

OTP Group Full year 2022 results

Conference call – 10 March 2023

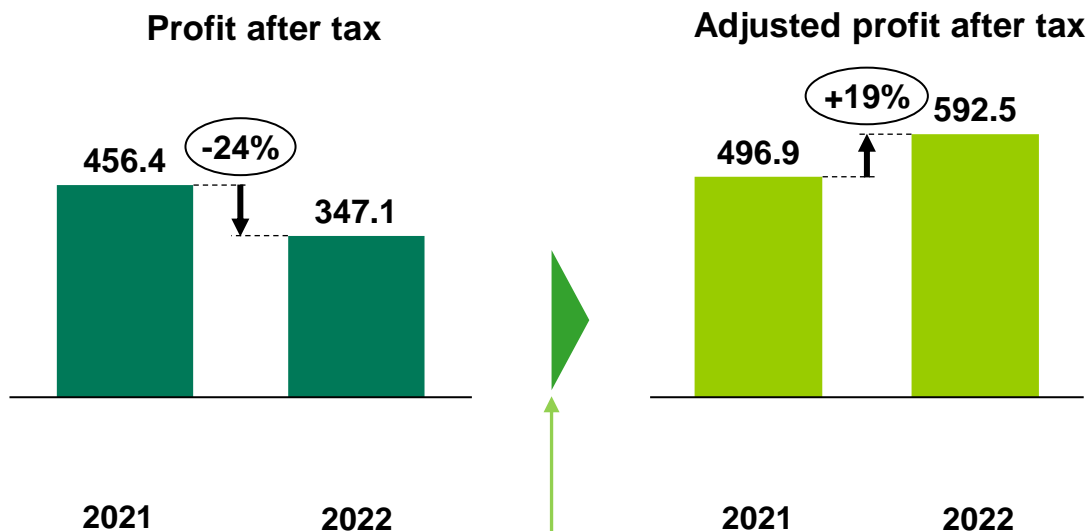
László Bencsik

Chief Financial and Strategic Officer

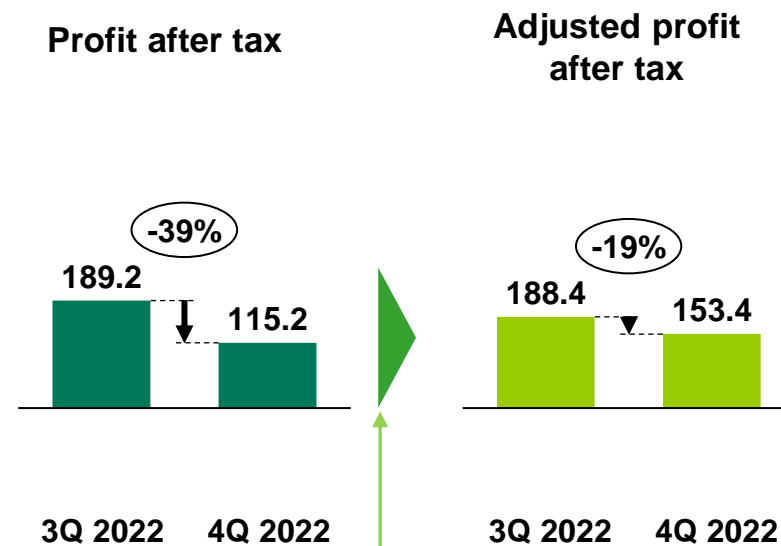


In 2022 as a whole OTP Group posted HUF 347.1 billion profit after tax, 24% lower than a year before. Adjustments exceeded -HUF 245 billion (after tax), mainly relating to the war and the measures of the Hungarian government

Cumulated profit development Y-o-Y (HUF billion)



Quarterly profit development (HUF billion)



Adjustments (after tax, HUF billion)

	2021	2022	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Special taxes on financial institutions	-18.9	-91.4	-20.2	-67.9	0.0	-3.2
Impairment on Russian government bonds in the books of OTP Core and DSK Bank	-	-34.8	-34.5	-0.5	-0.8	1.0
Goodwill impairment and tax shield on investment impairment	1.9	-59.3	-56.3	0.0	1.8	-4.7
Expected one-off effect of the extension of the interest rate cap for certain loans in Hungary	-	-36.6	-	-10.1	0.0	-26.4
Effect of acquisitions	-15.5	-15.6	-2.5	-3.4	-3.7	-6.0
Dividends and net cash transfers	0.7	1.9	0.0	0.2	1.0	0.7
Result of the treasury share swap agreement	6.3	3.0	-8.5	0.0	11.5	0.0
Effect of the winding up of Sberbank Hungary	-	-10.4	-	-2.5	-8.2	0.3
Expected one-off negative effect of the extension of the debt repayment moratorium in Hungary	-15.0	-2.5	0.0	-1.8	-0.7	0.0
Total	-40.5	-245.5	-122.0	-86.1	0.9	-38.2

The increase in the Group's annual adjusted profit after tax was mainly shaped by the dynamic growth in core banking revenues, partly offset by the operating cost pressure and more than doubling total risk cost

P&L (in HUF billion)	OTP Group (consolidated)					
	2021	2022	3Q 2022	4Q 2022	4Q Q-o-Q FX-adj.	FY Y-o-Y FX-adj.
Net interest income	884	1,094	291	296	2%	14%
Net fees and commissions	326	397	106	110	3%	14%
Other net non-interest income	104	166	53	45	-14%	52%
Total income	1,313	1,657	450	451	0%	17%
Personnel expenses	-340	-396	-104	-118	13%	9%
Depreciation	-73	-85	-22	-23	2%	9%
Other expenses	-240	-307	-76	-87	14%	20%
Operating expenses	-653	-788	-203	-228	12%	13%
Operating profit	660	868	247	223	-9%	22%
Provision for impairment on loan losses	-46	-135	-27	-34	25%	163%
Other risk cost	-27	-43	-5	-8	69%	64%
Total risk cost	-73	-178	-32	-42	32%	130%
Profit before tax	588	690	215	181	-15%	7%
Corporate tax	-91	-97	-27	-28	4%	1%
Adjusted profit after tax	497	593	188	153	-18%	8%
Adjustments	-40	-245	1	-38		539%
Profit after tax	456	347	189	115	-39%	-32%

Main performance indicators	2021	2022	3Q 2022	4Q 2022	Q-o-Q	Y-o-Y
Adjusted ROE	18.5%	18.8%	22.8%	17.9%	-5.0%p	0.3%p
Performing loan growth (FX-adjusted)	+14%	+12%	+5%	+1%		
Net interest margin	3.51%	3.51%	3.53%	3.50%	-0.03%p	0.00%p
Cost / Income ratio	49.7%	47.6%	45.1%	50.5%	5.5%p	-2.1%p
Credit risk cost ratio	0.30%	0.73%	0.55%	0.66%	0.11%p	0.42%p

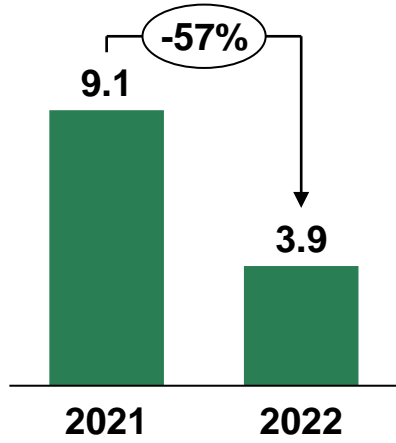
The Group's 4Q adjusted profit without the Russian and Ukrainian operations contracted by 13% mainly due to lower other income and the seasonal spike in costs

P&L (in HUF billion)	OTP Group without Russia and Ukraine					
	2021	2022	3Q 2022	4Q 2022	4Q Q-o-Q FX-adj.	Y-o-Y FX-adj.
Net interest income	731	886	232	233	0%	13%
Net fees and commissions	285	349	91	94	2%	16%
Other net non-interest income	95	133	42	31	-27%	30%
Total income	1,111	1,367	365	358	-3%	15%
Personnel expenses	-290	-328	-85	-98	14%	6%
Depreciation	-64	-73	-19	-20	2%	8%
Other expenses	-214	-276	-68	-77	13%	21%
Operating expenses	-568	-677	-172	-195	13%	12%
Operating profit	543	690	193	162	-17%	19%
Provision for impairment on loan losses	-27	7	-16	-4	-75%	
Other risk cost	-23	-40	-12	-11	-1%	61%
Total risk cost	-50	-33	-28	-16	-44%	-41%
Profit before tax	493	657	165	147	-12%	25%
Corporate tax	-73	-91	-23	-22	-6%	18%
Adjusted profit after tax	420	566	142	125	-13%	27%
Adjustments	-40	-245	1	-38		547%
Profit after tax	380	321	142	86	-40%	-22%

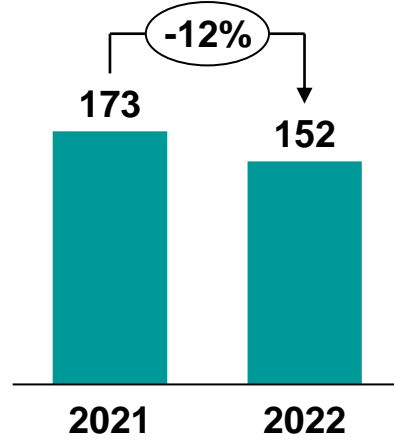
Main performance indicators	2021	2022	3Q 2022	4Q 2022	Q-o-Q	Y-o-Y
Adjusted ROE	17.9%	20.7%	20.1%	17.0%	-3.0%p	2.8%p
Performing loan growth (FX-adjusted)	+13%	+15%	+5%	+1%		
Net interest margin	3.09%	3.05%	3.03%	2.95%	-0.08%p	-0.04%p
Cost / Income ratio	51.1%	49.5%	47.1%	54.6%	7.5%p	-1.6%p
Credit risk cost ratio	0.19%	-0.04%	0.36%	0.09%	-0.27%p	-0.23%p

The profit of the Russian bank fell by 57% in local currency terms. In line with the new strategy, the corporate loan portfolio and intragroup funding has been consciously reduced

