



OTP Bank Plc.

Half-year Financial Report First half 2019 result

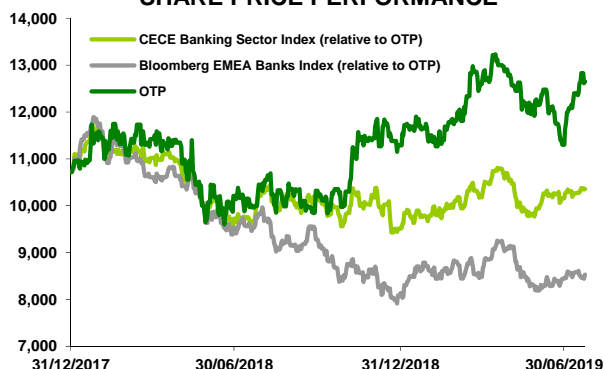
(English translation of the original report submitted
to the Budapest Stock Exchange)

Budapest, 9 August 2019

CONSOLIDATED FINANCIAL HIGHLIGHTS¹ AND SHARE DATA

Main components of the Statement of recognised income in HUF million	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Consolidated after tax profit	154,570	177,959	15%	89,520	72,581	105,378	45%	18%
Adjustments (total)	-15,573	-24,671	58%	-1,358	-17,819	-6,852	-62%	405%
Consolidated adjusted after tax profit without the effect of adjustments	170,144	202,630	19%	90,878	90,400	112,230	24%	23%
Pre-tax profit	191,467	227,928	19%	101,771	101,826	126,102	24%	24%
Operating profit	191,381	232,935	22%	98,551	108,758	124,177	14%	26%
Total income	426,277	498,994	17%	219,942	239,716	259,278	8%	18%
Net interest income	289,491	333,360	15%	145,877	162,670	170,690	5%	17%
Net fees and commissions	106,312	124,048	17%	56,733	57,223	66,825	17%	18%
Other net non-interest income	30,473	41,586	36%	17,332	19,823	21,763	10%	26%
Operating expenses	-234,896	-266,059	13%	-121,391	-130,958	-135,101	3%	11%
Total risk costs	-3,358	-10,583	215%	-2,069	-6,197	-4,385	-29%	112%
One off items	3,444	5,576	62%	5,289	-735	6,310	-959%	19%
Corporate taxes	-21,324	-25,298	19%	-10,893	-11,426	-13,872	21%	27%
Main components of balance sheet closing balances in HUF million	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	14,590,288	16,458,378	13%	14,213,426	16,107,501	16,458,378	2%	16%
Total customer loans (net, FX adjusted)	8,156,354	9,474,300	16%	7,671,339	9,143,435	9,474,300	4%	24%
Total customer loans (gross, FX adjusted)	8,828,389	10,157,364	15%	8,433,014	9,832,406	10,157,364	3%	20%
Allowances for possible loan losses (FX adjusted)	-672,036	-683,064	2%	-761,675	-688,971	-683,064	-1%	-10%
Total customer deposits (FX adjusted)	11,372,773	12,699,825	12%	10,796,058	12,469,218	12,699,825	2%	18%
Issued securities	417,966	385,398	-8%	305,109	381,912	385,398	1%	26%
Subordinated loans	81,429	81,532	0%	83,513	81,201	81,532	0%	-2%
Total shareholders' equity	1,826,657	1,992,844	9%	1,707,376	1,870,102	1,992,844	7%	17%
Indicators based on adjusted earnings ²	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROE (from accounting net earnings)	19.1%	18.9%	-0.1%p	21.9%	15.9%	21.9%	6.0%p	0.0%p
ROE (from adjusted net earnings)	21.0%	21.6%	0.6%p	22.3%	19.7%	23.3%	3.6%p	1.1%p
ROA (from adjusted net earnings)	2.5%	2.6%	0.0%p	2.7%	2.4%	2.8%	0.4%p	0.1%p
Operating profit margin	2.85%	2.95%	0.10%p	2.87%	2.84%	3.05%	0.21%p	0.18%p
Total income margin	6.35%	6.32%	-0.03%p	6.41%	6.26%	6.38%	0.11%p	-0.04%p
Net interest margin	4.31%	4.22%	-0.09%p	4.25%	4.25%	4.20%	-0.05%p	-0.06%p
Cost-to-asset ratio	3.50%	3.37%	-0.13%p	3.54%	3.42%	3.32%	-0.10%p	-0.22%p
Cost/income ratio	55.1%	53.3%	-1.8%p	55.2%	54.6%	52.1%	-2.5%p	-3.1%p
Provision for impairment on loan and placement losses-to-average gross loans ratio	0.02%	0.19%	0.18%p	0.00%	0.24%	0.15%	-0.10%p	0.14%p
Total risk cost-to-asset ratio	0.05%	0.13%	0.08%p	0.06%	0.16%	0.11%	-0.05%p	0.05%p
Effective tax rate	11.1%	11.1%	0.0%p	10.7%	11.2%	11.0%	-0.2%p	0.3%p
Net loan/(deposit+retail bond) ratio (FX adjusted)	71%	75%	4%p	71%	73%	75%	1%p	4%p
Capital adequacy ratio (consolidated, IFRS) - Basel3	16.5%	17.4%	0.9%p	16.5%	16.5%	17.4%	0.9%p	0.9%p
Tier1 ratio - Basel3	14.6%	15.9%	1.3%p	14.6%	14.9%	15.9%	0.9%p	1.3%p
Common Equity Tier 1 ('CET1') ratio - Basel3	14.6%	15.9%	1.3%p	14.6%	14.9%	15.9%	0.9%p	1.3%p
Share Data	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
EPS diluted (HUF) (from unadjusted net earnings)	590	678	15%	342	277	402	45%	18%
EPS diluted (HUF) (from adjusted net earnings)	650	773	19%	347	346	429	24%	24%
Closing price (HUF)	10,210	11,300	11%	10,210	12,600	11,300	-10%	11%
Highest closing price (HUF)	11,750	13,230	13%	11,590	12,980	13,230	2%	14%
Lowest closing price (HUF)	9,600	11,270	17%	9,600	11,270	11,300	0%	18%
Market Capitalization (EUR billion)	8.7	9.8	12%	8.7	11.0	9.8	-11%	12%
Book Value Per Share (HUF)	6,098	7,117	17%	6,098	6,679	7,117	7%	17%
Tangible Book Value Per Share (HUF)	5,472	6,429	17%	5,472	5,974	6,429	8%	17%
Price/Book Value	1.7	1.6	-5%	1.7	1.9	1.6	-16%	-5%
Price/Tangible Book Value	1.9	1.8	-6%	1.9	2.1	1.8	-17%	-6%
P/E (trailing, from accounting net earnings)	9.5	9.3	-2%	9.5	10.8	9.3	-14%	-2%
P/E (trailing, from adjusted net earnings)	9.2	8.8	-4%	9.2	10.5	8.8	-16%	-4%
Average daily turnover (EUR million)	18	16	-9%	18	18	15	-17%	-20%
Average daily turnover (million share)	0.5	0.4	-17%	0.6	0.5	0.4	-18%	-31%

SHARE PRICE PERFORMANCE



MOODY'S RATINGS

OTP Bank – FX long term deposits	Baa3
OTP Bank – Subordinated Foreign Currency Debt	Ba1
OTP Mortgage Bank – Covered mortgage bond	Baa1

S&P GLOBAL RATINGS

OTP Bank and OTP Mortgage Bank – FX Long term credit rating	BBB-
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DAGONG GLOBAL RATING

OTP Bank – FX long term credit rating	BBB+
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FITCH'S RATING

OTP Bank Russia – Long term credit rating	BB+
Expressbank Bulgaria – Long term credit rating	BB+

¹ Structural adjustments made on consolidated IFRS profit and loss statement together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of the Report.

² Due to a statistical error performance measures for 1Q 2019 having either average balance sheet or average shareholders' equity in their denominator were revised retroactively (for instance, in the 1Q 2019 Financial Report the quarterly NIM was shown at 4.28%, but the correct number is 4.25%). In the 1H Financial Report all relevant indicators reflect the correct number.

HALF-YEAR FINANCIAL REPORT – OTP BANK’S RESULTS FOR FIRST HALF 2019

Financial Report of the first half 2019 results of OTP Bank Plc. has been prepared on the basis of its non-audited separate and consolidated IFRS financial statements for 30 June 2019 or derived from that. However, for the purpose of incorporating the quarterly results into the calculation of the regulatory capital, similar to the first quarter, OTP Bank in co-operation with the auditor conducted a review according to ISRE 2410 auditing standards in case of the consolidated second quarter result. Furthermore, the Bank will make an audit on its standalone 1H 2019 results which will be available after the Financial Report.

At presentation of the first half 2019 report of OTP Bank the International Financial Reporting Standards adopted by the European Union have been applied.

SUMMARY OF THE FIRST HALF AND SECOND QUARTER 2019

After achieving one of the fastest 1Q 2019 GDP growth within the European Union of 5.3% there is a good chance that the dynamic expansion of the Hungarian economy will endure for the rest of this year. The three major engines of growth are as follows: household consumption supported by wage increase and improving employment, strong investment activity and a capacity-growth of the export-oriented companies.

According to the 2020-2023 convergence programme submitted to Brussels the Hungarian Government expects above 4% economic growth, gradually declining budget deficit and public indebtedness and employment piercing 70% by the end of the period. On 12 July the parliament approved the 2020 Budget under which 4% GDP growth, 1% fiscal deficit to GDP (with special reserves set aside in the amount of 1% of GDP) and an average 2.6% inflation are targeted.

With the major central banks making rate cuts or in their communications hinting doing so, and also amid European growth perspectives becoming dire, the Monetary Council of NBH left monetary conditions unchanged in 2Q 2019 and its communication tilted towards upholding those conditions for a longer period of time.

Parallel with the overall yield environment tightening the Hungarian Government yields dropped massively by the end of the period. The 3M BUBOR reference rate on the contrary widened from 18 bps to 25 bps.

On the sector level household lending kept growing in 1H 2019: consumer loan disbursements grew by 30% y-o-y, housing loans increased by 13%. In 2Q contractual volumes advanced by 24 and 25% q-o-q, respectively. The already announced government measures partially aimed at boosting the demography indicators (baby shower funding, village 'CSOK' and the extension of 'CSOK'; CSOK is the Hungarian abbreviation for Housing Subsidy Scheme for Families) and effective from 1st July 2019 might generate additional loan demand for the rest of the year. In line with the intention of NBH out of newly originated mortgages the weight of loans with one year or longer fixing period already reached around 96% by the end of June 2019.

1Q 2019 GDP data in general suggested favourable macroeconomic trends in CEE economies: the growth is stable, balance indicators kept improving except Romania, the benign interest rate environment coupled with low penetration levels support a relatively strong lending activity. In 2Q few countries enjoyed rating upgrades, too: Croatia gained investment grade rating ('BBB-' from Fitch, whereas Slovenia got 'AA-' from S&P Global. In July 2019 the Croatian Government officially submitted its application for joining ERM (Exchange Rate Mechanism) II. On 26 July ECB completed its stress test and asset quality review (AQR) in the context of the Bulgarian application to join the banking union.

In Russia the international sanctions, as well as the higher VAT rates effective from January 2019 apparently have negative impact on growth: this year the economic expansion may hover in the 1.2-1.4% range. Declining inflation and the stable RUB, however allowed the CBR to cut rates: by the end of June the base rate stood at 7.5% (on 26 July CBR cut rates again, to 7.25%).

In Ukraine the political forces behind Volodymyr Zelensky, the recently elected president had a massive victory in the early parliamentary elections. Financial markets reacted positively: UAH strengthened against USD and the sovereign FX debt yields tightened substantially. Prior to the elections in June the country managed to come back to the EUR bond markets after 15 years of absence through printing a heavily oversubscribed 7-year issue. The growth guidance for 2019 has been recently lifted by the finance minister (to 3%).

Consolidated earnings: HUF 202.6 billion adjusted after tax profit in 1H (2Q: HUF 112.2 billion) with 4.22% semi-annual NIM, decelerating operating expense growth, moderate risk costs and q-o-q accelerating loan volume increase

In order to easily compare actual figures with those in the management's 2019 guidance, we will also display the semi-annual data adjusted for the Albanian and Bulgarian acquisitions (FX-adjusted).

The consolidated 2Q 2019 financial statements already incorporated the Albanian subsidiary's contribution. Recall: given the financial closure

being completed on 30 March 2019, the consolidated financial statements for 1Q 2019 incorporated only the balance sheet of the Albanian subsidiary.

The Montenegrin and Moldavian acquisitions were financially completed on 16 July 2019 and 25 July 2019. None of their impact was reflected in 1H 2019 financial statements.

1H 2019 consolidated accounting after tax profit was HUF 178 billion (+15% y-o-y).

The total volume of adjustment items (after tax) in 1H represented -HUF 24.7 billion, o/w -HUF 6.9 arose in 2Q. The material items were as follows:

- -HUF 4.4 billion goodwill write-off and investment impairment (after tax), mainly related to the Romanian subsidiary. In the valuation model the new organic growth strategy had a negative impact given the substantial front-loaded cost requirements, but the recently introduced banking tax also took its toll through the profitability estimations;
- -HUF 1.9 billion as a negative result on the optional conversion of the Serbian CHF mortgage exposure into EUR;
- -HUF 0.8 billion acquisition impact (after tax);
- -HUF 195 million banking tax at the Slovakian subsidiary (after tax);
- +HUF 432 million dividend and net cash transfer (after tax).

In 1H 2019 OTP Group posted HUF 202.6 billion adjusted after-tax profit underpinning a 19% y-o-y increase. The profit already incorporated the net results of Express Group and the Albanian subsidiary, adjusted for that the 1H profit would be HUF 191.6 billion. The performance of OTP Core improved by 2% y-o-y and comprised HUF 97.4 billion. DSK Bank's net profit (HUF 24.4 billion) remained stable q-o-q and still the second largest contribution across the Group. There was a substantial earnings improvement at the Croatian (HUF 17.4 billion) and the Ukrainian subsidiaries (HUF 16 billion), independently comprising significant stand-alone contributions (in both case +42% y-o-y). The Russian operation also posted higher 1H profit (HUF 13.9 billion), as well as all other foreign subsidiaries. The Bulgarian Expressbank contributed almost HUF 10 billion into the first six months consolidated profit.

As a result, the profit contribution of foreign subsidiaries increased y-o-y (1H 2018: 39%, 1H 2019: 45%).

The adjusted ROE of the Group reached 21.6% in 1H 2019, +0.6 pp y-o-y. Similar to the previous periods the Ukrainian subsidiary excelled itself with a ROE above 47%.

1H 2019 total income grew dynamically, by 17% y-o-y (without the Bulgarian and Albanian acquisitions +11%). All income lines demonstrated material increase mainly as a result of accelerating business activity, but the weakening average HUF in 1H against the local currencies of subsidiaries also played a role. Within total income 1H net interest income grew by 15% y-o-y (HUF 333.4 billion), whereas the net fee and commission income surged by 17% (HUF 124 billion). Adjusted for the acquisitions the NII would be HUF 315.2 billion, and net F&C HUF 118.7 billion, respectively. Other net non-interest income reached HUF 41.6 billion in 1H 2019 (HUF 40.5 without acquisitions).

The consolidated 1H income margin (6.32%) showed only a marginal decline (-3 bps y-o-y), the reported net interest margin eroded by 9 bps to 4.22%. However, adjusted for acquisitions 1H NIM would be 4.33%, i.e. underpinning a 3 bps improvement over the average 2018 NIM. During the first six months most of the Group members suffered a net interest margin erosion, a more significant drop was witnessed at the Bulgarian and Russian operations, whereas the 1H net interest margin improved y-o-y at OTP Core and OTP Ukraine.

Amongst the factors shaping the NIM the underlying interest rate environment played a decisive role: during 1H the Ukrainian and Russian base rate decreased by 50 and 25 bps, the long end of the Hungarian yield curve also tightened substantially (80-100 bps). At the same time the average 3M BUBOR for 1H moved up by 10 bps y-o-y. Besides, NIMs were affected by the intensifying business activity, competition and also, the composition effect moving into a more favourable direction: compared to the base period in case of the household segment both the underwriting activity and volume growth accelerated, simultaneously the corporate segment enjoying robust growth in recent years somewhat slowed down.

1H operating expenses grew by 13% y-o-y. Adjusted for the Bulgarian and Albanian subsidiaries the FX-adjusted growth was 8%.

In 2Q 2019 OTP Group posted HUF 112.2 billion adjusted after tax profit (+23% y-o-y, +24% q-o-q) which is an all-time high quarterly result. Within that the Albanian subsidiary posted HUF 1.2 billion and Expressbank another 4.6 billion. The consolidated adjusted 2Q ROE increased to 23.3% (+3.6 pps q-o-q).

Key components of the improving quarterly profitability: the operating income grew by HUF 15.4 billion (+14% q-o-q), adjusted by the Bulgarian and Albanian subsidiaries +HUF 7.4 billion. At the same time total risk costs comprised -HUF 4.4 billion, HUF 1.8 billion less q-o-q. Furthermore, out of the quarterly profit dynamics HUF 7 billion is explained by the MOL-OTP own share swap agreement

booked amongst one-offs. Out of that, the dividend paid by MOL in June represented HUF 5.7 billion.

For the fair assessment of 2Q earnings one should consider that the average HUF exchange rate against almost all subsidiary currencies weakened q-o-q: by 1.6% against the Bulgarian and Croatian currencies, by around 6% against UAH and by 5% against RUB.

The expansion of the quarterly total income comfortably exceeded that of operating expenses (+HUF 4.1 billion q-o-q, adjusted for acquisitions +HUF 2.8 billion).

Out of total income 2Q net interest income grew by 17% y-o-y (+5% q-o-q). Adjusted for acquisition the NII increased by 7% y-o-y.

2Q net interest margin adjusted for acquisitions (4.33%) improved by 8 bps y-o-y. The net fee and commission income in 2Q leaped by 17% q-o-q (same magnitude without acquisitions) partly due to base effect (see more details in OTP Core) and also to stronger seasonal performance.

Other net non-interest income grew by 10% q-o-q (same pace without acquisitions).

Operating costs grew by 3% q-o-q, within that personal expenses increased by 5%, whereas amortization costs expanded by 7% q-o-q. Despite administrative costs remained flat q-o-q, on the back of stronger business activity marketing expenses surged by 30% and rental fee grew substantially, too.

As a result of favourable income dynamics and decelerating cost increase 2Q cost-to-income ratio (52.1%) dropped by 2.5 pps q-o-q, whereas the cost-to-asset ratio (3.32%) improved by 10 bps.

The growth of the FX-adjusted performing (Stage 1+2) loan portfolio accelerated in 2Q, as a result the FX-adjusted loan book expanded by HUF 1,315 billion, +15% for the first six month including the impact of the Bulgarian and Albanian acquisitions. Without them the performing portfolio organically grew by HUF 412 billion ytd (+5%), within that by 4% q-o-q in 2Q (FX-adjusted).

Regarding the individual performances in q-o-q Stage 1+2 volume changes, the Ukrainian and OTP Core operations demonstrated the strongest portfolio growth, but the Montenegrin, Romanian and Croatian subsidiaries also posted decent results. The Russian and Serbian volumes stagnated.

As for the major credit categories in 2Q the Stage 1+2 corporate book grew the fastest (+7% q-o-q, without acquisitions), the micro and small corporate portfolio increased by 5% q-o-q, the consumer book by 4% and the mortgage exposure by 2%. Due to the strengthening disbursement activity the volume of the Hungarian housing loans grew by 3% q-o-q,

ytd by more than 4%. Simultaneously, the home equity loans portfolio kept further eroding.

In 2Q the FX-adjusted deposit portfolio grew by 2% q-o-q and by 18% y-o-y; adjusted by the Bulgarian and Albanian entities, volumes increased by 8% y-o-y. As a result, the consolidated net loan-to-deposit ratio grew q-o-q and came close to 75%.

At the end of 2Q 2019 gross operative liquidity reserves of the Group comprised EUR 7.2 billion equivalent.

In line with the improving macroeconomic environment and the steadily good recovery results of the work-out activity, risk indicators in total improved. By the end of 2Q 2019 Stage 3 rate was 7.7% (-0.5 pp q-o-q); the own provision coverage of Stage 3 loans was 65.8% (+0.8 pp q-o-q). The DPD90+ ratio dropped to 5.5% (-0.4 pp q-o-q).

The DPD90+ volumes (adjusted for FX and the effect of sales and write-offs) grew by HUF 23 billion in 2Q 2019, bulk of the q-o-q increase was related to the Russian subsidiary, and to a smaller extent to the Romanian and Ukrainian operations. At the same time DPD90+ volumes declined at OTP Core and OTP Bank Croatia.

Stage 1+2 volumes comprised HUF 9,375 billion, their ratio to total gross loans was 92.3%, of which the Stage 1 ratio stood at 86.8% and Stage 2 at 5.5%.

The consolidated 2Q risk cost rate was 15 bps (1Q 2019: 24 bps, 2018 average: 23 bps).

2Q total risk costs comprised -HUF 4.4 billion, of which provisions for loan losses represented -HUF 3.6 billion. Similar to previous quarters OTP Core had positive risk costs. However, partially due to higher disbursement volumes, risk cost increased q-o-q at the Russian operation.

Consolidated capital adequacy ratio (in accordance with BASEL III)

At the end of June 2019 the consolidated Common Equity Tier1 ratio under IFRS – including the semi-annual net result less dividend – was 15.9%. This ratio equals to the Tier1 ratio. Regarding the calculation method of the deductible dividend on 10 May 2019 NBH issued a resolution. Accordingly, the amount of the dividend to be deducted should be calculated as the multiple of the consolidated accounting profit and the average dividend pay-out ratio for the preceding three years (22.4%). The 1H consolidated accounting profit represented HUF 177.8 billion, as a result the dividend amount deductible from adjusted capital for 1H comprised HUF 39.8 billion.

In July 2019 the financial closure of the Montenegrin and Moldavian acquisitions have been completed, their consolidation will take place in 3Q; also, the financial closure of the Serbian and Slovenian

acquisitions is in progress. In case all the four transactions had already been included in the Group as at the end of 2Q 2019, the pro forma CET1 ratio would have been lower by 2.8 pps. For the purpose of incorporating the quarterly results into the calculation of the regulatory capital, OTP Bank conducted a review according to ISRE 2410 auditing standards in case of the consolidated second quarter results.

The impact of the EUR 500 million subordinated (Tier2) bonds issued in July 2019 will be shown within 3Q regulatory capital. The 10 Non-Call 5 years Tier 2 Notes carry a fix coupon of 2.875% p.a., paid annually in the first five years. Starting from year 6 until maturity, the yearly fix coupon is calculated as the sum of the initial margin (320 basis points) and the 5 year mid-swap rate prevailing at the end of year 5.

Credit rating, shareholder structure

OTP Bank Plc.'s long term foreign-currency deposit rating by Moody's remained unchanged, i.e. it is 'Baa3' with stable outlook. The Tier2 dated instrument issued by the Bank on 15 July 2019 enjoys 'Ba1' rating. Furthermore on 17 July 2019 OTP Bank's long term local currency deposit rating improved from 'Baa2' to 'Baa1'. Simultaneously, OTP Mortgage Bank's issuer rating was upgraded by Moody's from 'Baa3' to 'Baa2' with stable outlook. OTP Mortgage Bank's covered bond rating remained 'Baa1'. From Dagong Global OTP Bank has a 'BBB+' rating, the outlook is stable. On 29 July 2019 Fitch upgraded OTP Bank Russia' 'BB' rating to 'BB+', the outlook is stable. Similar decision was made at the Bulgarian Expressbank: it was upgraded to 'BB+' from 'BB', the outlook is stable.

Regarding the ownership structure of the Bank, on 30 June 2019 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.59%), the Kafijat Ltd (7.31%), OPUS Securities SA (5.19%) and Groupama Group (5.13%).

POST BALANCE SHEET EVENTS

Hungary

- On 15 July 2019 OTP Bank Plc. issued Tier 2 Notes in the nominal amount of EUR 500 million. The Notes are listed on the Luxembourg Stock Exchange and are rated 'Ba1' by Moody's. The 10 Non-Call 5 years Tier 2 Notes carry a fix coupon of 2.875% p.a., paid annually in the first five years. Starting from year 6 until maturity, the yearly fix coupon is calculated as the sum of the initial margin (320 basis points) and the 5 year mid-swap rate prevailing at the end of year 5.
- On 12 July 2019 the National Assembly adopted the 2020 budget, accordingly the Government targets 4% GDP growth, 1% fiscal deficit and an average 2.8% inflation. By the end of 2020 public debt-to-GDP is expected to decline to 67%.
- On 17 July 2019 Moody's upgraded OTP Bank's long term local currency deposit rating from 'Baa2' to 'Baa1'. Simultaneously, OTP Mortgage Bank's issuer rating improved from 'Baa3' to 'Baa2'. The outlook is stable.

Bulgaria

- In the context of the Bulgarian application to join the banking union the European Central Bank (ECB) carried out an Asset Quality Review (AQR). The results were published on 26 July 2019, the AQR covered six Bulgarian credit institutions including DSK Bank.
- On 29 July 2019 Fitch Ratings upgraded Expressbank's issuer default ratings from 'BB' to 'BB+'. The outlook is stable.

Croatia

- On 8th July 2019 the Croatian Finance Minister and Central Bank Governor officially submitted the country's application for participating in the ERM (Exchange Rate Mechanism) II which is the prerequisite of joining the Eurozone.

Russia

- On 26 July CBR cut the base rate by 25 bps to 7.25%.
- On 26 July 2019 Fitch upgraded the Long-Term Issuer Default Ratings (IDRs) of JSC OTP Bank to 'BB+' from 'BB'. The outlook is stable.

Ukraine

- The party led by Mr Zelensky, President of Ukraine, won early elections held on 21 July 2019 with meaningful majority.

Serbia

- On 11 July 2019 the Serbian Central Bank lowered the base rate from 3% to 2.75%.

Montenegro

- On 10 July 2019 the registered capital of OTP Bank's Montenegrin subsidiary was increased, accordingly CKB's registered equity changed from EUR 136,875,398 to EUR 181,875,220.
- On 16 July 2019 the purchase of 90.56% shareholding of the Montenegrin subsidiary of Societe Generale Group, Societe Generale banka Montenegro a.d. („SGM”) by CKB has been completed. As a result of the acquisition the leading position of OTP Bank was further strengthened in the local banking sector.

