

# OTP Group – Strong results and capital provide resilience in turbulent times

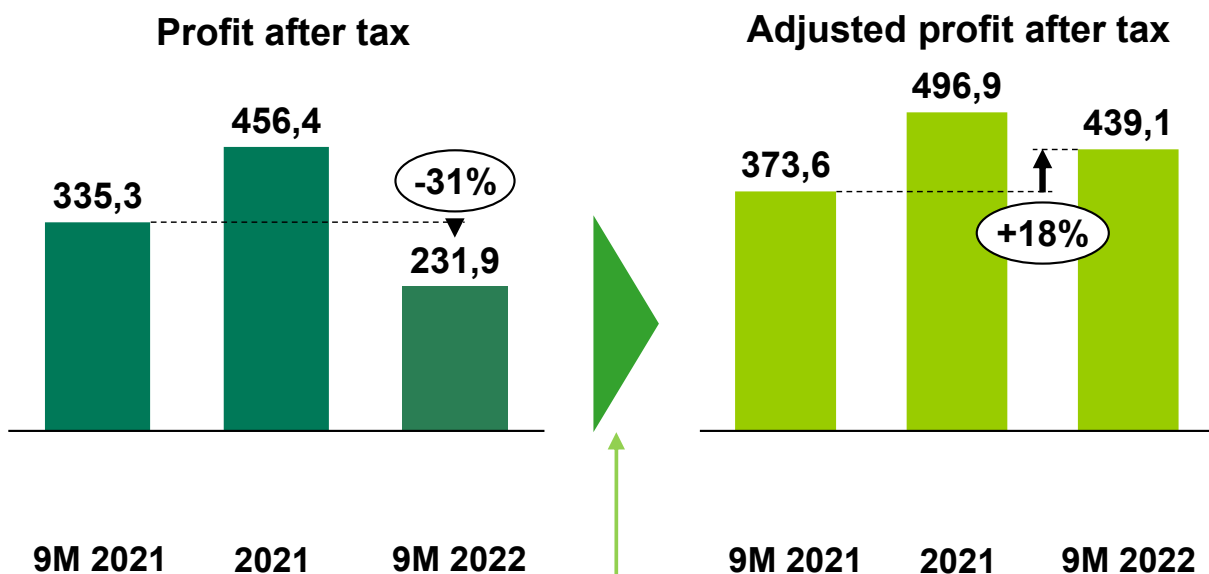
Investor presentation

Based on 3Q 2022 results

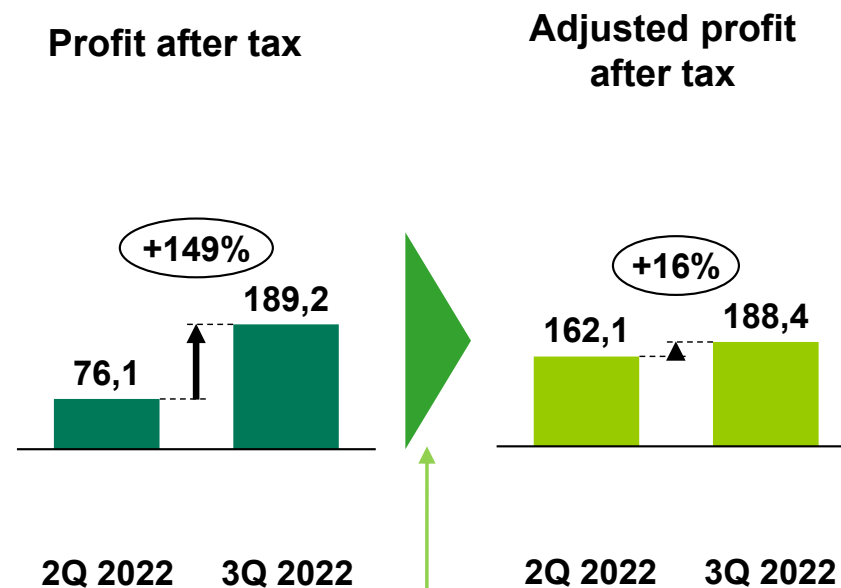


In the first nine months OTP Group posted HUF 231.9 billion profit after tax, 31% lower than a year before. Adjustments exceeded -HUF 207 billion (after tax), mainly relating to the war and the Hungarian government measures

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



### Quarterly profit development (HUF billion)



### Adjustments (after tax, HUF billion)

	9M 2021	2021	1Q 2022	2Q 2022	3Q 2022	9M 2022
Special tax on financial institutions and windfall tax payable in Hungary	-18.9	-18.9	-20.2	-67.9	0.0	-88.2
Impairment on Russian government bonds in the books of OTP Core and DSK Bank	-	-	-34.5	-0.5	-0.8	-35.8
Goodwill impairment and tax shield on investment impairment	-0.7	1.9	-56.3	0.0	1.8	-54.5
Expected one-off effect of the extension of the interest rate cap for certain retail loans in Hungary	-	-	-	-10.1	0.0	-10.1
Effect of acquisitions	-8.8	-15.5	-2.5	-3.4	-3.7	-9.6
Dividends and net cash transfers	0.8	0.7	0.0	0.2	1.0	1.2
Result of the treasury share swap agreement	4.1	6.3	-8.5	0.0	11.5	3.0
Effect of the winding up of Sberbank Hungary	-	-	-	-2.5	-8.2	-10.7
Expected one-off negative effect of the extension of the debt repayment moratorium in Hungary	-14.8	-15.0	0.0	-1.8	-0.7	-2.5
<b>Total</b>	<b>-38.3</b>	<b>-40.5</b>	<b>-122.0</b>	<b>-86.1</b>	<b>0.9</b>	<b>-207.2</b>

The increase in the Group's nine-month adjusted profit after tax was mainly shaped by the dynamic growth in core banking revenues, partly offset by the operating cost pressure and tripling total risk costs

P&L (in HUF billion)	OTP Group (consolidated)						3Q Q-o-Q FX adj.	9M Y-o-Y FX adj.
	9M 2021	2021	2Q 2022	3Q 2022	9M 2022			
Net interest income	636	884	266	291	797	6%	16%	
Net fees and commissions	238	326	96	106	288	7%	14%	
Other net non-interest income	76	104	32	53	121	67%	51%	
<b>Total income</b>	<b>951</b>	<b>1,313</b>	<b>394</b>	<b>450</b>	<b>1,205</b>	<b>11%</b>	<b>18%</b>	
Personnel expenses	-241	-340	-90	-104	-279	10%	8%	
Depreciation	-54	-73	-21	-22	-62	3%	8%	
Other expenses	-172	-240	-75	-76	-220	-1%	20%	
<b>Operating expenses</b>	<b>-467</b>	<b>-653</b>	<b>-187</b>	<b>-203</b>	<b>-560</b>	<b>5%</b>	<b>13%</b>	
<b>Operating profit</b>	<b>484</b>	<b>660</b>	<b>207</b>	<b>247</b>	<b>645</b>	<b>16%</b>	<b>24%</b>	
Provision for impairment on loan losses	-25	-46	-16	-27	-102	47%	246%	
Other risk cost	-18	-27	-16	-5	-35	-73%	106%	
<b>Total risk cost</b>	<b>-43</b>	<b>-73</b>	<b>-32</b>	<b>-32</b>	<b>-137</b>	<b>-9%</b>	<b>196%</b>	
<b>Profit before tax</b>	<b>440</b>	<b>588</b>	<b>175</b>	<b>215</b>	<b>509</b>	<b>22%</b>	<b>4%</b>	
Corporate tax	-67	-91	-13	-27	-70	154%	-2%	
<b>Adjusted profit after tax</b>	<b>374</b>	<b>497</b>	<b>162</b>	<b>188</b>	<b>439</b>	<b>13%</b>	<b>5%</b>	
Adjustments	-38	-40	-86	1	-207		432%	
<b>Profit after tax</b>	<b>335</b>	<b>456</b>	<b>76</b>	<b>189</b>	<b>232</b>	<b>134%</b>	<b>-40%</b>	

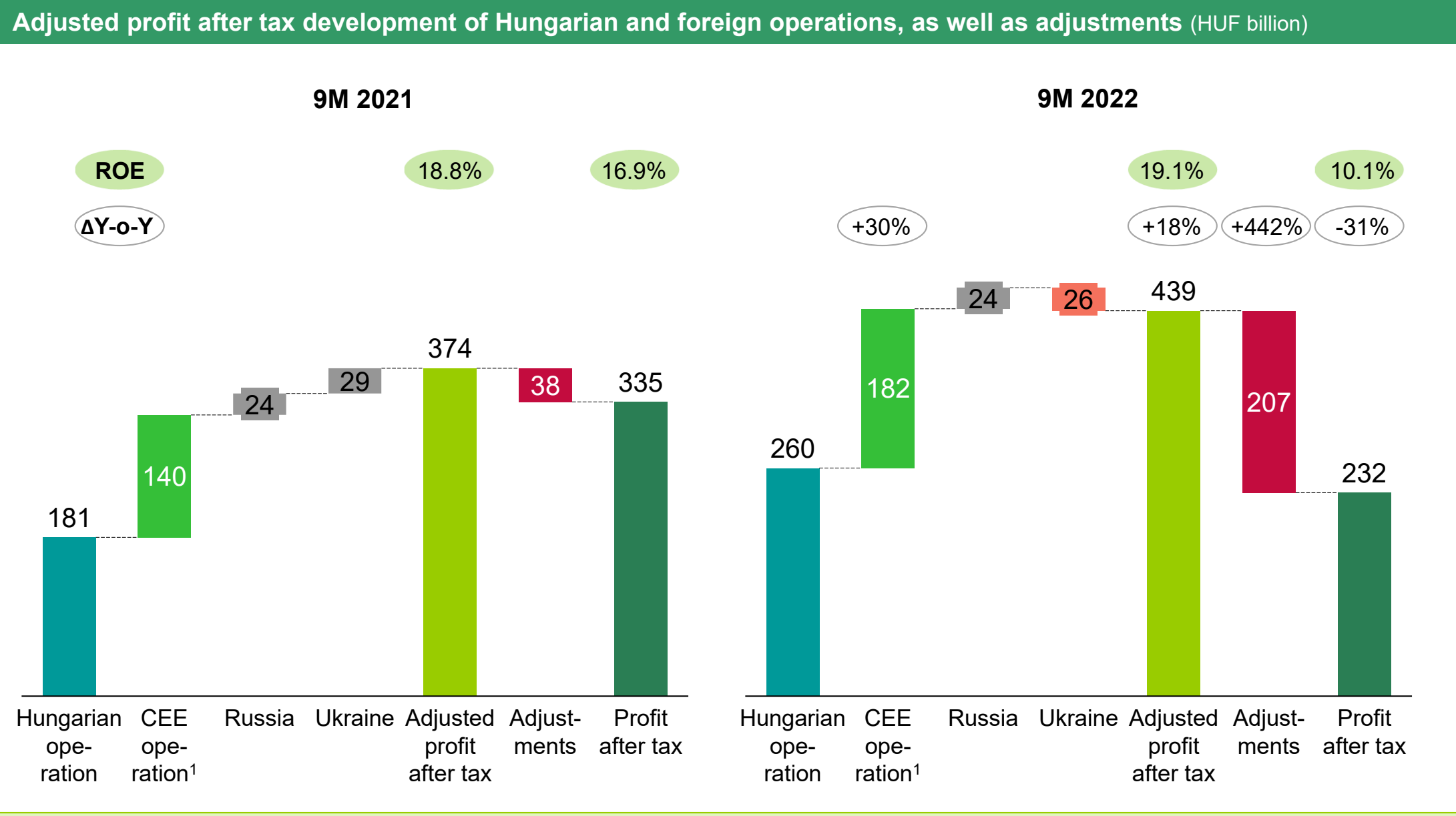
Main performance indicators	9M 2021	2021	2Q 2022	3Q 2022	9M 2022	3Q Q-o-Q	9M Y-o-Y
Adjusted ROE	18.8%	18.5%	21.7%	22.8%	19.1%	1.1%p	0.2%p
Performing loan growth (FX-adjusted)	+10%	+15%	+3%	+5%	+11%		
Net interest margin	3.47%	3.51%	3.57%	3.53%	3.51%	-0.04%p	0.04%p
Cost / Income ratio	49.1%	49.7%	47.4%	45.1%	46.5%	-2.3%p	-2.7%p
Credit risk cost ratio	0.23%	0.30%	0.36%	0.55%	0.75%	0.19%p	0.52%p

## The Group's 3Q result without the Russian and Ukrainian operations was shaped by the 10% stronger operating profit and the higher total risk costs

P&L (in HUF billion)	OTP Group without Russia and Ukraine						3Q Q-o-Q FX adj.	9M Y-o-Y FX adj.
	9M 2021	2021	2Q 2022	3Q 2022	9M 2022			
Net interest income	527	731	220	232	652	3%	16%	
Net fees and commissions	209	285	86	91	255	4%	16%	
Other net non-interest income	72	95	26	42	102	59%	34%	
<b>Total income</b>	<b>808</b>	<b>1,111</b>	<b>332</b>	<b>365</b>	<b>1,009</b>	<b>8%</b>	<b>18%</b>	
Personnel expenses	-204	-290	-74	-85	-229	12%	6%	
Depreciation	-48	-64	-18	-19	-54	3%	8%	
Other expenses	-154	-214	-68	-68	-198	-2%	21%	
<b>Operating expenses</b>	<b>-407</b>	<b>-568</b>	<b>-161</b>	<b>-172</b>	<b>-481</b>	<b>5%</b>	<b>12%</b>	
<b>Operating profit</b>	<b>402</b>	<b>543</b>	<b>172</b>	<b>193</b>	<b>528</b>	<b>10%</b>	<b>24%</b>	
Provision for impairment on loan losses	-11	-27	12	-16	11			
Other risk cost	-16	-23	-11	-12	-29	6%	65%	
<b>Total risk cost</b>	<b>-27</b>	<b>-50</b>	<b>1</b>	<b>-28</b>	<b>-18</b>		<b>-41%</b>	
<b>Profit before tax</b>	<b>375</b>	<b>493</b>	<b>173</b>	<b>165</b>	<b>510</b>	<b>-6%</b>	<b>29%</b>	
Corporate tax	-54	-73	-23	-23	-69	-1%	21%	
<b>Adjusted profit after tax</b>	<b>321</b>	<b>420</b>	<b>150</b>	<b>142</b>	<b>441</b>	<b>-7%</b>	<b>30%</b>	
Adjustments	-38	-40	-86	1	-207		441%	
<b>Profit after tax</b>	<b>283</b>	<b>380</b>	<b>63</b>	<b>142</b>	<b>234</b>	<b>115%</b>	<b>-22%</b>	

Main performance indicators	9M 2021	2021	2Q 2022	3Q 2022	9M 2022	3Q Q-o-Q	9M Y-o-Y
Adjusted ROE	18.4%	17.9%	23.0%	20.1%	22.1%	-2.9%p	3.7%p
Performing loan growth (FX-adjusted)	+9%	+13%	+5%	+5%	+14%		
Net interest margin	3.05%	3.09%	3.16%	3.03%	3.08%	-0.13%p	0.03%p
Cost / Income ratio	50.3%	51.1%	48.4%	47.1%	47.7%	-1.2%p	-2.6%p
Credit risk cost ratio	0.10%	0.19%	-0.28%	0.36%	-0.09%	0.64%p	-0.19%p

In the first nine months of 2022 the adjusted profit contribution of both the Hungarian and foreign operation in the Central and Eastern European countries improved, latter by 30%. Russia delivered stable results, but Ukraine turned into negative

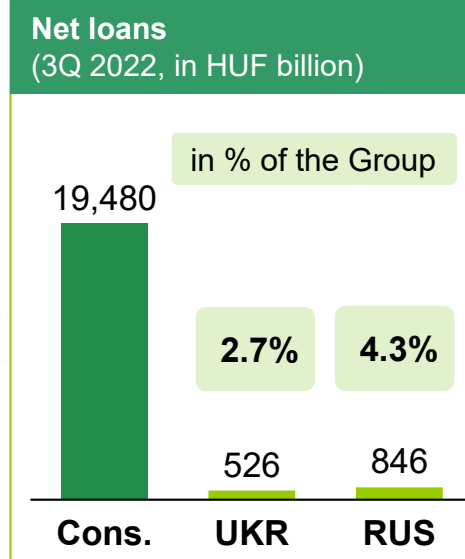
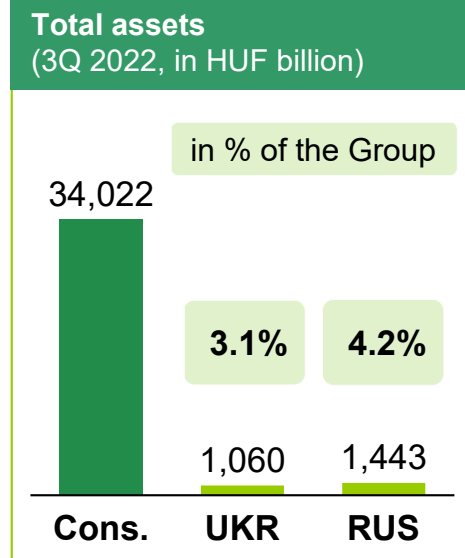


<sup>1</sup> The adjusted profit after tax of the foreign operations excluding Russia and Ukraine, but including the eliminations related to the total foreign operations.















While the Russian operation posted the same profit as last year in HUF terms, in local currency it lagged behind last year's performance by 84%. Ukraine remained in red for the first nine months despite the profit achieved in 3Q

P&L (in HUF billion)	OTP Bank Russia							OTP Bank Ukraine						
	9M 2021	2021	2Q 2022	3Q 2022	9M 2022	3Q 2022 Q-o-Q	9M 2022 Y-o-Y	9M 2021	2021	2Q 2022	3Q 2022	9M 2022	3Q 2022 Q-o-Q	9M 2022 Y-o-Y
	FX-adjusted							FX-adjusted						
Net interest income	66	91	25	35	81	16%	-8%	43	62	21	24	64	18%	37%
Net fees and commissions	18	26	7	11	24	28%	-4%	11	14	2	4	9	71%	-22%
Other net non-int. income	1	1	1	11	13	736%		3	7	4	1	6	-86%	65%
<b>Total income</b>	<b>85</b>	<b>118</b>	<b>34</b>	<b>57</b>	<b>117</b>	<b>41%</b>	<b>2%</b>	<b>58</b>	<b>84</b>	<b>28</b>	<b>28</b>	<b>79</b>	<b>6%</b>	<b>28%</b>
Personnel expenses	-25	-34	-12	-15	-36	-3%	9%	-12	-17	-4	-5	-14	23%	8%
Depreciation	-5	-6	-2	-3	-6	3%	-1%	-2	-2	-1	-1	-2	2%	20%
Other expenses	-11	-16	-5	-6	-14	4%	-3%	-7	-10	-2	-3	-7	26%	-1%
<b>Operating expenses</b>	<b>-41</b>	<b>-56</b>	<b>-19</b>	<b>-23</b>	<b>-56</b>	<b>-1%</b>	<b>4%</b>	<b>-20</b>	<b>-29</b>	<b>-7</b>	<b>-8</b>	<b>-23</b>	<b>22%</b>	<b>6%</b>
<b>Operating profit</b>	<b>44</b>	<b>62</b>	<b>15</b>	<b>34</b>	<b>61</b>	<b>97%</b>	<b>-1%</b>	<b>38</b>	<b>55</b>	<b>21</b>	<b>20</b>	<b>56</b>	<b>1%</b>	<b>40%</b>
Provision for impairment on loan losses	-13	-13	-9	0	-36	-99%	177%	-2	-6	-18	-11	-76	-37%	
Other provision	-1	-2	-2	7	-1		378%	-1	-2	-3	0	-5		335%
<b>Total risk costs</b>	<b>-14</b>	<b>-15</b>	<b>-11</b>	<b>7</b>	<b>-38</b>	<b>189%</b>		<b>-3</b>	<b>-7</b>	<b>-22</b>	<b>-10</b>	<b>-81</b>	<b>-48%</b>	
<b>Profit before tax</b>	<b>31</b>	<b>47</b>	<b>3</b>	<b>41</b>	<b>23</b>	<b>-84%</b>		<b>35</b>	<b>47</b>	<b>-1</b>	<b>10</b>	<b>-25</b>		
Corporate tax	-7	-10	9	-2	0		-83%	-6	-8	1	-1	-1		-86%
<b>Adjusted profit after tax</b>	<b>24</b>	<b>38</b>	<b>12</b>	<b>38</b>	<b>24</b>	<b>175%</b>	<b>-84%</b>	<b>29</b>	<b>39</b>	<b>0</b>	<b>8</b>	<b>-26</b>		
Adjustments	0	0	0	0	0			0	0	0	0	0		
<b>Profit after tax</b>	<b>24</b>	<b>37</b>	<b>12</b>	<b>38</b>	<b>24</b>	<b>175%</b>	<b>-84%</b>	<b>29</b>	<b>39</b>	<b>0</b>	<b>8</b>	<b>-26</b>		

