OTP Group
First half 2018 results

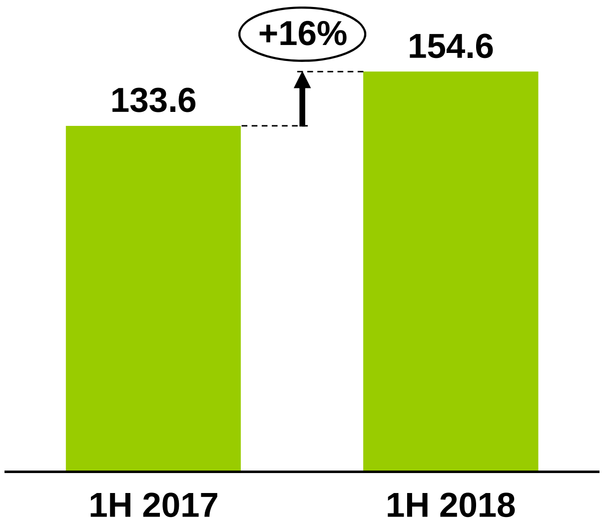
Conference call – 10 August 2018

László Bencsik
Chief Financial and Strategic Officer

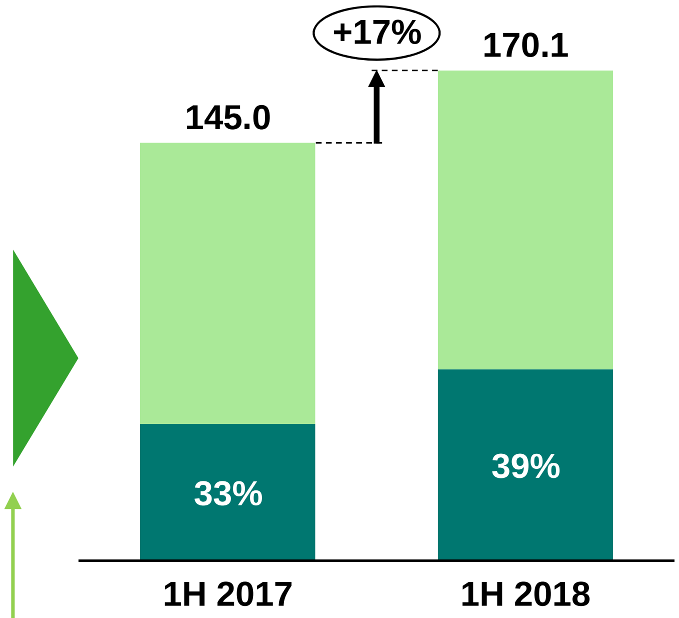
The accounting profit grew by 16% y-o-y in 1H 2018, while the adjusted profit increased by 17%. 1H profit contribution of foreign subsidiaries improved to 39%

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

Accounting profit after tax



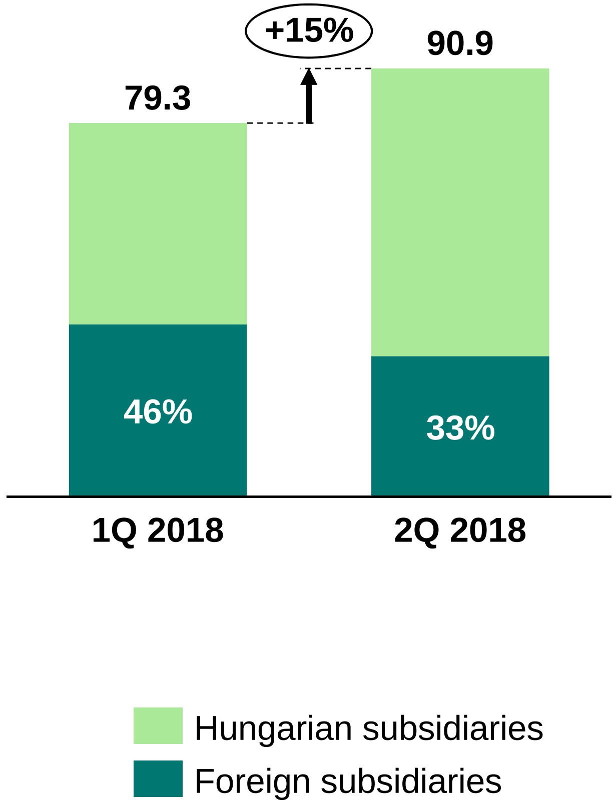
Adjusted profit after tax



Adjustments (after tax)	**1H 2017**	**1H 2018**
Banking tax	-14.9	-14.9
Other	3.4	-0.7 [1]
Total	-11.5	-15.6

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

Adjusted profit after tax



[1] Of which: -HUF 1.4 billion: effect of acquisitions; +0.5: goodwill impairment charges and tax effect related to the recognition and reversal of impairment charges booked in relation to investments in certain subsidiaries; +0.3 dividends and net cash transfer.

In 2Q 2018 mainly the acquisition-related integration costs pushed the balance of adjustment items into negative territory

(in HUF billion)	1H 2017	1H 2018	Y-o-Y	2Q 17	1Q 18	2Q 18	Q-o-Q	Y-o-Y
Consolidated after tax profit (accounting)	**133.6**	**154.6**	**16%**	**80.7**	**65.1**	**89.5**	**38%**	**11%**
Adjustments (total)	**-11.5**	**-15.6**	**36%**	**2.4**	**-14.2**	**-1.4**	**-90%**	
Dividends and net cash transfers (after tax)	0.3	0.3	-13%	0.2	0.1	0.2	34%	-18%
Goodwill/investment impairment charges (after tax)	-0.3	0.5		-0.8	0.0	1 0.5		
Special tax on financial institutions (after corporate income tax)	-14.9	-14.9	0%	-0.2	-14.7	-0.2	-99%	10%
Impact of fines imposed by the Hungarian Competition Authority (after tax)	0.2	0.0		0.0	0.0	0.0		
Effect of acquisitions (after tax)	3.2	-1.4		3.2	0.4	2 -1.8		
Consolidated adjusted after tax profit	**145.0**	**170.1**	**17%**	**78.3**	**79.3**	**90.9**	**15%**	**16%**

1 +HUF 0.5 billion (after tax): tax effect related to the recognition and reversal of impairment charges booked in relation to investments in certain subsidiaries; also, at OTP Real Estate Lease there was a goodwill write-off.

2 -HUF 1.8 billion acquisition effect (after tax) was related mainly to integration costs at Splitska banka and Vojvodjanska banka.

1H profit before tax (without one-offs) grew by 15% y-o-y (+13% without acquisitions) supported by the 8% growth of total income (+2% without acquisitions) and moderating risk costs

(in HUF billion)	17 1H	18 1H	Y/Y	18 1H without M&A[1]	Y/Y without M&A[1]	17 2Q	18 1Q	18 2Q	Q/Q	Y/Y
Consolidated adjusted after tax profit	**145.0**	**170.1**	**17%**	**161.8**	**15%**	**78.3**	**79.3**	**90.9**	**15%**	**16%**
Corporate tax	-21.5	-21.3	-1%	-19.7	-3%	-12.1	-10.4	-10.9	4%	-10%
Profit before tax	166.5	191.5	15%	181.5	13%	90.3	89.7	101.8	13%	13%
Total one-off items	2.8	3.4	21%	3.4	21%	2.9	-1.8	5.3		83%
Result of the Treasury share swap agreement	2.8	3.4	21%	3.4	21%	2.9	-1.8	5.3		83%
Profit before tax (adjusted, without one-offs)	**163.7**	**188.0**	**15%**	**178.1**	**13%**	**87.4**	**91.5**	**96.5**	**5%**	**10%**
Operating profit without one-offs	186.0	191.4	3%	179.4	-1%	97.3	92.8	98.6	6%	1%
Total income without one-offs	393.3	426.3	8%	393.7	2%	204.5	206.3	219.9	7%	8%
Net interest income	269.1	289.5	8%	267.1	1%	136.9	143.6	145.9	2%	7%
Net fees and commissions	98.3	106.3	8%	98.8	2%	53.8	49.6	56.7	14%	6%
Other net non interest income without one-offs	25.9	30.5	18%	27.7	10%	13.8	13.1	17.3	32%	25%
Operating costs	-207.3	-234.9	13%	-214.3	6%	-107.3	-113.5	-121.4	7%	13%
Total risk cost	-22.3	-3.4	-85%	-1.3	-95%	-9.8	-1.3	-2.1	60%	-79%