Moldova

- On 25 July 2019 the financial closure of the Moldovan transaction has been completed. As a result, OTP Bank has become 96.69% owner of Mobiasbanca – Groupe Societe Generale S.A. („MBSG”), the Moldovan subsidiary of Societe Generale Group.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)³

in HUF million	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Consolidated after tax profit	154,570	177,959	15%	89,520	72,581	105,378	45%	18%
Adjustments (total)	-15,573	-24,671	58%	-1,358	-17,819	-6,852	-62%	405%
Consolidated adjusted after tax profit without the effect of adjustments	170,144	202,630	19%	90,878	90,400	112,230	24%	23%
Banks total ¹	162,722	191,419	18%	86,967	85,706	105,714	23%	22%
OTP Core (Hungary) ²	95,354	97,353	2%	56,259	39,632	57,720	46%	3%
Corporate Centre ³	2,717	2,311	-15%	1,607	1,117	1,194	7%	-26%
DSK Group (Bulgaria) ⁴	24,131	34,228	42%	12,872	17,598	16,630	-5%	29%
OTP Bank Russia ⁵	12,828	13,901	8%	5,623	6,641	7,260	9%	29%
OBH (Croatia) ⁷	12,240	17,421	42%	4,522	8,772	8,649	-1%	91%
OTP Bank Ukraine ⁸	11,283	16,011	42%	5,449	8,294	7,717	-7%	42%
OTP Bank Romania ⁹	1,368	3,626	165%	-136	1,188	2,438	105%	
OTP banka Srbija (Serbia) ¹⁰	1,563	2,991	91%	990	1,418	1,572	11%	59%
CKB (Montenegro) ¹¹	1,366	1,839	35%	678	695	1,144	65%	69%
OTP Bank Albania	-	1,206		-	-	1,206		
OBS (Slovakia) ¹²	-129	533	-514%	-899	350	183	-48%	-120%
Leasing	4,767	3,297	-31%	2,294	1,727	1,570	-9%	-32%
Merkantil Bank (Hungary) ¹³	3,199	3,297	3%	1,551	1,727	1,570	-9%	1%
Foreign leasing companies (Croatia, Bulgaria, Romania, Serbia) ¹⁴	1,568			743				
Asset Management	2,071	1,769	-15%	850	1,019	750	-26%	-12%
OTP Asset Management (Hungary)	1,896	1,741	-8%	822	1,001	740	-26%	-10%
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria) ¹⁵	176	29	-84%	28	19	10	-48%	-65%
Other Hungarian Subsidiaries	1,096	7,054	543%	1,055	2,490	4,565	83%	333%
Other Foreign Subsidiaries ¹⁶	-41	262	-734%	-80	236	26	-89%	-133%
Eliminations	-472	-1,172	148%	-209	-778	-394	-49%	89%
Total adjusted after tax profit of HUNGARIAN subsidiaries¹⁷	103,791	110,583	7%	61,085	45,189	65,394	45%	7%
Total adjusted after tax profit of FOREIGN subsidiaries¹⁸	66,352	92,047	39%	29,793	45,211	46,836	4%	57%
Share of foreign profit contribution, %	39%	45%	16%	33%	50%	42%	-17%	27%

Note: Effective from 2019 foreign leasing companies will be shown as part of their local operations.

³ Relevant footnotes are in the Supplementary data section of the Report.

CONSOLIDATED AND SEPARATE, UNAUDITED IFRS REPORTS OF OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME

Main components of the Statement of recognized income (in HUF million)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Consolidated after tax profit	154,570	177,959	15%	89,520	72,581	105,378	45%	18%
Adjustments (total)	-15,573	-24,671	58%	-1,358	-17,819	-6,852	-62%	405%
Dividends and net cash transfers (after tax)	301	609	102%	172	177	432	143%	151%
Goodwill/investment impairment charges (after tax)	476	-4,390		476	0	-4,390		
Special tax on financial institutions (after corporate income tax)	-14,912	-15,424	3%	-187	-15,229	-195	-99%	4%
Effect of acquisitions (after tax)	-1,438	-3,540	146%	-1,819	-2,768	-772	-72%	-58%
One-off impact of regulatory changes related to FX consumer contracts in Serbia	0	-1,926		0	0	-1,926		
Consolidated adjusted after tax profit without the effect of adjustments	170,144	202,630	19%	90,878	90,400	112,230	24%	23%
Before tax profit	191,467	227,928	19%	101,771	101,826	126,102	24%	24%
Operating profit	191,381	232,935	22%	98,551	108,758	124,177	14%	26%
Total income	426,277	498,994	17%	219,942	239,716	259,278	8%	18%
Net interest income	289,491	333,360	15%	145,877	162,670	170,690	5%	17%
Net fees and commissions	106,312	124,048	17%	56,733	57,223	66,825	17%	18%
Other net non-interest income	30,473	41,586	36%	17,332	19,823	21,763	10%	26%
Foreign exchange result, net	15,175	19,760	30%	7,937	9,072	10,688	18%	35%
Gain/loss on securities, net	829	5,708	588%	50	1,677	4,031	140%	
Net other non-interest result	14,468	16,119	11%	9,344	9,074	7,044	-22%	-25%
Operating expenses	-234,896	-266,059	13%	-121,391	-130,958	-135,101	3%	11%
Personnel expenses	-118,075	-131,135	11%	-60,478	-63,924	-67,211	5%	11%
Depreciation	-23,588	-25,705	9%	-12,284	-12,416	-13,289	7%	8%
Other expenses	-93,233	-109,219	17%	-48,629	-54,619	-54,600	0%	12%
Total risk costs	-3,358	-10,583	215%	-2,069	-6,197	-4,385	-29%	112%
Provision for impairment on loan and placement losses	-663	-9,239		-93	-5,616	-3,624	-35%	
Other provision	-2,695	-1,343	-50%	-1,976	-582	-762	31%	-61%
Total one-off items	3,444	5,576	62%	5,289	-735	6,310	-959%	19%
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0		0	0	0		
Result of the treasury share swap agreement at OTP Core	3,444	5,576	62%	5,289	-735	6,310	-959%	19%
Corporate taxes	-21,324	-25,298	19%	-10,893	-11,426	-13,872	21%	27%
INDICATORS	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROE (from accounting net earnings)	19.1%	18.9%	-0.1%p	21.9%	15.9%	21.9%	6.0%p	0.0%p
ROE (from adjusted net earnings)	21.0%	21.6%	0.6%p	22.3%	19.7%	23.3%	3.6%p	1.1%p
ROA (from adjusted net earnings)	2.5%	2.6%	0.0%p	2.7%	2.4%	2.8%	0.4%p	0.1%p
Operating profit margin	2.85%	2.95%	0.10%p	2.87%	2.84%	3.05%	0.21%p	0.18%p
Total income margin	6.35%	6.32%	-0.03%p	6.41%	6.26%	6.38%	0.11%p	-0.04%p
Net interest margin	4.31%	4.22%	-0.09%p	4.25%	4.20%	4.20%	-0.05%p	-0.06%p
Net fee and commission margin	1.58%	1.57%	-0.01%p	1.65%	1.50%	1.64%	0.15%p	-0.01%p
Net other non-interest income margin	0.45%	0.53%	0.07%p	0.51%	0.52%	0.54%	0.02%p	0.03%p
Cost-to-asset ratio	3.50%	3.37%	-0.13%p	3.54%	3.42%	3.32%	-0.10%p	-0.22%p
Cost/income ratio	55.1%	53.3%	-1.8%p	55.2%	54.6%	52.1%	-2.5%p	-3.1%p
Provision for impairment on loan and placement losses-to-average gross loans	0.02%	0.19%	0.18%p	0.00%	0.24%	0.15%	-0.10%p	0.14%p
Total risk cost-to-asset ratio	0.05%	0.13%	0.08%p	0.06%	0.16%	0.11%	-0.05%p	0.05%p
Effective tax rate	11.1%	11.1%	0.0%p	10.7%	11.2%	11.0%	-0.2%p	0.3%p
Non-interest income/total income	32%	33%	1%p	34%	32%	34%	2%p	0%p
EPS base (HUF) (from unadjusted net earnings)	590	678	15%	342	277	402	45%	18%
EPS diluted (HUF) (from unadjusted net earnings)	590	678	15%	342	277	402	45%	18%
EPS base (HUF) (from adjusted net earnings)	650	773	19%	347	346	429	24%	23%
EPS diluted (HUF) (from adjusted net earnings)	650	773	19%	347	346	429	24%	24%
Comprehensive Income Statement	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Consolidated after tax profit	154,570	177,958	15%	89,520	72,581	105,377	45%	18%
Fair value changes of financial instruments measured at fair value through other comprehensive income	-22,021	17,084	-178%	-17,797	15,732	1,352	-91%	-108%
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	33	14	-58%	32	-21	35	-267%	9%
Net investment hedge in foreign operations	-5,276	-573	-89%	-4,571	203	-776	-482%	-83%
Foreign currency translation difference	52,604	32,099	-39%	48,327	15,589	16,510	6%	-66%
Change of actuarial costs (IAS 19)	0	0		0	0	0		
Net comprehensive income	179,911	226,582	26%	115,513	104,084	122,498	18%	6%
o/w Net comprehensive income attributable to equity holders	179,736	226,163	26%	115,374	103,816	122,347	18%	6%
Net comprehensive income attributable to non-controlling interest	175	419	139%	139	268	151	-44%	9%
Average exchange rate¹ of the HUF (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/EUR	314	321	2%	317	318	323	2%	2%
HUF/CHF	269	284	6%	270	281	287	2%	6%
HUF/USD	260	284	9%	266	280	288	3%	8%

¹ Exchange rates presented in the tables of this report should be interpreted as follows: the value of a unit of the other currency expressed in Hungarian forint terms, i.e. HUF/EUR represents the HUF equivalent of one EUR.

CONSOLIDATED BALANCE SHEET

Main components of balance sheet in HUF million	2Q 2018	4Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y	YTD
TOTAL ASSETS	14,213,426	14,590,288	16,107,501	16,458,378	2%	16%	13%
Cash, amounts due from Banks and balances with the National Banks	1,181,072	1,547,272	1,545,143	1,504,941	-3%	27%	-3%
Placements with other banks, net of allowance for placement losses	629,013	420,606	505,397	494,745	-2%	-21%	18%
Financial assets at fair value through profit or loss	332,151	181,355	175,825	190,504	8%	-43%	5%
Securities at fair value through other comprehensive income	1,925,895	1,883,849	2,111,988	2,145,586	2%	11%	14%
Net customer loans	7,737,846	8,066,592	9,076,474	9,474,300	4%	22%	17%
Net customer loans (FX adjusted¹)	7,671,339	8,156,354	9,143,435	9,474,300	4%	24%	16%
Gross customer loans	8,501,864	8,719,342	9,758,776	10,157,364	4%	19%	16%
Gross customer loans (FX adjusted¹)	8,433,014	8,828,389	9,832,406	10,157,364	3%	20%	15%
o/w Retail loans	5,175,059	5,378,777	5,880,765	6,017,228	2%	16%	12%
Retail mortgage loans (incl. home equity)	2,532,277	2,578,065	2,744,631	2,783,673	1%	10%	8%
Retail consumer loans	2,024,698	2,162,718	2,371,434	2,452,914	3%	21%	13%
SME loans	618,084	637,995	764,700	780,641	2%	26%	22%
Corporate loans	2,955,977	3,136,963	3,630,117	3,794,060	5%	28%	21%
Loans to medium and large corporates	2,655,702	2,837,622	3,332,261	3,488,901	5%	31%	23%
Municipal loans	300,275	299,341	297,857	305,158	2%	2%	2%
Car financing loans	301,978	312,649	321,524	346,077	8%	15%	11%
Bills and accrued interest receivables related to loans	0	0	0	0		-100%	
Allowances for loan losses	-764,018	-652,751	-682,301	-683,064	0%	-11%	5%
Associates and other investments	18,672	17,592	18,485	17,422	-6%	-7%	-1%
Securities at amortized costs	1,649,681	1,740,520	1,834,932	1,792,912	-2%	9%	3%
Tangible and intangible assets, net	422,300	420,484	521,168	516,860	-1%	22%	23%
o/w Goodwill, net	102,279	91,766	107,711	102,478	-5%	0%	12%
Tangible and other intangible assets, net	320,021	328,718	413,457	414,382	0%	29%	26%
Other assets	316,796	312,018	318,089	321,108	1%	1%	3%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,213,426	14,590,288	16,107,501	16,458,378	2%	16%	13%
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	600,048	392,706	572,174	522,373	-9%	-13%	33%
Deposits from customers	10,870,394	11,285,085	12,402,053	12,699,825	2%	17%	13%
Deposits from customers (FX adjusted¹)	10,796,058	11,372,773	12,469,218	12,699,825	2%	18%	12%
o/w Retail deposits	7,822,644	8,308,483	9,131,598	9,237,853	1%	18%	11%
Household deposits	6,507,800	6,862,695	7,631,306	7,724,010	1%	19%	13%
SME deposits	1,314,844	1,445,788	1,500,292	1,513,842	1%	15%	5%
Corporate deposits	2,961,189	3,052,945	3,325,550	3,448,745	4%	16%	13%
Deposits to medium and large corporates	2,246,545	2,343,852	2,524,334	2,810,306	11%	25%	20%
Municipal deposits	714,644	709,094	801,215	638,439	-20%	-11%	-10%
Accrued interest payable related to customer deposits	12,225	11,344	12,070	13,227	10%	8%	17%
Liabilities from issued securities	305,109	417,966	381,912	385,398	1%	26%	-8%
o/w Retail bonds	6,539	4,732	3,603	3,385	-6%	-48%	-28%
Liabilities from issued securities without retail bonds	298,571	413,235	378,309	382,013	1%	28%	-8%
Other liabilities	646,985	586,445	800,060	776,407	-3%	20%	32%
Subordinated bonds and loans ²	83,513	81,429	81,201	81,532	0%	-2%	0%
Total shareholders' equity	1,707,376	1,826,657	1,870,102	1,992,844	7%	17%	9%
Indicators	2Q 2018	4Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y	YTD
Loan/deposit ratio (FX adjusted ¹)	78%	78%	79%	80%	1%p	2%p	2%p
Net loan/(deposit + retail bond) ratio (FX adjusted ¹)	71%	72%	73%	75%	1%p	4%p	3%p
Stage 1 loan volume under IFRS 9			8,345,005	8,809,419	6%		
Stage 1 loans under IFRS9/gross customer loans			85.5%	86.7%	1.2%p		
Own coverage of Stage 1 loans under IFRS 9			1.2%	1.3%	0.0%p		
Stage 2 loan volume under IFRS 9		591,870	613,636	564,676	-8%		
Stage 2 loans under IFRS9/gross customer loans		6.8%	6.3%	5.6%	-0.7%p		
Own coverage of Stage 2 loans under IFRS 9			9.5%	9.8%	0.3%p		
Stage 3 loan volume under IFRS 9	942,191	753,033	800,135	783,269	-2%	-17%	4%
Stage 3 loans under IFRS9/gross customer loans	11.1%	8.6%	8.2%	7.7%	-0.5%p		
Own coverage of Stage 3 loans under IFRS 9			65.0%	65.8%	0.8%p		
90+ days past due loan volume	692,521	551,498	572,204	560,856	-2%	-19%	2%
90+ days past due loans/gross customer loans	8.1%	6.3%	5.9%	5.5%	-0.3%p	-2.6%p	-0.8%p
Consolidated capital adequacy - Basel3	2Q 2018	4Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y	YTD
Capital adequacy ratio (consolidated, IFRS)	16.5%	18.3%	16.5%	17.4%	0.9%p	0.9%p	-0.9%p
Tier1 ratio	14.6%	16.5%	14.9%	15.9%	0.9%p	1.3%p	-0.6%p
Common Equity Tier 1 ("CET1") capital ratio	14.6%	16.5%	14.9%	15.9%	0.9%p	1.3%p	-0.6%p
Regulatory capital (consolidated)	1,488,071	1,731,970	1,774,264	1,906,027	7%	28%	10%
o/w Tier1 Capital	1,314,371	1,565,247	1,607,885	1,739,157	8%	32%	11%
o/w Common Equity Tier 1 capital	1,314,371	1,565,247	1,607,885	1,739,157	8%	32%	11%
Tier2 Capital	173,700	166,723	166,379	166,870	0%	-4%	0%
o/w Hybrid Tier2	89,935	89,935	89,935	89,935	0%	0%	0%
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	8,991,613	9,488,916	10,768,561	10,954,067	2%	22%	15%
o/w RWA (Credit risk)	7,549,528	7,966,050	9,315,465	9,481,797	2%	26%	19%
RWA (Market & Operational risk)	1,442,085	1,522,866	1,453,096	1,472,270	1%	2%	-3%
Closing exchange rate of the HUF (in HUF)	2Q 2018	4Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y	YTD
HUF/EUR	329	322	321	324	1%	-2%	1%
HUF/CHF	284	285	287	292	2%	3%	2%
HUF/USD	282	281	286	284	-1%	1%	1%

¹ For the FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods.

² The ICES bonds are considered as Tier2 debt, but accounting-wise they are treated as part of the shareholders' equity.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income in HUF million	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	95,354	97,353	2%	56,259	39,632	57,720	46%	3%
Corporate income tax	-8,141	-8,310	2%	-4,616	-3,509	-4,801	37%	4%
Pre-tax profit	103,495	105,663	2%	60,874	43,141	62,522	45%	3%
Operating profit	79,132	82,243	4%	41,171	37,229	45,014	21%	9%
Total income	187,100	205,532	10%	97,562	98,388	107,144	9%	10%
Net interest income	119,510	130,048	9%	60,004	64,284	65,765	2%	10%
Net fees and commissions	53,024	58,528	10%	29,184	26,005	32,523	25%	11%
Other net non-interest income	14,567	16,956	16%	8,374	8,099	8,857	9%	6%
Operating expenses	-107,969	-123,289	14%	-56,390	-61,159	-62,130	2%	10%
Total risk costs	20,920	17,844	-15%	14,414	6,648	11,197	68%	-22%
Provision for impairment on loan and placement losses	23,973	17,838	-26%	16,267	6,355	11,482	81%	-29%
Other provisions	-3,053	6	-100%	-1,853	292	-286	-198%	-85%
Total one-off items	3,444	5,576	62%	5,289	-735	6,310	-959%	19%
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	0%	0	0	0	0%	0%
Revaluation result of the treasury share swap agreement	3,444	5,576	62%	5,289	-735	6,310	-959%	19%
Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROE	13.2%	12.4%	-0.8%p	15.7%	10.2%	14.6%	4.3%p	-1.1%p
ROA	2.4%	2.3%	-0.1%p	2.8%	1.9%	2.6%	0.8%p	-0.1%p
Operating profit margin	2.0%	1.9%	-0.1%p	2.0%	1.8%	2.1%	0.3%p	0.0%p
Total income margin	4.72%	4.79%	0.08%p	4.83%	4.68%	4.90%	0.22%p	0.08%p
Net interest margin	3.01%	3.03%	0.02%p	2.97%	3.06%	3.01%	-0.05%p	0.04%p
Net fee and commission margin	1.34%	1.37%	0.03%p	1.44%	1.24%	1.49%	0.25%p	0.04%p
Net other non-interest income margin	0.37%	0.40%	0.03%p	0.41%	0.39%	0.41%	0.02%p	-0.01%p
Operating costs to total assets ratio	2.7%	2.9%	0.2%p	2.8%	2.9%	2.8%	-0.1%p	0.1%p
Cost/income ratio	57.7%	60.0%	2.3%p	57.8%	62.2%	58.0%	-4.2%p	0.2%p
Provision for impairment on loan and placement losses/average gross loans ¹	-1.68%	-1.10%	0.58%p	-2.24%	-0.80%	-1.39%	-0.59%p	0.84%p
Effective tax rate	7.9%	7.9%	0.0%p	7.6%	8.1%	7.7%	-0.5%p	0.1%p

¹ Negative Provision for impairment on loan and placement losses/average gross loans ratio implies positive amount on the Provision for impairment on loan and placement losses line.

Main components of OTP Core's Statement of financial position:

Main components of balance sheet closing balances in HUF mn	2Q 2018	4Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total Assets	8,239,391	8,563,425	8,671,856	8,814,170	2%	7%
Net customer loans	2,860,243	3,096,391	3,087,094	3,243,442	5%	13%
Net customer loans (FX adjusted)	2,854,479	3,100,014	3,091,046	3,243,442	5%	14%
Gross customer loans	3,025,251	3,241,345	3,229,754	3,382,468	5%	12%
Gross customer loans (FX adjusted)	3,019,455	3,245,403	3,233,404	3,382,468	5%	12%
Retail loans	1,889,425	1,970,979	1,981,684	2,031,909	3%	8%
Retail mortgage loans (incl. home equity)	1,293,461	1,329,580	1,310,417	1,328,099	1%	3%
Retail consumer loans	399,385	425,787	445,584	467,381	5%	17%
SME loans	196,579	215,612	225,682	236,430	5%	20%
Corporate loans	1,130,031	1,274,424	1,251,721	1,350,559	8%	20%
Loans to medium and large corporates	1,049,041	1,188,988	1,162,884	1,246,770	7%	19%
Municipal loans	80,990	85,436	88,837	103,789	17%	28%
Provisions	-165,009	-144,954	-142,660	-139,026	-3%	-16%
Provisions (FX adjusted)	-164,976	-145,389	-142,358	-139,026	-2%	-16%
Deposits from customers + retail bonds	5,671,379	5,967,857	6,100,051	6,205,413	2%	9%
Deposits from customers + retail bonds (FX adjusted)	5,663,853	5,975,605	6,104,707	6,205,413	2%	10%
Retail deposits + retail bonds	3,779,224	4,055,310	4,128,538	4,154,863	1%	10%
Household deposits + retail bonds	3,057,464	3,263,767	3,301,077	3,330,539	1%	9%
<i>o/w: Retail bonds</i>	6,539	4,732	3,603	3,385	-6%	-48%
SME deposits	721,759	791,542	827,461	824,324	0%	14%
Corporate deposits	1,884,629	1,920,296	1,976,168	2,050,550	4%	9%
Deposits to medium and large corporates	1,257,297	1,313,726	1,280,534	1,520,280	19%	21%
Municipal deposits	627,333	606,570	695,634	530,270	-24%	-15%
Liabilities to credit institutions	364,291	236,700	287,874	256,130	-11%	-30%
Issued securities without retail bonds	342,875	461,138	427,368	425,403	0%	24%
Total shareholders' equity	1,454,014	1,561,688	1,566,284	1,621,584	4%	12%
Loan Quality	2Q 2018	4Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)			2,872,075	3,031,069	6%	
Stage 1 loans under IFRS 9/gross customer loans (%)			88.9%	89.6%	0.7%p	
Own coverage of Stage 1 loans under IFRS 9 (%)			0.7%	0.7%	0.0%p	
Stage 2 loan volume under IFRS 9 (in HUF million)			175,413	172,668	-2%	
Stage 2 loans under IFRS 9/gross customer loans (%)			5.4%	5.1%	-0.3%p	
Own coverage of Stage 2 loans under IFRS 9 (%)			9.9%	9.4%	-0.5%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	251,318	190,682	182,266	178,732	-1.9%	-28.9%
Stage 3 loans under IFRS 9/gross customer loans (%)	8.3%	5.9%	5.6%	5.3%	-0.4%p	-3.0%p
Own coverage of Stage 3 loans under IFRS 9 (%)			57.7%	57.3%	-0.5%p	
90+ days past due loan volume (in HUF million)	167,341	147,218	140,461	134,527	-4%	-20%
90+ days past due loans/gross customer loans (%)	5.5%	4.5%	4.3%	4.0%	-0.4%p	-1.6%p
Market Share	2Q 2018	4Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Loans	20.8%	20.8%	20.8%	20.7%	-0.2%p	-0.1%p
Deposits	26.1%	25.7%	25.7%	26.0%	0.3%p	-0.1%p
Total Assets	26.3%	26.2%	26.2%	26.9%	0.7%p	0.6%p
Performance Indicators	2Q 2018	4Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Net loans to (deposits + retail bonds) (FX adjusted)	50%	52%	51%	52%	2%p	2%p
Leverage (closing Shareholder's Equity/Total Assets)	17.6%	18.2%	18.1%	18.4%	0.3%p	0.8%p
Leverage (closing Total Assets/Shareholder's Equity)	5.7x	5.5x	5.5x	5.4x	-0.1x	-0.2x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, IFRS)	30.6%	28.2%	27.5%	26.6%	-0.8%p	-3.9%p
Common Equity Tier 1 ratio (OTP Bank, non-consolidated, Basel3, IFRS)	28.2%	26.2%	25.5%	24.7%	-0.8%p	-3.5%p

- **The semi-annual adjusted profit of OTP Core reached HUF 97.4 billion, up by 2% y-o-y; the 2Q result represented HUF 57.7 billion (+3% y-o-y)**
- **The 2Q operating profit grew by 9% y-o-y, whereas the positive risk costs moderated**
- **In the second quarter the total revenues increased by 10% y-o-y accompanied by operating cost growth of the same magnitude**
- **Favourable credit quality trends continued with Stage 3 ratio dropping to 5.3%**
- **Performing (Stage 1+2) loan volumes expanded by 16% y-o-y and 5% q-o-q on an FX-adjusted basis**
- **Household deposits showed a 1% q-o-q growth despite the introduction of the new type of retail government bonds (Hungarian Government Security Plus) from June**

The scope of companies comprising OTP Core has changed from 1Q 2019: OTP Real Estate Lease Ltd was shifted from OTP Core to Other Hungarian Subsidiaries. At the end of June the gross loan portfolio of OTP Real Estate Lease amounted to HUF 23.0 billion, while performing (Stage 1+2 loans under IFRS 9) loan volumes represented HUF 20.3 billion, of which HUF 16.6 billion were mortgages. The company's after tax profit reached HUF 0.2 billion in 1H 2019.

Starting from 1Q 2019 OTP Mobile Service Limited Liability Company and OTP Ingatlanpont LLC. were included into OTP Core. These two companies realized HUF 460 million loss in the first half of 2019.

P&L developments

Without the effect of adjustment items **OTP Core** delivered a profit after tax of HUF 97.4 billion in the first half of 2019, up by of 2% y-o-y, driven by the 4% improvement in operating profit. The 2Q profit of HUF 57.7 billion rose by 3% y-o-y, whereas the 46% q-o-q growth was partly related to one-off items.

