

# OTP Group Full year 2020 results

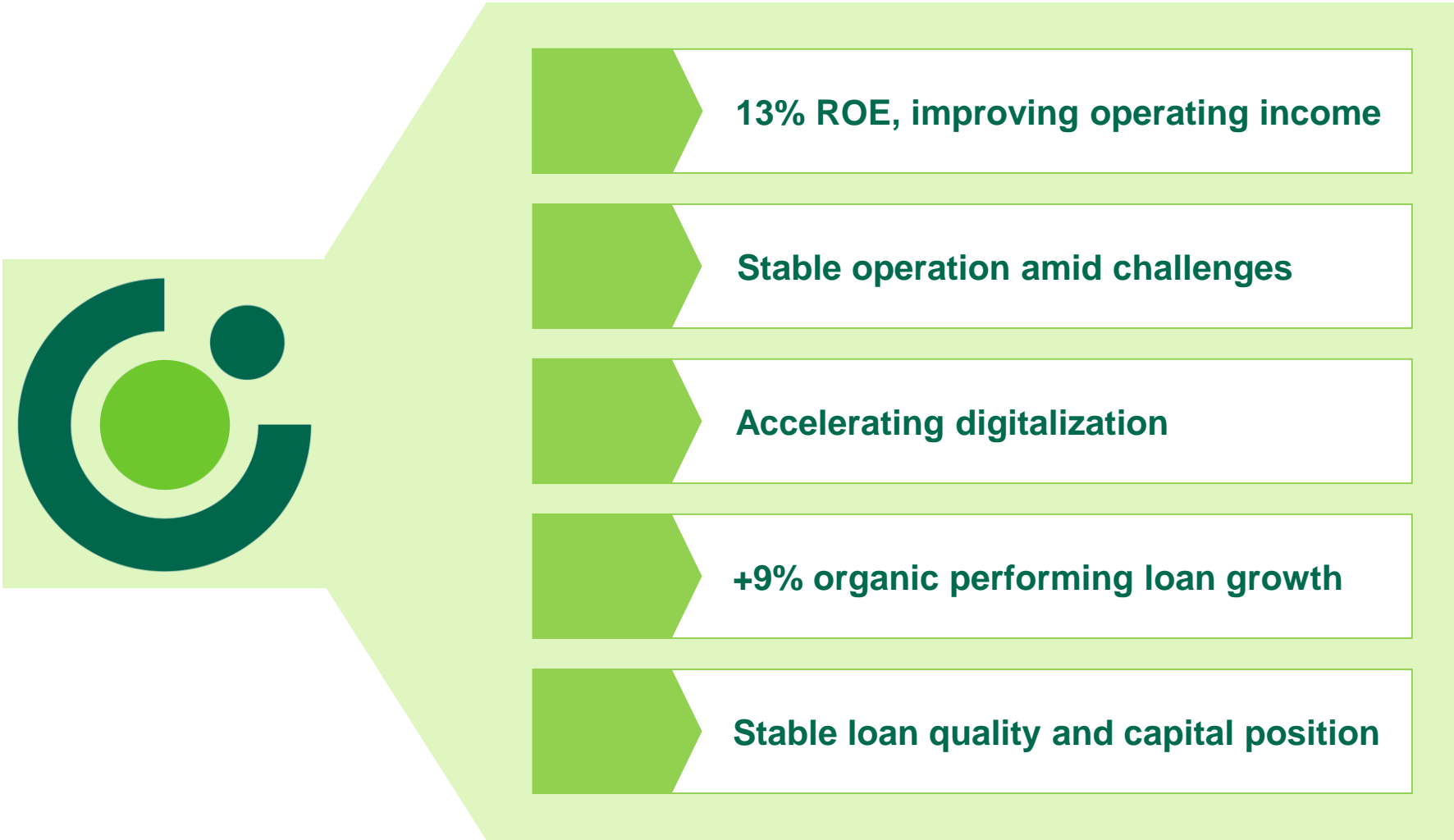
Conference call – 5 March 2021

**László Bencsik**

Chief Financial and Strategic Officer

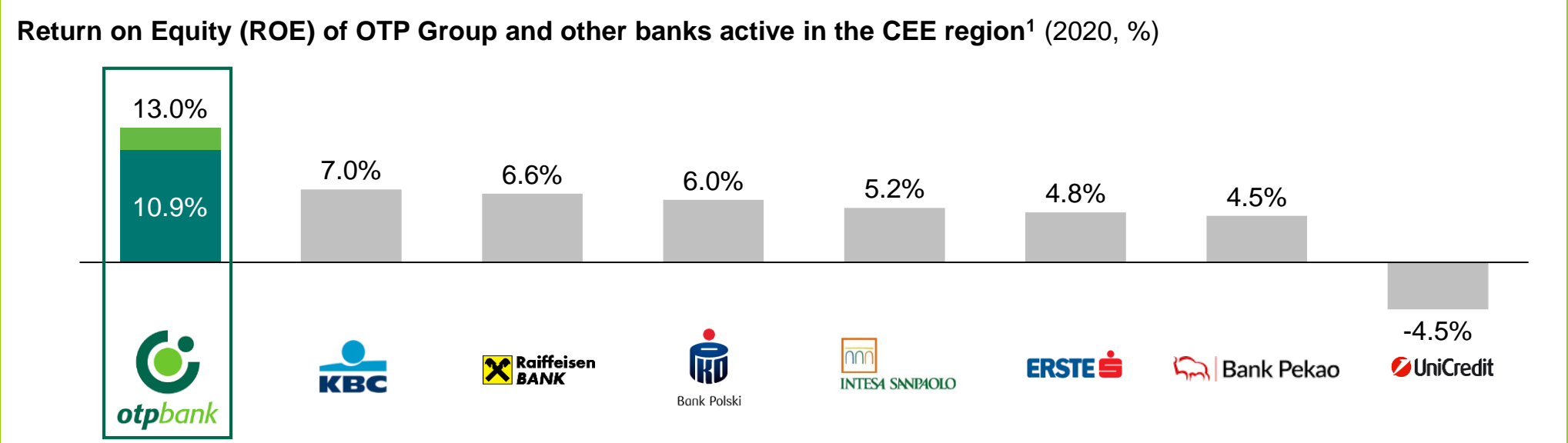
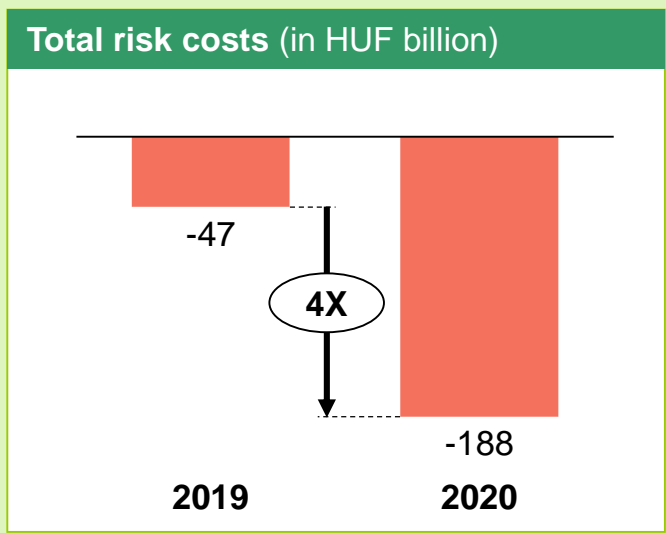
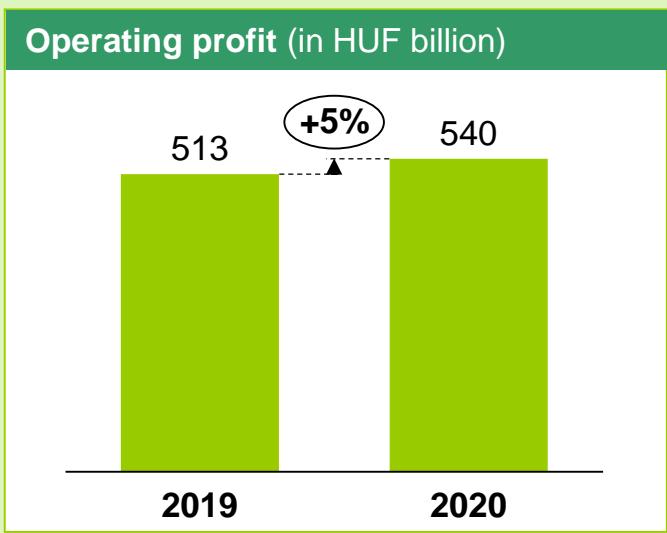
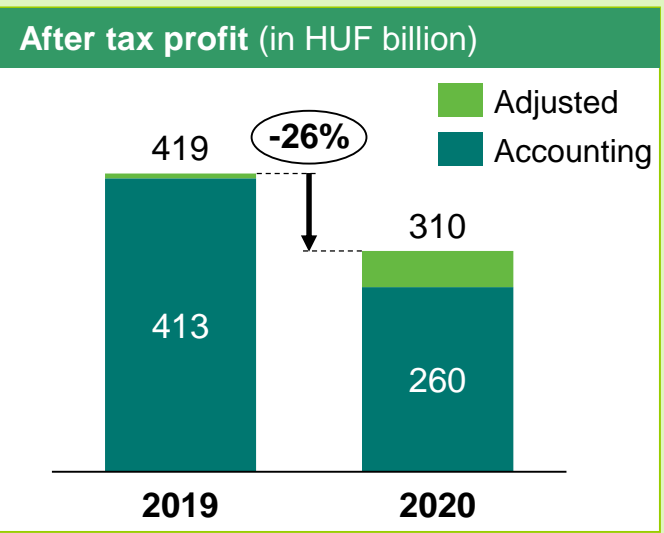


# Key achievements in 2020



Note: the organic loan growth refers to the FX-adjusted y-o-y growth in Stage 1 + 2 loan volumes, filtering out the effect of the sale of OTP Bank Slovakia.

In 2020 the adjusted profit of OTP Group declined by 26% as a result of higher risk costs related mainly to the pandemic situation, meanwhile the Return on Equity remained outstanding compared with other banks active in the CEE region



<sup>1</sup> Source: SNL banking database, OTP.

