OTP Group
Investor presentation based on 2Q 2018 results

OTP Group has maintained strong profitability, capital adequacy and liquidity

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Content

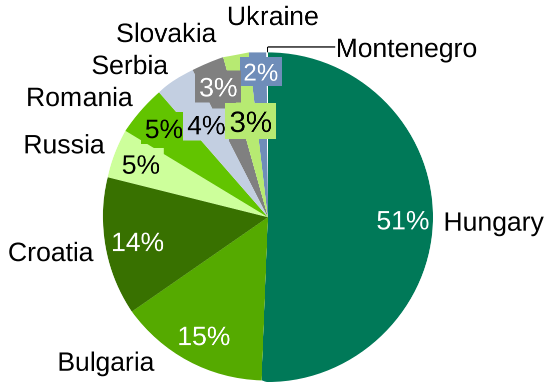
Key pillars of the OTP investment rationale

1.	Unique diversified access to the CEE/CIS banking sector
2.	Return on Equity has returned to attractive levels (>15%) as a new era of structurally low risk environment has commenced
3.	Lending momentum building: accelerating organic performing loan growth (+13% y-o-y), on top of that acquisitions added another 4 pps in the last 12 months
4.	Strong capital and liquidity position coupled with robust internal capital generation make room for further regional 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 18 million customers in 9 countries across the CEE/CIS Region

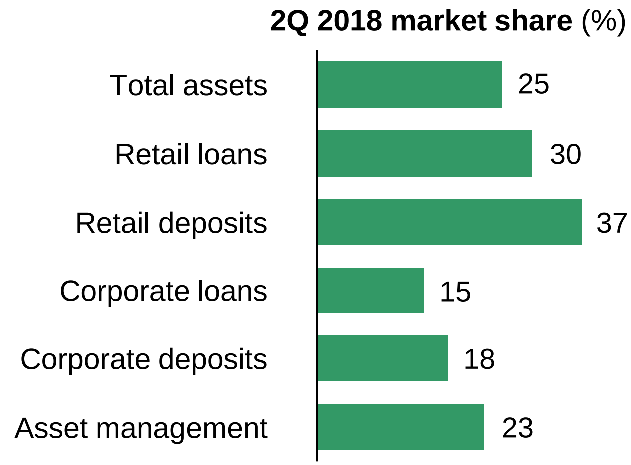
Major Group Members in Europe

Total Assets

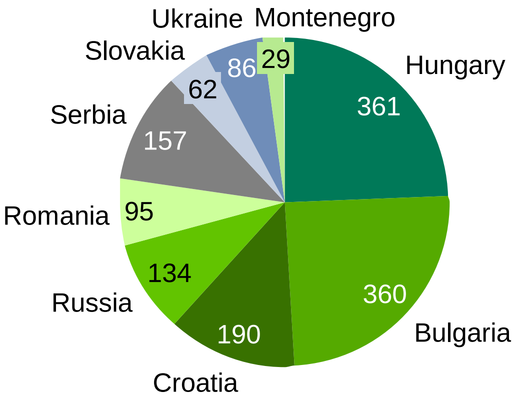


Total Assets: HUF 14,213 billion

Systemic position in Hungary…

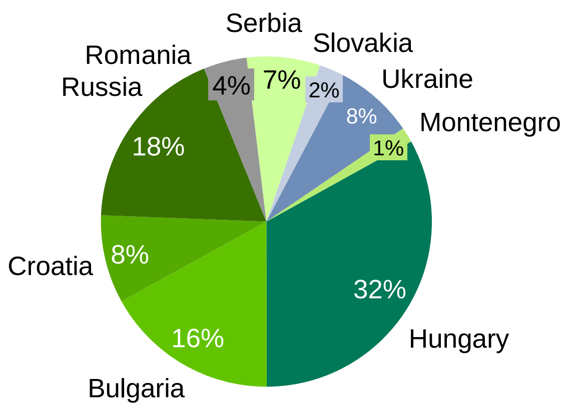


Number of Branches



Total number of branches: 1,474

Headcount



Total headcount: 29,336[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. 7 in Credit card business
- No. 22 in Cash loan business

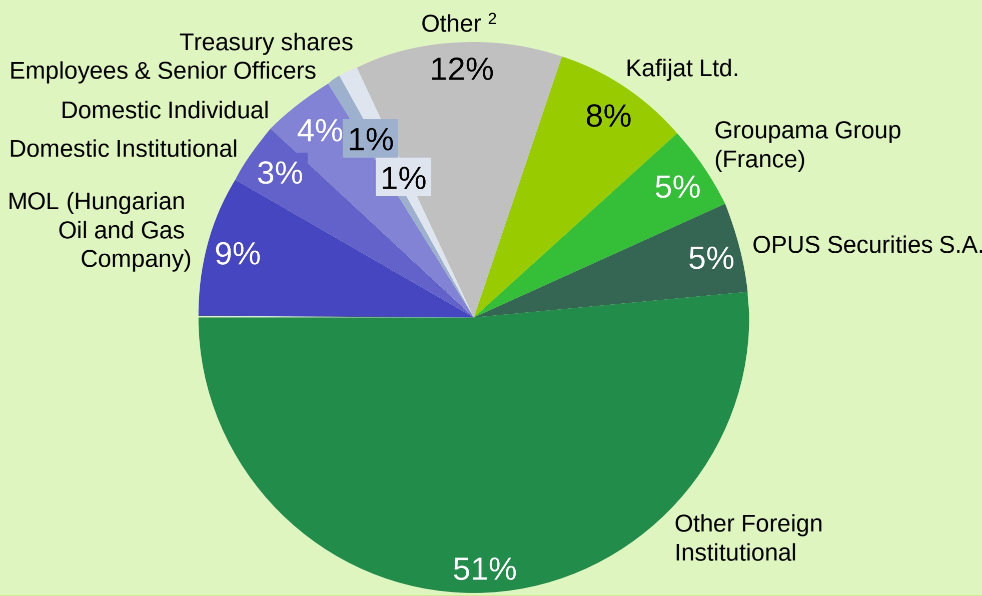
Montenegro
- No. 1 in Total assets

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

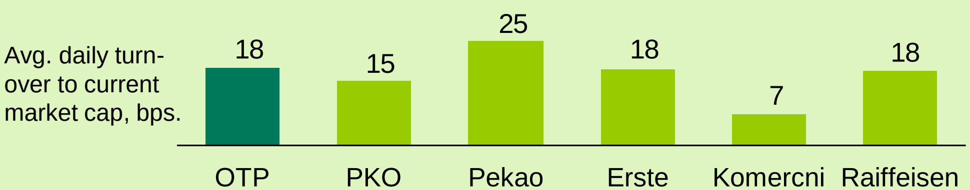
OTP offers a unique investment opportunity to access the CEE banking sector. The Bank is a well diversified, transparent player without strategic investors

Market capitalization: EUR 8.8 billion[1]

Ownership structure of OTP Bank on 30 June 2018



OTP is one of the most liquid stocks in a peer group comparison in terms of average daily turnover[3]



	OTP	PKO	Pekao	Erste	Komercni	Raiffeisen
Average daily turnover in EUR million	16	19	18	27	5	14

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

Since the IPO in 1995 / 1997, OTP Bank has not raised capital on the market, nor received equity from the state

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

OTP Group's Capabilities

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

'Bank of the Year in 2017'
'The Most Innovative Bank of the Year in 2017'
'The Retail Online and Mobile Application of the Year in 2017'
'The Current Account of the Year' - 2nd place in 2017
'The Socially Responsible Bank of the Year' - 3rd place in 2017

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

DSK Bank - 'Best Bank in Bulgaria 2015'

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

Index Member of CEERIUS

'Best Bank in Hungary in 2008, 2009, 2010, 2012, 2013, 2014, 2015, 2016, 2017 and 2018'

'Best FX providers in Hungary in 2017, 2018'

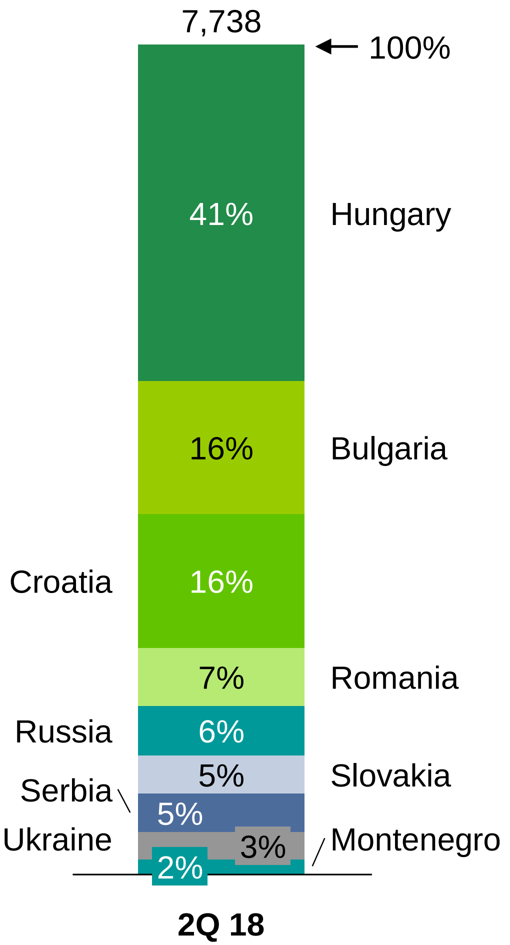
'Best Private Bank in Hungary in 2018'

[1] On 28 August 2018.
[2] Foreign individuals and non-identified shareholders.
[3] Based on the last 6M data (end date: 28 August 2018) on the primary stock exchange.

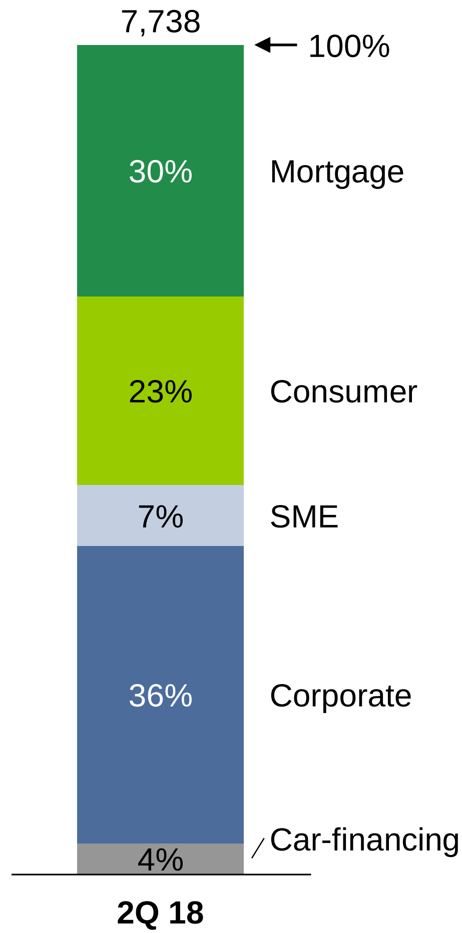
1. The net loan book is dominated by Hungary and tilted to retail lending; around 85% of the total book is invested in EU countries with stable earning generation capabilities

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

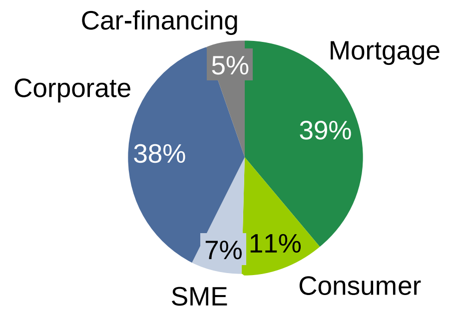
By countries



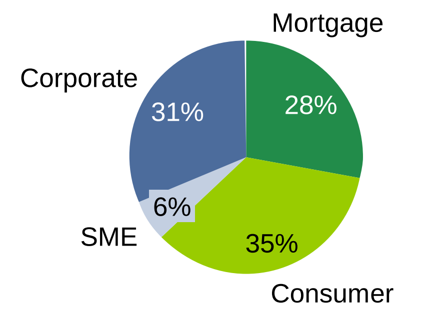
By products



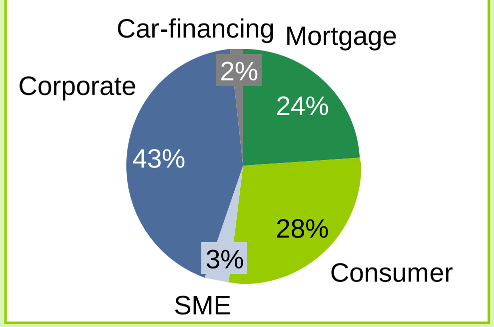
OTP Core[1] (Hungary)



