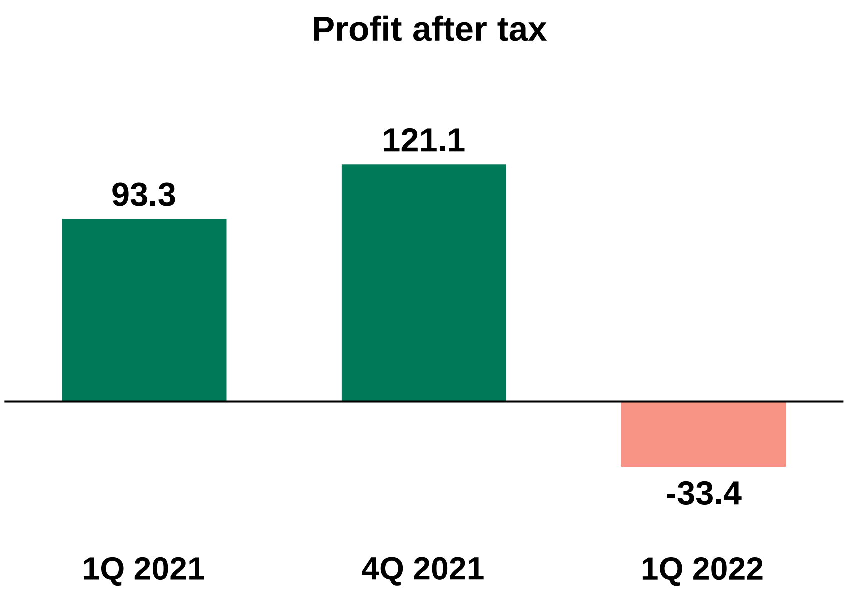
OTP Group
1Q 2022 results

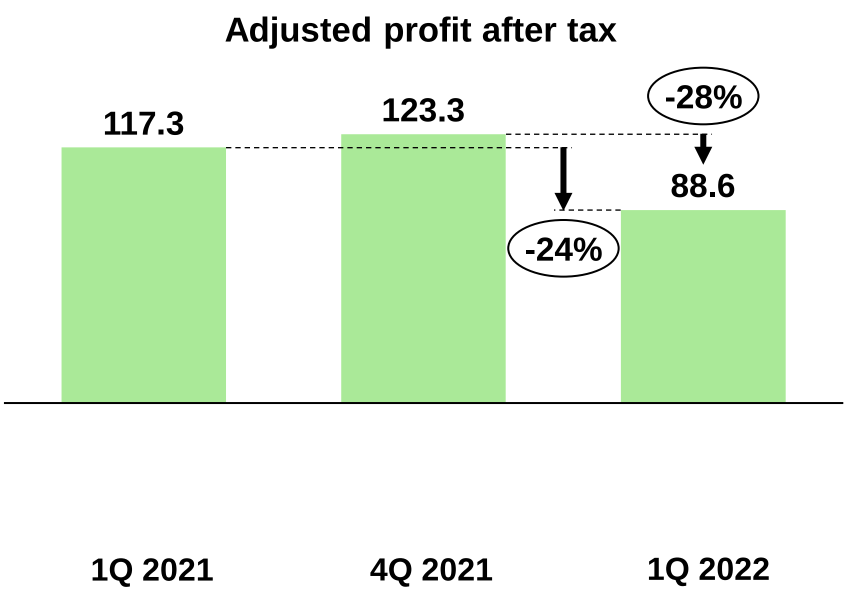
Conference call – 6 May 2022

László Bencsik
Chief Financial and Strategic Officer

The consolidated profit after tax turned negative in 1Q due to the deeply negative balance of adjustment items. The adjusted profit after tax for the first quarter reached HUF 88.6 billion, marking a decrease of 24% q-o-q and 28% y-o-y

Profit development (HUF billion)

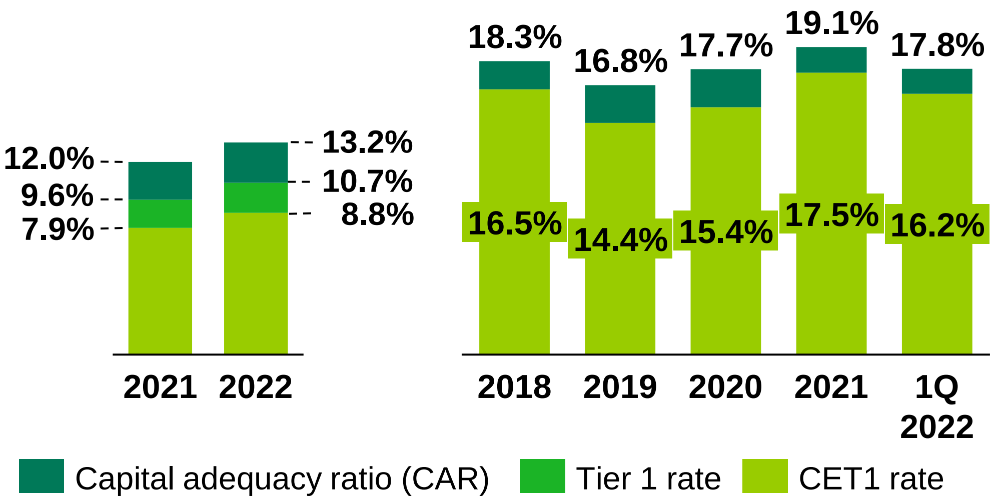




Adjustments (after tax)	**1Q 2021**	**4Q 2021**	**1Q 2022**
Special tax on financial institutions	-18.9	0.0	-20.2
Impairment on Russian government bonds in the books of OTP Core and DSK Bank	-	-	-34.5
Goodwill write-off and tax impact of investment impairment	0.7	2.6	-56.3
Effect of acquisitions	-3.5	-6.7	-2.5
Result of the treasury share swap agreement	-2.4	2.2	-8.5
Total	**-24.0**	**-2.2**	**-122.0**

Capital adequacy ratios and liquidity reserves significantly exceeded regulatory minimum requirements

Regulatory minima[1] / CAR and CET1 ratio actual values[2]



Main liquidity indicators

	1Q 2022	Threshold
Net loan/deposit ratio	74%	-
Liquidity coverage ratio (LCR)	224%	≥ 100%
Net stable funding ratio (NSFR)	135%*	≥ 100%

* NSFR: 4Q 2021 data

The CET1 ratio decreased by 1.3 pps q-o-q:

- **On one hand, CET1 capital decreased by HUF 115 billion:**

  -HUF 33 billion: impact of quarterly profit after tax

  -HUF 80 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 28 billion: due to the transitional effects of IFRS 9

  -HUF 15 billion: deductions due to the deferred tax increased

  +HUF 40 billion: effect of write-off of Russian goodwill

- **On the other hand, risk-weighted assets (RWA) increased by HUF 633 billion:**

  -HUF 60 billion: effect of changes in foreign exchange rates

  +HUF 554 billion: the effect of organic growth

  +HUF 139 billion: increase in non-credit risk RWA

[1] In the absence of additional core capital (AT1), the Tier 1 regulatory requirement is also effective for the CET1 rate.
[2] Indicators calculated for the scope of accounting (IFRS) consolidation. In the absence of additional core capital (AT1), the Tier 1 rate is the same as the CET1 rate.

