

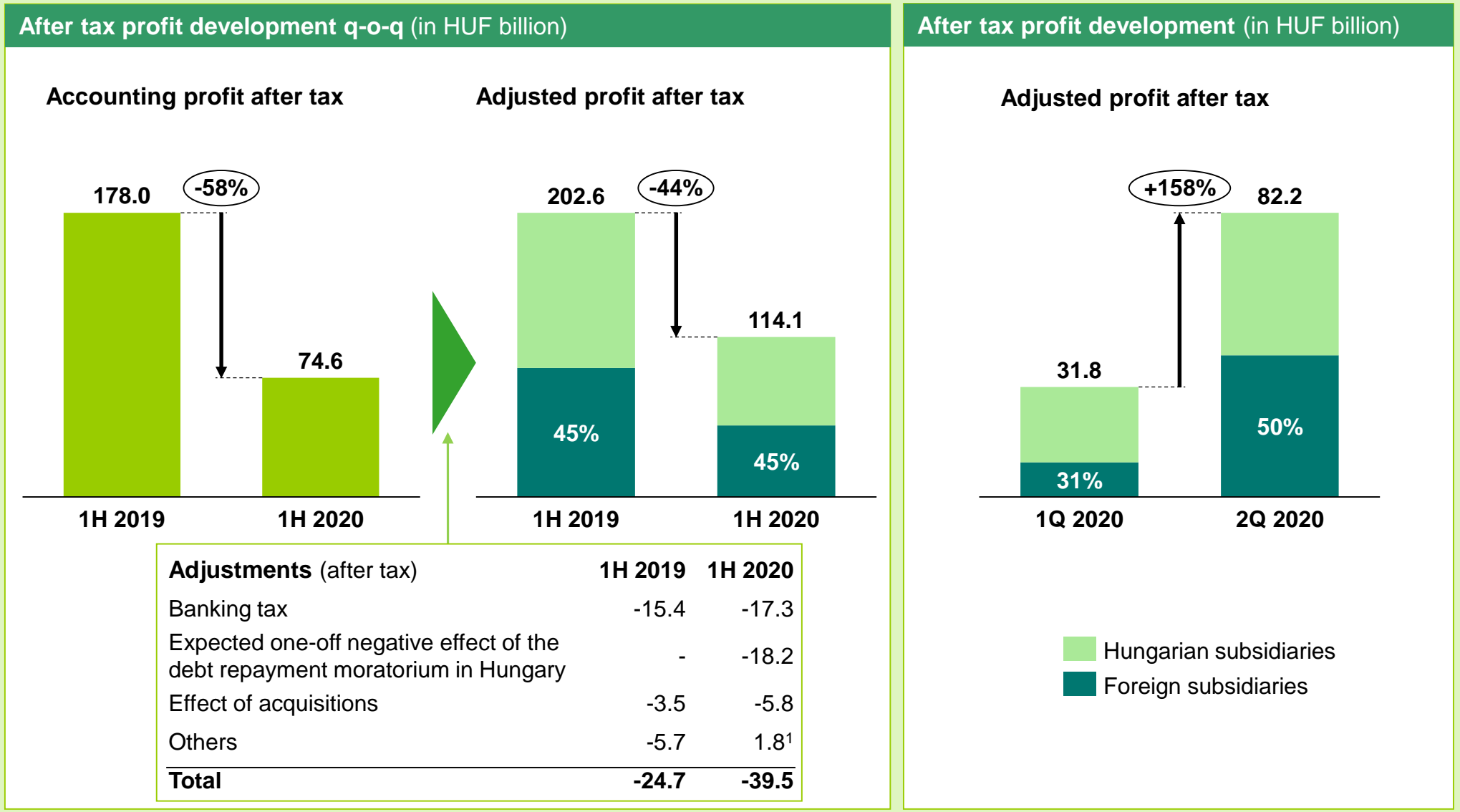
# OTP Group

## Investor presentation based on 2Q 2020 results

Successful adaptation to the fast-changing operating environment:  
strong liquidity and capital position, ROE > 10%



The semi-annual accounting profit decreased by 58% y-o-y, while the adjusted profit declined by 44%. In the second quarter the profit contribution of foreign subsidiaries increased significantly and reached 50%



In 2Q 2020 the balance of adjustments was -HUF 3.6 billion, mostly related to integration expenditures

(in HUF billion)	1H 19	1H 20	Y-o-Y	2Q 19	1Q 20	2Q 20	Q-o-Q	Y-o-Y
<b>Consolidated after tax profit (accounting)</b>	<b>178.0</b>	<b>74.6</b>	<b>-58%</b>	<b>105.4</b>	<b>-4.1</b>	<b>78.7</b>		<b>-25%</b>
<b>Adjustments (total)</b>	<b>-24.7</b>	<b>-39.5</b>	<b>60%</b>	<b>-6.9</b>	<b>-35.9</b>	<b>-3.6</b>	<b>-90%</b>	<b>-48%</b>
Dividends and net cash transfers (after tax)	0.6	0.2	-70%	0.4	0.0	0.2	366%	-65%
Goodwill/investment impairment charges (after tax)	-4.4	0.9		-4.4	0.0	0.9 <sup>1</sup>		
Special tax on financial institutions (after corporate income tax)	-15.4	-17.3	12%	-0.2	-16.7	-0.6 <sup>2</sup>		205%
Expected one-off negative effect of the debt repayment moratorium in Hungary (after tax)	-	18.2		-	-20.2	2.0 <sup>3</sup>		
Impact of fines imposed by the Hungarian Competition Authority (after tax)	-	0.7		-	-	0.7 <sup>4</sup>		
Effect of acquisitions (after tax)	-3.6	-5.8	63%	-0.8	0.9	-6.8 <sup>5</sup>		
One-off impact of regulatory changes related to FX consumer contracts in Serbia	-1.9	0.0		-1.9	0.0	0.0		
<b>Consolidated adjusted after tax profit</b>	<b>202.6</b>	<b>114.1</b>	<b>-44%</b>	<b>112.2</b>	<b>31.8</b>	<b>82.2</b>	<b>158%</b>	<b>-27%</b>

<sup>1</sup> HUF 0.9 billion positive tax impact of the impairment booked in the wake of the revaluation of the investment in the Romanian subsidiary.

<sup>2</sup> -HUF 0.35 billion Slovakian banking tax and -HUF 0.25 billion was booked at the Hungarian group members as a result of the NPV effect of the new banking tax payable in 2020.

<sup>3</sup> +HUF 2 billion release (after tax) related to the moratorium in Hungary, because the opt-out ratio increased since the booking of the 1Q amount.

<sup>4</sup> +HUF 0.75 billion (after tax) effect due to the refund of a penalty imposed earlier by the Competition Authority, as it was overruled by the court.

<sup>5</sup> The -HUF 6.8 billion (after tax) acquisition effect was related mostly to the direct costs of the on-going integration and group alignment processes.

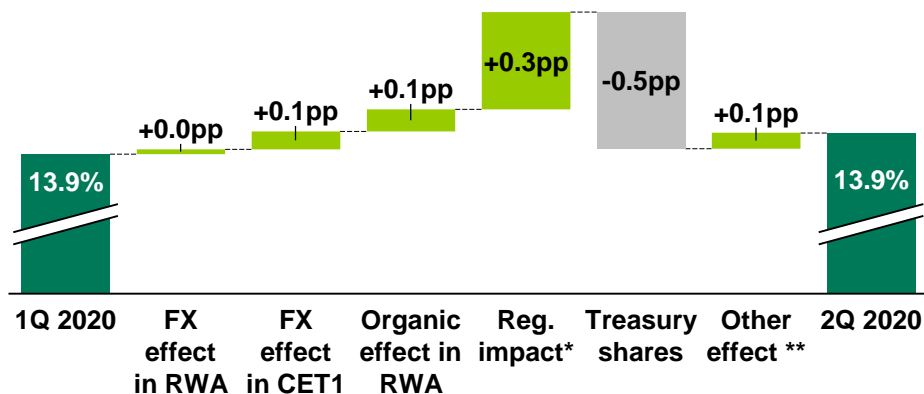
The semi-annual adjusted profit without acquisitions halved (adjusted for FX-effect), mostly because of higher risk costs due to the forward-looking provisioning. In 2Q total risk costs declined q-o-q, but core banking revenues also moderated

(in HUF billion)	1H 19	1H 20	Y-o-Y	1H 20	Y-o-Y	Y-o-Y FX-adj. without M&A <sup>1</sup>	1Q 20	2Q 20	Q-o-Q	Q-o-Q FX-adj.
<b>Consolidated adjusted after tax profit</b>	<b>202.6</b>	<b>114.1</b>	<b>-44%</b>	<b>103.3</b>	<b>-49%</b>	<b>-51%</b>	<b>31.8</b>	<b>82.2</b>	<b>158%</b>	<b>151%</b>
Corporate tax	-25.3	-14.6	-42%	-13.2	-47%	-50%	-4.0	-10.6	164%	163%
Profit before tax	227.9	128.7	-44%	116.5	-49%	-51%	35.8	92.8	159%	153%
Total one-off items	5.6	1.2	-78%	1.2	-78%	-78%	0.4	0.9	144%	144%
Result of the share swap agreement	5.6	1.2	-78%	1.2	-78%	-78%	0.4	0.9	144%	144%
<b>Profit before tax (adjusted, without one-off items)</b>	<b>222.4</b>	<b>127.5</b>	<b>-43%</b>	<b>115.2</b>	<b>-48%</b>	<b>-50%</b>	<b>35.5</b>	<b>92.0</b>	<b>159%</b>	<b>153%</b>
Operating profit without one-offs	232.9	258.2	11%	228.2	-1%	-6%	127.2	131.0	3%	2%
Total income without one-offs	499.0	568.1	14%	509.5	3%	-1%	283.9	284.2	0%	-1%
Net interest income	333.4	394.8	18%	350.5	6%	2%	200.3	194.5	-3%	-4%
Net fees and commissions	124.0	135.8	9%	125.0	1%	-2%	69.2	66.6	-4%	-5%
Other net non interest income without one-offs	41.6	37.5	-10%	34.0	-18%	-20%	14.4	23.1	61%	59%
Operating costs	-266.1	-309.9	16%	-281.3	6%	3%	-156.7	-153.2	-2%	-3%
Total risk cost	-10.6	-130.7	1135%	-112.9	970%	877%	-91.7	-39.1	-57%	-57%

<sup>1</sup> In these 3 columns neither 1H 2020 numbers, nor y-o-y changes include the contribution of OTP Bank Albania, Podgoricka banka in Montenegro, Mobiasbanca in Moldova, OTP banka Srbija in Serbia and SKB Banka in Slovenia.

## Strong capital position with all capital ratios well above the regulatory requirements

### Decomposition of the change in CET1 ratio in 2Q 2020



\*Change of risk weight for certain sovereign exposure, IFRS 9 transitional rules in RWA and CET1.

\*\*Including the effect of decrease of non-credit risk RWA, and other change of CET1 capital

### Regulatory and other effects influencing the CET1 ratio

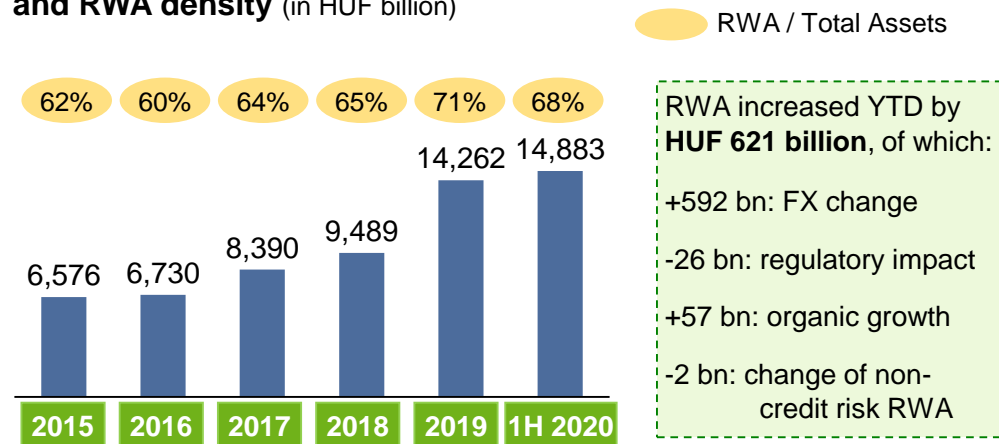
Regulatory changes **already implemented in 2Q**:

- provisions for the expected credit losses on Stage 1+2 exposure under IFRS9 were released from the regulatory capital (+19 bps);
- favourable treatment of sovereign exposure in EU currencies had an additional positive impact of 16 bps on the CET1 ratio.

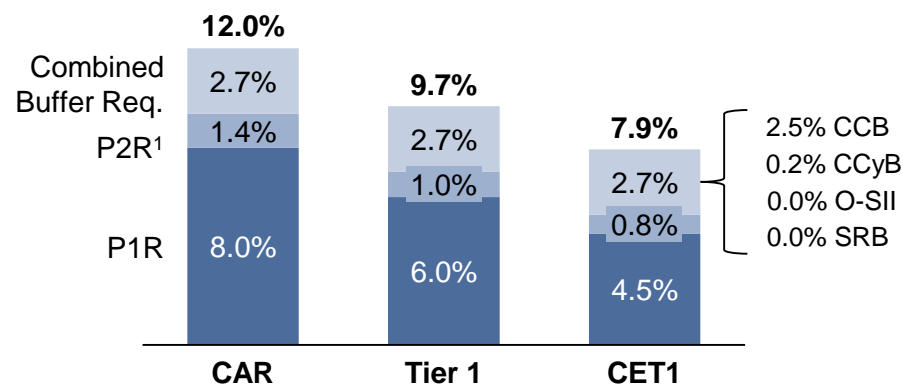
**Further changes** are expected to improve the CET1 ratio by altogether 49-67 bps **in the second half of the year**:

- the SME supporting factor and the prudential treatment of software will have a positive estimated impact of 24-42 bps;
- the positive effect of the RWA reduction stemming from the divestment of OBS is estimated at around 25 bps.