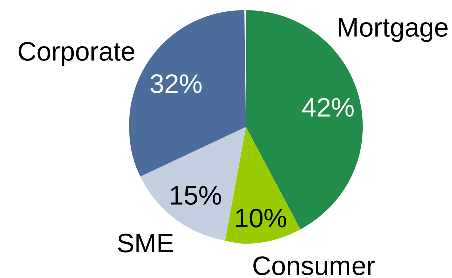
DSK Bank (Bulgaria)



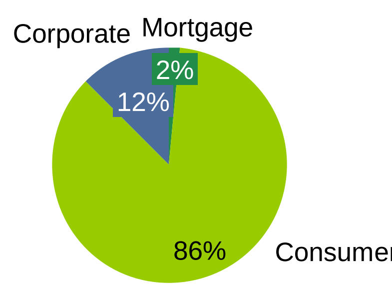
OTP Bank Croatia



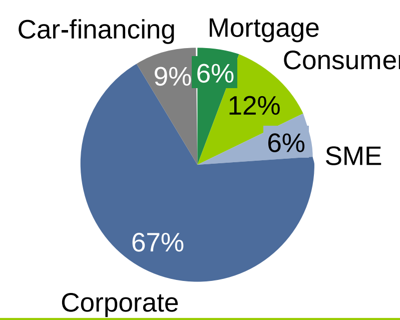
OTP Bank Romania



OTP Bank Russia



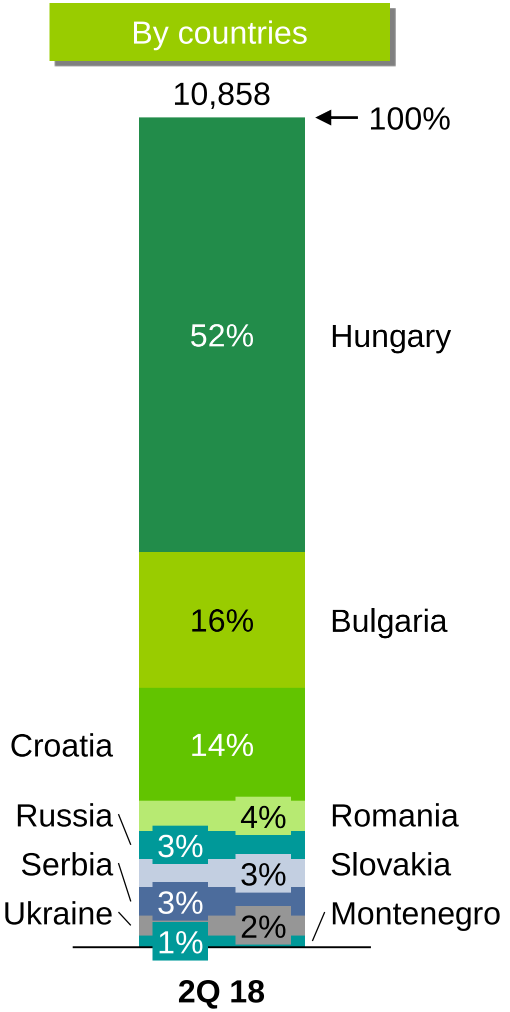
OTP Bank Ukraine

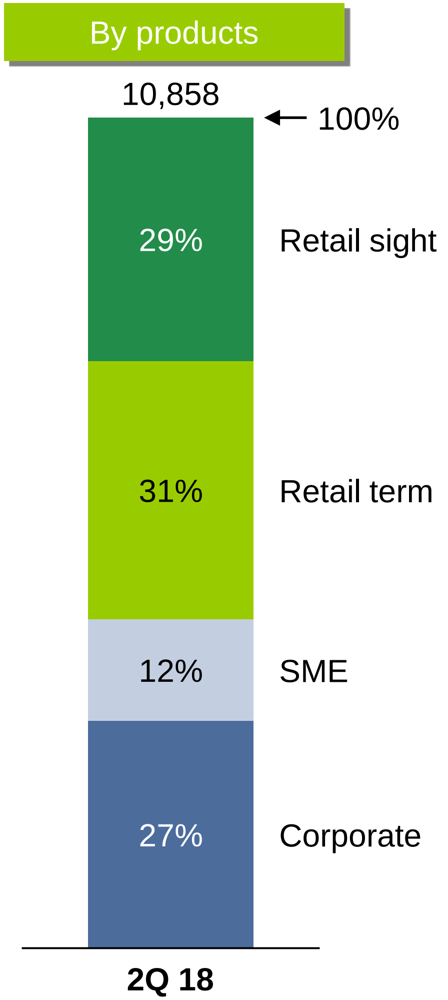


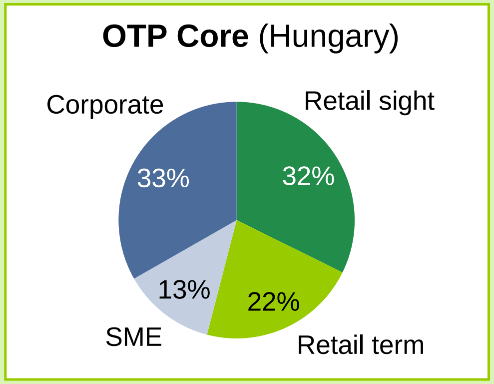
[1] Including Merkantil Bank and Merkantil Car (Hungary).

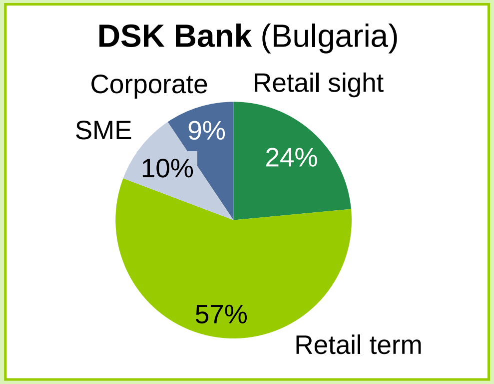
1. In the deposit book Hungary and the retail segment is dominant. In Hungary and Bulgaria OTP and DSK are the largest retail deposit holders

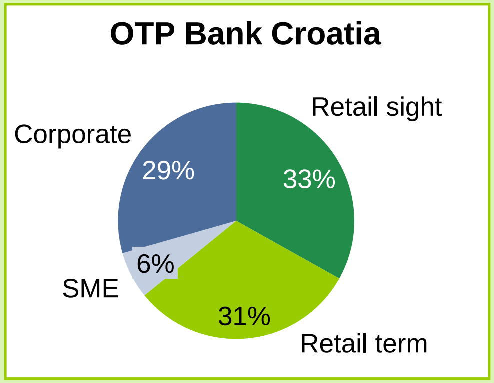
Breakdown of the consolidated deposit base
(in HUF billion)

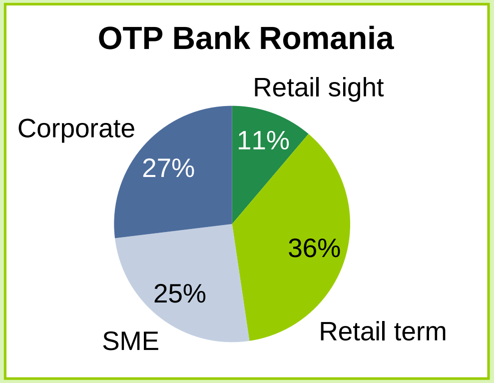


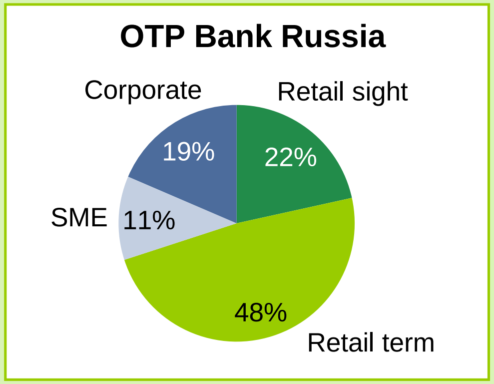


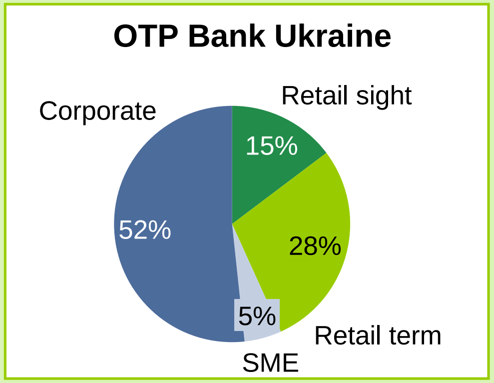






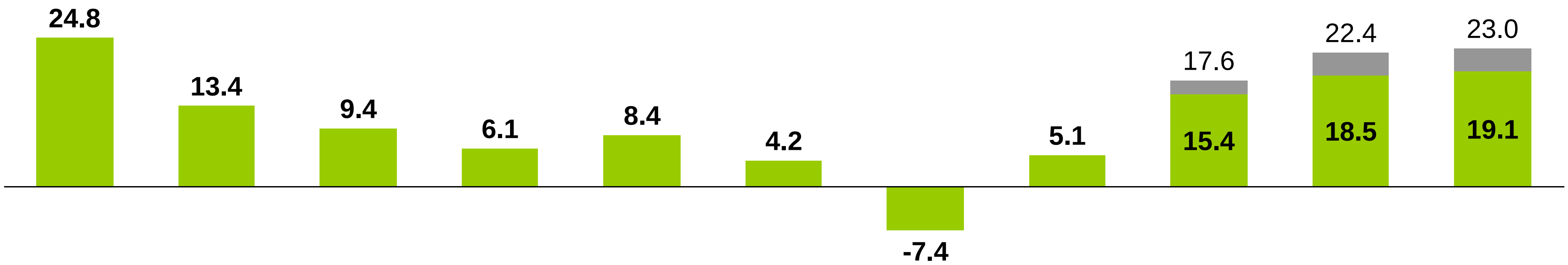




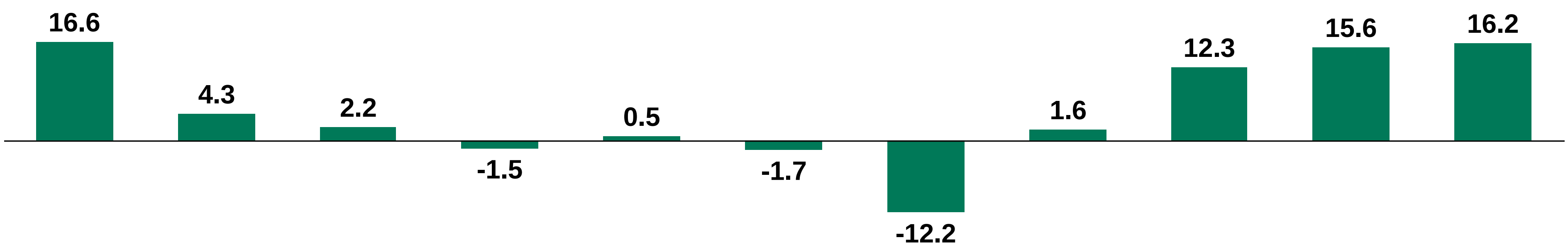


Return on Equity has returned to attractive levels

Consolidated ROE, accounting (%)



Opportunity cost-adjusted[2] consolidated accounting ROE over the average 10Y Hungarian government bond yields (%)



Price to Book ratio

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1H 2018
Max	2.8	1.4	1.7	1.4	0.8	1.0	0.9	1.4	1.7	1.9	2.0
Min	0.6	0.4	0.9	0.6	0.6	0.7	0.7	0.8	1.3	1.5	1.6

Bloomberg

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

	2010	2011	2012	2013	2014	2015	2016	2017	1H 2018
Accounting ROE	9.4%	6.1%	8.4%	4.2%	-7.4%	5.1%	15.4%	18.5%	19.1%
Accounting ROE on 12.5% CET1 ratio[1]						5.4%	17.6%	22.4%	23.0%
Adjusted ROE[2]	13.0%	11.8%	10.2%	9.6%	8.5%	9.6%	15.4%	18.7%	21.0%
Total Revenue Margin[3]	8.03%	8.12%	8.31%	8.44%	7.74%	7.03%	6.79%	6.71%	6.35%
Net Interest Margin[3]	6.16%	6.31%	6.40%	6.37%	5.96%	5.17%	4.82%	4.56%	4.31%
...									
Operating Costs / Average Assets	3.62%	3.76%	3.89%	4.07%	3.85%	3.66%	3.70%	3.68%	3.50%
Risk Cost Rate	3.69%	2.95%	3.11%	3.51%	3.68%	3.18%	1.14%	0.43%	0.02%
Leverage (average equity / avg. assets)	12.8%	13.6%	14.4%	14.8%	13.0%	11.5%	12.9%	12.7%	12.1%

[1] The indicated / approved dividend and the CET1 capital surplus (as calculated from the difference between the 12.5% CET1 and the actual CET1 ratio including the interim result less approved dividend) is deducted from the equity base.
[2] Calculated from the Group's adjusted after tax result. [3] Excluding one-off revenue items.