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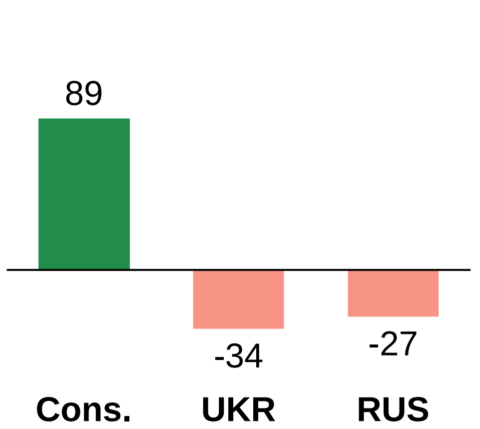
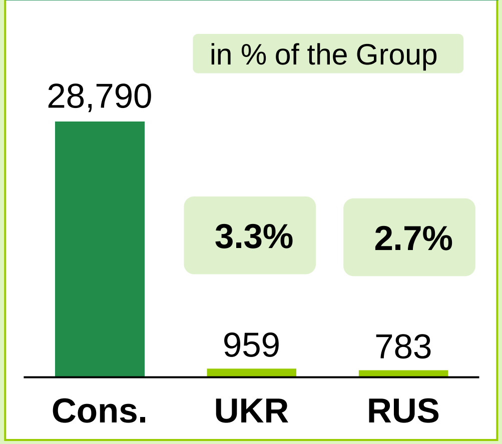
Regarding both Russia and Ukraine, a „going concern” approach is applied. Under an extremely negative scenario of deconsolidating both entities and writing down the outstanding gross intragroup funding as well, the effect for the consolidated CET1 ratio would be 0 bp in the case of Ukraine and -60 bps for Russia

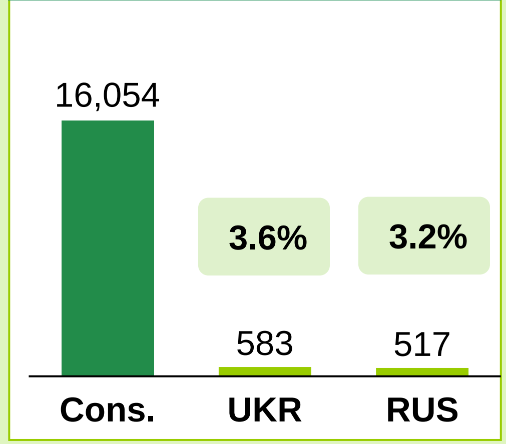
Adjusted profit after tax
(1Q 2022, in HUF billion)



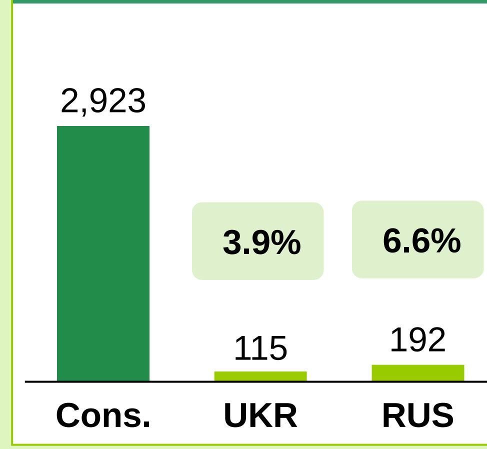
Total assets
(1Q 2022, in HUF billion)



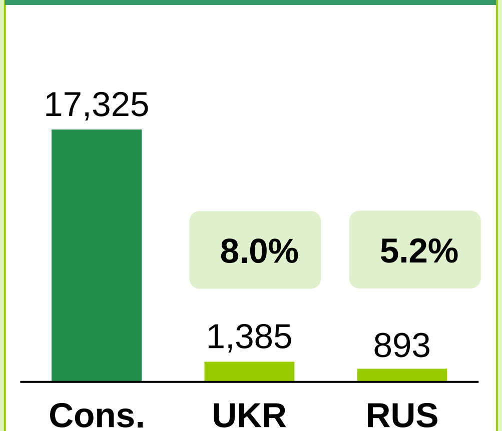
Net loans
(1Q 2022, in HUF billion)



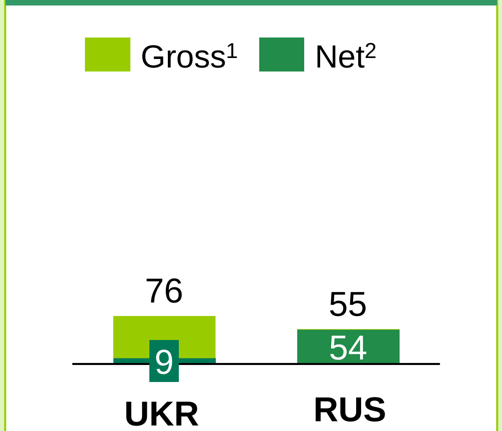
Shareholders’ equity
(1Q 2022, in HUF billion)



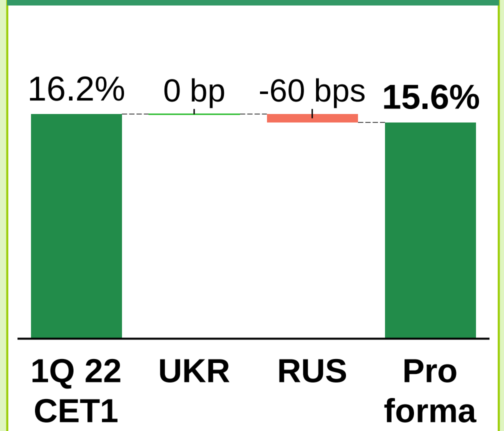
Risk weighted assets
(1Q 2022, in HUF billion)



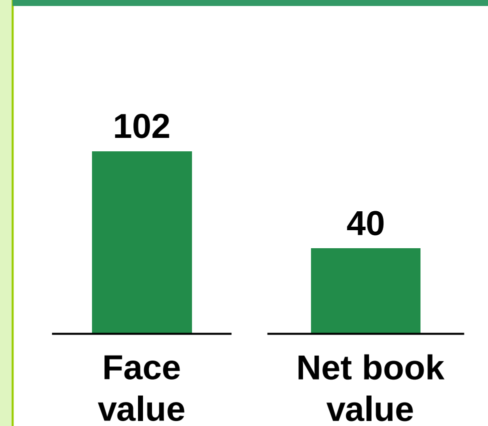
Intragroup funding
(1Q 2022, in HUF billion)



Consolidated capital effect[3]
(on CET1, based on 1Q 2022 data)



Russian bond exposures (1Q 2022, w/o the Russian bank, HUF bn)



[1] HUF equivalent of the intragroup funding provided by the Group to the given country.
[2] Gross funding less deposit placements by the entities in the given country to other Group members.
[3] Estimated CET1 impact of the Russian and Ukrainian operations, based on 1Q 2022 data. Calculation under an extremely negative scenario of deconsolidating both entities and writing down the outstanding gross intragroup funding, as well.

