OTP Group
1Q 2019 results

Conference call – 10 May 2019

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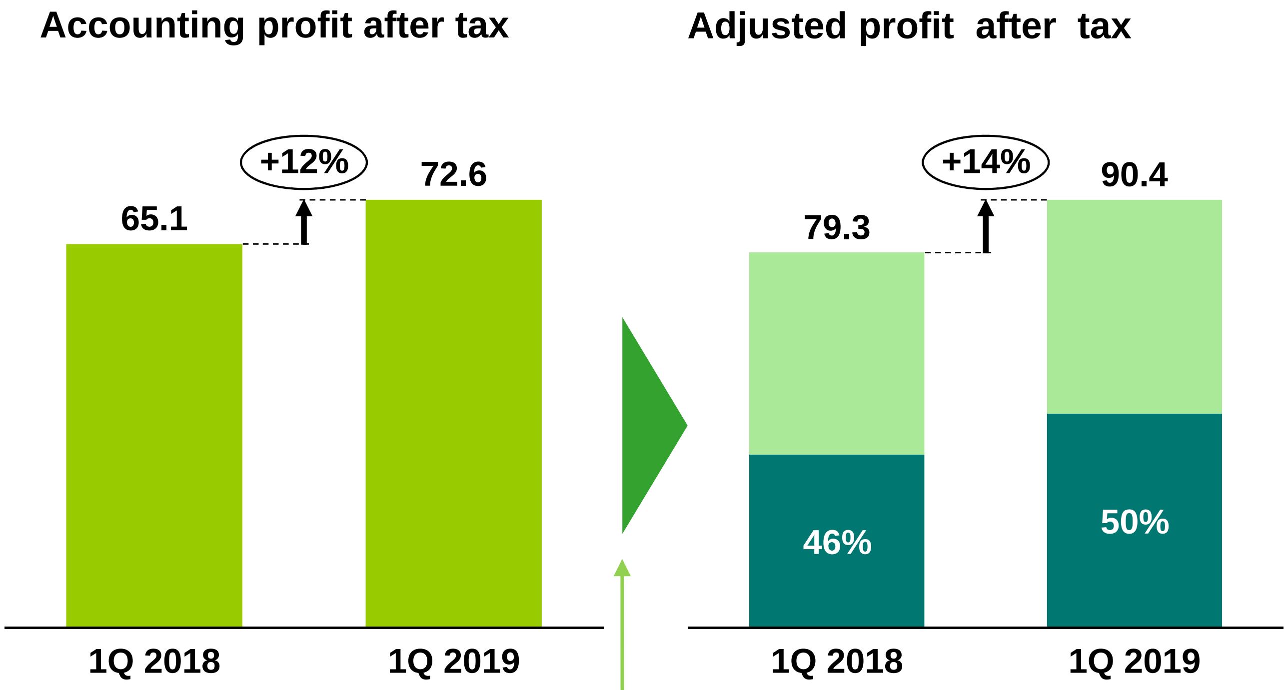
Chief Financial and Strategic Officer

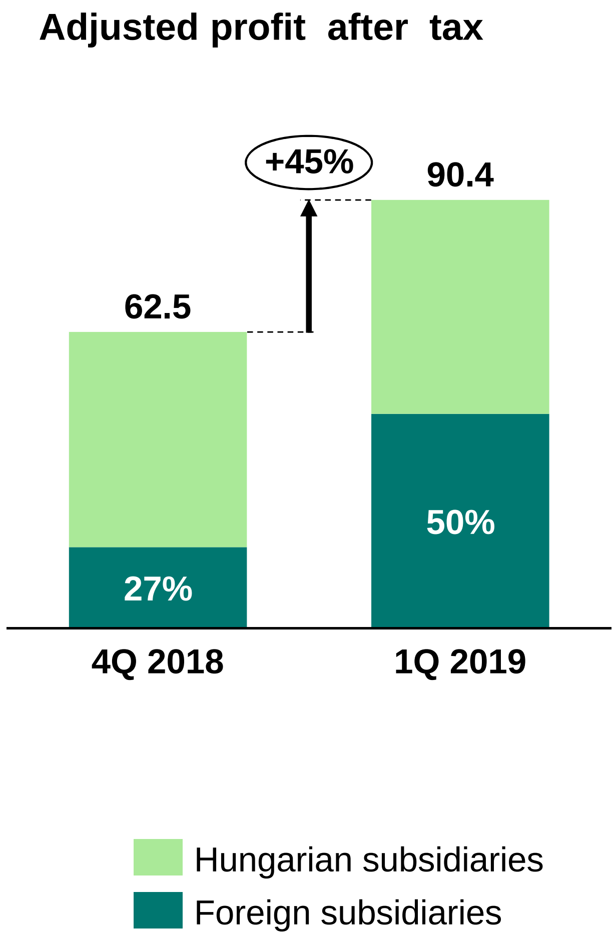
In 1Q 2019 the accounting profit grew by 12% y-o-y, while the adjusted profit increased by 14%. The adjustments, except for banking tax, were not material in 1Q 2019. The profit contribution of foreign subsidiaries improved to 50%

After tax profit development y-o-y (in HUF billion)



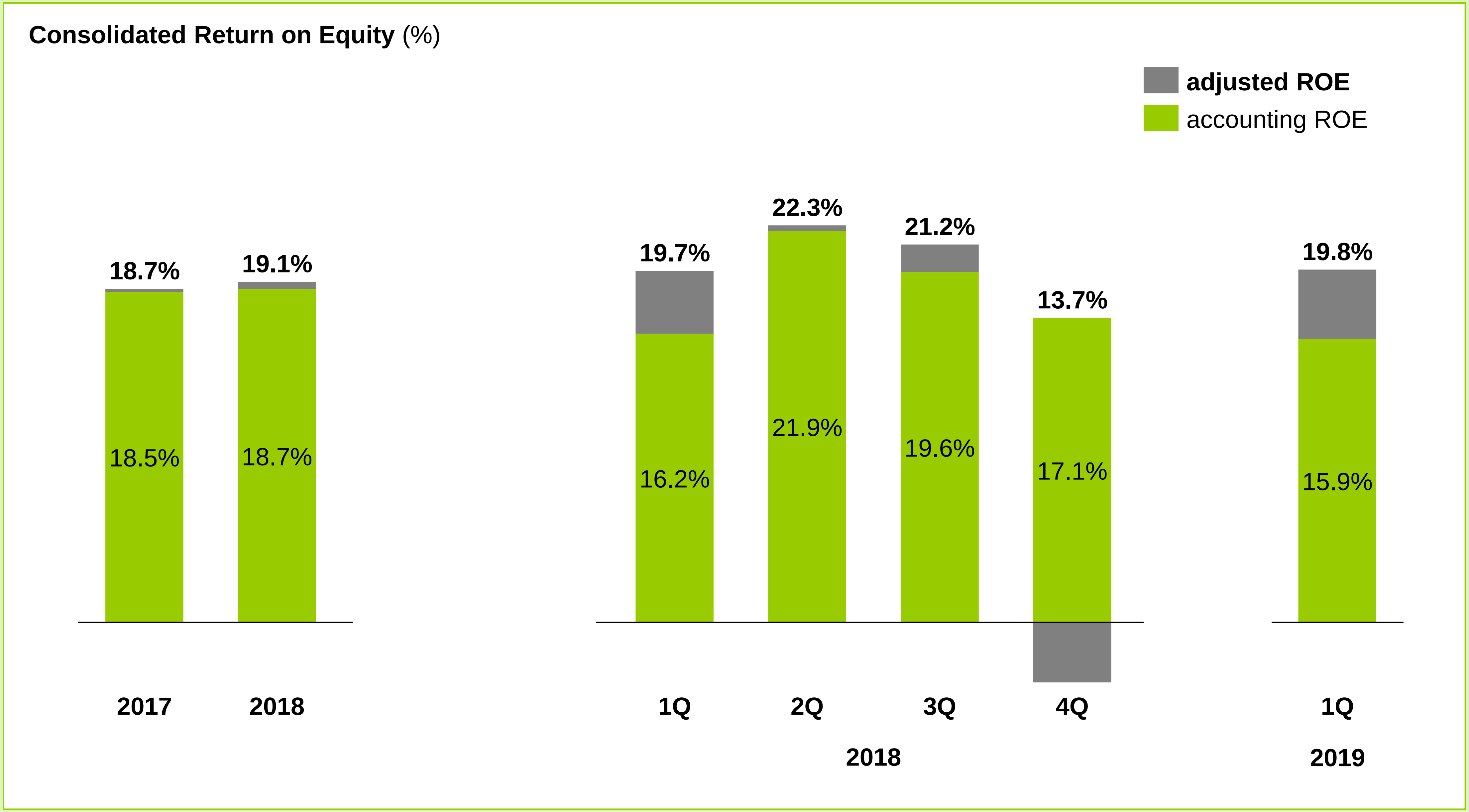
Adjustments (after tax)	**1Q 2018**	**1Q 2019**
Banking tax	-14.7	-15.2
Others	0.5	-2.6[1]
Total	**-14.2**	**-17.8**

After tax profit development q-o-q (in HUF billion)



[1] Of which -HUF 2.8 billion effect of acquisitions; +0.2 dividends and net cash transfer

In the first quarter Return on Equity remained at attractive levels



In 1Q 2019 the banking tax and the effect of acquisitions were the two major adjustment items

(in HUF billion)	1Q 18	4Q 18	1Q 19	Q-o-Q	Y-o-Y
Consolidated after tax profit (accounting)	**65.1**	**77.8**	**72.6**	**-7%**	**12%**
Adjustments (total)	**-14.2**	**15.3**	**-17.8**	**-151%**	**-45%**
Dividends and net cash transfers (after tax)	0.1	0.1	0.2	36%	38%
Goodwill/investment impairment charges (after tax)	0.0	0.5	0.0		
Special tax on financial institutions (after corporate income tax)	-14.7	-0.2	1 -15.2		3%
Effect of acquisitions (after tax)	0.4	-4.0	2 -2.8	-30%	
Initial NPV gain on MIRS deals (after tax)	0.0	18.8	0.0		
Consolidated adjusted after tax profit	**79.3**	**62.5**	**90.4**	**45%**	**14%**

1 The special banking tax of -HUF 15.2 billion (after tax) includes the full-year Hungarian levy booked already in 1Q in a lump-sum, as well as the quarterly part of the Slovakian banking tax (-HUF 167 million after tax).

