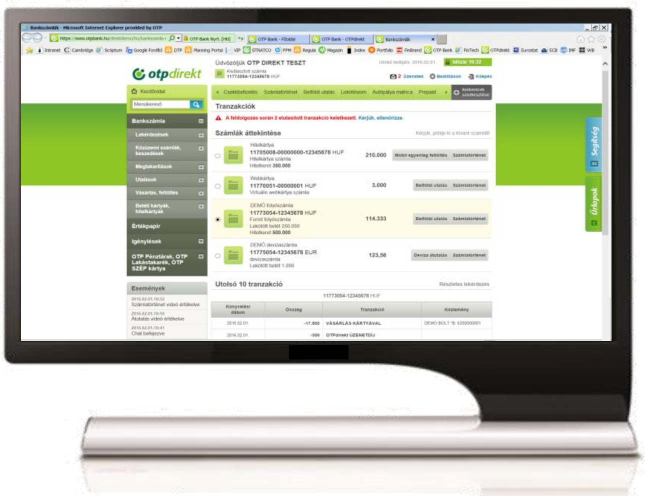
From 48 participants OTP reached 9th place in terms of the CET1 ratio drawdown under the adverse scenario.

This compares with the 32th place achieved in 2016.

CET1 ratio	4Q 2017 (restated*)	Adverse 4Q 2020	Delta	Delta Ranking
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

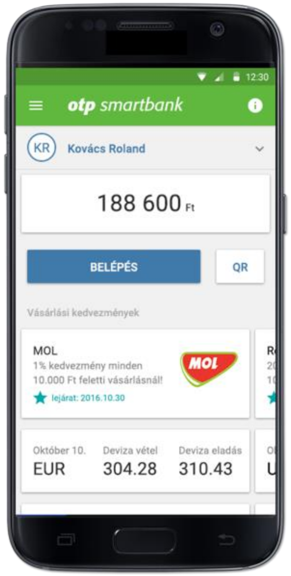
* Including the effect of IFRS9 introduction

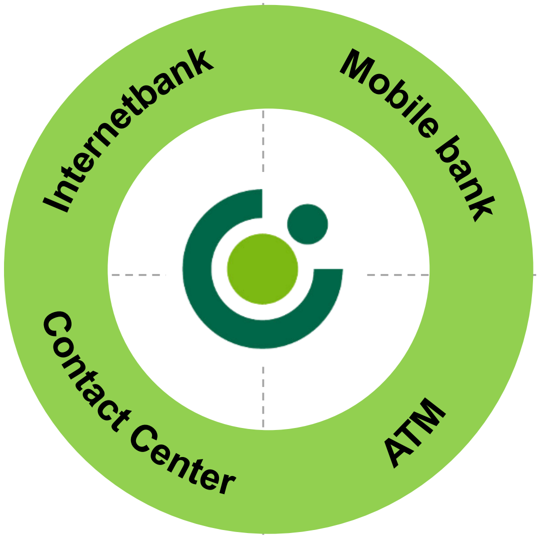
5. OTP Bank is the market leader in all direct channels in Hungary



More than
1 million regular
users monthly[3]

~320 thousand
active users
monthly[3]





~250 thousand
contacts
monthly[1,2]

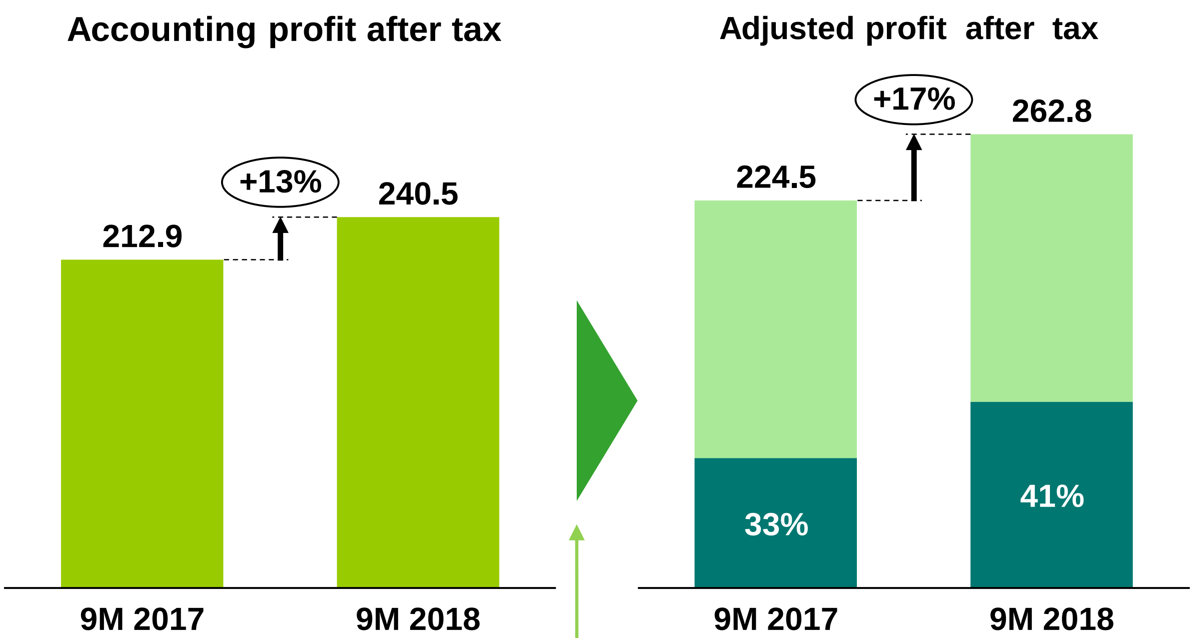
Monthly ATM cash
withdrawals in the
amount of
HUF ~290 billion[3]

[1] Included inbound and outbound calls, e-mails, chats
[2] Based on 1Q 2018 data
[3] Based on 3Q 2018 data

Content

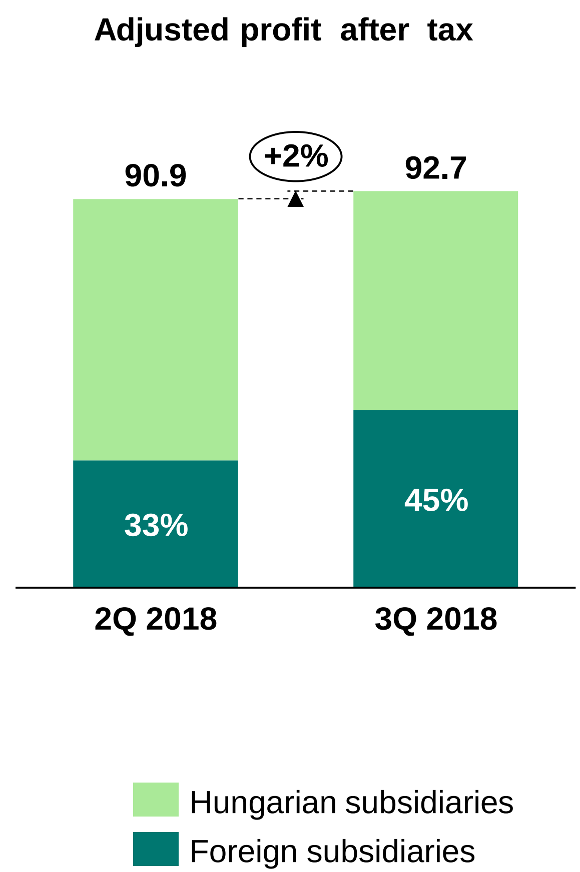
The accounting profit grew by 13% y-o-y in 9M 2018, while the adjusted profit increased by 17%. 9M profit contribution of foreign subsidiaries improved to 41%, whereas in 3Q this ratio was 45%

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



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

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



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

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

<table>
<tr><th></th><th></th><th>9M 2017</th><th>9M 2018</th><th>Y-o-Y</th><th></th><th>3Q 2017</th><th>2Q 2018</th><th>3Q 2018</th><th>Q-o-Q</th><th>Y-o-Y</th></tr>
<tr><td></td><td colspan="4">in HUF billion</td><td colspan="4">in HUF billion</td><td></td><td></td></tr>
<tr><td>Consolidated adjusted</td><td></td><td>224.5</td><td>262.8</td><td>17%</td><td></td><td>79.5</td><td>90.9</td><td>92.7</td><td>2%</td><td>17%</td></tr>
<tr><td>OTP Core (Hungary)</td><td></td><td>136.9</td><td>139.6</td><td>2%</td><td></td><td>46.7</td><td>56.3</td><td>44.3</td><td>-21%</td><td>-5%</td></tr>
<tr><td>DSK (Bulgaria)</td><td></td><td>36.7</td><td>38.4</td><td>5%</td><td></td><td>11.3</td><td>12.9</td><td>14.3</td><td>11%</td><td>26%</td></tr>
<tr><td>OBRu[1] (Russia)</td><td rowspan="2">16.3</td><td>21.4</td><td>18.9</td><td rowspan="2">16%</td><td rowspan="2">5.1</td><td>6.4</td><td>5.6</td><td>6.1</td><td>8%</td><td rowspan="2">20%</td></tr>
<tr><td>Touch Bank[1] (Russia)</td><td>-5.2</td><td>-</td><td>-1.3</td><td>-</td><td>-</td><td></td></tr>
<tr><td>OBH (Croatia, with Splitska banka)</td><td></td><td>11.1</td><td>20.9</td><td>89%</td><td></td><td>6.0</td><td>4.5</td><td>8.7</td><td>92%</td><td>45%</td></tr>
<tr><td>OBU (Ukraine)</td><td></td><td>8.9</td><td>18.2</td><td>105%</td><td></td><td>3.1</td><td>5.4</td><td>7.0</td><td>28%</td><td>127%</td></tr>
<tr><td>OBR (Romania)</td><td></td><td>2.1</td><td>4.8</td><td>130%</td><td></td><td>1.2</td><td>-0.1</td><td>3.4</td><td></td><td>180%</td></tr>
<tr><td>OBSrb (Serbia, with Vojvodjanska banka)</td><td></td><td>-1.3</td><td>1.3</td><td></td><td></td><td>0.2</td><td>1.0</td><td>-0.2</td><td></td><td></td></tr>
<tr><td>CKB (Montenegro)</td><td></td><td>0.7</td><td>2.3</td><td>243%</td><td></td><td>0.7</td><td>0.7</td><td>0.9</td><td>34%</td><td>35%</td></tr>
<tr><td>OBS (Slovakia)</td><td></td><td>-0.6</td><td>0.6</td><td></td><td></td><td>-0.3</td><td>-0.9</td><td>0.7</td><td></td><td></td></tr>
<tr><td>Leasing (HUN, RO, BG, CR)</td><td></td><td>7.1</td><td>7.5</td><td>6%</td><td></td><td>2.9</td><td>2.3</td><td>2.7</td><td>18%</td><td>-6%</td></tr>
<tr><td>OTP Fund Management (Hungary)</td><td></td><td>3.2</td><td>2.7</td><td>-16%</td><td></td><td>1.2</td><td>0.8</td><td>0.8</td><td>-3%</td><td>-31%</td></tr>
<tr><td>Corporate Centre and others</td><td></td><td>3.6</td><td>7.6</td><td>113%</td><td></td><td>1.6</td><td>2.4</td><td>4.2</td><td>73%</td><td>165%</td></tr>
</table>

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

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

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

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

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

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

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

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

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

Miscellaneous

Guidance for 2018 adjusted earnings	According to the guidance provided by the Chairman-CEO on 20 September 2018 at a professional conference organized by the Budapest Stock Exchange, the **full-year 2018 adjusted after tax profit of OTP Group** might reach **EUR 1 billion equivalent** (subject to EURHUF rate).
Amendments to housing subsidy schemes in Hungary	In accordance with a legislative change effective from 17 October 2018 the state subsidy for new **building society** contracts was phased out (the subsidy in the case of already existing contracts won't change). Simultaneously, the Government suggested that the potential savings in the central budget would be re-allocated for extending the **Housing Subsidy for Families scheme (CSOK)**. As a result, on 25 October the Government decided on extending the CSOK, in particular families with two children will be eligible for a preferential housing loan in the amount of up to HUF 10 million (with fix 3% interest rate), whereas the original amount of HUF 10 million preferential loan for families with three children will be increased to HUF 15 million. The new conditions will come into force from 1 December 2018.
Bank tax rate cut from 2019 in Hungary	In October 2018 the Government submitted certain tax modifications, accordingly effective from 2019 the rate of the banking tax will be reduced from 0.21% to **0.20%**.
Extension of the preferential VAT for on-going new house buildings	Having consulted with the representatives of the construction sector, the government extended the deadline for applying the preferential 5% VAT rate until 31 December 2023 (against the originally planned phase-out date of 31 December 2019) in case of newly-built houses provided the final building permit was obtained by 1 November 2018.

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

Effect of acquisitions

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

1 At OTP Core the y-o-y growth was mainly driven by the stronger net interest income supported by dynamic organic loan growth and higher Other net non-interest income; the slight q-o-q decrease was due to negative technical items and base effect, despite improving net interest income.

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

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

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

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

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

[1] Changes without acquisitions.
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

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

Effect of acquisitions

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

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

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

3 The Russian NII in RUB terms went up both q-o-q and y-o-y as a joint effect of soaring volumes and contracting margins. Out of the 8% local currency increase in 9M, 3 pps growth was related to the incorporation of Touch Bank.