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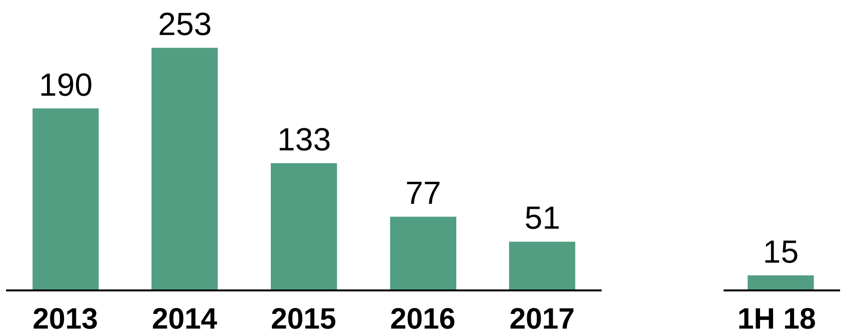
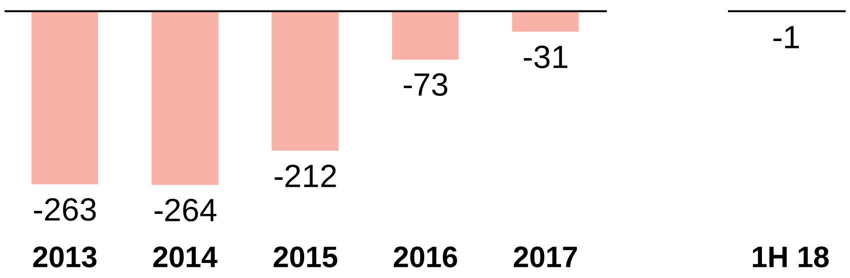
2. Credit quality indicators kept further improving. The risk cost rate was close to zero in the first half of 2018

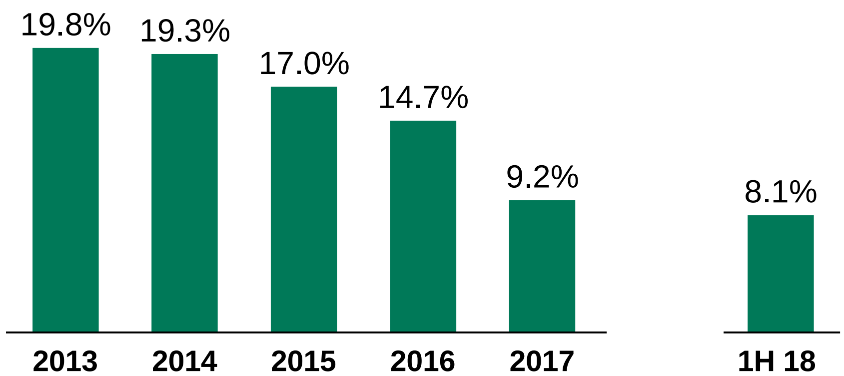
Change in DPD90+ loan volumes (consolidated, adjusted for FX and sales and write-offs, in HUF billion)



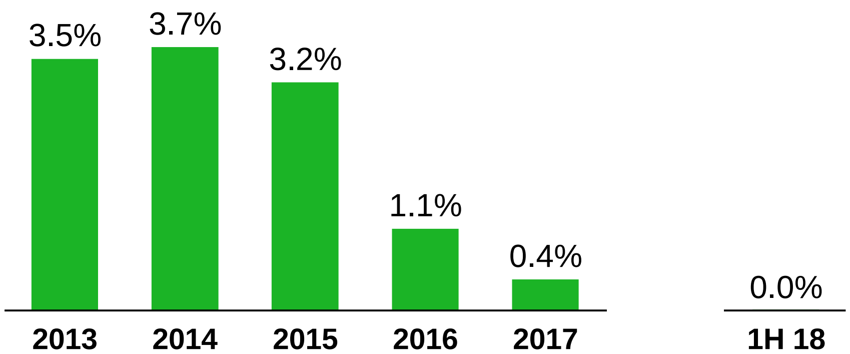
Consolidated risk cost for possible loan losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



Consolidated risk cost rate



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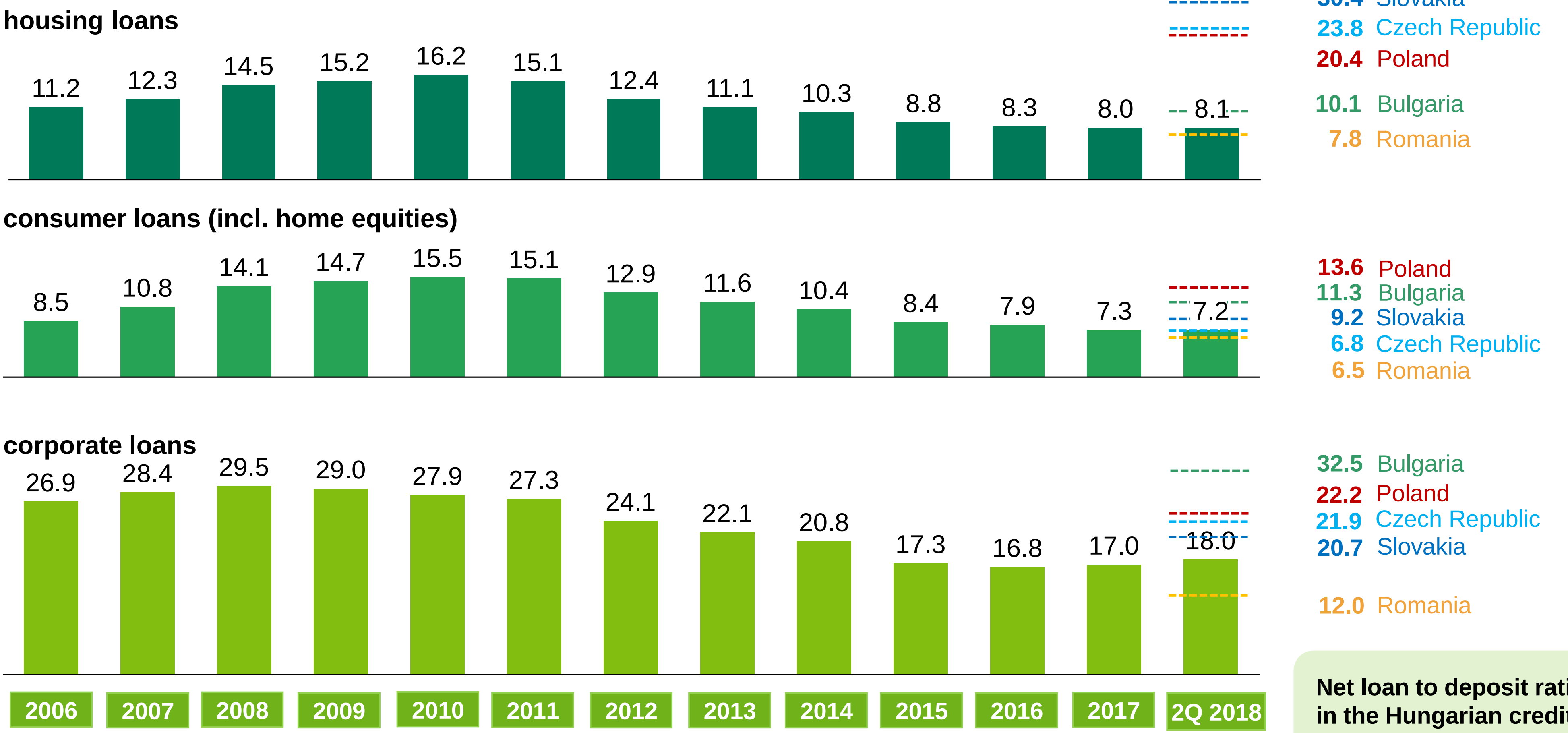
3. In Hungary the retail loan penetration ratios halved since 2010 and returned to the levels before the lending boom

Market penetration levels in Hungary in ... (in % of GDP)



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

168% → 88%

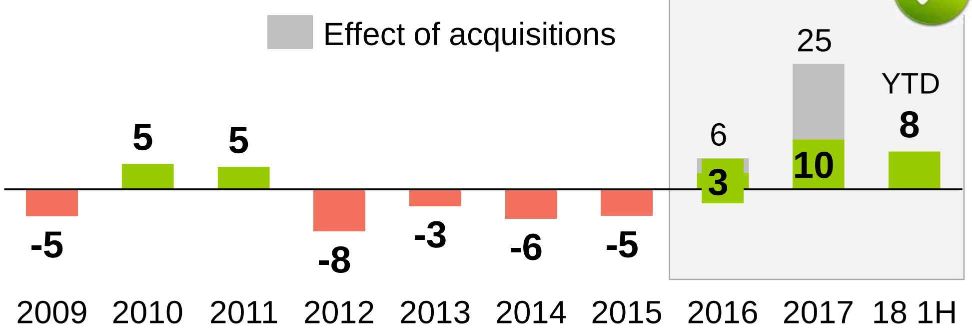
1Q 09 → 1Q 18

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

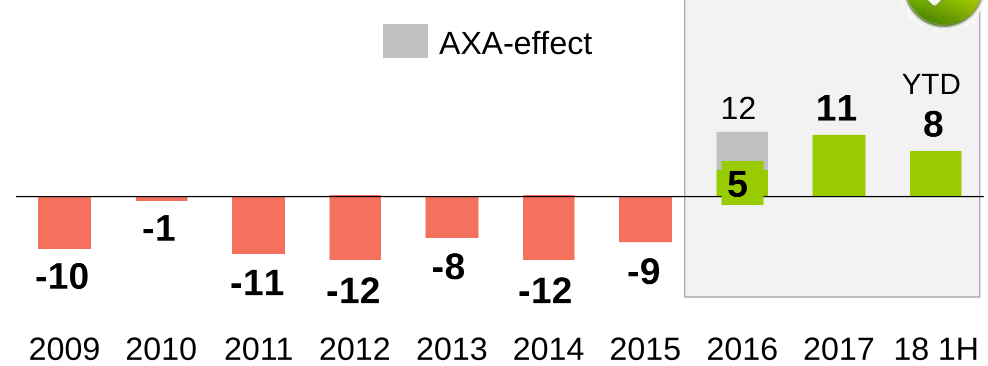
3. Following the contraction in the previous years, the last 2.5 years brought a spectacular turnaround in loan volumes, while deposits have been growing steadily reflecting our clients' trust in the Bank

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

Consolidated

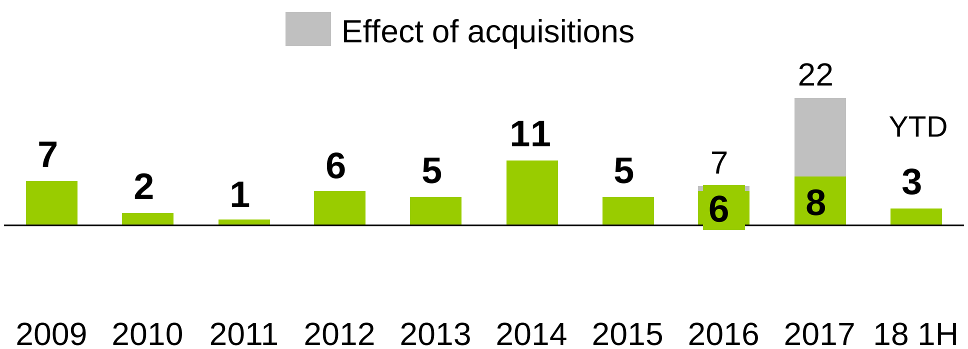


OTP Core

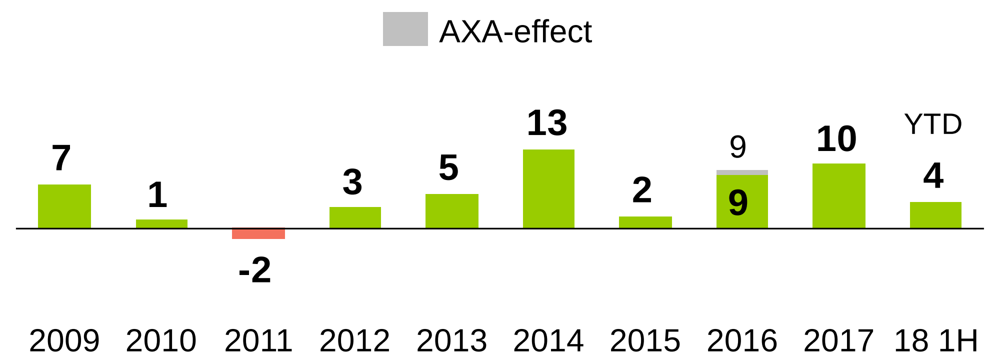


Y-o-Y deposit volume changes (adjusted for FX-effect, %)

Consolidated



OTP Core



[1] Consolidated: net loan volume between 2009-2013; OTP Core: estimation for 2009.