The semi-annual total income (without one-off revenue items) surged by 10% y-o-y, predominantly driven by the 9% higher net interest income. Gross interest revenues benefited from dynamic organic loan volume growth, and the placement of additional liquidity generated by the deposit inflow. The 1H net interest margin (3.03%) showed a moderate expansion y-o-y (+2 bps). This was partially explained by the moderate upward move of the interest rate environment (the semi-annual average 3M BUBOR rate ticked up by 10 bps y-o-y), and the

increasing weight of loans within the total assets played a role, too. The latter was to some extent offset by the higher share of non-interest bearing investments in subsidiaries along with the new acquisitions being consolidated.

In 2Q the net interest income went up by 2% q-o-q: apart from the positive calendar effect it was also boosted by the 5% q-o-q growth in performing loans, and the fact that in the second quarter certain hedging transactions' ytd result was shifted from the interest revenues to the other net non-interest income (this explained HUF 0.8 billion out of the q-o-q NII dynamics). On the negative side, the swap result dropped q-o-q for two reasons. Firstly, in the base period a one-off gain was realized on intra-group swap deals. Secondly, the negative fair value adjustment of swaps occurred in the second quarter due to the declining long yields. The 2Q net interest margin eroded by 5 bps q-o-q. In the second quarter the closing rate of the 3M BUBOR went up by 7 bps to 25 bps, and its quarterly average rate grew by 4 bps to 18 bps.

In the first half of 2019 the net fee and commission income rose by 10% y-o-y, as the growing volumes and transactional turnover resulted in stronger card, deposit and transaction-related fee revenues. It was also positive that semi-annual securities distribution fees finally showed 1% growth y-o-y after the declining trend prevailing since 2H 2017.

In the second quarter the net fees and commissions jumped by 25%, or by HUF 6.5 billion q-o-q. Apart from the usual seasonal improvement, this was explained also by the one-off items exerting HUF 3.4 billion positive effect on the quarterly net fee income dynamics: these one-offs amounted to -HUF 2.8 billion in 1Q 2019 and +0.6 billion in 2Q. The latter was related to the deduction of contributions paid into the Compensation Fund from the financial transaction tax burden⁴. Securities distribution fees – following a downward trajectory in the last several quarters – already showed a growth both on quarterly and yearly context. The reason for that was the introduction of a new retail government bond, the Hungarian Government Security Plus (MÁP Plusz) from June 2019 (parallel with the amendment to the distribution fee calculation methodology), which proved to be highly popular among clients and therefore boasted outstanding sales statistics.

The 1H other net non-interest income (without one-offs) grew by 16% y-o-y, whereas the quarterly growth was 9%. Both changes were driven by the higher securities gain realized in 2Q. However, the above mentioned shifting of certain hedging transactions' ytd result from interest revenues to

⁴ In 2019 OTP Bank must pay altogether HUF 1.2 billion into the Compensation Fund (established in order to indemnify the victims of Quaestor and Hungaria Securities Ltd.). The whole annual amount was already accounted for in 1Q 2019, in line with IFRS standards. The actual contributions can be deducted from the nominal amount of banking tax or

financial transaction tax or corporate tax at the time of the payment. Due to the deductibility, in the adjusted P&L structure both the contributions into the Compensation Fund, as well as the deductions are presented within the financial transaction tax. In 2Q 2019 HUF 0.6 billion deduction from the financial transaction tax was accounted for.

other income was a drag on the q-o-q developments (reducing the q-o-q other income dynamics by HUF 0.8 billion).

The *revaluation result of the treasury share swap agreement* (showed among the one-off revenue items) amounted to HUF 5.6 billion in 1H 2019, owing predominantly to the dividend income received in the second quarter.

Semi-annual operating expenses increased by 14% y-o-y. This was partly due to the base salary hike in 2018, and the increasing average headcount. In the first half of 2019 the administrative expenses growth can be partially attributed to the more intense business activity. Furthermore, the y-o-y increasing advisory costs, IT and real estate-related expenses, as well as higher contributions paid into the Deposit Insurance Fund, Investor Protection Fund and Resolution Fund (+HUF 0.4 billion y-o-y) played a role, too.

The 2Q cost base showed a 10% y-o-y and 2% q-o-q growth. The quarterly increase, on one hand, was attributable to higher personnel expenses on the back of increasing bonus payments and other seasonal effects within personnel expenses, but rising marketing costs and amortization (booked in relation to the upgrade of branch infrastructure) generated cost growth, too.

Benign credit quality developments remained in place: the DPD90+ loan volumes (adjusted for FX rate movements and without problem loan sales and write offs) declined by HUF 3 billion in 1H 2019, against the HUF 14 billion decline in 2017 and 8 billion in 2018. In 1H 2019 HUF 7 billion DPD90+ exposures were sold or written off, of which HUF 4 billion in 2Q. The trend-like improvement of DPD90+ ratio continued: it moderated by 0.3 pp q-o-q and 1.6 pps y-o-y to 4.0%. The ratio of Stage 3 loans to total gross loans declined by 3.0 pps y-o-y to 5.3%, their own provision coverage stood at 57.3%.

On the total risk costs line a positive amount of HUF 17.8 billion was recognized in the course of the first six month of 2019, 15% less than a year ago. Positive risk costs were mainly due to the recoveries realized on claims toward households handled by OTP Factoring, the work-out unit. In 2Q 2019 total risk costs amounted to +HUF 11.2 billion (+68% q-o-q).

Balance sheet trends

The FX-adjusted total gross loan portfolio of OTP Core increased by 12% y-o-y, whereas the performing (Stage 1+2) loans advanced by 16% y-o-y, fuelled by an above 20% growth in the consumer, micro- and small enterprises, as well as medium and large corporate exposures.

In the first half of 2019 performing loans advanced by 5% ytd, which, following the seasonally weaker first quarter, was driven by the 5% growth achieved in the

second quarter. The composition of growth by segments became more balanced in 1H 2019: the 5% ytd growth in retail loans (filtering out the exclusion of OTP Real Estate Lease from OTP Core) almost matched the corporate loan expansion (+6% ytd), against the previous years when corporate loan growth significantly outpaced retail.

The stock of mortgages classified as Stage 1 and 2 under IFRS 9 increased by 2% q-o-q, and the yearly dynamics was 6% without the above mentioned exclusion of OTP Real Estate Lease from OTP Core.

The performing mortgage book consists of two sub-categories: housing loans making up 80% of the total performing stock have been driven growth with 3% q-o-q and 11% y-o-y expansion. Home equity loans, on the contrary, have been steadily dwindling (-3% q-o-q, -10% y-o-y) as their amortization exceeds new disbursements.

Semi-annual mortgage loan disbursements showed a 4% y-o-y growth, supported by the 42% q-o-q pick-up registered in 2Q due to seasonal factors. OTP Bank's market share in new mortgage loan contractual amounts reached 29.1% in 2Q 2019, pulling the first half figure to 28.6% (1H 2018 market share: 29.4%).

Mortgage loan applications registered in 2Q showed a more moderate q-o-q growth (+11%) than in previous years (2Q 2018: +37%, 2Q 2017: +32% q-o-q). This might be explained by the introduction of new subsidized loans and the extension of already existing schemes by the government from 1 July 2019: the newly launched baby shower funding became available on the market from 1 July; furthermore, Housing Subsidy for Families (CSOK) was extended: families in smaller villages can enjoy more generous conditions from 1 July, and the subsidized loan under the CSOK scheme can be utilized to buy a used apartment, too. OTP Bank has experienced a strong demand for the baby shower loan: just in the first month, i.e. in July the number of applications exceeded 9 thousand, and more than 3,600 loans were already granted.

Within mortgages, the less risky fixed rate products continued to enjoy a high popularity: at OTP the proportion of fixed rate housing loans with an interest rate fixation period of at least 5 years within total non-subsidized housing loan applications reached 99% in 2Q 2019 (versus 48% in 2Q 2017). The demand for mortgages with a repricing period of 10 years or more strengthened further: in 2Q 2019 the volume of applications for loans with a fixation period of 10 years or more stood at 88% within total market condition fixed rate housing credits.

The above developments were stimulated by the deliberate policies taken by the National Bank of Hungary, through the introduction of the certified consumer-friendly housing loans and the amendments to the payment-to-income rules

effective from 1 October 2018. In 1H 2019 the share of certified customer-friendly mortgages within newly contracted market-based housing loans reached 80%.

OTP Bank contributes to the success of the Housing Subsidy Scheme for Families (CSOK): in 1H 2019 more than 5 thousand applications for the CSOK subsidy were registered at OTP Bank with a value of HUF 21 billion. Thus, since the launch of the programme OTP has handled HUF 137 billion applications for the CSOK housing subsidy.

Performing (Stage 1+2) consumer loans continued to grow dynamically: +5% q-o-q, +21% y-o-y (FX-adjusted). Within consumer loans the growth in cash loan volumes was outstanding: with 8% quarterly growth the yearly increase stood at 35%. OTP's market share in the stock of cash loans stood at 33.5% at the end of June (+0.3 pp y-o-y).

Following the outstanding growth achieved in previous years, performing corporate loans expanded by 6% ytd (FX-adjusted), within that medium and large corporate loans went up by 5% and municipality loans by 21% (from a low base). Exposures to micro- and small enterprises grew by 10% over the same time horizon.

The new phase of the central bank's Funding for Growth Scheme (FGS fix) was launched from January 2019. Under the new phase OTP Bank recorded HUF 45 billion credit demand until the end of June.

FX-adjusted deposits (including retail bonds) continued their growing pattern (+10% y-o-y and +2% q-o-q). Household deposits retained their double digit growth rate in yearly comparison. Medium and large corporate deposit growth surpassed 20%, but municipal deposits saw a 15% drop y-o-y. Regarding quarterly developments, it is noteworthy that household deposit volumes could increase by 1% q-o-q despite the fact that purchases from the newly introduced Hungarian Government Security Plus (MÁP Plusz) were financed partially from deposits, and also from the redemption of already existing government papers, fresh money, and to a lesser extent from the sale of real estate and bond investment units.

The net loan to (deposit+retail bonds) ratio improved by 2 pps y-o-y, reaching 52%, thus the balance sheet structure of the Hungarian operation became more efficient, though the absolute level of the ratio can still be regarded as low.

The Bank's standalone capital adequacy ratio amounted to 26.6%, with the Tier1 ratio (equal to the CET1) hitting 24.7% at the end of June. The Bank's 1H regulatory capital, as opposed to previous years, does not include the interim profit less dividend.

In July 2019 the Bank issued a new Tier 2 capital instrument in the nominal amount of EUR 500 million, but this was not reflected in the 1H financial statements.

OTP FUND MANAGEMENT (HUNGARY)
Changes in assets under management and financial performance of OTP Fund Management:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	1,896	1,741	-8%	822	1,001	740	-26%	-10%
Income tax	-195	-156	-20%	-88	-62	-95	54%	7%
Profit before income tax	2,091	1,897	-9%	910	1,062	835	-21%	-8%
Operating profit	2,091	1,897	-9%	910	1,062	835	-21%	-8%
Total income	3,246	3,131	-4%	1,547	1,647	1,484	-10%	-4%
Net fees and commissions	3,237	2,784	-14%	1,535	1,404	1,381	-2%	-10%
Other net non-interest income	9	347		12	244	103	-58%	770%
Operating expenses	-1,154	-1,235	7%	-637	-585	-649	11%	2%
Other provisions	0	0		0	0	0		
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	16,821	20,278	21%	18,617	17,845	20,278	14%	9%
Total shareholders' equity	14,353	11,435	-20%	12,253	11,060	11,435	3%	-7%
Asset under management in HUF bn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Assets under management, total (w/o duplicates)¹	1,035	1,029	-1%	1,228	1,049	1,029	-2%	-16%
Volume of investment funds (closing, w/o duplicates)	749	723	-3%	876	751	723	-4%	-17%
Volume of managed assets (closing)	286	306	7%	353	298	306	3%	-13%
Volume of investment funds (closing, with duplicates)²	982	972	-1%	1,127	996	972	-2%	-14%
money market	129	7	-94%	159	8	7	-15%	-95%
bond	217	299	38%	257	320	299	-7%	16%
mixed	55	54	-2%	62	55	54	-2%	-12%
security	153	169	10%	161	166	169	2%	5%
guaranteed	32	32	0%	38	32	32	0%	-14%
other ³	395	411	4%	452	414	411	-1%	-9%

¹ The cumulative net asset value of investment funds and managed assets of OTP Fund Management, eliminating the volume of own investment funds (duplications) being managed in other investment funds and managed assets of OTP Fund Management.

² The cumulative net asset value of investment funds with duplications managed by OTP Fund Management.

³ Other funds: absolute return, derivative and commodity market funds.

OTP Fund Management achieved HUF 1.7 billion profit in 1H 2019, which is 8% below the base period a year earlier; 2Q profit showed a 26% decline q-o-q.

Regarding net fee and commission income the fund management fee income matched the base period on a quarterly basis, since the volume of higher fee-generating funds tend to increase more dynamically, especially the volume of Supra Derivative Fund. The 1H 2019 net fees and commission income declined by 14% y-o-y amid the moderation of average assets under management.

Operating expenses emerged by 11% q-o-q, mainly driven by higher hardware and office equipment costs, and expert fees.

With regard to the managed portfolios, in the first half of 2019, several factors contributed to the decline in fund-managed assets. As of 21 January 2019, the provisions of the new EU regulation on money market funds, which came into force last year, will also apply to money market funds already in operation, which significantly tighten the conditions for the operation of money market funds.

As a result, a significant number of fund managers have decided to restructure the money market fund investment policy, making a technical rearrangement towards bond funds in the first quarter. Regarding OTP Fund Management three fund of the previous four have been transformed into short-term bond fund and the remaining one will continue to operate as money market fund without a capital guarantee.

On the other hand, from the beginning of June 2019 Hungarian Government Security Plus was launched and its immense popularity generated cash withdrawals from investment funds, especially from bond funds.

For OTP Fund Management in particular, portfolio developments in 1H 2019 reflected the developments as detailed above, the volume of asset under management decreased by 1% ytd, however bond funds, equity funds and absolute return funds experienced asset growth.

The market share of OTP Fund Management advanced by 0.2%-point to 22.6% at the end of June. The Company retained its market leading position.

MERKANTIL BANK (HUNGARY)
Performance of Merkantil Bank:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	3,199	3,297	3%	1,551	1,727	1,570	-9%	1%
Income tax	0	-201		0	0	-201		
Profit before income tax	3,199	3,498	9%	1,551	1,727	1,771	3%	14%
Operating profit	3,298	3,484	6%	1,513	1,885	1,599	-15%	6%
Total income	6,543	6,892	5%	3,274	3,446	3,446	0%	5%
Net interest income	6,321	6,833	8%	3,224	3,466	3,368	-3%	4%
Net fees and commissions	-68	-87	28%	-38	-60	-27	-54%	-28%
Other net non-interest income	290	146	-50%	88	40	106	165%	20%
Operating expenses	-3,245	-3,408	5%	-1,761	-1,561	-1,848	18%	5%
Total provisions	-99	14		38	-158	172		349%
Provision for impairment on loan and placement losses	-88	-111	26%	51	-245	134		164%
Other provision	-11	126		-12	87	38	-56%	
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	404,750	456,071	13%	388,413	416,479	456,071	10%	17%
Gross customer loans	321,353	348,853	9%	309,098	330,952	348,853	5%	13%
Gross customer loans (FX-adjusted)	321,518	348,853	9%	308,776	331,195	348,853	5%	13%
Retail loans	29,581	30,225	2%	30,654	28,903	30,225	5%	-1%
Corporate loans	103,659	118,583	14%	95,065	110,937	118,583	7%	25%
Car financing loans	188,278	200,045	6%	183,057	191,354	200,045	5%	9%
Allowances for possible loan losses	-13,853	-12,414	-10%	-20,293	-12,725	-12,414	-2%	-39%
Allowances for possible loan losses (FX-adjusted)	-13,858	-12,414	-10%	-20,304	-12,730	-12,414	-2%	-39%
Deposits from customers	15,180	13,519	-11%	18,370	13,911	13,519	-3%	-26%
Deposits from customers (FX-adjusted)	15,180	13,519	-11%	18,370	13,911	13,519	-3%	-26%
Retail deposits	13,307	10,064	-24%	16,009	11,576	10,064	-13%	-37%
Corporate deposits	1,873	3,455	84%	2,361	2,336	3,455	48%	46%
Liabilities to credit institutions	337,136	389,424	16%	325,407	351,693	389,424	11%	20%
Total shareholders' equity	37,189	40,640	9%	28,824	39,071	40,640	4%	41%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		325,013			281,710	325,013	15%	
Stage 1 loans under IFRS 9/gross customer loans (%)		93.2%			85.1%	93.2%	8.0%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		0.6%			0.6%	0.6%	0.0%p	
Stage 2 loan volume under IFRS 9 (in HUF million)		11,093			36,730	11,093	-70%	
Stage 2 loans under IFRS 9/gross customer loans (%)		3.2%			11.1%	3.2%	-7.9%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		4.8%			2.1%	4.8%	2.8%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	20,868	12,747	-39%	20,868	12,511	12,747	2%	-39%
Stage 3 loans under IFRS 9/gross customer loans (%)	6.8%	3.7%	-3.1%p	6.8%	3.8%	3.7%	-0.1%p	-3.1%p
Own coverage of Stage 3 loans under IFRS 9 (%)		77.9%			81.6%	77.9%	-3.8%p	
Provision for impairment on loan and placement losses/average gross loans (%)	0.06%	0.07%	0.01%p	-0.07%	0.31%	-0.16%	-0.47%p	-0.09%p
90+ days past due loan volume (in HUF million)	16,739	9,253	-45%	16,739	9,413	9,253	-2%	-45%
90+ days past due loans/gross customer loans (%)	5.4%	2.7%	-2.8%p	5.4%	2.8%	2.7%	-0.2%p	-2.8%p
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	1.7%	1.6%	-0.1%p	1.6%	1.7%	1.4%	-0.3%p	-0.2%p
ROE	22.6%	17.1%	-5.6%p	22.3%	18.3%	15.9%	-2.4%p	-6.4%p
Total income margin	3.51%	3.30%	-0.21%p	3.43%	3.45%	3.16%	-0.29%p	-0.27%p
Net interest margin	3.39%	3.27%	-0.12%p	3.38%	3.47%	3.09%	-0.38%p	-0.29%p
Cost/income ratio	49.6%	49.5%	-0.1%p	53.8%	45.3%	53.6%	8.3%p	-0.2%p

On 30 September 2018 Merkantil Car Ltd. was merged into Merkantil Bank Ltd. and ceased to exist as a separate legal entity. The above table displays the 2018 base period statistics for Merkantil Car, too.

Merkantil Bank posted HUF 3.3 billion adjusted after tax profit in 1H 2019 thus its ROE exceeded 17%. Profit grew by 3% y-o-y owing to the increase of operating profit, as well as to positive risk costs. The q-o-q lower 2Q profit was mainly attributable to higher tax burden and higher operational cost.

In 1H 2019 net interest income increased by 8% y-o-y, the expansion of performing loan volumes had a positive NII-effect.

Operating expenses for the first 6 months grew by 5% y-o-y, mainly due to higher personnel expenses, depreciation and marketing cost. The q/q 18% cost expansion is explained by higher personal expenses, expert fees and regulatory contributions (the total annual amount of HUF 165 million due to the Resolution Fund was booked in 2Q).

Credit quality trends remained positive: in 2Q 2019 DPD90+ volumes (adjusted for FX rate changes and sold and written off volumes) decreased by HUF 0.1 billion. The ratio of DPD90+ loans decreased by 2.8 pps y-o-y to 2.7% parallel with HUF 0.1 billion problem loans being sold or written off in 2Q. The ratio of Stage 3 loans to total gross loans stood at 3.7% at the end of June (-0.1 pp q-o-q, -3.1 pps y-o-y), their own provision coverage stood at 77.9%.

The FX-adjusted performing loan (Stage 1+2) portfolio expanded by 5% on a quarterly basis, within that corporate loans increased by 6% q-o-q. Total new loan origination surged by 19% y-o-y, within that the volume of newly disbursed car loans expanded by 10% y-o-y.

Merkantil retained its market leading position both in terms of new disbursements and outstanding leasing volumes.

IFRS REPORTS OF THE MAIN SUBSIDIARIES

In the following parts of the Half-year Financial Report the after tax profit of the foreign subsidiaries are presented without any received dividends and net cash transfers, and without other adjustment items in case of certain foreign subsidiaries. The structural adjustments on the lines of subsidiaries' Statements of recognised income as well as description of calculation methods of performance indices can be found in the Supplementary data annex.

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	24,131	34,228	42%	12,872	17,598	16,630	-5%	29%
Income tax	-2,455	-4,478	82%	-1,312	-2,192	-2,287	4%	74%
Profit before income tax	26,586	38,707	46%	14,185	19,790	18,917	-4%	33%
Operating profit	28,602	41,803	46%	13,156	20,403	21,400	5%	63%
Total income	52,392	76,194	45%	25,462	37,316	38,878	4%	53%
Net interest income	34,398	51,934	51%	16,470	25,583	26,352	3%	60%
Net fees and commissions	14,321	20,323	42%	7,425	9,708	10,615	9%	43%
Other net non-interest income	3,673	3,937	7%	1,567	2,025	1,912	-6%	22%
Operating expenses	-23,789	-34,391	45%	-12,305	-16,913	-17,479	3%	42%
Total provisions	-2,017	-3,096	54%	1,028	-613	-2,483	305%	-341%
Provision for impairment on loan and placement losses	-4,426	-3,254	-26%	-243	-568	-2,686	373%	
Other provision	2,409	158	-93%	1,271	-45	203	-550%	-84%
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	2,381,275	3,636,866	53%	2,101,200	3,585,122	3,636,866	1%	73%
Gross customer loans	1,343,729	2,222,326	65%	1,328,050	2,167,957	2,222,326	3%	67%
Gross customer loans (FX-adjusted)	1,352,169	2,222,326	64%	1,307,595	2,186,360	2,222,326	2%	70%
Retail loans	938,604	1,373,871	46%	906,493	1,335,306	1,373,871	3%	52%
Corporate loans	413,565	834,433	102%	401,102	837,246	834,433	0%	108%
Car financing loans		14,021			13,808	14,021	2%	
Allowances for possible loan losses	-111,369	-127,714	15%	-116,393	-119,737	-127,714	7%	10%
Allowances for possible loan losses (FX-adjusted)	-112,068	-127,714	14%	-114,600	-120,758	-127,714	6%	11%
Deposits from customers	1,890,897	2,828,813	50%	1,774,908	2,763,039	2,828,813	2%	59%
Deposits from customers (FX-adjusted)	1,903,281	2,828,813	49%	1,749,017	2,783,248	2,828,813	2%	62%
Retail deposits	1,665,389	2,341,520	41%	1,584,131	2,292,997	2,341,520	2%	48%
Corporate deposits	237,891	487,293	105%	164,886	490,251	487,293	-1%	196%
Liabilities to credit institutions	3,144	242,772		46,349	265,695	242,772	-9%	424%
Total shareholders' equity	453,891	491,192	8%	244,051	471,928	491,192	4%	101%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		1,946,078			1,896,944	1,946,078	3%	
Stage 1 loans under IFRS 9/gross customer loans (%)		87.6%			87.5%	87.6%	0.1%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		1.1%			0.8%	1.1%	0.3%p	
Stage 2 loan volume under IFRS 9 (in HUF million)		106,931			102,589	106,931	4%	
Stage 2 loans under IFRS 9/gross customer loans (%)		4.8%			4.7%	4.8%	0.1%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		9.9%			9.5%	9.9%	0.4%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	154,039	169,317	10%	154,039	168,423	169,317	1%	10%
Stage 3 loans under IFRS 9/gross customer loans (%)	11.6%	7.6%	-4.0%p	11.6%	7.8%	7.6%	-0.1%p	-4.0%p
Own coverage of Stage 3 loans under IFRS 9 (%)		56.7%			56.1%	56.7%	0.6%p	
Provision for impairment on loan and placement losses/average gross loans (%)	0.72%	0.31%	-0.41%p	0.08%	0.11%	0.49%	0.38%p	0.41%p
90+ days past due loan volume (in HUF million)	100,297	101,390	1%	100,297	100,434	101,390	1%	1%
90+ days past due loans/gross customer loans (%)	7.6%	4.6%	-3.0%p	7.6%	4.6%	4.6%	-0.1%p	-3.0%p
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	2.4%	2.0%	-0.5%p	2.6%	2.1%	1.8%	-0.3%p	-0.7%p
ROE	19.7%	14.4%	-5.3%p	22.4%	15.1%	13.8%	-1.4%p	-8.6%p
Total income margin	5.30%	4.38%	-0.92%p	5.06%	4.48%	4.28%	-0.20%p	-0.78%p
Net interest margin	3.48%	2.98%	-0.49%p	3.27%	3.07%	2.90%	-0.17%p	-0.37%p
Cost/income ratio	45.4%	45.1%	-0.3%p	48.3%	45.3%	45.0%	-0.4%p	-3.4%p
Net loans to deposits (FX-adjusted)	68%	74%	6%p	68%	74%	74%	0%p	6%p
FX rates (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/BGN (closing)	168.0	165.4	-2%	168.0	164.0	165.4	1%	-2%
HUF/BGN (average)	160.6	163.9	2%	162.0	162.6	165.2	2%	2%

- **The financial closure of the Expressbank deal was completed on 15 January 2019, thus 1H financial statements already included the full first half contribution of Expressbank and its subsidiaries**
- **The Bulgarian banking group reported HUF 34.2 billion adjusted after tax profit in the first half of 2019, of which Express Group's result represented HUF 9.8 billion**
- **The q-o-q erosion of the net interest margin was explained mainly by a technical factor**
- **Lending activity accelerated in the retail segment: as a result, the volume of performing mortgage and consumer loans expanded by 4% each q-o-q (FX-adjusted)**

2019 1H financial statements already included the full first half contribution from Expressbank and its subsidiaries within DSK Group. The Bulgarian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown on consolidated level among the adjustment items. The balance sheet items were not adjusted for the acquisition effects.