In 4Q 2020 the balance of adjustments was -HUF 7.1 billion, mostly related to the extended moratorium in Hungary, partly offset by the release of provisions set aside for the sale of the Slovakian bank presented on the effect of acquisitions line

(in HUF billion)	2019	2020	Y-o-Y	4Q 19	3Q 20	4Q 20	Q-o-Q	Y-o-Y
<b>Consolidated after tax profit (accounting)</b>	<b>412.6</b>	<b>259.6</b>	<b>-37%</b>	<b>103.0</b>	<b>113.6</b>	<b>71.5</b>	<b>-37%</b>	<b>-31%</b>
<b>Adjustments (total)</b>	<b>-6.5</b>	<b>-50.6</b>		<b>-3.0</b>	<b>-4.1</b>	<b>-7.1</b>	<b>74%</b>	<b>139%</b>
Dividends and net cash transfers (after tax)	0.5	0.2	-58%	0.1	0.3	-0.3		
Goodwill/investment impairment charges (after tax)	-8.4	0.9		-4.0	-	-		
Special tax on financial institutions (after tax)	-16.2	-17.4	7%	-0.6	0.0	0.0		-97%
Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia (after tax)	-	-28.3		-	0.7	-10.8	1	
Impact of fines imposed by the Hungarian Competition Authority (after tax)	-	0.7		-	-	-		
Effect of acquisitions (after tax)	19.3	-6.9		1.4	-5.1	4.0	2	185%
One-off impact of regulatory changes related to FX consumer contracts in Serbia (after tax)	-1.6	-		0.2	-	-		
<b>Consolidated adjusted after tax profit</b>	<b>419.1</b>	<b>310.3</b>	<b>-26%</b>	<b>106.0</b>	<b>117.7</b>	<b>78.6</b>	<b>-33%</b>	<b>-26%</b>

1 -HUF 10.8 billion expected negative impact of the debt repayment moratoria in Hungary and Serbia (after tax), of which the Hungarian moratorium, extended until 30 June 2021 in unchanged format, represented -HUF 9.1 billion, calculated on the base of year-end participation rate: at the end of December 37% of the combined gross loan portfolio at OTP Core and Merkantil Group was under the moratorium, representing HUF 1,881 billion. Furthermore, there was an additional -HUF 1.7 billion negative impact in Serbia as the original interest calculation method was changed by the local regulator, i.e. charging interest on deferred interest was disallowed retroactively.

2 The +HUF 4 billion acquisition impact (after tax) included, among others, the integration costs in Serbia, Moldova and Montenegro. Also, provisions made in 4Q 2019 for the divestment of the Slovakian subsidiary were released with a positive impact of HUF 6 billion (after tax).

The full-year adjusted profit without acquisitions decreased by 31% y-o-y (adjusted for FX-effect and the sale of OBS), mostly due to higher risk costs. In 4Q risk costs and operating costs surged q-o-q, but banking revenues improved, too

(in HUF billion)	2019	2020	Y-o-Y	2020 without acquisitions <sup>1</sup>	Y-o-Y	Y-o-Y FX-adj.	3Q 20	4Q 20	Q-o-Q	Q-o-Q w/o OBS <sup>2</sup>
<b>Consolidated adjusted after tax profit</b>	<b>419.1</b>	<b>310.3</b>	<b>-26%</b>	<b>286.6</b>	<b>-29%</b>	<b>-31%</b>	<b>117.7</b>	<b>78.6</b>	<b>-33%</b>	<b>-33%</b>
Profit before tax	466.0	351.8	-25%	323.2	-28%	-30%	134.5	88.6	-34%	-34%
Operating profit without one-offs	510.0	537.4	5%	472.0	-4%	-6%	139.3	139.9	0%	0%
Total income without one-offs	1,077.7	1,169.9	9%	1,035.6	0%	-1%	294.4	307.5	4%	5%
Net interest income without one-offs	706.3	788.1	12%	688.0	2%	0%	195.7	197.6	1%	2%
Net fees and commissions	282.5	293.1	4%	267.5	-2%	-4%	74.2	83.1	12%	13%
Other net non interest income without one-offs	88.9	88.7	0%	80.1	-7%	-9%	24.4	26.8	10%	11%
Operating expenses	-567.7	-632.5	11%	-563.7	4%	2%	-155.1	-167.5	8%	10%
Total risk cost	-47.1	-188.0	299%	-151.2	238%	267%	-5.1	-52.1	921%	935%
One-off item: result of the share swap agreement	3.0	2.4	-22%	2.4	-22%	-22%	0.3	0.8	152%	152%
Corporate tax	-46.9	-41.5	-11%	-36.5	-20%	-22%	-16.9	-10.0	-41%	-40%

<sup>1</sup> In these 3 columns neither 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. Also, due to its sale at the end of November 2020, the contribution of the Slovakian subsidiary is filtered out.

<sup>2</sup> In the case of the q-o-q changes, the contribution of the Slovakian subsidiary is filtered out.

Despite the pandemic OTP Bank kept its operations stable. On top of this, the agile transformation of the organization was continued, and the Bulgarian and Montenegrin integration processes, as well as the sale of Slovakia were completed

## OPERATION DURING THE PANDEMIC

### Health protection and community support

Cost of protection and donations (2020):

Group: HUF 7.5 billion  
OTP Bank: HUF 4.0 billion



**>100,000**  
COVID tests performed



**870,000**  
masks



**37,000 litre**  
hand sanitizer



**300,000**  
protecting gloves



**4,000**  
plexi glass dividers in branches



We have supported key actors during the pandemic, especially health and educational institutions



### Org. development - Agile operation

Jan 2019 **750 people (3 Tribes)**

Jan 2021 **1,070 (+1 Tribe)**

High priority developments are significantly faster (Apple Pay, new Mobile- and Internet bank platform go-live, payment moratorium, gradual introduction of new mortgage loan application process).



### Remote work

We have successfully moved to Home Office mode within a few days in the Spring.

At the peak, more than 5,000 employees worked from home.

In the bigger branches employees worked in two-weeks rotation.

## MILESTONES OF THE REGIONAL EXPANSION STRATEGY IN 2020

After six bank acquisitions in 2019, 2020 was the year of integration:



In Bulgaria the integration process finished on 4 May 2020, at the time of the first wave of pandemic restrictions



In Montenegro the merger of the two banks finished at the beginning of December 2020



In Serbia, as planned, the integration is still ongoing and it is expected to close in 2Q 2021



In Slovenia, Albania and Moldova, where the Group was not present, the Group alignment processes of the newly acquired banks were accomplished



The sale of the Slovakian subsidiary was announced at the beginning of 2020, and it was completed in November

# Digitalization accelerated in 2020: the number of digitally active clients increased, and digital developments continued smoothly even during the pandemic

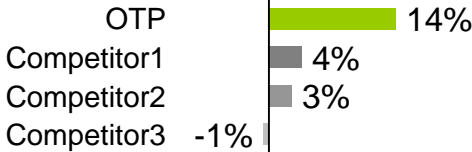
## DIGITAL ACTIVITY

During the pandemic the digital activity of OTP customers increased significantly, especially in the mobile banking app



**OTP SmartBank mobile banking app reached 1.3 million users**

(Average quarterly growth<sup>1</sup> of banking mobile applications' users)

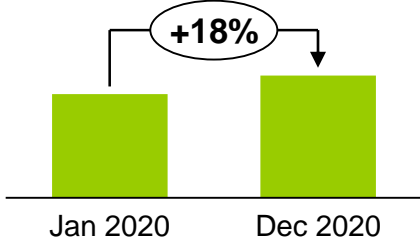


The number of **transactions via OTP digital channels increased significantly**

(Jan 2020 vs. Dec 2020 # of transactions growth)



The number of **digitally active<sup>2</sup> OTP retail customers increased by 18%**



## DIGITAL DEVELOPMENTS

Due to the agile operation, there were no obstacles to developments, many innovations were launched in 2020



**New mortgage process with online support**

Customers who apply for a mortgage need to visit the branch only at the time of signing.



**Product requests via VideoBank**

Clients can already request for bank account, POS loan, credit card or OTPdirekt digital channels with VideoBank authentication and contracting.



**Robotic process automation**

Some of the back-office tasks of the subsidized baby loans and the debt repayment moratorium were performed by robots programmed by OTP.



Benefits of card acceptance and instant transfer are easily available to entrepreneurs with online contracting and w/o installing POS terminal.


















**Instant transfer**

Instant transfer service based on the National Bank of Hungary's standards, with no need for manual intervention.

<sup>1</sup> Source: Apptopia, average quarterly change of mobile banking applications daily active users  
<sup>2</sup> Customers who logged in the internet- or/and mobile banking applications at least once within 3 months

## All major Group members suffered a significant decline in their annual profit as a result of elevated risk costs

		Adjusted profit after tax (in HUF billion)		
		2019	2020	Y-o-Y
	<b>OTP Group</b>	419.1	310.3	-26% / -31% <sup>2</sup>
	<b>OTP Core (Hungary)</b>	191.0	159.3	-17%
	<b>DSK Group (Bulgaria)</b>	67.9	41.0	-40% / -44% <sup>3</sup>
	<b>OBH (Croatia)</b>	30.7	14.8	-52% / -54% <sup>3</sup>
	<b>OBSrb (Serbia)</b>	10.4	7.3	-30%
	<b>SKB (Slovenia)</b>		9.7	
	<b>OBR (Romania)</b>	6.3	1.6	-75% / -76% <sup>3</sup>
	<b>OBU (Ukraine)</b>	35.2	26.1	-26% / -26% <sup>3</sup>
	<b>OBRu (Russia)</b>	28.1	16.3	-42% / -39% <sup>3</sup>
	<b>CKB Group (Montenegro)</b>	6.4	4.3	-32% / -37% <sup>2</sup>
	<b>OBA (Albania)</b>	2.6	2.0	-25%
	<b>Mobiasbanca (Moldova)</b>	1.9	4.0	105%
	<b>OBS (Slovakia)</b>	1.6	-1.2	
	<b>Merkantil Group<sup>1</sup> (Hungary)</b>	7.1	7.7	8%
	<b>OTP Fund Mgmt. (Hungary)</b>	15.1	9.7	-35%
	<b>Other Group members</b>	14.7	7.8	-47%
	<b>Other Hungarian subs.</b>	9.5	8.2	-13%
	<b>Corporate Centre</b>	3.5	-0.6	
	<b>Other foreign subs + eliminations</b>	1.7	0.1	

<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 was presented.














