OTP Group
Investor presentation based on 2Q 2017 results

OTP Group has maintained strong profitability, capital adequacy and liquidity

Content

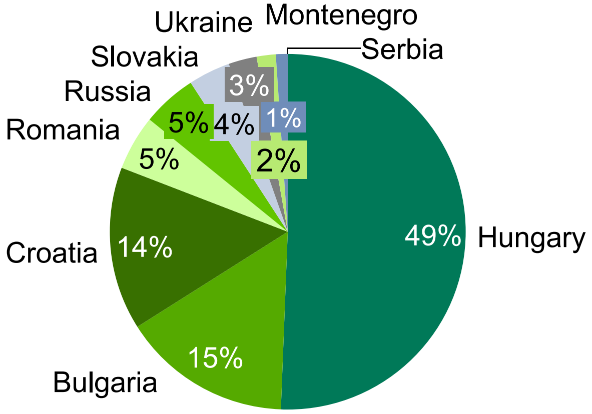
Key pillars of the OTP investment rationale

1. **Unique diversified access to the CEE/CIS banking sector**
2. **Return on Equity has returned to attractive levels (>15%) since a new era of structurally low risk environment has commenced**
3. **After years of deleveraging loan volumes show positive turnaround in Hungary**
4. **Strong capital and liquidity position coupled with robust internal capital generation make room for further acquisitions**
5. **OTP is a frontrunner and has always been committed to innovation in digital banking**

1. OTP Group is offering universal banking services to almost 14.5 million customers in 9 countries across the CEE/CIS Region

Major Group Members in Europe

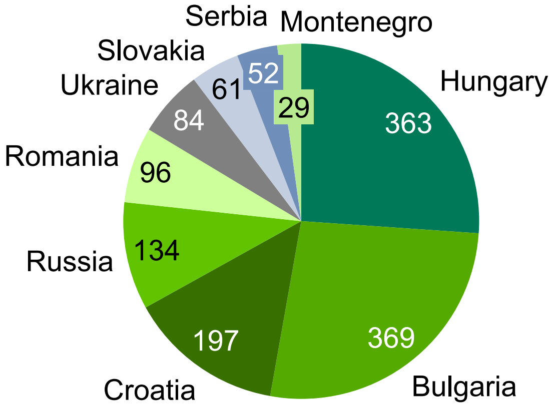
Total Assets



Total Assets: HUF 12,146 billion

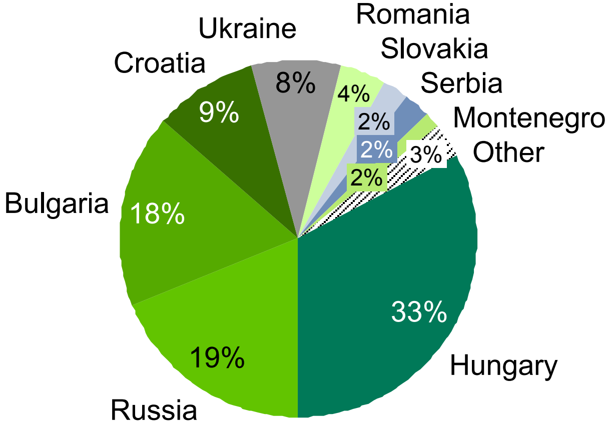
Systemic position in Hungary…

Number of Branches



Total number of branches: 1,385

Headcount



Total headcount: 27,116[1]

... as well as in other CEE countries

Bulgaria

- No. 2 in Total assets
- No. 1 in Retail deposits
- No. 1 in Retail loans

Croatia

- No. 4 in Total assets

Russia

- No. 2 in POS lending
- No. 8 in Credit card business
- No. 34 in Cash loan business

Montenegro

- No. 1 in Total assets

Source: OTP Bank Plc.

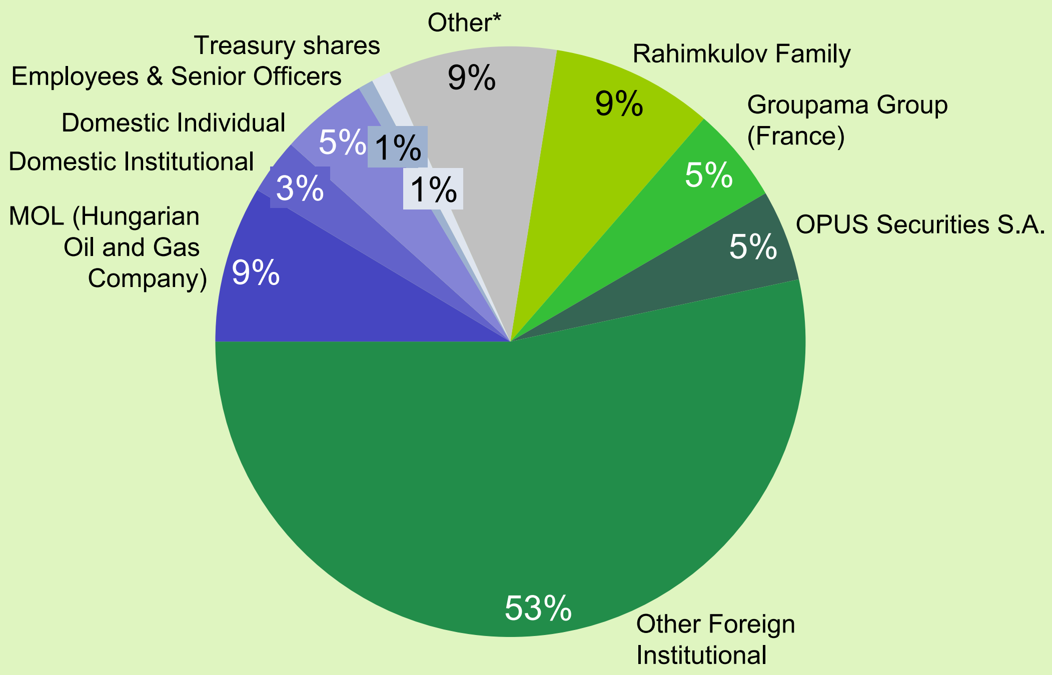
---

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

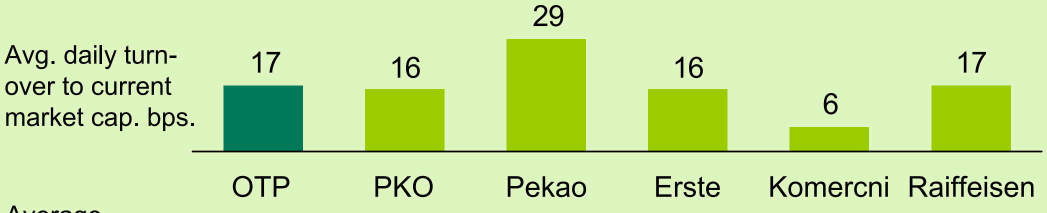
1.

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

Ownership structure of OTP Bank on 30 June 2017



OTP is one of the most liquid stocks in a peer group comparison in terms of average daily turnover**



	OTP	PKO	Pekao	Erste	Komercni	Raiffeisen
Average daily turnover in EUR million	16	17	22	25	5	15

Key features

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

Diversified ownership structure without strategic investors

No direct state involvement, the Golden Share was abolished in 2007

The most important individual stakeholders: MOL, the Rahimkulov Family, MOL, OPUS Securities and Groupama Group, with each of them below 10% stake

OTP Group's Capabilities

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

'Best bank of the year in 2016'
Socially responsible Bank of the year in 2016 '
The most likable Bank of the year in 2016'
Banker of the year in 2016'

'Best Bank in Hungary 2017'
'Best Bank in Bulgaria 2014 and 2017'

'Best local bank in Hungary'

DSK Bank - 'Best Bank in Bulgaria 2015'

'Best FX providers in Hungary in 2017'

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

Index Member of CEERIUS

'Best Bank in Hungary in 2008, 2009, 2010, 2012, 2013, 2014, 2015, 2016 and 2017'

---

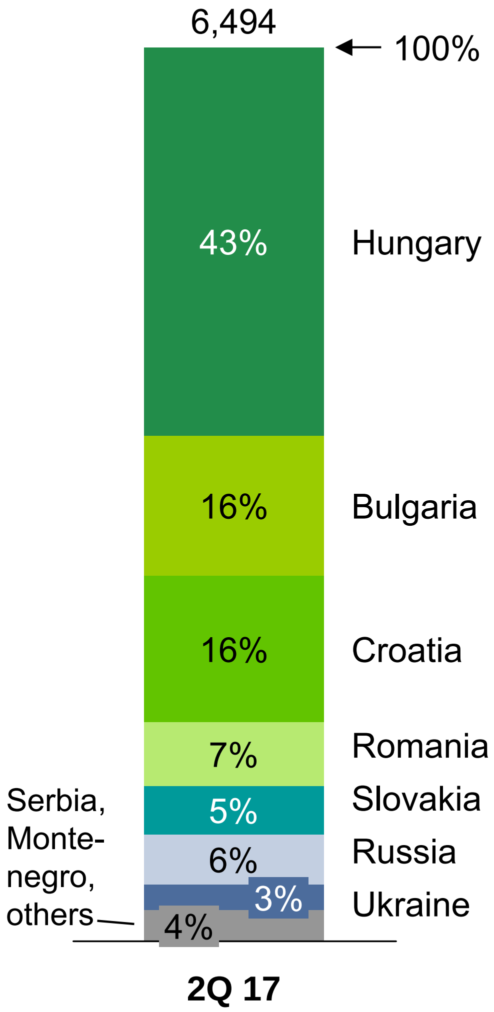
* Foreign individuals and non-identified shareholders.
** According to the last 6M data (end date: 23 August 2017) on the primary stock exchange.

1.

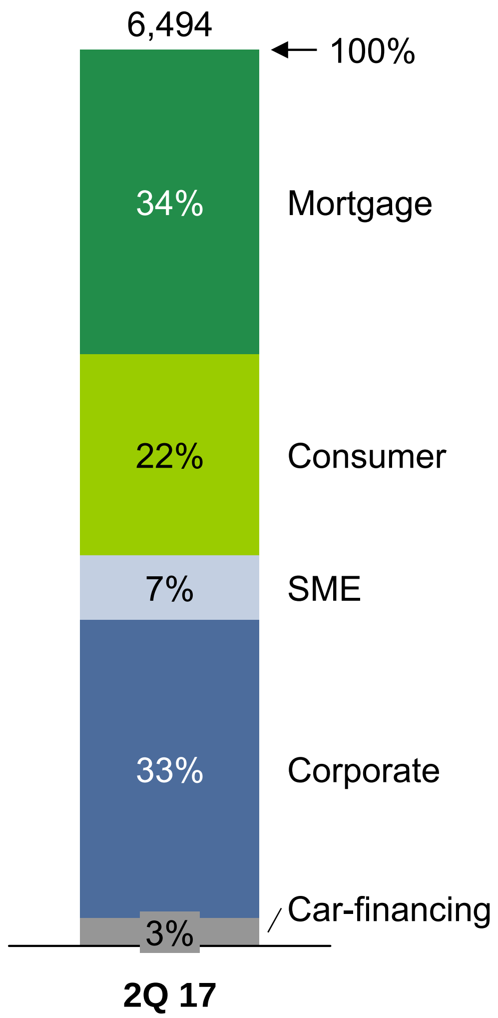
The net loan book is dominated by Hungary and tilted to secured retail lending; 88% of the total book is invested in EU countries with stable earning generating capabilities

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

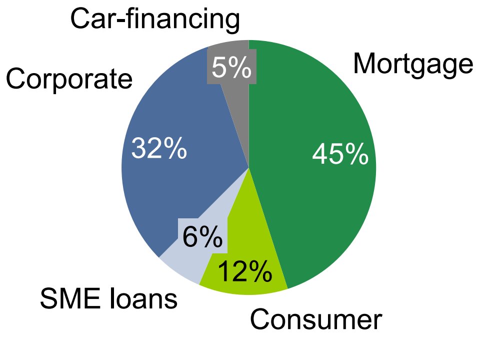
By countries



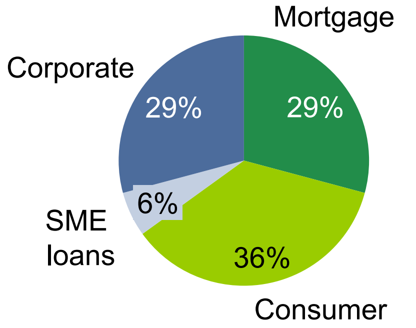
By products



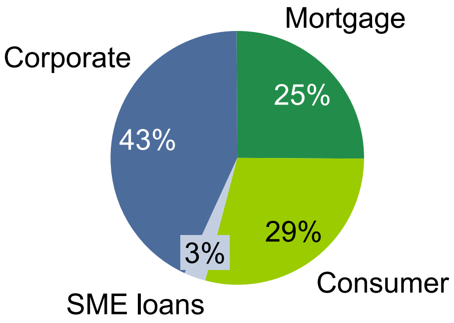
OTP Core[1] (Hungary)



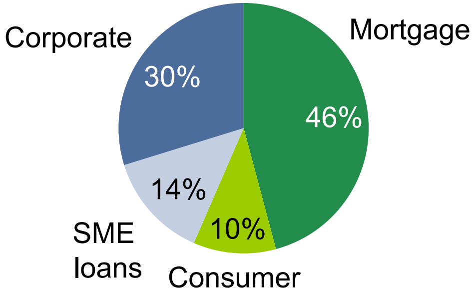
DSK Bank (Bulgaria)



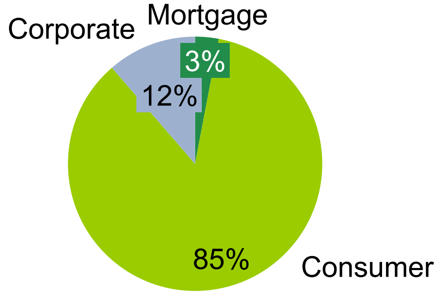
OTP Bank Croatia



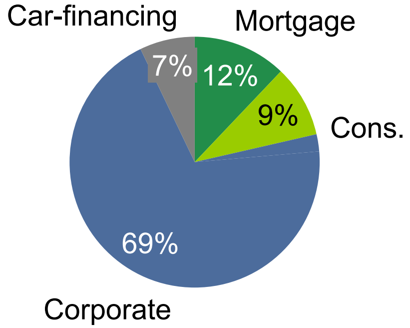
OTP Bank Romania



OTP Bank Russia[2]



OTP Bank Ukraine



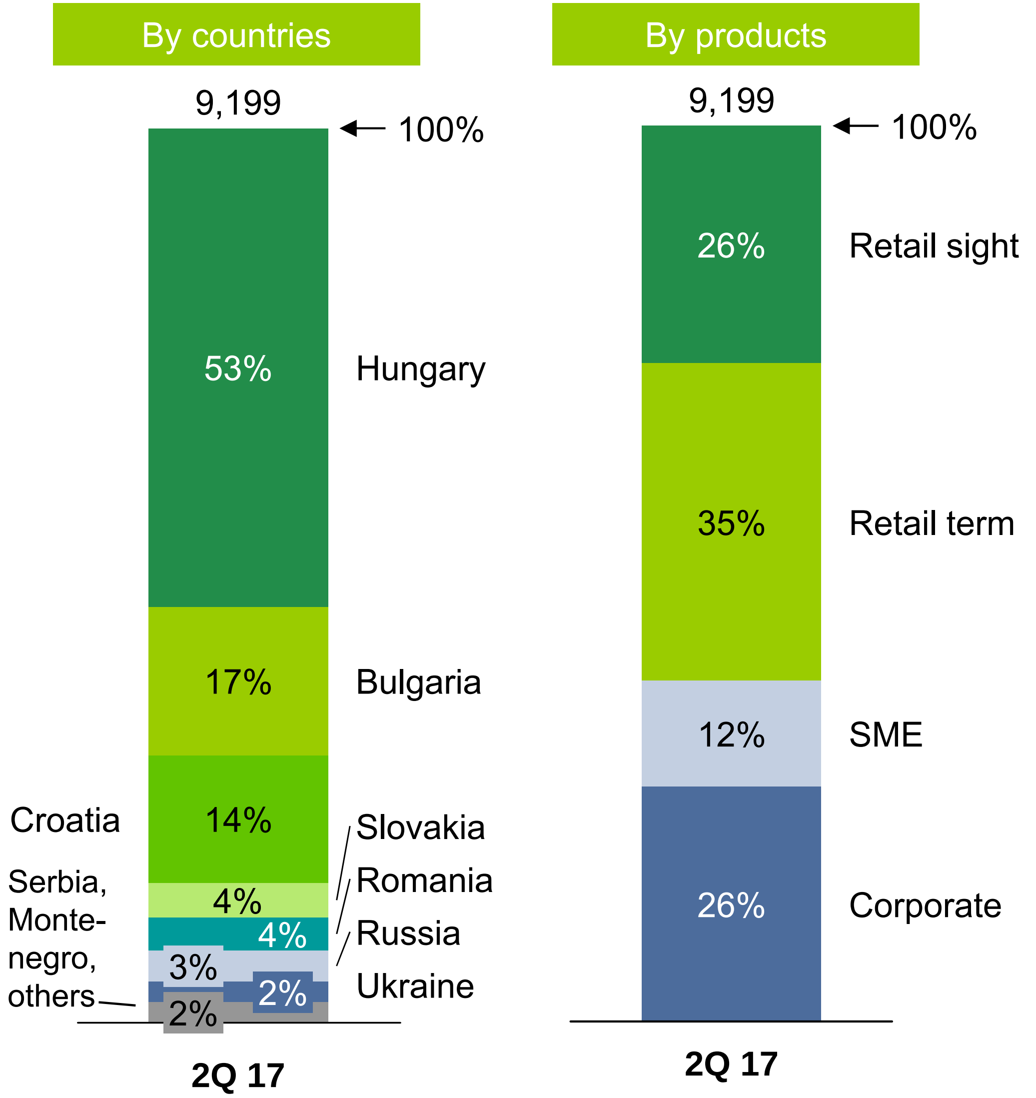
---

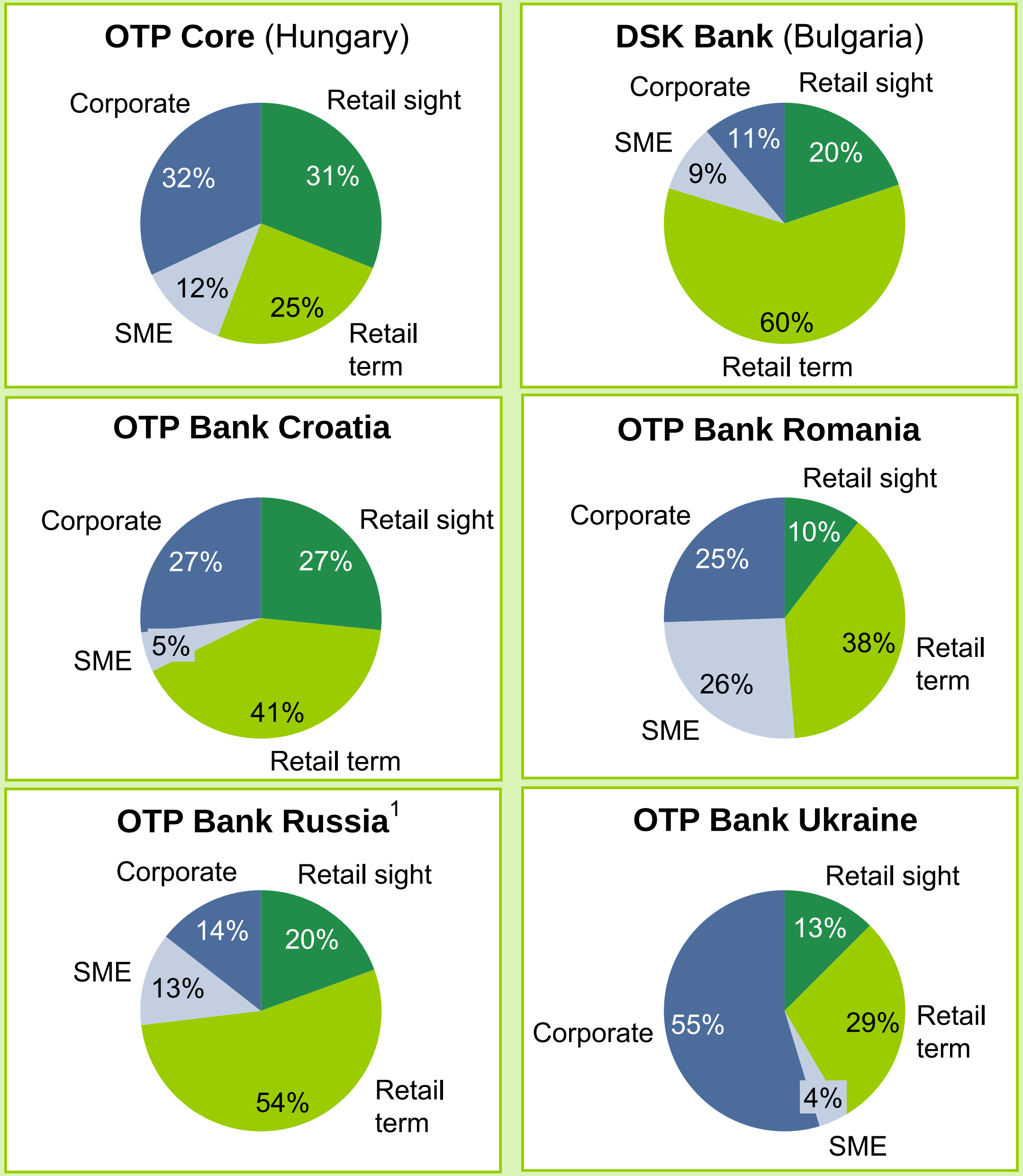
[1] Including car financing loan volumes of Merkantil Bank and Merkantil Car (Hungary).
[2] Excluding Touch Bank.

1.

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

Breakdown of the consolidated deposit base
(in HUF billion)

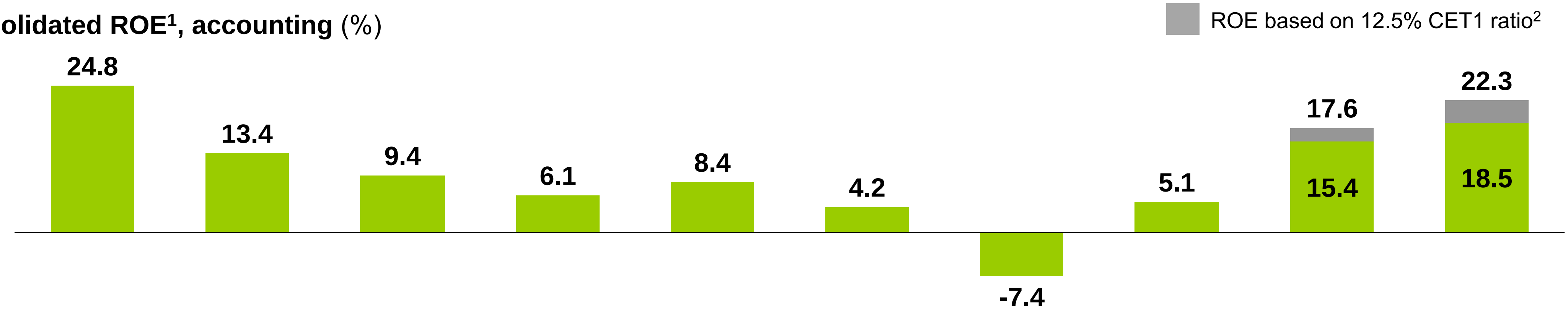




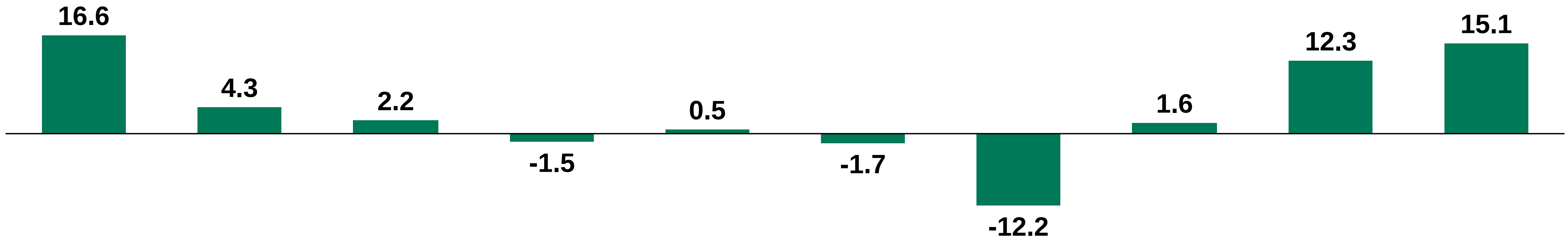
[1] Excluding Touch Bank.

2. Return on Equity has returned to attractive levels

Consolidated ROE[1], accounting (%)



Opportunity cost-adjusted[3] consolidated accounting ROE over the average 10Y Hungarian government bond yields (%)



Price to Book ratio

	2008	2009	2010	2011	2012	2013	2014	2015	2016	1H 17
Max	2.8	1.4	1.7	1.4	0.8	1.0	0.9	1.4	1.7	1.8
Min	0.6	0.4	0.9	0.6	0.6	0.7	0.7	0.8	1.3	1.5

Bloomberg

---

[1] The calculation methodology of certain indicators has been changed. ROEs are based on new methodology from 2015.

[2] The indicated dividend and the CET1 capital surplus (as calculated from the difference between the targeted 12.5% CET1 and the actual CET1 ratio including the interim result less dividend accrual) is deducted from the equity base.

[3] Accounting ROE less the annual average of Hungarian 10Y government bond yields.

2. The accounting ROE has been growing steadily since 2015 on the back of moderating provision charges and vanishing negative adjustment items; the total revenue margin has been relatively resilient

	2009	2010	2011	2012	2013	2014	2015	2016	1H 17
Accounting ROE	13.4%	9.4%	6.1%	8.4%	4.2%	-7.4%	5.1%	15.4%	18.5%
Accounting ROE on 12.5% CET1 ratio[1]							5.4%	17.6%	22.3%
Adjusted ROE[2]	13.4%	13.0%	11.8%	10.2%	9.6%	8.5%	9.6%	15.4%	20.1%
Total Revenue Margin[2]	7.93%	8.03%	8.12%	8.31%	8.44%	7.74%	7.03%	6.75%	6.91%
Net Interest Margin[3]	6.17%	6.16%	6.31%	6.40%	6.37%	5.96%	5.16%	4.78%	4.69%
...									
Operating Costs / Average Assets	3.65%	3.62%	3.76%	3.89%	4.07%	3.85%	3.65%	3.67%	3.62%
Risk Cost Rate	3.57%	3.69%	2.95%	3.11%	3.51%	3.68%	3.17%	1.14%	0.50%
Leverage (average equity / avg. assets)	11.7%	12.8%	13.6%	14.4%	14.8%	13.0%	11.5%	12.8%	12.6%

General note: performance indicators according to the new calculation methodology from 2015.

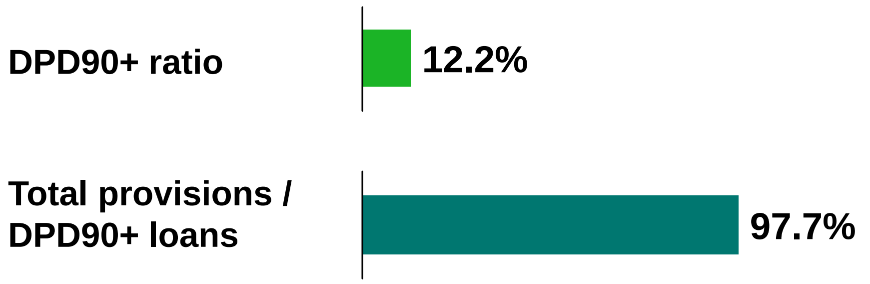
[1] The indicated/accrued dividend and the CET1 capital surplus (as calculated from the difference between the targeted 12.5% CET1 and the actual CET1 ratio including the interim result less dividend accrual) is deducted from the equity base.

[2] Calculated from the Group's adjusted after tax result. [3] Excluding one-off revenue items.