2 The following main items might appear on this line: the potential badwill related to acquisitions which improves the accounting result; expenses related directly to the acquisitions and integration processes; and the volume of Day1 impairment under IFRS 9 booked after the consolidation of the Bulgarian and Albanian subsidiaries.

Primarily the Hungarian, Bulgarian, Croatian, Ukrainian and Serbian profit contribution improved remarkably; the Bulgarian 1Q profit incorporates HUF 5.2 billion from the newly acquired Express Bank

Adjusted profit after tax (in HUF billion)

	1Q 2018	1Q 2019	Y-o-Y
OTP Group	79.3	90.4	14%
OTP Core (Hungary)	39.1	39.9	2%
DSK Group[1] (Bulgaria)	11.3	17.3	54%
OBRu (Russia)	7.2	6.6	-8% / -3%[2]
OBH (Croatia)	7.7	8.2	7%
OBU (Ukraine)	5.8	8.3	42%
OBR (Romania)	1.5	1.2	-18%
OBSrb (Serbia)	0.6	1.3	125%
CKB (Montenegro)	0.7	0.7	1%
OBS (Slovakia)	0.8	0.3	-55%
Leasing (HUN, RO, BG, CR)	2.5	2.6	5%
OTP Fund Mgmt. (Hungary)	1.1	1.0	-7%
Corporate Centre, others	1.1	2.9	167%

[1] The performance of Expressbank is presented as part of DSK (Bulgaria) in 1Q 2019
[2] Change in local currency.

In 1Q 2019 profit before tax (without one-offs) increased by 12% y-o-y and 52% q-o-q. The operating profit without acquisitions improved by 10% y-o-y

	1Q 18	4Q 18	1Q 19	Q-o-Q	Y-o-Y	1Q 19	Y-o-Y
	HUF billion					without acquisitions[1]	
Consolidated adjusted after tax profit	**79.3**	**62.5**	**90.4**	**45%**	**14%**	**85.2**	**7%**
Corporate tax	-10.4	-4.7	-11.4	141%	10%	-10.9	4%
Profit before tax	89.7	67.2	101.8	51%	14%	96.1	7%
Total one-off items	-1.8	-0.1	-0.7		-60%	-0.7	-60%
Result of the Treasury share swap agreement	-1.8	-0.1	-0.7		-60%	-0.7	-60%
Profit before tax (adjusted, without one-offs)	**91.5**	**67.3**	**102.6**	**52%**	**12%**	**96.8**	**6%**
Operating profit without one-offs	92.8	87.6	108.8	24%	17%	101.7	10%
Total income without one-offs	206.3	227.8	239.7	5%	16%	228.3	11%
Net interest income	143.6	156.4	162.7	4%	13%	154.8	8%
Net fees and commissions	49.6	56.6	57.2	1%	15%	54.8	10%
Other net non interest income without one-offs	13.1	14.7	19.8	35%	51%	18.7	42%
Operating costs	-113.5	-140.2	-131.0	-7%	15%	-126.6	12%
Total risk cost	-1.3	-20.3	-6.2	-69%		-4.9	

[1] 1Q 2019 numbers and y-o-y changes without acquisitions do not include the contribution from the Bulgarian Expressbank.

Consolidated performing (Stage 1 + 2) loans expanded by 12% q-o-q, while the organic growth was seasonally weaker (1%) driven by strong performances in Bulgaria, Ukraine, Romania and Montenegro

Q-o-Q performing (Stage 1 + 2) loan volume changes in 1Q 2019, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Total	12% / 1%[2]	1%[3]	65% / 2%[2]	0%	0%	6%	2%	2%	7%	-1%
Consumer	10% / 3%[2]	5%	36% / 3%[2]	1%	1%	6%	1%	4%	2%	0%
Mortgage	7% / 1%[2]	0%[3]	38% / 3%[2]		-1%		4%	3%	2%	2%
Corporate[1]	17% / 0%[2]	0%[3]	111% / 0%[2]	-4%	-1%	6%	1%	1%	11%	-5%

Core (Hungary) mortgage breakdown:

Housing loan	Home equity
1%	-4%

[1] Loans to MSE and MLE clients and local governments.
[2] Without the effect of acquisitions: on the consolidated level without the Bulgarian and Albanian acquisitions; for DSK Group without Expressbank transaction.
[3] Without the elimination of OTP Real Estate Lease effective from 1Q 2019 (+HUF 18 bn effect, out of which 16 bn mortgage, 2 bn corporate loan)

Consolidated deposits increased by 1% q-o-q organically and by 10% including the effect of acquisitions in Bulgaria and Albania

Q-o-Q deposit volume changes in 1Q 2019, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	CKB (Montenegro)	OBS (Slovakia)
Total	10% / 1%[2]	2%	46% / 1%[2]	-2%	-7%	1%	5%	-1%	-4%	-1%
Retail	11% / 1%[2]	1%	41% / 2%[2]	-3%	-2%	5%	5%	-1%	-2%	-2%
Corporate[1]	7% / 0%[2]	3%	66% / -4%[2]	3%	-18%	-2%	6%	-1%	-6%	-1%

[1] Including MSE, MLE and municipality deposits.
[2] Without the effect of acquisitions: on the consolidated level without deposits consolidated in 1Q 2019 of the Bulgarian Expressbank and its subsidiaries and the Albanian subsidiary; for DSK Group without Expressbank and its subsidiaries

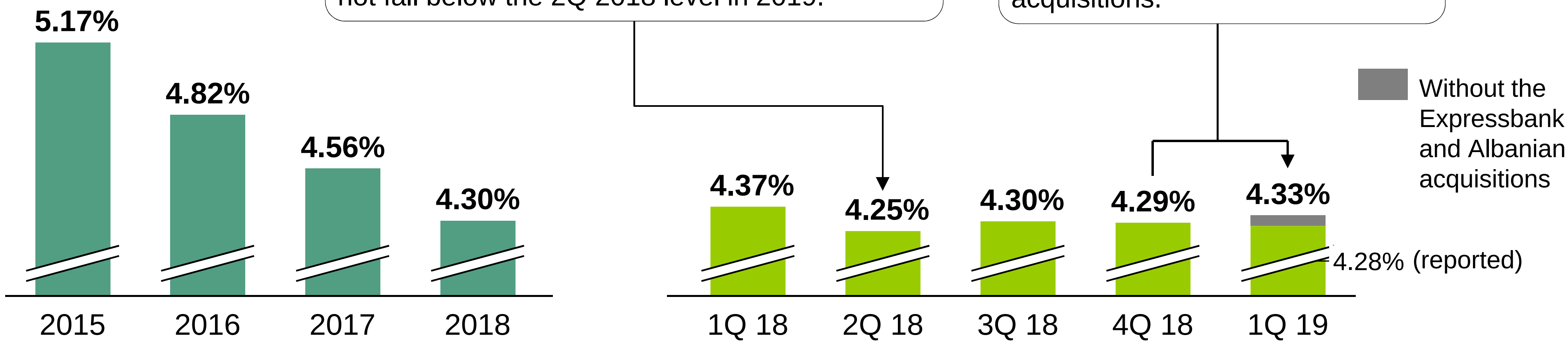
The consolidated 1Q net interest margin remained broadly stable q-o-q, but went up by 4 bps without the effect of new acquisitions

Net interest margin (%)

OTP Group

NIM guidance for **2019**: NIM started to flatten out in 2018, and the margin without acquisitions may not fall below the 2Q 2018 level in 2019.

In 1Q 2019 the net interest margin went up by **4 bps** q-o-q without acquisitions.



Margin changes: **-2 bps**

Capturing net interest margin changes at Group member banks.

o/w:		
	OTP Core	**+3 bps**
	DSK Bank	**-4 bps**
	OTP Russia	**-2 bps**
	OTP Romania	**-2 bps**
	OTP Croatia	**+2 bps**

FX rate changes: **-3 bps**

Capturing HUF/LCY exchange rate changes.
In 1Q 2019 the appreciating HUF against most of the currencies of the foreign subsidiaries, predominantly the Bulgarian, Croatian and Romanian currencies exerted a negative effect on the consolidated net interest margin.

Composition effect: **+8 bps**

Capturing the weight changes within the Group. In 1Q 2019 the q-o-q higher consolidation eliminations pushed up the group member banks' weight within the consolidated total assets. The main reason for q-o-q higher eliminations was the capital increase at DSK Bank.

The net interest margin of OTP Core improved q-o-q, in Bulgaria and Russia the declining trend continued. Margins kept on improving in the Ukraine. The Romanian margin declined in the first quarter

Net interest margin development at the largest Group members (%)

	2016	2017	2018	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19
OTP Core Hungary (1)	3.48	3.22	3.01	3.06	2.97	3.05	2.98	3.04
DSK+Express Bulgaria (2)	4.60	3.85	3.37	3.69	3.27	3.33	3.22	3.15
DSK+Express Bulgaria – Adjusted[1]					3.50	3.45		
OTP Bank Russia[2] (3)	17.81	16.91	15.21	15.90	15.60	14.78	14.68	14.39
OTP Bank Croatia (4)	3.54	3.27	2.95	3.01	3.05	2.87	2.88	3.04
OTP Bank Ukraine	9.02	7.46	9.21	7.90	9.05	9.51	10.10	10.50
OTP Bank Romania (5)	3.40	3.27	3.39	3.25	3.27	3.56	3.47	3.14

1. At OTP Core the q-o-q NIM improvement was mainly driven by the better swap result. In 4Q 2018 the swap result was negatively affected by the declining long yields resulting in a negative fair value adjustment on interest rate swaps held for non-hedging purposes. In 1Q 2019 a one-off gain was realized on intra-group swap transactions.

   Deposit interest expenditures shrank q-o-q despite 3% higher average deposit volumes.

   In 1Q the closing rate of 3M BUBOR went up by 5 bps to 18 bps, but its quarterly average remained flat, therefore it hasn't influenced the margin trajectory in a substantial manner.

2. At DSK the further margin erosion was shaped by two factors:
   - Without the new acquisition the margin kept on narrowing due to the continued asset repricing (partly as a result of declining reference rates) and the diluting effect of increasing total assets.
   - Expressbank's margin was upwardly biased by the fact that its full quarterly net interest income was consolidated, but according to the performance indicator calculation methodology the total assets of Expressbank was counted in only from the end of January.