Main performance indicators	9M 2021	2021	2Q 2022	3Q 2022	9M 2022	3Q 2022 Q-o-Q	9M 2022 Y-o-Y	9M 2021	2021	2Q 2022	3Q 2022	9M 2022	3Q 2022 Q-o-Q	9M 2022 Y-o-Y
Adjusted ROE	16.3%	18.2%	18.6%	42.9%	11.4%	24.3%p	-4.9%p	29.7%	28.8%	0.5%	27.1%	-26.7%	26.6%p	-56.4%
Performing loan growth (FX-adjusted)	+9%	+18%	-12%	-1%	-19%			+30%	+41%	-10%	-11%	-16%		
Net interest margin	13.2%	13.2%	9.6%	10.4%	10.3%	0.8%p	-2.9%p	7.3%	7.5%	8.4%	9.2%	8.6%	0.8%p	1.3%p
Cost / Income ratio	47.9%	47.2%	56.8%	40.4%	47.9%	-16.4%p	0.0%p	34.6%	34.5%	24.7%	28.3%	28.6%	3.7%p	-6.0%p
Credit risk cost ratio	2.8%	2.0%	4.4%	0.1%	5.8%	-4.4%p	3.0%p	0.4%	1.1%	10.7%	6.6%	15.3%	-4.1%p	14.8%p















In the first nine months of 2022 the performance of the Albanian, Serbian and Croatian banks improved the most amongst foreign subsidiary banks in the CEE region

	9M 2021		9M 2022		2021	2Q 2022	3Q 2022	3Q Q-o-Q	9M Y-o-Y
	HUF billion		HUF billion					FX-adjusted	
<b>DSK Group (Bulgaria)</b>	 66,0		 76,5		76.8	28.5	26.9	-8%	7%
<b>OTP Bank Croatia</b>	 25,2		 37,8		33.4	11.8	14.9	20%	39%
<b>OTP Bank Serbia</b>	 20,7		 32,5		32.1	10.9	10.7	-7%	45%
<b>SKB Bank (Slovenia)</b>	 12,5		 18,5		16.8	4.7	8.8	80%	36%
<b>OTP Bank Albania</b>	 3,9		 7,2		5.5	2.5	2.5	-7%	67%
<b>OTP Bank Moldova</b>	 4,4		 5,6		5.9	2.8	3.4	14%	6%
<b>CKB Group (Montenegro)</b>	 5,4		 4,5		4.1	1.5	4.2	166%	-26%
<b>OTP Bank Romania</b>	1,0	-1,0			4.3	0.8	-0.1		

In the first nine months the Group's total income advanced by 27%. The quarterly increase reached 10% q-o-q (organically and FX-adjusted), driven by Bulgaria, Russia and an asset sale in the Other segment

Effect of acquisitions

TOTAL INCOME without one-off items		9M 2022 (HUF billion)	3Q 2022 (HUF billion)	9M 2022 Y-o-Y (HUF billion, %)		3Q 2022 Q-o-Q (HUF billion, %)		
	<b>OTP Group</b>	<b>1,205</b>	<b>450</b>	253	255	27%/18% <sup>1</sup>	56	14%/10% <sup>1</sup>
	<b>OTP CORE</b> (Hungary)	<b>497</b>	<b>165</b>	100		25%	-1	0%
	<b>DSK Group</b> (Bulgaria)	<b>161</b>	<b>59</b>	29		22%/13% <sup>2</sup>	6	11%/6% <sup>2</sup>
	<b>OBH</b> (Croatia)	<b>75</b>	<b>28</b>	8		12%/4% <sup>2</sup>	3	12%/7% <sup>2</sup>
	<b>OBSrb</b> (Serbia)	<b>73</b>	<b>27</b>	12		19%/9% <sup>2</sup>	3	14%/9% <sup>2</sup>
	<b>SKB Banka</b> (Slovenia)	<b>36</b>	<b>13</b>	5		16%/7% <sup>2</sup>	1	7%/3% <sup>2</sup>
	<b>OBR</b> (Romania)	<b>44</b>	<b>16</b>	10		29%/20% <sup>2</sup>	2	12%/7% <sup>2</sup>
	<b>OBU</b> (Ukraine)	<b>79</b>	<b>28</b>	21		37%/28% <sup>2</sup>	0	-1%/6% <sup>2</sup>
	<b>OBRu</b> (Russia)	<b>117</b>	<b>57</b>	32		38%/2% <sup>2</sup>	23	69%/41% <sup>2</sup>
	<b>CKB Group</b> (Montenegro)	<b>20</b>	<b>8</b>	4		25%/15% <sup>2</sup>	1	18%/13%
	<b>OBA</b> (Albania)	<b>14</b>	<b>6</b>	3	5	47%/17% <sup>1</sup>	2	56%/8% <sup>1</sup>
	<b>Mobiasbanca</b> (Moldova)	<b>19</b>	<b>8</b>	8		70%	2	40%
	<b>Others</b>	<b>70</b>	<b>34</b>	22		44%	13	64%














<sup>1</sup> Changes FX-adjusted and without the effect of acquisitions.

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



The cumulated net interest income grew 16% FX-adjusted, with bulk of the growth coming from Hungary, Ukraine, Bulgaria, Russia and Romania. The 5% FX-adjusted quarterly improvement was related mainly to Bulgaria and Russia, whereas Hungary showed a 2% contraction due to corporate deposit repricing

■ Effect of acquisitions

NET INTEREST INCOME	9M 2022 (HUF billion)	3Q 2022 (HUF billion)	9M 2022 Y-o-Y (HUF billion, %)		3Q 2022 Q-o-Q (HUF billion, %)		
 <b>OTP Group</b>	<b>797</b>	<b>291</b>	159	161	25%/16% <sup>1</sup>	24	9%/5% <sup>1</sup>
 <b>OTP CORE</b> (Hungary)	<b>325</b>	<b>109</b>	63		24%	-2	-2%
 <b>DSK Group</b> (Bulgaria)	<b>101</b>	<b>38</b>	17		21%/12% <sup>2</sup>	6	18%/13% <sup>2</sup>
 <b>OBH</b> (Croatia)	<b>51</b>	<b>19</b>	6		14%/5% <sup>2</sup>	2	11%/6% <sup>2</sup>
 <b>OBSrb</b> (Serbia)	<b>53</b>	<b>20</b>	7		15%/6% <sup>2</sup>	3	15%/10% <sup>2</sup>
 <b>SKB Banka</b> (Slovenia)	<b>23</b>	<b>9</b>	2		12%/4% <sup>2</sup>	1	16%/11% <sup>2</sup>
 <b>OBR</b> (Romania)	<b>38</b>	<b>14</b>	11		43%/33% <sup>2</sup>	1	8%/3% <sup>2</sup>
 <b>OBU</b> (Ukraine)	<b>64</b>	<b>24</b>	20		47%/37% <sup>2</sup>	2	10%/18% <sup>2</sup>
 <b>OBRu</b> (Russia)	<b>81</b>	<b>35</b>	15		22%/-8% <sup>2</sup>	10	40%/16% <sup>2</sup>
 <b>CKB Group</b> (Montenegro)	<b>15</b>	<b>5</b>	2		19%/10% <sup>2</sup>	0	10%/5% <sup>2</sup>
 <b>OBA</b> (Albania)	<b>11</b>	<b>5</b>	3	3	43%/16% <sup>1</sup>	2	49%/5% <sup>1</sup>
 <b>OBM</b> (Moldova)	<b>13</b>	<b>6</b>	6		85%/60% <sup>2</sup>	2	49%/39% <sup>2</sup>
 <b>Merkantil</b> (Hungary)	<b>15</b>	<b>6</b>	0		1%	1	11%
<b>Corporate Centre</b>	<b>4</b>	<b>0</b>	4			-2	-110%
<b>Others</b>	<b>4</b>	<b>1</b>	2		183%	0	3%

1 In Hungary the 9M y-o-y growth of 24% was driven by deposit inflows, loan growth and the continued expansion of financial assets. 3Q NII showed a 2% setback, as average assets went up by 6%, and the margin contracted by 23 bps q-o-q.

2 The Bulgarian q-o-q improvement was explained by both volume expansion and the widening margin amid increasing rate environment.

3 The Romanian 9M NII was driven by loan growth, and the better margin due to the rising rate environment.

4 The better NII in Ukraine was mainly due to the increasing interest revenues from loans and placements with the central bank in the wake of the base rate hike to 25% in June.

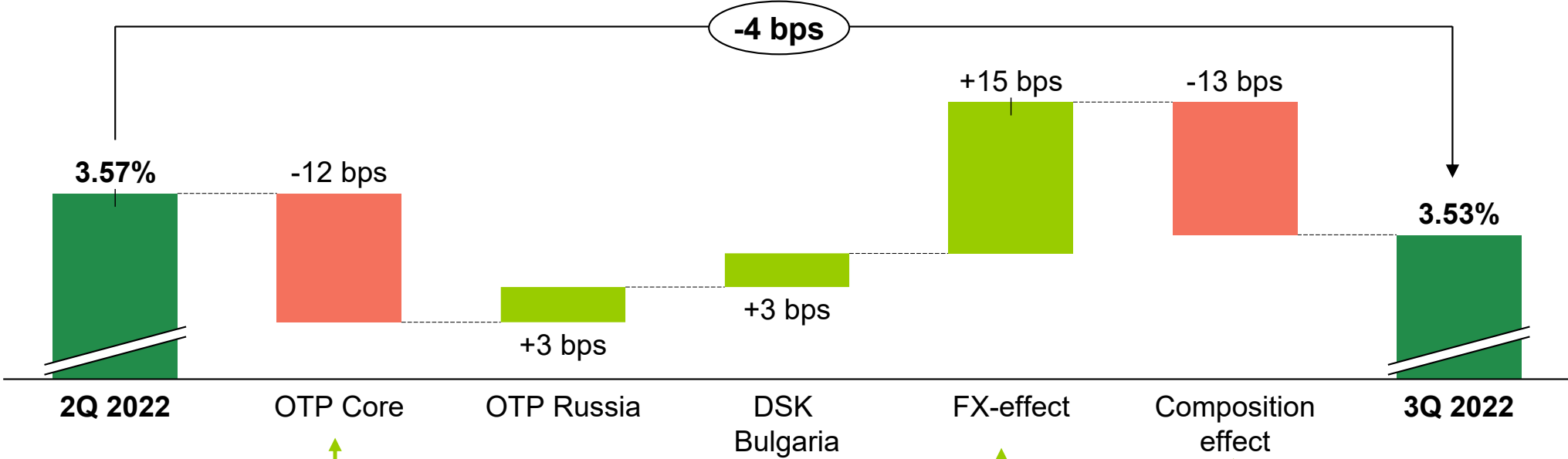
5 In Russia the 9M net interest income decreased by 8% in RUB terms as a joint effect of volume contraction and shrinking margins. However, in 3Q the NII rebounded (+16% q-o-q in RUB terms) on the back of the net interest margin edging up thanks to deposit repricing and stabilizing volumes.

<sup>1</sup> FX-adjusted changes without the effect of the Albanian acquisition.

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

The consolidated net interest margin eroded by 4 bps q-o-q, largely as a result of the Hungarian margin compression and the growing weight of OTP Core within the Group, partly offset by the FX effect mostly induced by the RUB strengthening

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



The NIM of **OTP Core** decreased by 23 bps q-o-q: the shift of corporate deposits from sight to term continued, and the faster repricing of corporate deposits than the variable rate corporate loans played a negative role, too. Furthermore, on the liabilities side the share of corporate time deposits carrying higher average interest rates increased.

The currencies of the group members, with the exception of the Ukrainian hryvnia, strengthened q-o-q against the forint. Within the total **foreign exchange rate effect** of +15 bps, 8 bps was caused by the significant q-o-q strengthening of the Russian ruble against the forint.

The **composition effect** was partly because the growth of the lower-margin OTP Core exceeded the group average, but a technical effect due to the newly consolidated Albanian Alpha Bank played a role, too: the consolidated financial statements included the acquired bank's balance sheet from July, but its profit contribution was consolidated only from August.













The consolidated performing loan growth reached 5% q-o-q. In Hungary and Croatia corporate lending was particularly strong. The Russian consumer lending gained momentum with volumes rebounding by 3% q-o-q

Q-o-Q performing (Stage 1 + 2) LOAN volume changes adjusted for FX-effect – 3Q 2022												
	Cons.	Core <sup>2</sup> (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)	850 827 <sup>3</sup>	417	73	203	40	43	27	-70	-8	7	110 9 <sup>4</sup>	-10
<b>Total</b>	5% 5% <sup>3</sup>	7%	2%	10%	2%	3%	2%	-11%	-1%	2%	41% 4% <sup>4</sup>	-5%
<b>Consumer</b>	2% 2% <sup>3</sup>	2%	3%	1%	1%	2%	0%	-21%	3%	1%	112% 4% <sup>4</sup>	-9%
<b>Mortgage</b>	4% 3% <sup>3</sup>	2%	4%	7%	4%	2%	-1%			4%	55% 2% <sup>4</sup>	-4%
	<b>Housing loan</b>	<b>Home equity</b>										
	2%	0%										
<b>Corporate<sup>1</sup></b>	7% 8% <sup>3</sup>	13%	-1%	17%	2%	7%	4%	-6%	-31%	1%	31% 4% <sup>4</sup>	-5%
<b>Leasing</b>	1% 3% <sup>3</sup>	-1%	8%	6%	3%	0%	9%	-16%			0% 0% <sup>4</sup>	9%

<sup>1</sup> Loans to MSE and corporate clients.  
<sup>2</sup> In the Leasing row the leasing volume change at Merkantil Group (Hungarian leasing) is presented.  
<sup>3</sup> Changes without Russia and Ukraine and the acquisition of Alpha Bank Albania.  
<sup>4</sup> Changes without the acquisition of Alpha Bank Albania.

The consolidated performing loans without Russia and Ukraine expanded by 13% organically over the first nine months. Volumes declined significantly in Russia and Ukraine

**YTD performing (Stage 1 + 2) LOAN volume changes adjusted for FX-effect – 9M 2022**

	Cons. 	Core <sup>2</sup> (Hungary) 	DSK (Bulgaria) 	OBH (Croatia) 	OBSrb (Serbia) 	SKB (Slovenia) 	OBR (Romania) 	OBU (Ukraine) 	OBRu (Russia) 	CKB (Monten.) 	OBA (Albania) 	OBM (Moldova) 
YTD nominal change (HUF billion)	1,904 / 2,127 <sup>3</sup>	752	396	359	214	154	144	-109	-215	42	128 / 27 <sup>4</sup>	0
<b>Total</b>	11% / 13% <sup>3</sup>	14%	13%	19%	11%	14%	13%	-16%	-19%	11%	52% / 11% <sup>4</sup>	0%
<b>Consumer</b>	2% / 5% <sup>3</sup>	4%	10%	4%	3%	1%	6%	-32%	-7%	7%	126% / 11% <sup>4</sup>	-14%
<b>Mortgage</b>	10% / 9% <sup>3</sup>	4%	13%	20%	11%	8%	7%			10%	74% / 15% <sup>4</sup>	-3%
	<b>Housing loan</b>	<b>Home equity</b>										
	5%	-4%										
<b>Corporate<sup>1</sup></b>	17% / 21% <sup>3</sup>	25%	13%	25%	15%	29%	19%	-10%	-70%	12%	39% / 10% <sup>4</sup>	7%
<b>Leasing</b>	6% / 10% <sup>3</sup>	2%	21%	25%	7%	2%	23%	-18%			-2% / -2% <sup>4</sup>	14%

<sup>1</sup> Loans to MSE and corporate clients.

<sup>2</sup> In the Leasing row the leasing volume change at Merkantil Group (Hungarian leasing) is presented.

<sup>3</sup> Changes without Russia and Ukraine and the acquisition of Alpha Bank Albania.

<sup>4</sup> Changes without the acquisition of Alpha Bank Albania.

Consolidated deposits grew by 5% q-o-q. In Hungary corporate deposit inflows remained strong. The quarterly decline in deposits in Russia and Ukraine was induced by pricing measures

**Q-o-Q DEPOSIT volume changes adjusted for FX-effect – 3Q 2022**

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBH (Croatia)	OBSrb (Serbia)	SKB (Slovenia)	OBR (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Monten.)	OBA (Albania)	OBM (Moldova)
<b>Q-o-q nominal change (HUF billion)</b>	1,330 1,176 <sup>2</sup>	375	323	157	103	44	95	-16	-55	55	239 13 <sup>3</sup>	10
<b>Total</b>	5% 5% <sup>2</sup>	3%	7%	7%	7%	3%	11%	-2%	-7%	12%	79% 4% <sup>3</sup>	4%
<b>Retail</b>	3% 2% <sup>2</sup>	-1%	2%	7%	2%	0%	6%	-3%	-7%	5%	88% 4% <sup>3</sup>	2%
<b>Corporate<sup>1</sup></b>	9% 10% <sup>2</sup>	7%	24%	7%	14%	7%	14%	-2%	-7%	18%	48% 6% <sup>3</sup>	5%
<b>Deposits – Net loans gap (HUF billion)</b>	6,311	5,456	1,359	169	-606	210	-265	226	-111	90	165	92

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

<sup>2</sup> Changes without Russia and Ukraine and the acquisition of Alpha Bank Albania.

<sup>3</sup> Changes without the acquisition of Alpha Bank Albania.

Consolidated deposits grew by 11% in the first nine months. Within the 12% expansion in Hungary, corporate deposit growth was particularly strong. Overall in the first nine months the Russian and Ukrainian banks enjoyed inflows

### YTD DEPOSIT volume changes adjusted for FX-effect – 9M 2022

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBH (Croatia)	OBSrb (Serbia)	SKB (Slovenia)	OBR (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Monten.)	OBA (Albania)	OBM (Moldova)
YTD nominal change (HUF billion)	2,585 2,277 <sup>2</sup>	1,205	509	253	94	82	48	28	54	77	248 22 <sup>3</sup>	-14
<b>Total</b>	11% 10% <sup>2</sup>	12%	12%	12%	7%	6%	5%	4%	8%	17%	85% 8% <sup>3</sup>	-5%
<b>Retail</b>	5% 9% <sup>2</sup>	4%	4%	9%	1%	5%	9%	0%	-16%	6%	93% 7% <sup>3</sup>	-5%
<b>Corporate<sup>1</sup></b>	19% 18% <sup>2</sup>	19%	41%	17%	13%	7%	2%	6%	44%	28%	55% 10% <sup>3</sup>	-5%
Deposits – Net loans gap (HUF billion)	6,311	5,456	1,359	169	-606	210	-265	226	-111	90	165	92

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

<sup>2</sup> Changes without Russia and Ukraine and the acquisition of Alpha Bank Albania.

<sup>3</sup> Changes without the acquisition of Alpha Bank Albania.