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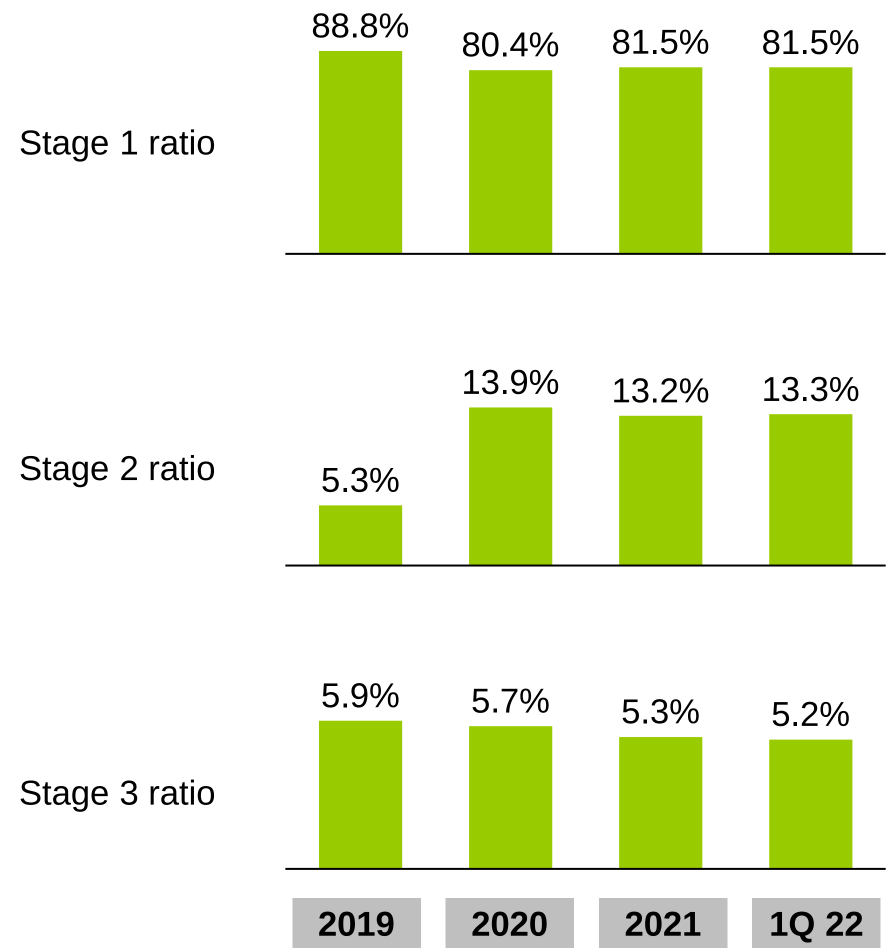
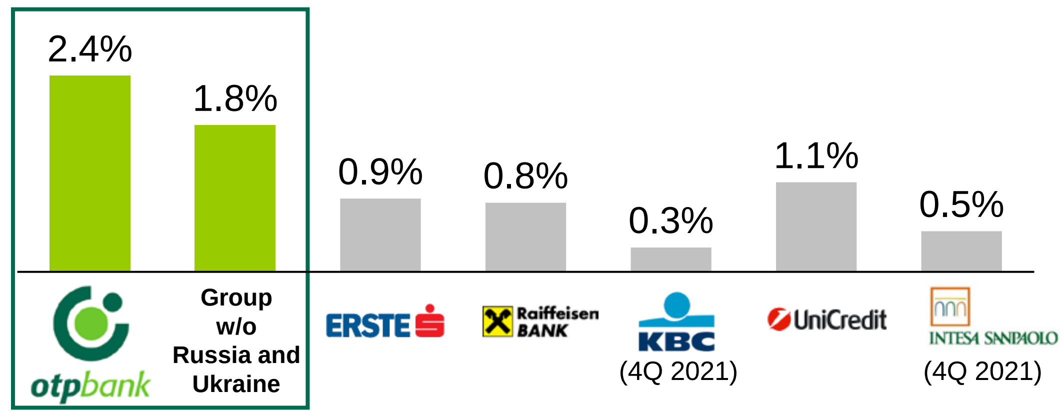
The Stage 3 rate continued to decline in the first quarter of 2022. The management's provisioning policy remained conservative compared to regional banking groups, especially regarding the coverage of performing loans

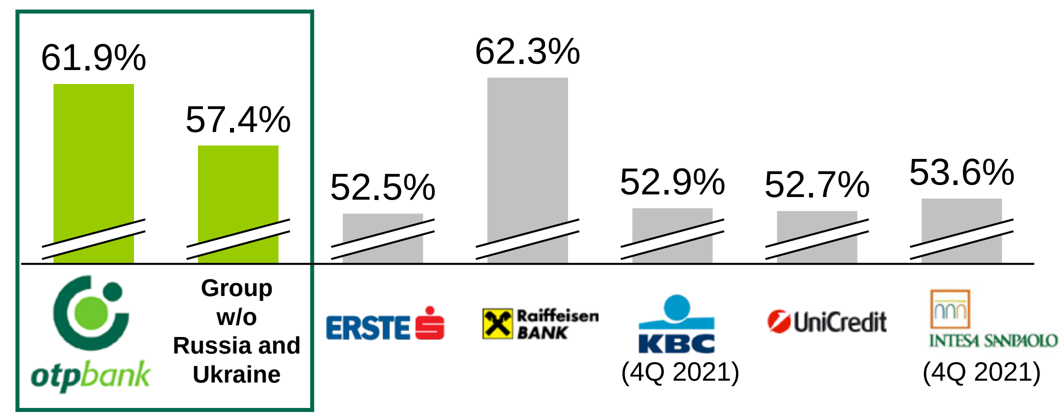
Development of the Group's main credit quality indicators



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



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



Source: company reports (estimates in some cases).

The decline in adjusted profit after tax was mainly due to the surge in risk costs. The 1Q corporate tax burden was shaped by the write-off of Russian deferred tax assets in the amount of HUF 6.4 billion; in addition to this, the 1Q effective corporate tax rate was upwardly biased by the fact that no deferred tax assets were recognized in Russia and Ukraine

(HUF billion)	1Q 2021	4Q 2021	2021	1Q 2022	Q-o-Q FX-adjusted	Y-o-Y FX-adjusted
Adjusted profit after tax	**117.3**	**123.3**	**496.9**	**88.6**	**-25%**	**-24%**
Profit before tax	138.4	147.6	587.9	118.1	-17%	-14%
Operating profit	146.9	176.9	660.4	190.97	10%	30%
Total income	301.1	362.4	1313.1	361.2	1%	20%
Net interest income	203.2	247.5	884.0	239.8	-1%	18%
Net fees and commissions	71.9	87.3	325.5	85.7	0%	19%
Other net non-interest income	26.0	27.6	103.6	35.7	33%	37%
Operating expenses	-154.2	-185.5	-652.7	-170.2	-7%	10%
Total risk cost	-8.5	-29.3	-72.5	-72.9	147%	749%
Corporate tax	-21.1	-24.3	-91.0	-29.5	24%	39%

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In 1Q 2022 the Russian and Ukrainian as well as the Romanian and Montenegrin operations suffered losses. This was partly offset by stronger q-o-q results in Hungary, Bulgaria and Croatia, shaped by favourable risk cost developments