<sup>2</sup> FX- adjusted change without the effect of acquisitions and the sale of OTP Bank Slovakia (estimate).

<sup>3</sup> FX- adjusted change.



In 2020 the total income remained flat y-o-y without the effect of acquisitions and the sale of Slovakia.  
In 4Q the total revenues went up by 5% q-o-q without the effect of the Slovakian disposal

Effect of acquisitions & OBS sale















TOTAL INCOME without one-off items		2020 (HUF billion)	4Q 2020 (HUF billion)	2020 Y-o-Y (HUF billion, %)		4Q 2020 Q-o-Q (HUF billion, %)					
	<b>OTP Group</b>	<b>1170</b>	<b>307</b>	2	90	92	9%/-1% <sup>1</sup>	-2	16	13	4%/5% <sup>1</sup>
	<b>OTP CORE</b> (Hungary)	<b>454</b>	<b>121</b>		22		5%		5		4%
	<b>DSK Group</b> (Bulgaria)	<b>167</b>	<b>44</b>		11		7%/-1% <sup>2</sup>		2		5%/3% <sup>2</sup>
	<b>OBH</b> (Croatia)	<b>85</b>	<b>21</b>	0			0%/-6% <sup>2</sup>	-2			-9%/-11% <sup>2</sup>
	<b>OBSrb</b> (Serbia)	<b>79</b>	<b>21</b>	2	36		83%/-3% <sup>1</sup>	1			3%/1% <sup>2</sup>
	<b>SKB Banka</b> (Slovenia)	<b>40</b>	<b>10</b>		40		-	0			3%/0% <sup>2</sup>
	<b>OBR</b> (Romania)	<b>44</b>	<b>11</b>		6		17%/10% <sup>2</sup>	0			4%/2% <sup>2</sup>
	<b>OBU</b> (Ukraine)	<b>67</b>	<b>17</b>	0			0%/-1% <sup>2</sup>	1			6%/8% <sup>2</sup>
	<b>OBRu</b> (Russia)	<b>123</b>	<b>28</b>	-23			-16%/-12% <sup>2</sup>	0			-1%/2% <sup>2</sup>
	<b>CKB Group</b> (Montenegro)	<b>22</b>	<b>6</b>	0	6		37%/-7% <sup>1</sup>	0			8%
	<b>OBA</b> (Albania)	<b>12</b>	<b>3</b>		4		-	0			-5%
	<b>Mobiasbanca</b> (Moldova)	<b>15</b>	<b>4</b>		9		-	0			-1%
	<b>OBS</b> (Slovakia)	<b>12</b>	<b>1</b>	-2			-16%	-2			-68%
	<b>Others</b>	<b>50</b>	<b>19</b>	-15			-23%		9		81%

<sup>1</sup> FX- adjusted change without the effect of acquisitions and the sale of OTP Bank Slovakia (estimate).

<sup>2</sup> FX- adjusted change.

The 2020 full-year net interest income remained stable without the effect of acquisitions and the sale of Slovakia, also adjusted for FX rate changes; on a quarterly basis it expanded by 2% organically

Effect of acquisitions & OBS sale

NET INTEREST INCOME	2020 (HUF billion)	4Q 2020 (HUF billion)	2020 Y-o-Y (HUF billion, %)		4Q 2020 Q-o-Q (HUF billion, %)			
 <b>OTP Group</b>	<b>788</b>	<b>198</b>	15	67 82	12%/0% <sup>1</sup>	-2 3 2	1%/2% <sup>1</sup>	
 <b>OTP CORE (Hungary)</b>	<b>286</b>	<b>75</b>		25	9%		3	4%
 <b>DSK Group (Bulgaria)</b>	<b>111</b>	<b>28</b>		2	2%/-6% <sup>2</sup>		1	2%/0% <sup>2</sup>
 <b>OBH (Croatia)</b>	<b>58</b>	<b>14</b>		1	2%/-4% <sup>2</sup>	-1		-4%/-6% <sup>2</sup>
 <b>OBSrb (Serbia)</b>	<b>60</b>	<b>16</b>	1	29	93%/-3% <sup>1</sup>		0	3%/1% <sup>2</sup>
 <b>SKB Banka (Slovenia)</b>	<b>28</b>	<b>7</b>		28	-		0	1%/-2% <sup>2</sup>
 <b>OBR (Romania)</b>	<b>33</b>	<b>8</b>		4	16%/10% <sup>2</sup>		0	4%/3% <sup>2</sup>
 <b>OBU (Ukraine)</b>	<b>49</b>	<b>12</b>		0	1%/0% <sup>2</sup>		1	9%/11% <sup>2</sup>
 <b>OBRu (Russia)</b>	<b>100</b>	<b>22</b>	-14		-12%/-8% <sup>2</sup>	-1		-5%/-1% <sup>2</sup>
 <b>CKB (Montenegro)</b>	<b>17</b>	<b>5</b>	1	6	50%/-4% <sup>1</sup>		0	7%
 <b>OBA (Albania)</b>	<b>10</b>	<b>2</b>		3	47%		0	-2%
 <b>Mobiasbanca (Moldova)</b>	<b>9</b>	<b>2</b>		5	125%		0	2%
 <b>OBS (Slovakia)</b>	<b>9</b>	<b>1</b>	-2		-19%	-2		-65%
 <b>Merkantil<sup>3</sup> (Hungary)</b>	<b>18</b>	<b>5</b>		4	26%		0	3%
<b>Corporate Centre</b>	<b>0</b>	<b>0</b>	-4		-91%	0		
<b>Others</b>	<b>1</b>	<b>0</b>	-6		-87%	0		-73%

1 2020 FY net interest income grew by 9% thanks to a dynamic organic growth in loans – this was partly offset by the 18 bps erosion of net interest margin. In 4Q 2020 the net interest income expanded by 4% q-o-q, driven by the growth of interest-bearing volumes, including customer loans and financial assets.

2 Full-year NII declined by 6% in BGN terms, as a result of the 24 bps erosion in margin. NII was also negatively affected by a regulatory change that banned charging penalty interest on late payment during the emergency, from 13 March to 14 May 2020. In 4Q 2020 NII stagnated q-o-q in local currency, as a joint effect of higher loan volumes and declining margin.

3 The q-o-q development was supported by the increase in the performing loans, as well as the 16 bps expansion in the net interest margin.

4 The Russian annual NII drop was due to the declining net interest margin (-59 bps y-o-y): the continued decline in consumer loan rates was partly offset by a drop in average interest rates on deposits from customers.

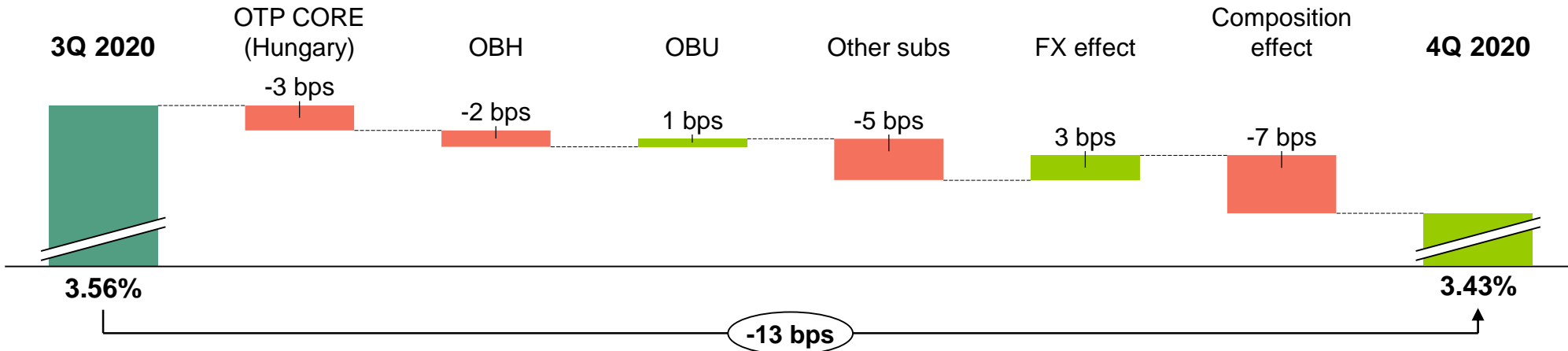
<sup>1</sup> FX- adjusted change without the effect of acquisitions and the sale of OTP Bank Slovakia (estimate).

<sup>2</sup> FX- adjusted change.

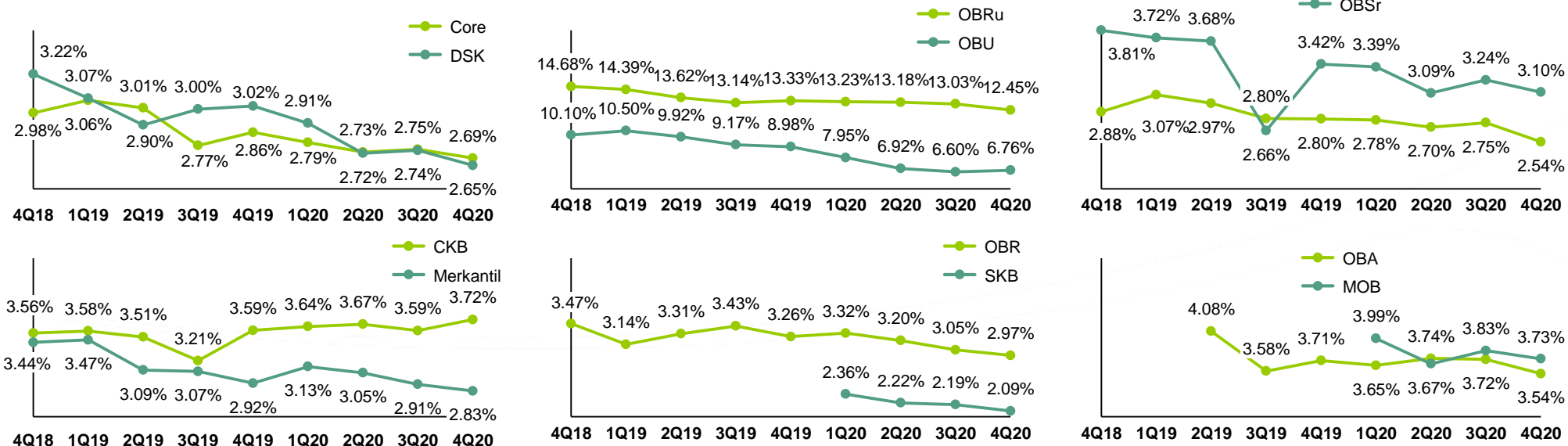
<sup>3</sup> Merkantil Bank until 4Q 2019, Merkantil Group from 1Q 2020.