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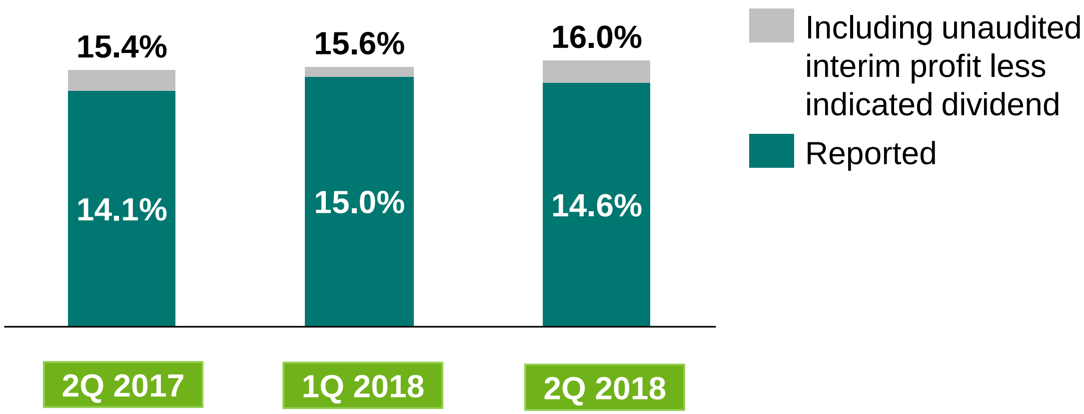
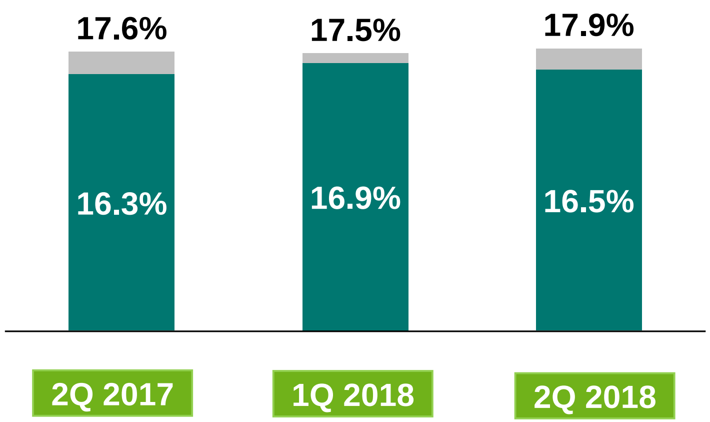
Strong capital and liquidity position coupled with robust internal capital generation make room for strong organic growth and further acquisitions

Development of the fully loaded CET1 ratio of OTP Group



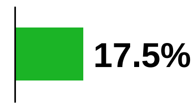
Development of the CAR ratio of OTP Group



Net liquidity reserves
(in EUR billion equivalent)

External debt[1]
(in EUR billion equivalent)

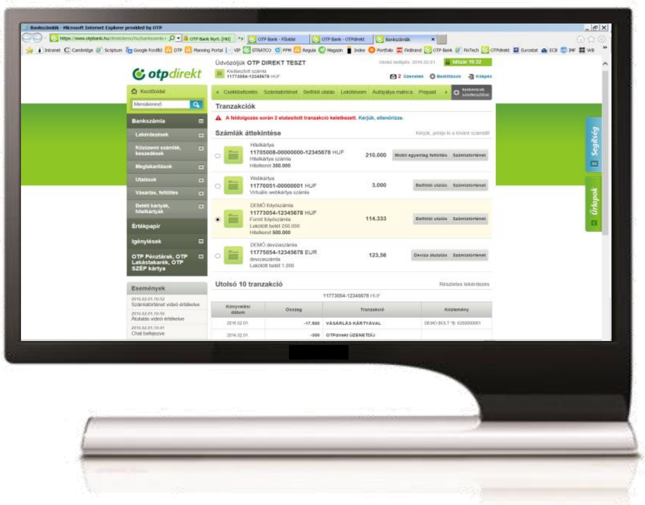
Net liquidity buffer / total assets (%)



Consolidated net loan to deposit ratio

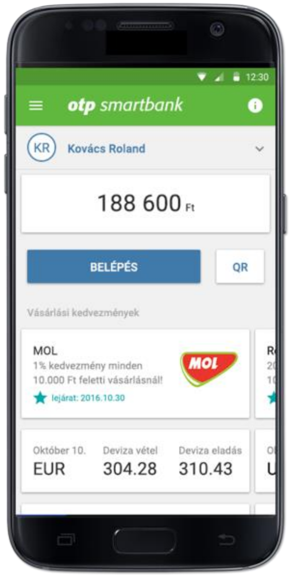
[1] Senior bonds, mortgage bonds, bilateral loans

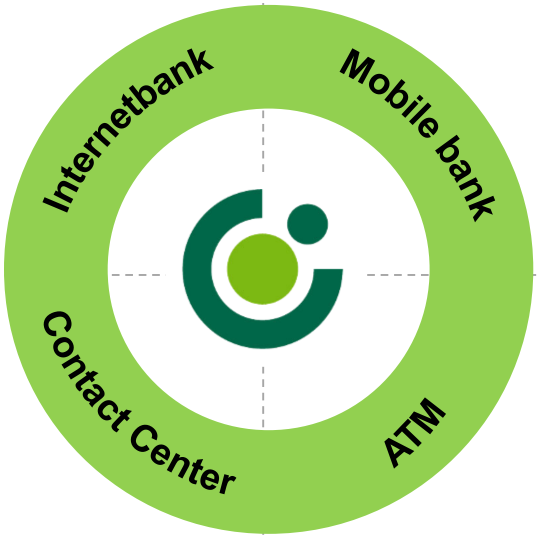
5. OTP Bank is the market leader in all direct channels in Hungary



More than
1 million regular
users monthly[2]

~250 thousand
active users
monthly[2]





~250 thousand
contacts
monthly[1,2]

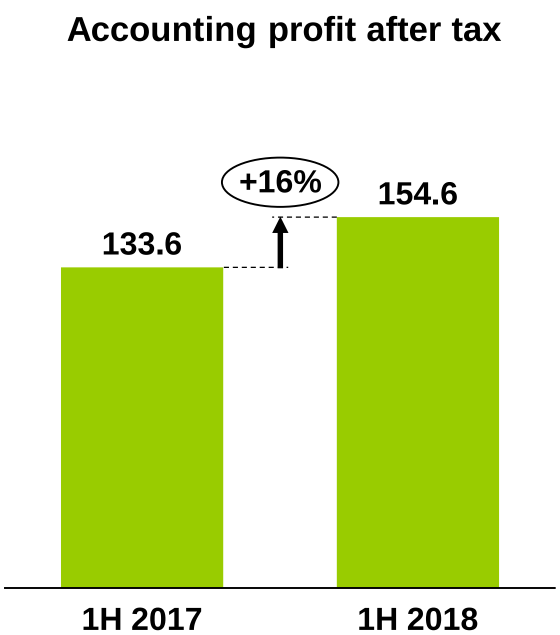
Monthly ATM cash
withdrawals in the
amount of
HUF ~250 billion[2]

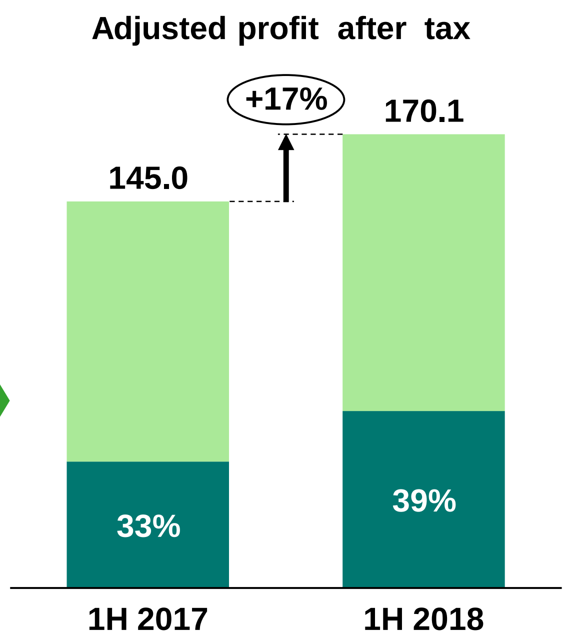
[1] Included inbound and outbound calls, e-mails, chats
[2] Based on 1Q 2018 data

Content

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

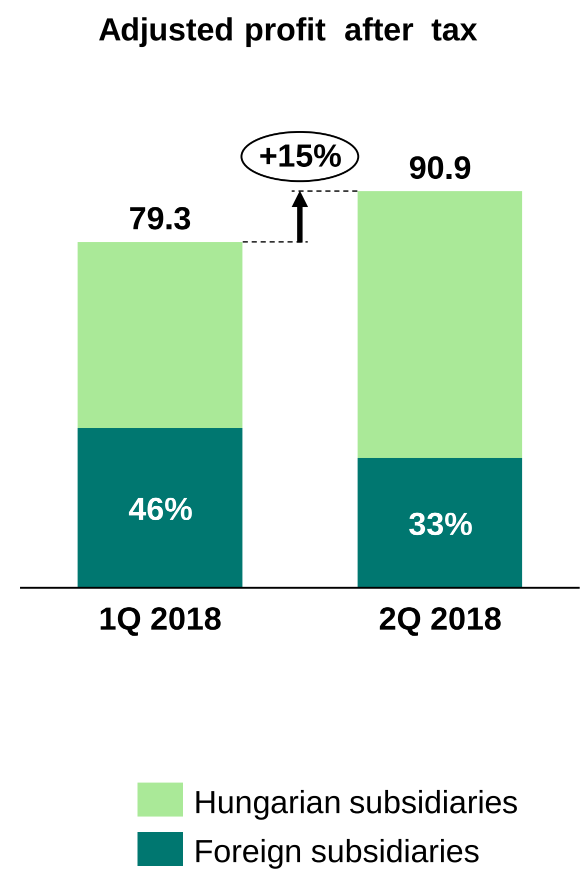
After tax profit development y-o-y (in HUF billion)