2. A new era of structurally low risk environment has commenced

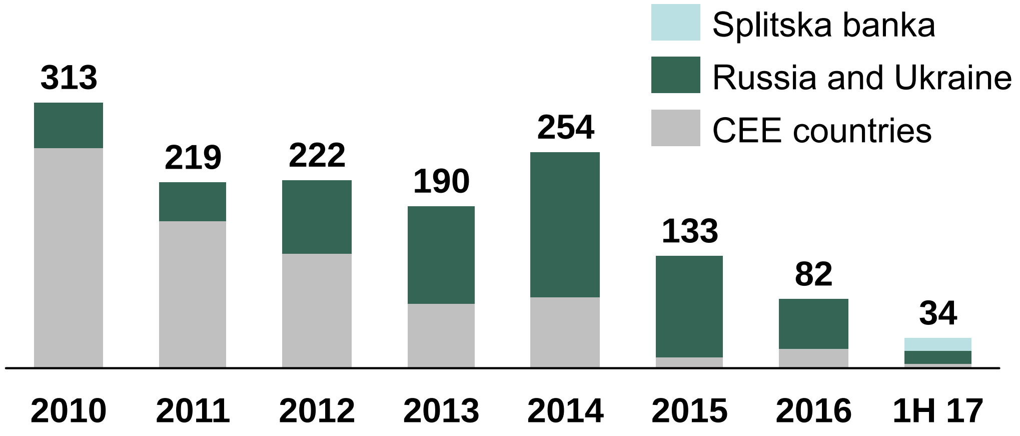
1 Existing DPD90+ loans are conservatively covered with provisions

2Q 2017,
consolidated



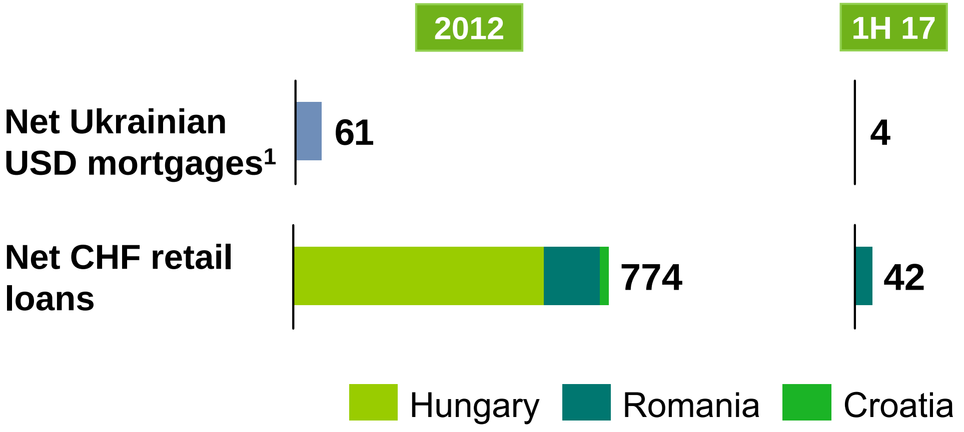
2 The DPD90+ formation has receded

(in HUF billion, without loan sales and write-offs, FX-adjusted)



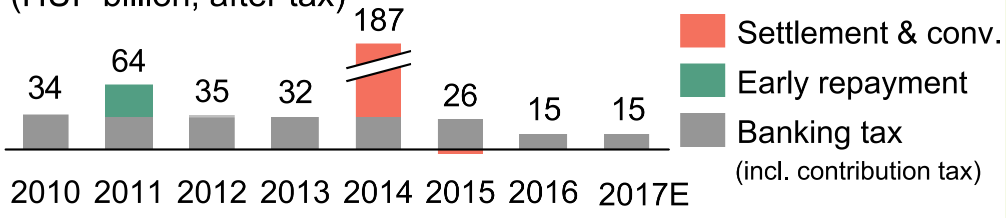
3 Vanishing „toxic” portfolios at OTP Group members

(HUF billion)



4 The Hungarian regulatory risk has moderated substantially

Special burden on the Hungarian OTP Group members
(HUF billion, after tax)



Positive measures supporting the banking system

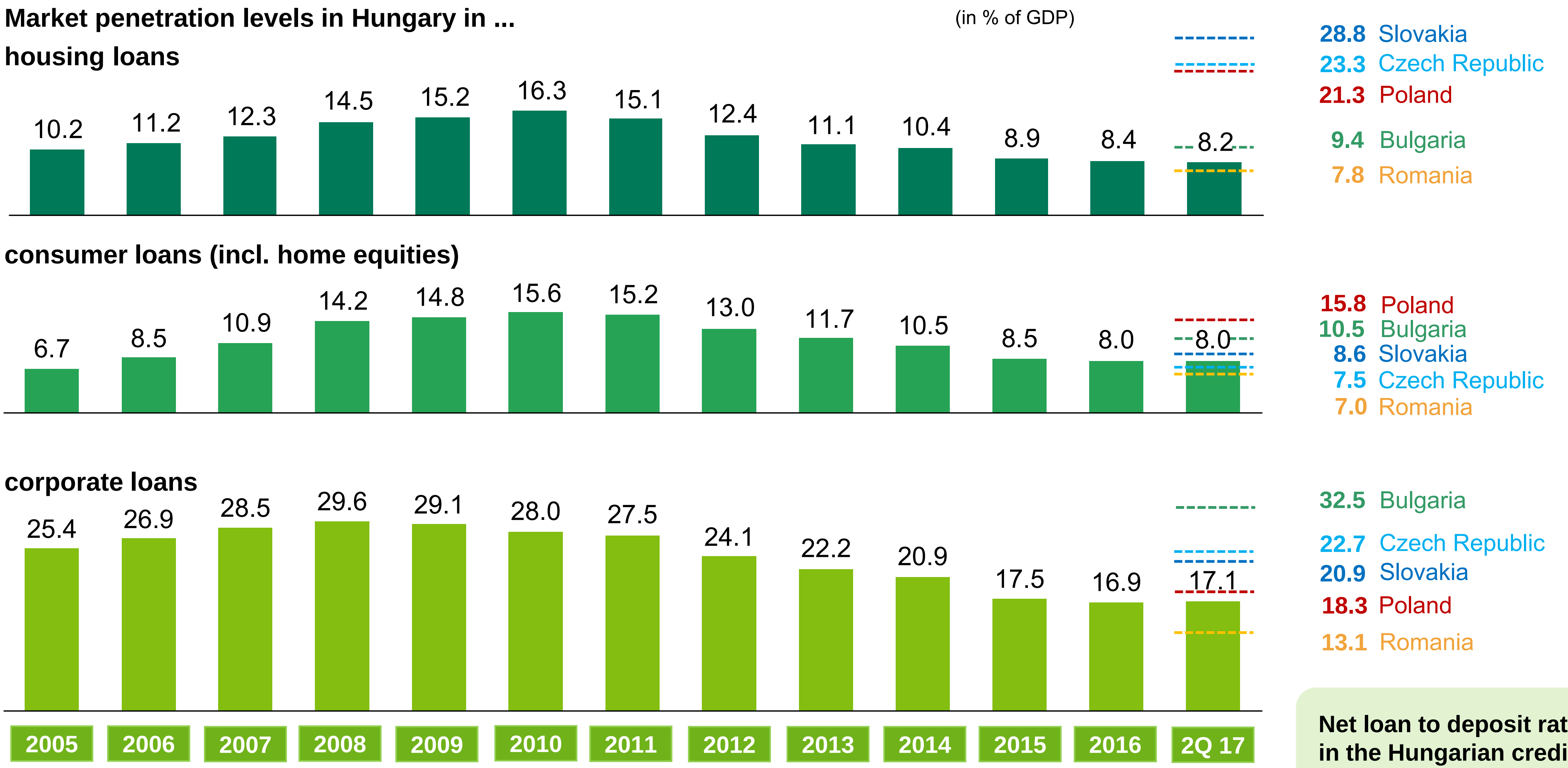
- Funding for Growth Scheme
- Housing subsidy (CSOK)
- Market-Based Lending Scheme
- National Asset Mgmt. Company

---

[1] Performing.

3.

In Hungary the retail loan penetration ratios halved since 2010 and returned to the levels before the lending boom



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

168%	→	91%
1Q 09		1Q 17

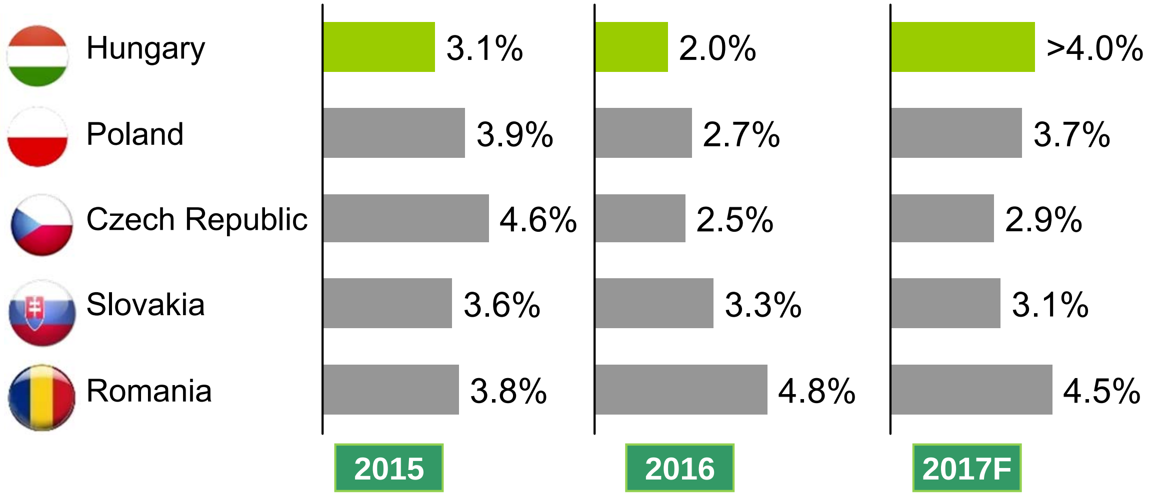
---

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

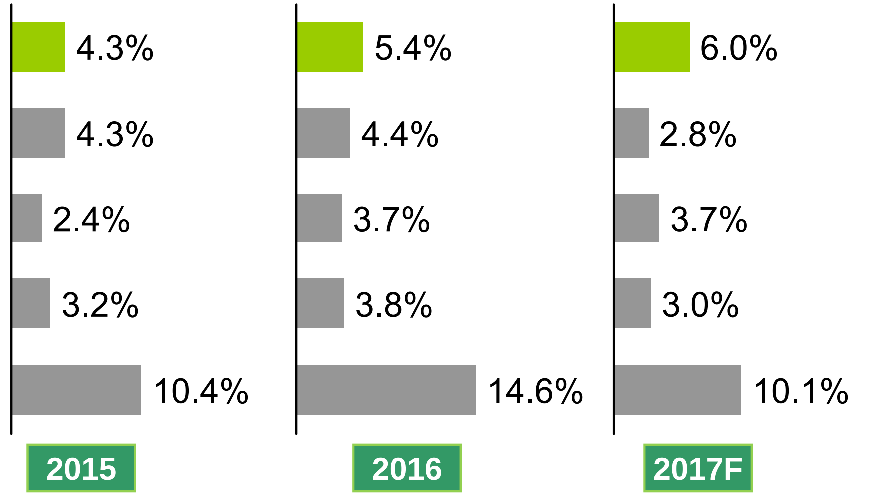
3.

The CEE region demonstrates stellar performance; for most of the indicators affecting loan dynamics Hungary ranks among the best in the regional rally

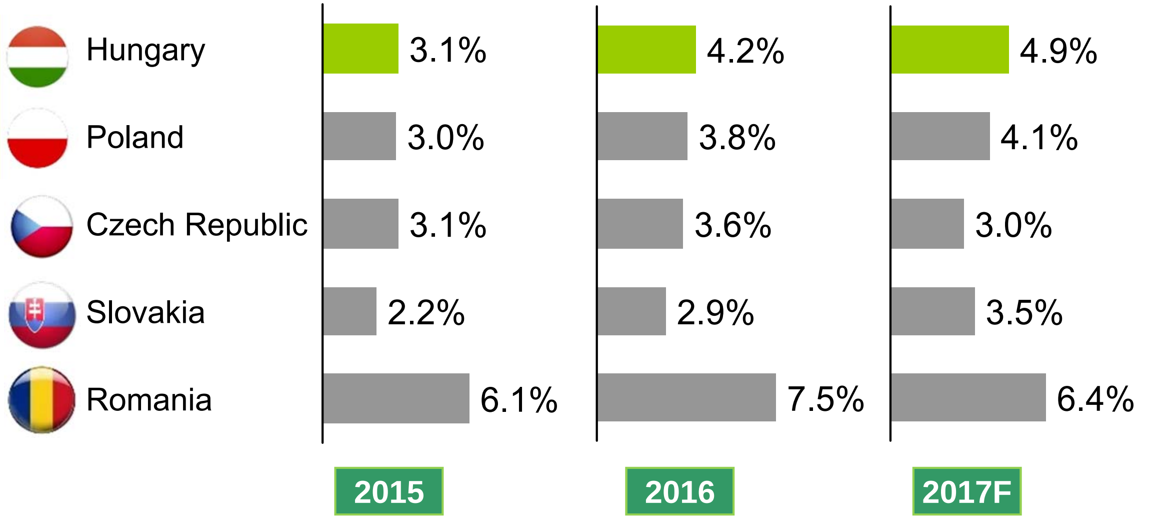
Real GDP growth (y-o-y)



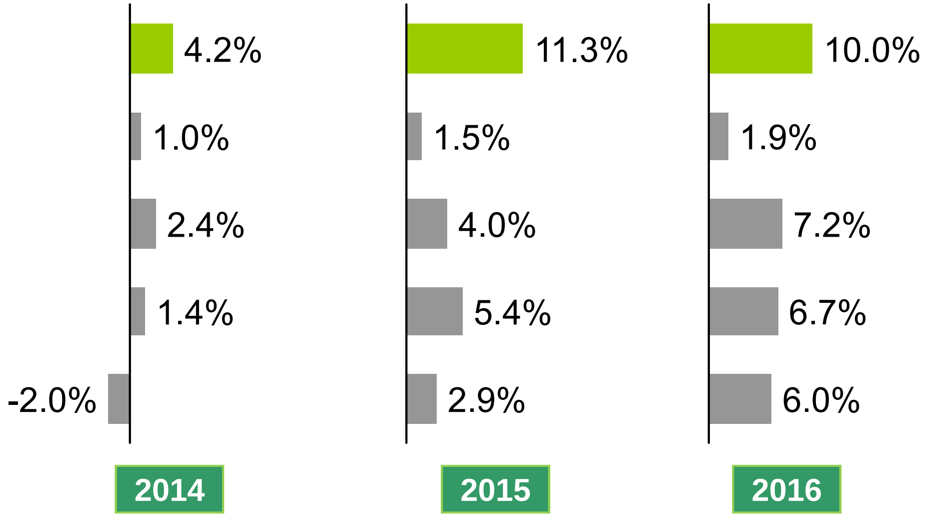
Real wage growth in the private sector (y-o-y)



Household consumption growth (y-o-y)



Housing price index (y-o-y)



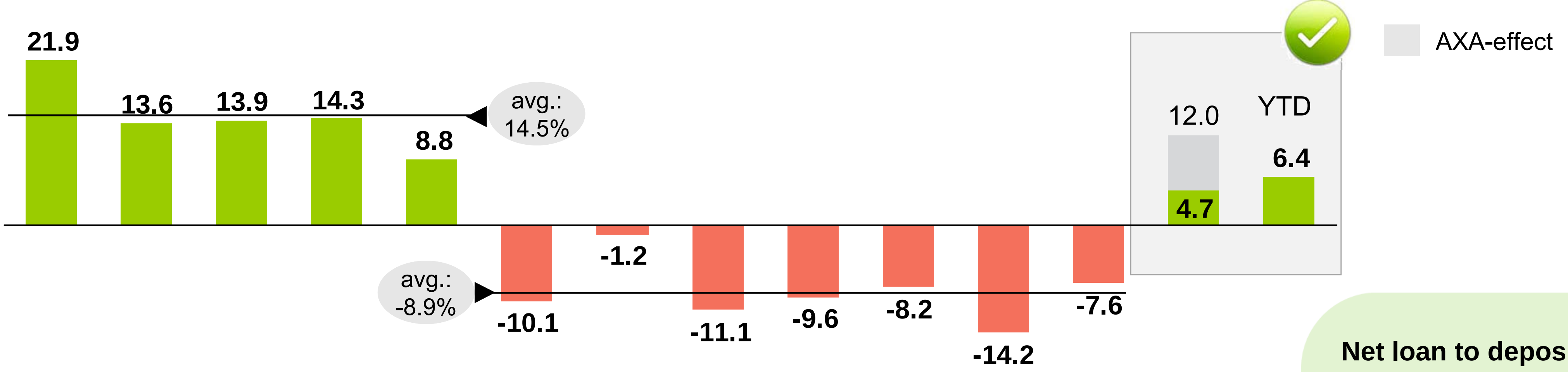
Note: OTP Research Centre's forecasts are displayed in case of real GDP growth, household consumption expenditure growth and real wage growth in Hungary, Slovakia and Romania. For Poland and Czech Republic the Focus Economics and local central bank forecasts are used. Source of housing price indices: Eurostat.

3.

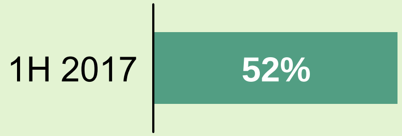
After years of loan volume contraction 2016 and 1H 2017 developments already underpin a definite turnaround at OTP Core

FX-adjusted Y-o-Y performing loan volume changes at OTP Core[1]

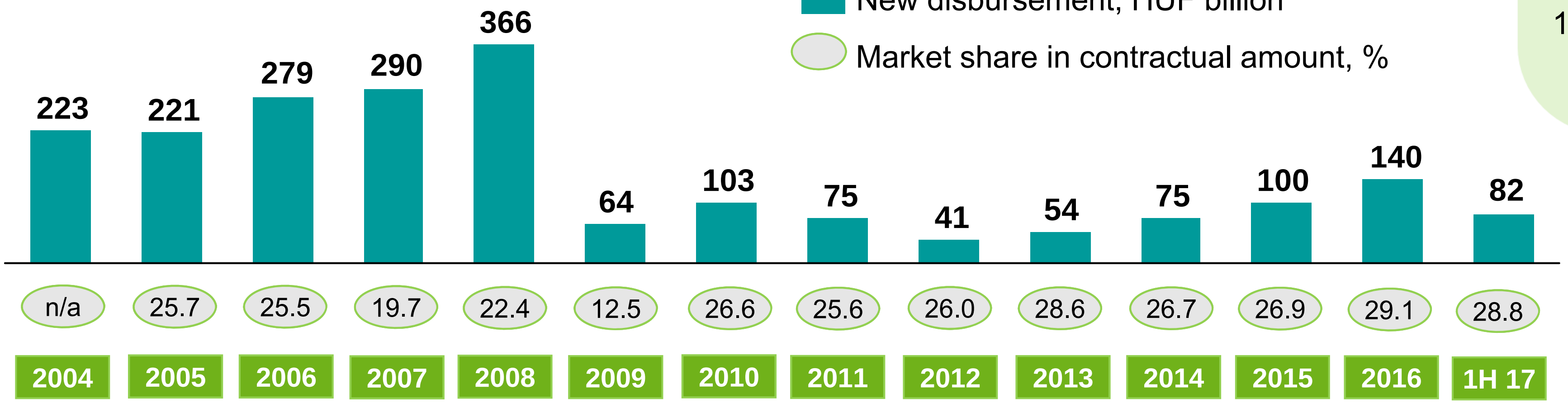
(%)



Net loan to deposit + retail bonds ratio at OTP Core



Mortgage loan disbursement[2] and market share at OTP Bank, OTP Mortgage Bank and OTP Building Society



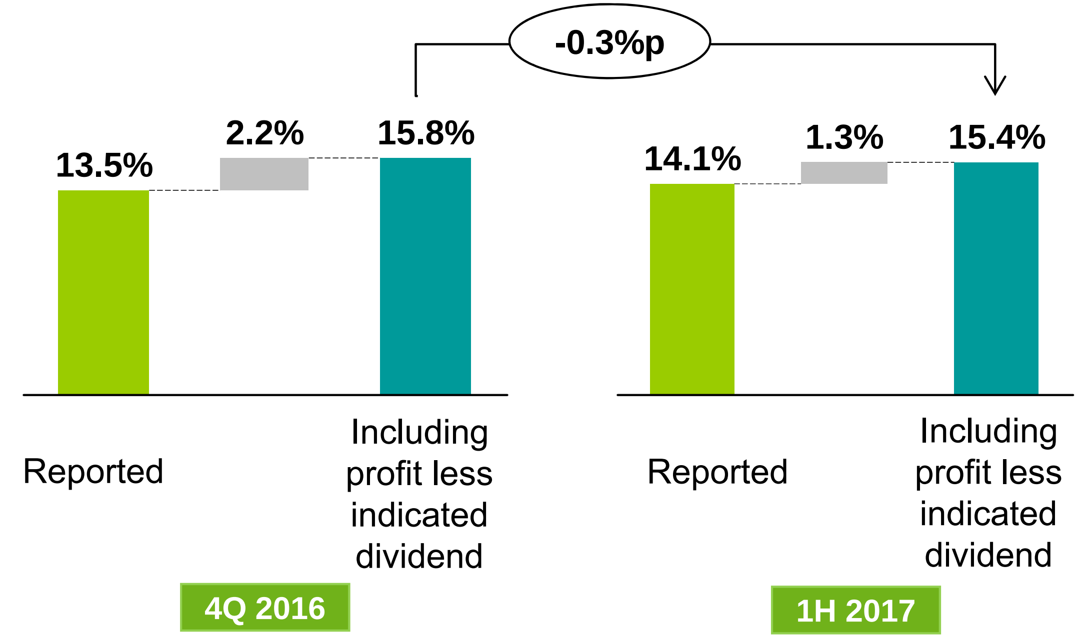
---

[1] 2004-2008: gross loan volume changes; from 2009: FX-adjusted performing (DPD0-90) loan volume changes, estimate. Changes are based on OTP Bank, Mortgage Bank, Building Society and Factoring aggregated volumes until 2005, and OTP Core volumes from 2006.

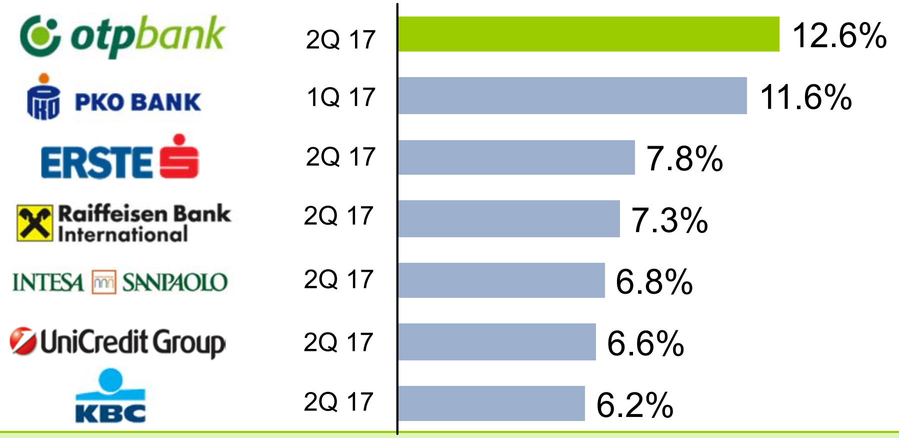
[2] Calculated from raw, unadjusted data.

4. Strong capital and liquidity position coupled with robust internal capital generation make room for further acquisitions

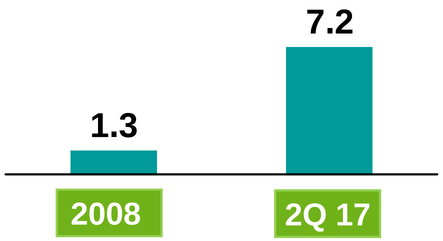
Development of the fully loaded CET1 ratio of OTP Group



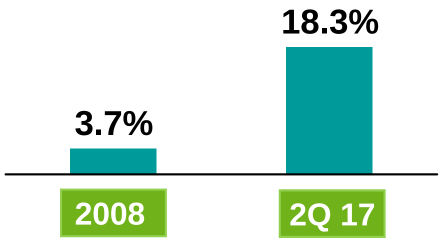
Leverage ratio (average equity / average assets)



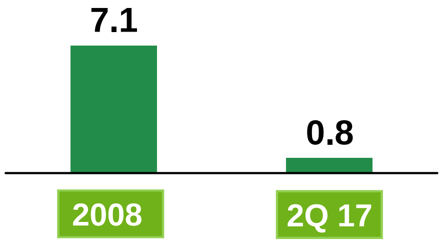
Net liquidity reserves (in EUR billion equivalent)



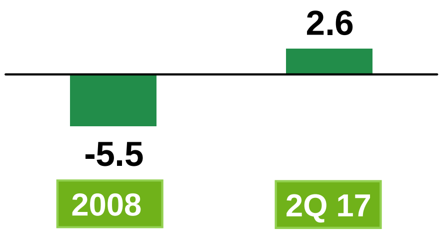
Net liquidity buffer / total assets (%)



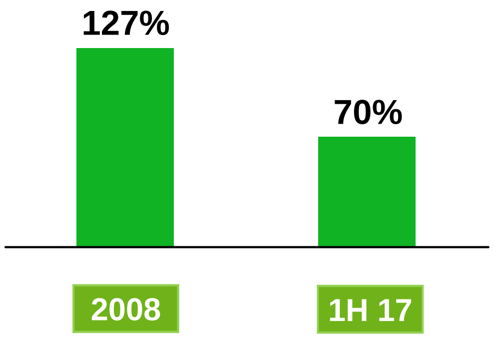
External debt[1] (in EUR billion equivalent)



Group FX liquid assets[2] (in EUR billion equivalent)



Consolidated net loan to deposit + retail bond ratio



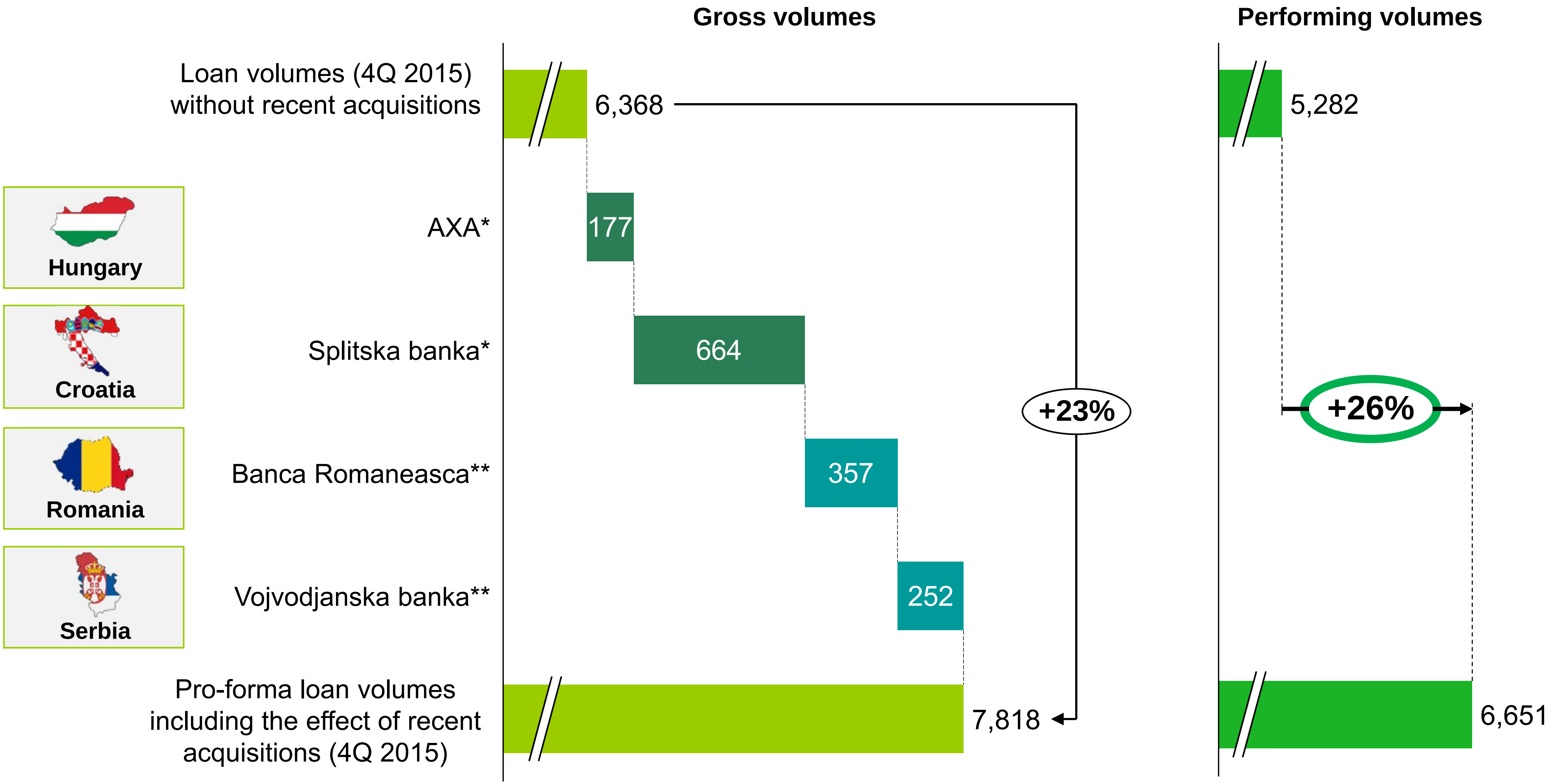
---

[1] Senior bonds, mortgage bonds, bilateral loans.

[2] Positive amount implies FX liquidity placement.

4. Acquisitions announced over the last 1.5 years added 23% to the Group’s gross loans and 26% to performing loans, whereas the organic performing loan growth reached 8% since 2015 (FX-adjusted)

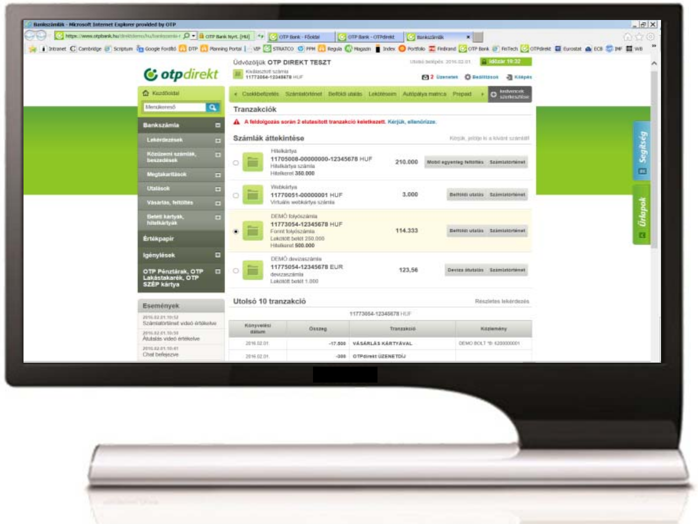
The impact of recent acquisitions on consolidated loan volumes (in HUF billion)



* Loan volumes at the time of the consolidation, including Leasing volumes.

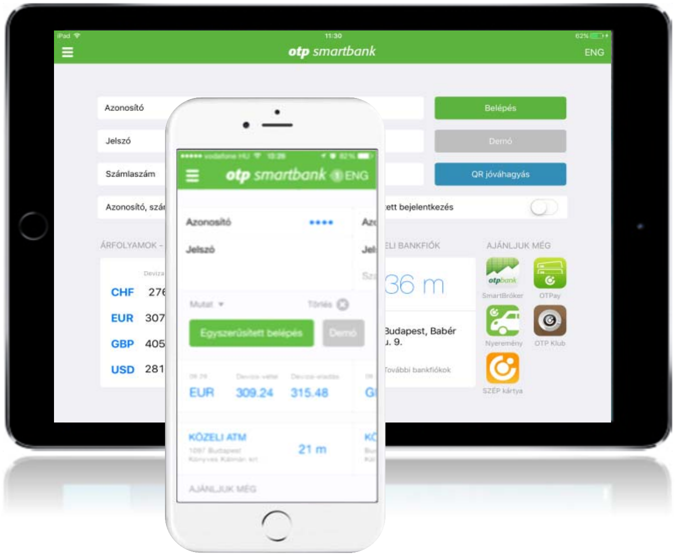
** Data as at end of 2016.

5. OTP Bank is the market leader in all direct channels in Hungary



More than 1 million regular users monthly[1]

~140 thousand users monthly[1]



~210 thousand contacts monthly[1]

Monthly ATM cash withdrawals in the amount of HUF ~280 billion[1]

---

[1] Based on 2Q 2017 data.