[1] The 1H 2018 numbers and y-o-y changes without acquisitions do not include the contribution from the Croatian Splitska banka and the Serbian Vojvodjanska banka and their Leasing companies.

otpbank

1H after tax profit of OTP Core grew by 6% y-o-y. The consolidated growth of profitability was mainly supported by the improving performance of the Croatian, Ukrainian, Serbian and Montenegrin operations

		1H 2017	1H 2018	Y/Y		2Q 2017	1Q 2018	2Q 2018	Q/Q	Y/Y
		in HUF billion				in HUF billion				
Consolidated adjusted		**145.0**	**170.1**	**17%**		**78.3**	**79.3**	**90.9**	**15%**	**16%**
OTP Core (Hungary)		90.2	95.4	6%		49.4	39.1	56.3	44%	14%
DSK (Bulgaria)		25.4	24.1	-5%		12.0	11.3	12.9	14%	7%
OBRu[1] (Russia)	11.2	15.1	12.8	14%	5.9	7.5	7.2	5.6	-22%	-5%
Touch Bank[1] (Russia)		-3.8	-			-1.6	-	-		
OBH (Croatia, with Splitska banka)		5.1	12.2	140%		6.9	7.7	4.5	-41%	-35%
OBU (Ukraine)		5.8	11.3	94%		2.5	5.8	5.4	-7%	117%
OBR (Romania)		0.9	1.4	59%		-0.4	1.5	-0.1		
OBSrb (Serbia, with Vojvodjanska banka)		-1.5	1.6			-1.5	0.6	1.0	73%	
OBS (Slovakia)		-0.3	-0.1			-0.4	0.8	-0.9		
CKB (Montenegro)		0.0	1.4			-0.1	0.7	0.7	-1%	
Leasing (HUN, RO, BG, CR)		4.2	4.8	13%		2.1	2.5	2.3	-7%	7%
OTP Fund Management (Hungary)		2.0	1.9	-7%		1.0	1.1	0.8	-23%	-17%
Corporate Centre and others		2.0	3.5	73%		0.8	1.1	2.4	124%	192%

[1] Starting from 1Q 2018 the performance of Touch Bank is presented as part of OBRu (OTP Bank Russia). Until 4Q 2017 Touch Bank was presented separately.

otpbank

Miscellaneous

Update on the M&A transactions	On 2 August 2018 OTP Bank announced that DSK Bank signed an acquisition agreement on purchasing 99.74% shareholding of Société Générale Expressbank (SGEB), the Bulgarian subsidiary of Société Générale Group, and other local subsidiaries held by SGEB. Furthermore, OTP Bank signed an acquisition agreement on purchasing 88.89% shareholding of Banka Société Générale Albania, the Albanian subsidiary of Société Générale Group. The financial closing of the transactions is expected in 4Q 2018, subject to obtaining all the necessary regulatory approvals.

Fine-tuning of the macro-prudential toolset by the NBH

National Bank of Hungary decided to amend the regulation on the payment-to-income (PTI) ratio, in order to further promote fixed rate mortgages. Effective from 1 October 2018, in the case of taking out a new HUF denominated mortgage loan the debtor's total monthly debt service cannot exceed certain % of their regular net monthly income.

At the same time, the preferential weight of monthly instalments in the case of mortgages with at least 5Y repricing period will be repealed (currently only 85% of their monthly instalment must be included in the numerator in the PTI ratio).

Pursuant to the release, the central bank doesn't expect a major negative volume effect due to the changes, as borrowers aren't stretched typically from the income side.

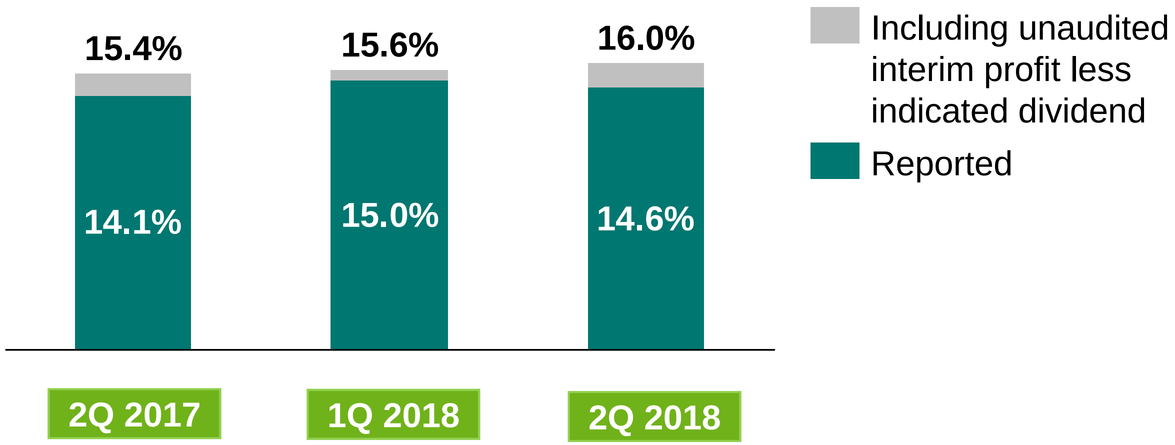
From 1 July 2019 the decree will facilitate the higher PTI ratios for borrowers with more than HUF 500 thousand monthly net income, up from the current HUF 400 thousand.

PTI limits for HUF mortgages	Period of mortgage repricing: Less than 5Y	At least 5Y, but less than 10Y	At least 10Y
Under HUF 400 th monthly net income	25%	35%	50%
Over HUF 400 th monthly net income	30%	40%	60%

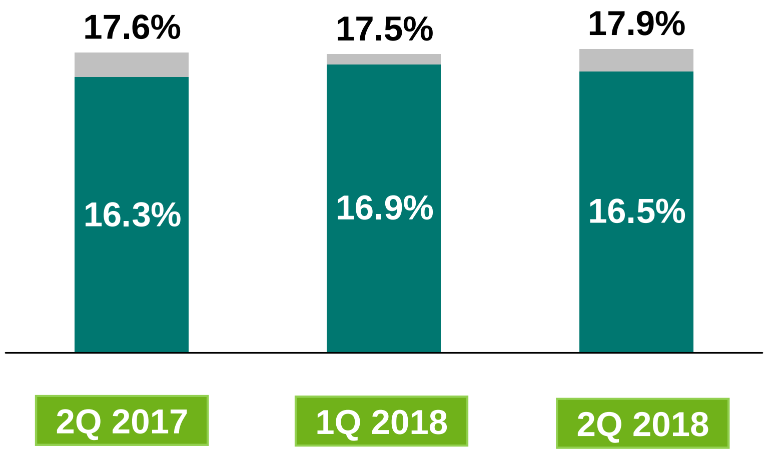
Stage 3 volumes on consolidated level	At the end of 2Q 2018 the correct consolidated Stage 3 loan volume was HUF 942.2 billion, implying a Stage 3 rate of 11.1% (against HUF 903.9 billion and 10.6% reported in the Half-Year Financial Report). Tab No. 7 (Risk indicators) in the Analyst tables has been amended accordingly on OTP website. Standalone subsidiary banks' data have been presented correctly, but a technical error occurred calculating the consolidated figure. No change in the Stage 2 figures.