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

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



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

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

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

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

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

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

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

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

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

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

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

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Miscellaneous

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

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

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

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

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

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

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

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

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

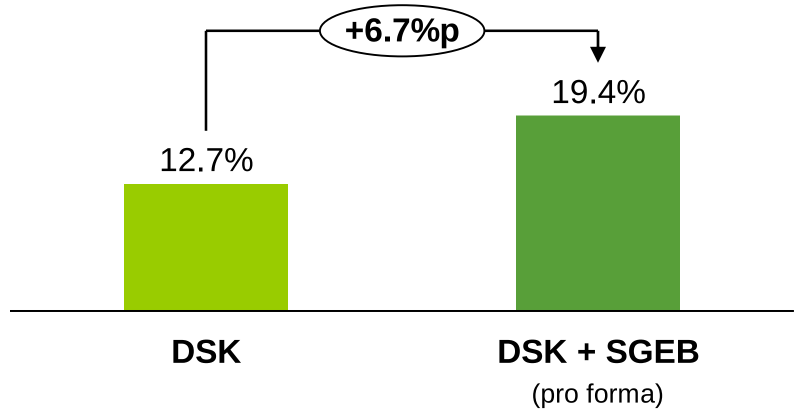
Bulgaria

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

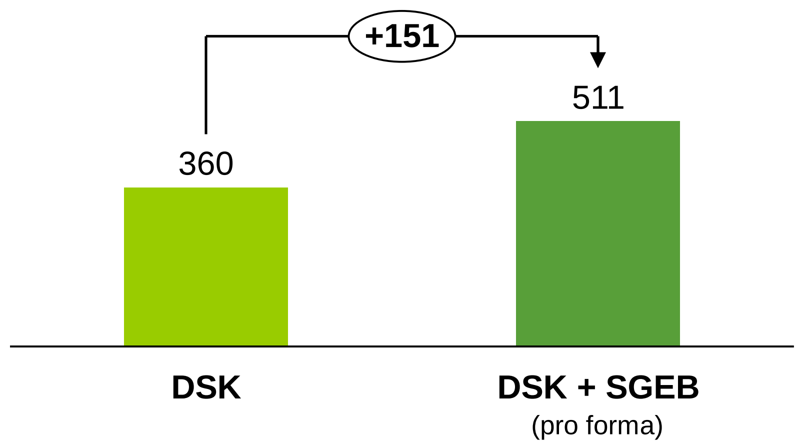
	Bank	Total assets	Market share
1.	**DSK+SGEB*** (pro forma)	**9,690**	**19.4%**
1.	UniCredit Bulbank	9,593	19.2%
2.	**DSK Bank**	**6,323**	**12.7%**
3.	United Bulgarian Bank	5,410	10.8%
4.	First Investment Bank	4,316	8.7%
5.	Eurobank Bulgaria	3,842	7.7%
6.	Raiffeisenbank	3,615	7.2%
7.	**SG Expressbank**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

Source: Bulgarian National Bank

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



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



* Including other assets being part of the transaction

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Bulgaria

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

Main components of balance sheet

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

Main components of P&L account and indicators

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

[1] Including Leasing and Factoring stocks.

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

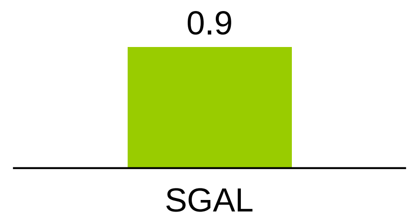
Albania

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

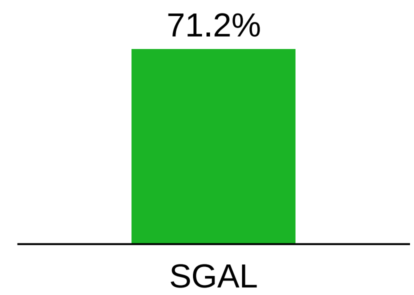
	Bank	Total assets	Market share
1.	National Commercial Bank	3,091	28.0%
2.	Raiffeisen Bank Albania	1,837	16.6%
3.	Credins Bank	1,387	12.6%
4.	Intesa Sanpaolo Bank Albania	1,220	11.0%
5.	**Societe Generale Albania**	**633**	**5.7%**
6.	Alpha Bank Albania	583	5.3%
7.	Tirana Bank	582	5.3%
8.	Union Bank	363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

Source: Albanian Association of Banks

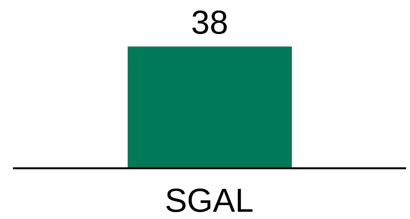
Profit after tax
(2017, in HUF billion)



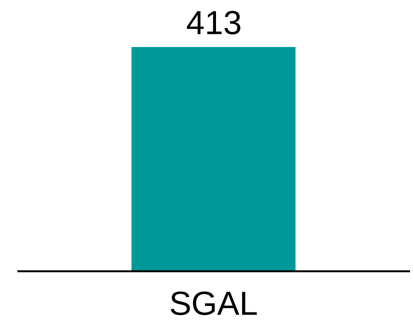
Net loan to deposit ratio
(based on 4Q 2017 data)



Number of branches
(based on 4Q 2017 data)



Number of employees
(based on 4Q 2017 data)



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

Effect of acquisitions

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

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

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

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

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

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

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

Effect of acquisitions

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

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

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

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

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

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

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

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

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

Core (Hungary) mortgage:

Housing loan	Home equity
3%	-2%

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

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

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

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

Core (Hungary) mortgage breakdown:

Housing loan	Home equity
8%	-8%

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

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

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

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

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

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

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

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

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

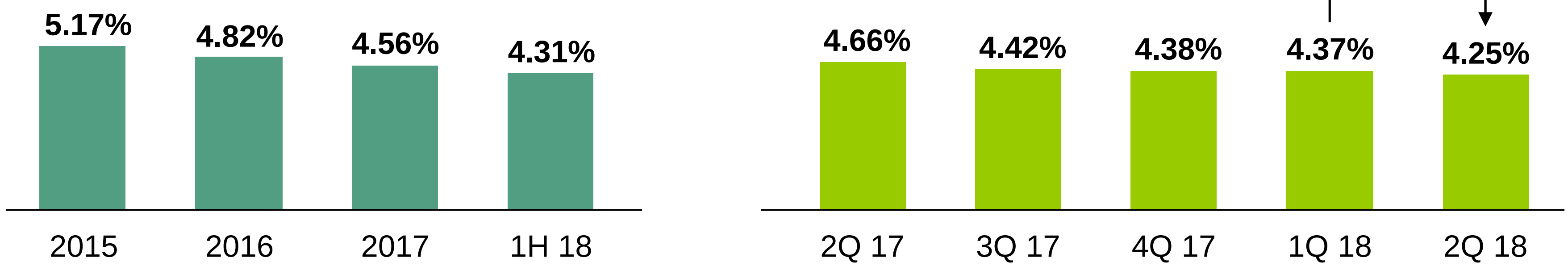
	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)[3]	OBH (Croatia)	OBU (Ukraine)	OBR (Romania)	OBSr (Serbia)	OBS (Slovakia)	CKB (Monte-negro)
Total	14% / 12%[2]	15%	9%	25%	6%	12%	13%	327% / 15%[2]	-1%	9%
Retail	11% / 8%[2]	11%	10%	23%	0%	17%	10%	435% / 8%[2]	-4%	5%
Corporate[1]	20% / 17%[2]	20%	3%	31%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

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

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

Net interest margin (%)

OTP Group



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

Interest rate effect: **-10 bps**

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

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

Composition effects: **-4 bps**

Capturing the weight changes within the Group in LCY terms.

FX rate changes: **+2 bps**

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

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

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

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

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

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

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

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

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

3. After the temporary improvement in 1Q 18 the Russian margin dropped to around the 4Q 17 level due to continued erosion of lending rates.

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

[1] Including Touch Bank from 1Q 2018.

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

Effect of acquisitions

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

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

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

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

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

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

Effect of acquisitions

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

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

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

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

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

Effect of acquisitions

Effect of Touch Bank inclusion in 1H 2018

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

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

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

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

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

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

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

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

OTP Core

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

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

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

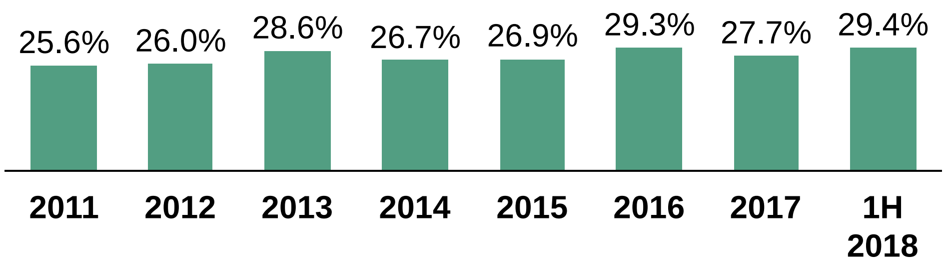
2 The *Revaluation result of the treasury share swap agreement* showed among the one-off items caused HUF 7.1 billion q-o-q improvement. On this line -HUF 1.8 billion negative revaluation result was recorded in 1Q 2018. The reason for this was that according to the structure of the swap agreement, the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

OTP Core

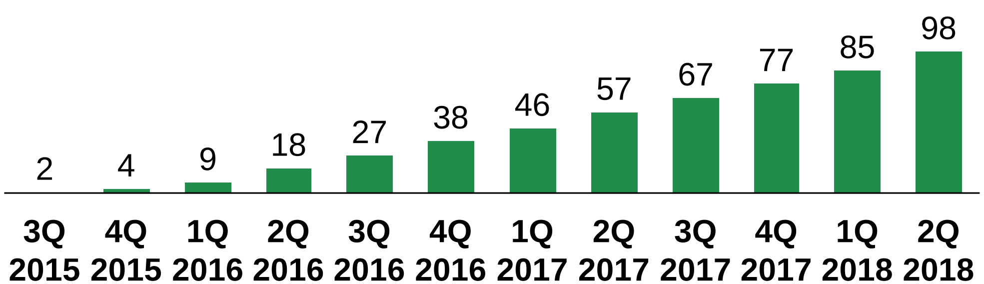
Mortgage loan disbursement momentum remained strong in Hungary. OTP enjoys a dominant and even improving market share in new mortgage and cash loan disbursements, as well as in retail savings

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

OTP's market share in mortgage loan contractual amounts

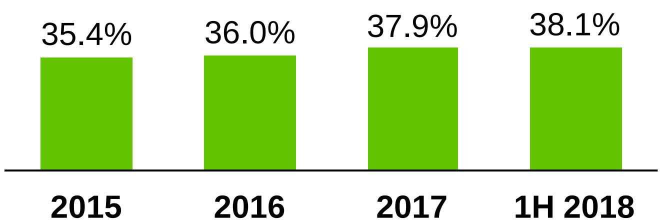


The cumulative amount of non-refundable CSOK subsidies contracted at OTP Bank since the launch of the programme (HUF billion)

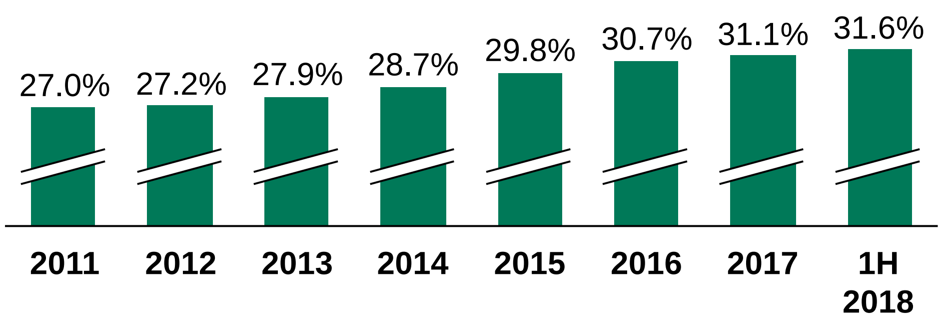


Performing cash loan volume growth (y-o-y , FX-adjusted)

Market share in newly disbursed cash loans



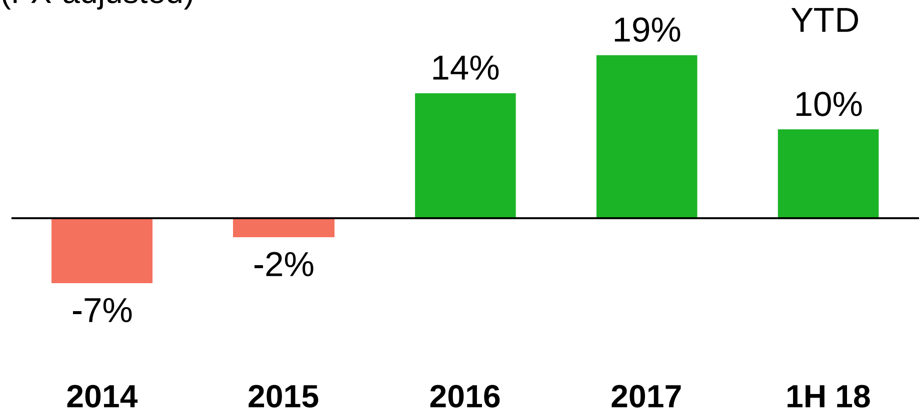
OTP Bank's market share in household savings