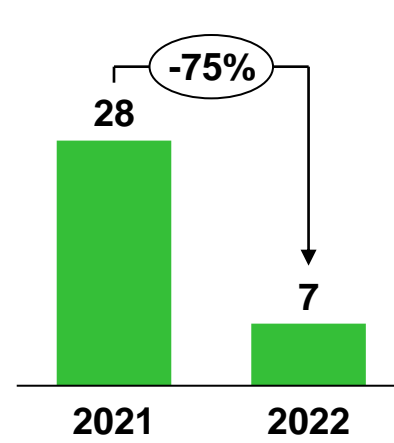
Profit after tax
(RUB billion)



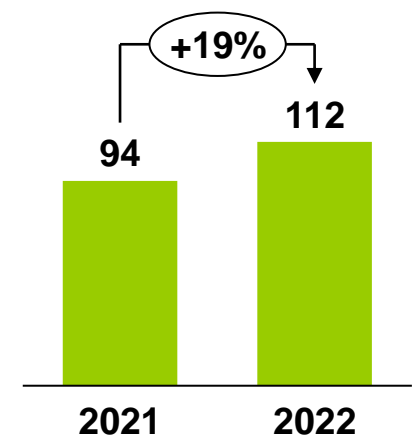
Gross customer loans
(RUB billion)



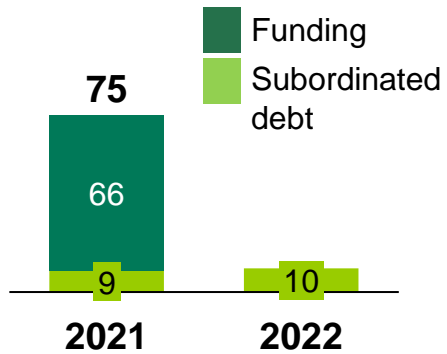
Corporate loans
(RUB billion)



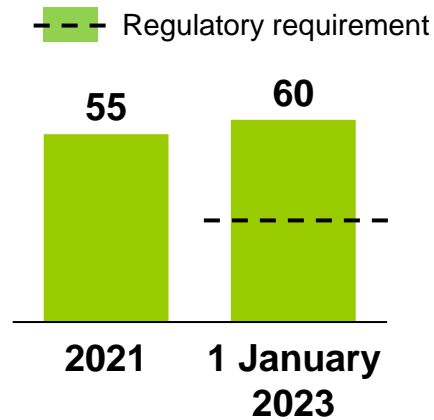
Deposits from customers
(RUB billion)



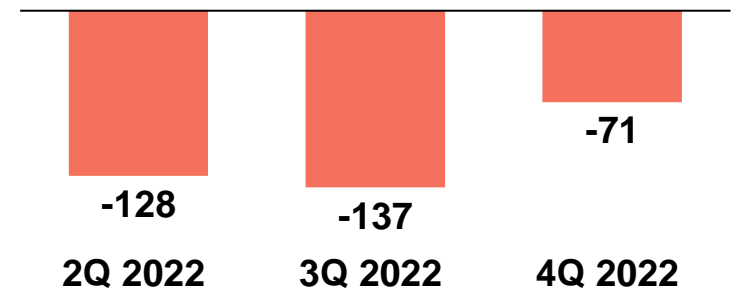
Gross intragroup funding and subordinated debt
(HUF billion)



Russian shareholders' equity
(RUB billion)

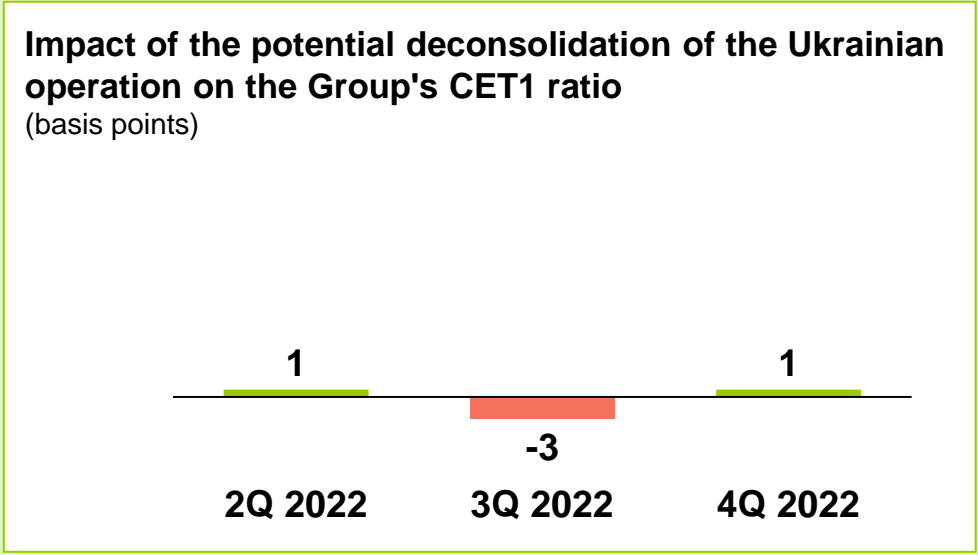
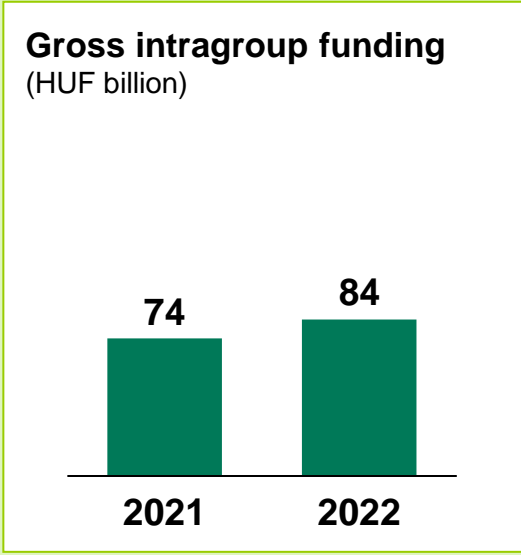
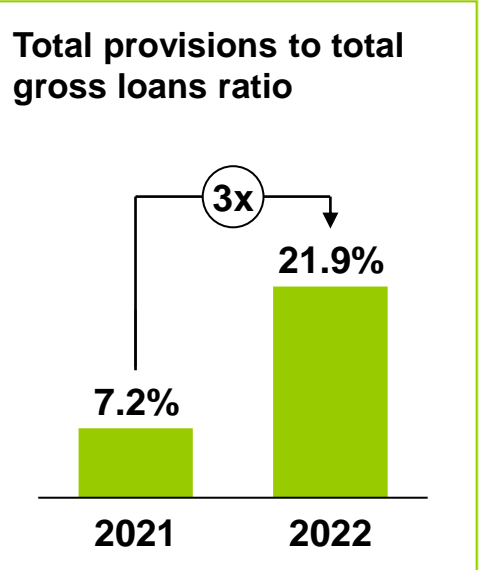
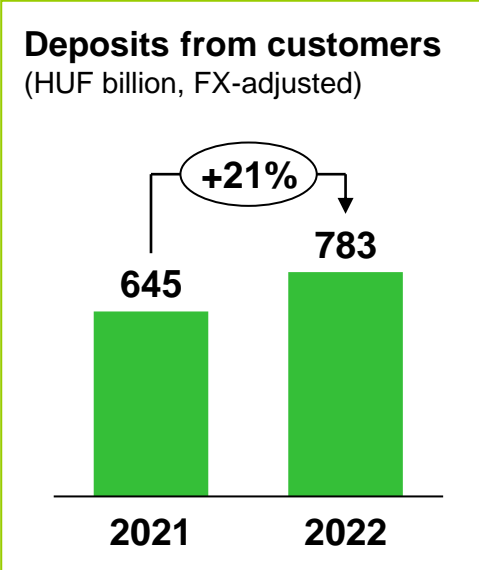
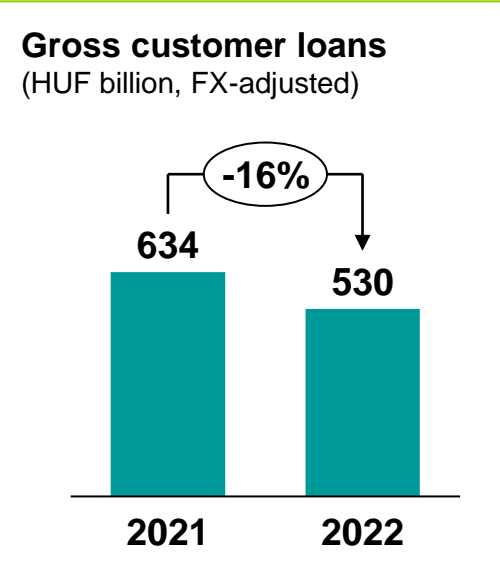
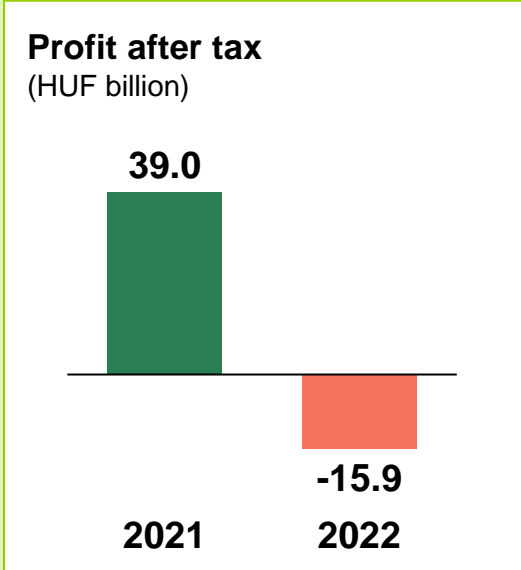


Impact of the potential deconsolidation of the Russian operation on the Group's CET1 ratio
(basis points)





The Ukrainian bank suffered a loss as a result of higher risk costs, but the coverage improved significantly. The Ukrainian bank continues to provide services to its clients



In 2022, foreign subsidiary banks in the CEE region substantially increased their profit after tax, except for Romania. Loan volumes typically grew over 10%. Operating cost efficiency improved considerably in many countries

	Profit after tax ¹ (HUF billion)		ROE	Loan growth ²	Cost / income ratio	
	2021	2022	2022	2022 Y-o-Y	2021	2022
DSK Group (Bulgaria)	77	120	17%	16%	40%	38%
OTP Bank Croatia	33	43	11%	19%	51%	52%
OTP Bank Serbia	32	37	11%	10%	51%	44%
SKB Bank (Slovenia)	17	24	13%	13%	54%	53%
OTP Bank Albania	6	10	21%	9% ³ 49%	46%	54%
CKB Group (Montenegro)	4	10	11%	15%	54%	47%
OTP Bank Moldova	6	9	19%	-5%	49%	37%
OTP Bank Romania	4	3	2%	10%	81%	72%

¹ Without the adjustment items (effect of acquisitions, impairment on Russian government bonds in DSK Bank's books).