In the first nine months of 2022 the 14% FX-adjusted y-o-y improvement in net fees was driven by Hungary and Bulgaria. The 7% clean growth in 3Q was driven by the seasonally stronger Croatia, and the reviving consumer lending in Russia

NET FEE INCOME		9M 2022 (HUF billion)	3Q 2022 (HUF billion)	9M 2022 Y-o-Y (HUF billion, %)		3Q 2022 Q-o-Q (HUF billion, %)	
	<b>OTP Group</b>	<b>288</b>	<b>106</b>	49	21%/14% <sup>1</sup>	10	11%/7% <sup>1</sup>
	<b>OTP CORE</b> (Hungary)	<b>131</b>	<b>45</b>	19	17%	1	1%
	<b>DSK Group</b> (Bulgaria)	<b>51</b>	<b>18</b>	11	27%/18% <sup>2</sup>	1	8/3% <sup>2</sup>
	<b>OBH</b> (Croatia)	<b>18</b>	<b>8</b>	5	34%/24% <sup>2</sup>	2	26%/21% <sup>2</sup>
	<b>OBSrb</b> (Serbia)	<b>13</b>	<b>5</b>	3	24%/15% <sup>2</sup>	0	10%/5% <sup>2</sup>
	<b>SKB Banka</b> (Slovenia)	<b>12</b>	<b>4</b>	2	22%/14% <sup>2</sup>	0	-8%/-12% <sup>2</sup>
	<b>OBR</b> (Romania)	<b>3</b>	<b>1</b>	0	16%/8% <sup>2</sup>	0	-6%/-11% <sup>2</sup>
	<b>OBU</b> (Ukraine)	<b>9</b>	<b>4</b>	-2	-16%/-22% <sup>2</sup>	1	59%/71% <sup>2</sup>
	<b>OBRu</b> (Russia)	<b>24</b>	<b>11</b>	6	31%/-4% <sup>2</sup>	4	55%/28% <sup>2</sup>
	<b>CKB Group</b> (Montenegro)	<b>5</b>	<b>2</b>	2	48%/36% <sup>2</sup>	1	32%/26% <sup>2</sup>
	<b>OBA</b> (Albania)	<b>2</b>	<b>1</b>	1	59%/26% <sup>1</sup>	1	112%/54% <sup>1</sup>
	<b>OBM</b> (Moldova)	<b>2</b>	<b>1</b>	0	18%/2% <sup>2</sup>	0	15%/7% <sup>2</sup>
	<b>Fund mgmt.</b> (Hungary)	<b>7</b>	<b>2</b>	1	25%	0	10%

<sup>1</sup> At OTP Core the cumulated net fees grew 17%, thanks mainly to stronger revenues from deposit-, transaction-, and card-related fees, while income from securities' sales declined. In 3Q net fees increased by 1% q-o-q. Effective from July 2022 the cap on financial transaction tax per transaction went up from HUF 6 to 10 thousand, and starting from August the levy was applicable to certain securities transactions, too.

<sup>2</sup> At DSK the y-o-y growth of net fees and commissions was driven by stronger business volumes. The 3% growth in 3Q was boosted by higher volume of transactions, but the abolishment of fees charged on big ticket deposit played a negative role.













<sup>3</sup> The y-o-y contraction was driven by falling transactions after 24 February. In 3Q those were the card transactions and the currency exchange activity that supported the q-o-q growth.

<sup>4</sup> In 3Q the Russian fee income growth was due to the increasing consumer loan placements from the lower 2Q base, generating higher fee revenues.

<sup>1</sup> FX-adjusted changes without the effect of the Albanian acquisition.

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

## The 9M other net non-interest income jumped by 50% y-o-y, and improved by 67% q-o-q in 3Q, on an FX-adjusted basis

OTHER INCOME	9M 2022 (HUF billion)	3Q 2022 (HUF billion)	9M 2022 Y-o-Y (HUF billion, %)		3Q 2022 Q-o-Q (HUF billion, %)		
 <b>OTP Group</b>	<b>121</b>	<b>53</b>		45	59%/50% <sup>1</sup>	22	68%/67% <sup>1</sup>
 <b>OTP CORE</b> (Hungary)	<b>41</b>	<b>11</b>		17	75% <sup>1</sup>	1	13%
 <b>DSK Group</b> (Bulgaria)	<b>9</b>	<b>3</b>		1	8%/1% <sup>2</sup>	-1	-34%/-37% <sup>2</sup>
 <b>OBH</b> (Croatia)	<b>5</b>	<b>2</b>	-3		-35%/-40% <sup>2</sup>	0	-22%/-25% <sup>2</sup>
 <b>OBSrb</b> (Serbia)	<b>7</b>	<b>3</b>		2	42%/30% <sup>2</sup>	0	13%/8% <sup>2</sup>
 <b>SKB Banka</b> (Slovenia)	<b>2</b>	<b>1</b>		0	45%/24% <sup>2</sup>	0	-1%/2% <sup>2</sup>
 <b>OBR</b> (Romania)	<b>3</b>	<b>1</b>	-2		-40%/-43% <sup>2</sup>	1	10-fold <sup>2</sup>
 <b>OBU</b> (Ukraine)	<b>6</b>	<b>1</b>		3	82%/65% <sup>2</sup>	-4	-86%
 <b>OBRu</b> (Russia)	<b>13</b>	<b>11</b>		12	11-fold <sup>2</sup>	9	8-fold <sup>2</sup>
 <b>CKB Group</b> (Montenegro)	<b>1</b>	<b>0</b>		0	18%/7% <sup>2</sup>	0	91%/83% <sup>2</sup>
 <b>OBA</b> (Albania)	<b>1</b>	<b>1</b>		0	60%/11% <sup>1</sup>	0	42%/-28% <sup>1</sup>
 <b>OBM</b> (Moldova)	<b>4</b>	<b>1</b>		1	65%/43% <sup>2</sup>	0	25%/16% <sup>2</sup>
<b>Others</b>	<b>30</b>	<b>21</b>		12	66%	15	239% <sup>4</sup>

<sup>1</sup> At OTP Core the cumulative other income increased by 75% y-o-y, partly due to a base effect: a large negative FX result was recorded in 2Q 2021.

<sup>2</sup> In Ukraine, the 65% FX-adjusted y-o-y increase can largely be explained by the rising revenues from FX conversion. In 3Q, the HUF 4 billion q-o-q decline was caused by the deteriorating FX revaluation result following the 25% devaluation of the hryvnia in July by the central bank.

<sup>3</sup> In Russia other revenues were boosted by FX gains, FX conversion revenues and derivative fair value adjustments.

<sup>4</sup> Within the Other Hungarian subsidiaries segment, in 3Q the income from an asset sale by PortfoLion, OTP Bank's private equity fund, appeared on the other income line. This line was also supported by the growing revenues realized by agricultural companies.

<sup>1</sup> FX-adjusted changes without the effect of the Albanian acquisition.

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



Amid the high inflationary environment, the nine-months operating costs grew by 12.3% y-o-y, adjusted for the FX effect and the Albanian acquisition

Effect of acquisitions

OPERATING COSTS		9M 2022 (HUF billion)	Y-o-Y (HUF billion, %)		Y-o-Y, FX-adjusted (HUF billion, %)			
	<b>OTP Group</b>	560	92	193	20%/19.6% <sup>1</sup>	64	165	13%/12.3% <sup>1</sup>
	<b>OTP CORE</b> (Hungary)	244	40		20%	40		20%
	<b>DSK Group</b> (Bulgaria)	63	11		21%	7		12%
	<b>OBH</b> (Croatia)	38	5		14%	2		6%
	<b>OBSrb</b> (Serbia)	34	3		9%	0		1%
	<b>SKB Banka</b> (Slovenia)	20	3		16%	2		8%
	<b>OBR</b> (Romania)	33	5		17%	3		9%
	<b>OBU</b> (Ukraine)	23	3		13%	1		6%
	<b>OBRu</b> (Russia)	56	15		38%	3		4%
	<b>CKB Group</b> (Montenegro)	10	1		11%	0		3%
	<b>OBA</b> (Albania)	7	1	2	48%/22% <sup>1</sup>	1	2	32%/10% <sup>1</sup>
	<b>OBM</b> (Moldova)	7	2		33%	1		16%
	<b>Merkantil</b> (Hungary)	8	0		-5%	0		-5%
	<b>Others</b>	18	4		27%	4		25%

1 At OTP Core the cost growth of 20% was mainly due to the followings:

- personnel expenses rose on account of 4% higher average headcount and wage increases, offset by 4 pps reduction in employers' contributions (abolishing the 1.5% vocational training contribution and cutting employers' social contributions by 2.5 pps);
- amortization increased by 8%;
- real-estate-related costs increased (partly because of moving into the new office building);
- utility costs more than doubled;
- higher supervisory fees (largely due to the increase in deposit protection fee effective from the end of 2021);
- HUF 5 billion support granted to the Special Employee Partial Ownership Plan Organizations.

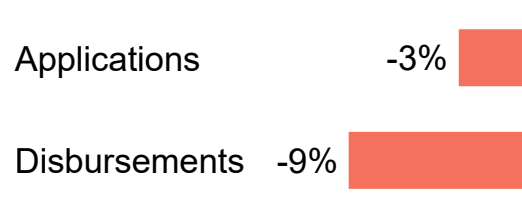
2 At DSK the cost increase was due to higher personnel expenses, while the other cost increase was driven by the 42% increase of charges paid to supervisory bodies in total, and higher energy costs.

3 Cost savings stemmed from synergies extracted from the acquisition.

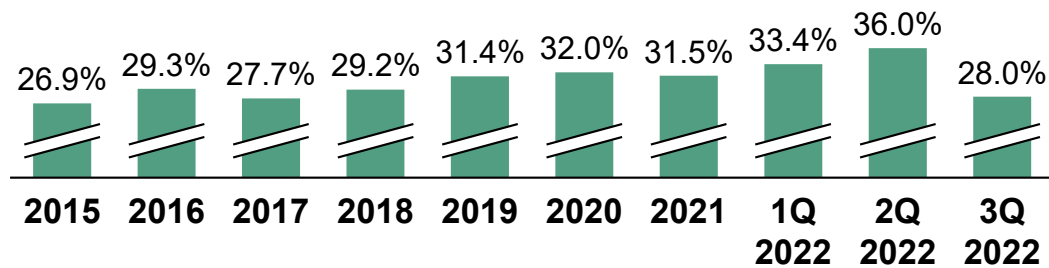
<sup>1</sup> Changes without the effect of the Albanian acquisition.

# In Hungary applications for mortgage loans remained broadly at around the last year's level, mainly due to the subsidized green housing loans, whereas market-based mortgage loan requests halved

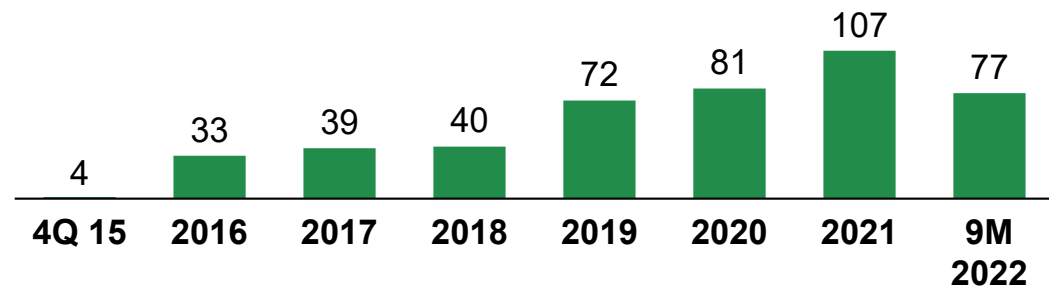
## Y-o-y change of mortgage loan applications and disbursements in 9M 2022



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



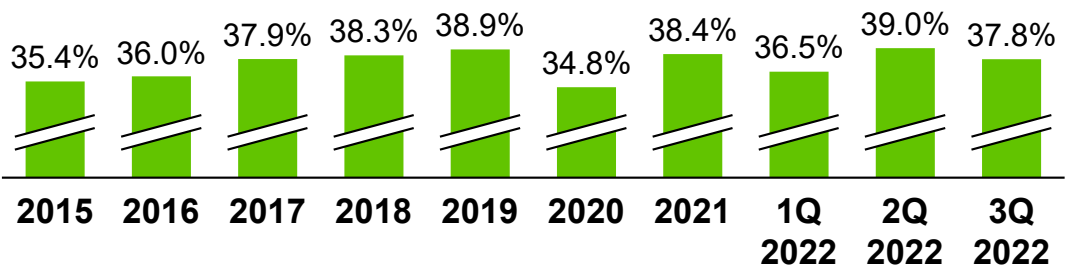
## The amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)



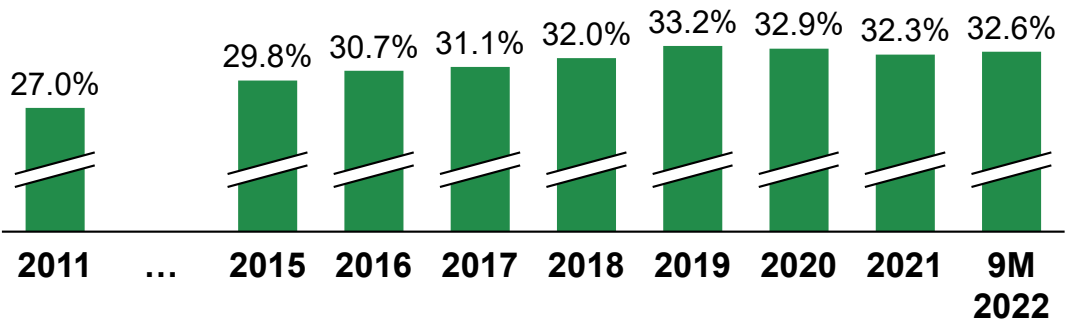
## Performing (Stage 1+2) cash loan volume growth (FX-adjusted)



## Market share in newly disbursed cash loans

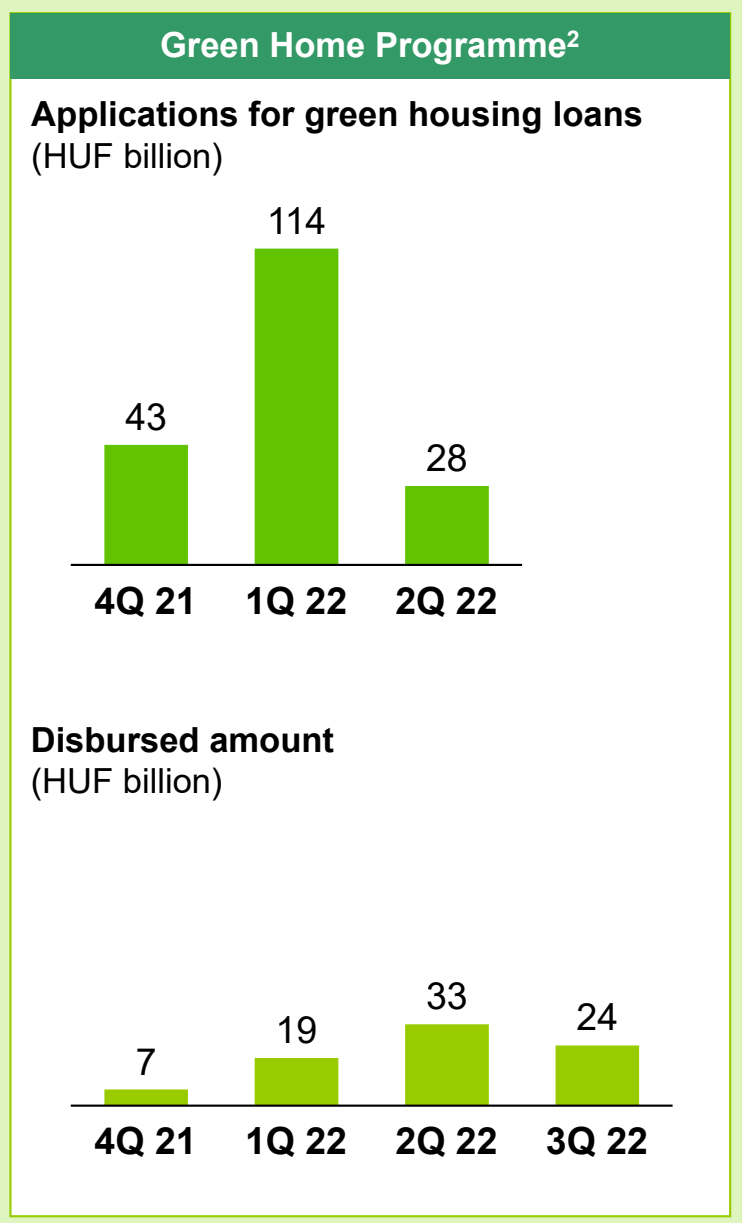
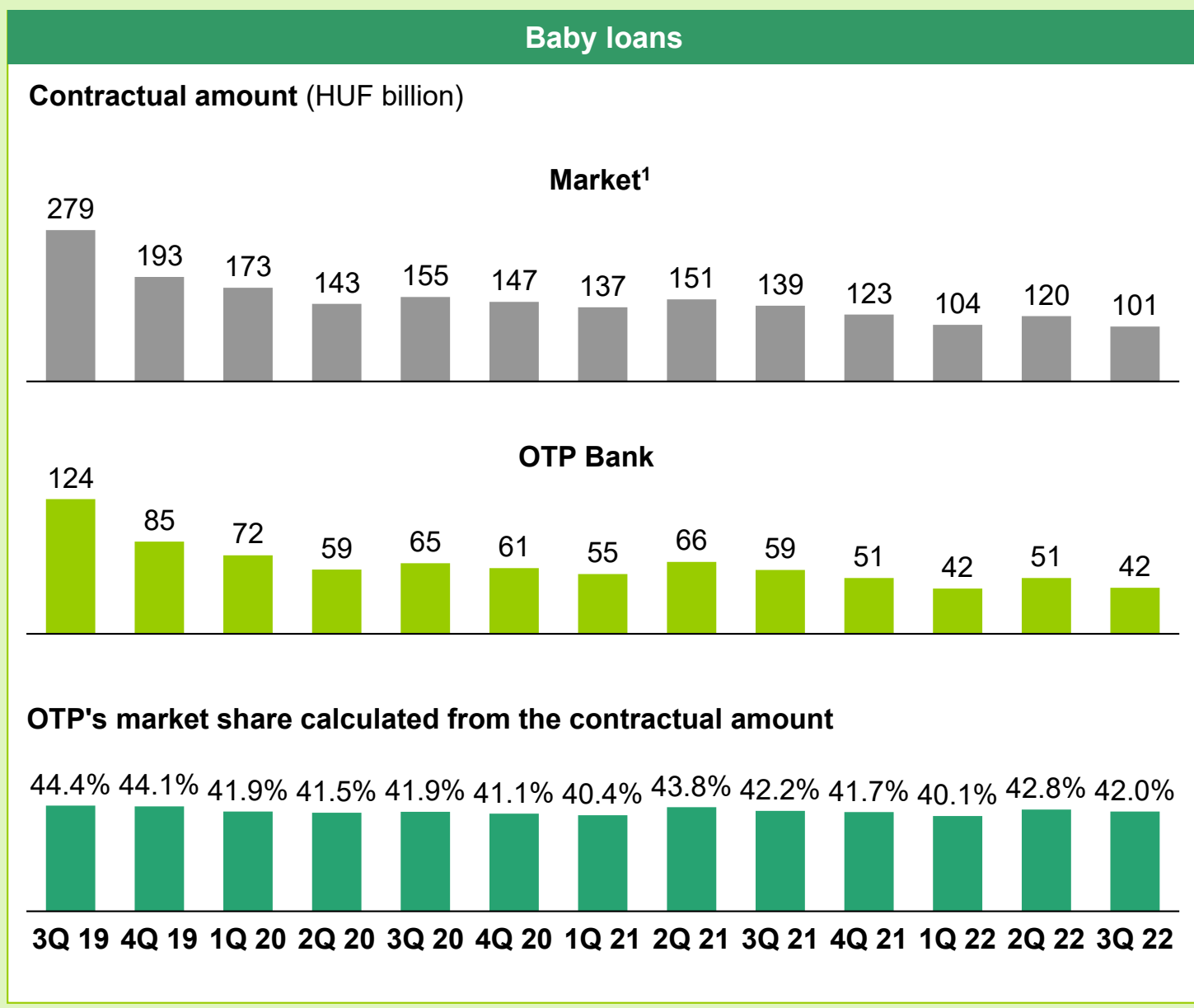


## OTP Bank's market share in household savings





**OTP Bank maintained its above 40% market share in baby loan flows; the scheme has been extended until the end of 2024. The subsidized green housing loans generated huge demand and the total available amount of HUF 300 billion has already been exhausted; actual disbursements come with a certain time delay**



<sup>1</sup> Based on NBH statistics.  
<sup>2</sup> The programme is available since October 2021.