3. Russia: ongoing decline of consumer lending rates and quarterly higher deposit rates as well as the higher average total assets shaped NIM

4. The Croatian q-o-q improvement was reasoned by the moderating deposit expenses, as well as the declining average balance sheet total (-6% q-o-q) coupled with the increasing weight of loans.

5. Romania: margin decline of cash and corporate loans; funding costs went up due to the q-o-q increasing deposit collection efforts, which, in exchange, led to an improvement in the loan-to-deposit ratio.

[1] At DSK a one-off accounting correction booked in 2Q 2018 reduced the q-o-q NII dynamics by HUF 1.8 billion in 2Q, and improved the q-o-q NII dynamics by HUF 0.9 billion in 3Q. The one-off effects are filtered out from the adjusted NIMs.
[2] Including Touch Bank from 1Q 2018.

Slovenia

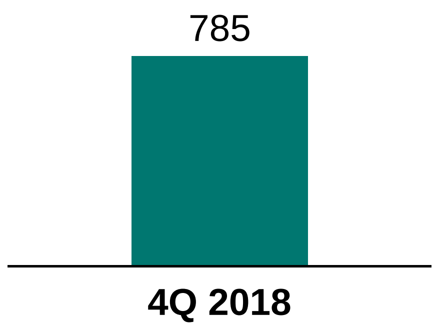
On 3 May 2019 OTP Bank announced the acquisition of SocGen's Slovenian operation; SKB Banka is the 4th largest player in the Slovenian market

Market share and equity of Slovenian banks
(2018, in EUR million)

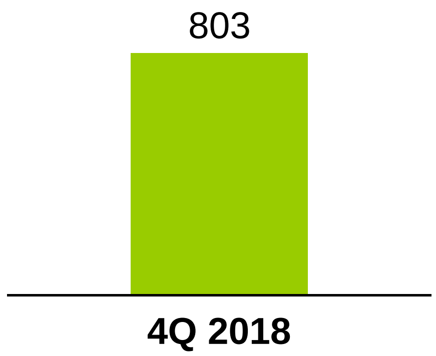
	Bank	Total assets	Market share	Shareholders' equity
1	Nova Ljubljanska banka d.d.	8,811	22.7%	1,295
2	Nova Kreditna banka Maribor d.d.	4,978	12.8%	723
3	Abanka d.d.	3,729	9.6%	583
4.	**SKB Banka d.d.[1]**	**3,314**	**8.5%**	**356**
5	UniCredit Banka Slovenija d.d.	2,656	6.8%	251
6	Banka Intesa Sanpaolo d.d.	2,596	6.7%	284
7	Slovenska izvozna in razvojna banka	2,319	6.0%	422

Source: National Bank of Slovenia, annual reports

Net loans
(HUF billion)

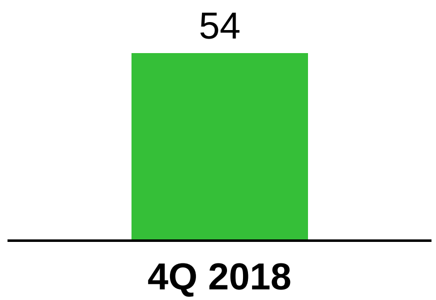


Customer deposits
(HUF billion)

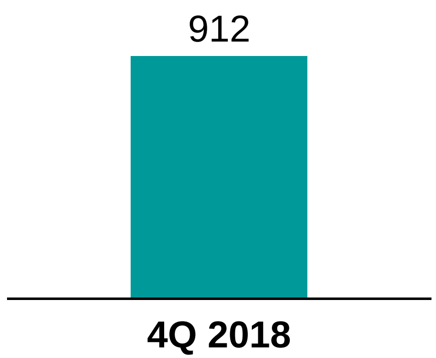


Net loan to deposit ratio: **98%**

Number of branches



Number of employees



Source: SKB Banka Annual Report

[1] Including Leasing.

On 29 March 2019 the financial closure of the Albanian transaction has been completed; OTP Bank Albania is the 5th largest bank on the Albanian banking market with a market share of 6%

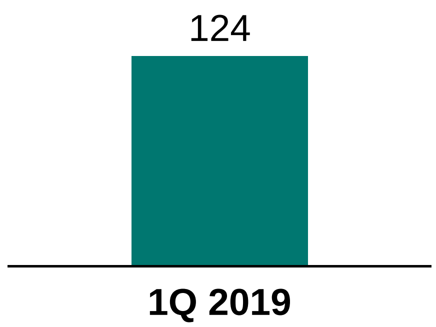
Albania

Market share and equity of Albanian banks
(2018, in EUR million equivalent)

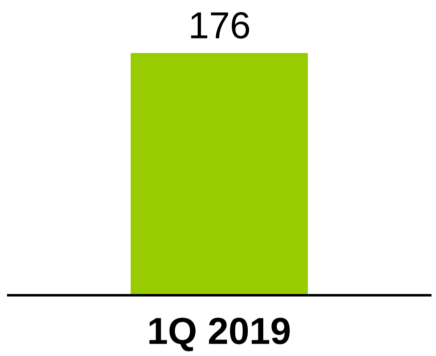
	Bank	Total assets	Market share	Shareholders' equity
1	Banka Kombëtare Tregtare	3,440	30.8%	379
2	Raiffeisen Bank Albania	1,804	16.2%	219
3	Credins Bank	1,569	14.1%	126
4	Intesa Sanpaolo Bank Albania	1,439	12.9%	164
5.	**OTP Bank Albania**	666	**6.0%**	**58**
6	Alpha Bank Albania	626	5.6%	72
7	Tirana Bank	593	5.3%	105
8	Union Bank	416	3.7%	36

Source: Albanian Banking Association

Net loans
(HUF billion)

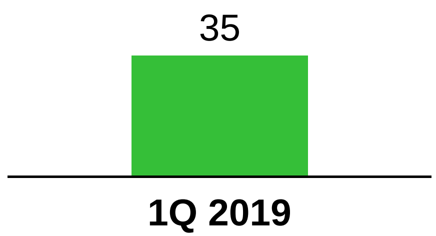


Customer deposits
(HUF billion)

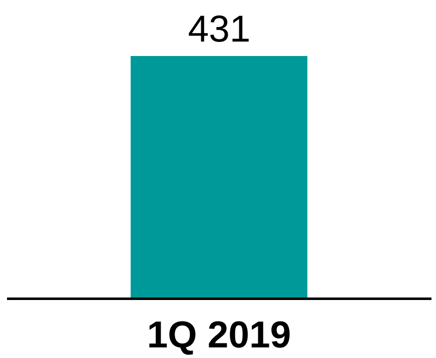


Net loan to deposit ratio: **70%**

Number of branches



Number of employees



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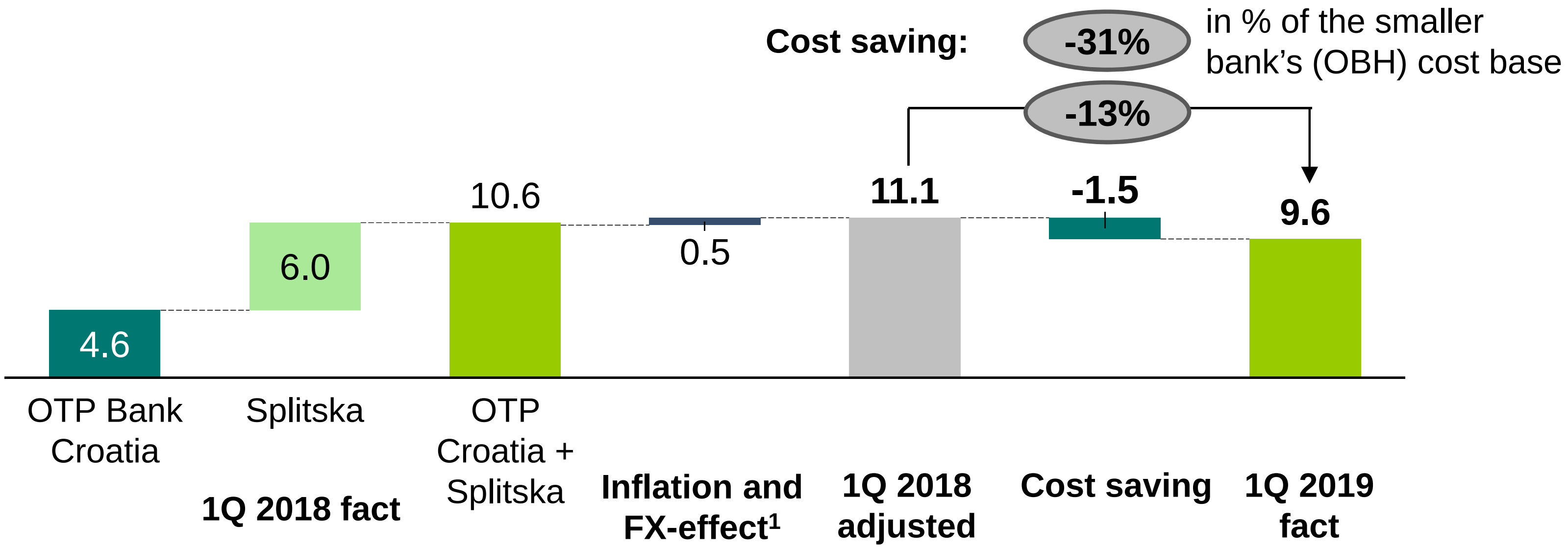
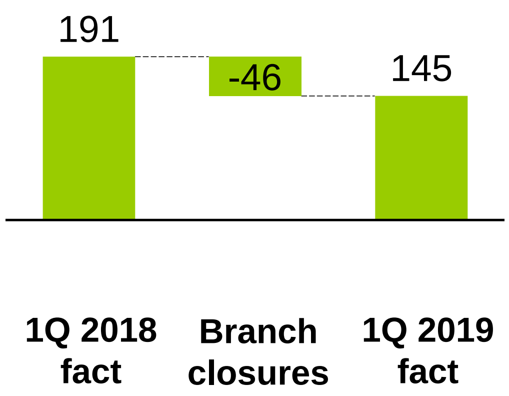
The integration of Splitska was successfully completed, the realized cost saving of HUF 1.5 billion implies 13% y-o-y cost saving, making up 31% of the smaller bank's costs. In 1Q the Croatian ROE calculated with effective capital was above 15%