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



### Regulatory minima of capital adequacy ratios for OTP Group, for end-2020



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

## **OTP Group: Management expectations for 2020**

Currently there is a high degree of uncertainties around the duration of the pandemic, as well as the pace of the recovery of the global economy. Accordingly, the management still refrains from making a detailed 2020 Guidance. However, it states that according to its expectation

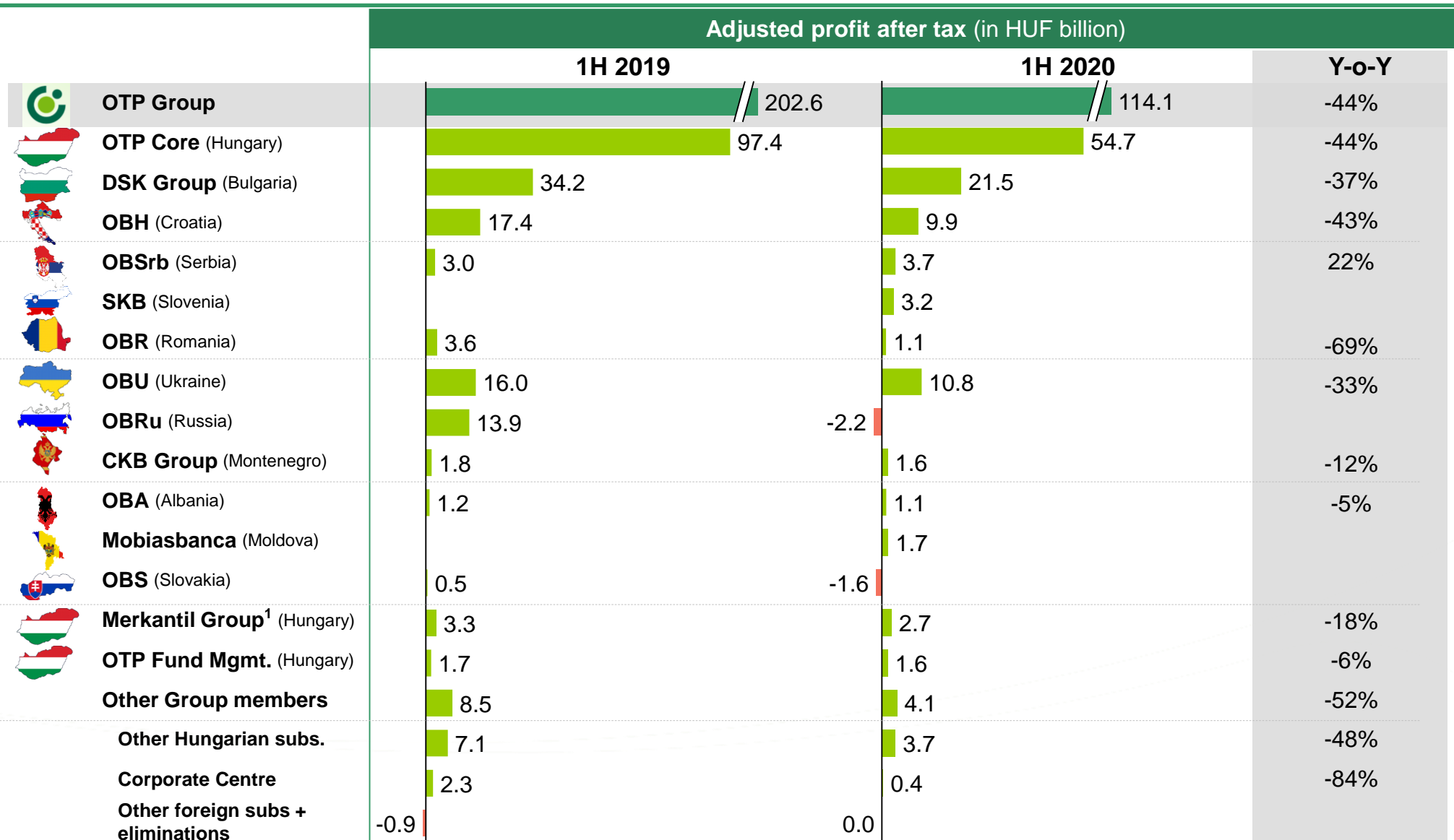
- the adjusted ROE for 2020 might exceed 10%;
- the annual risk cost rate may be around 125 bps alongside the currently probable macroeconomic development path;
- FX-adjusted performing (Stage 1+2) loan volumes might increase by around 7% y-o-y following a 3% growth in 1Q and a near zero change in 2Q as a result of a drop in new business volumes induced by COVID-19 pandemic.

## **OTP Group: Capital adequacy targets and update on dividend**

OTP Bank's capital adequacy targets (CET1) remained unchanged with a long-term CET1 target level of 15% and a range of 12-18%. Given the reduction of regulatory minimum of Tier1/CET1 to 9.7% in 2020-21 (with 118% SREP rate), in short and medium run the management prefers a range of 12-15%.

OTP's management is committed to paying dividend after 2020 in such a magnitude that it also compensates shareholders for the originally proposed HUF 69.44 billion after 2019, for which the pay-out was stopped at the request of the regulator. Regarding the actual size of the dividend the management will make its proposal prior to the AGM approving 2020 results depending on the annual accounting profit, acquisition opportunities, the then prevailing economic environment, as well as the regulatory and supervisory requirements.

## All major Group members, but Serbia suffered a decline in 1H profit as a result of elevated risk costs

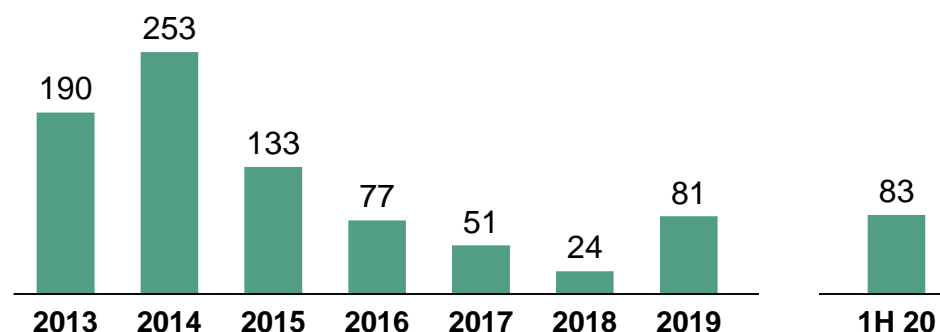


<sup>1</sup> Until the end of 2019 the after tax profit of Merkantil Bank and Merkantil Car, since 1Q 2020 the sub-consolidated after tax profit of Merkantil Group (Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd.) was presented.

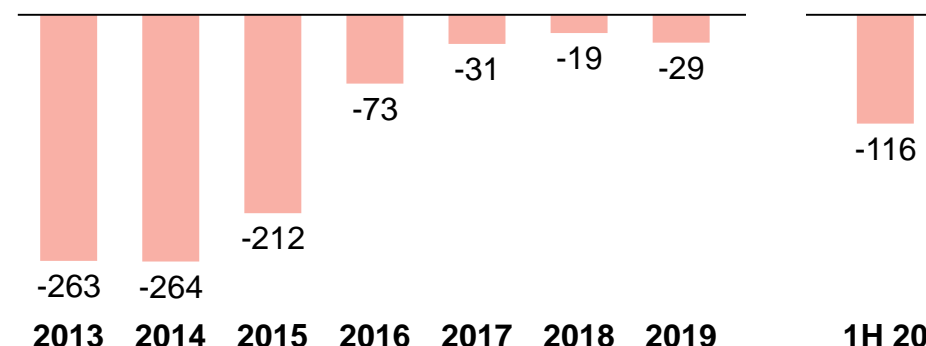


Regarding asset quality trends, the DPD90+ ratio increased in the first half of 2020; impairments grew significantly as a response to COVID-19 pandemic; the consolidated credit risk cost rate surged, as well

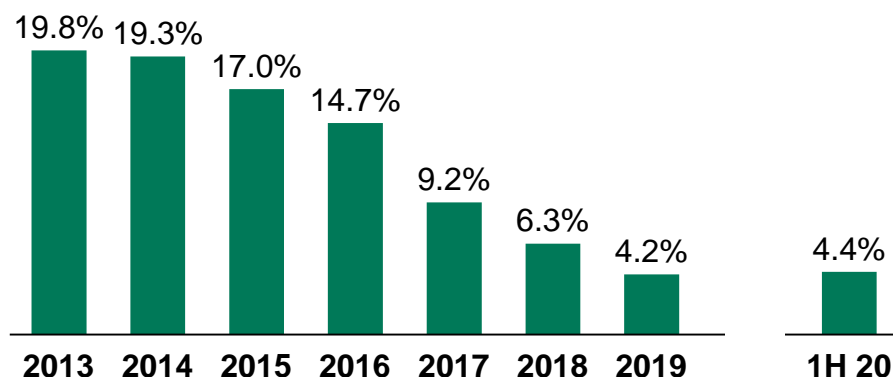
**Change in DPD90+ loan volumes** (consolidated, without the technical effect of new acquisitions<sup>1</sup>, adjusted for FX and sales and write-offs, in HUF billion)



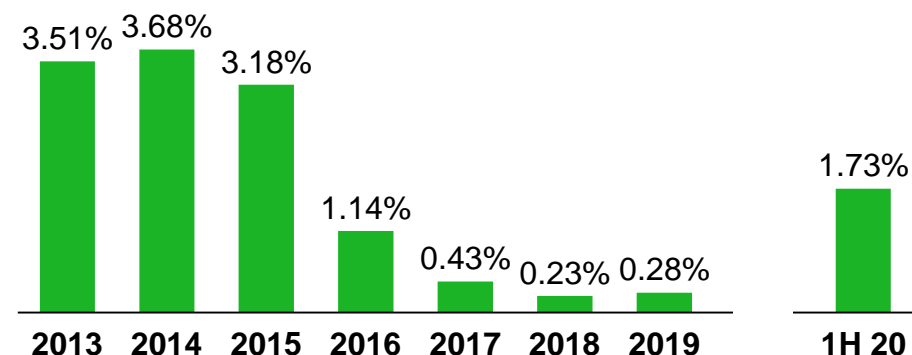
**Consolidated provision for impairment on loan and placement losses** (in HUF billion)



**Ratio of consolidated DPD90+ loans to total loans**



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



<sup>1</sup> One-off effect of the DPD90+ volumes taken over as a result of acquisitions.

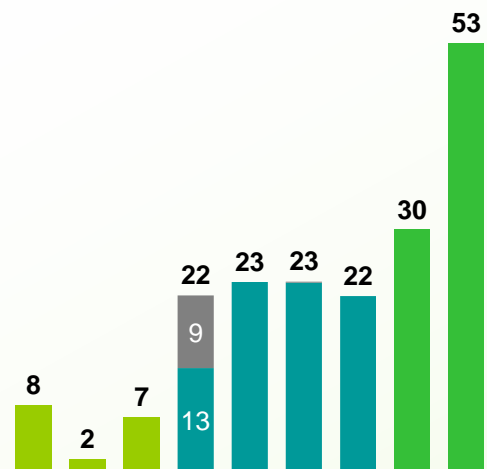


## In 2Q 2020 DPD90+ volumes increased by HUF 53 billion (adjusted for FX effect and sales and write-offs)

### 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:

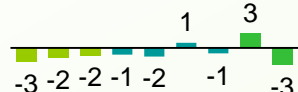
37	49	73	12	34	25	61	8	40
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

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

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

#### OTP Core (Hungary)

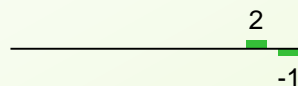


FX-adjusted sold or written-off loan volumes:

5	5	9	3	4	3	4	2	2
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

#### SKB (Slovenia)

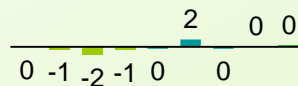


FX-adjusted sold or written-off loan volumes:

0	0	0	0	0	0	0	0	0
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

#### CKB Group (Montenegro)

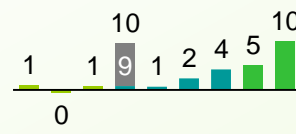


FX-adjusted sold or written-off loan volumes:

1	1	9	0	0	3	7	0	1
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

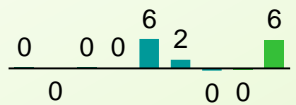
#### DSK Group (Bulgaria)



0	1	6	1	1	1	2	1	0
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

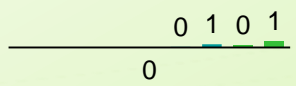
#### OBR (Romania)



9	16	1	1	0	0	1	0	1
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

#### OBA (Albania)

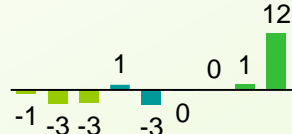


FX-adjusted sold or written-off loan volumes:

3	0	0	0	0	0	0	0	0
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

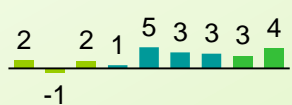
#### OBH (Croatia)



0	3	4	0	7	1	4	0	0
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

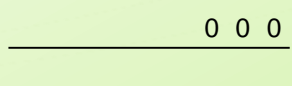
#### OBU (Ukraine)



7	14	16	3	3	8	8	4	3
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

#### Mobias (Moldova)

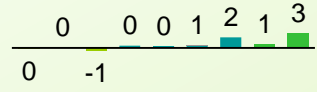


FX-adjusted sold or written-off loan volumes:

0	0	0	0	0	0	0	0	0
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

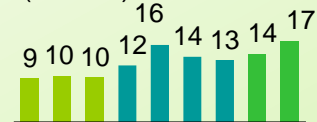
#### OBSrb (Serbia)



7	0	7	0	0	1	3	0	0
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

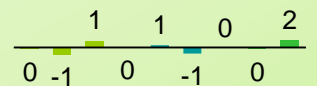
#### OBRu (Russia)



6	4	12	3	15	6	29	0	30
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

#### OBS (Slovakia)
















FX-adjusted sold or written-off loan volumes:

0	4	3	1	1	2	3	0	1
2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q

2018 2019 2020

Based on macro outlook and the potential COVID-19 pandemic impact on specific economic sectors OTP Group re-assessed the corporate<sup>1</sup> exposure classifications. 70% of the portfolio is in sectors with light / no impact expected, slight change q-o-q

Cons.	Core (Hungary)	DSK (Bulgaria)	OBH (Croatia)	OBSrb (Serbia)	SKB (Slovenia)	OBR (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Monten.)	OBA (Albania)	Mobias (Moldova)	OBS (Slovakia)	Merk. (Hungary)
													

**Low / no impact:** Agriculture; Food production; Pharmacy; Healthcare; Water supply; Public admin and defense; Education; etc.

16%	17%	15%	14%	18%	7%	19%	34%	11%	10%	11%	26%	17%	13%
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**Light impact:** Manufact. of petroleum, Chemicals, IT; Metal processing; Electricity supply; Logistics; Financial, insurance activities; etc.