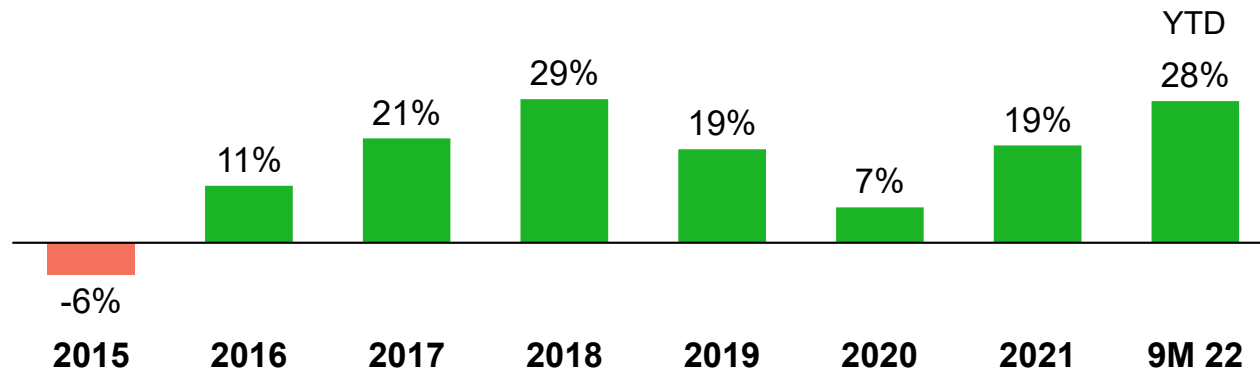




**Large corporate loan volumes grew by 28% ytd, lifting OTP's market share to 19.5%. Under the Széchenyi Card schemes the contracted amount reached HUF 460 billion overall**

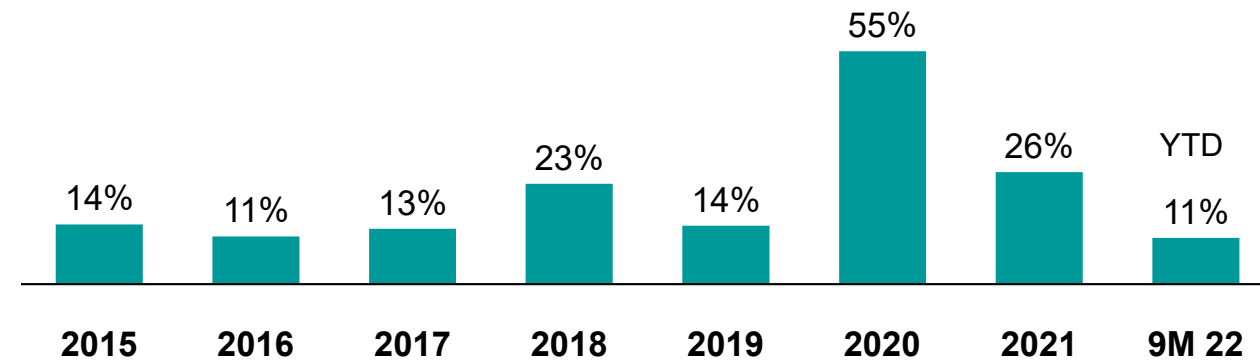
**Performing corporate loan volume changes**

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

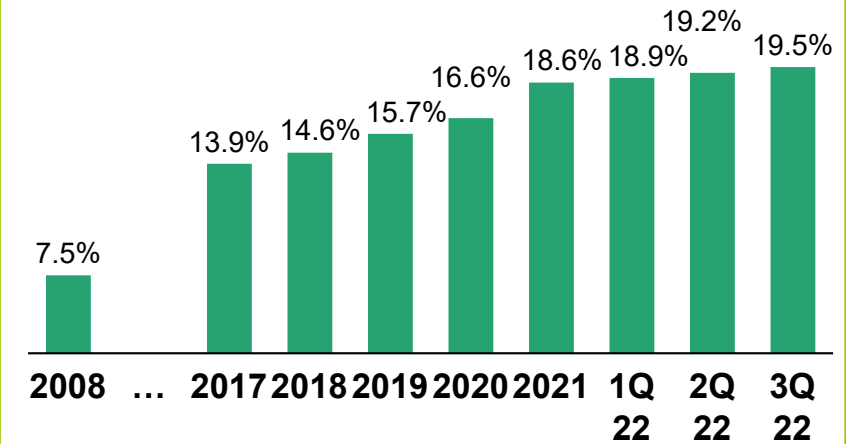


**Performing loan volume changes in the micro and small companies segment**

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

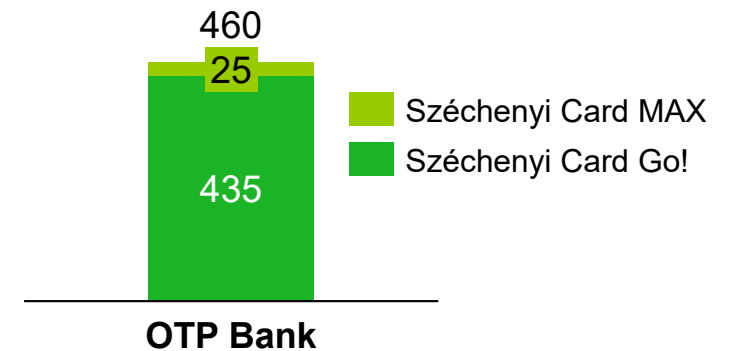


**OTP Group's market share in loans to Hungarian companies<sup>1</sup>**



**Contracted loan amount under the Széchenyi Card Go! and MAX<sup>2</sup> schemes**

(from the start of the programme until 30 Sept. 2022, 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).

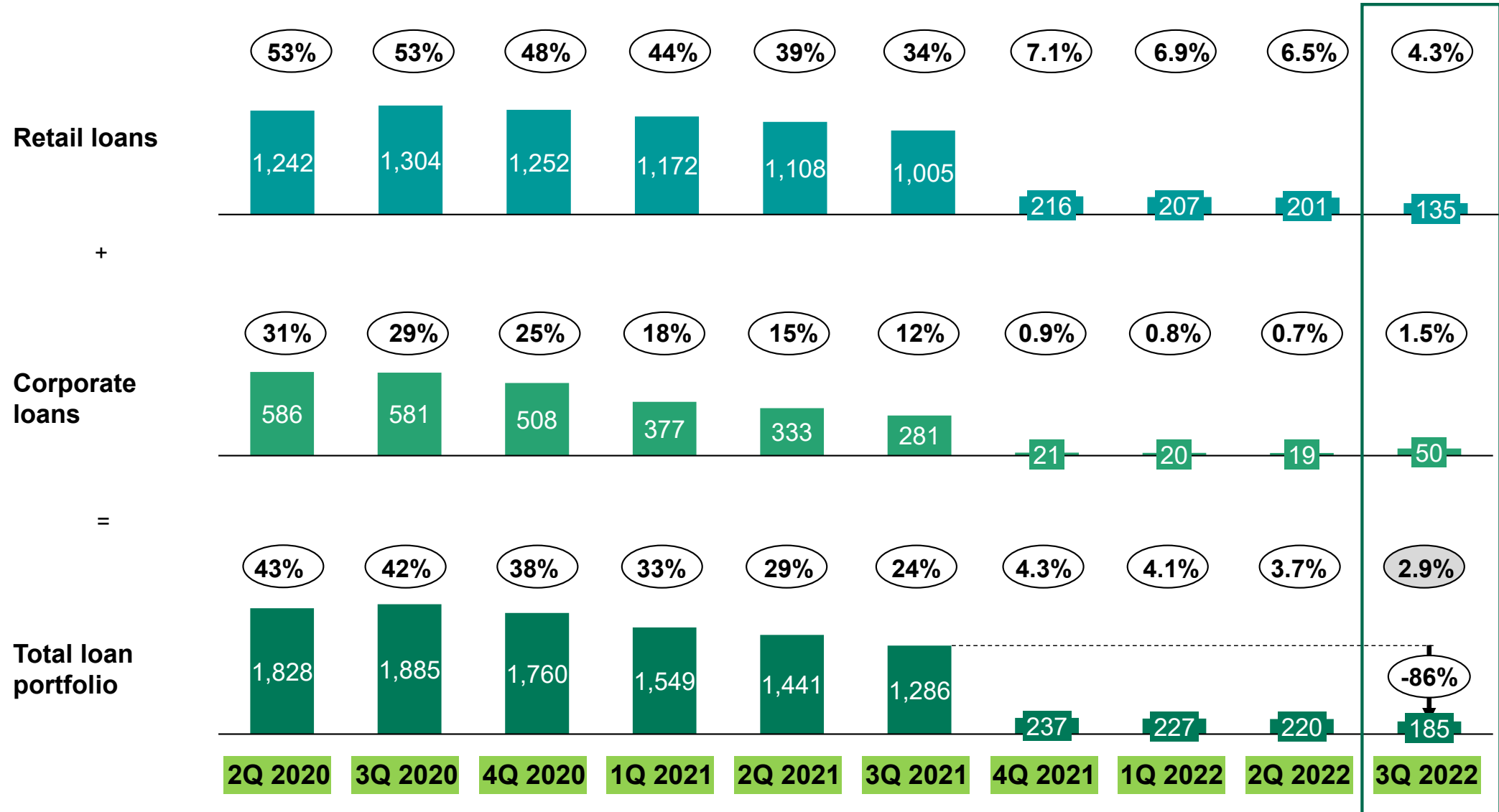
<sup>2</sup> Source: KAVOSZ, OTP. The Széchenyi Card Go! came to an end at the end of June 2022. From August till the end of the year, it is the Széchenyi Card MAX programme that offered preferential rate loans to customers





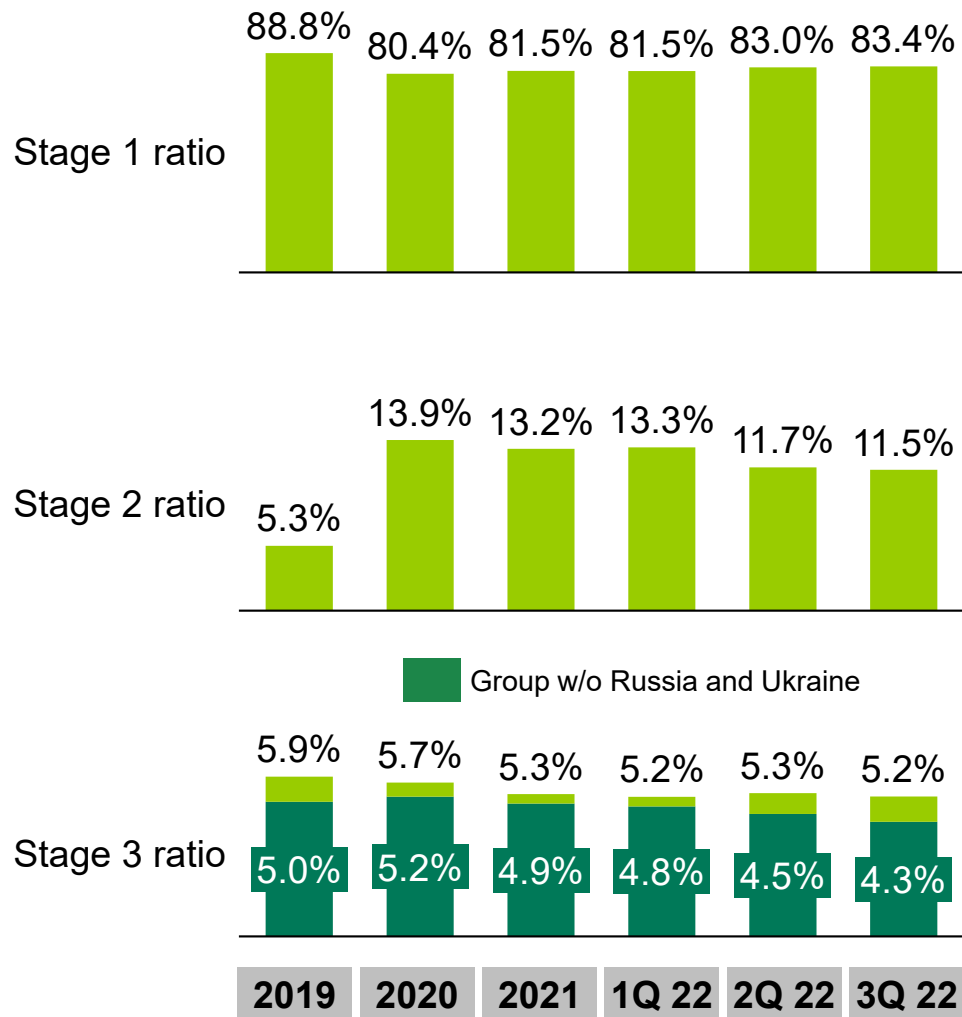
At OTP Core loans under the moratorium stood at HUF 185 billion in total (o/w HUF 40 bn agricultural), making up 2.9% of gross loans. The general payment holiday expired at the end of 2022, whereas the moratorium for agricultural companies introduced because of the severe drought will remain in place until the end of 2023

OTP Core – volumes participating in the repayment moratorium (in HUF billion and as a % of outstanding loans)

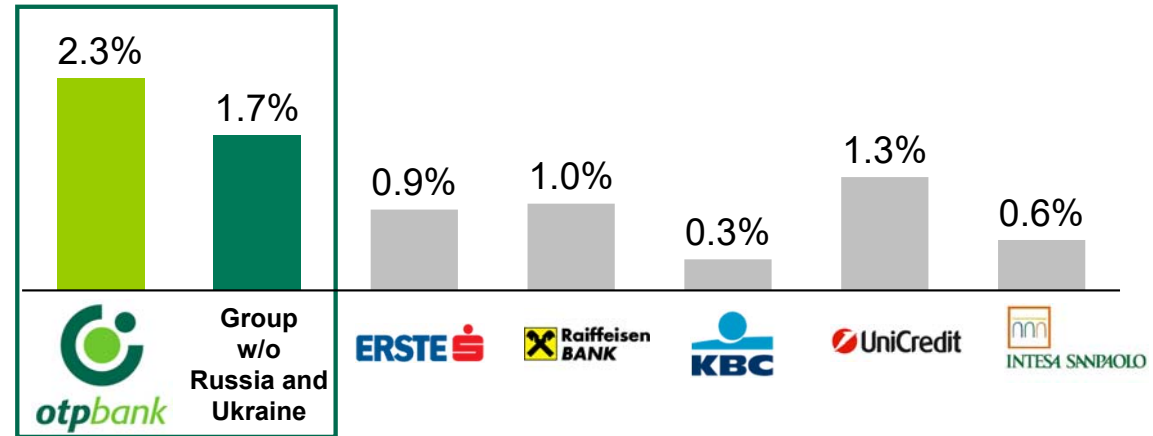


The Stage 3 rate decreased in 3Q, mainly driven by lower ratios across the board except for Russia, Ukraine and Moldova. The management's provisioning policy remained conservative compared to regional banking groups, especially regarding the coverage of performing loans

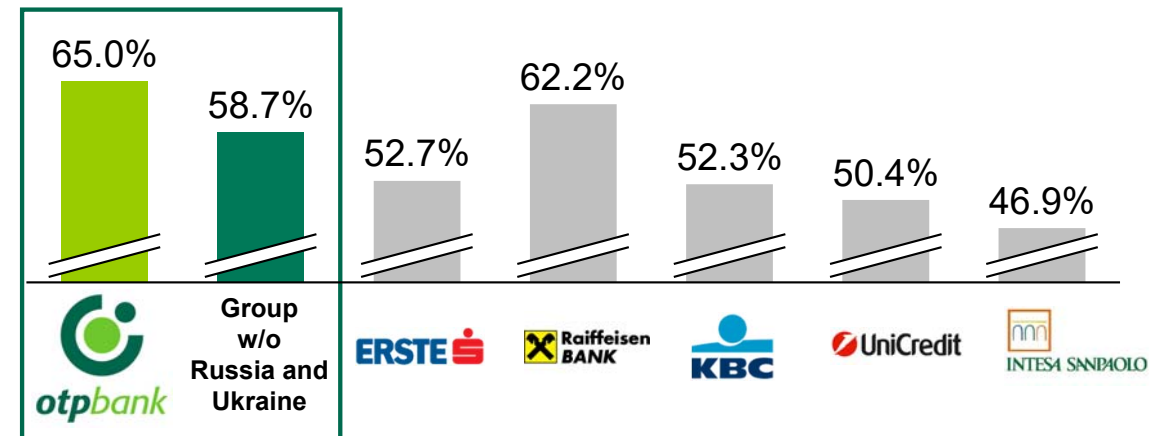
### Development of the Group's main credit quality indicators



### Own coverage of Stage 1+2 loans compared to regional peers at the end of 3Q 2022
















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



Source: company reports (estimates in some cases).

## Development of the Stage 1, Stage 2 and Stage 3 ratios














		<b>Cons.</b> 	<b>Core</b> (Hungary) 	<b>DSK</b> (Bulgaria) 	<b>OBH</b> (Croatia) 	<b>OBSrb</b> (Serbia) 	<b>SKB<sup>2</sup></b> (Slovenia) 	<b>OBR</b> (Romania) 	<b>OBU</b> (Ukraine) 	<b>OBRu</b> (Russia) 	<b>CKB</b> (Monten.) 	<b>OBA</b> (Albania) 	<b>OBM</b> (Moldova) 	<b>Merk.<sup>3</sup></b> (Hungarian leasing) 
Stage 1 ratio <sup>1</sup>	<u>4Q 19</u>	88.8%	91.4%	88.6%	83.2%	96.0%	98.9%	83.9%	73.8%	75.0%	88.8%	93.8%	97.8%	94.3%
	<u>4Q 20</u>	80.4%	77.9%	81.3%	76.6%	88.8%	82.9%	80.2%	82.4%	74.8%	81.4%	79.5%	92.0%	82.4%
	<u>4Q 21</u>	81.5%	78.0%	84.0%	80.0%	89.9%	86.0%	79.8%	87.1%	76.5%	76.7%	87.0%	91.9%	75.3%
	<u>3Q 22</u>	83.4%	83.7%	87.0%	82.4%	91.7%	89.0%	80.8%	44.3%	69.0%	84.8%	87.6%	88.7%	88.0%
Stage 2 ratio <sup>1</sup>	<u>4Q 19</u>	5.3%	4.2%	4.3%	10.5%	1.8%	0.0%	8.7%	8.9%	12.0%	3.9%	3.1%	0.8%	2.0%
	<u>4Q 20</u>	13.9%	18.0%	11.3%	14.7%	8.6%	15.6%	13.3%	7.2%	11.3%	11.4%	17.5%	5.1%	14.1%
	<u>4Q 21</u>	13.2%	17.4%	9.8%	12.1%	7.2%	12.7%	14.5%	6.6%	12.1%	16.3%	9.7%	6.2%	21.8%
	<u>3Q 22</u>	11.5%	12.0%	7.7%	12.4%	5.6%	9.9%	14.2%	41.4%	15.0%	9.4%	7.8%	8.7%	9.3%
Stage 3 ratio <sup>1</sup>	<u>4Q 19</u>	5.9%	4.3%	7.2%	6.3%	2.2%	1.1%	7.5%	17.3%	13.0%	7.3%	3.1%	1.4%	3.6%
	<u>4Q 20</u>	5.7%	4.2%	7.4%	8.7%	2.6%	1.5%	6.5%	10.4%	13.9%	7.2%	3.0%	3.0%	3.5%
	<u>4Q 21</u>	5.3%	4.6%	6.2%	8.0%	2.9%	1.3%	5.7%	6.3%	11.4%	7.0%	3.3%	1.8%	2.9%
	<u>3Q 22</u>	5.2%	4.3%	5.3%	5.2%	2.7%	1.1%	5.0%	14.2%	16.0%	5.8%	4.6%	2.5%	2.7%

<sup>1</sup> In % of total gross loans.

<sup>2</sup> SKB's stage rates are impacted by the accounting treatment of purchased receivables.

<sup>3</sup> This column includes Merkantil Bank in 4Q 2019, and Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd. from 1Q 2020.

