OTP Group
Investor presentation based on 1Q 2019 results

OTP Group has maintained strong profitability, capital adequacy and liquidity

Content

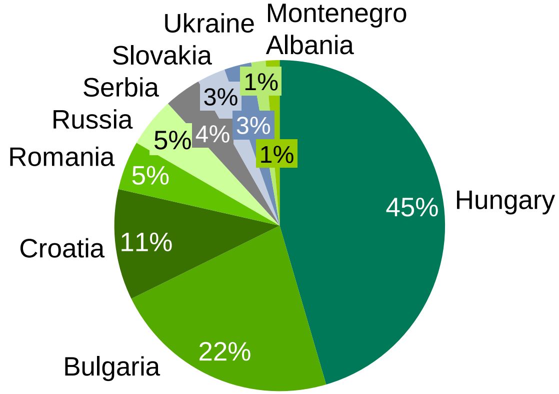
Key pillars of the OTP investment rationale

1.	Unique diversified access to the CEE/CIS banking sector
2.	Strong profitability with ROE remaining at attractive levels
3.	Outstanding loan volume expansion supported by organic growth and new acquisitions
4.	Strong capital and liquidity position
5.	Supporting economic environment continues to propel strong performance

1. OTP Group is offering universal banking services to almost 18.5 million customers in 10 countries across the CEE/CIS Region

Major Group Members in Europe

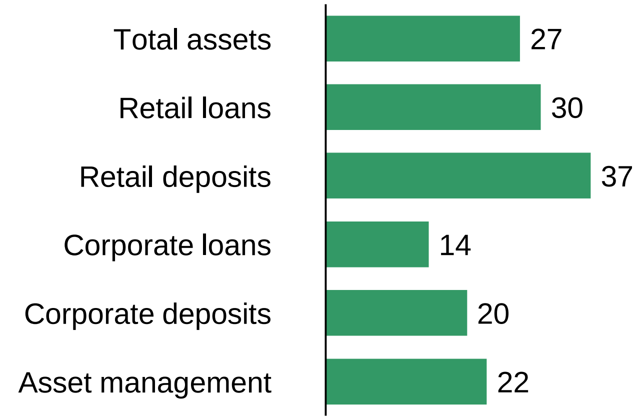
Total Assets



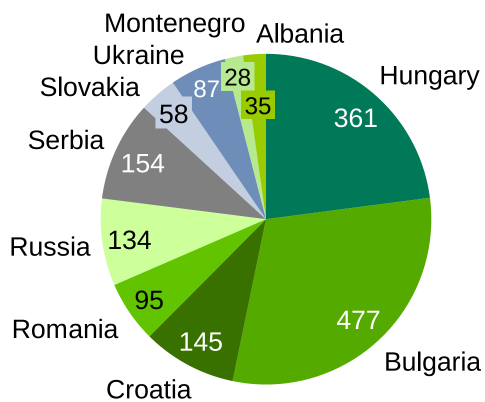
Total Assets: HUF 16,108 billion

Systemic position in Hungary…

1Q 2019 market share (%)

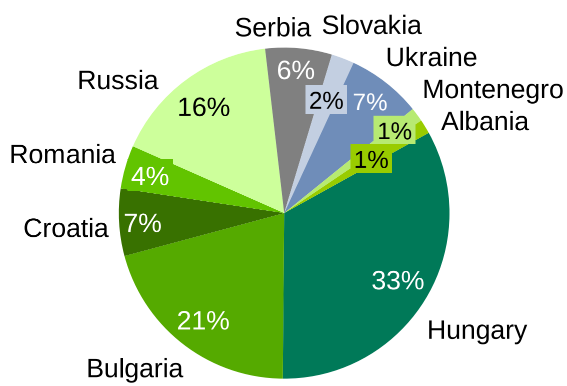


Number of Branches



Total number of branches: 1,574

Headcount



Total headcount: 31,118[1]

… as well as in other CEE countries

Bulgaria
- No. 1 in Total assets
- No. 1 in Retail deposits
- No. 1 in Retail loans

Croatia
- No. 4 in Total assets

Russia
- No. 3 in POS lending
- No. 6 in Credit card business
- No. 37 in Cash loan business

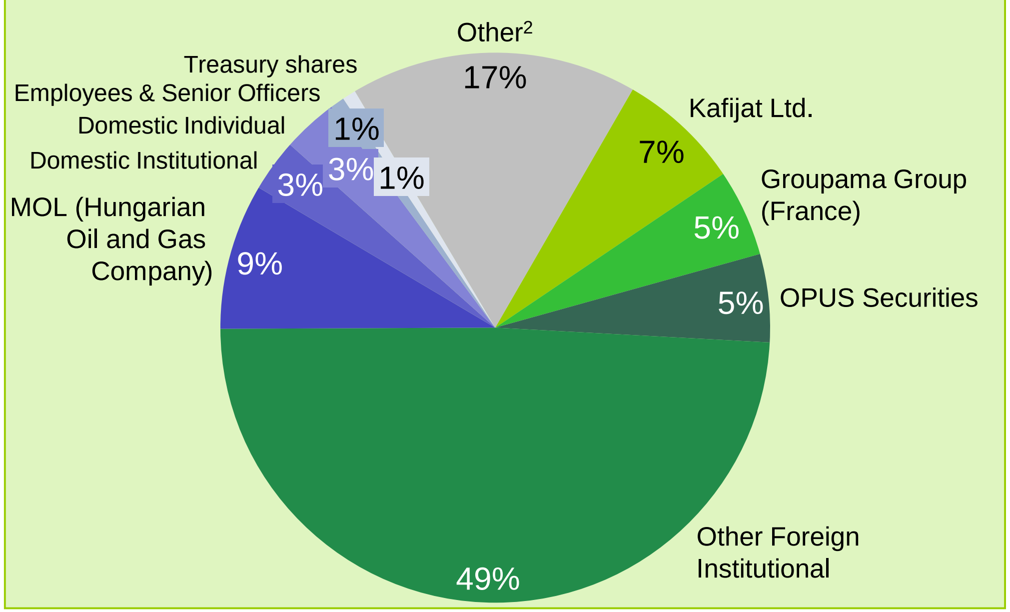
Montenegro
- No. 1 in Total assets

[1] Excluding selling agents employed at OTP Bank Russia and at OTP Bank Ukraine.

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

Market capitalization: EUR 10.9 billion[1]

Ownership structure of OTP Bank on 31 March 2019

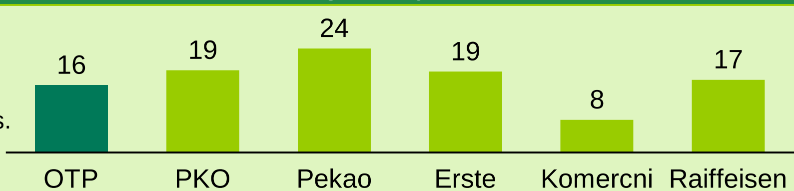


Total number of ordinary shares: 280,000,010, each having a nominal value of HUF 100 and representing the same rights

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[3]



	OTP	PKO	Pekao	Erste	Komercni	Raiffeisen
Avg. daily turn-over to current market cap, bps.	16	19	24	19	8	17
Average daily turnover in EUR million	17	21	16	27	5	13

OTP Group's Capabilities

'Best Private Bank in Hungary'
'Best Private Bank in CEE'
(World Ranking: 177)

'Bank of the Year in 2018'
'The Most Innovative Bank of Year in 2018'
'The Accessible Banking Innovation of the Year in 2018'
'The Credit Account of the Year' – 2nd place in 2018
'The Saving Account of the Year' – 2nd place in 2018
'The Current Account of the Year ' – 2nd place in 2018
'The Retail Mobile and Online Banking Application ' – 2nd place in 2018

DSK Bank - 'Best Bank in Bulgaria 2015'

'Best Bank in CEE 2018"
Best Bank in Hungary 2017 and 2018'
Best Bank in Bulgaria 2014 and 2017'

'Best Bank in Hungary' since 2012 in all consecutive years

‚Best Consumer Digital Bank Hungary in 2018'

'The Best Private Banking Services in Hungary in 2014, 2017 and 2018'

Index Member of CEERIUS

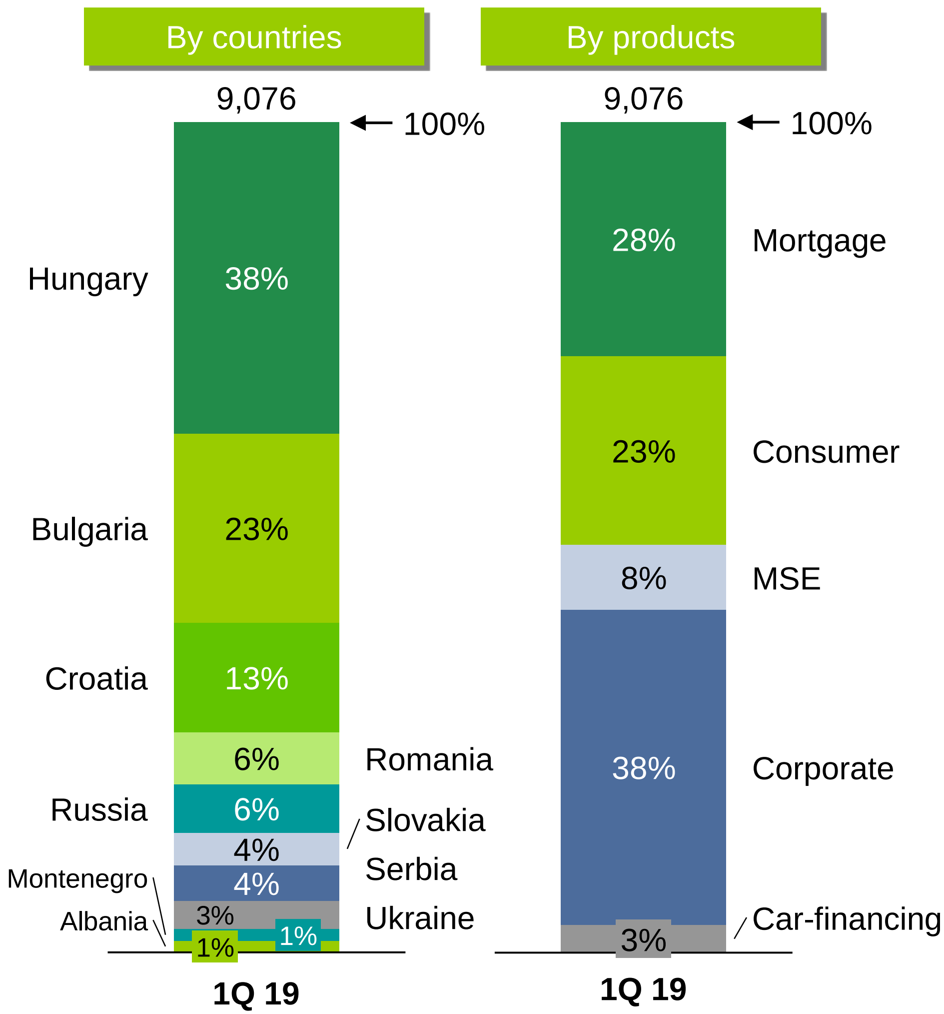
'Best FX providers in Hungary in 2017, 2018, 2019'

'Best Private Bank in Hungary in 2018'

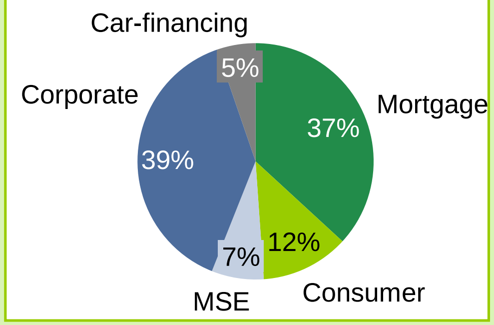
[1] On 13 May 2019.
[2] Foreign individuals, International Development Institutions, government held owner and non-identified shareholders.
[3] Based on the last 6M data (end date: 13 May 2019) on the primary stock exchange.

1. The net loan book is dominated by Hungary and tilted to retail lending; around 85% of the total book is on-lended in EU countries with stable earning generation capabilities

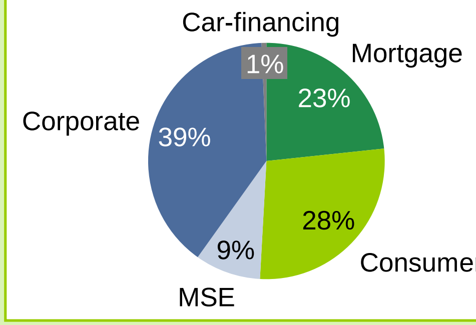
Breakdown of the consolidated net loan book
(in HUF billion)



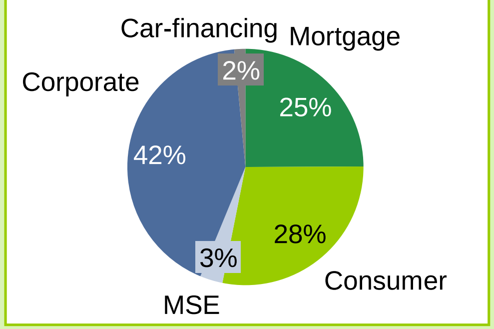
OTP Core[1] (Hungary)



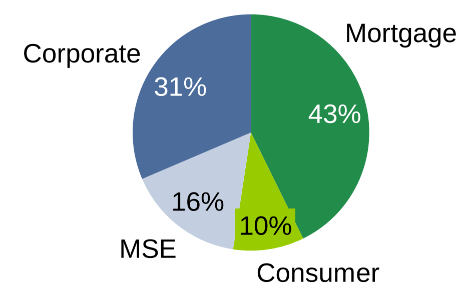
DSK Bank (Bulgaria)



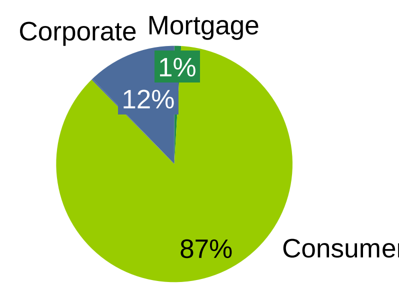
OTP Bank Croatia



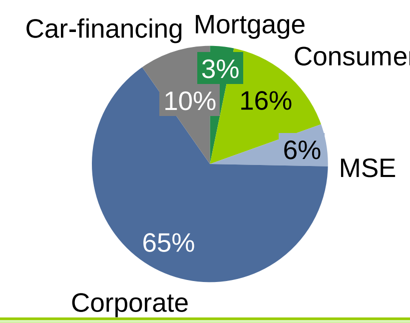
OTP Bank Romania



OTP Bank Russia



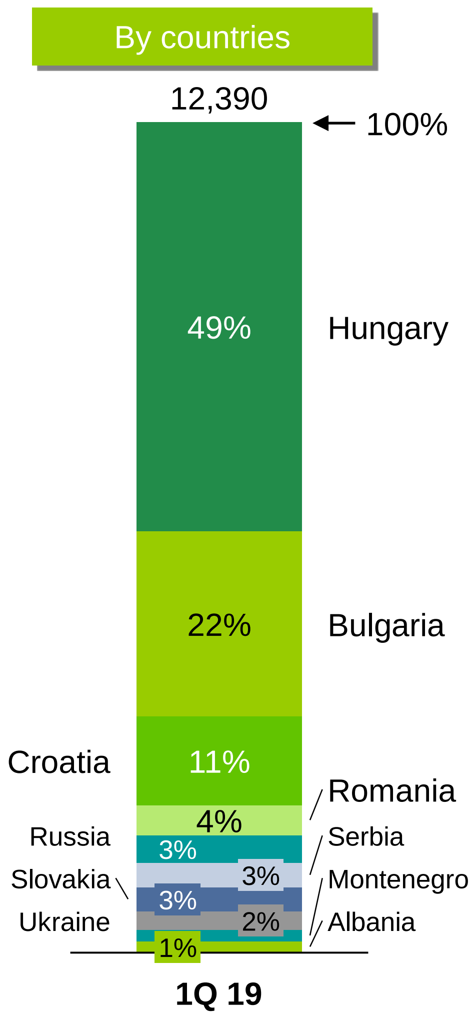
OTP Bank Ukraine

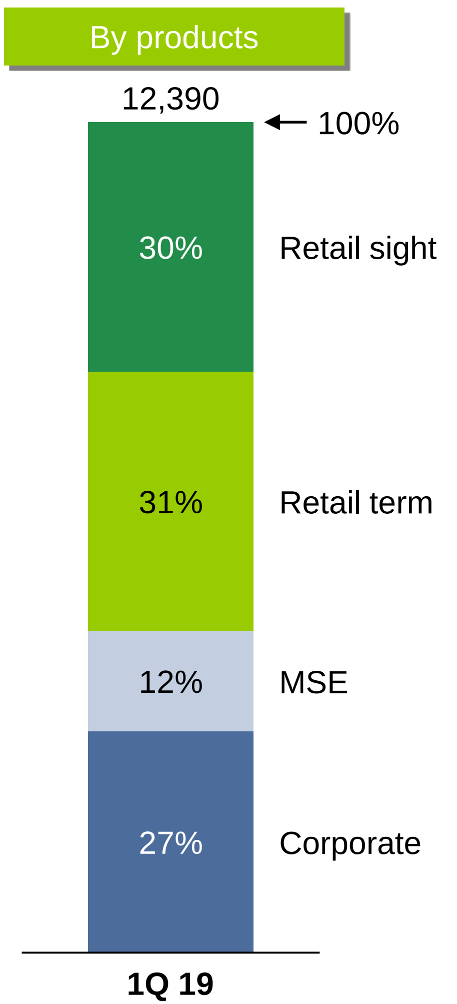


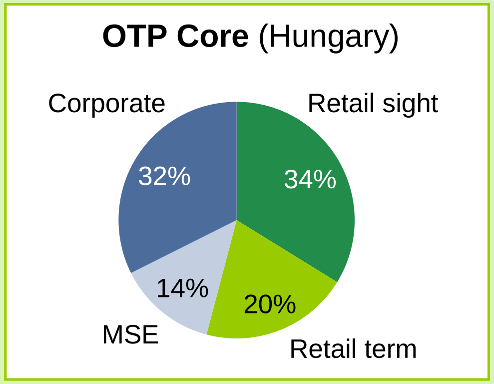
[1] Including Merkantil Bank (Hungary).