56%	54%	55%	53%	62%	67%	44%	50%	70%	52%	69%	57%	45%	50%
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**Medium impact:** Mining; Metal production; Machinery; Construction; Real Estate Development; Retail trade; Wood processing

23%	25%	23%	22%	18%	23%	33%	16%	19%	20%	10%	15%	34%	35%
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**High impact:** Accommodation; Air transport; Travel agencies; Tour operators; Passenger water transport; Aircraft/ship manufacturing

5%	4%	7%	11%	2%	3%	4%	0%	0%	18%	10%	2%	4%	2%
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<sup>1</sup> Third party exposures towards non-financial legal entities, including MLE, MSE and SL segments. Exposures include on and off balance sheet exposures, EUR 26 billion equivalent in total

**No material change in portfolio behaviour in 2Q 2020; the Stage 2 ratio remained stable q-o-q on consolidated level, while the Stage 3 ratio slightly increased due to consumer unsecured portfolio deterioration in selective countries**

**Development of the Stage 1, Stage 2 and Stage 3 ratios (in % of total gross loans)**















		<b>Cons.</b> 	<b>Core</b> (Hungary) 	<b>DSK</b> (Bulgaria) 	<b>OBH</b> (Croatia) 	<b>OBSrb</b> (Serbia) 	<b>SKB<sup>1</sup></b> (Slovenia) 	<b>OBR</b> (Romania) 	<b>OBU</b> (Ukraine) 	<b>OBRu</b> (Russia) 	<b>CKB</b> (Monten.) 	<b>OBA</b> (Albania) 	<b>Mobias</b> (Moldova) 	<b>OBS</b> (Slovakia) 	<b>Merk.<sup>2</sup></b> (Hungary) 
<b>Stage 1</b>	<b><u>4Q 19</u></b>	<b>88.8%</b>	91.4%	88.6%	83.2%	96.0%	98.9%	83.9%	73.8%	75.0%	88.8%	93.8%	97.8%	85.7%	94.3%
	<b><u>1Q 20</u></b>	<b>85.6%</b>	88.8%	83.5%	80.3%	90.2%	96.2%	82.6%	71.3%	72.7%	85.0%	89.1%	95.6%	84.7%	89.3%
	<b><u>2Q 20</u></b>	<b>85.4%</b>	88.4%	82.6%	81.4%	92.0%	93.1%	82.2%	71.8%	69.9%	86.4%	92.5%	94.1%	84.3%	89.3%
<b>Stage 2</b>	<b><u>4Q 19</u></b>	<b>5.3%</b>	4.2%	4.3%	10.5%	1.8%	0.0%	8.7%	8.9%	12.0%	3.9%	3.1%	0.8%	7.5%	2.0%
	<b><u>1Q 20</u></b>	<b>8.6%</b>	7.0%	9.3%	13.7%	7.4%	2.7%	10.2%	12.0%	13.3%	7.9%	8.5%	3.1%	8.4%	6.7%
	<b><u>2Q 20</u></b>	<b>8.6%</b>	7.6%	9.2%	12.3%	5.7%	5.7%	10.7%	10.7%	14.1%	7.1%	4.9%	4.5%	8.8%	6.4%
<b>Stage 3</b>	<b><u>4Q 19</u></b>	<b>5.9%</b>	4.3%	7.2%	6.3%	2.2%	1.1%	7.5%	17.3%	13.0%	7.3%	3.1%	1.4%	6.8%	3.6%
	<b><u>1Q 20</u></b>	<b>5.7%</b>	4.1%	7.2%	6.0%	2.4%	1.2%	7.2%	16.7%	14.0%	7.0%	2.3%	1.3%	6.9%	4.0%
	<b><u>2Q 20</u></b>	<b>5.9%</b>	4.0%	8.1%	6.3%	2.3%	1.2%	7.0%	17.5%	16.0%	6.5%	2.5%	1.4%	6.9%	4.3%

<sup>1</sup> SKB's stage rates are impacted by the accounting treatment of purchased receivables.

<sup>2</sup> This column includes Merkantil Bank in 4Q 2019, and Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd. in 1Q-2Q 2020.

## The increasing coverage ratios on Stage 2 and Stage 3 exposures were driven by updated macro forecasts, portfolio migration and moratorium participation impact

### Development of the own provision coverage ratios in the three Stage categories














		Cons. 	Core (Hungary) 	DSK (Bulgaria) 	OBH (Croatia) 	OBSrb (Serbia) 	SKB <sup>1</sup> (Slovenia) 	OBR (Romania) 	OBU (Ukraine) 	OBRu (Russia) 	CKB (Monten.) 	OBA (Albania) 	Mobias (Moldova) 	OBS (Slovakia) 	Merk. <sup>2</sup> (Hungary) 
Stage 1 own cov.	<b>4Q 19</b>	1.1%	0.8%	1.1%	0.8%	0.4%	0.4%	1.3%	0.9%	5.3%	1.1%	1.2%	1.0%	0.7%	0.4%
	<b>1Q 20</b>	1.3%	1.1%	0.9%	1.0%	0.6%	0.5%	1.6%	1.0%	7.6%	1.2%	1.6%	1.2%	1.2%	0.5%
	<b>2Q 20</b>	1.2%	1.1%	1.1%	0.8%	0.6%	0.5%	1.2%	1.0%	6.4%	1.1%	1.5%	0.9%	0.9%	0.4%
Stage 2 own cov.	<b>4Q 19</b>	10.7%	12.4%	8.5%	3.5%	5.8%	0.0%	5.7%	8.3%	27.4%	4.8%	10.1%	23.6%	11.7%	4.7%
	<b>1Q 20</b>	10.5%	12.4%	11.1%	3.6%	3.5%	11.4%	7.0%	9.0%	31.7%	8.9%	8.6%	32.5%	13.4%	3.0%
	<b>2Q 20</b>	12.7%	15.2%	9.6%	5.0%	7.1%	7.4%	8.2%	14.0%	39.1%	8.5%	25.9%	34.6%	14.7%	6.0%
Stage 3 own cov.	<b>4Q 19</b>	65.2%	55.4%	62.0%	63.6%	50.0%	8.7%	53.7%	77.9%	93.4%	68.2%	33.1%	39.7%	68.8%	63.4%
	<b>1Q 20</b>	65.3%	54.7%	62.9%	64.4%	51.7%	17.5%	53.7%	78.4%	94.8%	69.1%	43.7%	43.1%	69.1%	61.9%
	<b>2Q 20</b>	65.8%	58.0%	60.5%	65.5%	56.6%	21.6%	55.7%	78.5%	92.9%	69.4%	49.3%	43.0%	69.4%	60.6%

<sup>1</sup> The SKB acquisition was completed in 4Q 2019. The Stage3 receivables were netted off with the already created provisions at the time of the consolidation, which automatically reduced the own coverage of Stage3 loans.

<sup>2</sup> This column includes Merkantil Bank in 4Q 2019, and Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd. in 1Q-2Q 2020.

# The semi-annual total income grew by 3% y-o-y without acquisitions, and remained stable in the second quarter

Effect of acquisitions















TOTAL INCOME without one-off items		1H 2020 (HUF billion)	2Q 2020 (HUF billion)	1H 2020 Y-o-Y (HUF billion, %)		2Q 2020 Q-o-Q (HUF billion, %)	
	<b>OTP Group</b>	<b>568</b>	<b>284</b>	13	56 69 14%/3% <sup>1</sup>	0	0%
	<b>OTP CORE</b> (Hungary)	<b>216</b>	<b>110</b>	11	5%	4	4%
	<b>DSK Group</b> (Bulgaria)	<b>80</b>	<b>40</b>	4	5%	1	2%
	<b>OBH</b> (Croatia)	<b>40</b>	<b>21</b>	-1	-3%	2	9%
	<b>OBSrb</b> (Serbia)	<b>37</b>	<b>18</b>	0	22 138%/-1% <sup>1</sup>	-1	-3%
	<b>SKB Banka</b> (Slovenia)	<b>20</b>	<b>10</b>	20	-	0	-5%
	<b>OBR</b> (Romania)	<b>22</b>	<b>11</b>	4	21%	1	8%
	<b>OBU</b> (Ukraine)	<b>34</b>	<b>16</b>	4	12%/-2% <sup>2</sup>	-3	-15%/-13% <sup>2</sup>
	<b>OBRu</b> (Russia)	<b>67</b>	<b>31</b>	-3	-4%/-7% <sup>2</sup>	-6	-15%/-11% <sup>2</sup>
	<b>CKB Group</b> (Montenegro)	<b>11</b>	<b>5</b>	0	5 83%/6% <sup>1</sup>	0	-1%
	<b>OBA</b> (Albania)	<b>6</b>	<b>3</b>	3	-	0	-3%
	<b>Mobiasbanca</b> (Moldova)	<b>7</b>	<b>3</b>	7	-	0	2%
	<b>OBS</b> (Slovakia)	<b>8</b>	<b>4</b>	0	5%	0	10%
	<b>Others</b>	<b>21</b>	<b>11</b>	-6	-21%	2	19%

<sup>1</sup> Changes without the effect of acquisitions.

<sup>2</sup> Changes in local currency.

The 1H net interest income increased by 6% without acquisitions; on quarterly basis it decreased by 3% mainly due to the weaker Russian and Ukrainian contribution

■ Effect of acquisitions

NET INTEREST INCOME	1H 2020 (HUF billion)	2Q 2020 (HUF billion)	1H 2020 Y-o-Y (HUF billion, %)	2Q 2020 Q-o-Q (HUF billion, %)
 <b>OTP Group</b>	<b>395</b>	<b>194</b>	19 42 61 18%/6% <sup>1</sup>	-6 -3%
 <b>OTP CORE</b> (Hungary)	<b>139</b>	<b>70</b>	9 7%	1 1%
 <b>DSK Group</b> (Bulgaria)	<b>55</b>	<b>27</b>	3 6%	-1 -3%
 <b>OBH</b> (Croatia)	<b>29</b>	<b>14</b>	1 3%	0 -3%
 <b>OBSrb</b> (Serbia)	<b>28</b>	<b>14</b>	0 17 155%/-1% <sup>1</sup>	0 -2%
 <b>SKB Banka</b> (Slovenia)	<b>14</b>	<b>7</b>	14 -	0 1%
 <b>OBR</b> (Romania)	<b>16</b>	<b>8</b>	3 25%	0 0%
 <b>OBU</b> (Ukraine)	<b>25</b>	<b>12</b>	3 15%/0% <sup>2</sup>	-2 -13%/-10% <sup>2</sup>
 <b>OBRu</b> (Russia)	<b>55</b>	<b>26</b>	1 3%/-2% <sup>2</sup>	-4 -12%/-8% <sup>2</sup>
 <b>CKB</b> (Montenegro)	<b>8</b>	<b>4</b>	1 4 108%/13% <sup>1</sup>	0 2%
 <b>OBA</b> (Albania)	<b>5</b>	<b>2</b>	3 -	0 6%
 <b>Mobiasbanca</b> (Moldova)	<b>4</b>	<b>2</b>	4 -	0 -4%
 <b>OBS</b> (Slovakia)	<b>5</b>	<b>3</b>	0 -2%	0 3%
 <b>Merkantil<sup>3</sup></b> (Hungary)	<b>9</b>	<b>4</b>	2 26%	0 6%
<b>Corporate Centre</b>	<b>1</b>	<b>0</b>	-2 -69%	0 29%
<b>Others</b>	<b>0</b>	<b>0</b>	-2 -77%	0 -85%

1 2Q net interest income rose by 1%, partly because of the continued expansion of retail loan volumes. In 2Q the net interest margin was 6 bps lower than in the previous quarter, partly because of declining average interest rates on retail loans as the regulator capped interest rates on newly disbursed, non-mortgage-backed consumer loans effective from 19 March. Furthermore, average funding costs increased.

2 In 2Q a regulatory change reduced the q-o-q dynamics of net interest income by HUF 1 billion: during the state of emergency, between 13 March and 14 May, banks were prohibited from charging penalty interest, and the amount recognized in the 1Q financial statements for the second half of March was reversed in 2Q.

3 In the Ukraine the q-o-q setback was explained by the sharp decline of the margin in the declining rate environment, as well as by the contracting performing loan volumes.

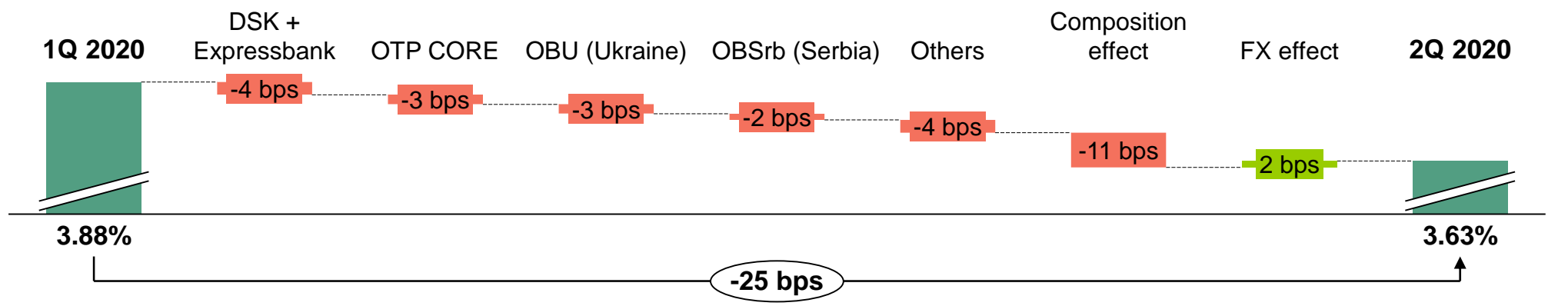
4 The Russian NII drop was due to the declining loan volumes amid falling new loan flows especially in April-May. The NIM remained relatively stable, thanks to declining deposit rates.

<sup>1</sup> Changes without the effect of acquisitions.

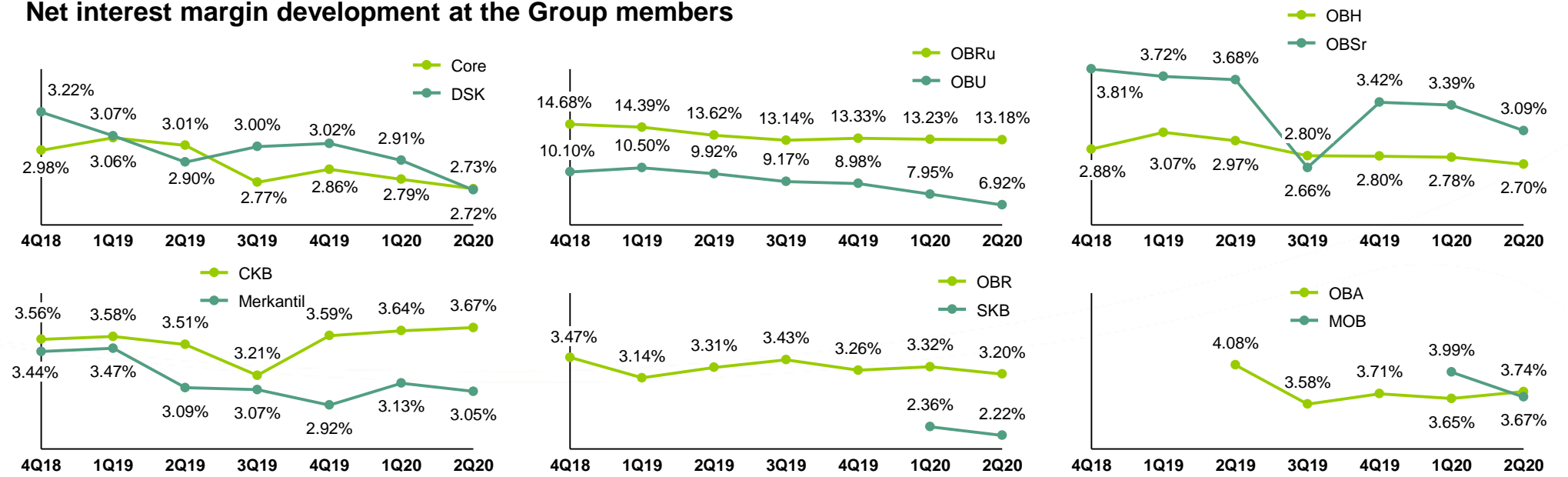
<sup>2</sup> Changes in local currency.