² FX-adjusted performing (Stage 1+2) loan growth.

³ Organic FX-adjusted growth without the effect of the Alpha Bank acquisition, estimate.



On 6 February 2023, OTP Bank acquired 100% of the second largest Slovenian bank, Nova KBM, rendering OTP the largest player in Slovenia on a *pro forma* basis in terms of outstanding loan volumes

Market share of Slovenian banks (3Q 2022)

Bank	Total assets	Net loans
NLB + N banka (<i>pro forma</i>)	29.8%	26.4%
Nova KBM + SKB Banka (<i>pro forma</i>)	28.9% 	31.1% 
1 NLB d.d.	26.9%	22.4%
2 Nova KBM d.d.	20.7%	19.8%
3 SKB Banka d.d.	8.2%	11.3%
4 Banka Intesa Sanpaolo d.d.	7.6%	9.0%
5 Unicredit Banka Slovenija d.d.	6.9%	7.6%
6 SID Banka	5.6%	4.9%
7 Gorenjska banka	4.7%	5.5%
8 Delavska hranilnica	4.1%	3.3%
9 Sparkasse	3.3%	4.7%
10 N banka	2.9%	4.1%

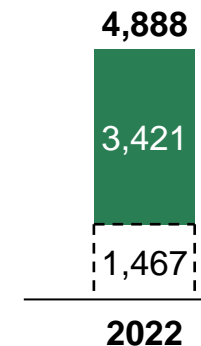
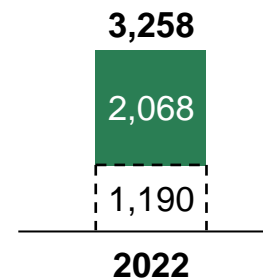
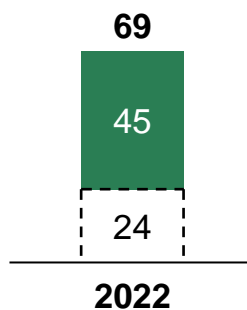
Source: National Bank of Slovenia, Slovenian Banking association

■ Nova KBM □ SKB Banka

Profit after tax¹
(HUF billion)

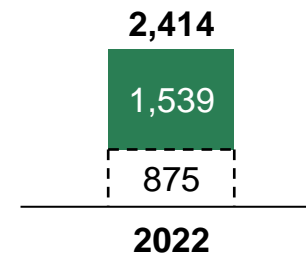
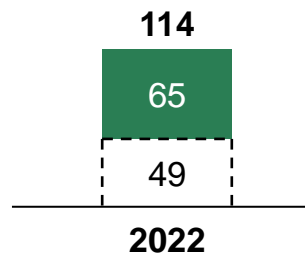
Net loans
(HUF billion)

Customer deposits
(HUF billion)



Branch number












Employee number



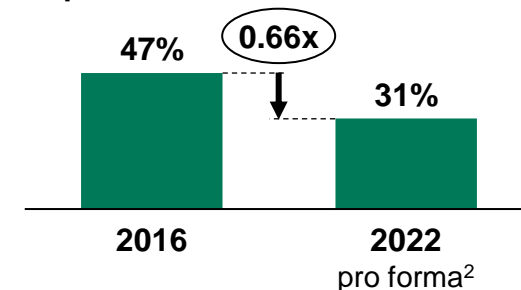
Source: OTP, Nova KBM

¹ Without the effect of adjustment items related to acquisitions.

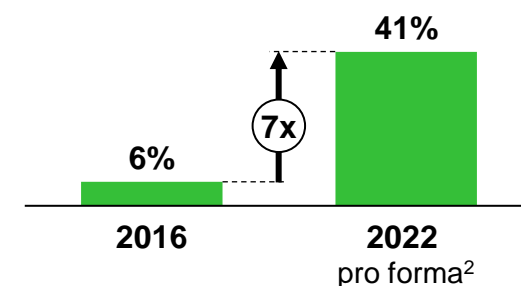
Due to the acquisitions the Group structure changed profoundly. Eurozone and ERM 2 countries became dominant within the consolidated net loans (on a *pro forma* basis), while the weight of Hungary, Russia and Ukraine eroded significantly

Target (seller, date of closing)	Net loans (HUF billion)	Market share (before/after acquis. ¹ , %)	Book value (EUR million)
2017	 Splitska banka , Croatia (SocGen, 2Q 2017)	(Nov 18) 631	4.8 11.2 (4Q 16) 496
	 Vojvodjanska banka , Serbia (NBG, 4Q 2017)	(1Q 19) 266	1.5 5.7 (3Q 17) 174
2019	 SocGen Expressbank , Bulgaria (SocGen, 1Q 2019)	(1Q 19) 774	14.0 19.9 (4Q 18) 421
	 SocGen Albania (SocGen, 1Q 2019)	(1Q 19) 124	6.0 (4Q 18) 58
	 SocGen Moldova (SocGen, 3Q 2019)	(3Q 19) 102	14.0 (4Q 18) 86
	 SocGen Montenegro (SocGen, 3Q 2019)	(3Q 19) 126	17.6 30.4 (4Q 18) 66
	 SocGen Serbia (SocGen, 3Q 2019)	(3Q 19) 716	5.3 13.7 (4Q 18) 381
	 SKB Banka , Slovenia (SocGen, 4Q 2019)	(4Q 19) 827	8.5 (4Q 18) 356
2022	 Alpha Bank SH.A. , Albania (Alpha Intl. Holdings, 3Q 2022)	(4Q 20) 99	6.2 10.9 (4Q 20) 73
2023	 Nova KBM , Slovenia (Apollo Global & EBRD, 1Q 2023)	(4Q 22) 2,068	8.2 28.9 (4Q 22) 993
	 Ipoteka Bank , Uzbekistan (Uzbek State, signed but not closed)	(4Q 22) 1,066	7.9 (4Q 22) 491
Acquisitions total:		6,799	3,595

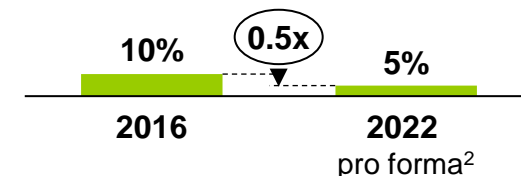
Share of Hungary in the Group's net loan portfolio



Share of Eurozone and ERM 2 countries³ in the Group's net loan portfolio



Share of Russia and Ukraine in the Group's net loan portfolio















¹ Reference date of market share data: Croatia: 2Q 2017, Serbia – Vojvodjanska 4Q 2016, Bulgaria: 1Q 2019, Albania – SocGen: 4Q 2018, Moldova: 2Q 2019, Montenegro: 2Q 2019, Serbia – SocGen 2Q 2019, Slovenia – SKB: 4Q 2018, Albania – Alpha: 3Q 2021, Slovenia – Nova KBM: 3Q 2022, Uzbekistan: 4Q 2022.

² The 2022 pro forma ratio includes the net loan portfolio of the Slovenian Nova KBM and Ipoteka Bank as of 31 December 2022.














³ 2016: Slovakia, 2022: Bulgaria, Croatia, Slovenia.

In 2022 the Group's total income grew by 26%, driven by Hungary, Bulgaria and Russia. In 4Q total income stagnated q-o-q, the declining Hungarian revenues were offset by the improving foreign contribution

TOTAL INCOME without one-off items		2022 (HUF billion)	4Q 2022 (HUF billion)	2022 Y-o-Y (HUF billion, %)		4Q 2022 Q-o-Q (HUF billion, %)	
	OTP Group	1,657	451	343	26%/17% ¹	0	0%/0% ¹
	OTP CORE (Hungary)	637	141	91	17%	-25	-15%
	DSK Group (Bulgaria)	231	70	52	29%/18% ¹	11	19%/16% ¹
	OBH (Croatia)	102	27	13	15%/5% ¹	-1	-2%/-4% ¹
	OBSrb (Serbia)	105	31	21	25%/14% ¹	4	14%/12% ¹
	SKB Banka (Slovenia)	51	15	9	21%/11% ¹	2	15%/13% ¹
	OBR (Romania)	63	18	16	34%/23% ¹	2	15%/13% ¹
	OBU (Ukraine)	111	32	27	33%/30% ¹	4	14%/19% ¹
	OBRu (Russia)	178	61	60	51%/8% ¹	4	8%/13% ¹
	CKB Group (Montenegro)	29	8	7	31%/19% ¹	0	6%/4%
	OBA (Albania)	20	6	7	51%/33% ¹	-1	-8%/-11% ¹
	OBM (Moldova)	28	9	13	82%	1	16%
	Others	102	31	27	36%	-3	-8%

¹ FX-adjusted changes.

