OTP Group
3Q 2023 results

Conference call – 10 November 2023

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OTP Group - Highlights

Dominant position in CEE countries:

No. 1 in 5 countries based on net loans; 3.5-fold loan growth & 11 acquisitions in 7 years. >40% of net loans in Eurozone + ERM 2, ~80% within the EU

Strong profitability:

33% ROE, 30% adjusted ROE (without one-offs) in January-September 2023

Strong liquidity position:

74% net LTD, wholesale debt to asset ratio at 7%, LCR ratio exceeding 220%

Strong capital position:

4th best result on the recent EBA stress test, CET1 ratio at 16.4%

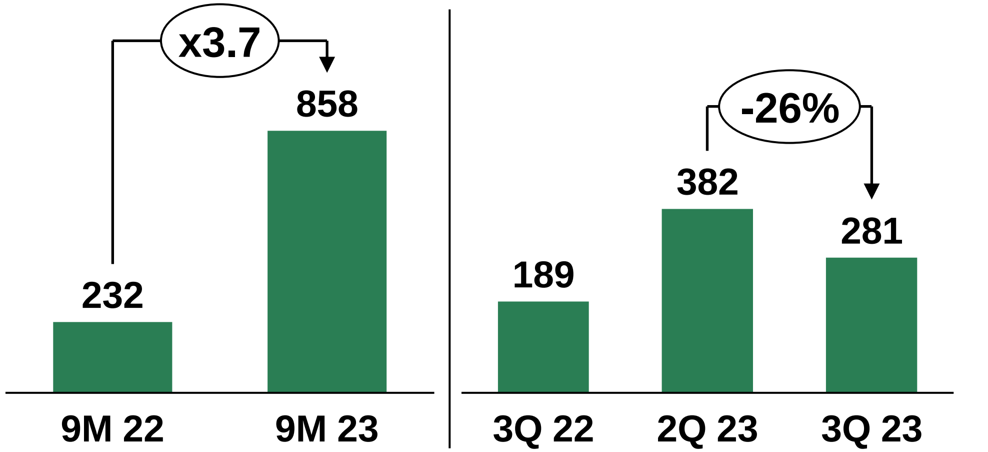
Strong portfolio quality:

Close to zero credit risk cost rate in January-September 2023, Stage 3 ratio at 4.3%, own provision coverage of Stage 1 + 2 loans at 2.0%

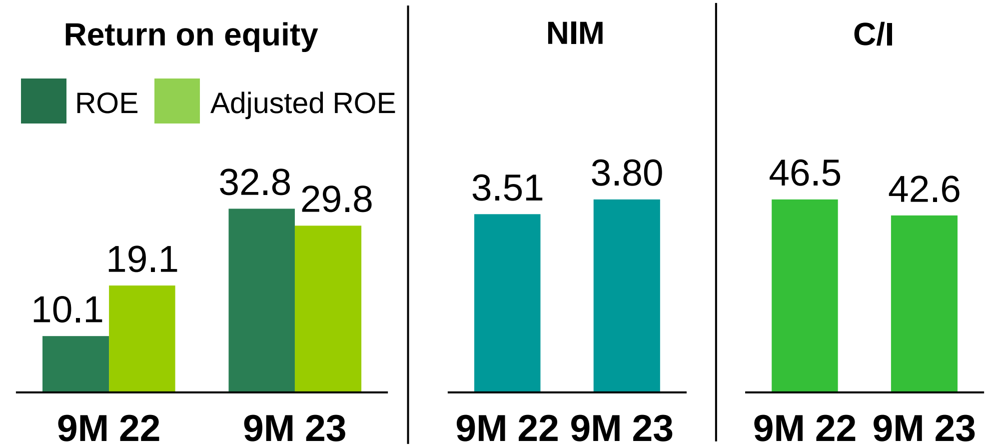
Strong commitment to ESG

In the first nine months of 2023 OTP Group posted HUF 858 billion profit after tax. The strong y-o-y growth was supported by the badwill of the two acquisitions closed in the first half-year, as well as the improvement in adjusted profit

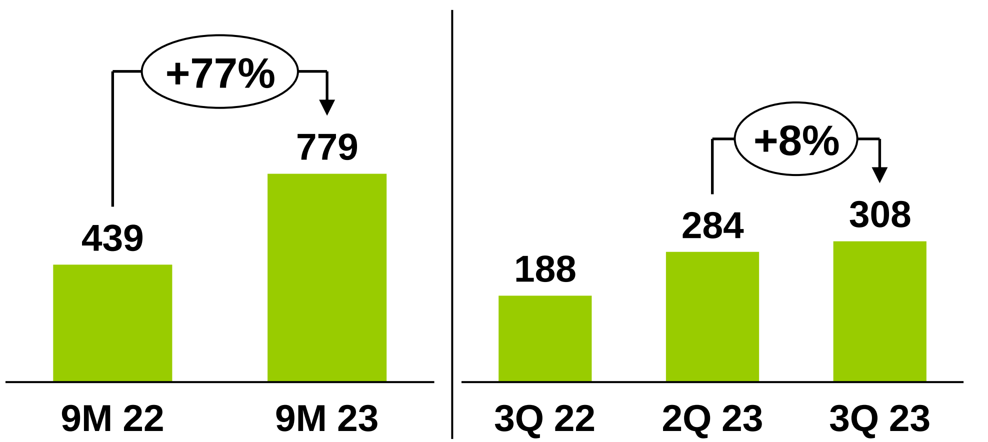
Consolidated profit after tax
(HUF billion)



Key performance indicators of OTP Group
(%)



Consolidated adjusted profit after tax
(HUF billion)



Main adjustment items
(after tax, HUF billion)

	9M 22	2Q 23	3Q 23	9M 23
Effect of acquisitions	-9.6	84.0	-24.1	144.8
Special tax on financial institutions	-88.2	25.6	0.0	-62.5
Interest rate cap (Hungary, Serbia)	-10.1	-1.9	-7.1	-24.6
Effect of the Russia-Ukraine war[1]	-90.3	-0.5	0.0	-0.5
Others	-9.0	6.9	4.7	22.1
Total	**-207.2**	**98.1**	**-26.5**	**79.3**

[1] Goodwill impairment, the tax effect of investment impairments, and the impairment recognized on the Russian government bonds held in OTP Core and DSK Bank's books.

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The increase in the Group's nine months adjusted profit after tax was mainly shaped by dynamic income growth and close to zero total risk cost, partly offset by the operating cost pressure

	OTP Group (consolidated)					
P&L (in HUF billion)	9M 2022	9M 2023	9M Y-o-Y FX-adj. w/o acq.	2Q 2023	3Q 2023	3Q Q-o-Q FX-adj. w/o lpo.
Net interest income	797	1,035	21%	341	382	4%
Net fees and commissions	288	346	14%	118	125	4%
Other net non-interest income	121	222	84%	89	91	-3%
Total income	**1,205**	**1,602**	**26%**	**547**	**598**	**3%**
Personnel expenses	-279	-352	21%	-120	-124	-3%
Depreciation	-62	-70	10%	-23	-24	2%
Other expenses	-220	-260	15%	-80	-86	5%
Operating expenses	**-560**	**-682**	**17%**	**-222**	**-234**	**0%**
Operating profit	**645**	**921**	**33%**	**325**	**363**	**5%**
Provision for impairment on loan losses	-102	-5		3	-2	448%
Other risk cost	-35	2		6	-1	-61%
Total risk cost	**-137**	**-3**		**9**	**-3**	**119%**
Profit before tax	**509**	**918**	**71%**	**335**	**360**	**8%**
Corporate tax	-70	-139	92%	-51	-53	13%
Adjusted profit after tax	**439**	**779**	**68%**	**284**	**308**	**7%**
Adjustments	-207	79		98	-26	
Profit after tax	**232**	**858**	**289%**	**382**	**281**	**-33%**

Main performance indicators	9M 2022	9M 2023	Y-o-Y	2Q 2023	3Q 2023	Q-o-Q
Adjusted ROE	19.1%	29.8%	10.7%p	33.5%	32.2%	-1.3%p
Performing loan growth (FX-adjusted)	+12%	+18%/+4%[1]		+6%/+2%[1]	+1%	
Net interest margin	3.51%	3.80%	0.29%p	3.77%	3.96%	0.19%p
Cost / Income ratio	46.5%	42.6%	-3.9%p	40.6%	39.2%	-1.4%p
Credit risk cost ratio	0.75%	0.03%	-0.71%p	-0.06%	0.04%	0.10%p

[1] Without acquisitions.

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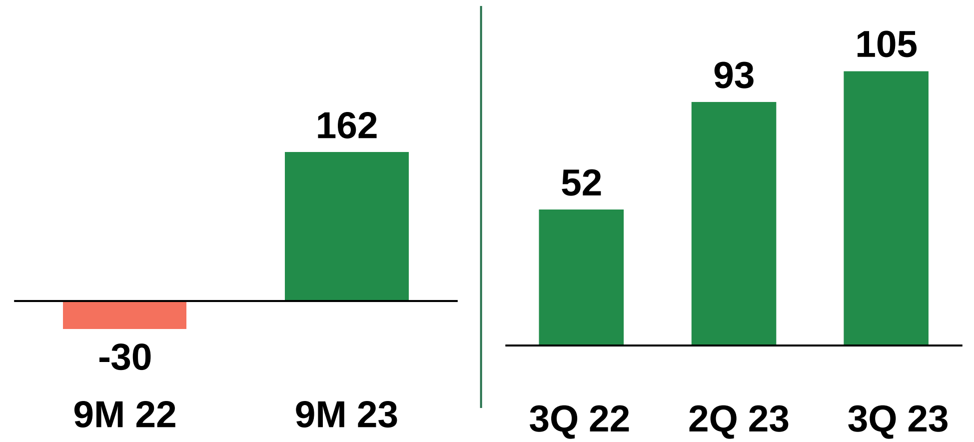
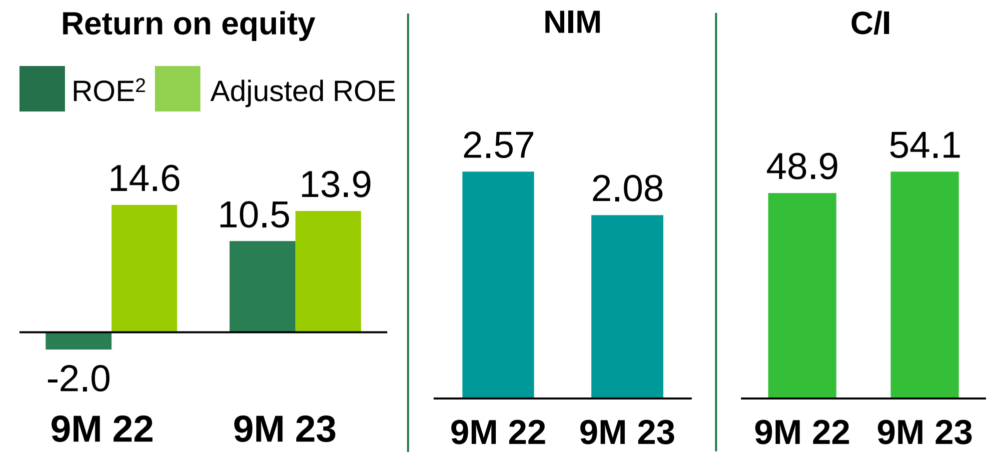
In the first nine months of 2023 OTP Core achieved HUF 162 billion profit after tax excluding dividends from subsidiaries. The first nine months adjusted result was 2% lower than last year despite improving 3Q profit