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

		<b>Cons.</b> 	<b>Core</b> (Hungary) 	<b>DSK</b> (Bulgaria) 	<b>OBH</b> (Croatia) 	<b>OBSrb</b> (Serbia) 	<b>SKB<sup>1</sup></b> (Slovenia) 	<b>OBR</b> (Romania) 	<b>OBU</b> (Ukraine) 	<b>OBRu</b> (Russia) 	<b>CKB</b> (Monten.) 	<b>OBA</b> (Albania) 	<b>OBM</b> (Moldova) 	<b>Merk.<sup>2</sup></b> (Hungarian leasing) 
Stage 1 own coverage	<u>4Q 19</u>	1.1%	0.8%	1.1%	0.8%	0.4%	0.4%	1.3%	0.9%	5.3%	1.1%	1.2%	1.0%	0.4%
	<u>4Q 20</u>	1.0%	0.8%	1.0%	0.8%	0.8%	0.5%	1.0%	1.9%	4.6%	1.3%	1.3%	1.1%	0.2%
	<u>4Q 21</u>	1.0%	1.0%	1.0%	0.6%	0.7%	0.3%	1.0%	1.9%	3.8%	1.0%	1.2%	1.3%	0.4%
	<u>3Q 22</u>	1.0%	0.9%	1.1%	0.5%	0.6%	0.2%	1.1%	3.5%	4.7%	1.2%	1.5%	2.3%	0.4%
Stage 2 own Coverage	<u>4Q 19</u>	10.7%	12.4%	8.5%	3.5%	5.8%	n/a	5.7%	8.3%	27.4%	4.8%	10.1%	23.6%	4.7%
	<u>4Q 20</u>	10.4%	10.1%	12.6%	5.7%	8.5%	4.3%	9.0%	15.9%	43.1%	9.3%	10.4%	19.5%	3.8%
	<u>4Q 21</u>	10.0%	8.9%	15.5%	5.9%	6.1%	5.0%	8.4%	18.5%	31.1%	6.5%	11.4%	13.6%	5.3%
	<u>3Q 22</u>	11.8%	8.7%	16.8%	6.3%	6.3%	3.0%	9.3%	20.2%	29.4%	9.6%	9.1%	19.4%	5.6%
Stage 1+2 own Coverage	<u>4Q 19</u>	1.6%	1.3%	1.4%	1.1%	0.5%	0.4%	1.7%	1.7%	8.4%	1.2%	1.5%	1.2%	0.5%
	<u>4Q 20</u>	2.4%	2.5%	2.4%	1.6%	1.5%	1.2%	2.2%	3.0%	9.7%	2.3%	2.9%	2.1%	0.8%
	<u>4Q 21</u>	2.3%	2.5%	2.5%	1.3%	1.1%	0.9%	2.1%	3.0%	7.5%	1.9%	2.3%	2.1%	1.5%
	<u>3Q 22</u>	2.3%	1.8%	2.4%	1.2%	1.0%	0.5%	2.3%	11.6%	9.1%	2.0%	2.2%	3.9%	0.8%
Stage 3 own Coverage	<u>4Q 19</u>	65.2%	55.4%	62.0%	63.6%	50.0%	8.7%	53.7%	77.9%	93.4%	68.2%	33.1%	39.7%	63.4%
	<u>4Q 20</u>	62.3%	54.5%	65.6%	53.9%	53.6%	36.3%	54.6%	74.3%	93.4%	63.9%	54.2%	48.0%	66.5%
	<u>4Q 21</u>	60.5%	42.7%	68.2%	61.4%	53.6%	56.1%	57.5%	69.6%	95.1%	66.0%	73.3%	54.3%	60.0%
	<u>3Q 22</u>	65.0%	45.6%	69.9%	69.1%	56.5%	66.4%	59.7%	64.0%	94.3%	70.4%	54.1%	56.6%	50.8%

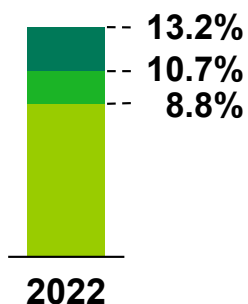
<sup>1</sup> The SKB acquisition was completed in 4Q 2019. The Stage 3 receivables were netted off with the already created provisions at the time of the consolidation, which automatically reduced the own coverage of Stage 3 loans.

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

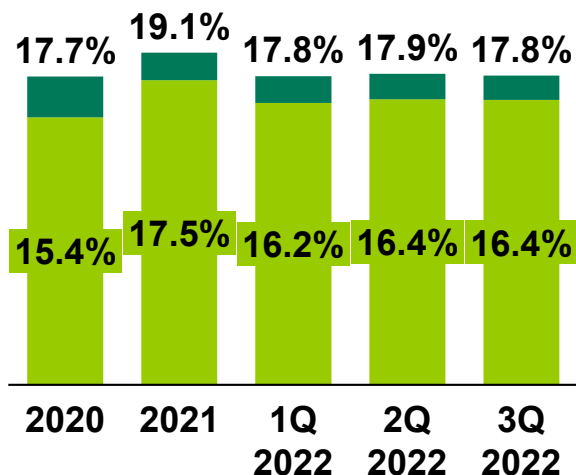


**The Group's capital adequacy ratios and liquidity reserves significantly exceeded regulatory minimum requirements; in 3Q the Bank executed two MREL-eligible bond issuances with a total amount of EUR 460 million equivalent**

**Regulatory minimum requirements<sup>1</sup>**



**CAR and CET1 ratio actual values<sup>2</sup>**



■ Capital adequacy ratio (CAR) ■ Tier1 rate ■ CET1 rate

**The CET1 ratio stayed unchanged q-o-q:**

- **On one hand, CET1 capital increased by HUF 299 billion, of which:**
  - +HUF 166 billion: impact of quarterly eligible profit
  - +HUF 130 billion: effect of FX changes
  - HUF 36 billion: effect of changes in the fair value of available-for-sale financial instruments, mainly due to changes in the yield on government securities
  - +HUF 59 billion: due to the transitional effects
  - HUF 11 billion: higher deductions due to increasing deferred taxes
- **On the other hand, risk-weighted assets (RWA) increased by HUF 1,868 billion:**
  - +HUF 854 billion: the effect of organic growth
  - +HUF 695 billion: effect of changes in foreign exchange rates
  - +HUF 234 billion: acquisition impact of Alpha Bank Albania
  - +HUF 38 billion: increase in non-credit risk RWA

**Main liquidity indicators**

	4Q 2021	3Q 2022	Threshold
<b>Net loan/deposit ratio</b>	75%	76%	-
<b>Liquidity coverage ratio (LCR)</b>	180%	171%	≥ 100%

**Senior Preferred Green Notes issuance in 3Q 2022**

**Issued amount:** EUR 400 M (public) + USD 60 M (private placement)  
**Issue rating:** BBB/BBB+ (S&P / Scope)  
**Format:** Senior Preferred  
**Issuer's Call:** 13 July 2024 and 29 September 2025  
**Maturity:** 13 July 2025 and 29 September 2026  
**Listing:** Luxembourg Stock Exchange

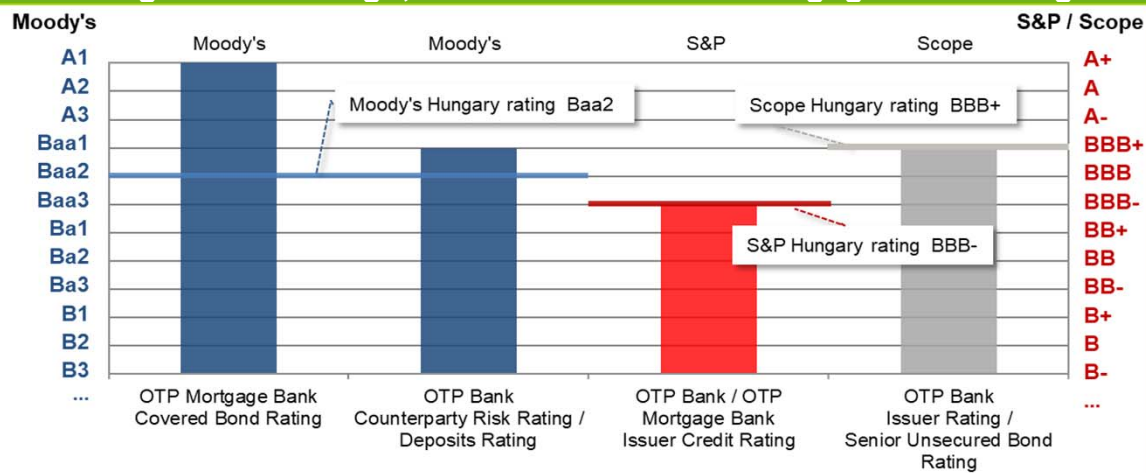
<sup>1</sup> In the absence of additional core capital (AT1), the Tier1 regulatory requirement is also effective for the CET1 rate.

<sup>2</sup> Indicators calculated for the scope of accounting (IFRS) consolidation. In the absence of additional core capital (AT1), the Tier1 rate is the same as the CET1 rate.

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

(rating outlook)   
 + positive   
 - negative   
 0 stable   
 +\* on watch possible upgrade   
 -\* on watch possible downgrade

## Hungarian sovereign, OTP Bank and OTP Mortgage Bank ratings



## Sovereign ratings<sup>2</sup> of OTP Group member countries

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

## Credit ratings of OTP Group member banks

	Moody's	S&P	Scope
<b>OTP Bank</b>	-	BBB-(0)	BBB+(-)
Counterparty Rating <sup>1</sup>	Baa1	BBB-	-
Deposits	Baa1(0)	-	-
Senior Unsecured Bonds (SP)	-	BBB-	BBB+(-)
			€400mn \$60mn 13/07/2022 29/09/2022 €650mn 01/12/2022
Non-preferred Senior Unsecured Bonds	-	-	BBB(-)
Subordinated Tier 2 Bonds	Ba2	BB	BB+(-)
			€500mn \$650mn 15/07/2019 15/02/2023
<b>OTP Mortgage Bank</b>	Baa3(0)	BBB-(0)	-
Counterparty Risk Rating	Baa1	BBB-	-
Covered Bonds	A1	-	-
			HUF 95bn 29/09/2021

Last update: 15 February 2023

<sup>1</sup> Long-term Counterparty Risk Rating for Moody's and long-term Resolution Counterparty Rating for S&P Global

<sup>2</sup> Sovereign ratings: long term foreign currency government bond ratings; Abbreviations: ALB – Albania, BG - Bulgaria, CR - Croatia, HU - Hungary, MN - Montenegro, MO – Moldova, RO - Romania, RU - Russia, SRB - Serbia, SV – Slovenia, UA - Ukraine



# OTP's way to a sustainable world: dedicated permanent ESG organization, strategic focus, and visible results

## ORGANIZATION

The **whole organization of the Bank and its Subsidiaries are involved in the ESG transformation**, that is steered by the ESG Committee, managed by the Green Program Director as Leader of ESG business transformation.

**Board of Directors**  
Board member responsible for ESG

**ESG Committee**  
**Standing Executive Committee**  
*Task: Formulating strategy, plans and policies in relation to ESG, supporting management bodies, responsible for execution of the strategy*  
*Chair: Delegate of Board of Directors*

**ESG Subcommittee**  
**Operating Committee of ESG Committee**  
*Task: operating body supporting the work of ESG Committee*  
*Chair: Green Program Director responsible for ESG business transformation of the OTP Group*

- ESG risk management
- ESG business transformation
- ESG control function

## STRATEGY

OTP Bank has successfully started implementing its ESG strategy, the main results are as follows:



**Green mortgage bond issuance:**  
In August 2021 OTP Mortgage Bank was the first to issue a green mortgage bond on the domestic market.  
Current volume of issued green mortgage bonds: **HUF 95 billion**



**Green Home Programme:**  
In October 2021 OTP Bank was amongst the first banks joining the programme.  
OTP Bank's contractual amount of Green Housing loans: **HUF 176 billion**  
Validated<sup>1</sup> Green Housing loans: **HUF 58 billion**



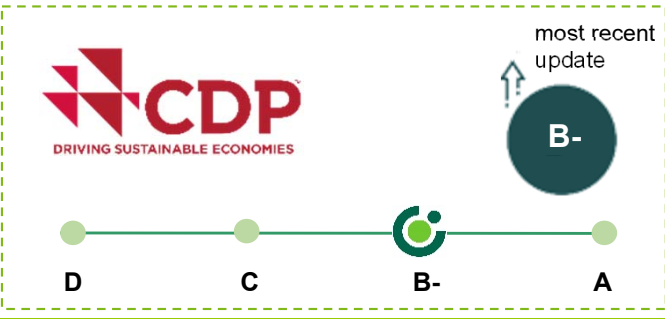
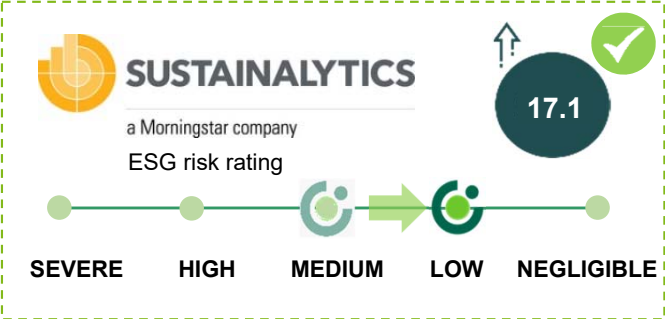
**Green corporate lending:**  
OTP's Green Lending Framework was the first among domestic banks approved by the National Bank of Hungary. The approval will allow OTP to begin financing green projects of corporate customers.  
Validated<sup>1</sup> corporate green loans and green bonds: **HUF 114 billion**



**Green bond issuances:**  
On 5 July 2022 OTP Bank issued its first EUR-denominated MREL-eligible 3-year green bonds, callable after two years, with a total notional of **EUR 400 million**.  
On 29 September 2022 OTP Bank issued its first USD-denominated MREL-eligible 4-year green bonds, callable after three years, in the amount of **USD 60 million**.

## RATINGS

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



Source: Company data

<sup>1</sup> Accounted for in the Green Capital Relief Program of the National Bank of Hungary.

OTP's outstanding performance is traditionally recognized not only by capital markets, but professional organizations, too



- 'Best Bank in CEE 2018 and 2021'
- 'Best Bank in Hungary 2017, 2018, 2020, 2021 and 2022'
- 'Best Bank in Bulgaria 2021 and 2022'
- 'Best Bank in Montenegro 2020 and 2021'
- 'Best Bank in Albania 2020, 2021 and 2022'
- 'Best Bank in Moldova 2022'
- 'Best Bank in Serbia 2022'



- 'Best Bank in CEE 2021 and 2022'
- 'Best Bank in Hungary 2020, 2021 and 2022'
- 'Bank of the Year in Albania in 2022'
- 'Bank of the Year in Bulgaria in 2022'
- 'Bank of the Year in Serbia in 2022'
- 'Bank of the Year in Slovenia in 2020, 2021 and 2022'



- 'Best Bank in CEE 2022'
- 'Best Bank in Hungary in 2022' since 2012 in all consecutive years
- 'Best Bank in Montenegro in 2022'
- 'Best Bank in Slovenia in 2022'



- 'Best Consumer Digital Bank in Hungary in 2019, 2020, 2021 and 2022'



- 'Best SME Bank in CEE in 2022'
- 'Best SME Bank in Hungary in 2022 and 2023'



- 'Best Private Bank in Emerging Markets in 2023'
- 'Best Private Bank in CEE in 2022 and 2023'
- 'Best Private Bank in Hungary in 2020, 2021, 2022 and 2023'



- 'Best Bank for Sustainable Finance in Hungary for 2022'



- 'Bank of the Year in 2021'
- 'Mobile Banking Solution of the Year 2021'
- 'UX Solution of the Year 2021'
- 'Sustainable Bank of the Year 2021'
- 'Marketing Communication Campaign of the Year 2021'



- 'Safest Bank in Hungary in 2020 and 2021'



- 'Best FX providers in Hungary in 2017, 2018, 2019, 2020, 2021, 2022 and 2023'
- 'Best FX providers in Bulgaria in 2021, 2022 and 2023'
- 'Best FX providers in Serbia in 2023'



- 'Best Private Bank in Hungary'

'OTP LAB has again earned the "Best Financial Innovation Labs" award from Global Finance Magazine in 2022.'

## Many elements of the management guidance for 2022 were upgraded

### Updated management guidance for 2022

The management expectations for the Group's 2022 performance without the Russian and Ukrainian operations are as follows:

- **Performing (Stage 1+2) organic loan volume growth might reach 15% y-o-y (FX-adjusted) following the 13% ytd expansion;**
- **The net interest margin may stabilize;**  
(**2021: 3.09%**, 1Q 2022: 3.05%, 2Q: 3.16%, 3Q: 3.03%, **1-9M: 3.08%**)
- **The operating cost efficiency ratio might improve compared to 2021;**  
(Cost / income ratio: **2021: 51.1%**, 1Q 2022: 47.6%, 2Q: 48.4%, 3Q: 47.1%, **1-9M: 47.7%**)
- **The credit risk cost ratio may be lower than the 2021 level;**  
(**2021: 0.19%**, 1Q 2022: -0.41%, 2Q: -0.28%, 3Q: 0.36%, **1-9M: -0.09%**)
- **The adjusted profitability indicator (ROE) may exceed the 2021 level of 18%.**  
(**2021: 17.9%**, 1Q 2022: 23.4%, 2Q: 23.0%, 3Q: 20.1%, **1-9M: 22.1%**)

The Russian subsidiary is expected to deliver positive earnings for the rest of 2022, though its magnitude might be smaller than in 3Q. The performance of the Ukrainian subsidiary will be mainly shaped by the evolution of its risk profile.

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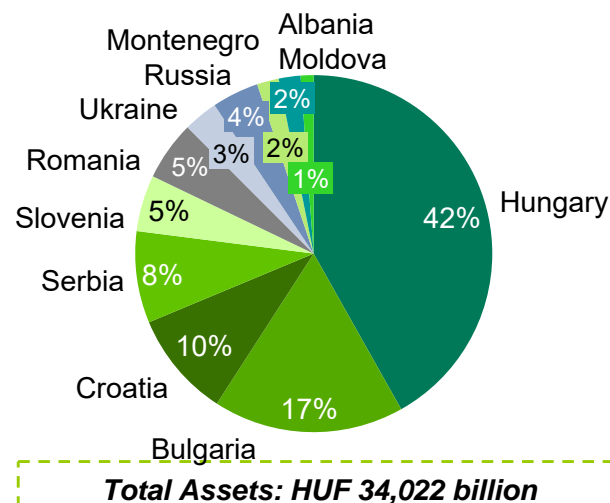
**Further details and financials**

OTP Group offers universal banking services to around 15.6 million active customers in 11 countries with majority of its operations located in European Union member states that offer attractive growth opportunities versus core EU countries

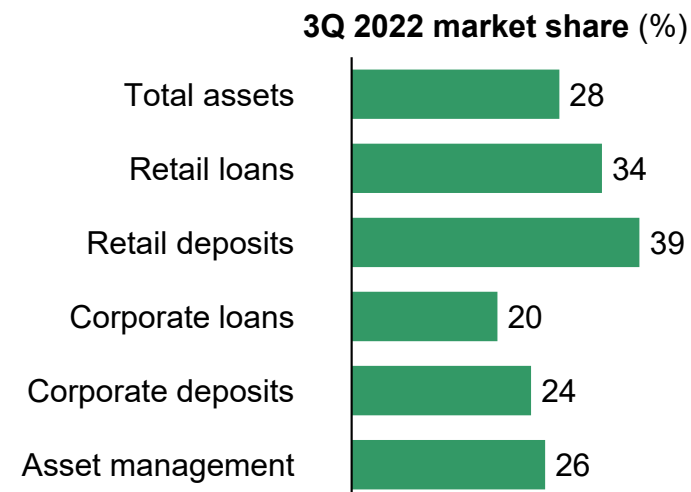
### Major Group Members in Europe



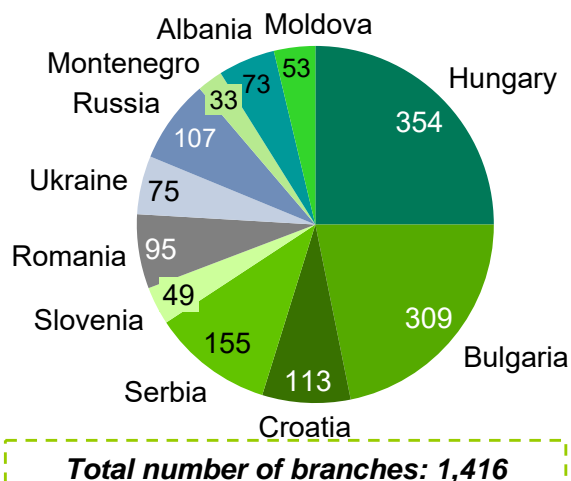
### Total Assets<sup>1</sup>



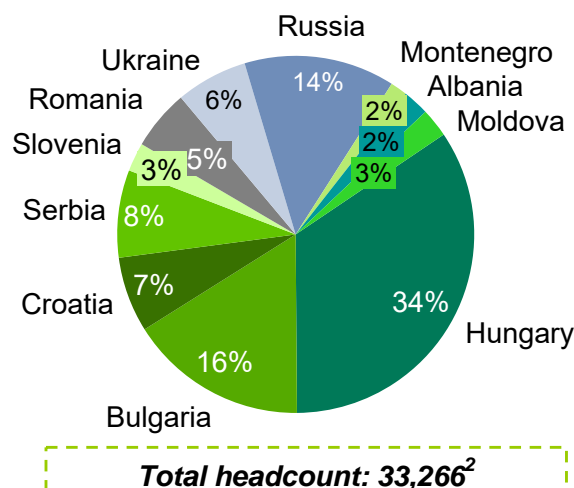
### Systemic position in Hungary...