Strong capital and liquidity position coupled with robust internal capital generation make room for strong organic growth and further acquisitions

Development of the fully loaded CET1 ratio of OTP Group



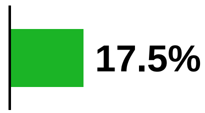
Development of the CAR ratio of OTP Group



Net liquidity reserves
(in EUR billion equivalent)

External debt[1]
(in EUR billion equivalent)

Net liquidity buffer / total assets (%)



Consolidated net loan to deposit ratio

[1] Senior bonds, mortgage bonds, bilateral loans

otpbank

Bulgaria

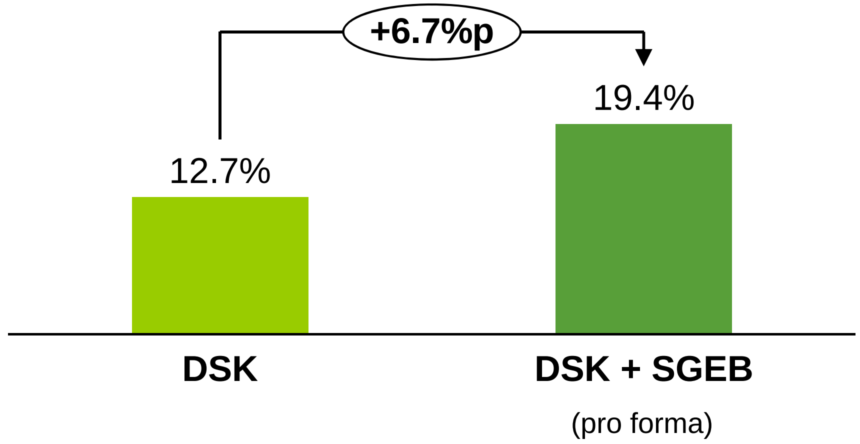
In Bulgaria DSK Bank signed and agreement on purchasing the 7th biggest bank, Societe Generale Expressbank (SGEB)

Market shares in the Bulgarian banking sector
(1Q 2018, million EUR)

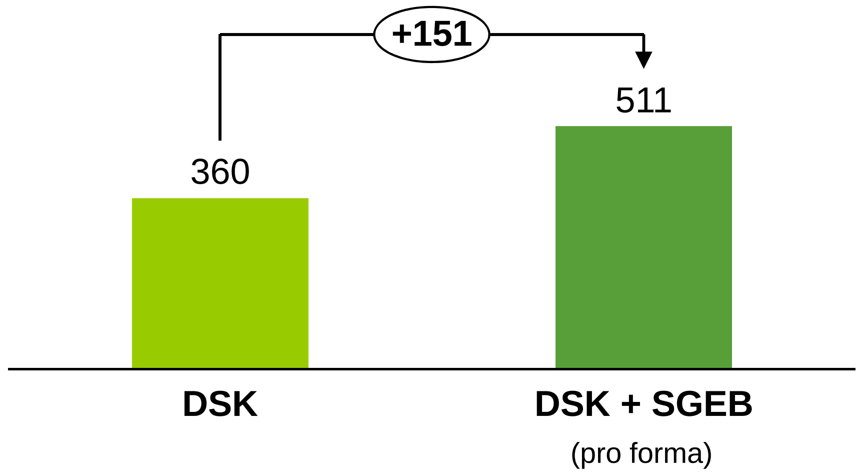
	Bank	Total assets	Market share
1.	**DSK+SGEB*** (pro forma)	**9,690**	**19.4%**
1.	UniCredit Bulbank	9,593	19.2%
2.	**DSK Bank**	**6,323**	**12.7%**
3.	United Bulgarian Bank	5,410	10.8%
4.	First Investment Bank	4,316	8.7%
5.	Eurobank Bulgaria	3,842	7.7%
6.	Raiffeisenbank	3,615	7.2%
7.	**SG Expressbank**	**3,367**	**6.7%**
8.	Central Cooperative Bank	2,779	5.6%

Source: Bulgarian National Bank

Market share by total assets before and after the acquisition*
(pro forma, based on 1Q 2018 data)



Number of branches before and after the acquisition
(based on 4Q 2017 data)



* Including other assets being part of the transaction

Bulgaria

Societe Generale Expressbank (SGEB) has been running a steadily profitable operation for the last couple of years; in 2017 its profit after tax reached HUF 17 billion, which translates into an ROE of close to 15%

Main components of balance sheet

2017 (in HUF billion)	DSK	SGEB	DSK + SGEB (pro forma)
Total assets	1,926	1,109	3,035
Net loans	1,140	704	1,844
Retail	793	227	1,020
Corporate	347	477[1]	823
Customer deposits	1,726	828	2,554
Retail	1,541	522	2,064
Corporate	185	305	490

Main components of P&L account and indicators

2017 (in HUF billion)	DSK	SGEB	DSK + SGEB (pro forma)
Total income	108	42	150
Operating cost	-47	-17	-64
Total risk cost	-9	-5	-15
Profit after tax	47	17	64
ROE	20.0%	14.6%	18.2%
ROA	2.5%	1.6%	2.2%

[1] Including Leasing and Factoring stocks.

otpbank

Albania

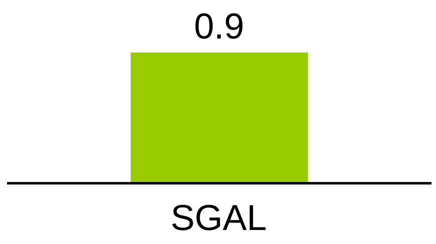
In Albania OTP signed and agreement on purchasing the 5th biggest bank, Societe Generale Albania (SGAL); as a result the market share will reach 5.7%

Market shares in the Albanian banking sector
(1Q 2018, million EUR)

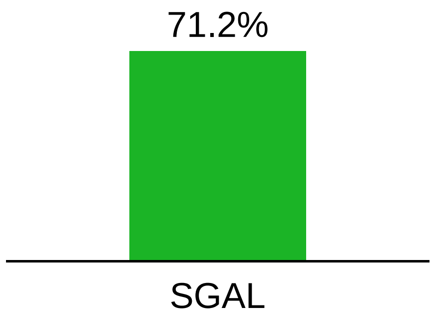
	Bank	Total assets	Market share
1.	National Commercial Bank	3,091	28.0%
2.	Raiffeisen Bank Albania	1,837	16.6%
3.	Credins Bank	1,387	12.6%
4.	Intesa Sanpaolo Bank Albania	1,220	11.0%
5.	**Societe Generale Albania**	**633**	**5.7%**
6.	Alpha Bank Albania	583	5.3%
7.	Tirana Bank	582	5.3%
8.	Union Bank	363	3.3%

Source: Albanian Association of Banks

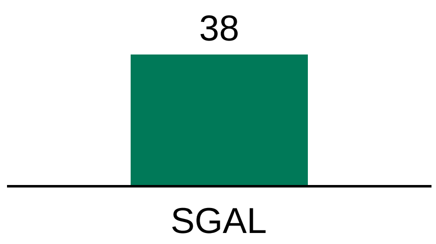
Profit after tax
(2017, in HUF billion)



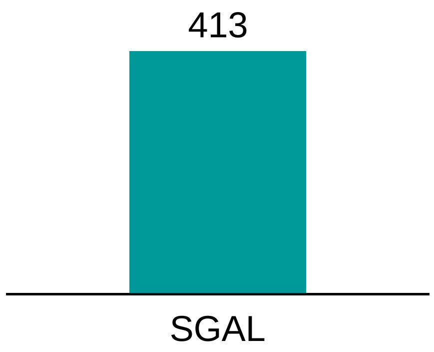
Net loan to deposit ratio
(based on 4Q 2017 data)



Number of branches
(based on 4Q 2017 data)



Number of employees
(based on 4Q 2017 data)



Total income grew by 8% y-o-y in 1H 2018, driven mainly by the acquisitions, without those the yearly dynamics would have been 2%. The q-o-q increase was due to improving business activity and seasonality

Effect of acquisitions

TOTAL INCOME without one-off items	1H 2018 (HUF billion)	2Q 2018 (HUF billion)	1H 2018 Y-o-Y (HUF billion)	1H 2018 Y-o-Y (%)	2Q 2018 Q-o-Q (HUF billion)	2Q 2018 Q-o-Q (%)
OTP Group	426	220	9 / 33	2%[1]/8%	14	7%
OTP CORE (Hungary)	187	98	4	2%	8	9%
DSK (Bulgaria)	52	25	-1	-3%	-1	-5%
OBRu[3] (Russia)	63	31	-2	-4%/9%[2]	0	-1%/3%[2]
OBH (Croatia)	38	20	0 / 14	0%[1]/58%	2	9%
OBU (Ukraine)	20	11	4	22%/34%[2]	2	17%/7%[2]
OBR (Romania)	14	7	0	-1%	1	12%
OBSrb (Serbia)	14	7	1 / 10	17%[1]/254%	1	11%
OBS (Slovakia)	7	4	-1	-16%	0	2%
CKB (Montenegro)	5	3	0	10%	0	8%
Others	25	14	6	34%	2	18%

1 At OTP Core the y-o-y growth was mainly driven by the stronger net interest income supported by dynamic organic loan growth and higher Other net non-interest income; the q-o-q increase was shaped by further improving NII and surging net fee income as a result of a base effect.

2 As a result of ongoing asset repricing, margin erosion at DSK had a negative impact on NII offsetting the positive effect of higher performing loan volumes; stronger net fee income only partly mitigated that effect.