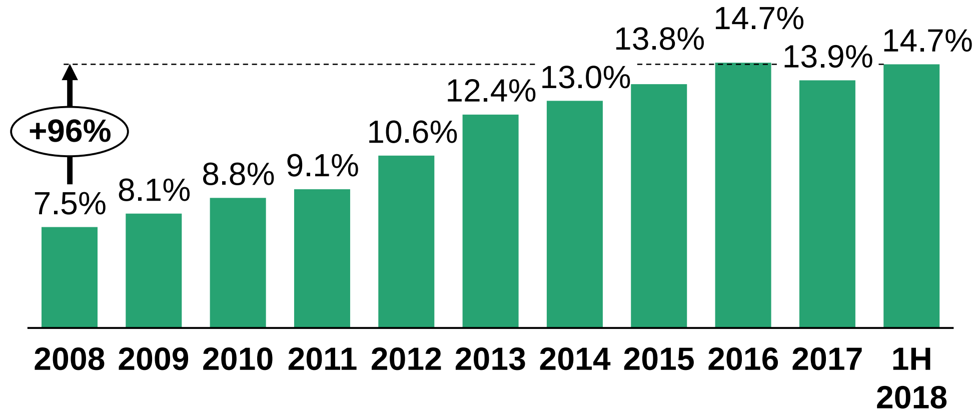
OTP Core

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

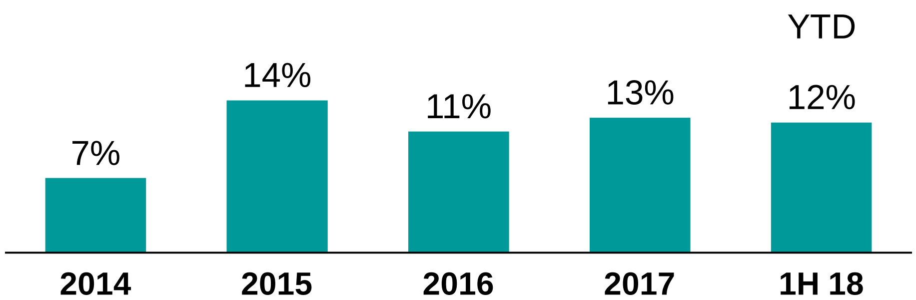
Performing medium and large corporate loan volume change (FX-adjusted)



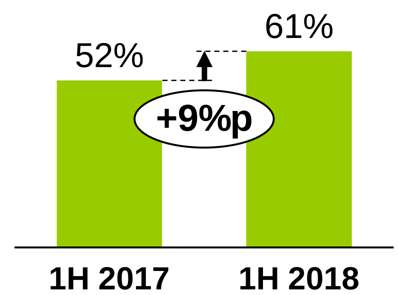
OTP Group's market share in loans to Hungarian companies[1]



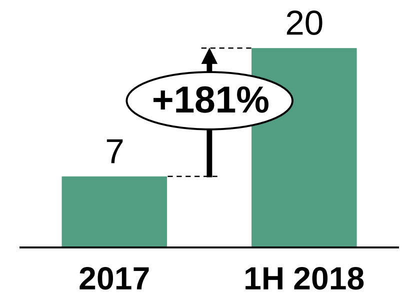
Performing loan volume change at micro and small companies (FX-adjusted)



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



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



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

DSK Bank Bulgaria

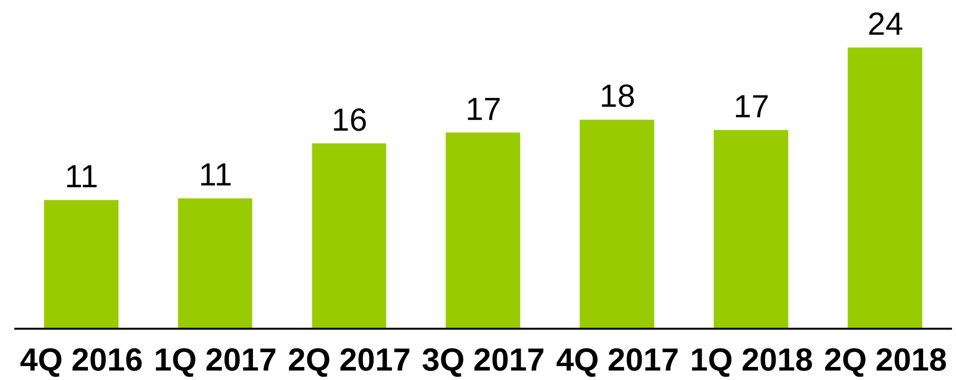
DSK Bank delivered strong results in 2Q 2018. The strengthening business activity can be illustrated by soaring new retail loan sales

Income statement

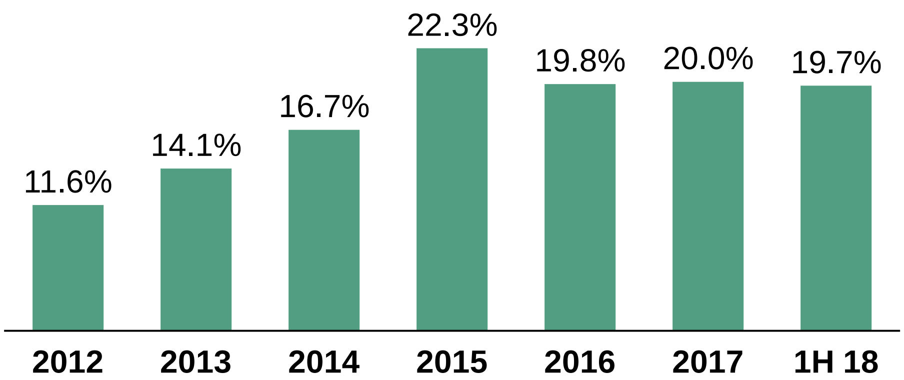
(in HUF billion)	2Q 17	1Q 18	2Q 18	Q-o-Q	Y-o-Y
Profit after tax	**12.0**	**11.3**	**12.9**	**14%**	**7%**
Profit before tax	13.4	12.4	14.2	14%	6%
Operating profit	15.9	15.4	13.2	-15%	-17%
Total income	27.6	26.9	25.5	-5%	-8%
Net interest income	18.3	17.9	16.5	-8%	-10%
Net fees and commissions	6.9	6.9	7.4	8%	7%
Other income	2.4	2.1	1.6	-26%	-35%
Operating costs	-11.7	-11.5	-12.3	7%	5%
Total risk cost	-2.5	-3.0	1.0		

New mortgage loan disbursements

(in HUF billion, without refinancing)

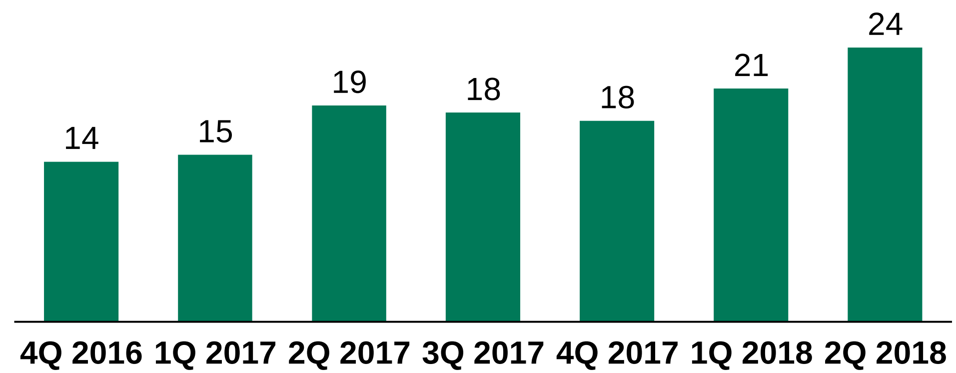


Return on Equity



New cash loan disbursements

(in HUF billion, without refinancing)



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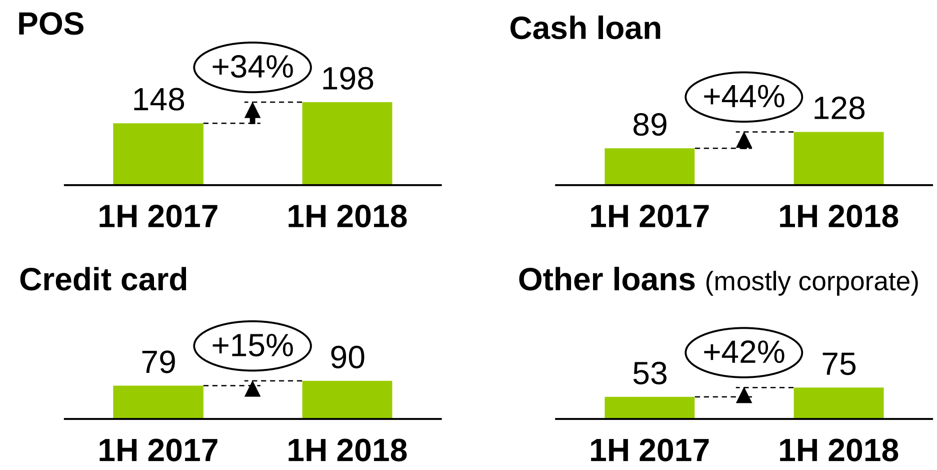
OTP Bank Russia

In 2Q the Russian profit decreased q-o-q due to seasonally higher risk cost, while operating profit improved by 2% in RUB terms. Performing loan volumes grew in the main retail as well as corporate segments y-o-y. Risk cost rate stood at 5.5% in 1H

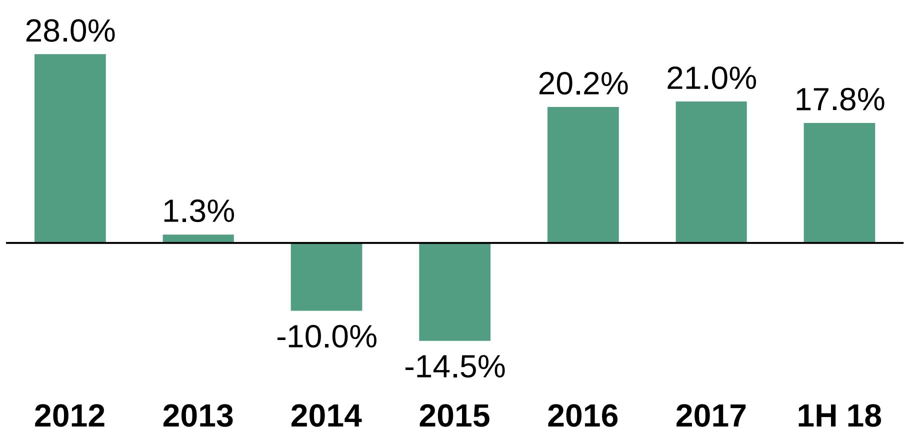
Income statement

(in HUF billion)	2Q 17	1Q 18	2Q 18	Q-o-Q	Y-o-Y
Profit after tax	**7.5**	**7.2**	**5.6**	**-22%**	**-25%**
Profit before tax	9.5	9.1	7.3	-20%	-23%
Operating profit	19.2	16.4	16.2	-1%	-16%
Total income	32.6	31.5	31.4	-1%	-4%
Net interest income	26.1	25.2	24.8	-2%	-5%
Net fees and commissions	6.1	6.2	6.5	4%	7%
Other income	0.3	0.1	0.1	6%	-73%
Operating costs	-13.3	-15.1	-15.2	1%	14%
Total risk cost	-9.8	-7.3	-8.9	21%	-9%

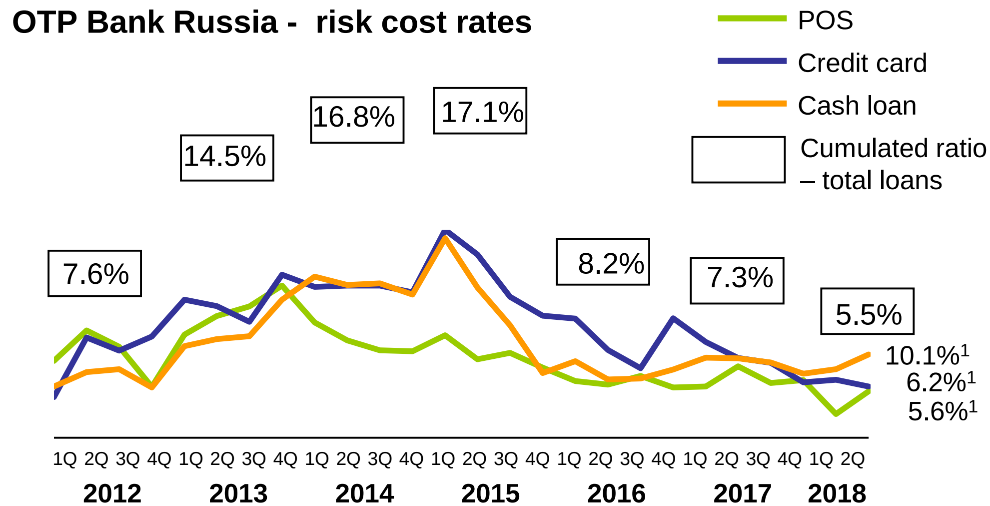
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity