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

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

[1] Changes without acquisitions.
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

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

Q-o-Q performing (DPD0-90) loan volume changes in 3Q 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	4%	6%	3%	9%	-2%	7%	2%	5%	1%	2%
Consumer	4%	6%	2%	8%	0%	26%	-1%	5%	0%	0%
Mortgage	2%	2%	3%	-8%	0%	-8%	2%	4%	1%	2%
Corporate[1]	5%	10%	3%	14%	-4%	4%	3%	4%	1%	2%

Core (Hungary) mortgage breakdown:

Housing loan	Home equity
4%	-2%

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

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

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

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

Core (Hungary) mortgage breakdown:

Housing loan	Home equity
11%	-8%

[1] Loans to MSE and MLE clients and local governments.
[2] Without the effect of Vojvodjanska banka acquisition.
[3] The y-o-y changes are affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

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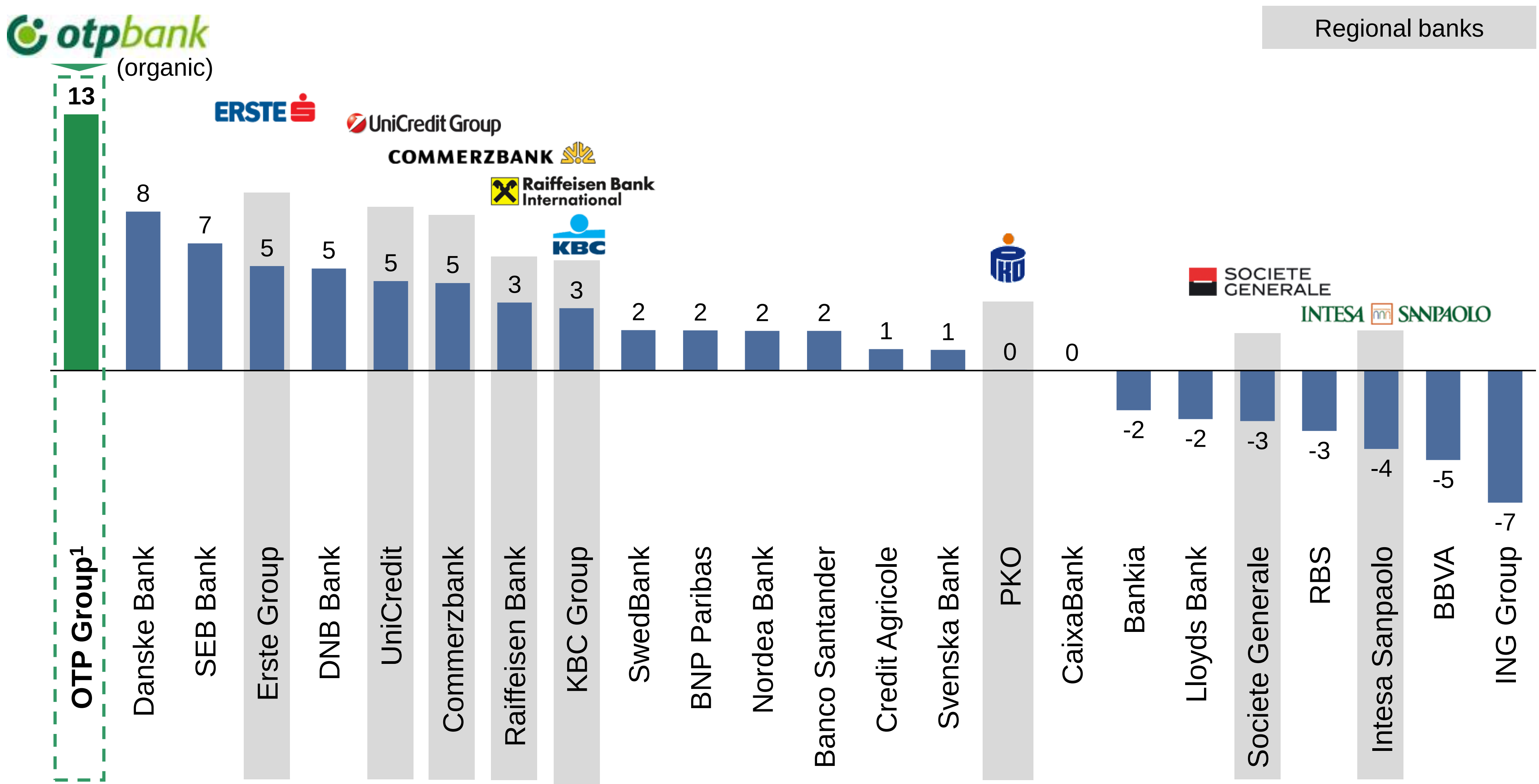
The 13% ytd net loan growth of OTP Group stands out from European banking groups

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



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

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

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

	Core (Hungary)	DSK (Bulgaria)	OBRu[2] (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Mortgage loan	42%	61%		10%		27%	50%	-11%	-8%
Housing loan	46%								
Home equity	16%								
Cash loan[1]	55%	11%	32%	36%	96%	3%	13%	-15%	6%

[1] Including POS loan disbursements in case of DSK (Bulgaria), OBRu (Russia) and OBU (Ukraine)
[2] The change is affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

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

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

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

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

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

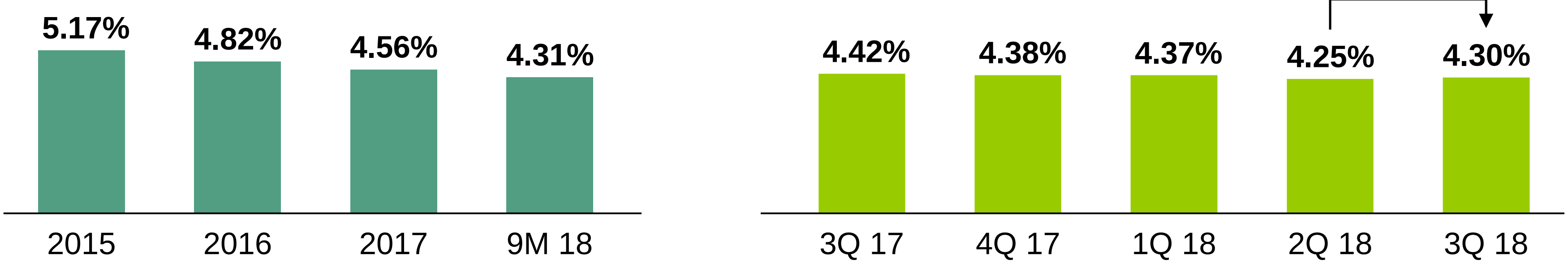
[1] Including SME, LME and municipality deposits
[2] Without the effect of Vojvodjanska banka acquisition.
[3] The y-o-y changes are affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

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

Net interest margin (%)

OTP Group

In 3Q 2018 the net interest margin rose by **5 bps**[1] q-o-q.



Interest rate effect: **+2 bps**

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

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

FX rate changes: **+2 bps**

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

o/w: **DSK Bank** **+1 bp**

Composition effects: **0 bp**

Capturing the weight changes within the Group in LCY terms.

[1] At DSK a one-off accounting correction booked in 2Q 2018 related to IFRS 9 reduced the q-o-q NII dynamics by HUF 1.8 billion in 2Q – both at DSK and on consolidated level. Filtering this out, the consolidated NIM would have stood at 4.35% in 1Q, 4.28% in 2Q 2018, therefore the quarterly decline would have been 7 bps in 2Q 2018 and the quarterly improvement would have been 2 bps in 3Q 2018.

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

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

	2016	2017	9M 18	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	
OTP Core Hungary	3.48	3.22	3.03	3.14	3.16	3.06	2.97	3.05	1
DSK Bank Bulgaria	4.60	3.85	3.43	3.86	3.72	3.69	3.27	3.33	2
DSK Bank Bulgaria – Adjusted[1]						3.50	3.45		
OTP Bank Russia[2]	17.81	16.91	15.40	16.43	15.65	15.90	15.60	14.78	3
OTP Bank Croatia	3.54	3.27	2.97	3.06	3.02	3.01	3.05	2.87	4
OTP Bank Ukraine	9.02	7.46	8.87	7.66	7.72	7.90	9.05	9.51	5
OTP Bank Romania	3.40	3.27	3.37	3.47	2.34	3.25	3.27	3.56	6

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

- Repricing of variable rate loans priced on short term interbank interest rates: in 2Q the 3M BUBOR picked up by 23 bps and the 6M BUBOR by 31 bps q-o-q, and their effect started to materialize in 3Q due to the delay in the repricing.
- Beside 1% growth of average balance sheet total, the dynamic loan growth brought about an increasing share of loans within total assets.
- The total interest revenues realized on the securities book and the related swap portfolio improved q-o-q.
- Within liquid assets the lowest margin part declined q-o-q contrary to the increase observed in the previous quarter.
- The average interest rate of the mortgage loan stock continued to contract.

2 At DSK the crude NIM bounced back due to a technical item improving the q-o-q NII dynamics. Filtering this out, the underlying declining trend continued, as shown by the 12 bps q-o-q drop in the adjusted NIM.

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

4 In Croatia the NIM decline was mainly reasoned by the decreasing rates on corporate loans, and the lower interest rate on the excess liquidity.

5 The Ukrainian NIM was driven by higher rates charged on consumer and SME loans, while deposit interest expenses remained flat q-o-q.

6 Romanian interbank rates increased by ~70 bps q-o-q on average. Bulk of the loan book is floating. Interest expenditure growth was more muted.

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

[2] Including Touch Bank from 1Q 2018.

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

Effect of acquisitions

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

1 The 9M y-o-y decline at Core was reasoned by lower distribution fees on certain household targeted government bonds, which could not be offset by increasing transaction, deposit and card related income. In 3Q the q-o-q decline can be explained by two technical items:

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

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

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

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

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

[1] Changes without acquisitions.
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

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

Effect of acquisitions

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

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

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

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

[1] Changes without acquisitions.
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

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

Effect of acquisitions

Effect of Touch Bank inclusion in 9M 2018

OPERATING COSTS – 9M 2018 (HUF billion)		Y-o-Y (HUF bn)	Y-o-Y (%)	Y-o-Y (FX-adj., HUF bn)	Y-o-Y (FX-adj., %)	
OTP Group	357	18 39	**6.0%**[1] / 12%	21 41	**6.8%**[1] / 13%	
OTP CORE (Hungary)	166	9	6%	9	6%	1
DSK (Bulgaria)	37	3	9%	2	6%	
OBRu[2] (Russia)	44	0 5	1%[3]/14%	4 9	10%[3]/25%	2
OBH (Croatia)	32	0 8	2%[1]/33%	0 7	-1%[1]/29%	
OBU (Ukraine)	12	1	5%	1	11%	3
OBR (Romania)	14	1	11%	1	10%	4
OBSrb (Serbia)	18	1 13	12%[1]/236%	0 12	6%[1]/216%	
CKB (Montenegro)	6	1	14%	1	11%	5
OBS (Slovakia)	9	1	15%	1	12%	6
Merkantil (Hungary)	5	0	3%	0	3%	

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

2 Russia: 10% FX-adjusted growth w/o Touch Bank. Bulk of that was personnel expenses-driven as a result of wage inflation and the increase of average headcount w/o agents by 4%. Stronger business activity resulted in higher variable costs (marketing expenses and telco costs).

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

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

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

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

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

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OTP Core

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

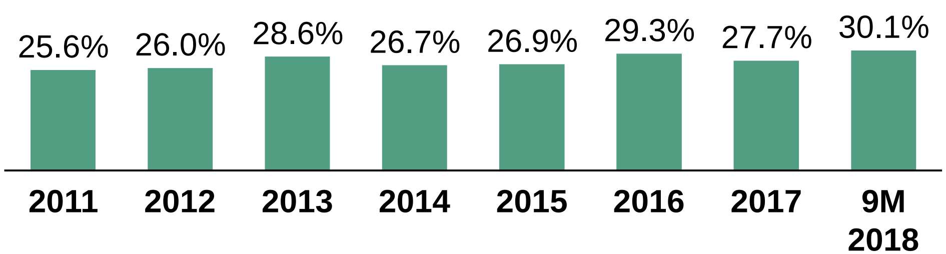
OTP CORE (in HUF billion)	9M 2017	9M 2018	Y-o-Y	3Q 2017	2Q 2018	3Q 2018	Q-o-Q	Y-o-Y
Profit after tax	**136.9**	**139.6**	**2%**	**46.7**	**56.3**	**44.3**	**-21%**	**-5%**
Corporate tax	-15.3	-11.9	-23%	-3.8	-4.6	-3.7	-19%	-2%
Before tax profit	**152.2**	**151.5**	**0%**	**50.5**	**60.9**	**48.0**	**-21%**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

OTP Core

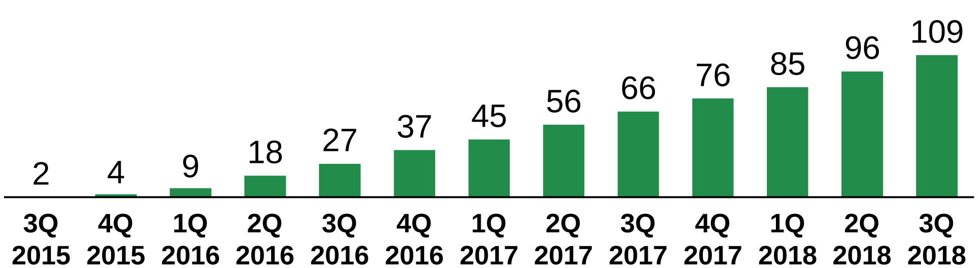
Mortgage loan disbursement remained strong in Hungary, while the popularity of fixed rate loans with longer fixation period has been further increasing. OTP enjoys a dominant and even improving market share in new mortgage and cash loan disbursements, as well as in retail savings

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

OTP's market share in mortgage loan contractual amounts

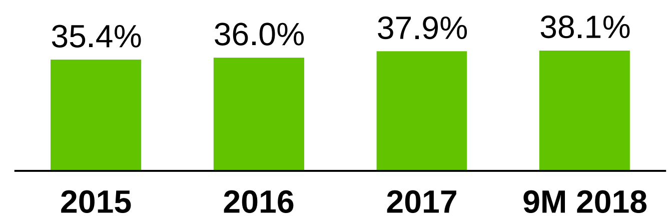


The cumulative amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)

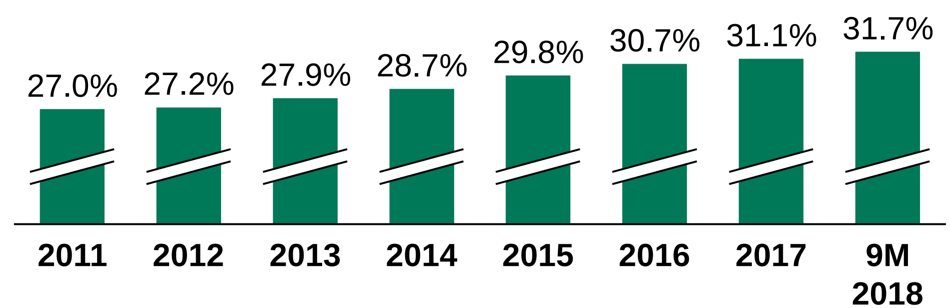


Performing cash loan volume growth (y-o-y , FX-adjusted)