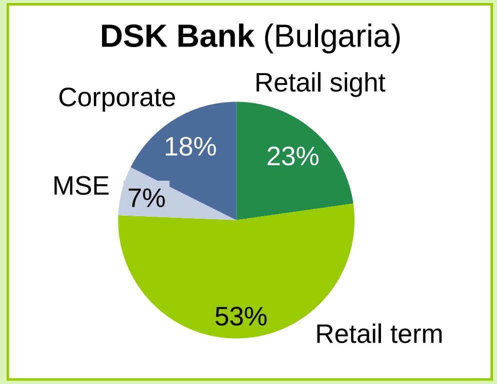
In the deposit book Hungary and the retail segment is dominant. In Hungary and Bulgaria OTP and DSK are the largest retail deposit holders

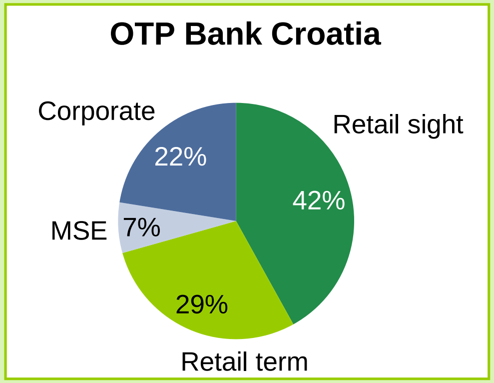
Breakdown of the consolidated deposit base
(in HUF billion)

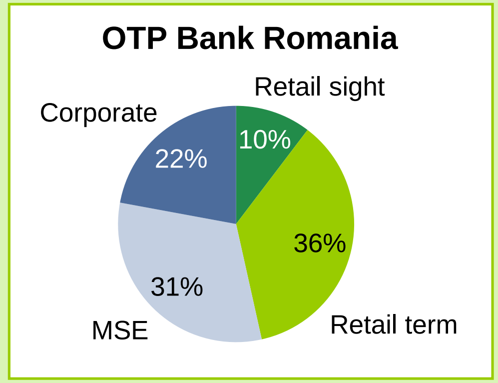


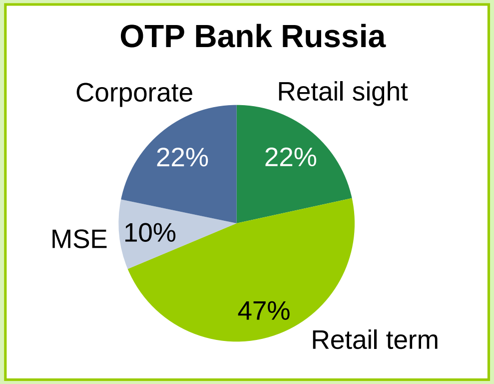


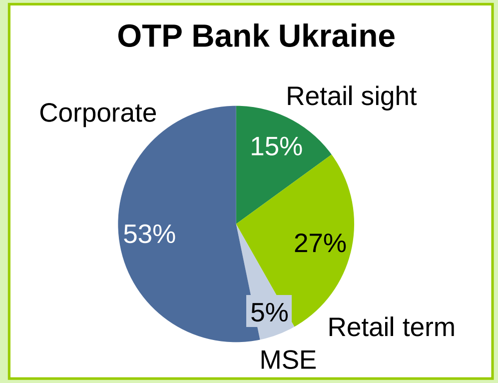






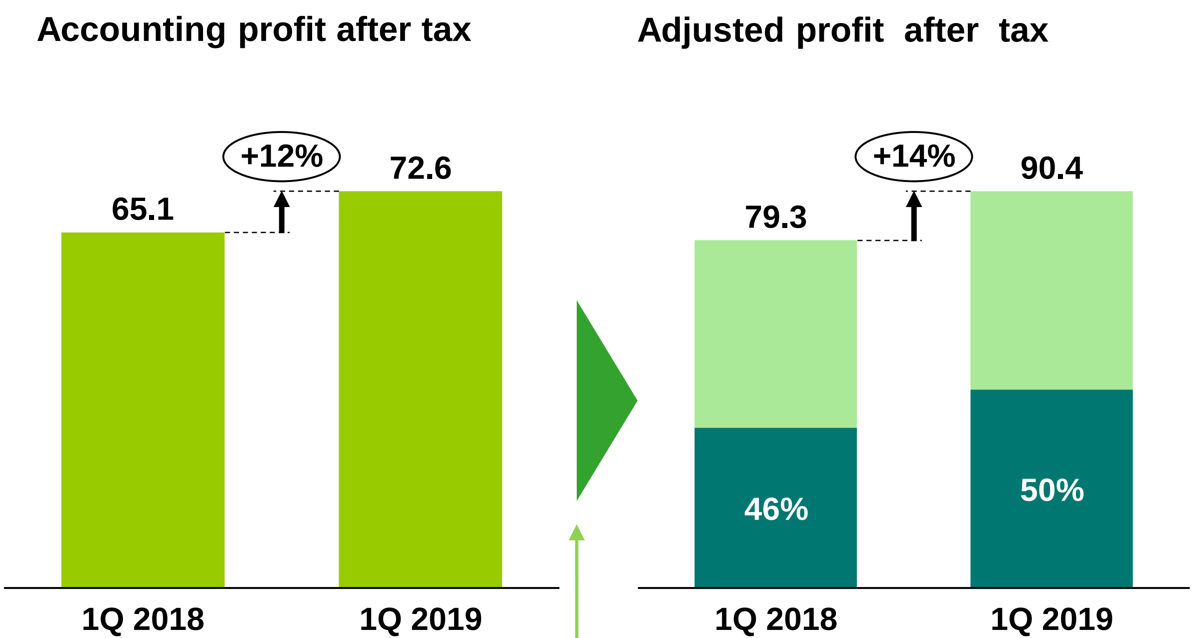






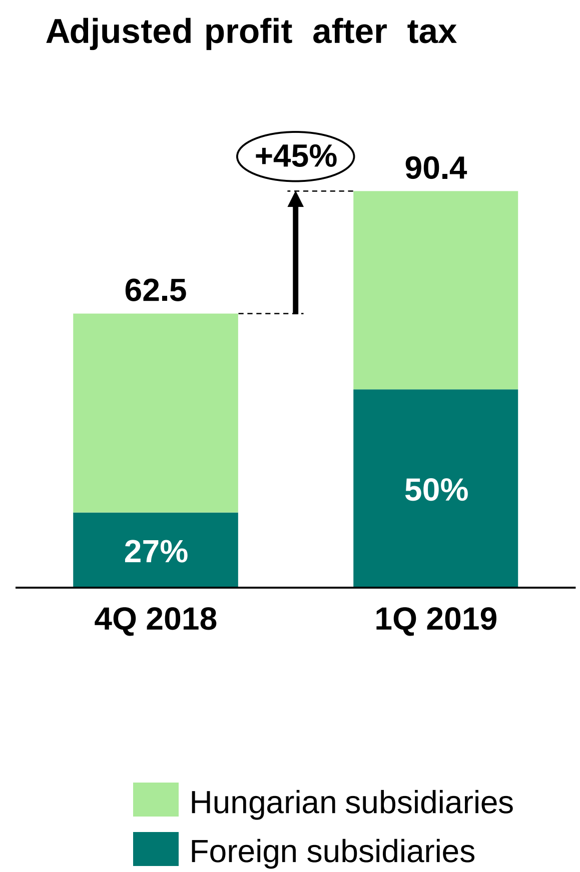
2. In 1Q 2019 the accounting profit grew by 12% y-o-y, while the adjusted profit increased by 14%. The profit contribution of foreign subsidiaries improved to 50%

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**

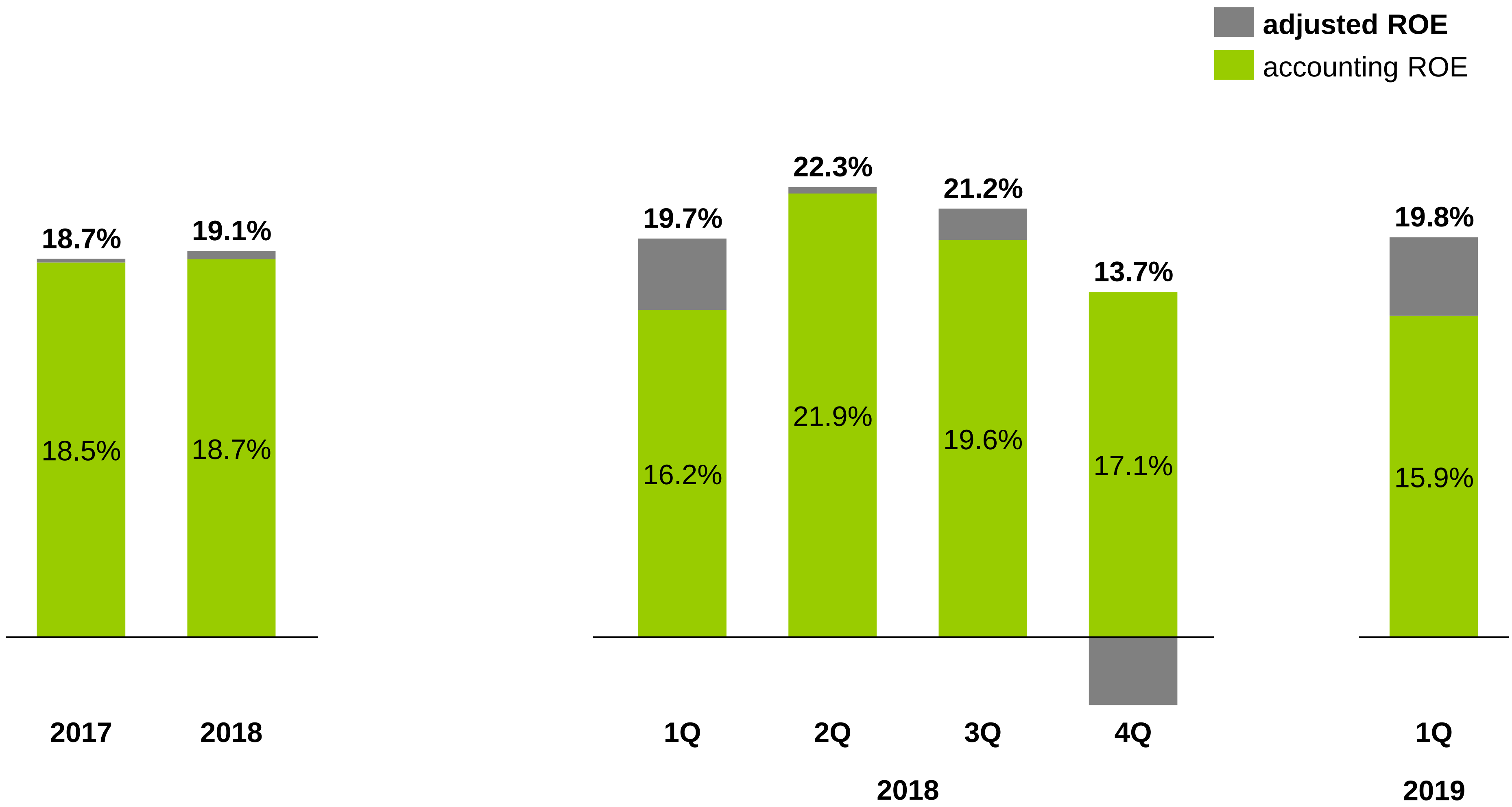
After tax profit development q-o-q (in HUF billion)



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

In the first quarter the Return on Equity remained at attractive levels

Consolidated Return on Equity (%)



The accounting ROE has consistently been above 15% since 2016 on the back of moderate provision charges and vanishing negative adjustment items

	2011	2012	2013	2014	2015	2016	2017	2018	1Q 2019
Accounting ROE	6.1%	8.4%	4.2%	-7.4%	5.1%	15.4%	18.5%	18.7%	15.9%
Adjusted ROE[1]	11.8%	10.2%	9.6%	8.5%	9.6%	15.4%	18.7%	19.1%	19.8%
Total Revenue Margin[2]	8.12%	8.31%	8.44%	7.74%	7.03%	6.79%	6.71%	6.33%	6.30%
Net Interest Margin[2]	6.31%	6.40%	6.37%	5.96%	5.17%	4.82%	4.56%	4.30%	4.28%
...									
Operating Costs / Average Assets	3.76%	3.89%	4.07%	3.85%	3.66%	3.70%	3.68%	3.57%	3.44%
Cost / Income (without one-offs)	46.3%	46.8%	48.2%	49.8%	52.0%	54.4%	54.9%	56.3%	54.6%
Risk Cost Rate[3]	2.95%	3.11%	3.51%	3.68%	3.18%	1.14%	0.43%	0.23%	0.24%
Leverage (average equity / avg. assets)	13.6%	14.4%	14.8%	13.0%	11.7%	12.9%	12.7%	12.2%	12.0%

[1] Calculated from the Group's adjusted after tax result.
[2] Excluding one-off revenue items.
[3] Provision for impairment on loan and placement losses-to-average gross loans ratio.

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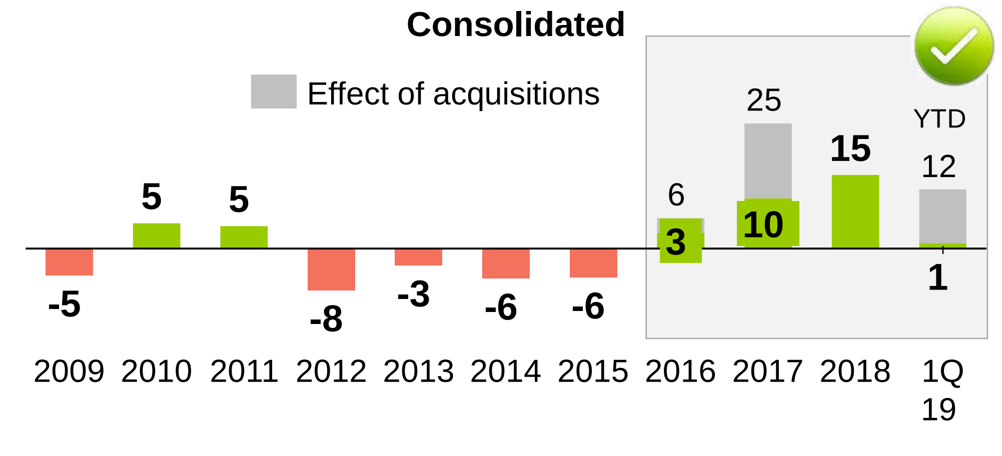
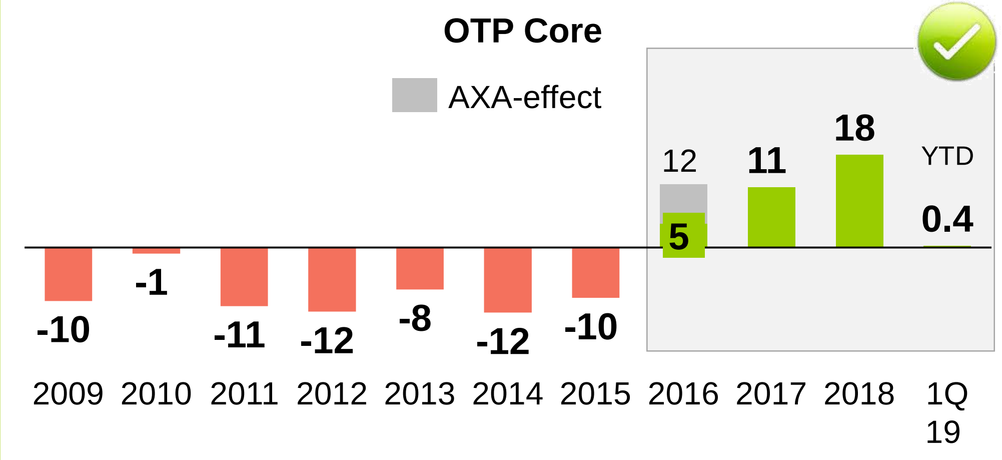
3.

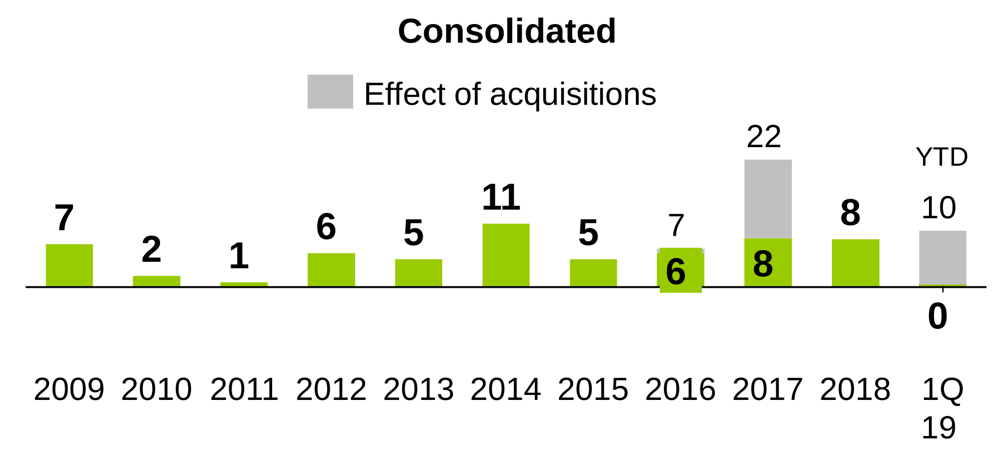
Following the contraction in the preceding years, the last 3 years brought a spectacular turnaround in loan volumes, while deposits have been growing steadily reflecting our clients' trust in the Bank

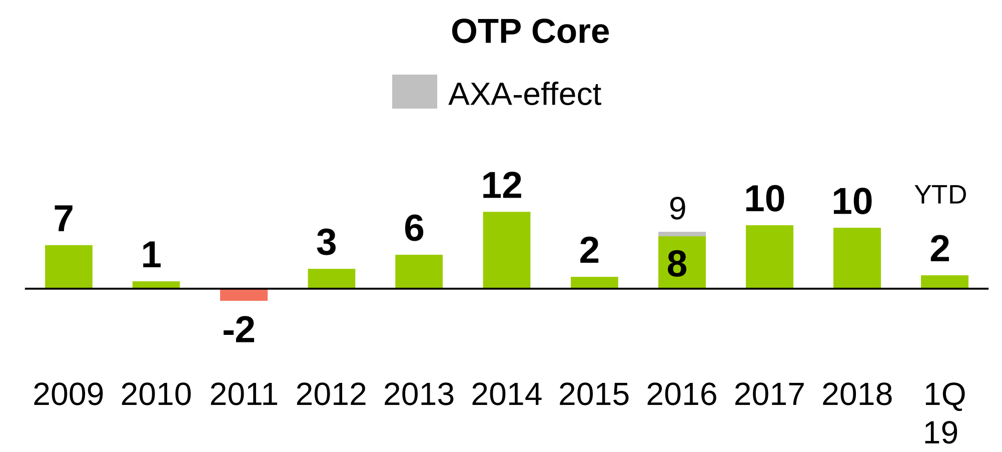
Y-o-Y performing (DPD0-90) loan volume changes [1] (adjusted for FX-effect, %)





Y-o-Y deposit volume changes (adjusted for FX-effect, %)





[1] Consolidated: net loan volume between 2009-2013. OTP Core: estimation for 2009; for the sake of comparability the elimination of OTP Real Estate Ltd. From OTP Core from 1Q 2019 is filtered out from the 1Q 2019 YTD change.

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3. Consolidated performing (DPD0-90) loans surged by 26% y-o-y, within that the organic growth reached 14% (without the new acquisitions in Bulgaria and Albania). The Hungarian expansion rate remained strong

Y-o-Y performing (DPD0-90) 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)
Nominal change (HUF billion)	1,893 / 1,000[2]	416[3]	882 / 110[2]	110	18	70	75	93	37	1
Total	26% / 14%[2]	15%	76% / 10%[2]	23%	2%	28%	15%	32%	36%	0%
Consumer	23% / 15%[2]	20%	41% / 8%[2]	25%	1%	82%	1%	21%	4%	-1%
Mortgage	13% / 6%[2]	6%[3]	51% / 14%[2]		1%		10%	15%	11%	5%
Corporate[1]	38% / 18%[2]	24%	128% / 7%[2]	24%	3%	24%	24%	44%	70%	-4%

Mortgage (Core):

Housing loan	Home equity
11%	-10%

[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 from OTP Core effective from 1Q 2019.