3 The Russian total revenues grew by 9% y-o-y in RUB terms, mainly due to stronger NII and net fees. Approx. 2% of that is related to the inclusion of Touch Bank. The same core revenue lines supported 2Q income growth. The reported 4% y-o-y and 1% q-o-q decrease was due the weaker RUB.

4 The y-o-y increase at OBH was entirely due to the Splitska acquisition. The q-o-q improvement in 2Q reflects positive calendar effect through higher NII and seasonally stronger net fee revenues. In 2Q the 2% weaker average HUF rate against HRK helped, too.

[1] Changes without acquisitions.
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

The net interest income grew moderately y-o-y even without acquisitions. On quarterly basis accelerating business activity and a positive calendar effect were the key drivers of growth

Effect of acquisitions

NET INTEREST INCOME	1H 2018 (HUF billion)	2Q 2018 (HUF billion)	1H 2018 Y-o-Y (HUF billion)	1H 2018 Y-o-Y (%)	2Q 2018 Q-o-Q (HUF billion)	2Q 2018 Q-o-Q (%)
OTP Group	289	146	4 / 20	1.4%[1]/8%	2	2%
OTP CORE (Hungary)	120	60	3	3%	0	1%
DSK (Bulgaria)	34	16	-2	-6%	-1	-8%
OBRu[3] (Russia)	50	25	-3	-6%/6%[2]	0	-2%/2%[2]
OBH (Croatia)	27	14	0 / 9	0%[1]/54%	1	4%
OBU (Ukraine)	14	8	3	26%/39%[2]	2	29%/18%[2]
OBR (Romania)	11	5	0	-2%	0	6%
OBSr (Serbia)	10	5	0 / 7	9%[1]/235%	0	8%
OBS (Slovakia)	6	3	-1	-17%	0	-1%
CKB (Montenegro)	4	2	0	8%	0	6%
Merkantil (Hungary)	6	3	1	13%	0	4%
Corporate Centre	3	2	1	81%	0	35%
Others	6	3	2	70%	0	-4%

1. At OTP Core the 3% y-o-y growth in 1H was due to expanding loans, but the placement of excess liquidity as a result of deposit inflow also generated additional interest revenues. The q-o-q increase was shaped mainly by further growth in loan volumes, especially in the cash loan and corporate segments.

2. At DSK ongoing margin contraction outweighed the positive effect of higher loan volumes. The q-o-q decline was due to an accounting correction made in 2Q, negatively affecting the q-o-q NII dynamics by HUF 1.8 billion. Without this the NII would have grown by 1% q-o-q.

3. The Russian NII increased both q-o-q and y-o-y in RUB terms as a result of the favourable balance sheet changes.

4. In Ukraine NII was supported by strong business activity and improving margins; higher interest rate environment was coupled with stronger interest revenues, whereas borrowing costs remained stable.

[1] Changes without acquisitions.
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

On a quarterly basis the Group's performing loans expanded by 5%. Hungary and Bulgaria posted accelerating growth rates in retail; Hungarian mortgage growth reached 2% over the quarter, within that housing loans rose by 3%

Q-o-Q performing (DPD0-90) loan volume changes in 2Q 2018, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	OBS (Slovakia)	CKB (Montenegro)
Total	5%	6%	3%	3%	4%	10%	5%	12%	1%	22%
Consumer	3%	5%	3%	4%	1%	15%	1%	7%	1%	0%
Mortgage	2%	2%	4%		0%	-8%	1%	4%	2%	3%
Corporate[1]	9%	10%	4%	-4%	8%	11%	10%	18%	0%	47%

Core (Hungary) Mortgage 2%:

Housing loan	Home equity
3%	-2%

[1] Loans to MSE and MLE clients and local governments.

Consolidated performing loans increased by 17% y-o-y, within that the organic part was 13%. Hungarian consumer and corporate growth was around 20%, mortgages rose by 4%; in Bulgaria the mortgage growth stepped up to double-digit

Y-o-Y performing (DPD0-90) loan volume changes in 2Q 2018, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu[3] (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	OBS (Slovakia)	CKB (Montenegro)
Total	17% / 13%[2]	13%	12%	33%	4%	24%	12%	300% / 21%[2]	2%	41%
Consumer	19% / 14%[2]	18%	6%	35%	2%	76%	13%	325% / 31%[2]	0%	-1%
Mortgage	6% / 5%[2]	4%	12%		2%	-22%	4%	417% / 22%[2]	7%	10%
Corporate[1]	23% / 18%[2]	22%	19%	40%	6%	23%	22%	263% / 15%[2]	-2%	97%

Core (Hungary) Mortgage breakdown:

Housing loan	Home equity
8%	-8%

[1] Loans to MSE and MLE clients and local governments.
[2] Without the effect of Vojvodjanska banka acquisition.
[3] The y-o-y changes are affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

Household loan disbursements showed strong dynamics at OTP Core and almost all foreign subsidiaries

Y-o-Y change of new disbursements (in local currency) – 1H 2018

	Core (Hungary)	DSK (Bulgaria)	OBRu[2] (Russia)	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	OBS (Slovakia)	CKB (Montenegro)
Mortgage loan	35%	72%		27%		11%	78%	-2%	30%
Housing loan	37%								
Home equity	14%								
Cash loan[1]	61%	15%	33%	51%	74%	15%	21%	4%	-19%

[1] Including POS loan disbursements in case of DSK (Bulgaria), OBRu (Russia) and OBU (Ukraine)
[2] The change is affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

The consolidated deposit base increased by 14% y-o-y, the 12% organic growth was driven by steady inflows in Hungary, and strong Russian, Ukrainian, Romanian and Serbian performances

Q-o-Q deposit volume changes in 2Q 2018, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)[3]	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	OBS (Slovakia)	CKB (Monte-negro)
Total	1%	1%	3%	6%	2%	-6%	3%	5%	-1%	5%
Retail	2%	3%	2%	3%	-1%	7%	4%	2%	-1%	1%
Corporate[1]	0%	-2%	7%	15%	8%	-14%	1%	10%	-2%	10%

Y-o-Y deposit volume changes in 2Q 2018, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)[3]	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	OBS (Slovakia)	CKB (Monte-negro)
Total	14% / 12%[2]	15%	9%	25%	6%	12%	13%	327% / 15%[2]	-1%	9%
Retail	11% / 8%[2]	11%	10%	23%	0%	17%	10%	435% / 8%[2]	-4%	5%
Corporate[1]	20% / 17%[2]	20%	3%	31%	17%	9%	15%	231% / 22%[2]	3%	15%

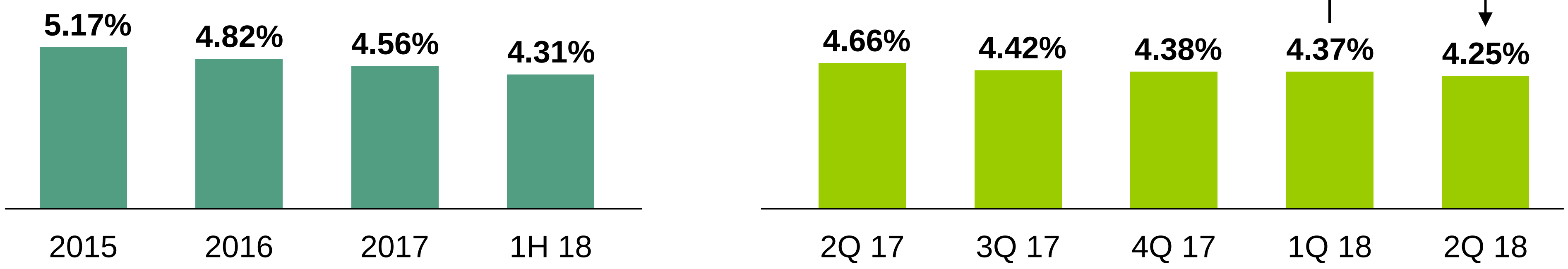
[1] Including SME, LME and municipality deposits
[2] Without the effect of Vojvodjanska banka acquisition.
[3] The y-o-y changes are affected by the inclusion of Touch Bank into OTP Bank Russia from 2018.

The consolidated net interest margin eroded by 12 bps q-o-q in, as a result 1H NIM declined by 6 bps compared to 4Q 2017

Net interest margin (%)

OTP Group

In 2Q 2018 the net interest margin eroded by **12 bps[1]** q-o-q.