Market share in newly disbursed cash loans



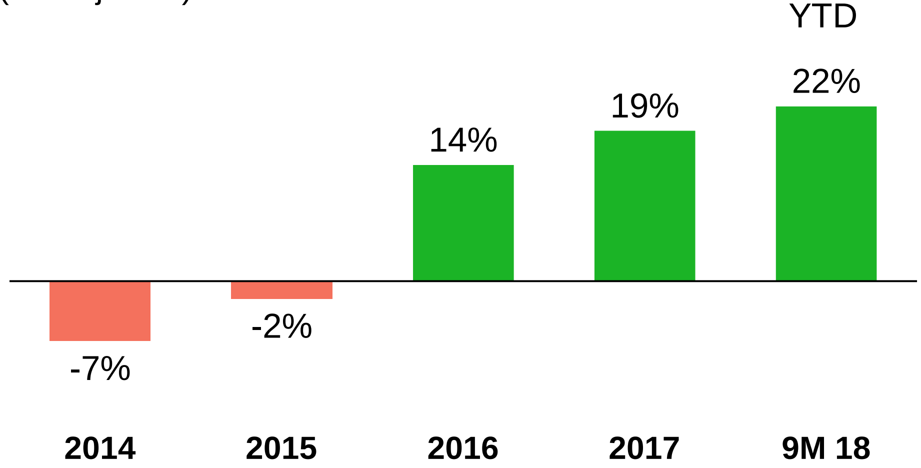
OTP Bank's market share in household savings



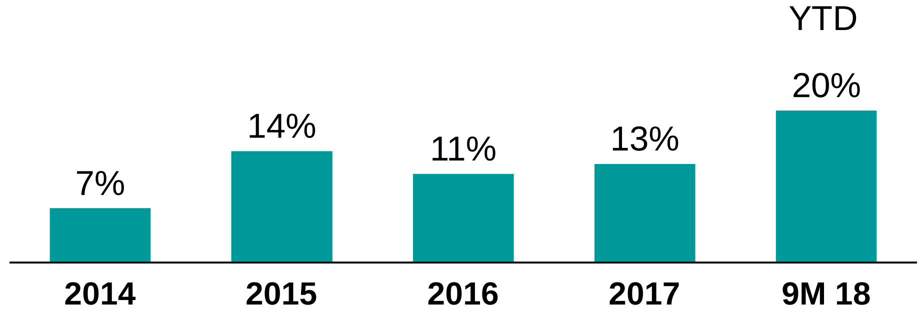
OTP Core

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

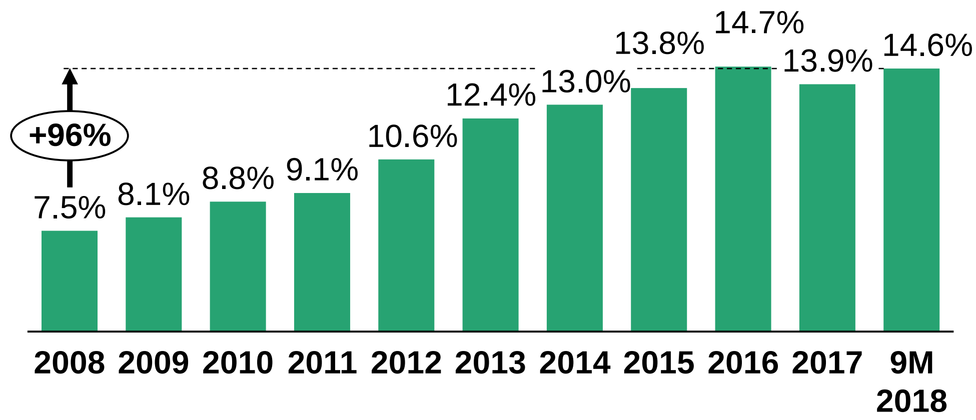
Performing medium and large corporate loan volume change (FX-adjusted)



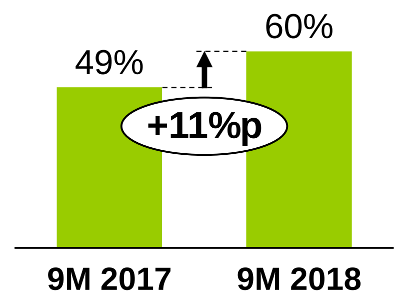
Performing loan volume change at micro and small companies (FX-adjusted)



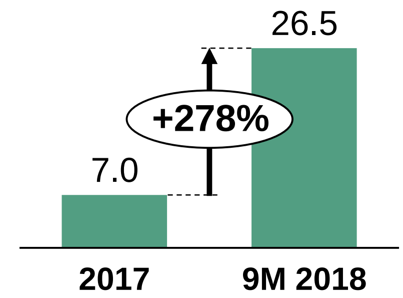
OTP Group's market share in loans to Hungarian companies[1]



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

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DSK Bank delivered strong results in 3Q 2018. The strengthening business activity manifested by soaring new retail loan sales

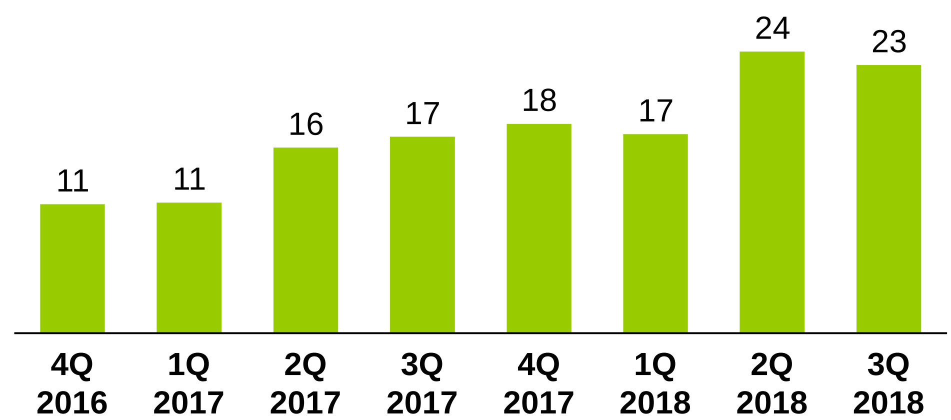
DSK Bank Bulgaria

Income statement

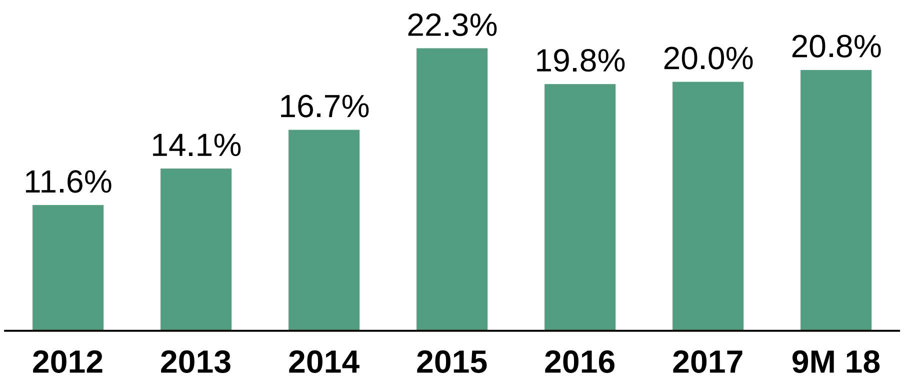
(in HUF billion)	3Q 17	2Q 18	3Q 18	Q-o-Q	Y-o-Y
Profit after tax	**11.3**	**12.9**	**14.3**	**11%**	**26%**
Profit before tax	12.5	14.2	15.8	11%	26%
Operating profit	16.0	13.2	15.0	14%	-6%
Total income	27.4	25.5	27.8	9%	1%
Net interest income	17.8	16.5	17.7	8%	-1%
Net fees and commissions	7.1	7.4	8.1	9%	14%
Other income	2.5	1.6	2.0	28%	-20%
Operating costs	-11.4	-12.3	-12.8	4%	13%
Total risk cost	-3.5	1.0	0.8	-21%	

New mortgage loan disbursements

(in HUF billion, without refinancing)

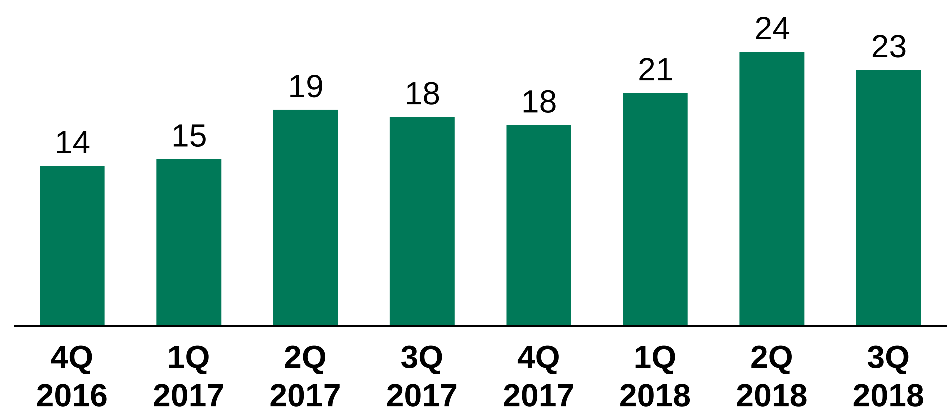


Return on Equity



New cash loan disbursements

(in HUF billion, without refinancing)



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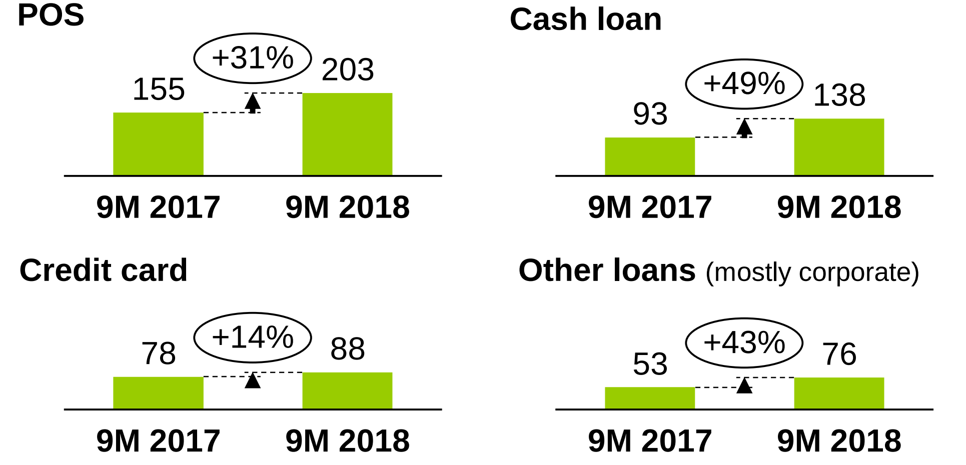
OTP Bank Russia

In 3Q the Russian profit increased q-o-q due to improving operating profit. Performing loans grew y-o-y both in the retail and corporate. The q-o-q increase in risk cost rate was explained by stronger new disbursements

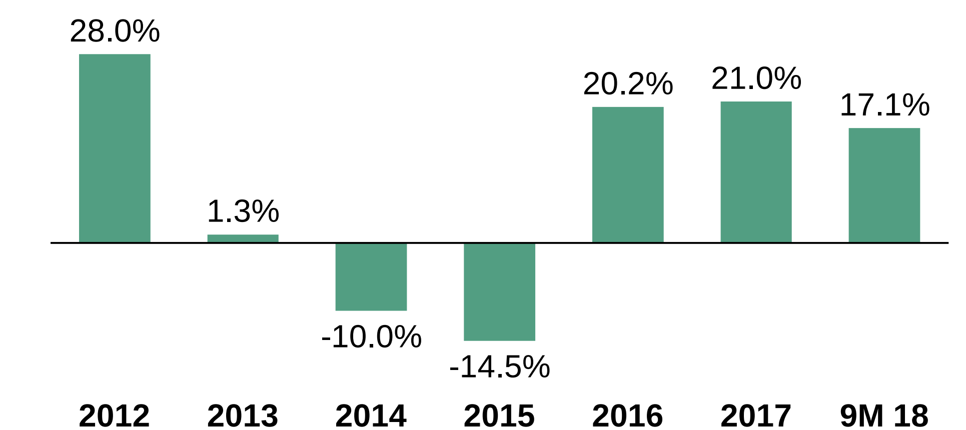
Income statement

(in HUF billion)	3Q 17	2Q 18	3Q 18	Q-o-Q	Y-o-Y
Profit after tax	**6.4**	**5.6**	**6.1**	**8%**	**-5%**
Profit before tax	8.1	7.3	7.5	3%	-7%
Operating profit	16.6	16.2	18.8	16%	13%
Total income	29.2	31.4	32.9	5%	13%
Net interest income	23.7	24.8	25.9	4%	9%
Net fees and commissions	5.2	6.5	6.9	7%	34%
Other income	0.3	0.1	0.1	14%	-62%
Operating costs	-12.6	-15.2	-14.1	-7%	12%
Total risk cost	-8.5	-8.9	-11.3	27%	33%

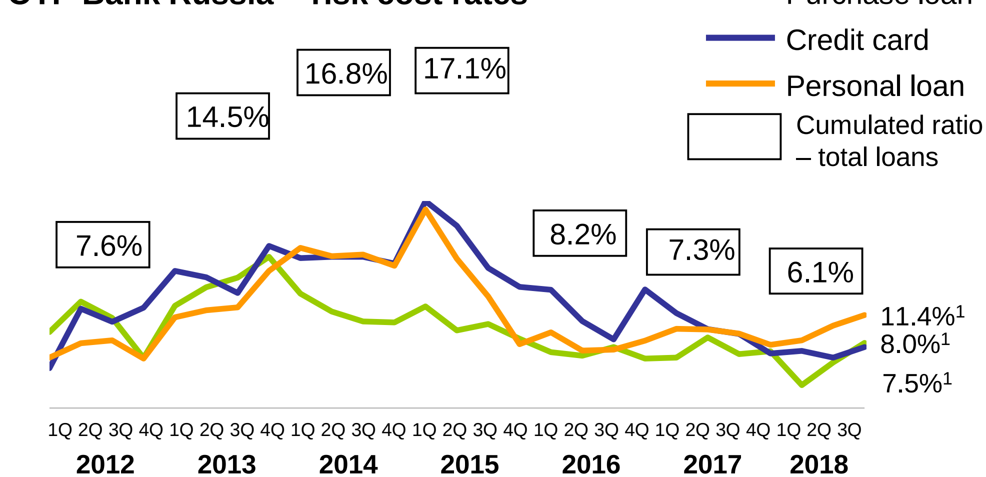
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity



OTP Bank Russia - risk cost rates

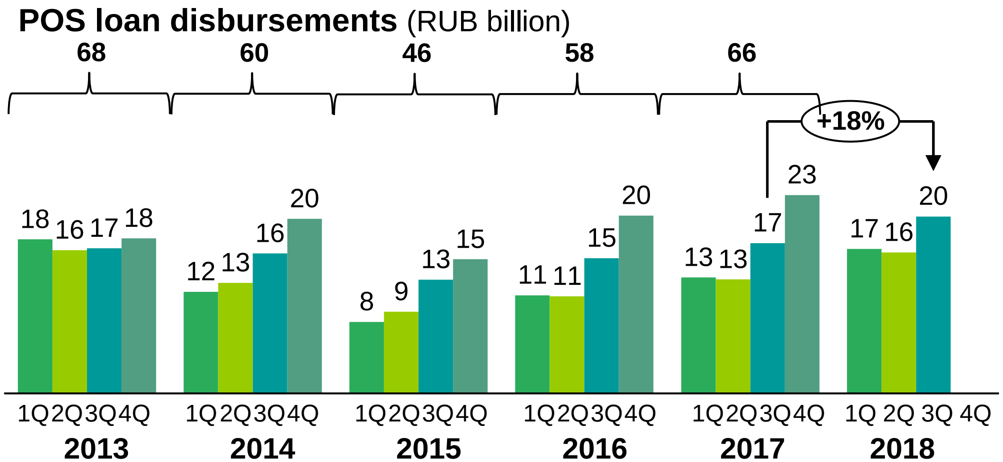


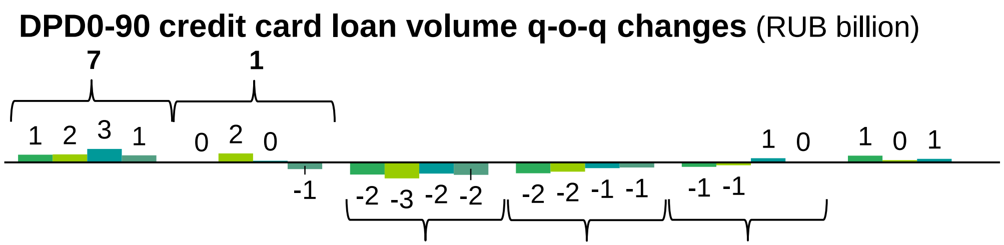
General note: from 1Q 2018 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 2017 Touch Bank's performance was presented separately.

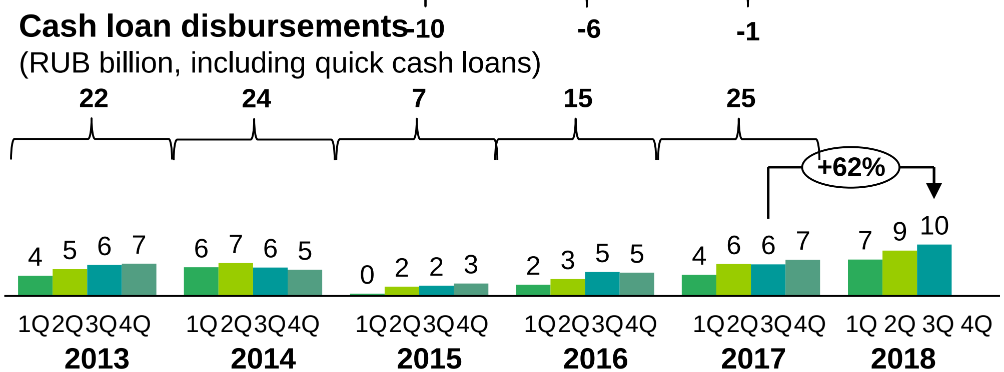
[1] Quarterly risk cost rate in 3Q 2018

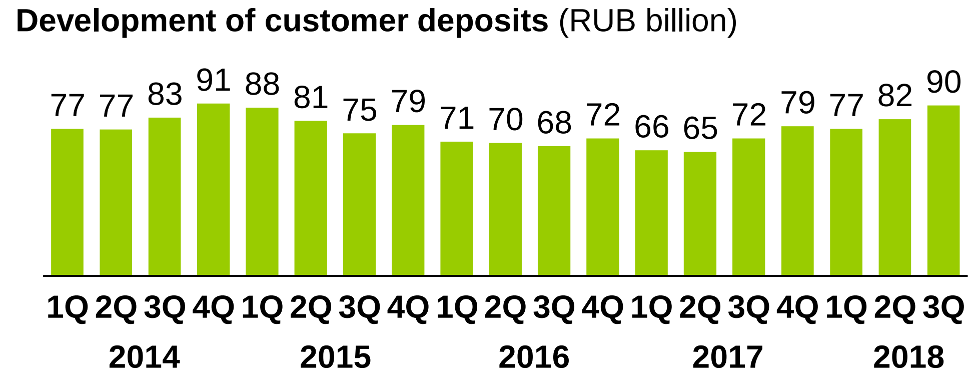
OTP Bank Russia

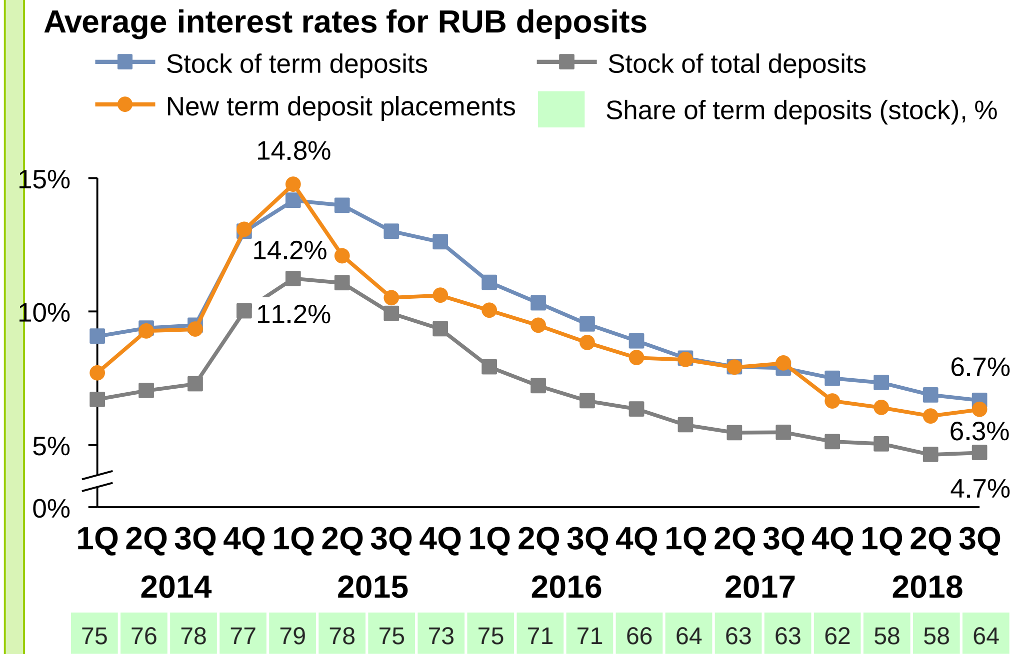
In 3Q POS and cash loan sales improved and performing credit card volumes kept growing. Deposits grew q-o-q in RUB terms keeping net loan-to-deposit ratio flat; RUB term deposit rates further declined











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

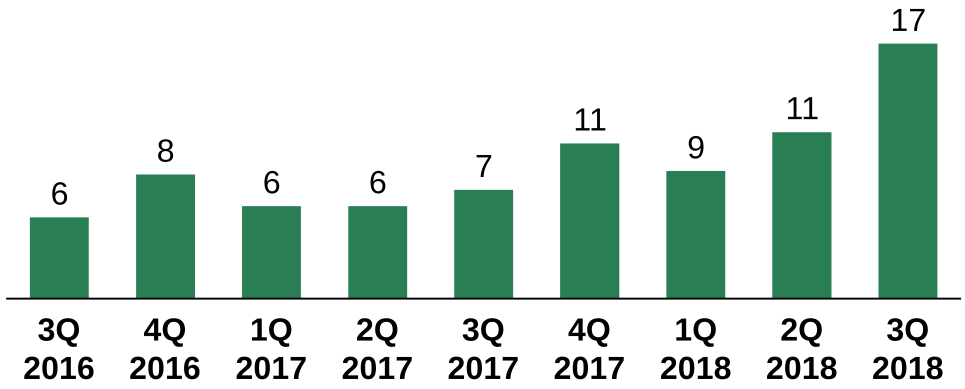
OTP Bank Ukraine

The Ukrainian profitability remained strong in 3Q, supported by widening margins and expanding performing loan volumes

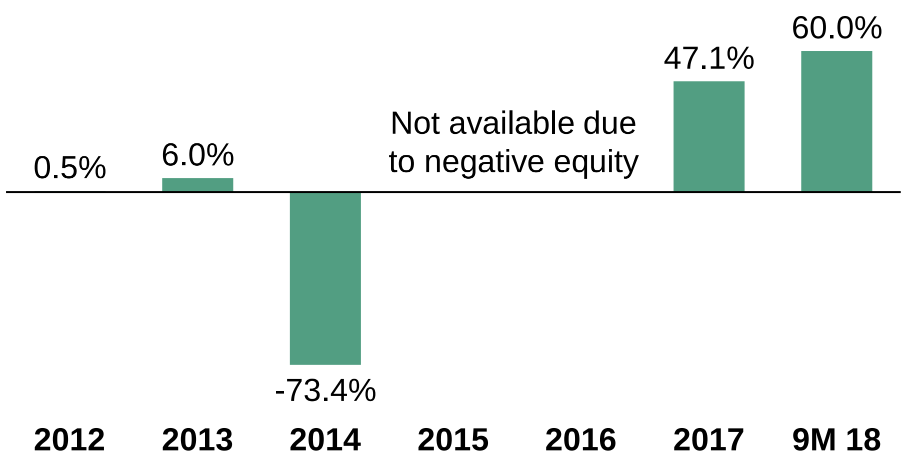
Income statement

(in HUF billion)	3Q 17	2Q 18	3Q 18	Q-o-Q	Y-o-Y
Profit after tax	**3.1**	**5.4**	**7.0**	**28%**	**127%**
Profit before tax	3.5	6.6	8.4	28%	139%
Operating profit	4.9	6.9	8.4	23%	72%
Total income	8.7	11.0	12.8	16%	47%
Net interest income	5.9	7.9	9.0	14%	53%
Net fees and commissions	2.5	2.7	3.1	15%	25%
Other income	0.3	0.4	0.7	65%	88%
Operating costs	-3.8	-4.2	-4.4	4%	15%
Total risk cost	-1.4	-0.3	0.0	-86%	-97%

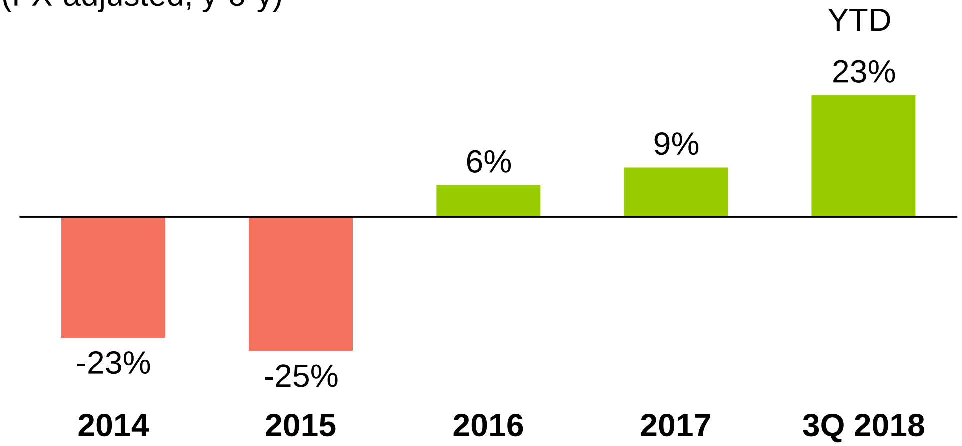
New cash and POS loan disbursements (in HUF billion)



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



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



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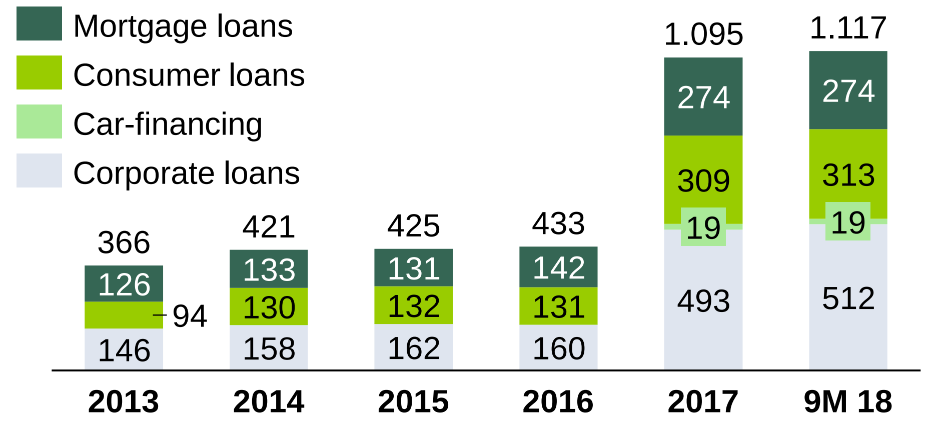
OBH (Croatia)

Following lower 2Q bottom-line earnigs weakened by elevated risk costs, Croatia reported strong 3Q results, pushing 9M ROE to almost 11%