Operating cost saving

Operating expenses of OTP Bank Croatia and Splitska banka (in HUF billion)

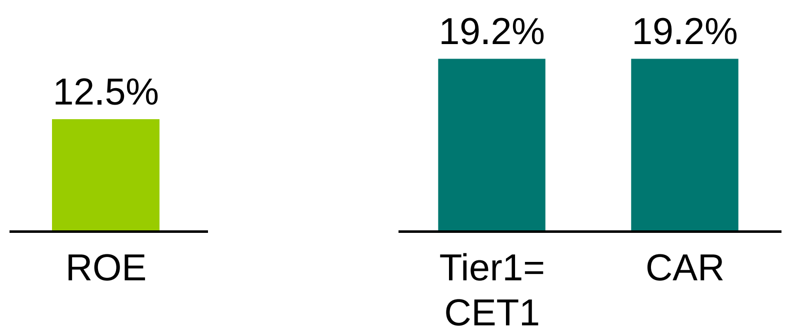


Number of branches (pieces)

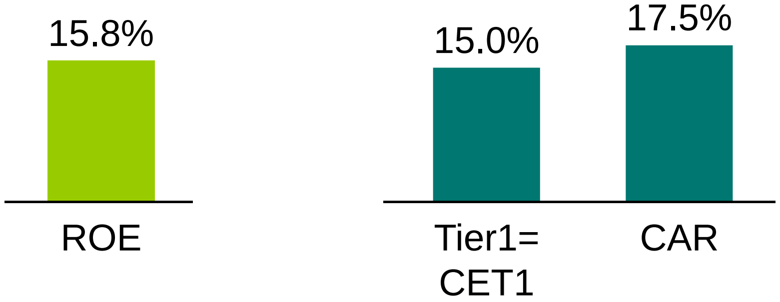


Return on Equity

Return on Equity (ROE) of the Croatian operation, 1Q 2019



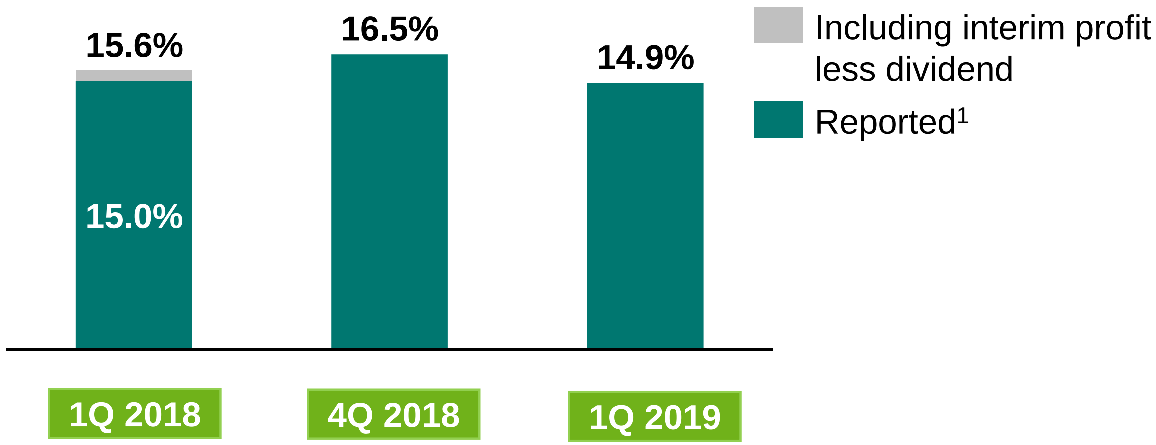
Return on Equity calculated with effective capital[2], 1Q 2019



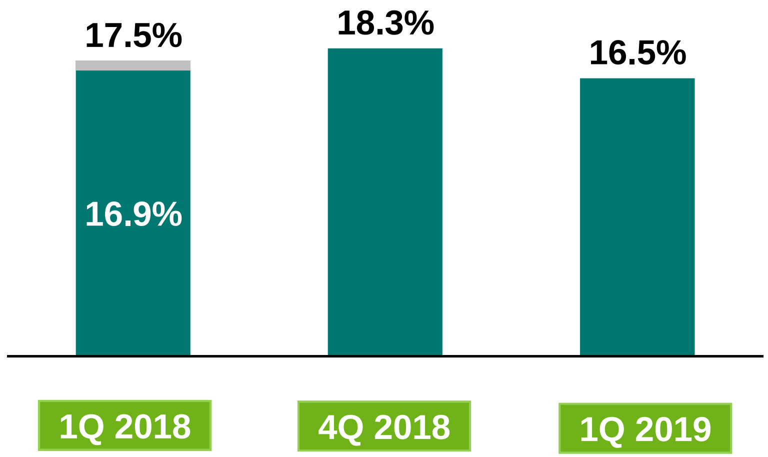
[1] 0.6% y-o-y inflation at operational expenses, 4% y-o-y wage inflation at financial sector, 2.5% effect of HUF weakening.
[2] Shareholder's equity was aligned with 15% Tier1 and 17.5% CAR level, the profit was also adjusted for the assumed interest expenditures of subordinated capital instruments.

Strong capital and liquidity position coupled with sound internal capital generation. 1Q 2019 capital adequacy ratios already include the consolidation impact of the Bulgarian and Albanian subsidiaries

Development of the fully loaded CET1 ratio of OTP Group

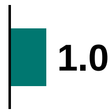


Development of the CAR ratio of OTP Group



Net liquidity reserve
(in EUR billion equivalent)

External debt[2]
(in EUR billion equivalent)



Net liquidity reserve / balance sheet total (%)

Consolidated net loan / (deposit + retail bond) ratio

[1] In 4Q 2018 and 1Q 2019 the capital adequacy ratios already included the interim profit less dividend.
[2] Senior bonds, mortgage bonds, bilateral loans.

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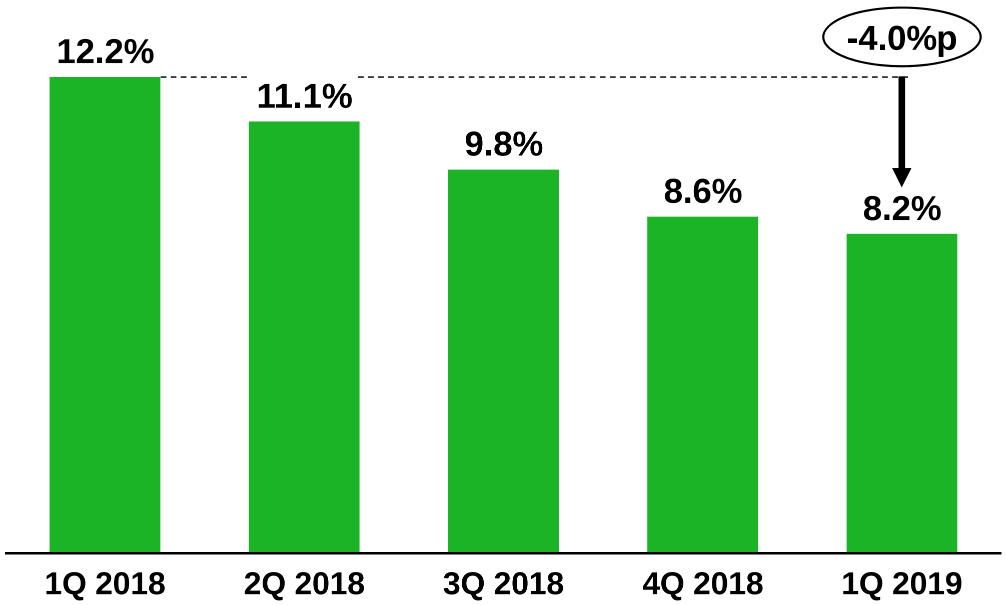
At the end of 1Q Stage 3 loans amounted to 8.2% of the gross loan portfolio, while the own coverage of the Stage 3 volumes is higher in comparison with our regional competitors

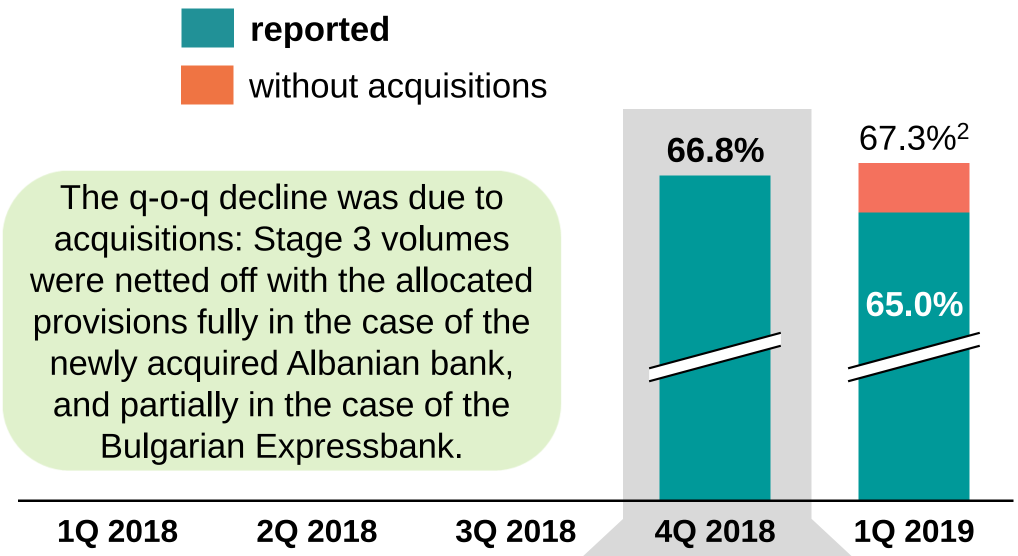
OTP Group - consolidated Stage 3 ratio[1]



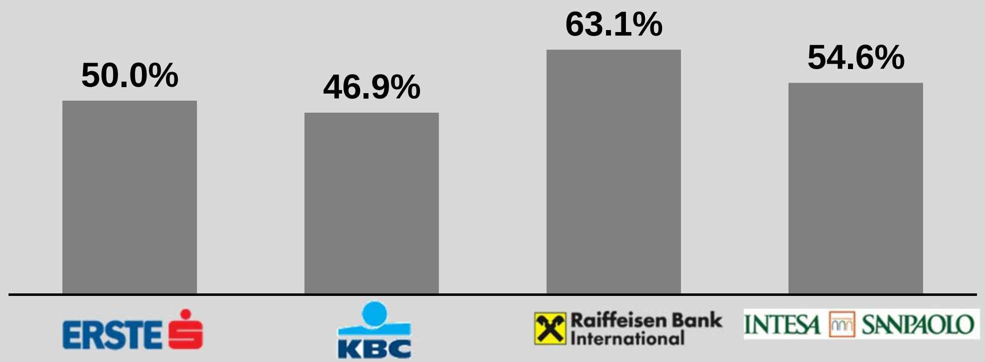
The non-performing loan category previously used by OTP, the ratio of 90+ days overdue loans (DPD90+) is replaced by the Stage 3 ratio with the introduction of IFRS 9.