	1Q 2021	4Q 2021	2021	1Q 2022	Q-o-Q	Y-o-Y
		HUF billion				
Adjusted profit after tax	**117.3**	**123.3**	**496.9**	**88.6**	**-28%**	**-24%**
OTP Core (Hungary)	56.0	45.9	213.4	94.0	105%	68%
DSK Group (Bulgaria)	18.3	10.7	76.8	21.1	96%	15%
OTP Bank Croatia	5.1	8.3	33.4	11.1	34%	116%
OTP Bank Serbia	6.8	11.4	32.1	10.9	-5%	60%
SKB Bank (Slovenia)	3.1	4.4	16.8	4.9	13%	61%
OTP Bank Romania	0.5	3.3	4.3	-1.8		
OTP Bank Ukraine	8.8	10.2	39.0	-34.4		
OTP Bank Russia	8.0	13.4	37.6	-27.2		
CKB Group (Montenegro)	2.0	-1.2	4.1	-1.2	0%	
OTP Bank Albania	1.1	1.6	5.5	2.3	40%	114%
OTP Bank Moldova	1.5	1.5	5.9	-0.5		
Merkantil Group (Hungary)	1.6	1.5	8.0	4.4	196%	169%
OTP Fund Management (Hungary)	0.8	3.3	6.1	1.2	-64%	38%
Other Group members	3.7	9.1	13.8	3.9	-57%	8%
Adjustment to the profit after tax of OTP Core						
Profit after tax w/o received dividend	28.9	20.3	158.9	-78.4		
Profit after tax	78.3	32.6	203.5	27.8	-15%	-65%
Adjusted profit after tax	56.0	45.9	213.4	94.0	105%	68%

OTP Group achieved a profit after tax of HUF 28 billion excluding the Russian and Ukrainian operations, while the Russian operation suffered a loss of HUF 27 billion and the Ukrainian one a loss of HUF 35 billion in 1Q 2022

	OTP Group without Russia and Ukraine				OTP Bank Russia			OTP Bank Ukraine		
P&L (HUF billion)	**2021**	**4Q 2021**	**1Q 2022**	**Q-o-Q**	**2021**	**4Q 2021**	**1Q 2022**	**2021**	**4Q 2021**	**1Q 2022**
Net interest income	731	204	200	-2%	91	25	21	62	19	19
Net fees and commissions	285	76	78	2%	26	8	5	14	4	3
Other net non-interest income	95	24	34	44%	1	0	1	7	4	1
Total income	**1,111**	**303**	**312**	**3%**	**118**	**33**	**26**	**84**	**26**	**23**
Personnel expenses	-290	-85	-70	-18%	-34	-9	-9	-17	-5	-5
Depreciation	-64	-17	-16	-2%	-6	-2	-1	-2	-1	-1
Other expenses	-214	-59	-62	5%	-16	-4	-4	-10	-3	-2
Operating expenses	**-568**	**-162**	**-149**	**-8%**	**-56**	**-15**	**-14**	**-29**	**-9**	**-8**
Operating profit	**543**	**142**	**163**	**15%**	**62**	**18**	**12**	**55**	**17**	**15**
Provision for impairment on loan losses	-27	-17	15		-13	0	-27	-6	-4	-47
Other provision	-23	-6	-6	-3%	-2	-1	-6	-2	-1	-2
Total risk costs	**-50**	**-23**	**9**		**-15**	**-2**	**-33**	**-7**	**-5**	**-49**
Profit before tax	**493**	**119**	**173**	**45%**	**47**	**17**	**-20**	**47**	**12**	**-34**
Corporate tax	-73	-19	-22	18%	-10	-3	-7	-8	-2	0
Adjusted profit after tax	**420**	**100**	**150**	**51%**	**38**	**13**	**-27**	**39**	**10**	**-34**
Adjustments	-40	-2	-122		0	0	0	0	0	0
of which Russian gov. bond impairment	*0*	*0*	*-35*		*0*	*0*	*0*	*0*	*0*	*0*
of which investment and goodwill impairment	*0*	*2*	*-56*		*0*	*0*	*0*	*0*	*0*	*0*
Profit after tax	**380**	**97**	**28**	**-71%**	**37**	**13**	**-27**	**39**	**10**	**-35**
Performance Indicators										
Adjusted ROE	17.9%	16.5%	23.4%		18.2%	23.1%	-53.3%	28.8%	26.3%	-94.1%
Performing loan growth (FX-adjusted)	+14%	+4%	+3%		+18%	+9%	-7%	+41%	+8%	+5%
Net interest margin	3.09%	3.18%	3.05%		13.2%	13.1%	10.9%	7.5%	7.8%	8.1%
Cost/income ratio	51.1%	53.3%	47.6%		47.2%	45.5%	52.9%	34.5%	34.1%	33.8%
Credit risk cost / average gross loan volumes	0.19%	0.44%			2.0%	0.2%	16.3%	1.1%	2.6%	28.8%

The 1Q 2022 net interest income grew by 18% y-o-y with bulk of the growth coming from Hungary and Ukraine. The q-o-q 3% decline was attributable to Hungary and Russia

NET INTEREST INCOME	1Q 2021 (HUF billion)	4Q 2021 (HUF billion)	2021 (HUF billion)	1Q 2022 (HUF billion)	1Q 2022 Y-o-Y (HUF billion, %)		1Q 2022 Q-o-Q (HUF billion, %)	
OTP Group	**203**	**248**	**884**	**240**	37	18%	-8	-3%
OTP CORE (Hungary)	**82**	**108**	**369**	**104**	22	27%	-4	-4% ①
DSK Group (Bulgaria)	**28**	**30**	**113**	**30**	2	8%	0	1%
OBH (Croatia)	**15**	**16**	**61**	**15**	1	5%	0	-3%
OBSrb (Serbia)	**16**	**16**	**62**	**16**	0	0%	0	-2%
SKB Banka (Slovenia)	**7**	**7**	**28**	**7**	0	1%	0	-2%
OBR (Romania)	**8**	**10**	**36**	**11**	3	30%	1	9%
OBU (Ukraine)	**13**	**19**	**62**	**19**	6	46%/39%[1]	0	1%/7%[1]
OBRu (Russia)	**22**	**25**	**91**	**21**	-1	-6%/0%[1]	-5	-18%/-6%[1] ②
CKB Group (Montenegro)	**4**	**4**	**17**	**4**	0	5%	0	1%
OBA (Albania)	**2**	**3**	**11**	**3**	1	26%	0	4%
OBM (Moldova)	**2**	**3**	**10**	**3**	1	45%	0	12%
Merkantil (Hungary)	**5**	**5**	**21**	**5**	0	2%	-1	-12%
Corporate Centre	**0**	**1**	**1**	**2**	2		0	33%
Others	**0**	**1**	**2**	**1**	1		0	4%

1 At OTP Core the interest income on retail loans shrank by HUF 2 billion q-o-q, as a combined result of a slight increase in quarterly average volumes, and the drop in average interest rate levels. Most retail loans have an interest rate fixation period for at least five years, thus the interest on these loans does not change despite of rising interest rate environment.

On the other hand, the Bank realized higher interest revenues on corporate loans, most of which have variable interest rates and grew in their volumes. Further interest income was generated from securities mainly because of continued volume growth, while the average yield showed only a marginal q-o-q increase.