OTP CORE

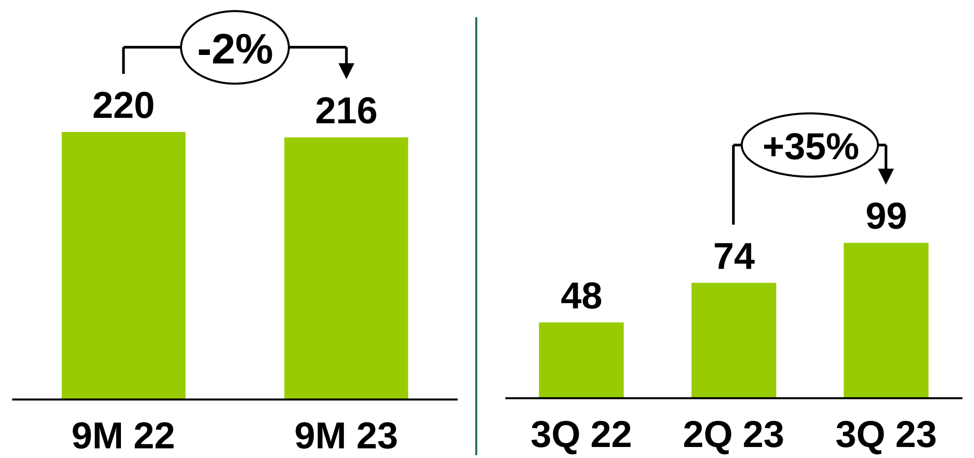
OTP Core profit after tax
(without dividends received from subsidiaries, HUF billion)



Highlighted key performance indicators of OTP Core
(%)



OTP Core adjusted profit after tax
(HUF billion)



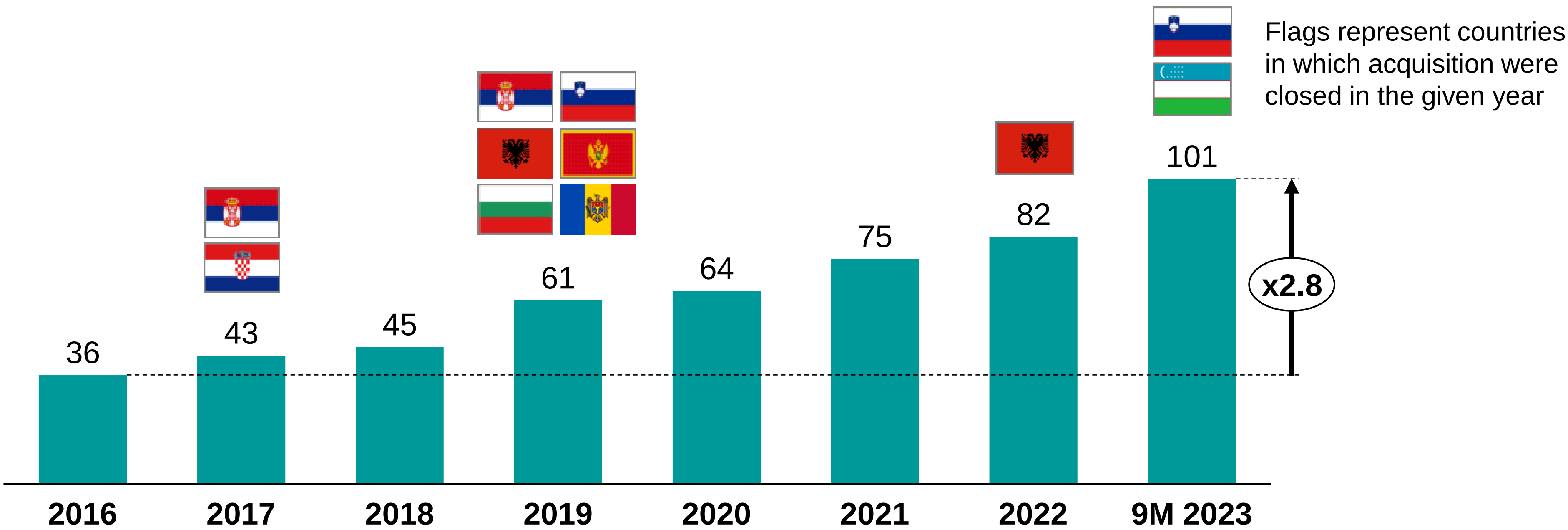
Main one-off adjustment items at OTP Core
(after tax, HUF billion, without received dividends)

	9M 22	2Q 23	3Q 23	9M 23
Windfall tax	-66.0	25.0	0.0	-36.2
Special banking tax	-19.2	0.0	0.0	-24.0
Interest rate cap extension	-10.1	-16.3	0.0	-16.3
Effect of the Russia-Ukraine war[1]	-143.9	5.3	3.2	8.6
Others	-11.1	5.6	2.6	13.6
Total	**-250.3**	**19.5**	**5.8**	**-54.4**

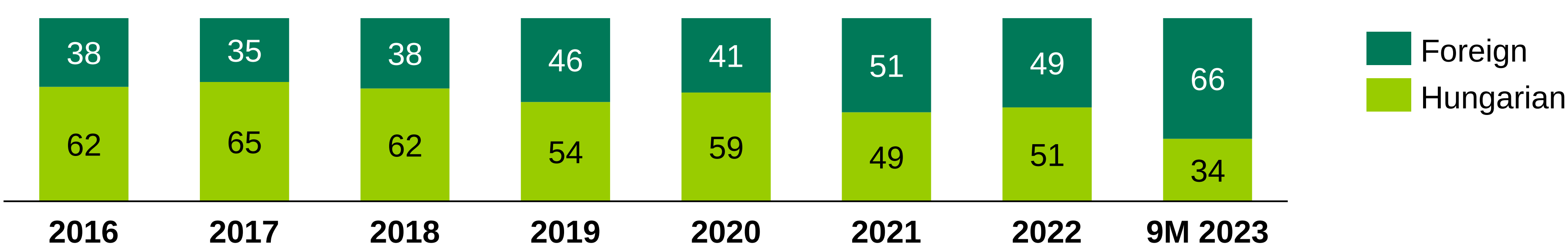
[1] Impairment of investments and the amount of the impairment recognized on the Russian bonds on OTP Core's balance sheet.
[2] Calculated from accounting profit without dividends received from subsidiaries.

Due to the acquisitions completed in recent years and the dynamic organic growth, consolidated total assets exceeded EUR 100 billion, while profit contribution of foreign operations gradually increased to 66% in January-September 2023

Total assets development of OTP Group (in EUR billion)



Contribution of Hungarian and foreign operations to the adjusted profit after tax (%)



In 9M 2023 all the foreign subsidiary banks were profitable, their ROE indicators were typically above 20%. The Russian and Ukrainian subsidiaries continued their profitable operation

	Profit after tax[1] (HUF billion)		ROE		Cost / income ratio	
	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023
DSK Group (Bulgaria)	76	151	15%	26%	39%	32%
SKB + NKBM (Slovenia)	19	24 64[2] 88	13%	22%	55%	36%
OTP Bank Croatia	38	45	14%	16%	51%	46%
OTP Bank Serbia	32	50	13%	19%	46%	37%
OTP Bank Albania	7	11	22%	21%	47%	46%
CKB Group (Montenegro)	5	17	7%	22%	48%	38%
Ipoteka Bank (Uzbekistan)		0		0%		33%
OTP Bank Russia	24	73	11%	34%	48%	32%
OTP Bank Ukraine	-26	52	-27%	50%	29%	27%
OTP Bank Romania	-1	18	-1%	13%	74%	69%
OTP Bank Moldova	6	12	16%	28%	38%	45%

[1] Without adjustment items.
[2] NKBM contribution from February 2023.

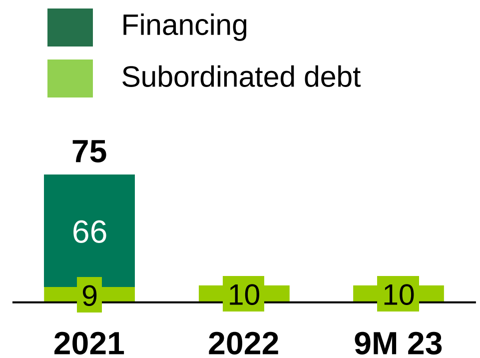
The potential capital cost of the Russian operation’s deconsolidation declined q-o-q significantly. The Ukrainian performing loans started to increase q-o-q, supported by improving asset quality

OTP Russia

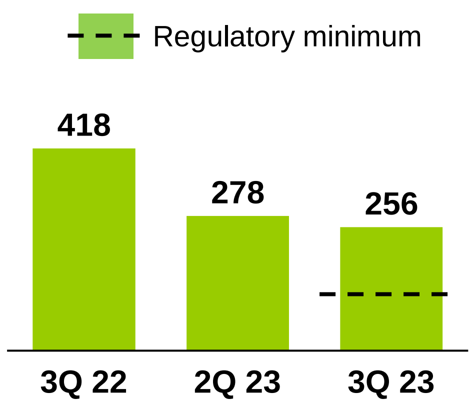
Volume changes
(FX-adjusted)

	Y-o-Y
Performing consumer loans	25%
Performing corporate loans	-44%
Customer deposits	113%

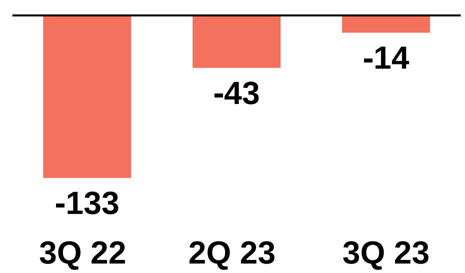
Gross intragroup financing and subordinated debt capital
(in HUF billion)



OTP Russia’s equity
(in HUF billion)



Impact of the potential deconsolidation of the Russian operation on the Group's CET1 ratio
(basis points)

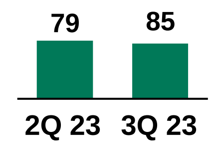


OTP Ukraine

Volume changes
(FX-adjusted)

	Y-o-Y	Q-o-Q
Performing loans	-29%	2%
Customer deposits	13%	0%

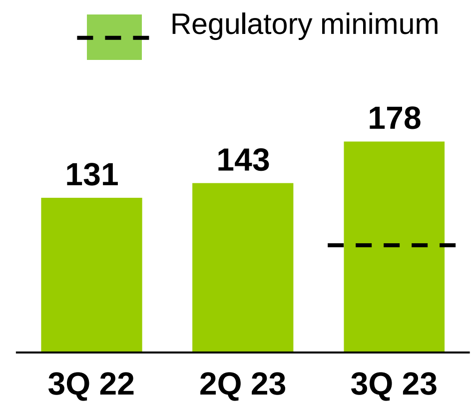
Intragroup financing
(gross, HUF billion)