In the 1H 2019 financial statements DSK Leasing was already presented as part of DSK Group versus the previous practice of showing it within Foreign Leasing companies. Such change became effective from 1Q 2019, consequently the six months profit contribution of DSK Leasing was incorporated into DSK Group's 1H P&L statement. The 1Q 2019 performance of DSK Group presented in the 1Q 2019 Summary did not reflect the contribution of DSK Leasing; it was then presented as part of the Foreign Leasing Companies. The adjusted 1H profit posted by DSK Leasing represented HUF 0.4 billion. At the end of June 2019 the Stage 1+2 loan volumes at DSK Leasing comprised HUF 24.3 billion, the number of employees was 58 people (on an FTE basis).

DSK Group posted an after tax profit of HUF 34.2 billion in 1H 2019, within that Express Group's contribution amounted to HUF 9.8 billion (of which HUF 4.6 billion in 2Q). Thus, in 1H the Bulgarian operation's profit without the Expressbank acquisition remained stable y-o-y.

Based on total assets, the market share of the Bulgarian operation stood at 19.9% at the end of June 2019 on a *pro-forma* basis. Expressbank had 131 branches, whereas the number of employees comprised 1,453 people (on an FTE basis) at the end of June 2019.

The overall network of branches at the Bulgarian operation decreased by 14 units (-3%) and the headcount declined by 1% q-o-q.

The q-o-q dynamics of balance sheet and P&L lines were predominantly shaped by the consolidation of Expressbank and its subsidiaries.

The 1H operating profit of the Bulgarian banking group jumped by 46% (HUF 13.2 billion) y-o-y, driven by the HUF 13.7 billion contribution generated by Expressbank. Main components of Expressbank's results during 1H (in HUF billion): net interest income 15.9, net fee income 5.0, other net non-interest income 1.6 billion, operating costs -8.9, total risk costs -2.3.

As for the quarterly developments, the after tax profit of HUF 16.6 billion fell short of the previous quarter by 5% as a joint result of favourable underlying operating results, but q-o-q higher risk costs.

In 2Q net interest income grew by 3%, supported by loan volume growth. The net interest margin of the Bulgarian operation eroded by 17 bps q-o-q as a result of a technical effect stemming from the acquisition: Expressbank's 1Q 2019 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. It was favourable, however that the net interest margin at DSK Bank without acquisition effect remained stable q-o-q even amid continued asset repricing: the strong retail, in particular consumer loan disbursement activity had a positive composition effect on overall NIM.

1H operating costs without acquisition grew by 5% y-o-y in local currency terms, whereas in 2Q they grew by 3% y-o-y.

Total risk cost in 1H amounted to -HUF 3.1 billion, o/w -HUF 2.5 billion arose in 2Q. The q-o-q higher risk cost is explained by higher newly disbursed volumes, as well as by higher provisions made on a few large corporate exposures. The 1H risk cost rate (provision for impairment on loan and placement losses/average gross loans) stood at 31 bps.

Credit quality trends remained favourable. In 1H 2019 the FX-adjusted DPD90+ volume growth without loan sales and write-offs amounted only to HUF 1.5 billion (additionally, the technical effect of Expressbank's inclusion entailed a growth of HUF 9 billion). In 1H nearly HUF 1.6 billion problem loans were sold or written off (2Q: HUF 0.7 billion). The ratio of Stage 3 loans to total gross loans stood at 7.6% at the end of June (-0.1 pp q-o-q and -4.0 pps y-o-y), their own provision coverage stood at 56.7%.

Regarding business activity, the Bulgarian operation managed to post volume increase even amid the ongoing integration of Expressbank: performing (Stage 1+2) loans grew by 2% q-o-q (FX-adjusted), fuelled by the retail segment where both disbursements and outstanding volumes increased

substantially q-o-q. The disbursement of mortgage loans surged by 32% q-o-q and the stock performing (Stage 1+2) mortgages grew by 4% q-o-q (FX-adjusted). The stock of outstanding cash loans increased by 4%, too, as a result of disbursement advancing by 13% q-o-q.

Micro and small, as well as large corporate exposures remained stable q-o-q.

Regarding Expressbank's volumes, at the end of June its gross loans amounted to HUF 796 billion, performing portfolio (Stage 1+2) comprised HUF 769 billion and customer deposits HUF 843 billion, respectively, whereas its balance sheet total reached HUF 1,213 billion. Bearing in

mind the stronger corporate focus of Expressbank, as a result of acquisition the Bulgarian operation's gross corporate exposures surged by 118% y-o-y, while the retail loan volumes grew at a more moderate pace (+58% FX-adjusted).

Deposit volume growth (+2% q-o-q) kept pace with the expansion of the loan book. As a result of the acquisition the net loan to deposit ratio of the Bulgarian operation went up by 6 pps y-o-y to 74%.

The capital adequacy ratio of DSK Bank (owning the shares of the acquired Expressbank) under local regulation stood at 24% at the end of June 2019.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	12,828	13,901	8%	5,623	6,641	7,260	9%	29%
Income tax	-3,550	-3,671	3%	-1,675	-1,693	-1,978	17%	18%
Profit before income tax	16,378	17,572	7%	7,298	8,334	9,238	11%	27%
Operating profit	32,588	40,060	23%	16,172	19,074	20,985	10%	30%
Total income	62,918	69,835	11%	31,379	33,946	35,890	6%	14%
Net interest income	49,985	54,073	8%	24,772	26,334	27,739	5%	12%
Net fees and commissions	12,750	14,619	15%	6,513	6,957	7,663	10%	18%
Other net non-interest income	183	1,143	524%	94	655	488	-25%	418%
Operating expenses	-30,330	-29,776	-2%	-15,207	-14,871	-14,905	0%	-2%
Total provisions	-16,210	-22,487	39%	-8,874	-10,740	-11,747	9%	32%
Provision for impairment on loan and placement losses	-14,893	-21,958	47%	-8,248	-10,073	-11,885	18%	44%
Other provision	-1,317	-529	-60%	-626	-667	138	-121%	-122%
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	707,593	868,500	23%	686,880	781,092	868,500	11%	26%
Gross customer loans	610,355	690,388	13%	579,087	675,388	690,388	2%	19%
Gross customer loans (FX-adjusted)	675,438	690,388	2%	579,245	687,132	690,388	0%	19%
Retail loans	604,241	625,907	4%	516,727	616,052	625,907	2%	21%
Corporate loans	71,091	64,377	-9%	62,411	70,976	64,377	-9%	3%
Allowances for possible loan losses	-126,655	-147,127	16%	-123,676	-145,649	-147,127	1%	19%
Allowances for possible loan losses (FX-adjusted)	-140,064	-147,127	5%	-123,786	-148,180	-147,127	-1%	19%
Deposits from customers	379,911	456,052	20%	370,612	405,274	456,052	13%	23%
Deposits from customers (FX-adjusted)	418,739	456,052	9%	370,651	411,696	456,052	11%	23%
Retail deposits	333,040	336,786	1%	306,147	322,213	336,786	5%	10%
Corporate deposits	85,699	119,266	39%	64,504	89,483	119,266	33%	85%
Liabilities to credit institutions	120,156	158,167	32%	101,533	133,411	158,167	19%	56%
Subordinated debt	22,522	23,972	6%	23,916	23,815	23,972	1%	0%
Total shareholders' equity	147,999	178,807	21%	156,997	168,364	178,807	6%	14%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		535,768			522,961	535,768	2%	
Stage 1 loans under IFRS 9/gross customer loans (%)		77.6%			77.4%	77.6%	0.2%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		7.0%			7.0%	7.0%	0.0%p	
Stage 2 loan volume under IFRS 9 (in HUF million)		52,551			51,224	52,551	3%	
Stage 2 loans under IFRS 9/gross customer loans (%)		7.6%			7.6%	7.6%	0.0%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		26.4%			27.1%	26.4%	-0.7%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	93,411	102,069	9%	93,411	101,203	102,069	1%	9%
Stage 3 loans under IFRS 9/gross customer loans (%)	16.1%	14.8%	-1.3%p	16.1%	15.0%	14.8%	-0.2%p	-1.3%p
Own coverage of Stage 3 loans under IFRS 9 (%)		93.7%			94.1%	93.7%	-0.5%p	
Provision for impairment on loan and placement losses/average gross loans (%)	5.47%	6.71%	1.23%p	6.05%	6.39%	7.00%	0.61%p	0.95%p
Provision for impairment on loan and placement losses/average (FX-adjusted) gross loans (%)	5.45%	6.62%	1.17%p	6.03%	6.30%	6.92%	0.62%p	0.90%p
90+ days past due loan volume (in HUF million)	88,437	97,594	10%	88,437	95,520	97,594	2%	10%
90+ days past due loans/gross customer loans (%)	15.3%	14.1%	-1.1%p	15.3%	14.1%	14.1%	0.0%p	-1.1%p
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	4.0%	3.6%	-0.4%p	3.5%	3.6%	3.6%	-0.1%p	0.0%p
ROE	17.8%	16.9%	-0.9%p	15.2%	17.1%	16.8%	-0.3%p	1.5%p
Total income margin	19.82%	18.06%	-1.76%p	19.76%	18.55%	17.62%	-0.93%p	-2.13%p
Net interest margin	15.75%	13.99%	-1.76%p	15.60%	14.39%	13.62%	-0.77%p	-1.97%p
Cost/income ratio	48.2%	42.6%	-5.6%p	48.5%	43.8%	41.5%	-2.3%p	-6.9%p
Net loans to deposits (FX-adjusted)	123%	119%	-4%p	123%	131%	119%	-12%p	-4%p
FX rates (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/RUB (closing)	4.5	4.5	0%	4.5	4.4	4.5	2%	0%
HUF/RUB (average)	4.4	4.3	-1%	4.3	4.2	4.5	5%	4%

- **HUF 13.9 billion after tax profit in 1H, (+9% y-o-y in local currency terms)**
- **1H net interest income increased y-o-y by 9% in RUB terms, with performing loan volumes growing and net interest margin shrinking by 1.8 pps**
- **Operating expenses for the first half year decreased by 1% y-o-y in RUB terms; cost to income ratio improved further (41.5% in 2Q)**
- **The Stage 3 rate declined by 1.3 pps to 14.8% y-o-y, partly due to portfolio cleaning**
- **Performing loans grew by 1% q-o-q, while deposits increased by 11% adjusted to FX changes, thus net loan-to-deposit ratio decreased to 119%**

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: the 1H 2019 average rate showed y-o-y 1% weakening of RUB against HUF, while the 2Q average rate appreciated by 5% q-o-q and 4% y-o-y. The 2Q closing rate strengthened by 2% q-o-q and was stable y-o-y. Therefore, local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

In 1H 2019 **OTP Bank Russia** posted HUF 13.9 billion after tax profit, which underpins a 9% improvement in RUB terms compared the base period. The 2Q after tax profit (HUF 7.3 billion) increased by 4% q-o-q in local currency terms.

Due to the volatility of HUF/RUB exchange rate, it is more reasonable to analyse income dynamics in RUB terms. Before tax profit in 1H increased by 8% y-o-y, mainly driven by the 12% growth of operating profit, while total provisions increased by 39%. Quarterly dynamics of before tax profit in 2Q (+4% q-o-q in RUB terms) were shaped by the 5% growth of operating profit and 4% increase of total provisions.

The 9% y-o-y increase of net interest income in the first half year was supported by the 21% FX-adjusted y-o-y growth of Stage 1+2 loans, while NIM eroded by about 1.8 pps to close to 14%. The lower NIM is reasoned by the further decreasing consumer loan interest rates and slightly increasing average deposit interest rates as well as the dilution effect of the higher average total assets. The quarterly decrease of NIM by 0.7 pp in 2Q is due to the surge of corporate deposits, while consumer lending rates kept further decreasing and average retail deposit rates growing.

1H net fee and commission income grew by 15% y-o-y in RUB terms, due to the increasing insurance fee income on cash loans with insurance policies and other products growing considerably, at the same time commission income generated by credit cards and corporate loans grew, too. In 2Q net F&C income increased by 5% q-o-q and 13% y-o-y.

In 1H 2019 operating expenses decreased by 1% in RUB terms y-o-y. Average headcount in 1H decreased by 5% y-o-y due to the integration of Touch Bank. Thus 1H operating expenses decrease was mainly driven by personnel expenses dynamics (-8% y-o-y), which counterbalanced the growth of operational expenses going up in line with business volumes. Amortisation also decreased (-17% y-o-y in RUB terms) partially due to the write-off of Touch Bank related software in the base period. On the whole cost/income ratio dropped by 5.5 pps to 42.7% y-o-y.

In 2Q operating expenses declined by 4% q-o-q in local currency terms, mainly driven by the seasonal decrease of effective tax rate on wages and the 1% q-o-q decrease of average headcount.

Total provisions in RUB increased by 39% y-o-y in 1H 2019, and showed a 4% growth on the quarterly basis in 2Q. On top of average performing loan growth and changes in portfolio quality, in 2Q total provisions growth was influenced by a one-off element as well: HUF 0.6 billion additional cost emerged during the quarter related to loans sold to third parties. Part of the loans sold were performing loans and related to Touch bank, and the average sale price was less than the net value of the loans.

The FX-adjusted increase in DPD90+ loans (adjusted for loan sales and write-offs) amounted to HUF 12 billion in 1Q and HUF 16.4 billion in 2Q. Out of this, HUF 3.4 billion was related to a corporate exposure, which was classified as Stage 3 category already in late 2018, and allowance for possible loan losses had been adequately made back then. In 2Q 2019 the bank sold or wrote off loans in the amount of HUF 14.9 billion (out of which HUF 3.5 billion was performing), thus the Stage 3 rate in 2Q (14.8%) showed a slight decrease (-0.2 pp) even with gross loans remaining unchanged q-o-q. The Stage 3 own coverage was 93.7%.

In 2Q 2019 the size of Stage 1+2 portfolio increased by 1% q-o-q (+21% y-o-y), including the effect of the aforementioned performing consumer loan sale. In respect of the POS lending 2Q is seasonally stronger, in addition the credit card and cash loan segments in particular showed favourably lending dynamics, so performing consumer loans grew by 2% q-o-q. With regards to the corporate segment, the quarterly performing portfolio decrease was 10%, partly due to repayment of commercial factoring exposure.

FX-adjusted total deposits increased by 23% y-o-y, and by 11% q-o-q. The corporate deposits showed intensive growth both y-o-y and q-o-q (85% and 33%, respectively). Net loan-to-deposit ratio decreased significantly (-12 pps q-o-q) due to the substantial deposit inflow to 119%.

OTP BANKA HRVATSKA (CROATIA)
Performance of OTP banka Hrvatska:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	12,240	17,421	42%	4,522	8,772	8,649	-1%	91%
Income tax	-2,775	-3,856	39%	-1,320	-1,975	-1,881	-5%	43%
Profit before income tax	15,016	21,277	42%	5,842	10,747	10,530	-2%	80%
Operating profit	16,698	20,604	23%	9,123	10,308	10,296	0%	13%
Total income	38,040	41,484	9%	19,853	20,429	21,054	3%	6%
Net interest income	26,922	28,221	5%	13,756	14,097	14,124	0%	3%
Net fees and commissions	7,813	8,275	6%	4,215	4,010	4,264	6%	1%
Other net non-interest income	3,304	4,988	51%	1,882	2,322	2,666	15%	42%
Operating expenses	-21,341	-20,880	-2%	-10,730	-10,122	-10,758	6%	0%
Total provisions	-1,683	673	-140%	-3,281	440	234	-47%	-107%
Provision for impairment on loan and placement losses	-1,845	1,029	-156%	-3,442	426	603	41%	-118%
Other provision	163	-356	-319%	161	13	-369		-329%
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	1,837,158	1,947,320	6%	1,930,952	1,861,499	1,947,320	5%	1%
Gross customer loans	1,178,848	1,307,543	11%	1,243,485	1,265,221	1,307,543	3%	5%
Gross customer loans (FX-adjusted)	1,187,221	1,307,543	10%	1,223,588	1,278,417	1,307,543	2%	7%
Retail loans	667,493	697,372	4%	669,263	682,359	697,372	2%	4%
Corporate loans	501,826	541,878	8%	535,057	538,495	541,878	1%	1%
Car financing loans	17,901	68,294	281%	19,267	57,563	68,294	19%	254%
Allowances for possible loan losses	-71,186	-66,911	-6%	-78,374	-72,894	-66,911	-8%	-15%
Allowances for possible loan losses (FX-adjusted)	-71,717	-66,911	-7%	-77,088	-73,724	-66,911	-9%	-13%
Deposits from customers	1,424,746	1,368,400	-4%	1,482,843	1,324,648	1,368,400	3%	-8%
Deposits from customers (FX-adjusted)	1,435,626	1,368,400	-5%	1,461,397	1,336,942	1,368,400	2%	-6%
Retail deposits	1,057,917	1,043,238	-1%	1,032,179	1,035,855	1,043,238	1%	1%
Corporate deposits	377,710	325,163	-14%	429,218	301,087	325,163	8%	-24%
Liabilities to credit institutions	85,702	232,995	172%	125,152	188,765	232,995	23%	86%
Total shareholders' equity	269,126	277,247	3%	265,660	263,227	277,247	5%	4%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		1,144,240			1,083,103	1,144,240	6%	
Stage 1 loans under IFRS 9/gross customer loans (%)		87.5%			85.6%	87.5%	2.2%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		0.8%			0.7%	0.8%	9.2%p	
Stage 2 loan volume under IFRS 9 (in HUF million)		78,586			88,836	78,586	-12%	
Stage 2 loans under IFRS 9/gross customer loans (%)		6.0%			7.0%	6.0%	-14.4%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		4.1%			4.5%	4.1%	-8.9%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	98,761	84,717	-14%	98,761	93,282	84,717	-9%	-14%
Stage 3 loans under IFRS 9/gross customer loans (%)	7.9%	6.5%	-1.5%p	7.9%	7.4%	6.5%	-0.9%p	-1.5%p
Own coverage of Stage 3 loans under IFRS 9 (%)		64.2%			65.2%	64.2%	-1.0%p	
Provision for impairment on loan and placement losses/average gross loans (%)	0.33%	-0.16%	-0.49%p	1.20%	-0.14%	-0.19%	-0.05%p	-1.38%p
90+ days past due loan volume (in HUF million)	81,753	55,437	-32%	81,753	67,031	55,437	-17%	-32%
90+ days past due loans/gross customer loans (%)	6.6%	4.2%	-2.3%p	6.6%	5.3%	4.2%	-1.1%p	-2.3%p
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	1.4%	1.9%	0.5%p	1.0%	1.9%	1.8%	-0.1%p	0.8%p
ROE	9.9%	12.9%	3.1%p	7.1%	13.0%	12.8%	-0.2%p	5.7%p
Total income margin	4.28%	4.44%	0.16%p	4.40%	4.45%	4.43%	-0.02%p	0.03%p
Net interest margin	3.03%	3.02%	-0.01%p	3.05%	3.07%	2.97%	-0.10%p	-0.08%p
Cost/income ratio	56.1%	50.3%	-5.8%p	54.0%	49.5%	51.1%	1.6%p	-3.0%p
Net loans to deposits (FX-adjusted)	78%	91%	12%p	78%	90%	91%	1%p	12%p
FX rates (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/HRK (closing)	44.5	43.7	-2%	44.5	43.2	43.7	1%	-2%
HUF/HRK (average)	42.3	43.2	2%	42.8	42.9	43.5	2%	2%

- **1H 2019 after-tax profit amounted to HUF 17.4 billion (+34% y-o-y, on adjusted base for leasing companies), parallel with improving operating income and positive risk cost**
- **Semi-annual net interest margin remained above 3% despite the decline in 2Q**
- **The 1H 2019 ROE represented 12.9% supported by the release of risk cost**
- **The volume of performing (Stage 1+2) loan volumes expanded further (+11% ytd on FX-adjusted base) accompanied by the erosion of FX-adjusted deposit base (-5% ytd)**

In December 2018 the integration of Splitska banka was successfully completed: Splitska banka d.d. merged into OTP banka Hrvatska dd., and the business and technology merger was completed.

The Croatian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown on consolidated level among the adjustment items. The balance sheet items were not adjusted for the acquisition effect.

In the 1H 2019 financial statements OTP Leasing d.d. was already presented as part of OBH Group versus the previous practice of showing it within Foreign Leasing Companies. Such change became effective from 1Q 2019, consequently the six months profit contribution of OTP Leasing d.d. was incorporated into OBH Group's 1H P&L statement. The 1Q 2019 Report for OBH Group did not reflect the profit contribution of OTP Leasing d.d.; it was presented as part of the Foreign Leasing Companies.

The adjusted 1H 2019 profit posted by OTP Leasing d.d. represented HUF 0.8 billion. By the end of June 2019 Stage 1+2 volumes at OTP Leasing d.d. comprised HUF 108 billion, the number of employees (on FTE basis) was 110 people.

The **Croatian operation** posted HUF 17.4 billion adjusted after-tax profit in 1H 2019, representing ROE 12.9% and in 2Q 2019 realized HUF 8.6 billion. Had the Croatian leasing company been included in the 1H 2018 base as part of the Croatian operation, its half-year profit growth would have been 34%.

1H 2019 operating result improved by 23% y-o-y, supported by the improvement of net interest income and net fee and commission income as well (+5%, and +6% y-o-y, respectively). 1H operating costs declined by 2% in HUF terms y-o-y (-4% in HRK terms). Cost synergies that could be exploited by the merger of the two banks in December 2018, already materialized in 1Q 2019, including savings in hardware, real estate and telecommunications, as well as operating costs of ATM and POS networks. The 6% q-o-q growth of expenses – alongside the 2% depreciation of HUF – reflecting the q-o-q increase of personnel expenses (partially due to the strengthening of business activity) and the increasing costs associated with real estates and advisory fees.

Following the significant network rationalization and reduction in headcount during 2018, the number of employees (on FTE basis) increased by 101 people parallel with the closing down of two branches in 2Q 2019.

As a result of aforementioned developments, the cost to income ration decreased by 5.8 pps y-o-y to 50.3%.

In 1H 2019, there was a positive risk cost of HUF 0.7 billion, compared to a risk cost of HUF -1.7 billion in the base period. In 2Q, provisions were released reasoned by the restructuring of a large corporate exposure. Thus, at the end of June, the ratio of Stage 3 loans amounted to 6.5% of the total gross loan portfolio, its own coverage reached 64.2%.

In 2Q 2019, the FX-adjusted portfolio of performing (Stage 1+2) loans increased by 3% q-o-q as business activity picked up. In particular disbursement dynamics for both personal loans and mortgages were strong. The performing corporate portfolio increased by 6% q-o-q on FX-adjusted basis.

Customer deposits increased by 2% in 2Q, still ytd there was a 5% FX-adjusted decline, mainly attributable to large corporate sight deposits. Retail deposit volumes remained practically stable over the first six months, but within this there is a shift towards sight deposits.

The FX-adjusted net loan-to-deposit ratio increased to 91% at the end of June.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	11,283	16,011	42%	5,449	8,294	7,717	-7%	42%
Income tax	-2,222	-3,291	48%	-1,115	-1,707	-1,584	-7%	42%
Profit before income tax	13,504	19,302	43%	6,564	10,002	9,301	-7%	42%
Operating profit	12,745	20,369	60%	6,852	10,203	10,167	0%	48%
Total income	20,432	30,472	49%	11,033	14,896	15,575	5%	41%
Net interest income	14,033	21,786	55%	7,915	10,575	11,211	6%	42%
Net fees and commissions	5,124	6,531	27%	2,720	3,263	3,268	0%	20%
Other net non-interest income	1,275	2,154	69%	398	1,058	1,096	4%	176%
Operating expenses	-7,687	-10,102	31%	-4,181	-4,694	-5,409	15%	29%
Total provisions	759	-1,067	-241%	-288	-201	-866	330%	201%
Provision for impairment on loan and placement losses	1,198	-372	-131%	-72	284	-656	-331%	807%
Other provision	-438	-695	59%	-215	-485	-210	-57%	-2%
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	391,240	474,465	21%	367,596	427,568	474,465	11%	29%
Gross customer loans	354,258	407,121	15%	357,774	376,042	407,121	8%	14%
Gross customer loans (FX-adjusted)	370,252	407,121	10%	362,064	382,207	407,121	7%	12%
Retail loans	134,140	138,229	3%	133,438	135,290	138,229	2%	4%
Corporate loans	207,720	234,338	13%	201,947	216,144	234,338	8%	16%
Car financing loans	28,392	34,554	22%	26,680	30,773	34,554	12%	30%
Allowances for possible loan losses	-72,753	-71,587	-2%	-98,484	-71,785	-71,587	0%	-27%
Allowances for possible loan losses (FX-adjusted)	-75,709	-71,587	-5%	-99,732	-72,681	-71,587	-2%	-28%
Deposits from customers	269,832	306,700	14%	252,988	279,936	306,700	10%	21%
Deposits from customers (FX-adjusted)	282,925	306,700	8%	255,507	285,194	306,700	8%	20%
Retail deposits	128,777	145,068	13%	123,402	132,638	145,068	9%	18%
Corporate deposits	154,148	161,632	5%	132,104	152,555	161,632	6%	22%
Liabilities to credit institutions	48,197	60,972	27%	46,996	52,969	60,972	15%	30%
Subordinated debt	4,903	5,084	4%	4,784	5,067	5,084	0%	6%
Total shareholders' equity	57,821	78,485	36%	45,645	68,283	78,485	15%	72%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		294,465			264,849	294,465	11%	
Stage 1 loans under IFRS 9/gross customer loans (%)		72.3%			70.4%	72.3%	1.9%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		1.0%			1.2%	1.0%	-0.2%p	
Stage 2 loan volume under IFRS 9 (in HUF million)		26,186			24,784	26,186	6%	
Stage 2 loans under IFRS 9/gross customer loans (%)		6.4%			6.6%	6.4%	-0.2%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		12.8%			13.2%	12.8%	-0.4%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	118,437	86,471	-27%	118,437	86,409	86,471	0%	-27%
Stage 3 loans under IFRS 9/gross customer loans (%)	33.1%	21.2%	-11.9%p	33.1%	23.0%	21.2%	-1.7%p	-11.9%p
Own coverage of Stage 3 loans under IFRS 9 (%)		75.6%			75.7%	75.6%	-0.08%p	
Provision for impairment on loan and placement losses/average gross loans (%)	-0.78%	0.20%	0.98%p	0.09%	-0.32%	0.66%	0.98%p	0.57%p
Provision for impairment on loan and placement losses/average (FX-adjusted) gross loans (%)	-0.83%	0.17%	0.99%p	0.09%	-0.33%	0.62%	0.95%p	0.53%p
90+ days past due loan volume (in HUF million)	77,129	54,273	-30%	77,129	53,411	54,273	2%	-30%
90+ days past due loans/gross customer loans (%)	21.6%	13.3%	-8.2%p	21.6%	14.2%	13.3%	-0.9%p	-8.2%p
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	6.8%	7.5%	0.6%p	6.2%	8.2%	6.8%	-1.4%p	0.6%p
ROE	60.1%	47.4%	-12.7%p	53.3%	54.3%	41.7%	-12.6%p	-11.6%p
Total income margin	12.39%	14.25%	1.86%p	12.62%	14.79%	13.77%	-1.02%p	1.15%p
Net interest margin	8.51%	10.19%	1.68%p	9.05%	10.50%	9.92%	-0.59%p	0.86%p
Cost/income ratio	37.6%	33.2%	-4.5%p	37.9%	31.5%	34.7%	3.2%p	-3.2%p
Net loans to deposits (FX-adjusted)	103%	109%	7%p	103%	109%	109%	1%p	7%p
FX rates (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/UAH (closing)	10.7	10.9	1%	10.7	10.5	10.9	3%	1%
HUF/UAH (average)	9.7	10.5	8%	10.2	10.3	10.8	6%	7%

- **The Ukrainian subsidiary posted the highest ROE within subsidiary banks across the Group (47.4%); all time high half year profit: HUF 16.0 billion**
- **1H profit increased by 30% y-o-y in UAH terms due to improving operating profit and moderate risk cost induced by favourable credit quality trends**
- **The Stage 3 ratio declined a by 1.7 pps to 21.2% q-o-q**
- **Performing (Stage 1+2) loan volumes advanced by 9% q-o-q, and by 32% y-o-y (FX-adjusted)**

The financial performance and indicators of OTP Bank Ukraine in HUF terms were affected by the HUF/UAH exchange rate moves: in 2Q 2019 the closing rate of UAH appreciated both q-o-q and y-o-y against the HUF (+3% and 1%, respectively). The 1H average rate strengthened 8% y-o-y, and the 2Q average rate showed strengthening of the UAH (+6% q-o-q and +7% y-o-y). As a result, there are some differences in local currency P&L and balance sheets dynamics versus those in HUF terms.