### Number of Branches<sup>1</sup>



### Headcount<sup>1</sup>



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

- Bulgaria** No. 2 in Total assets  
No. 1 in Retail deposits  
No. 1 in Retail loans
- Serbia** No. 2 in Total assets  
No. 1 in Gross loans
- Slovenia** No. 3 in Total assets
- Croatia** No. 4 in Total assets
- Montenegro** No. 1 in Total assets
- Albania** No. 3 in Net loans

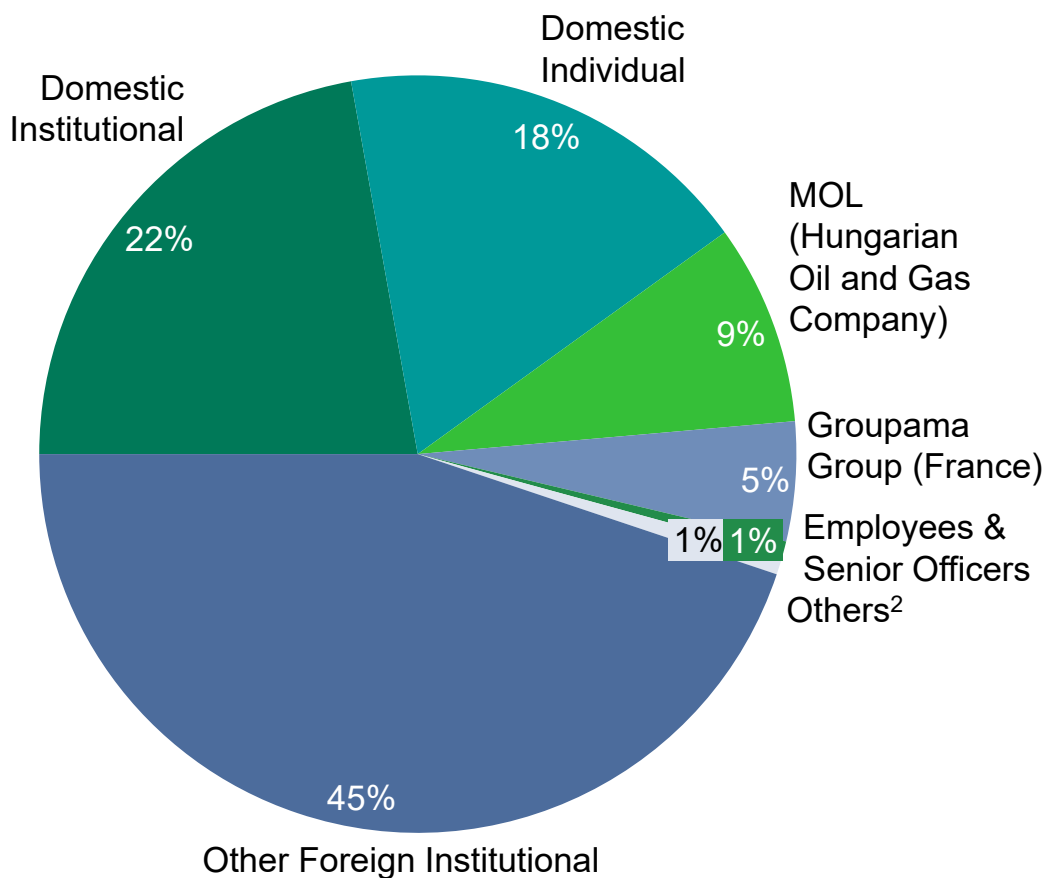
<sup>1</sup> As of 3Q 2022

<sup>2</sup> Excluding selling agents employed at OTP Bank Russia and at OTP Bank Ukraine.

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

**Market capitalization: EUR 6.8 billion<sup>1</sup>**

**Ownership structure of OTP Bank on 30 September 2022**

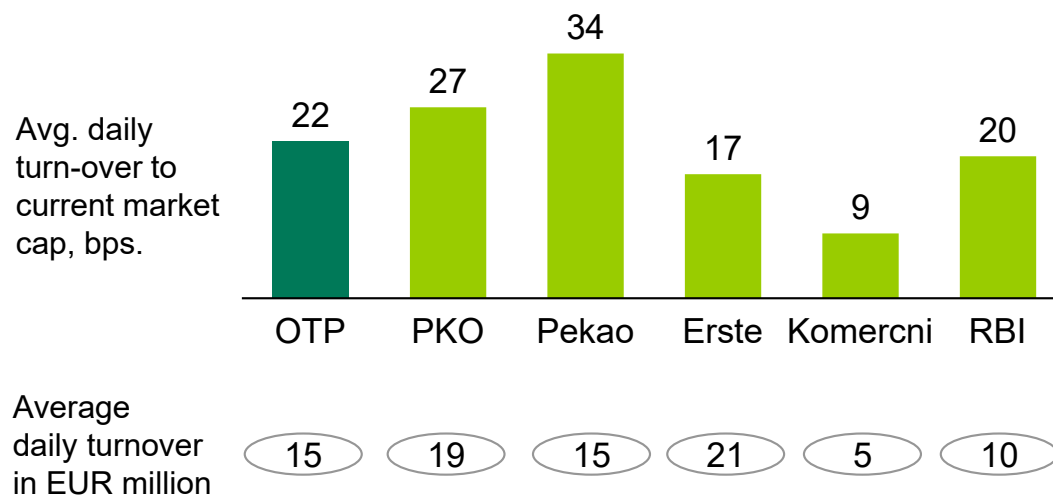


Total number of ordinary shares: 280,000,010, each having a nominal value of HUF 100 and representing the same rights

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

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

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



<sup>1</sup> On 9 November 2022.

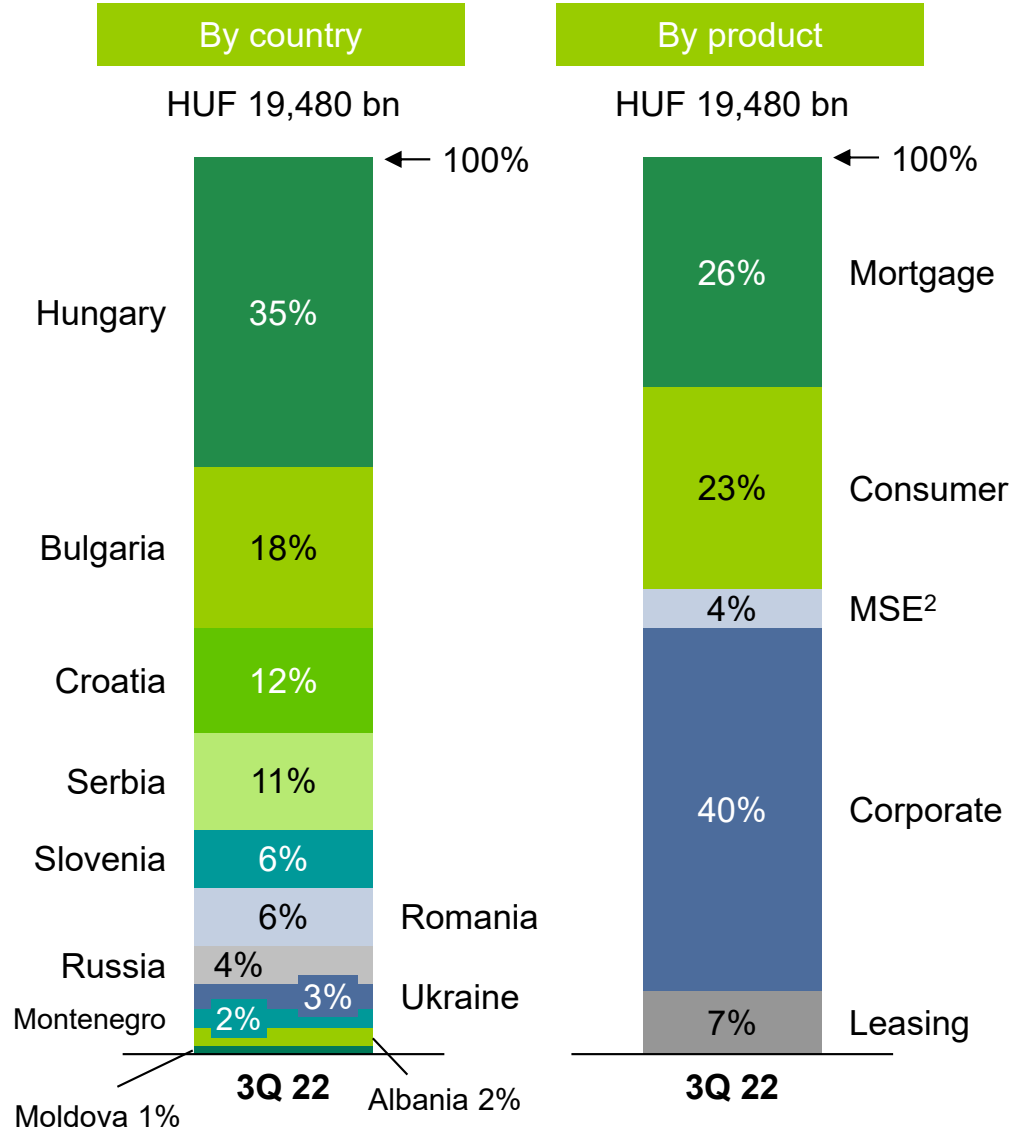
<sup>2</sup> Treasury shares, foreign individuals, international development institutions, government held owner and non-identified shareholders.

<sup>3</sup> Based on the last 6M data (end date: 9 November 2022) on the primary stock exchange.

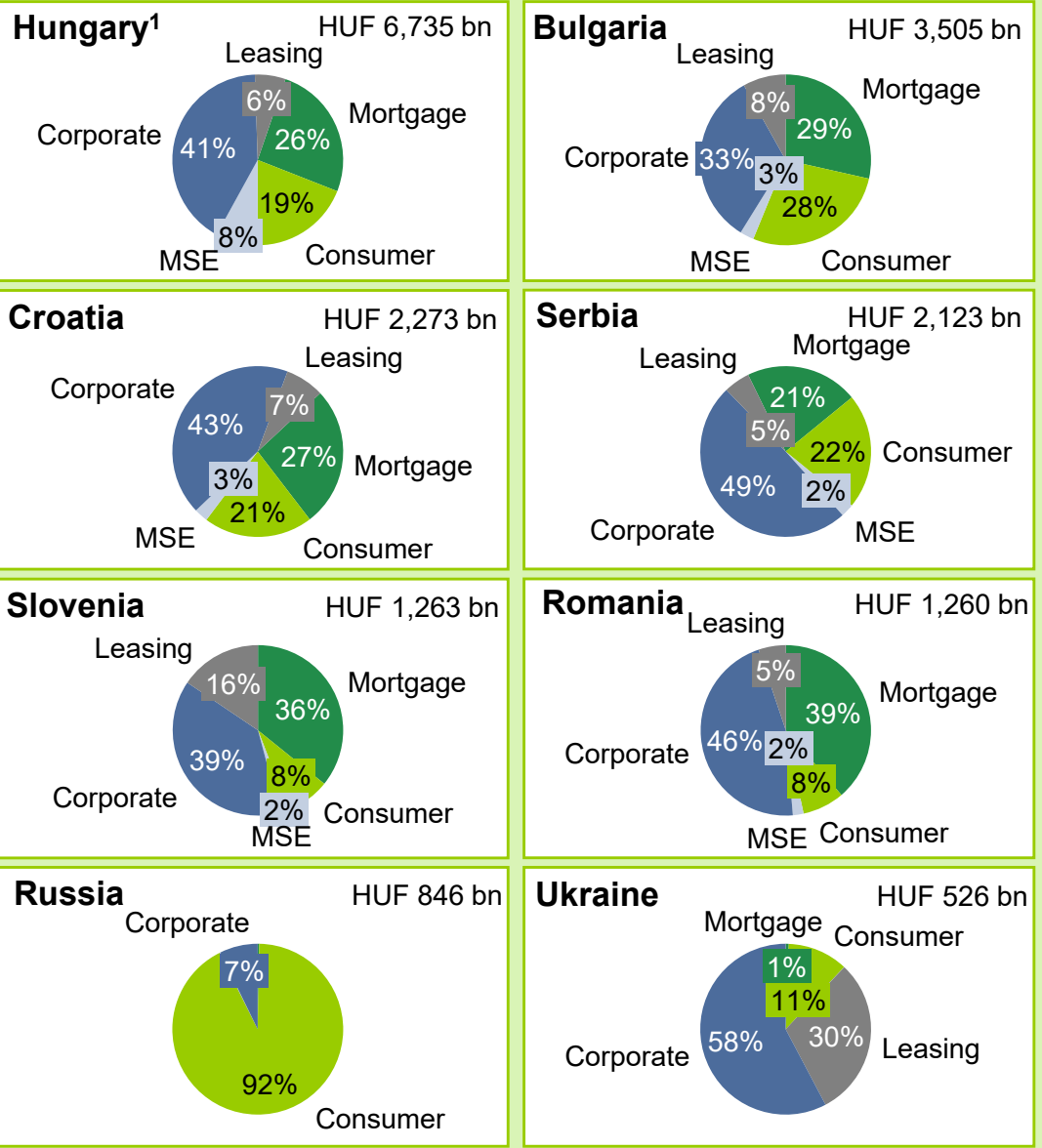


Almost 80% of the total net loan book is invested in EU countries, with Hungary having dominant share

Breakdown of the consolidated net loan book



Net loan book 3Q 2022

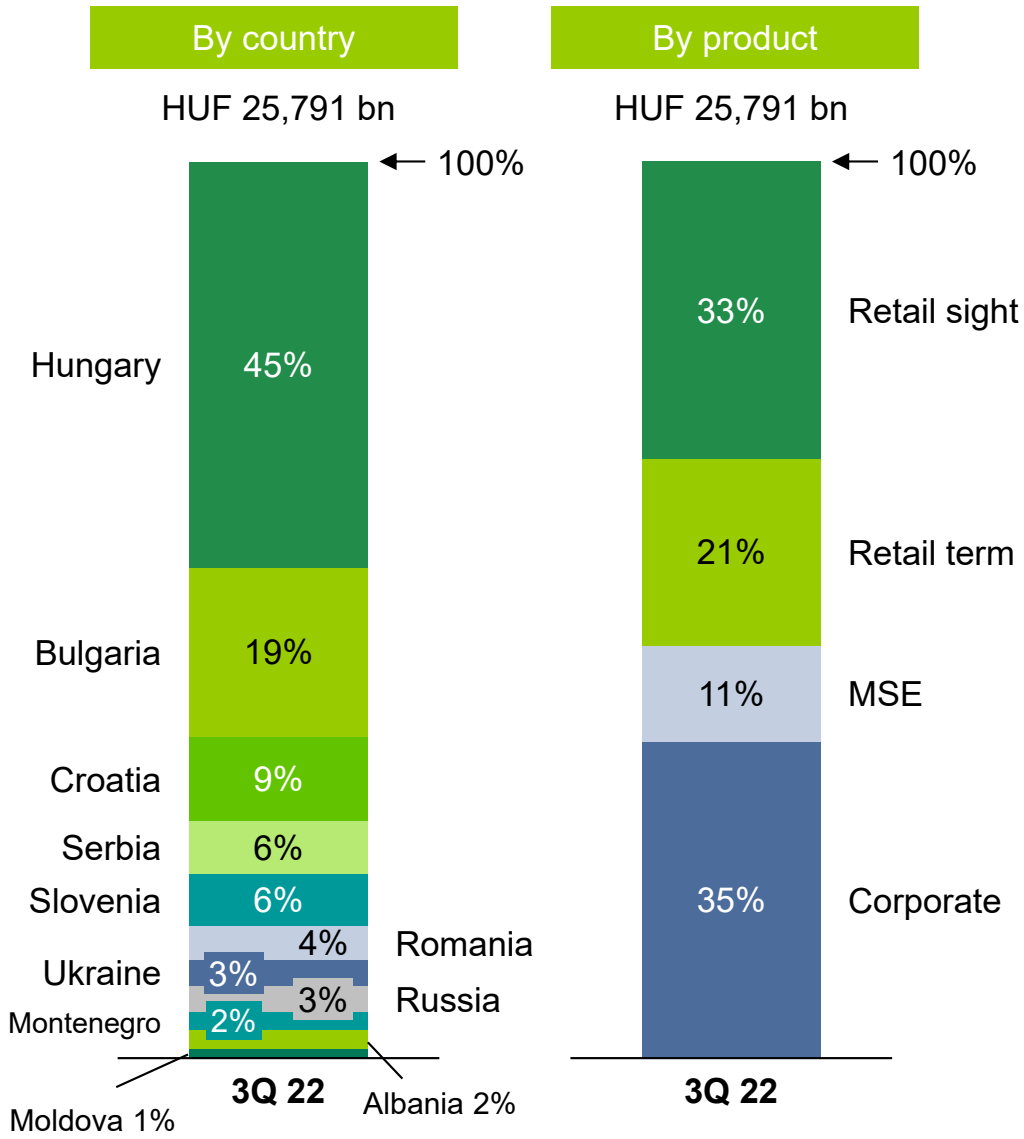


<sup>1</sup> Including OTP Core and Merkantil Group (Hungarian leasing).