The consolidated 2Q net interest margin eroded by 25 bps q-o-q mainly as a result of lower margins in Bulgaria, Hungary, Ukraine and Serbia, as well as the adverse weight changes within the Group (declining share of high margin businesses)

### Consolidated net interest margin development
















### Net interest margin development at the Group members





**Consolidated performing (Stage 1+2) loans were stable q-o-q. Consumer loans excelled with a remarkable 8% expansion at OTP Core, while housing loans grew at an accelerating rate q-o-q (+4% in 2Q)**

**Q-o-Q performing (Stage 1 + 2) LOAN volume changes in 1Q 2020, adjusted for FX-effect**














	Cons. 	Core (Hungary) 	DSK (Bulgaria) 	OBH (Croatia) 	OBSrb (Serbia) 	SKB (Slovenia) 	OBR (Romania) 	OBu (Ukraine) 	OBRu (Russia) 	CKB (Monten.) 	OBA (Albania) 	Mobias (Moldova) 	OBS (Slovakia) 
<b>Nominal change (HUF billion)</b>	-6	98	-60	22	61	-40	16	-25	-89	2	3	-1	-1
<b>Total</b>	0%	2%	-3%	2%	5%	-4%	2%	-6%	-14%	1%	2%	0%	0%
<b>Consumer</b>	-1%	8% 5% <sup>2</sup>	-2%	-4%	7%	-3%	-1%	-11%	-15%	0%	-1%	0%	-3%
<b>Mortgage</b>	2%	3%	1%	1%	2%	0%	2%			1%	2%	7%	2%
		<b>Housing loan</b>											
		4%											
			<b>Home equity</b>										
			0%										
<b>Corporate<sup>1</sup></b>	-1%	-1%	-5%	5%	5%	-9%	3%	-6%	-12%	1%	3%	-3%	-2%

<sup>1</sup> Loans to MSE and MLE clients and local governments.

<sup>2</sup> Cash loan growth.

In 1H the consolidated performing (Stage 1+2) loans grew by 2%. The Hungarian expansion was significant with 8% growth, driven by consumer loans, especially by 'baby loans'; mortgage and corporate loan growth reached 5%













**YTD performing (Stage 1 + 2) LOAN volume changes in 1H 2020, adjusted for FX-effect**

	Cons. 	Core (Hungary) 	DSK (Bulgaria) 	OBH (Croatia) 	OBSrb (Serbia) 	SKB (Slovenia) 	OBR (Romania) 	OBU (Ukraine) 	OBRu (Russia) 	CKB (Monten.) 	OBA (Albania) 	Mobias (Moldova) 	OBS (Slovakia) 
YTD nominal change (HUF billion)	315	284	-56	94	86	-10	37	-19	-110	7	7	9	-13
Total	2%	8%	-2%	7%	7%	-1%	5%	-5%	-17%	2%	5%	8%	-3%
Consumer	1%	20% 9% <sup>2</sup>	-1%	-3%	11%	-10%	1%	-12%	-16%	-1%	-1%	0%	-4%
Mortgage	4%	5%	3%	4%	4%	0%	5%			4%	3%	18%	1%
		Housing loan	Home equity										
		6%	-4%										
Corporate <sup>1</sup>	3%	5%	-6%	15%	7%	1%	6%	-4%	-25%	3%	6%	8%	-8%

<sup>1</sup> Loans to MSE and MLE clients and local governments.

<sup>2</sup> Cash loan growth.














## Loan repayment moratoria in the countries of OTP Group: the Hungarian participation rate showed a declining trend; the application deadlines were extended in Bulgaria and Romania, whereas in Serbia the second phase started in August

	Participation of clients	Interest charged on unpaid interest	Scope of eligible clients	Term of the moratorium	Participation ratio <sup>1</sup>
 <b>OTP Core</b> (Hungary)	opt-out	no	retail and corporate	19/03/2020 - 31/12/2020	43% (households: 53%, MSE+MLE: 31%)
 <b>DSK Group</b> (Bulgaria)	opt-in	no	retail and corporate	6 months from the implementation date. Application date extended until 30 Sept.	8%
 <b>OBH</b> (Croatia)	opt-in	no	clients classified as 'A' on 31/12/2019	01/04/2020 - 31/03/2021	17%
 <b>OBSrb</b> (Serbia)	opt-out	1 <sup>st</sup> phase: yes; 2 <sup>nd</sup> phase (from August): no	retail and corporate	3 months (90 days) originally - expired; the second moratorium is effective from 1 Aug. to 30 Sept.	60%
 <b>SKB Banka</b> (Slovenia)	opt-in	no	retail and corporate	12 months from the confirmation of the bank	6%
 <b>OBR</b> (Romania)	opt-in	yes, except for housing loans	retail and corporate	Maximum 9 months, until 31/12/2020. Application date extended until 15 June	16%
 <b>OBU</b> (Ukraine)	-	-	-	-	-
 <b>OBRu</b> (Russia)	opt-in	no	retail and SME	6 months	3%
 <b>CKB Group</b> (Montenegro)	opt-in	yes	retail and corporate	90 days	5%
 <b>OBA</b> (Albania)	opt-in	yes	retail and corporate	13/03/2020 - 31/05/2020	42%
 <b>Mobiasbanca</b> (Moldova)	opt-in	no	retail and corporate	19/03/2020 - 30/06/2020	0%
 <b>OBS</b> (Slovakia)	opt-in	yes	retail	6 months	n/a

<sup>1</sup> The participation ratios were calculated from participating volumes at the beginning of July (except for Serbia where the first phase of the moratorium came to an end at the end of June), divided by total gross loan volumes at the end of 2Q. The participation ratios presented in this table do not accurately reflect the actual willingness to participate, since there can be portfolio elements within total loans that are not eligible to participate in the moratorium.

Consolidated deposits increased by 2% q-o-q. The Hungarian retail deposits increased by 6%, partly driven by the debt repayment moratorium. The contraction of the Russian deposit base was in line with the shrinkage of the loan portfolio














### Q-o-Q DEPOSIT volume changes in 2Q 2020, adjusted for FX-effect

	Cons. 	Core (Hungary) 	DSK (Bulgaria) 	OBH (Croatia) 	OBSrb (Serbia) 	SKB (Slovenia) 	OBR (Romania) 	OBU (Ukraine) 	OBRu (Russia) 	CKB (Monten.) 	OBA (Albania) 	Mobias (Moldova) 	OBS (Slovakia) 
Nominal change (HUF billion)	286	165	18	-16	75	42	27	11	-62	-11	0	8	-1
Total	2%	2%	1%	-1%	8%	4%	5%	2%	-14%	-3%	0%	4%	0%
Retail	3%	6%	2%	0%	3%	5%	4%	4%	-5%	-1%	2%	3%	0%
Corporate <sup>1</sup>	0%	-1%	-3%	-4%	13%	3%	5%	1%	-29%	-6%	-6%	7%	-1%

<sup>1</sup> Including MSE, MLE and municipality deposits.















Consolidated deposits increased by 3% compared to end-2019, within that the Hungarian retail deposit base grew by 9%

**YTD DEPOSIT volume changes in 1H 2020, adjusted for FX-effect**

	Cons. 	Core (Hungary) 	DSK (Bulgaria) 	OBH (Croatia) 	OBSrb (Serbia) 	SKB (Slovenia) 	OBR (Romania) 	OBU (Ukraine) 	OBRu (Russia) 	CKB (Monten.) 	OBA (Albania) 	Mobias (Moldova) 	OBS (Slovakia) 
Nominal change (HUF billion)	413	253	75	-21	77	92	12	20	-66	-24	5	9	-23
Total	3%	4%	2%	-1%	8%	10%	2%	5%	-15%	-7%	3%	5%	-6%
Retail	5%	9%	3%	-2%	3%	9%	7%	8%	-6%	-5%	3%	8%	-6%
Corporate <sup>1</sup>	0%	-2%	1%	0%	13%	11%	-2%	2%	-30%	-9%	2%	0%	-6%
Deposit – Net Loan gap (HUF billion)	3,532	3,069	994	78	-292	164	-155	74	-97	-9	39	64	-26

In the first six month net fees grew by 1% y-o-y without acquisitions. The q-o-q decline in the second quarter was mostly related to Russia; the Hungarian q-o-q development was supported by one-off items

Effect of acquisitions

NET FEE INCOME		1H 2020 (HUF billion)	2Q 2020 (HUF billion)	1H 2020 Y-o-Y (HUF billion, %)		2Q 2020 Q-o-Q (HUF billion, %)			
	OTP Group	136	67	1	<div><div></div><div>11</div><div>12</div></div>	9%/1% <sup>1</sup>	-3	<div><div></div><div></div><div></div></div>	-4%
	OTP CORE (Hungary)	60	30		<div><div></div><div>2</div><div></div></div>	3%		<div><div></div><div>0</div><div></div></div>	1%
	DSK Group (Bulgaria)	21	11		<div><div></div><div>1</div><div></div></div>	4%		<div><div></div><div>0</div><div></div></div>	3%
	OBH (Croatia)	7	4	-1	<div><div></div><div></div><div></div></div>	-10%	0	<div><div></div><div></div><div></div></div>	-6%
	OBSrb (Serbia)	7	3	0	<div><div></div><div>3</div><div></div></div>	80%/-4% <sup>1</sup>	-1	<div><div></div><div></div><div></div></div>	-15%
	SKB Banka (Slovenia)	5	3		<div><div></div><div>5</div><div></div></div>	-	0	<div><div></div><div></div><div></div></div>	-4%
	OBR (Romania)	2	1		<div><div></div><div>0</div><div></div></div>	12%	0	<div><div></div><div></div><div></div></div>	9%
	OBU (Ukraine)	7	3		<div><div></div><div>0</div><div></div></div>	3%/-10% <sup>2</sup>	0	<div><div></div><div></div><div></div></div>	-13%/-11% <sup>2</sup>
	OBRu (Russia)	12	5	-3	<div><div></div><div></div><div></div></div>	-18%/-22% <sup>2</sup>	-3	<div><div></div><div></div><div></div></div>	-39%/-36% <sup>2</sup>
	CKB Group (Montenegro)	2	1	0	<div><div></div><div>0</div><div></div></div>	28%/-7% <sup>1</sup>	0	<div><div></div><div></div><div></div></div>	-11%
	OBA (Albania)	1	0		<div><div></div><div>0</div><div></div></div>	-	0	<div><div></div><div></div><div></div></div>	-1%
	Mobiasbanca (Moldova)	1	0		<div><div></div><div>1</div><div></div></div>	-	0	<div><div></div><div></div><div></div></div>	-12%
	OBS (Slovakia)	2	1		<div><div></div><div>0</div><div></div></div>	5%	0	<div><div></div><div></div><div></div></div>	-8%
	Fund mgmt. (Hungary)	4	2		<div><div></div><div>1</div><div></div></div>	34%	0	<div><div></div><div></div><div></div></div>	13%

1 One-off items improved the q-o-q net fee dynamics by HUF 4.1 billion, thus, net fees without one-off items fell by more than 10% q-o-q; within that, commissions from securities showed a sharp drop because the q-o-q decline in the average government bonds position of households in the second quarter had an adverse effect on commission income. Commissions on deposits, transactions, and cards have also dropped q-o-q.

One-off items in 1Q 2020: the financial transaction tax on card transactions had to be paid in a lump-sum in the first quarter for the whole year, based on the annual volume of previous year's transactions (-HUF 1.7 billion). Also, this year payment into the Compensation Fund (-HUF 1.2 billion) was recognized in 1Q.

One-off item in 2Q 2020: HUF 1.2 billion deduction from taxes, owing to the payment into the Compensation Fund.














2 The sharp q-o-q decline in Russia, on top of the generally weak business activity, was caused by the significant q-o-q drop in the volume of newly sold consumer loan volumes.

<sup>1</sup> Changes without the effect of acquisitions.

<sup>2</sup> Changes in local currency.

In 1H the other net non-interest income dropped by 18% without acquisitions, despite the one-off gain on Visa shares booked in 2Q. The other income in 2Q recovered from 1Q lows even without the Visa gain

Effect of acquisitions

OTHER INCOME without one-off items		1H 2020 (HUF billion)	2Q 2020 (HUF billion)	1H 2020 Y-o-Y (HUF billion, %)		2Q 2020 Q-o-Q (HUF billion, %)	
	<b>OTP Group</b>	<b>37</b>	<b>23</b>	-4	-7-3	-10%/-18% <sup>1</sup>	9 61%
	<b>OTP CORE</b> (Hungary)	<b>17</b>	<b>10</b>	0		0%	3 47%
	<b>DSK Group</b> (Bulgaria)	<b>4</b>	<b>3</b>	0		-3%	1 95%
	<b>OBH</b> (Croatia)	<b>4</b>	<b>3</b>	-1		-22%	2 306%
	<b>OBSrb</b> (Serbia)	<b>2</b>	<b>1</b>	0	1	176%/8% <sup>1</sup>	0 44%
	<b>SKB Banka</b> (Slovenia)	<b>0</b>	<b>0</b>	0		-	0
	<b>OBR</b> (Romania)	<b>4</b>	<b>2</b>	0		8%	1 48%
	<b>OBU</b> (Ukraine)	<b>2</b>	<b>1</b>	0		13%/2% <sup>2</sup>	-1 -41%/-39% <sup>2</sup>
	<b>OBRu</b> (Russia)	<b>0</b>	<b>0</b>	-1			1
	<b>CKB Group</b> (Montenegro)	<b>0</b>	<b>0</b>	0	0	23%/-22% <sup>1</sup>	0 -11%
	<b>OBA</b> (Albania)	<b>0</b>	<b>0</b>	0		-	0
	<b>Mobiasbanca</b> (Moldova)	<b>2</b>	<b>1</b>		2	-	0 31%
	<b>OBS</b> (Slovakia)	<b>1</b>	<b>0</b>	0		224%	0 361%
	<b>Others</b>	<b>2</b>	<b>1</b>	-6		-74%	1 80%

<sup>1</sup> In 2Q the other income showed a HUF 9 billion improvement over the last quarter. Out of this growth HUF 5.7 billion was explained by the revision of the accounting classification of Visa Inc.'s class C shares', which resulted in a one-off gain within other income (at the same time, a similar amount with a opposite sign was recognised within the Comprehensive Income Statement).

The geographical breakdown of this altogether HUF 5.7 billion pre-tax gain was as follows (in HUF billion):

OTP Core	2.8
DSK Bulgaria	0.7
OBH Croatia	1.5
OBR Romania	0.4
OBS Slovakia	0.3















<sup>1</sup> Changes without the effect of acquisitions.

<sup>2</sup> Changes in local currency.



## Operating costs grew by 2.6% y-o-y in the first half of the year, adjusted for acquisitions and FX-effect

■ Effect of acquisitions

OPERATING COSTS		1H 2020 (HUF billion)	Y-o-Y (HUF billion, %)		Y-o-Y, FX-adjusted (HUF billion, %)	
	<b>OTP Group</b>	310	17	44	7	35
	<b>OTP CORE</b> (Hungary)	130	7	6%	7	6%
	<b>DSK Group</b> (Bulgaria)	37	2	7%	0	-1%
	<b>OBH</b> (Croatia)	22	1	6%	0	0%
	<b>OBSrb</b> (Serbia)	21	-1	9	-2	8
	<b>SKB Banka</b> (Slovenia)	11		11		11
	<b>OBR</b> (Romania)	15	3	25%	2	18%
	<b>OBU</b> (Ukraine)	13	3	29%	1	13%
	<b>OBRu</b> (Russia)	31	1	4%	0	-1%
	<b>CKB Group</b> (Montenegro)	7	0	3	0	2
	<b>OBA</b> (Albania)	3	1	-	1	-
	<b>Mobiasbanca</b> (Moldova)	3	3	-	3	-
	<b>OBS</b> (Slovakia)	6	0	1%	0	-6%
	<b>Merkantil<sup>2</sup></b> (Hungary)	5	2	60%/-3% <sup>3</sup>	2	60%/-3% <sup>3</sup>

1 At OTP Core the semi-annual operating expenses grew by 6%, as a combined effect of an increase in depreciation and personnel costs, a rise in hardware and office equipment expenses, as well as the HUF 2.15 billion extra cost that emerged in 1H due to pandemic prevention and OTP Bank's donations.