The Group net interest margin eroded by 13 bps q-o-q as a result of diminishing margins in Hungary and Croatia, as well as the adverse weight changes within the Group (higher share of lower-margin businesses, lower share of Russia)

Consolidated net interest margin development



Net interest margin development at the Group members



<sup>1</sup> In 4Q the average UAH and RUB exchange rate against HUF depreciated q-o-q by 2% and 4%, respectively.

The consolidated performing loans increased by 3% q-o-q w/o the effect of the sale of Slovakia (FX-adjusted). The strong growth continued in Hungary, mostly induced by subsidized loans. Also, the Russian and Ukrainian volumes picked up

**Q-o-Q performing (Stage 1 + 2) LOAN volume changes in 4Q 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)
<b>Q-o-Q nominal change (HUF billion)</b>	-29 373 <sup>2</sup>	164	33	2	44	-7	19	30	43	-1	7	5
<b>Total</b>	0% 3% <sup>2</sup>	4%	1%	0%	3%	-1%	2%	8%	9%	0%	4%	4%
<b>Consumer</b>	0% 2% <sup>2</sup>	5% -1% <sup>3</sup>	0%	-3%	3%	-2%	1%	10%	6%	-1%	4%	3%
<b>Mortgage</b>	-3% 3% <sup>2</sup>	3%	4%	1%	5%	2%	5%			0%	5%	14%
<b>Housing loan</b>	3%											
<b>Home equity</b>	-2%											
<b>Corporate<sup>1</sup></b>	1% 3% <sup>2</sup>	4%	1%	2%	3%	-3%	0%	8%	25%	0%	4%	1%

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

<sup>2</sup> Without the effect of OBS divestment.

<sup>3</sup> Cash loan growth.

In 2020 the consolidated performing (Stage 1+2) loans grew by 9% organically, driven by double-digit growth rates in Hungary and Serbia, partly explained by the moratoria. The Hungarian expansion was mainly due to the subsidized baby loans and MSE loans granted under the Funding for Growth Go! scheme (typically secured by guarantee institutions)

**Y-o-Y performing (Stage 1 + 2) LOAN volume changes in 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)
Y-o-Y nominal change (HUF billion)	725 / 1,129 <sup>2</sup>	657	31	90	203	-13	90	39	-61	8	19	21
<b>Total</b>	6% / 9% <sup>2</sup>	17%	1%	6%	16%	-1%	13%	11%	-11%	3%	12%	20%
<b>Consumer</b>	6% / 9% <sup>2</sup>	39% / 15% <sup>3</sup>	0%	-5%	22%	-10%	6%	2%	-14%	0%	5%	5%
<b>Mortgage</b>	4% / 10% <sup>2</sup>	11%	11%	7%	13%	3%	15%			4%	12%	49%
	<b>Housing loan</b>	<b>Home equity</b>										
	14%	-6%										
<b>Corporate<sup>1</sup></b>	5% / 8% <sup>2</sup>	13%	-6%	15%	14%	-1%	12%	12%	-6%	3%	13%	16%













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

<sup>2</sup> Without the effect of OBS divestment.

<sup>3</sup> Cash loan growth.

# Consolidated deposits increased by 6% q-o-q organically. The Hungarian and Romanian deposit growth rates excelled

## Q-o-Q DEPOSIT volume changes in 4Q 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) 
Q-o-Q nominal change (HUF billion)	607 / 981 <sup>2</sup>	704	119	-2	-14	43	78	30	14	-6	6	13
<b>Total</b>	4% / 6% <sup>2</sup>	10%	3%	0%	-1%	4%	12%	7%	4%	-2%	3%	7%
<b>Retail</b>	3% / 5% <sup>2</sup>	5%	5%	1%	4%	4%	7%	8%	2%	2%	2%	3%
<b>Corporate<sup>1</sup></b>	5% / 8% <sup>2</sup>	15%	-2%	-2%	-6%	3%	17%	5%	8%	-5%	7%	12%

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

<sup>2</sup> Without the effect of OBS divestment.

The consolidated deposits grew by 13% y-o-y organically. The steady inflow continued in Hungary, Bulgaria, Serbia, Romania and Ukraine. The Russian outflow was consistent with the loan volume developments, leaving little change in the deposit-net loan gap

### Y-o-Y DEPOSIT volume changes in 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)
Y-o-Y nominal change (HUF billion)	1,636 2,024 <sup>2</sup>	1,224	272	22	144	165	119	99	-52	-26	18	36
<b>Total</b>	10% 13% <sup>2</sup>	18%	8%	1%	14%	17%	20%	25%	-13%	-7%	9%	21%
<b>Retail</b>	9% 12% <sup>2</sup>	17%	10%	1%	9%	15%	19%	23%	-8%	-4%	8%	15%
<b>Corporate<sup>1</sup></b>	11% 14% <sup>2</sup>	18%	3%	2%	20%	21%	21%	27%	-23%	-11%	16%	30%
<b>Deposit – Net Loan gap (HUF billion)</b>	<b>4,354</b>	<b>3,666</b>	<b>1,138</b>	<b>93</b>	<b>-348</b>	<b>242</b>	<b>-103</b>	<b>97</b>	<b>-120</b>	<b>-13</b>	<b>42</b>	<b>76</b>

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

<sup>2</sup> Without the effect of OBS divestment.

**In 2020 net fees shrank by 2% y-o-y (w/o acquisitions and OBS sale) due to economic recession and lower tourism-related revenues. The 4Q figure was boosted by the success fees at OTP Fund Mgmt (Hungary)**

Effect of acquisitions & OBS sale

NET FEE INCOME		2020 (HUF billion)	4Q 2020 (HUF billion)	2020 Y-o-Y (HUF billion, %)		4Q 2020 Q-o-Q (HUF billion, %)	
	<b>OTP Group</b>	<b>293</b>	<b>83</b>	-7	17	11	4%/-4% <sup>1</sup>
	<b>OTP CORE</b> (Hungary)	<b>130</b>	<b>36</b>		4		3%
	<b>DSK Group</b> (Bulgaria)	<b>45</b>	<b>13</b>		3		8%/0% <sup>2</sup>
	<b>OBH</b> (Croatia)	<b>16</b>	<b>4</b>	-1			-6%/-11% <sup>2</sup>
	<b>OBSrb</b> (Serbia)	<b>15</b>	<b>4</b>	0	5		55%/-1% <sup>1</sup>
	<b>SKB Banka</b> (Slovenia)	<b>11</b>	<b>3</b>			11	-
	<b>OBR</b> (Romania)	<b>4</b>	<b>1</b>		1		20%/13% <sup>2</sup>
	<b>OBU</b> (Ukraine)	<b>14</b>	<b>3</b>	-1			-9%/-10% <sup>2</sup>
	<b>OBRu</b> (Russia)	<b>23</b>	<b>5</b>	-9			-27%/-24% <sup>2</sup>
	<b>CKB Group</b> (Montenegro)	<b>4</b>	<b>1</b>		0		5%/-15% <sup>1</sup>
	<b>OBA</b> (Albania)	<b>1</b>	<b>0</b>		0		-
	<b>Mobiasbanca</b> (Moldova)	<b>2</b>	<b>1</b>		1		-
	<b>OBS</b> (Slovakia)	<b>3</b>	<b>0</b>	-1			-17%
	<b>Fund Mgmt.</b> (Hungary)	<b>14</b>	<b>9</b>	-6			-29%
						8	526%

<sup>1</sup> At OTP Core the one-offs affecting net fees in 4Q 2020 more or less offset each other. Firstly, the shifting of subsidized retail loans to loans at fair value had HUF 2.7 billion positive effect. Secondly, similar to previous years, credit-card-related refunds were booked in one lump sum in 4Q 2020 in the amount of HUF 2.5 billion (HUF 2.6 billion in 4Q 2019).

The annual net fees grew by HUF 3.6 billion, or 3% y-o-y (by 1% without the HUF 2.7 billion positive item booked in 4Q 2020). Among the components of the annual fee income, deposits, transactions- and card-related fee revenues rose modestly, while commissions from securities dropped, particularly those relating to the distribution of investment funds and retail government bonds.

<sup>2</sup> The Russian annual net fee income dropped by 24% in RUB terms, mainly due to lower new loan disbursements; the quarterly rebound in 4Q was driven by seasonally stronger loan sales.

<sup>3</sup> The y-o-y decline in the annual net fee in come was due to the outstanding success fee revenues booked in the 4Q 2019 base period. The y-o-y lower success fees still induced a significant q-o-q growth in 4Q 2020.

<sup>1</sup> FX- adjusted change without the effect of acquisitions and the sale of OTP Bank Slovakia (estimate).

<sup>2</sup> FX- adjusted change.