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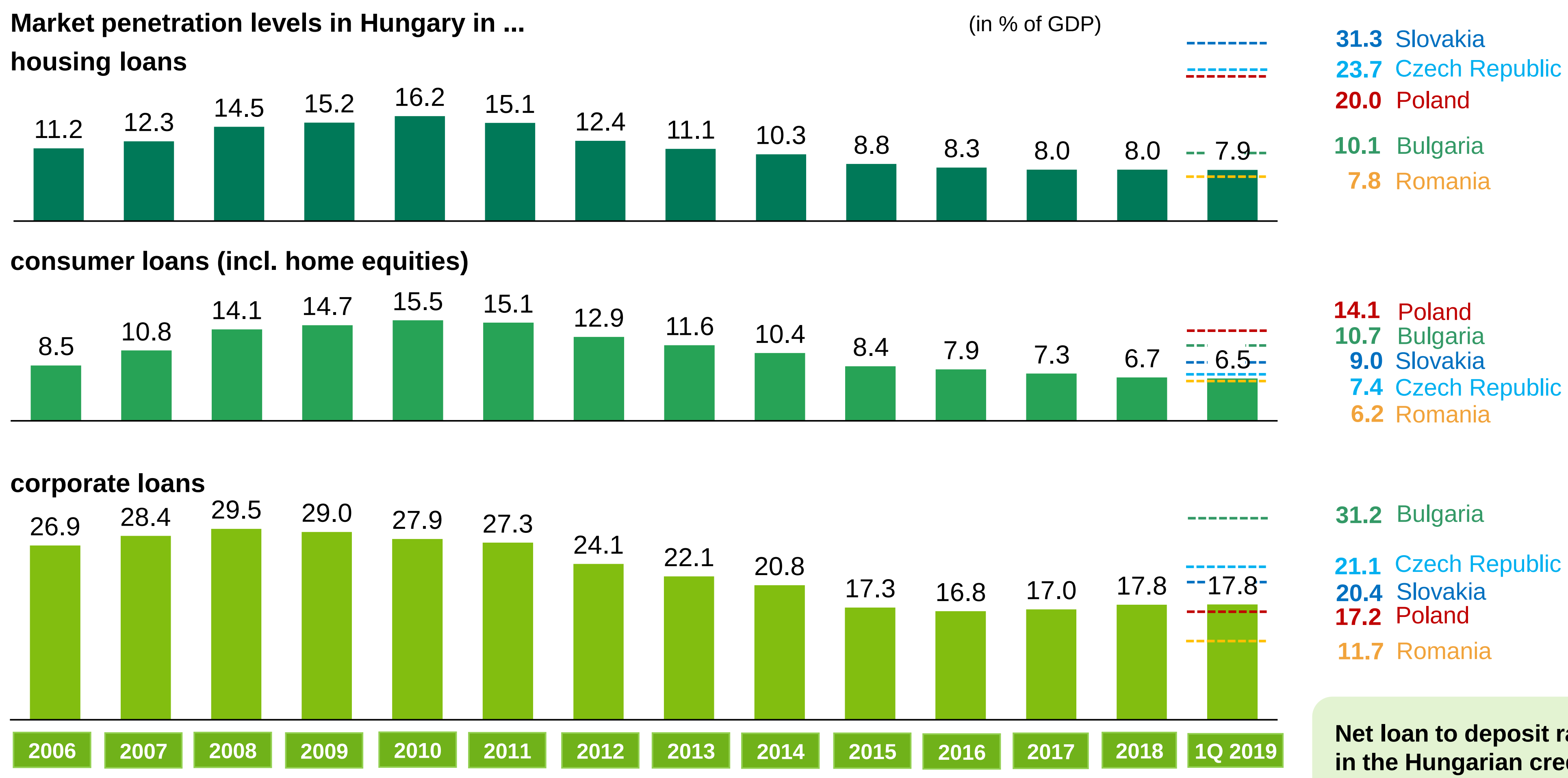
3. The Hungarian loan penetration levels are still low in regional comparison implying good volume growth potential. This is the case for Romania, as well as for the Bulgarian housing loan segment



Net loan to deposit ratio in the Hungarian credit institution system[1]

168% → 90%

1Q 09 → 4Q 18

[1] Latest available data. According to the supervisory balance sheet data provision.

3. Consolidated deposits went up by 17% y-o-y, even without acquisitions the growth remained double digit driven by steady inflows in the Hungarian retail segment, as well as outstanding expansion in Romania

Y-o-Y 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)
Nominal change (HUF billion)	1,807 / 771[2]	475	1,081 / 220[2]	61	-94	12	79	20	17	-4
Total	17% / 10%[2]	8%	64% / 13%[2]	18%	-7%	4%	21%	6%	11%	-1%
Retail	20% / 9%[2]	11%	53% / 10%[2]	9%	0%	14%	20%	1%	4%	-5%
Corporate[1]	13% / 5%[2]	5%	114% / 25%[2]	42%	-19%	-2%	23%	13%	22%	5%
Deposit – net loan gap (HUF billion)	3,314	3,011	741	-124	223	-24	-100	-20	33	-2

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

3.

Acquisitions in the last 2 years materially improved OTP's positions in many countries. The *pro forma* CET1 ratio impact of the on-going Serbian, Moldovan, Montenegrin and Slovenian transactions is -2.7 pps

Period	**Target** (seller, date of announcement) (date of closing)		Net loan volumes (in HUF billion)	Market share in total assets (before/after acquisition[2], %)		Book value (in EUR million)	
2016 - 2017	**Splitska banka**, Croatia (SocGen, 4Q 2016) (2Q 2017)	(Nov 18)	631	4.8	11.2	(4Q 16)	**496**
2016 - 2017	**Vojvodjanska banka**, Serbia (NBG, 3Q 2017) (4Q 2017)	(1Q 19)	266	1.5	5.7	(3Q 17)	**174**
2018 - 2019	**SocGen Expressbank**, Bulgaria (SocGen, 3Q 2018) (1Q 2019)	(1Q 19)	774	14.0	19.9	(4Q 18)	**421**
2018 - 2019	**SocGen Albania** (SocGen, 3Q 2018) (1Q 2019)	(1Q 19)	124		6.0	(4Q 18)	**58**
2018 - 2019	***SocGen Serbia*** *(SocGen, 4Q 2018) (in progress)*	(4Q 18)	652	5.7	14.2	(4Q 18)	**381**
2018 - 2019	***SocGen Moldova*** *(SocGen, 1Q 2019) (in progress)*	(4Q 18)	86		13.3	(4Q 18)	**86**
2018 - 2019	***SocGen Montenegro*** *(SocGen, 1Q 2019) (in progress)*	(4Q 18)	121	15.7	27.7	(4Q 18)	**66**
2018 - 2019	***SKB Banka**, Slovenia* *(SocGen, 2Q 2019) (in progress)*	(4Q 18)	785		8.5	(4Q 18)	**356**
	Acquisitions total:		**3,439**				**2,037**

[1] OTP Bank disclosed purchase price for Splitska banka (EUR 425 M) and Vojvodjanska banka (EUR 125 M) only.

[2] Reference date of market share data: Croatia: 2Q 2017, Serbia - Vojvodjanska 4Q 2016, Bulgaria: 1Q 2019, Albania: 4Q 2018, Serbia - SocGen 3Q 2018, Moldova: 4Q 2018, Montenegro: 4Q 2018, Slovenia: 4Q 2018 (SKB Banka including Leasing).

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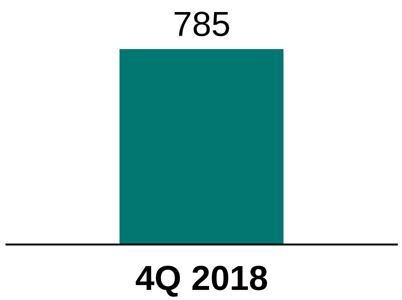
On 3 May 2019 OTP Bank announced the acquisition of SocGen's Slovenian operation; SKB Banka is the 4th largest player in the Slovenian market

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

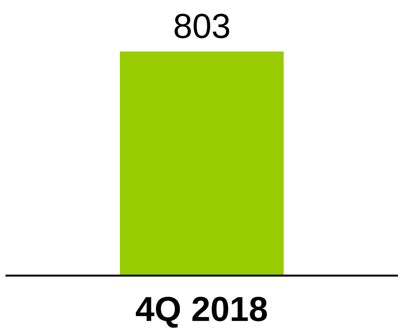
	Bank	Total assets	Market share	Shareholders' equity
1.	Nova Ljubljanska banka d.d.	8,811	22.7%	1,295
2.	Nova Kreditna banka Maribor d.d.	4,978	12.8%	723
3.	Abanka d.d.	3,729	9.6%	583
4.	**SKB Banka d.d.[1]**	**3,314**	**8.5%**	**356**
5.	UniCredit Banka Slovenija d.d.	2,656	6.8%	251
6.	Banka Intesa Sanpaolo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

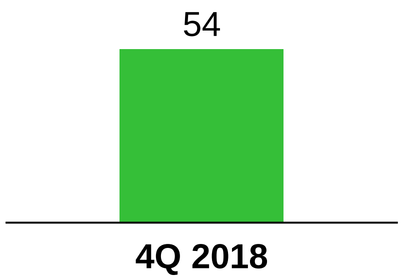


Customer deposits
(HUF billion)

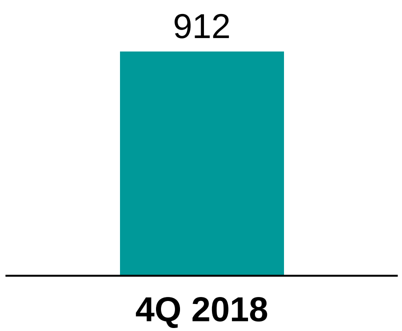


Net loan to deposit ratio: **98%**

Number of branches



Number of employees



Source: SKB Banka Annual Report

[1] Including Leasing.

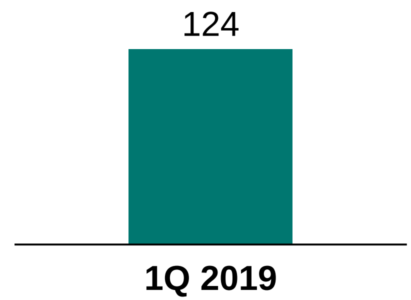
On 29 March 2019 the financial closure of the Albanian transaction has been completed; OTP Bank Albania is the 5th largest bank on the Albanian banking market with a market share of 6%

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

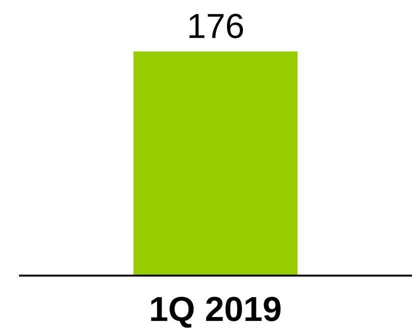
	Bank	Total assets	Market share	Shareholders' equity
1.	Banka Kombëtare Tregtare	3,440	30.8%	379
2.	Raiffeisen Bank Albania	1,804	16.2%	219
3.	Credins Bank	1,569	14.1%	126
4.	Intesa Sanpaolo Bank Albania	1,439	12.9%	164
5.	**OTP Bank Albania**	666	**6.0%**	**58**
6.	Alpha Bank Albania	626	5.6%	72
7.	Tirana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

Source: Albanian Banking Association

Net loans
(HUF billion)

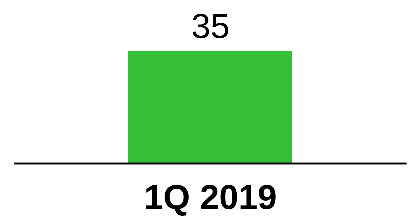


Customer deposits
(HUF billion)

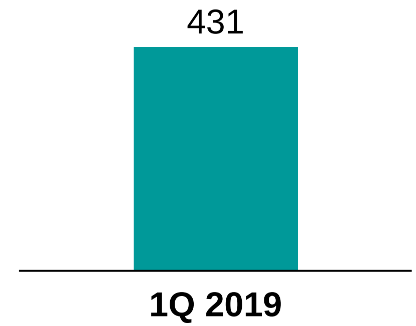


Net loan to deposit ratio: **70%**

Number of branches

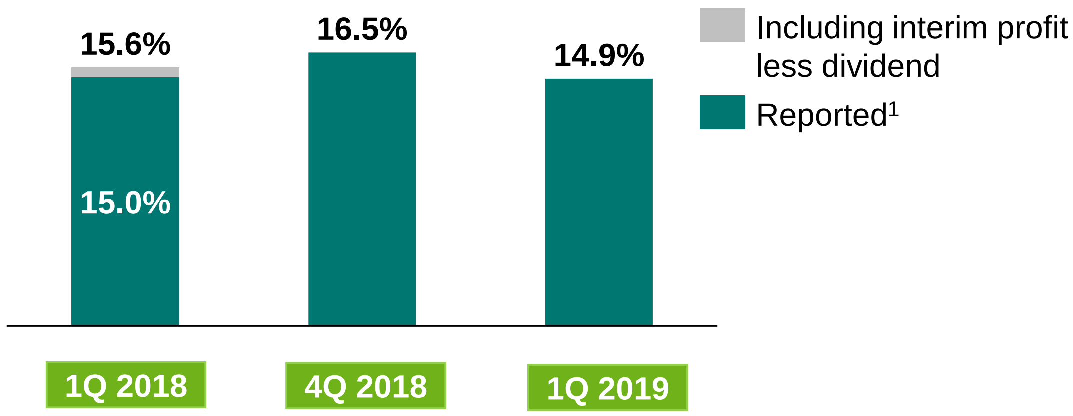


Number of employees

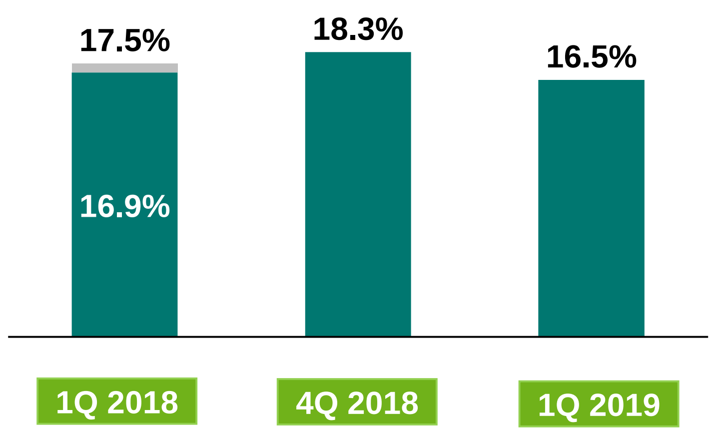


4. Strong capital and liquidity position coupled with sound internal capital generation. 1Q 2019 capital adequacy ratios already include the consolidation impact of the Bulgarian and Albanian subsidiaries

Development of the fully loaded CET1 ratio of OTP Group



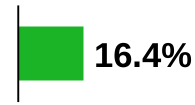
Development of the CAR ratio of OTP Group



Net liquidity reserve
(in EUR billion equivalent)

External debt[2]
(in EUR billion equivalent)

Net liquidity reserve / balance sheet total (%)

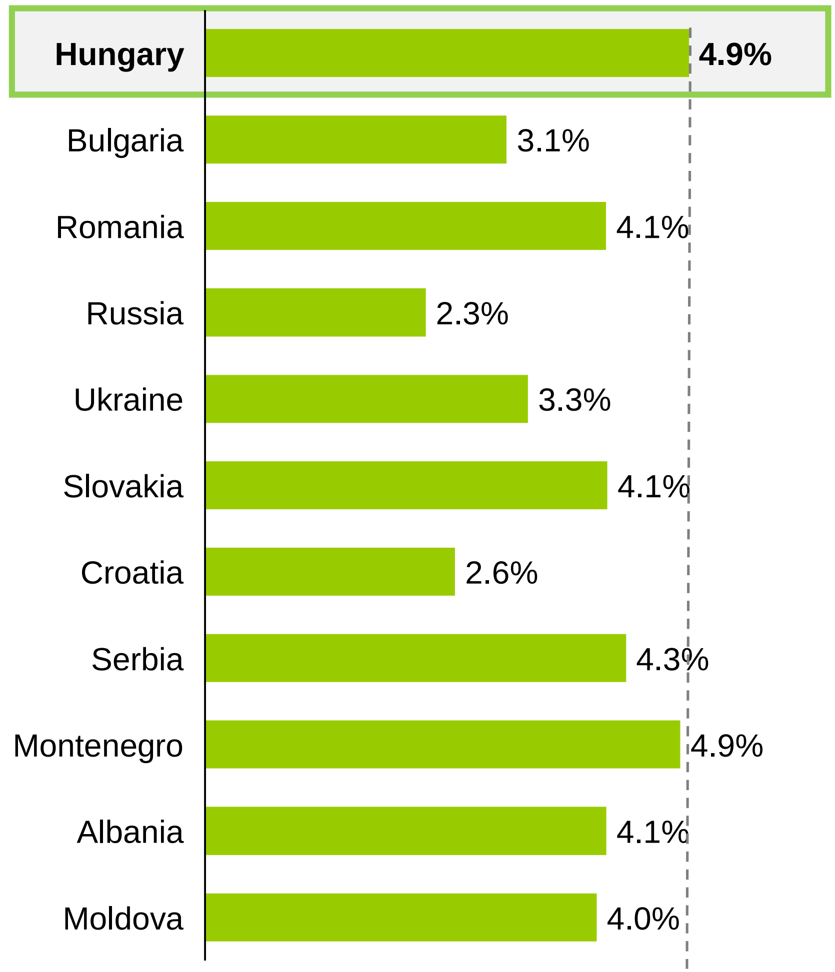


Consolidated net loan / (deposit + retail bond) ratio

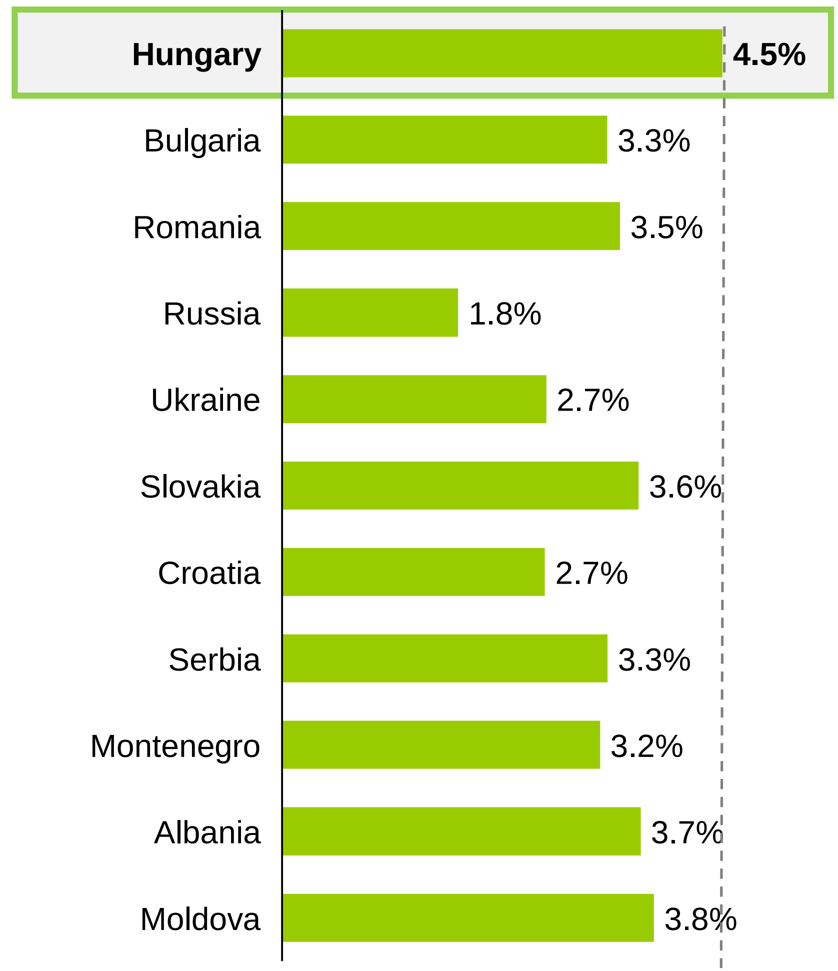
[1] In 4Q 2018 and 1Q 2019 the capital adequacy ratios already included the interim profit less dividend.
[2] Senior bonds, mortgage bonds, bilateral loans.