Interest rate effect: **-10 bps**

Capturing asset and liability side interest rate changes as well as one-off items.

o/w:	**OTP Core**	**-5 bps**
	DSK Bank	**-6 bps[1]**
	OTP Russia	**-2 bps**
	OTP Ukraine	**+3 bps**

Composition effects: **-4 bps**

Capturing the weight changes within the Group in LCY terms.

FX rate changes: **+2 bps**

The q/q appreciating average UAH rate against HUF increased the contribution of the high margin Ukrainian business towards the consolidated NIM.

o/w:	**OTP Ukraine**	**+2 bps**

[1] At DSK a one-off accounting correction booked in 2Q 2018 related to IFRS 9 reduced the q-o-q NII dynamics by HUF 1.8 billion – both on DSK and consolidated level. Filtering this out, the consolidated NIM would have stood at 4.35% in 1Q and 4.28% in 2Q 2018, therefore the quarterly decline would have been 7 bps. Adjusted NIMs for DSK: 1Q 3.50%, 2Q 3.45%, -5 bps q-o-q.

At OTP Core the declining margin trend remained in place. The steep margin decline at DSK was predominantly caused by a one-off accounting correction. The Russian margin dropped by 30 bps due to increasing funding costs. The Ukrainian spreads benefitted from the higher rate environment and better corporate margins

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

	2016	2017	1H 18	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	
OTP Core Hungary	3.48	3.22	3.01	3.27	3.14	3.16	3.06	2.97	1
DSK Bank Bulgaria	4.60	3.85	3.48	3.91	3.86	3.72	3.69	3.27	2
Adjusted:							3.50	3.45	
OTP Bank Russia[1]	17.81	16.91	15.76	17.60	16.43	15.65	15.90	15.60	3
OTP Bank Croatia	3.54	3.27	3.03	3.67	3.06	3.02	3.01	3.05	
OTP Bank Romania	3.40	3.27	3.26	3.65	3.47	2.34	3.25	3.27	
OTP Bank Ukraine	9.02	7.46	8.51	6.73	7.66	7.72	7.90	9.05	4

1

At OTP Core the q-o-q NIM erosion was driven by:

- The average volume of liquid assets with very low margin increased q-o-q due to liquidity management purposes and thus diluted the overall margin, despite newly purchased government bonds in 2Q carried higher average yield than the maturing ones.
- The average interest rate of the outstanding mortgage stock declined by 10 bps q-o-q, for 2 reasons:
  - In 2Q the average interest rate of newly disbursed mortgage loans was lower than the average interest rate of the total portfolio.
  - The repricing of the old subsidized mortgage book continued.
- In 2Q the average rate of 3M BUBOR increased marginally, by 7 bps q-o-q and the 6M BUBOR by 9 bps, respectively. The increase in the rate environment, however, did not generate higher interest revenues due to the time lag in repricing.

2

At DSK the steep NIM decline was related to an accounting correction booked in 2Q 2018, affecting the q-o-q NII dynamics by -HUF 1.8 billion. Filtering this out, the 1Q 2018 Bulgarian NIM would have been **3.50%** and the 2Q NIM would have stood at **3.45%**, thus the q-o-q margin erosion would have been only 5 bps.

3

The Russian margin dropped to around the 4Q 2017 level after the temporary boost from lower funding costs in 1Q 2018.

4

The Ukrainian NIM further improved q-o-q, supported by widening corporate margins and the contained funding costs amid declining deposit volumes and the increasing interest rate environment.

[1] Including Touch Bank from 1Q 2018.

The net fee income grew by 2% y-o-y without the effect of acquisitions; the 14% q-o-q increase was due to numerous base effects, but stronger business activity also fuelled the growth

Effect of acquisitions

NET FEE INCOME	1H 2018 (HUF billion)	2Q 2018 (HUF billion)	1H 2018 Y-o-Y (HUF billion)	1H 2018 Y-o-Y (%)	2Q 2018 Q-o-Q (HUF billion)	2Q 2018 Q-o-Q (%)
OTP Group	106	57	2 / 8	2%[1]/8%	7	14%
OTP CORE (Hungary)	53	29	-1	-2%	5	22%
DSK (Bulgaria)	14	7	1	7%	1	8%
OBRu[3] (Russia)	13	7	1	8%/22%[2]	0	4%/8%[2]
OBH (Croatia)	8	4	0 / 3	-2%[1]/74%	1	17%
OBU (Ukraine)	5	3	1	13%/24%[2]	0	13%/3%[2]
OBR (Romania)	2	1	0	12%	0	7%
OBSrb (Serbia)	3	2	0 / 3	15%[1]/291%	0	12%
OBS (Slovakia)	2	1	0	-10%	0	7%
CKB (Montenegro)	1	1	0	22%	0	28%
Fund mgmt. (Hungary)	3	2	0	2%	0	-10%

1 The y-o-y decline at Core is reasoned by lower distribution fees on certain household targeted government bonds, while the q-o-q surge is explained mainly by stronger business activity and a base effect and a technical item:
- HUF 1.6 billion card-related FTT for the whole year booked in 1Q in a lump-sum;
- the accounting of contributions payable into the Compensation Fund and also the related tax deductions induced altogether HUF 2.3 billion q-o-q net fee income improvement.

2 Stronger business activity was the key driver behind y-o-y and q-o-q F&C growth at all major foreign subsidiaries. In Ukraine and Russia y-o-y weaker local currencies helped this line, too. In Russia cash loans sold with insurance policies, as well as card-related fee income propelled F&C in particular.

3 The y-o-y increase at CKB is reasoned by the fact that deposit insurance fees booked earlier within net fees were shifted to the operating cost line. The q-o-q surge was fuelled by higher card, transaction and security related fee income.

[1] Changes without acquisitions.
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

The 1H other net non-interest income rose by 10% without acquisitions, partially due to a technical change and higher FX gains at OTP Core

Effect of acquisitions

OTHER INCOME without one-off items	1H 2018 (HUF billion)	2Q 2018 (HUF billion)	1H 2018 Y-o-Y (HUF billion)	1H 2018 Y-o-Y (%)	2Q 2018 Q-o-Q (HUF billion)	2Q 2018 Q-o-Q (%)
OTP Group	30	17	3 / 5	10%[1]/18%	4	32%
OTP CORE (Hungary)	15	8	2	15%	2	35%
DSK (Bulgaria)	4	2	0	-6%	-1	-26%
OBRu[3] (Russia)	0	0	0	-59%	0	6%
OBH (Croatia)	3	2	0 / 1	5%[1]/60%	0	32%
OBU (Ukraine)	1	0	0	16%/30%[2]	0	-55%
OBR (Romania)	2	1	0	-3%	0	63%
OBSrb (Serbia)	1	1	0 / 1	143%[1]/361%	0	46%
OBS (Slovakia)	0	0	0	-41%	0	37%
CKB (Montenegro)	0	0	0	270%	0	-528%
Others	5	3	1	40%	2	156%

1 At OTP Core the improvement was mainly attributable to better FX-result realized in 2Q 2018, and a technical item drove other revenues higher, too. Certain revenue and expenditure items in relation to intragroup services were not eliminated on consolidation from 2Q 2018, and the eliminations booked in 1Q 2018 were reversed in 2Q 2018. This affected the q-o-q development of other income, net fee income and operating expenses at OTP Core, explaining HUF 0.6 billion q-o-q improvement in the other income. On the other hand, operating costs went up by HUF 0.5 and fee expenditures by HUF 0.1 billion (ceteris paribus).

2 The q-o-q improvement was partially related to asset sale at the Other Hungarian subsidiaries.

[1] Changes without acquisitions.
[2] Changes in local currency.
[3] Starting from 1Q 18 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 17 Touch Bank was presented separately.