OTP Bank Ukraine posted HUF 16.0 billion after tax profit in 1H 2019 underpinning a 42% increase against 1H 2018 (+30% in local currency terms). In 2Q the Ukrainian operation generated HUF 7.7 billion after tax profit (-11% q-o-q, +33% y-o-y in local currency terms). The 1H ROE reached 47.4% the highest among subsidiary banks across the Group.

Given the significant HUF/UAH cross-currency moves y-o-y and q-o-q, we rather analyse the P&L developments in UAH terms.

1H operating result surged by 47% y-o-y in UAH terms, the key reasons were the y-o-y 43% increase in net interest income and 18% growth of net fee and commission income, while operating expenses increased by 21%. In 2Q operating profit declined by 6% in UAH terms, as a combined result of q-o-q stable total income and 9% rise in operating expenses.

The y-o-y NII dynamics in 1H were positively influenced by the higher performing loan volumes, as

well as the increase in 1H NIM by 1.7 pps y-o-y to 10.19%. In 2Q NII was stable q-o-q despite net interest margin contracting by 50 bps. In the retail segment average interest rates on loans kept decreasing, and some reduction was also present in the corporate segment, too. In 2Q the growth in interest expense on retail deposits was counterbalanced by the reduction of interest paid on the corporate deposits base.

Net F&C income jumped by 18% y-o-y in 1H supported by corporate transactions and deposit-related fee income, but the overall strengthening of business activity had its positive effect, too.

Operating expenses in UAH terms increased by 21% y-o-y in 1H with an average inflation of 9%. This was mainly driven by higher personnel expenses as a result of wage increase and 8% higher number of employees, as well as higher operational expenses induced by stronger business activity.

Total provisions in 1H totalled to -HUF 1.1 billion compared to HUF 0.8 billion in the base period. Risk cost rate stood at 20 bps in 1H 2019. The DPD90+ volumes (FX-adjusted and excluding the impact of loan sales and write-offs) grew by HUF 4.5 billion in 2Q following a HUF 0.7 billion increase in 1Q 2019.

In the last 6 months problem loans were sold or written off in the amount of about HUF 5.6 billion, out of which HUF 2.8 billion in 2Q. Stage 3 loans to total gross loans ratio decreased to 21.2% by end-2Q (-1.7 pps q-o-q, -11.9 pps y-o-y).

The FX-adjusted Stage 1+2 loan book grew by 32% y-o-y and by 9% q-o-q, within the quarterly development the growth of the corporate loan segment was material (+9%), but car financing (+13%), MSE (+9%) and consumer lending (+6%) also grew nicely.

Deposits (adjusted for the FX-effect) expended by 8% q-o-q and leaped by 20% y-o-y, so the balance sheet structure is still well-balanced: the net loan-to-deposit ratio stood at 109% at the end of 1H (+1 pp q-o-q).

The outstanding net intragroup funding towards the Ukrainian operation comprised USD 88 million equivalent at the end of June 2019.

OTP BANK ROMANIA
Performance of OTP Bank Romania:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,368	3,626	165%	-136	1,188	2,438	105%	
Income tax	-594	-170	-71%	-131	23	-193	-922%	48%
Profit before income tax	1,962	3,795	93%	-5	1,164	2,631	126%	
Operating profit	4,547	5,909	30%	2,653	2,562	3,348	31%	26%
Total income	14,065	17,868	27%	7,436	8,836	9,032	2%	21%
Net interest income	10,537	12,953	23%	5,426	6,173	6,780	10%	25%
Net fees and commissions	1,714	1,660	-3%	885	813	847	4%	-4%
Other net non-interest income	1,814	3,256	80%	1,125	1,850	1,405	-24%	25%
Operating expenses	-9,517	-11,959	26%	-4,783	-6,274	-5,685	-9%	19%
Total provisions	-2,586	-2,114	-18%	-2,658	-1,397	-716	-49%	-73%
Provision for impairment on loan and placement losses	-2,304	-1,713	-26%	-2,055	-1,320	-393	-70%	-81%
Other provision	-282	-401	42%	-603	-78	-323	315%	-46%
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	771,968	838,398	9%	711,039	796,310	838,398	5%	18%
Gross customer loans	577,565	635,638	10%	581,296	608,233	635,638	5%	9%
Gross customer loans (FX-adjusted)	575,971	635,638	10%	569,355	615,765	635,638	3%	12%
Retail loans	396,771	424,538	7%	393,981	407,896	424,538	4%	8%
Corporate loans	179,201	201,072	12%	175,374	198,875	201,072	1%	15%
Car financing loans	0	10,028	-100%	0	8,993	10,028	11%	-100%
Allowances for possible loan losses	-35,444	-37,980	7%	-55,653	-36,445	-37,980	4%	-32%
Allowances for possible loan losses (FX-adjusted)	-35,439	-37,980	7%	-55,422	-36,919	-37,980	3%	-31%
Deposits from customers	434,937	470,111	8%	394,966	450,777	470,111	4%	19%
Deposits from customers (FX-adjusted)	433,120	470,111	9%	385,675	456,013	470,111	3%	22%
Retail deposits	330,746	355,028	7%	282,071	355,144	355,028	0%	26%
Corporate deposits	102,374	115,083	12%	103,603	100,869	115,083	14%	11%
Liabilities to credit institutions	232,391	252,151	9%	220,745	235,599	252,151	7%	14%
Total shareholders' equity	60,047	85,254	42%	50,474	81,232	85,254	5%	69%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		518,427			491,175	518,427	6%	
Stage 1 loans under IFRS 9/gross customer loans (%)		81.6%			80.8%	81.6%	0.8%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		1.5%			1.4%	1.5%	0.1%p	
Stage 2 loan volume under IFRS 9 (in HUF million)		60,396			58,955	60,396	2%	
Stage 2 loans under IFRS 9/gross customer loans (%)		9.5%			9.7%	9.5%	-0.2%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		5.2%			6.6%	5.2%	-1.5%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	77,171	56,814	-26%	77,171	58,102	56,814	-2%	-26%
Stage 3 loans under IFRS 9/gross customer loans (%)	13.3%	8.9%	-4.3%p	13.3%	9.6%	8.9%	-0.6%p	-4.3%p
Own coverage of Stage 3 loans under IFRS 9 (%)		48.0%			44.1%	48.0%	3.9%p	
Provision for impairment on loan and placement losses/average gross loans (%)	0.8%	0.6%	-0.3%p	1.5%	0.9%	0.3%	-0.7%p	-1.2%p
90+ days past due loan volume (in HUF million)	54,163	35,348	-34.7%	54,163	28,565	35,348	23.7%	-34.7%
90+ days past due loans/gross customer loans (%)	9.3%	5.6%	-3.8%p	9.3%	4.7%	5.6%	0.9%p	-3.8%p
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	0.4%	0.9%	0.5%p	-0.1%	0.6%	1.2%	0.6%p	1.3%p
ROE	5.6%	9.1%	3.5%p	-1.1%	6.3%	11.7%	5.5%p	12.9%p
Total income margin	4.35%	4.45%	0.10%p	4.48%	4.50%	4.41%	-0.09%p	-0.07%p
Net interest margin	3.26%	3.23%	-0.03%p	3.27%	3.14%	3.31%	0.17%p	0.04%p
Cost/income ratio	67.7%	66.9%	-0.7%p	64.3%	71.0%	62.9%	-8.1%p	-1.4%p
Net loans to deposits (FX-adjusted)	133%	127%	-6%p	133%	127%	127%	0%p	-6%p
FX rates (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/RON (closing)	70.5	68.3	-3%	70.5	67.3	68.3	1%	-3%
HUF/RON (average)	67.5	67.6	0%	68.1	67.2	68.0	1%	0%

- **The Romanian subsidiary posted HUF 3.6 billion profit in 1H 2019**
- **The operating profit improved by 30% y-o-y as a result of increasing total income (+27% y-o-y) and higher operating expenses (+26% y-o-y)**
- **Performing loan volumes (Stage 1+2, FX-adjusted) increased by 17% y-o-y supported by robust mortgage, MSE and corporate lending dynamics, the volume increased by 4% q-o-q**

In the 2019 1H financial statements OTP Leasing Romania was already presented as part of OTP Bank Romania versus the previous practice of showing it within Foreign Leasing companies. Such change became effective from 1Q 2019, consequently the six months profit contribution of OTP Leasing Romania was incorporated into OTP Bank Romania's 1H P&L statement. The 1Q 2019 performance of OTP Bank Romania presented in the 1Q 2019 Summary did not reflect the contribution of OTP Leasing Romania; it was then presented as part of the Foreign Leasing Companies. The adjusted 1H profit posted by OTP Leasing Romania represented HUF 81 million. At the end of June 2019 the Stage 1+2 loan volumes at OTP Leasing Romania comprised HUF 23.2 billion, the number of employees was 44 people (on an FTE basis).

In 1H there was no impact of the Romanian banking tax. In future, it is going to be booked on consolidated level amongst correction items.

OTP Bank Romania posted HUF 3.6 billion net profit in 1H 2019, more than two and a half times than in the base period. The Romanian operation reached 2.4 billion profit in 2Q, more than two times than in the base period.

The semi-annual operating profit improved by 30% y-o-y as a result of higher total income (+27% y-o-y) and higher operating expenses (+26% y-o-y).

The semi-annual net interest income surged by 23% y-o-y, mainly supported by the strong dynamic of performing (Stage 1+2) loan volumes. 1H net interest margin remained stable, while the average total asset increased by 24% y-o-y.

In 2Q net interest income increased by 10% q-o-q. The performing (Stage 1+2) loan volumes rose by 4% q-o-q and the net interest margin grew, too (+17 bps q-o-q). After intensive deposit collection efforts the 1Q, in 2Q the average deposit rate decreased and the deposits expanded at lower pace (1Q: +5%;

2Q:+3% q-o-q, FX adjusted) to have a positive impact on NIM.

The 1H net fees and commissions declined 3% y-o-y (without the incorporation of OTP Leasing Romania -7% y-o-y), mainly due to base effect⁵.

The other net non-interest income jumped by 80% y-o-y due to the result of swap transactions made with OTP Bank.

The operating costs surged by 26% y-o-y. The annual increase is explained mainly by the growth in personnel expenses induced by wage inflation (the average wages in the financial sector increased by above 10% y-o-y in the first five months of 2019) and the average headcount growth (+14% y-o-y, without the incorporation of OTP Leasing Romania +10%). Due to stronger business activity, operational expenses also increased. The deposit guarantee fund contribution rose by HUF 340 million y-o-y, partly due to the increase in the rate and partly to the higher deposit base. Marketing costs also increased in 1H y-o-y. Additional costs were incurred for cleaning and updating customer data and meeting regulatory requirements. In addition, to support the above mentioned tasks advisory costs and the increase in rental fees for the new headquarters also contributed to the increase in semi-annual operating costs. In 2Q the operating costs decreased by 9% q-o-q, the reason is that the annual deposit guarantee fund contribution (HUF 865 million) was booked in a lump sum in 1Q.

The amount of total risk cost amounted to -HUF 2.1 billion in 1H 2019.

DPD90+ volumes (FX-adjusted, without sales and write-offs) decreased by HUF 1.3 billion in 2Q 2019. The share of Stage 3 exposures represented 8.9% of total gross loans (-4.3 pps y-o-y, -0.6 pp q-o-q). The own coverage of Stage 3 loans stood at 48.0% at the end of 2Q.

The FX-adjusted performing (Stage 1+2) loan volumes increased by 17% y-o-y, while the expansion also continued q-o-q (+4%). The annual increase was supported both by the retail (+16% y-o-y; +5% q-o-q) and corporate segment (+14% y-o-y, +2% q-o-q). In case of new disbursements, the mortgage loan disbursement increased more than two times in 1H versus the basis period, the performing volume increased by 16% y-o-y.

FX-adjusted deposit volumes increased by 22% y-o-y and by 3% q-o-q. The annual growth was supported by both the retail and corporate segments, while the q-o-q expansion is a result of corporate inflow. The net loan-to-deposit ratio stood at 127% at the end of 2Q (-6 pps y-o-y).

⁵ The customers become bonus after certain banking products, if they fulfill the contractual conditions. In 1Q 2018 the amount of bonus was

lower due to non-fulfillment of contractual conditions, which cause higher fee expense.

OTP BANKA SRBIJA (SERBIA)
Performance of OTP banka Srbija:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,563	2,991	91%	990	1,418	1,572	11%	59%
Income tax	4	137		-5	5	132		
Profit before income tax	1,559	2,853	83%	995	1,413	1,440	2%	45%
Operating profit	2,298	3,374	47%	1,389	1,657	1,717	4%	24%
Total income	13,979	15,678	12%	7,363	7,720	7,958	3%	8%
Net interest income	9,676	11,150	15%	5,031	5,535	5,616	1%	12%
Net fees and commissions	3,363	3,806	13%	1,774	1,728	2,077	20%	17%
Other net non-interest income	941	722	-23%	558	457	265	-42%	-52%
Operating expenses	-11,681	-12,304	5%	-5,974	-6,063	-6,241	3%	4%
Total provisions	-740	-521	-30%	-394	-244	-277	14%	-30%
Provision for impairment on loan and placement losses	-710	-387	-45%	-318	-250	-137	-45%	-57%
Other provision	-30	-134	345%	-75	6	-140		86%
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	590,166	613,188	4%	542,576	611,154	613,188	0%	13%
Gross customer loans	395,217	438,278	11%	361,392	428,132	438,278	2%	21%
Gross customer loans (FX-adjusted)	398,658	438,278	10%	356,617	432,221	438,278	1%	23%
Retail loans	187,605	198,151	6%	174,393	199,873	198,151	-1%	14%
Corporate loans	211,053	222,393	5%	182,224	215,162	222,393	3%	22%
Allowances for possible loan losses	-14,774	-15,088	2%	-20,104	-15,232	-15,088	-1%	-25%
Allowances for possible loan losses (FX-adjusted)	-14,928	-15,088	1%	-19,860	-15,393	-15,088	-2%	-24%
Deposits from customers	372,961	351,885	-6%	375,474	368,868	351,885	-5%	-6%
Deposits from customer (FX-adjusted)	376,245	351,885	-6%	370,298	372,288	351,885	-5%	-5%
Retail deposits	262,784	258,854	-1%	255,710	262,521	258,854	-1%	1%
Corporate deposits	113,460	93,030	-18%	114,589	109,766	93,030	-15%	-19%
Liabilities to credit institutions	117,169	156,356	33%	63,725	137,865	156,356	13%	145%
Subordinated debt	0	0		2,661	0	0		-100%
Total shareholders' equity	84,848	92,198	9%	86,260	87,375	92,198	6%	7%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		401,429			373,251	401,429	8%	
Stage 1 loans under IFRS 9/gross customer loans (%)		91.6%			87.2%	91.6%	5.1%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		0.3%			0.4%	0.3%	-15.8%p	
Stage 2 loans under IFRS 9/gross customer loans (%)		3.7%			8.2%	3.7%	-55.5%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		2.7%			4.8%	2.7%	-42.8%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	32,335	20,822	-36%	32,335	19,681	20,822	6%	-36%
Stage 3 loans under IFRS 9/gross customer loans (%)	10.2%	4.8%	-5.5%p	10.2%	4.6%	4.8%	0.2%p	-5.5%p
Own coverage of Stage 3 loans under IFRS 9 (%)		63.8%			61.2%	63.8%	2.6%p	63.8%
Provision for impairment on loan and placement losses/average gross loans (%)	0.44%	0.18%	-0.26%p	0.38%	0.24%	0.13%	-0.12%p	-0.25%p
90+ days past due loan volume (in HUF million)	23,301	15,640	-33%	23,301	15,572	15,640	0%	-33%
90+ days past due loans/gross customer loans (%)	6.4%	3.6%	-2.9%p	6.4%	3.6%	3.6%	-0.1%p	-2.9%p
Total provisions/90+ days past due loans (%)	86.3%	96.5%	10.2%p	86.3%	97.8%	96.5%	-1.3%p	10.2%p
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	0.7%	1.0%	0.3%p	0.8%	1.0%	1.0%	0.1%p	0.2%p
ROE	4.1%	6.8%	2.7%p	5.1%	6.7%	6.9%	0.3%p	1.9%p
Total income margin	5.84%	5.20%	-0.64%p	5.9%	5.2%	5.22%	0.03%p	-0.71%p
Net interest margin	4.04%	3.70%	-0.34%p	4.05%	3.72%	3.68%	-0.04%p	-0.37%p
Cost/income ratio	83.6%	78.5%	-5.1%p	81.1%	78.5%	78.4%	-0.1%p	-2.7%p
Net loans to deposits (FX-adjusted)	91%	120%	29%p	91%	112%	120%	8%p	29%p
FX rates (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/RSD (closing)	2.8	2.8	-1%	2.8	2.7	2.8	1%	-1%
HUF/RSD (average)	2.6	2.6	2%	2.7	2.7	2.7	2%	2%

- **The Serbian operation doubled its 1H result realizing HUF 3 billion after-tax profit**
- **The merger of the two banks took place in April**
- **Alongside the ongoing integration process, operating profit improved in spite of 3% q-o-q increase of operating costs**
- **The FX-adjusted performing (Stage 1+2) loan volumes ytd expanded by 10% supported by both the retail and corporate segments**

The transaction on the purchase of Societe Generale banka Srbija announced on 20 December 2018 has not been completed yet, as a result 2019 1H financial statements incorporated neither the P&L nor the balance sheet of Societe Generale banka Srbija.

In 1H 2019 financial statements of OTP Lizing d.o.o. were already presented as part of the Serbian operation versus the previous practice of showing it within Foreign Leasing Companies. Such change became effective from 1Q 2019, consequently the six months profit contribution of OTP Lizing d.o.o. was incorporated into the Serbian operation's 1H P&L statement. The 1Q 2019 Report for the Serbian operation did not reflect the profit contribution of OTP Lizing d.o.o., it was presented as part of the Foreign Leasing Companies.

In 1H 2019 OTP Lizing d.o.o. realized HUF 0.2 billion adjusted after-tax profit. As at the end of June the volume of performing (Stage 1+2) loans amounted to HUF 24 billion, the number of (on FTE basis) employees was 34.

The Serbian P&L account was adjusted for the one-off items directly related to the acquisitions; these corrections are shown on consolidated level among the adjustment items. The balance sheet items were not adjusted for the acquisition effect.

The loss recognized during the reporting period relating to the conversion of outstanding CHF mortgage loans at customer request, commenced in April and closed on 19 July, is shown on consolidated level among the adjustment items.

The **Serbian operation** (including Vojvodjanska banka, OTP Factoring Serbia d.o.o. and OTP Lizing d.o.o.) posted HUF 3 billion after tax profit in 1H 2019, thus its half-year profit doubled in a yearly comparison.

On 25 April 2019 the merger of Vojvodjanska Banka a.d. Novi Sad and OTP banka Srbija a.d. Novi Sad was registered by the Serbian Court of Registration and Vojvodjanska banka merged into OTP banka

Srbija. Following the merge the name of OTP banka Srbija was modified to Vojvodjanska banka a.d. Novi Sad. Subsequently, the integration process commenced and its first achievements are already manifested in 2Q 2019: the number of branches of the Serbian operation decreased by 6 units to 148, parallel with the decline in headcount by 85 person (-4% q-o-q).

The operating profit of 1H 2019 improved by 47% y-o-y (HUF 3.4 billion), as a result of stronger banking revenues (+12% y-o-y) coupled with y-o-y 5% higher operating costs. The 1H net interest income grew by 15% y-o-y: the FX-adjusted performing (Stage 1+2) loan volumes increase (+26% y-o-y) was offset by the effect of eroding margin (-34 bps) shaped mainly by the more dynamic increase of lower margin corporate exposures.

Considering quarterly performance, net interest income improved by 1% q-o-q (decreased by the same magnitude in LCY terms). The 20% q-o-q increase in net fee income was partly due to technical effect of the merger of the two banks: in April 2019, the bank switched from charging fees at the end of month to the beginning-of-month method; as a result, in April two month commission income was booked.

In 2Q 2019 NIM eroded further q-o-q, as a result of the declining rate environment during 2018 (there were several base rate cuts), which was reflected in the interest rates of local currency denominated variable rate loans.

Total risk cost in 1H 2019 amounted to HUF 0.5 billion (-30% y-o-y).

Regarding the loan quality trends the DPD90+ loan portfolio (FX-adjusted, without sales and write-offs) decreased by HUF 0.1 billion in 2Q 2019. The ratio of Stage 3 loans to total gross loans dropped to 4.8% at the end of June, their own provision coverage stood at 63.8%.

The performing (Stage 1+2) loan volumes of the Serbian operation expanded by 1% q-o-q and by 26% y-o-y on FX-adjusted base alongside the ongoing integration process. The engine of loan growth was the corporate segment on quarterly and yearly comparison as well (+3% q-o-q, +28% y-o-y). In the retail segment, the half-year level of both cash and mortgage loans lagged behind the level a year ago.

The FX-adjusted deposit base eroded by 5% q-o-q mainly as a result of corporate withdrawals. The net loan to deposit ratio increased to 120% as at the end of June (+8 pps q-o-q, +29 pps y-o-y).

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)
Performance of CKB:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	1,366	1,839	35%	678	695	1,144	65%	69%
Income tax	-208	-155	-26%	-123	-70	-84	20%	-31%
Profit before income tax	1,574	1,993	27%	801	765	1,228	61%	53%
Operating profit	959	1,725	80%	553	811	914	13%	65%
Total income	4,934	5,864	19%	2,560	2,802	3,062	9%	20%
Net interest income	3,543	4,036	14%	1,826	1,959	2,077	6%	14%
Net fees and commissions	1,452	1,650	14%	814	745	905	21%	11%
Other net non-interest income	-62	178	-388%	-81	97	80	-18%	-200%
Operating expenses	-3,975	-4,139	4%	-2,007	-1,991	-2,148	8%	7%
Total provisions	615	269	-56%	248	-46	315	-783%	27%
Provision for impairment on loan and placement losses	381	168	-56%	108	-173	341	-297%	215%
Other provision	234	101	-57%	140	127	-26	-120%	-119%
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	224,892	249,445	11%	220,953	226,450	249,445	10%	13%
Gross customer loans	157,043	170,088	8%	169,577	164,125	170,088	4%	0%
Gross customer loans (FX-adjusted)	158,035	170,088	8%	166,965	165,532	170,088	3%	2%
Retail loans	73,488	72,360	-2%	76,598	70,929	72,360	2%	-6%
Corporate loans	84,513	97,658	16%	90,368	94,550	97,658	3%	8%
Car financing loans	34	70	109%	0	54	70	30%	-100%
Allowances for possible loan losses	-28,265	-27,539	-3%	-41,542	-28,062	-27,539	-2%	-34%
Allowances for possible loan losses (FX-adjusted)	-28,443	-27,539	-3%	-40,903	-28,303	-27,539	-3%	-33%
Deposits from customers	175,740	173,139	-1%	162,505	168,629	173,139	3%	7%
Deposits from customers (FX-adjusted)	176,909	173,139	-2%	160,216	169,943	173,139	2%	8%
Retail deposits	132,105	124,511	-6%	121,938	119,944	124,511	4%	2%
Corporate deposits	44,804	48,628	9%	38,278	49,999	48,628	-3%	27%
Liabilities to credit institutions	2,364	11,279	377%	10,746	10,973	11,279	3%	5%
Total shareholders' equity	38,637	56,042	45%	38,568	39,689	56,042	41%	45%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		133,676			127,557	133,676	5%	
Stage 1 loans under IFRS 9/gross customer loans (%)		78.6%			77.7%	78.6%	0.9%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		1.2%			1.5%	1.2%	-0.4%p	
Stage 2 loan volume under IFRS 9 (in HUF million)		4,741			4,904	4,741	-3%	
Stage 2 loans under IFRS 9/gross customer loans (%)		2.8%			3.0%	2.8%	-0.2%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		11.5%			12.9%	11.5%	-1.5%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	49,556	31,671	-36%	49,556	31,665	31,671	0%	-36%
Stage 3 loans under IFRS 9/gross customer loans (%)	29.2%	18.6%	-10.6%p	29.2%	19.3%	18.6%	-0.7%p	-10.6%p
Own coverage of Stage 3 loans under IFRS 9 (%)		80.3%			80.4%	80.3%	-0.1%p	
Provision for impairment on loan and placement losses/average gross loans (%)	-0.5%	-0.2%	0.3%p	-0.3%	0.4%	-0.8%	-1.3%p	-0.5%p
90+ days past due loan volume (in HUF million)	43,810	26,160	-40.3%	43,810	26,874	26,160	-2.7%	-40.3%
90+ days past due loans/gross customer loans (%)	25.83%	15.38%	-10.5%p	25.83%	16.37%	15.38%	-1.0%p	-10.5%p
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	1.4%	1.6%	0.2%p	1.4%	1.3%	1.9%	0.7%p	0.6%p
ROE	12.8%	9.1%	-3.7%p	11.6%	7.3%	10.7%	3.4%p	-1.0%p
Total income margin	5.06%	5.15%	0.09%p	5.16%	5.12%	5.17%	0.04%p	0.01%p
Net interest margin	3.64%	3.54%	-0.09%p	3.68%	3.58%	3.51%	-0.08%p	-0.17%p
Cost/income ratio	80.6%	70.6%	-10.0%p	78.4%	71.1%	70.2%	-0.9%p	-8.2%p
Net loans to deposits (FX-adjusted)	79%	82%	4%p	79%	81%	82%	2%p	4%p
FX rates (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/EUR (closing)	328.6	323.5	-2%	328.6	320.8	323.5	1%	-2%
HUF/EUR (average)	314.1	320.6	2%	316.9	318.1	323.0	2%	2%

- **In 1H 2019 the Bank posted HUF 1.8 billion after tax profit**
- **The operating profit increased by 80% y-o-y due to the total income grew by 19% y-o-y**
- **The FX-adjusted performing loan (Stage 1+2) volume grew dynamically, by 17% y-o-y supported mainly by the corporate segment (+59% y-o-y)**
- **The share of Stage 3 loan volumes (18.6%) declined by 10.6 pps y-o-y**

On 27 February 2019 Crnogorska komercijalna banka a.d., the Montenegrin subsidiary of OTP Bank signed an acquisition agreement on purchasing 90.56% shareholding of Societe Generale banka Montenegro a.d. („SGM”), the Montenegrin subsidiary of Societe Generale Group. The financial closure of the transaction has been completed on 16 July 2019. The Half-year Financial Report results does not incorporate the effect of the transaction.