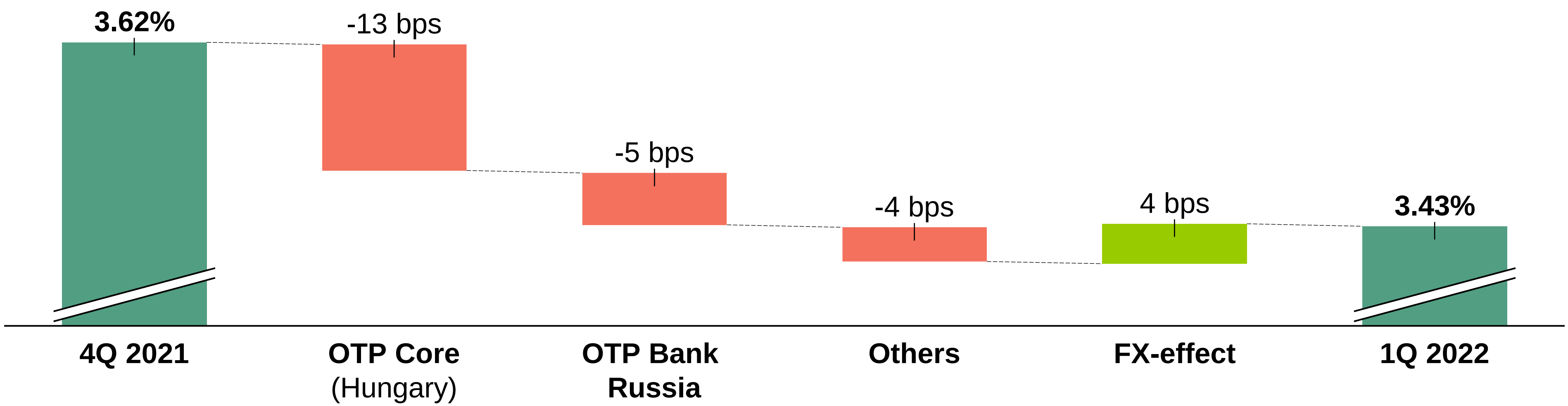
In 1Q 2022, the revaluation result of the interest rate swaps was negative, partly because of higher long-term yields.

2 The q-o-q decrease was the result of the shrinking portfolio and declining net interest margin. The NIM contraction was caused by the increase of volumes and average interest rate of time deposits midst higher rate environment, whilst bulk of the loans have a fixed rate.

[1] FX-adjusted change.

The consolidated net interest margin shrank by 19 bps q-o-q, mainly due to the narrowing Hungarian and Russian margins

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



OTP Core's net interest income contracted by HUF 4 billion q-o-q, and the <u>net interest margin decreased by 26 basis points</u> due to the following factors:

-29 bps NIM decline was caused by the lower swap result;
+9 bps related to the mostly floating rate corporate and MSE loans that reprice gradually in the higher rate environment;
-4 bps related to retail loans, as their average interest rate declined q-o-q. Bulk of the loans to households have an interest rate fixation period for at least ten years;
+11 bps explained by the joint effect of higher interest income on financial assets (mainly attributable to higher interest rates on central bank deposits), and higher interest expenditures on customer deposits (mainly in the corporate segment);
-13 bps composition and other effects, mainly triggered by the dilution coming from fast deposit growth and higher repo liabilities.

Consolidated performing loans grew by 3% q-o-q, which is the same as the growth rate without Russia and Ukraine. The Hungarian PIT refund caused a decline in consumer credit, while mortgage demand (mainly green housing loans) jumped, where disbursements have not yet occurred

Q-o-Q performing (Stage 1 + 2) LOAN volume changes adjusted for FX-effect – 1Q 2022

	Cons.	Core[2] (Hungary)	DSK (Bulgaria)	OBH (Croatia)	OBSrb (Serbia)	SKB (Slovenia)	OBR (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Monten.)	OBA (Albania)	OBM (Moldova)
Q-o-Q nominal change (HUF billion)	**404**	**18**	**154**	**67**	**62**	**45**	**40**	**28**	**-47**	**20**	**12**	**1**
Total	3%	0%	6%	4%	4%	5%	4%	5%	-7%	6%	6%	1%
Consumer	0%	-2%	3%	1%	1%	0%	4%	-2%	-4%	3%	5%	-2%
Mortgage	2%	1%	3%	4%	3%	2%	4%			2%	5%	-1%
Corporate[1]	5%	1%	10%	6%	6%	11%	4%	10%	-21%	9%	6%	3%
Leasing	1%	0%	4%	4%	-2%	1%	4%	0%			3%	-1%

Core Mortgage breakdown:

Housing loan	**Home equity**
1%	-1%

[1] Loans to MSE and corporate clients.
[2] Changes of leasing volumes of Merkantil Group in Leasing line.

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Consolidated customer deposits increased by 4% q-o-q, and by 7% in Hungary partly as a result of the PIT refund. Ukrainian and Russian deposits also increased

Q-o-Q DEPOSIT volume changes adjusted for FX-effect – 1Q 2022

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBH (Croatia)	OBSrb (Serbia)	SKB (Slovenia)	OBR (Romania)	OBU (Ukraine)	OBRu (Russia)	CKB (Monten.)	OBA (Albania)	OBM (Moldova)
Q-o-Q nominal change (HUF billion)	792	705	81	-38	-13	10	-13	17	46	1	8	-14
Total	4%	7%	2%	-2%	-1%	1%	-2%	3%	12%	0%	3%	-6%
Retail	2%	5%	0%	-1%	-2%	0%	1%	8%	-5%	-2%	1%	-8%
Corporate[1]	6%	9%	9%	-5%	1%	1%	-4%	0%	37%	2%	12%	-4%
	5,777	5,490	990	95	-511	211	-200	82	-81	27	37	73

[1] Including MSE. MLE and municipality deposits.

In 1Q 2022 the 19% y-o-y improvement of net fees was driven by stronger business activity in Hungary and Bulgaria. The 2% q-o-q decline was largely due to the subdued lending activity in Russia and base effect at OTP Fund Management

NET FEE INCOME	1Q 2021 (HUF billion)	4Q 2021 (HUF billion)	2021 (HUF billion)	1Q 2022 (HUF billion)	1Q 2022 Y-o-Y (HUF billion, %)		1Q 2022 Q-o-Q (HUF billion, %)	
OTP Group	72	87	326	86	14	19%	-2	-2%
OTP CORE (Hungary)	33	38	151	41	8	23%	3	8%
DSK Group (Bulgaria)	12	15	55	15	3	26%	1	6%
OBH (Croatia)	4	5	18	5	1	23%	0	6%
OBSrb (Serbia)	3	4	14	4	0	11%	0	-8%
SKB Banka (Slovenia)	3	4	13	4	1	25%	0	1%
OBR (Romania)	1	1	4	1	0	16%	0	-2%
OBU (Ukraine)	3	4	14	3	0	-7%/-11%[1]	-1	-20%/-14%[1]
OBRu (Russia)	6	8	26	5	-1	-14%/-8%[1]	-3	-34%/-24%[1]
CKB Group (Montenegro)	1	1	5	1	0	26%	0	-8%
OBA (Albania)	0	0	2	0	0	12%	0	-8%
OBM (Moldova)	1	1	2	1	0	9%	0	-8%
Fund mgmt. (Hungary)	2	5	10	2	0	28%	-2	-52%

1 At OTP Core the quarterly dynamics were driven by higher transaction volumes owing to the PIT refund, alleviating the seasonal decline in activity. Expenses paid to card companies were lower in 1Q because of technical reasons, resulting in q-o-q improvement of net fees by HUF 1.5 billion. The other one-off items barely affected the q-o-q change in net fee income.

2 At DSK the q-o-q and y-o-y increase in net fee income can be primarily attributed to stronger business activity, higher service fee income from expanding loan volumes – especially in in the large corporate segment –, as well as to the increase in the number and volume of financial transactions.

3 In Russia, net fees and commissions dropped both in yearly and quarterly comparison, largely because of the lower fee income on loan sales in the wake of the subdued lending activity.

4 The 1Q 2022 income from assets under management showed a q-o-q decrease as a result of a higher 4Q 2021 base, when the annual success fees were realized. The fee income grew 28% y-o-y, owing to lower sales and custody fee expenses.