The DPD90+ category is a subset of Stage 3, and it stood at 5.9% at Group level at the end of 1Q 2019.

OTP Group - own coverage of consolidated Stage loans[1]



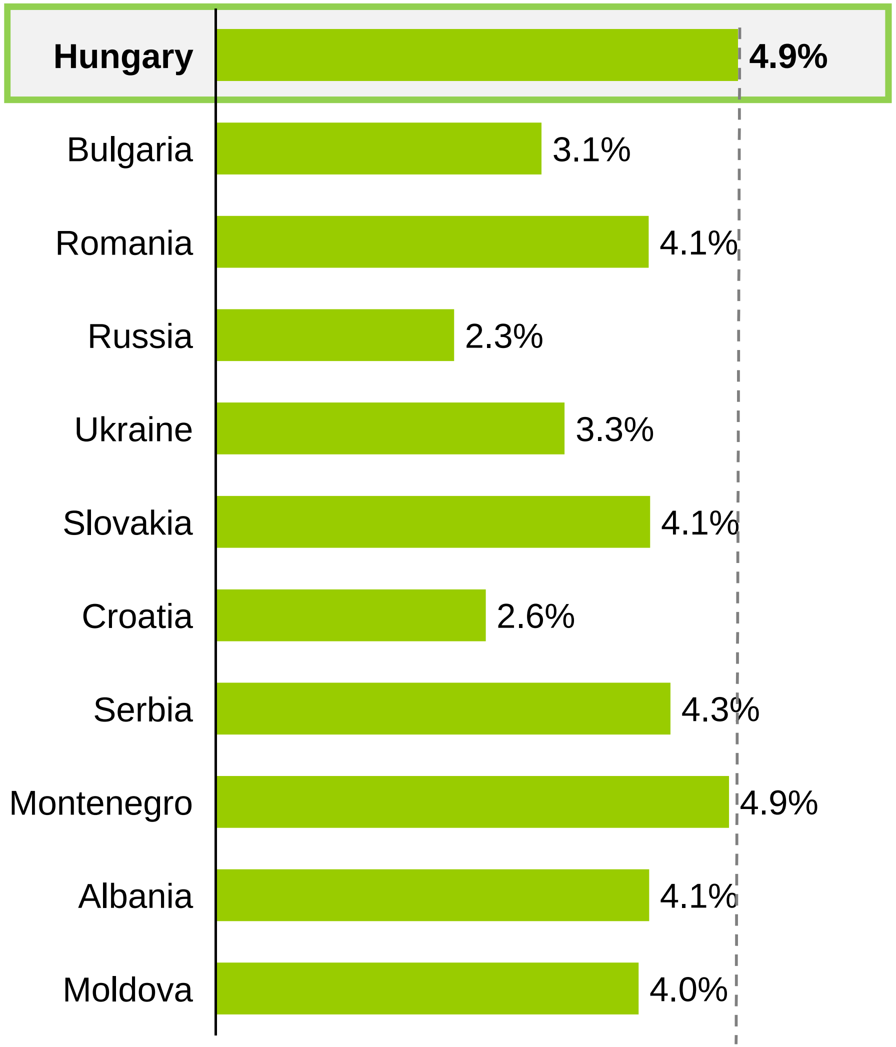
Own coverage of Stage 3 loans at the regional competitors[2] (4Q 2018)



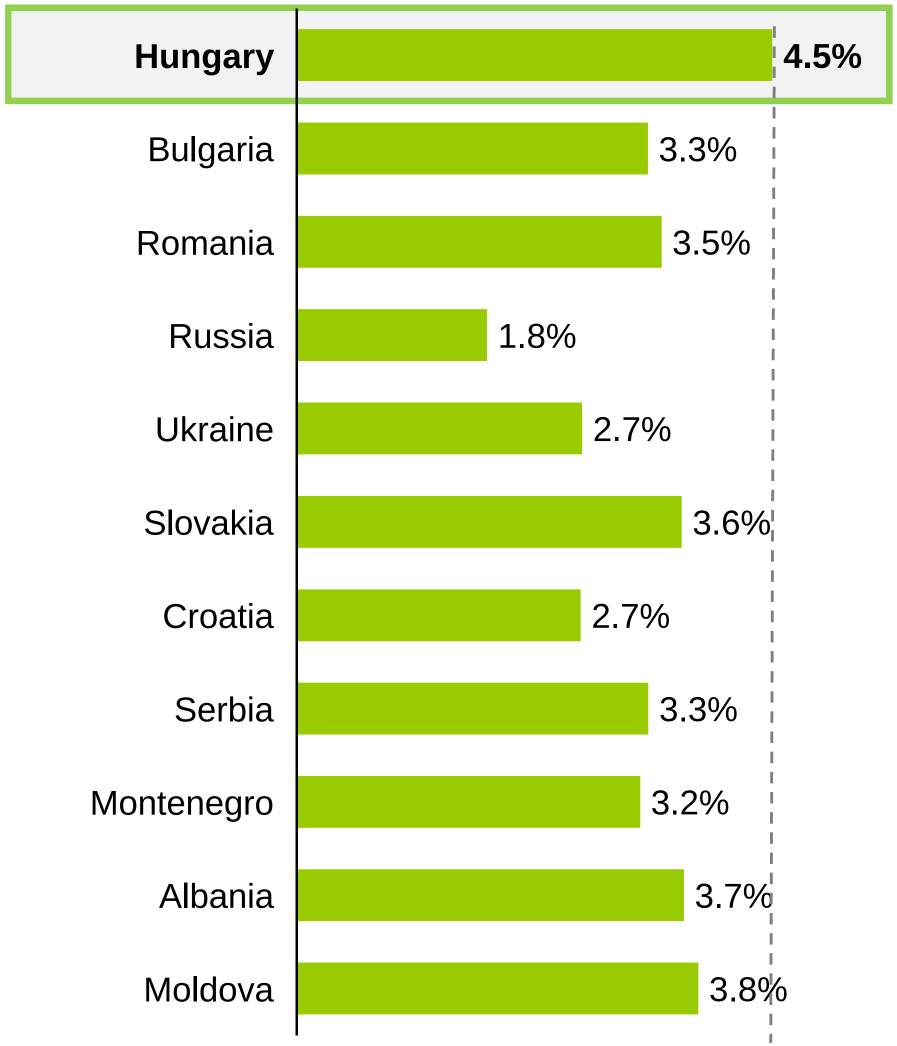
[1] In 4Q 2018 with POCI, from 1Q 2018 POCI was distributed among Stage categories.
[2] Source: annual reports. At the end of 2018, the data of the competitors is including the POCI.

The Hungarian GDP growth is expected to be the highest in 2019, too

2018 GDP growth[1] (y-o-y)



2019F GDP growth (y-o-y)



[1] In case of Albania the average of 1Q-4Q 2018 was displayed.

OTP Group: management expectations for 2019 – 1.

The ROE target of above 15% (assuming 12.5% Common Equity Tier 1 ratio) announced at the 2015 Annual General Meeting remains in place.

Apart from the negative impact of the Hungarian and Slovakian banking tax (HUF 16 billion after tax) *the introduction of the Romanian banking tax from 2019 with maximum HUF 2 billion (after tax) earnings effect which can be reduced even to nil depending on loan growth and margin; the Serbian CHF mortgages' optional conversion and the related principal reduction (the expected one-off negative effect is maximum HUF 2.0 billion after tax),* and acquisitions may result in material adjustment items.

The FX-adjusted growth of performing loans (Stage 1 plus Stage 2 under IFRS 9) – without the effect of further acquisitions – may be around 10% in 2019.

The net interest margin started to flatten out in 2018, and it may not fall below the 2Q 2018 level (4.25%) without new acquisitions in 2019.

Assuming no material change in the external environment, favourable credit quality trends – similar to 2018 – are expected to remain in 2019. The Stage 3 and DP90+ ratios may decline further and the risk cost rate (provision for impairment on loan and placement losses to average gross loans ratio) may be around the 2018 level.

The FX-adjusted operating expenses without acquisition effect are expected to increase by 4% y-o-y, mainly as a result of wage inflation, ongoing digital and IT transformation and strong organic growth, but these factors will be partially off-set by the cost synergy benefits realized in Croatia.

OTP Group: management expectations for 2019 – 2.

The dividend proposal after the 2019 financial year will be decided by the management in 1Q 2020, similar to the practice concerning the 2018 dividend policy.

As for the indicated / deducted dividend amount presented among the financial data in the quarterly Stock Exchange Reports in 2019, for the purpose of incorporating the quarterly results into the calculation of the regulatory capital, OTP Bank with the co-operation of the auditor conducted a review according to ISRE 2410 auditing standards in case of the consolidated first quarter results. The eligible profit (interim profit less dividend) can be included into the regulatory capital in 1Q 2019. However, regarding the calculation of eligible profit for 1Q 2019, the deducted dividend amount was determined in accordance with the Commission Regulation (EU) No. 241/2014. Article 2. (7) Paragraph. Accordingly, in the absence of a stated dividend policy, the amount of the dividend to be deducted should be calculated as follows: out of the previous three years' average dividend payment ratio and that of the preceding year the higher ratio must be applied. The dividend amount must be calculated from OTP Bank's standalone accounting profit, and this must be deducted from the consolidated regulatory capital.

This calculated dividend amount (HUF 28 billion) cannot be considered as an indication of the management's dividend proposal, since the dividend proposal after the 2019 fiscal year will be decided by the management in 1Q 2020.