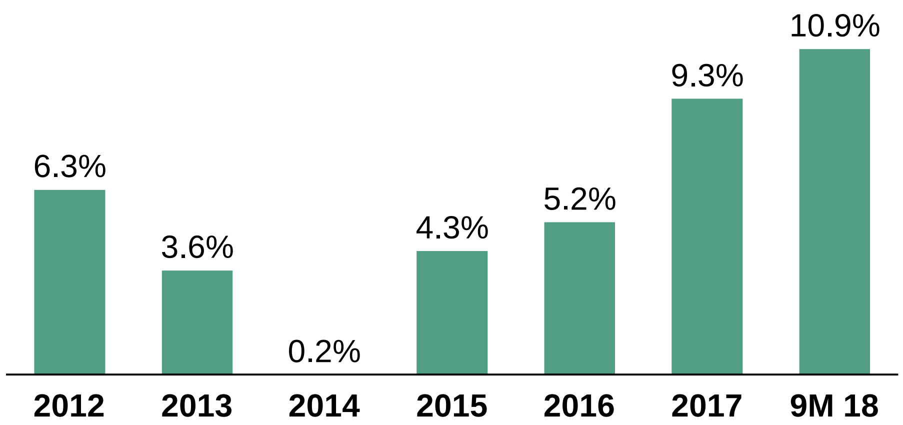
Income statement

(in HUF billion)	3Q 17	2Q 18	3Q 18	Q-o-Q	Y-o-Y
Profit after tax	**6.0**	**4.5**	**8.7**	**92%**	**45%**
Profit before tax	7.6	5.8	10.7	83%	41%
Operating profit	9.6	9.1	10.0	9%	4%
Total income	20.4	19.9	21.0	6%	3%
Net interest income	13.4	13.8	13.7	-1%	2%
Net fees and commissions	4.2	4.2	4.3	1%	1%
Other income	2.8	1.9	3.1	64%	9%
Operating costs	-10.8	-10.7	-11.0	3%	2%
Total risk cost	-2.0	-3.3	0.7		

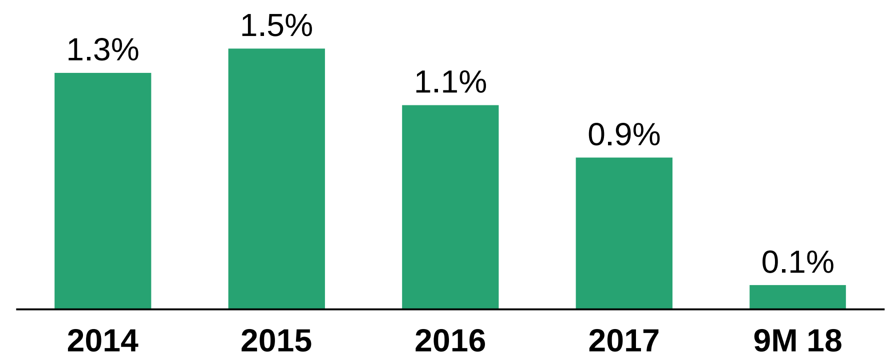
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity

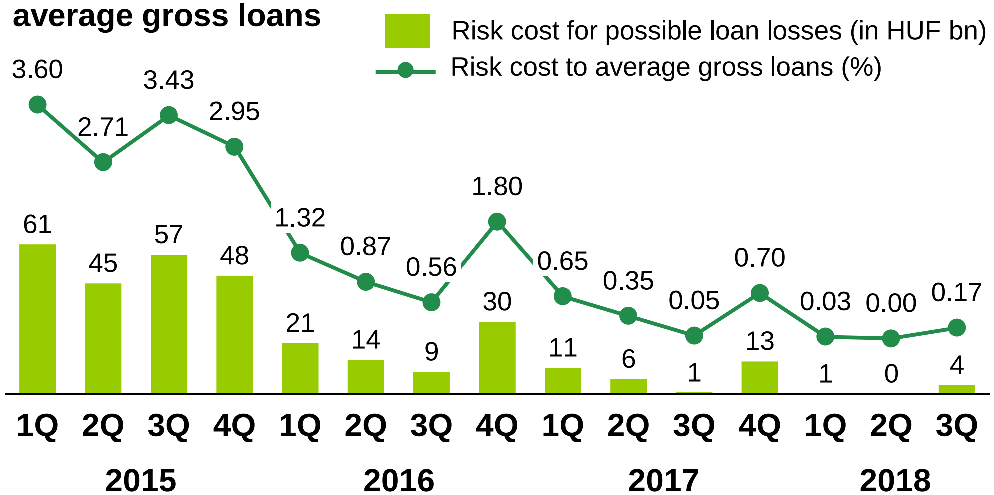


Risk cost rate



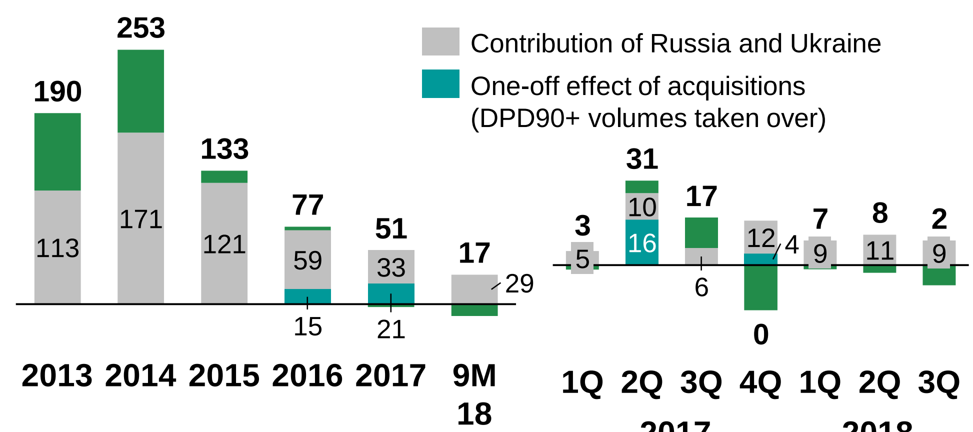
The decline of the consolidated DPD90+ ratio continued. The risk cost rate remained close to multi-year lows

Consolidated risk cost for possible loan losses and its ratio to average gross loans

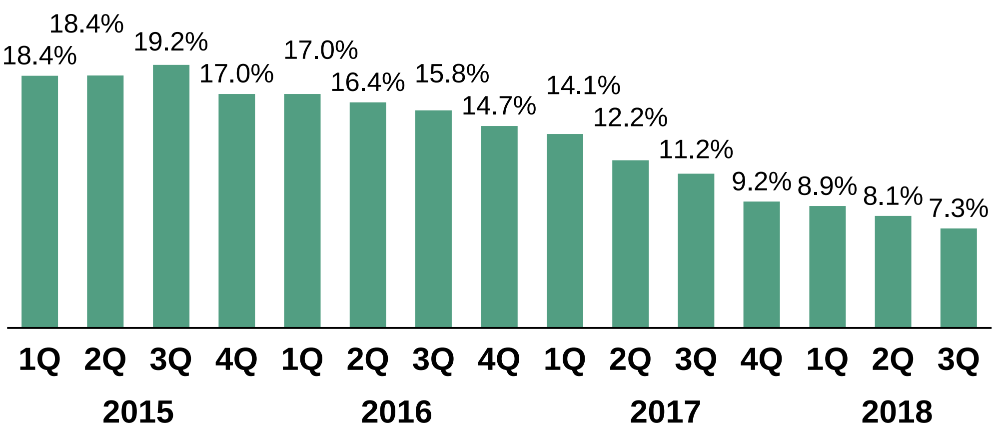


Change in DPD90+ loan volumes

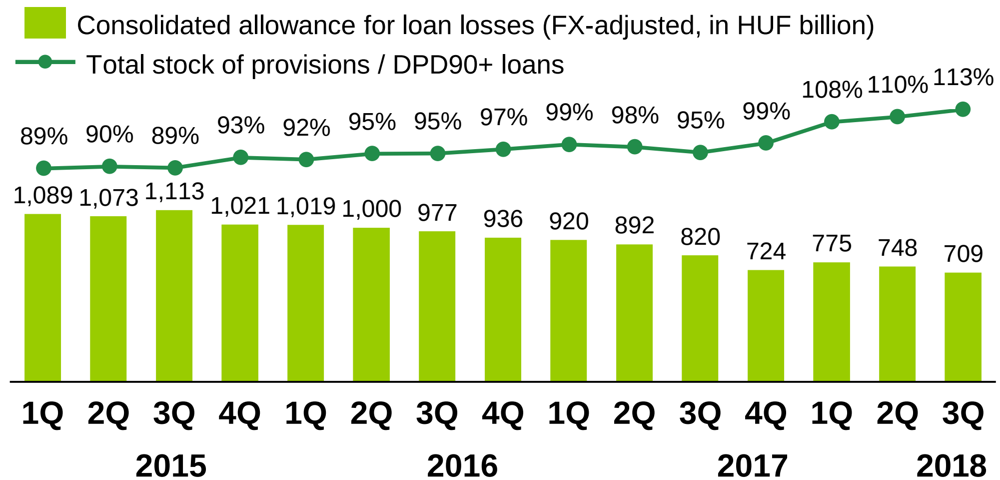
(consolidated, adjusted for FX and sales and write-offs, in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



Consolidated provision coverage ratio



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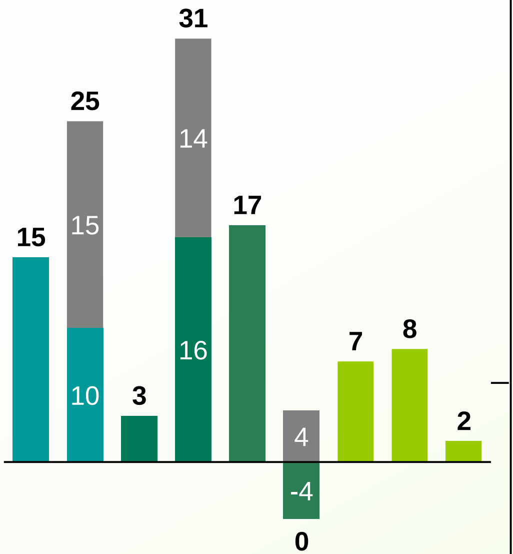
In 3Q 2018 the consolidated DPD90+ formation was subdued; trends remained favourable in all geographies. The increase in Russia reflects growing loan portfolio

FX-adjusted quarterly change in DPD90+ loan volumes

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

Consolidated

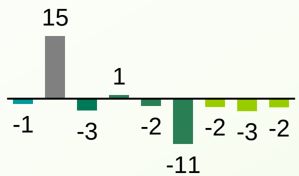


FX-adjusted sold or written-off loan volumes:

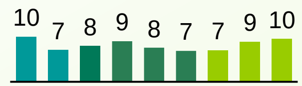
	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018
Consolidated	42	74	40	51	41	122	17	37	49

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

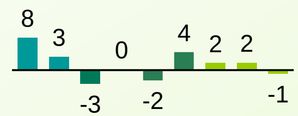
OTP Core (Hungary)



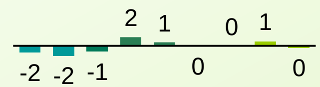
OBRu[1] (Russia)



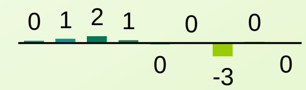
OBU (Ukraine)



DSK (Bulgaria)



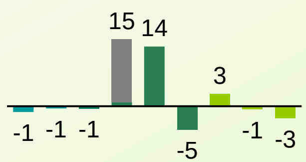
OBR (Romania)



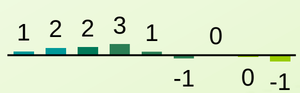
FX-adjusted sold or written-off loan volumes:

	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018
OTP Core (Hungary)	9	14	12	15	10	16	2	5	5
OBRu (Russia)	15	20	17	14	8	5	6	6	4
OBU (Ukraine)	7	12	3	11	10	42	2	7	14
DSK (Bulgaria)	2	23	0	3	3	14	0	0	1
OBR (Romania)	5	3	0	2	1	8	5	9	16

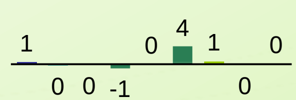
OBH (Croatia)



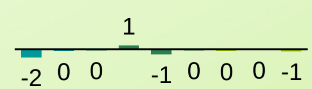
OBS (Slovakia)



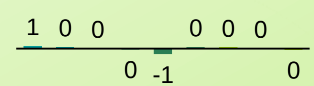
OBSr (Serbia)



CKB (Montenegro)



Merkantil Bank+Car (Hungary)



FX-adjusted sold or written-off loan volumes:

	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018
OBH (Croatia)	0	0	0	2	0	6	0	0	3
OBS (Slovakia)	0	0	0	1	0	6	0	0	4
OBSr (Serbia)	2	3	2	0	5	5	0	7	0
CKB (Montenegro)	0	0	5	0	4	5	1	1	1
Merkantil Bank+Car (Hungary)	1	0	0	0	0	14	0	0	1

[1] Including Touch Bank from 1Q 2018.

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

Risk cost for possible loan losses / Average gross customer loans[2], %

	2017	9M 2018	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018
OTP Core Hungary	-1.2	-1.5	-1.9	-0.6	-1.1	-2.2	-1.0
DSK Bank Bulgaria	0.3	0.4 (9M 018)	0.4	0.9	1.4	0.1	-0.1
OTP Bank Croatia	0.9	0.1	0.5	0.3	-0.6	1.2	-0.2
OTP Bank Russia[1]	7.3	6.1	7.1	6.5	4.9	6.1	7.4
OTP Bank Ukraine	0.3	-0.4	1.1	-0.7	-1.8	0.1	0.2

DPD90+ loans / Gross customer loans, %

	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018
OTP Core Hungary	7.5	6.4	6.2	5.5	5.0
DSK Bank Bulgaria	9.4	7.9	7.7	7.6	7.2
OTP Bank Croatia	7.7	6.6	6.9	6.6	6.2
OTP Bank Russia[1]	17.2	15.8	15.3	15.3	14.8
OTP Bank Ukraine	33.4	26.4	25.1	21.6	18.3

Total provisions / DPD90+ loans, %

	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018
OTP Core Hungary	81	88	98	99	100
DSK Bank Bulgaria	111	116	117	116	117
OTP Bank Croatia	76	86	90	96	103
OTP Bank Russia[1]	130	134	139	140	142
OTP Bank Ukraine	119	119	125	128	134

[1] Including Touch Bank from 1Q 2018.
[2] Negative amount implies positive (earnings accretive) risk costs.

otpbank

At the largest operations the DPD90+ ratios decreased q-o-q

DPD90+ ratio (%)

OTP Core (Hungary)	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	Q-o-Q (pp)
Total	**7.5**	**6.4**	**6.2**	**5.5**	**5.0**	***-0.5***
Retail	9.7	8.9	8.5	8.0	7.4	*-0.6*
Mortgage	9.4	8.5	8.1	7.7	7.2	*-0.5*
Consumer	10.9	10.3	9.7	9.0	7.8	*-1.2*
MSE**	6.1	5.1	5.2	4.8	4.5	*-0.3*
Corporate	4.2	2.6	2.7	2.2	1.9	*-0.2*
Municipal	0.1	0.0	0.0	0.0	0.0	*0.0*

DPD90+ ratio (%)

DSK Bank (Bulgaria)	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	Q-o-Q (pp)
Total	**9.4**	**7.9**	**7.7**	**7.6**	**7.2**	***-0.3***
Mortgage	13.5	9.9	9.4	9.0	8.6	*-0.5*
Consumer	7.0	7.2	7.5	7.6	7.8	*0.1*
MSE	13.4	9.3	9.0	8.3	7.8	*-0.6*
Corporate	7.4	6.7	6.2	6.0	5.4	*-0.6*

DPD90+ ratio (%)

OTP Bank Croatia	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	Q-o-Q (pp)
Total	**7.7**	**6.6**	**6.9**	**6.6**	**6.2**	***-0.4***
Mortgage	5.1	4.9	5.3	5.2	5.1	*-0.1*
Consumer	7.1	6.6	7.4	7.3	7.3	*0.0*
Corporate	15.0	11.3	11.4	10.7	9.3	*-1.4*
Car-finance	1.0	1.0	1.1	1.2	1.0	*-0.2*

DPD90+ ratio (%)

OTP Bank Russia[1]	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	Q-o-Q (pp)
Total	**17.2**	**15.8**	**15.3**	**15.3**	**14.8**	***-0.5***
Mortgage	36.7	39.9	43.5	43.5	43.9	*0.3*
Consumer	17.1	15.8	15.5	15.4	15.1	*-0.3*
Credit card	27.8	27.6	25.9	25.4	25.0	*-0.5*
POS loan	11.8	10.4	10.7	11.3	11.3	*0.0*
Cash loan	15.0	14.7	14.3	13.3	12.9	*-0.5*

DPD90+ ratio (%)

OTP Bank Ukraine	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	Q-o-Q (pp)
Total	**33.4**	**26.4**	**25.1**	**21.6**	**18.3**	***-3.2***
Mortgage	73.6	71.1	71.3	70.5	72.1	*1.6*
Consumer	29.7	20.2	18.7	16.8	11.0	*-5.8*
SME	88.0	81.8	57.6	49.2	42.5	*-6.7*
Corporate	5.9	4.2	4.8	4.1	2.4	*-1.7*
Car-finance	33.5	17.5	14.8	12.8	1.4	*-11.4*

[1] Including Touch Bank from 1Q 2018.