The annual net interest income grew 14% FX-adjusted, with bulk of the growth coming from Hungary, Bulgaria, Ukraine, Russia and Romania. The quarterly increase was driven by the foreign banks, while Hungary suffered a 20% contraction

NET INTEREST INCOME	2022 (HUF billion)	4Q 2022 (HUF billion)	2022 Y-o-Y (HUF billion, %)		4Q 2022 Q-o-Q (HUF billion, %)	
 OTP Group	1,094	296	210	24%/14% ¹	6	2%/2% ¹
 OTP CORE (Hungary)	413	88	43	12%	-22	-20%
 DSK Group (Bulgaria)	145	45	33	29%/18% ¹	6	17%/15% ¹
 OBH (Croatia)	71	19	10	16%/6% ¹	0	2%/0% ¹
 OBSrb (Serbia)	77	23	14	23%/12% ¹	3	15%/13% ¹
 SKB Banka (Slovenia)	34	11	6	22%/11% ¹	2	22%/20% ¹
 OBR (Romania)	54	16	17	48%/35% ¹	2	13%/11% ¹
 OBU (Ukraine)	90	26	28	45%/42% ¹	2	10%/15% ¹
 OBRu (Russia)	118	37	27	29%/-6% ¹	2	6%/10% ¹
 CKB Group (Montenegro)	21	6	4	26%/15% ¹	1	16%/14% ¹
 OBA (Albania)	17	6	6	59%/40% ¹	1	23%/19% ¹
 OBM (Moldova)	19	6	9	98%/70% ¹	1	12%
 Merkantil (Hungary)	23	7	2	9%	2	28%
Corporate Centre	5	1	4	301%	2	
Others	9	5	6	282%	3	217%

1 The annual NII grew 12% as a result of expanding volumes, partly offset by lower margins. 4Q NII fell by 20% due to narrowing margin (-50 bps q-o-q). Given the Bank's fixed rate asset surplus, the margin path was shaped mostly by the steeply increasing rate environment. Similar to the previous quarter, one temporary component of this was the different speed of repricing of corporate loans and deposits (-HUF 6 billion q-o-q effect, expected to fully reverse in 1Q as the affected corporate loans had repriced in the meantime).

2 The annual growth was driven by dynamic loan growth and better margin. The q-o-q growth was mainly due to the repricing of the typically EURIBOR-linked corporate loans.

3 The Romanian annual growth was positively affected by expanding loan volumes and widening NIM fueled by the rising trend of reference rates.

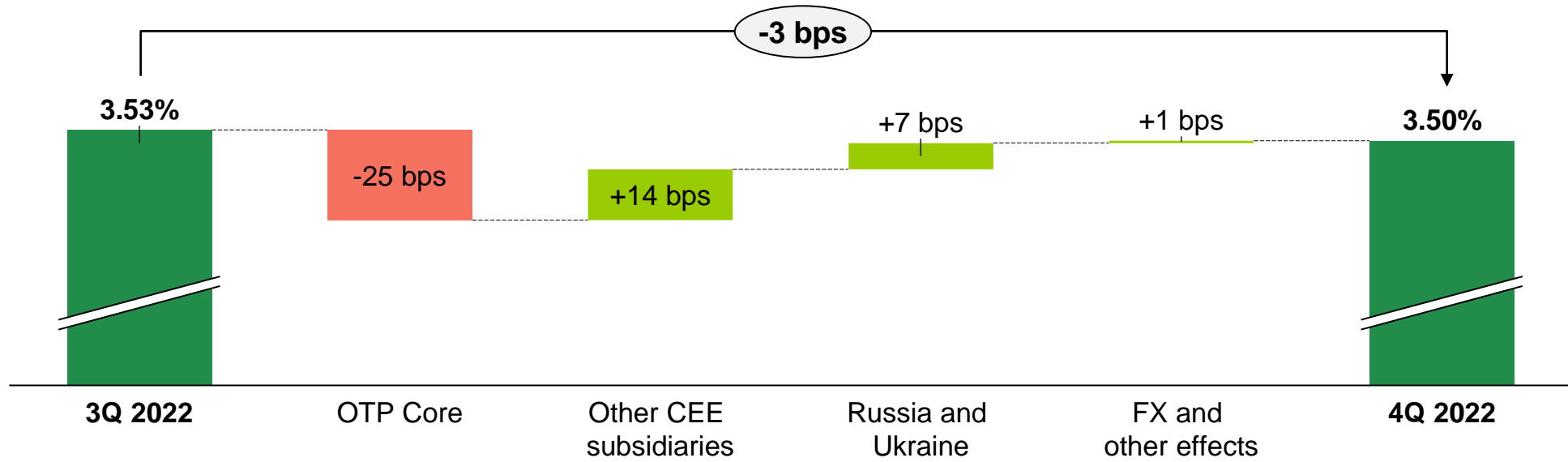
4 The annual NII was driven by the income on central bank deposits (by year-end this stock was close to 30% of total assets, yielding 23% since June).

5 The lower annual NII in RUB terms was due to the shrinking loan volumes and higher funding costs. Amid favorable liquidity situation the Bank further reduced its deposit rates in 4Q.

¹ FX-adjusted changes.

The consolidated net interest margin eroded by 3 bps q-o-q, bulk of the Hungarian margin compression was offset by the across-the-board improvement at the other CEE subsidiaries, most notably in Bulgaria, Serbia and Romania

Drivers behind the q-o-q change of the consolidated net interest margin















OTP Core's net interest margin dropped by 50 bps q-o-q to all-time low level, causing 25 bps decline in the Group margin. Given the fixed rate asset surplus of OTP Core, the margin path was shaped mostly by the steeply increasing rate environment. Similar to the previous quarter, one temporary component of this was the different speed of repricing of corporate loans and deposits.

In general, the **other CEE operations'** margin (excl. OTP Core) benefited from the rising rate environment. Within the 14 bps q-o-q improvement, DSK Bulgaria delivered 3 bps, OTP Serbia another 3 bps, and OTP Romania 2 bps.

Ukraine explained +2 bps out of the quarterly margin dynamics on the back of the rising average rate of financial assets and corporate loans. In **Russia** the Bank further reduced its term deposit rates amid the favorable liquidity position.

The consolidated performing loan growth decelerated to 1% q-o-q. In Hungary and Bulgaria corporate lending remained strong. Russian consumer loans grew 5% in a seasonally strong quarter, but the corporate exposures kept melting down

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













	Cons. 	Core ² (Hungary) 	DSK (Bulgaria) 	OBH (Croatia) 	OBSrb (Serbia) 	SKB (Slovenia) 	OBR (Romania) 	OBU (Ukraine) 	OBRu (Russia) 	CKB (Monten.) 	OBA (Albania) 	OBM (Moldova) 
Q-o-Q nominal change (HUF billion)	112	100	107	5	-24	-10	-34	-64	25	17	-7	-10
Total	1%	2%	3%	0%	-1%	-1%	-3%	-13%	4%	4%	-2%	-6%
Consumer	0%	1%	1%	-1%	-4%	2%	-6%	-29%	5%	1%	-5%	-12%
Mortgage	1%	-1%	4%	2%	2%	1%	-2%			3%	-1%	-5%
		Housing loan	Home equity									
		0%	-5%									
Corporate¹	1%	3%	4%	1%	-2%	-3%	-3%	-10%	-16%	6%	-2%	-4%
Leasing	-1%	-1%	4%	-5%	1%	0%	2%	-11%			3%	4%

¹ Loans to MSE and corporate clients.

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

The consolidated performing loans without Russia and Ukraine expanded by 15% over the last twelve months. Hungary posted another strong year with 15% expansion, driven by corporate. Volumes contracted in Russia, Ukraine and Moldova

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

	Cons. 	Core ² (Hungary) 	DSK (Bulgaria) 	OBH (Croatia) 	OBSrb (Serbia) 	SKB (Slovenia) 	OBR (Romania) 	OBU (Ukraine) 	OBRu (Russia) 	CKB (Monten.) 	OBA (Albania) 	OBM (Moldova) 
Y-o-Y nominal change (HUF billion)	1,999 2,287 ³	832	484	346	179	136	103	-161	-127	56	116	-9
Total	12% 15% ³	15%	16%	19%	10%	13%	10%	-27%	-16%	15%	49%	-5%
Consumer	3% 6% ³	5%	11%	3%	0%	2%	0%	-52%	-2%	9%	113%	-24%
Mortgage	10% 10% ³	3%	18%	23%	13%	9%	4%			13%	73%	-8%
	Housing loan	Home equity										
	4%	-8%										
Corporate¹	19% 23% ³	29%	17%	26%	13%	25%	15%	-20%	-75%	19%	36%	3%
Leasing	5% 10% ³	1%	25%	18%	9%	3%	25%	-28%			1%	20%

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 Russia and Ukraine.

Consolidated deposits grew by 2% q-o-q. Deposit inflows remained strong across the group except for Hungary, where household deposits continued their slowly declining trajectory

Q-o-Q DEPOSIT volume changes, 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)	OBM (Moldova)
Q-o-Q nominal change (HUF billion)	510	-276	299	76	115	70	55	112	29	31	-1	9
Total	2%	-2%	6%	3%	8%	5%	6%	17%	5%	6%	0%	3%
Retail	3%	-2%	5%	5%	5%	4%	17%	5%	9%	5%	-1%	5%
Corporate¹	1%	-3%	10%	-1%	11%	7%	-4%	23%	2%	8%	4%	1%
Deposits – Net loans gap (HUF billion)	6,518	4,932	1,463	227	-425	277	-167	369	-35	98	162	104

¹ Including MSE, MLE and municipality deposits.

Consolidated deposits grew by 14% over the last 12 months. Within the 9% expansion in Hungary, corporate deposit growth was particularly strong. Both Russia and Ukraine enjoyed inflows

Y-o-Y DEPOSIT volume changes, 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)	OBM (Moldova)
Y-o-Y nominal change (HUF billion)	2,994	891	775	317	203	149	99	138	92	104	236	-5
	2,764 ²											
Total	14% 13% ²	9%	19%	15%	15%	11%	11%	21%	19%	25%	84%	-2%
Retail	8% 9% ²	2%	10%	15%	6%	9%	28%	5%	-7%	12%	91%	0%
Corporate¹	20% 19% ²	15%	54%	16%	25%	14%	-2%	31%	57%	38%	61%	-4%
Deposits – Net loans gap (HUF billion)	6,518	4,932	1,463	227	-425	277	-167	369	-35	98	162	104

¹ Including MSE, MLE and municipality deposits.

² Changes without Russia and Ukraine.