5. The Digital Transformation Program serves as an umbrella focusing on digital customer experience and cost efficient and automatized processes

Aspirations

Digital banking products and services aim at offering an outstanding customer experience

Convenient, flexible and fast customer service

Client-focused, simple and clear-cut processes through all sales and customer service channels

Extensive services for favourable conditions

Internal processes of the digital bank are set to simplify and digitise

Further expansion of digital channels in terms of sales and customer service

Cost efficient, automatized and paperless processes

Big Data based sale and business decision making

Better transparency and compliance with regulations

Quickly adaptive organization

Facts

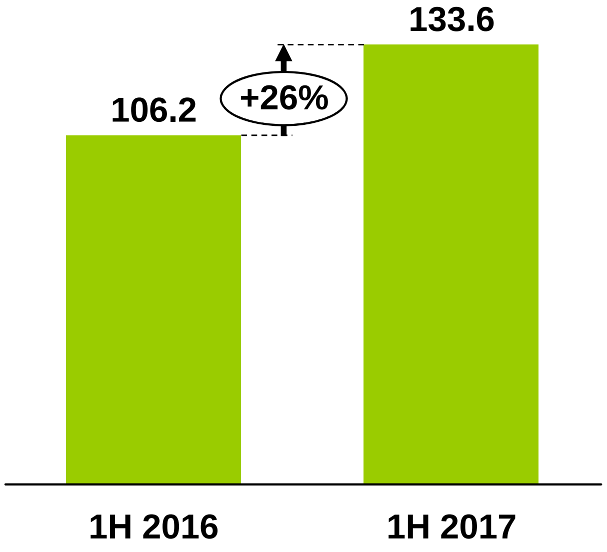
- **More than 25 flagship projects** (especially E2E processes, integrated databases, new alternative risk modelling methods, new mobile solutions) and further 70 interdivisional developments
- **More than 560K clients** use the new OTP digital solutions (Loyalty program, Simple, SME onboarding, EBP, mPOS)
- **New agile project management methodology** launched in top flagship projects
- Establishment of the **digital program management office** which coordinates, harmonizes and supports on-time delivery of several projects in the Digital Transformation Program
- **All divisions** and more than 300 colleagues are involved in the Program
- **Harmonizing group level synergies** both at Hungarian group members and foreign subsidiaries

Content

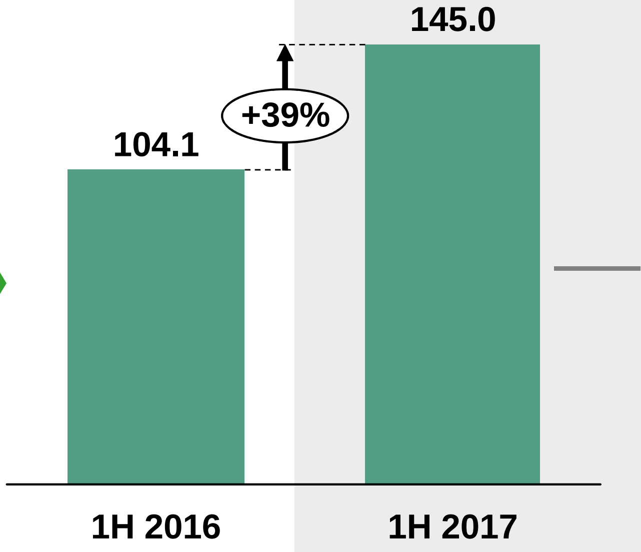
The semi-annual accounting result grew by 26% y-o-y despite the balance of adjustments turned negative y-o-y. CEE Group members' contribution grew by 32%, whereas the Russian and Ukrainian contribution increased by 56%

(in HUF billion)

Accounting profit after tax

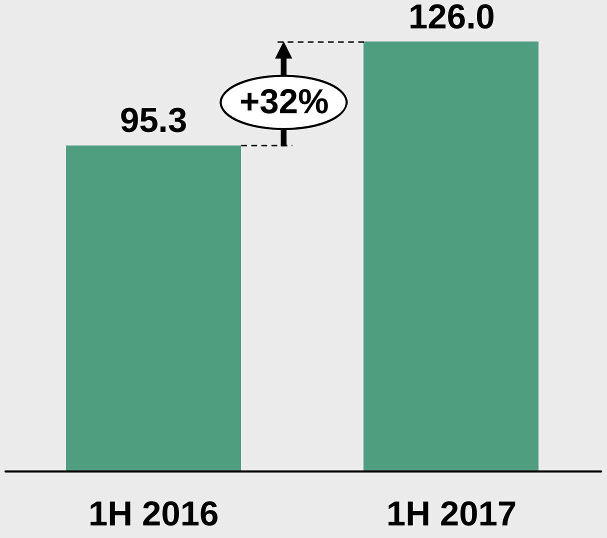


Adjusted profit after tax

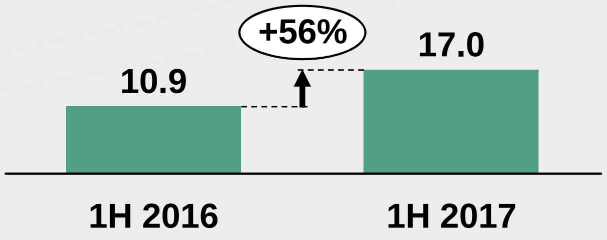


Adjustments (after tax)	**1H 2016**	**1H 2017**
Banking tax	-13.6	-14.9
Visa	13.2	0
Other	2.5	3.4
Total	2.0	-11.5

Adjusted after tax results in the CEE countries[1]



Adjusted after tax results in Russia and Ukraine (including Touch Bank)



---

[1] Total result of CEE operations does not include the result of Corporate Centre, foreign asset management companies, other Hungarian and foreign subsidiaries and eliminations. Their aggregated results amounted to HUF -2.0 billion in 1H 2016 and HUF 2.0 billion in 1H 2017.

In 2Q the aggregated profit of CEE Group members grew by 21% q-o-q, led by OTP Core and the Croatian operation. Romania and Serbia turned loss-making mainly due to higher risk costs reasoned by one-off provisions created in connection with changes in the provisioning policy

	1H 16	1H 17	Y-o-Y	2Q 16	1Q 17	2Q 17	Q-o-Q	Y-o-Y
	in HUF billion			in HUF billion				
Consolidated adjusted after tax profit	**104.1**	**145.0**	**39%**	**56.5**	**66.8**	**78.3**	**17%**	**38%**
CEE operation (adjusted)	**95.3**	**126.0**	**32%**	**48.8**	**57.0**	**69.0**	**21%**	**41%**
OTP Core (Hungary)	59.6	90.2	51%	30.7	40.8	49.4	21%	61%
DSK (Bulgaria)	28.0	25.4	-9%	14.2	13.4	12.0	-11%	-16%
OBR (Romania)	1.6	0.9	-46%	1.0	1.3	-0.4		
OBH (Croatia)	2.2	5.1	134%	1.3	-1.8	6.9		423%
OBS (Slovakia)	0.3	-0.3		-0.1	0.1	-0.4		
OBSrb (Serbia)	0.1	-1.5		0.1	0.0	-1.5		
CKB (Montenegro)	0.3	0.0		0.1	0.1	-0.1		
Leasing (HUN, RO, BG, CR)	1.3	4.2	215%	0.5	2.1	2.1	5%	295%
OTP Fund Management (Hungary)	1.9	2.0	8%	0.9	1.0	1.0	-6%	15%
Russian and Ukrainian operation (adjusted)	**10.9**	**17.0**	**56%**	**8.5**	**8.6**	**8.4**	**-2%**	**-1%**
OBRU (Russia)	9.1	15.1	65%	6.5	7.6	7.5	-1%	15%
Touch Bank (Russia)	-2.5	-3.8	52%	-1.5	-2.3	-1.6	-31%	7%
OBU (Ukraine)	4.3	5.8	35%	3.4	3.3	2.5	-24%	-27%
Corporate Centre and others	**-2.0**	**2.0**		**-0.8**	**1.2**	**0.8**	**-31%**	

In 2Q 2017 four adjustment items emerged with an aggregated effect of HUF 2.4 billion

	1H 16	1H 17	Y-o-Y	2Q 16	1Q 17	2Q 17	Q-o-Q	Y-o-Y
	in HUF billion				in HUF billion			
Consolidated after tax profit (accounting)	**106.2**	**133.6**	**26%**	**71.9**	**52.9**	**80.7**	**53%**	**12%**
Adjustments (total)	**2.0**	**-11.5**		**15.4**	**-13.9**	**2.4**		**-84%**
Dividends and net cash transfers (after tax)	0.3	0.3	36%	0.2	0.1	0.2	51%	12%
Goodwill/investment impairment charges (after tax)	2.2	-0.3		2.2	0.5	① -0.8		
Special tax on financial institutions (after corporate income tax)	-13.6	-14.9	10%	-0.2	-14.7	-0.2	-99%	1%
Impact of fines imposed by the Hungarian Competition Authority (after tax)	0.0	0.2		0.0	0.2	0.0	-100%	
Gain on the sale of Visa Europe shares (after tax)	13.2	0.0	-100%	13.2	0.0	0.0		-100%
Effect of acquisitions (after tax)	0.0	3.2		0.0	0.0	② 3.2		
Of which customer base value, fair value adjustment of loans and their amortization (after tax)	*0.0*	*6.8*		*0.0*	*0.0*	*6.8*		
Consolidated adjusted after tax profit	**104.1**	**145.0**	**39%**	**56.5**	**66.8**	**78.3**	**17%**	**38%**

① HUF 0.8 billion negative tax effect related to the write-back of impairment losses at three Hungarian subsidiaries.

② Certain, mainly one-off items emerged in relation to the Splitska banka transaction in 2Q (in particular: badwill adjusted for specific provisions in the books of Splitska banka, other provisions on expected integration expenses, customer base value, fair value adjustment of loans) were presented on consolidated level on the Effect of acquisition line among the adjustment items under the adjusted P&L structure. In 2Q 2017 +HUF 3.2 billion was booked on this line (after tax).
Within the Effect of acquisition the sum of initial value of customer base value (an intangible asset) and fair value adjustment of loans, as well as the amortization of these items booked in May and June (+HUF 6.8 billion in total, after tax) was presented on a separate line. Accordingly, the on-going amortization of these items will appear within the Effect of acquisitions on the Customer base value, fair value adjustment of loans and their amortization line until the end of the amortization periods.

The 2Q profit before tax without one-off items went up by 15% q-o-q, mainly on the back of improving core banking revenues, but also the further declining risk costs

	1H 16	1H 17	Y-o-Y	2Q 16	1Q 17	2Q 17	Q-o-Q	Y-o-Y
	in HUF billion			in HUF billion				
Consolidated adjusted after tax profit	**104.1**	**145.0**	**39%**	**56.5**	**66.8**	**78.3**	**17%**	**38%**
Corporate tax	-30.2	-21.5	-29%	-13.8	-9.4	-12.1	28%	-13%
O/w tax shield of subsidiary investments	3.1	-		-2.1	-	-		
Before tax profit	134.3	166.5	24%	70.4	76.2	90.3	19%	28%
Total one-off items	2.9	2.8	-3%	2.8	0.0	2.9		5%
Gain on the repurchase of own capital instruments	0.0	0.0		0.0	0.0	0.0		
Result of the Treasury share swap agreement	2.9	2.8	-3%	2.8	0.0	2.9		5%
Before tax profit without one-off items	**131.4**	**163.7**	**25%**	**67.6**	**76.2**	**87.4**	**15%**	**29%**
Operating profit w/o one-off items	164.3	186.0	13%	79.7	88.7	97.3	10%	22%
Total income w/o one-off items	357.8	393.3	10%	180.3	188.8	204.5	8%	13%
Net interest income w/o one-off items	258.1	269.1	4%	129.1	132.2	136.9	4%	6%
Net fees and commissions	82.3	98.3	19%	43.5	44.5	53.8	21%	24%
Other net non interest income without one-offs	17.4	25.9	49%	7.8	12.0	13.8	15%	79%
Operating costs	-193.6	-207.3	7%	-100.7	-100.0	-107.3	7%	7%
Total risk costs	-32.9	-22.3	-32%	-12.1	-12.5	-9.8	-21%	-19%

In Romania OTP signed and agreement on purchasing the 14th biggest local bank, Banca Romaneasca (BROM); as a result the market share of the combined entity will reach 3.8%

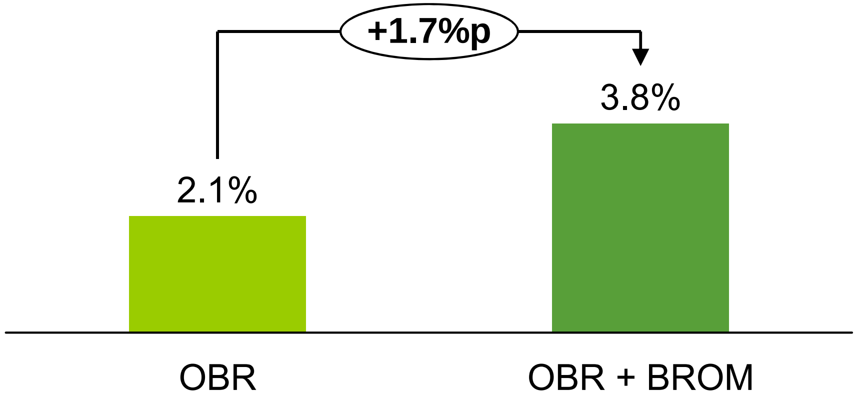
Market shares in the Romanian banking sector

(2016, HUF billion)

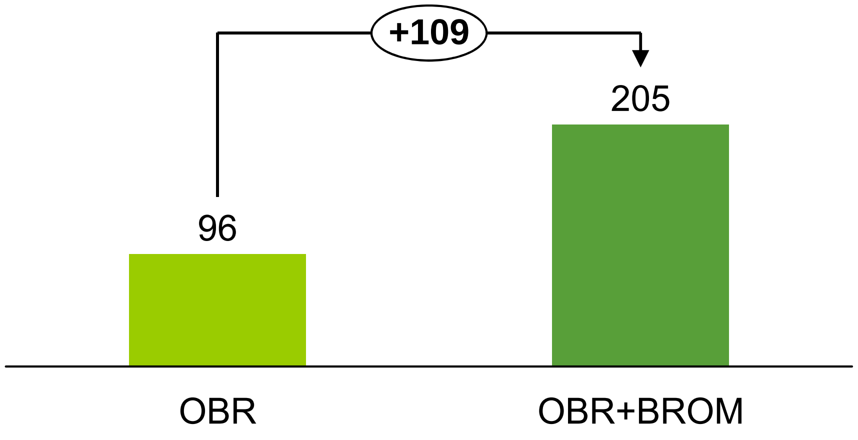
	Bank	Total assets
1.	BCR	4,391
2.	Banca Transilvania	3,548
3.	BRD	3,472
4.	Raiffeisen	2,290
5.	UniCredit	2,240
6.	CEC Bank	1,932
7.	ING Bank	1,910
8.	**OBR+BROM***	**1,032**
8.	Alpha Bank	1,010
…		
11.	**OTP Bank Romania (OBR)**	**563**
12.	Citibank	467
13.	Piraeus Bank	450
14.	**Banca Romaneasca (BROM)**	**437**

Market share by total assets before and after the acquisition*

(based on 4Q 2016 data)



Number of branches before and after the acquisition



---

* Including other assets being part of the transaction

OTP banka Srbija

In Serbia OTP signed and agreement on purchasing the 9th biggest local bank, Vojvodjanska banka (VOBAN); as a result the market share of the combined entity will increase to 5.7%. The purchase price was EUR 125 million

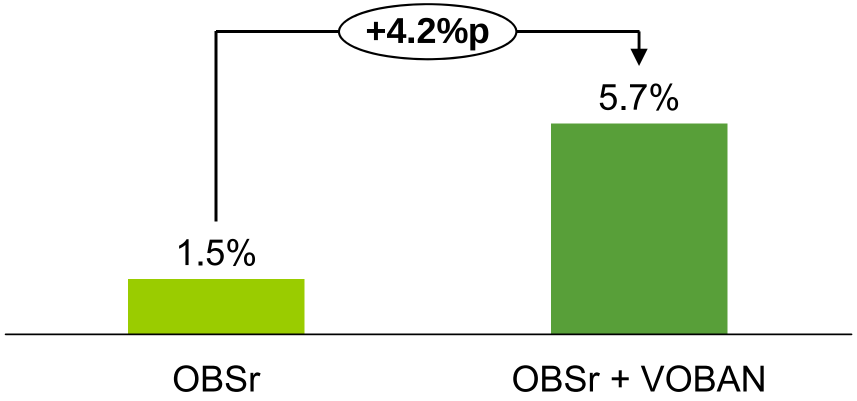
Market shares in the Serbian banking sector

(2016, HUF billion)

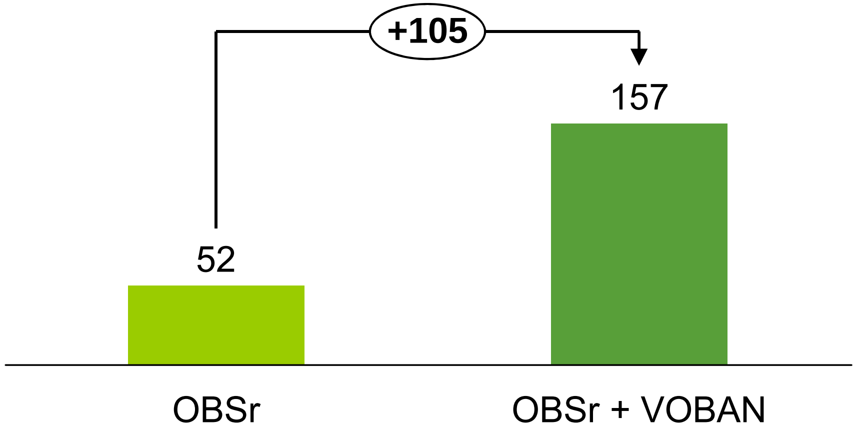
	Bank	Total assets
1.	Intesa	1,389
2.	Komercijalna	1,007
3.	Unicredit	837
4.	AIK Banka	650
5.	Raiffeisen	640
6.	SG	594
7.	**OBSr + Vojvodjanska**	**467**
7.	Eurobank	379
8.	Erste	360
9.	**Vojvodjanska (VOBAN)**	**347**
10.	Postanska	335
…		
16.	**OTP Bank Serbia (OBSr)**	**121**

Market share by total assets before and after the acquisition

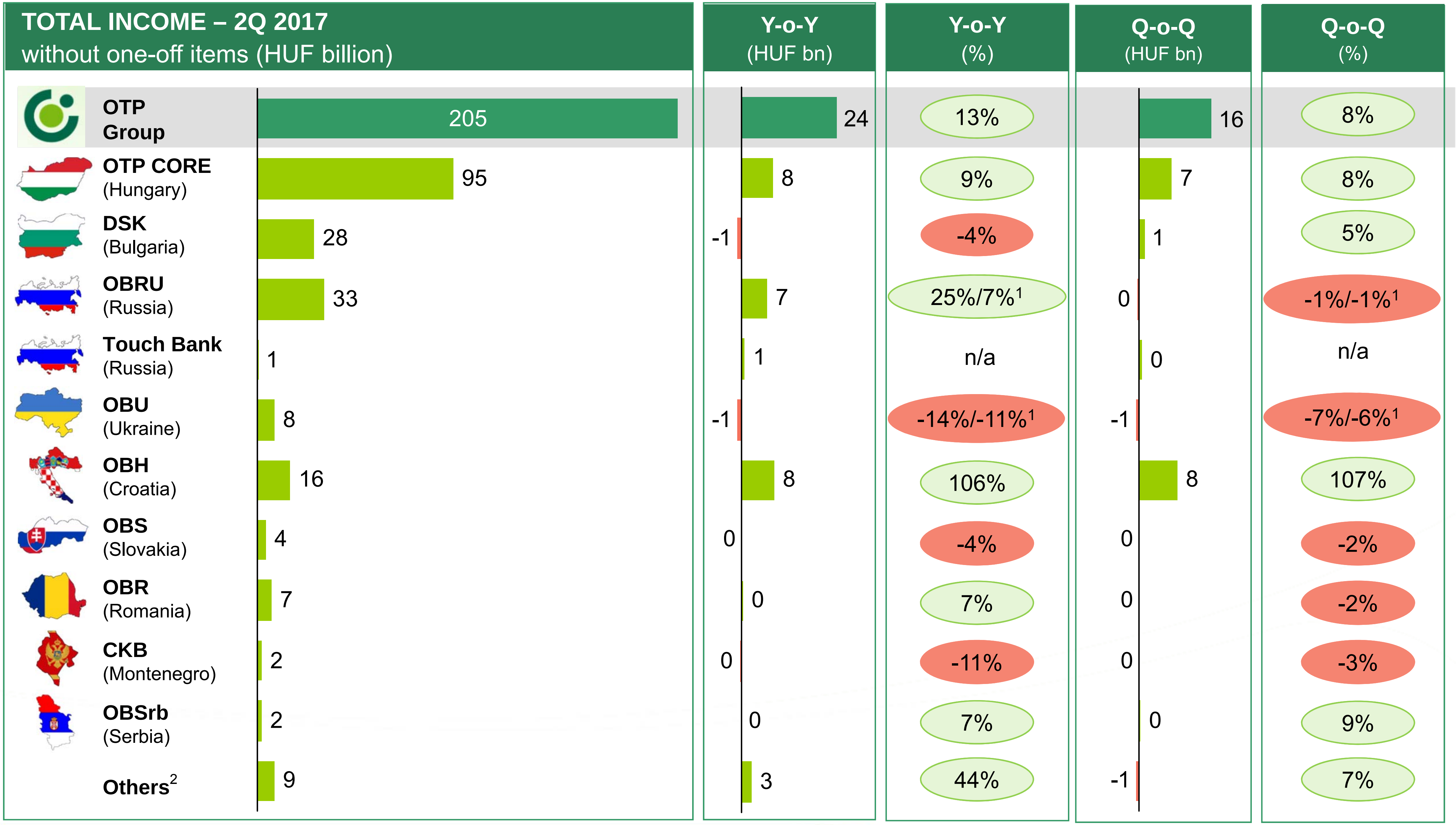
(based on 4Q 2016 data)



Number of branches before and after the acquisition



Consolidated total income increased by 8% q-o-q, half of that was due to the Splitska acquisition. The increase in Hungarian core banking revenues was the other key driving factor



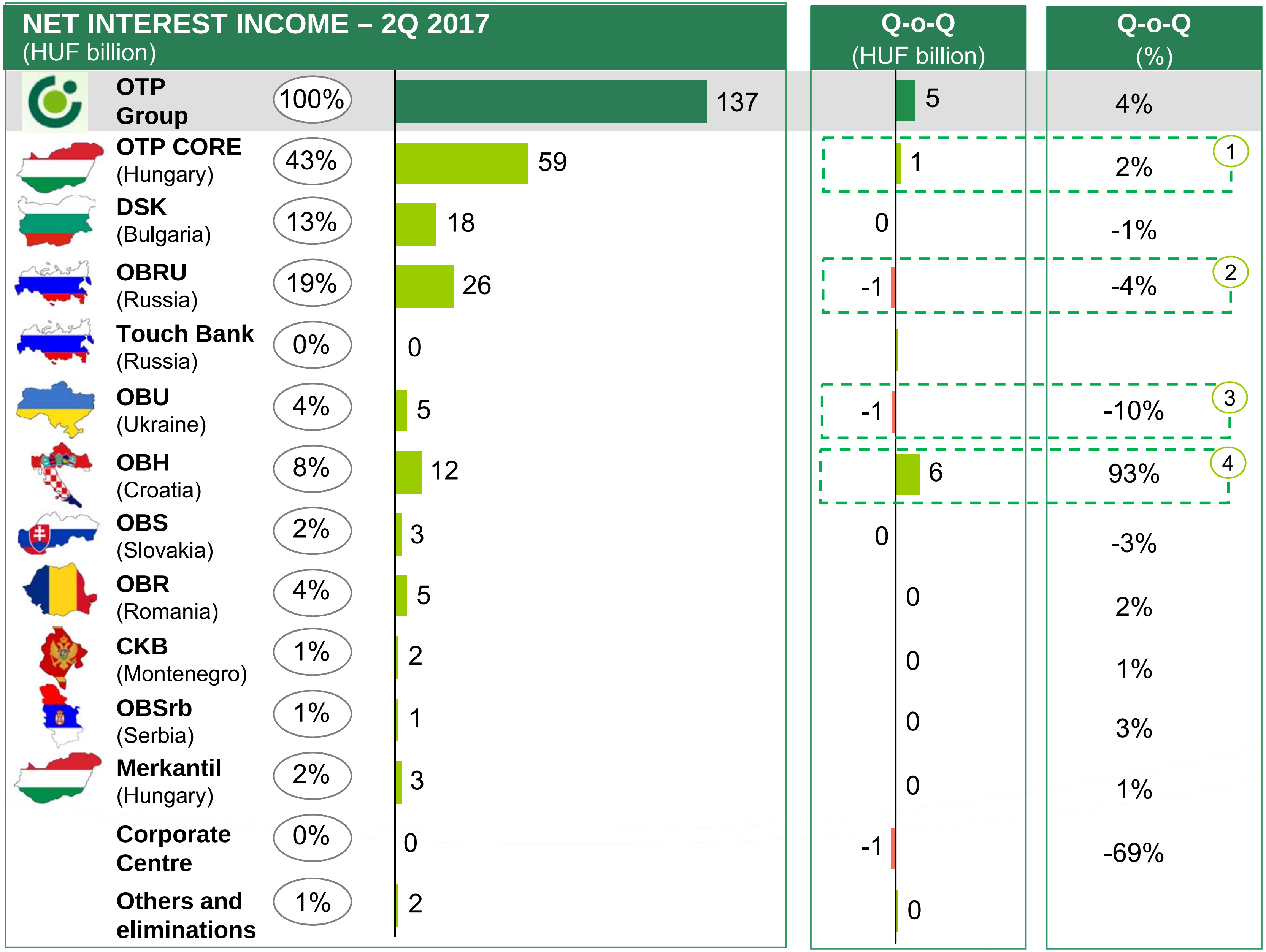
TOTAL INCOME – 2Q 2017 without one-off items (HUF billion)		Y-o-Y (HUF bn)	Y-o-Y (%)	Q-o-Q (HUF bn)	Q-o-Q (%)
OTP Group	205	24	13%	16	8%
OTP CORE (Hungary)	95	8	9%	7	8%
DSK (Bulgaria)	28	-1	-4%	1	5%
OBRU (Russia)	33	7	25%/7%[1]	0	-1%/-1%[1]
Touch Bank (Russia)	1	1	n/a	0	n/a
OBU (Ukraine)	8	-1	-14%/-11%[1]	-1	-7%/-6%[1]
OBH (Croatia)	16	8	106%	8	107%
OBS (Slovakia)	4	0	-4%	0	-2%
OBR (Romania)	7	0	7%	0	-2%
CKB (Montenegro)	2	0	-11%	0	-3%
OBSrb (Serbia)	2	0	7%	0	9%
Others[2]	9	3	44%	-1	7%

---

[1] Changes in local currency

[2] Other group members and eliminations.

The net interest income went up by 4% q-o-q mainly due to the contribution from the newly consolidated Splitska banka. At the Core division the positive impact of expanding volumes outpaced the headwinds from further NIM erosion



NET INTEREST INCOME – 2Q 2017

(HUF billion)

			Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	100%	137	5	4%
OTP CORE (Hungary)	43%	59	1	2% ①
DSK (Bulgaria)	13%	18	0	-1%
OBRU (Russia)	19%	26	-1	-4% ②
Touch Bank (Russia)	0%	0		
OBU (Ukraine)	4%	5	-1	-10% ③
OBH (Croatia)	8%	12	6	93% ④
OBS (Slovakia)	2%	3	0	-3%
OBR (Romania)	4%	5	0	2%
CKB (Montenegro)	1%	2	0	1%
OBSrb (Serbia)	1%	1	0	3%
Merkantil (Hungary)	2%	3	0	1%
Corporate Centre	0%	0	-1	-69%
Others and eliminations	1%	2	0	

① Adjusted for the calendar effect the NII still grew by 1% q-o-q partially as a result of dynamically expanding performing loan volumes; this was only partially muted by the q-o-q 4 bps margin erosion occurred in 2Q.

② Net interest income decreased by 4% as lower funding costs could not counterbalance the lower gross interest income realized amid decreasing market interest rates.

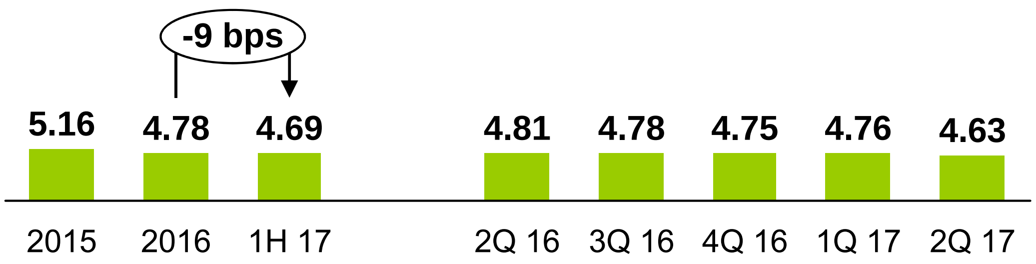
③ The q-o-q decline was partly explained by the q-o-q higher volume of restructured corporate and mortgage loans: at the time of the restructuring the total NPV decline for the whole duration of the loan has been accounted for in one sum on the net interest income line.

④ In Croatia the q-o-q increase was driven by the consolidation of the May and June performance of Splitska banka, adding HUF 5.6 billion to the Croatian NII in 2Q.

The 1H consolidated net interest margin eroded by 9 bps compared to the full-year 2016 level; in 2Q all major Group members suffered NIM attrition, however at both OTP Core and DSK the NIM erosion decelerated materially q-o-q

Net interest margin (%)

OTP Group



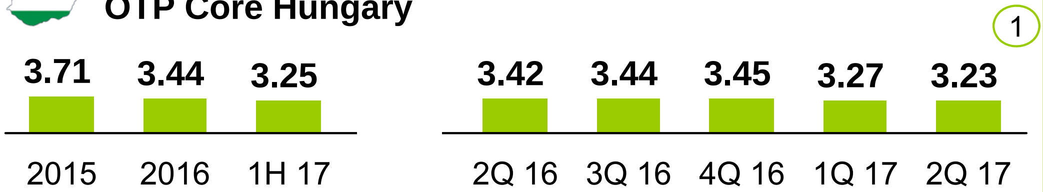
① The 3M BUBOR moderated by 3 bps q-o-q demonstrating a much smaller drop compared to 1Q 2017; however, due to the time lag in the repricing of business volumes the larger drop in 1Q had a spill-over effect and took its toll in 2Q.

② DSK's NIM remained stable q-o-q as a result of lower total assets and a more effective utilisation of excess liquidity through stronger disbursement activity.

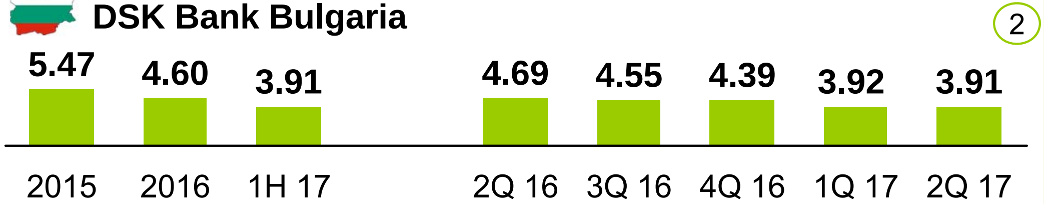
③ In Russia lower quarterly NIMs can be explained by lower overall APRs charged by consumer lender banks amid declining interest rate environment.

④ The q-o-q decline in Ukrainian NIM was partly due to higher volume of restructured loans: at the time of the restructuring the total NPV decline for the whole duration of the loan has been booked in one sum on the NII line.