5. 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% 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.

Content

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.

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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.

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 Expressbank

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.

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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 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

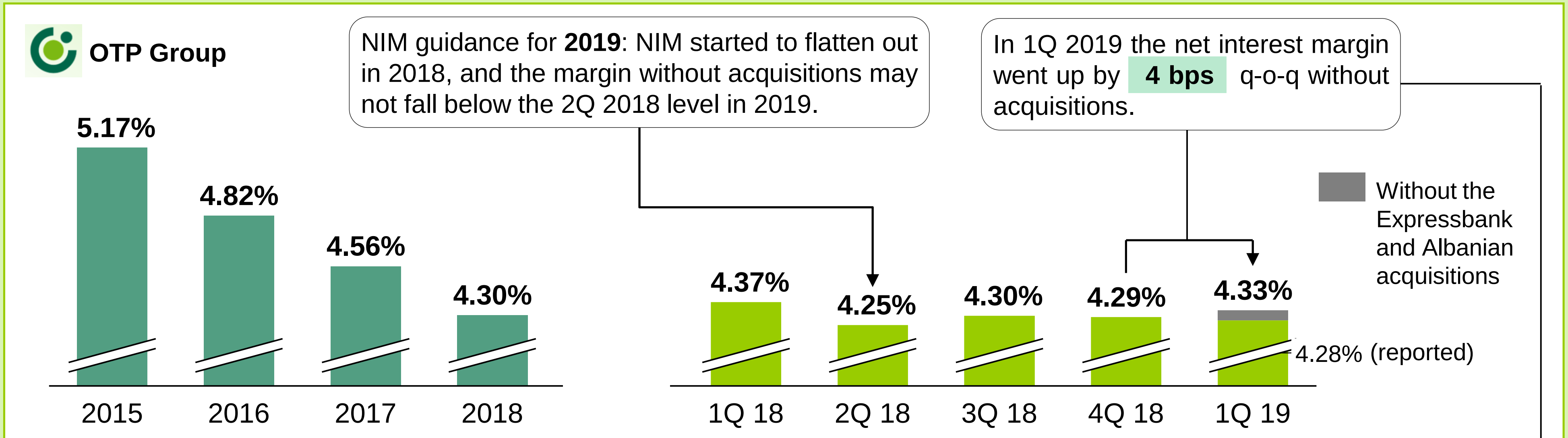
Q-o-Q deposit volume changes in 1Q 2019, adjusted for FX-effect

	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 (%)



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
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.

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.

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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) ①	26	1.8	8%	-0.2	-1%
DSK (Bulgaria) ②	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) ③	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% (1)
DSK (Bulgaria)	2	0	-3%/-55%[1]	0	18%/-46%[1] (2)
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% (3)
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.

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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).

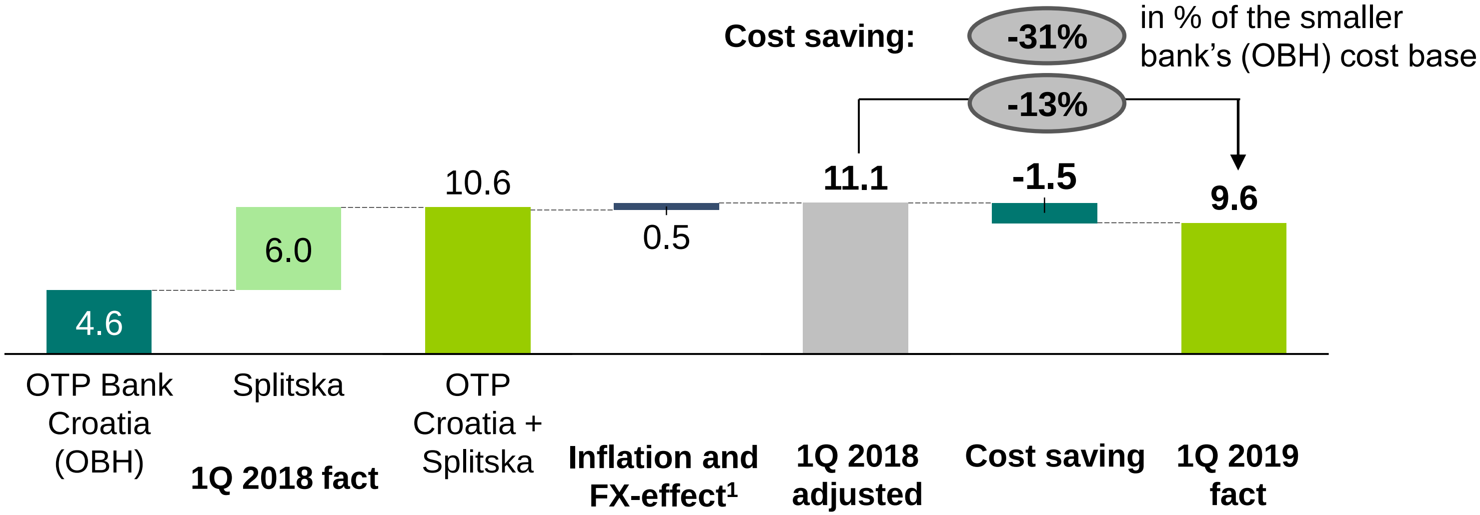
[1] Without the operating expenses of the newly consolidated entities due to the Expressbank transaction.

Croatia

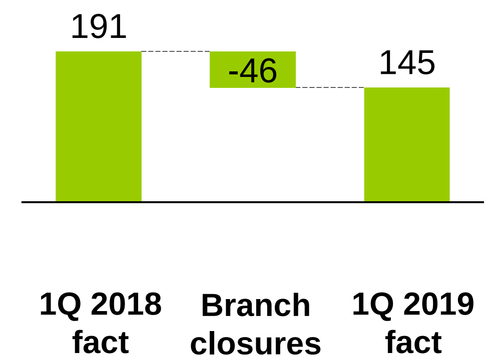
In Croatia the Splitska integration was completed, the realized cost saving of HUF 1.5 billion is 31% of the smaller bank's cost base. In 1Q the Croatian ROE calculated with effective capital was above 15%

Operating cost saving

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

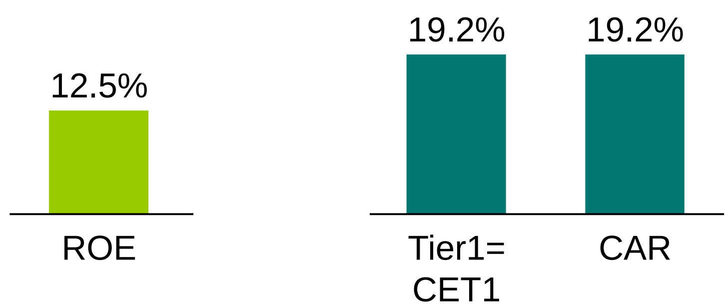


Number of branches (pieces)

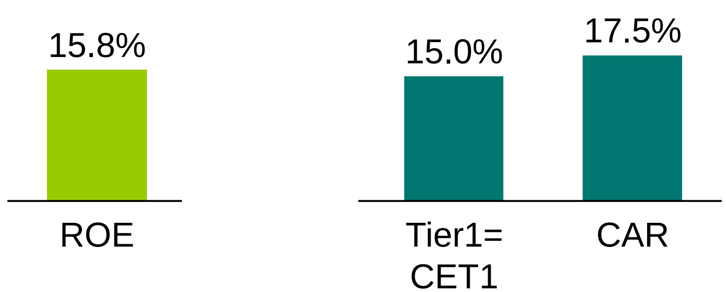


Return on Equity

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.

OTP CORE

The after tax profit of OTP Core improved by 2% y-o-y, driven by the 1% decline in operating profit and 2% higher positive risk costs. Total income (without one-off revenue items) expanded by 9% y-o-y

OTP CORE (in HUF billion)	1Q 2018	4Q 2018	1Q 2019	Q-o-Q	Y-o-Y
Profit after tax	**39.1**	**40.8**	**39.9**	**-2%**	**2%**
Corporate tax	-3.5	-2.8	-3.5	23%	-1%
Before tax profit	**42.6**	**43.7**	**43.3**	**-1%**	**2%**
Operating profit w/o one-off items	38.0	26.2	37.4	43%	-1%
Total income w/o one-off items	89.5	94.4	97.8	4%	9%
Net interest income	59.5	63.1	64.3	2%	8%
Net fees and commissions	23.8	25.8	25.6	-1%	8%
Other net non interest income without one-offs	6.2	5.4	7.9	46%	27%
Operating costs	-51.6	-68.2	-60.4	-11%	17%
Total risk costs	6.5	17.6	6.6	-62%	2%
Total one-off items	-1.8	-0.1	-0.7		-60%

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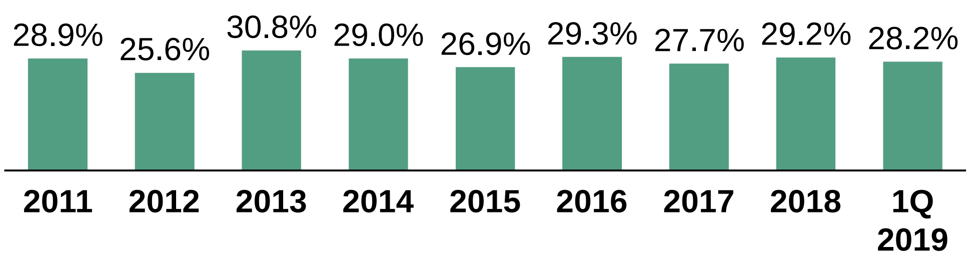
OTP CORE

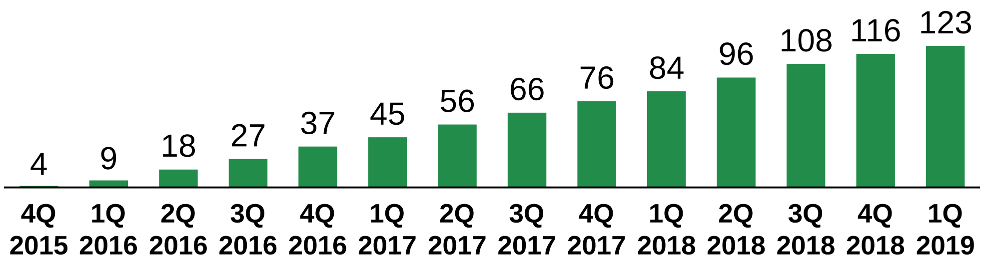
The upward trend of mortgage lending remained in place in Hungary. OTP enjoys an improving market share in new cash loan disbursements, as well as in retail savings

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

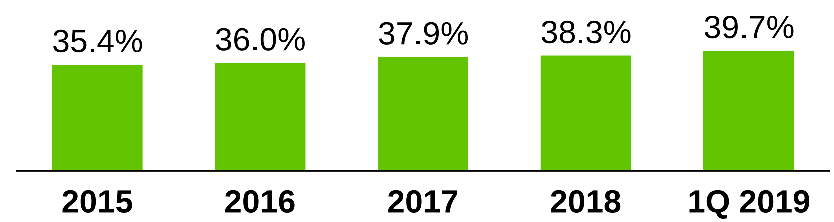


The cumulative amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)

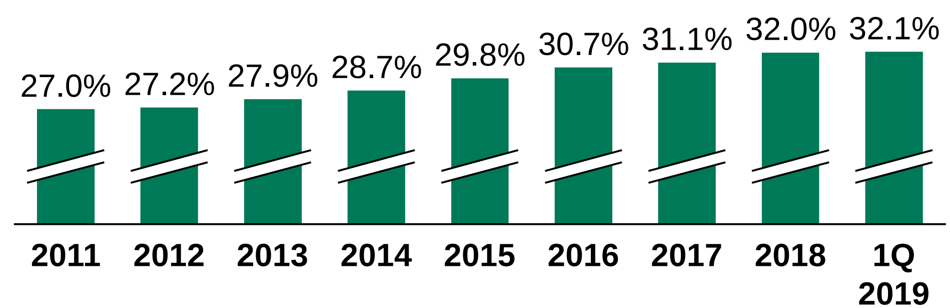


Performing (DPD0-90) cash loan volume growth (y-o-y , FX-adjusted)

Market share in newly disbursed cash loans



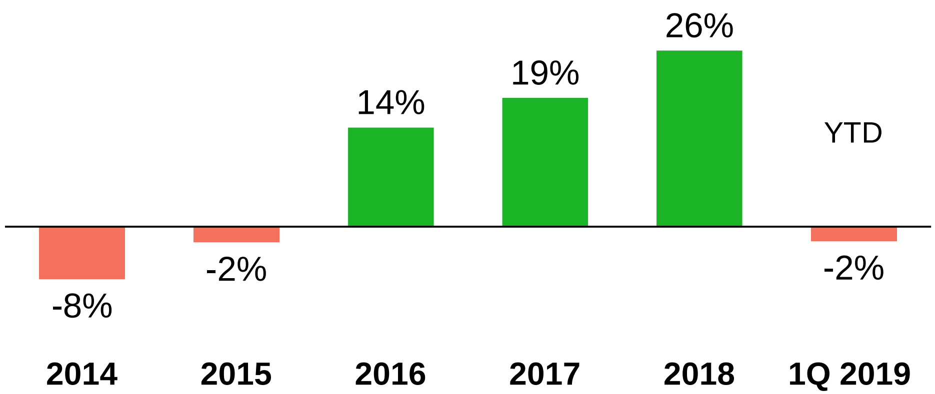
OTP Bank's market share in household savings



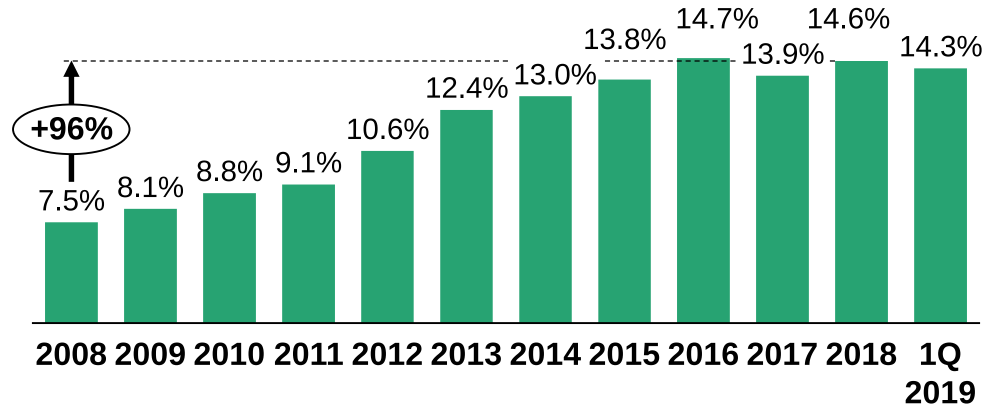
In the MSE segment OTP Core managed to demonstrate 5% volume dynamics, whereas the medium and large corporate loans declined by 2%. OTP's market share in corporate loans remained above 14%

OTP CORE

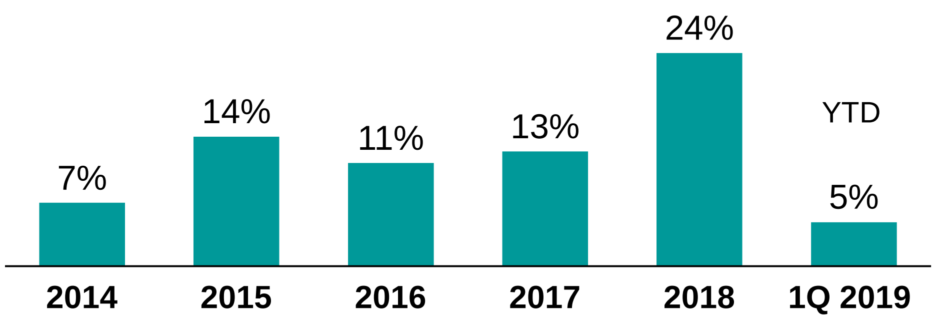
Performing (DPD0-90) medium and large corporate loan volume change (FX-adjusted)



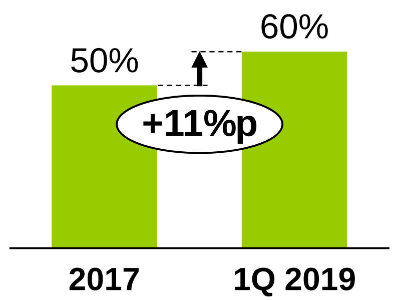
OTP Group's market share in loans to Hungarian companies[1]



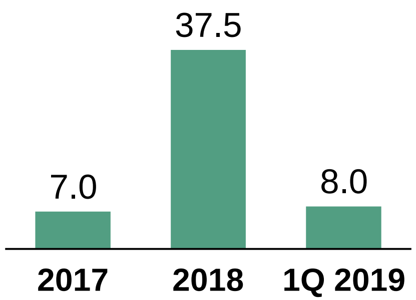
Performing (DPD0-90) loan volume change at micro and small companies (FX-adjusted)



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

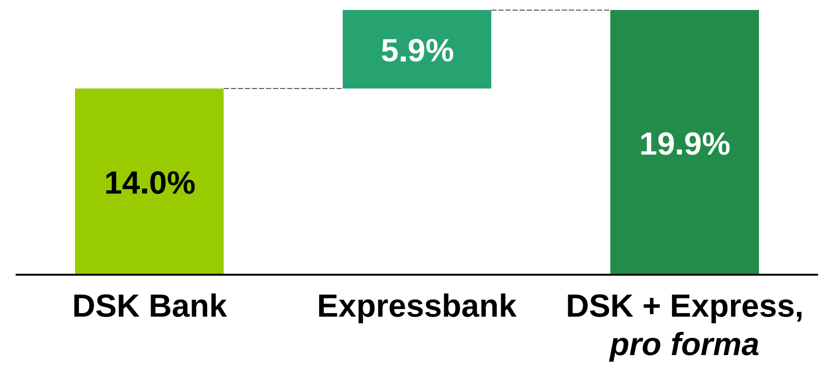
DSK Bank Bulgaria

The Bulgarian operation posted HUF 17.6 billion profit in 1Q, including HUF 5.2 billion made by Expressbank. The strengthening business activity was reflected in the trend-like improvement in cash loan sales

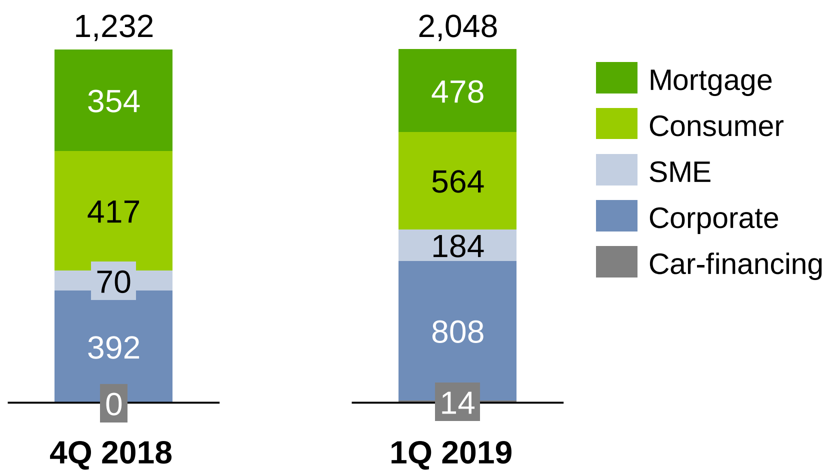
Income statement

(in HUF billion)	1Q 18	4Q 18	1Q 19	Q-o-Q	Y-o-Y
Profit after tax	**11.5**	**9.0**	**17.6**	**95%**	**53%**
Profit before tax	12.7	9.3	19.8	113%	56%
Operating profit	15.7	13.7	20.4	49%	30%
Total income	27.3	28.0	37.3	33%	36%
Net interest income	18.2	18.1	25.6	41%	41%
Net fees and commissions	7.0	8.1	9.7	20%	39%
Other income	2.2	1.8	2.0	11%	-7%
Operating costs	-11.7	-14.3	-16.9	18%	45%
Total risk cost	-3.0	-4.4	-0.6	-86%	-80%