Operating costs grew 13% y-o-y in 1H 2018, whereas without acquisitions the increase was 7.5% on an FX-adjusted basis

Effect of acquisitions

Effect of Touch Bank inclusion in 1H 2018

OPERATING COSTS – 1H 2018 (HUF billion)		Y-o-Y (HUF bn)	Y-o-Y (%)	Y-o-Y (FX-adj., HUF bn)	Y-o-Y (FX-adj., %)
OTP Group	235	11 / 28	**5.6%[1]** / 13%	15 / 31	**7.5%[1]** / 15%
OTP CORE (Hungary)	108	6	6%	6	6% (1)
DSK (Bulgaria)	24	2	7%	1	6%
OBRu[2] (Russia)	30	0 / 4	-1%[3]/14%	2 / 7	11%[3]/29% (2)
OBH (Croatia)	21	0 / 8	-1%[1]/58%	0 / 8	-2%[1]/55%
OBU (Ukraine)	8	0	0%	1	10% (3)
OBR (Romania)	10	1	13%	1	14% (4)
OBSrb (Serbia)	12	0 / 8	11%[1]/236%	0 / 8	5%[1]/217%
OBS (Slovakia)	6	1	14%	1	12% (5)
CKB (Montenegro)	4	1	16%	0	14% (6)
Merkantil (Hungary)	3	0	8%	0	8%

(1) OTP Core: higher personnel expenses (+7%) as higher average headcount (+4%) and salary hikes (avg. wage inflation in financial sector in 1H: 8.6%) couldn't be offset by reduced social and health care contributions (-2.5 pps from 2018). Amortization went up by 10%. Other expense growth was also shaped by stronger business activity, and the accounting change of intragroup services from 2018 resulted in a HUF 0.5 billion additional cost in 1H.

(2) Russia: 11% FX-adjusted growth w/o Touch Bank. Bulk of that was personnel expenses-driven: the average headcount w/o agents grew by 4% coupled with a 11.6% y-o-y nominal wage inflation in 1H. Stronger business activity resulted in higher variable costs: marketing expenses doubled and postal and telco costs grew materially.

(3) Ukraine: increasing personnel expenses amid 26% wage inflation in 1H y-o-y, and other cost growth induced by stronger business activity (real estate-related costs +16%, marketing costs +12%).

(4) Romania: employers' wage costs went up by ~9% in the financial sector y-o-y, the avg. headcount at OBR went up by 6%, explained by soaring volumes. Marketing expenses were up by around 50%.

(5) Slovakia: Higher personnel expenses (+15%, explained partly by higher bonuses; headcount +3% on avg.), 50% higher marketing budget.

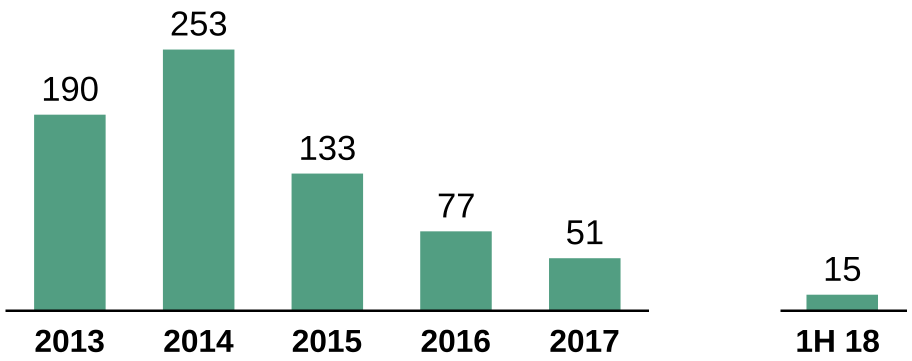
(6) CKB: FX-adj. cost growth HUF 0.5 billion, o/w 0.4 billion was due to reclassification: deposit protection fees were shifted from net fees to operating costs.

[1] Without the OPEX of the newly consolidated entities due to the Splitska and Vojvodjanska transactions.
[2] Starting from 1Q 2018 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 2017 Touch Bank was presented separately.
[3] Without the effect of inclusion of Touch Bank in 1H 2018.

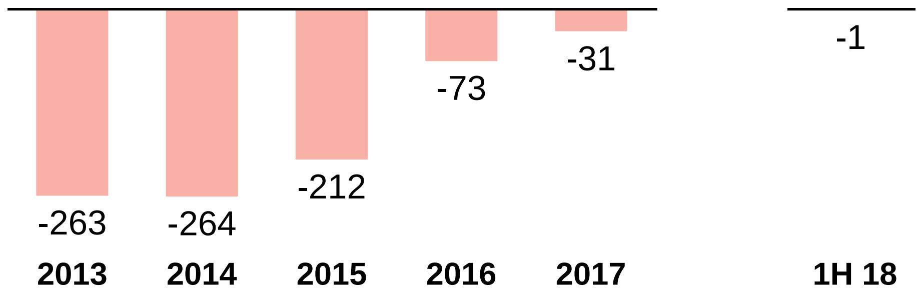
otpbank

Credit quality indicators kept further improving. The risk cost rate was close to zero in the first half of 2018

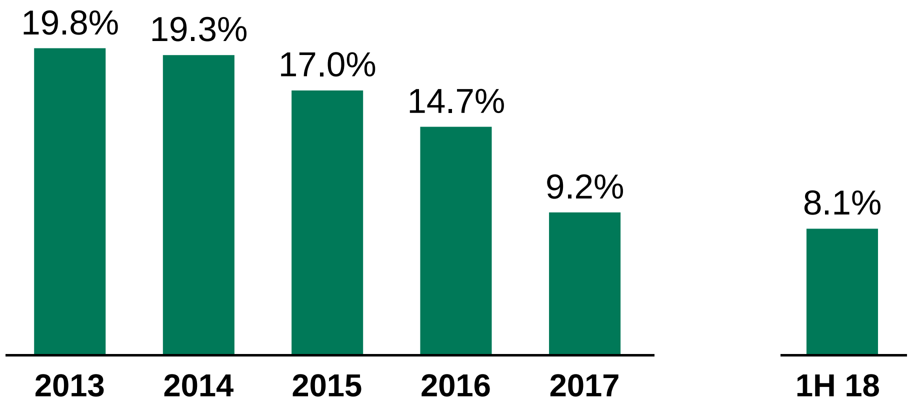
Change in DPD90+ loan volumes (consolidated, adjusted for FX and sales and write-offs, in HUF billion)



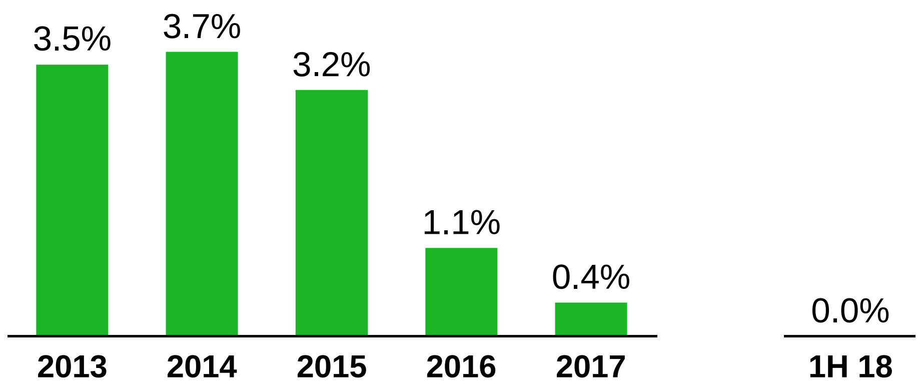
Consolidated risk cost for possible loan losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans

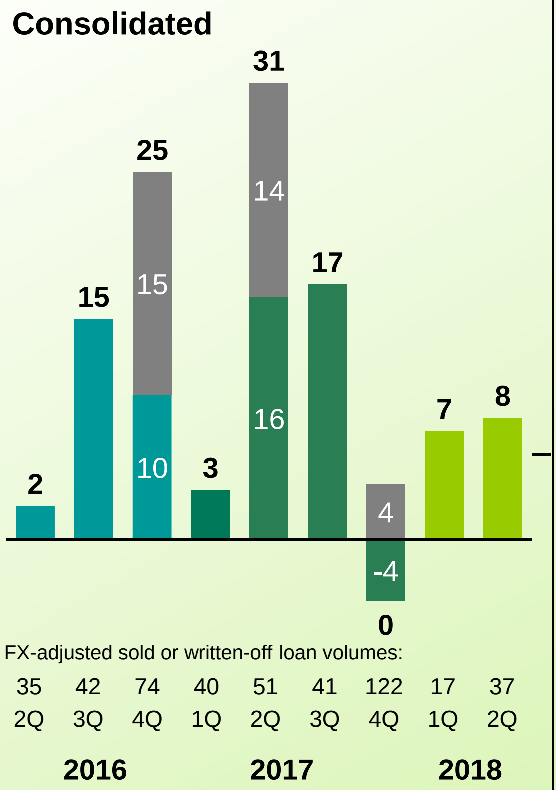


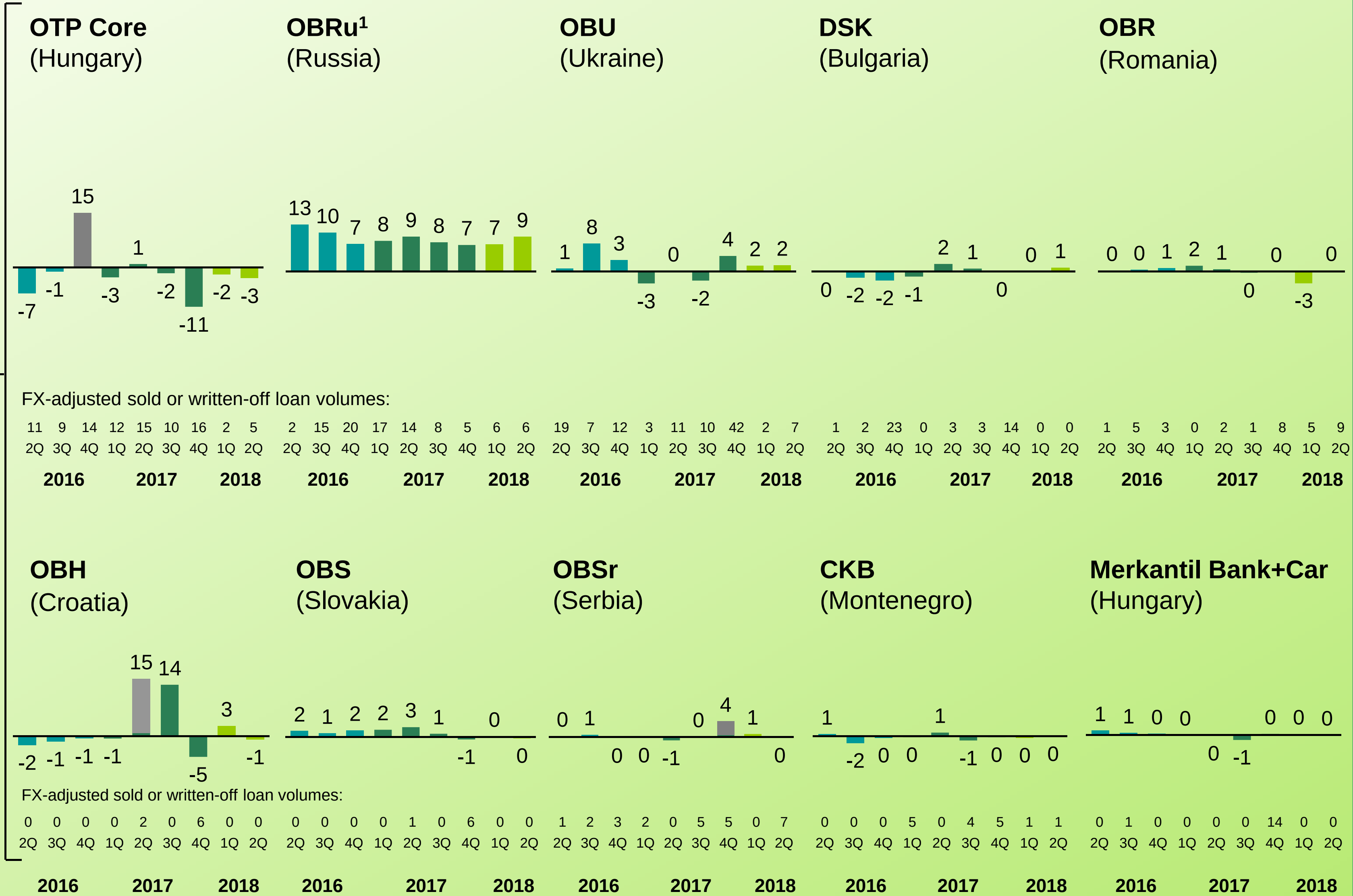
Consolidated risk cost rate



In 2Q 2018 the consolidated DPD90+ formation was subdued; 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 4Q 2016 the portfolio of **AXA**, in 2Q 2017 that of **Splitska banka** and in 4Q 2017 that of **Vojvodjanska banka** was consolidated.

[1] Including Touch Bank from 1Q 2018.

OTP Core

The 1H profit of OTP Core grew by 6% as declining operating result was offset by higher positive risk costs. In 2Q the 44% quarterly jump was owing to bouncing back net fees, better risk costs and higher one-off revenue items

OTP CORE (in HUF billion)	1H 2017	1H 2018	Y-o-Y	2Q 17	1Q 18	2Q 18	Q-o-Q	Y-o-Y
Profit after tax	**90.2**	**95.4**	**6%**	**49.4**	**39.1**	**56.3**	**44%**	**14%**
Corporate tax	-11.5	-8.1	-29%	-6.4	-3.5	-4.6	31%	-27%
Before tax profit	**101.7**	**103.5**	**2%**	**55.7**	**42.6**	**60.9**	**43%**	**9%**
Operating profit w/o one-off items	81.4	79.1	-3%	43.3	38.0	41.2	8%	-5%
Total income w/o one-off items	183.1	187.1	2%	95.2	89.5	97.6	9%	2%
Net interest income	116.3	119.5	3%	58.7	59.5	60.0	1%	2%
Net fees and commissions	54.2	53.0	-2%	29.9	23.8	29.2	22%	-2%
Other net non interest income without one-offs	12.7	14.6	15%	6.6	6.2	8.4	35%	27%
Operating costs	-101.7	-108.0	6%	-51.8	-51.6	-56.4	9%	9%
Total risk costs	17.5	20.9	19%	9.5	6.5	14.4 (1)	122%	52%
Total one-off items	2.8	3.4	21%	2.9	-1.8	5.3 (2)		83%

1 On the total risk costs line a positive amount of HUF 20.9 billion was recognized in 1H 2018, 19% more than a year ago. 2Q total risk costs represented a positive amount of HUF 14.4 billion.

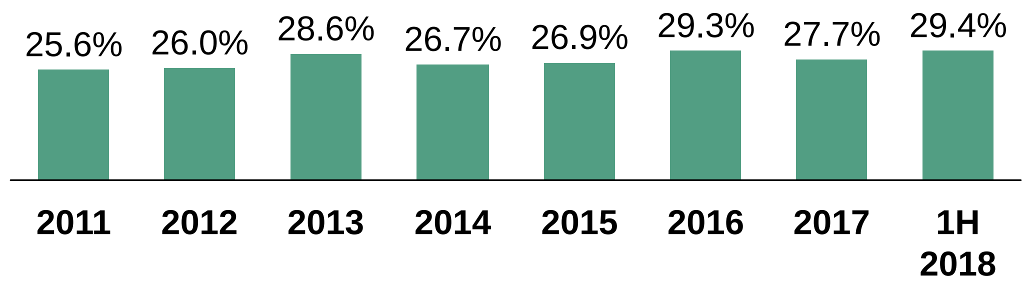
2 The *Revaluation result of the treasury share swap agreement* showed among the one-off items caused HUF 7.1 billion q-o-q improvement. On this line -HUF 1.8 billion negative revaluation result was recorded in 1Q 2018. The reason for this was that according to the structure of the swap agreement, the extraordinary dividend announced by MOL Plc. reduced that net present value component of the swap deal which relates to the dividends. The realization of the extraordinary dividend in 2Q 2018 neutralized the negative NPV-effect booked in 1Q. In 2Q 2018 both the extraordinary dividend (HUF 1.7 billion) and the normal dividend (HUF 3.4 billion) paid by MOL Plc. was presented on this line in the total amount of HUF 5.1 bn.