The annual other net non-interest income dropped by 7% (without the effect of acquisitions and the sale of Slovakia). The 11% q-o-q increase in 4Q was mainly due to the higher Hungarian contribution

Effect of acquisitions & OBS sale

OTHER INCOME without one-off items		2020 (HUF billion)	4Q 2020 (HUF billion)	2020 Y-o-Y (HUF billion, %)		4Q 2020 Q-o-Q (HUF billion, %)	
	<b>OTP Group</b>	<b>89</b>	<b>27</b>	0	-6	0%/-9% <sup>1</sup>	3
	<b>OTP CORE</b> (Hungary)	<b>37</b>	<b>11</b>	-7		-15%	2
	<b>DSK Group</b> (Bulgaria)	<b>10</b>	<b>3</b>		5	121%/99% <sup>2</sup>	1
	<b>OBH</b> (Croatia)	<b>11</b>	<b>3</b>	-1		-5%/-11% <sup>2</sup>	-1
	<b>OBSrb</b> (Serbia)	<b>5</b>	<b>1</b>	0	2	59%/-2% <sup>1</sup>	0
	<b>SKB Banka</b> (Slovenia)	<b>1</b>	<b>1</b>		1	-	0
	<b>OBR</b> (Romania)	<b>7</b>	<b>2</b>		1	18%/11% <sup>2</sup>	0
	<b>OBU</b> (Ukraine)	<b>5</b>	<b>1</b>		1	18%/19% <sup>2</sup>	0
	<b>OBRu</b> (Russia)	<b>1</b>	<b>1</b>	-1		-59%/-52% <sup>2</sup>	1
	<b>CKB Group</b> (Montenegro)	<b>0</b>	<b>0</b>		0	4%/13% <sup>1</sup>	0
	<b>OBA</b> (Albania)	<b>0</b>	<b>0</b>		0	-	0
	<b>Mobiasbanca</b> (Moldova)	<b>4</b>	<b>1</b>		3	-	0
	<b>OBS</b> (Slovakia)	<b>1</b>	<b>0</b>		0	111%	0
	<b>Others</b>	<b>7</b>	<b>3</b>	-5		-43%	1

<sup>1</sup> Full-year other income dropped by 15% y-o-y, or HUF 6.6 billion, dragged down by lower gain on securities in 1Q 2020, and by the fact that recoveries realized on claims bought by OTP Factoring from non-Group parties were presented under risk costs, rather than other income, starting from 2020. In 2020, HUF 3.8 billion revaluation result appeared within other income in the wake of the revision of Visa Inc.'s class C shares' accounting classification. The 17% q-o-q increase in 4Q other income was due to better FX result.

<sup>2</sup> The annual other income growth was explained by higher swap result and FX gains. Also, the revaluation of Visa C shares boosted other income. The q-o-q increase in other revenues in 4Q was largely due to asset sales.

<sup>3</sup> The q-o-q drop was partly due to lower currency exchange gains after the tourism season, and to a one-off income from a bond sale in 3Q.

<sup>4</sup> The q-o-q growth was mainly related to the Other Hungarian subsidiaries segment: OTP Real Estate sold more flats in 4Q, and a real estate sale also boosted this line.

<sup>1</sup> FX- adjusted change without the effect of acquisitions and the sale of OTP Bank Slovakia (estimate).

<sup>2</sup> FX- adjusted change.

# Operating costs grew by 2.4% y-o-y organically, adjusted for FX-effect

Effect of acquisitions & OBS sale

OPERATING COSTS		2020 (HUF billion)	Y-o-Y (HUF billion, %)		Y-o-Y, FX-adjusted (HUF billion, %)			
	<b>OTP Group</b>	632	24	65	11% / 4.4% <sup>1</sup>	13	54	9% / 2.4% <sup>1</sup>
	<b>OTP CORE</b> (Hungary)	272	14		6%	14		6%
	<b>DSK Group</b> (Bulgaria)	77	5		7%	-1		-1%
	<b>OBH</b> (Croatia)	45	2		6%	0		0%
	<b>OBSrb</b> (Serbia)	43	-2	13	43%/-7% <sup>1</sup>	-4	11	33%/-13% <sup>1</sup>
	<b>SKB Banka</b> (Slovenia)	21		21	-		21	-
	<b>OBR</b> (Romania)	32	7		27%	5		20%
	<b>OBU</b> (Ukraine)	25	2		10%	2		9%
	<b>OBRu</b> (Russia)	58	-4		-6%	-1		-1%
	<b>CKB Group</b> (Montenegro)	14	0	3	32%/3% <sup>1</sup>	-1	2	21%/-5% <sup>1</sup>
	<b>OBA</b> (Albania)	6	1		-	1		-
	<b>Mobiasbanca</b> (Moldova)	7	4		-	4		-
	<b>OBS</b> (Slovakia)	11	-2		-18%	-3		-24%
	<b>Merkantil<sup>2</sup></b> (Hungary)	11	4		57%/-5% <sup>3</sup>	4		57%/-5% <sup>3</sup>

<sup>1</sup> The annual cost growth was chiefly because of higher depreciation, and to a lesser extent due to higher hardware and office equipment costs, as well as supervisory fees (the latter jumped by HUF 3 billion y-o-y, to HUF 13.3 billion). In 2020 as a whole, the extra cost of protection against the pandemic and OTP Bank's donations entailed HUF 4 billion extra expenses (HUF 7.5 billion on Group level). Personnel expenses slightly dropped y-o-y, in part because of lower bonus payments and partly as employers' contributions were reduced by 2 pps from July 2020. The average employee count grew by 5% y-o-y.

<sup>2</sup> At the Serbian bank 13% 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.

<sup>3</sup> In Romania the y-o-y increase was largely because of the growth strategy launched in 2019: IT and digital developments entailed additional costs, while personnel expenses growth was driven by wage inflation, as well as a 15% annual rise in average headcount.

<sup>1</sup> Changes without the effect of acquisitions and the sale of OTP Bank Slovakia (estimate).

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

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



## Major economy protection and lending activity boosting measures with direct impact on banking operations

### Government measures

- ✓ Introduction of the **payment moratorium** (blanket solution)
- ✓ Temporary **APR cap** on newly disbursed consumer loans
- ✓ HUF 55 billion contribution paid by the banking sector into the pandemic fund is **deductible** from coming years' banking tax
- ✓ **Supporting investments**
- ✓ **Wage subsidy** for affected businesses (to maintain jobs)
- ✓ Introduction of **loan guarantee schemes**
- ✓ **Prolongation** of short term **corporate loans**
- ✓ General **tax and contribution cuts** (for example employers' contribution reduced by 2.5 pps), and targeted tax reliefs for particular sectors in the case of certain taxes
- ✓ Temporary **suspension of tax enforcements** and introduction of **eviction moratorium** during the emergency period
- ✓ **Broadening the scope of family supporting measures** (5% VAT for new flats, home renovation subsidy and subsidized loan, exemption from stamp duty, extension of the purposes of the Housing subsidy for Families scheme)
- ✓ Launching an **interest free re-start loan** for companies

### Central Bank measures

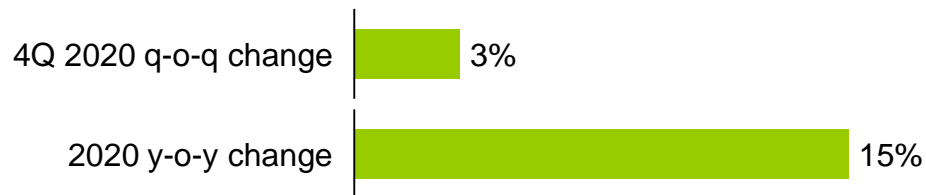
- ✓ Launching **FGS Go! scheme**, extended loan purposes, available funds increased to HUF 2,500 billion
- ✓ **Bond Funding for Growth Programme** available funding increased to HUF 1,150 billion
- ✓ **Government securities and covered bonds purchasing programmes**
- ✓ Rapid and efficient introduction of **liquidity boosting measures** (certain large corporate exposures accepted as collateral, introduction of a fixed rate covered loan, waiving initial margin requirements, temporary exemption from mandatory reserve requirements, HUF and FX swap facilities)
- ✓ Measures **helping bank's liquidity management** (for example the introduction of a 1 week deposit facility, and the preferential deposits for sterilization purposes)
- ✓ Temporary easing **capital buffer requirements**
- ✓ In accordance with the European practice the National Bank of Hungary recommended Hungarian banks **not to pay dividends** until 30 September 2021
- ✓ Introduction of the **Certified Customer Friendly cash loans**



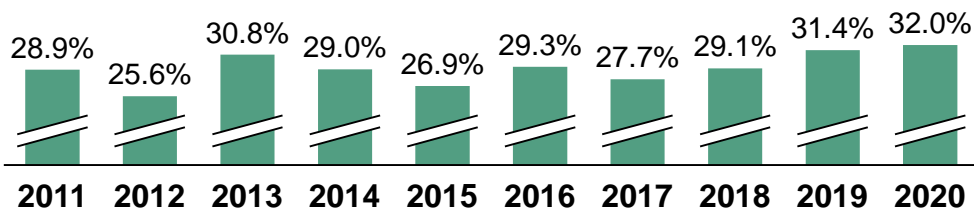
OTP CORE

Hungarian mortgage loan disbursements have been rising steadily. Cash loan placements declined q-o-q in 4Q, thus the outstanding volumes slightly contracted. OTP Bank enjoys a market share over 30% in new mortgage and cash loan disbursements, as well as in retail savings

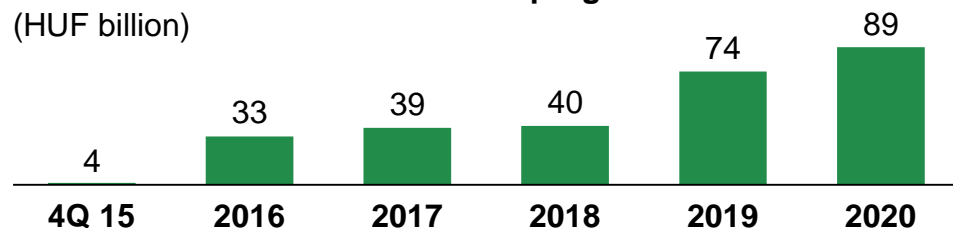
### Change of mortgage loan disbursements of OTP Bank