[1] FX-adjusted change.

The other net non-interest income jumped by 29% q-o-q, thanks to the OTP Core division, largely explained by base effect as well as increased market volatility

OTHER INCOME	1Q 2021 (HUF billion)	4Q 2021 (HUF billion)	2021 (HUF billion)	1Q 2022 (HUF billion)	1Q 2022 Y-o-Y (HUF billion, %)		1Q 2022 Q-o-Q (HUF billion, %)	
OTP Group	**26**	**28**	**104**	**36**	10	37%	8	29%
OTP CORE (Hungary)	**10**	**3**	**26**	**21**	11	116%	18	617%
DSK Group (Bulgaria)	**3**	**3**	**11**	**3**	0	-16%	0	-13%
OBH (Croatia)	**1**	**2**	**10**	**1**	1	55%	0	23%
OBSrb (Serbia)	**1**	**2**	**7**	**2**	1	38%	0	9%
SKB Banka (Slovenia)	**0**	**0**	**1**	**0**	0	68%	0	14%
OBR (Romania)	**2**	**1**	**6**	**2**	0	29%	1	68%
OBU (Ukraine)	**1**	**4**	**7**	**1**	0	10%	-2	68%
OBRu (Russia)	**0**	**0**	**1**	**1**	0	251%	0	75%
CKB Group (Montenegro)	**0**	**0**	**1**	**0**	0	-66%	0	-48%
OBA (Albania)	**0**	**0**	**1**	**0**	0	-28%	0	-41%
OBM (Moldova)	**1**	**1**	**3**	**1**	0	77%	0	17%
Others	**7**	**11**	**29**	**3**	-4	-53%	-8	-71%

1 At OTP Core the HUF 18 billion q-o-q growth was mainly explained by:

- base effect: the gain on securities improved by HUF 6 billion q-o-q, largely as a result of a one-off negative item in 4Q;
- increased market volatility: HUF 9 billion q-o-q higher result was realized on the Gains and losses on derivative financial instruments line, largely because of the positive FVA of FX swaps creating RUB.

2 The decrease at OBU is due to the higher base as a result of the reclassification of card expenses in 4Q in the amount of HUF 1.1 billion from other expenses to card commissions.

3 The HUF 8 billion q-o-q decrease was mainly due to entities newly consolidated in 2021, partly induced by the seasonally weaker revenues of agricultural companies, but technical factors played a role, too (explaining altogether HUF 5 billion q-o-q decline). Also, the revaluation of investments at PortfoLion resulted in -HUF 3 billion q-o-q effect.

Consolidated operating costs grew by 10.3% y-o-y adjusted for FX effect

OPERATING COSTS	1Q 2022 (HUF billion)	Y-o-Y (HUF billion, %)		Y-o-Y, FX-adjusted (HUF billion, %)	
OTP Group	170	16	**10.4%**	16	**10.3%**
OTP CORE (Hungary)	75	12	18%	12	18% (1)
DSK Group (Bulgaria)	19	1	4%	1	3%
OBH (Croatia)	12	1	6%	0	4%
OBSrb (Serbia)	11	0	0%	0	-1% (2)
SKB Banka (Slovenia)	7	1	11%	1	10%
OBR (Romania)	12	1	12%	1	12% (3)
OBU (Ukraine)	8	1	24%	1	17% (4)
OBRu (Russia)	14	0	-3%	0	3%
CKB Group (Montenegro)	3	0	5%	0	4%
OBA (Albania)	2	0	12%	0	10%
OBM (Moldova)	2	0	18%	0	12%
Merkantil (Hungary)	2	0	-11%	0	-11%
Others	5	0	-3%	0	-3%

1 At OTP Core the cost increase was 18% y-o-y: personnel expenses rose on account of 4% higher average headcount and the wage increases. Within other expenses mainly the costs related to hardware, office equipment, other services used, real estate (partly because of the temporary simultaneous operation while moving into the new HQ office building), and supervisory fees[1] showed significant increase (the latter because of the increase in deposit protection fees, effective from the end of 2021).
In a favorable development, starting from 1 January 2022 the Government reduced the tax burden on companies by 4 pps.

2 Cost savings stemmed from cost synergies extracted from the acquisition.

3 The Romanian cost growth was due to higher headcount and wage hikes, and higher depreciation relating to the developments made in accordance with the growth strategy.

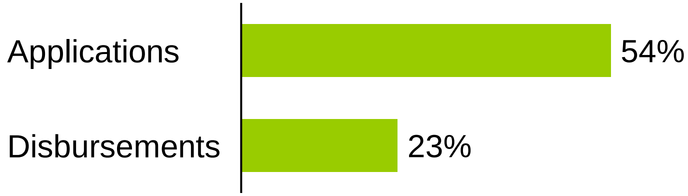
4 In Ukraine operating expenses grew mainly because of personnel expenses, owing to financial support for staff members, relocation expenses for security reasons, as well as real estate amortization.

[1] On 13 April 2022 the Hungarian Deposit Insurance Fund notified the Hungarian Group members about their payment obligation upon the compensation of Sberbank Hungary's customers. The altogether HUF 28.5 billion extraordinary contribution will be booked in 2Q 2022, however the P&L impact may be mitigated by the refund obligation by the Fund, depending on the proceeds from the sale of Sberbank assets (this transaction is expected to happen in 2Q 2022).

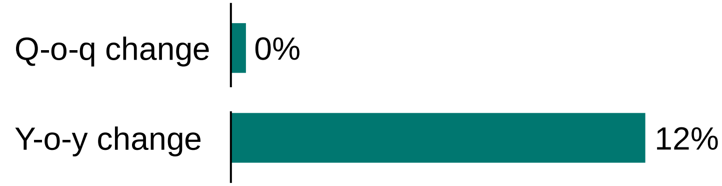
OTP CORE

In Hungary mortgage applications jumped by 54% y-o-y, mainly due to the newly launched subsidized green housing loans. OTP maintained its market share of above 30% both in new mortgage and cash loan flows

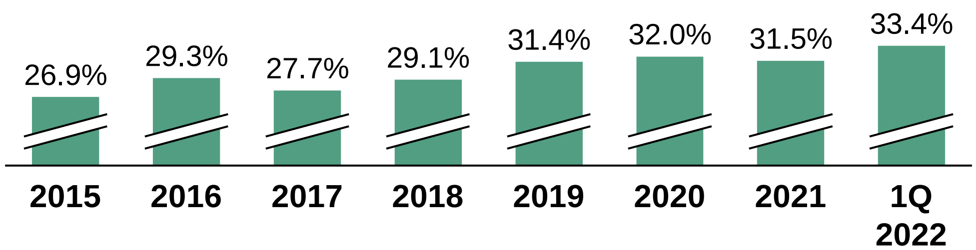
Y-o-y change of mortgage loan applications and disbursements in 1Q 2022



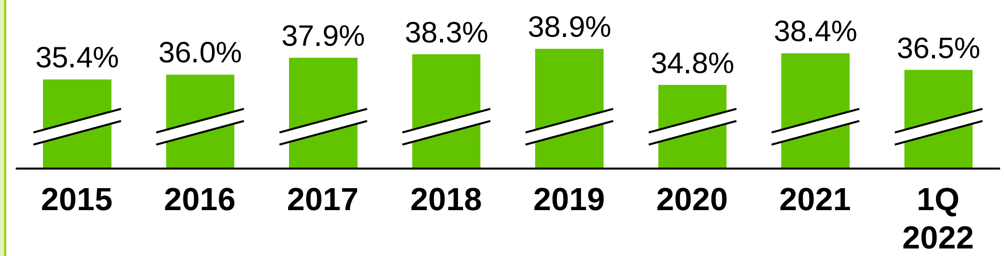
Performing (Stage 1+2) cash loan volume growth
(FX-adjusted)