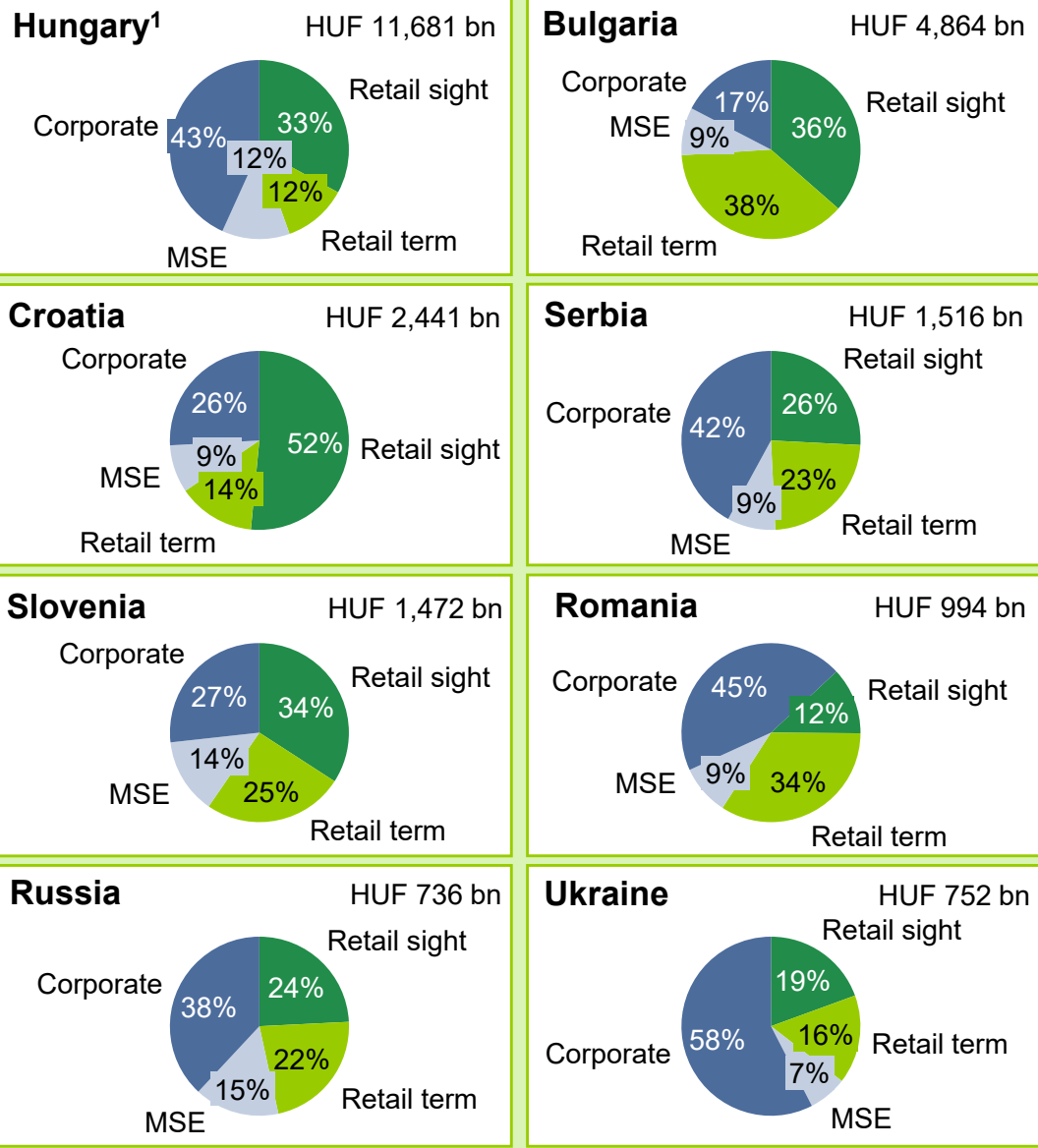
<sup>2</sup> MSE are micro and small enterprises

**Hungary represents almost half of the deposit book, Bulgaria is the second largest deposit holder in the Group. Household volumes account for around 55% of the total deposit base**

**Breakdown of the consolidated deposit base**



**Deposit base 3Q 2022**



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



## The consolidated adjusted ROE for the period reached 19.1%, whereas this number was 22.1% without Russia and Ukraine

	2003-2008 average	2009-2013 average	2014	2015	2016	2017	2018	2019	2020	2021	9M 2022
ROE (from profit after tax)	29.4%	8.3%	-7.4%	5.1%	15.4%	18.5%	18.7%	20.3%	10.9%	17.0%	10.1% 17.7% <sup>4</sup>
ROE (from adj. profit after tax)	29.0%	11.6%	8.5%	9.6%	15.4%	18.7%	19.1%	20.6%	13.0%	18.5%	19.1% 22.1% <sup>4</sup>
Total Revenue Margin <sup>1</sup>	8.60%	8.17%	7.74%	6.98%	6.79%	6.71%	6.33%	6.28%	5.37%	5.21%	5.31% 4.77% <sup>4</sup>
Net Interest Margin <sup>1</sup>	6.02%	6.28%	5.96%	5.12%	4.82%	4.56%	4.30%	4.12%	3.61%	3.51%	3.51% 3.08% <sup>4</sup>
Net Fee & Comm. Margin	1.50%	1.47%	1.59%	1.55%	1.62%	1.75%	1.58%	1.65%	1.34%	1.29%	1.27% 1.20% <sup>4</sup>
Other income Margin <sup>1</sup>	1.08%	0.41%	0.19%	0.31%	0.35%	0.41%	0.44%	0.52%	0.41%	0.41%	0.53% 0.73% <sup>4</sup>
Operating Costs / Average Assets	4.47%	3.80%	3.85%	3.66%	3.70%	3.68%	3.57%	3.31%	2.90%	2.59%	2.47% 2.27% <sup>4</sup>
Cost / Income (without one-offs)	51.9%	46.5%	49.8%	52.0%	54.4%	54.9%	56.3%	52.7%	54.1%	49.7%	46.5% 47.7% <sup>4</sup>
Credit Risk Cost Rate <sup>2</sup>	0.90%	3.37%	3.68%	3.18%	1.14%	0.43%	0.23%	0.28%	1.15%	0.30%	0.75% -0.09% <sup>4</sup>
CET1 capital ratio <sup>3</sup>	9.1%	13.4%	14.1%	13.3%	13.5%	12.7%	16.5%	14.4%	15.4%	17.5%	16.4%

<sup>1</sup> Excluding one-off items. <sup>2</sup> Provision for impairment on loan and placement losses-to-average gross loans ratio.

<sup>3</sup> Until 2006 calculated from Hungarian Accounting Standard based unconsolidated figures as 'quasi CET1' divided by RWA,

whereby 'quasi CET1' is calculated as Primary capital less proportional deductions. From 2007 the CET1 ratio is calculated

according to Basel 3 regulation, based on IFRS financials. <sup>4</sup> OTP Group excluding the Russian and Ukrainian operations.

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

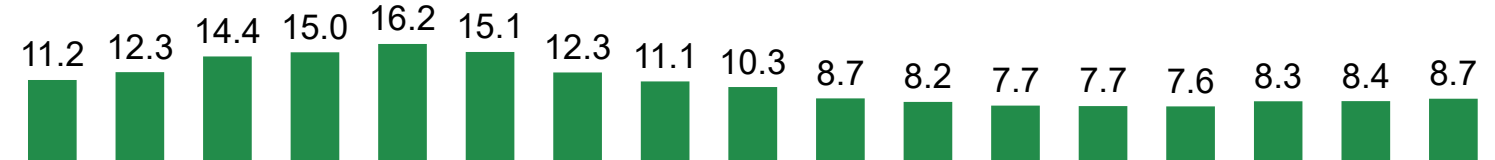
Market penetration levels in Hungary in ...

Net loan to deposit ratio in the Hungarian credit institution system<sup>1</sup>

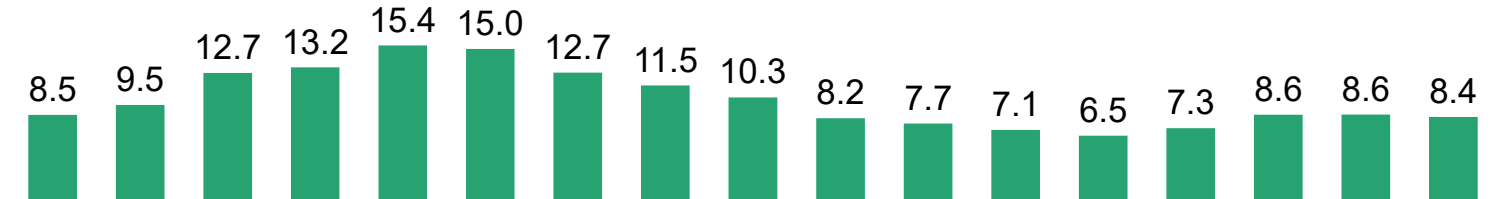
168% → 92%

1Q 2009 → 3Q 2022

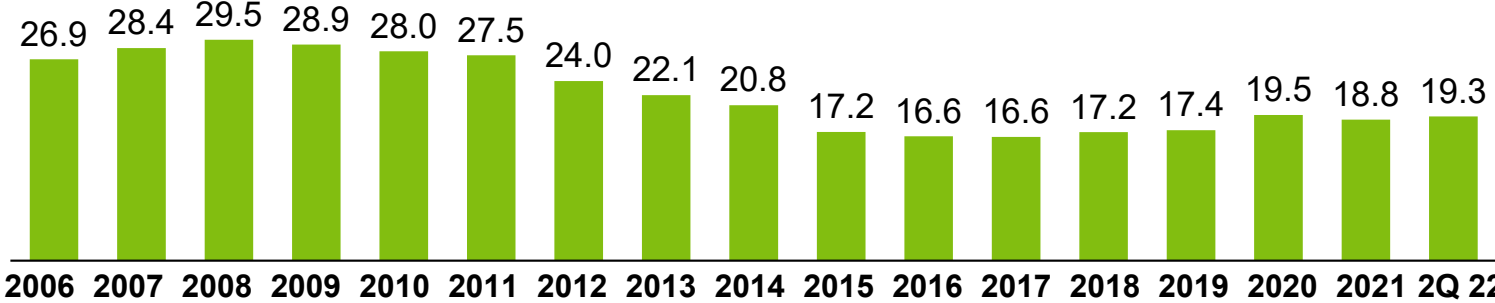
housing loans (in % of GDP)



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



corporate loans (in % of GDP)



2Q 2022 data for other CEE/CIS countries (in % of GDP)\*

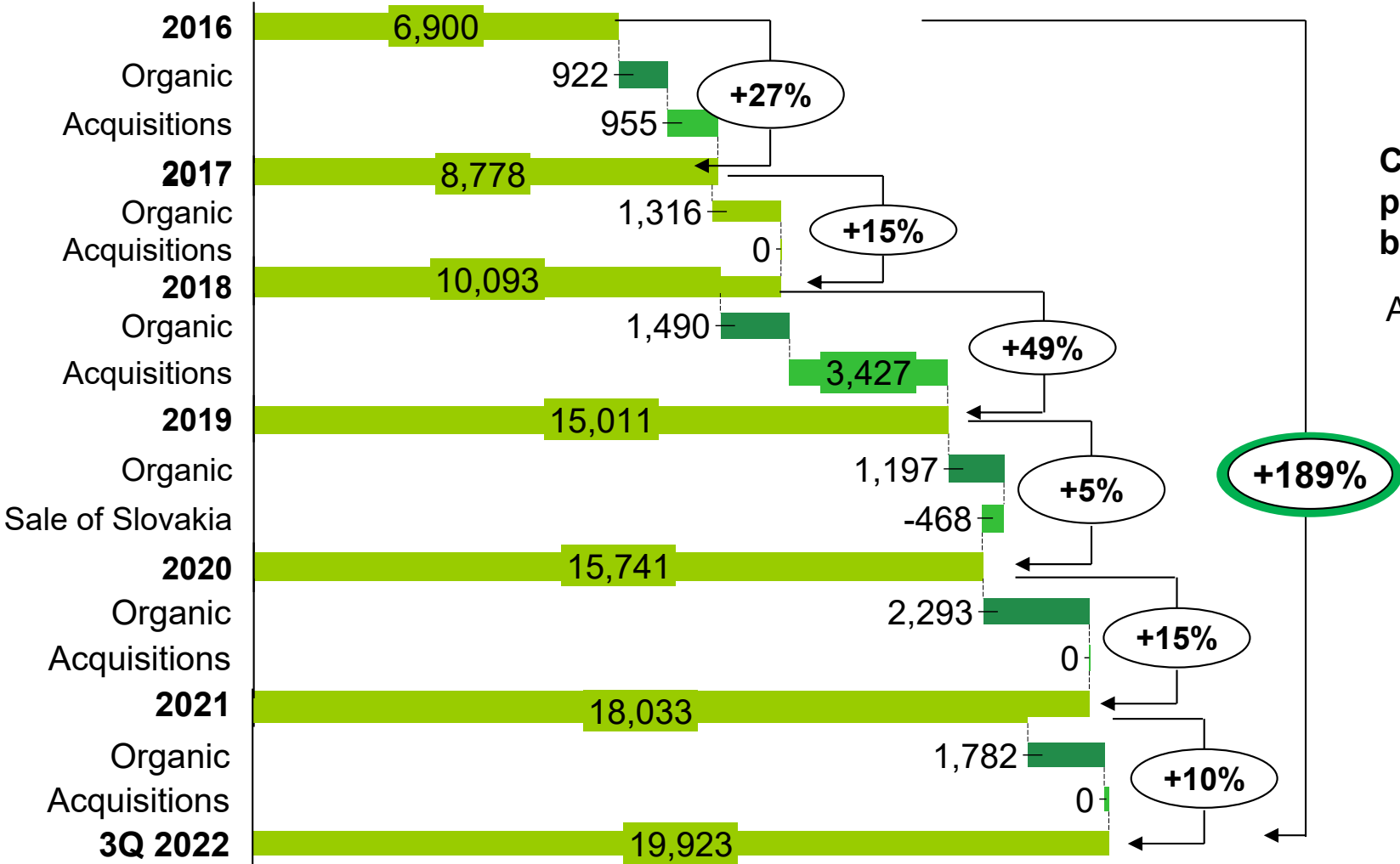
28.0	Montenegro <sup>2</sup>	9.0	Russia
26.7	Czechia	8.5	Serbia
18.6	Poland	8.2	Romania
16.4	Croatia	8.2	Albania
14.5	Slovenia	4.8	Moldova
10.7	Bulgaria	0.4	Ukraine
17.1	Croatia	7.3	Czechia
13.3	Serbia	5.1	Romania
11.3	Bulgaria	4.7	Slovenia
11.2	Poland	4.2	Moldova
9.4	Russia	4.2	Albania
		3.7	Ukraine
35.6	Russia	19.9	Czechia
27.9	Bulgaria	18.9	Slovenia
25.9	Montenegro	14.3	Poland
25.2	Serbia	13.2	Moldova
22.7	Croatia	13.1	Romania
22.4	Albania	12.4	Ukraine

<sup>1</sup> Latest available data. According to the supervisory balance sheet data provision.  
<sup>2</sup> Total households loan penetration.

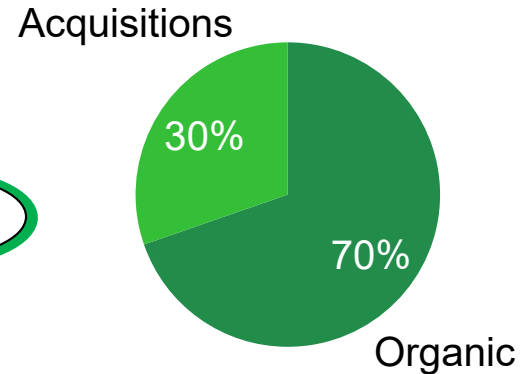
**OTP Group's performing loans grew to 2.9-fold between 2016 and 3Q 2022, driven by both organic growth and acquisitions**

**OTP Group – performing (DPD0-90) loan growth<sup>1</sup>**

FX-adjusted, in HUF billion




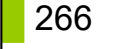



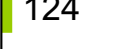

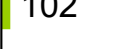















**Components of the Group's performing loan growth between 2016 – 3Q 2022**

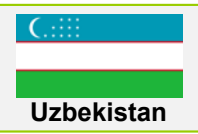


<sup>1</sup> Performing loan data of acquisitions: Splitska banka: 2Q 2017; Vojvodjanska banka: 4Q 2017 (estimate); Expressbank, SG Albania, SG Montenegro, SG Moldova, SG Serbia and SG Slovenia: 4Q 2019; Alpha Bank Albania: 3Q 2022. As for the sale of Slovakia, its 3Q 2020 loan figure was displayed. Organic loan growth is calculated as total growth less acquisitions-related growth (latter includes the sale of Slovakia).

Acquisitions completed in the last five years materially improved OTP's positions in many countries. The financial closure of the Nova KBM deal in Slovenia happened in February 2023, after receiving all the necessary regulatory approvals. On 12 December 2022 OTP Bank agreed on the purchase of the majority stake in Ipoteka Bank in Uzbekistan

Target (seller, date of closing)		Net loan volumes (in HUF billion)	Market share in total assets (before/after acquisition <sup>1</sup> , %)	Book value (in EUR million)
2017	 <b>Splitska banka</b> , Croatia (SocGen, 2Q 2017)	(Nov 18)  631	4.8 → 11.2	(4Q 16) <b>496</b>
	 <b>Vojvodjanska banka</b> , Serbia (NBG, 4Q 2017)	(1Q 19)  266	1.5 → 5.7	(3Q 17) <b>174</b>
2019	 <b>SocGen Expressbank</b> , Bulgaria (SocGen, 1Q 2019)	(1Q 19)  774	14.0 → 19.9	(4Q 18) <b>421</b>
	 <b>SocGen Albania</b> (SocGen, 1Q 2019)	(1Q 19)  124	6.0 → 6.0	(4Q 18) <b>58</b>
	 <b>SocGen Moldova</b> (SocGen, 3Q 2019)	(3Q 19)  102	14.0 → 14.0	(4Q 18) <b>86</b>
	 <b>SocGen Montenegro</b> (SocGen, 3Q 2019)	(3Q 19)  126	17.6 → 30.4	(4Q 18) <b>66</b>
	 <b>SocGen Serbia</b> (SocGen, 3Q 2019)	(3Q 19)  716	5.3 → 13.7	(4Q 18) <b>381</b>
	 <b>SKB Banka</b> , Slovenia (SocGen, 4Q 2019)	(4Q 19)  827	8.5 → 8.5	(4Q 18) <b>356</b>
2022	 <b>Alpha Bank SH.A.</b> , Albania (Alpha International Holdings, 3Q 2022)	(4Q 20)  99	6.2 → 10.9	(4Q 20) <b>73</b>
2023	 <b>Nova KBM</b> , Slovenia (Apollo Global & EBRD, 1Q 2023)	(4Q 21)  1,731	8.2 → 28.9	(4Q 21) <b>1,028</b>
	 <b>Ipoteka Bank</b> , Uzbekistan (Uzbek State, signed but not closed)	(2Q 22)  1,044	8.5 → 8.5	(2Q 22) <b>485</b>
<b>Acquisitions total:</b>		 6,440		<b>3,624</b>

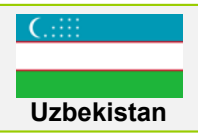
<sup>1</sup> Reference date of market share data: Croatia: 2Q 2017, Serbia – Vojvodjanska 4Q 2016, Bulgaria: 1Q 2019, Albania – SocGen: 4Q 2018, Moldova: 2Q 2019, Montenegro: 2Q 2019, Serbia – SocGen 2Q 2019, Slovenia – SKB: 4Q 2018, Albania – Alpha: 3Q 2021, Slovenia – Nova KBM: 3Q 2022, Uzbekistan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



## Key highlights of the Ipoteka Bank transaction in Uzbekistan

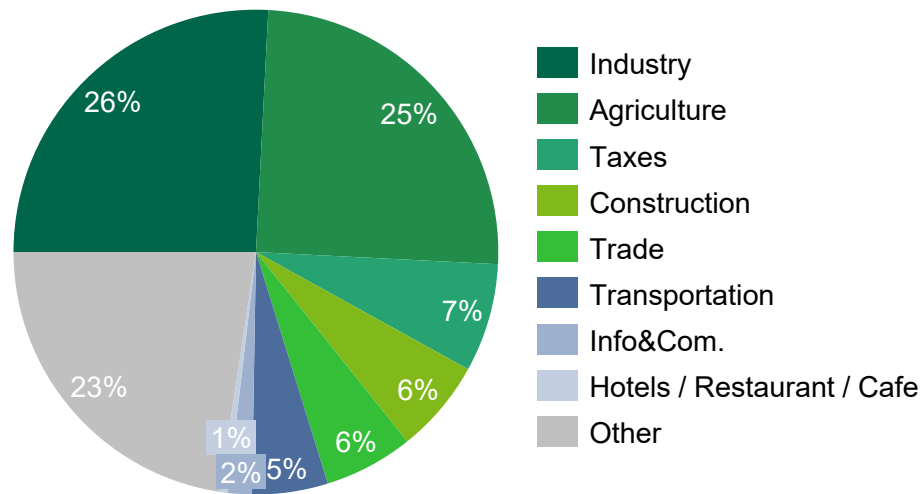
### **OTP is entering a promising, fast-growing market with a relatively low penetration of banking services**

- **On 12 December 2022 OTP Bank signed a purchase and sale contract on the privatization of Ipoteka Bank in Uzbekistan**
- **According to the contract, OTP Bank will purchase 100% of the shares held by the Ministry of Finance of the Republic of Uzbekistan (nearly 97% shareholding) in two steps: 75% of the shares now and the remaining 25% three years after the financial closure of the first leg of the transaction**
- **OTP Bank and the International Finance Corporation (IFC) have agreed to cooperate on Ipoteka Bank in the future. IFC has been providing financing and transformation support to Ipoteka Bank for several years and IFC confirmed it is committed to continuing its support and cooperating with OTP Bank, the new majority shareholder**
- **The transaction is the first step in the privatization process of the local, predominantly state-owned banking sector**
- **Ipoteka Bank is the 5<sup>th</sup> largest bank in Uzbekistan with a total asset-based market share of 8.5%**
- **Ipoteka Bank is the market leader in mortgage lending with around 30% market share**
- **The financial closure of the transaction is subject to regulatory approvals and expected in 1H 2023**