In 2022 the 14% FX-adjusted net fee growth was driven by Hungary and Bulgaria. In 4Q fee income stagnated in most subsidiaries, the q-o-q growth was driven by the success fee income realized by OTP Fund Management in Hungary

NET FEE INCOME		2022 (HUF billion)	4Q 2022 (HUF billion)	2022 Y-o-Y (HUF billion, %)		4Q 2022 Q-o-Q (HUF billion, %)	
	OTP Group	397	110	72	22%/14% ¹	3	3%/3% ¹
	OTP CORE (Hungary)	177	46	26	17%	0	1%
	DSK Group (Bulgaria)	69	18	14	26%/16% ¹	-1	-3%/-5% ¹
	OBH (Croatia)	25	6	7	36%/24% ¹	-1	-16%/-17% ¹
	OBSrb (Serbia)	18	5	4	25%/13% ¹	0	4%/2% ¹
	SKB Banka (Slovenia)	15	4	2	16%/7% ¹	0	-5%/-7% ¹
	OBR (Romania)	5	1	1	14%/5% ¹	0	17%/15% ¹
	OBU (Ukraine)	13	4	-2	-13%/-14% ¹	0	2%/7% ¹
	OBRu (Russia)	35	12	10	37%/-2% ¹	0	4%/9% ¹
	CKB Group (Montenegro)	7	2	2	46%/33% ¹	0	-17%/-18% ¹
	OBA (Albania)	3	1	1	66%/45% ¹	0	-22%/-25% ¹
	OBM (Moldova)	3	1	0	12%/-3% ¹	0	-27%
	Fund mgmt. (Hungary)	14	8	4	44%	5	225%

1 At OTP Core the 17% annual growth was due to the stronger deposit, payment and card fee income. In 4Q the usual annual refund to credit card holders booked in one sum (-HUF 3.1 billion in 4Q 2022, -HUF 2.7 billion in 4Q 2021) was broadly offset this time by the annual settlement received from card companies: against the previous practice of booking those settlements on a monthly basis, starting from 4Q 2022 those amounts will be recognized in one sum in the fourth quarter.













2 At DSK the y-o-y growth was driven by the increasing income realized on expanding corporate loans and higher retail transactions. The 4Q fee income moderated q-o-q as a result of canceling certain deposit related fee items, as well as the settlement of refunds related to credit card use.

3 The annual fees shrank by 2% y-o-y in RUB terms, largely due to lower loan disbursements. The 9% q-o-q growth came mainly from the seasonal increase in consumer loan placements.

4 The annual increase at OTP Asset Mgmt. was mainly attributable to the 26% growth of assets under management. The q-o-q growth was explained by the success fees income.

¹ FX-adjusted changes.

The annual other net non-interest income improved by 52% on an FX-adjusted basis. The q-o-q decline was mainly driven by base effect related to the other Hungarian subsidiaries segment

OTHER INCOME	2022 (HUF billion)	4Q 2022 (HUF billion)	2022 Y-o-Y (HUF billion, %)		4Q 2022 Q-o-Q (HUF billion, %)	
 OTP Group	166	45	62	60%/53% ¹	-8	-15%/-14% ¹
 OTP CORE (Hungary)	48	7	22	82%	-3	-33%
 DSK Group (Bulgaria)	17	8	6	50%/36% ¹	5	206%/201% ¹
 OBH (Croatia)	7	2	-3	-29%/-35% ¹	0	13%/11% ¹
 OBSrb (Serbia)	10	3	3	51%/37% ¹	1	27%/26% ¹
 SKB Banka (Slovenia)	2	1	1	61%/43% ¹	0	50%/56% ¹
 OBR (Romania)	4	1	-2	-32%/-36% ¹	0	45%/43% ¹
 OBU (Ukraine)	8	2	1	16%/12% ¹	1	252%/268% ¹
 OBRu (Russia)	25	13	24	23-fold/14-fold ¹	2	17%/27% ¹
 CKB Group (Montenegro)	1	0	0	43%/29% ¹	0	-16%/-18% ¹
 OBA (Albania)	0	-1	-1	-75%/-72% ¹	-1	
 OBM (Moldova)	6	2	3	87%/61% ¹	1	54%/53% ¹
Others	37	7	8	27%	-14	-67%

1 At OTP Core the q-o-q decline was caused by many smaller effects, including the drop-out of certain one-off revenue items booked in the previous quarter, and the shifting of certain other expenses from the operating costs line to the other income line, lowering other income by HUF 2.5 billion in 4Q.

2 In Bulgaria the increase in the annual other revenues can mainly be explained by the strong 4Q, latter was mostly explained by the increase in the swap revaluation result, as well as income from the sale of real estate and leased assets.

3 Croatian annual other income shrank by 29% due to weaker gain on securities and lower result from currency exchange.

4 In Russia the annual other income improved mainly due to FX gains, FX conversion revenues and derivative fair value adjustments. The 4Q growth was also largely attributable to higher income from currency conversion.

5 The q-o-q drop was related mainly due to the base effect coming from a one-off gain on an asset sale by PortfolioLion, OTP Bank's private equity fund.

¹ FX-adjusted changes.

Amid the high inflationary environment, the operating costs grew by 12.5% y-o-y, adjusted for the FX-effect and the Albanian acquisition

■ Effect of acquisition

OPERATING COSTS		2022 (HUF billion)	Y-o-Y (HUF billion, %)		Y-o-Y, FX-adjusted (HUF billion, %)			
	OTP Group	788	133	3 135	21%/20.3% ¹	90	3 93	13%/12.5% ¹
	OTP CORE (Hungary)	343	54		19%	54		19%
	DSK Group (Bulgaria)	88	16		22%	10		12%
	OBH (Croatia)	53	8		17%	4		7%
	OBSrb (Serbia)	46	3		8%	-1		-2%
	SKB Banka (Slovenia)	27	5		20%	3		10%
	OBR (Romania)	45	7		20%	4		10%
	OBU (Ukraine)	31	2		7%	1		5%
	OBRu (Russia)	80	25		44%	5		6%
	CKB Group (Montenegro)	14	2		16%	1		6%
	OBA (Albania)	11	2	5	76%/32% ¹	1	4	53%/17% ¹
	OBM (Moldova)	10	3		38%	2		20%
	Merkantil (Hungary)	11	0		-4%	0		-4%
	Others	28	6		29%	6		29%

1 Drivers behind the 19% cost growth:

- personnel expenses rose by 10% on account of 4% higher average headcount and the implemented wage increases, partly offset by the reduction of employers' contributions by 4 pps effective from 1 January 2022;
- amortization increased by 10%;
- other costs grew by one-third, driven by, among others:
 - higher real-estate-related costs (partly because of moving into the new office building);
 - more than doubling utility costs;
 - increasing supervisory fees (mostly due to the increase in deposit protection fee from the end of 2021);
 - lower training and travel costs in the base period due to the pandemic;
 - Ukrainian refugees' support;
 - weaker HUF: IT services are typically paid in EUR.

2 At DSK the cost increase was due to higher personnel expenses, the 45% increase of charges paid to supervisory bodies in total, and higher energy costs.

3 Cost savings stemmed from synergies extracted from the acquisition.

4 The two banks' merger happened on 1 December 2022, and the synergy potential is likely to unfold in the coming months.

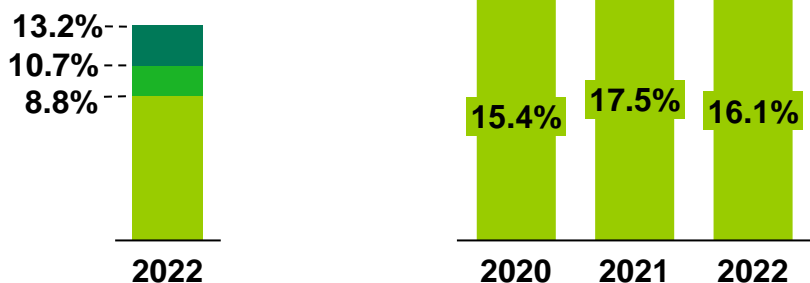
¹ Changes without the effect of the Albanian acquisition, estimate.

The Group's capital and liquidity position is stable: capital adequacy ratios and liquidity reserves significantly exceeded regulatory minimum requirements. Series of successful bond issues were executed in recent months

Regulatory minimum requirements¹

CAR and CET1 ratio actual values²

- Capital adequacy ratio (CAR)
- Tier 1 ratio
- CET1 ratio



Expected impact of individual transactions on capital adequacy ratios at the end of 2022, ceteris paribus

	OTP Group 4Q 2022	NKBM acquisition	Ipoteka acquisition ⁵	Tier 2 issuance	Combined effect
CET1 rate	16.1%	-1.2%	-0.8%	-	-1.8%
Tier 1 rate	16.1%	-1.2%	-0.8%	-	-1.8%
CAR	17.5%	-1.2%	-0.9%	+1.2%	-0.9%

Stable liquidity position

	2021	2022	Threshold
Net loan/deposit ratio	75%	74%	
Consolidated Liquidity Coverage ratio (LCR)	180%	172%	≥ 100%
Net Stable Funding ratio (NSFR)	139%	131% ³	≥ 100%