Further details and financials

Total income grew by 16% y-o-y driven partly by the Expressbank deal, but even without that the yearly dynamics would have been double digit (+11%). Total income without acquisition remained stable q-o-q

Effect of acquisitions

TOTAL INCOME without one-off items	1Q 2019 (HUF billion)	Y-o-Y (HUF billion)	Y-o-Y (%)	Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	240	22 / 33	16%/11%[1]	1 / 12	5%/0%[1]
OTP CORE (Hungary)	98	8	9%	3	4%
DSK (Bulgaria)	37	-1 / 10	37%/-5%[1]	-2 / 9	34%/-8%[1]
OBRu (Russia)	34	2	-8%/13%[2]	0	0%
OBH (Croatia)	19	1	6%	0	0%
OBU (Ukraine)	15	5	58%/43%[2]	1	7%
OBR (Romania)	9	2	29%	0	2%
OBSr (Serbia)	7	1	13%	-1	-8%
CKB (Montenegro)	3	0	18%	0	-4%
OBS (Slovakia)	4	0	-3%	0	-9%
Others	15	3	27%	-1	-5%

[1] Changes without the Expressbank acquisition.
[2] Changes in local currency.

Net interest income grew by 8% y-o-y even without acquisitions as a result of steady loan expansion. On quarterly basis NII increased despite the negative calendar effect (but declined adjusted for M&A impact)

Effect of acquisitions

NET INTEREST INCOME	1Q 2019 (HUF billion)	Y-o-Y (HUF billion)	Y-o-Y (%)	Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	163	11 / 19	13%/8%[1]	-2 / 6	4%/-1%[1]
OTP CORE (Hungary)	64	5	8%	1	2%
DSK (Bulgaria)	25	-1 / 7	41%/-3%[1]	0 / 7	41%/-3%[1]
OBRu (Russia)	26	1	4%/10%[2]	0	-1%
OBH (Croatia)	13	0	-1%	0	-3%
OBU (Ukraine)	11	4	73%/56%[2]	1	6%
OBR (Romania)	6	1	17%	1	-8%
OBSr (Serbia)	5	1	15%	0	-2%
CKB (Montenegro)	2	0	14%	0	-2%
OBS (Slovakia)	3	0	-7%	0	-6%
Merkantil (Hungary)	3	0	12%	0	1%
Corporate Centre	1	0	-3%	1	-31%
Others	2	0	-17%	1	-24%

1 Amid eroding NIM OTP Core posted 8% y-o-y growth due to expanding loan volumes and the placement of additional liquidity generated by the deposit inflow. The q-o-q 2% increase was shaped by improving swap results and lower interest expenses on deposits.

2 At DSK the massive improvement was due to Expressbank, without that both y-o-y and q-o-q there was a decline triggered by the continuing margin contraction.

3 In spite of the NIM erosion the Russian NII grew by 10% y-o-y in RUB terms as a result of the 23% increase of performing volumes.

4 Outstanding dynamics in Ukraine both y-o-y and q-o-q due to improving margins and steadily expanding performing loan volumes.

5 The Romanian q-o-q NII drop was due to deposit rate increases (in exchange, the loan-to-deposit ratio improved) and the margin decline of cash and corporate loans.

[1] Changes without acquisitions (Expressbank is filled out).
[2] Changes in local currency.

The net fee income grew by 10% y-o-y even without the effect of acquisitions. The q-o-q decline was mainly due to seasonality

Effect of acquisitions

NET FEE INCOME	1Q 2019 (HUF billion)	Y-o-Y (HUF billion)	Y-o-Y (%)	Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	57	7.6	15%/10%[1]	0.6	-1%/-3%[1]
OTP CORE (Hungary)	26	1.8	8%	-0.2	-1%
DSK (Bulgaria)	10	2.7	39%/4%[1]	-0.9 / 1.6	20%/-11%[1]
OBRU (Russia)	7	0.7	12%/17%[2]	-0.1	-2%
OBH (Croatia)	4	0.3	8%	-0.1	-3%
OBU (Ukraine)	3	0.9	36%/23%[2]	0.1	2%
OBR (Romania)	1	-0.1	-8%	-0.2	-17%
OBSrb (Serbia)	2	0.1	8%	-0.3	-15%
CKB (Montenegro)	1	0.1	17%	-0.1	-12%
OBS (Slovakia)	1	0.1	9%	-0.2	-15%
Fund mgmt. (Hungary)	1	-0.3	-17%	-1.1	-43%

1

Core net fees went up by 8% y-o-y, supported by stronger card, deposit and transaction-related fee revenues. Securities fee income moderated because the distribution fees on retail govies were reduced by the GDMA.

The q-o-q decline was mainly due to seasonality. One-offs exerted HUF 1.1 bn positive effect on the q-o-q dynamics. In 4Q 2018 one-offs amounted to -HUF 3.9 bn. In 1Q there were two material one-off items (-HUF 2.8 bn in total):

- lump-sum accounting for the full annual card-related financial transaction tax in 1Q (-HUF 1.6 bn);
- the full 2019 amount of Compensation Fund contributions was booked in 1Q within the financial transaction tax line (-HUF 1.2 billion).

2

Expressbank delivered HUF 2.4 billion in 1Q. The 11% decline q-o-q without Expressbank was explained mainly by the usual seasonality, and by FX effect (net fees declined by 9% in LCY). Finally, mainly as a result of shifting certain fees paid to credit card companies from the operating costs to fee expenses from 1Q, the services-related fee expenses grew by HUF 0.3 billion q-o-q.

3

The q-o-q decline was due to success fees booked in 4Q 2018 in one sum.

[1] Changes without acquisitions (Expressbank is filled out).
[2] Changes in local currency.

The other net non-interest income was boosted by the effect of acquisitions and better results at OTP Core and Romania

Effect of acquisitions

OTHER INCOME without one-off items	1Q 2019 (HUF billion)	Y-o-Y (HUF billion)	Y-o-Y (%)	Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	20	6 / 7	51%/42%[1]	5	35%/27%[1]
OTP CORE (Hungary)	8	2	27%	2	46%
DSK (Bulgaria)	2	0	-3%/-55%[1]	0	18%/-46%[1]
OBRU (Russia)	1	1	637%	0	85%
OBH (Croatia)	2	1	61%	0	27%
OBU (Ukraine)	1	0	21%/5%[2]	0	45%
OBR (Romania)	2	1	164%	1	97%
OBSrb (Serbia)	0	0	14%	0	-37%
CKB (Montenegro)	0	0	417%	0	27%
OBS (Slovakia)	0	0	39%	0	-13%
Others	3	2	167%	1	19%

1 The HUF 2.5 billion q-o-q growth at OTP Core was supported by higher gain on derivative instruments, and the shifting of certain expenditures (agent fees paid by OTP Financial Point Ltd., a real estate agency part of OTP Core) booked on the other income line until 4Q 2018 to the commission expenses. This exerted a HUF 0.8 billion positive effect on the quarterly change of other income (but only -HUF 0.1 billion appeared within the commission expenses in 1Q 2019, as this item was lower q-o-q).

2 In Bulgaria Expressbank delivered HUF 1.1 billion other income in 1Q. DSK without Expressbank showed a decline of HUF 0.8 billion q-o-q, of which HUF 0.5 billion was related to the loss realized by DSK in 1Q due to the termination of an intra-group swap with OTP Bank.

3 In Romania the q-o-q other net non-interest income growth (+HUF 0.9 billion) is due to the improvement of FX and security result, as well as FX-conversion result.

[1] Changes without acquisitions (Expressbank is filled out).
[2] Changes in local currency.

Operating costs grew by 11% y-o-y adjusted for Expressbank and FX-effect, fuelled by higher IT and digital developments-related costs, as well as wage inflation

Effect of acquisitions

OPERATING COSTS (HUF billion)	1Q 2019 (HUF billion)	Y-o-Y (HUF billion)	Y-o-Y (%)	Y-o-Y, FX-adjusted (HUF billion)	Y-o-Y, FX-adjusted (%)
OTP Group	131	13 / 17	15.4%/11.6%[1]	13 / 17	14.9%/11.1%[1]
OTP CORE (Hungary)	60	9	17%	9	17%
DSK (Bulgaria)	17	1 / 5	46%/8%[1]	1 / 5	43%/6%[1]
OBRU (Russia)	15	0	-2%	0	3%
OBH (Croatia)	10	-1	-9%	-1	-11%
OBU (Ukraine)	5	1	34%	1	21%
OBR (Romania)	6	1	29%	1	28%
OBSrb (Serbia)	6	0	4%	0	2%
CKB (Montenegro)	2	0	1%	0	-1%
OBS (Slovakia)	3	0	10%	0	8%
Merkantil (Hungary)	2	0	5%	0	5%

1 Operating expenses increased by 17% y-o-y as a result of higher personnel expenses (base salary hike and 5% increase of the average number of employees). Administrative expenses were fuelled by intensifying business activity, as well as by higher advisory costs and supervisory charges.

2 Large part of the growth is explained by the consolidation of Expressbank (-HUF 4.3 billion). At DSK the 6% cost growth in LCY was mainly due to higher personnel expenses, more intense business activity and increasing supervisory charges and expert fees.

3 Russia: 3% y-o-y growth in RUB terms due to lower personnel expenses (lay-offs following the integration of Touch Bank) and higher operating expenses generated by strong business activity.

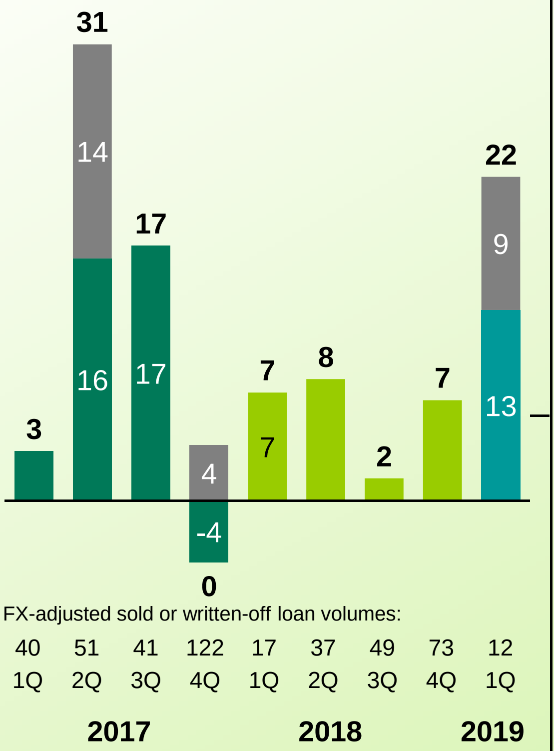
4 The 21% y-o-y increase reflects the impact of a similar scale nominal wage growth in the Ukrainian economy.