2 In Bulgaria certain cost synergies were extracted already during the integration process, and this continued in 2Q. The number of branches fell by 84 units or 18% y-o-y, of which 57 units were closed in 2Q. Headcount decreased by 515 people (-8%) y-o-y, of which 345 in 2Q. Most of the extra costs of working from home were recognized in 2Q.

3 At the Serbian bank 14% cost saving was achieved, mostly due to the synergies extracted from the first acquisition. The integration of the second acquired bank is still in progress.

4 The Romanian opex growth was mainly due to higher personnel expenses, caused by the general wage inflation, and a 16% increase in the average 1H headcount.

5 The scope of companies presented as Merkantil Group was expended from 2020, causing the jump in costs. The comparable opex change was -3%.

<sup>1</sup> Changes without the effect of acquisitions.

<sup>2</sup> Merkantil Bank until 4Q 2019, Merkantil Group from 1Q 2020.

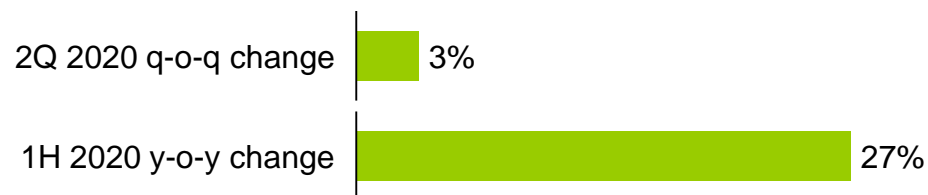
<sup>3</sup> Based on Merkantil Bank standalone figures.



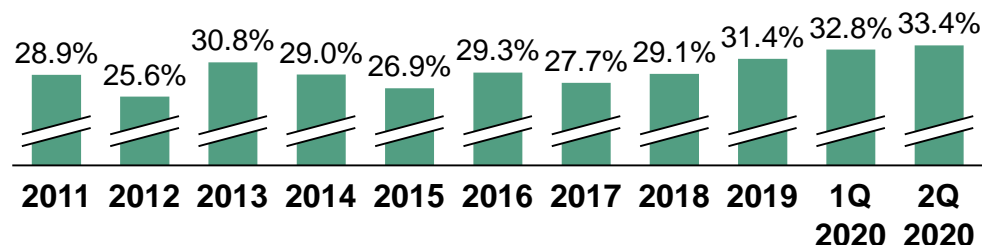
OTP Core

New housing loan flows kept on expanding in the second quarter. OTP continued to enjoy an improving market share in new mortgage loan disbursements, as well as in retail savings

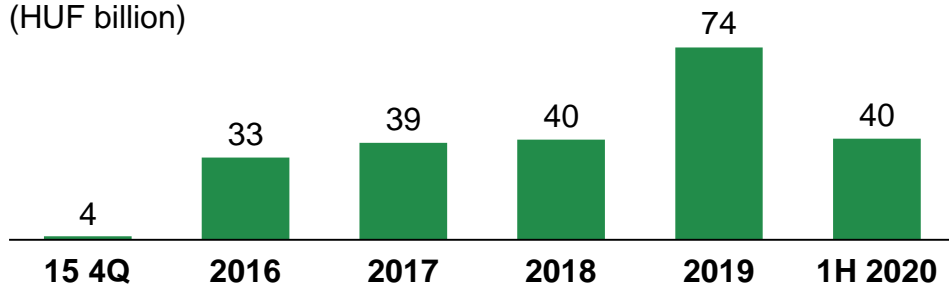
### Change of mortgage loan disbursements of OTP Bank



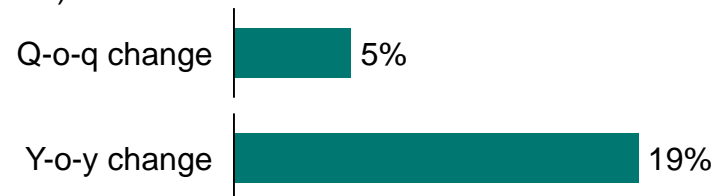
### OTP's market share in mortgage loan contractual amounts



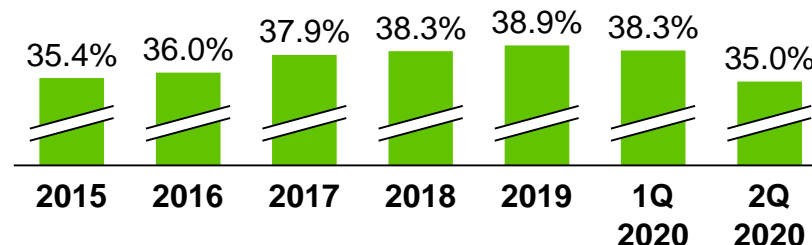
### The amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)



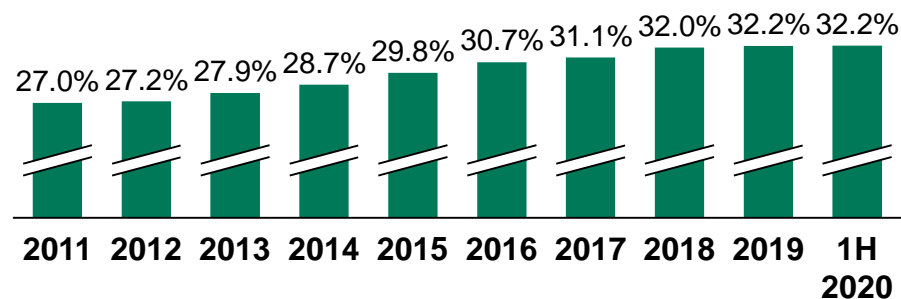
### Performing (DPD0-90) cash loan volume growth (FX-adjusted)



### Market share in newly disbursed cash loans



### OTP Bank's market share in household savings



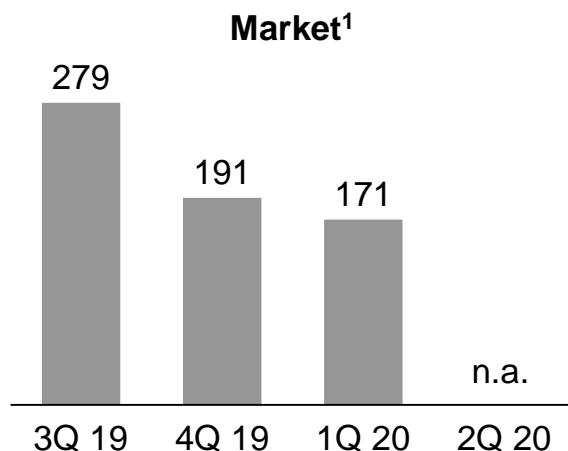


OTP Core

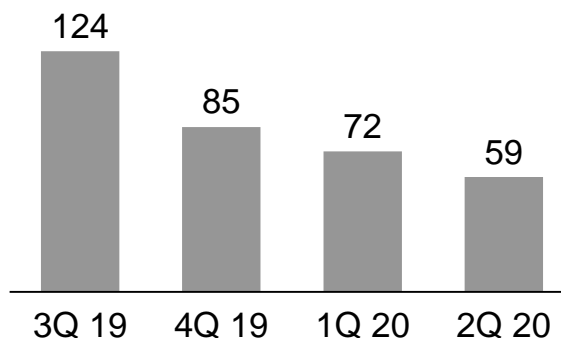
**OTP Bank continued to enjoy outstanding demand for the subsidized baby loans: at OTP Bank the contracted amount reached HUF 341 billion since the start of the program, implying a market share steadily above 40%**

## Baby loans

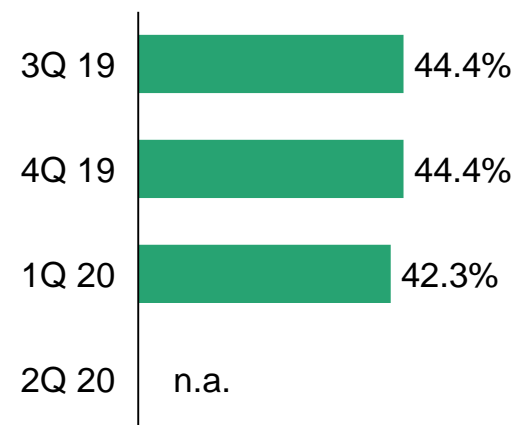
**Contractual amounts**  
(HUF billion)



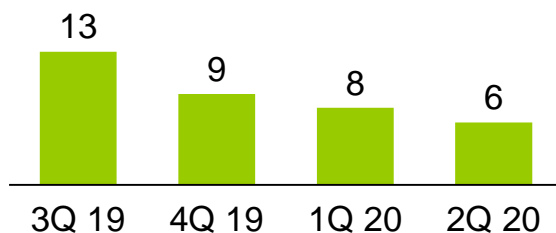
**OTP Bank**



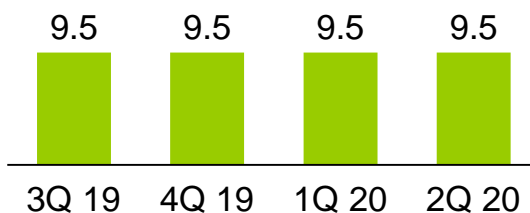
**OTP Bank's market share calculated from the contractual amount**



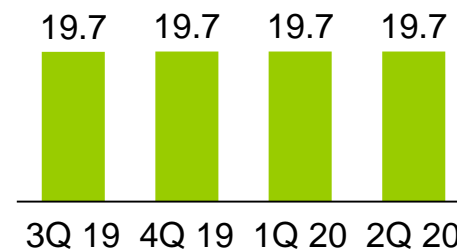
**Number of concluded contracts**  
(in thousands)



**Average loan amount applied for**  
(HUF million)



**Average maturity**  
(years)



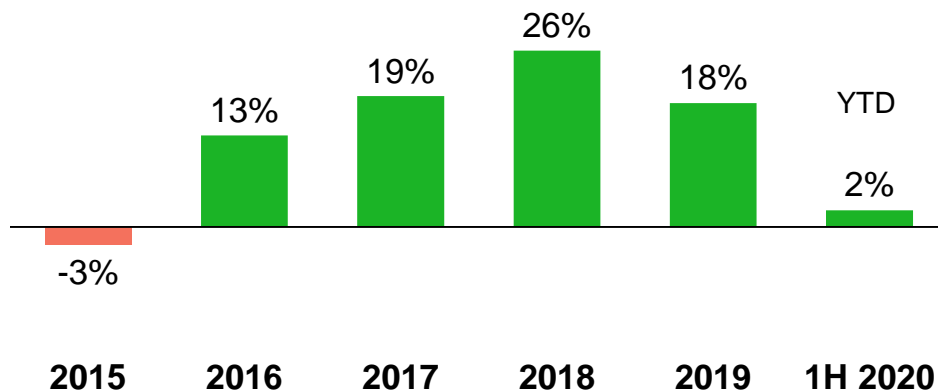
<sup>1</sup> Based on NBH statistics.



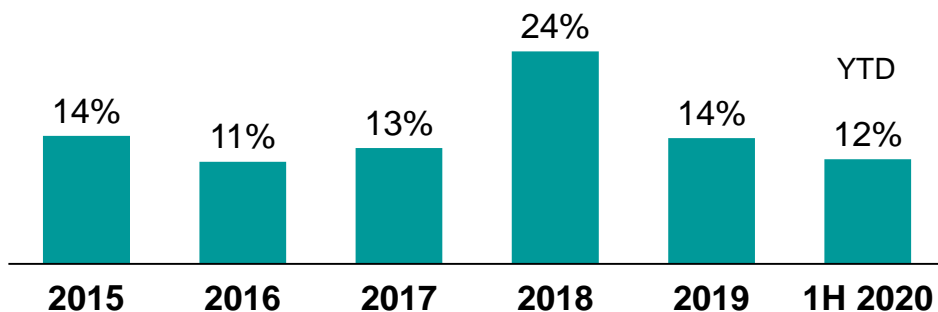
OTP Core

In the micro and small companies segment OTP Core managed to demonstrate 12% ytd volume dynamics, whereas MLE volumes increased by 2% ytd. OTP's market share in corporate loans remained above 15%

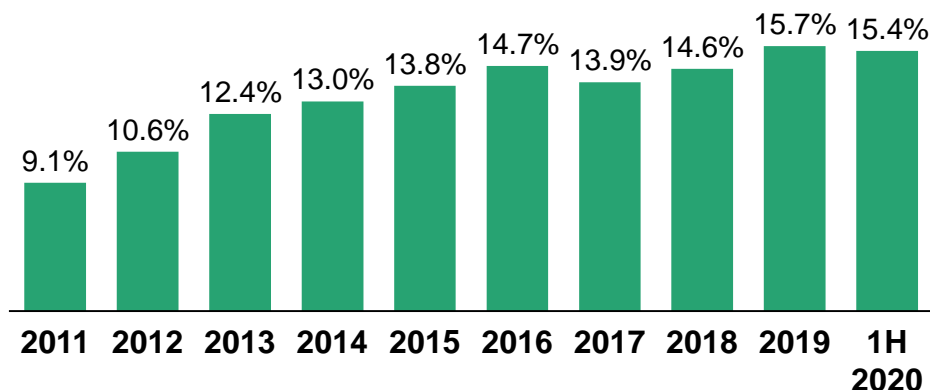
### Performing (DPD0-90) medium and large corporate loan volume change (FX-adjusted)



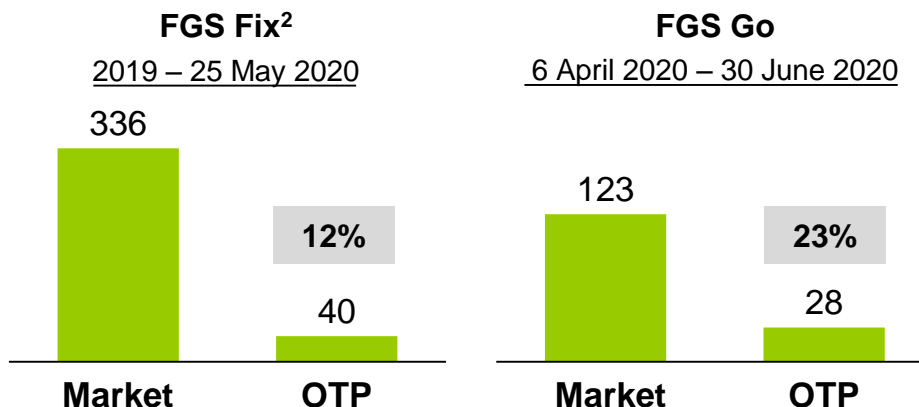
### Performing (DPD0-90) loan volume change in the micro and small companies segment (FX-adjusted)



### OTP Group's market share in loans to Hungarian companies<sup>1</sup>



### Contracted amount and market shares under the Funding for Growth Fix and FGS Go schemes (HUF billion)



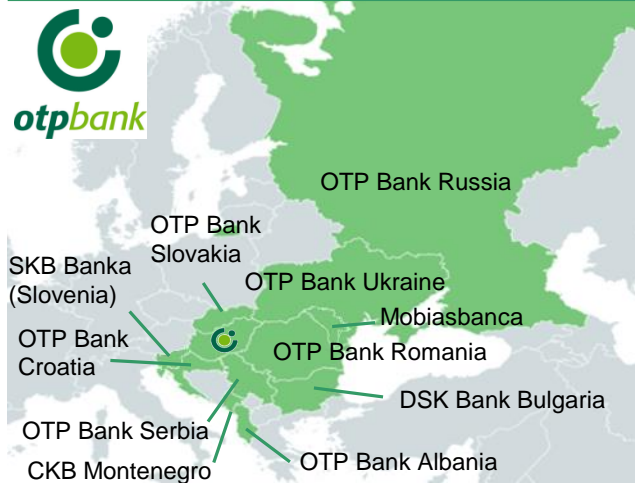
<sup>1</sup> Aggregated market share of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil, based on central bank data (Supervisory Balance Sheet data provision until 2016 and Monetary Statistics from 2017).