Market share by total assets in 1Q 2019

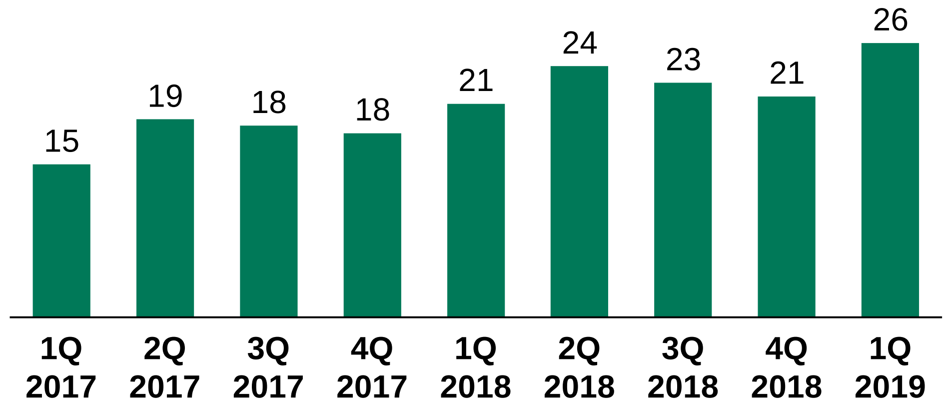


Breakdown of the net loan book (in HUF billion)



New cash loan disbursements

(in HUF billion, without refinancing)



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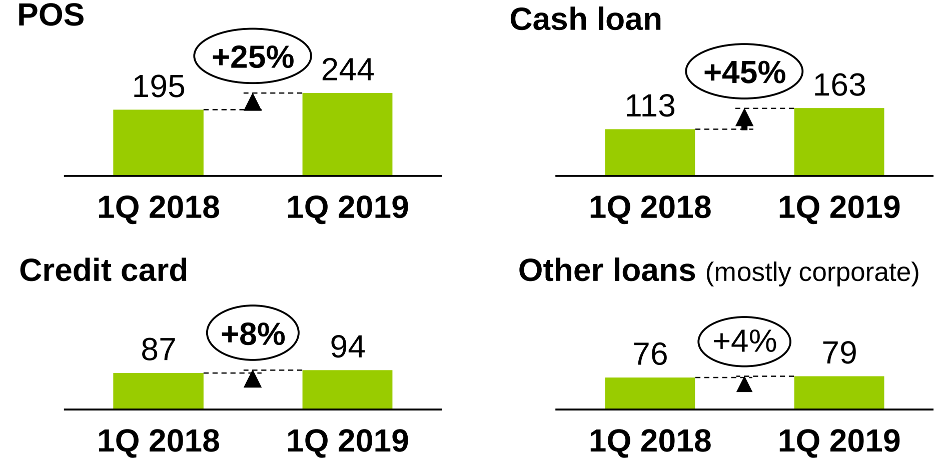
OTP Bank Russia

The Russian profit improved massively q-o-q driven by increasing operating profit and halving risk costs. POS and cash loans were the major engine behind the robust y-o-y volume expansion

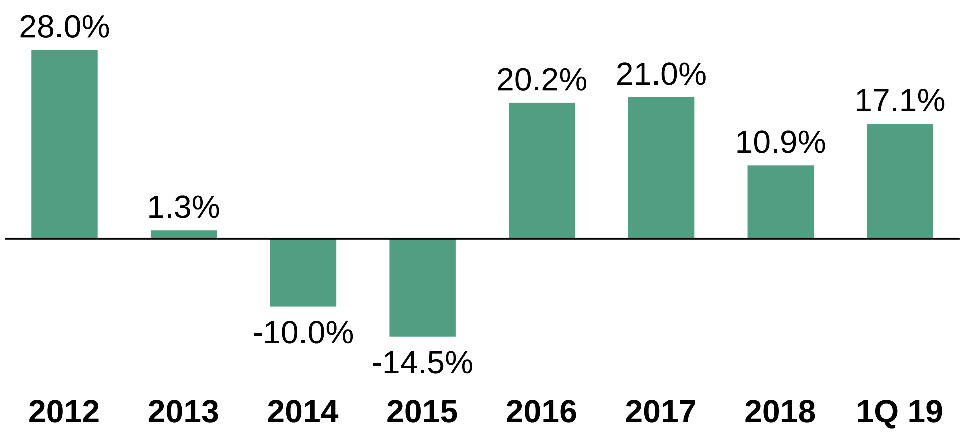
Income statement

(in HUF billion)	1Q 18	4Q 18	1Q 19	Q-o-Q	Y-o-Y
Profit after tax	**7.2**	**-2.5**	**6.6**		**-8%**
Profit before tax	9.1	-2.9	8.3		-8%
Operating profit	16.4	17.5	19.1	9%	16%
Total income	31.5	34.1	33.9	0%	8%
Net interest income	25.2	26.6	26.3	-1%	4%
Net fees and commissions	6.2	7.1	7.0	-2%	12%
Other income	0.1	0.4	0.7	85%	637%
Operating costs	-15.1	-16.6	-14.9	-10%	-2%
Total risk cost	-7.3	-20.4	-10.7	-47%	46%

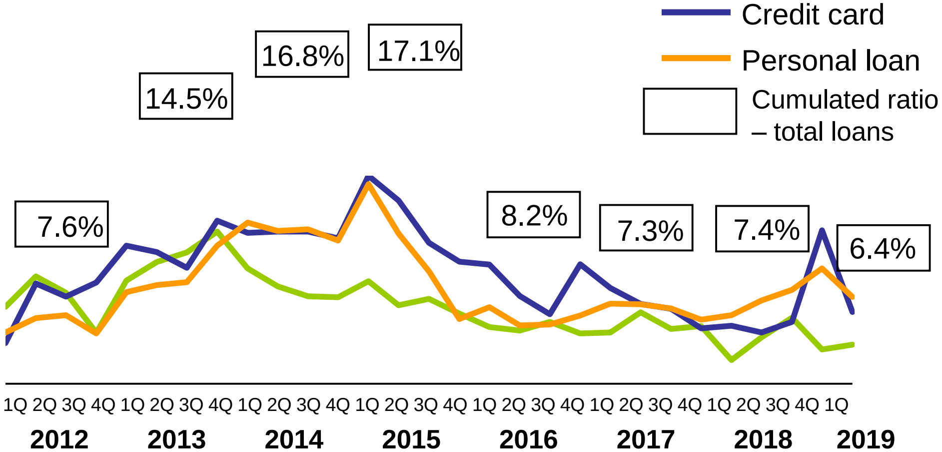
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity



OTP Bank Russia - risk cost rates



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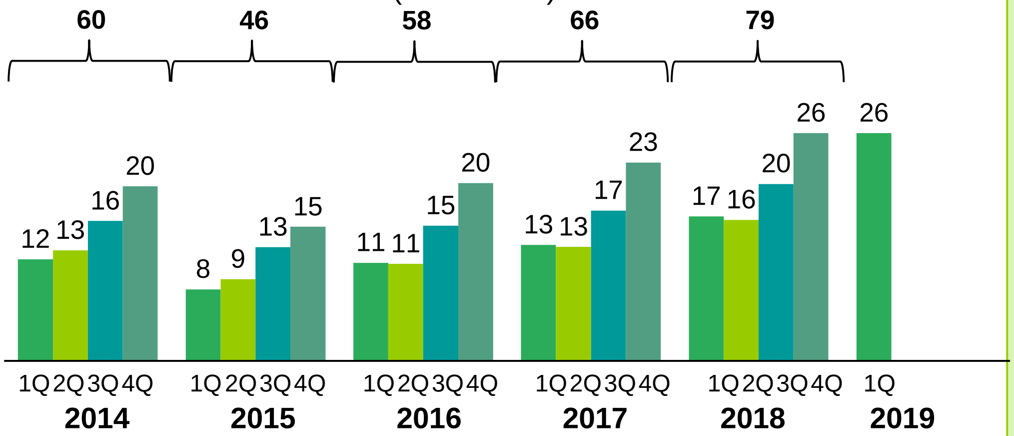
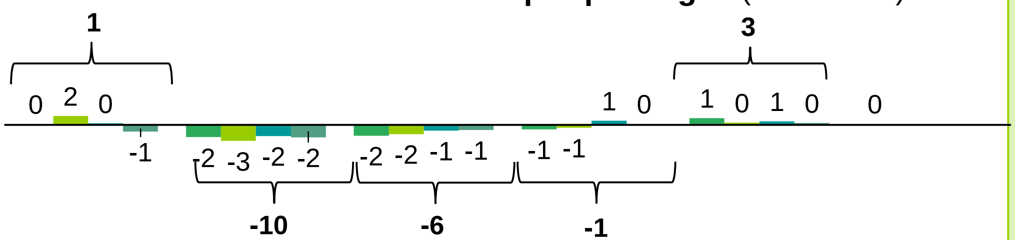
OTP Bank Russia

POS loan sales grew by 58% y-o-y, while cash loan disbursement moderated. Deposit volume developments reflected the weaker overall loan growth in 1Q, deposit rates remained almost flat q-o-q

POS loan disbursements (RUB billion)

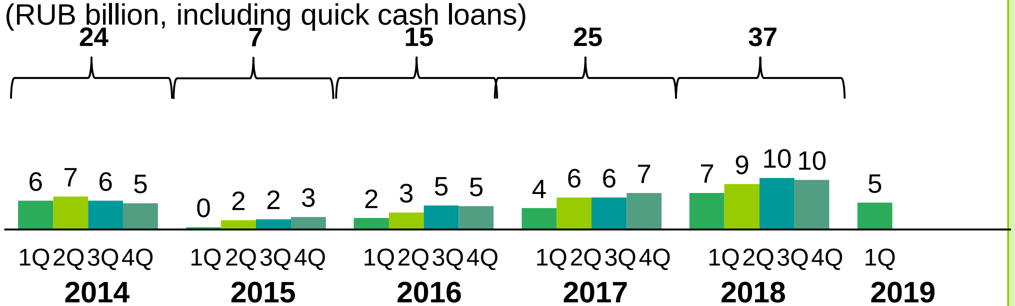


DPD0-90 credit card loan volume q-o-q changes (RUB billion)

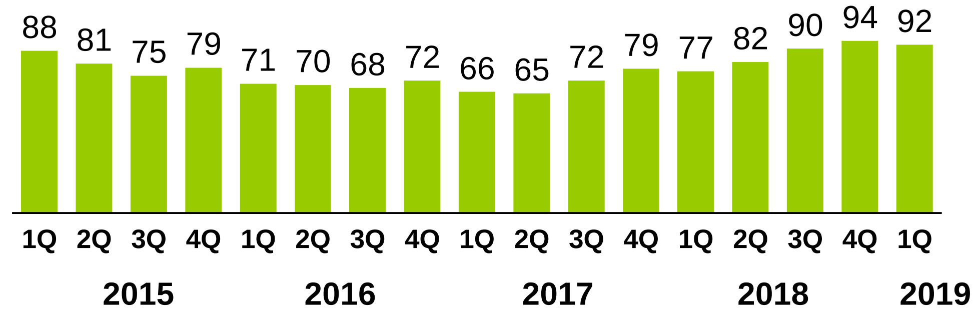


Cash loan disbursements

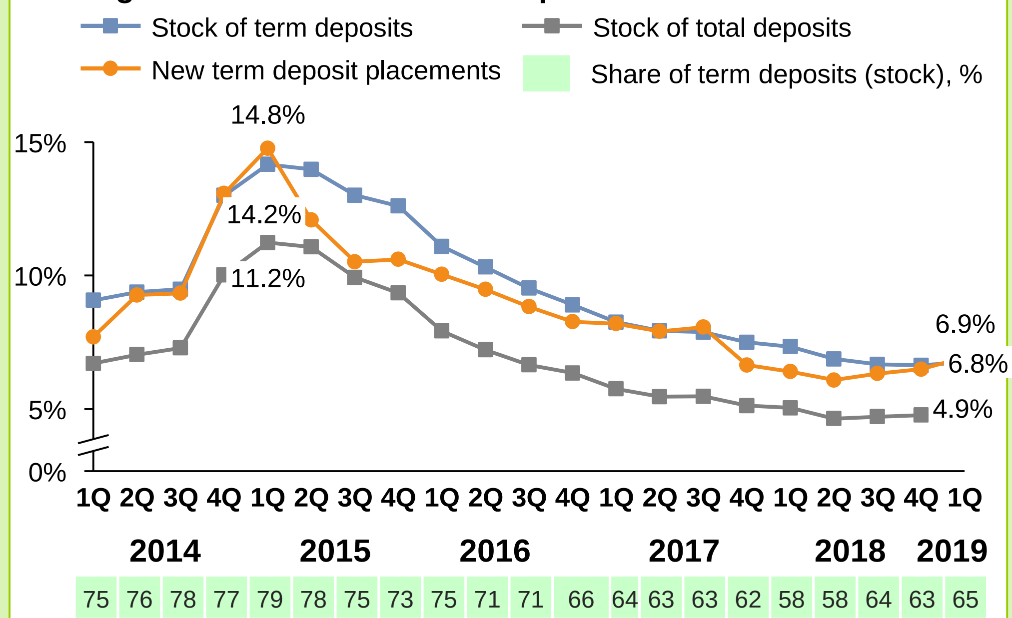
(RUB billion, including quick cash loans)



Development of customer deposits (RUB billion)



Average interest rates for RUB deposits



General note: from 1Q 2018 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 2017 Touch Bank's performance was presented separately.

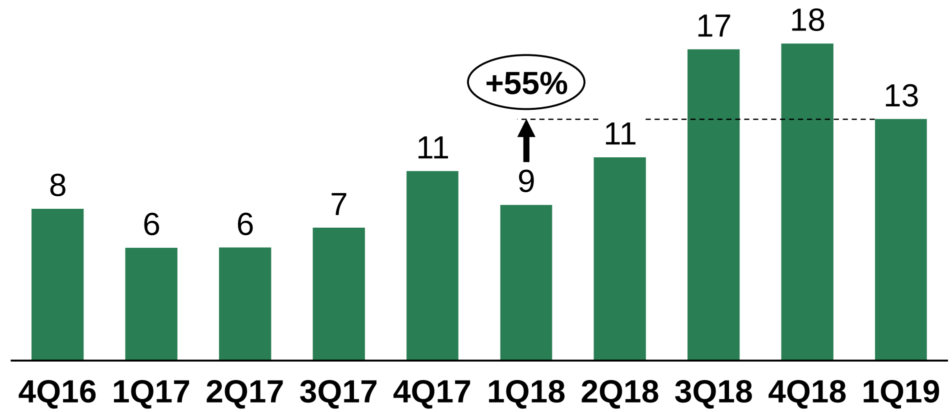
OTP Bank Ukraine

The Ukrainian ROE remained above 50% in 1Q 2019 supported by widening margins and expanding performing loan volumes

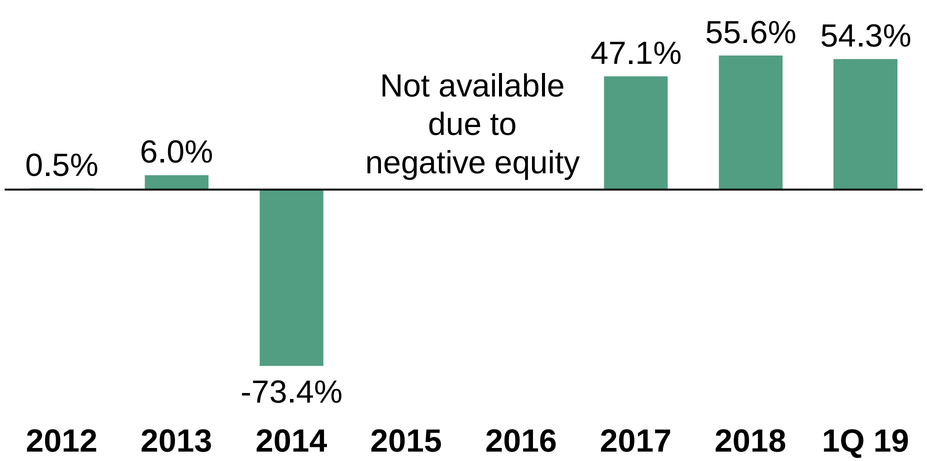
Income statement

(in HUF billion)	1Q 18	4Q 18	1Q 19	Q-o-Q	Y-o-Y
Profit after tax	**5.8**	**6.2**	**8.3**	**34%**	**42%**
Profit before tax	6.9	7.3	10.0	37%	44%
Operating profit	5.9	8.9	10.2	14%	73%
Total income	9.4	13.9	14.9	7%	58%
Net interest income	6.1	10.0	10.6	6%	73%
Net fees and commissions	2.4	3.2	3.3	2%	36%
Other income	0.9	0.7	1.1	45%	21%
Operating costs	-3.5	-5.0	-4.7	-6%	34%
Total risk cost	1.0	-1.6	-0.2	-88%	-119%

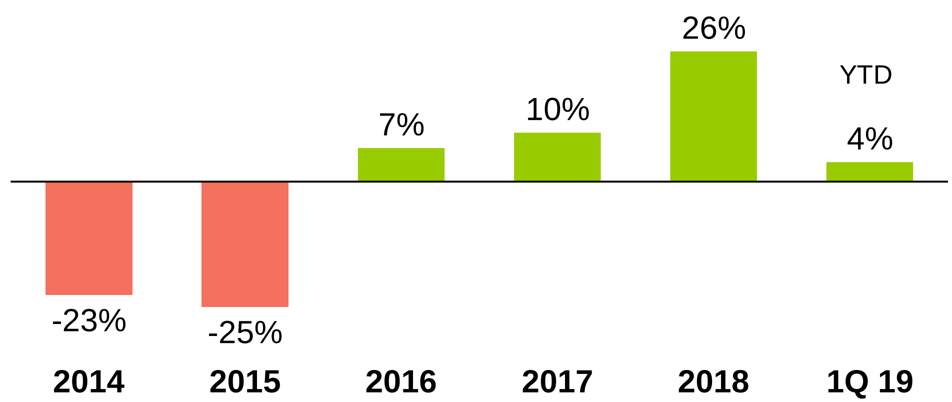
New cash and POS loan disbursements (in HUF billion)



Return on Equity (based on after tax profit without adjustment items)



Performing (DPD0-90) corporate + MSE loan volumes changes (FX-adjusted, y-o-y)