The Montenegrin **CKB Bank** posted HUF 1.8 billion after tax profit in 1H, which is 35% higher than in the base period. In 2Q the Bank reached HUF 1.1 billion profit, which means 65% q-o-q increase.

The operating profit surged by 80% y-o-y as a result of the total income increasing by 19% and the operating expenses by 4%, respectively.

The semi-annual net interest income grew by 14% y-o-y: performing loan (Stage 1+2) volumes increased by 17% y-o-y due to the strengthening business activity which was partly offset by the declining net interest margin (-9 bps y-o-y).

In 2Q net interest income grew by 6% q-o-q, supported by the quarterly expansion of performing loan volumes (+4% q-o-q).

The semi-annual net fee and commission income increased by 14% y-o-y. On quarterly basis the net fee and commission income rose by 21% mainly explained by seasonality.

The semi-annual operating expenses increased by 4% partly due to the depreciation of Hungarian forint against the euro. The expenses in euro terms increased by 2% explained by the increase of personnel expenses and charges paid to supervisory authorities, as well as higher deductible taxes. The 2Q operational costs increased by 7% y-o-y.

In 1H total risk cost amounted to +HUF 0.3 billion.

The DPD90+ loan volumes (FX-adjusted, without sales and write offs) increased by HUF 0.2 billion in 2Q. The share of Stage 3 exposures represented 18.6% of total gross loans (-10.6 pps y-o-y, -0.7 pp q-o-q). The own coverage of Stage 3 loans stood at 80.3% at the end of 2Q 2019.

The FX-adjusted performing loan (Stage 1+2) volume grew by 17% y-o-y (+4% q-o-q). The annual increase were mainly supported by the corporate segment (+59% y-o-y, +5% q-o-q) and within the retail segment the mortgage loan volumes (+13% y-o-y; +3% q-o-q).

FX-adjusted deposit volumes increased by 8% y-o-y and by 2% q-o-q. The net loan-to-deposit ratio stood at 82% at the end of 2Q 2019 (+3.6 pps y-o-y).

OTP BANK ALBANIA (ALBANIA)
Performance of OTP Bank Albania:

Main components of P&L account in HUF mn	1Q 2019	2Q 2019	Q-o-Q
After tax profit without the effect of adjustments		1,206	
Income tax		-218	
Profit before income tax		1,424	
Operating profit		1,454	
Total income		2,701	
Net interest income		2,277	
Net fees and commissions		305	
Other net non-interest income		118	
Operating expenses		-1,247	
Total provisions		-30	
Provision for impairment on loan and placement losses		15	
Other provision		-45	
Main components of balance sheet closing balances in HUF mn	1Q 2019	2Q 2019	Q-o-Q
Total assets	218,024	230,632	6%
Gross customer loans	125,488	135,719	8%
Gross customer loans (FX-adjusted)	129,014	135,719	5%
Retail loans	59,873	63,205	6%
Corporate loans	67,444	70,849	5%
Car financing loans	1,697	1,665	-2%
Allowances for possible loan losses	-1,865	-2,556	37%
Allowances for possible loan losses (FX-adjusted)	-1,921	-2,556	33%
Deposits from customers	175,534	173,297	-1%
Deposits from customers (FX-adjusted)	181,082	173,297	-4%
Retail deposits	145,610	145,705	0%
Corporate deposits	35,472	27,592	-22%
Liabilities to credit institutions	18,763	30,914	65%
Total shareholders' equity	20,708	22,851	10%
Loan Quality	1Q 2019	2Q 2019	Q-o-Q
Stage 1 loan volume under IFRS 9 (in HUF million)		128,034	
Stage 1 loans under IFRS 9/gross customer loans (%)		94.3%	
Own coverage of Stage 1 loans under IFRS 9 (%)		1.3%	
Stage 2 loan volume under IFRS 9 (in HUF million)		4,935	
Stage 2 loans under IFRS 9/gross customer loans (%)		3.6%	
Own coverage of Stage 2 loans under IFRS 9 (%)		9.1%	
Stage 3 loan volume under IFRS 9 (in HUF million)		2,750	
Stage 3 loans under IFRS 9/gross customer loans (%)		2.0%	
Own coverage of Stage 3 loans under IFRS 9 (%)		17.3%	
Provision for impairment on loan and placement losses/average gross loans (%)		-0.05%	
90+ days past due loan volume (in HUF million)		1,292	
90+ days past due loans/gross customer loans (%)		1.0%	
Performance Indicators	1Q 2019	2Q 2019	Q-o-Q
ROA		2.2%	
ROE		22.4%	
Total income margin		4.84%	
Net interest margin		4.08%	
Cost/income ratio		46.2%	
Net loans to deposits (FX-adjusted)		77%	
FX rates (in HUF)	1Q 2019	2Q 2019	Q-o-Q
HUF/ALL (closing)	2.5	2.7	6%
HUF/ALL (average)	2.6	2.6	3%

In line with the purchase agreement signed on 1 August 2018 by OTP Bank Plc. and the Societe Generale Group, on 29 March 2019 the financial closure of the Albanian transaction has been completed. As a result, OTP Bank has become the 100% owner of Banka Societe Generale Albania SH. A. („SGAL”), the Albanian subsidiary of Societe Generale Group. Upon the request of the seller, OTP Bank doesn't disclose the purchase price.

The 2019 1Q consolidated financial statement incorporated only the balance sheet of the Albanian subsidiary; 1Q earnings were not reflected in the consolidated P&L, they have been booked directly in the shareholders' equity of the Group. The Albanian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown on consolidated level among the adjustment items. The balance sheet items were not adjusted for the acquisition effects.

OTP Bank Albania posted HUF 1.2 billion profit after tax in 2Q which translates into a ROE of 22.4%, the second highest amongst Group members. The quarterly net interest margin stood at 4.08%, the cost-to-income ratio was 46.2% and the net loan-to-deposit ratio 77%, respectively.

The Stage 3 ratio in 2Q 2019 comprised 2% out of the gross loan portfolio. The Stage 3 own provision coverage stood at 17.3%. At consolidation loans were netted out with provisions. Had the

consolidation happened on gross base, the own provision coverage of Stage 3 loans would have been 78.5%.

The FX-adjusted Stage 1+2 volumes advanced by 5% q-o-q. FX-adjusted deposit volumes decreased q-o-q by 4%, however their overall volume provides secure funding for the dynamically increasing loan portfolio. The net loan-to-deposit ratio of 77%, somewhat exceeding the Group average.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko:

Main components of P&L account in HUF mn	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	-129	533	-514%	-899	350	183	-48%	-120%
Income tax	-133	-101	-24%	64	-30	-71	141%	-212%
Profit before income tax	4	634		-962	379	255	-33%	-126%
Operating profit	1,323	892	-33%	569	368	524	42%	-8%
Total income	7,354	7,220	-2%	3,710	3,550	3,670	3%	-1%
Net interest income	5,556	5,216	-6%	2,770	2,595	2,621	1%	-5%
Net fees and commissions	1,645	1,833	11%	851	864	969	12%	14%
Other net non-interest income	153	171	11%	89	90	80	-11%	-9%
Operating expenses	-6,031	-6,328	5%	-3,141	-3,181	-3,146	-1%	0%
Total provisions	-1,319	-258	-80%	-1,531	11	-269		-82%
Provision for impairment on loan and placement losses	-1,430	-257	-82%	-1,564	23	-280		-82%
Other provision	111	-1	-101%	33	-12	11	-191%	-66%
Main components of balance sheet closing balances in HUF mn	2018	1H 2019	YTD	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total assets	454,498	466,287	3%	469,117	445,622	466,287	5%	-1%
Gross customer loans	393,111	401,722	2%	406,785	386,769	401,722	4%	-1%
Gross customer loans (FX-adjusted)	395,593	401,722	2%	400,523	390,084	401,722	3%	0%
Retail loans	342,928	340,857	-1%	349,486	341,156	340,857	0%	-2%
Corporate loans	52,650	60,865	16%	51,015	48,916	60,865	24%	19%
Allowances for possible loan losses	-31,582	-30,411	-4%	-38,585	-30,572	-30,411	-1%	-21%
Allowances for possible loan losses (FX-adjusted)	-31,781	-30,411	-4%	-37,991	-30,834	-30,411	-1%	-20%
Deposits from customers	360,069	355,970	-1%	362,561	354,610	355,970	0%	-2%
Deposits from customers (FX-adjusted)	362,357	355,970	-2%	357,107	357,548	355,970	0%	0%
Retail deposits	333,842	325,600	-2%	328,354	328,176	325,600	-1%	-1%
Corporate deposits	28,515	30,370	7%	28,752	29,372	30,370	3%	6%
Liabilities to credit institutions	22,725	39,216	73%	23,712	29,097	39,216	35%	65%
Subordinated debt	8,691	8,747	1%	6,575	8,674	8,747	1%	33%
Total shareholders' equity	29,382	29,250	0%	25,274	28,949	29,250	1%	16%
Loan Quality	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)		339,396			322,767	339,396	5%	
Stage 1 loans under IFRS 9/gross customer loans (%)		84.5%			83.5%	84.5%	1.0%p	
Own coverage of Stage 1 loans under IFRS 9 (%)		1.0%			1.0%	1.0%	0.0%p	
Stage 2 loan volume under IFRS 9 (in HUF million)		27,865			29,344	27,865	-5%	
Stage 2 loans under IFRS 9/gross customer loans (%)		6.9%			7.6%	6.9%	-0.7%p	
Own coverage of Stage 2 loans under IFRS 9 (%)		9.4%			9.4%	9.4%	0.0%p	
Stage 3 loan volume under IFRS 9 (in HUF million)	47,946	34,461	-28%	47,946	34,659	34,461	-1%	-28%
Stage 3 loans under IFRS 9/gross customer loans (%)	11.8%	8.6%	-3.2%p	11.8%	9.0%	8.6%	-0.4%p	-3.2%p
Own coverage of Stage 3 loans under IFRS 9 (%)		70.6%			71.1%	70.6%	-0.4%p	
Provision for impairment on loan and placement losses/average gross loans (%)	0.74%	0.13%	-0.6%p	1.60%	-0.02%	0.28%	0.3%p	-1.3%p
90+ days past due loan volume (in HUF million)	37,685	28,194	-25.2%p	37,685	28,087	28,194	0.4%p	-25.2%p
90+ days past due loans/gross customer loans (%)	9.3%	7.0%	-2.2%	9.3%	7.3%	7.0%	-0.2%	-2.2%
Performance Indicators	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
ROA	-0.1%	0.2%	0.3%	-0.8%	0.3%	0.2%	-0.2%p	1.0%p
ROE	-1.0%	3.7%	4.7%	-14.5%	4.9%	2.5%	-2.4%p	17.0%p
Total income margin	3.32%	3.23%	-0.08%	3.29%	3.23%	3.24%	0.01%	-0.05%
Net interest margin	2.51%	2.34%	-0.17%	2.46%	2.36%	2.31%	-0.05%	-0.14%
Cost/income ratio	82.0%	87.6%	5.6%	84.7%	89.6%	85.7%	-3.9%p	1.1%p
Net loans to deposits (FX-adjusted)	102%	104%	3%	102%	100%	104%	4%p	3%p
FX rates (in HUF)	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
HUF/EUR (closing)	328.6	323.5	-2%	328.6	320.8	323.5	1%	-2%
HUF/EUR (average)	314.1	320.6	2%	316.9	318.1	323.0	2%	2%

Note: P&L lines and performance indicators are adjusted for the banking tax, Deposit Protection Fund contributions and payments into the Resolution Fund.

- **In 1H 2019 the Bank posted HUF 0.5 billion profit**
- **The operating profit declined by 33% y-o-y as a result of decreasing total income (-2% y-o-y) and higher operating expenses (+5% y-o-y)**
- **The share of Stage 3 exposures (8.6%) declined by 3.2 pps y-o-y**
- **Performing volumes (Stage 1+2) grew by 4% y-o-y and 3% q-o-q**

The **OTP Banka Slovensko** posted HUF 0.5 billion after tax profit in 1H 2019 versus the -HUF 0.1 loss of base period. 2Q HUF 0.2 billion profit dropped by 48% q-o-q.

The semi-annual result was mainly shaped by the decline of total risk cost (-80% y-o-y), at the same time the operating profit decreased (-33% y-o-y). The total income eroded by 2% y-o-y, within that the net interest income decreased by 6%: despite performing (Stage 1+2) loan volume increased by 4%, the net interest income on loans declined due to the narrowing interest margins. The net interest margin decreased by 17 bps y-o-y.

1H net fee and commission income expanded by 11% y-o-y mainly thanks to higher brokerage fees received for the sale of mutual funds.

The operating expense rose by 5% y-o-y (in local currency +3% y-o-y) explained by higher personnel expenses and the increase of the amortization.

However, 2Q operating profit increased by 42% q-o-q: total income grew by 3%, while operating expenses declined by 1%. Quarterly interest income grew by 1%: the performing (Stage 1+2) loan volumes could offset the effect of slightly narrowing net interest margin (-5 bps q-o-q).

The DPD90+ loan volumes (without the effect of sales and write-offs) increased by HUF 0.2 billion in 2Q 2019. The share of Stage 3 exposures represented 8.6% of total gross loans (-3.2 pps y-o-y, -0.4 pp q-o-q). The own coverage of Stage 3 volumes stood at 70.6% at the end of 2Q 2019.

The FX-adjusted performing (Stage 1+2) loan volumes increased by 3% q-o-q and by 4% y-o-y. The expansion is almost completely due to the corporate segment (+36% y-o-y; +31% q-o-q): the outstanding growth is a result of a new loan disbursement connected to a few big clients in 2Q. The retail segment stagnated y-o-y and q-o-q, too.

FX-adjusted deposit volumes remained stable y-o-y, q-o-q, thus the net loan-to-deposit ratio stood at 104% at the end of 2Q 2019.

STAFF LEVEL AND OTHER INFORMATION

	31/12/2018				30/06/2019			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	362	1,931	77,599	9,631	362	1,927	76,233	9,844
DSK Group (including Expressbank)	345	911	8,464	4,838	463	1,127	12,415	6,333
OTP Bank Russia (w/o employed agents)	134	227	905	5,052	134	224	849	5,151
OTP Bank Ukraine (w/o employed agents)	87	149	351	2,313	86	158	389	2,339
OTP Bank Romania	95	139	4,556	1,273	95	140	4,803	1,369
OTP banka Hrvatska	144	480	10,360	2,397	143	479	11,123	2,242
OTP Banka Slovenko	62	151	232	690	58	151	164	684
OTP banka Srbija	154	248	5,554	1,996	148	237	5,159	1,964
OTP Bank Albania					35	72	0	424
CKB	28	103	4,572	419	28	102	5,192	428
Foreign subsidiaries, total	1,049	2,408	34,994	18,977	1,190	2,690	40,094	20,934
Other Hungarian and foreign subsidiaries				924				599
OTP Group (w/o employed agents)				29,532				31,702
OTP Bank Russia - employed agents				5,306				4,725
OTP Bank Ukraine - employed agents				760				682
OTP Group (aggregated)	1,411	4,339	112,593	35,599	1,552	4,617	116,327	36,785

Note: the ytd changes in the headcount data presented in the table were influenced by the changes in the scope of companies comprising OTP Core, the Bulgarian, Croatian, Serbian and Romanian operations and in the case of other Hungarian and foreign group members. For more details, see the individual section about OTP Core, and the Bulgarian, Croatian, Serbian and Romanian performances.

PERSONAL AND ORGANIZATIONAL CHANGES

Mrs. Ágnes Rudas resigned from the membership of the Supervisory Board with effect from 12 April 2019.

The Annual General Meeting elected Mrs. Klára Bella as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2019 business year but not later than 30 April 2020.

Concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2019, the Annual General Meeting is elected Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2019 until 30 April 2020.

According to the decision of Board of Directors of OTP Bank Mr. Tamás Erdei, member of the Board of Directors, was elected as Vice Chairman of the Board of Directors with effect from 12 April 2019.

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position...

The primary objective of OTP Group in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.

Refinancing sources of the European Central Bank are still available for OTP (EUR 234 million). As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising.

Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 30 June 2019 the gross liquidity buffer was around EUR 7.2 billion equivalent. This buffer is significantly higher than the maturing debt within one year and the reserves required to protect against possible liquidity shocks. Due to governmental FX lending measures and FX loan conversion FX liquidity need of the Group has considerably declined. The maturing long term FX-swaps were not refinanced and the ECB refinancing facilities are currently not utilized and the FX liquidity reserves are at safe levels (at EUR 922 million on 30 June 2019).

The volume of issued securities increased by 26% y-o-y, mainly because in order to comply with the liquidity ratio introduced by the National Bank of Hungary OTP Group sold about HUF 184 billion mortgage bonds (issued by OTP Mortgage Bank) to external counterparties in the last 12 months, while the amount of matured and repurchased mortgage bonds amounted to HUF 85 billion. In the last 12 months OTP Bank issued retail bonds in the amount of HUF 3 billion, while the amount of matured retail and corporate bonds totalled to HUF 21 billion. On the yearly basis the Hungarian retail bond portfolio almost halved, shrank by HUF 3 billion.

The volume of subordinated debt decreased by 2% y-o-y, as the HUF value of the EUR denominated perpetual bond decreased due to the HUF strengthening against the EUR.

...and kept its interest-rate risk exposures low.

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently, it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 15.35 billion in total.

OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore, the group level FX exposure was concentrated at OTP Bank.

Thus the main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position (EUR 310 million) kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries. The strategic open position has been kept since 2007, and its size has been constant at EUR 310 million since 2008. The revaluation result of the strategic open position is accounted for directly against the equity.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.

Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.

OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (liquidity, market, country, counterparty, credit, operational, compliance), which are in compliance with the legal regulations on prudent banking operations. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results.

To ensure effective auditing, the Company's internal audit system is realised on several levels of control built on each other, and segmented along territorial units. The system of internal checks and balances includes a combination of process-integrated and management control, independent internal audit

organisation and executive information system. The independent internal audit organisation promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient, economical and productive operation of internal control systems, the minimisation of risks, moreover – beside compliance organisation – it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares reports on control actions for the executive boards. Once a year, the internal audit organisation draws up, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions and, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union and the applicable Hungarian laws, OTP Bank Plc. established an independent organisational unit with the task of identifying and managing compliance risks.

General meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

Committee⁶

Members of the Board of Directors

Dr. Sándor Csányi – Chairman
 Mr. Tamás Erdei – Deputy Chairman
 Mr. Mihály Baumstark
 Dr. Tibor Bíró
 Dr. István Gresz
 Mr. Antal Kovács
 Dr. Antal Pongrácz
 Dr. László Utassy
 Dr. József Vörös
 Mr. László Wolf

Members of the Supervisory Board

Mr. Tibor Tolnay – Chairman
 Dr. Gábor Horváth – Deputy Chairman
 Mr. András Michnai
 Ms. Ágnes Rudas⁷
 Ms. Klára Bella⁸
 Dr. Márton Gellért Vági
 Mr. Olivier Péqueux

Members of the Audit Committee

Dr. Gábor Horváth – Chairman
 Mr. Tibor Tolnay – Deputy Chairman
 Dr. Márton Gellért Vági
 Mr. Olivier Péqueux

⁶ Personal changes can be found in the "Personal And Organizational Changes' Chapter

⁷ Until 12 April 2019

⁸ Since 12 April 2019

The résumés of the committee and board members are available in the Corporate Governance Report/Annual Report.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive body, while the Supervisory Board performs oversight tasks and accepts the provisions of the Bank Group's Remuneration Policy. The effective operation of Supervisory Board is supported by the Audit Committee, which also monitors the internal audit, the risk management, the reporting systems and the activities of the auditor.

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as

the Management Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee. To ensure effective operation OTP Bank Plc. also has a number of further permanent committees.

OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.

The Board of Directors held 4, the Supervisory Board held 4 meetings, while the Audit Committee gathered 1 time in the first half of 2019. In addition, resolutions were passed by the Board of Directors on 61, by the Supervisory Board on 28 and by the Audit Committee on 12 occasions by written vote.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Responsibility

For OTP Bank, sustainability is not merely an expectation imposed or forced upon the company from outside, but something that stems from internal commitment, from the core spirit of OTP Group.

With development and growth, OTP Group's responsibility for and impact on the environment is also increasing, which is why it is seeking out green solutions in respect of both product development, service provision and corporate operation:

- in the course of providing services, the company takes into consideration and integrates environmental aspects,
- it strives to ensure that negative environmental impacts arising from its operation and maintenance are minimized.

Recognition – Green Finances Award

Within the framework of its Green Programme launched in 2019, the Magyar Nemzeti Bank (Central Bank of Hungary) presented awards for the first time to environmentally conscious financial institutions.

Our bank was the very first to be awarded the Green Finance Award, given for the absolute category of the competition. The award recognizes outstanding environmental performance in terms of operation, corporate ecological footprint and services/products alike.

The foundations of responsible operation

The foundations of responsible operation have not changed in recent years. The entity that coordinates the company's environmental protection activity, in line with the schedule already in place, is still OTP Ingatlanüzemeltető. It performs the tasks related to official permits and data reporting to public authorities, coordinates and supervises waste management tasks: the collection of hazardous waste as well as confidential paper waste at the company level, and the disposal thereof in compliance with the regulations.

Legal compliance is of the utmost importance for OTP Group, and as such, it also demonstrates law-abiding and compliant behavior in the area of environmental protection. No environmental fines were imposed on either the Group or any of its subsidiaries in the first half of 2019.

Environmentally-aware energy consumption

The Company is continuously modernizing its systems at all subsidiary banks, and installs

energy-saving, novel building engineering solutions as part of its construction investments. There was no substantial change in the Bank's overall energy consumption compared to the previous half-year.

Environmentally-aware waste management

The Bank steadily enforces the following order of priority: "prevention of waste generation: reuse/recycling/disposal". Collecting waste selectively and cutting back on paper use is an integral part of this endeavor. The method of waste collection at group level has not changed in the first half of 2019.

Reduction of paper use through digitalization

OTP Bank's ongoing digital developments have an impact on the environment and are also considered to be important in terms of sustainability.

With the help of digitalization, paper use at OTP Group dropped by 25% in the course of a single year. At the majority of our subsidiaries, measures adopted previously helped to maintain the level of paper consumption. The introduction of the signature pad has helped us save nearly 21 million pages in Hungary alone, i.e. 105 tons of paper. The bank registered the electronic signatures of close to 1.3 million retail customers, and its clientele can access more than 6 million electronically signed documents.

Recycling

The ratio of the use of recycled materials varies within OTP Group.

- Our subsidiary bank in Croatia and OTP Ingatlanüzemeltető use only recycled paper, while our Russian subsidiary bank uses recycled paper to an extent of over 50%. Monicomp prints the account statements of the Hungarian banking group on recycled paper, using this in almost 60% of the cases, while OTP banka Slovensko and OTP Bank also use recycled paper, but to a lesser extent. OTP Bank also introduced the use of recycled paper in office use in 2019.
- Our Slovakian unit uses 'green' certified office supplies made from recycled or recyclable materials.
- OTP Bank, DSK Bank, OTP Bank Romania and OTP banka Srbija all follow the practice of making charitable donations of any furniture no longer in use but still in good condition, and operable IT equipment (mostly computers and laptops) to institutions and organizations in need.

- The subsidiaries in Montenegro and Slovakia use toner refills to reduce toner and ink cartridge waste.

OTP Banka Slovensko has made a tradition of planting a tree every time 50 packs of paper are used.

Business trips and options for their substitution

The operations of the bank group involve significant level of travel and transportation. Taking environmental aspects into account, our purchasing activity focuses on cars with low fuel consumption. In line with its new vehicle policy, OTP Bank replaces all cars older than 5 years or having reached a certain total distance travelled; the Bank has also introduced carbon emission caps last year, with the results of this effort to take effect this year. OTP Bank's fleet currently has two electric cars, with another two planned for purchase this year.

Travel rationalization and video conferencing are common practices across the group. OTP banka Hrvatska plans to introduce the more concerted

monitoring of carbon emissions and will encourage its employees to use public transport.

Video conferencing capacity within OTP Group is expanding year after year. The parent bank installed twice as many video conferencing devices last year than in the year before. The number of videoconferencing rooms also increased at the Bulgarian, Romanian and Russian subsidiary banks.