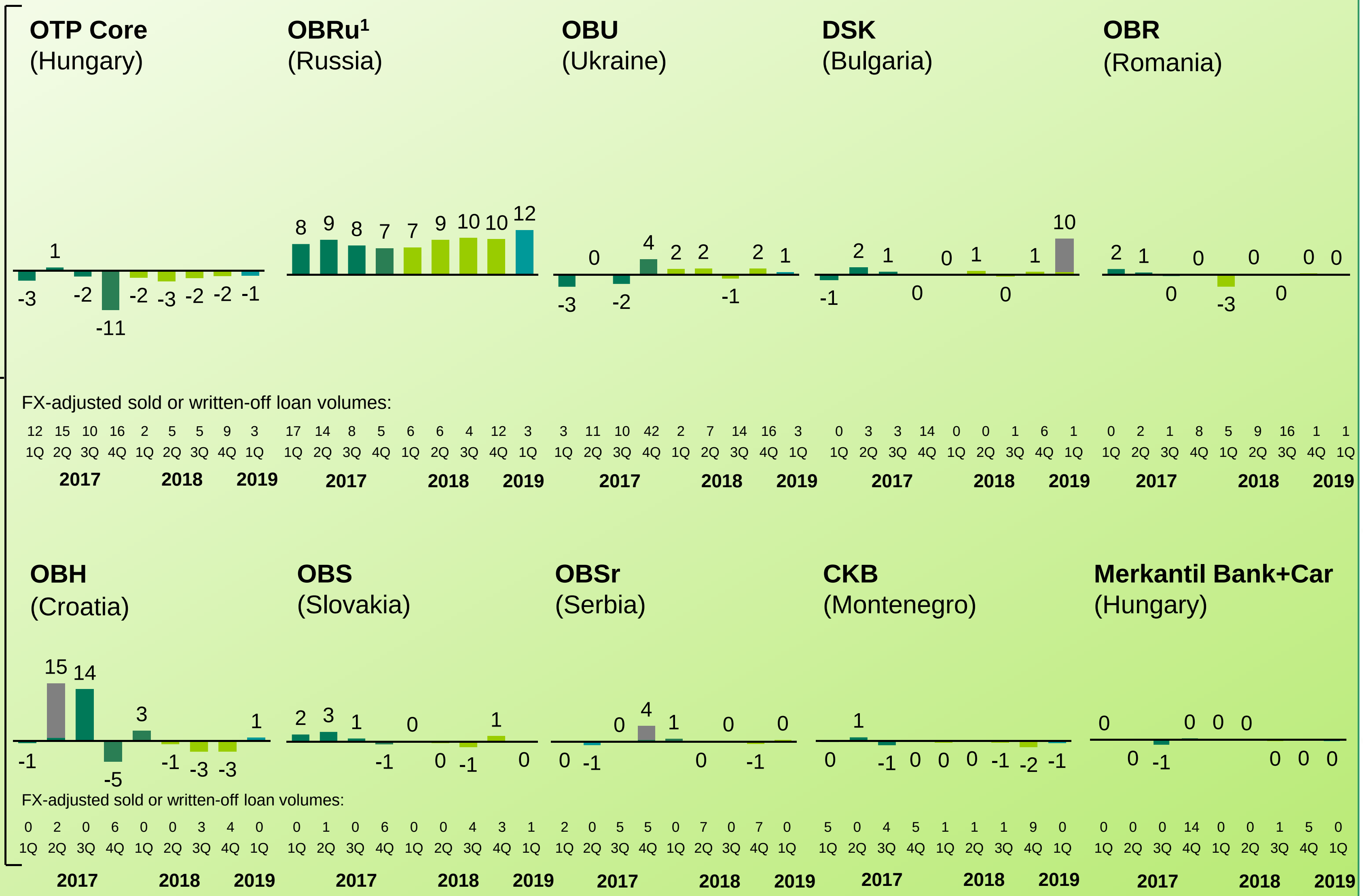
5 OBR: higher personnel expenses (growing wages and headcount), increasing contribution into the deposit guarantee fund, higher marketing, advisory and rental costs (new HQ).

[1] Without the operating expenses of the newly consolidated entities due to the Expressbank transaction.

In 1Q 2019 the consolidated DPD90+ formation picked up mainly as a result of the Expressbank transaction, otherwise trends remained favourable in all geographies

FX-adjusted quarterly change in DPD90+ loan volumes
(without the effect of sales / write-offs, in HUF billion)



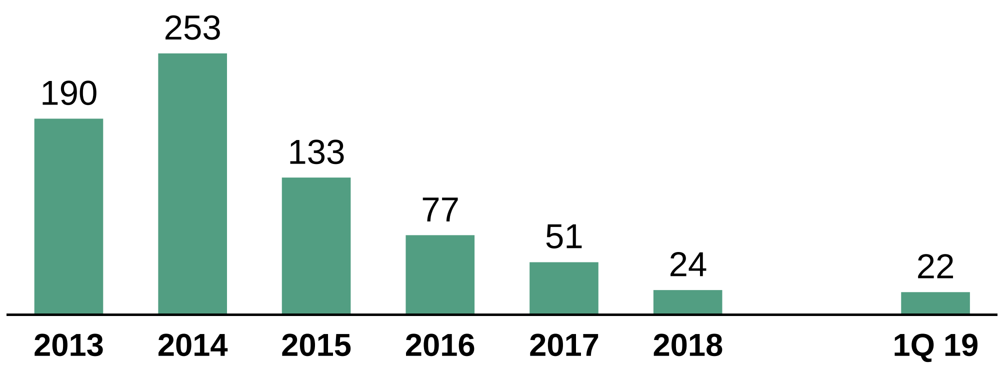


One-off effect of the DPD90+ volumes taken over as a result of acquisitions: in 2Q 2017 the portfolio of **Splitska banka,** in 4Q 2017 that of **Vojvodjanska banka** and in 1Q 2019 that of **Expressbank** was consolidated.

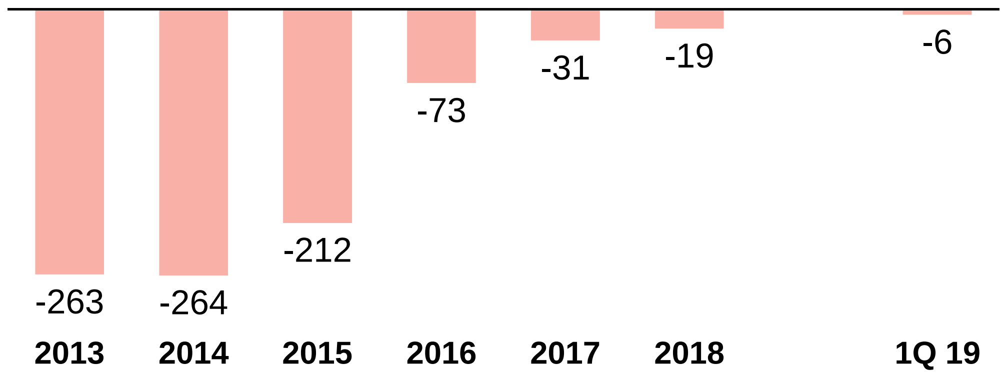
[1] Including Touch Bank from 1Q 2018.

Credit quality indicators remained favourable. Out of the quarterly growth of DPD90+ loan volumes HUF 9 billion was related to the consolidation of Expressbank. The 1Q consolidated risk cost rate was the same as in 2018

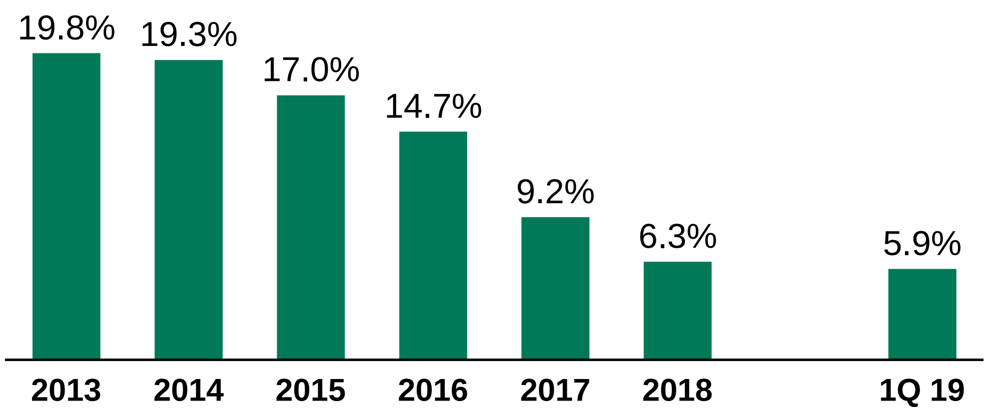
Change in DPD90+ loan volumes (consolidated, adjusted for FX and sales and write-offs, in HUF billion)



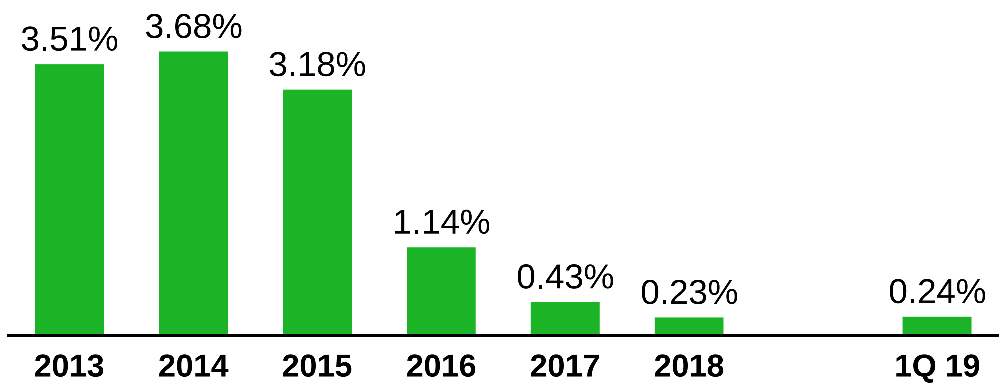
Consolidated provision for impairment on loan and placement losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