In 3Q 2018 the reported CET1 was 14.6%, but the CET1 capital does not include the 9M 2018 profit less indicated dividend; including these the CET1 would be 16.4%

OTP Group consolidated capital adequacy ratios (IFRS)

BASEL III	2013	2014[1]	2015	2016	2017	9M 2018
Capital adequacy ratio	19.7%	16.9%	16.2%	16.0%	14.6%	16.2%
Common Equity Tier1 ratio	16.0%	13.5%	13.3%	13.5%/ 15.8%[2]	12.7%/ 15.3%[2]	14.3%/ 16.4%[2]

1. The CET1 ratio including interim profit less dividend improved by 1.1%-point ytd, mainly thanks to the sound profitability. In 9M the Bank accrued HUF 45,990 million dividend, the same as a year ago, in line with the announcement made at the AGM.
2. The Ukrainian capital adequacy ratio improved ytd partly due to a subordinated loan taken in 2Q with 7 years tenor.
3. The Bulgarian CAR decline was reasoned by the dividend payment to OTP Bank and also by RWA inflation; the interim profit is not incorporated into the numerator of the CAR ratio.
4. CAR ratios of the mother banks owning the shares of the acquired banks (Vojvodjanska banka in Serbia and Splitska banka in Croatia) are presented.

Capital adequacy ratios (under local regulation)

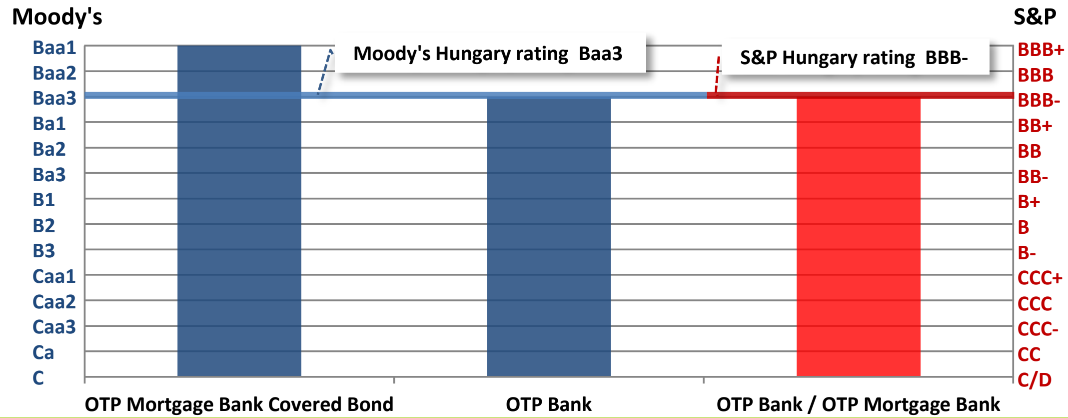
	2013	2014	2015	2016	2017	9M 2018
OTP Group (IFRS)	**19.7%**	**16.9%**	**16.2%**	**16.0%**	**14.6%**	**16.5%**
Hungary	23.0%	19.0%	26.6%	27.7%	31.4%	30.6%
Russia	14.0%	12.1%	13.3%	16.2%	15.9%	17.6%
Ukraine	20.6%	10.4%	15.7%	12.4%	15.5%	17.2%
Bulgaria	16.4%	18.0%	17.3%	17.6%	17.2%	15.4%
Romania	12.7%	12.6%	14.2%	16.0 %	14.5%	16.8%
Serbia	37.8%	30.8%	26.1%	22.8%	28.4%	23.0%
Croatia	16.7%	16.5%	15.5%	16.7%	16.5%	16.7%
Slovakia	10.6%	13.7%	13.4%	12.9%	15.0%	15.2%
Montenegro	14.4%	15.8%	16.2%	21.1%	22.6%	23.1%

[1] Calculated with the deduction of the dividend amount accrued in 2014.
[2] Including the interim net profit less accrued dividend.

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

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

Hungarian sovereign, OTP Bank and OTP Mortgage Bank ratings



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

Rating history

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

OTP Group related rating actions

- Moody's has upgraded **OTP Bank**'s long-term foreign currency deposit rating to Baa3 with a stable outlook and **OTP Mortgage Bank**'s covered bonds rating to Baa1. *(07 November 2016)*
- S&P raised its long- and short-term foreign and local currency counterparty credit ratings on **OTP Bank** and **OTP Mortgage Bank** from BB+/B to BBB-/A-3 with stable outlook *(24 July 2017)*.
- Moody's upgraded **OTP Bank**'s long and short-term local-currency deposit ratings to Baa2/Prime-2 from Baa3/Prime-3. The long-term foreign currency deposit rating was affirmed at Baa3. Both long-term deposit ratings carry stable outlook. At the same time the junior subordinated rating of the bank was raised by one notch to Ba3 (hyb). Furthermore the rating agency upgraded the backed long-term local-currency issuer rating of **OTP Mortgage Bank** to Baa3 from Ba1, with stable outlook. *(19 October 2017)*
- Dagong Global has assigned a Long-Term Credit Rating of BBB+' and equivalent Short-Term Credit Rating of A-2 to **OTP Bank.** The Outlook is stable. *(22 November 2017)*

Recent sovereign rating developments

- S&P upgraded **Russia**'s ratings to BBB- from BB+, with stable outlook. *(23 February 2018)*
- S&P upgraded **Croatia**'s ratings to BB+ from BB, with stable outlook. *(23 March 2018)*
- S&P has changed the outlook on **Bulgaria**'s BBB- rating to positive from stable. *(01 June 2018)*
- Fitch has changed the outlook on **Croatia**'s BB+ rating to positive from stable. *(06 July 2018)*
- Moody's has changed the outlook on **Montenegro** to positive from stable. *(21 September 2018)*
- S&P has changed the outlook on **Croatia** to positive from stable. *(21 September 2018)*

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

Last update: 21/09/2018
Sovereign ratings: long term foreign currency government bond ratings,
OTP Mortgage Bank Moody's rating: covered bond rating; Other bank ratings: long term foreign currency deposit ratings
Abbreviations: BG - Bulgaria, CR - Croatia, HU - Hungary, MN - Montenegro, RO - Romania, RU - Russia, SRB - Serbia, SK - Slovakia, UA - Ukraine

Strong growth is expected to continue in 2018 supported by organic and acquisition-generated business expansion

Management expectations for 2018 – 1.

Original guidance disclosed at the 2018 AGM	Comments at the 2Q 18 confcall
The ROE target of above 15% (assuming 12.5% Common Equity Tier1 ratio) announced at the 2015 Annual General Meeting remains in place.	**OTP Group is very likely going to over-exceed this target.**
Apart from the negative impact of the Hungarian and Slovakian banking tax (HUF 15 billion after tax) further acquisitions may result in material adjustment items.	
The FX-adjusted growth of performing loans – without the potential effect of further acquisitions – may be close to the 2017 organic growth (+10%). Within that, the increase of household exposures may intensify, whereas the pace of corporate book expansion – following an outstandingly strong performance in 2016 and 2017 – may somewhat decelerate.	**Loan growth may be materially higher than 10%. After the strong first half the corporate loan growth may somewhat decelerate, but retail volumes might pick up.**
The net interest margin erosion may continue, compared to the 4Q 2017 level (4.38%) the annual NIM may contract by around another 10-15 bps. The forecast does incorporate the effect of acquisitions completed in 2017, however doesn't include the impact of further potential acquisitions.	**Reaffirmed.**
Positive credit quality trends may continue with the DPD90+ ratio further declining, however total risk costs may increase as a result of higher loan volumes, the introduction of IFRS 9 and the presumably lower provision releases compared to 2017.	**2018 total risk costs are very likely to be lower than in 2017.**
The increase of FX-adjusted operating expenses without acquisition effect may exceed the 2017 dynamics and be around 6% y-o-y as a result of wage inflation and on-going digital transformation.	**Based on 1H results the OPEX target is achievable, but difficult.**

The expected amount of proposed dividend to be paid after the 2018 financial year depends on the future acquisitions. 2018 adjusted after tax profit might reach EUR 1 billion

Management expectations for 2018 – 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 dividend amount to be paid from 2018 earnings depends primarily on the impact of completed future acquisitions. Subject to these deals, the final dividend proposal will be decided at the beginning of 2019.**
- **As for the indicated / deducted dividend amount presented among the financial data in the quarterly Stock Exchange Reports in 2018, the basis for the calculation will be the dividend proposal after the 2017 financial year (HUF 61.32 billion). However, the final dividend proposal can differ from this amount.**

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

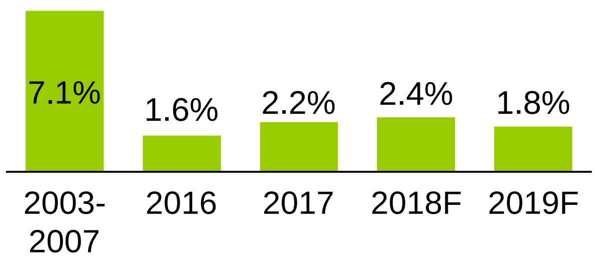
Content

Hungary

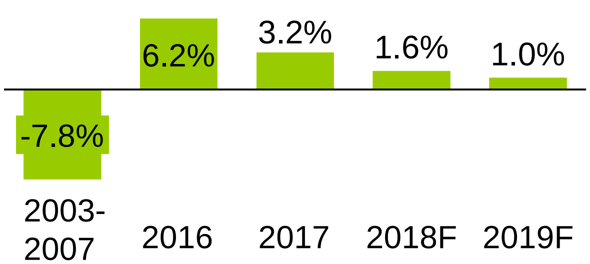
OTP Research expects 4.4% economic growth in Hungary in 2018; in 1H 2018 GDP expanded by 4.5% y-o-y. Growth is forecasted to stay at around 4% in 2019

Balance

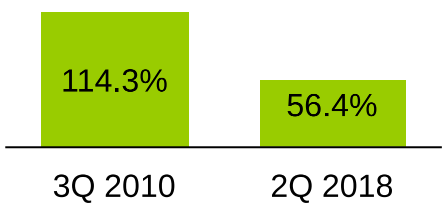
Budget deficit



Current account balance

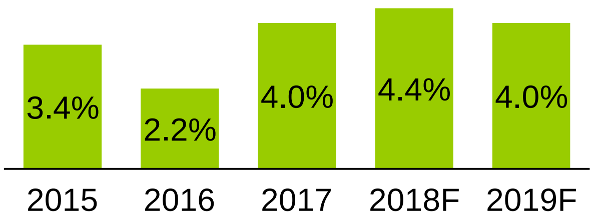


Gross external debt[1] (in % of GDP)

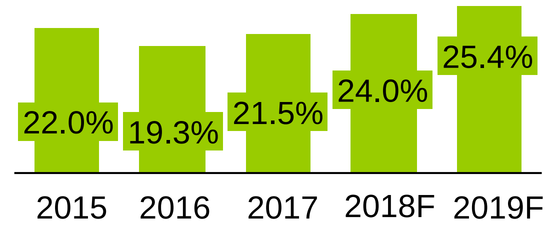


Growth

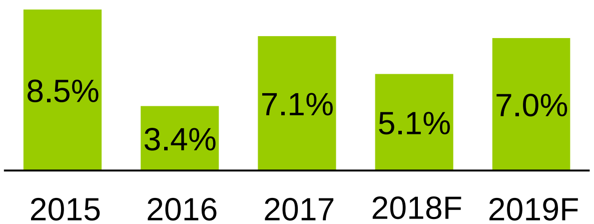
Real GDP growth



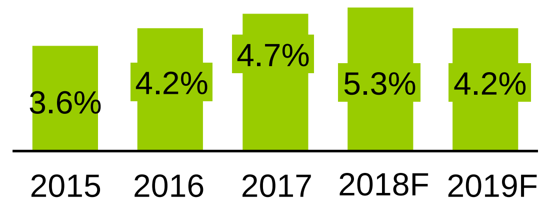
Investment to GDP



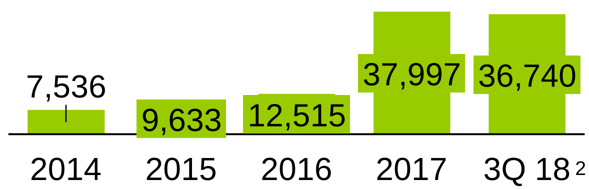
Export growth



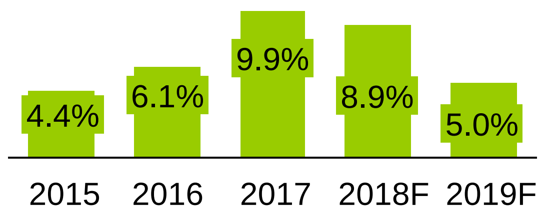
Household consumption



Housing construction permits



Real wage growth



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

Hungary

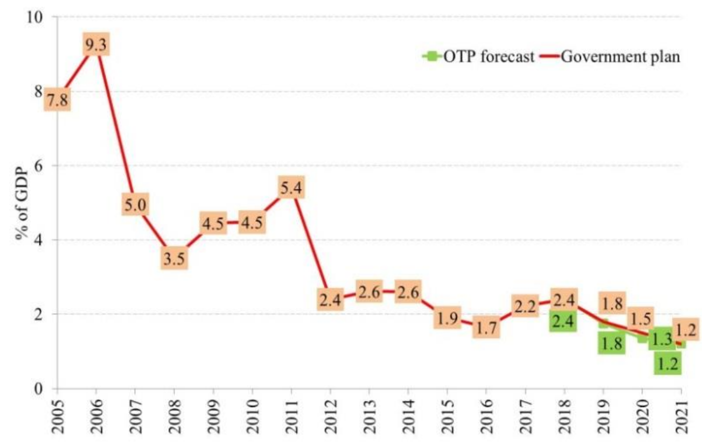
The government intends to spend more on investments, but the overall fiscal discipline is expected to persist. The current account surplus moderated further, external debt continued to be on a decreasing trajectory

The budget deficit might reach 2.4% of GDP in 2018, marginally higher than in 2017. Revenue growth remained strong, but expenditures were boosted by public investments, so the four quarters average deficit widened to 2.7% of GDP by 2Q 2018. We consider the deficit targets of 2.4% and 1.8% of GDP for 2018-2019 as attainable. Nonetheless, there are some risks related to EU fines.