<sup>2</sup> On 25 May the FGS Fix programme was merged into the FGS Go scheme by the National Bank of Hungary.

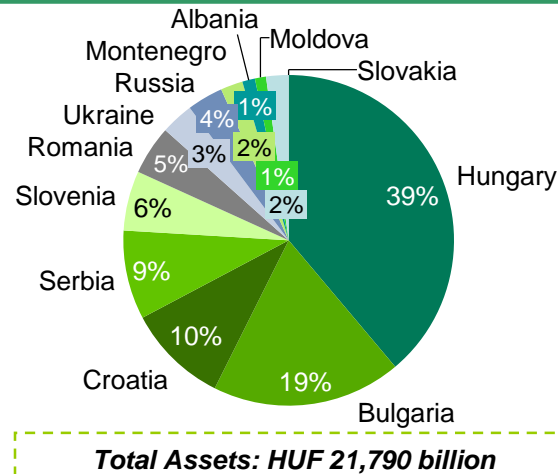
## Further details and financials

# OTP Group offers universal banking services to almost 18.5 million customers in 12 countries across the CEE/CIS Region

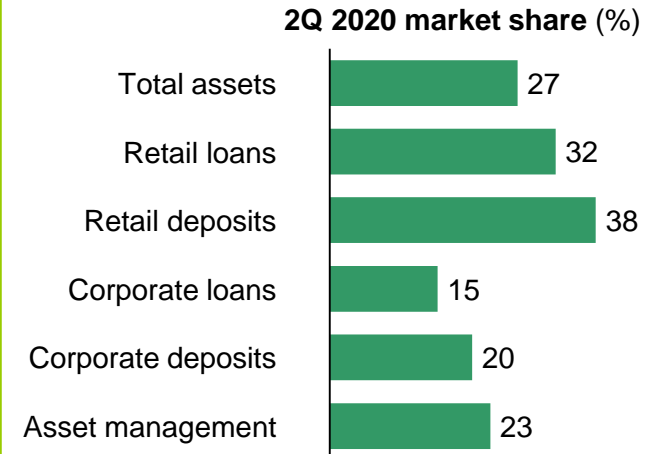
## Major Group Members in Europe



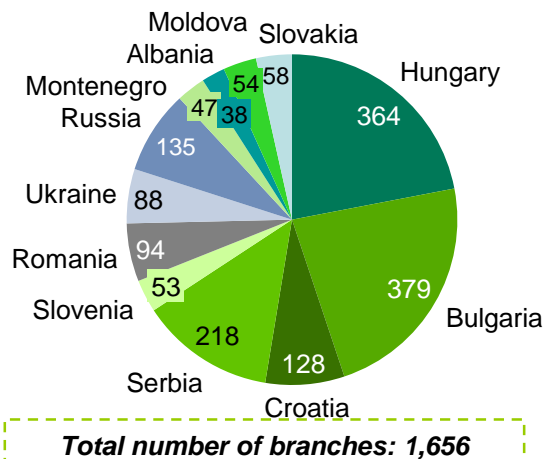
## Total Assets



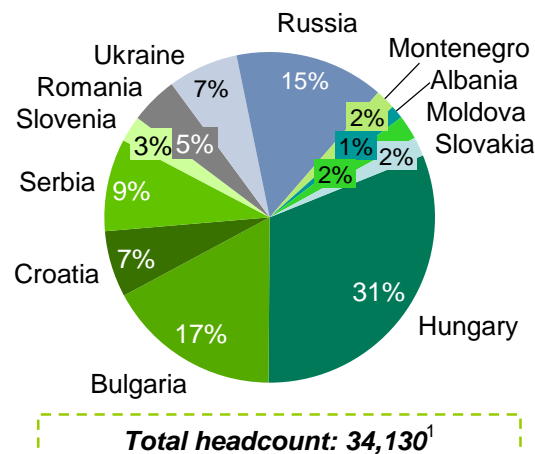
## Systemic position in Hungary...



## Number of Branches



## Headcount



## ... as well as in other CEE countries

- Bulgaria:** No. 1 in Total assets  
No. 1 in Retail deposits  
No. 1 in Retail loans
- Serbia** No. 2 in Total assets
- Croatia** No. 4 in Total assets
- Russia<sup>2</sup>** No. 1 in POS lending  
No. 7 in Credit card business  
No. 23 in Cash loan business
- Montenegro** No. 1 in Total assets

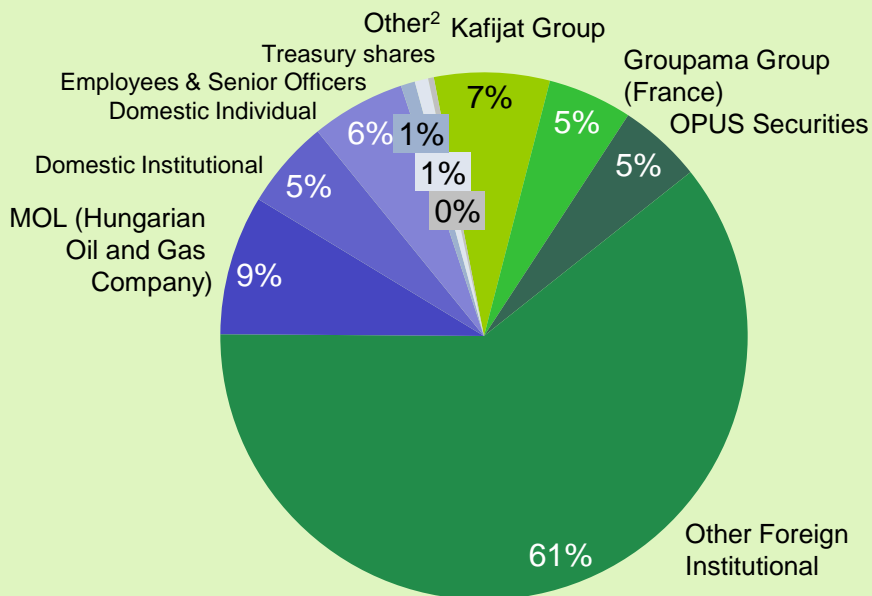
<sup>1</sup> Excluding selling agents employed at OTP Bank Russia and at OTP Bank Ukraine

<sup>2</sup> Estimated market shares, including OTP MFO

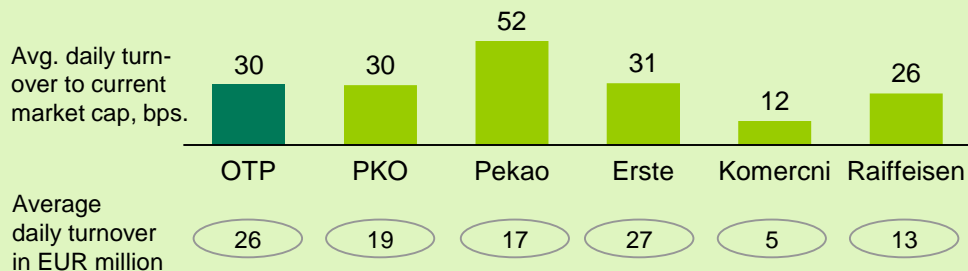
**OTP offers a unique investment opportunity to access the CEE banking sector. The Bank is a well diversified and transparent player without strategic investors**

**Market capitalization: EUR 8.6 billion<sup>1</sup>**

**Ownership structure of OTP Bank on 30 June 2020**



**OTP is one of the most liquid stocks in a peer group comparison in terms of average daily turnover<sup>3</sup>**



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

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

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

### OTP Group's Capabilities



'Best Private Bank in Hungary'



DSK Bank - 'Best Bank in Bulgaria 2015'



'Best Bank in CEE 2018'  
Best Bank in Hungary 2017, 2018 and 2019'  
'Best Bank in Bulgaria 2014 and 2017'  
'Best Bank in Montenegro and in Albania 2020'



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



'Best Bank in Hungary' since 2012 in all consecutive years  
'Best Bank in Montenegro in 2020'  
'Best Bank in Slovenia in 2020'



'Best Consumer Digital Bank Hungary in 2019 and 2020'



Index Member of CEERIUS



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



'Best Private Bank in Hungary in 2019'



'Bank of the Year in 2019'

'Retail Online and Mobile Banking Application in 2019'

'The Most Innovative Bank of the Year' – 2<sup>nd</sup> place in 2019

'Socially Responsible Bank of the Year' – 2<sup>nd</sup> place in 2019

'Private Bank of the Year' – 2<sup>nd</sup> place in 2019

<sup>1</sup> On 24 August 2020.

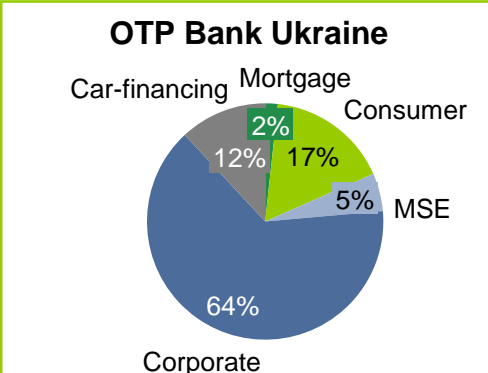
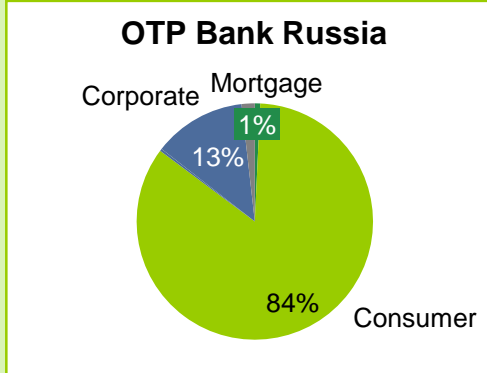
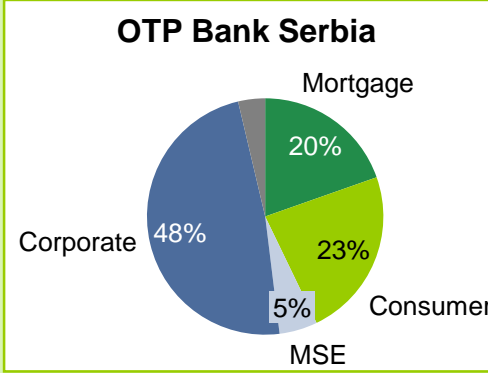
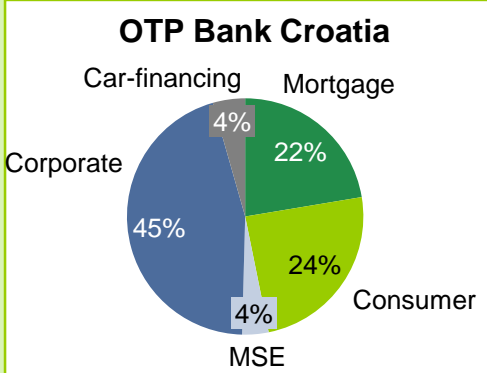
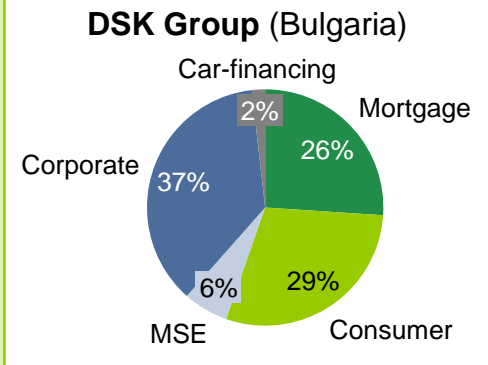
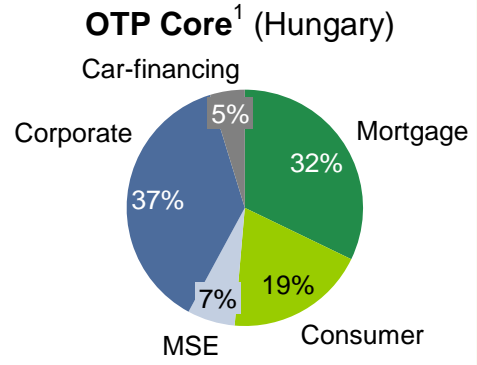
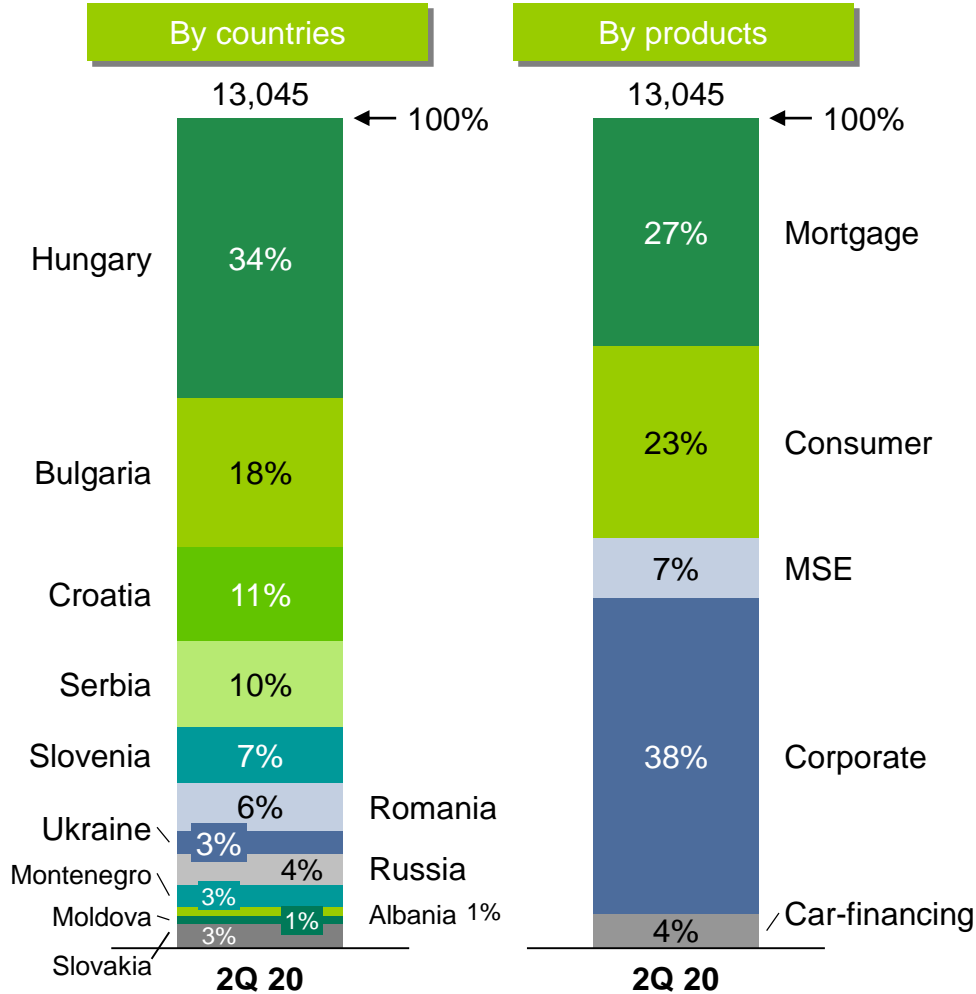
<sup>2</sup> Foreign individuals, International Development Institutions, government held owner and non-identified shareholders.