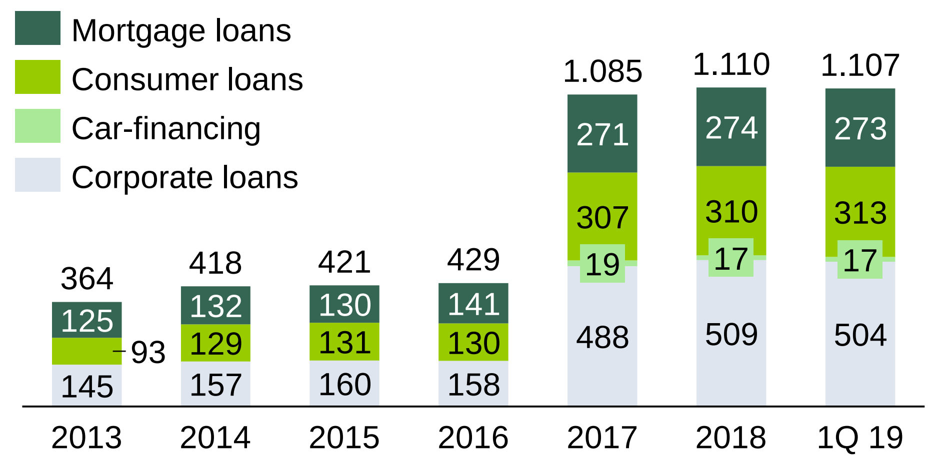
OBH (Croatia)

The Croatian ROE improved further, underpinned by the extracted cost synergies from the Splitska acquisition and the benign risk environment

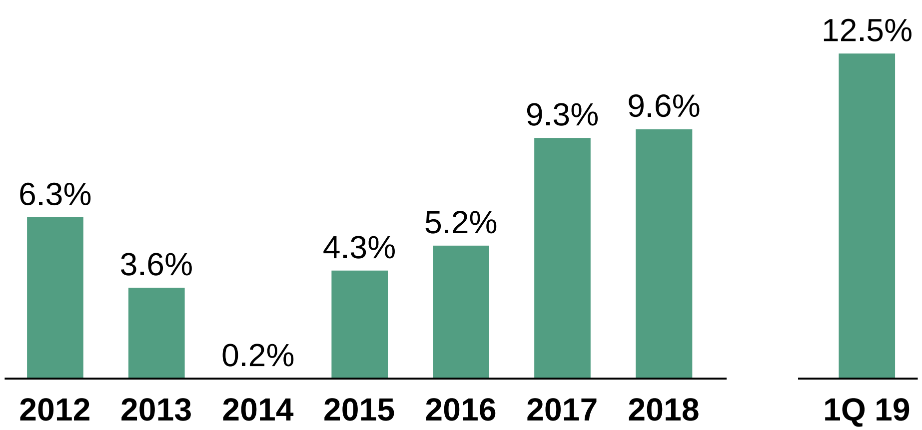
Income statement

(in HUF billion)	1Q 18	4Q 18	1Q 18	Q-o-Q	Y-o-Y
Profit after tax	**7.7**	**4.1**	**8.2**	**103%**	**7%**
Profit before tax	9.2	4.9	10.1	106%	10%
Operating profit	7.6	8.8	9.6	9%	27%
Total income	18.2	19.3	19.2	0%	6%
Net interest income	13.2	13.5	13.1	-3%	-1%
Net fees and commissions	3.6	4.0	3.9	-3%	8%
Other income	1.4	1.8	2.3	27%	61%
Operating costs	-10.6	-10.5	-9.6	-8%	-9%
Total risk cost	1.6	-3.9	0.5	-113%	-70%

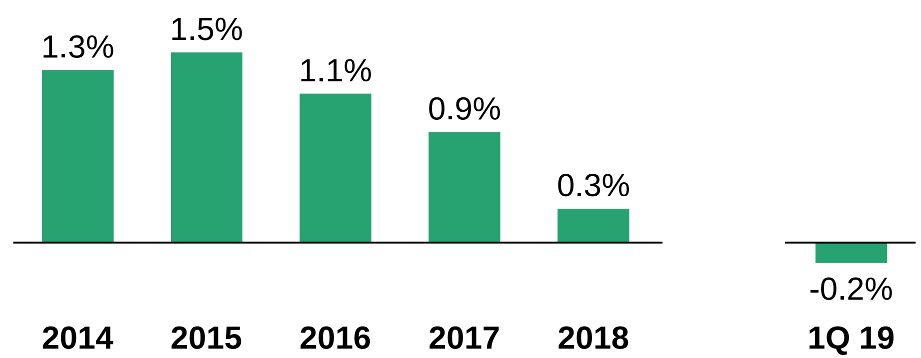
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity

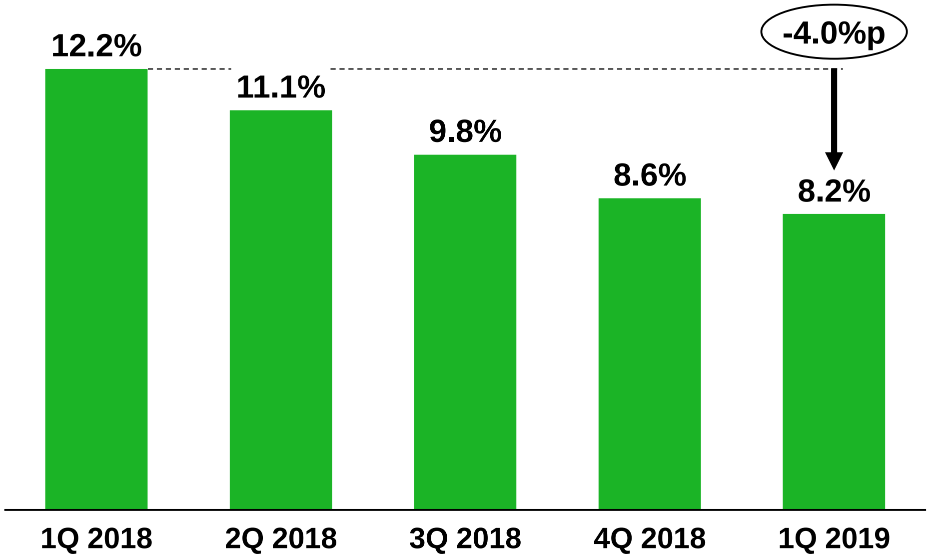


Risk cost rate



At the end of 1Q the Stage 3 loans amounted to 8.2% of the gross loan portfolio, while the own coverage of Stage 3 loans is higher in comparison with our regional competitors (compared to 4Q 2018 levels)

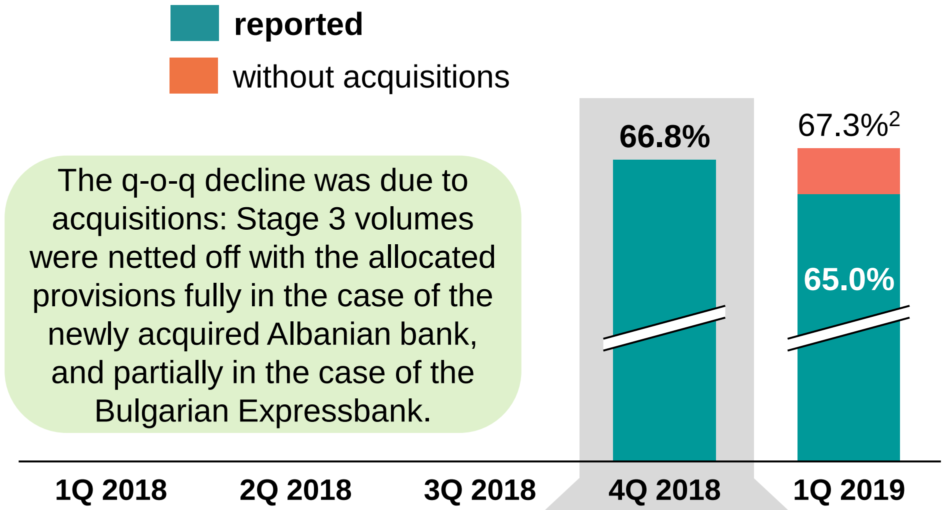
OTP Group - consolidated Stage 3 ratio[1]



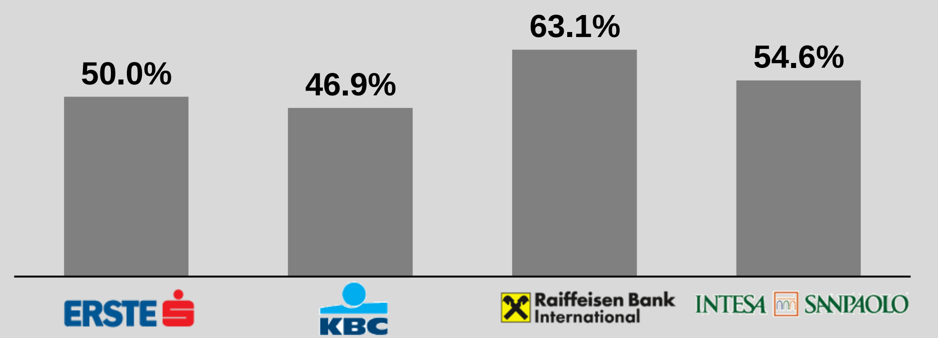
The non-performing loan category previously used by OTP, the ratio of 90+ days overdue loans (DPD90+) is replaced by the Stage 3 ratio with the introduction of IFRS 9.

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]



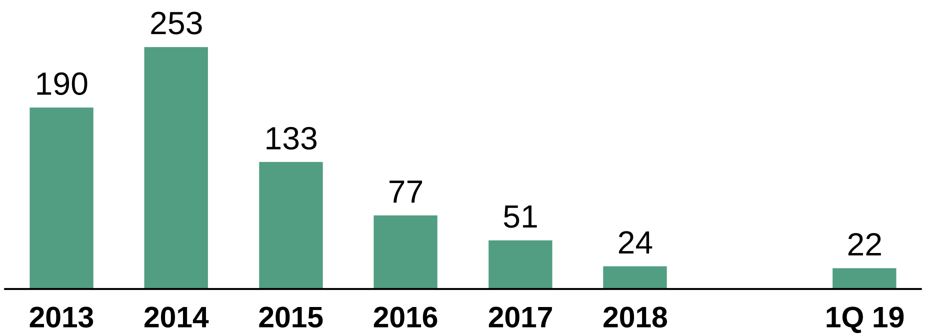
Own coverage of Stage 3 loans at the regional competitors[2] (4Q 2018)



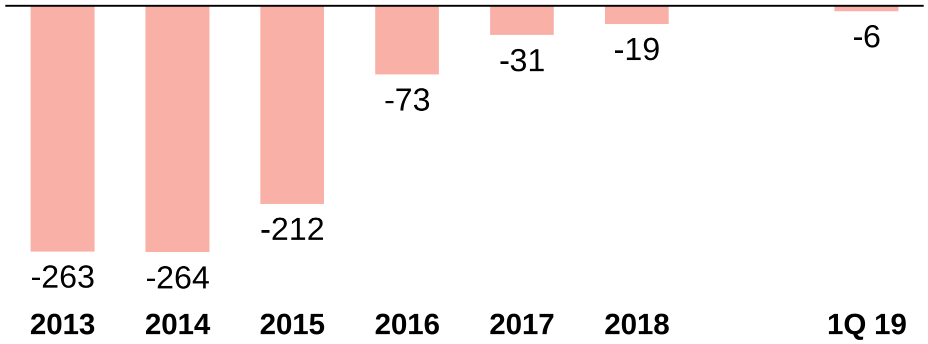
[1] In 4Q 2018 with POCI, from 1Q 2018 POCI was distributed among Stage categories.
[2] Source: annual reports. At the end of 2018, the data of the competitors is including the POCI.

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

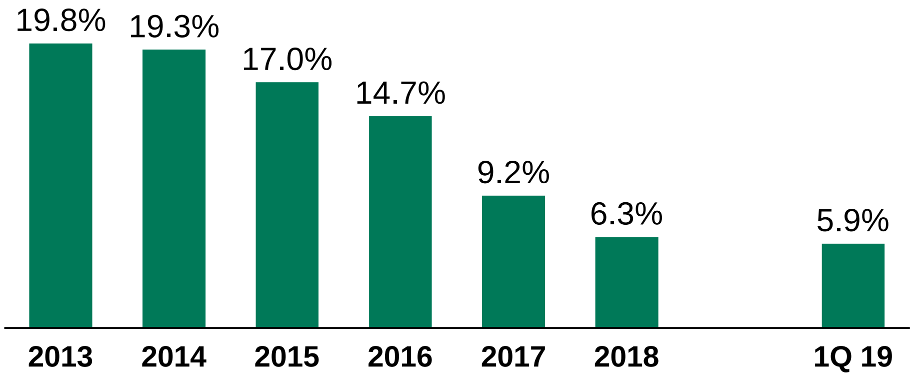
Change in DPD90+ loan volumes (consolidated, adjusted for FX and sales and write-offs, in HUF billion)



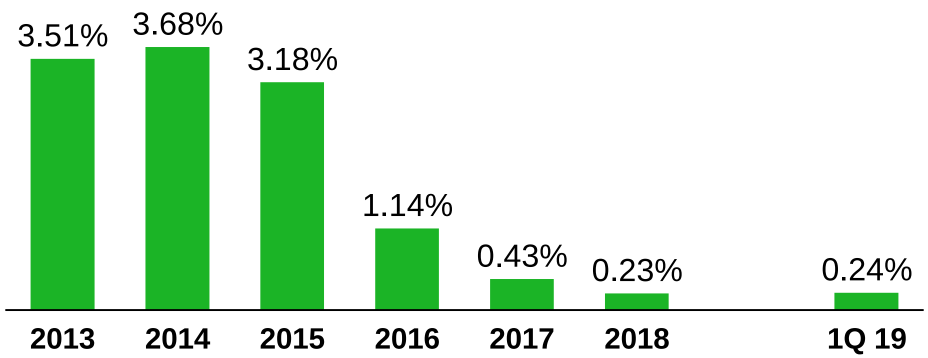
Consolidated provision for impairment on loan and placement losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



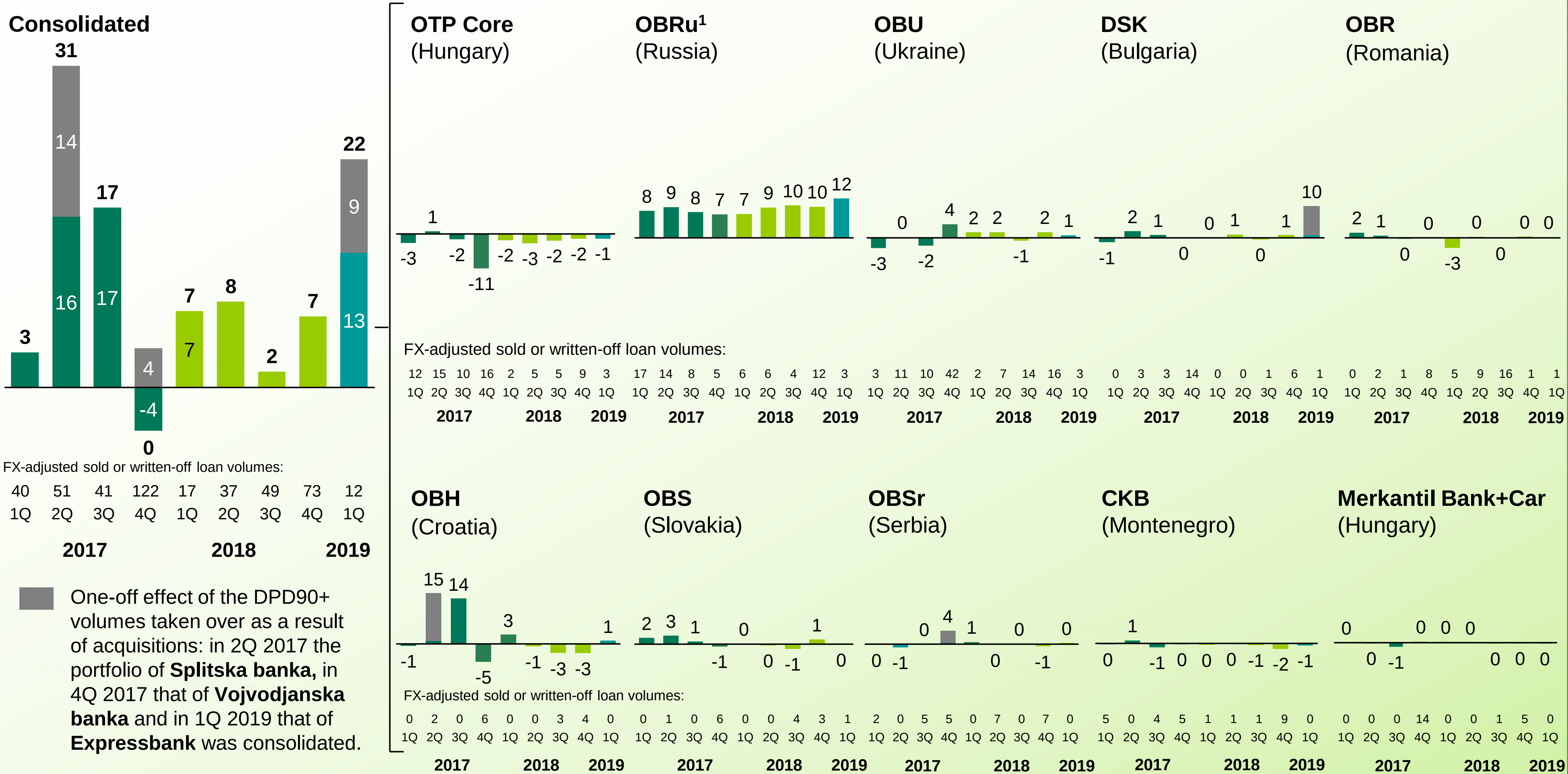
Consolidated risk cost rate (provision for impairment on loan and placement losses-to-average gross loans)



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.

The declining trend of Stage 3 ratio continued in all key geographies, with risk cost rates remaining favourable

Provision for impairment on loan and placement losses / Average gross customer loans[1], %

	OTP Core Hungary	DSK Bank Bulgaria	OTP Bank Croatia	OTP Bank Russia	OTP Bank Ukraine
(2018)	-1.6	0.7	0.3	7.4	0.5
1Q 2018	-1.1	1.4	-0.6	4.9	-1.8
2Q 2018	-2.2	0.1	1.2	6.1	0.1
3Q 2018	-1.0	-0.1	-0.2	7.4	0.2
4Q 2018	-2.0	1.6	0.6	10.8	3.0
1Q 2019	-0.8	0.1	-0.2	6.4	-0.3

Stage 3 loans under IFRS 9 / gross customer loans, %

	OTP Core Hungary	DSK Bank Bulgaria	OTP Bank Croatia	OTP Bank Russia	OTP Bank Ukraine
1Q 2018	9.0	12.2	9.7	16.3	37.9
2Q 2018	8.3	11.6	7.9	16.1	33.1
3Q 2018	6.8	11.7	7.9	15.2	29.1
4Q 2018	5.9	10.5	7.6	13.8	25.0
1Q 2019	5.6	7.8	7.7	15.0	23.0

Own coverage of Stage 3 loans under IFRS 9, %

	OTP Core Hungary	DSK Bank Bulgaria	OTP Bank Croatia	OTP Bank Russia	OTP Bank Ukraine
1Q 2018					
2Q 2018					
3Q 2018					
4Q 2018					
1Q 2019	58	57	66	94	76

[1] Negative amount implies positive (earnings accretive) risk costs.

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In 1Q 2019 the reported Tier1=CET1 ratio of 14.9% and CAR of 16.5% already included the completed Bulgarian and Albanian acquisitions and the interim profit less dividend due to the review according to ISRE 2410 auditing standards

OTP Group consolidated capital adequacy ratios (IFRS)

BASEL III	2014	2015	2016	2017	2018	1Q 19
Capital adequacy ratio (CAR)	17.5%	16.2%	16.0%	14.6%	18.3%	16.5%
Tier1 = Common Equity Tier1 ratio	14.1%	13.3%	13.5%/ 15.8%[1]	12.7%/ 15.3%[1]	16.5%	14.9%

1. In 2018 and 1Q 2019 the reported capital adequacy ratios included the interim after tax profit less dividend.

2. The Bank's standalone regulatory capital, as opposed to previous periods, does not include the interim profit less dividend, because in 1Q 2019 neither audit of the standalone financials, nor review of the standalone quarterly results according to ISRE 2410 auditing standards were conducted.