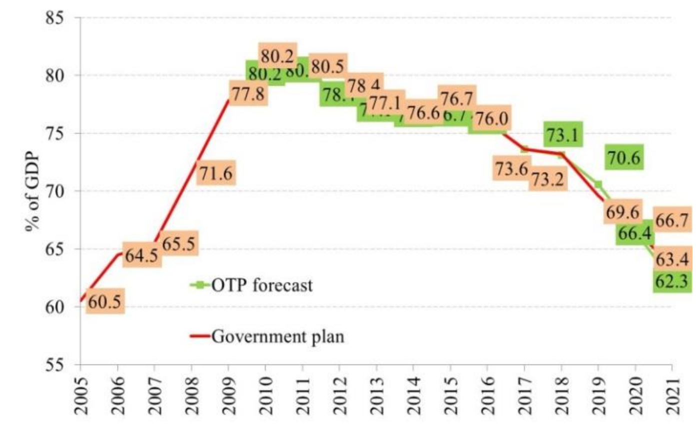
Public debt stagnated around 74% of GDP in 1H 2018, as the financing requirement remained elevated on account of the high level of pre-financing of EU-fund-related projects. We expect the end 2018 debt be slightly above 73%, while later on the pace of debt decline could speed up as disbursement of EU related revenues will accelerate, while EU related expenditures will moderate.

After the all-time high surplus in 2016 the C/A balance started to moderate mainly on higher energy prices and due to stronger domestic demand. Looking ahead, the current account balance may hit the bottom in 2019. As net FDI inflow and the capital account balance remained well in the positive territory the external debt indicators is still on a decreasing trajectory, gross external debt sank to 56.4% of GDP (roughly in line with the regional average) while net debt dropped to 9%.

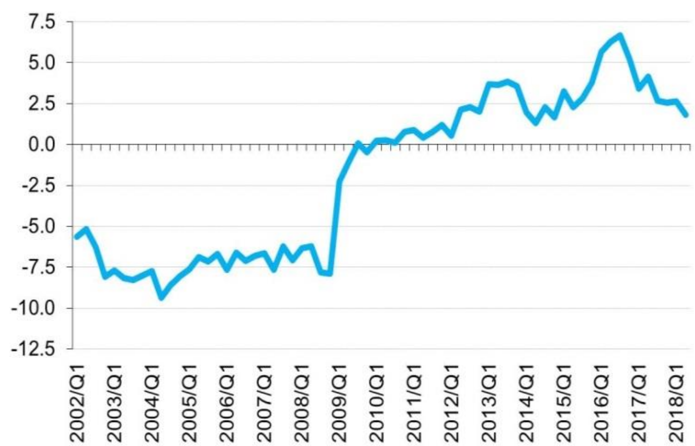
Budget balance (as % of GDP)



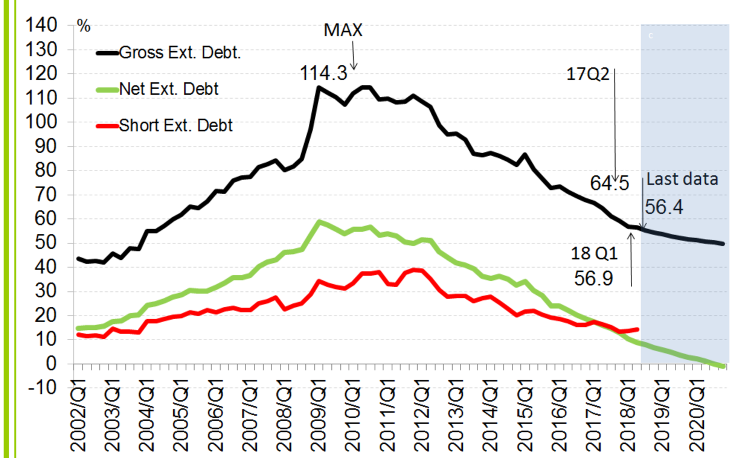
Public debt (as % of GDP)



Current account balance (as % of GDP)



External debt indicators (as % of GDP)



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

Hungary

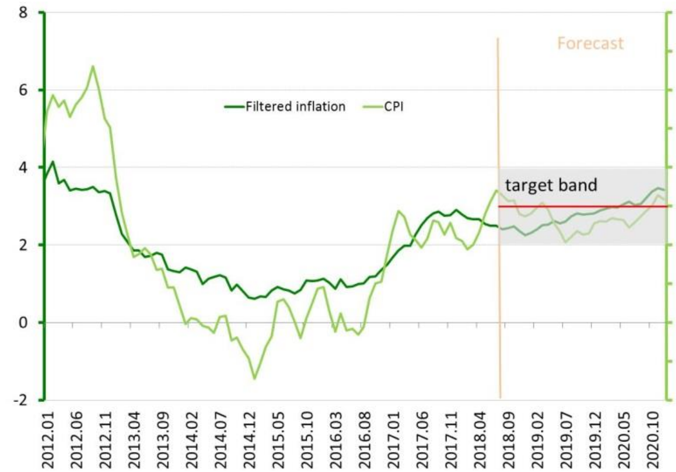
The zero interest rate environment may come to an end in 2019

CPI reached 3.6% in September, due to the sharp rise in fuel and seasonal food prices. CPI may reach its peak in the last third of 2018, and thereafter we expect the inflation gradually to moderate and fall below the 3% levele targeted by NBH in second half of 2019.

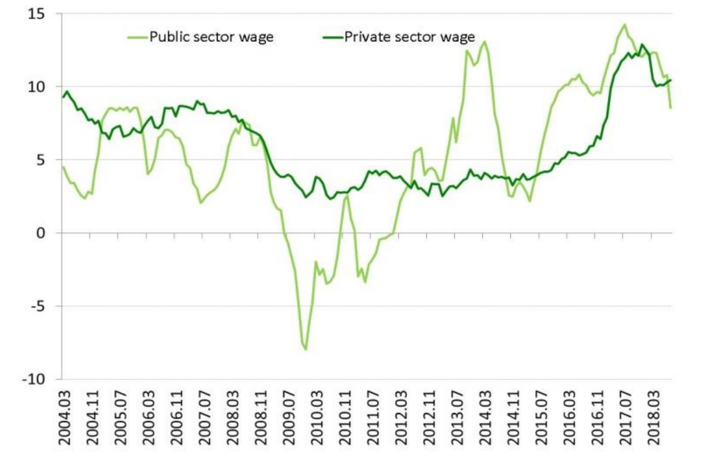
Even though the current phase of the economic cycle points to accelerating CPI, it is still offset by a number of factors (e.g. VAT & social security contributions cuts, moderate food and imported inflation, unchanged administrative prices).

However, the underlying core inflation is on the rise, as it went up from 1% in first half of 2016 to 2.9% at the end of 2017. Currently this indicator is around 2.5%. If we look at the big picture, the underlying inflation shows that the CPI was consistent with MNB target 1 year ago. As the MNB included the underlying inflation processes into the focus of its communication, we do not think the MNB will change its commitment to the low interest rates, despite the current above-the-target CPI figures. We think MNB will start normalize the BUBOR rates when the underlying inflation indicators reach the target level. This is expected to happen in last third of 2019.

Inflation (y-o-y, %)

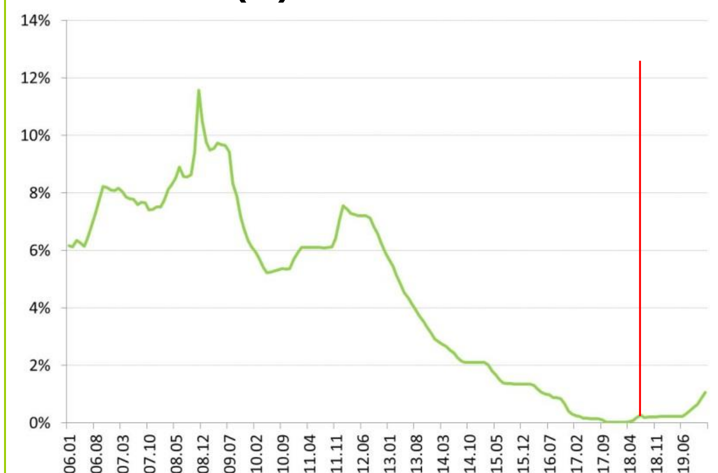


Wage growth in the economy (3M rolling y-o-y,%)



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

3M BUBOR (%)



Hungary

2018 is likely to be even more encouraging than 2017 with close to 4.5% GDP growth, moderate inflation, low budget deficit and declining external debt

Key economic indicators	2014	2015	2016	2017	OTP Research 2018F	OTP Research 2019F	Focus Economics* 2018F	Focus Economics* 2019F
Nominal GDP (at current prices, HUF billion)	32,550	33,999	35,378	38,132	**41,405**	**44,603**	**40,846**	**43,424**
Real GDP change	4.3%	3.4%	2.2%	4.0%	**4.4%**	**4.0%**	**4.2%**	**3.2%**
Household final consumption	2.4%	3.4%	3.8%	4.1%	**4.5%**	**3.7%**	**4.9%**	**3.7%**
Household consumption expenditure	2.8%	3.6%	4.2%	4.7%	**5.3%**	**4.2%**		
Collective consumption	9.8%	0.2%	0.6%	-0.4%	**4.0%**	**1.7%**	**2.2%**	**1.3%**
Gross fixed capital formation	12.3%	1.9%	-10.6%	16.8%	**14.2%**	**9.8%**	**12.0%**	**5.7%**
Exports	9.1%	8.5%	3.4%	7.1%	**5.1%**	**7.0%**		
Imports	11.0%	6.4%	2.9%	9.7%	**6.5%**	**8.1%**		
General government balance (% of GDP)	-2.6%	-1.9%	-1.6%	-2.2%	**-2.4%**	**-1.8%**	**-2.4%**	**-2.2%**
General government debt (% of GDP ESA 2010)	75.2%	74.8%	73.9%	73.6%	**73.2%**	**70.6%**	**71.9%**	**70.2%**
Current account (% of GDP)**	1.5%	2.8%	6.2%	3.2%	**1.6%**	**1.0%**	**2.0%**	**1.6%**
Gross external debt (% GDP)***	82.4%	73.0%	67.9%	58.9%				
FX reserves (in EUR billion)	34.6	30.3	24.4	23.4				
Gross real wages	3.8%	4.4%	6.1%	9.9%	**8.9%**	**5.0%**		
Gross real disposable income	4.8%	5.0%	2.1%	4.6%	**6.3%**	**4.1%**		
Employment (annual change)	5.3%	2.7%	3.4%	1.6%	**1.2%**	**0.2%**		
Unemployment rate (annual average)	7.7%	6.8%	5.1%	4.2%	**3.5%**	**3.0%**	**3.7%**	**3.6%**
Inflation (annual average)	-0.2%	-0.1%	0.4%	2.4%	**2.9%**	**2.7%**	**2.8%**	**3.1%**
Base rate (end of year)	2.10%	1.35%	0.41%	0.03%	**0.22%**	**1.07%**		
1Y Treasury Bill (average)	2.28%	1.17%	0.77%	0.09%	**0.33%**	**0.83%**		
Real interest rate (average. ex post)****	2.5%	1.2%	0.4%	-2.4%	**-2.5%**	**-1.8%**		
EUR/HUF exchange rate (end of year)	314.9	313.1	311.0	310.1	**325.0**	**325.0**	**319.0**	**321.0**

Source: CSO, National Bank of Hungary.
* October 2018 consensus . **Official data of balance of payments (excluding net errors and omissions).
*** w/o FDI related intercompany lending. last data. **** = (1+ Yield of the 1Y Treasury Bill (average)) / (1+ annual average inflation) – 1

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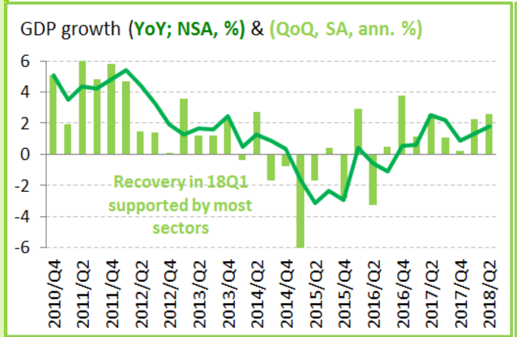
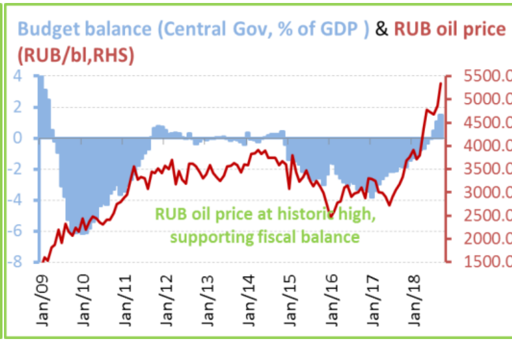
Russia: slow recovery continues, the CBR increased the key rate due to the VAT hike and increasing geopolitical risks. Ukraine: inflation below 10%; household gas prices were lifted as the new IMF program started

Russia

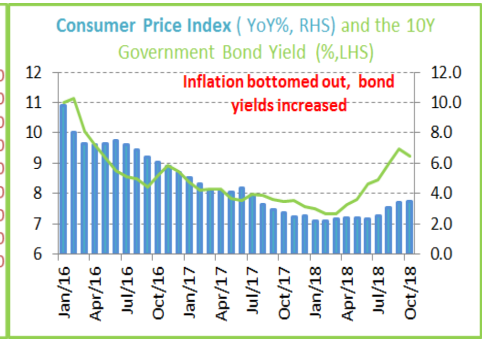
GDP growth stood at 1.9% in 2Q 2018. Higher oil prices brought the budget into balance, improved the current account. Inflation has been rising as the RUB weakened and domestic demand recovered. The government submitted the 2019-2021 budget framework containing ambitious spending plans and tax hikes, while kept the overall budget in surplus. Though the exchange rate weakened, government bond yields increased during the emerging market and on account of new US sanctions. The CBR hiked the key rate by 25 bps in September on account of exchange rate weakness and the foreseeable VAT hike in 2019. Slow recovery could continue with buoyant lending flows.