<sup>3</sup> Based on the last 6M data (end date: 24 August 2020) on the primary stock exchange.



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

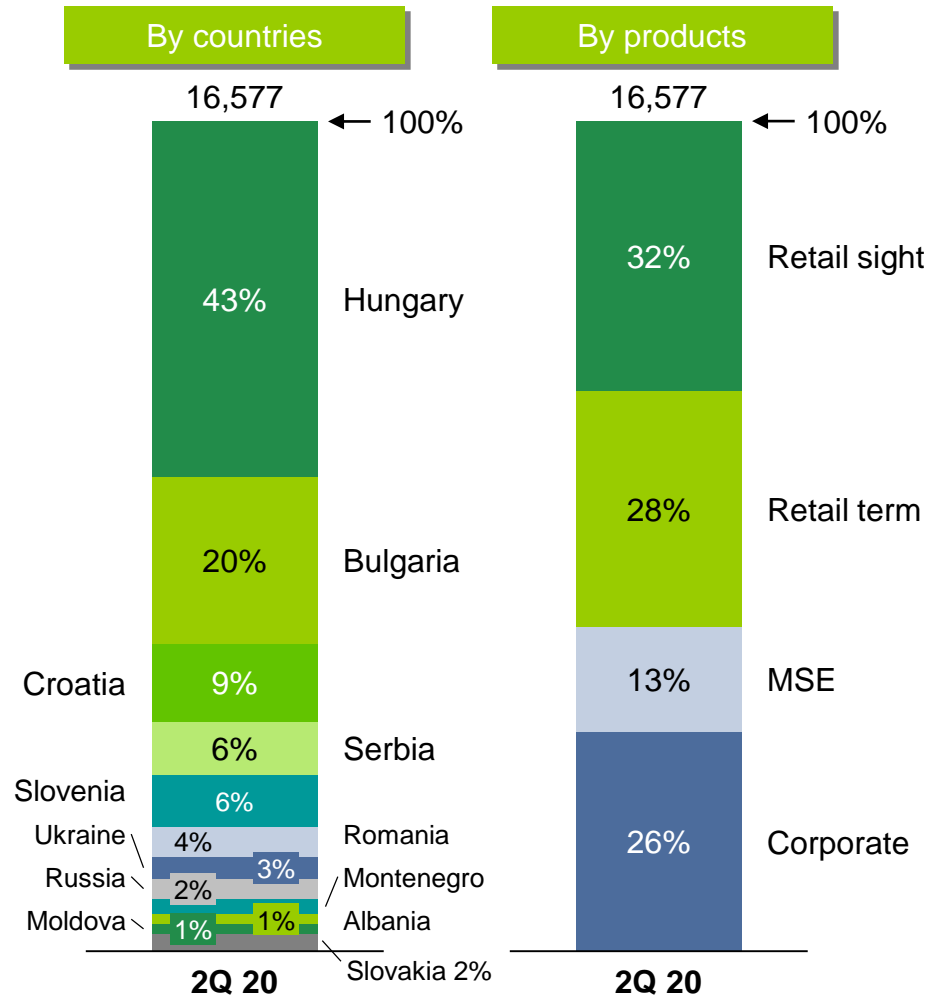
Breakdown of the consolidated net loan book  
(in HUF billion)



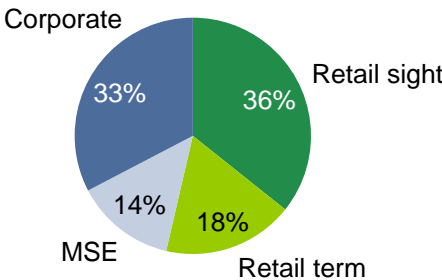
<sup>1</sup> Including Merkantil Group (Hungarian leasing).

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

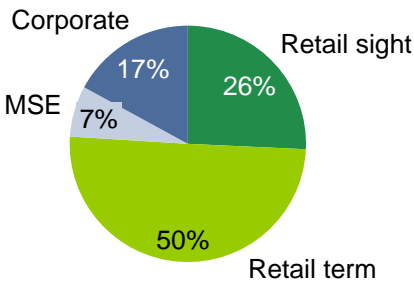
Breakdown of the consolidated deposit base  
(in HUF billion)



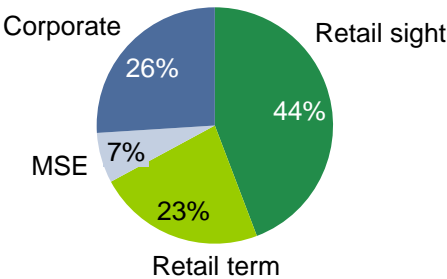
OTP Core<sup>1</sup> (Hungary)



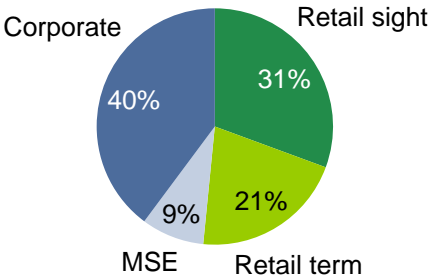
DSK Group (Bulgaria)



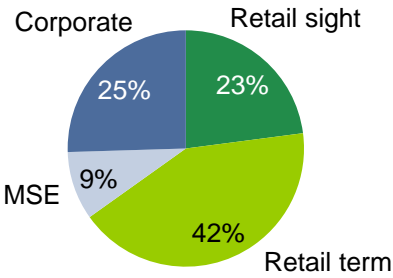
OTP Bank Croatia



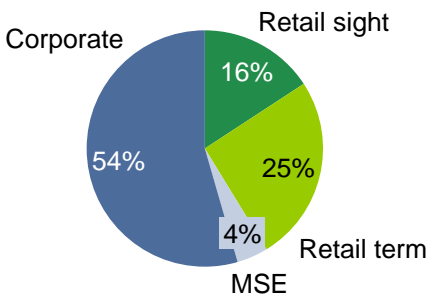
OTP Bank Serbia



OTP Bank Russia



OTP Bank Ukraine



<sup>1</sup> Including Merkantil Group (Hungarian leasing).

## The 1H accounting ROE was hit mainly by the temporary surge in risk costs

	2003-2008 average	2009-2013 average	2014	2015	2016	2017	2018	2019	1H 2020
Accounting ROE	29.4%	8.3%	-7.4%	5.1%	15.4%	18.5%	18.7%	20.3%	6.4%
Adjusted ROE <sup>1</sup>	29.0%	11.6%	8.5%	9.6%	15.4%	18.7%	19.1%	20.6%	9.8%
Total Revenue Margin <sup>2</sup>	8.60%	8.17%	7.74%	7.03%	6.79%	6.71%	6.33%	6.28%	5.39%
Net Interest Margin <sup>2</sup>	6.02%	6.28%	5.96%	5.12%	4.82%	4.56%	4.30%	4.12%	3.75%
Net Fee & Comm. Margin	1.50%	1.47%	1.59%	1.55%	1.62%	1.75%	1.58%	1.65%	1.29%
Other income Margin <sup>2</sup>	1.08%	0.41%	0.19%	0.31%	0.35%	0.41%	0.44%	0.52%	0.36%
Operating Costs / Average Assets	4.47%	3.80%	3.85%	3.66%	3.70%	3.68%	3.57%	3.31%	2.94%
Cost / Income (without one-offs)	51.9%	46.5%	49.8%	52.0%	54.4%	54.9%	56.3%	52.7%	54.5%
Credit Risk Cost Rate <sup>3</sup>	0.90%	3.37%	3.68%	3.18%	1.14%	0.43%	0.23%	0.28%	1.73%
Leverage (average equity / avg. assets)	10.2%	13.5%	13.0%	11.7%	12.9%	12.7%	12.2%	11.9%	11.0%

<sup>1</sup> Calculated from the Group's adjusted after tax result.

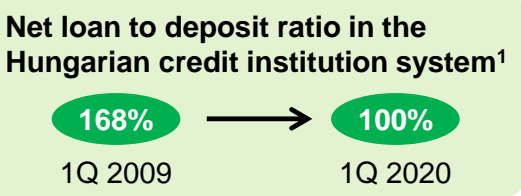
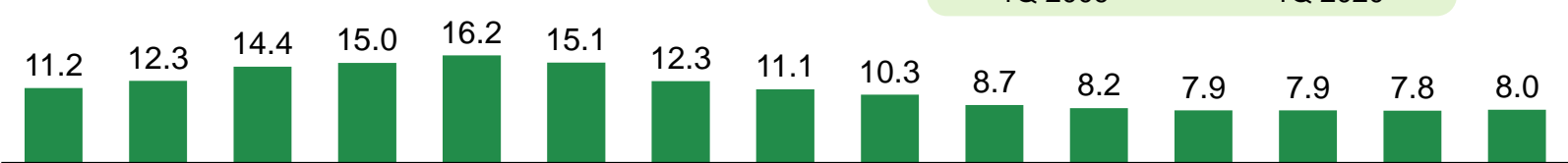
<sup>2</sup> Excluding one-off revenue items.

<sup>3</sup> Provision for impairment on loan and placement losses-to-average gross loans ratio.

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

Market penetration levels in Hungary in ...

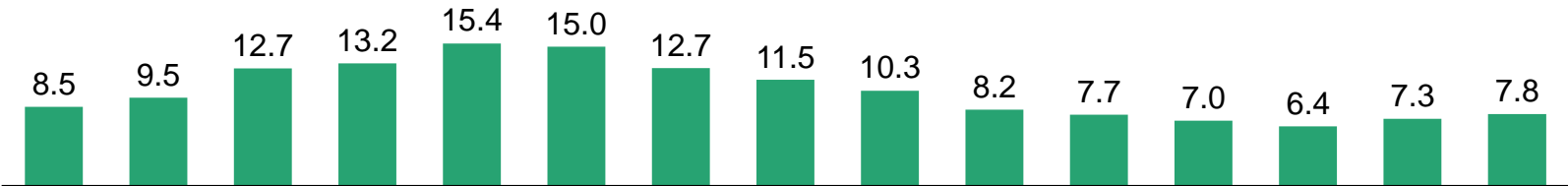
housing loans (in % of GDP)



2Q 2020 data for other CEE/CIS countries

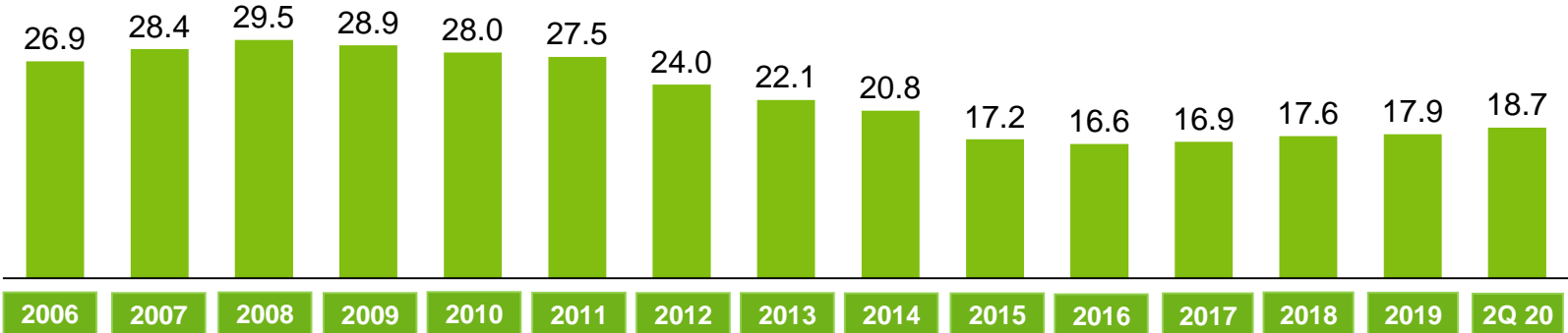
- 33.8 Slovakia
- 23.1 Czech Republic
- 19.7 Poland
- 15.1 Croatia
- 9.5 Bulgaria
- 7.8 Romania
- 0.8 Ukraine

consumer loans (incl. home equities) (in % of GDP)



- 19.0 Croatia
- 14.1 Poland
- 11.4 Bulgaria
- 10.1 Russia
- 8.9 Slovakia
- 7.8 Czech Republic
- 5.9 Romania
- 4.4 Ukraine

corporate loans (in % of GDP)



- 29.8 Bulgaria
- 24.4 Serbia
- 22.6 Croatia
- 20.8 Slovakia
- 19.8 Czech Republic
- 18.3 Ukraine
- 15.4 Poland
- 11.2 Romania

<sup>1</sup> Latest available data. According to the supervisory balance sheet data provision.

**Macroeconomic environment: our expected baseline trajectory shifted downwards, now we expect a recession of 2-8% with an average of 5.8% for 2020, which could be followed by a 4-6% growth in 2021, with an average of 5%**

## Macroeconomic highlights

**All countries where OTP operates face recession in 2020. High-frequency indicators suggest that the economic activity was reached bottom already in 2Q: a not complete recovery has started from May, so the q-o-q growth could be significant in 3Q,** however due to COVID-hit industries still suffering, as well as the second wave of the pandemic, in 3Q the recovery slowed down. While we expect sizeable GDP growth for every country in 2021, the 2019 year-end GDP level in many geographies will be reached only in 2022.

In 2Q the annual GDP change in OTP Universe was worse than we expected – around -12% on average instead of -9%, with a negative surprise in Hungary, Croatia, Montenegro, Moldova and Albania, while performance was better than expected in Russia and Slovenia. Countries hit more seriously by the pandemic or more exposed to car manufacturing and tourism suffered more than others.