Stage and coverage ratios

	2022	2Q 23	3Q 23
Stage 1 ratio	41.4%	45.0%	49.1%
Stage 2 ratio	40.5%	30.2%	28.8%
Stage 3 ratio	18.1%	24.8%	22.1%
Total provisions/ Gross loans	21.9%	24.8%	21.9%
Own coverage of Stage 3 loans	75.3%	75.3%	75.7%

OTP Ukraine’s equity
(in HUF billion)



Impact of the potential deconsolidation of the Ukrainian operation on the Group's CET1 ratio
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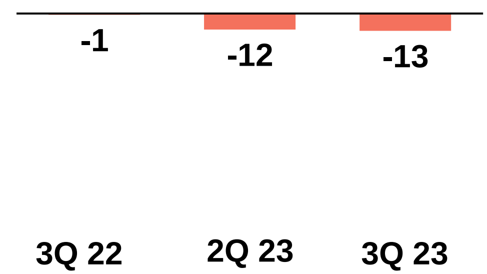

3Q net interest income grew 4% q-o-q organically and adjusted for FX rate changes, on the back of Hungary benefitting from declining rates, as well as Eurozone and ERM 2 countries enjoying positive margin trends

Effect of acquisitions

NET INTEREST INCOME	9M 2023 (HUF billion)	3Q 2023 (HUF billion)	9M 2023 Y-o-Y (HUF billion)		3Q 2023 Q-o-Q (HUF billion)	
OTP Group	**1,035**	**382**	132 / 238	30%/**21%**[1]	17 / 41	12%/**4%**[1]
OTP CORE (Hungary)	**294**	**107**	-34	-10%	10	10%
DSK Group (Bulgaria)	**165**	**61**	64	64%	6	12%
SKB+NKBM (Slovenia)	**121**	**48**	16 / 98	423%/71%[1]	5	12%
OBH (Croatia)	**66**	**25**	15	29%	4	18%
OBSrb (Serbia)	**77**	**27**	23	43%	2	9%
OBA (Albania)	**20**	**7**	9	82%/70%[2]	0	1%/-6%[2]
CKB Group (Montenegro)	**22**	**8**	7	48%	1	12%
Ipoteka Bank (Uzbekistan)	**24**	**24**	24	-	24	-
OBRu (Russia)	**91**	**31**	10	12%/41%[2]	1	5%/18%[2]
OBU (Ukraine)	**70**	**23**	6	9%/33%[2]	1	4%
OBR (Romania)	**40**	**6**	2	5%	-11	-65%
OBM (Moldova)	**13**	**3**	0	3%	-1	-25%
Merkantil (Hungary)	**20**	**7**	5	33%	1	20%
Others	**12**	**4**	12	70-fold	-2	-39%

1 At OTP Core the cumulated NII decreased by 10% y-o-y, driven by the reduced mandatory reserve remuneration and the shifting of balance sheet structure towards non-interest-bearing assets coupled with the increasing share of higher rate liabilities mainly at the expense of household deposits.

In 3Q the NII increased by 10% mainly as a result of the monetary easing cycle launched by the central bank at the end of May, but the continued increase in EUR interest rates had a benign effect, too, through the EUR-denominated volumes in OTP Core's balance sheet.

2 Large CEE Group members demonstrated strong NII growth in both comparison, mainly as a result of expanding margins in the increasing EUR rate environment.

3 In Romania the q-o-q NII drop was caused by a technical item, i.e. the lump-sum shifting of the YTD cumulated FX swap result (-HUF 10 billion) from other income to the NII line. Had the new accounting method been applied from the beginning of the year, the 3Q NII would have increased by 9% q-o-q.

[1] Changes without the effect of acquisitions and FX-adjusted.
[2] FX-adjusted change.

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Consolidated 3Q NIM improved by 19 bps q-o-q. The Hungarian margin was shaped by the positive NII sensitivity to declining rates, whereas ECB rate hikes continued to exert a positive effect on other large Group members' margins

NET INTEREST MARGIN	3Q 2022	2Q 2023	3Q 2023
OTP Group	3.53%	3.77%	3.96%
OTP CORE (Hungary)	2.37%	2.05%	2.24%
DSK Group (Bulgaria)	2.79%	3.73%	3.96%
SKB+NKBM (Slovenia)	2.09%	3.16%	3.31%
OBH (Croatia)	2.41%	2.96%	3.17%
OBSrb (Serbia)	2.99%	3.84%	4.00%
OBA (Albania)	3.10%	4.37%	4.14%
CKB Group (Montenegro)	3.36%	4.68%	4.87%
Ipoteka Bank (Uzbekistan)	-	-	7.92%
OBRu (Russia)	10.42%	10.70%	10.13%
OBU (Ukraine)	9.20%	8.97%	9.24%
OBR (Romania)	3.18%	4.47%	1.47%
OBM (Moldova)	6.17%	4.68%	3.28%

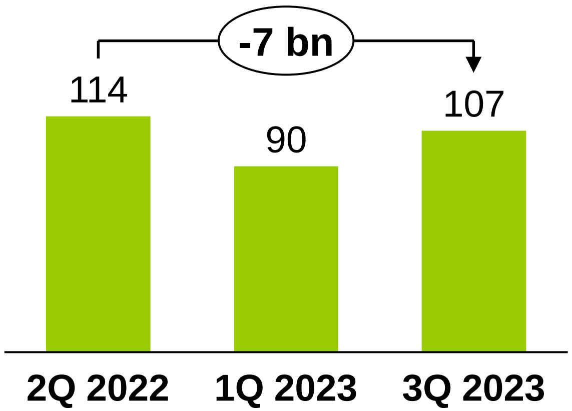
1 At OTP Core the q-o-q 19 bps NIM improvement was mainly the reflection of the steady reference rate cuts: the central bank cut rates by altogether 500 bps between May and September. This was slightly mitigated by the fact that on the liability side the ratio of higher interest rate liabilities went up, particularly due to the bond issuances in May and June 2023, while the average ratio of deposits from customers shrunk over the quarter.

2 NIM of CEE group members was boosted, in general, by the rising EUR interest rate environment.

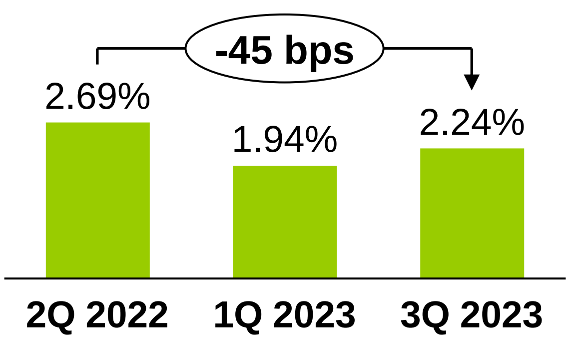
3 The Romanian margin contraction was induced by the change of accounting of FX swap results. Without that, the increasing margin trend would have continued.

At OTP Core the significant drop of net interest margin since 2Q 2022 was mainly due to the changes to the mandatory reserve rules, new acquisitions and shrinking deposit volumes

OTP Core – net interest income
(HUF billion)



OTP Core – net interest margin



Decomposition of NII / NIM decline (2Q 2022 vs. 3Q 2023)	∆ NII	∆ NIM
Mandatory reserves: the minimum reserve ratio was increased from 1% to 5% in October 2022 and to 10% in April 2023. The central bank paid the base rate (13%) instead of the 18% O/N rate starting from October, and 0% on 25% of the reserves starting from April 2023. From July 15% of mandatory reserve can be placed at the O/N rate and only the 25% of the remaining 85% pays 0% rate.	-13 bn	-31 bps
Acquisitions: interest bearing assets decreased and non-interest bearing investments increased due to the acquisition of NKBM in 1Q 2023 (HUF 297 billion) and Ipoteka Bank in 2Q 2023 (HUF 87 billion).	-15 bn	-35 bps
Deposits: deposits decreased from HUF 11,122 billion to 10,597 billion. The NII impact was calculated with the assumption of fix 12% deposit margin.	-9 bn	-17 bps
MREL issuances: altogether HUF 1,140 billion equivalent new MREL eligible instruments were issued after 2Q 2022, elevating interest expenses and increasing the average funding costs. The impact was calculated with 3% average spread over the benchmark.	-6 bn	-26 bps
Interest rate hikes: the average key reference rate was 6.57% in 2Q 2022 and 14.87% in 3Q 2023 with negative NII effect at OTP Core due to the high proportion of assets with fix rate (government bonds, loans).	-3 bn	-6 bps
Customer loans: new customer loan disbursements generated additional interest income.	+15 bn	+35 bps
EUR open position: strategic EUR 1 billion short position was opened in February in order to hedge OTP's investments in the Eurozone.	+10 bn	+24 bps
Interest subsidies: interest subsidies on CSOK housing loans were corrected from June 2023, and also retrospectively in one sum in 3Q for previous years.	+6 bn	+14 bps
Other effects including both NII and balance sheet components	+7 bn	-3 bps
Total	**-7 bn**	**-45 bps**

Consolidated performing loans increased by 1% q-o-q, mainly due to strong performance in Bulgaria and Croatia, while performing loans decreased in Moldova, Uzbekistan and Albania

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

	Cons.	Core[2] (Hungary)	DSK (Bulgaria)	SKB+ NKBM (Slovenia)	OBH (Croatia)	OBSrb (Serbia)	OBA (Albania)	CKB (Monten.)	Ipoteka (Uzbek.)	OBRu (Russia)	OBU (Ukraine)	OBR (Romania)	OBM (Moldova)
Q-o-Q nominal change (HUF billion)	133	-30	92	-33	72	16	-6	-1	-28	51	8	-15	-8
Total	1%	0%	2%	-1%	3%	1%	-2%	0%	-3%	10%	2%	-1%	-5%
Consumer	6%	4%	4%	7%	3%	2%	-20%	4%	74%	11%	-7%	3%	-7%
Mortgage	2%	1%	6%	-1%	5%	-2%	7%	2%	10%			-4%	-4%
Corporate[1]	-3%	-3%	-1%	-4%	2%	2%	-4%	-3%	-28%	1%	4%	-1%	-6%
Leasing	3%	3%	3%	1%	5%	-3%	9%				1%	6%	-4%

Core (Hungary) mortgage breakdown:

Housing loan	Home equity
1%	1%

[1] Loans to MSE and corporate clients.

[2] In the Leasing row the leasing volume change applies to Merkantil Group (Hungarian leasing).