OTP Bank Russia - risk cost rates

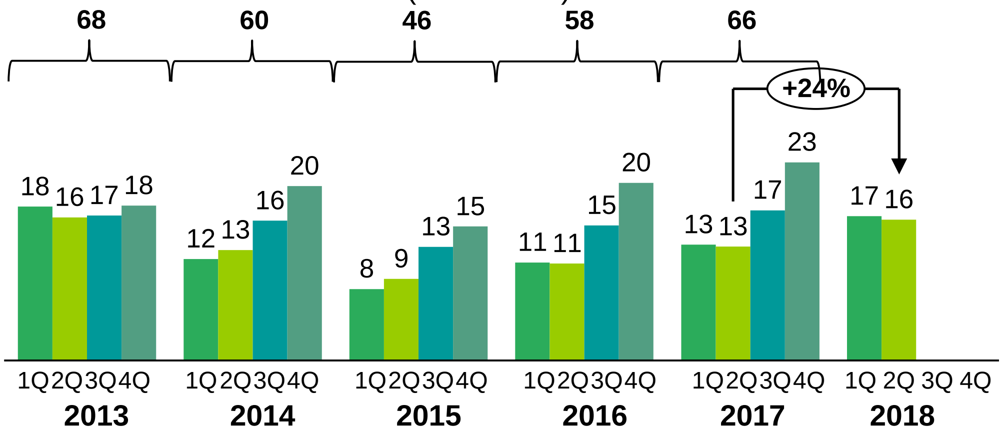


General note: from 1Q 2018 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 2017 Touch Bank's performance was presented separately.

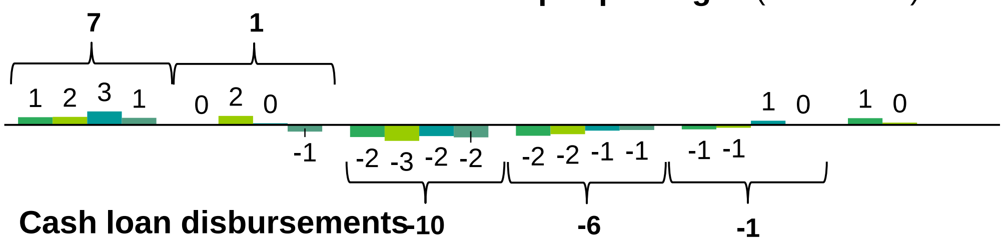
[1] Quarterly risk cost rate in 2Q 2018

In 2Q POS sales decreased q-o-q due to seasonality while cash loan sales improved and performing credit card volumes kept growing. Deposits increased q-o-q in RUB terms; LCY term deposit rates further declined

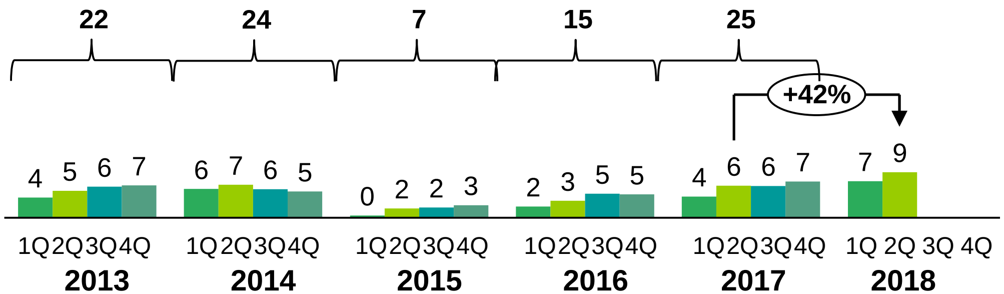
POS loan disbursements (RUB billion)



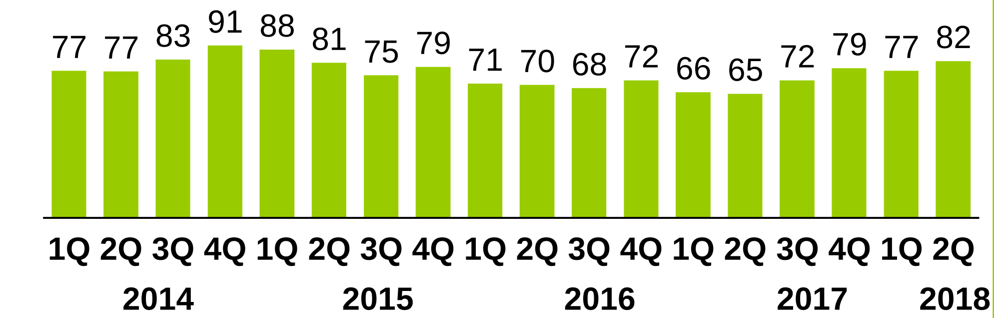
DPD0-90 credit card loan volume q-o-q changes (RUB billion)



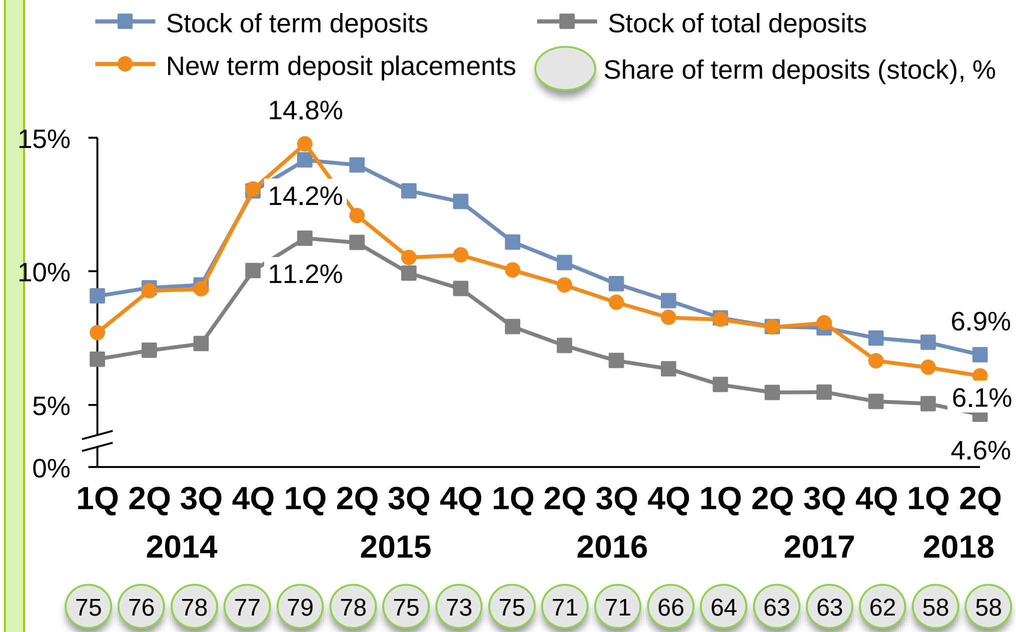
Cash loan disbursements (RUB billion, including quick cash loans)



Development of customer deposits (RUB billion)



Average interest rates for RUB deposits



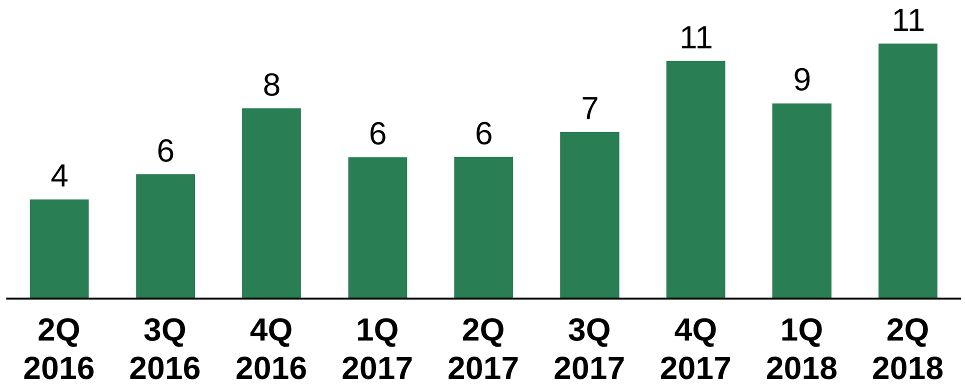
General note: from 1Q 2018 Touch Bank is presented as part of OTP Bank Russia. Until 4Q 2017 Touch Bank's performance was presented separately.

The Ukrainian profitability remained strong in 2Q, supported by widening margins and expanding performing loan volumes

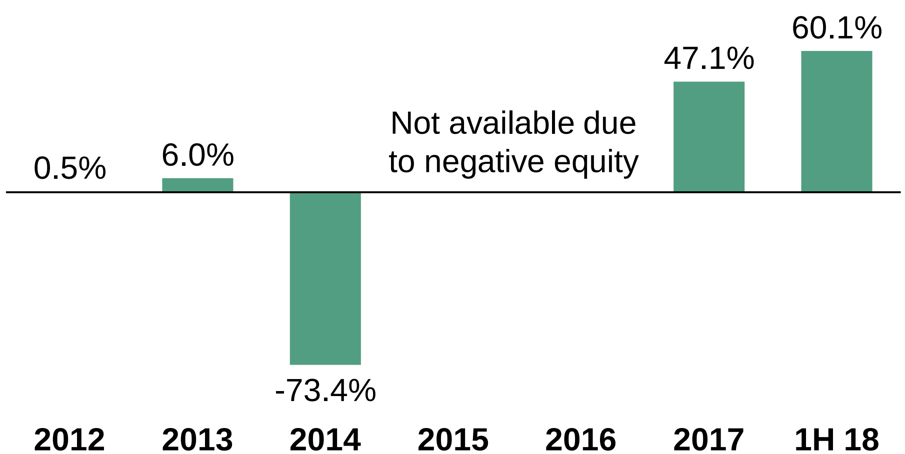
Income statement

(in HUF billion)	2Q 17	1Q 18	2Q 18	Q-o-Q	Y-o-Y
Profit after tax	**2.5**	**5.8**	**5.4**	**-7%**	**117%**
Profit before tax	3.2	6.9	6.6	-5%	103%
Operating profit	4.1	5.9	6.9	16%	69%
Total income	8.1	9.4	11.0	17%	37%
Net interest income	5.3	6.1	7.9	29%	50%
Net fees and commissions	2.3	2.4	2.7	13%	17%
Other income	0.5	0.9	0.4	-55%	-17%
Operating costs	-4.0	-3.5	-4.2	19%	4%
Total risk cost	-0.8	1.0	-0.3		-65%

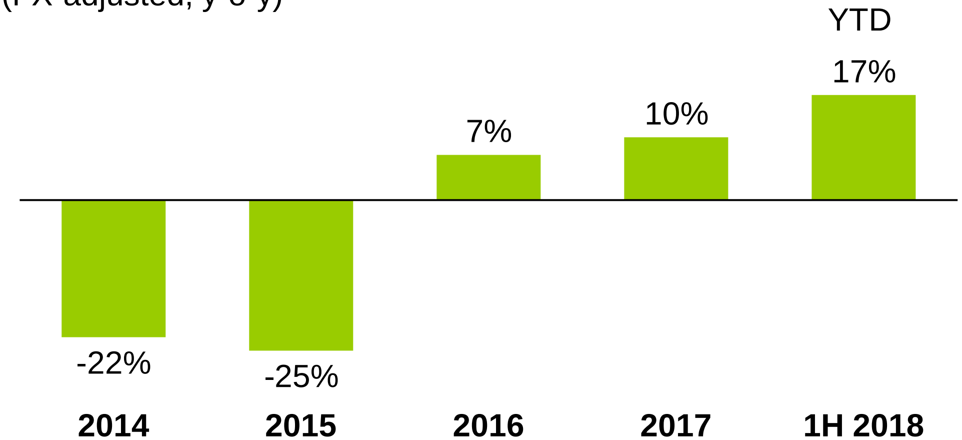
New cash and POS loan disbursements (in HUF billion)