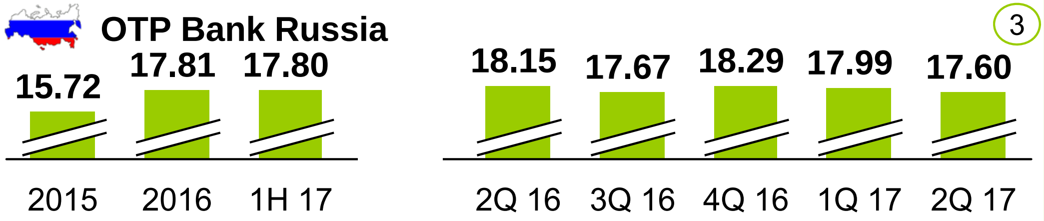
OTP Core Hungary



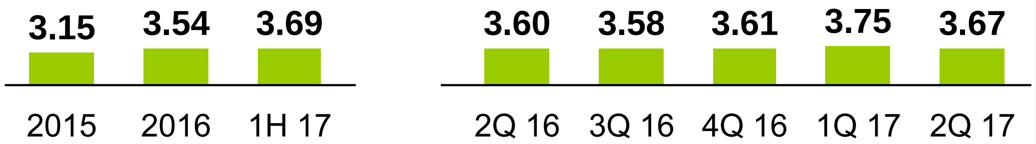
DSK Bank Bulgaria



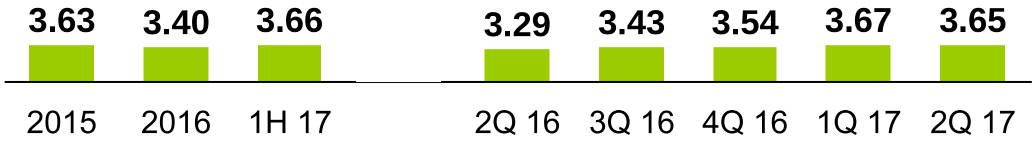
OTP Bank Russia



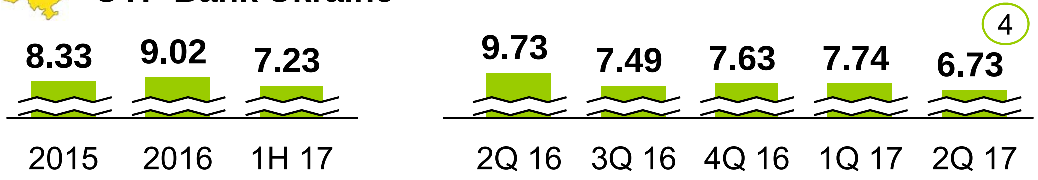
OTP Bank Croatia



OTP Bank Romania



OTP Bank Ukraine



Consolidated performing loans increased by 14% q-o-q (adjusted for the Splitska acquisition effect the organic increase was 3%); loan growth at OTP Core accelerated, mortgage volumes stabilized; the retail portfolio started growing at DSK

DPD0-90 volumes

Q-o-Q loan volume changes in 2Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Monte-negro)
Total	14% 3%[2] ✓	3%	2%	2%	59%	5%	5%	146% 1%[2]	0%	7%	1%
Consumer	17% 4%[2]	14% ✓	1%	0%	59% ✓	0%	5% ✓	128% 2%[2]	2%	7% ✓	3% ✓
Mortgage	6% 1%[2]	0%	2% ✓	-6%		-5%	1%	87% 2%[2]	2%	5% ✓	1%
Corporate[1]	19% 4%[2]	4% ✓	2% ✓	25% ✓		6% ✓	10% ✓	200% -1%[2]	-4%	8% ✓	-1%

Y-o-Y loan volume changes in 2Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Monte-negro)
Total	22% 8%[4] ✓	16% 10%[3]	3%	13%		7%	7%	161% 7%[2]	0%	18%	0%
Consumer	22% 9%[4]	16%	0%	12%		23%	18%	131% 3%[2]	0%	18%	4%
Mortgage	15% 1%[4]	16% 2%[3]	2%	-19%		-13%	-1%	103% 11%[2]	0%	13%	6%
Corporate[1]	28% 12%[4]	17%	6%	44%		7%	15%	222% 6%[2]	-1%	18%	-7%

---

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

[2] Without the Splitska-effect

[3] Without the AXA-effect

[4] Without the AXA-effect and Splitska-effect

Retail loan disbursement showed strong y-o-y dynamics in 1H 2017 at OTP Core and almost all foreign subsidiaries

Y-o-Y change of new disbursements (in local currency) – 1H 2017

	Core (Hungary)	**DSK** (Bulgaria)	**OBRu** (Russia)	**OBU** (Ukraine)	**OBR** (Romania)	**OBH** (Croatia)	**OBS** (Slovakia)	**OBSr** (Serbia)	**CKB** (Montenegro)
Mortgage loan	31%	43%			252%	1%	-26%	42%	40%
Cash loan*	60%	10%	32%	59%	89%	89%	-13%	19%	4%

* Including POS loan disbursements in case of DSK (Bulgaria), OBRu (Russia) and OBU (Ukraine)

The consolidated deposit base increased by 18% y-o-y, without Splitska by 8% respectively; volume growth at OTP Core was the engine behind the consolidated deposit base expansion

Q-o-Q deposit volume changes in 2Q 2017, adjusted for FX-effect

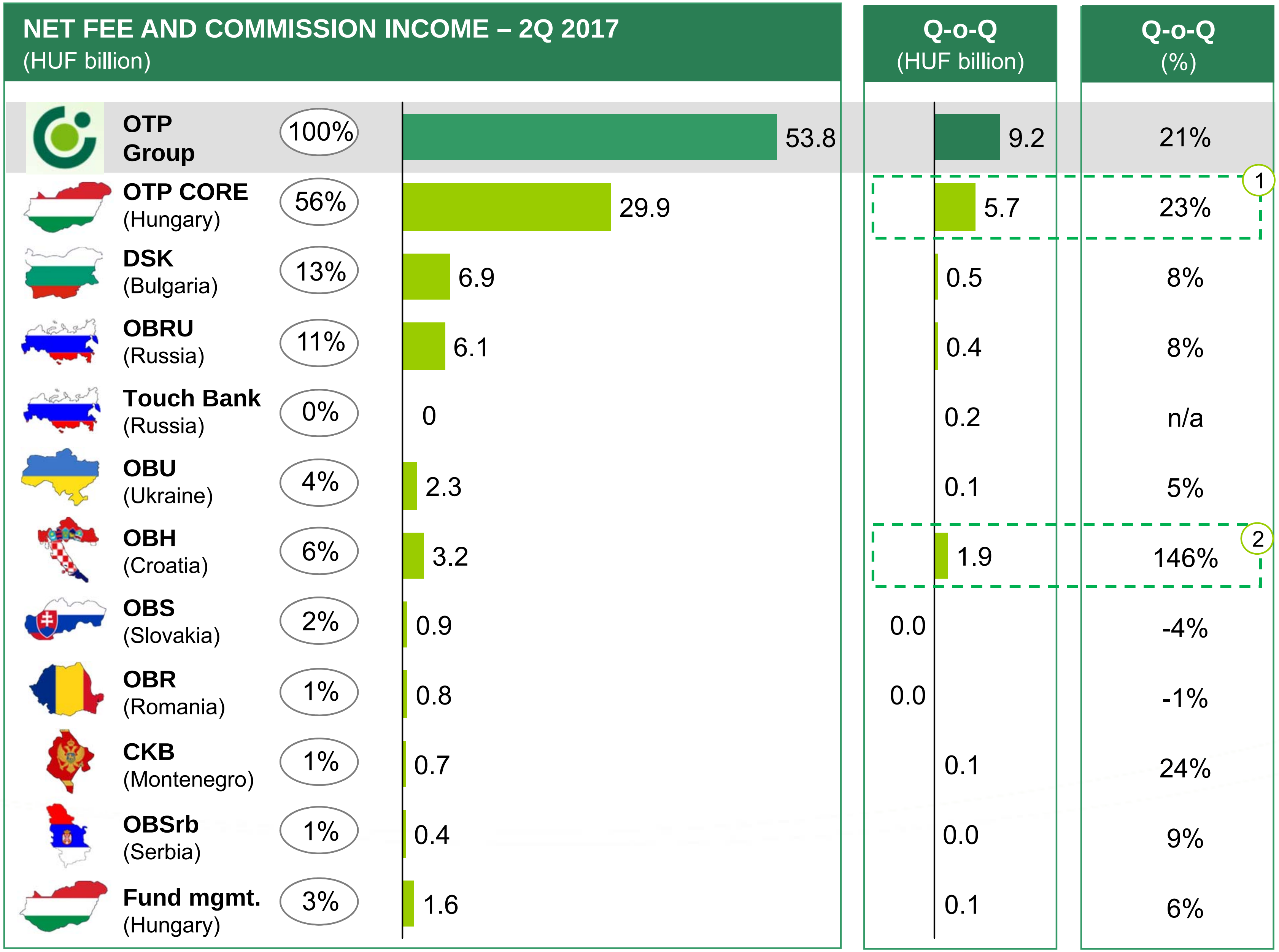
	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Monte-negro)
Total	10% 0%[2]	1%	-2%	-2%	6%	-3%	3%	161% 0%[2]	-3%	11%	1%
Retail	12% 2%[2]	5%	1%	-1%	6%	1%	-1%	114 0%[2]	-3%	1%	0%
Corporate[1]	7% -3%[2]	-3%	-12%	-5%		-5%	7%	391% 2%[2]	-2%	22%	4%

Y-o-Y deposit volume changes in 2Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Monte-negro)
Total	18% ✓ 8%[2]	13%	1%	-6%	63%	13%	0%	168% 3%[2]	-4%	7%	3%
Retail	20% 10%[2]	17%	7%	-9%	63%	-4%	3%	115% 0%[2]	-10%	3%	-2%
Corporate[1]	16% 5%[2]	8%	-19%	5%		28%	-1%	460% 16%[2]	7%	11%	13%

[1] Including SME, LME and municipality deposits
[2] Without the Splitska-effect

The net fee and commission income showed a strong momentum q-o-q (+21%) on the back of two technical items and higher business activity at OTP Core, and the consolidation of Splitska banka

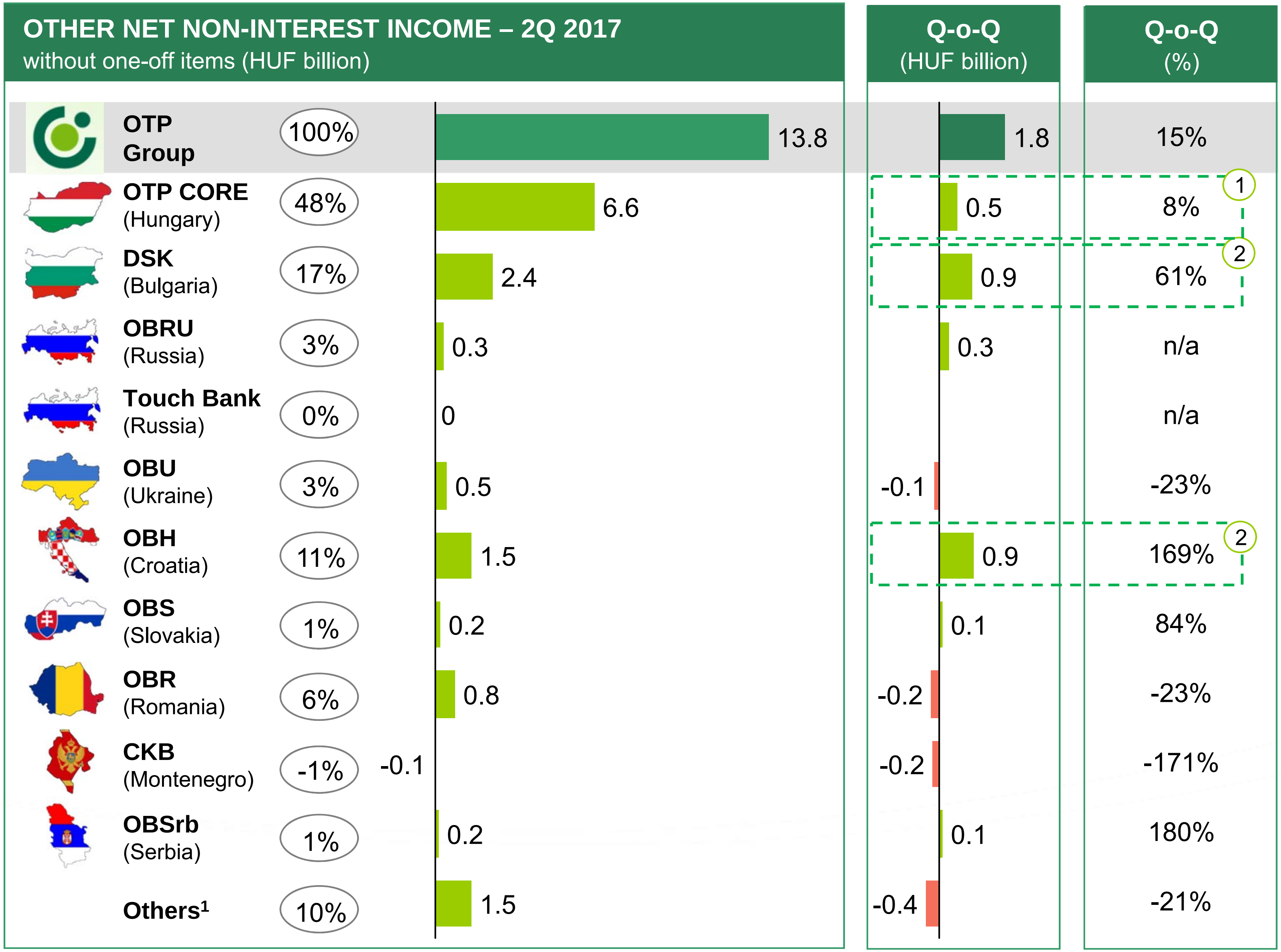


		NET FEE AND COMMISSION INCOME – 2Q 2017 (HUF billion)	Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	100%	53.8	9.2	21%
OTP CORE (Hungary)	56%	29.9	5.7 ①	23%
DSK (Bulgaria)	13%	6.9	0.5	8%
OBRU (Russia)	11%	6.1	0.4	8%
Touch Bank (Russia)	0%	0	0.2	n/a
OBU (Ukraine)	4%	2.3	0.1	5%
OBH (Croatia)	6%	3.2	1.9 ②	146%
OBS (Slovakia)	2%	0.9	0.0	-4%
OBR (Romania)	1%	0.8	0.0	-1%
CKB (Montenegro)	1%	0.7	0.1	24%
OBSrb (Serbia)	1%	0.4	0.0	9%
Fund mgmt. (Hungary)	3%	1.6	0.1	6%

① The quarterly increase was explained predominantly by the q-o-q lower financial transaction tax obligation and the higher business activity; the usual seasonality played a role, too. The quarterly decline of FTT was due to two items: Firstly, similar to previous years, the financial transaction tax on card transactions had to be paid in a lump-sum in the first quarter for the whole year, based on the annual volume of previous year's transactions. This item amounted to -HUF 1.6 billion both in 1Q 2017 and 1Q 2016. Secondly, part of the contributions paid into the Compensation Fund booked in 1Q 2017 were presented amongst the financial transaction taxes, thus reducing the net fee and commission income in 1Q. On the contrary, the tax deductions related to the contributions booked in 2Q exerted an opposite effect (+HUF 2.6 billion q-o-q effect).

② In Croatia the entire q-o-q growth was related to the consolidation of Splitska banka from May 2017.

The other net non-interest income increased by 15% q-o-q



OTHER NET NON-INTEREST INCOME – 2Q 2017 without one-off items (HUF billion)			Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	100%	13.8	1.8	15%
OTP CORE (Hungary)	48%	6.6	0.5 ①	8%
DSK (Bulgaria)	17%	2.4	0.9 ②	61%
OBRU (Russia)	3%	0.3	0.3	n/a
Touch Bank (Russia)	0%	0		n/a
OBU (Ukraine)	3%	0.5	-0.1	-23%
OBH (Croatia)	11%	1.5	0.9 ②	169%
OBS (Slovakia)	1%	0.2	0.1	84%
OBR (Romania)	6%	0.8	-0.2	-23%
CKB (Montenegro)	-1%	-0.1	-0.2	-171%
OBSrb (Serbia)	1%	0.2	0.1	180%
Others[1]	10%	1.5	-0.4	-21%

① At OTP Core the gain on the sale of real estate investment units was the main driver of the quarterly improvement.

② DSK Bank booked higher revaluation gains on derivatives and securities portfolio, but gains on real estate transactions added to the other income line, too.

③ The bulk of the q-o-q increase in Croatia was sparked by the Splitska acquisition.

---

[1] Other group members and eliminations

Operating costs grew by 7% y-o-y in 2Q (+5% adjusted for FX rate changes), explained mainly by the additional on-going costs of Splitska banka. In 1H 2017 the FX-adjusted consolidated cost growth without Splitska banka reached 2.5% y-o-y

OPERATING COSTS – 2Q 2017 (HUF billion)			Y-o-Y (HUF bn)	Y-o-Y (%)	Y-o-Y (FX-adj., HUF bn)	Y-o-Y (FX-adj., %)	
OTP Group	100%	107	7	7%	5	5%	
OTP CORE (Hungary)	48%	52	-3	-5%	-3	-1%	①
DSK (Bulgaria)	11%	12	1	11%	1	8%	②
OBRU (Russia)	12%	13	3	28%	1	9%	③
Touch Bank (Russia)	2%	2	0	16%	0	-1%	
OBU (Ukraine)	4%	4	0	11%	1	12%	④
OBH (Croatia)	8%	9	4	95%	4	48%	⑤
OBS (Slovakia)	2%	3	0	-7%	0	-5%	
OBR (Romania)	4%	4	0	-5%	0	-8%	
CKB (Montenegro)	2%	2	0	-8%	0	-3%	
OBSrb (Serbia)	2%	2	0	-4%	0	0%	
Merkantil (Hungary)	1%	2	0	3%	0	1%	

① The 2Q cost dynamics of OTP Core were mainly shaped by the following factors: (1) in April 2017 there was a base salary increase for employees working in the sales network; (2) social and health care contributions were reduced by 5 pps effective from 1 January 2017; (3) the cost base in 2Q 2016 was affected by one-off costs emerged due to organizational changes.

② At DSK the 8% growth was reasoned by advisory costs mainly related to the business development project in the retail segment, higher marketing costs and charges paid to supervisory authorities, and increase in the number of employees.

③ At OBRU apart from the high inflationary environment and stronger sales figures, reclassification[1] played a role, too (+HUF 0.3 billion impact y-o-y).

④ At OBU salary increases and marketing costs played a role.

⑤ On-going costs of Splitska banka reached HUF 4.2 billion in 2Q.

---

[1] Since 3Q 2016 deposit protection fund contributions have been reclassified from the other net non-interest income line to operating expenses.

OTP Core

1H before tax profit at OTP Core picked up by 26% y-o-y amid moderating corporate tax burden; such performance was shaped by improving operating profit and risk cost releases

OTP CORE (in HUF billion)	1H 16	1H 17	Y-o-Y	2Q 16	1Q 17	2Q 17	Q-o-Q	Y-o-Y
Profit after tax	**59.6**	**90.2**	**51%**	**30.7**	**40.8**	**49.4**	**21%**	**61%**
Corporate tax	-21.2	-11.5	-46% ①	-10.4	-5.2	-6.4	23%	-39%
Before tax profit	**80.8**	**101.7**	**26%**	**41.2**	**46.0**	**55.7**	**21%**	**35%**
Operating profit w/o one-off items	72.9	81.4	12%	32.6	38.0	43.3	14%	33%
Total income w/o one-off items	175.6	183.1	4%	87.1	87.9	95.2	8%	9%
Net interest income w/o one-off items	116.2	116.3	0%	57.8	57.6	58.7	2% ②	2%
Net fees and commissions	48.3	54.2	12%	25.6	24.2	29.9	23% ③	17%
Other net non interest income without one-offs	11.1	12.7	15%	3.7	6.1	6.6	8%	76%
Operating costs	-102.7	-101.7	-1%	-54.5	-49.9	-51.8	4%	-5%
Total risk costs	5.0	17.5	250%	5.8	8.0	9.5	18% ④	64%
Total one-off items	2.9	2.8		2.8	0.0	2.9		5%

① The 1H effective corporate income tax rate was 11.3%, marking a sharp drop y-o-y (1H 2016: 26.3%). The main reason behind was that effective from 1 January 2017 the Hungarian corporate tax rate was reduced to 9%. Also, the tax shield effect on the revaluation of subsidiary investments resulted in additional tax payment in 1H (HUF 2.6 billion). Since the switch from Hungarian Accounting Standards into IFRS financials became effective from January 2017 in Hungary, the corporate tax line of OTP Core won't be distorted by this tax shield effect related to the HUF exchange rate movements.

② Adjusted for the calendar effect the NII still grew by 1% q-o-q partially as a result of dynamically expanding performing loan volumes; this was only partially muted by the q-o-q 4 bps margin erosion occurred in 2Q.

③ The strong momentum was due to increasing business activity and seasonality, but base effect (-HUF 1.6 billion financial transaction tax booked in 1Q) and a technical effect (+HUF 2.6 billion q-o-q effect: part of the contributions into the Compensation Fund booked in 1Q 2017 were presented amongst the FTT, thus reducing the NF&C in 1Q. On the contrary, the tax deductions booked in 2Q exerted an opposite effect in 2Q).

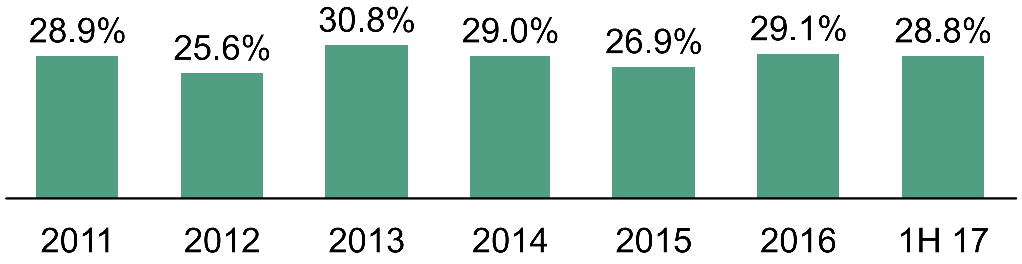
④ Similar to the last couple of quarters there was a provision release in 2Q, thanks to the continuation of benign credit quality trends.

OTP Core

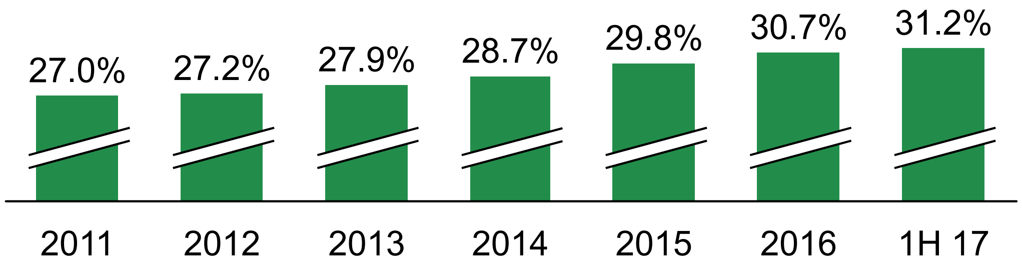
Mortgage loan applications and disbursements accelerated further. OTP's market share remained strong in new loan disbursements, corporate loans and also in retail savings

Change of mortgage loan applications and disbursement of OTP Bank (1H 2017, y-o-y changes)

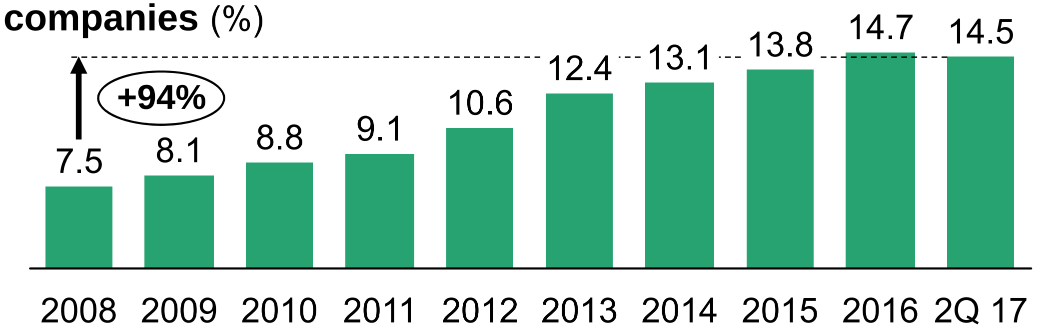
OTP's market share in mortgage loan contractual amounts[1]



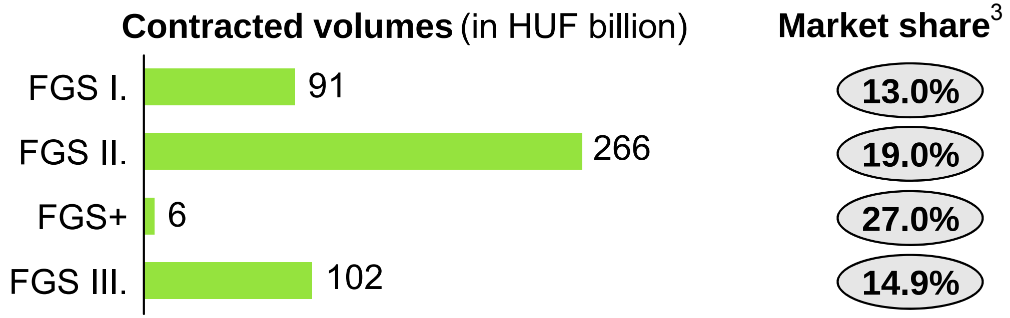
OTP Bank's market share in household savings



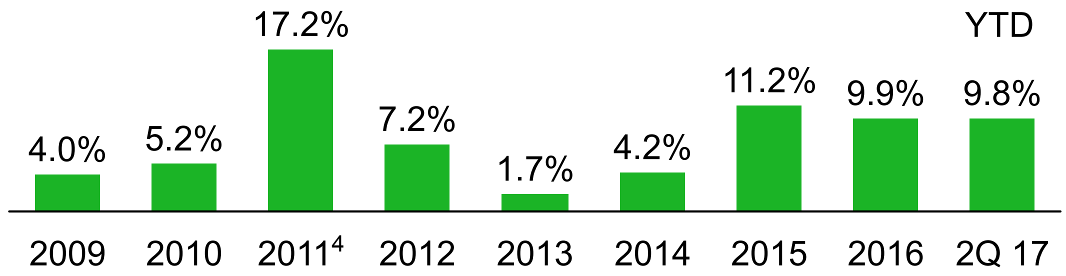
OTP Group's market share[2] in loans to Hungarian companies (%)



Activity of OTP Group in the Funding for Growth Scheme



Changes of SME loan volumes (FX-adjusted y-o-y changes)



---

[1] Including the performance of OTP Building Society. Raw, unadjusted data are used for the calculation of market shares.

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

[3] The source of the sector statistics is the central bank's publications on FGS.

[4] The y-o-y increase in 2011 was influenced by reclassification, too.

OTP has launched its customer-friendly housing loan product. The central bank's initiative is expected to give further impetus to the demand for housing loans on sector-level

On 9 March 2017 the National Bank of Hungary (NBH) published an announcement according to which NHB is going to introduce a "customer-friendly housing loan" certification and only those banks whose housing loan products meet certain conditions laid down by NBH can use the "customer-friendly housing loan" approval rating.

Following intensive consultations with market participants, on **19 May 2017** the NBH published the **„customer-friendly housing loan" criteria for the newly issued housing loans** (i.e. the below criteria apply only to new production of fixed-rate housing loans, therefore home equity loans and variable rate loans are not part of the initiative). This scheme is a recommendation, and not a binding regulation.

According to the conditions set by the Financial Stability Board of the NBH, the „fair housing loan" rating requires the fulfilment of the following criteria:

1. newly disbursed housing loans should be an annuity, i.e. with constant monthly instalments
2. interest rates should be fixed either with a repricing periods of 3, 5 or 10 years, or for the whole tenor of the loan
3. the maximum tenor of the housing loan cannot exceed 30 years
4. the credit decision should take place within 15 working days after obtaining the appraisal of the collateral
5. the deadline of disbursement is 2 working days following the credit approval
6. the interest premium over the reference rate (more precisely, over the interest rate alteration indicator serving as a reference rate) cannot exceed 350 basis points. As for the reference rate, it will be the discretion of the lender to decide which reference rate should be applied out of the potential reference rates verified and published by the NBH. The list of potential interest rate alteration indicators for HUF loans include: (1) Hungarian government bond yields * 1.25, (2) Budapest Interest Rate Swap (BIRS), (3) Hungarian government bond yields.
7. initial disbursement fees will be capped at 0.75% of the total loan amount, or maximum HUF 150,000.
8. early repayment fees cannot exceed 1.0% of the prepaid amount

Banks can apply for the „customer-friendly housing loan" approval rating at the NBH from 1 June 2017. Starting from autumn 2017 the NBH will create a website where customers will be able to compare the pricing and other information of the various mortgages being provided under the scheme.

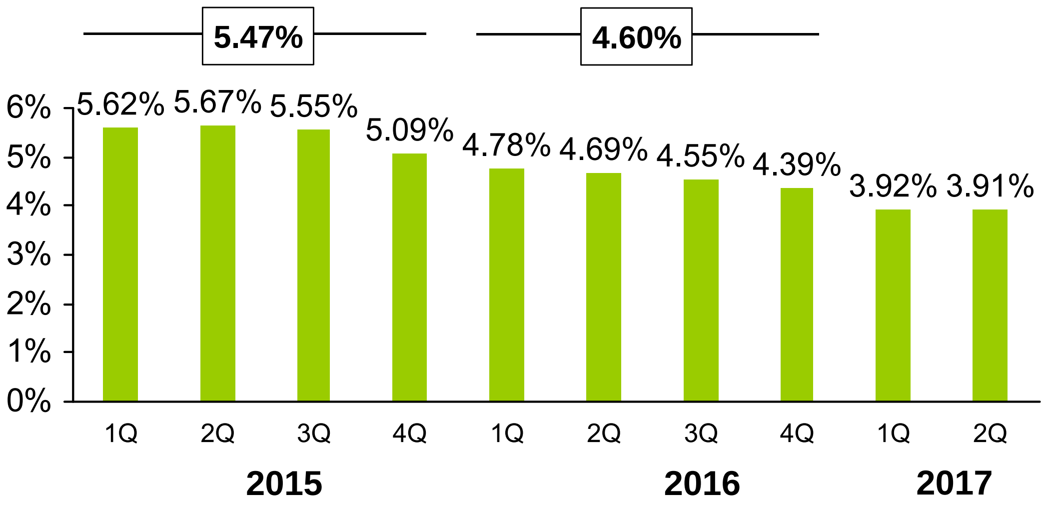
On 1 August 2017 OTP Mortgage Bank received the approval of NBH to sell its qualified customer friendly mortgage loan product. The Bank started to offer this new product from the second half of August.

DSK Bank retained its outstanding profitability. Favourable credit quality trends remained intact and the bank released provision in 2Q. NIM remained stable q-o-q

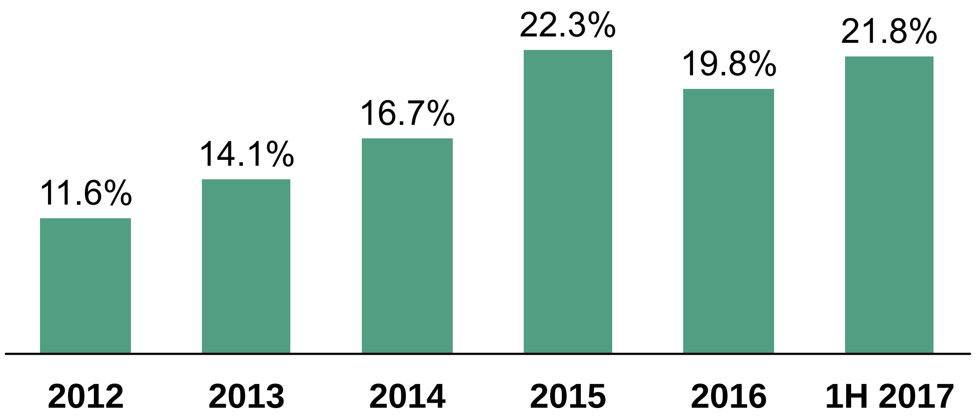
Income statement

(in HUF billion)	16 2Q	17 1Q	17 2Q	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**14.2**	**13.4**	**12.0**	**-11%**	**-16%**
Profit before tax	15.8	14.9	13.4	-10%	-15%
Operating profit	18.2	15.8	15.9	1%	-13%
Total income	28.7	26.3	27.6	5%	-4%
Net interest income	21.1	18.4	18.3	-1%	-14%
Net fees and commissions	7.0	6.4	6.9	8%	-1%
Other income	0.6	1.5	2.4	61%	323%
Operating costs	-10.5	-10.5	-11.7	12%	11%
Total risk cost	-2.4	-0.9	-2.5	182%	5%

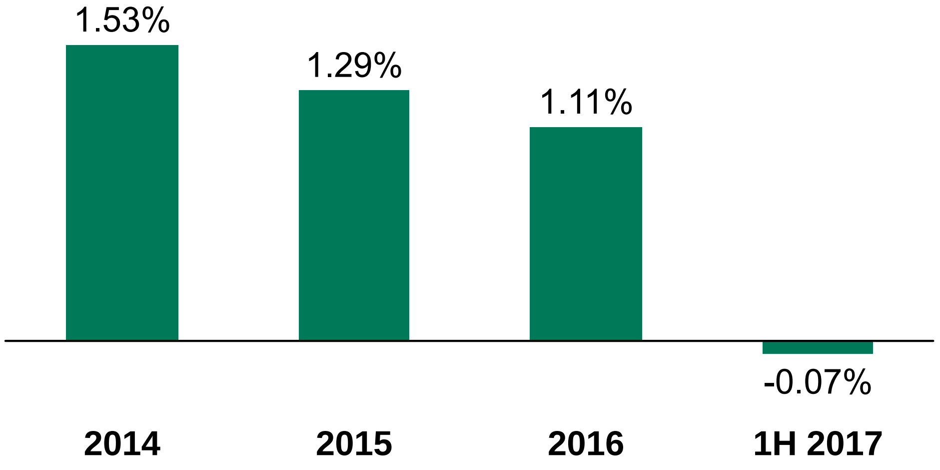
Net interest margin



Return on Equity[1]



Risk cost rate[1]



---

[1] According to the old calculation methodology until 2014 and the new calculation methodology from 2015.