Consolidated risk cost rate (provision for impairment on loan and placement losses-to-average gross loans)



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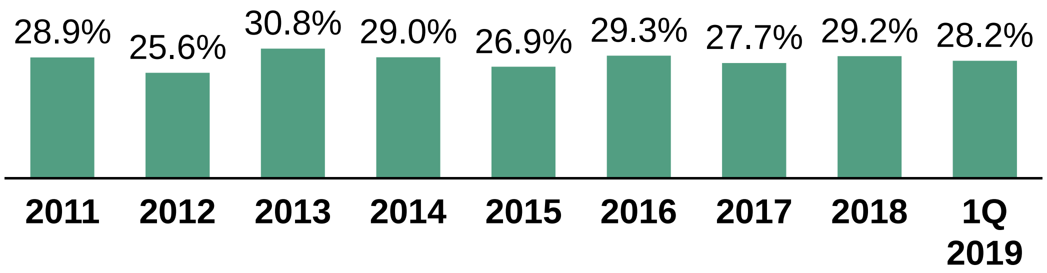
OTP CORE

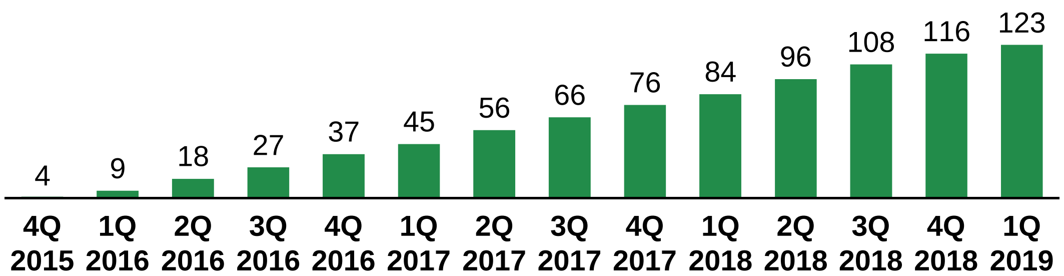
The upward trend of mortgage lending remained in place in Hungary. OTP enjoys an improving market share in new cash loan disbursements, as well as in retail savings

Change of mortgage loan application and disbursement of OTP Bank (1Q 2019, y-o-y changes)

OTP's market share in mortgage loan contractual amounts

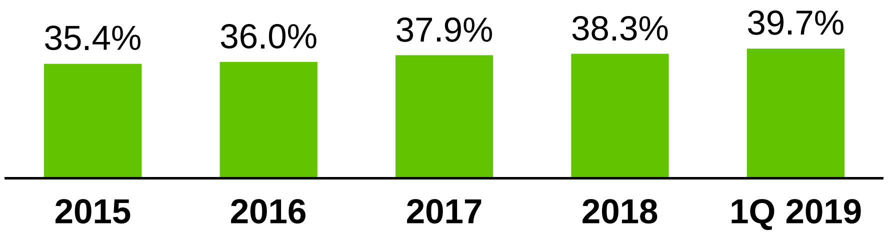


The cumulative amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)

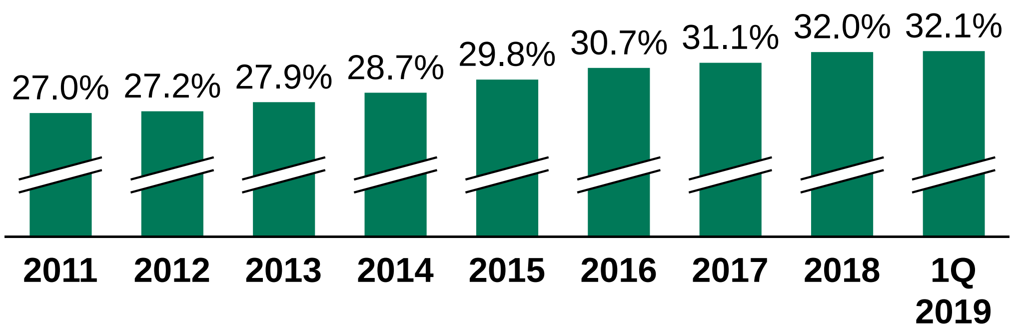


Performing (DPD0-90) cash loan volume growth (y-o-y , FX-adjusted)

Market share in newly disbursed cash loans



OTP Bank's market share in household savings



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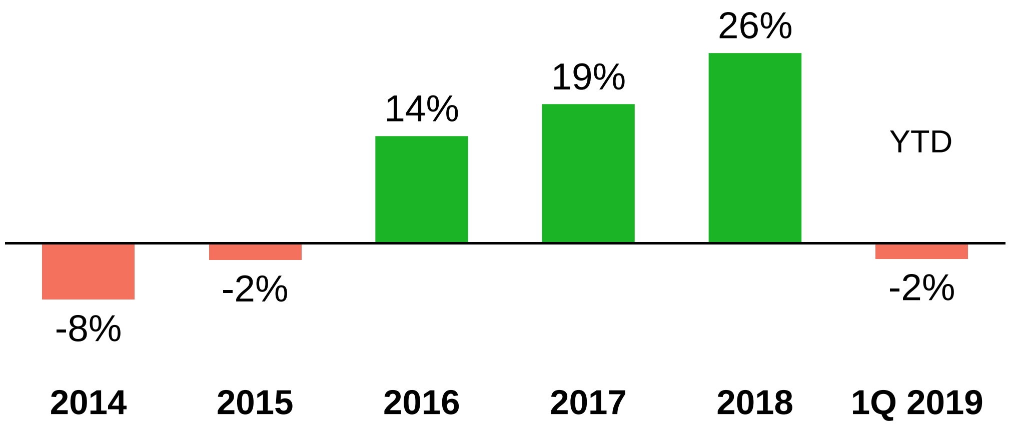
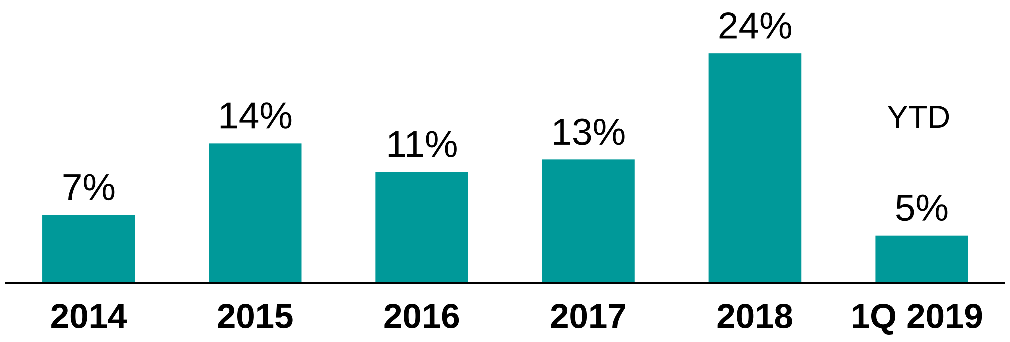
In the MSE segment OTP Core managed to demonstrate 5% volume dynamics, whereas the medium and large corporate loans declined by 2%. OTP's market share in corporate loans remained above 14%

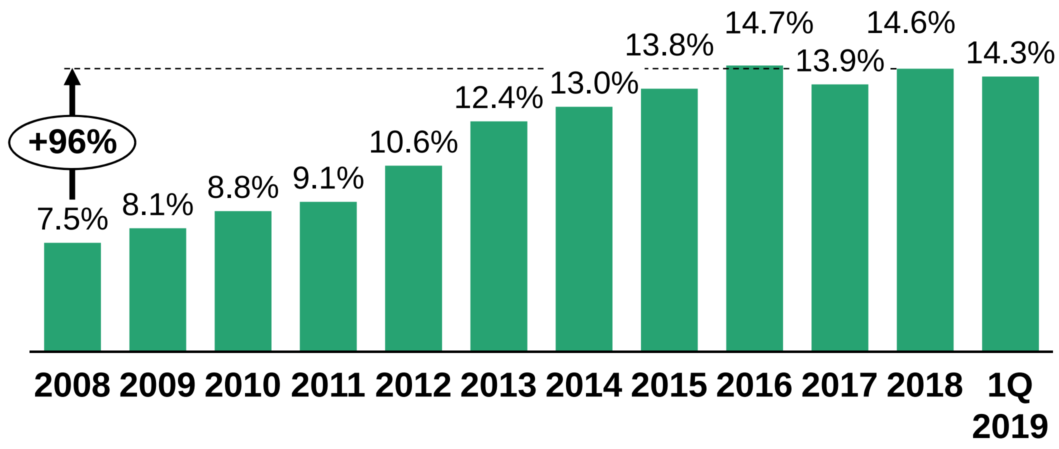
Performing (DPD0-90) medium and large corporate loan volume change (FX-adjusted)



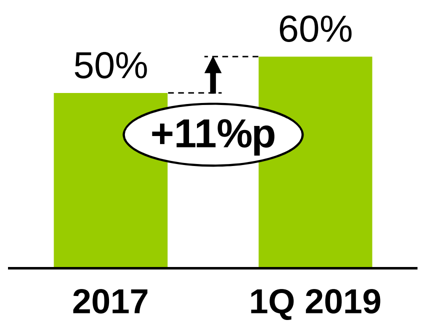
Performing (DPD0-90) loan volume change at micro and small companies (FX-adjusted)



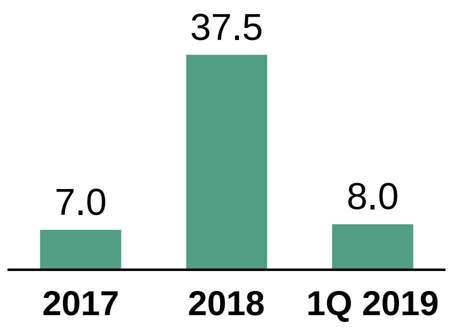
OTP Group's market share in loans to Hungarian companies[1]



OTP Group's market share in commercial factoring turnover[2]



MFB Points - the amount of credit accepted through the OTP network
(in HUF billion)



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

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