Consolidated performing loans grew by 18% in the first nine month of the year, within that the organic growth (excluding the Nova KBM and Ipoteka Bank acquisitions) reached 4%, driven to a great extent by Bulgaria and Croatia

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

	Cons.	Core[2] (Hungary)	DSK (Bulgaria)	SKB+ NKBM (Slovenia)	OBH (Croatia)	OBSrb (Serbia)	OBA (Albania)	CKB (Monten.)	Ipoteka (Uzbek.)	OBRu (Russia)	OBU (Ukraine)	OBR (Romania)	OBM (Moldova)
YTD nominal change (HUF billion)	3,360 / 737[3]	122	531	1,711 / -23[4]	144	-18	-11	12	889	74	-76	-33	-23
Total	18% / 4%[3]	2%	16%	147% / -2%[4]	7%	-1%	-3%	3%		15%	-18%	-3%	-14%
Consumer	21% / 9%[3]	12%	9%	300% / 6%[4]	6%	2%	-26%	13%		18%	-33%	-3%	-27%
Mortgage	22% / 4%[3]	3%	14%	114% / -2%[4]	11%	-2%	8%	7%				-10%	-13%
Corporate[1]	17% / 1%[3]	-3%	23%	201% / -6%[4]	2%	-2%	-5%	-3%		-34%	-17%	1%	-10%
Leasing	8%	7%	11%	4%	30%	-3%	27%				-14%	14%	-6%

Core (Hungary) mortgage breakdown:

Housing loan	Home equity
2%	7%

[1] Loans to MSE and corporate clients. [2] In the Leasing row the leasing volume change applies to Merkantil Group (Hungarian leasing).
[3] Changes without acquisitions. [4] Changes without the NKBM acquisition.

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Consolidated customer deposits increased by 4% q-o-q, driven by all countries except for Slovenia. Hungarian household deposits continued to erode, offset by corporate inflows

Q-o-Q DEPOSIT volume changes, adjusted for FX-effect

	Cons.	Core[2] (Hungary)	DSK (Bulgaria)	SKB+ NKBM (Slovenia)	OBH (Croatia)	OBSrb (Serbia)	OBA (Albania)	CKB (Monten.)	Ipoteka (Uzbek.)	OBRu (Russia)	OBU (Ukraine)	OBR (Romania)	OBM (Moldova)
Q-o-Q nominal change (HUF billion)	**1,072**	**362**	**68**	**-24**	**237**	**101**	**26**	**39**	**12**	**198**	**1**	**43**	**27**
Total	4%	3%	1%	-1%	11%	6%	5%	8%	4%	27%	0%	4%	10%
Retail	1%	-2%	3%	-1%	6%	3%	2%	5%	2%	10%	0%	7%	2%
Corporate[1]	8%	8%	-3%	1%	22%	9%	18%	11%	5%	34%	0%	2%	20%

[1] Including MSE, MLE and municipality deposits.
[2] Including retail bonds.

Consolidated customer deposits increased by 3% in the first nine month without the effect of acquisitions

YTD DEPOSIT volume changes, adjusted for FX-effect

	Cons.	Core[3] (Hungary)	DSK (Bulgaria)	SKB+ NKBM (Slovenia)	OBH (Croatia)	OBSrb (Serbia)	OBA (Albania)	CKB (Monten.)	Ipoteka (Uzbek.)	OBRu (Russia)	OBU (Ukraine)	OBR (Romania)	OBM (Moldova)
YTD nominal change (HUF billion)	**4,276 / 751**[2]	**-162**	**238**	**3,175 / -47**[4]	**90**	**191**	**29**	**7**	**304**	**487**	**-22**	**44**	**45**
Total	17% / 3%[2]	-1%	5%	221% / -3%[4]	4%	13%	6%	1%		108%	-3%	5%	17%
Retail	19% / 1%[2]	-4%	7%	287% / -2%[4]	4%	4%	3%	5%		24%	-2%	11%	14%
Corporate[1]	15% / 6%[2]	1%	-1%	140% / -3%[4]	3%	21%	17%	-2%		178%	-3%	-2%	21%
Deposit - net loan gap (HUF billion)	**7,435**	**4,538**	**1,138**	**1,717**	**173**	**-203**	**201**	**90**	**-600**	**411**	**394**	**-91**	**167**

[1] Including MSE, MLE and municipality deposits. [2] Changes without acquisitions.
[3] Including retail bonds. [4] Changes without the NKBM acquisition.

The 14% y-o-y FX-adjusted organic growth in net fees in the first nine months was driven mainly by the Hungarian operation: OTP Core and the Fund Management

Effect of acquisitions

NET FEE INCOME	9M 2023 (HUF billion)	3Q 2023 (HUF billion)	9M 2023 Y-o-Y (HUF billion)		3Q 2023 Q-o-Q (HUF billion)	
OTP Group	**346**	**125**	34 58	20%/**14%**[1]	5 7	6%/**4%**[1]
OTP CORE (Hungary)	**145**	**51**	13	10%	1	3%
DSK Group (Bulgaria)	**54**	**19**	3	6%	1	7%
SKB+NKBM (Slovenia)	**33**	**12**	-1 21	178%/-8%[1]	-1	-5%
OBH (Croatia)	**19**	**8**	1	6%	2	27%
OBSrb (Serbia)	**13**	**5**	0	3%	0	5%
OBA (Albania)	**3**	**1**	1	35%/28%[2]	0	23%/14%[2]
CKB Group (Montenegro)	**6**	**2**	0	9%	0	10%
Ipoteka Bank (Uzbekistan)	**3**	**3**	3	-	3	-
OBRu (Russia)	**30**	**11**	6	27%/64%[2]	1	9%/23%[2]
OBU (Ukraine)	**8**	**3**	-1	-6%/14%[2]	0	-5%
OBR (Romania)	**4**	**1**	1	15%	0	12%
OBM (Moldova)	**2**	**1**	0	-17%	0	15%
Fund Mgmt. (Hungary)	**15**	**6**	8	121%	0	9%

1. At OTP Core net fees rose by 10% in the first nine months, mainly supported by stronger income from fees on deposits, transactions, cards and securities, but lending-related fee income declined.

2. In Bulgaria, 9M net fees and commissions increased by 6% y-o-y over the nine months, thanks to the expanding business activity and the stronger lending-related fee income.

3. In Croatia the 27% q-o-q growth largely stemmed from seasonal effects, as a combined result of the higher merchant commission revenue and stronger income from card transactions in the tourist season.

4. In Russia the growth in both y-o-y and q-o-q comparison was driven by the rise in income from account management and transaction fees owing to the expansion of deposits.

5. At OTP Fund Management, fee income growth was due to the dynamic expansion of assets under management, as well as to the higher average fund management fee.

[1] Changes without the effect of acquisitions and FX-adjusted.
[2] FX-adjusted change.

Other income grew by 84% y-o-y, driven mainly by the positive FVA of subsidized loans at OTP Core. In 3Q this FVA at OTP Core fell back q-o-q, but this was offset by a technical item in Romania

Effect of acquisitions

OTHER INCOME	9M 2023 (HUF billion)	3Q 2023 (HUF billion)	9M 2023 Y-o-Y (HUF billion)		3Q 2023 Q-o-Q (HUF billion)	
OTP Group	**222**	**91**	93 101	84%/**84%**[1]	-3 2	2%/**-3%**[1]
OTP CORE (Hungary)	**105**	**37**	64	157%	-15	-28%
DSK Group (Bulgaria)	**12**	**4**	3	33%	1	33%
SKB+NKBM (Slovenia)	**4**	**1**	0 3	169%/ -24%[1]	-2	-74%
OBH (Croatia)	**5**	**1**	0	-9%	-1	-46%
OTP Serbia (Serbia)	**8**	**3**	1	19%	0	12%
OBA (Albania)	**1**	**0**	0	30%/23%[2]	0	-1%/-8%[2]
CKB Group (Montenegro)	**1**	**0**	0	4%	0	157%
Ipoteka Bank (Uzbekistan)	**5**	**5**	5	-	5	-
OBRu (Russia)	**44**	**16**	31	247%/448%[2]	-2	-11%/-5%[2]
OBU (Ukraine)	**4**	**2**	-2	-31%/-13%[2]	0	36%
OBR (Romania)	**7**	**11**	4	138%	13	-552%
OBM (Moldova)	**4**	**2**	0	12%	1	82%
Others	**21**	**8**	-9	-30%	0	5%

1 At OTP Core the 9M other income jumped 2.5-fold, predominantly because of the positive fair value adjustment of subsidized baby loans and subsidized 'CSOK' housing loans booked in the second and third quarters. The positive FVA was largely caused by the decline in the discount rates used to determine the present value of future cash flows, as a result of the sinking yields.

In the third quarter, the q-o-q drop in other income stemmed from the lower amount of positive fair value adjustment.

2 At the Russian subsidiary the outstanding y-o-y expansion of the nine-month other income reflected the increased currency conversion income. In 3Q income from currency conversion declined q-o-q.

3 In Romania the q-o-q other income growth was in connection with the newly applied accounting method of FX swap results, as a result of which the year-to-date FX swap result (-HUF 10 billion) was shifted from other income onto the NII line.

[1] Changes without the effect of acquisitions and FX-adjusted.
[2] FX-adjusted change.

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Amid high inflationary environment the 9M FX-adjusted operating costs grew by 17% without acquisitions

Effect of acquisitions

OPERATING COSTS	9M 2023 (HUF billion)	Y-o-Y (HUF billion)	Y-o-Y (%)	Y-o-Y, FX-adjusted (HUF billion)	Y-o-Y, FX-adjusted (%)
OTP Group	682	77 / 45 / 122	22%/**14%**[1]	92 / 45 / 136	25%/**17%**[1]
OTP CORE (Hungary)	294	49	20%	49	20% (1)
DSK Group (Bulgaria)	73	10	15%	10	16% (2)
SKB+NKBM (Slovenia)	57	2 / 37	184/12%[1]	2 / 35 / 37	185/12%[1]
OBH (Croatia)	41	3	9%	4	10%
OBSrb (Serbia)	36	2	7%	3	7%
OBA (Albania)	11	4	67%	4	57% (3)
CKB Group (Montenegro)	10	1	6%	1	7%
Ipoteka Bank (Uzbekistan)	10	10	-	10	-
OBRu (Russia)	53	-3	-5%	7	17%
OBU (Ukraine)	22	0	-2%	3	19%
OBR (Romania)	35	2	7%	2	7%
OBM (Moldova)	9	1	20%	1	20%
Merkantil (Hungary)	9	1	19%	1	19%
Others	21	4	20%	4	21%

(1) At OTP Core the followings were the drivers behind the 20% cost growth:

- personnel expenses rose by 31% on account of the implemented wage increases in the course of 2Q 2022 and effective from March 2023, and 4% higher average headcount;
- amortization increased by 8%;
- other costs grew by 12%, driven by, among others:
  - higher cost of real-estate (partly related to the new M12 head office building completed in April 2022);
  - jump in energy costs;
  - increasing supervisory fees (mostly due to the increase in deposit and insurance protection fee rates effective from the end of 2022).

(2) The Bulgarian cost growth was partly due to the lump-sum accounting of supervisory charges for the whole year in January (vs monthly accounting in 2022); without this effect the y-o-y FX-adjusted cost growth would have been 12%.

(3) The newly acquired Albanian bank was consolidated from August 2022, explaining most of the cost increase.

[1] Changes without the effect of acquisitions.