### 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)

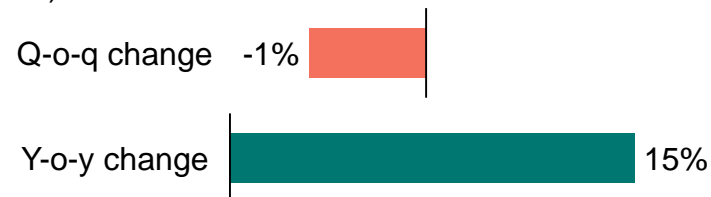


### Retail loans participating in the moratorium at the end of December:

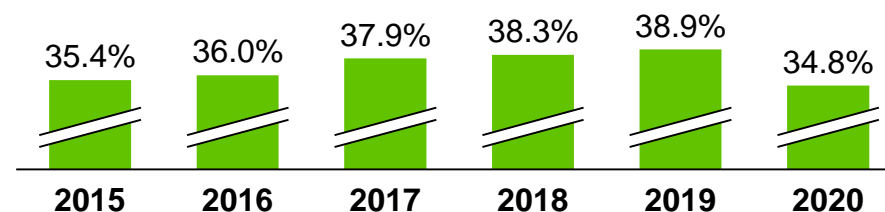
Volume: HUF 1,252 billion

48% in proportion to OTP Core total gross retail loans<sup>1</sup>

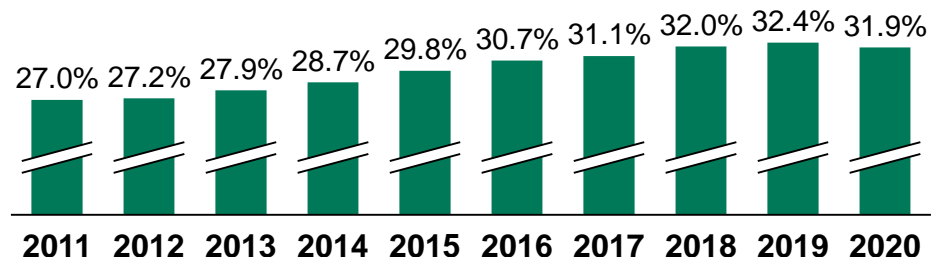
### Performing (DPD0-90) cash loan volume growth (FX-adjusted)



### Market share in newly disbursed cash loans



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

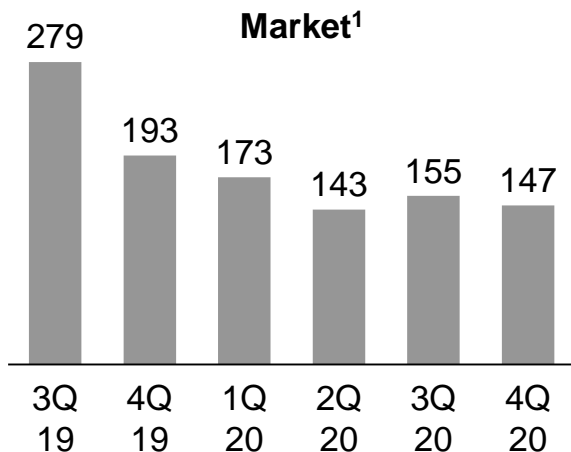


<sup>1</sup> The participation rate presented does not accurately reflect the actual willingness for participation since there are portfolio items within the loan volumes that are not legally eligible for participation in the moratorium.

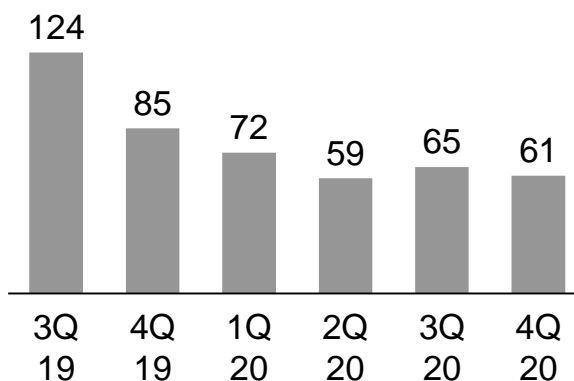
OTP Bank continued to enjoy outstanding demand for the subsidized baby loans: at OTP Bank the contracted amount reached HUF 470 billion since the start of the program, implying a market share steadily above 40%

## Baby loans

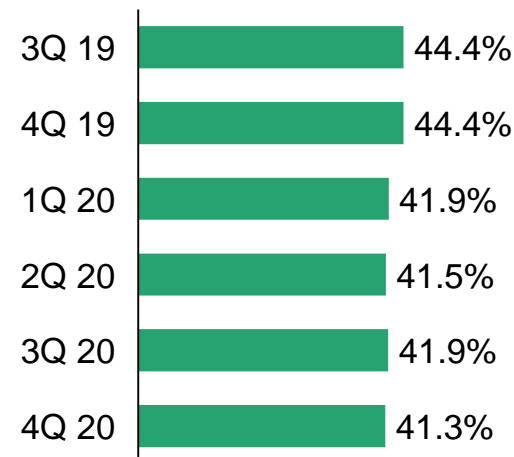
**Contractual amounts**  
(HUF billion)



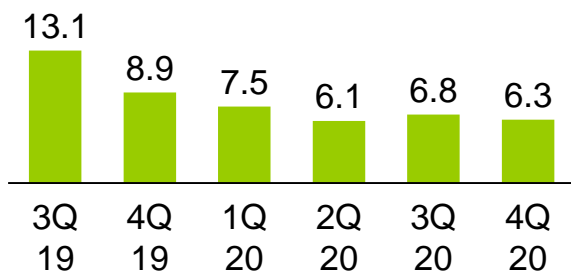
**OTP Bank**



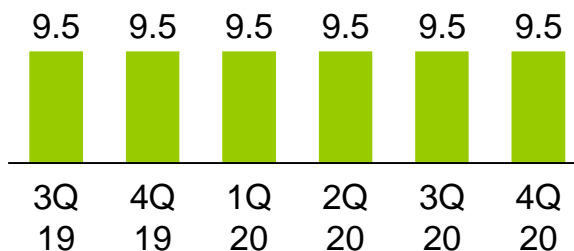
**OTP Bank's market share calculated from the contractual amount**



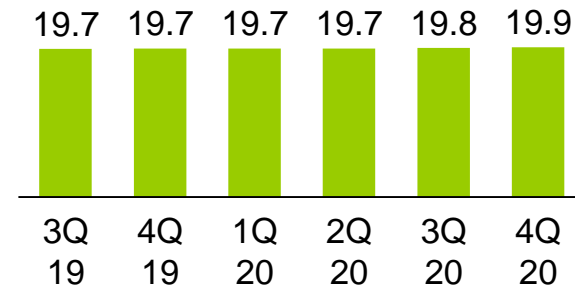
**Number of concluded contracts at OTP** (in thousands)



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



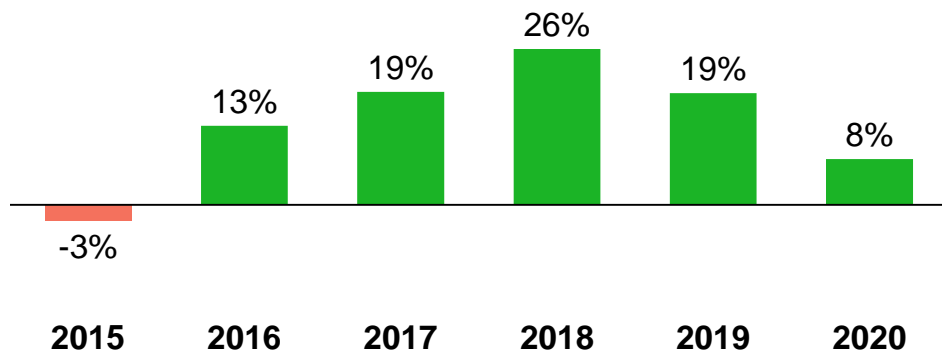
**Average maturity at OTP** (years)



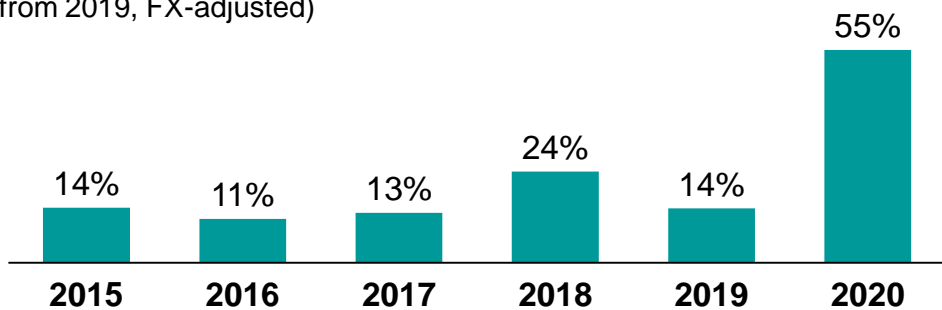
<sup>1</sup> Based on NBH statistics.