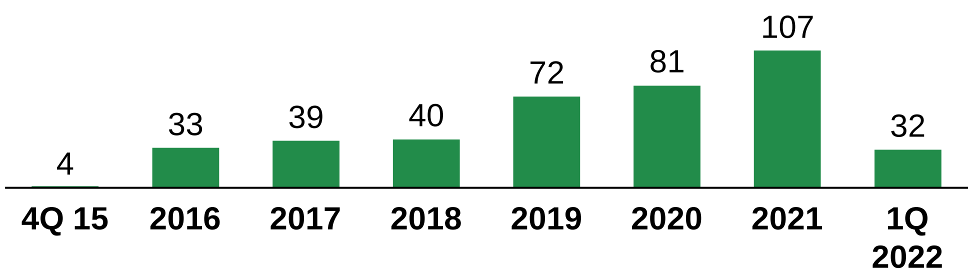
OTP's market share in mortgage loan contractual amounts



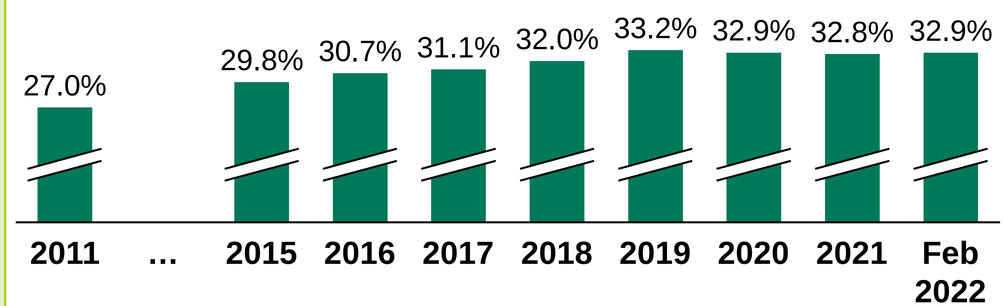
Market share in newly disbursed cash loans



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



OTP Bank's market share in household savings

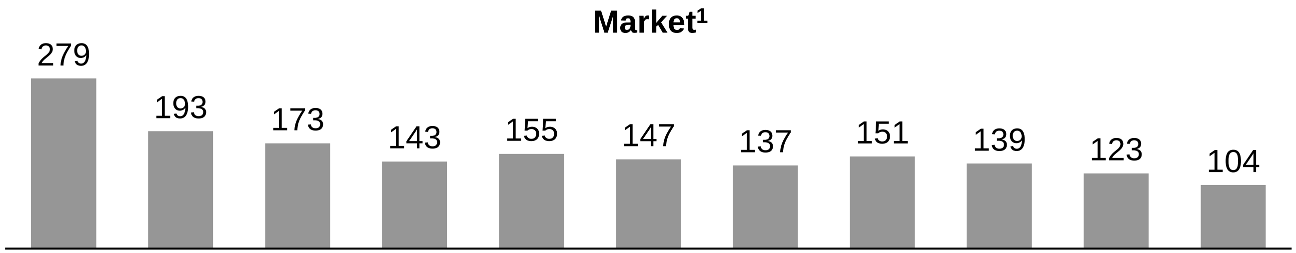


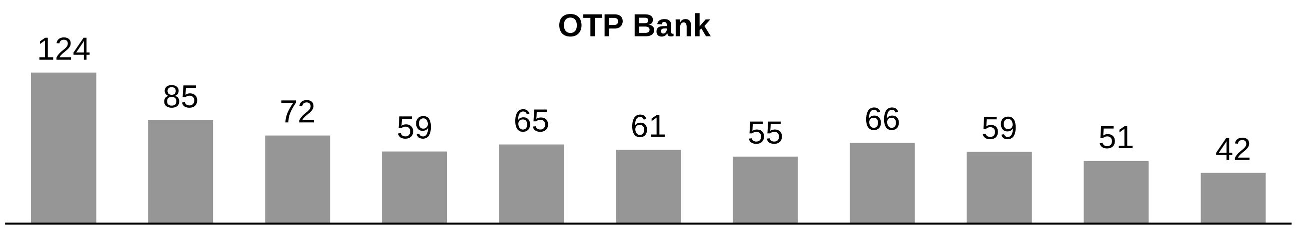
OTP CORE

OTP Bank maintained its market share above 40% in baby loan flows. The subsidized green housing loans generated huge demand, thus the total available amount of HUF 300 billion has already been exhausted

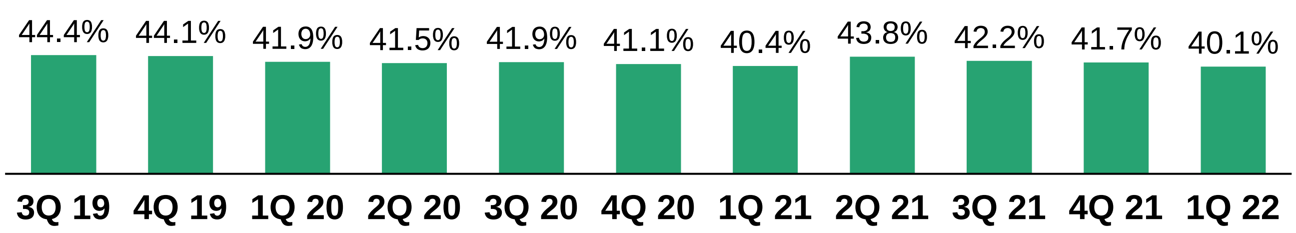
Baby loans

Contractual amount (HUF billion)



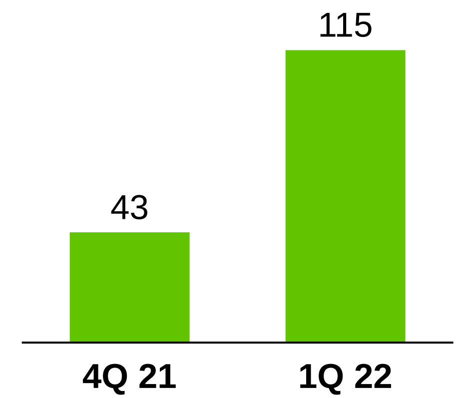


OTP's market share calculated from the contractual amount

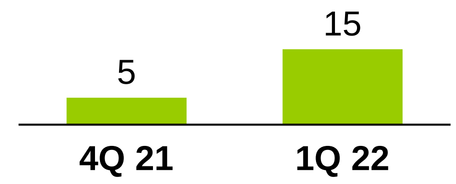


Green Home Programme[2]

Applications for green housing loans (HUF billion)



Disbursed amount (HUF billion)

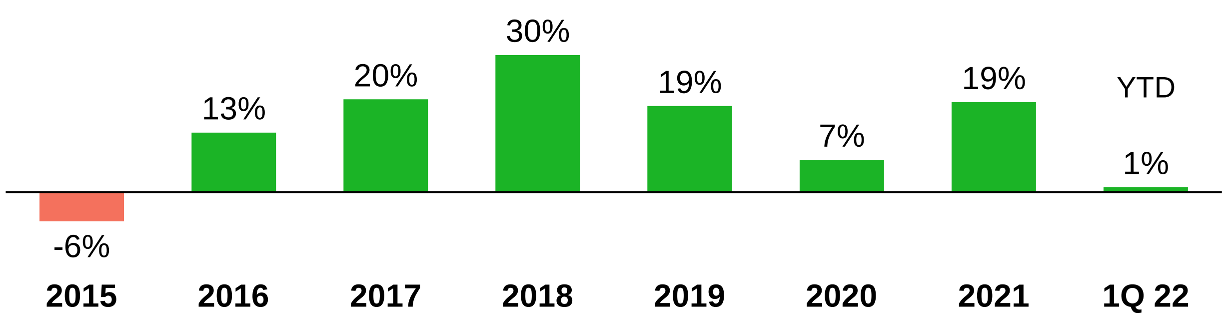


[1] Based on NBH statistics.
[2] The programme is available since October 2021.