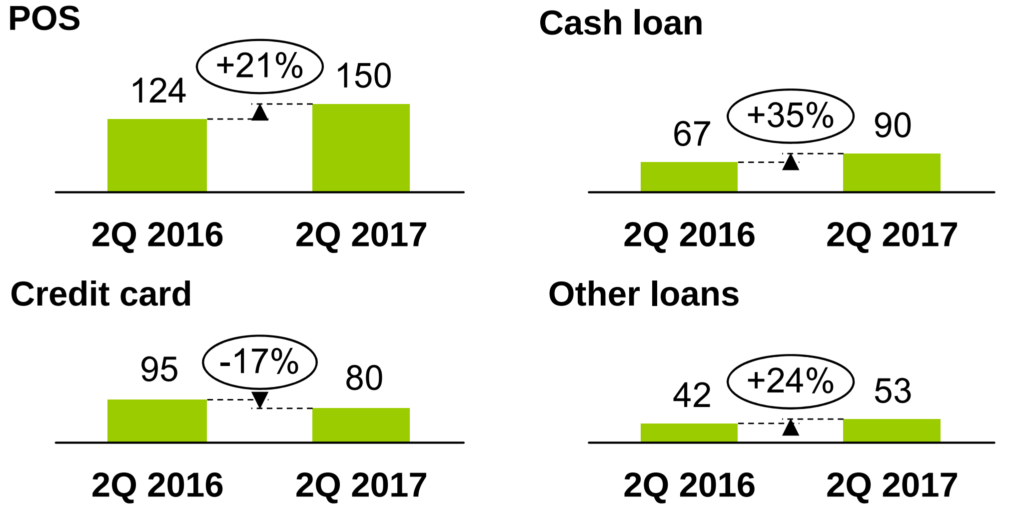
OTP Bank Russia

The Russian subsidiary generated almost the same profit in 2Q as in the first quarter. FX-adjusted performing POS and cash loan volumes as well as corporate loans grew y-o-y due to strong disbursement activity

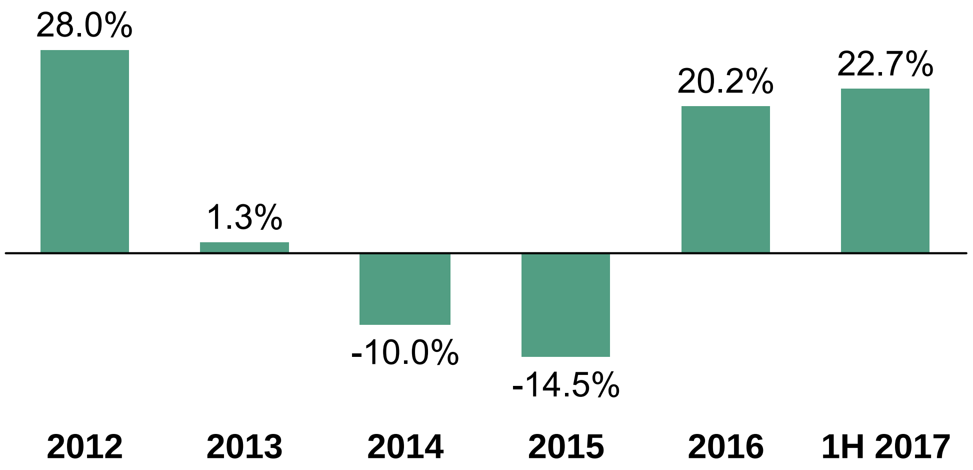
Income statement

(in HUF billion)	16 2Q	17 1Q	17 2Q	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**6.5**	**7.6**	**7.5**	**-1%**	**15%**
Profit before tax	8.4	9.8	9.5	-3%	13%
Operating profit	15.6	19.6	19.2	-2%	23%
Total income	26.0	32.8	32.6	-1%	25%
Net interest income	22.9	27.1	26.1	-4%	14%
Net fees and commissions	3.4	5.7	6.1	8%	79%
Other income	-0.3	0.1	0.3	280%	
Operating costs	-10.4	-13.2	-13.3	1%	28%
Total risk cost	-7.2	-9.9	-9.8	-1%	36%

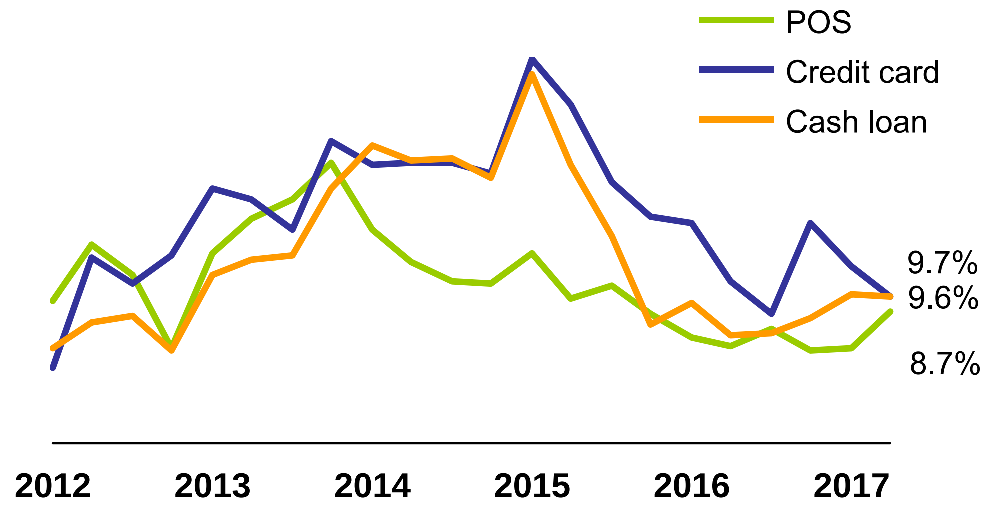
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity[1]



OTP Bank Russia - risk cost rates in different segments[1]

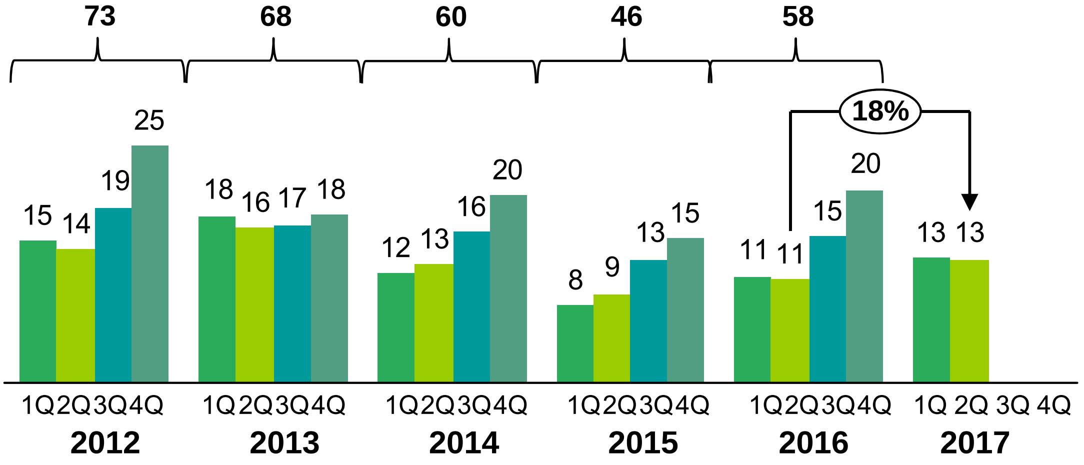


---

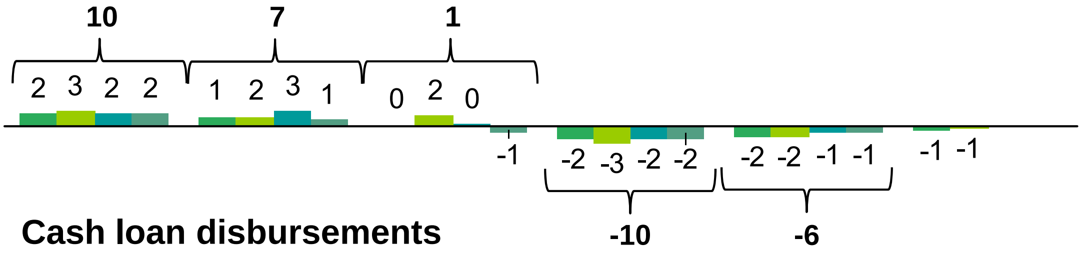
[1] According to the old calculation methodology until 2014 and the new calculation methodology from 2015.

In 2Q 2017 POS and cash loan disbursements grew on a yearly basis, but performing credit card volumes declined further. Deposits decreased q-o-q in RUB terms. Average RUB term deposit rates kept shrinking

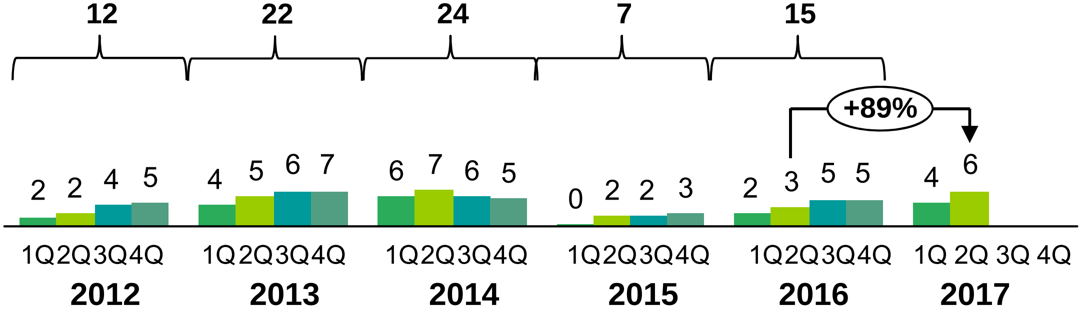
POS loan disbursements (RUB billion)



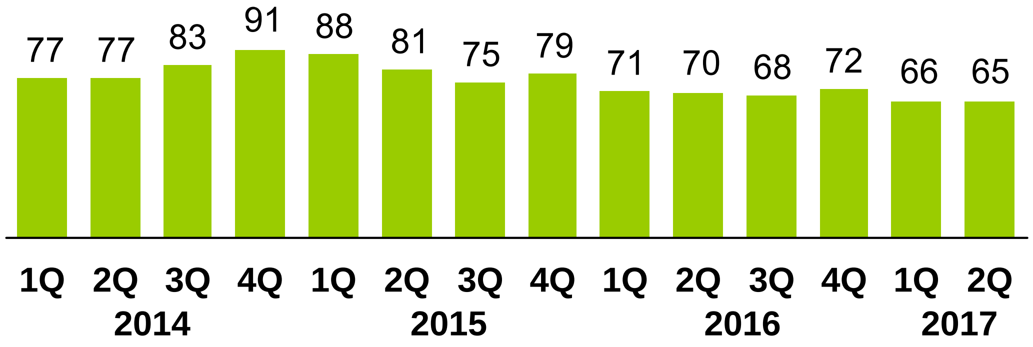
DPD0-90 credit card loan volume q-o-q changes (RUB billion)



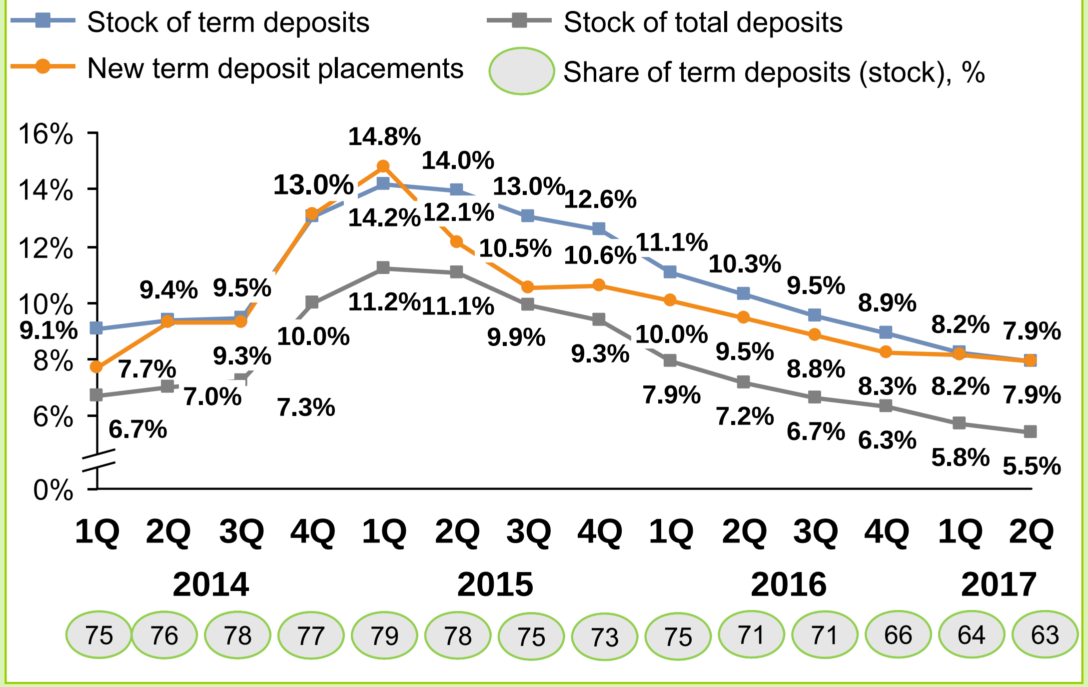
Cash loan disbursements
(RUB billion, including quick cash loans)



Development of customer deposits (RUB billion)



Average interest rates for stock and new RUB deposits

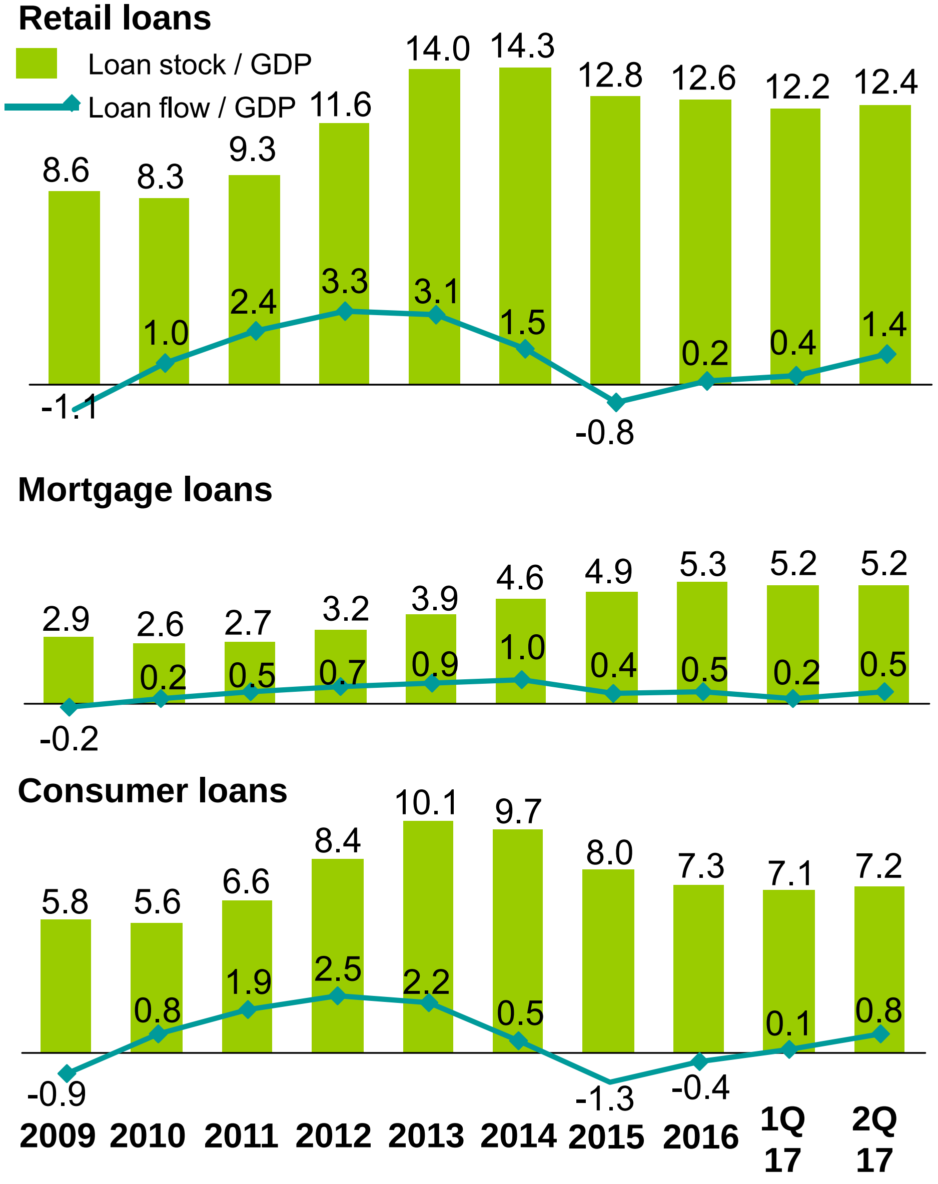


Russia

Recovering consumption boosts household credit demand

Key economic indicators

						OTP Research	
	2012	2013	2014	2015	2016	2017F	2018F
Nominal GDP (RUB bn)	66,927	71,017	79,200	83,233	86,044	**92,054**	**98,541**
Real GDP change	3.5%	1.3%	0.7%	-2.8%	-0.2%	**1.6%**	**2.0%**
Final consumption	6.1%	3.6%	0.9%	-8.0%	-3.5%	**2.6%**	**3.1%**
Household consumption	7.4%	4.4%	2.0%	-9.8%	-4.5%	**3.4%**	**4.0%**
Collective consumption	2.5%	1.4%	-2.1%	-3.1%	-0.5%	**0.5%**	**0.5%**
Gross fixed capital formation	6.0%	0.9%	-0.4%	-9.9%	-1.8%	**2.6%**	**2.0%**
Exports	1.4%	4.6%	0.5%	3.7%	3.1%	**5.3%**	**3.0%**
Imports	9.7%	3.6%	-7.3%	-25.8%	-3.8%	**12.0%**	**7.7%**
Government balance*	-0.1%	-0.5%	-0.4%	-2.4%	-3.4%	**-2.2%**	**-1.3%**
Government debt*	9.7%	10.6%	13.1%	13.2%	12.7%	**13.0%**	**13.8%**
Current account*	3.3%	1.5%	2.8%	5.1%	1.9%	**2.1%**	**1.5%**
Gross external debt*	28.9%	33.8%	44.0%	45.5%	36.6%	**34.0%**	**32.2%**
Gross nominal wages	13.1%	12.5%	8.2%	4.3%	7.8%	**7.8%**	**7.6%**
Unemployment rate (avg)	5.4%	5.5%	5.2%	5.6%	5.5%	**5.3%**	**5.1%**
Inflation (annual average)	5.1%	6.8%	7.8%	15.6%	7.2%	**4.2%**	**4.0%**
Brent (USD / barrel)	111.68	108.70	99.44	52.40	42.80	**49.70**	**49.00**
Base rate (end of year)	8.25%	6.50%	18.0%	11.0%	10.0%	**8.0%**	**6.5%**
RUB/USD FX rate (eop)	30.37	32.90	58.05	73.00	61.27	**62.00**	**65.00**



Source: Rosstat. Central Bank of Russia, BIS, OTP Bank.
Penetration levels calculated from annual GDP figures.
*as % of GDP

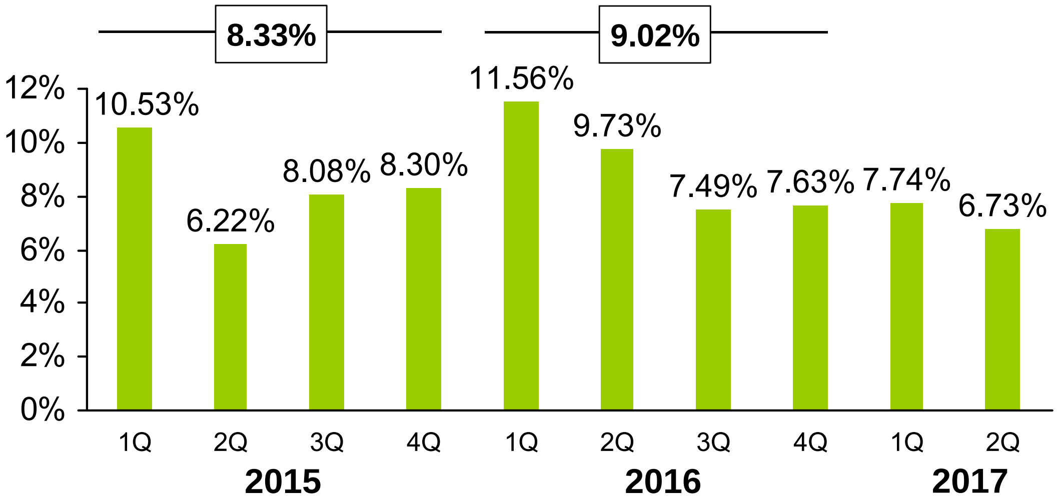
OTP Bank Ukraine

Although profit after tax in Ukraine somewhat eroded q-o-q, 2Q ROE (34%) is still the highest among subsidiary banks of the Group. Net interest margin eroded q-o-q, but performing loan volumes kept growing

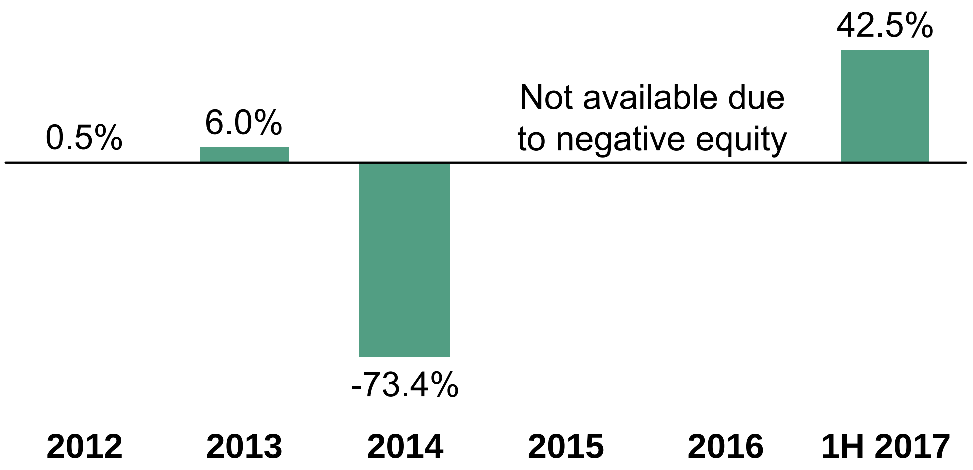
Income statement

(in HUF billion)	16 2Q	17 1Q	17 2Q	Q-o-Q	Y-o-Y
Profit after tax	**3.4**	**3.3**	**2.5**	**-24%**	**-27%**
Profit before tax	3.7	3.9	3.2	-18%	-12%
Operating profit	5.7	5.0	4.1	-19%	-29%
Total income	9.3	8.7	8.1	-7%	-14%
Net interest income	6.8	5.8	5.3	-10%	-23%
Net fees and commissions	2.1	2.2	2.3	5%	12%
Other income	0.4	0.6	0.5	-23%	8%
Operating costs	-3.6	-3.6	-4.0	10%	11%
Total risk cost	-2.0	-1.1	-0.8	-25%	-60%

Net interest margin

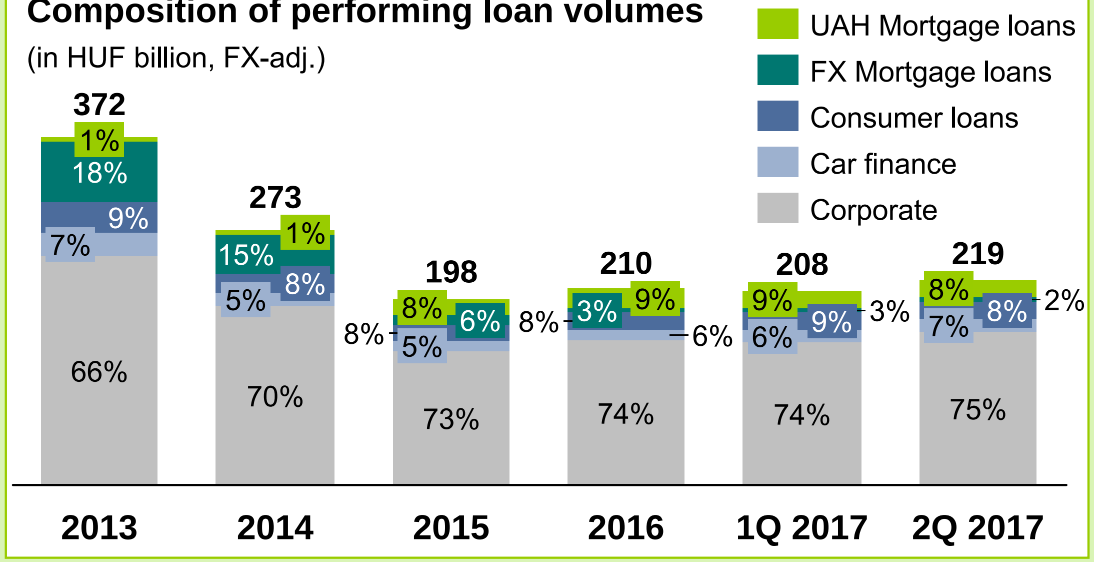


Return on Equity[1]



Composition of performing loan volumes

(in HUF billion, FX-adj.)



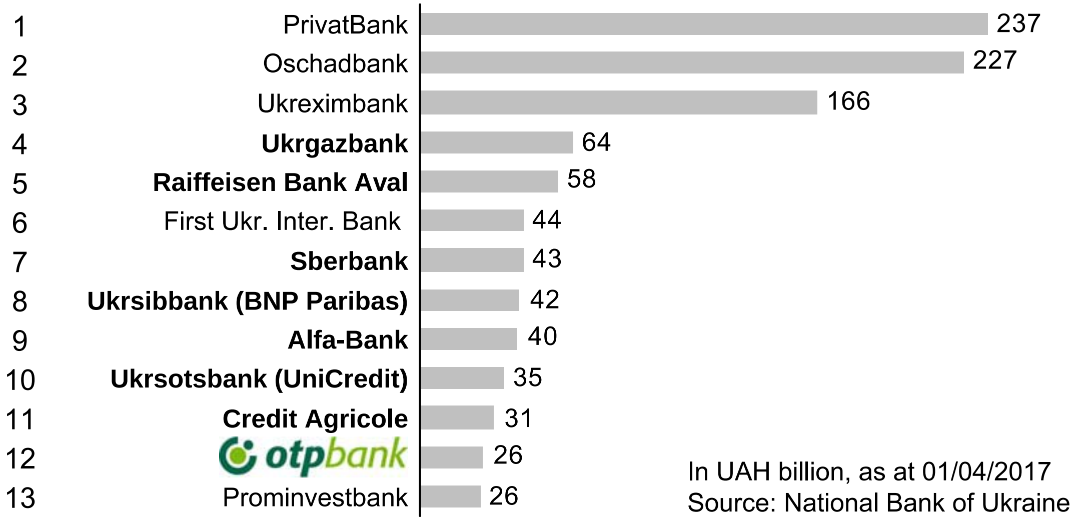
---

[1] According to the old calculation methodology until 2014 and the new calculation methodology from 2015.