Issuance of three Senior Preferred bonds and one Tier 2 bond

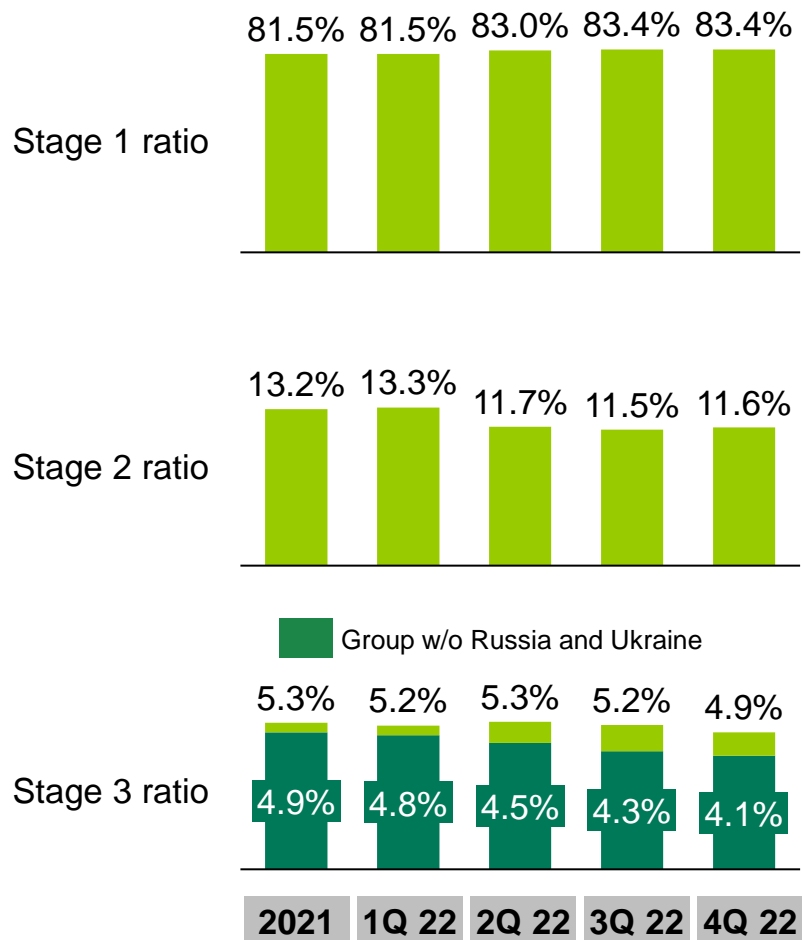
	Senior Preferred			Tier 2
Date	13/07/2022	29/09/2022	01/12/2022	15/02/2023
Face value	EUR 400 mn	USD 60 mn	EUR 650 mn	USD 650 mn
Re-offer rate⁴	427 bps	493 bps	452 bps	465 bps
Issuer's call	13/07/2024	29/09/2025	04/03/2025	15/02- 05/15/2028
Maturity	13/07/2025	29/09/2026	04/03/2026	15/05/2033
Issue rating (S&P/Moody's/Scope)	BBB- / - / BBB+			BB / Ba2 / BB+
Listing	Luxembourg Stock Exchange			

In order to comply with the MREL requirements effective from 1 January 2024, in 2023 the Bank is planning to issue two or three benchmark size (at least EUR 500 million) Senior Preferred bonds.

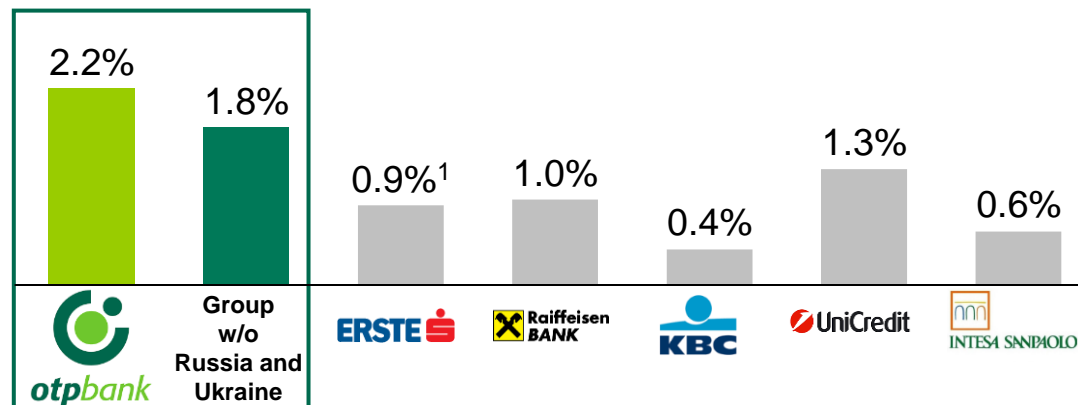
¹ In the absence of additional core capital (AT1), the Tier 1 regulatory requirement is also effective for the CET1 rate
² Indicators calculated for the scope of accounting (IFRS) consolidation. In the absence of additional core capital (AT1), the Tier 1 rate is the same as the CET1 rate. ³ Preliminary data. ⁴ Issuance spread over the EUR Mid-Swap curve.
⁵ The expected badwill and other items will reduce the negative capital impact by appr. 30 bps.

The Stage 3 ratio decreased throughout 2022. Asset quality remained solid and even improved, despite the various headwinds. The management's provisioning policy remained conservative compared to regional banking groups

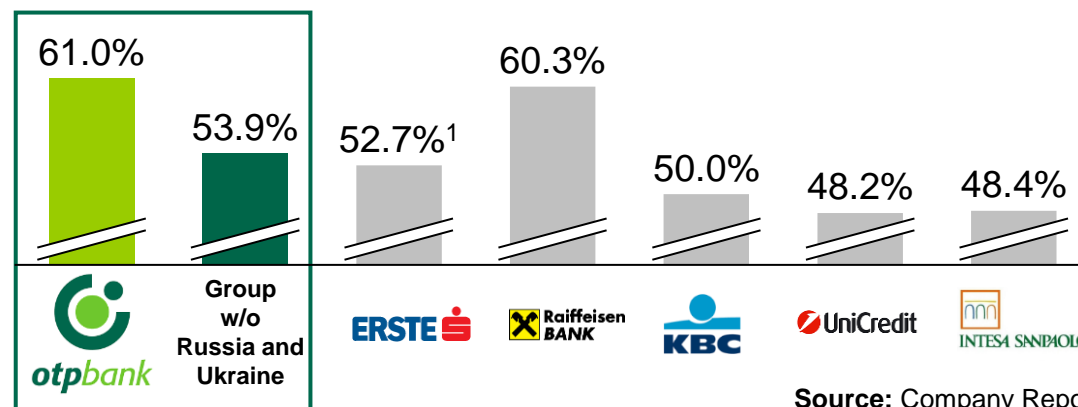
Development of the Group's main credit quality indicators



Own coverage of Stage 1+2 loans compared to regional peers at the end of 4Q 2022



Own coverage of Stage 3 loans compared to regional peers at the end of 4Q 2022



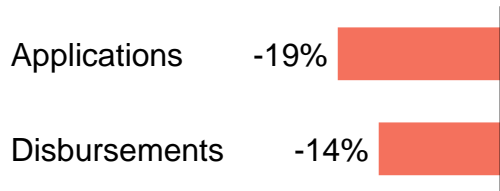
Source: Company Reports

¹ Data as of 30 September 2022.
Source: company reports (estimates in some cases).

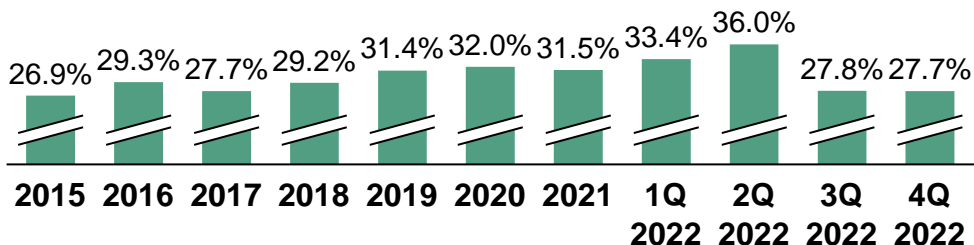


In Hungary applications for mortgage loans dropped 19% y-o-y, with demand shifting towards subsidized products. OTP's market share in cash loan sales exceeded 38% again in 4Q 2022

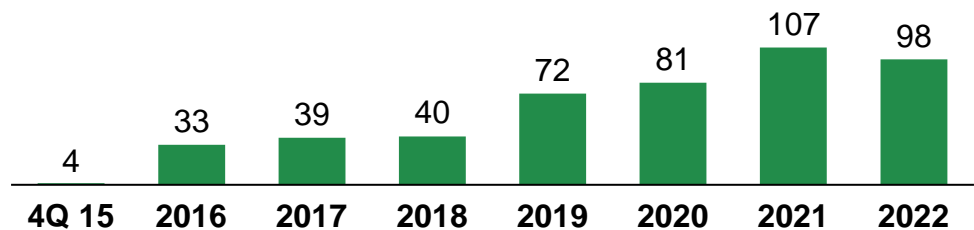
Y-o-y change of mortgage loan applications and disbursements in 2022



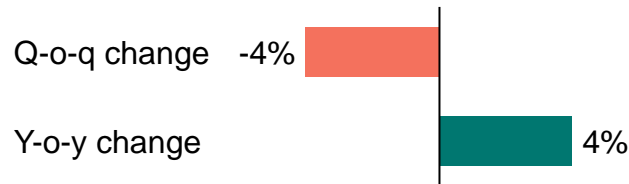
OTP's market share in mortgage loan contractual amounts



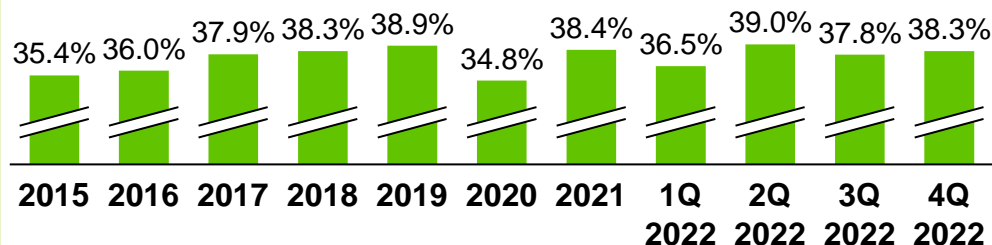
The amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)