The micro and small enterprise loans grew by 3% q-o-q. The *Széchenyi Card Go!* scheme, introduced in last July, had a favourable effect on loan dynamics. OTP's corporate loan market share improved further in 1Q

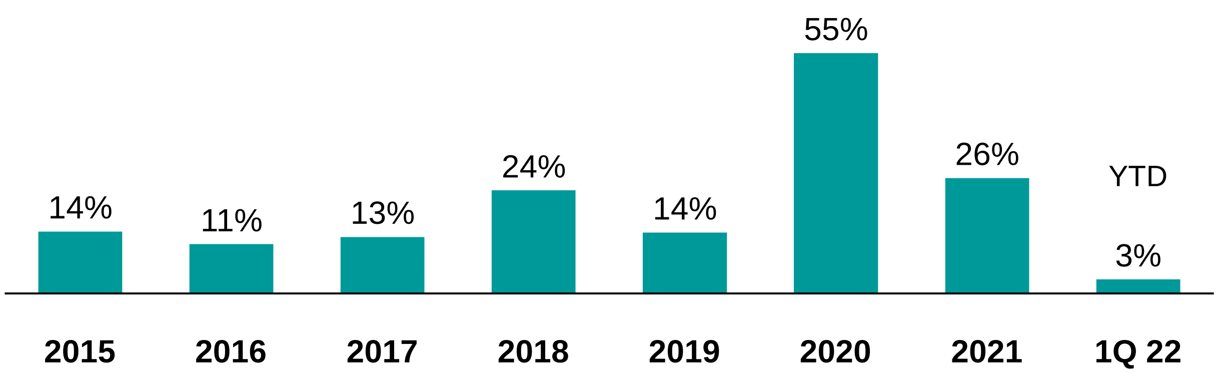
Performing corporate loan volume changes

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

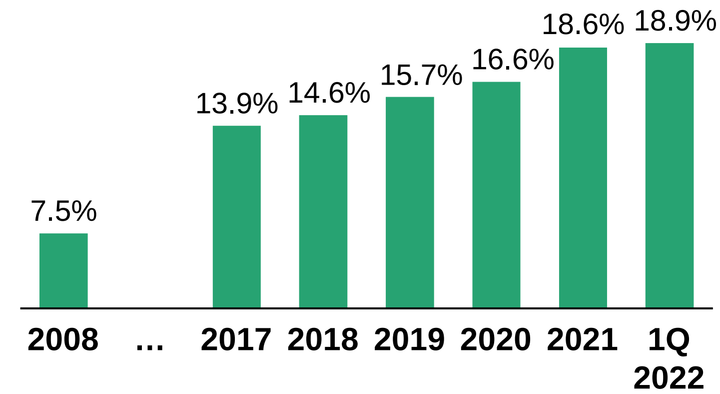


Performing loan volume changes in the micro and small companies segment

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

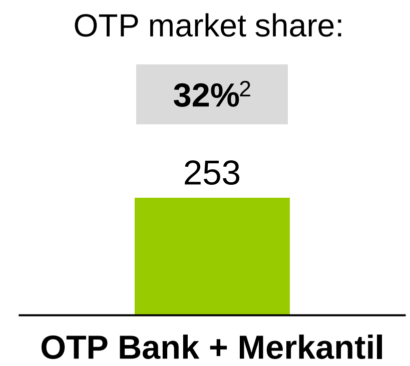


OTP Group's market share in loans to Hungarian companies[1]



Disbursed amount and market share under the *Széchenyi Card Go!* scheme

(from the start until 31 March 2022, HUF billion)



[1] Aggregated market share of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil, based on central bank data (Supervisory Balance Sheet data provision until 2016 and Monetary Statistics from 2017.
[2] Market share of OTP Bank. Source: KAVOSZ.

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

ESG Committee
New Standing Executive Committee

Task: Decision making body of the OTP in ESG strategy related issues
Chair: Delegate of Board of Directors
Members: deputy CEO-s

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: OTP Mortgage Bank was the first to issue a green mortgage bond on the domestic market in August 2021.

Current amount of mortgage bonds issued: **HUF 95 billion**

Retail Green Housing Program: The OTP Bank was amongst the first banks joining the program in October 2021.

Contracted amount of Green Housing loans: **HUF 21 billion**

Validated[1] Green Housing loans: **HUF 4 billion**

Corporate green lending launch: In 2021 OTP Bank has started green lending in selected sectors (renewable energy, electromobility, agriculture and commercial real estate).

Validated[1] corporate green loans and green bonds: **HUF 67.5 billion**

UN environment programme finance initiative

OTP Bank as the first Hungarian Bank has become an official **Signatory of the *UN Principles for Responsible Banking.***

RATINGS

OTP Bank's sustainability performance to date has been recognized with improving ratings by several major ESG rating agencies and initiatives:

SUSTAINALYTICS
a Morningstar company

20.3

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

MSCI

A

CCC – **B** – **BB** – **BBB** – **A** – **AA** – **AAA**

CDP
DRIVING SUSTAINABLE ECONOMIES

most recent update

B-

D – **C** – **B-** – **A**

[1] Accounted by National Bank of Hungary Green Capital Relief Program

Concerning the management expectations for 2022 there is a high degree of uncertainty, however excluding the Russian and Ukrainian operations the management expects financial indicators to be similar to 2021

Management guidance for 2022

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

- **Performing (Stage 1+2) organic loan volume growth might be close to 10%** y-o-y (FX-adjusted);
- The **net interest margin may stabilize**;
- The **operating cost efficiency ratio may be similar** to 2021;
- The **credit risk cost ratio may be around the 2021 level** provided the macroeconomic expectations won't deteriorate significantly;
- **The adjusted profitability indicator (ROE) may be similar to the 2021 level of 18%.**

Following the high risk provisions booked in 1Q 2022, **the Russian subsidiary is expected to deliver positive earnings for the rest of 2022.**

It is difficult to forecast how the operating environment will develop in Ukraine, therefore there is a **high level of uncertainty concerning the expectations**. 1Q risk provisioning was in line with our macroeconomic assumption of a 30% decline of GDP in 2022 and a rebound of similar magnitude in 2023. However, even under such scenario there might be an additional provisioning need in 2022, depending on potential Stage migrations.

Both in **Ukraine and Russia** OTP management applies **a „going concern" approach**.

Under an extremely negative scenario of **deconsolidating both entities and writing down the outstanding gross intragroup funding** as well, the effect for the consolidated CET1 ratio would be 0 bp in the case of Ukraine and **-60 bps for Russia**.

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Questions and Answers session