3. The capital adequacy ratio of DSK Bank (owning the shares of the acquired Expressbank) under local regulation stood at 16.2% at the end of March 2019.

4. CAR of the mother bank owning the shares of Vojvodjanska banka. The legal merger happened in April 2019.

Capital adequacy ratios (under local regulation)

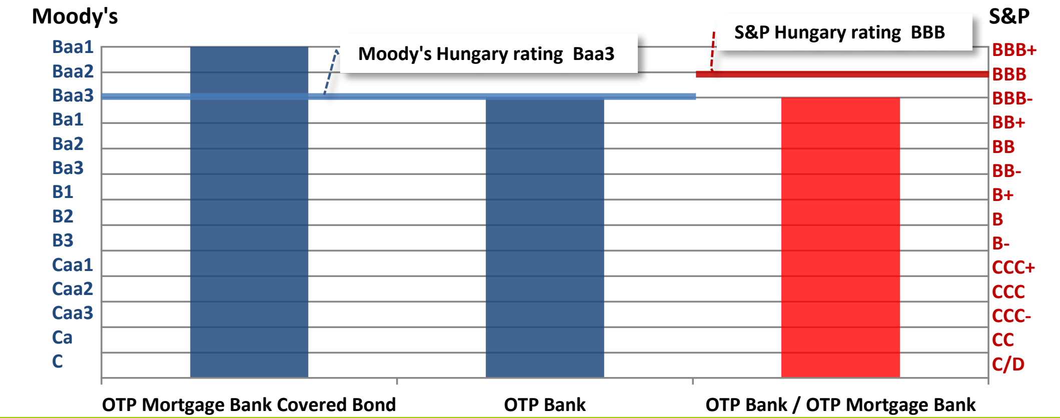
	2014	2015	2016	2017	2018	1Q 19
OTP Group (IFRS)	**16.9%**	**16.2%**	**16.0%**	**14.6%**	**18.3%**	**16.5%**
Hungary	19.0%	26.6%	27.7%	31.4%	28.2%	27.5%
Bulgaria	18.0%	17.3%	17.6%	17.2%	16.3%	16.2%
Russia	12.1%	13.3%	16.2%	15.9%	15.0%	15.5%
Croatia	16.5%	15.5%	16.7%	16.5%	20.0%	19.2%
Ukraine	10.4%	15.7%	12.4%	15.5%	19.6%	20.4%
Romania	12.6%	14.2%	16.0%	14.5%	18.0%	17.2%
Serbia	30.8%	26.1%	22.8%	28.4%	22.6%	22.4%
Montenegro	15.8%	16.2%	21.1%	22.6%	22.7%	20.9%
Slovakia	13.7%	13.4%	12.9%	15.0%	16.6%	16.5%
Albania						15.5%

[1] Including the interim net profit less dividend.

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

Hungarian sovereign, OTP Bank and OTP Mortgage Bank ratings



	Moody's	S&P	Fitch	Dagong
OTP Bank	Baa3 (0)	BBB- (0)		BBB+ (0)
OTP Mortgage Bank	Baa1	BBB- (0)		
OTP Bank Russia			BB (0)	

Moody's		S&P Global		Fitch	
Aaa		AAA		AAA	
Aa1		AA+		AA+	
Aa2		AA		AA	
Aa3		AA-	SV (0)	AA-	
A1		A+	SK(0)	A+	SK(0)
A2	SK(+)	A		A	
A3		A-		A-	SV 0)
Baa1	SV(+)	BBB+		BBB+	
Baa2	BG(0)	BBB	HU(0)	BBB	BG(+) HU (0)
Baa3	RO(0) HU(0) RU(0)	BBB-	BG (+) RO(0) RU(0) CR(0)	BBB-	RU(+) CR(+) RO(0)
Ba1		BB+		BB+	
Ba2	CR(+)	BB	SRB (+)	BB	SRB (0)
Ba3	SRB(0)	BB-		BB-	
B1	MN(+) ALB (0)	B+	MN(0) ALB (0)	B+	
B2		B		B	
B3	MO(0)	B-	UA (0)	B-	UA (0)
Caa1	UA(0)	CCC+		CCC+	
Caa2		CCC		CCC	
Caa3		CCC-		CCC-	

Rating history

- OTP Bank Slovakia, DSK Bank Bulgaria, OTP Bank Ukraine and OTP Bank Russia cancelled cooperation with Moody's in 2011, 2013, 2015 and 2016 respectively.
- Currently OTP Bank, OTP Mortgage Bank and OTP Bank Russia have solicited ratings from either Moody's, S&P Global, Fitch or Dagong.

OTP Group related rating actions

- Moody's has upgraded **OTP Bank**'s long-term foreign currency deposit rating to Baa3 with a stable outlook and **OTP Mortgage Bank**'s covered bonds rating to Baa1. *(07 November 2016)*
- S&P raised its long- and short-term foreign and local currency counterparty credit ratings on **OTP Bank** and **OTP Mortgage Bank** from BB+/B to BBB-/A-3 with stable outlook *(24 July 2017)*.
- Moody's upgraded **OTP Bank**'s long and short-term local-currency deposit ratings to Baa2/Prime-2 from Baa3/Prime-3. The long-term foreign currency deposit rating was affirmed at Baa3. Both long-term deposit ratings carry stable outlook. At the same time the junior subordinated rating of the bank was raised by one notch to Ba3 (hyb). Furthermore the rating agency upgraded the backed long-term local-currency issuer rating of **OTP Mortgage Bank** to Baa3 from Ba1, with stable outlook. *(19 October 2017)*
- Dagong Global has assigned a Long-Term Credit Rating of BBB+' and equivalent Short-Term Credit Rating of A-2 to **OTP Bank.** The Outlook is stable. *(22 November 2017)*

Recent sovereign rating developments

- Fitch has changed the outlook on **Bulgaria** to positive from stable. *(22 March 2019)*
- S&P upgraded **Croatia**'s ratings to BBB- from BB+, with stable outlook. *(22 March 2019)*
- Moody's has changed the outlook on **Croatia** to positive from stable. *(26 April 2019)*
- Moody's has changed the outlook on **Slovenia** to positive from stable. *(26 April 2019)*
- Fitch upgraded **Croatia**'s ratings to BBB- from BB+, with positive outlook. *(07 June 2019)*
- S&P upgraded **Slovenia**'s ratings to AA- from A+, with stable outlook. *(14 June 2019)*

Last update: 14/06/2019
Sovereign ratings: long term foreign currency government bond ratings,
OTP Mortgage Bank Moody's rating: covered bond rating; Other bank ratings: long term foreign currency deposit ratings
Abbreviations: ALB – Albania, BG - Bulgaria, CR - Croatia, HU - Hungary, MN - Montenegro, MO – Moldova, RO - Romania, RU - Russia, SRB - Serbia, SK - Slovakia, SV – Slovenia, UA - Ukraine

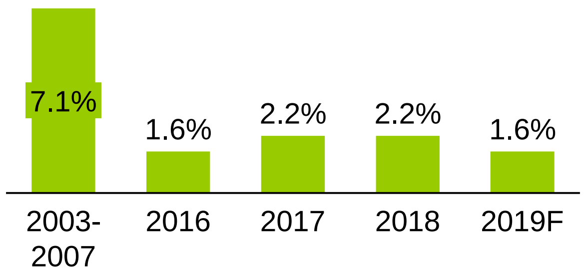
Content

Hungary

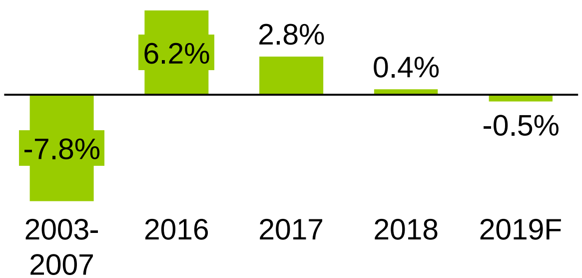
After the very robust expansion of 5.3% y-o-y in 1Q, GDP growth can be around 4.5% in 2019. Soaring investment can be the strongest catalyst of growth

Balance

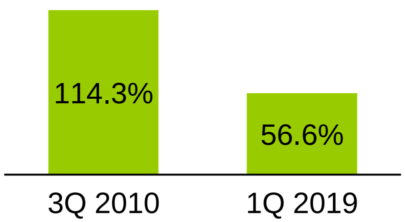
Budget deficit



Current account balance

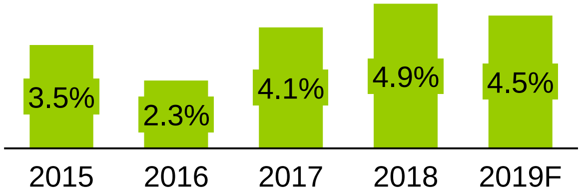


Gross external debt[1] (as % of GDP)

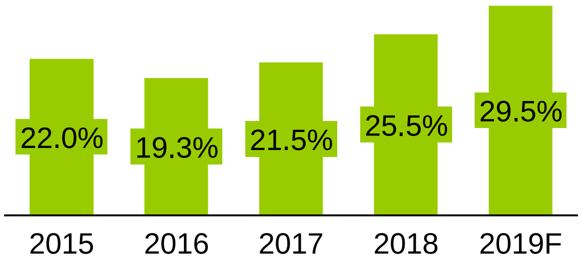


Growth

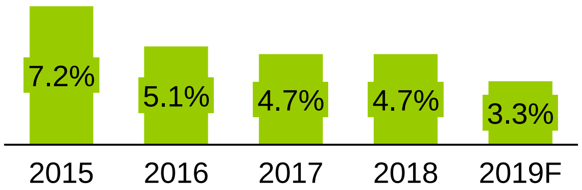
Real GDP growth



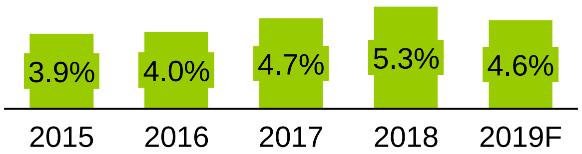
Investment to GDP



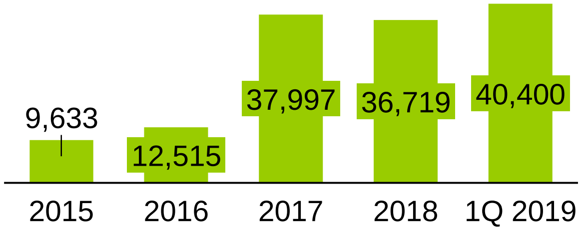
Exports growth



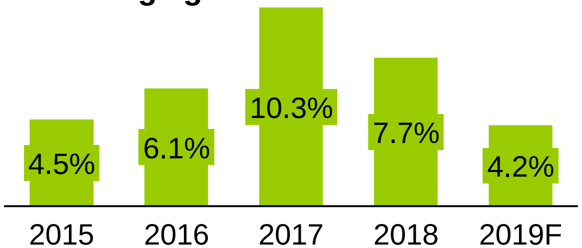
Household consumption



Housing construction permits



Real wage growth



Sources: CSO, NBH; forecasts: OTP Research Centre
[1] Without inter-company loans

![Hungary]

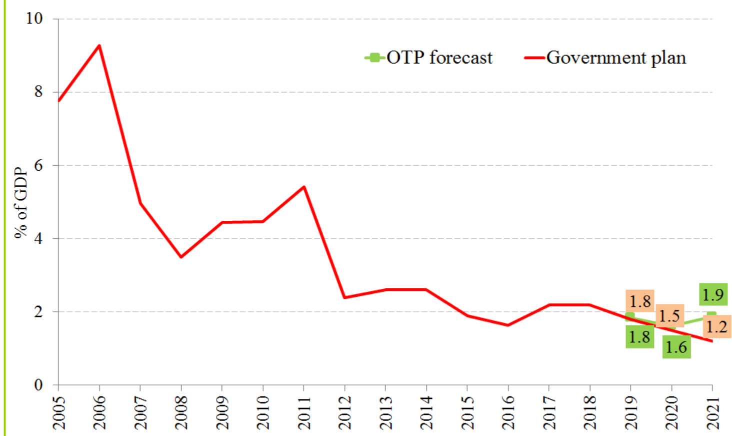
Better-than-expected 2018 fiscal position makes 2019 deficit target safely attainable. Public debt can drop to as low as 64% by 2021. The current account surplus moderated, while external indebtedness fell further

The 2018 ESA budget deficit turned out at 2.2% of GDP, 0.2 pp below the official target, as a result of higher-than-expected revenues and moderating expenditures. Despite the recent loosening measures, mostly related to the government's demographic programme, we consider the 2019 deficit target of 1.8% of GDP as attainable, given the robust revenues.

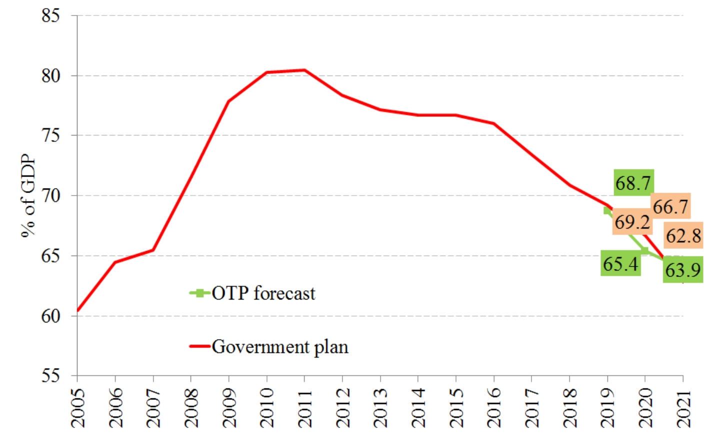
Public debt declined to 70.8% of GDP by end-2018 (from 73.4% a year before) on account of a sizable surplus in the December cash deficit, owing to substantial (HUF 740 billion) EU related revenues. Debt reduction is expected to continue as the EU-related government balance will improve visibly, and economic growth to remain robust. Government debt can reach 64% by 2021.

In 2018 Hungary's current account surplus fell to 0.4% of GDP from 2.8% a year earlier, due to higher commodity prices and strong domestic demand. However, as FDI and EU transfers together reached 5% of GDP, gross, net and gross FX external debt compared to GDP kept further declining.

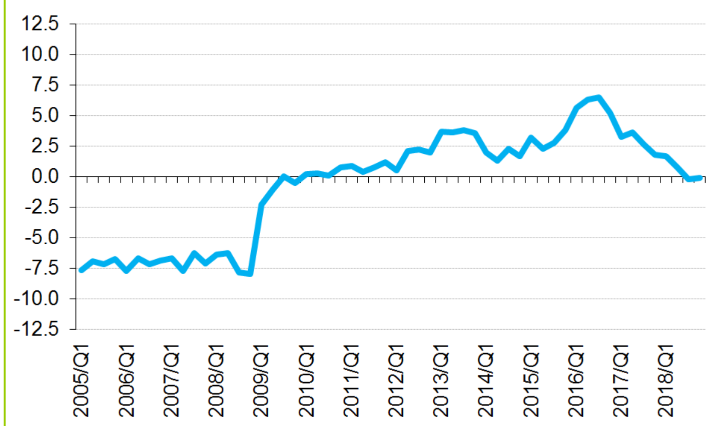
Budget balance (as % of GDP)



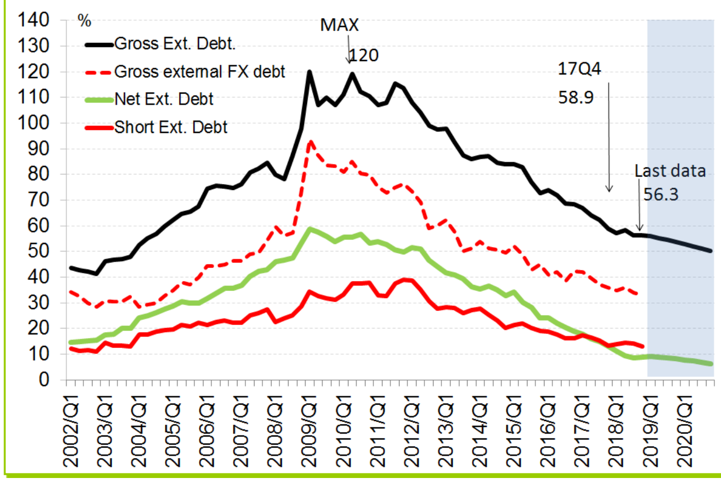
Public debt (as % of GDP, including Eximbank)



Current account balance (as % of GDP)



External debt indicators (as % of GDP)



Sources: HCSO, MNB, Ministry for National Economy, OTP Research.
The net financial capacity shows the amount of absorbed external funding / accumulated foreign assets in a period (equal to the sum of the current account balance + capital balance (EU funds) + Net errors and omissions).

The National Bank of Hungary hiked the O/N deposit rate by 10 bps in March and started to tighten liquidity through FX swap volumes. Any further steps will be data driven

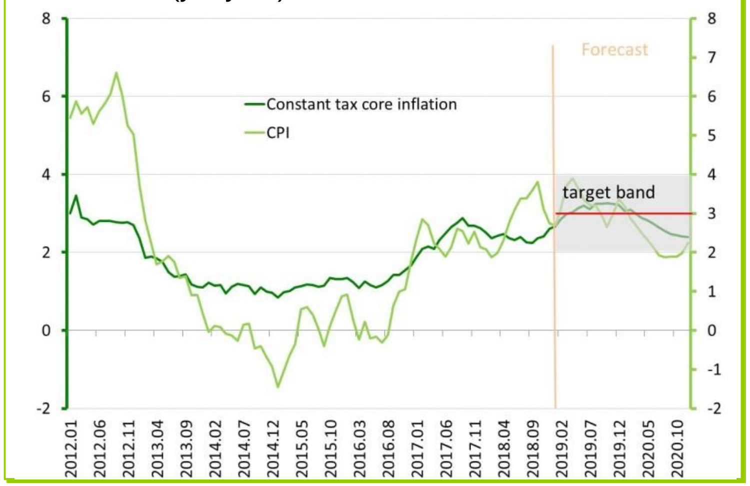
Hungary

Both the inflation and the closely watched constant tax core inflation climbed above the 3% target in recent months. OTP expects the constant tax core inflation to remain above the target by the end of the year, while headline inflation may moderate to around and even below 3% due to base effects.

As inflation has reached the target in a sustainable manner, the MNB has hiked the O/N deposit rate by 10 bps, and also started to reduce the outstanding amount of FX swaps. The central bank has emphasized that further steps were data-dependent, and it would continue to hike if the inflation outlook necessitates it.

OTP thinks that the data published after the latest Inflation Report – positive surprise in Eurozone GDP growth, much faster GDP growth in Hungary, higher-than-expected inflation and fast growth in wages – may trigger further monetary tightening at the MNB's June meeting, with additional 10 bps hike. This step would be in line with our year-end forecast on the 3M BUBOR of 40 bps.