In the MSE segment OTP Core achieved more than 50% volume growth in 2020, due to the outstanding activity in the *Funding for Growth Go!* scheme. OTP's market share in corporate loans grew further

**Performing medium and large corporate loan volume changes**  
(DPD0-90 loan changes until 2018, Stage 1+2 from 2019, FX-adjusted)

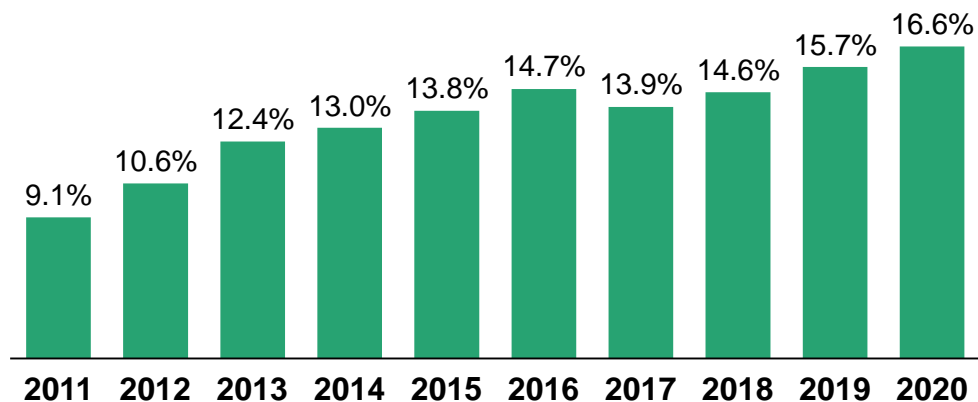


**Performing loan volume changes in the micro and small companies segment**  
(DPD0-90 loan changes until 2018, Stage 1+2 from 2019, FX-adjusted)

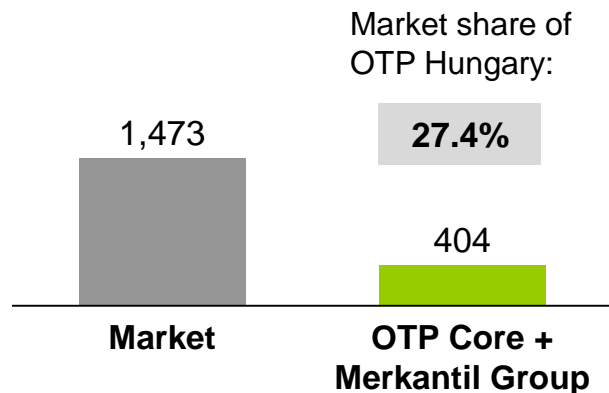


**Corporate loans taking part in the moratorium at the end of December:**  
Volume: HUF 508 billion  
25% in proportion to OTP Core MSE+corporate loans<sup>2</sup>

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



**Contracted amount and market share under the *Funding for Growth Go!* Scheme in 2020 (HUF billion)**

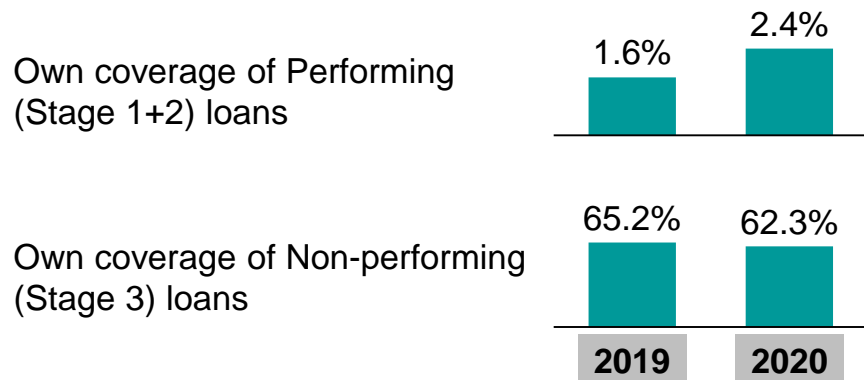
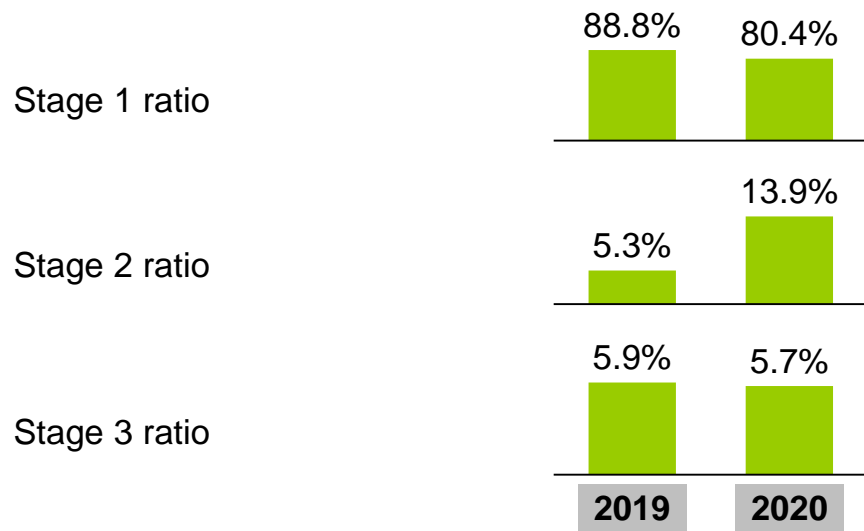


<sup>1</sup> Aggregated market share of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil, based on central bank data (Supervisory Balance Sheet data provision until 2016 and Monetary Statistics from 2017).

<sup>2</sup> The participation rate presented does not accurately reflect the actual willingness for participation since there are portfolio items within the loan volumes that are not legally eligible for participation in the moratorium.

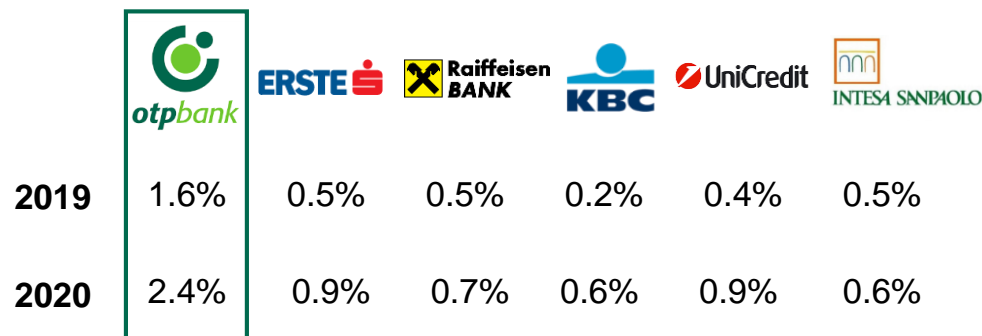
**Portfolio quality remained basically stable, partly due to the economy protection measures, in particular the payment moratoria; the annual consolidated risk costs increased substantially**

**Changes in different Stage categories**

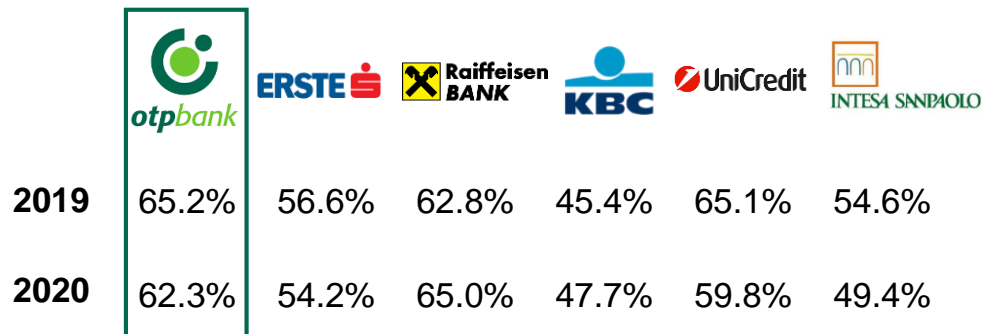


**OTP Group's conservative provisioning policy is demonstrated through a peer group comparison<sup>1</sup>**

**Own coverage of Stage (1+2) loans compared to regional peers**





**Own coverage of Stage 3 loans compared to regional peers**



<sup>1</sup> In case of Raiffeisen Bank International the latest available 3Q 2020 data are presented for 2020.

## Loan repayment moratoria in the countries of OTP Group: in Hungary the moratorium was extended by 6 months in unchanged form. Also in Bulgaria, Croatia, Serbia and Slovenia the moratorium was extended further

Details of the currently running payment holiday schemes in the countries of OTP Group	Currently in force?	Opt-in / opt-out	Interest charged on unpaid interest	Application deadline	Term of the moratorium	Participation ratio <sup>1</sup>
 <b>Hungary</b>	Yes	Opt-out till 31/12/2020 Opt-in from 01/01/2021 <sup>2</sup>	No	30/06/2021	1 <sup>st</sup> phase: max. 9 months 2 <sup>nd</sup> phase: max. 6 months	<b>37.0%</b> (OTP Core: 38.0%, Merkantil: 28.9%)
 <b>DSK Group (Bulgaria)</b>	Yes	Opt-in	No	23/03/2021	max. 9 months (all phases combined)	<b>0.4%</b>
 <b>OBH (Croatia)</b>	Yes	Opt-in	No	31/03/2021	max. 9 months, except for the victims of the earthquake (12 months or more)	<b>9.9%</b>
 <b>OBSr (Serbia)</b>	Yes	Opt-out till Dec 2020 Opt-in from Dec 2020	Yes (in the case of the last phase started in Dec '20)	30/04/2021	6 months	<b>0.0%</b>
 <b>SKB Banka (Slovenia)</b>	Yes	Opt-in	No	26/02/2021	max. 9 months	<b>6.0%</b>
 <b>OBR (Romania)</b>	Yes	Opt-in	No	31/03/2021	max. 9 months (all phases combined)	<b>4.7%</b>
 <b>OBU (Ukraine)</b>	-	-	-	-	-	-
 <b>OBRu (Russia)</b>	Yes	Opt-in	No	30/09/2020	6 months	<b>0.5%</b>
 <b>CKB Group (Montenegro)</b>	Yes	Opt-in	Yes	22/04/2021	max. 6 months	<b>1.3%</b>
 <b>OBA (Albania)</b>	Yes	Opt-in	Yes	31/03/2021	3 months	<b>0%</b>
 <b>Mobiasbanca (Moldova)</b>	Expired on 30/06/2020					

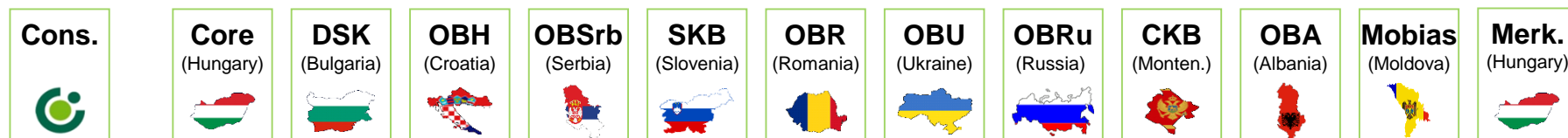
<sup>1</sup> The participation ratios were calculated from participating volumes at the end of December, divided by total gross loan volumes.