OTP Core

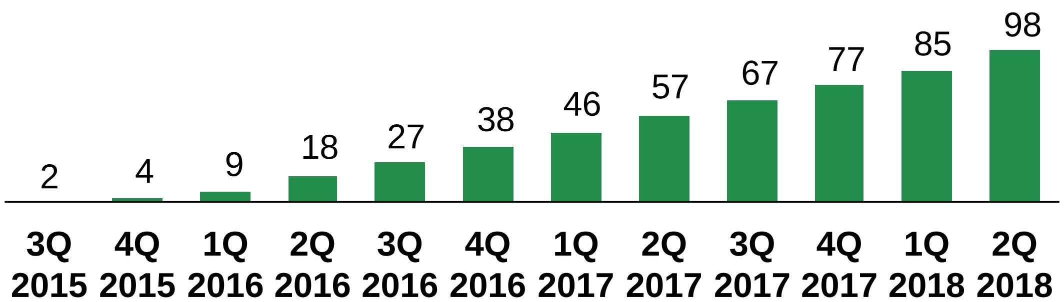
Mortgage loan disbursement momentum remained strong in Hungary. OTP enjoys a dominant and even improving market share in new mortgage and cash loan disbursements, as well as in retail savings

Change of mortgage loan application and disbursement of OTP Bank (1H 2018, y-o-y changes)

OTP's market share in mortgage loan contractual amounts

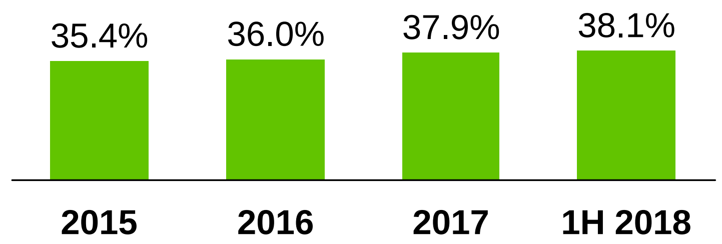


The cumulative amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)

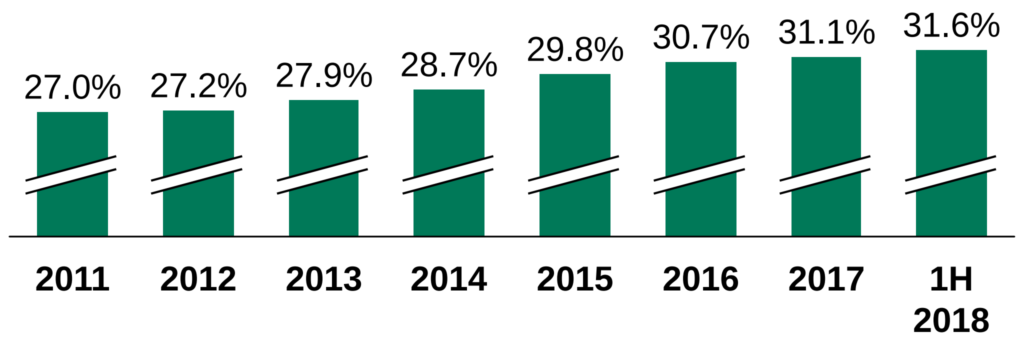


Performing cash loan volume growth (y-o-y , FX-adjusted)

Market share in newly disbursed cash loans



OTP Bank's market share in household savings

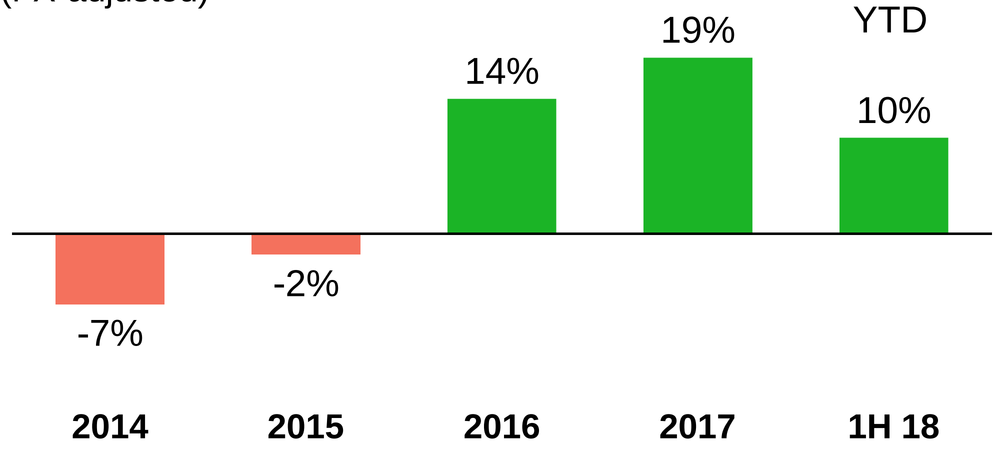


otpbank

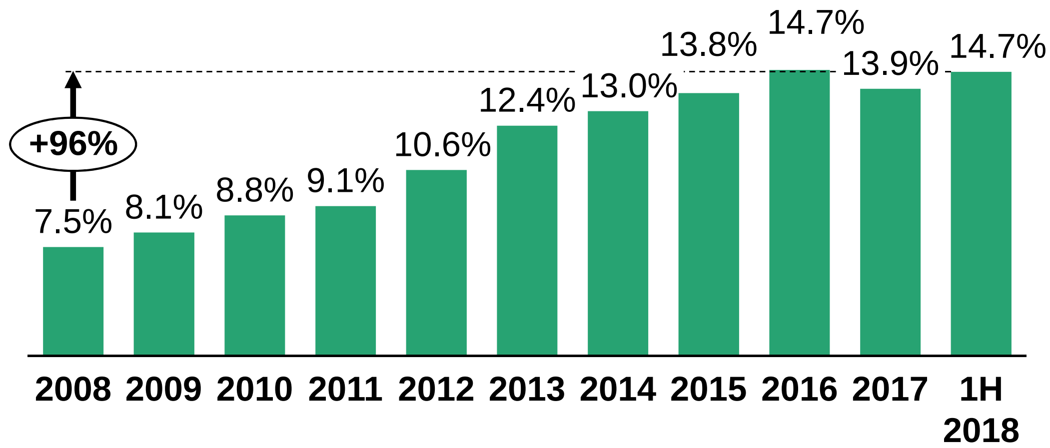
OTP Core

Corporate business had a successful 6M period, too: volumes grew further and corporate lending market share improved by 0.8 pp ytd; the bank was also active in commercial factoring and disbursement of EU funds

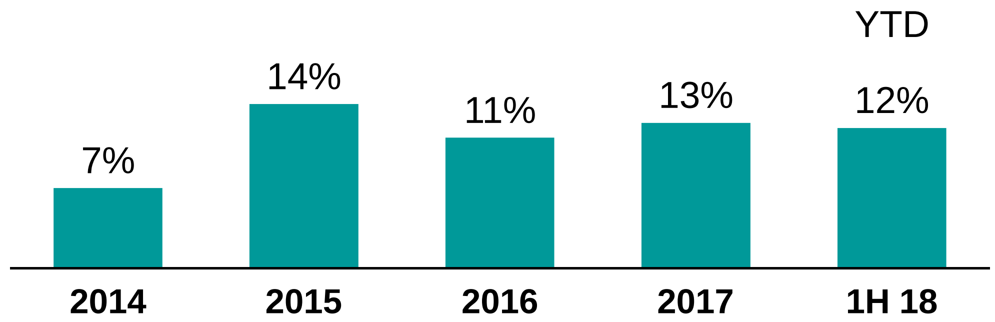
Performing medium and large corporate loan volume change (FX-adjusted)



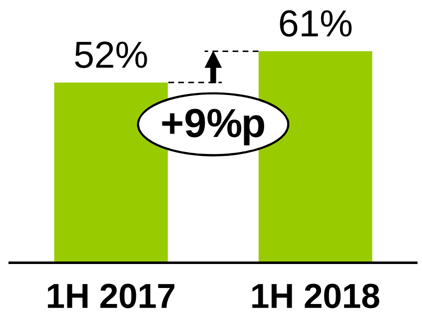
OTP Group's market share in loans to Hungarian companies[1]



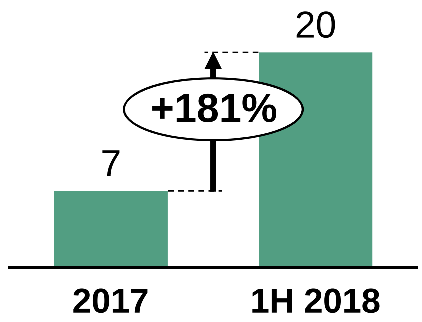
Performing loan volume change at micro and small companies (FX-adjusted)



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

Forward looking statements

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of OTP Bank. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this announcement should be construed as a guaranteed profit forecast.

otpbank

Investor Relations & Debt Capital Markets

Tel: + 36 1 473 5460; + 36 1 473 5457

Fax: + 36 1 473 5951

E-mail: investor.relations@otpbank.hu

www.otpbank.hu