Total risk costs significantly decreased the first nine month of 2023, and those were Uzbekistan and Russia where significant amount of risk costs was created

TOTAL RISK COST	9M 2022 (HUF billion)	9M 2022 credit risk cost rate[1]	9M 2023 (HUF billion)	9M 2023 credit risk cost rate[1]	2Q 2023 (HUF billion)	3Q 2023 (HUF billion)
OTP Group	**-137**	**0.75%**	**-3**	**0.03%**	**9**	**-3**
OTP CORE (Hungary)	-1	-0.44%	11	0.02%	-6	18 (1)
DSK Group (Bulgaria)	-13	0.48%	10	-0.23%	3	7
SKB+NKBM (Slovenia)	6	-0.83%	-1	0.04%	-1	0
OBH (Croatia)	9	-0.74%	6	-0.52%	5	0
OBSrb (Serbia)	-2	0.10%	-4	0.29%	-4	0
OBA (Albania)	1	-0.50%	-1	0.38%	1	-2
CKB Group (Montenegro)	-5	0.36%	3	-0.79%	0	3
Ipoteka (Uzbekistan)	-	-	-26	8.32%	-	-26 (2)
OBRu (Russia)	-38	5.75%	-12	1.96%	1	-9 (3)
OBU (Ukraine)	-81	15.26%	3	-1.86%	2	6 (4)
OBR (Romania)	-12	1.01%	5	-0.65%	9	-2
OBM (Moldova)	-5	3.18%	3	-2.36%	2	1
Merkantil (Hungary)	-1	-0.05%	0	0.02%	-1	1

(1) At OTP Core the positive risk costs can be explained by the revision of the IFRS 9 macro parameters and releases on corporate loans. The positive sign of the other risk cost line was caused mainly by the release of impairments on Hungarian government securities.

(2) At Ipoteka Bank, post-consolidation data cleansing, the implementation of Group risk management and classification principles, and portfolio quality development warranted extra provisions for impairment. These impairments were recognized partly in Ipoteka Bank's separate P&L, and in part among the adjustments presented at consolidated level, on the *effect of acquisitions* line. In line with accounting standards, PPA (Purchase Price Allocation), which is part of this adjustment line, can be updated within 12 months after the consolidation.

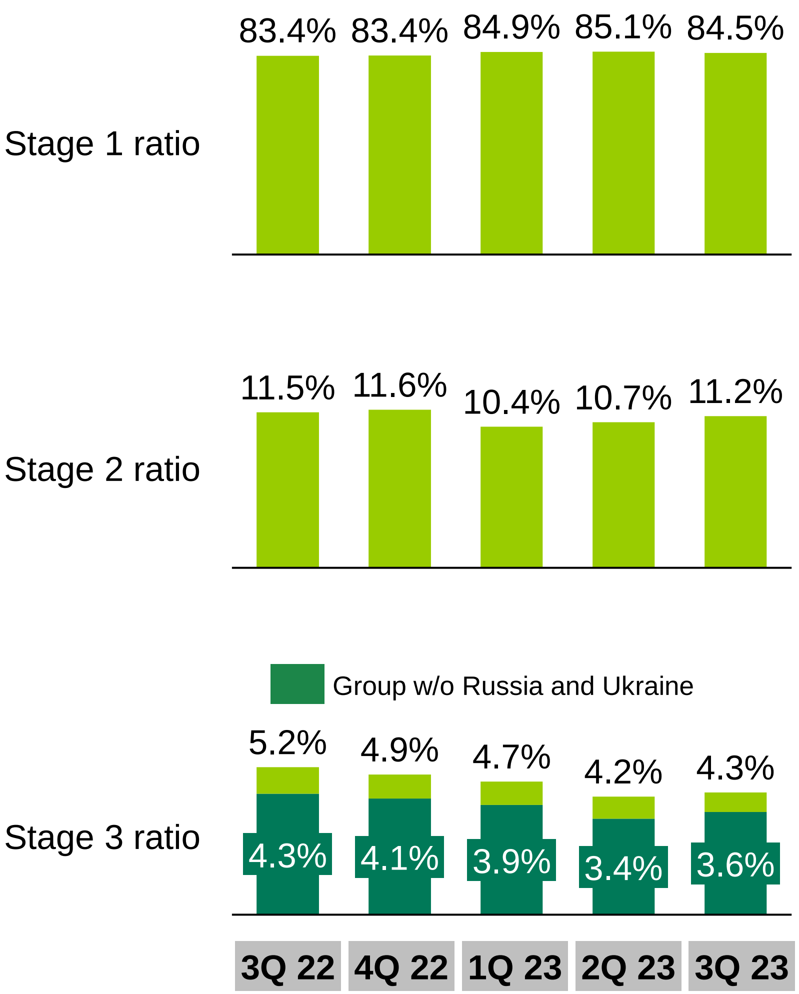
(3) In Russia the 3Q total risk cost was mainly explained by retail loan volume growth, and to a lesser extent by the review of the IFRS 9 impairment model parameters.

(4) In Ukraine the release was driven by q-o-q improving asset quality and the review of IFRS 9 macro parameters.

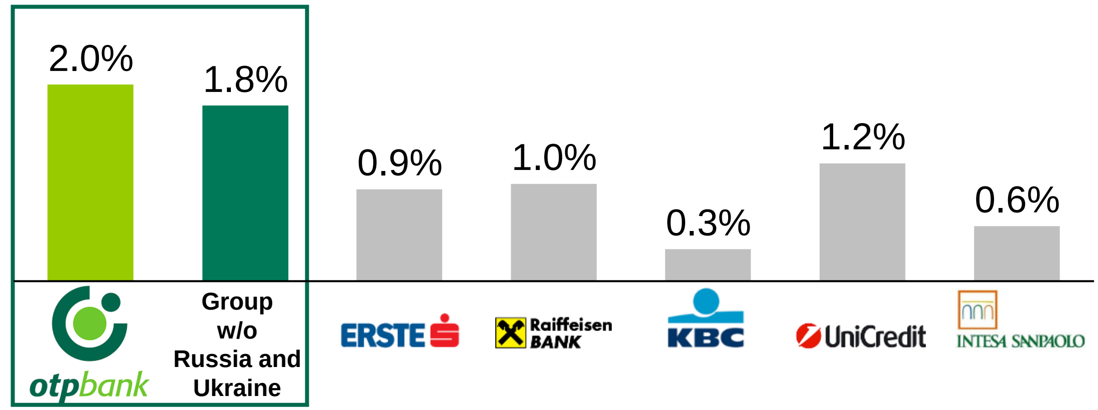
[1] A credit risk cost rate (defined as Provision for impairment on loan and placement losses (adj.) / Average gross customer loans) with negative sign is consistent with positive credit risk costs, i.e. releases.

The Stage 3 ratio continued to follow a declining trend. Provisioning policy remained conservative compared to regional banking groups

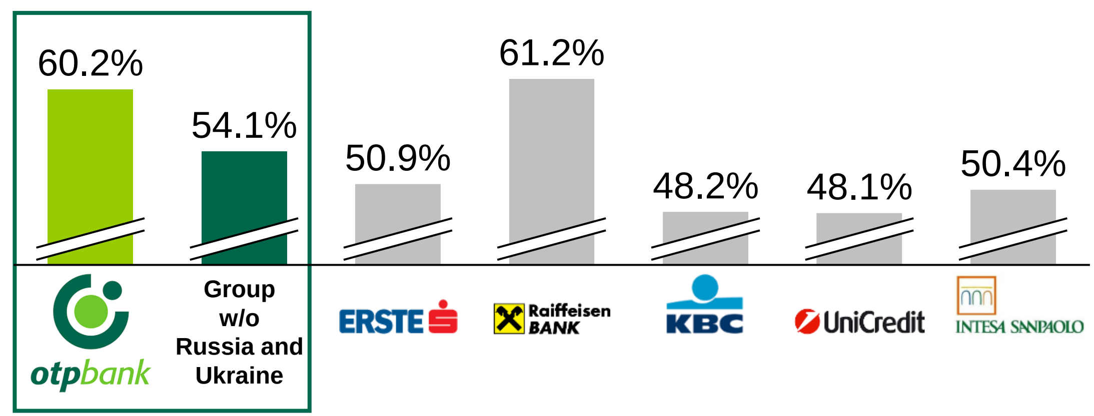
Development of the Group's main credit quality indicators



Own coverage of Stage 1+2 loans compared to regional peers at the end of 3Q 2023



Own coverage of Stage 3 loans compared to regional peers at the end of 3Q 2023

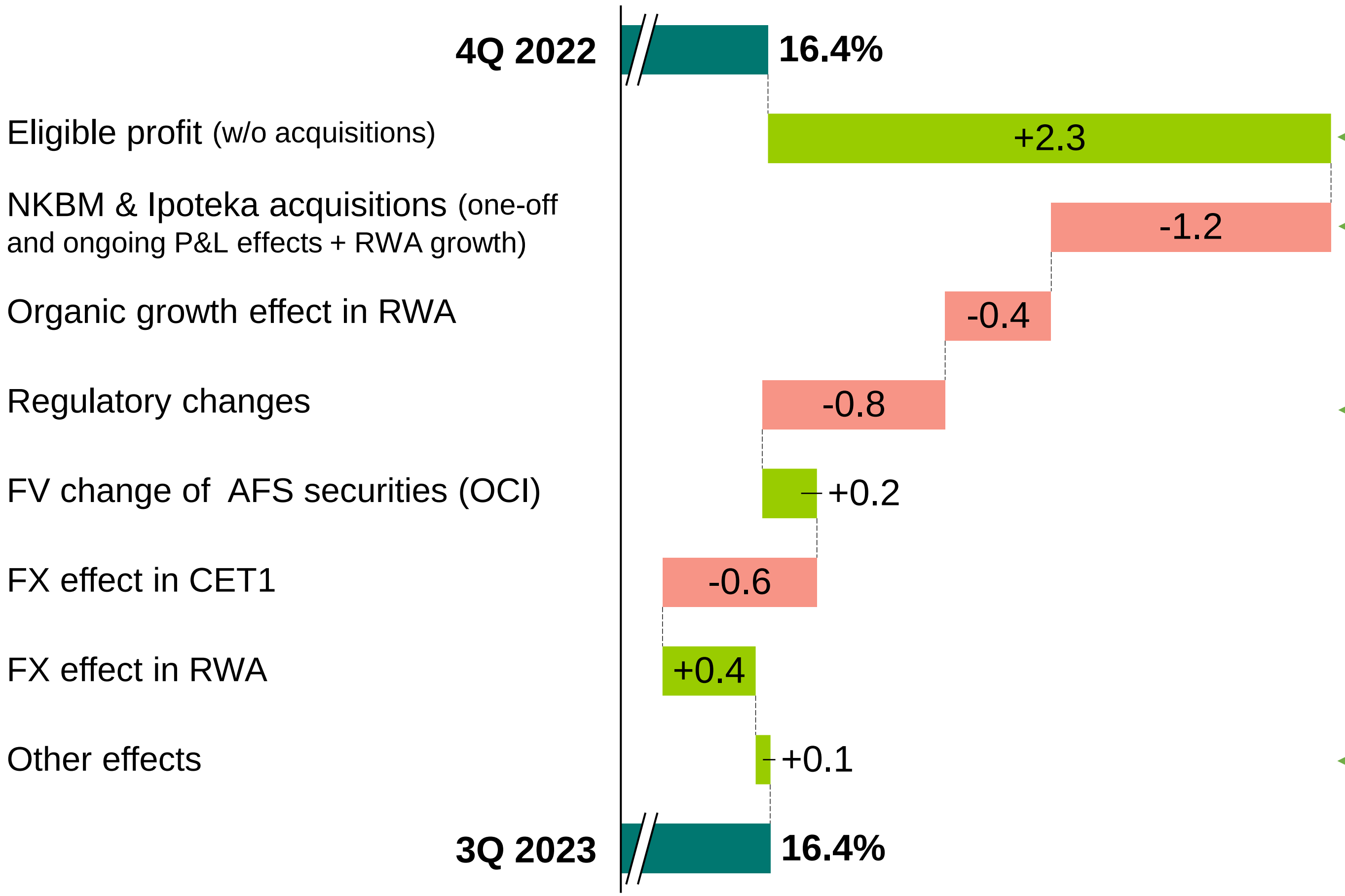


Source: company reports (estimates in some cases).