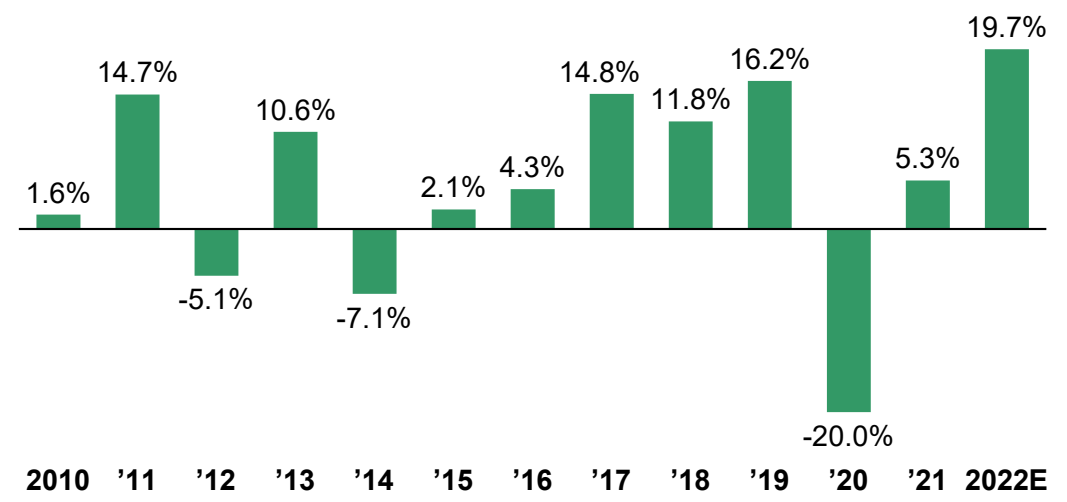
# Steadily growing GDP and export; the external trade is mainly commodity driven

## GDP structure of Uzbekistan (2021)



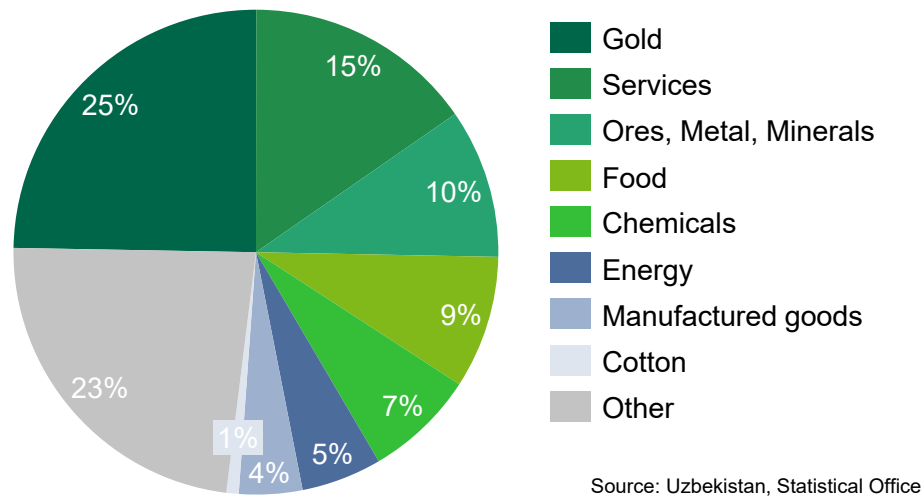
Source: Uzbekistan, Statistical Office

## Export volume growth



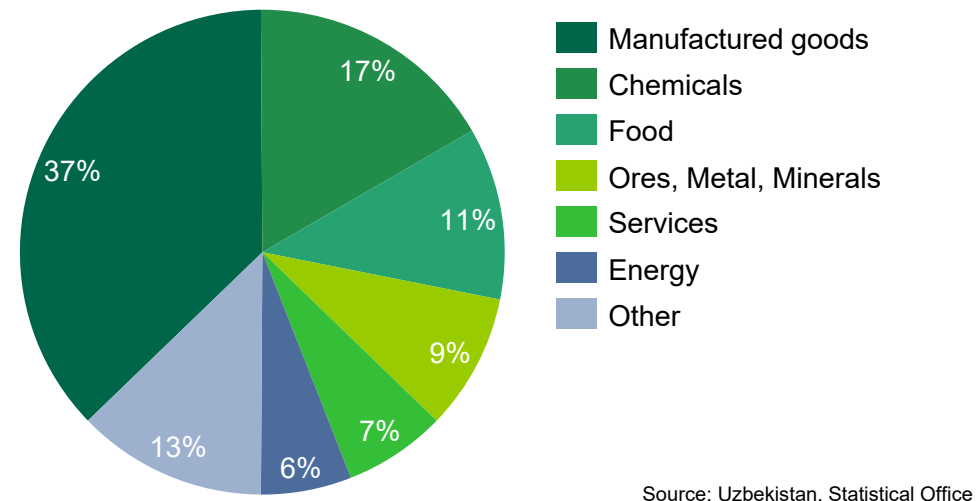
Source: IMF

## Export structure of Uzbekistan (2021)



Source: Uzbekistan, Statistical Office

## Import structure of Uzbekistan (2021)



Source: Uzbekistan, Statistical Office

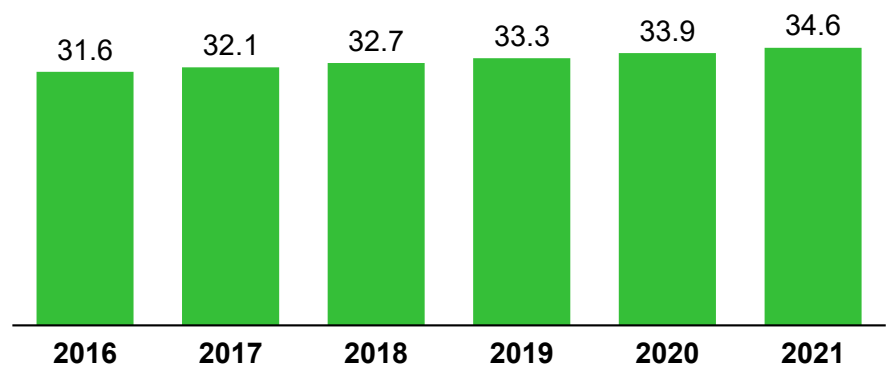






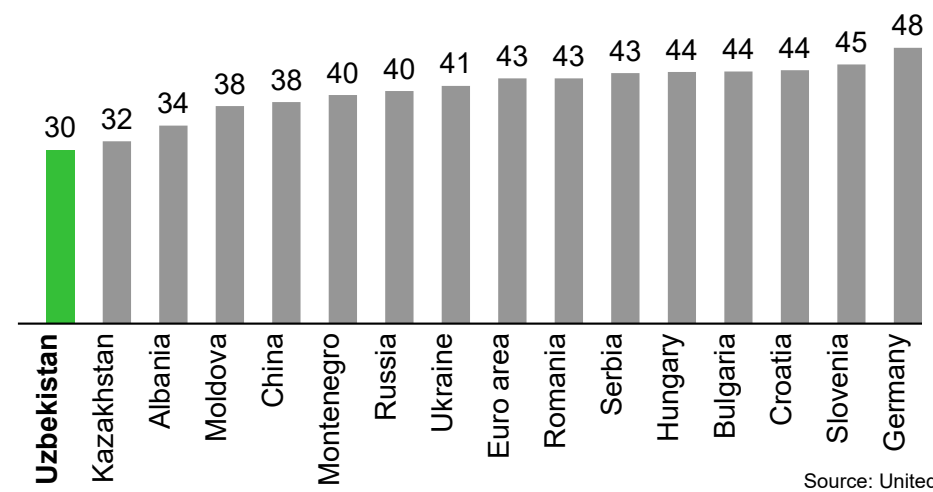
# Fast growing and young population, educational spending compares favourably to *Emerging Markets* countries

## Steadily growing population



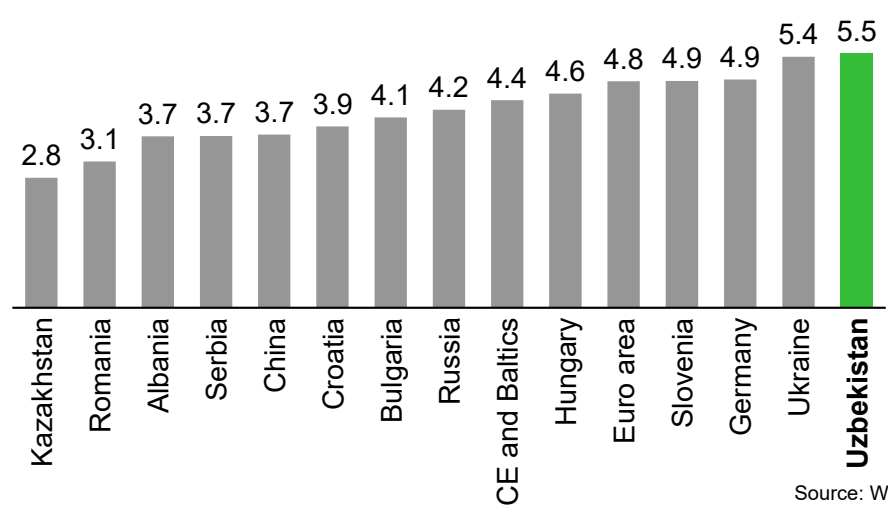
Source: IMF

## Comparison of the median age (2020)



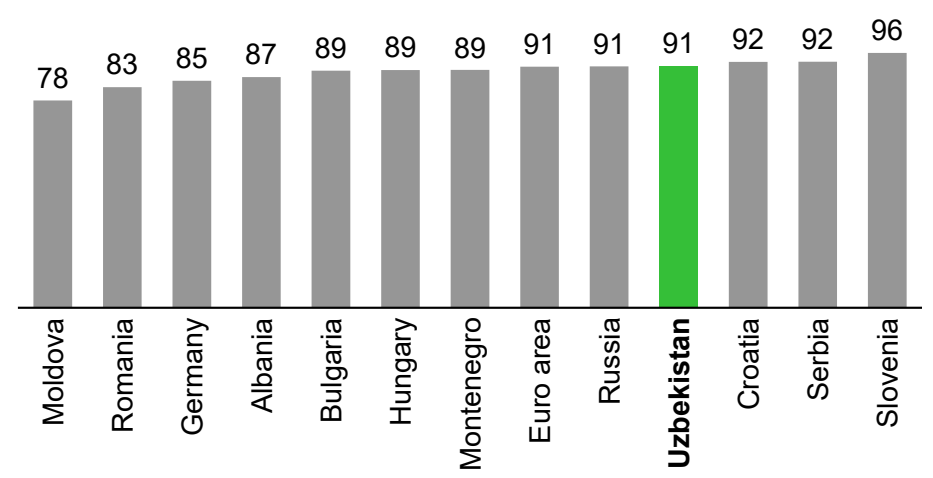
Source: United Nations

## Educational spending compared to GDP (%)



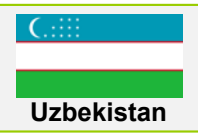
Source: World Bank

## Secondary school enrollment (% net)



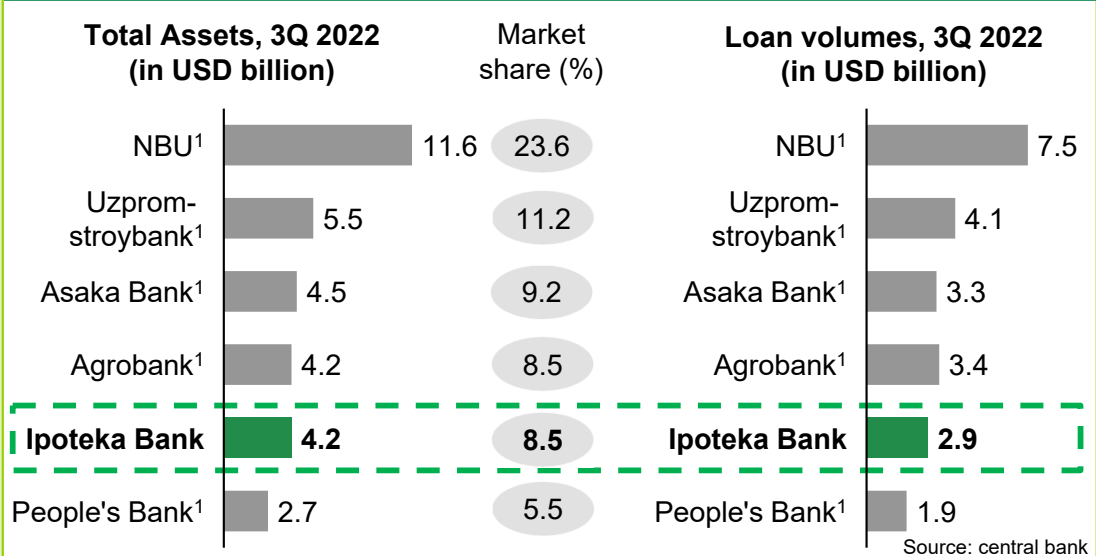
Source: World Bank





# The Uzbek banking sector is characterized by high level of state ownership (~80%) and dynamic credit growth

## Major market participants and market shares



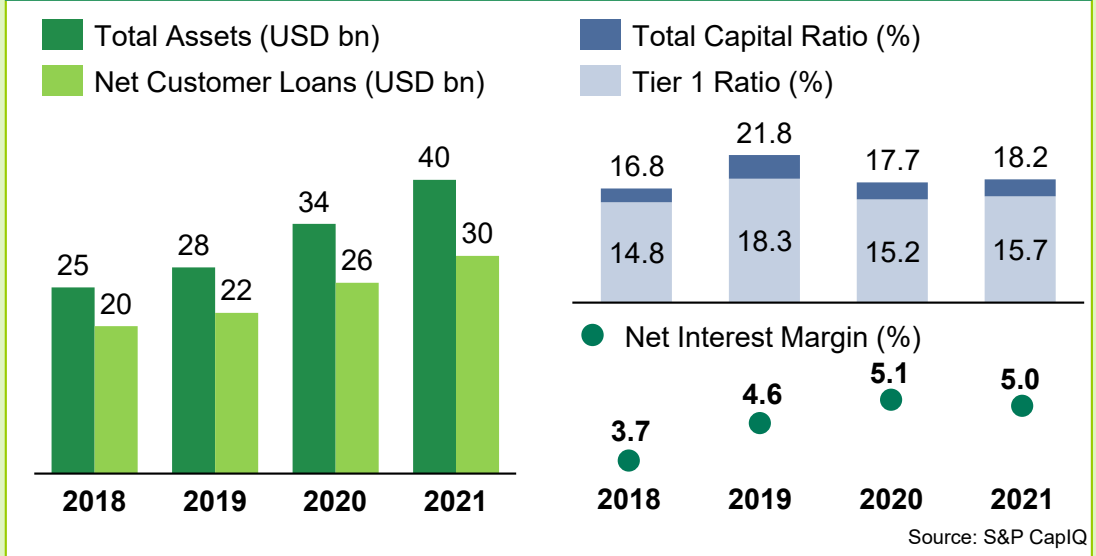
## Major market characteristics

- **Dollarization is high**, 50% of loans, 40-45% of deposits, and 60% of all liabilities are denominated in FX.
- **Credit growth has been dynamic** in the 2016-2021 period, 45% on average, driven by private corporate and retail loans (50-60% CAGR). By 3Q 2022 loan growth of public companies fell to a mere 2%, and 16% to private companies.
- **Despite a gradual moderation, the loan to deposit ratio in the banking system still exceeds 200%**<sup>2</sup>. In the past years lending growth was financed by government funds, foreign loans and capital; deposit penetration stagnated, but deposit growth accelerated recently.
- **Retail loans to GDP is 9.5%**, within that mortgage loan penetration is 5%.
- **Corporate loans to GDP ratio is around 35% of GDP.**
- **The NPL ratio grew from 1% to 5%** due to the pandemic and economic headwinds, but started decreasing recently.

<sup>1</sup> State-owned bank.

<sup>2</sup> Based on customer deposits to total (non-interbank) loans' ratio disclosed by the central bank.

## Main trends in the Uzbek banking system



## Uzbek banking reforms and regional overview

- In 2017, Uzbekistan's banking reform has been launched: **currency controls were removed**, allowing free floating exchange rate. A law passed in 2019 redefined the mandate of the Central Bank of Uzbekistan, **focusing on price stability**. Rules on **currency transfers, anti-money laundering** and availability of the banking services were adopted.
- The modernization roadmap of the sector also includes the **privatization of six state-owned banks until 2025**.

Country	USD bn or %, 2021	Total Assets	Total Deposits	Net Customer Loans	Net Interest Margin	Cost-to-Income
Kazakhstan		89.8	62.0	43.5	4.9	31.6
<b>Uzbekistan</b>	<b>40.1</b>	<b>13.8</b>	<b>29.7</b>	<b>5.0</b>	<b>45.5</b>	
Azerbaijan		22.5	16.1	9.4	4.6	60.6

Source: S&P CapIQ



# Ipoteka Bank achieved around 20% ROE in 2021 and even exceeded that in the first half of 2022

Uzbekistan

## Financial highlights of Ipoteka Bank (IFRS, in HUF billion equivalent)

Statement of recognized income	2018	2019	2020	2021	1H 2022
Operating profit	11	23	34	48	29
Total income	28	43	55	74	43
Net interest income	22	34	43	61	36
Net fees and commissions	6	7	8	7	4
Other income	0	2	4	6	3
Operating costs	-17	-20	-20	-26	-14
Risk costs	-3	-9	-19	-17	-6
Profit before tax	8	14	16	31	22
Corporate tax	-2	-2	-3	-6	-5
<b>Profit after tax</b>	<b>6</b>	<b>11</b>	<b>12</b>	<b>25</b>	<b>17</b>
Balance sheet					
<b>Total assets</b>	<b>668</b>	<b>740</b>	<b>925</b>	<b>1,206</b>	<b>1,374</b>
Financial assets	50	86	168	251	242
Due from other banks	17	26	51	61	63
Gross loans	602	633	724	930	1,111
Retail	112	186	293	424	513
Corporate & small business loans	490	447	432	506	598
Provision for expected credit losses	-9	-17	-34	-52	-67
Customer deposits	239	246	261	409	379
Retail	52	57	55	71	89
State and public organisations	46	47	62	76	79
Other legal entities	141	142	144	262	211
Interbank liabilities	376	383	549	647	789
Shareholders' equity	54	110	115	148	192
Performance indicators					
ROE	11.9%	13.1%	10.7%	19.8%	21.5%
ROA	1.1%	1.6%	1.4%	2.4%	2.8%
Total revenue margin	5.0%	6.0%	6.3%	7.1%	6.9%
Net interest margin	3.9%	4.7%	5.0%	5.8%	5.8%
Cost to Income	61.0%	47.5%	37.2%	34.7%	32.8%
Cost to Assets	3.0%	2.8%	2.4%	2.5%	2.3%
Risk cost rate (on average total assets)	0.6%	1.3%	2.2%	1.6%	1.0%
Net loan to deposit ratio	248%	250%	264%	215%	275%

Naturals	2020	1H 2022
Number of branches	39	39
Employees	4,208	4,072
Number of ATMs <sup>1</sup>	495	575
Volume of transactions through POS terminals (in billion UZS) <sup>2</sup>	5,768	10,455

## Main features of Ipoteka Bank's operations

- **Ipoteka is the 5<sup>th</sup> biggest bank in Uzbekistan** with 8.5% market share based on 3Q 2022 total assets.
- Ipoteka Bank has **more than 1.6 million retail clients**.
- Ipoteka is the **market leader in mortgage lending** with a **market share of ~30%**. Around 90% of the mortgage loan stock was issued through state funded and subsidized mortgage programs, both at Ipoteka and in the market.
- **Ipoteka has received approximately USD 200 million funding from international financial institutions** such as EBRD, IBRD, IDA, IFAD, ADB and IFC<sup>3</sup>.
- **The transformation of the bank has already started with the active participation of IFC**. Centralization of processes, scaling up the call center, improving compliance processes, and setting up an AML (anti-money laundering) department are all parts of the ongoing transformation.
- **Ipoteka has already introduced fully digital solutions**, such as a totally online account opening solution available in the renewed mobile application. Thanks to the digitalization efforts, the number of the active digital users doubled in 1.5 years.

Average HUF/UZS rates: 2018: 0.033; 2019: 0.033; 2020: 0.031; 2021: 0.029; 1H 2022: 0.031; closing HUF/UZS rates: 2018: 0.034; 2019: 0.031; 2020: 0.028; 2021: 0.030; 1H 2022: 0.035.

<sup>1</sup> ATM figure under 2020 column represents 2021. <sup>2</sup> 2020 data: Jan – Nov; 2022 data: Jan – Oct. <sup>3</sup> IDA – International Development Association, IFAD – International Fund for Agricultural Development, ADB – Asian Development Bank, IFC – International Finance Corporation.



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