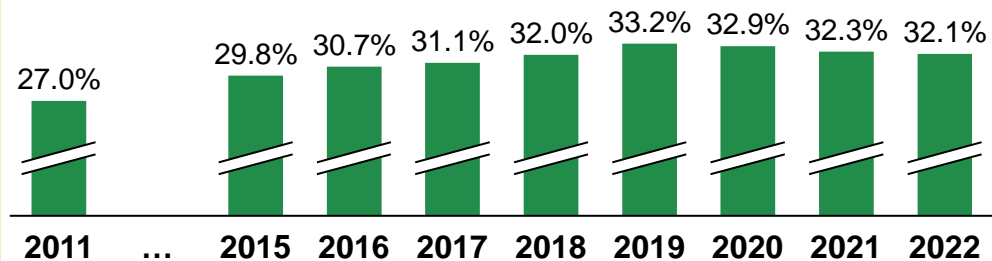
Performing (Stage 1+2) cash loan volume growth (FX-adjusted)



Market share in newly disbursed cash loans



OTP Bank's market share in household savings

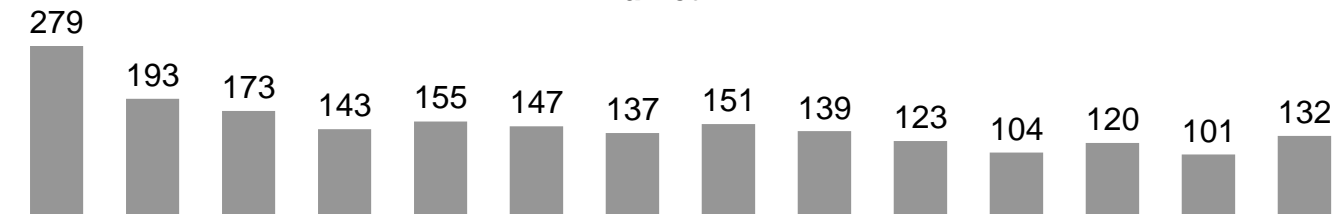


The baby loans programme has been extended until the end of 2024. The green housing loans generated huge demand, actual disbursements come with a certain time delay

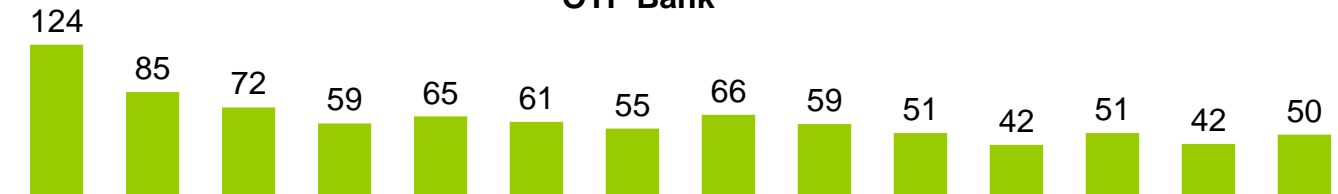
Baby loans

Contractual amount (HUF billion)

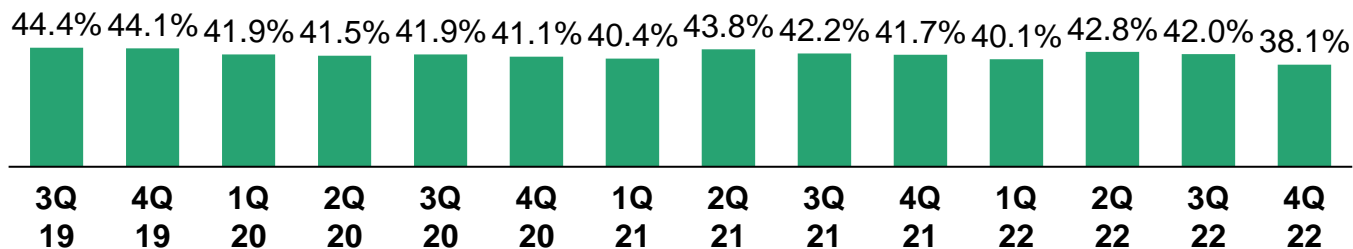
Market¹



OTP Bank

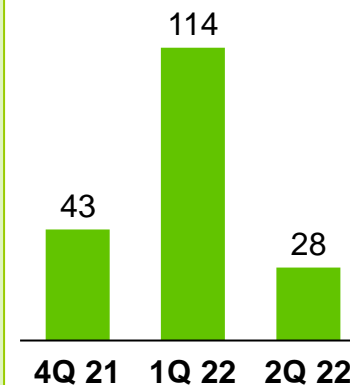


OTP's market share calculated from the contractual amount



Green Home Programme²

Applications for green housing loans (HUF billion)

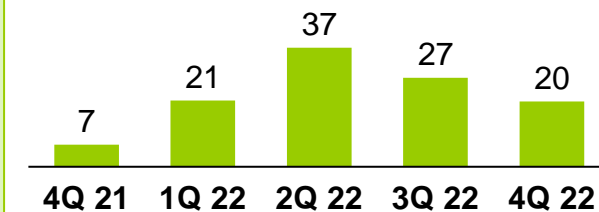


OTP Bank's market share in contractual amount:

59%



Green housing loan disbursements (HUF billion)



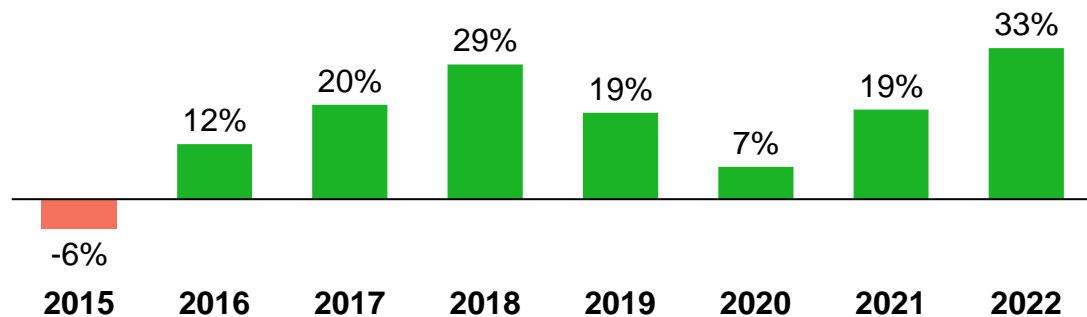
¹ Based on NBH statistics.

² The programme started in October 2021 and the allocated amount has already been fully allocated.

Corporate loan volumes grew by 33% y-o-y, lifting OTP's market share to 20%. Under the Széchenyi Card schemes the contracted amount reached HUF 593 billion overall, resulting in a market share of 32%

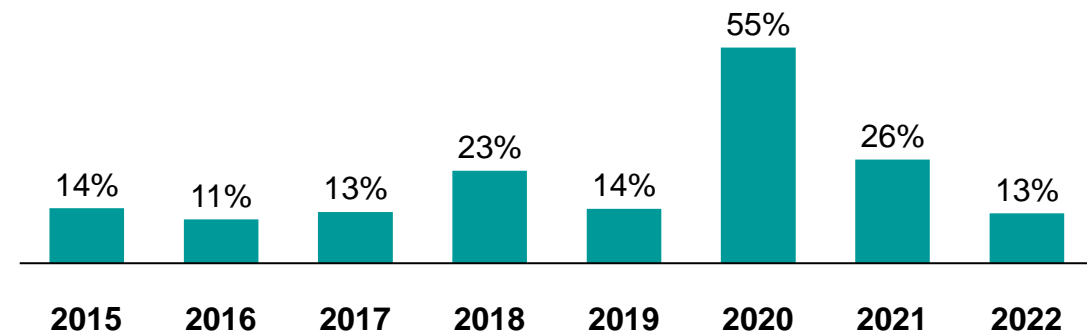
Performing corporate loan volume changes

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

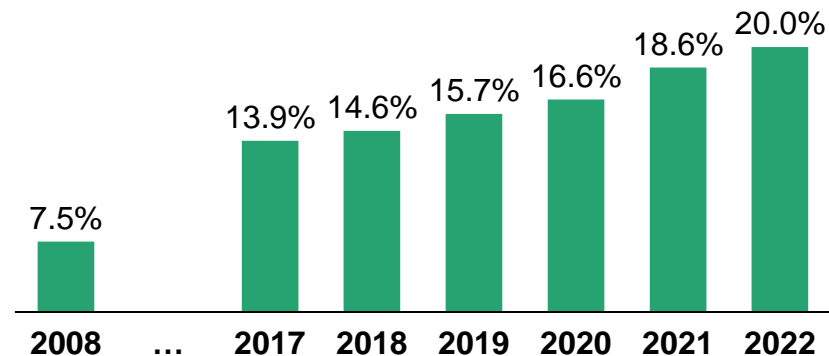


Performing loan volume changes in the micro and small companies segment

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

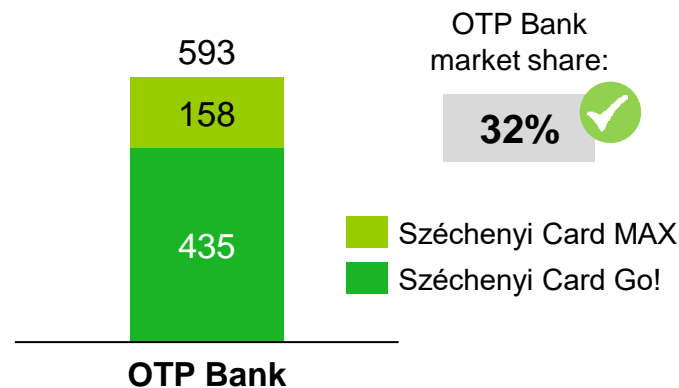


OTP Group's market share in loans to Hungarian companies¹



Contracted loan amount under the Széchenyi Card Go! and MAX² schemes

(from the start of the programme until 31 December 2022, 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 Go! came to an end at the end of June 2022. From August till the end of the year, it is the Széchenyi Card MAX programme that offered preferential rate loans to customers.