The CET1 ratio remained stable compared to year-end 2022, as the eligible profit offset the negative effect of the two completed acquisitions, organic growth and regulatory changes

Decomposition of the change in CET1 ratio between 4Q 2022 – 3Q 2023

(based on the prudential scope of consolidation, changes in percentage points)



Eligible profit is calculated with the deduction of HUF 104.3 billion dividend, but without the one-off and on-going P&L effects of the acquisitions.

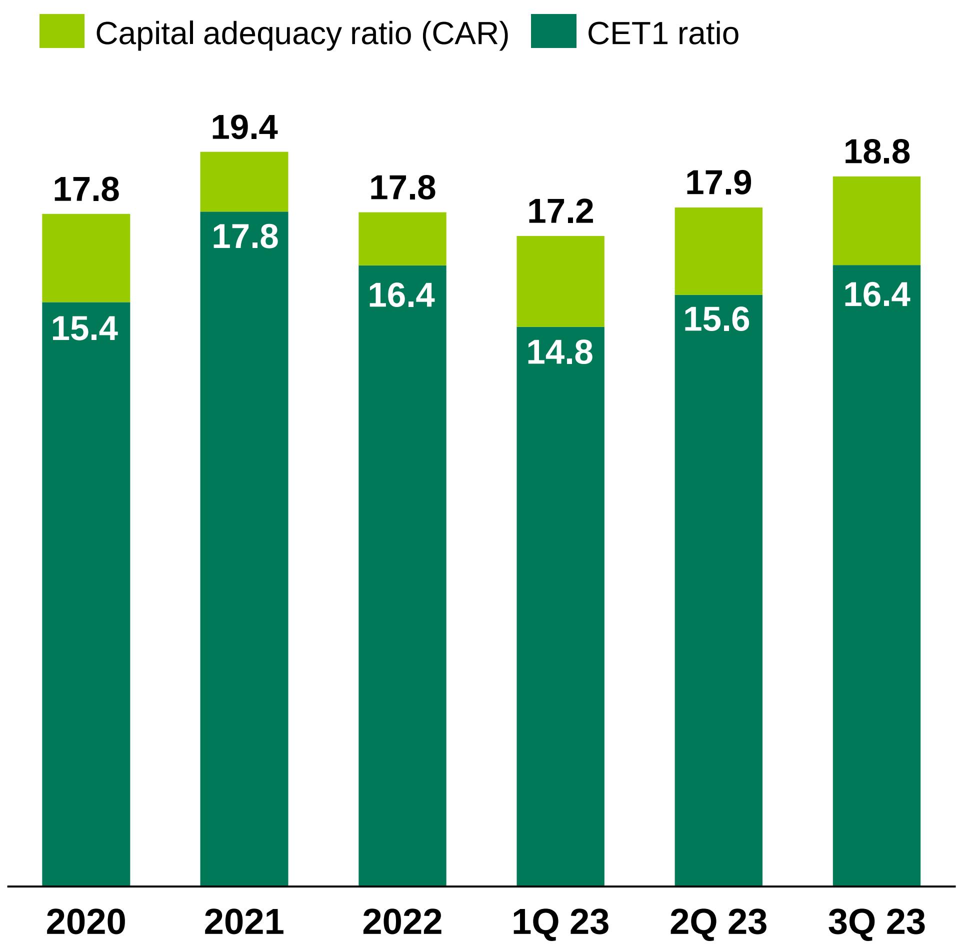
Including the on-going profit contribution of Nova KBM and Ipoteka Bank, as well as the badwill related to these two acquisitions.

Including the partial phasing out of transitional adjustments and changes in sovereign risk weights.

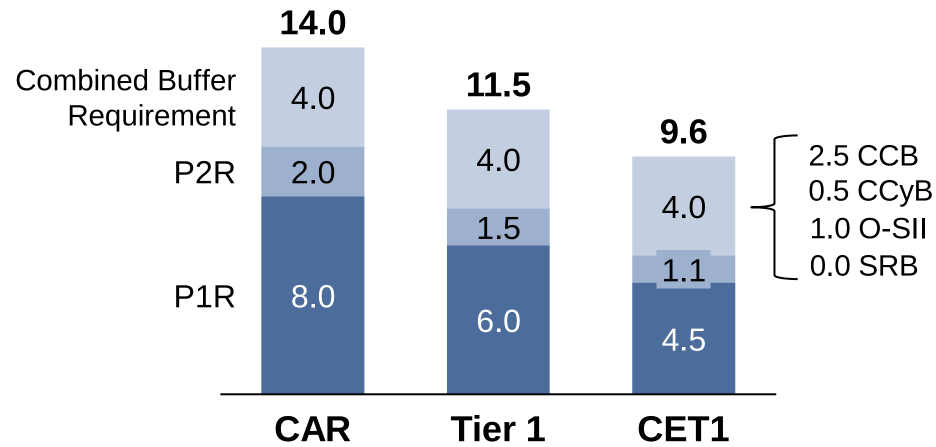
Other effects include changes in RWA related to operational and market risk, and other changes in CET1 capital.

The Group's capital position is stable and improved even further q-o-q, supported by the robust 3Q results

CAR and CET1 ratios (%)[1]



Regulatory minimum capital requirements for OTP Group in 4Q 2023 (%)



- In the absence of additional core capital (AT1), the Tier 1 regulatory requirement is also effective for the CET1 rate.
- As for P2R, the (P1R + P2R) / P1R ratio (Supervisory Review and Evaluation Process, SREP rate) for OTP Group is 125% from 1 January 2023 and is expected to decrease to 120% from 1 January 2024. The final joint decision on additional capital requirements is expected to be made by the Competent Authorities (National Bank of Hungary, European Central Bank, National Bank of Romania, National Bank of Slovenia and National Bank of Croatia) by the end of 2023.
- The weighted consolidated CCyB requirement is 0.29% in 3Q 2023, due to 1.5% CCyB in Bulgaria, 0.5% in Romania, and 0.5% in Croatia. Further increases are expected in 4Q 2023, therefore the consolidated CCyB is expected to be 0.49% as of 31 December 2023. In Bulgaria, the relevant buffer increased to 2.0% and 1% in Romania (both in October 2023), while in Croatia and Slovenia it will increase to 1% and 0.5%, respectively (in 4Q 2023, both). In Hungary, the increase to 0.5% has been postponed by one year and will be effective from 1 July 2024.
- The O-SII buffer requirement is 1% from 1 January 2023 and expected to increase to 2% from 2024.

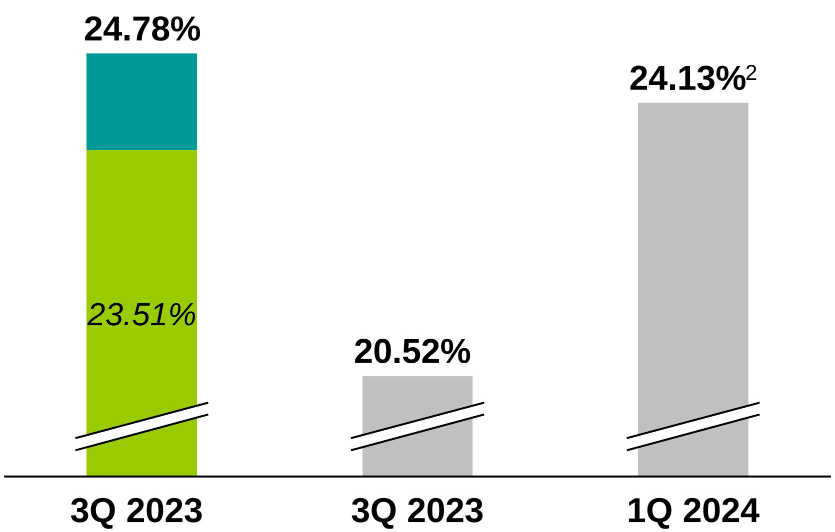
[1] Indicators calculated based on the prudential scope of consolidation. In the absence of additional core capital (AT1), the Tier 1 rate is the same as the CET1 rate. Abbreviations: P1R: Pillar 1 requirement; P2R: Pillar 2 req.; CCB: Capital conservation buffer; CCyB: Countercyclical buffer; O-SII: Other Systemically Important Institutions buffer; SRB: Systemic Risk buffer.

OTP Bank met the interim MREL target in 3Q 2023, and is on track to meet the binding requirement for 1Q 2024

OTP Bank's consolidated MREL ratio and minimum MREL requirement (based on resolution group RWA)

MREL ratio, *actual* and **pro-forma**

Minimum MREL+CBR requirements[1]



Bonds must be fully paid-in to meet the eligibility for MREL, therefore the already priced but by 30 September 2023 not settled EUR 650 million bonds were not included in the actual 3Q MREL ratio.

The **pro-forma** ratio, however, includes both Senior Preferred bonds settled in October: **EUR 650 million** issued on 5 October 2023 and **RON 170 million** on 13 October 2023.

OTP Bank has to comply with the binding MREL requirement level by 1 January 2024.

Recent Senior Preferred bond issuances by OTP Bank

Pricing Date	27/09/23	06/10/23
Settlement Date	05/10/23	13/10/23
Included in 3Q balance sheet	Yes	No
Included in 3Q MREL ratio	Pro-forma only	Pro-forma only
Face value	EUR 650 mn	RON 170 mn
Re-offer rate[3]	265 bps	163 bps
Issuer's call	05/10/26	13/10/25
Maturity	05/10/27	13/10/26
Issue Rating (S&P/Moody's/Scope)	- / Baa3 / BBB+	- / - / BBB+
Listing	Luxembourg Stock Exchange	

Consolidated MREL requirements[1]

- The consolidated MREL requirement has to be met by 1 January 2024. Required level is 19.12% of OTP Bank's resolution group RWA and 5.74% of the Group's total exposure measure (TEM). Planned regulatory target level for 1 January 2023 was 16.69% of RWA and 5.74% of the TEM of OTP Bank's resolution group.
- The minimum level of subordination applicable from 16 December 2024 is set at 13.5% of RWA, 5% of TEM and 8% of TLOF of OTP Bank's resolution group.
- OTP Bank has to meet the Combined Buffer Requirement in addition to the consolidated MREL RWA requirement / MREL RWA subordination requirement.
- The MREL requirement is established on the basis of the Joint Decision of the Resolution College, which is operated jointly with the Resolution Authorities of the subsidiaries.