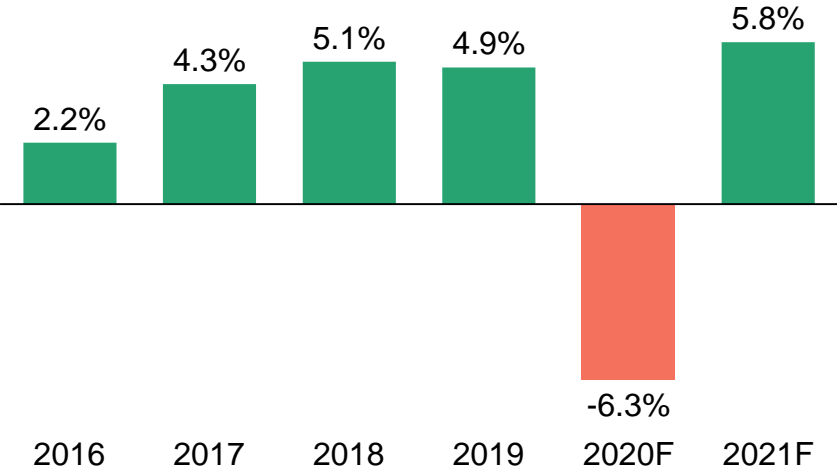
After revising our forecast **now we expect a recession of 2-12% in 2020 (down from 1-6%) in OTP Universe, with an average drop of -6 (down from -4.2%).** Risks are tilted modestly to the downside due to the second wave of the pandemic, which may result in new lockdown measures in some countries. **For 2021 we forecast GDP growth of 4-6%, with an average of 5%,** we see risks on the upside as from 2021, EU member countries could benefit not only from the new EU budget, but also from the Recovery and Resilience Facility. The major downward risk is the vaccine, which we assume to be available next summer.

**The probability of worst-case scenarios has sharply decreased.** The recession in most of the countries (y-o-y GDP growth) in 2Q was smaller than the assumptions of our worst-case scenario, or in the worst performers of the EU (15-20% fall in 2Q). However, there is no evidence of capital flight, therefore governments could run higher deficits, central banks could cut rates, and use unconventional measures to soften recession and support the recovery. The new EU budget and the Recovery and Resilience Facility also mitigates risks.

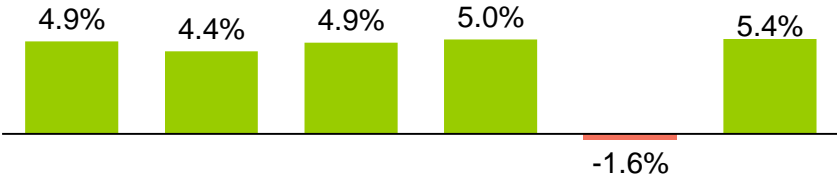
**The COVID crisis reached many employees** in the region, in the form of shorter working hours, salary cuts, and job losses. However, the rise in unemployment has been modest so far, and looking ahead, the very loose global and local economic policy conditions and the recovery under way could mitigate the sharp increases we saw in previous crises.

In Hungary we expect above 6% recession this year, with modest rise in unemployment and moderating real wage growth

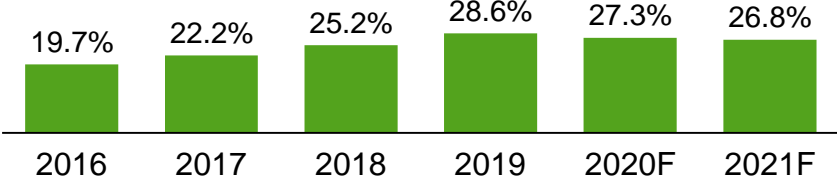
GDP growth (y-o-y %)



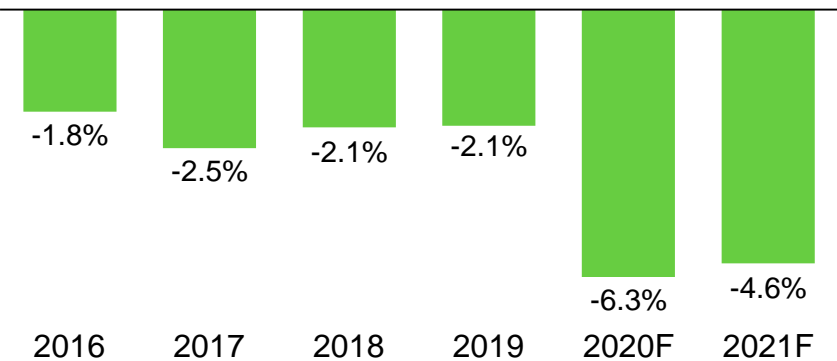
Household consumption (y-o-y %)



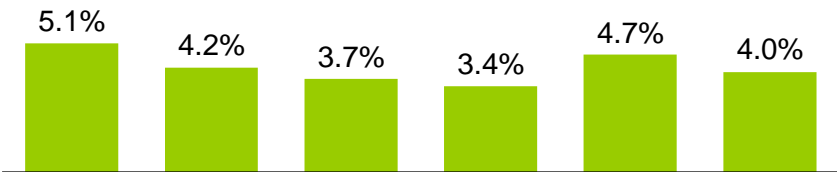
Investment (% of GDP)



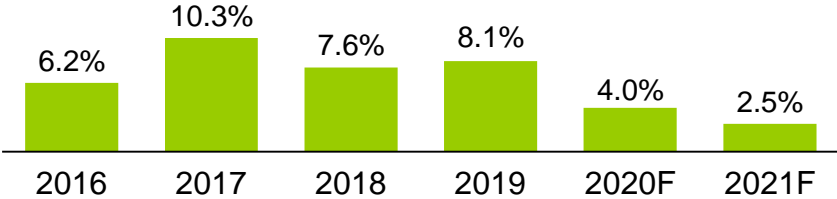
Budget deficit (% of GDP)



Unemployment rate (%)









Real wage growth (y-o-y %)



We expect a sizable GDP growth in 2021 in the CEE countries

## Main macroeconomic indicators in the CEE region's countries

		Hungary				Bulgaria				Croatia				Serbia		
	2019A	2020F	2021F	2019A	2020F	2021F	2019A	2020F	2021F	2019A	2020F	2021F	2019A	2020F	2021F	
GDP growth (y-o-y %)	4.9	-6.3	5.8	3.2	-4.7	4.3	2.9	-8.4	5.4	4.2	-1.9	5.3	4.2	-1.9	5.3	
Unemployment (%)	3.4	4.7	4.0	4.2	6.0	5.3	6.8	9.0	8.5	10.4	12	9.7	10.4	12	9.7	
Fiscal balance (% of GDP)	-2.0	-6.3	-4.6	2.1	-4.4	-1.2	0.4	-9.0	-6.0	0.2	-8.0	-2.5	0.2	-8.0	-2.5	
CPI (AVG, %)	3.4	3.4	3.1	3.1	1.2	1.5	0.8	0.2	1.2	1.9	1.6	1.8	1.9	1.6	1.8	
3M Interbank rate (%)	0.2	0.6	0.6	0.0	0.0	0.0	3.0	3.0	3.0	2.25	1.0	1.0	2.25	1.0	1.0	

		Russia				Ukraine				Romania				Slovenia		
	2019A	2020F	2021F	2019A	2020F	2021F	2019A	2020F	2021F	2019A	2020F	2021F	2019A	2020F	2021F	
GDP growth (y-o-y %)	1.3	-3.3	3.6	3.2	-5.7	4.7	4.1	-4.4	4.6	2.4	-7.1	5.9				
Unemployment (%)	4.6	6.0	5.0	8.7	9.9	9.2	3.9	5.8	6.0	4.4	4.6	4.5				
Fiscal balance (% of GDP)	1.8	-5.6	-4.3	-2.2	-7.5	-6.0	-4.3	-9.5	-6.5	0.6	-8.0	-3.6				
CPI (AVG, %)	4.5	3.3	4.0	7.9	2.5	6.4	3.8	2.9	3.0	1.7	0.0	1.3				
3M Interbank rate (%)	6.3	3.8	3.8	13.5	6.0	7.0	2.5	1.3	1.3	-0.5	-0.5	-0.5				



### Country highlights

#### Hungary



- Employment has been on the rise since June. Unemployment rate in July was 1.1%-points higher than in the same period of last year.
- The number of real estate transactions in July reached its previous year's level and the new housing loan contractual values also did.
- GDP in 2Q declined by 13.6% y-o-y which was significantly higher than the analyst consensus, mainly due to the unexpected fall in public sector GDP. In July industrial production and construction output declined by 8.1% and 21% y-o-y, respectively, while retail trade (except automotive fuel) grew by 2% y-o-y. Domestic tourist nights declined by 18%, foreigner's by 75%.
- Number of daily new infections grew to ten-fold compared to the first wave' peak.

#### Bulgaria



- The recession in 2Q was less severe than in several regional peers, as the GDP shrank by 10.1% q-o-q (-8.7% y-o-y).
- High frequency indicators show that the recovery have begun, and in July construction output was only by 3.8% below its volume during the same month of the previous year, while industrial production was down 6% y-o-y, respectively.
- Tourism collapsed as a result of COVID, but a gradual improvement finally started in August with overnight stays at around 40% of last year's numbers. Retail trade on the other hand have not yet improved significantly (-17.7% y-o-y in July).
- Unemployment rate showed a relatively modest increase from 4.6% to 5.9% in 2Q.

#### Croatia



- 2Q GDP came out well below our expectation (-15.1% as opposed to our estimate of between -8% and -11%).
- Quick improvement in tourist nights especially for 3Q, beating the government's initial expectations: up to August around 50% of last year's figure was achieved, as opposed to 30% expected by the government.
- Industrial output declined by 1.6%, retail by 6.7%, but construction increased by 4.6% in July (all y-o-y).
- Despite a significant pick-up in tourism, the country has so far managed to keep the second wave under control.

#### Serbia



- GDP fell by 6.4% y-o-y in 2Q, after an upwardly revised growth of 5.1% y-o-y in 1Q. The GDP declined by 9.2% q-o-q (SA) in 2Q after the 0.5% decline in 1Q.
- On the expenditure side, the GDP contraction came on the back of household consumption and gross fixed capital formation. Gross value added fell by 6.3% y-o-y in 2Q. The sharpest contraction was registered in wholesale and retail trade.
- Economic recovery began in May; additional monetary and fiscal stimulus, as well as the better agricultural outlook are the upside risks suggesting that the economic slowdown this year could be softer than market consensus (-2.8% y-o-y).

### Country highlights

#### Russia



- After a relatively benign 2Q GDP (-8% y-o-y, above our expectations), the recovery seems to have halted in 3Q (July GDP -4.6%, August -4.3%) based on monthly GDP data. The phasing out of OPEC+ deal will support growth.
- Continuous decline in daily infections since mid-May to August, but a second wave has started since then, however the increase so far remained moderate.
- Large fiscal buffers to provide stimulus, rate cuts from the central bank.

#### Ukraine



- 2Q GDP fell by 11.4% y-o-y (-9.4% q-o-q), below our expectation.
- The Finance Ministry presented its budget proposal for 2021. According to the plan, GDP growth could be 4.6% in 2021 (almost the same as our forecast), inflation could be 7.3% (significantly above market consensus), while fiscal deficit could be 5.5%, lower than the expected 7% for this year. Additionally, the budget plan proposes an overall 38% minimum wage increase for next year. Therefore rate hike is a must in 2021, but the hryvnia could be under pressure in the near term.
- The earliest time for the next IMF tranche could be early 2021, but probably later due to the changes in the NBU management, attacks on corporate governance reforms and anticorruption bodies.

#### Romania



- 2Q growth turned out at -10.5% y-o-y, in line with our expectation. Public investments remained in plus.
- 3Q recovery is relatively swift due to double digit construction growth and strong retail sales data: July was 4.8% higher than a year earlier.
- The second wave started earlier than in the region, already in mid-July and does not seem to weaken.

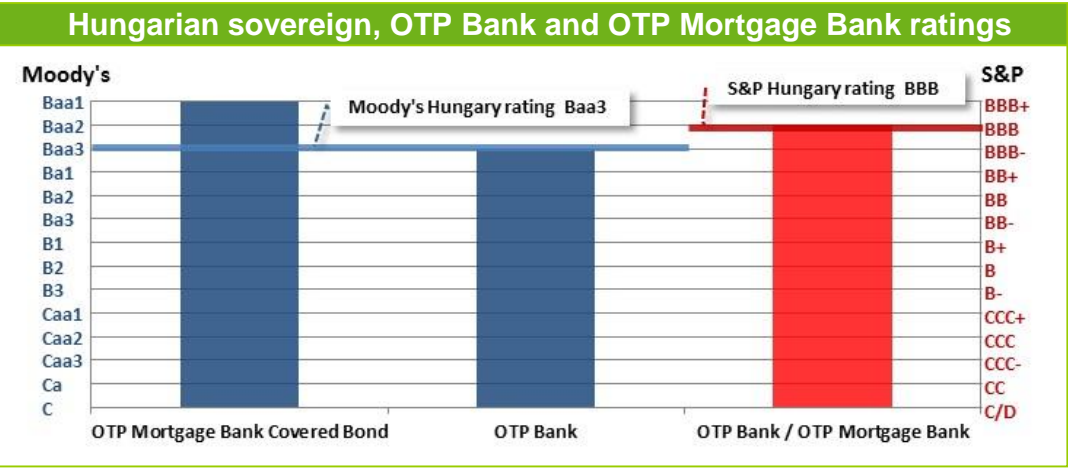
#### Slovenia



- GDP declined by 13% in 2Q y-o-y.
- Unemployment rate declined to its previous year's level in July. The number of employed people was 1.3% lower than last year. The number of job vacancies almost reached its previous year's figure in August
- After June the y-o-y change of retail trade (except automotive fuel) remained in positive territory (+3.4% y-o-y).
- Number of daily new infections is twice as high as the peak in the first wave. Number of daily deaths is still muted.

(rating outlook) {  
+ positive  
- negative  
0 stable

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



- RATING HISTORY**
- OTP Bank Slovakia, DSK Bank Bulgaria, OTP Bank Ukraine and OTP Bank Russia cancelled cooperation with Moody's in 2011, 2013, 2015 and 2016, respectively.
  - Currently OTP Bank, OTP Mortgage Bank and OTP Bank Russia have solicited ratings from either Moody's, S&P Global, Fitch.
- OTP GROUP RELATED RATING ACTIONS**
- S&P upgraded **OTP Bank's** long and short-term issuer credit ratings to BBB/A-2 from BBB-/A-3, with stable outlook. Furthermore the rating agency upgraded long and short-term issuer credit ratings of **OTP Mortgage Bank** to BBB/A-2 from BBB-/A-3, with stable outlook. (27 January 2020)
  - Moody's changed **OTP Mortgage Bank's** backed issuer rating outlook to negative from stable (3 April 2020)
  - Fitch has changed the outlook on **OTP Bank Russia's** and **Expressbank's** Long-Term Issuer Default Ratings to negative from stable (24 April 2020)
  - Fitch Ratings has affirmed Expressbank's ratings and simultaneously withdrawn them (7 May 2020)

- RECENT SOVEREIGN RATING DEVELOPMENTS**
- Moody's has changed the outlook on **Romania** to negative from stable. (24 April 2020)
  - Fitch has changed the outlook on **Bulgaria** to stable from positive. (24 April 2020)
  - S&P has changed the outlook on **Hungary** to stable from positive. (28 April 2020)
  - S&P has changed the outlook on **Serbia** to stable from positive. (1 May 2020)
  - S&P has changed the outlook on **Montenegro** to negative from stable. (1 May 2020)
  - Fitch downgraded **Slovakia's** ratings to A from A+, with stable outlook. (08 May 2020)
  - S&P has changed the outlook on **Bulgaria** to stable from positive. (29 May 2020)
  - Moody's upgraded's **Ukraine's** ratings to B3 from Caa1, with stable outlook. (12 June 2020)
  - S&P has changed the outlook on **Slovakia** to negative from stable. (24 July 2020)

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

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

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