Office building project

The office building project, OTP Bank's priority project in Hungary, commenced in the summer of 2018 and is set to be completed in 2022. OTP Bank's new HQ will have LEED Gold certification, meaning it will comply with sustainability criteria for the entire duration of the construction. Construction works are progressing on schedule according to plans.

The bank's basic environmental protection-related principles and the fundamentals of its environmental practices are available on our website at

<https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem>.

FINANCIAL DATA

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION

in HUF million	OTP Bank			Consolidated		
	30/06/2019	30/06/2018	change	30/06/2019	30/06/2018	change
Cash, amounts due from Banks and balances with the National Banks	420,324	298,870	41%	1,504,941	1,181,072	27%
Placements with other banks, net of allowance for placement losses	1,321,424	1,278,831	3%	494,745	629,013	-21%
Financial assets at fair value through profit or loss	138,184	316,268	-56%	190,504	332,151	-43%
Securities at fair value through other comprehensive income	1,548,907	1,440,613	8%	2,145,586	1,925,895	11%
Loans at amortized cost and fair value	2,929,327	2,405,165	22%	9,474,300	7,737,846	22%
Associates and other investments	1,201,535	970,710	24%	17,422	18,672	-7%
Securities at amortized costs	1,439,115	1,359,752	6%	1,792,912	1,649,681	9%
Tangible and intangible assets	129,090	102,596	26%	516,860	422,300	22%
Other assets	142,355	110,364	29%	321,108	316,796	1%
TOTAL ASSETS	9,270,261	8,283,167	12%	16,458,378	14,213,426	16%
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	1,159,973	839,025	38%	522,373	600,048	-13%
Deposits from customers	6,027,541	5,459,156	10%	12,699,825	10,870,394	17%
Liabilities from issued securities	44,055	53,861	-18%	385,398	305,109	26%
Derivative financial liabilities designated as held for trading	71,134	144,558	-51%	73,576	131,519	-44%
Other liabilities	297,261	229,697	29%	702,830	515,467	36%
Subordinated bonds and loans	110,605	113,367	-2%	81,532	83,513	-2%
TOTAL LIABILITIES	7,710,569	6,839,664	13%	14,465,534	12,506,050	16%
Share capital	28,000	28,000	0%	28,000	28,000	0%
Retained earnings and other reserves without earnings	1,427,605	1,308,816	9%	1,849,091	1,586,098	17%
Profit or loss for the financial year according to the balance sheet	107,907	112,914	-4%	177,786	154,426	15%
Treasury shares	-3,820	-6,227	-39%	-65,715	-64,660	2%
Non-controlling interest	0	0		3,681	3,513	5%
TOTAL SHAREHOLDERS' EQUITY	1,559,692	1,443,503	8%	1,992,844	1,707,376	17%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,270,261	8,283,167	12%	16,458,378	14,213,426	16%

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME

in HUF million	OTP Bank			Consolidated		
	1H 2019	1H 2018	change	1H 2019	1H 2018	change
Loans	77,040	71,015	8%	325,041	280,912	16%
Placements with other banks	36,779	27,872	32%	41,749	27,277	53%
Amounts due from banks and balances with the National Banks	572	105	444%	671	208	223%
Securities held for trading	0	0		0	0	
Securities at fair value through other comprehensive income	16,183	15,115	7%	21,350	18,423	16%
Securities at amortized cost	24,601	22,920	7%	31,981	29,005	10%
Non-trading financial assets mandatorily at fair value through profit or loss	0	0		0	2	-100%
Interest income on liabilities (negative interest expense)	668	0		1,133	87	
Other interest income	3	0		5,358	5,563	-4%
Interest income	155,846	137,027	14%	427,282	361,477	18%
Interest expense due to banks and on deposits from the National Banks	-40,176	-27,463	46%	-46,295	-23,340	98%
Deposits from customers	-11,658	-17,154	-32%	-36,151	-38,573	-6%
Liabilities from issued securities	-110	-6		-3,911	-2,775	41%
Subordinated bonds and loans	-1,516	-1,469	3%	-1,222	-1,064	15%
Interest expense on assets (negative interest income)	-1,083	0		-1,208	-131	825%
Other	-23	0		-4,180	-3,797	10%
Interest expense	-54,565	-46,093	18%	-92,967	-69,679	33%
Net interest income	101,282	90,934	11%	334,315	291,798	15%
Provisions for loans	-8,749	-1,785	390%	-18,578	-8,529	118%
Provisions on placements	-374	-210	78%	-41	-124	-67%
Provision for impairment on loan and placement losses	-9,123	-1,996	357%	-18,619	-8,654	115%
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	92,159	88,939	4%	315,695	283,145	11%
Income from fees and commissions	109,559	101,792	8%	185,532	160,441	16%
Expense from fees and commissions	-14,899	-13,877	7%	-30,973	-26,260	18%
NET PROFIT FROM FEES AND COMMISSIONS	94,661	87,915	8%	154,559	134,180	15%
Foreign exchange gains and losses	5,367	2,640	103%	16,953	12,440	36%
Losses / Gains on securities, net	5,319	1,711	211%	6,187	-837	-839%
Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	543	-196	-377%	918	-100	
Gains on real estate transactions	0	109	-100%	5,632	1,286	338%
Dividend income	78,859	68,459	15%	5,387	5,136	5%
Net insurance result	0	0		429	410	5%
Gains and losses on derivative instruments	1,246	2,283	-45%	1,282	5,996	-79%
Other operating income	2,712	1,787	52%	20,195	16,825	20%
Other operating expense	-18,039	-3,052	491%	-16,039	-9,192	74%
NET OPERATING GAIN	76,007	73,741	3%	40,944	31,964	28%
Personnel expenses	-54,174	-47,747	13%	-131,443	-118,630	11%
Depreciation	-13,989	-10,329	35%	-41,064	-25,441	61%
Other administrative expenses	-82,115	-73,914	11%	-142,126	-130,240	9%
OTHER ADMINISTRATIVE EXPENSES	-150,278	-131,991	14%	-314,633	-274,311	15%
PROFIT BEFORE INCOME TAX	112,549	118,603	-5%	196,565	174,978	12%
Income tax expense	-4,641	-5,689	-18%	-18,606	-20,408	-9%
NET PROFIT FOR THE PERIOD	107,907	112,914	-4%	177,959	154,570	15%
From this, attributable to non-controlling interest	0	0		172	145	19%
FROM THIS, ATTRIBUTABLE TO OWNERS OF THE COMPANY	107,907	112,914	-4%	177,786	154,426	15%

Note: in the Half-year Financial Report the *Interest income on liabilities (negative interest expense)* line was shifted from the interest expenses to the interest income, while the *Interest expense on assets (negative interest income)* line was shifted from the interest income to the interest expenses both in the case of OTP Bank and the consolidated level. This shifting took place in case of the 2018 base periods, too.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (IFRS)

in HUF million	Share capital	Capital reserve	Share based payment reserve	Retained earnings and reserves	Put option reserves	Treasury shares ¹	Non-controlling interest	Total
Balance as at 31 December 2017	28,000	52	31,835	1,695,460	-55,468	-63,289	3,465	1,640,055
Modification due to the initial application of IFRS9				-50,401			-127	-50,528
Balance as at 1 January 2018	28,000	52	31,835	1,645,059	-55,468	-63,289	3,338	1,589,527
Net profit for the year				154,426			145	154,571
Other comprehensive income				25,310			30	25,340
Share-based payment			1,737					1,737
Treasury shares								
Dividend for the year 2017				-61,320				-61,320
Put option								
Treasury shares								
– sale								
– loss on sale				-2,131				-2,131
– volume change						-1,371		-1,371
Payment to ICES holders				1,024				1,024
Balance as at 30 June 2018	28,000	52	33,572	1,762,368	-55,468	-64,660	3,513	1,707,377
in HUF million	Share capital	Capital reserve	Share based payment reserve	Retained earnings and reserves	Put option reserves	Treasury shares ¹	Non-controlling interest	Total
Balance as at 1 January 2018	28,000	52	35,632	1,883,988	-55,468	-67,999	2,452	1,826,657
Net profit for the year				177,786			172	177,958
Other comprehensive income				48,377			247	48,624
Purchase of non-controlling interests							810	810
Share-based payment			1,603					1,603
Dividend for the year 2018				-61,320				-61,320
Correction due to ESOP				376				376
Treasury shares								
– sale						10,153		10,153
– loss on sale				-5,117				-5,117
– volume change						-7,869		-7,869
Payment to ICES holders				969				969
Balance as at 30 June 2019	28,000	52	37,235	2,045,059	-55,468	-65,715	3,681	1,992,844

¹ The deduction related to repurchased treasury shares (2Q 2019: HUF 65,715 million) includes the book value of OTP shares held by ESOP (2Q 2019: 3,346,866 shares).

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

in HUF million	OTP Bank			Consolidated		
	30/06/2019	30/06/2018	change	30/06/2019	30/06/2018	change
OPERATING ACTIVITIES						
Profit before income tax	112,548	118,603	-5%	177,786	154,426	15%
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities</i>						
Income tax paid	-217	0		-10,309	-5,687	81%
Goodwill impairment	0	0	0%	4,887	229	0%
Depreciation and amortization	1,393	10,307	-86%	36,177	25,212	43%
Net accrued interest	12,081	-2,750	-539%	28,420	8,934	218%
Provision for impairment / Release of provision	-4,089	4,114	0%	-3,859	-992	289%
Share-based payment	1,603	1,737	-8%	1,603	1,737	-8%
Unrealized gains / losses on fair value change of securities at fair value through other comprehensive income and fair value through profit or loss	3,636	-13,601	-127%	5,605	13,979	-60%
Unrealized losses on fair value adjustment of derivative financial instruments	-32,979	0	0%	25,433	-18,778	-235%
Changes in operating assets and liabilities	65,616	7,620	761%	105,997	-150,987	-170%
Net cash provided by operating activities	159,592	126,030	27%	371,740	28,073	1224%
INVESTING ACTIVITIES	0	0	0%	0	0	0%
Net cash used in investing activities	-415,267	-293,430	42%	-160,537	-339,020	-53%
FINANCING ACTIVITIES	0	0	0%	0	0	0%
Net cash used in financing activities	311,207	62,469	398%	-97,403	178,668	-155%
Net increase in cash and cash equivalents	55,532	-104,931	0%	113,800	-132,279	-186%
Cash and cash equivalents at the beginning of the period	303,358	347,854	-13%	819,979	800,689	2%
Cash and cash equivalents at the end of the period	358,890	242,923	48%	933,779	668,410	40%

CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

	Name		Initial capital/Equity (HUF)	Ownership Directly + indirectly (%)	Voting rights (%)	Classification ¹
1	Air-Invest Asset Management Llc.		400,000,000	100.00	100.00	L
2	Artemis Llc.		28,000,000	100.00	100.00	L
3	Bajor-Polár Center Real Estate Management Llc.		30,000,000	100.00	100.00	L
4	BANK CENTER No. 1. for Investments and Developments Llc.		11,500,000,000	100.00	100.00	L
5	Banka OTP Albania SHA	ALL	6,740,900,000	100.00	100.00	L
6	CIL Babér Ltd.		71,890,330	100.00	100.00	L
7	CRESCO d.o.o.	HRK	39,000	100.00	100.00	L
8	Montenegrin Commercial Bank Shareholding Company, Podgorica Montenegro	EUR	181,875,221	100.00	100.00	L
9	DSK Asset Management PLC	BGN	1,000,000	100.00	100.00	L
10	DSK Auto Leasing Ltd.	BGN	1,000,000	100.00	100.00	L
11	DSK Bank PLC	BGN	1,327,482,000	100.00	100.00	L
12	DSK DOM EAD	BGN	100,000	100.00	100.00	L
13	DSK Leasing Joint Stock Company	BGN	3,334,000	100.00	100.00	L
14	OTP Mobile Service Llc.	BGN	250,000	100.00	100.00	L
15	DSK Operating Lease Ltd.	BGN	1,000	100.00	100.00	L
16	DSK Tours Ltd.	BGN	8,491,000	100.00	100.00	L
17	DSK Trans Security PLC	BGN	2,225,000	100.00	100.00	L
18	EiSYS Ltd.		3,000,000	100.00	100.00	L
19	Express Factoring EOOD	BGN	1,100,000	100.00	100.00	L
20	INGA KETTŐ Ltd.		8,000,000,000	100.00	100.00	L
21	JeT-SOL IT Services, Trading and Investment Company Limited		8,000,000	100.00	100.00	L
22	JN Parkolóház Real Estate Utilizer Limited Liability Company		4,800,000	100.00	100.00	L
23	Limited Liability Company Asset Management Company " OTP Capital"	UAH	10,000,000	100.00	100.00	L
24	LLC MFO "OTP Finance"	RUB	6,533,000,000	100.00	100.00	L
25	LLC OTP Leasing	UAH	45,495,340	100.00	100.00	L
26	Merkantil Bill and Property Investments Bank Closed Company Limited by Shares		2,000,000,000	100.00	100.00	L
27	Merkantil Lease service LLC.		6,000,000	100.00	100.00	L
28	MFM Project Investment and Development Ltd.		20,000,000	100.00	100.00	L
29	Miskolci Diákotthon Investment, Utilization Limited Liability Company		5,000,000	100.00	100.00	L
30	MONICOMP Commercial and Bearing Private Company Limited by Shares		20,000,000	100.00	100.00	L
31	NIMO 2002 Ltd.		1,156,000,000	100.00	100.00	L
32	OTP Fund Management Private Company Limited by Shares		900,000,000	100.00	100.00	L
33	OTP Asset Management SAI S.A.	RON	5,795,323	100.00	100.00	L
34	OTP Aventin d.o.o.	HRK	40,000	100.00	100.00	L
35	OTP Bank JSC (Ukraine)	UAH	6,186,023,111	100.00	100.00	L
36	OTP Bank Romania S.A.	RON	1,552,003,660	100.00	100.00	L
37	OTP banka Hrvatska d.d.	HRK	3,993,754,800	100.00	100.00	L
38	OTP Building Llc.	EUR	18,717,301	100.00	100.00	L
39	OTP Debt Collection Ltd.	EUR	49,000,001	100.00	100.00	L
40	OTP eBIZ Limited Liability Company		280,000,000	100.00	100.00	L
41	OTP Life Annuity Real Estate Investment Private Company Limited by Shares		2,000,000,000	100.00	100.00	L
42	OTP Factoring Bulgaria JSCo.	BGN	1,000,000	100.00	100.00	L
43	OTP Factoring Serbia Ltd	RSD	782,902,282	100.00	100.00	L
44	OTP Factoring Slovensko Ltd.	EUR	5,000	100.00	100.00	L
45	OTP Factoring Romania Llc.	RON	500,400	100.00	100.00	L
46	OTP Factoring Ukraine LLC	UAH	6,227,380,554	100.00	100.00	L
47	OTP Factoring Ltd.		500,000,000	100.00	100.00	L
48	OTP Faktoring Vagyonkezelő Llc		3,000,000	100.00	100.00	L
49	OTP Financing Cyprus Private Company limited by shares	EUR	1,001,000	100.00	100.00	L
50	OTP Financing Malta Company Limited	EUR	105,000,000	100.00	100.00	L
51	OTP Financing Netherlands B.V.	EUR	18,000	100.00	100.00	L
52	OTP Financing Solutions B.V	EUR	18,000	100.00	100.00	L
53	OTP Holding Ltd	EUR	131,000	100.00	100.00	L
54	OTP Holding Malta Ltd.	EUR	104,950,000	100.00	100.00	L
55	OTP Hungaro-Projekt Ltd.		300,000,000	100.00	100.00	L

Name	Initial capital/Equity (HUF)	Ownership Directly + indirectly (%)	Voting rights (%)	Classification ¹	
56	OTP Real Estate Investment Fund Management Ltd.	100,000,000	100.00	100.00	L
57	OTP Real Estate Ltd.	1,000,000,000	100.00	100.00	L
58	OTP Ingatlankezelő Ltd.	50,000,000	100.00	100.00	L
59	OTP Real Estate Leasing Ltd.	214,000,000	100.00	100.00	L
60	OTP Ingatlanpont LLC.	6,000,000	100.00	100.00	L
61	OTP Facility Management Llc.	30,000,000	100.00	100.00	L
62	OTP Insurance Broker EOOD	BGN 5,000	100.00	100.00	L
63	OTP Invest d.o.o.	HRK 12,979,900	100.00	100.00	L
64	OTP Investments d.o.o. Novi Sad	RSD 203,783,061	100.00	100.00	L
65	OTP Mortgage Bank Closed Company Limited by Shares	27,000,000,000	100.00	100.00	L
66	OTP Card Factory Llc.	450,000,000	100.00	100.00	L
67	OTP Close Building Society	2,000,000,000	100.00	100.00	L
68	OTP Leasing d.d.	HRK 8,212,000	100.00	100.00	L
69	OTP Leasing EOOD	BGN 4,100,000	100.00	100.00	L
70	OTP Leasing Romania IFN S.A.	RON 28,556,300	100.00	100.00	L
71	OTP Lizing d.o.o.	RSD 482,631,000	100.00	100.00	L
72	OTP Mérnöki Ltd.	3,000,000	100.00	100.00	L
73	OTP Mobile Service Limited Liability Company	1,210,000,000	100.00	100.00	L
74	OTP Nekretnine d.o.o.	HRK 51,708,100	100.00	100.00	L
75	OTP Osiguranje d.d.	HRK 40,900,000	100.00	100.00	L
76	OTP Funds Servicing and Consulting Company Limited by Shares	2,349,940,000	100.00	100.00	L
77	OTP Pénzügyi Pont Ltd.	50,000,000	100.00	100.00	L
78	OTP Savjetovanje d.o.o.	HRK 3,531,400	100.00	100.00	L
79	OTP Services d. o. o.	RSD 40,028	100.00	100.00	L
80	PortfoLion Digital Ltd.	101,000,000	100.00	100.00	L
81	PortfoLion Venture Capital Fund Management Ltd.	39,500,000	100.00	100.00	L
82	R.E. Four d.o.o., Novi Sad	RSD 1,983,643,761	100.00	100.00	L
83	SB Leasing Ltd.	HRK 23,332,000	100.00	100.00	L
84	SB ZGRADA d.o.o.	HRK 208,120,000	100.00	100.00	L
85	Aloha Buzz Llc.	RON 200	100.00	100.00	L
86	Favo Consultanta Llc.	RON 200	100.00	100.00	L
87	Tezaur Cont Llc.	RON 200	100.00	100.00	L
88	Shiwaforce.com Inc.	105,321,000	100.00	100.00	L
89	SPLC Property Management Limited Liability Company	10,000,000	100.00	100.00	L
90	SPLC-P Llc.	15,000,000	100.00	100.00	L
91	TOP Collector Ltd.	RUB 1,030,000	100.00	100.00	L
92	Velvin Ventures Ltd.	USD 50,000	100.00	100.00	L
93	Vojvodjanska banka a.d. Novi Sad	RSD 31,607,808,040	100.00	100.00	L
94	POK DSK-Rodina AD	BGN 6,010,000	99.75	99.75	L
95	Expressbank AD	BGN 33,673,729	99.74	99.74	L
96	OTP Banka Slovensko a.s.	EUR 111,580,509	99.44	99.44	L
97	JSC "OTP Bank" (Russia)	RUB 4,423,768,142	97.91	97.91	L
98	Regional Urban Development Fund AD	BGN 250,000	52.00	52.00	L
99	OPUS Securities S.A	EUR 31,000	0.00	51.00	L
100	Balanz Private Open End Institutional Fund	30,931,279,011	100.00	100.00	L
101	OTP MRP	35,845,598,071			L
102	OTP Solution Fund	UAH 43,347,201	100.00	100.00	L

¹ Full consolidated -L

Ownership structure of OTP Bank Plc.

Description of owner	Total equity					
	Ownership share	1 January 2019 Voting rights ¹	Quantity	Ownership share	30 June 2019 Voting rights ¹	Quantity
Domestic institution/company	19.32%	19.47%	54,092,340	19.86%	19.89%	55,615,352
Foreign institution/company	60.01%	60.49%	168,017,080	58.78%	58.88%	164,596,372
Domestic individual	3.53%	3.56%	9,896,546	3.79%	3.80%	10,609,192
Foreign individual	0.10%	0.10%	278,348	0.09%	0.09%	257,781
Employees, senior officers	0.85%	0.86%	2,376,450	0.84%	0.84%	2,357,217
Treasury shares ²	0.80%	0.00%	2,242,143	0.16%	0.00%	443,966
Government held owner	0.08%	0.08%	219,072	0.08%	0.08%	219,372
International Development Institutions	0.05%	0.05%	143,308	0.08%	0.08%	236,558
Other ³	15.26%	15.39%	42,734,723	16.31%	16.33%	45,664,200
TOTAL	100.00%	100.00%	280,000,010	100.00%	100.00%	280,000,010

¹ Voting rights in the General Meeting of the Issuer for participation in decision-making.

² Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 30 June 2019 ESOP owned 3,346,866 OTP shares.

³ Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2019)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	168,583	159,961	443,966		
Subsidiaries	2,073,560	2,073,560	0		
TOTAL	2,242,143	2,233,521	443,966		

Shareholders with over/around 5% stake as at 30 June 2019

Name	Number of shares	Ownership ¹	Voting rights ^{1,2}
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.59%
KAFIJAT Ltd.	20,438,529	7.30%	7.31%
OPUS Securities S.A.	14,496,476	5.18%	5.19%
Groupama Group	14,336,291	5.12%	5.13%

¹ Rounded to two decimals

² Voting rights in the General Meeting of the Issuer for participation in decision-making.

Senior officers, strategic employees and their shareholding of OTP shares as at 30 June 2019

Type ¹	Name	Position	No. of shares held
IT	Dr. Sándor Csányi ²	Chairman and CEO	800,799
IT	Mihály Baumstark	member	63,600
IT	Dr. Tibor Bíró	member	34,556
IT	Tamás Erdei	member, Deputy Chairman	19,239
IT	Dr. István Gresa	member	164,001
IT	Antal Kovács	member, Deputy CEO	42,948
IT	Dr. Antal Pongrácz	member	109,915
IT	Dr. László Utassy	member	223,624
IT	Dr. József Vörös	member	160,914
IT	László Wolf	member, Deputy CEO	601,663
FB	Klára Bella	member	0
FB	Tibor Tolnay	Chairman	54
FB	Dr. Gábor Horváth	member, Deputy Chairman	0
FB	András Michnai	member	100
FB	Olivier Péqueux	member	0
FB	Dr. Márton Gellért Vági	member	0
SP	Dr. Zsolt Barna	General Deputy CEO	1010
SP	László Bencsik	Chief Financial and Strategic Officer, Deputy CEO	42,617
SP	András Tibor Johancsik	Deputy CEO	13,153
SP	György Kiss-Haypál	Deputy CEO	22,995
TOTAL No. of shares held by management:			2,301,188

¹ Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)

² Number of OTP shares owned by Dr. Sándor Csányi directly or indirectly: 3,486,127

OFF-BALANCE SHEET ITEMS ACCORDING TO IFRS (consolidated, in HUF million) ¹

a) Contingent liabilities

	30/06/2019	30/06/2018
Commitments to extend credit	2,382,175	1,975,986
Guarantees arising from banking activities	684,423	567,227
Confirmed letters of credit	15,311	9,253
Legal disputes (disputed value)	26,502	15,763
Contingent liabilities related to OTP Mortgage Bank	0	0
Other	261,236	253,423
Total:	3,369,647	2,821,652

¹ Those financial undertakings, which are important from valuation perspectives however not booked within the balance sheet (such as surety, guarantees, pledge related obligations, etc.)

Changes in the headcount (number of persons) employed by the Bank and the subsidiaries

	End of reference period	Current period opening	Current period closing
Bank ¹	8,213	8,477	8,658
Consolidated ²	35,079	35,599	36,785

¹ OTP Bank Hungary unique employee figures.

² Due to the changes in the scope of consolidation, the historical figures are not comparable.