[1] MREL requirements according to the 2022 Joint Decision of the Resolution College, also including the Combined Buffer Requirement (CBR), as the CBR has to be met in addition to the MREL RWA requirement (19.12%). [2] The updated MREL requirement level is expected to be announced in November 2023. [3] Issuance spread over the EUR Mid-Swap curve.

Robust liquidity position with 74% net loan to deposit ratio, 224% LCR, 149% NSFR and moderate maturity profile with marginal refinancing needs

OTP Bank outstanding FX wholesale bonds[1]

ISIN	Instrument	Issue date	Call date	Maturity date	Actual Coupon	External obligation of OTP Group
XS2703264635	Sr Preferred	13/10/2023	13/10/2025	13/10/2026	8.100%	RON 170 mn
XS2698603326	Sr Preferred	05/10/2023	05/10/2026	05/10/2027	6.125%	EUR 648 mn
XS2626773381	Sr Preferred	25/05/2023	25/05/2026	25/05/2027	7.500%	USD 499 mn
XS2560693181	Sr Preferred	01/12/2022	04/03/2025	04/03/2026	7.350%	EUR 649 mn
XS2536446649	Sr Preferred	29/09/2022	29/09/2025	29/09/2026	7.250%	USD 60 mn
XS2499691330	Sr Preferred	13/07/2022	13/07/2024	13/07/2025	5.500%	EUR 399 mn
XS2642536671	Sr Non-Pref.	27/06/2023	27/06/2025	27/06/2026	7.500%	EUR 110 mn
XS2586007036	Tier 2	15/02/2023	15/02-15/05/2028	15/05/2033	8.750%	USD 648 mn
XS2022388586	Tier 2	15/07/2019	15/07/2024	15/07/2029	2.875%	EUR 498 mn
XS0274147296	Tier 2	07/11/2006	Quarterly	Perpetual	6.966%	EUR 231 mn

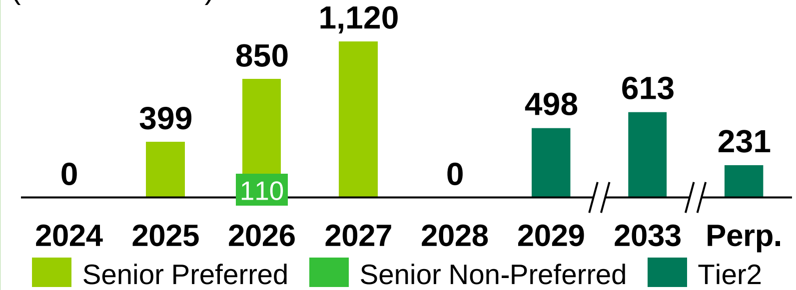
Major ratios suggest strong liquidity position

3Q 2023	otpbank	KBC	ERSTE	Raiffeisen BANK	INTESA SANPAOLO	UniCredit
Net Loan / Deposit Ratio (%)	**74**	85	87	85	78	89
Basel III Leverage Ratio (%)	**9.3**	5.1	6.6	7.1	5.7	6.1
Liquidity Coverage Ratio (LCR, %)	**224**	157	142	201	169	>140
Net Stable Funding Ratio (NSFR, %)	**149**	139	143[2]	140	121	>130

Source: SNL / S&P Capital IQ, Company Financials.

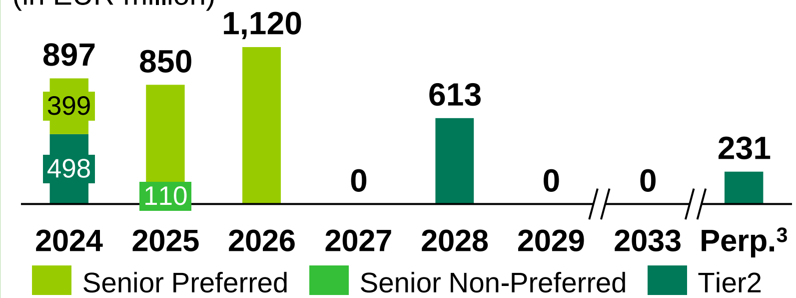
OTP Bank FX wholesale bond maturity profile[1]

(in EUR million)



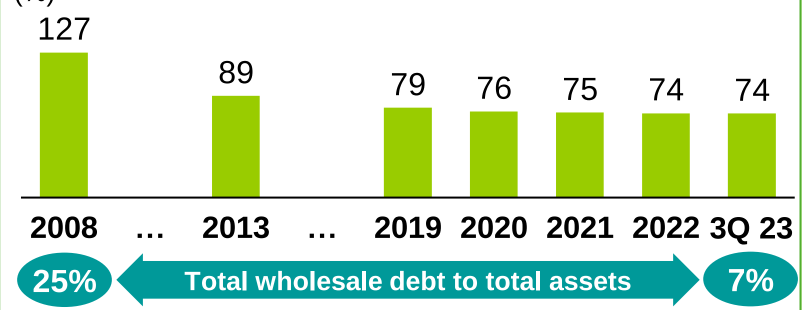
OTP Bank FX wholesale bond call date profile[1]

(in EUR million)



Consolidated net loan / (deposit + retail bond) ratio

(%)



[1] Including bonds settled in October 2023. Charts are based on group level external obligation. [2] As at August 2023.
[3] The perpetual bond is callable on the following dates each year: 7 February, 7 May, 7 August and 7 November.

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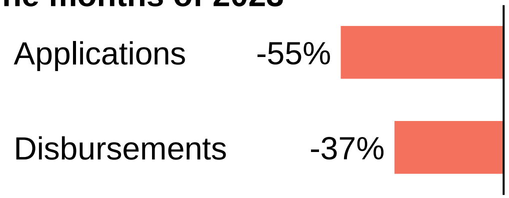
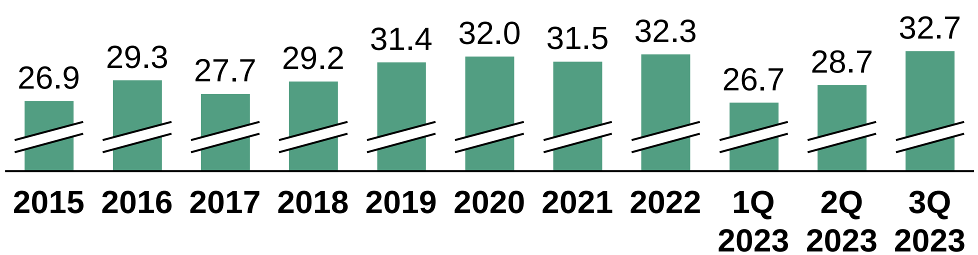
In Hungary applications for mortgage loans dropped by 55% y-o-y in the first nine months, but OTP's market share improved q-o-q. OTP's market share in cash loan flow is now approaching 45%

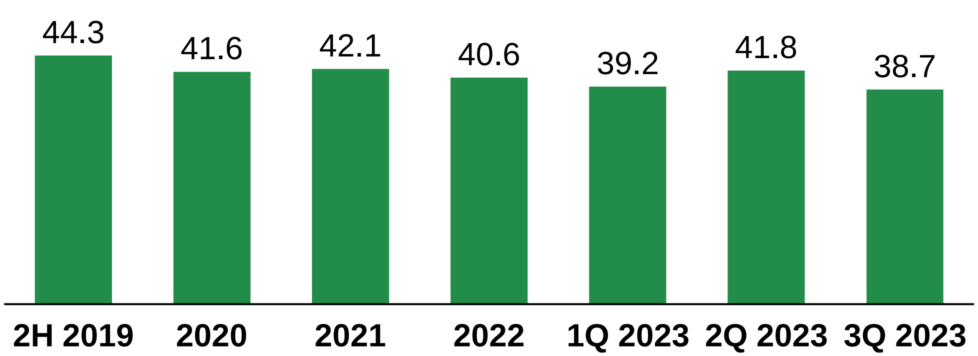
Y-o-y change of mortgage loan applications and disbursements in the first nine months of 2023



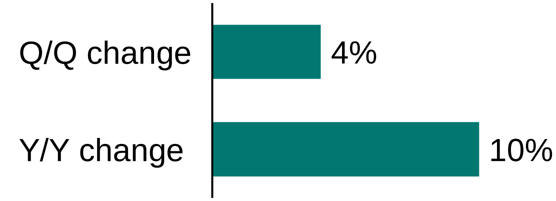
OTP's market share in mortgage loan contractual amounts (%)



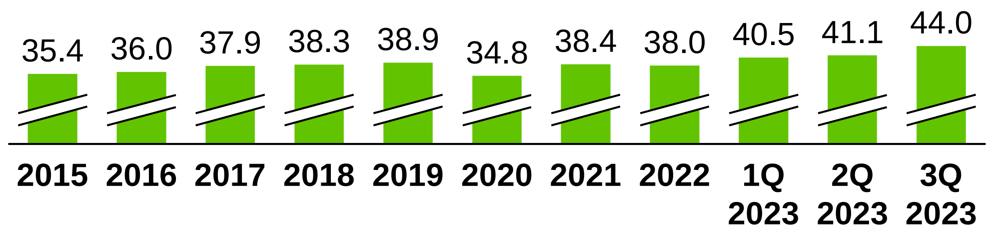
OTP's market share calculated from the baby loans contractual amount (%)



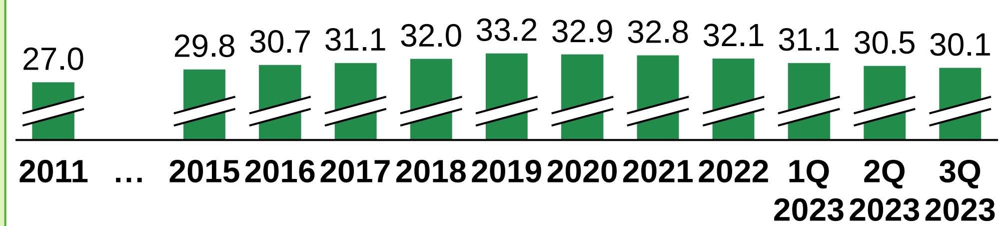
Performing (Stage 1+2) cash loan volume growth
(FX-adjusted)



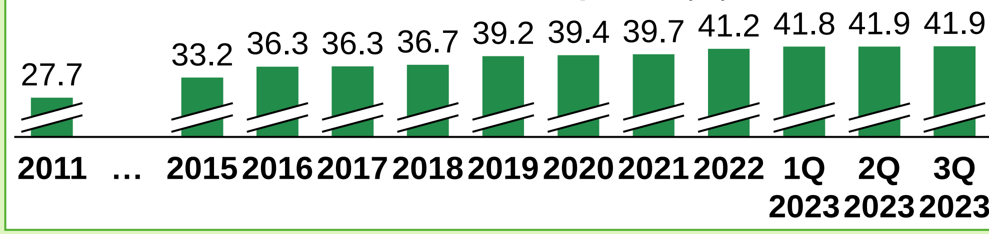
Market share in newly disbursed cash loans (%)