GDP growth (YoY; NSA, %) & (QoQ, SA, ann. %)



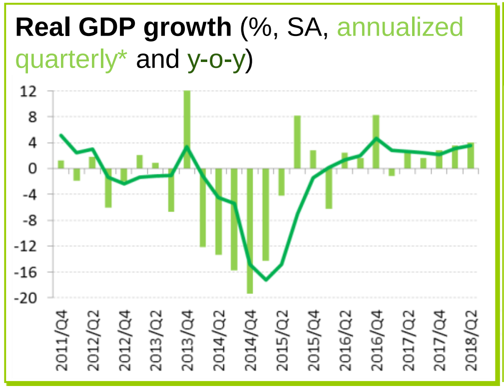
Budget balance (Central Gov, % of GDP) & RUB oil price (RUB/bl,RHS)



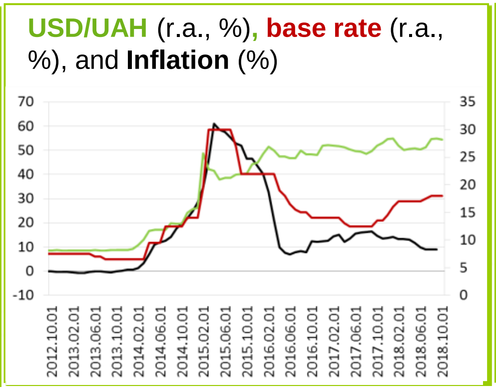
Consumer Price Index (YoY%, RHS) and the 10Y Government Bond Yield (%,LHS)

Ukraine

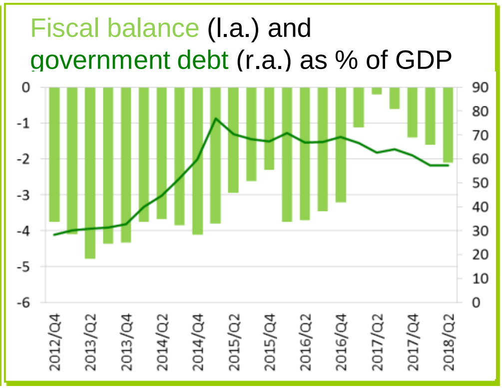
In 2Q 2018, GDP grew by 3.8% y-o-y: the main driver of growth was strong consumption and investment activity. In 3Q 2018, strong GDP growth was sustained based on monthly indicators, albeit with a somewhat moderating speed. Inflation slowed from 13.7% in December 2017 to 8.9% in September 2018. The NBU has held its base rate at 18% since July. Ukraine secured a new $3.9 billion, 14 month long stand-by aid agreement with the IMF, which replaces the old IMF program. The new IMF program was contingent on the 23.5% hike in household gas prices and the approval of the 2019 budget.



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



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



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

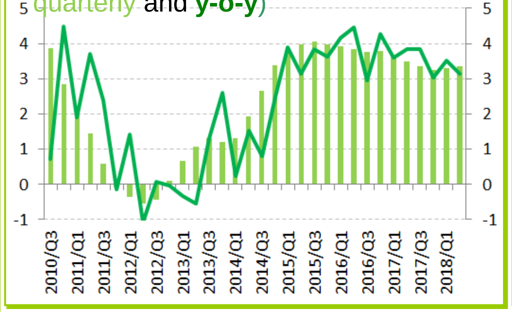
Source: CBR, Rosstat, Ukrstat, National Bank of Ukraine, Focus Economics
*annualized q-o-q growth is OTP Research estimate

Bulgaria: slight slowdown as output nears the potential level; Croatia: budget balance in surplus, fast decline of public debt, tourism revenues hit new record; Romania: growth picked up in 2Q; CB tightens lending conditions for households

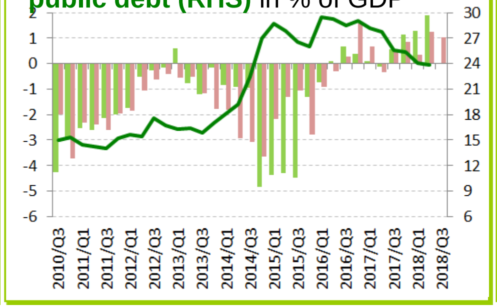
Bulgaria

Publication of detailed 2Q data eased worries of a potential slowdown suggested by preliminary estimates. The economy expanded by 3.2% y-o-y, with household consumption (+7.3%) and investment (+6.3%) being the main drivers of growth.
Both cash-based and ESA budget balances showed surplus of around 1% of GDP. Inflationary pressure intensified as unemployment rate reached all-time low.

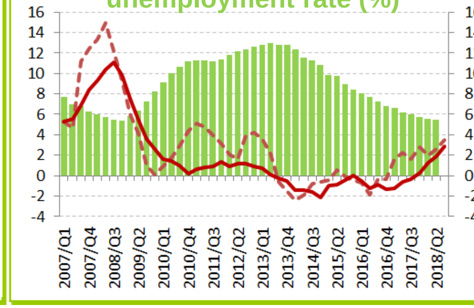
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Cash based & **ESA** deficit (LHS) and **public debt (RHS)** in % of GDP



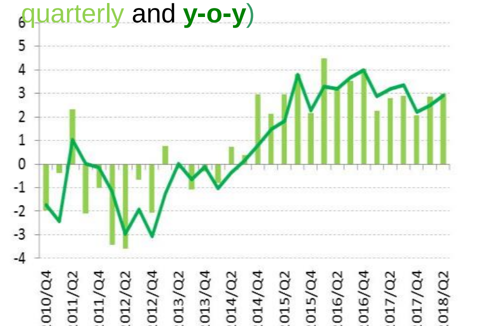
Headline & **core CPI** (y-o-y, %) and **unemployment rate (%)**



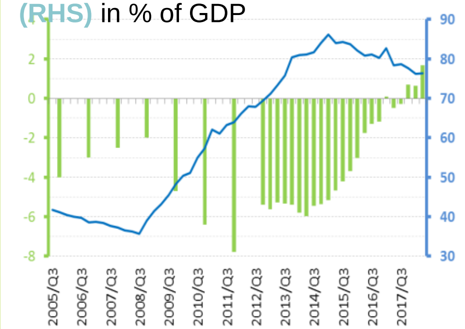
Croatia

GDP growth gained momentum to 2.9% y-o-y in 2Q 2018, but short-term indicators suggest slowdown (industrial production declined, tourist revenues reached a peak, retail sales slowed), Imbalance indicators show further improvement: as government budget surplus has been increasing and debt is on a solid declining path. Performing loan growth has been expanding, but write-offs limit the increase in headline stock figures. Fitch and S&P upgraded the rating outlook.

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



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

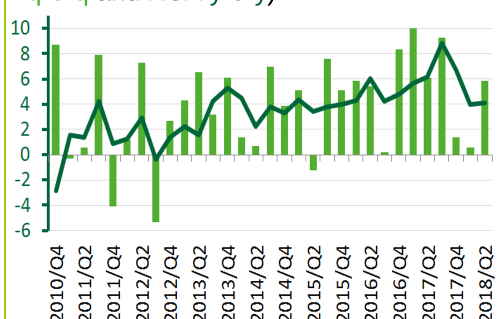


Tourist nights (3M, y-o-y, LHS) & tourist nights, tourist arrivals (12M, 2010 = 100)

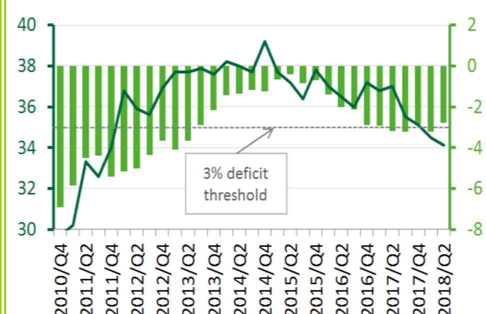
Romania:

In 2Q GDP grew 1.4% q-o-q (SA), propelled by re-accelerating wage growth, higher consumer confidence and inventories after a quite disappointing 1Q reading. Headline CPI had peaked and it is expected to ease owing to base effects. The Central Bank tightened lending conditions for households. The new regulation will come into force from 1 January 2019. The government deficit continues to struggle with the 3% limit, but debt fell. Elections are on the agenda in 2019&2020.

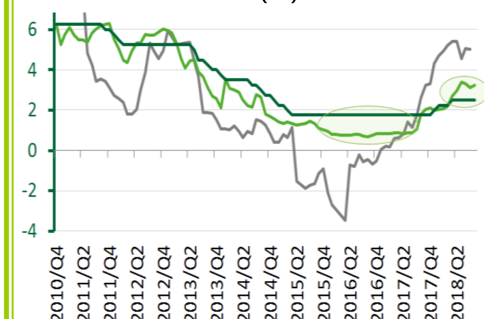
Real GDP growth (%, SA annualized q-o-q and NSA y-o-y)



ESA-2010 deficit (4Q avg., r.h.s.), **debt** (in % of GDP, l.h.s)



Headline inflation (y-o-y; %), **policy rate** & **ROBOR 3M** (%)



Source: Eurostat, national banks and statistical offices

Macro trends are favourable in CEE countries and growth is expected to remain strong in the next two years

REAL GDP GROWTH

	2016	2017	2018F	2019F
Hungary	2.2%	4.0%	4.4%	4.0%
Ukraine	2.3%	2.5%	3.2%	2.7%
Russia	-0.2%	1.5%	1.7%	1.4%
Bulgaria	3.9%	3.6%	3.6%	3.4%
Romania	4.8%	6.9%	3.9%	3.7%
Croatia	3.5%	2.9%	2.7%	2.6%
Slovakia	3.3%	3.4%	3.8%	3.8%
Serbia	2.8%	1.9%	4.5%	3.0%
Montenegro	3.0%	4.4%	3.3%	2.3%

EXPORT GROWTH

	2016	2017	2018F	2019F
Hungary	3.4%	7.1%	5.1%	7.0%
Ukraine	-1.6%	3.6%	9.3%	3.0%
Russia	3.2%	5.1%	6.0%	3.3%
Bulgaria	8.1%	4.0%	5.2%	5.4%
Romania	8.7%	9.7%	7.6%	7.1%
Croatia	5.6%	6.4%	3.5%	3.5%
Slovakia	6.2%	4.3%	5.8%	7.5%
Serbia	12.0%	9.8%	10.5%	11.0%
Montenegro	6.2%	4.4%	5.5%	4.9%

UNEMPLOYMENT

	2016	2017	2018	2019F
Hungary	5.1%	4.2%	3.5%	3.0%
Ukraine	9.7%	9.9%	8.8%	8.4%
Russia	5.5%	5.2%	4.8%	4.5%
Bulgaria	7.6%	6.3%	5.9%	5.4%
Romania	5.9%	4.9%	4.5%	4.4%
Croatia	15.0%	12.4%	10.0%	9.2%
Slovakia	9.7%	8.1%	7.3%	7.0%
Serbia	15.9%	14.1%	11.5%	10.5%
Montenegro	17.8%	16.2%	15.6%	16.2%

BUDGET BALANCE*

	2016	2017	2018F	2019F
Hungary	-1.6%	-2.2%	-2.4%	-1.8%
Ukraine	-2.9%	-1.4%	-2.5%	-2.8%
Russia	-3.4%	-1.4%	0.8%	1.7%
Bulgaria	0.2%	0.9%	-0.2%	-0.4%
Romania	-3.0%	-2.9%	-3.0%	-2.9%
Croatia	-0.9%	0.8%	-0.2%	-0.5%
Slovakia	-2.2%	-1.1%	-1.2%	-1.3%
Serbia	-1.3%	1.2%	-0.5%	-1.0%
Montenegro	-3.3%	-5.7%	-3.2%	-2.1%

CURRENT ACCOUNT BALANCE

	2016	2017	2018F	2019F
Hungary	6.2%	3.2%	1.6%	1.0%
Ukraine	-1.5%	-1.9%	-2.4%	-2.5%
Russia	1.9%	2.2%	5.3%	4.6%
Bulgaria	2.3%	4.5%	3.2%	2.1%
Romania	-2.1%	-3.3%	-3.8%	-3.9%
Croatia	2.6%	3.9%	2.7%	2.2%
Slovakia	-1.4%	-2.0%	-1.5%	-1.0%
Serbia	-3.1%	-5.7%	-5.0%	-5.0%
Montenegro	-18.1%	-19%	-16.9%	-15.6%

INFLATION

	2016	2017	2018F	2019F
Hungary	0.4%	2.4%	2.9%	2.7%
Ukraine	13.9%	13.4%	11.7%	10.3%
Russia	7.0%	3.7%	2.9%	5.0%
Bulgaria	-0.8%	2.1%	2.5%	3%
Romania	-1.5%	1.3%	4.7%	3.1%
Croatia	-1.1%	1.2%	1.5%	1.6%
Slovakia	-0.5%	1.3%	2.5%	2.4%
Serbia	1.1%	3.2%	2.6%	3.0%
Montenegro	-0.2%	2.4%	2.9%	2.2%

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

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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.

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