OTP Bank Ukraine

OTP Bank Ukraine excelled in terms of nominal profit despite its low ranking by total assets. Intragroup funding was stable q-o-q, the net loan to deposit ratio edged up somewhat

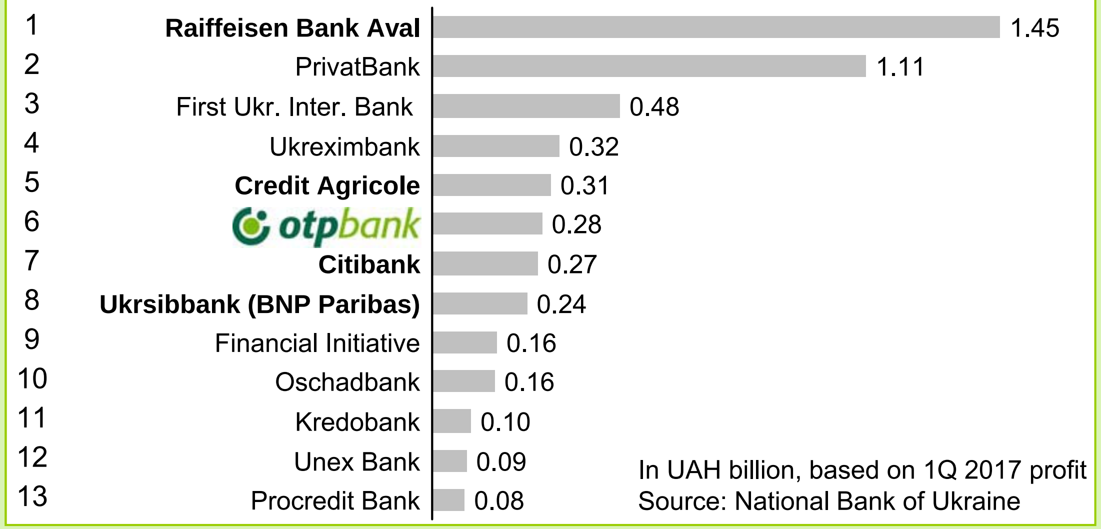
Ranking of Ukrainian banks by total assets



1	PrivatBank	237
2	Oschadbank	227
3	Ukreximbank	166
4	**Ukrgazbank**	64
5	**Raiffeisen Bank Aval**	58
6	First Ukr. Inter. Bank	44
7	**Sberbank**	43
8	**Ukrsibbank (BNP Paribas)**	42
9	**Alfa-Bank**	40
10	**Ukrsotsbank (UniCredit)**	35
11	**Credit Agricole**	31
12	otpbank	26
13	Prominvestbank	26

In UAH billion, as at 01/04/2017
Source: National Bank of Ukraine

Ranking of Ukrainian banks by after tax result

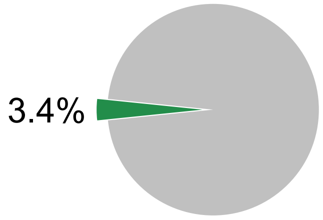


1	**Raiffeisen Bank Aval**	1.45
2	PrivatBank	1.11
3	First Ukr. Inter. Bank	0.48
4	Ukreximbank	0.32
5	**Credit Agricole**	0.31
6	otpbank	0.28
7	**Citibank**	0.27
8	**Ukrsibbank (BNP Paribas)**	0.24
9	Financial Initiative	0.16
10	Oschadbank	0.16
11	Kredobank	0.10
12	Unex Bank	0.09
13	Procredit Bank	0.08

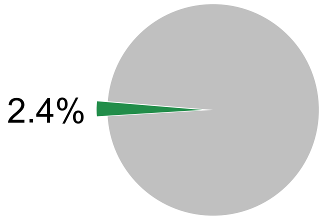
In UAH billion, based on 1Q 2017 profit
Source: National Bank of Ukraine

OTP Ukraine's share within consolidated loans and deposits

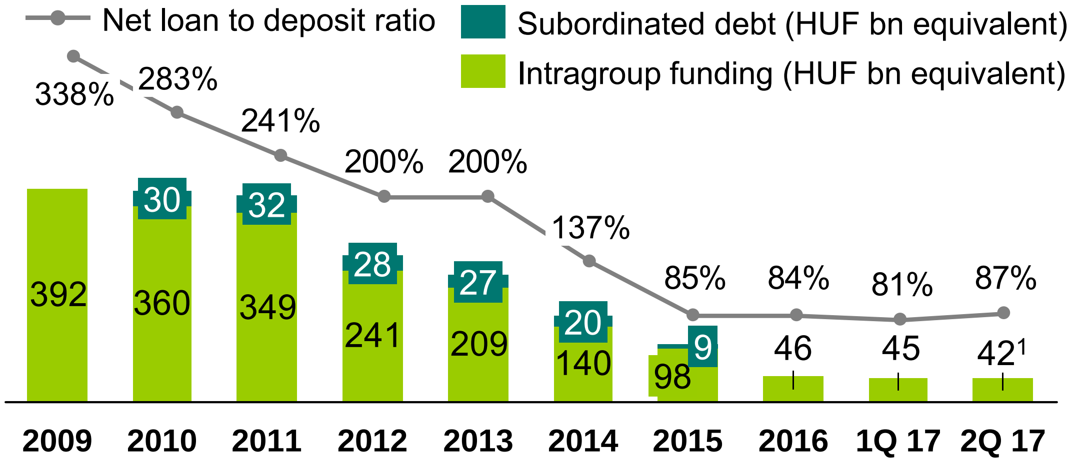
Share of the Ukrainian bank's performing loans (DPD0-90) within the Group



Share of the Ukrainian bank's customer deposits within the Group



Intragroup funding and net loan to deposit ratio



---

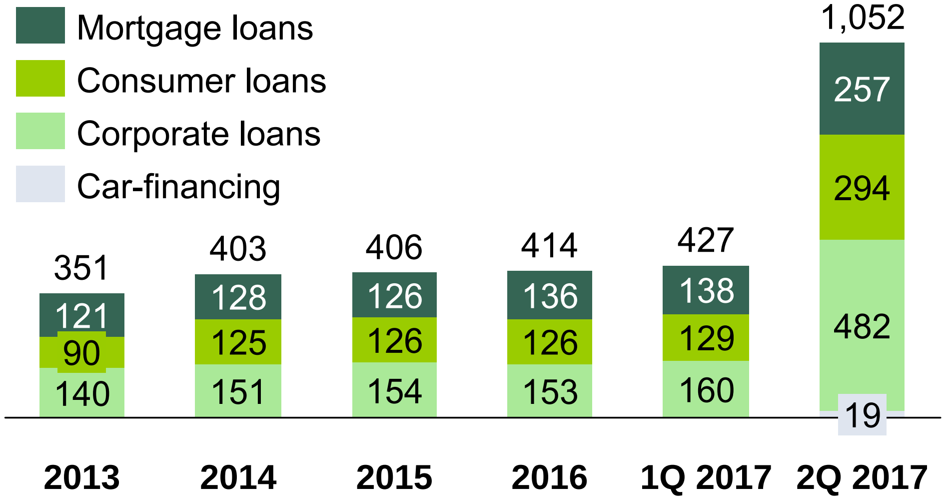
[1] Out of the total outstanding intragroup funding exposure of HUF 42.1 billion equivalent toward the Ukrainian operation, HUF 37.1 billion (USD 137 million) was toward the leasing company and HUF 4.9 billion (USD 18 million) was toward the factoring company.

OTP banka Hrvatska

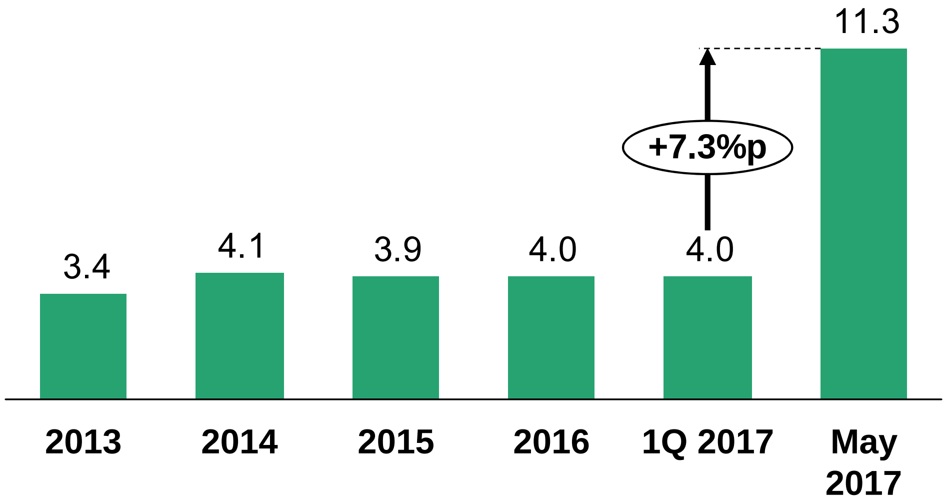
The 2Q performance of the Croatian operation was also boosted by the consolidation of Splitska banka from May. The market share of OTP in total assets increased to 11.3% based on May data

(in HUF billion)	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Profit after tax	**2.2**	**5.1**	**134%**	**1.3**	**-1.8**	**6.9**		**423%**
Profit before tax	2.7	6.3	133%	1.6	-2.3	8.6		420%
Operating profit	6.1	10.5	74%	3.3	3.1	7.4	135%	122%
Total income	15.1	24.0	59%	7.9	7.8	16.2	107%	106%
Net interest income	11.0	17.5	58%	5.7	6.0	11.5	93%	103%
Net fees and commissions	2.5	4.5	81%	1.3	1.3	3.2	146%	146%
Other income	1.6	2.1	30%	0.9	0.6	1.5	169%	73%
Operating costs	-9.1	-13.5	49%	-4.5	-4.7	-8.8	89%	95%
Total risk cost	-3.4	-4.2	26%	-1.7	-5.4	1.2		

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

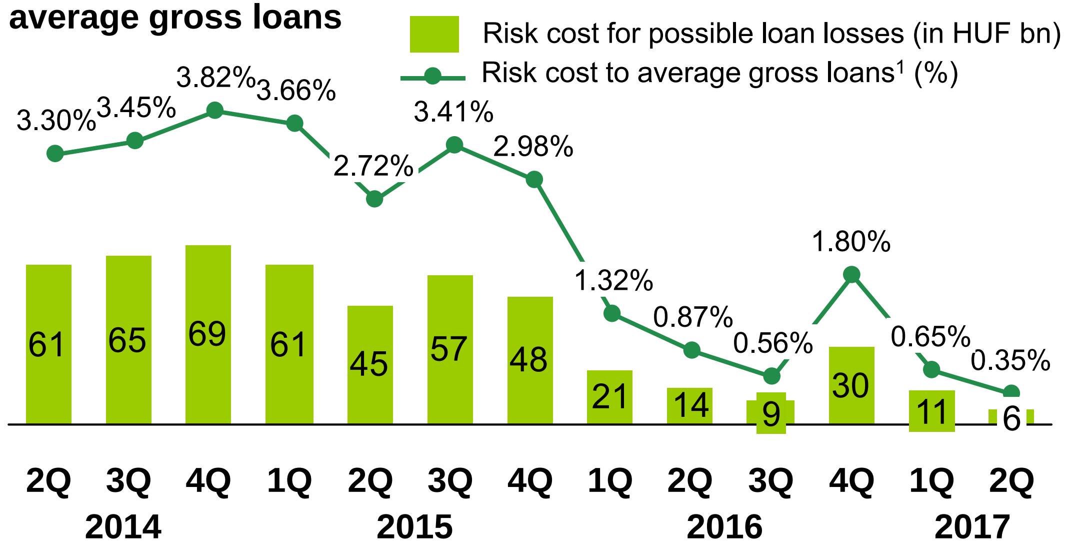


Market share by total assets



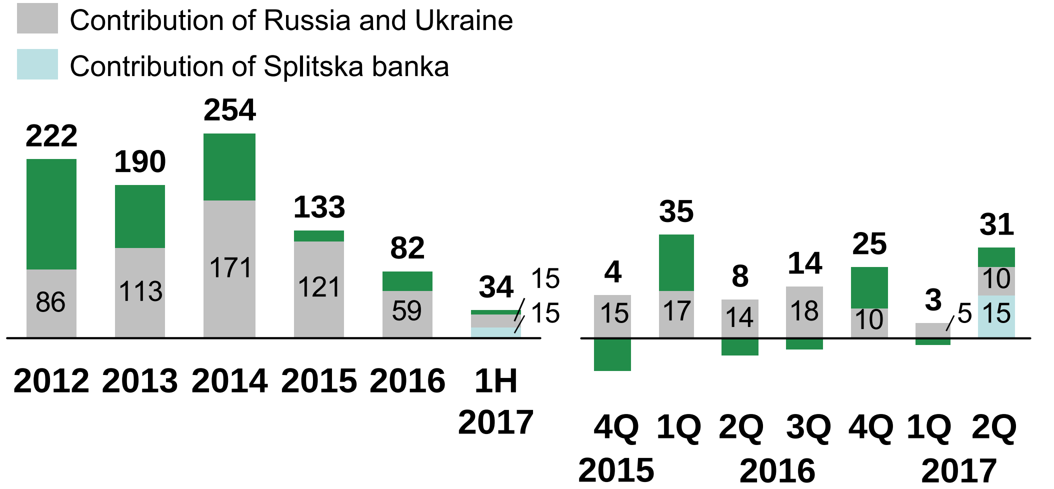
The consolidated DPD90+ ratio declined further. The risk cost rate sank to multi-year lows

Consolidated risk cost for possible loan losses and its ratio to average gross loans

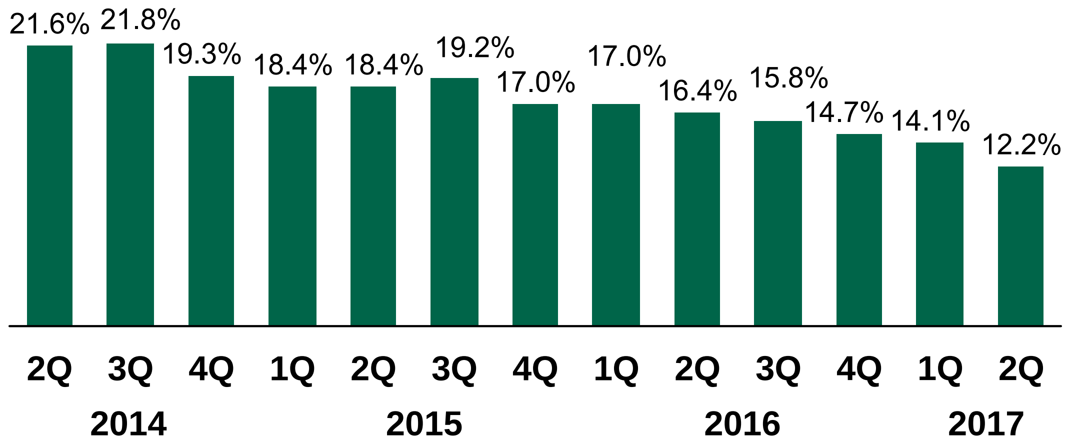


Change in DPD90+ loan volumes

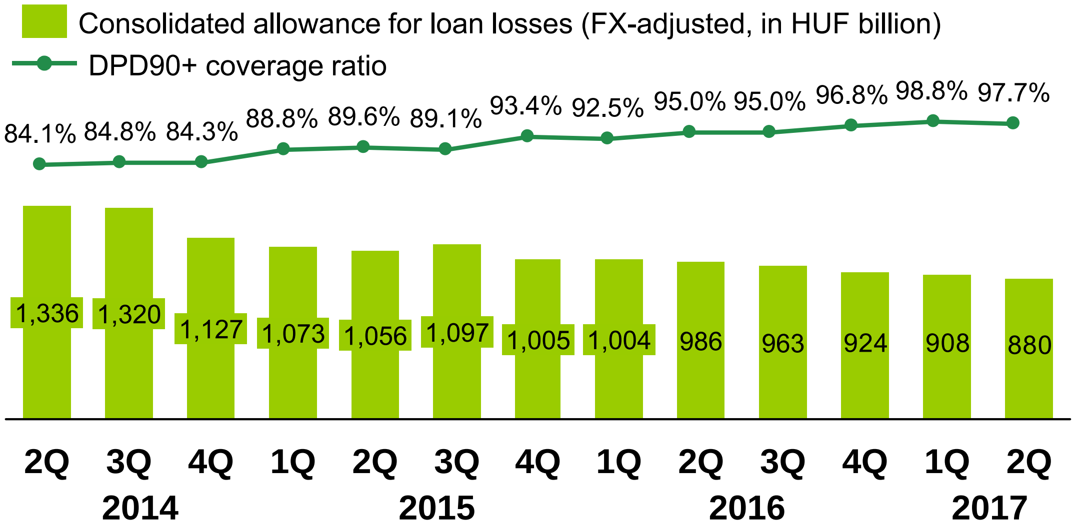
(consolidated, adjusted for FX and sales and write-offs, in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



Consolidated provision coverage ratio



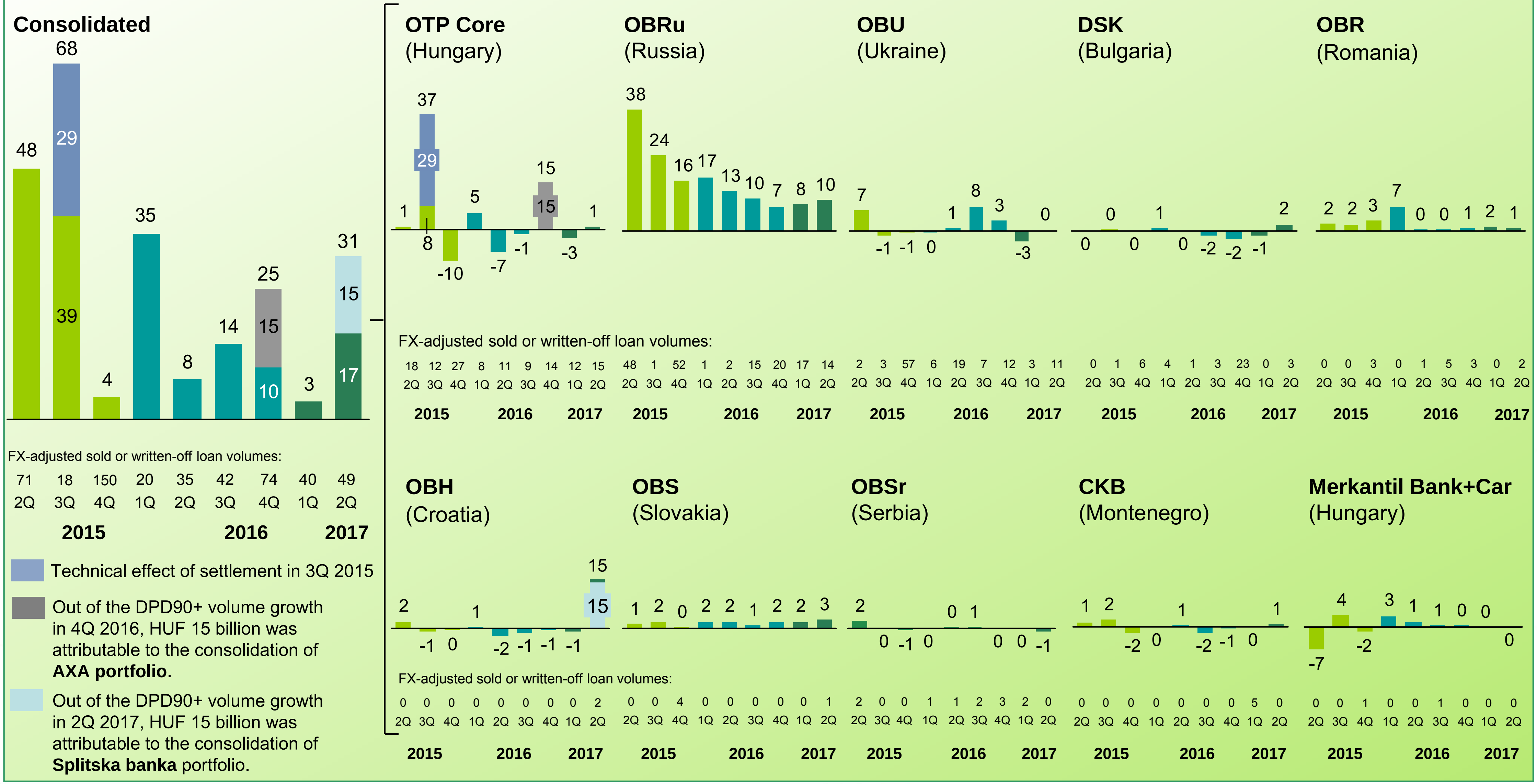
---

[1] According to the old calculation methodology until 4Q 2015 and the new calculation methodology from 1Q 2016.

In 2Q 2017 the FX-adjusted DPD90+ formation sank to HUF 17 billion (without the Splitska-effect). The Russian inflow was below the quarterly average of the last couple of years

FX-adjusted quarterly change in DPD90+ loan volumes

(without the effect of sales / write-offs, in HUF billion)



🟦 Technical effect of settlement in 3Q 2015

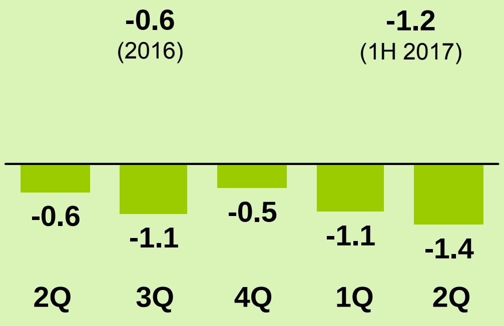
⬛ Out of the DPD90+ volume growth in 4Q 2016, HUF 15 billion was attributable to the consolidation of **AXA portfolio.**

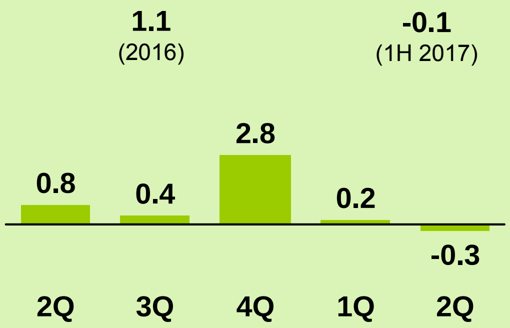
⬜ Out of the DPD90+ volume growth in 2Q 2017, HUF 15 billion was attributable to the consolidation of **Splitska banka** portfolio.

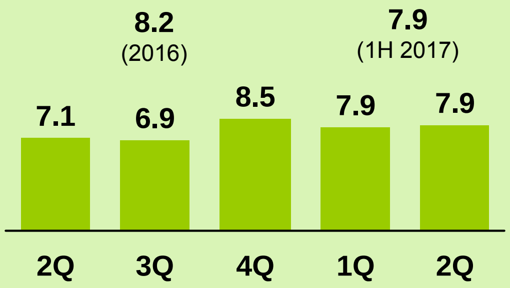
The risk cost rate and the DPD90+ ratio declined q-o-q all across the board with the provision coverage ratios remaining conservative

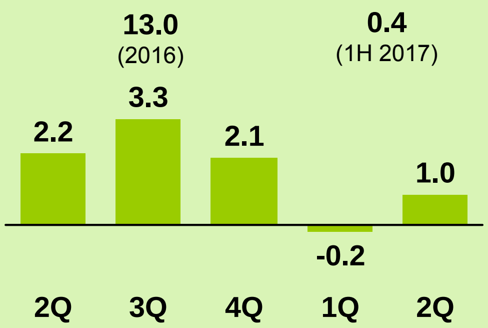
OTP Core Hungary | **DSK Bank Bulgaria** | **OTP Bank Russia** | **OTP Bank Ukraine**

Risk cost for possible loan losses / Average gross customer loans*, %

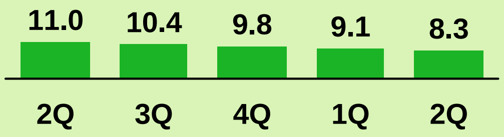


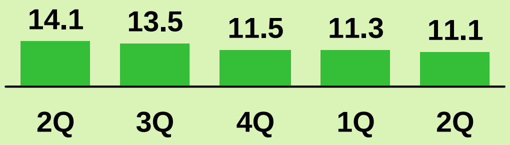


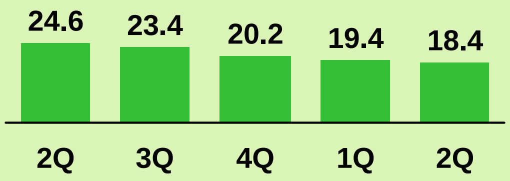


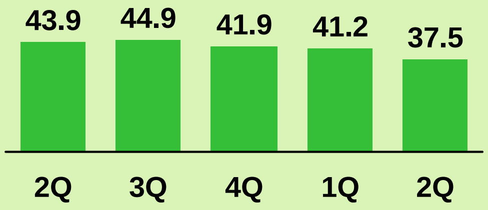


DPD90+ loans / Gross customer loans, %

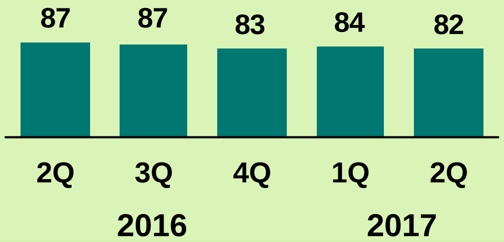


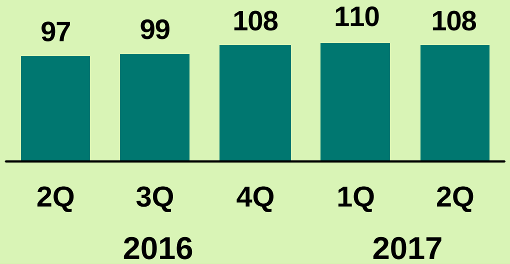


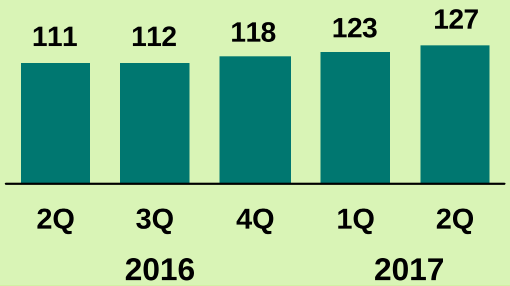


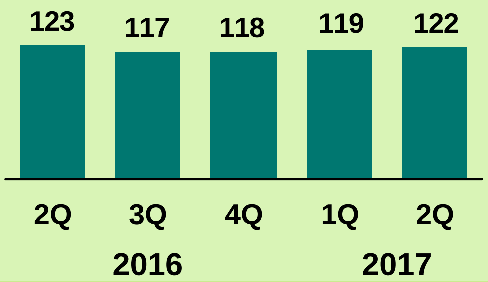


Total provisions / DPD90+ loans, %









* Negative amount implies provision releases.

At the main operations the DPD90+ ratios decreased q-o-q mainly as a result of DPD90+ portfolio sales and write-offs

DPD90+ ratio (%)

OTP Core (Hungary)	2Q16	3Q16	4Q16	1Q17	2Q17	Q-o-Q (%-point)
Total	**11.0%**	**10.4%**	**9.8%**	**9.1%**	**8.3%**	*-0.8*
Retail	13.0%	12.2%	11.3%	10.9%	10.3%	*-0.6*
Mortgage	11.8%	11.1%	10.4%	10.1%	9.8%	*-0.3*
Consumer	17.0%	16.0%	15.2%	14.3%	12.3%	*-2.0*
MSE	6.8%	6.4%	6.4%	6.5%	6.5%	*0.0*
Corporate	8.5%	8.3%	7.9%	6.8%	5.4%	*-1.4*
Municipal	2.2%	4.1%	0.3%	0.1%	0.1%	*0.0*

DPD90+ ratio (%)

OTP Bank Russia	2Q16	3Q16	4Q16	1Q17	2Q17	Q-o-Q (%-point)
Total	**24.6%**	**23.4%**	**20.2%**	**19.4%**	**18.4%**	*-0.9*
Mortgage	35.5%	37.1%	36.9%	36.1%	37.5%	*1.4*
Consumer	24.7%	23.2%	19.9%	19.1%	18.3%	*-0.7*
Credit card	32.4%	32.8%	30.8%	30.5%	29.4%	*-1.1*
POS loan	15.9%	14.4%	11.1%	11.7%	12.5%	*0.9*
Personal loan	26.9%	24.3%	22.7%	18.7%	15.8%	*-2.9*

DPD90+ ratio (%)

DSK Bank (Bulgaria)	2Q16	3Q16	4Q16	1Q17	2Q17	Q-o-Q (%-point)
Total	**14.1%**	**13.5%**	**11.5%**	**11.3%**	**11.1%**	*-0.2*
Mortgage	21.2%	21.0%	16.7%	16.5%	15.9%	*-0.6*
Consumer	8.2%	8.5%	7.7%	8.2%	8.4%	*0.2*
MSE	22.8%	20.6%	17.2%	17.5%	15.9%	*-1.6*
Corporate	12.2%	10.4%	9.6%	8.7%	8.6%	*-0.1*

DPD90+ ratio (%)

OTP Bank Ukraine	2Q16	3Q16	4Q16	1Q17	2Q17	Q-o-Q (%-point)
Total	**43.9%**	**44.9%**	**41.9%**	**41.2%**	**37.5%**	*-3.7*
Mortgage	74.2%	74.1%	72.6%	73.2%	72.6%	*-0.5*
Consumer	40.6%	38.3%	34.6%	31.8%	32.5%	*0.7*
SME	86.2%	87.8%	87.3%	87.6%	87.8%	*0.3*
Corporate	14.2%	19.0%	18.6%	17.6%	13.4%	*-4.2*
Car-financig	47.9%	46.6%	42.6%	41.2%	35.5%	*-5.7*

Restructured retail volumes decreased q-o-q on Group level

Definition of retail restructured loans:

- In comparison with the original terms and conditions, more favourable conditions are given to clients for a definite period of time or the maturity is prolonged.
- The exposure is not classified as restructured, if:
    - the restructuring period with more favourable conditions is over and the client is servicing his loan according to the original terms for more than 12 months, and/or
    - the client is servicing his contract according to the prolonged conditions for more than 12 months.
- Loans once restructured but currently with delinquency of more than 90 days are not included, either.

Restructured retail loans with less than 90 days of delinquency

	2Q 2016		3Q 2016		4Q 2016		1Q 2017		2Q 2017	
	HUF mn	*%*[1]	*HUF mn*	*%*[1]	*HUF mn*	*%*[1]	*HUF mn*	*%*[1]	*HUF mn*	*%*[1]
OTP Core (Hungary)	14,799	1.0%	15,369	1.1%	16,803	1.1%	18,061	1.1%	15,896	1.0%
OBRu (Russia)	4,542	1.2%	3,852	1.0%	3,897	0.9%	5,904	1.3%	5,145	1.3%
DSK (Bulgaria)	23,924	3.0%	21,137	2.7%	20,255	2.7%	20,235	2.7%	19,497	2.6%
OBU (Ukraine)	18,813	11.7%	14,126	9.4%	14,338	9.7%	13,387	9.4%	12,711	9.5%
OBR (Romania)	3,506	1.1%	2,782	0.9%	2,287	0.7%	1,912	0.6%	1,648	0.5%
OBH (Croatia)	2,897	1.0%	2,453	0.9%	4,167	1.4%	3,971	1.3%	5,175	0.9%
OBS (Slovakia)	1,089	0.5%	782	0.4%	878	0.4%	648	0.3%	843	0.4%
OBSr (Serbia)	704	1.8%	404	1.0%	303	0.8%	261	0.6%	243	0.6%
CKB (Montenegro)	157	0.2%	117	0.2%	100	0.2%	234	0.4%	229	0.4%
Merkantil (Hungary)	1,158	0.7%	1,339	0.8%	1,566	0.9%	1,647	1.0%	1,199	0.7%
Other leasing[2] (Hungary)	233	1.1%	354	1.6%	223	1.1%				
TOTAL	**71,823**	**1.8%**	**62,713**	**1.6%**	**64,815**	1.6%	**66,260**	1.6%	**62,585**	1.4%

[1] Share out of retail + car-financing portfolio (without SME).

[2] OTP Flat Lease; included into OTP Core from 1Q 2017.

In 2Q 2017 the reported CET1 was 14.1%, but the CET1 capital does not include the 1H 2017 profit less indicated dividend; including these items the CET1 would have been 15.4%

OTP Group consolidated capital adequacy ratios (IFRS)

BASEL III	2012	2013	2014[1]	2015	2016	2Q 17
Capital adequacy ratio	19.7%	19.7%	16.9%	16.2%	16.0%	16.3%
Common Equity Tier1 ratio	15.1%	16.0%	13.5%	13.3%	13.5%/ 15.8%[2]	14.1%/ 15.4%[3]

① The stand-alone capital adequacy ratio of OTP Bank is according to Hungarian Accounting Standards (HAS) until 2016, and due to the switch from HAS to IFRS from 2017 it is based on IFRS from 1Q 2017.

② The 2Q 2017 number is the CAR of OTP banka Hrvatska which is the owner of Splitska banka shares. The acquisition of Splitska banka was completed on 2 May 2017. The 2Q 2017 financials (including the capital adequacy ratio) reflect the impact of the transaction both on Croatian standalone and on consolidated level.

Capital adequacy ratios (under local regulation)

	2012	2013	2014	2015	2016	2Q 17
OTP Group (IFRS)	**19.7%**	**19.7%**	**16.9%***	**16.2%**	**16.0%**	**16.3%**
Hungary	20.4%	23.0%	19.0%	26.6%	27.7%	30.7% ①
Russia	16.2%	14.0%	12.1%	13.3%	16.2%	16.7%
Ukraine	19.6%	20.6%	10.4%	15.7%	12.4%	14.1%
Bulgaria	18.9%	16.4%	18.0%	17.3%	17.6%	17.1%
Romania	15.6%	12.7%	12.6%	14.2%	16.0 %	15.7%
Serbia	16.5%	37.8%	30.8%	26.1%	22.8%	24.8%
Croatia	16.0%	16.7%	16.5%	15.5%	16.7%	16.1% ②
Slovakia	12.8%	10.6%	13.7%	13.4%	12.9%	13.0%
Montenegro	12.4%	14.4%	15.8%	16.2%	21.1%	20.9%

---

[1] Calculated with the deduction of the dividend amount accrued in 2014.
[2] Including the unaudited full-year 2016 net profit less accrued dividend.
[3] Including the unaudited 1H 2017 net profit less indicated dividend.