Security issuances on Group level between 01/07/2018 and 30/06/2019

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2019	Outstanding consolidated debt (in HUF million) 30/06/2019
OTP Bank Plc.	Retail bond	OTP_VK1_19/5	06/08/2018	06/08/2019	USD	818,600	233
OTP Bank Plc.	Retail bond	OTP_VK1_19/6	04/10/2018	04/10/2019	USD	2,066,500	587
OTP Bank Plc.	Retail bond	OTP_VK1_19/7	15/11/2018	15/11/2019	USD	868,400	247
OTP Bank Plc.	Retail bond	OTP_VK1_19/8	20/12/2018	20/12/2019	USD	1,495,800	425
OTP Bank Plc.	Retail bond	OTP_VK1_20/1	21/02/2019	21/02/2020	USD	1,531,200	435
OTP Bank Plc.	Retail bond	OTP_VK1_20/2	04/04/2019	04/04/2020	USD	2,481,400	705
OTP Bank Plc.	Retail bond	OTP_VK1_20/3	16/05/2019	16/05/2020	USD	893,400	254
OTP Bank Plc.	Retail bond	OTP_VK1_20/4	27/06/2019	27/06/2020	USD	1,916,300	544
OTP Bank Plc.	Corporate bond	OTP_DK_20/I	14/12/2018	31/05/2020	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_21/I	14/12/2018	31/05/2021	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_22/I	14/12/2018	31/05/2022	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_23/I	14/12/2018	31/05/2023	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_24/I	30/05/2019	31/05/2024	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_25/I	30/05/2019	31/05/2025	HUF	0	0
OTP Mortgage Bank	Mortgage bond	OJB2024_A	17/09/2018	20/05/2024	HUF	53,048	53,048
OTP Mortgage Bank	Mortgage bond	OJB2024_B	18/09/2018	24/05/2024	HUF	39,106	39,106
OTP Mortgage Bank	Mortgage bond	OJB2024_II	10/10/2018	24/10/2024	HUF	92,000	92,000

Security redemptions on Group level between 01/07/2018 and 30/06/2019

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2018	Outstanding consolidated debt (in HUF million) 30/06/2018
OTP Bank Plc.	Corporate bond	OTPX2018C	18/07/2012	18/07/2018	HUF	2,935	2,935
OTP Bank Plc.	Corporate bond	OTPX2018D	29/10/2012	26/10/2018	HUF	2,477	2,477
OTP Bank Plc.	Corporate bond	OTPX2018E	28/12/2012	28/12/2018	HUF	2,342	2,342
OTP Bank Plc.	Corporate bond	OTPX2019D	22/03/2013	21/03/2019	HUF	3,515	3,515
OTP Bank Plc.	Corporate bond	OTPX2019E	28/06/2013	24/06/2019	HUF	2,866	2,866
OTP Bank Plc.	Corporate bond	OTPX2018F	19/12/2013	21/12/2018	EUR	618,000	203
OTP Bank Plc.	Retail bond	OTP_VK1_18/5	14/07/2017	14/07/2018	USD	2,068,500	583
OTP Bank Plc.	Retail bond	OTP_VK1_18/6	04/08/2017	04/08/2018	USD	660,100	186
OTP Bank Plc.	Retail bond	OTP_VK1_18/7	29/09/2017	29/09/2018	USD	4,378,200	1,235
OTP Bank Plc.	Retail bond	OTP_VK1_18/8	17/11/2017	17/11/2018	USD	2,950,600	832
OTP Bank Plc.	Retail bond	OTP_VK1_18/9	20/12/2017	20/12/2018	USD	1,435,300	405
OTP Bank Plc.	Retail bond	OTP_VK1_19/I	16/02/2018	16/02/2019	USD	3,047,600	860
OTP Bank Plc.	Retail bond	OTP_VK1_19/2	29/03/2018	29/03/2019	USD	2,975,700	839
OTP Bank Plc.	Retail bond	OTP_VK1_19/3	18/05/2018	18/05/2019	USD	2,986,600	842
OTP Bank Plc.	Retail bond	OTP_VK1_19/4	28/06/2018	28/06/2019	USD	2,983,400	841
OTP Bank Plc.	Corporate bond	OTP_DK_19/I	31/05/2018	31/05/2019	HUF	0	0
OTP Mortgage Bank	Mortgage bond	OJB2019_I	17/03/2004	18/03/2019	HUF	31,517	31,517
OTP Mortgage Bank	Mortgage bond	OJB2019_II	31/05/2011	18/03/2019	HUF	1,093	1,093

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2018	Outstanding consolidated debt (in HUF million) 30/06/2018
OTP Banka Slovensko	Corporate bond	Bonds OTP IV.	28/02/2017	27/02/2018	EUR	0	0
OTP Banka Slovensko	Corporate bond	Bonds OTP V.	31/07/2017	30/07/2018	EUR	0	0
OTP Mortgage Bank	Mortgage bond	OJB2020 III	23/02/2017	20/05/2020	HUF	31,061	31,061
OTP Mortgage Bank	Mortgage bond	OJB2022 I	24/02/2017	24/05/2022	HUF	21,651	21,651

RELATED-PARTY TRANSACTIONS

The compensation of key management personnel, such as the members of the Board of Directors, members of the Supervisory Board, key employees of the Bank and its major subsidiaries involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related party disclosures, is summarised below.

Compensations in HUF million	1H 2018	1H 2019	Y-o-Y	2Q 2018	1Q 2019	2Q 2019	Q-o-Q	Y-o-Y
Total	6,459	5,888	-9%	3,818	2,462	3,426	39%	-10%
Short-term employee benefits	4,557	4,276	-6%	2,801	1,778	2,498	40%	-11%
Share-based payment	1,546	1,150	-26%	773	592	558	-6%	-28%
Other long-term employee benefits	333	423	27%	221	92	331	260%	50%
Termination benefits	0	14		0	0	14		
Redundancy payments	23	25	9%	23	0	25		9%
Loans provided to companies owned by the management ¹ (normal course of business)	39,632	55,169	39%	39,632	61,741	55,169	-11%	39%
Credit lines and treasury framework contracts of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	3,778	4,494	19%	3,778	4,342	4,494	4%	19%
Commitments to extend credit and guarantees	49,940	49,037	-2%	49,940	42,277	49,037	16%	-2%
Loans provided to unconsolidated subsidiaries	4,744	5,673	20%	4,744	5,042	5,673	13%	20%

¹ Members of the Board of Directors and the Supervisory Board, senior officers and the auditor of the company

**Alternative performance measures
pursuant to the National Bank of Hungary 5/2017. (V.24.) recommendation⁹**

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value	
			1H 2018	1H 2019
Leverage, consolidated ¹⁰	The leverage ratio is calculated pursuant to Article 429 of CRR. The calculation of the indicator is designed quarterly by the Bank for the prudential consolidation scope.	<p>The leverage ratio shall be calculated as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage.</p> <p>Example for 1H 2019:</p> $\frac{1,767,382.4}{17,545,134.9} = 10.1\%$ <p>Example for 1H 2018:</p> $\frac{1,326,906.3}{15,155,141.1} = 8.8\%$	8.8%	10.1%
Liquidity Coverage Ratio (LCR), consolidated	According to Article 412 (1) of CRR, the liquidity coverage ratio (LCR) is designed to promote short-term resilience of the Group's liquidity risk profile and aims to ensure that the Group has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) to meet its liquidity needs for a 30 calendar day liquidity stress scenario.	<p>The LCR is expressed as: (stock of HQLA) / (total net cash outflows over the next 30 calendar days) ≥ 100%.</p> <p>The numerator of the LCR is the stock of HQLA (High Quality Liquid Assets). In order to qualify as HQLA, assets should be liquid in markets during a time of stress and, in most cases, be eligible for use in central bank operations.</p> <p>The denominator of the LCR is the total net cash outflows, defined as total expected cash outflows minus total expected cash inflow in the specified stress scenario for the subsequent 30 calendar days. Total cash inflows are subject to an aggregate cap of 75% of total expected cash outflows, thereby ensuring a minimum level of HQLA holdings at all times.</p> <p>Example for 1H 2019:</p> $\frac{4,514,401.0}{2,892,947.7-531,719.3} = 191\%$ <p>Example for 1H 2018:</p> $\frac{3,996,630.4}{2,573,140.4-535,627.5} = 196\%$	196%	191%

⁹ The NBH's recommendation (5/2017, 24 May) on Alternative Performance Measures (APM) came into effect from 1 June 2017, in line with ESMA's guidance (ESMA/2015/1415) on the same matter. The recommendation is aimed at – amongst other things – enhancing the transparency, reliability, clarity and comparability of those APMs within the framework of regulated information and thus facilitating the protection of existing and potential investors.

¹⁰ Based on the prudential consolidation scope, which is different from the consolidation scope used in this report.

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value	
			1H 2018	1H 2019
Net loan to deposit ratio, consolidated	The net loan to deposit ratio is the indicator for assessing the bank's liquidity position.	<p>The numerator of the indicator is the consolidated net consumer loan volume (gross loans less the stock of provisions), the denominator is the end of period consolidated customer deposit base.</p> <p>Example for 1H 2019:</p> $\frac{9,474,300.5}{12,686,598.0} = 74.7\%$ <p>Example for 1H 2018:</p> $\frac{7,737,845.8}{10,858,168.8} = 71.3\%$	71.3%	74.7%
ROE (accounting), consolidated	The return on equity ratio shall be calculated as the consolidated net profit for the given period divided by the average equity, thus the ratio shows the effectiveness of the use of equity.	<p>The numerator of the indicator is the consolidated accounting net profit for the given period, the denominator is the average consolidated equity. (The definition of average equity: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 1H, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.)</p> <p>Example for 1H 2019:</p> $\frac{177,958.6 \cdot 2.02}{1,894,057.5} = 18.9\%$ <p>Example for 1H 2018:</p> $\frac{154,570.3 \cdot 2.02}{1,634,028.0} = 19.1\%$	19.1%	18.9%

SUPPLEMENTARY DATA

ADJUSTMENTS OF THE CONSOLIDATED IFRS BALANCE SHEET LINES

Starting from 3Q 2017, in the adjusted balance sheets presented in the analytical section of the report, the total amount of accrued interest receivables related to DPD90+ loans (until 4Q 2018) and Stage 3 loans under IFRS 9 (from 1Q 2019) were netted with the provisions created in relation to the total exposure toward those particular clients, in case of the affected Group members. Therefore, this adjustment made on the accounting balance sheet has an impact on the consolidated gross customer loans and allowances for loan losses.

in HUF million	2Q 2018	4Q 2018	1Q 2019	2Q 2019
Gross customer loans (incl. accrued interest receivables related to loans)	8,537,138	8,751,955	9,791,759	10,191,597
(-) Accrued interest receivables related to DPD90+ / Stage 3 loans	35,274	32,613	32,983	34,233
Gross customer loans (incl. accrued interest receivables related to loans) (adjusted)	8,501,864	8,719,342	9,758,776	10,157,364
Allowances for loan losses	-799,292	-685,364	-715,284	-717,296
(-) Allocated provision on accrued interest receivables related to DPD90+ / Stage 3 loans	-35,274	-32,613	-32,983	-34,233
Allowances for loan losses (adjusted)	-764,018	-652,751	-682,301	-683,064

FOOTNOTES OF THE TABLE ‘CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)’

General note: regarding OTP Core and other subsidiaries, profit after tax is calculated without received dividends and net cash transfers (and other adjustment items). Dividends and net cash transfers received from non-group member companies are shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.

(1) Aggregated adjusted after tax profit of OTP Core, Corporate Centre and foreign banks.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of certain companies engaged in OTP Group’s operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financial Point Ltd., and companies providing intragroup financing; OTP Bank Employee Stock Ownership Plan Organization was included from 4Q 2016; OTP Card Factory Ltd., OTP Facility Management Llc., MONICOMP Ltd. and OTP Real Estate Lease Ltd. were included from 1Q 2017 (from 1Q 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc. and OTP Ingatlanpont Llc. were included from 1Q 2019. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

(3) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes arranged by OTP Bank under its running EMTN program. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Car Ltd, Merkantil Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

(4) From 3Q 2010 the result and balance sheet of OTP Factoring Bulgaria EAD was included. From 1Q 2019 Expressbank AD and its subsidiaries, OTP Leasing EOOD and Express Factoring EOOD (altogether: Express Group) were included into the Bulgarian operation. From 1Q 2019 the statement of recognised income and balance sheet of DSK Leasing AD was included.

(5) From 1Q 2015 to 4Q 2017 the performance of OTP Bank Russia does not contain the volumes and financial result of Touch Bank. From 1Q 2015 the statement of recognised income and balance sheet of LLC MFO “OTP Finance” was included in the Russian performance.

(6) Touch Bank was part of OTP Bank Russia from legal point of view, and it was operating under the same banking license, but as a separate digital banking business line. In order to provide transparent information Touch Bank was presented as a separate virtual entity from 1Q 2015 to 4Q 2017.

(7) Splitska banka and its subsidiaries were consolidated into OBH’s results from 2Q 2017. From 1Q 2019 the statement of recognised income and balance sheet of OTP Leasing d.d. and SB Leasing d.o.o. was included.

(8) From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of OTP Factoring Ukraine LLC was also aggregated.

(9) From 2Q 2010 the statement of recognised income and balance sheet of OTP Faktoring SRL was included. From 1Q 2019 the statement of recognised income and balance sheet of OTP Leasing Romania IFN S.A. was included.

(10) Including the financial performance of OTP Factoring Serbia d.o.o from 4Q 2010. Vojvodjanska banka has been consolidated from 4Q 2017. From 1Q 2019 the statement of recognised income and balance sheet of OTP Lizing d.o.o and OTP Services d.o.o. was included.

(11) Including the financial performance of OTP Factoring Montenegro d.o.o. (merged into CKB Bank in 4Q 2018).

(12) From 2012 on P&L data and related indices are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund. Including the financial performance of OTP Faktoring Slovensko s.r.o.

(13) After tax profit of Merkantil Bank without dividends, net cash transfer, other adjustment items and provisioning for investments in subsidiaries. Merkantil Car was merged into Merkantil Bank in 3Q 2018. For the 2018 base periods the aggregated after tax profit of Merkantil Bank and Car was presented.

(14) Companies comprising Foreign Leasing in previous periods (OTP Leasing Romania IFN S.A. (Romania), OTP Leasing d.d. and SB Leasing d.o.o. (Croatia), DSK Leasing AD (Bulgaria), OTP Lizing d.o.o, OTP Services d.o. (Serbia)) were presented as part of the operations in the given countries starting from 1Q 2019.

(15) LLC AMC OTP Capital, OTP Asset Management SAI S.A. (Romania), DSK Asset Management EAD (Bulgaria).

(16) OTP Buildings s.r.o. (Slovakia), Velvin Ventures Ltd. (Belize), R.E. Four d.o.o., Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia), OTP Osiguranje d.d. (Croatia), OTP Solution Fund (Ukraine).

(17) Total Hungarian subsidiaries: sum of the adjusted after tax results of Hungarian group members, Corporate Centre and related eliminations.

(18) Total Foreign subsidiaries: sum of the adjusted after tax profits of foreign subsidiaries.

CALCULATION OF ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS PRESENTED IN THE REPORT

In order to present Group level trends in a comprehensive way in the Report, the presented consolidated and separate profit and loss statements of this report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the Financial Data section.

Adjustments:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the period under review and the previous year: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, and the initial NPV gain on the monetary policy interest rate swap (MIRS) deals.

Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too. The special banking tax, however, does not include the special tax levied on the result of investment services in the year of 2017 in Hungary, this item is presented among the operating expenses.

- Until 4Q 2018 other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of *Provision for impairment on loan and placement losses* line in the income statement. Starting from 1Q 2019 this income from the release of pre-acquisition provisions was presented amongst the *Provision for impairment on loan and placement losses* line both in the accounting and adjusted P&L structure.
- Other non-interest income is shown together with Gains and losses on real estate transactions, Net insurance result (appearing in the accounting P&L structure from 3Q 2017), Gains and losses on derivative instruments, and Gains and losses on non-trading loans mandatorily at fair value through profit or loss lines, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- From 2Q 2014 OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line. Furthermore, received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary were reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- Other provisions are separated from other expenses and shown on a separate line in the adjusted profit or loss statement.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers (except for movie subsidies and cash transfers to public benefit organisations, whereas from 1Q 2019 certain part of cash transfers to public benefit organizations was presented amongst net fees and commissions), Other other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.
- Tax deductible transfers (offset against corporate taxes) paid by Hungarian group members from 3Q 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of these transfers (i.e. the paid transfer less the related corporate tax allowances) is recognised in the corporate income tax line of the adjusted P&L. The amount of tax deductible transfers offset against the special tax on financial institutions is shown on a net base on the special tax on financial institutions line.
- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- The Compensation Fund (established in Hungary in order to indemnify the victims of Quaestor and Hungarian Securities Ltd.) contributions booked from 1Q 2017 are recognized on the Other administrative expenses line of the accounting income statement, and are presented on the financial transaction tax and/or Special tax on financial institutions line the in the adjusted P&L structure (due to the tax deductibility).
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within the net interest income, but also on the Foreign exchange gains and Net other non-interest result lines within total Other non-interest income – is presented on a net base on the net interest income line starting from 1Q 2016.

- Due to the introduction of IFRS16 from 2019, certain items previously presented on the Other non-interest expenses line (rental fees) were moved to the interest expenses and depreciation lines in the accounting income statement. These items were shifted back to the Other non-interest expenses line in the adjusted P&L structure.
- Performance indicators (such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios, etc.) presented in this report are calculated on the basis of the adjusted profit and loss statement excluding adjustment items (unless otherwise indicated). Adjustment items include received dividends and net cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, and the initial NPV gain on the monetary policy interest rate swap (MIRS) deals.
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX-adjusted volumes will be different from those published earlier.

ADJUSTMENTS OF CONSOLIDATED IFRS P&L LINES

in HUF million	1Q 18	2Q 18	1H 18	3Q 18	4Q 18 Audited	2018 Audited	1Q 19	2Q 19	1H 19
Net interest income	145,004	146,795	291,798	154,722	178,203	624,723	163,620	170,695	334,315
(-) Revaluation result of FX provisions	9	-19	-9	-18	-16	-44	20	6	25
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	-202	46	-156	176	-137	-116	-202	491	289
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	956	772	1,728	837	775	3,340	768	745	1,513
(-) Effect of acquisitions	222	211	433	188	174	795	389	208	598
(-) Initial NPV gain on the monetary policy interest rate swap (MIRS) deals					20,685	20,685	0	0	0
(-) Reclassification due to the introduction of IFRS16							-429	-463	-892
Net interest income (adj.)	143,614	145,877	289,491	153,892	156,448	599,832	162,670	170,690	333,360
Net fees and commissions	64,459	69,721	134,180	71,637	71,858	277,675	73,887	80,672	154,559
(+) Financial Transaction Tax	-14,880	-12,988	-27,868	-13,823	-15,267	-56,958	-16,309	-14,213	-30,522
(-) Effect of acquisitions	0	0	0	0	-14	-14	-12	0	-11
(+) Shifting of certain cash transfers to public benefit organisations to the Net fees and commissions line							-366	366	0
Net fees and commissions (adj.)	49,579	56,733	106,312	57,814	56,605	220,731	57,223	66,825	124,048
Foreign exchange result	3,460	8,980	12,440	16,961	4,757	34,158	7,832	9,121	16,953
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	-3,605	2,978	-627	4,635	-855	3,153	-834	-1,524	-2,358
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	-173	-1,935	-2,109	3,633	-4,122	-2,598	-406	-42	-449
(-) Effect of acquisitions	0	0	0	0	34	34	0	0	0
Foreign exchange result (adj.)	7,238	7,937	15,175	8,693	9,700	33,568	9,072	10,688	19,760
Gain/loss on securities, net	-1,066	228	-837	981	1,200	1,344	1,532	4,655	6,187
(-) Shifting of Non-trading securities mandatorily at fair value through profit or loss line to Net other non-interest income from 1Q 2019							590	23	614
Gain/loss on securities, net (adj.) with one-offs	-1,066	228	-837	981	1,200	1,344	942	4,632	5,573
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)	-1,845	178	-1,667	636	-86	-1,117	-735	601	-134
Gain/loss on securities, net (adj.) without one-offs	779	50	829	345	1,287	2,461	1,677	4,031	5,708
Gains and losses on real estate transactions	574	712	1,286	423	181	1,890	1,985	3,647	5,632
(+) Other non-interest income	9,595	7,230	16,825	13,279	6,755	36,859	15,064	5,131	20,195
(+) Gains and losses on derivative instruments	976	5,020	5,996	-2,707	3,169	6,458	1,957	-675	1,282
(+) Net insurance result	200	210	410	154	109	673	171	258	429
(+) Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	-127	27	-100	9	688	597	849	69	918
(-) Received cash transfers	144	2	146	343	86	575	39	248	287
(+) Received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary	142	0	142	338	0	480	0	0	0
(-) Non-interest income from the release of pre-acquisition provisions	5,495	1,338	6,832	5,038	1,637	13,507	-	-	-
(+) Other other non-interest expenses	-732	-674	-1,405	-3,482	-1,650	-6,537	-596	-958	-1,553
(+) Change in shareholders' equity of companies consolidated with equity method	-232	-48	-280	661	-134	246	-454	-193	-646
(-) Investment impairment in relation to the sale of Express Life Bulgaria (presented on the <i>Goodwill/investment impairment charges</i> adjustment line on consolidated level)								-363	-363
(-) Effect of acquisitions	1	21	22	-10	-12	0	10,429	4	10,433
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	-29	1,982	1,953	-3,457	3,985	2,482	204	533	737
(-) One-off impact of regulatory changes related to CHF consumer contracts in Croatia	0	0	0	-11	-15	-26	0	0	0
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	-174	-73	-247	-42	-86	-375	-87	-71	-158
(-) Impact of fines imposed by the Hungarian Competition Authority	0	0	0	0	0	0	0	0	0
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	-165	-137	-302	-118	-210	-630	-92	-94	-185
(+) Shifting of Non-trading securities mandatorily at fair value through profit or loss line to Net other non-interest income from 1Q 2019							590	23	614
Net other non-interest result (adj.) with one-offs	5,124	9,344	14,468	6,933	3,733	25,134	9,074	7,044	16,119
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj) at OTP Core and at the Corporate Centre)	0	0	0	0	0	0	0	0	0
Net other non-interest result (adj.) without one-offs	5,124	9,344	14,468	6,933	3,733	25,134	9,074	7,044	16,119

HALF-YEAR FINANCIAL REPORT – FIRST HALF 2019 RESULT

in HUF million	1Q 18	2Q 18	1H 18	3Q 18	4Q 18 Audited	2018 Audited	1Q 19	2Q 19	1H 19
Provision for impairment on loan and placement losses	-3,482	-5,172	-8,654	-14,106	-16,527	-39,287	-13,753	-4,866	-18,619
(+) Non-interest income from the release of pre-acquisition provisions	5,495	1,338	6,832	5,038	1,637	13,507	-	-	-
(-) Revaluation result of FX provisions	3,590	-2,924	666	-4,621	868	-3,088	816	1,531	2,347
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	-50	-45	-96	33	26	-37	-47	100	53
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	956	772	1,728	837	775	3,340	768	745	1,513
(-) Effect of acquisitions	-	-	-	-	-33	-33	-8,140	-203	-8,342
(-) One-off impact of regulatory changes related to FX consumer contracts in Serbia	-	-	-	-	-	-	-	-1,926	-1,926
Provision for impairment on loan and placement losses (adj.)	-570	-93	-663	-3,643	-14,976	-19,283	-5,616	-3,624	-9,239
Dividend income	-99	5,235	5,136	710	-110	5,736	-311	5,698	5,387
(+) Received cash transfers	144	2	146	343	86	575	39	248	287
(+) Paid cash transfers	-4,817	-537	-5,354	-387	-3,724	-9,465	-8,346	228	-8,118
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	-4,811	-535	-5,346	-358	-3,745	-9,449	-8,342	226	-8,117
(-) Received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary	142	0	142	338	0	480	0	0	0
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	5,111	5,111	0	0	5,111	0	5,710	5,710
(-) Change in shareholders' equity of companies consolidated with equity method	-232	-48	-280	661	-134	246	-454	-193	-646
After tax dividends and net cash transfers	129	172	301	26	131	457	177	432	609
Depreciation	-12,244	-13,197	-25,441	-17,867	-14,129	-57,437	-17,566	-23,498	-41,064
(-) Goodwill impairment charges	0	-229	-229	-5,732	0	-5,962	0	-4,887	-4,887
(-) Effect of acquisitions	-940	-683	-1,624	-586	-1,056	-3,266	-2,003	-1,909	-3,912
(-) Reclassification due to the introduction of IFRS16	-	-	-	-	-	-	-3,147	-3,414	-6,561
Depreciation (adj.)	-11,304	-12,284	-23,588	-11,549	-13,073	-48,210	-12,416	-13,289	-25,705
Personnel expenses	-57,813	-60,818	-118,630	-60,603	-71,808	-251,041	-63,996	-67,447	-131,443
(-) Effect of acquisitions	-215	-340	-555	-277	-762	-1,594	-72	-236	-308
Personnel expenses (adj.)	-57,598	-60,478	-118,075	-60,325	-71,047	-249,447	-63,924	-67,211	-131,135
Income taxes	-10,467	-9,941	-20,408	-11,078	-2,351	-33,837	-10,560	-8,046	-18,606
(-) Corporate tax impact of goodwill/investment impairment charges	0	705	705	0	528	1,233	0	859	859
(-) Corporate tax impact of the special tax on financial institutions	1,417	48	1,465	48	49	1,562	1,477	50	1,527
(+) Tax deductible transfers (offset against corporate taxes)	1,353	0	1,353	0	-3,409	-2,057	0	0	0
(-) Corporate tax impact of the effect of acquisitions	-101	200	99	213	261	573	-612	4,917	4,305
(-) Corporate tax impact of the initial NPV gain on the monetary policy interest rate swap (MIRS) deals	-	-	-	-	-1,862	-1,862	0	0	0
Corporate income tax (adj.)	-10,430	-10,893	-21,324	-11,339	-4,737	-37,400	-11,426	-13,872	-25,298
Other operating expense	-5,131	-4,060	-9,192	-4,358	-11,837	-25,386	-12,135	-3,904	-16,039
(-) Other costs and expenses	-1,058	-1,093	-2,151	-3,651	-1,349	-7,152	-1,686	-1,738	-3,425
(-) Other non-interest expenses	-5,549	-1,211	-6,759	-3,868	-5,374	-16,002	-8,942	-729	-9,671
(-) Effect of acquisitions	1,799	0	1,799	-93	-100	1,606	-1,148	-726	-1,874
(-) Revaluation result of FX provisions	6	-35	-29	5	3	-21	-2	-13	-15
(-) One-off impact of regulatory changes related to CHF consumer contracts in Croatia	0	0	0	11	15	26	0	0	0
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	225	118	343	9	60	411	134	-30	105
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	165	137	302	118	210	630	92	94	185
Other provisions (adj.)	-719	-1,976	-2,695	1,111	-5,301	-6,885	-582	-762	-1,343
Other administrative expenses	-68,789	-61,451	-130,240	-62,224	-72,340	-264,804	-75,995	-66,131	-142,126
(+) Other costs and expenses	-1,058	-1,093	-2,151	-3,651	-1,349	-7,152	-1,686	-1,738	-3,425
(+) Other non-interest expenses	-5,549	-1,211	-6,759	-3,868	-5,374	-16,002	-8,942	-729	-9,671
(-) Paid cash transfers	-4,817	-537	-5,354	-387	-3,724	-9,465	-8,346	228	-8,118
(+) Film subsidies and cash transfers to public benefit organisations	-4,811	-535	-5,346	-358	-3,745	-9,449	-8,342	226	-8,117
(-) Shifting of certain cash transfers to public benefit organisations to the Net fees and commissions line	-	-	-	-	-	-	-366	366	0
(-) Other other non-interest expenses	-732	-674	-1,405	-3,482	-1,650	-6,537	-596	-958	-1,553
(-) Special tax on financial institutions (recognised as other administrative expenses)	-16,142	-235	-16,376	-232	-239	-16,848	-16,706	-245	-16,951
(-) Tax deductible transfers (offset against corporate taxes)	1,353	0	1,353	0	-3,409	-2,057	0	0	0
(-) Financial Transaction Tax	-14,880	-12,988	-27,868	-13,823	-15,267	-56,958	-16,309	-14,213	-30,522
(-) Effect of acquisitions	-384	-1,228	-1,612	-864	-2,469	-4,945	-1,600	-2,829	-4,429
(+) Reclassification due to the introduction of IFRS16	-	-	-	-	-	-	-3,577	-3,876	-7,453
Other non-interest expenses (adj.)	-44,604	-48,629	-93,233	-49,879	-56,050	-199,161	-54,619	-54,600	-109,219



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