OTP Bank's market share in retail savings (%)



OTP Bank's market share in retail deposits (%)

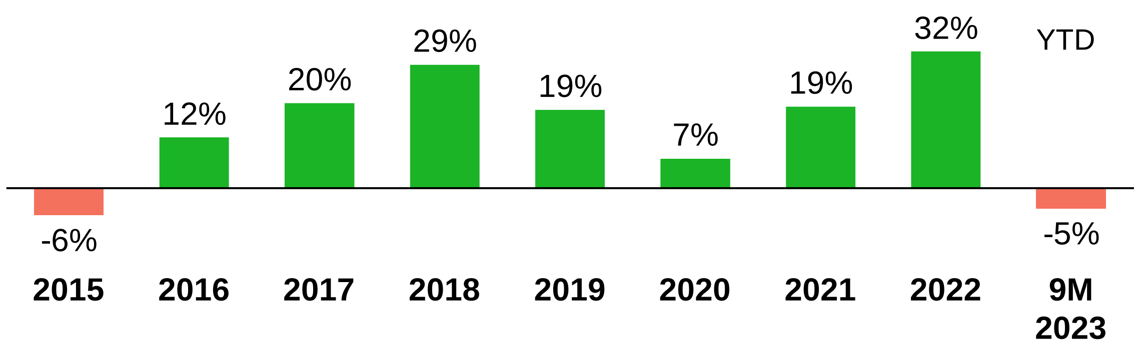


OTP CORE

Micro and small business loans remained on growth track, while corporate loans decreased during the first nine months of the year. Subsidized lending schemes continued to generate significant new loan placements

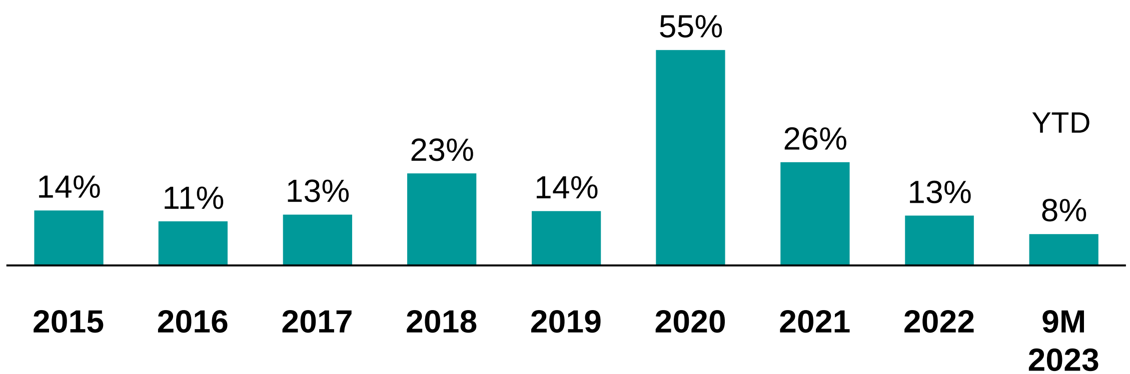
Performing corporate loan volume changes

(DPD0-90 loan changes until 2018, Stage 1+2 from 2019, FX-adjusted)

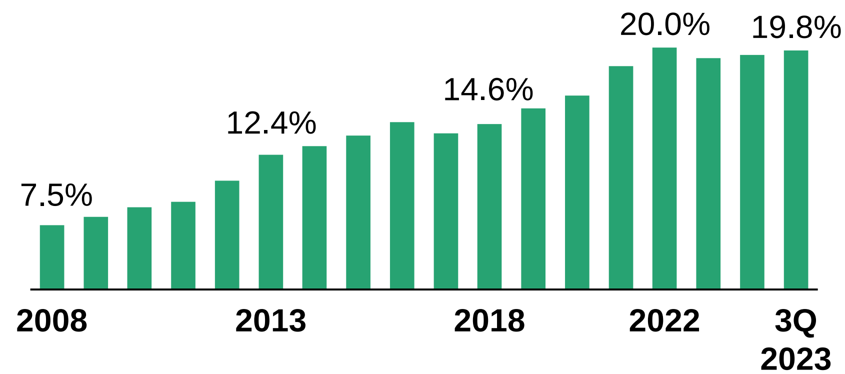


Performing loan volume changes in the micro and small companies segment

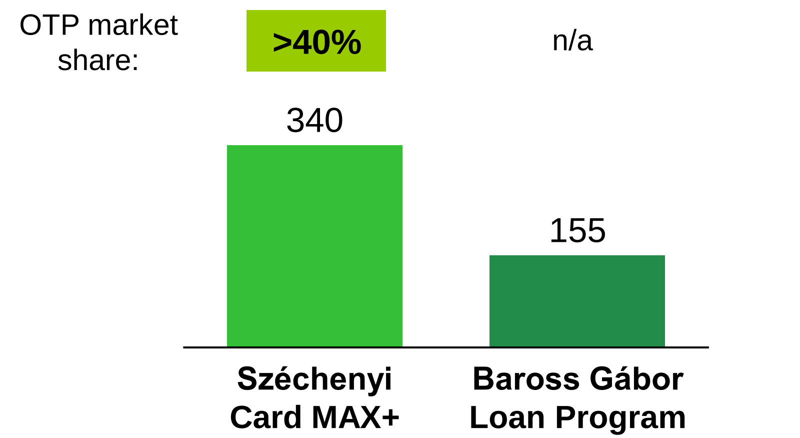
(DPD0-90 loan changes until 2018, Stage 1+2 from 2019, FX-adjusted)



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



Contracted loan amount under the *Széchenyi Card MAX+* and *Baross Gábor Reindustrialisation Loan Program* from the start until the end of 3Q[2] (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: KAVOSZ, OTP. The Széchenyi Card MAX+ Program has offered preferential rate loans to customers from 23 December 2022; the Baross Gábor Reindustrialisation Loan Program was launched in February 2023.

The delivery of ESG obligations and goals set by the Bank's ESG strategy are on track according to schedule. At the beginning of July OTP's ESG risk rating by Sustainalytics improved further

ESG RESULTS AND TARGETS

	3Q 2023 Actual	Long-term KPIs
Building the green credit portfolio	Corporate: **HUF 262 billion** Retail: **HUF 141 billion**	Green loans of **HUF 1,500 billion** in total **by 2025** for the Group
Responsible employer	**Employee engagement** was 70% on group level	Steady increase in employee engagement, to reach global 75th percentile (in 2022: 78%)
Reducing own emissions	**Net carbon neutrality** reached (by purchasing green energy and offsets)	**Total carbon neutrality** by 2030 for OTP Bank
Transparent responsibility	OTP Bank Plc. is **signatory of UN PRB;** Integrated Report	OTP Bank will become a member of **S&P Dow Jones Sustainability Index** by 2025

ESG RATINGS

OTP Bank's improving sustainability performance has been recognized with rating upgrades by the major ESG rating agencies.

SUSTAINALYTICS a Morningstar company

ESG risk rating

SEVERE – HIGH – MEDIUM – **LOW** – NEGLIGIBLE

14.6

MSCI

ESG rating

CCC – B – BB – BBB – **A** – AA – AAA

A

CDP DRIVING SUSTAINABLE ECONOMIES

ESG rating

D – C – **B-** – A

B-

GREEN FINANCE

Green Loan Framework

In 2022 OTP Group has **developed its Green Loan Framework** - the first of its kind in Hungary - based on international standards.

Sustainable Finance Framework

In July 2022, OTP Group issued its first series of green bonds through its **Sustainable Finance Framework**, which was the first Hungarian green bond on the international bond market.

Green investments

In the area of **investment services**, the screening of sustainability preferences and objectives have been integrated into the investment advisory and portfolio management processes.

In 2024 economic growth is expected to accelerate in most operating countries

	Hungary			Bulgaria			Slovenia			Croatia		
	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
GDP growth (annual, %)	4.6	-1.0	2.0	3.9	1.7	2.1	2.5	1.6	2.4	6.3	2.2	2.1
Unemployment (%)	3.6	4.1	4.2	4.2	4.2	4.1	4.0	3.6	3.3	7.0	6.5	6.5
Budget balance (% of GDP)	-6.2	-5.2[2]	-2.9[2]	-2.8	-3.4	-3.1	-3.0	-4.7	-3.7	0.1	-0.5	-1.0
Inflation (avg / eop, %)	14.5/24.5	17.9/7.5	4.8/3.8	15.3	9.8	4.1	9.3	7.6	4.5	10.7	8.2	4.1
Reference rate[1] (eop, %)	16.1	10.75	6.5	1.4	4.0	3.7	2.0	4.0	3.5	2.0	4.0	3.5

	Serbia			Albania			Montenegro			Uzbekistan		
	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
GDP growth (annual, %)	2.3	1.7	3.0	4.9	2.4	3.3	6.1	4.7	3.3	5.7	5.4	5.1
Unemployment (%)	9.4	10.0	9.5	11.3	11.0	10.7	15.0	15.0	14.5	8.9	8.4	7.9
Budget balance (% of GDP)	-3.1	-3.3	-2.7	-3.8	-3.0	-3.0	-4.3	-1.8	-4.9	-3.9	-3.5	-3.2
Inflation (avg, %)	11.9	13.0	6.7	6.7	4.9	4.0	13.0	8.5	3.0	11.4	9.8	9.3
Reference rate[1] (eop, %)	5.0	6.0	5.0	2.75	3.0	3.0	-	-	-	15.0	13.0	11.5

	Russia			Ukraine			Romania			Moldova		
	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
GDP growth (annual, %)	-2.1	2.6	1.5	-29.1	1.0	3.9	4.6	1.9	2.7	-5.9	2.8	4.4
Unemployment (%)	3.9	3.2	3.4	21.0	20.0	17.0	5.6	5.6	5.8	3.1	4.4	4.2
Budget balance (% of GDP)	-2.1	-2.6	-1.8	-16.3	-20.0	-16.0	-6.2	-5.8	-5.0	-3.3	-5.5	-4.5
Inflation (avg, %)	13.8	5.9	7.1	20.2	13.5	10.0	13.7	10.7	7.2	28.8	13.0	5.5
Reference rate[1] (eop, %)	7.5	14.0	11.0	25.0	16.0	15.0	6.8	7.0	6.5	13.6	9.2	6.6

Source: OTP Research Department
[1] Base rates, except for: Hungary: 3M BUBOR; Croatia and Slovenia: ECB deposit facility rate; Bulgaria: Leonia Plus interbank rate; Albania: 3M Tribor; Moldova: 91 days T-bill. [2] Government target.

In light of the first nine months results management upgraded its 2023 Guidance for the Group

Management guidance for 2023 – OTP Group

The consolidated organic performing loan volume growth may exceed 5% y-o-y (FX-adjusted).

Based on the first nine months trends, for 2023 the management forecasts improving NIM, lower credit risk cost rate and cost-to-income ratio than in 2022, therefore the adjusted ROE in 2023 may exceed 25%.

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Questions and Answers session