Continuously stable, outstanding capital position both on stand-alone and consolidated level

OTP Group consolidated CAR (according to Basel III, IFRS)

in HUF million	2Q 2016	1Q 2017	2Q 2017
CAR	**15.8%**	**18.5%**	**16.3%**
Tier1 ratio	**13.2%**	**16.0%**	**14.1%**
Common Equity Tier1 capital ratio	**13.2%**	**16.0%**	**14.1%**
Own funds	**1,060,918**	**1,249,151**	**1,227,883**
Tier1 capital	**885,007**	**1,082,678**	**1,061,477**
Common Equity Tier1 capital	**885,007**	**1,082,678**	**1,061,477**
Paid in capital	28,000	28,000	28,000
Reserves and current year profit	1,276,840	1,399,692	1,399,794
Memorandum item: Dividend	*-26,600*	*-15,330*	*-30,660*
Accumulated other comprehensive income and other reserves	-144,930	-77,447	-96,684
Treasury shares	-59,507	-60,257	-61,502
Goodwill and other intangible assets	-161,047	-166,714	-171,939
Minority interests	614	637	633
Prudential filters	-1,961	-2,068	-2,290
Other transitional adjustments	0	0	0
CET1 Deductions from investments	0	0	0
Additional Tier1 capital	**0**	**0**	**0**
Hybrid Tier1	0	0	0
Other AT1 corrections	0	0	0
AT1 Deductions from investments	0	0	0
Tier2	**175,911**	**166,473**	**166,406**
Hybrid Tier2	91,451	89,935	89,935
Lower Tier2	6,839	0	0
Upper Tier2	77,301	76,174	76,126
Instruments issued by subsidiaries that are given recognition in T2 Capital (8)	321	364	345
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	0	0	0
Tier2 Deductions from investments	0	0	0
Deductions	n/a	n/a	n/a
Investments	n/a	n/a	n/a
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	**6,723,900**	**6,768,003**	**7,545,318**
Consolidated risk weighted assets (RWA) (Credit risk)	5,354,095	5,552,337	6,154,700
Consolidated risk weighted assets (RWA) (Maket & Operational risk)	1,369,805	1,215,665	1,390,618
TOTAL CAPITAL REQUIREMENT	**537,912**	**541,440**	**603,625**
Capital requirement for Credit risk	428,328	444,187	492,376
Capital requirement for Market risk	36,283	23,158	28,497
Capital requirement for Operational risk	73,301	74,095	82,753

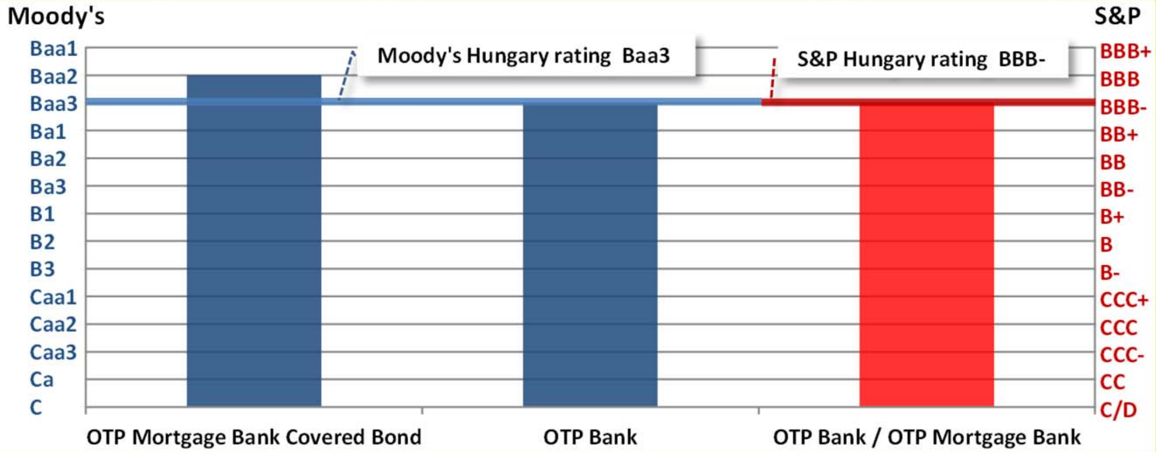
OTP Bank unconsolidated CAR (according to Basel III, HAS until 4Q16, IFRS from 1Q17)

in HUF million	2Q 2016	1Q 2017	2Q 2017
CAR	**28.1%**	**32.2%**	**30.7%**
Tier1 ratio	**25.0%**	**29.5%**	**28.1%**
Common Equity Tier1 capital ratio	**25.0%**	**29.5%**	**28.1%**
Own funds	**1,137,468**	**1,287,818**	**1,297,088**
Tier1 capital	**1,013,189**	**1,179,113**	**1,188,413**
Common Equity Tier1 capital	**1,013,189**	**1,179,113**	**1,188,413**
Paid in capital	28,000	28,000	28,000
Reserves and current year profit	979,313	1,143,001	1,138,795
Retained earnings	855,195	1,068,938	1,068,665
Eligible interim/year-end profit or loss	124,118	74,063	70,130
Memorandum item: Dividend	-26,600	-15,330	-61,320
Accumulated other comprehensive income and other reserves	42,253	76,031	81,470
Other reserves	42,253	-11,976	-11,976
Revaluation reserves	n/a	0	0
Fair value adjustment of securities available-for-sale and of derivative financial instruments recognised directly through equity	n/a	58,927	63,523
Fair value of share based payments	n/a	29,080	29,923
Fair value adjustment of cash flow hedge transactions	n/a	0	0
Fair value adjustment of strategic open FX position recognised directly through equity	n/a	0	0
Treasury shares	-13,694	-11,778	-9,736
Direct shares	-10,713	-8,844	-6,817
Indirect shares	-2,981	-2,934	-2,919
Synthetic shares	0	0	0
Actual or contingent obligations to purchase own CET1 instruments	n/a	0	0
Goodwill and other intangible assets	-22,683	-25,648	-25,022
Prudential filters	n/a	-2,054	-2,029
Deferred tax assets	n/a	-28,438	-23,064
Other transitional adjusments	0	0	0
CET1 Deductions due to investments	0	0	0
Reserve for general banking risk	0	0	0
Excess of non-financial investment limit (only Basel 2)	n/a	0	0
Excess of deduction from T2 items over T2 Capital	n/a	0	0
Additional Tier1 capital	0	0	0
Hybrid Tier1	0	0	0
Other AT1 corrections	0	0	0
AT1 Deductions from investments	0	0	0
Tier2	124,279	108,705	108,674
Lower Tier2	6,839	0	0
Upper Tier2	117,440	108,705	108,674
Tier2 Deductions from investments	0	0	0
Other transitional adjustment to Tier 2 Capital	0	0	0
Deductions (financial investments) - Basel 2	n/a	0	0
Excess of non-financial investment limit (only Basel 2)	n/a	0	0
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	4,053,795	4,000,215	4,231,717
Consolidated risk weighted assets (RWA) (Credit risk)	3,219,861	3,538,062	3,763,173
Consolidated risk weighted assets (RWA) (Maket & Operational risk)	833,934	462,152	468,544
TOTAL CAPITAL REQUIREMENT	**324,304**	**320,017**	**338,537**
Capital requirement for Credit risk	257,589	283,045	301,054
Capital requirement for Market risk	45,352	15,481	15,517
Capital requirement for Operational risk	21,362	21,492	21,966

While OTP Bank ratings closely correlate with the sovereign ceilings, subsidiaries' ratings enjoy the positive impact of parental support

(rating outlook)
\+ positive
\- negative
0 stable

Hungarian sovereign, OTP Bank and OTP Mortgage Bank ratings



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

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

RATING HISTORY

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

OTP GROUP RELATED RATING ACTIONS

- Moody's affirmed the long-term ratings of **OTP Bank** and changed the outlook on its Baa3 long-term local currency deposit rating to positive from stable. Also, the rating agency withdrew the deposit ratings of **OTP Mortgage Bank** as it is not a deposit-taking entity and assigned a Ba1 local currency issuer rating to the mortgage bank with positive outlook. *(29 June 2016)*
- S&P has upgraded **OTP Bank**'s and **OTP Mortgage Bank**'s foreign and local currency counterparty credit ratings to BB+ from BB with stable outlook. *(21 July 2016)*
- Moody's has upgraded **OTP Bank**'s long-term foreign currency deposit rating to Baa3 with a stable outlook and **OTP Mortgage Bank**'s covered bonds rating to Baa1. *(07 November 2016)*
- S&P raised its long- and short-term foreign and local currency counterparty credit ratings on **OTP Bank** and **OTP Mortgage Bank** from BB+/B to BBB-/A-3 with stable outlook *(24 July 2017)*.

RECENT SOVEREIGN RATING DEVELOPMENTS

- Moody's has changed the outlook on **Slovakia**'s ratings to positive from stable. (*7 April 2017*)
- Moody's has changed the outlook on **Romania**'s ratings to stable from positive. (*21 April 2017*)
- S&P has changed the outlook on **Bulgaria**'s ratings to positive from stable. (*02 June 2017*)
- Moody's upgraded **Ukraine**'s ratings to Caa2 from Caa3, with positive outlook. *(25 August 2017)*
- S&P has changed the outlook on **Hungary**'s ratings to positive from stable. (*25 August 2017*)
- Fitch has changed the outlook on **Russia**'s ratings to positive from stable. (*22 September 2017)*
- S&P has changed the outlook on **Croatia**'s ratings to positive from stable. (*22 September 2017)*

Last update: 22/09/2017
Sovereign ratings: long term foreign currency government bond ratings,
OTP Mortgage Bank Moody's rating: covered bond rating; Other bank ratings: long term foreign currency deposit ratings
Abbreviations: BG - Bulgaria, CR - Croatia, HU - Hungary, MN - Montenegro, RO - Romania, RU - Russia, SRB - Serbia, SK - Slovakia, UA - Ukraine

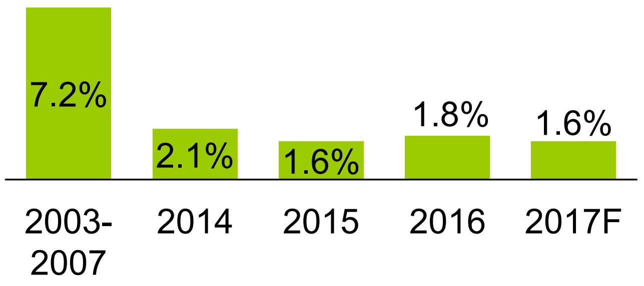
Content

Hungary

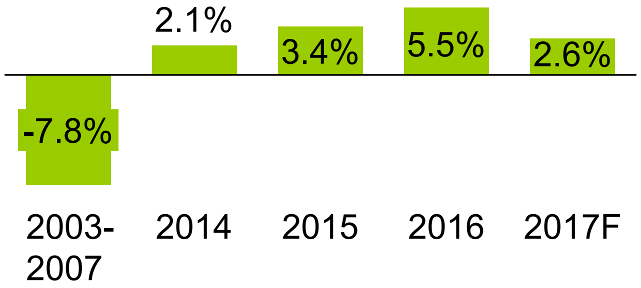
The economy is on track to reach around 4.0% growth in 2017. The household consumption is robust, investment activity has been strengthening and external demand has been improving

Balance

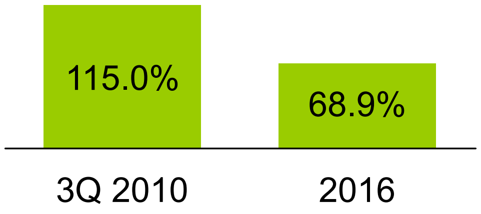
Budget deficit



Current account balance

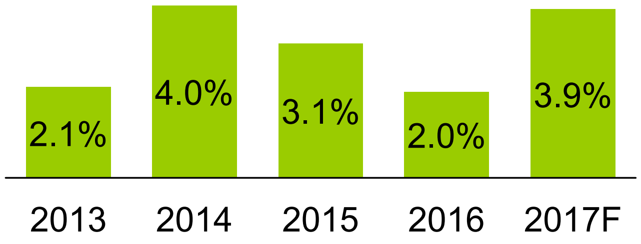


Gross external debt[1] (in % of GDP)

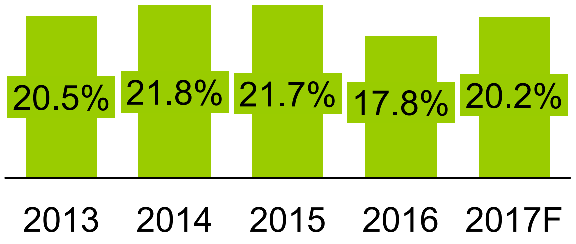


Growth

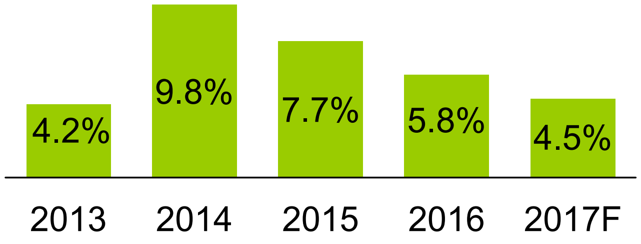
Real GDP growth



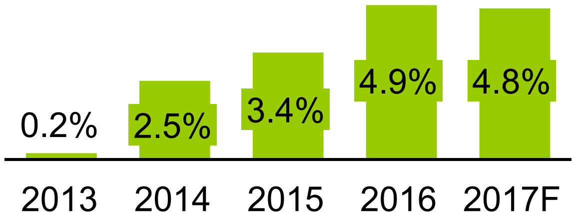
Investments to GDP



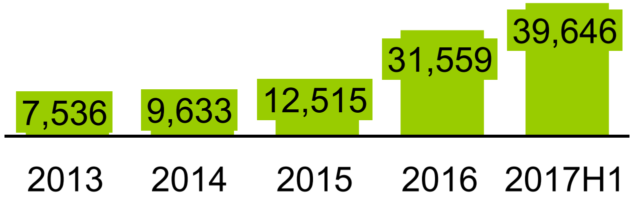
Export growth



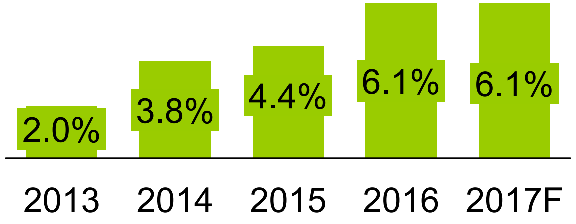
Household consumption



Housing construction permits



Real wage growth



Source: CSO, NBH; forecasts: OTP Research Centre

[1] Without inter-company loans

Hungary

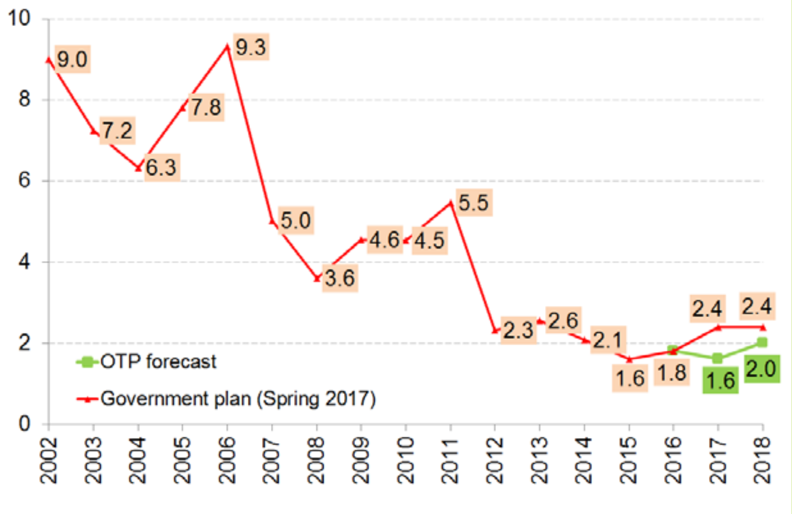
The government intends to spend more on investments, but the overall fiscal discipline is expected to persist. The current account surplus reached all-time high level in 2016 and the external indebtedness fell further

The budget position remains strong, thanks to strong revenue growth and disciplined spending. Without one-off expenditure measures in 4Q 2016 the budget would have been balanced last year. The 4-quarter rolling ESA deficit remained just 1.7% in 1Q 2017 vs the 2.4% deficit target of the government. The 2018 draft budget aims to reach the 2.4% target by increasing public investments and government purchases.

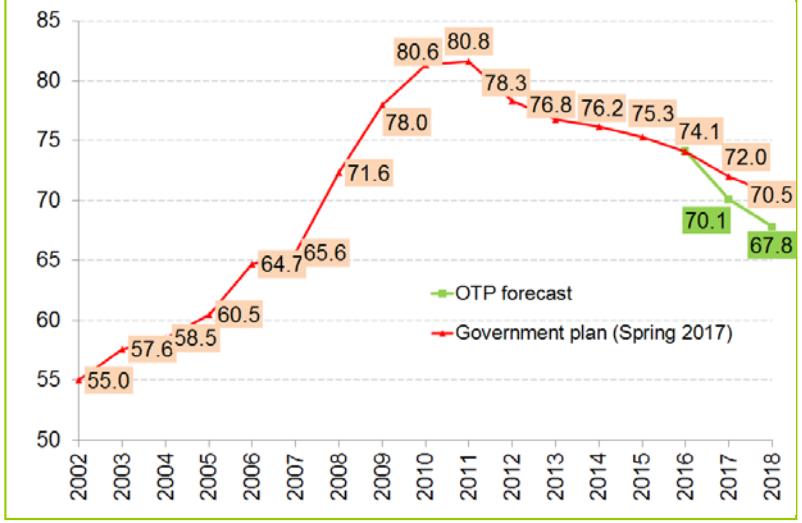
Government debt decreased to near 74% of GDP in 2016 and is expected to moderate further in coming years.

After hitting an all-time high C/A surplus of 5.5% to GDP in 2016, it started to moderate slowly due to stronger internal demand. In line with this process, the decrease in external debt also slowed down, after the level of external debt got very close to levels characteristic for the CEE region.

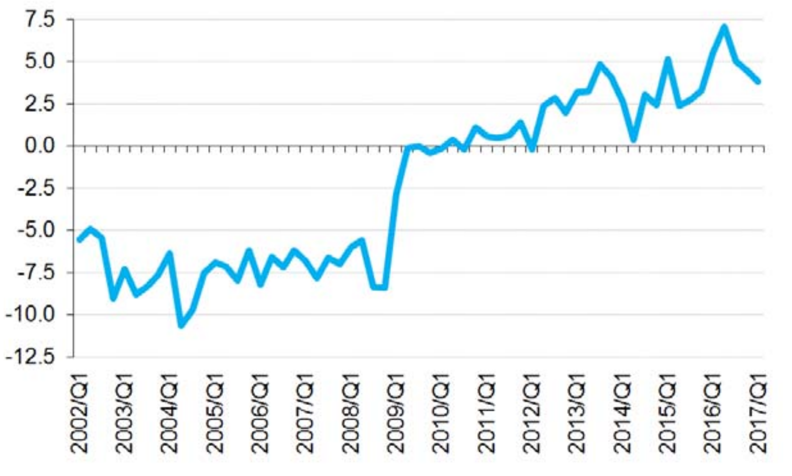
Budget balance (as % of GDP)



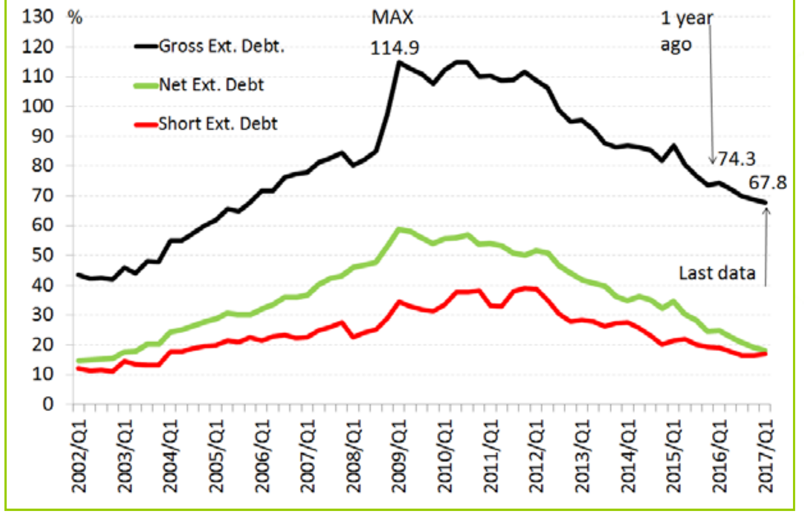
Public debt (as % of GDP)



Current account balance (as % of GDP)



External debt indicators (as % of GDP)

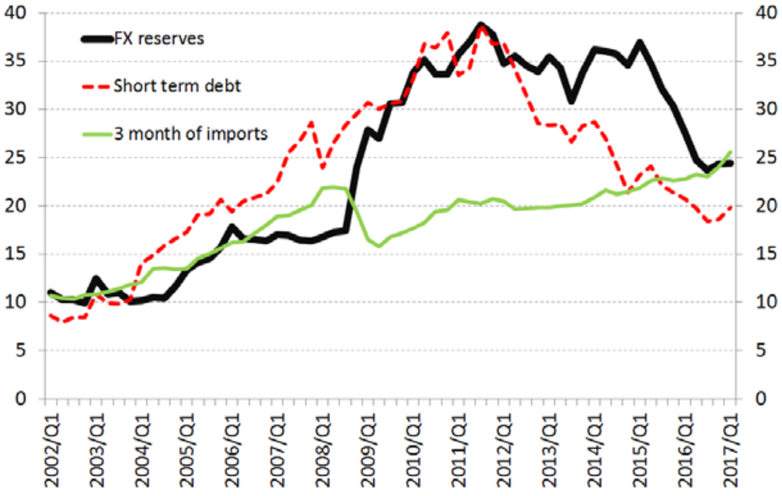


Sources: HCSO, MNB, Ministry for National Economy, OTP Research
The net financial capacity shows the amount of absorbed external funding / accumulated foreign assets in a period (equals to the sum of the current account balance + capital balance (EU funds) + Net errors and omissions)

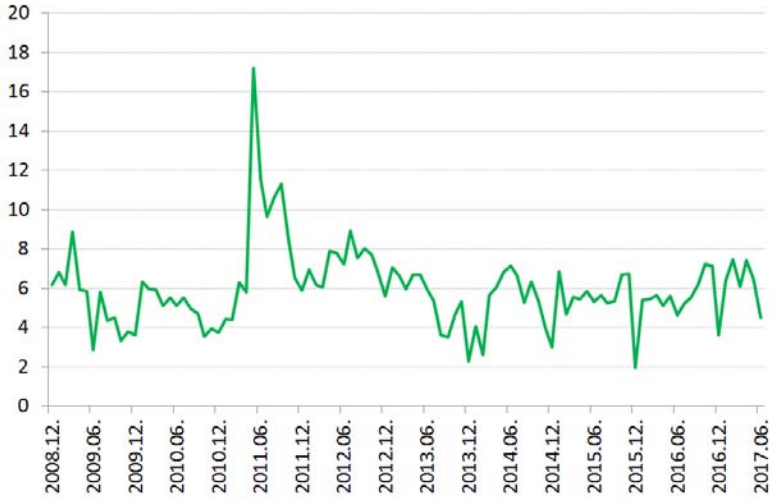
Hungary

Buffers represent adequate levels. The amount of fiscal reserves stood at elevated levels, the financing of the government debt is safe

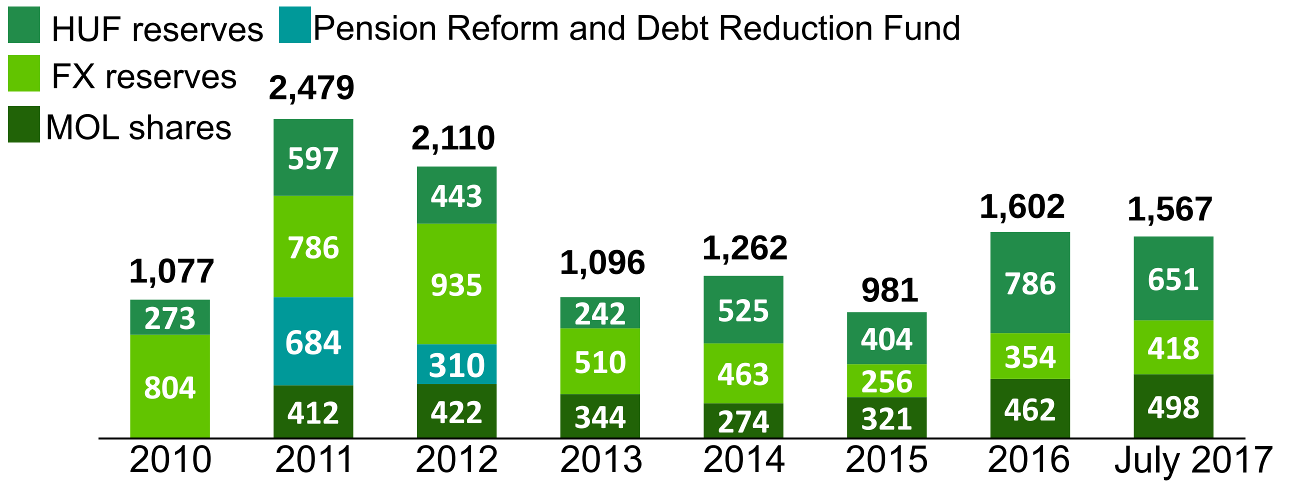
Reserves and adequacy rules (EUR billion)



Liquid fiscal reserves* (EUR billion)

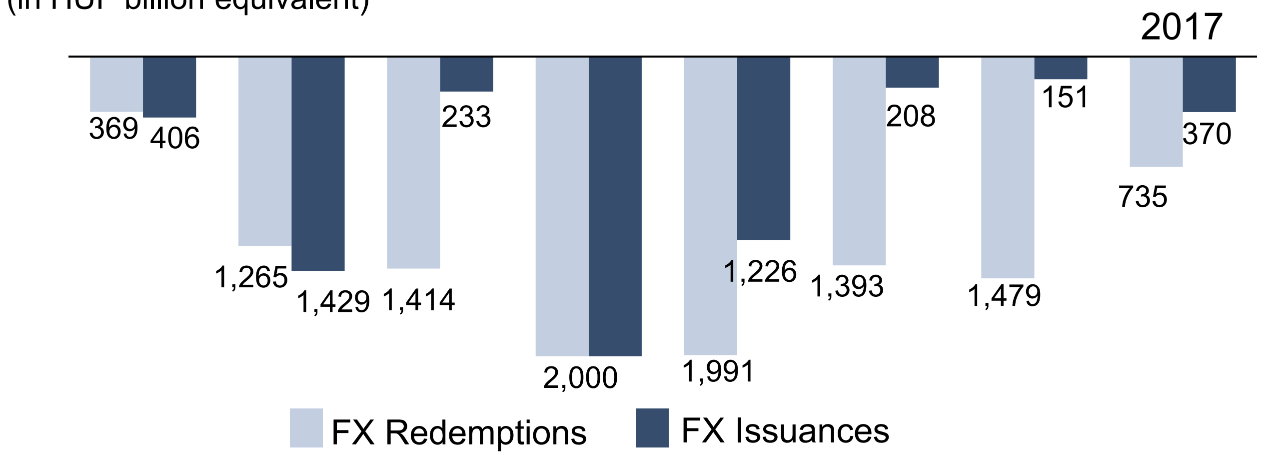


Financial assets of the Central Government in Hungary (in HUF billion equivalent)



FX denominated funding transactions of the Central Government

(in HUF billion equivalent)



Sources: MNB, Ministry for National Economy, GDMA, OTP Research.

* The balance of the Treasury account and the liquid assets of the Pension Reform and Debt Reduction Fund

Hungary

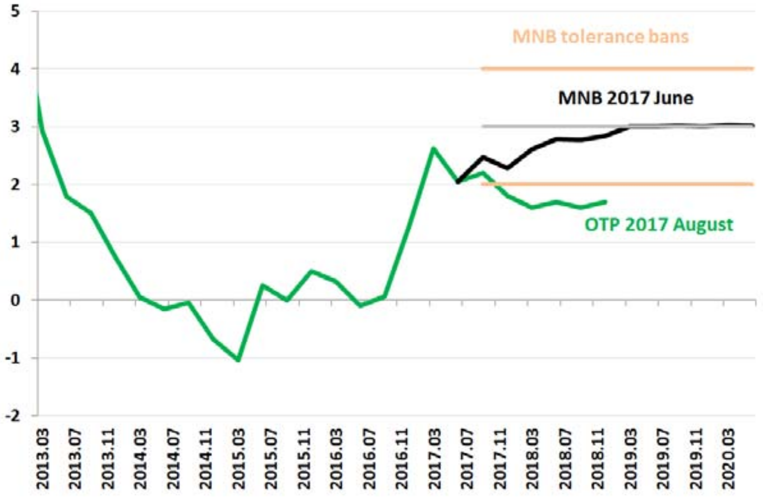
Monetary conditions are likely to remain relaxed for an extended period

CPI is on an accelerating path, even though it is more or less masked by evolution of energy, administered and food prices. The underlying figure, which is filtered from volatile items such as unprocessed foods and energy prices as well as from the effect of all government measures climbed steadily and hit 2.3% in July, a four and a half year high. However, it is still lags behind the MNB's target and we do not expect meaningful acceleration as we pencilled in government measures ahead of the 2018 parliamentary election.

As a result, the MNB will not be in hurry to tighten monetary policy conditions. Our baseline scenario is that the 3M deposit rate will remain 0.9% well into 2019 and the 3M BUBOR (which can be considered as an effective monetary policy rate now) will be even below the 3M deposit rate.

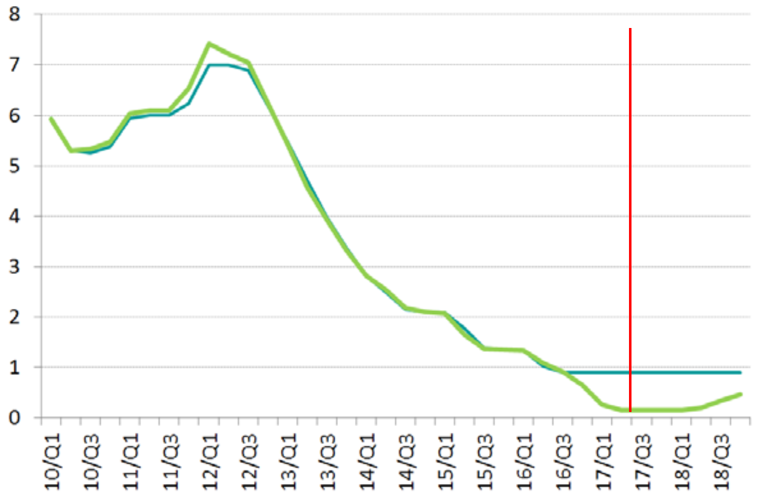
Furthermore, given the recent strength of the HUF and the excellent state of the business cycle which put appreciation pressure on the currency, right now the next step from the MNB is more likely to be an easing, rather than a tightening one.