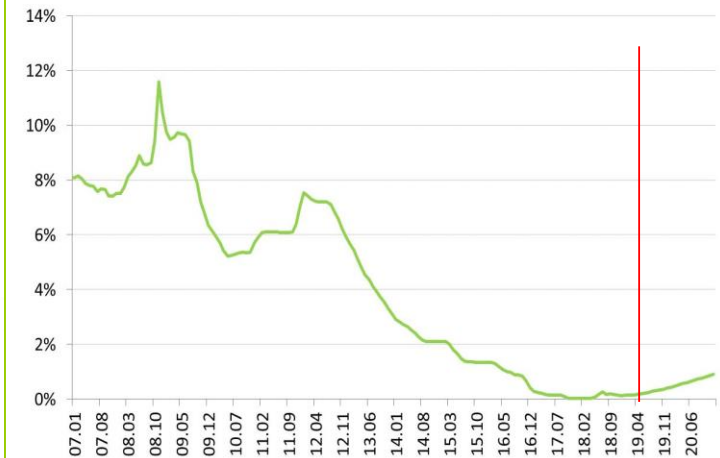
Inflation (y-o-y, %)



Unemployment rate (%)

Real estate market indicators (real home price and completed dwellings; 2000=100)

3M BUBOR (%)



Sources: HCSO, NBH, Reuters, OTP Research

Hungary

Hungary's economic growth may have reached the cyclical peak in 2018, but GDP growth may remain strong even under a deteriorating external environment

Key economic indicators					OTP Research		Focus Economics*	
	2014	2015	2016	2017	2018	2019F	2019F	2020F
Nominal GDP (at current prices, HUF billion)	32,583	34,379	35,474	38,355	**42,073**	**45,770**	**45 ,185**	**47 ,864**
Real GDP change	4.2%	3.5%	2.3%	4.1%	**4.9%**	**4.5%**	**3.6%**	**2.7%**
Household final consumption	2.4%	3.7%	3.4%	4.1%	**4.6%**	**4.5%**	**4.1%**	**2.8%**
Household consumption expenditure	2.8%	3.9%	4.0%	4.7%	**5.3%**	**4.6%**		
Collective consumption	10.0%	0.0%	0.9%	2.0%	**-2.1%**	**4.3%**	**1.7%**	**1.4%**
Gross fixed capital formation	12.3%	4.7%	-11.7%	18.2%	**16.5%**	**15.6%**	**12.2%**	**3.5%**
Exports	9.1%	7.2%	5.1%	4.7%	**4.7%**	**3.3%**		
Imports	11.0%	5.8%	3.9%	7.7%	**7.1%**	**6.5%**		
General government balance (% of GDP)	-2.6%	-1.9%	-1.6%	-2.2%	**-2.2%**	**-1.6%**	**-1.9%**	**-1.7%**
General government debt (% of GDP ESA 2010)	76.6%	76.7%	76.0%	73.6%	**70.8%**	**68.7%**	**68.8%**	**67.0%**
Current account (% of GDP)**	1.5%	2.8%	6.2%	2.8%	**0.4%**	**-0.5%**	**0.4%**	**0.4%**
Gross external debt (% GDP)***	82.4%	73.0%	67.9%	58.9%	**56.3%**			
FX reserves (in EUR billion)	34.6	30.3	24.4	23.4	**27.4**			
Gross real wages	3.9%	4.5%	6.1%	10.3%	**7.7%**	**4.2%**		
Gross real disposable income	4.7%	5.9%	1.8%	6.5%	**5.1%**	**4.3%**		
Employment (annual change)	5.3%	2.7%	3.4%	1.6%	**1.1%**	**-0.1%**		
Unemployment rate (annual average)	7.7%	6.8%	5.1%	4.2%	**3.7%**	**3.7%**	**3.5%**	**3.6%**
Inflation (annual average)	-0.2%	-0.1%	0.4%	2.4%	**2.8%**	**3.2%**	**3.3%**	**3.1%**
Base rate (end of year)	2.10%	1.35%	0.41%	0.03%	**0.13%**	**0.40%**	**0.39%**	**0.78%**
1Y Treasury Bill (average)	2.28%	1.17%	0.77%	0.09%	**0.25%**	**0.38%**		
Real interest rate (average. ex post)****	2.5%	1.2%	0.4%	-2.2%	**-2.5%**	**-2.8%**		
EUR/HUF exchange rate (end of year)	314.9	313.1	311.0	310.1	**321.5**	**320.0**	**323.0**	**322.0**

Source: CSO, National Bank of Hungary.
* May 2019 consensus . **Official data of balance of payments (excluding net errors and omissions).
*** w/o FDI related intercompany lending. last data. **** = (1+ Yield of the 1Y Treasury Bill (average)) / (1+ annual average inflation) – 1

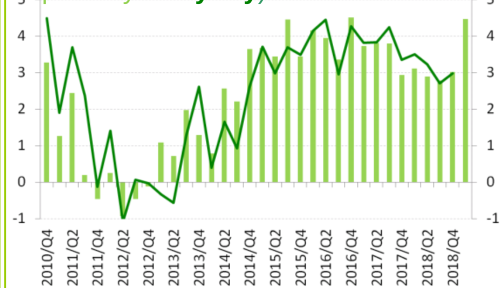
otpbank

Bulgaria: GDP growth was surprisingly strong in 1Q, defying downside risks; Croatia: solid but moderating GDP growth with improving balance indicators; Romania: stellar GDP growth, but the budget execution remains a major risk factor

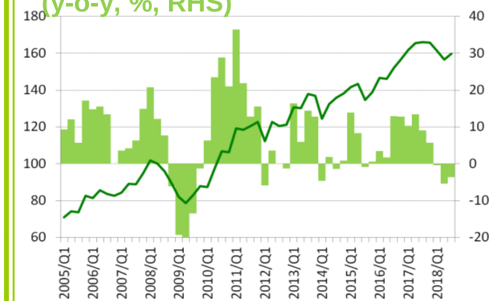
Bulgaria

Preliminary estimates for 1Q GDP growth (+3.4 y-o-y, +1.1% q-o-q) point towards a surprisingly strong quarter, even though consumption and investment growth decelerated compared to 2018H1. Exports, the main driver of growth, rebounded after last year's weak performance. Real wage growth accelerated in 2019 1Q, as the labour market tightened even further. The latest high-frequency data also painted a brighter picture.

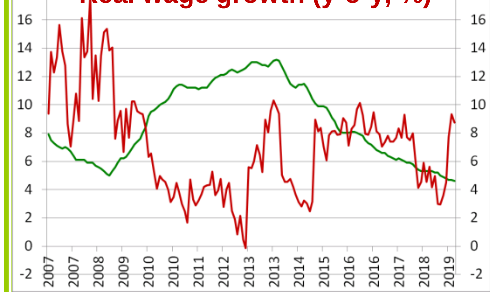
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Exports (2010=100; LHS) & **growth (y-o-y, %, RHS)**



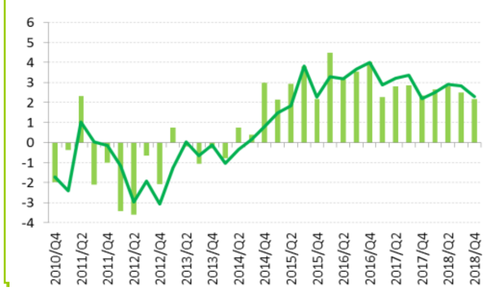
Unemployment rate (%) & **Real wage growth (y-o-y, %)**



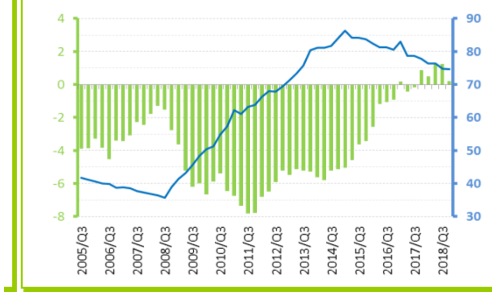
Croatia

GDP growth turned out at 2.6% in 2018. Despite strong private sector domestic demand, 4Q data were surprisingly low, at 2.3% y-o-y on account of sharp slowdown in government consumption and exports. Monthly data for 1Q suggest some recovery. Balance indicators remained strong: the government budget posted a surplus (0.2% of GDP), while debt fell below 75% of GDP. The country could enter ERM2 in 2020, which could be followed by eurozone membership.

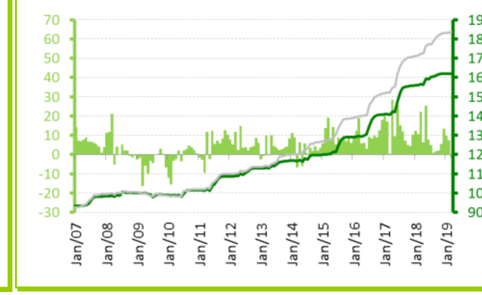
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Budget deficit (LHS, **ESA**), **Debt (RHS)** as % of GDP



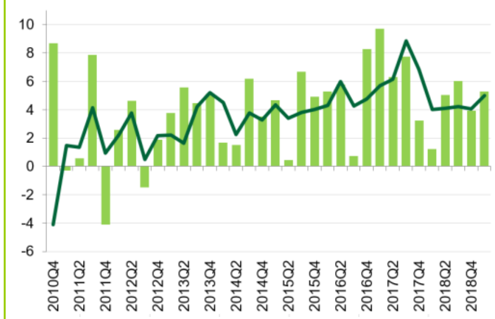
Tourist nights (3M, y-o-y, LHS) & tourist nights, tourist arrivals (12M, 2010 = 100)



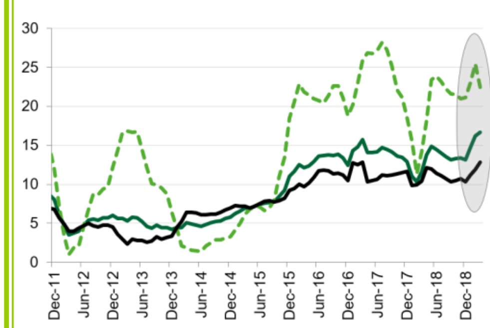
Romania

The country's economy started the year on a surprisingly strong note (5% y-o-y, 1.3% q-o-q). Early data suggest that consumption was the key driver of the economy boosted by another round of minimum and public wage hikes. Annual inflation re-entered the NBR's tolerance band at end '18. However, the relief was short-lived with the headline data broking again above the target in the beginning of 2019. Due to the relatively high twin-deficits the economy seems to be less resilient to shocks. The government lowered the bank tax significantly.

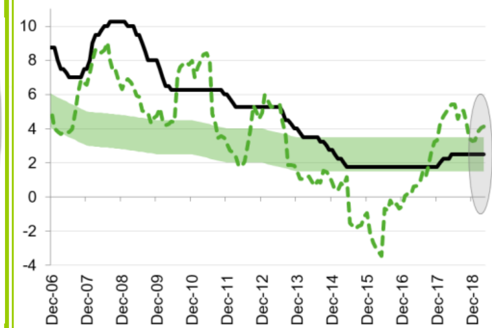
Real GDP growth (%, SA annualized q-o-q and NSA y-o-y)



Wages: **total economy**, **public**, **private excl. construction** (y-o-y, %, 3M-roll.)



Headline inflation, target band (y-o-y; %), and the **policy rate** (%)



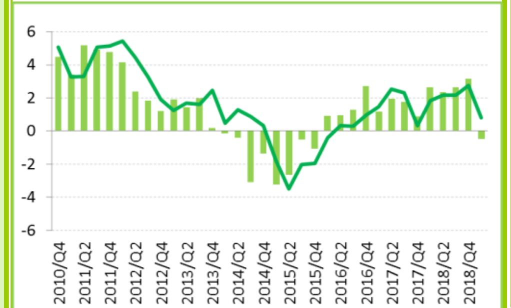
Source: Eurostat, national banks and statistical offices

Russia: 2019 brings a temporary slowdown, oil prices help to accumulate reserves, geopolitical risks are still high
Ukraine: GDP growth was 2.2% y-o-y in 1Q 2019, inflation is below 9%, the NBU started its easening cycle

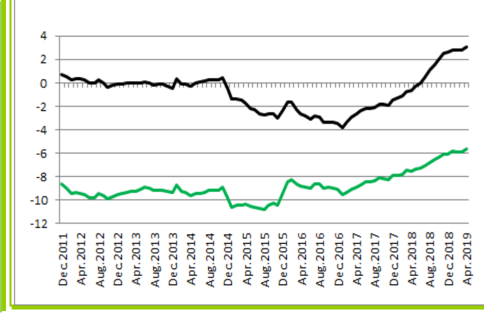
Russia

GDP growth slowed sharply to 0.5% y-o-y in 2019 1Q, as household purchases were brought forward before the January VAT hike, and there was a temporary decline in government capex. Higher oil prices pushed the budget into a significant surplus, and piled up FX reserves. Inflation reached a peak, and turned out lower than expected after the January VAT hike, bringing a decline in yields as well as strengthening the RUB/USD, on account of expected base rate cuts. Growth is to slow this year, but it could recover thereafter to around 2%, supported by the gradual loosening of macro policies and reform measures. US sanctions pose downside risks, while the stronger-than-expected effect of policy loosening points to the upside.

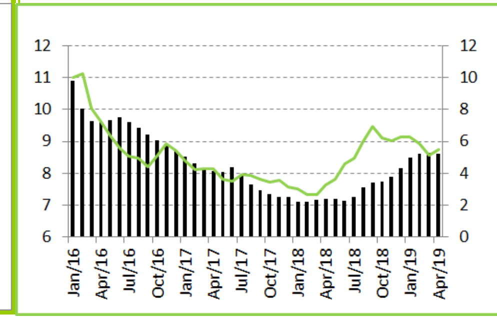
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Headline budget balance and non-oil budget balance (% of GDP)



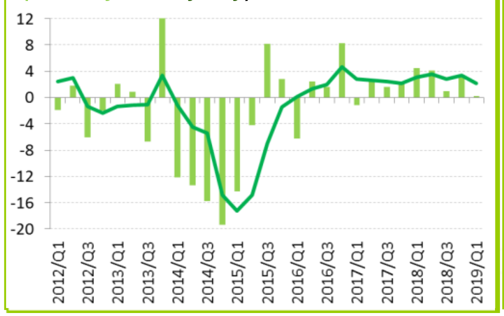
10Y swap rate (l.a.%) and **inflation** (r.a.%)



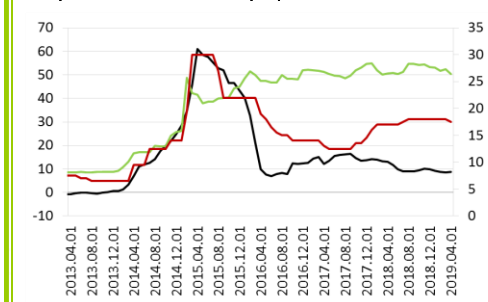
Ukraine

GDP increased by 2.2% y-o-y in 1Q 2019, which translates 0.2% q-o-q growth.
Inflation slowed down below 9% in April. In the same month the NBU cut interest rates by 50 bps (to 17.5%), starting a rate cut cycle. As GDP growth slowed, the probability of further cuts increased. Due to the high base rate and a slowdown in growth, the UAH depreciated against the USD in 1Q. The new, USD 3.9 billion worth of IMF programme runs until 1Q 2020. Then, a new IMF program is needed in order to avoid financing difficulties.

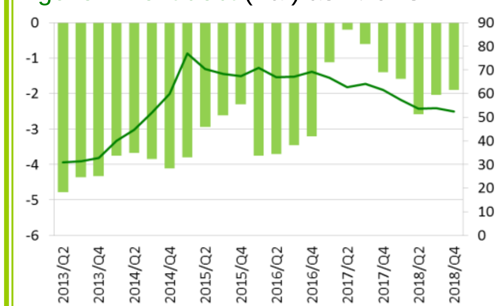
Real GDP growth (%, SA, annualized quarterly* and y-o-y)



USD/UAH (r.a., %), **base rate** (r.a., %), and **Inflation** (%)



Fiscal balance (l.a.) and government debt (r.a.) as % of GDP



Sources: CBR, Rosstat, Ukrstat, National Bank of Ukraine, Focus Economics
*annualized q-o-q growth is OTP Research estimate

General macro trends remained favourable in CEE countries, with growth levels exceeding EU average, while the recovery in Russia and Ukraine is expected to continue

	REAL GDP GROWTH			
	2017	2018	2019F	2020F
Hungary	4.1	4.9	4.5	3.1
Ukraine	2.5	3.3	2.7	3.0
Russia	1.6	2.3	1.4	2.0
Bulgaria	3.8	3.1	3.5	3.2
Romania	7.0	4.1	4.2	2.9
Croatia	2.9	2.6	3.0	2.7
Slovakia	3.2	4.1	3.6	3.3
Serbia	2.0	4.3	3.3	3.1
Montenegro	4.7	4.9	3.4	2.8
Albania	3.8	4.0	3.7	3.9

	EXPORT GROWTH			
	2017	2018	2019F	2020F
Hungary	4.7	4.7	3.3	5.2
Ukraine	3.6	-1.6	1.1	4.2
Russia	5.0	5.5	2.5	3.0
Bulgaria	5.8	-0.8	6.2	4.3
Romania	10.0	5.4	5.2	5.7
Croatia	6.4	2.8	3.4	3.5
Slovakia	5.9	4.8	6.0	4.5
Serbia	8.2	8.9	8.5	7.0
Montenegro	1.8	9.5	4.9	4.7
Albania	8.9	3.3	2.8	4.9

	UNEMPLOYMENT			
	2017	2018	2019F	2020F
Hungary	4.2	3.7	3.7	3.6
Ukraine	9.9	9.3	8.4	8.0
Russia	5.2	4.8	4.5	4.5
Bulgaria	6.2	5.2	4.7	4.7
Romania	4.9	4.2	3.9	3.9
Croatia	11.2	8.5	8.0	7.0
Slovakia	8.1	6.6	6.5	6.3
Serbia	13.5	13.3	12.5	11.5
Montenegro	16.0	15.2	15.0	15.6
Albania	13.8	12.2	13.7	13.2

	BUDGET BALANCE*			
	2017	2018	2019F	2020F
Hungary	-2.2	-2.2	-1.6	-1.5
Ukraine	-1.4	-2.2	-2.5	-2.5
Russia	-1.4	2.6	2.6	1.9
Bulgaria	1.1	0.0	-0.2	-0.3
Romania	-2.7	-3.0	-3.0	-3.0
Croatia	0.8	0.2	0.0	0.0
Slovakia	-0.8	-0.7	-0.7	-0.7
Serbia	1.1	0.6	-0.5	-0.5
Montenegro	-5.5	-3.0	-2.9	-0.8
Albania	-1.4	-1.6	-2.0	-1.9

	CURRENT ACCOUNT BALANCE			
	2017	2018	2019F	2020F
Hungary	2.8	0.4	-0.5	-1.0
Ukraine	-1.9	-3.3	-3.5	-3.5
Russia	2.1	6.9	6.4	6.1
Bulgaria	4.4	4.5	3.9	1.7
Romania	-3.2	-4.5	-5.1	-5.5
Croatia	3.7	2.7	2.2	2.0
Slovakia	-1.7	-2.3	-1.0	-1.0
Serbia	-5.2	-5.2	-5.0	-4.8
Montenegro	-16.2	-17.2	-16.9	-16.4
Albania	-7.4	-6.4	-6.0	-5.8

	INFLATION			
	2017	2018	2019F	2020F
Hungary	2.4	2.8	3.2	2.5
Ukraine	13.4	10.9	8.9	6.0
Russia	3.7	2.9	4.8	4.0
Bulgaria	2.1	2.9	2.9	2.6
Romania	1.3	4.6	3.9	3.3
Croatia	1.2	1.5	0.8	1.2
Slovakia	1.3	2.5	2.4	2.4
Serbia	3.2	2.0	2.6	2.8
Montenegro	1.5	-0.3	2.4	2.6
Albania	2.0	2.0	2.2	2.4

Source: OTP Research
* For EU members, deficit under the Maastricht criteria

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