The delivery of ESG obligations and goals set by the Bank's ESG strategy are on track according to schedule, with several new initiatives already in the field of green finance

KPI's TO MEASURE STRATEGIC ESG GOALS

	2022 Plan	2022 Actual
Building the green book (green credit portfolio)	Corporate: HUF 150 billion Retail: HUF 80 billion	Corporate: HUF 161 billion Retail: HUF 106 billion
Reducing own emissions	Net carbon neutrality by the end of 2022 for the Hungarian operation	Net carbon neutrality reached (by purchasing green energy and offsets)
Transparent responsibility	Member of UN's Principles of Responsible Banking initiative	OTP Bank Plc is signatory of UN PRB

ESG RISK MANAGEMENT

Credit risk The Group level **ESG Credit Risk Management Framework** was launched in 2021, and the **Risk Appetite Statement** was extended by an **ESG limit** from 2022 on Group level. OTP has been working on gradual extension of qualitative and quantitative ESG limits and on continuous development of the ESG risk management methodology.

Operational risk **ESG Operational Risk Tolerance** was introduced in 2022 at Group level as an operative limit. The annual Business Impact Analysis performed in 2022 has been extended with climate risk factors & aspects, and the taxonomy of ESG-related operational risks was revised.

Market risk A climate disaster scenario has been incorporated into the Trading Book stress test processes.

The growing importance of ESG within risk management is illustrated by the fact that a **dedicated ESG Risk Program** has been defined as one of the focus areas of the OTP Group Risk Strategy for 2023-25.

GREEN FINANCE

Green Loan Framework

OTP Group has developed its **Green Loan Framework** based on international standards, thus establishes the guiding principles of green lending within OTP Group.

Following the adoption of the Green Loan Framework, in 2022 the Bank launched a **green lending pilot** in Hungary.



Sustainable Finance Framework

OTP Group's **Sustainable Finance Framework** - based on international guidelines and recommendations - sets out the rules for issuing the Bank's green and social capital market financial instruments.

In July 2022 **OTP Bank issued the first series of green bonds**, which was the first Hungarian green bond issued in the international debt market.

Contribution to UN SDG's

Green investments

Regarding **sustainable investments**, OTP Group complies with relevant ESG related regulations in its fund and portfolio management and investment advisory services.

Throughout 2023, OTP will explore possibilities to enhance its product and service offers with ESG characteristics.





We build on the synergies of Group members capitalizing on their local knowledge and needs. OTP's ESG ratings have improved and compare well to peers

ESG IN OUR SUBSIDIARIES

The ESG program's rollout to the foreign banks is progressing as planned

In 3Q 2022 the **subsidiary banks prepared their local ESG strategies**, set green loan targets, and identified the necessary organizational changes in order to reach the targets.

Strategic focus areas:

- Building green credit portfolio
- Standard green product development
- Reduction of own carbon footprint
- Setting up dedicated local ESG organization and build expertise

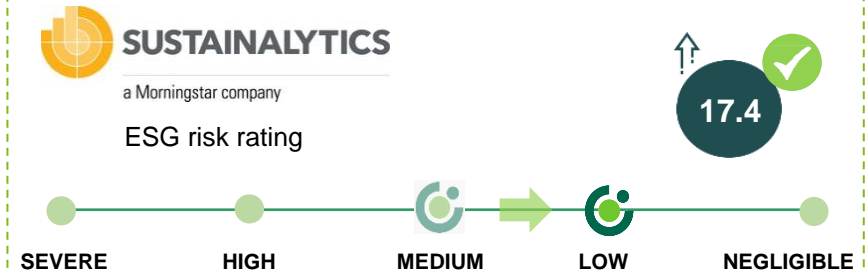


The formation of the appropriate organizational setup has begun and the **rollout of the Green Loan Framework to foreign subsidiaries has started** in 3Q 2022, taking into account the country specificities.

The growth of the green loan portfolio has begun at the subsidiary banks as well, significantly contributing to the successful green bond issuance of the Bank in 2022.

RATINGS





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











Our ESG ratings compare well with our competitors

SUSTAINALYTICS ESG risk rating	17.4	18.2	14.5	18.3	12.5	21.3
MSCI	A	AA	AA	A	AAA	AA
CDP DISCLOSURE INSIGHT ACTION	B-	A-	F	B	A	B

Due to the direct and secondary economic effects of the war, GDP growth significantly slowed down among the regional countries, but the recession in 2023 as a whole can probably be averted, except for Moldova

	 Hungary			 Bulgaria			 Slovenia			 Croatia		
	2022	2023F	2024F	2022F	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
GDP growth (annual, %)	4.6	0.6	3.7	3.1	1.4	2.6	5.4	1.1	2.7	6.3	1.6	3.2
Unemployment (%)	3.6	4.1	4.0	4.3	5.0	4.8	4.2	4.4	4.3	7.0	7.0	6.8
Budget balance (% of GDP)	-6.3	-3.7	-2.5 ²	-3.4	-3.4	-2.9	-2.3	-4.6	-2.9	-1.0	-2.0	-1.5
Inflation (avg / eop, %)	14.5/24.5	19.0/8.8	6.1/5.3	15.3	10.7	3.5	9.3	6.3	2.5	10.7	8.6	3.9
Reference rate¹ (eop, %)	16.1	12.0	6.8	1.4	3.5	3.2	1.4	3.5	3.2	2.0	3.5	3.2

	 Serbia			 Albania			 Montenegro			 Romania		
	2022	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F	2022	2023F	2024F
GDP growth (annual, %)	2.3	1.6	3.5	4.2	2.9	3.7	5.7	2.3	2.8	4.8	2.8	3.5
Unemployment (%)	9.7	12.0	10.5	10.3	9.8	9.7	15.2	16.3	16.0	5.6	5.8	5.5
Budget balance (% of GDP)	-3.3	-3.3	-3.3	-2.2	-3.0	-3.0	-4.1	-3.3	-3.1	-6.0	-5.0	-4.0
Inflation (avg, %)	11.9	10.5	4.5	6.7	5.3	3.5	13.0	8.8	2.5	13.7	10.0	4.9
Reference rate¹ (eop, %)	5.0	4.5	4.0	2.75	3.5	3.5	-	-	-	6.75	6.25	5.5

	 Russia			 Ukraine			 Moldova			 Uzbekistan		
	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
GDP growth (annual, %)	-2.1	0.5	1.8	-30.4	2.6	7.3	-6.9	-1.5	6.9	5.6	5.3	5.4
Unemployment (%)	3.9	4.0	4.0	35.0	27.6	16.2	3.5	4.3	4.0	10.0	9.5	9.0
Budget balance (% of GDP)	-2.3	-3.8	-2.8	-25.0	-15.0	-15.0	-5.0	-4.0	-3.5	-4.0	-3.2	-3.2
Inflation (avg, %)	13.8	5.5	4.0	20.2	22.0	15.0	28.6	13.6	6.1	11.5	10.1	8.0
Reference rate¹ (eop, %)	7.5	7.0	6.5	25.0	25.0	20.0	20.0	13.0	9.0	15.0	13.1	10.5

Source: OTP Research Department.

¹ Base rates, except for: Hungary: 3M BUBOR, Croatia: 1-week repo rate, Bulgaria: Leonia Plus interbank rate, Albania: 3M Tribor, Moldova: 91 days T-bill.

² Government target.

In 2023 the adjusted ROE may be close to the 2022 level due to new acquisitions, continued organic growth, stabilizing net interest margin, stable risk profile and increasing cost pressure amid high inflation¹

Management guidance for 2023 – 1.

The direct and indirect impacts of the war between Russia and Ukraine, as well as the performance of the Hungarian economy and the related Government and Central Bank measures still pose risks in 2023. The expected financial performance of the Group especially depends on these factors, thus the management guidance involves higher than usual uncertainty.

In case of Russia and Ukraine the management doesn't anticipate material worsening in the operating environment, therefore the profit after tax in local currency terms may improve in both countries in 2023.

During the last period high interest rate environment, rate cap schemes and increase of the mandatory reserve requirements had negative effect on Hungarian revenues. However, the management expects inflation to moderate below 10% by the end of 2023, and the rate environment to decline accordingly. In this scenario the net interest income and the net interest margin of OTP Core is expected to improve compared to the 4Q 2022 level².

Similarly to 2022, in 2023 the gross volume of the Hungarian banking tax (HUF 28 billion) and the windfall tax (HUF 69 billion) will put a significant burden on the Bank's profitability. In 2023 the windfall tax will reach HUF 69 billion despite the core activity in Hungary (OTP Core) posted only HUF 27 billion profit after tax in 2022 without dividend received from subsidiaries, while Merkantil Bank made HUF 1.7 billion.

¹ The assumptions and risk factors outlined in the detailed guidance refer also to the expectations set out in the title.

² This expectation refers to the combined net interest income and net interest margin of OTP Core and Corporate Centre (base of reference in 4Q 2022: NII: HUF 89.2 billion, NIM: 1.73%), because starting from 1Q 2023, Corporate Centre won't be carved out of OTP Core in the Stock Exchange Reports.

In 2023 the adjusted ROE may be close to the 2022 level due to new acquisitions, continued organic growth, stabilizing net interest margin, stable risk profile and increasing cost pressure amid high inflation¹

Management guidance for 2023 – 2.

At the same time, the Nova KBM acquisition completed in February 2023 and the pending acquisition of Ipoteka Bank in Uzbekistan (expected to be financially closed in 2Q) may substantially contribute to the consolidated profit after tax; in addition to this, the expected positive after tax effect of one-off items to be booked in relation to the consolidation of Nova KBM (badwill, PPA, initial risk cost, etc.) and presented among the adjustments might reach EUR 230 million.

Due to the overall high interest rate environment and the expected slowdown of the GDP growth in most of the Group's markets, the FX-adjusted organic performing loan growth may not exceed 5% in 2023.

The consolidated net interest margin may remain stable in 2023, and the management doesn't anticipate material deterioration in the risk profile, however elevated inflation puts pressure on the cost efficiency indicators.

In line with the above assumptions the consolidated return on equity calculated from the adjusted profit after tax (adjusted ROE) may be close to the 2022 level.

After the 2022 business year the Board of Directors is expected to suggest a dividend payment of HUF 84 billion (HUF 300/share). The final decision on the dividend proposal will be made at the Board meeting on 21 March, which will be publicly announced on 6 April.

In order to comply with the MREL requirements effective from 1 January 2024, in 2023 OTP Bank is planning to issue two or three benchmark size (at least EUR 500 million) Senior Preferred bonds.

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Questions and Answers session