<sup>2</sup> Borrowers who participated at the end of 2020 remained in the scheme, but those who want to join the scheme have to submit their request to their bank.



Based on macro scenarios and the potential COVID-19 impact on specific sectors, OTP Group classified the corporate exposures into four categories. 72% of the portfolio is in sectors with light / no impact expected

**Classification of the corporate<sup>1</sup> exposures based on their anticipated vulnerability** (4Q 2020, in % of the total corporate exposures)



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

16%	15%	15%	14%	18%	7%	18%	29%	6%	9%	11%	26%	12%
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**Light impact:** Manufact. of petroleum, Chemicals, IT; Metal processing; Electricity supply; Logistics; Financial, insurance activities; etc.

56%	55%	56%	56%	60%	66%	46%	52%	74%	55%	70%	57%	51%
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**Medium impact:** Mining; Metal production; Machinery; Construction; Real Estate Development; Retail trade; Wood processing

23%	26%	22%	20%	19%	24%	31%	19%	20%	17%	11%	15%	35%
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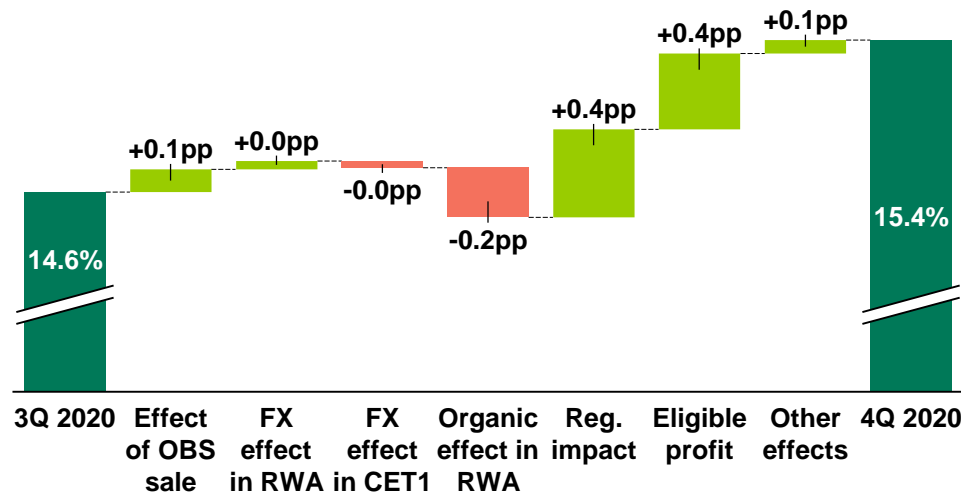
**High impact:** Accommodation; Air transport; Travel agencies; Tour operators; Passenger water transport; Aircraft/ship manufacturing

5%	4%	7%	11%	2%	3%	5%	0%	1%	19%	8%	2%	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.

## Strong capital position, all capital ratios are well above the regulatory requirements

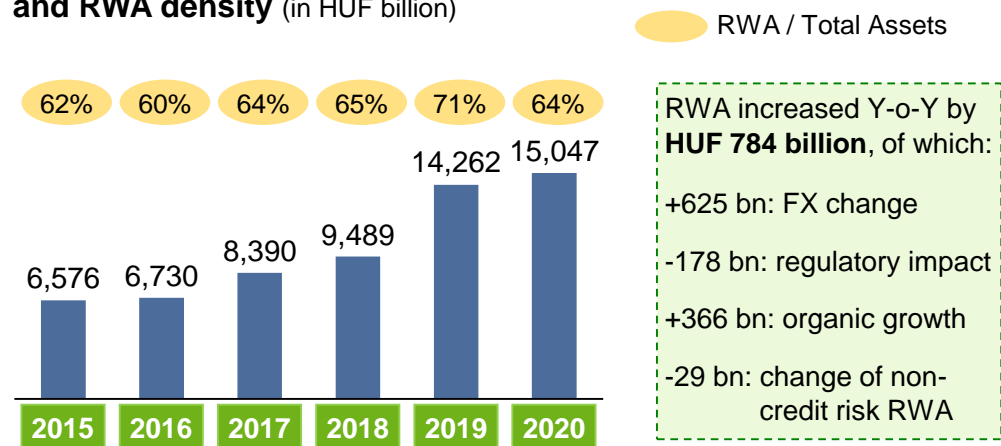
### Decomposition of the change in CET1 ratio in 4Q 2020



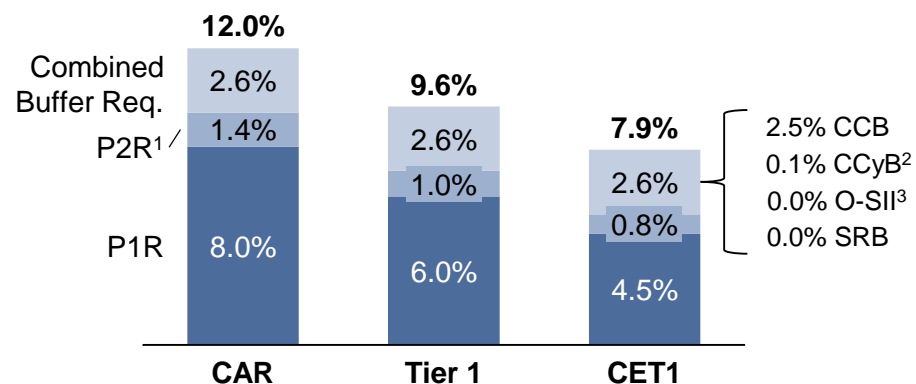
### Regulatory and other effects influencing the CET1 ratio

- The eligible interim profit (HUF 140.2 billion) included into regulatory capital equals to the annual profit (HUF 259.4 billion) less deducted dividend. The deducted dividend amount (HUF 119.2 billion) in total includes HUF 69.44 billion unpaid dividend after 2019 and the calculated dividend after 2020 in accordance with Article 2 Paragraph 7 of the Commission Delegated Regulation (EU) 241/2014, and is identical with the amount the management would have proposed to the AGM if the National Bank of Hungary hadn't restricted dividend payment until 30 September 2021.
- The regulatory impact includes the effect of IFRS 9 transitional rules and other regulatory changes (prudential treatment of software and unrealized result on sovereign exposures after 31 December 2019 are not to be included into regulatory capital). The amount of transitional adjustments within regulatory capital was HUF 204.5 billion at the end of 2020.
- The RWA slightly decreased q-o-q, due to the divestment of OBS (-HUF 282 billion), offset by the organic RWA growth (+HUF 240 billion).
- The Slovakian bank's divestment improved the CET1 ratio by 11 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-2021



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 2021. <sup>2</sup> Assumptions for CCyB: 0.5% in Bulgaria, therefore on Group level the CCyB is 0.1%. <sup>3</sup> On 1 April the NBH reduced the O-SII buffer req. to zero effective from 1 July 2020 until 31 December 2021.

The management expectations for the 2020 financial year, as updated after the release of the 3Q 2020 report, were met. For 2021 the management expects improving profitability and cost efficiency, and continued strong loan growth

## Management expectations for the 2020 financial year were met

Expectation	2020 Actual	
1. The adjusted ROE for 2020 might materially exceed <b>10%</b>	<b>13.0%</b>	✓
2. The annual credit risk cost rate might not exceed <b>125 bps</b>	<b>115 bps</b>	✓
3. FX-adjusted performing (Stage 1+2) loan volumes will probably increase by more than <b>7%</b> y-o-y in 2020	<b>9%</b>	✓

## Management expectations for 2021

There are still significant uncertainties around the pandemic, therefore it would be early to give specific and numeric consolidated management guidance for 2021. Based on the currently available information, for 2H 2021 the management expects the mitigation of the negative impact of the pandemic, as well as a steady rebound in economic performance across the Group. Accordingly, in 2021:

- The adjusted ROE might be higher than in 2020.
- The growth of performing (Stage 1+2) loan volumes might be around the 2020 level (organically, FX-adjusted).
- The net interest margin erosion might continue.
- Total risk costs might be lower than in 2020.
- The Cost-to-Asset ratio might further improve.

## Dividend

In its circular of 8 January 2021 the National Bank of Hungary instructed the Hungarian credit institutions to refrain from paying dividends or making irrevocable commitments to pay dividends until 30 September 2021 after the 2019 and 2020 financials years or at the expense of earnings made in earlier years, and also, to refrain from share buybacks crediting investors until 30 September 2021 (share buybacks under the remuneration policy are not part of such limitation).

The amount of eligible profit included into regulatory capital equals to the annual profit (HUF 259 billion) reduced by the deducted dividend (HUF 119 billion). The deducted dividend amount for 2020 was determined in accordance with the Commission Delegated Regulation (EU) No. 241/2014. Article 2. (7) Paragraph. Accordingly, in the absence of a stated dividend policy, the amount of the dividend to be deducted should be calculated as follows: out of the previous three years' average dividend payment ratio and that of the preceding year the higher ratio must be applied. The dividend amount must be calculated from OTP Group's consolidated accounting profit, and this must be deducted from the consolidated regulatory capital. However, the deducted dividend also included HUF 69.44 billion, the original dividend proposal by the management after the 2019 fiscal year, which wasn't paid out in accordance with the National Bank of Hungary's recommendation.

The HUF 119 billion dividend amount deducted from the regulatory capital is identical with the amount the management would have proposed to the AGM if the NBH hadn't restricted dividend payment until 30 September 2021.

Following the regulatory deadline of 30 September 2021 the Board of Directors may decide about paying dividend advance.

Besides, in line with the management's strategic targets the safe capital position enables the Bank to look for further acquisition targets.

## Holding Annual General Meeting of 2021

In view of the extraordinary legal order currently in place, as well as considering the present pandemic situation, the Bank reasonably counts upon that in April 2021 the Annual General Meeting could expectedly not be held with the personal presence of shareholders. Instead, according to law, decisions on matters on the agenda of the General Meeting will be decided by the Board of Directors, similarly to year 2020. The legal environment is essentially the same as that of 2020, therefore shareholders' rights to convene a General Meeting remains unchanged (see Government Decree No. 502/2020 (XI.16.).

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## Questions and Answers session