Inflation (y-o-y, %)

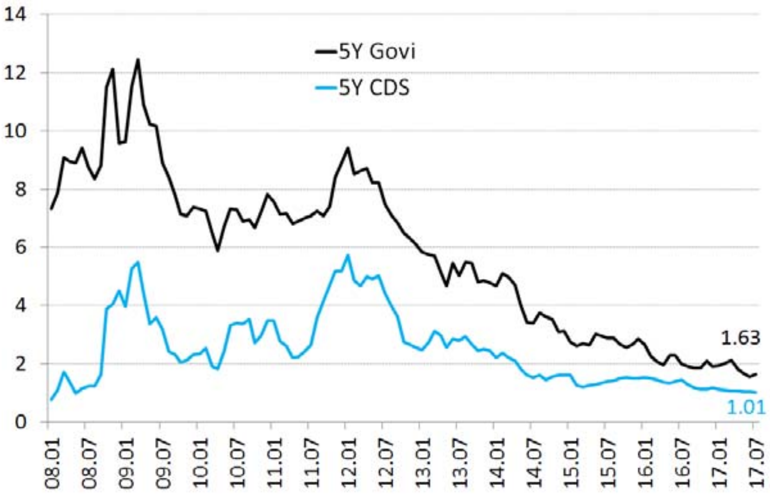


Wages in the private sector (y-o-y, %)

Base rate & 3M BUBOR (%)



Country risk indicators (%)



Sources: HCSO, NBH, Reuters, OTP Research

Hungary

2Q 2017 GDP growth surprised on the downside, however it was mainly due to Easter effect. Underlying growth still points to about 4% GDP expansion in 2017

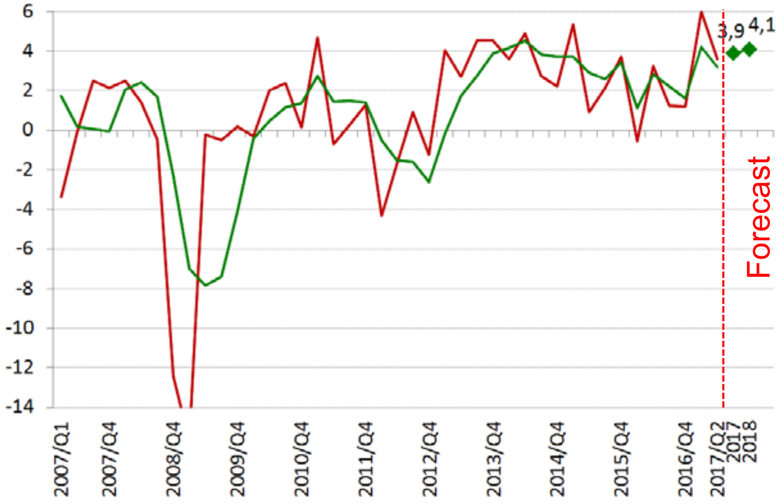
2Q y-o-y GDP growth down to 3.2% from 4.2% a quarter earlier

The deceleration was mainly due to the Easter effect (i.e. there were three working day less in 2Q17 compared to 2Q16) and strong growth over the base period. The calendar day adjusted y-o-y figure shows 3.8% growth after 3.9% in 1Q while the q-o-q seasonally and working day adjusted pace of growth was 0.9%. So the economy enjoys strong momentum, which is also verified by the short term business indicators.

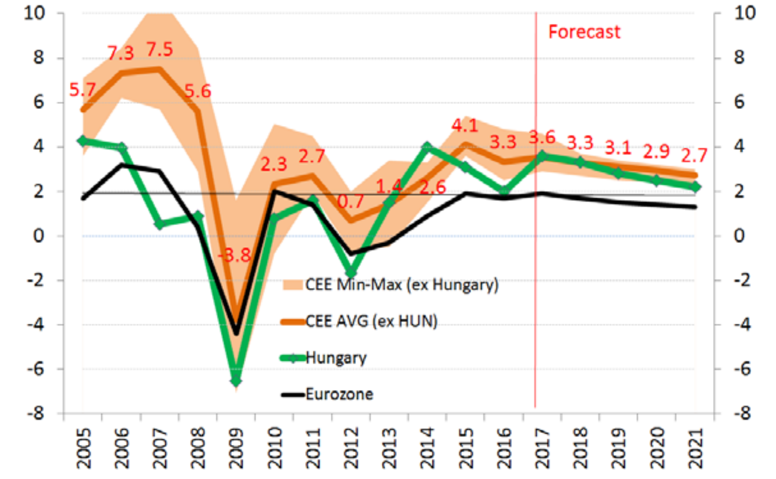
We are confident about our 3.9% GDP forecast for 2017

In 1H 2017 both seasonally unadjusted and adjusted average GDP growth were 3.7%. We foresee accelerating growth in 2H upon reviving external demand, robust domestic demand and also some one-offs like the effect of the FINA water world championship. As the government has considerable room to support the economy, our baseline assumption is that they will not miss the chance to give extra boost to the economy ahead of the parliamentary election due next Spring.

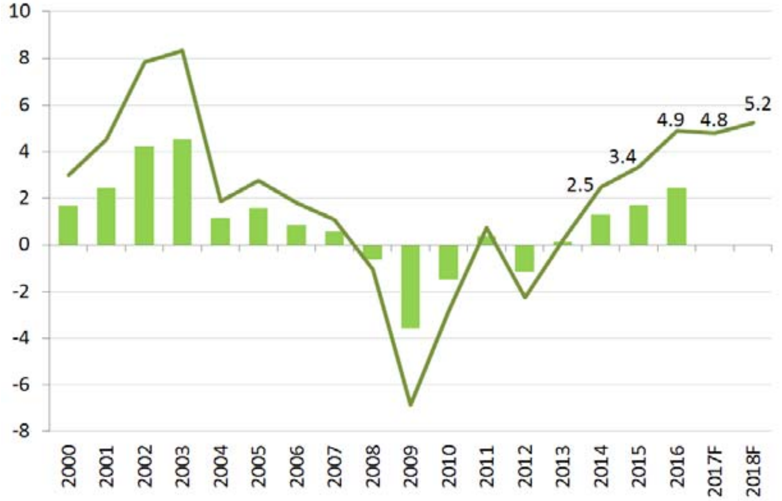
y-o-y and annualized q-o-q GDP (%)



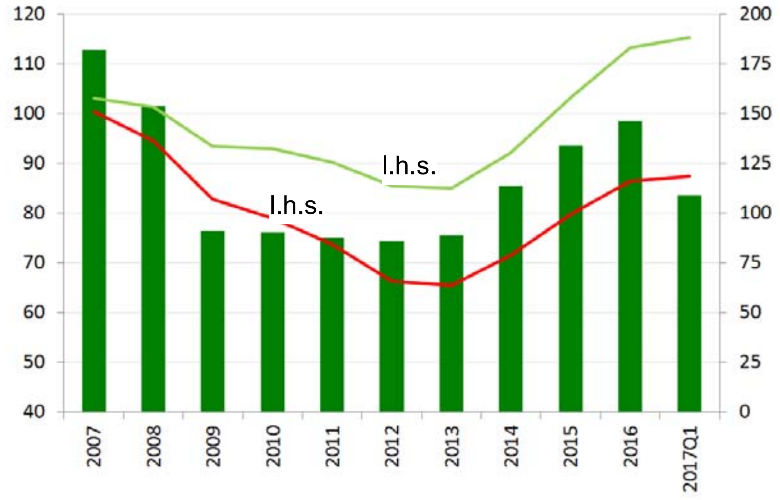
Consensus on long-term growth (%)



Growth (y-o-y, %) **and growth contribution of consumption** (percentage points)



Real estate market indicators (nominal and real prices, 2007=100; transactions** in thousand units, r.h.s.)



Sources: CSO. NBH. Focus Economics. European Commission. OTP Research

* w/o pension funds reserves. non-life insurance claims. other financial assets; **2017Q1 annualized NSA


Hungary

Temporary slowdown in 2016 coupled with reviving consumption and strong balance indicators. GDP growth may accelerate to around 4% both this and next year

Key economic indicators					OTP Research		Focus Economics*	
	2013	2014	2015	2016	2017F	2018F	2017F	2018F
Nominal GDP (at current prices, HUF billion)	30 127	32 400	33 999	35 005	**37 891**	**40 443**		
Real GDP change	2.1%	4.0%	3.1%	2.0%	**3.9%**	**4.1%**	**3.6%**	**3.5%**
Household final consumption	0.5%	2.1%	3.1%	4.2%	**4.9%**	**4.8%**	**4.1%**	**3.8%**
Household consumption expenditure	0.2%	2.5%	3.4%	4.9%	**4.8%**	**5.2%**		
Collective consumption	6.5%	9.2%	0.6%	0.1%	**5.3%**	**2.5%**	**2.2%**	**2.3%**
Gross fixed capital formation	9.8%	9.9%	1.9%	-15.5%	**19.0%**	**5.1%**	**14.5%**	**6.9%**
Exports	4.2%	9.8%	7.7%	5.8%	**4.5%**	**6.4%**		
Imports	4.5%	10.9%	6.1%	5.7%	**5.4%**	**7.0%**		
General government balance (% of GDP)	-2.6%	-2.1%	-1.6%	-1.8%	**-1.6%**	**-2.0%**	**-2.4%**	**-2.5%**
General government debt (% of GDP ESA 2010)	76.8%	76.2%	75.3%	74.1%	**70.1%**	**67.6%**	**72.8%**	**71.3%**
Current account (% of GDP)**	3.8%	2.1%	3.4%	5.5%	**2.6%**	**2.5%**	**3.5%**	**3.0%**
Gross external debt (% GDP)***	86.5%	81.9%	73.6%	68.9%				
FX reserves (in EUR billion)	33.8	34.6	30.3	24.4				
Gross real wages	2.0%	3.8%	4.4%	6.1%	**6.1%**	**5.0%**		
Gross real disposable income	0.9%	4.0%	4.2%	4.8%	**6.0%**	**4.8%**		
Employment (annual change)	1.7%	5.3%	2.7%	3.4%	**1.9%**	**1.5%**		
Unemployment rate (annual average)	10.2%	7.7%	6.8%	5.1%	**3.8%**	**3.0%**	**4.4%**	**4.3%**
Inflation (annual average)	1.7%	-0.2%	-0.1%	0.4%	**2.3%**	**1.3%**	**2.4%**	**2.7%**
Base rate (end of year)	3.00%	2.10%	1.35%	0.90%	**0.90%**	**0.90%**	**0.90%**	**1.07%**
1Y Treasury Bill (average)	4.11%	2.28%	1.17%	0.77%	**0.12%**	**0.29%**		
Real interest rate (average. ex post)****	2.3%	2.5%	1.2%	0.4%	**-2.2%**	**-1.0%**		
EUR/HUF exchange rate (end of year)	296.9	314.9	313.1	311.0	**310.0**	**311.6**	**309.0**	**307.0**

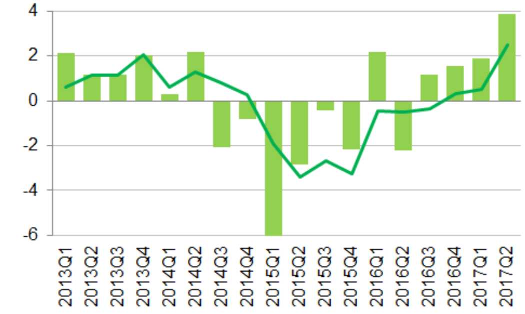
Source: Central Statistical Office. National Bank of Hungary. OTP Bank. * August 2017 consensus . **Official data of balance of payments (excluding net errors and omissions). *** w/o FDI related intercompany lending. last data.
**** = (1+ Yield of the 1Y Treasury Bill (average)) / (1+ annual average inflation) – 1

Russia: recovery firms; inflation fell below CBR's target enabling further rate cuts.
Ukraine: GDP growth was 2.4% y-o-y in 2Q 2017, inflation is around 15%

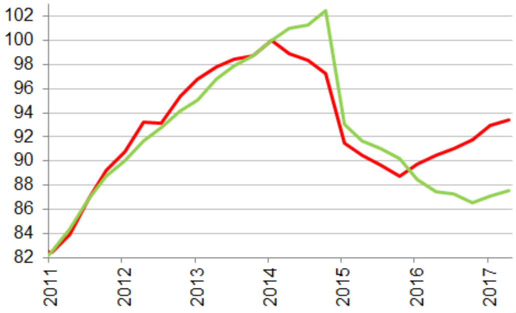
Russia

Economic recovery has progressed: GDP growth accelerated in 2Q 2017 and domestic demand turned the corner, helped by rising real income and returning consumer confidence. Disinflation continued on the back of a stabilizing currency and subdued demand; CPI fell below the 4% target of CBR and may undershoot it in the short run. The central bank started cutting rates, but high real rates will keep households' saving rate high, as well. Fiscal consolidation weighs on medium-term growth expectations. However, a portion of oil revenues is used to replenish fiscal reserves, which lowers macroeconomic vulnerability.

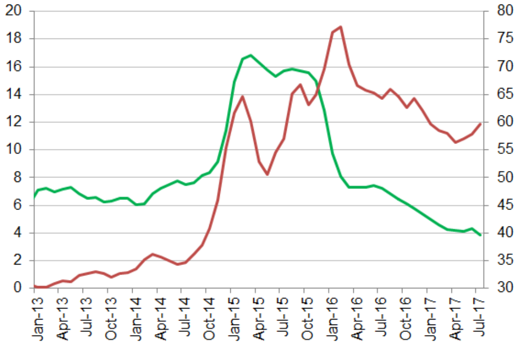
Real GDP growth (OTP estimation, %, annualized quarterly SA* and year/year)



Retail sales and **real wages** (SA level, January 2014=100)



Inflation (y-o-y %) and **USD/RUB** (r.a)

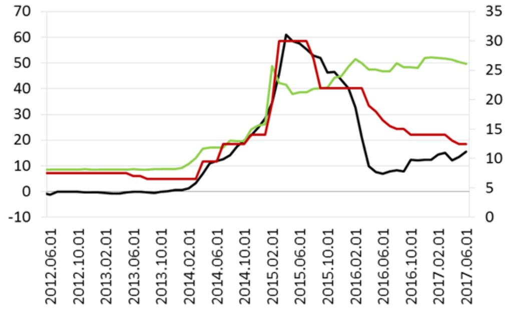


Ukraine

GDP increased by 2.4% y-o-y in 2Q 2017, which is an equivalent of a 0.7% q-o-q increase. Despite the blockade of the rebel-held Eastern region, the GDP growth slowed less then expected due to the stronger than expected consumption growth and investment activity. Inflation slightly increased from 12.4% in December to 15.6% in June. The NBU cut the base rate to 12.5%, as inflation expectations decreased and core-inflation is relatively low. Inflation is expected to decrease to below 10% by the end of the year and NBU may continue its rate-cutting cycle.

Real GDP growth (%, SA, annualized quarterly* and year/year)

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



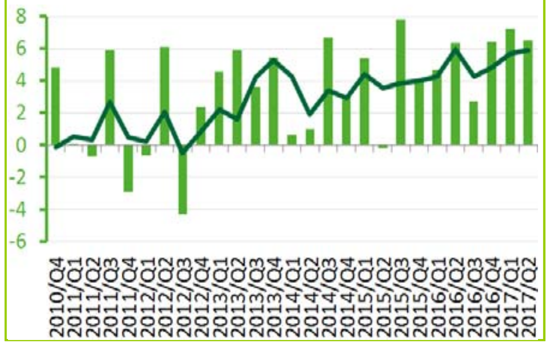
Fiscal balance (l.a.) and government debt (r.a.) as % of GDP

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

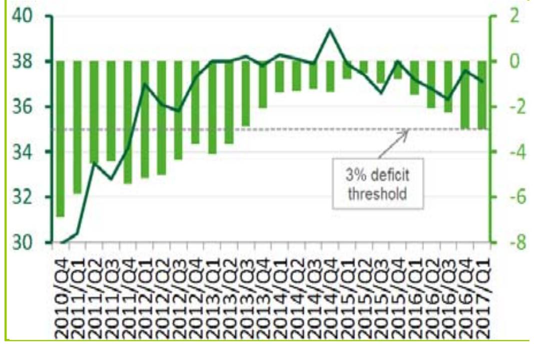
Romania: stellar GDP growth; the budget execution remains the main risk; Bulgaria: solid, sustainable growth. Slovakia: 3.3% y-o-y growth in 2Q

Romania: GDP growth accelerated even further in 2Q, reaching 5.9% y-o-y, as strong underlying growth has been fuelled by fiscal loosening (minimum & public wage hikes, tax cuts). As the budget deficit already reached 3%, while the already implemented measures and further promises could result in further widening of the deficit, correction steps would be required to keep the 3% deficit target in the following years. With double digit private-sector wage growth and even faster in the public sector, inflation started to rise gradually.

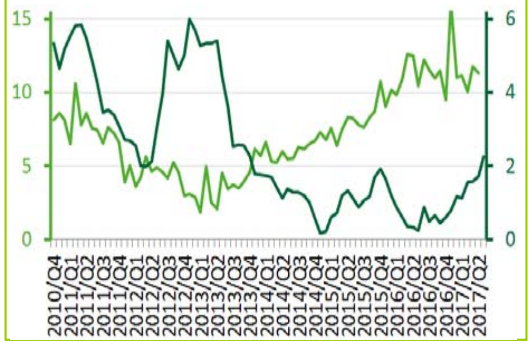
Real GDP growth (%, SA annualized QoQ and NSA YoY)



ESA-2010 deficit (4Q avg., r.h.s.), **debt** (in % of GDP, l.h.s)



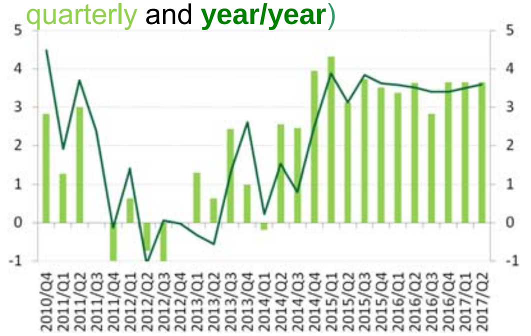
Wages, private sector - l.h.s; **Inflation, adjusted** - r.h.s. (Y-o-Y; %)



Bulgaria

GDP grew by 3.6% y-o-y and 0.9% q-o-q in 2Q, maintaining the strong momentum of recent years, supported both by consumption and exports. Rising house prices, building permits and credit demand suggest that the rebound in private investment is also round the corner. The surplus both in the budget and the current account suggest that the recovery has a long way to go.

Real GDP growth (%, SA, annualized quarterly and **year/year**)



Housing prices (BGN/ sqm, r.h.s) & their **annual change** (%, l.h.s)

Current account & **fiscal balance** (% of GDP, 12m AVG)

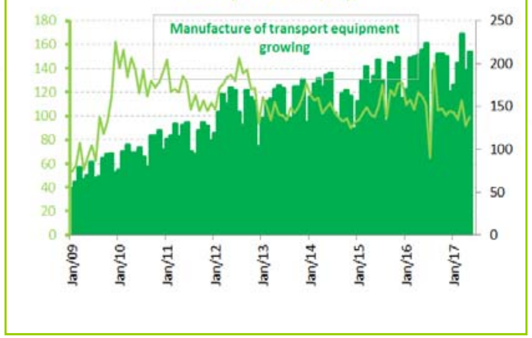
Slovakia

Economy expanded in Slovakia by 3.3% y-o-y in 2Q 2017 at constant prices and by 3.1% after seasonally adjusted, according to a flash estimate. On a quarterly basis, the economy expanded by 0.8% just like in the last quarter. The increase was attributed mainly to increased household consumption. However, the economy is expected to be supported mostly by investments in 2017.

GDP growth (Y-o-Y; NSA, %) & (Q-o-Q, SA, ann. %)

Retail trade (SA; 2005=100; RHS) & (Y-o-Y, %, LHS)

Manufacture of transport equipment (2010= 100, %) & Y-o-Y (2010=100, %),

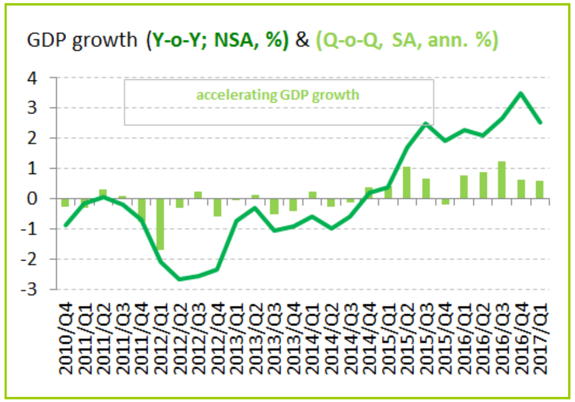


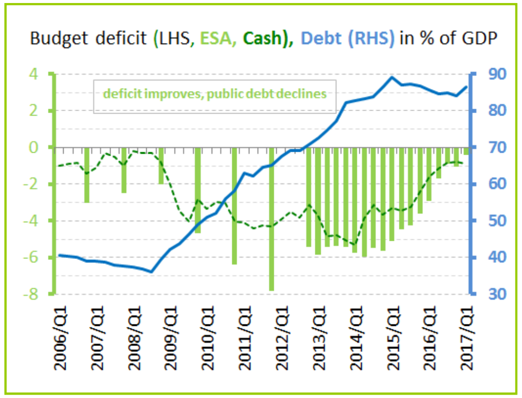
Source: Eurostat, Bulgarian National Bank, Statistical Office of the Slovak Republic

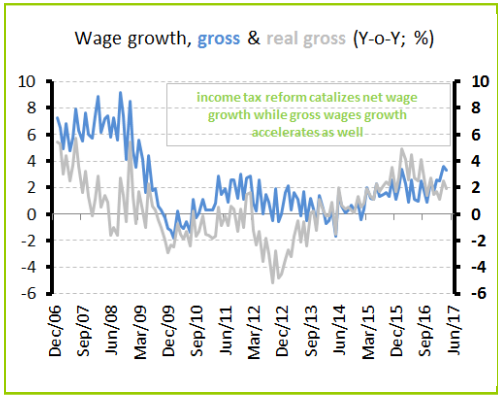
Croatia: growth may remain around or even above 2.5% y-o-y in 2017, imbalance indicators improve steadily. Serbia: GDP growth was modest in 2Q, similar to 1Q; Montenegro: modest growth shadowed by imbalances

Croatia

In line with our expectations GDP growth decelerated to 2.5% y-o-y in 1Q from 3.4% in Q4. However, q-o-q growth remained stable with 0.6% and seasonally adjusted figure also shows robust expansion. Budget deficit declined below 1% of GDP in ESA2010 terms and the most of short term indicators suggest that the economy keeps its good performance witnessed since 2015. Tourism sector does very well though labor shortage is a concern in Croatia as well.

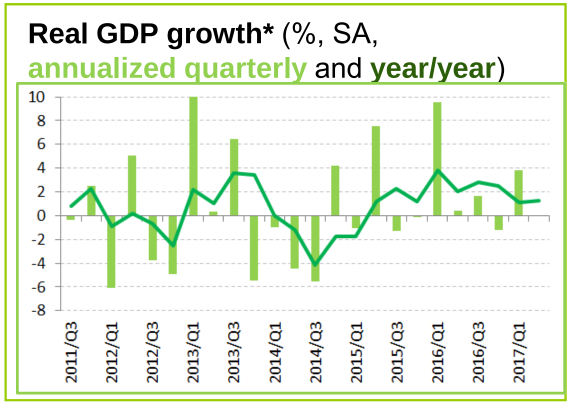

GDP growth (**Y-o-Y; NSA, %**) & **(Q-o-Q, SA, ann. %)**

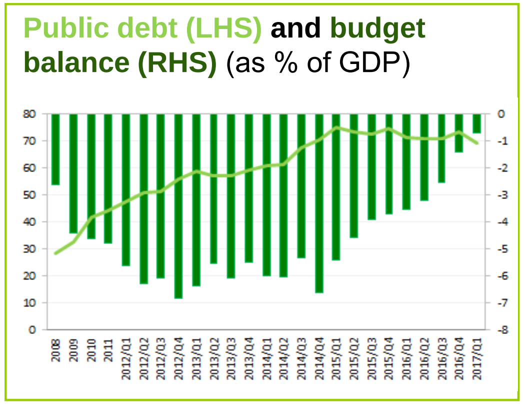

Budget deficit (LHS, **ESA**, **Cash**), **Debt (RHS)** in % of GDP

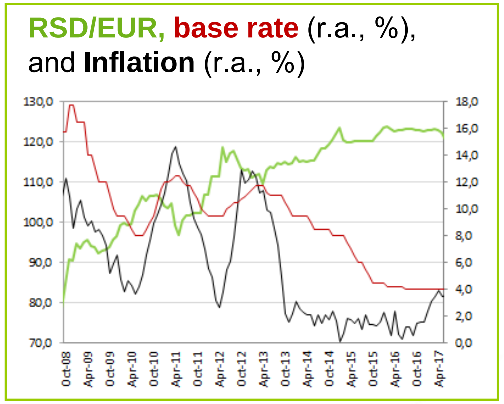

Wage growth, **gross** & **real gross** (Y-o-Y; %)

Serbia

The Serbian economy expanded by 1.3% y-o-y in 2Q 2017, according to a flash estimate. As a result of the slowdown in 1H, the economic growth may remain below 3.0% in 2017. The GDP growth in 2017 will be driven by investments and net exports with an increasing contribution from household consumption. On the production side, the largest positive contribution to GDP growth should come from industry and services.

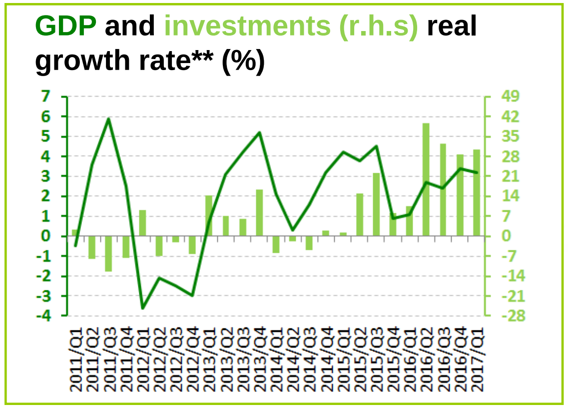

Real GDP growth* (%, SA, annualized quarterly and **year/year**)

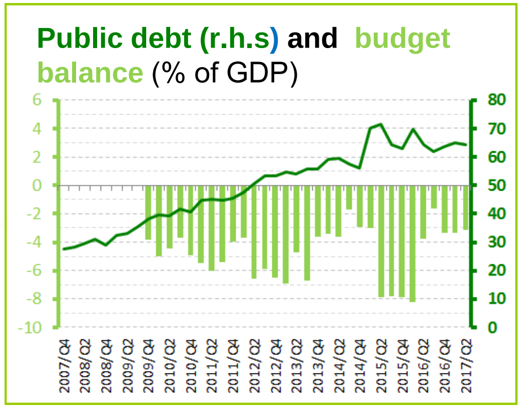

Public debt (LHS) and budget balance (RHS) (as % of GDP)

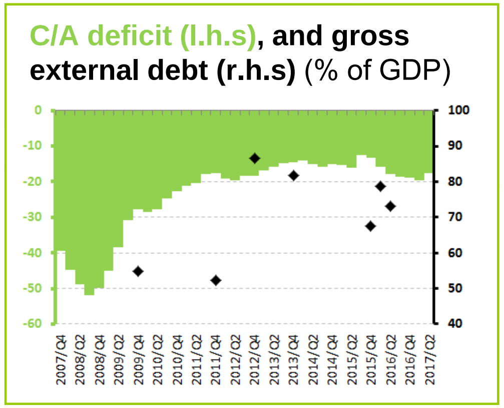

RSD/EUR, **base rate** (r.a., %), and **Inflation** (r.a., %)

Montenegro

Economic activity did not lose steam in 1Q as GDP increased by 3.2% in real terms after 3.4% growth rate in 4Q 2016. Households' consumption has kept its strength as it grew by almost 7%. GFCF keeps on showing a stunning 30% growth rate, as large-scale investment intensifies. The tourism season is expected to generate the biggest ever income in this season. Budget balance is expected to improve thanks to new measures implemented in Q2 and CA gap also shrank in the second quarter.


GDP and investments (r.h.s) real growth rate (%)**


Public debt (r.h.s) and budget balance (% of GDP)


C/A deficit (l.h.s), and gross external debt (r.h.s) (% of GDP)

Sources: Eurostat, Croatian National Bank, National Bank of Serbia, Statistical Office of the Republic of Serbia, Central Bank of Montenegro, Monstat

* 2Q 2012 annualized q-o-q growth rate was 9.1%, 3Q 2013 data suggests 10.8% annualized q-o-q growth rate

** Monstat does not provide annualised q-o-q data on GDP

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

REAL GDP GROWTH

	2015	2016	2017F	2018F
Hungary	3.1%	2.0%	3.9%	4.1%
Ukraine	-10%	1.6%	1.7%	3.1%
Russia	-2.8%	-0.2%	1.6%	2.0%
Bulgaria	3.6%	3.4%	3.9%	3.6%
Romania	3.9%	4.8%	5.4%	3.5%
Croatia	2.2%	2.9%	2.5%	2.5%
Slovakia	3.8%	3.3%	3.1%	3.3%
Serbia	0.7%	2.8%	2.9%	3.0%
Montenegro	3.2%	2.5%	3.0%	2.9%

EXPORT GROWTH

	2015	2016	2017F	2018F
Hungary	7.7%	5.8%	4.5%	6.4%
Ukraine	-24%	-7.3%	-2.6%	5.1%
Russia	3.7%	3.1%	5.3%	3.0%
Bulgaria	5.7%	5.7%	6.6%	6.5%
Romania	5.4%	8.3%	7.8%	6.0%
Croatia	9.4%	5.7%	6.5%	4.7%
Slovakia	7.0%	4.8%	5.6%	5.9%
Serbia	10.2%	11.9%	10.2 %	7.9%
Montenegro	5.7%	5.1%	4.4%	3.9%

UNEMPLOYMENT

	2015	2016	2017F	2018F
Hungary	6.8%	5.1%	3.8%	3.0%
Ukraine	9.5%	9.5%	9.1%	8.8%
Russia	5.6%	5.5%	5.3%	5.1%
Bulgaria	9.1%	7.5%	6.4%	5.8%
Romania	6.8%	5.9%	5.1%	4.9%
Croatia	17.7%	15.0%	13.0%	12.0%
Slovakia	11.5%	9.7%	8.8%	8.5%
Serbia	17.9%	15.3%	14.5%	13.5%
Montenegro	18.0%	18.0%	17.3%	17.0%

BUDGET BALANCE*

	2015	2016	2017F	2018F
Hungary	-1.6%	-1.8%	-1.6%	-2.0%
Ukraine	-1.4%	-3.4%	-2.6%	-2.8%
Russia	-2.4%	-3.4%	-2.2%	-1.3%
Bulgaria	-1.6%	0.0%	0.5%	0.8%
Romania	-0.8%	-3.0%	-3.0%	-3.5%
Croatia	-3.6%	-1.0%	-1.8%	-1.7%
Slovakia	-2.7%	-1.7%	-1.7%	-1.0%
Serbia	-3.7%	-1.4%	-1.5%	-1.5%
Montenegro	-7.7%	-3.3%	-6.0%	-6.0%

CURRENT ACCOUNT BALANCE

	2015	2016	2017F	2018F
Hungary	3.4%	5.5%	2.6%	2.5%
Ukraine	-0.2%	-1.5%	-3.8%	-3.9%
Russia	5.1%	1.9%	2.1%	1.5%
Bulgaria	-0.1%	4.2%	3.1%	1.7%
Romania	-1.2%	-2.3%	-3.4%	-3.7%
Croatia	4.8%	2.6%	2.9%	2.9%
Slovakia	-0.3%	-0.6%	-1.5%	-1.3%
Serbia	-4.7%	-3.8%	-3.8%	-3.8%
Montenegro	-14%	-19%	-19.2%	-19.6%

INFLATION

	2015	2016	2017F	2018F
Hungary	-0.1%	0.4%	2.3%	1.3%
Ukraine	48.7%	13.9%	12.8%	7.4%
Russia	15.6%	7.2%	4.2%	4.0%
Bulgaria	-0.1%	-0.8%	1.4%	2.0%
Romania	-0.6%	-1.5%	1.1%	2.9%
Croatia	-0.5%	-1.1%	1.2%	2.0%
Slovakia	-0.3%	-0.5%	1.5%	1.9%
Serbia	1.5%	1.6%	3.3%	3.2%
Montenegro	1.5%	-0.2%	2.5%	2.2%

Source: OTP Research

* For EU members, deficit under the Maastricht criteria

otpbank

Forward looking statements

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

Investor Relations & Debt Capital Markets

Tel: + 36 1 473 5460; + 36 1 473 5457
Fax: + 36 1 473 5951
E-mail: investor.relations@otpbank.hu
www.otpbank.hu