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



Performing corporate + SME loan volumes changes
(FX-adjusted, y-o-y)



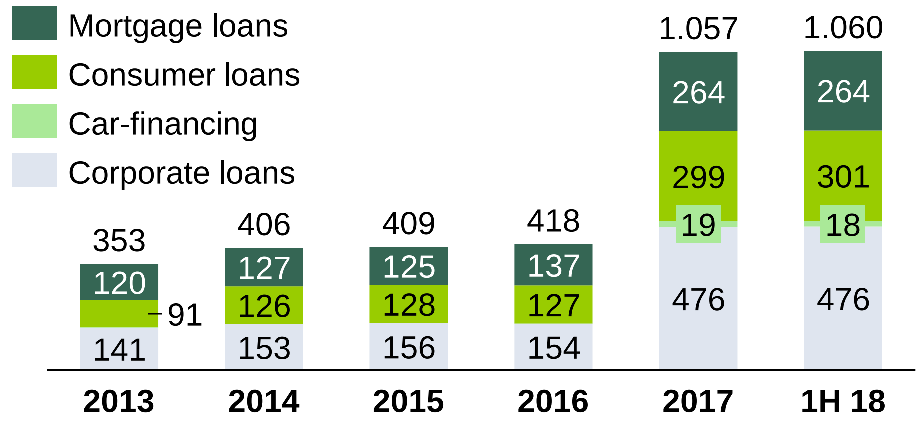
OBH (Croatia)

In Croatia the elevated 2Q risk costs were mostly related to a single big corporate exposure. The first half ROE was close to 10%. Corporate and consumer loan volumes kept on increasing

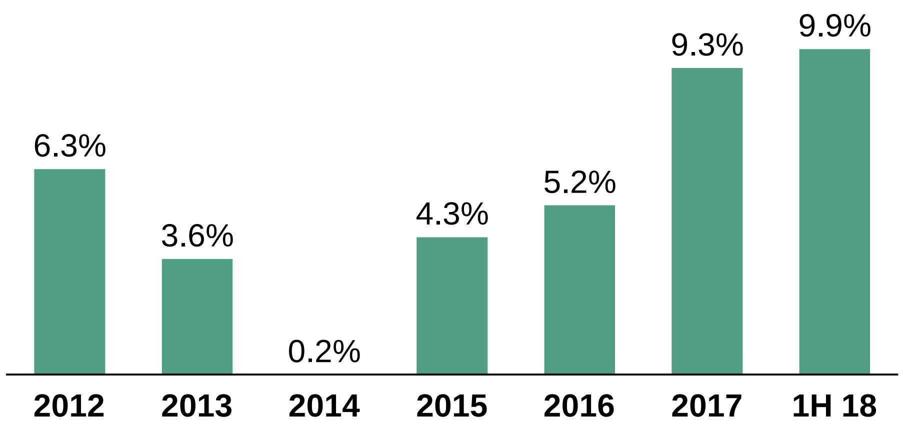
Income statement

(in HUF billion)	2Q 17	1Q 18	2Q 18	Q-o-Q	Y-o-Y
Profit after tax	**6.9**	**7.7**	**4.5**	**-41%**	**-35%**
Profit before tax	8.6	9.2	5.8	-36%	-32%
Operating profit	7.4	7.6	9.1	21%	24%
Total income	16.2	18.2	19.9	9%	22%
Net interest income	11.5	13.2	13.8	4%	20%
Net fees and commissions	3.2	3.6	4.2	17%	32%
Other income	1.5	1.4	1.9	33%	25%
Operating costs	-8.8	-10.6	-10.7	1%	21%
Total risk cost	1.2	1.6	-3.3	-306%	-378%

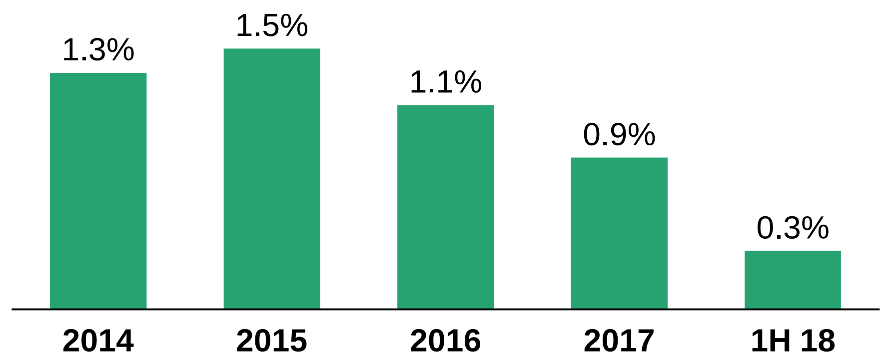
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



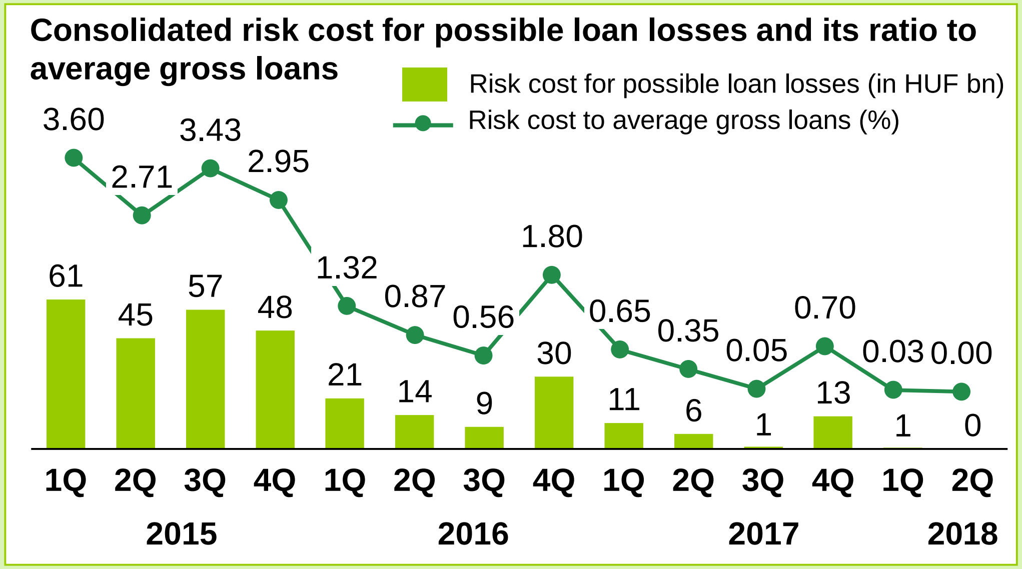
Return on Equity

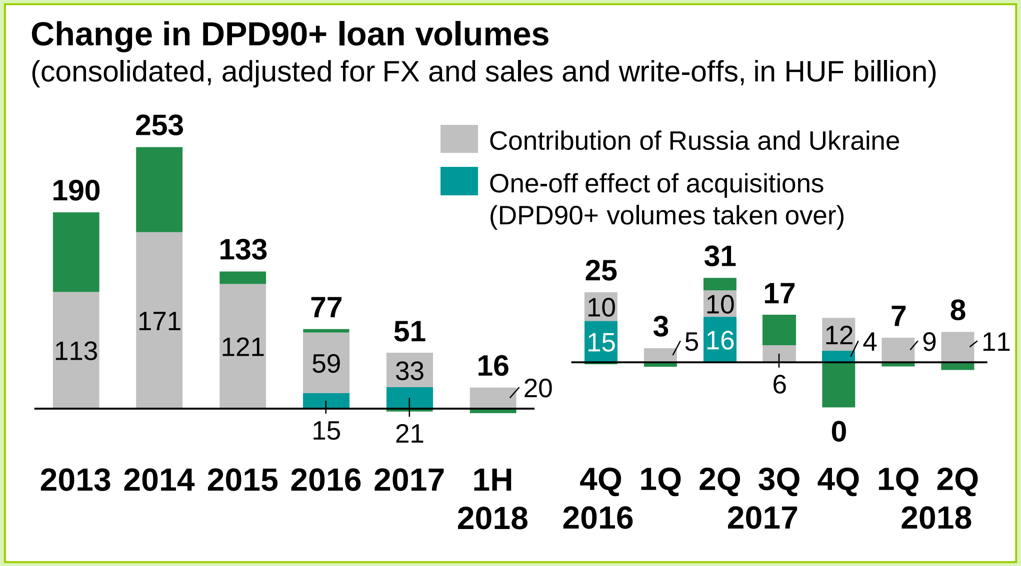


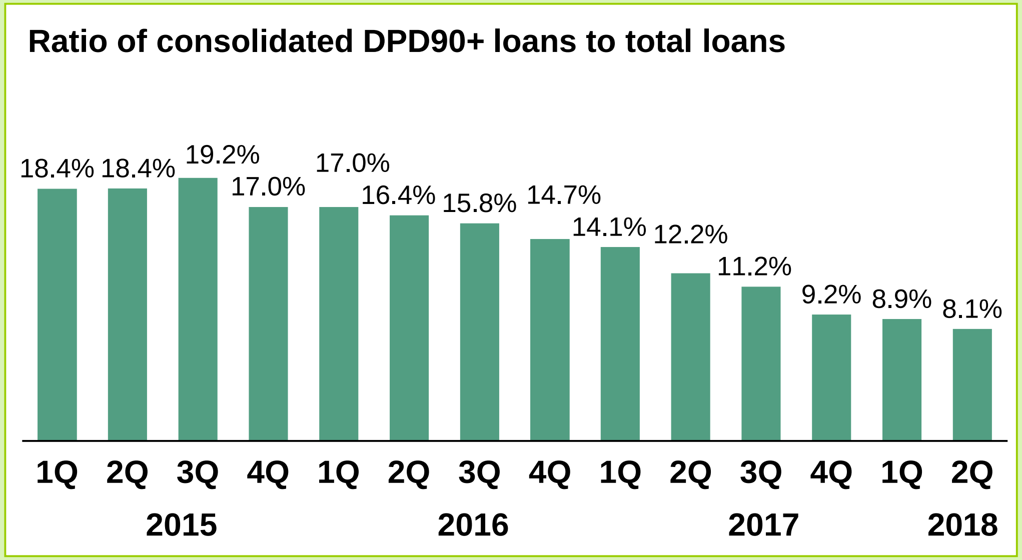
Risk cost rate

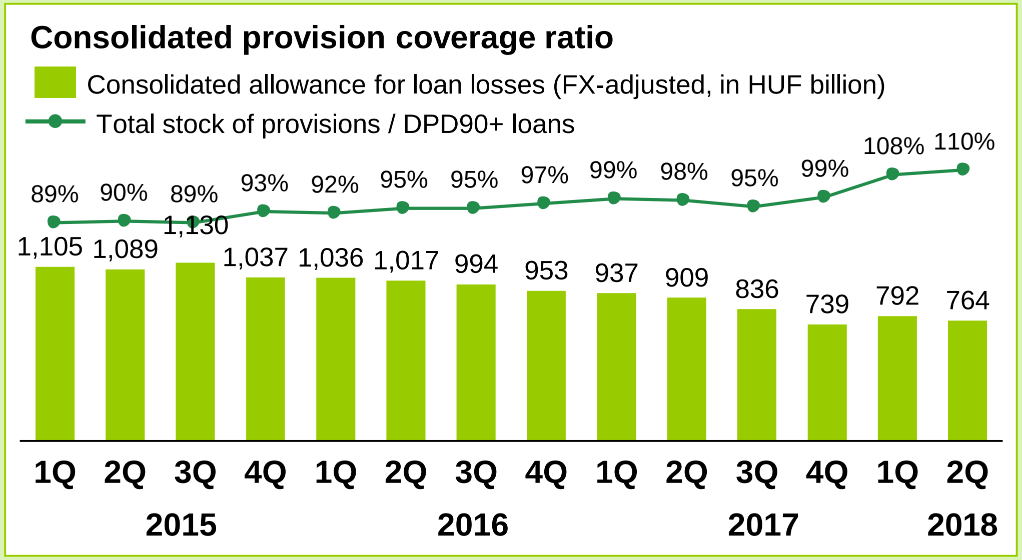


The decline of the consolidated DPD90+ ratio continued. The risk cost rate sank close to multi-year lows



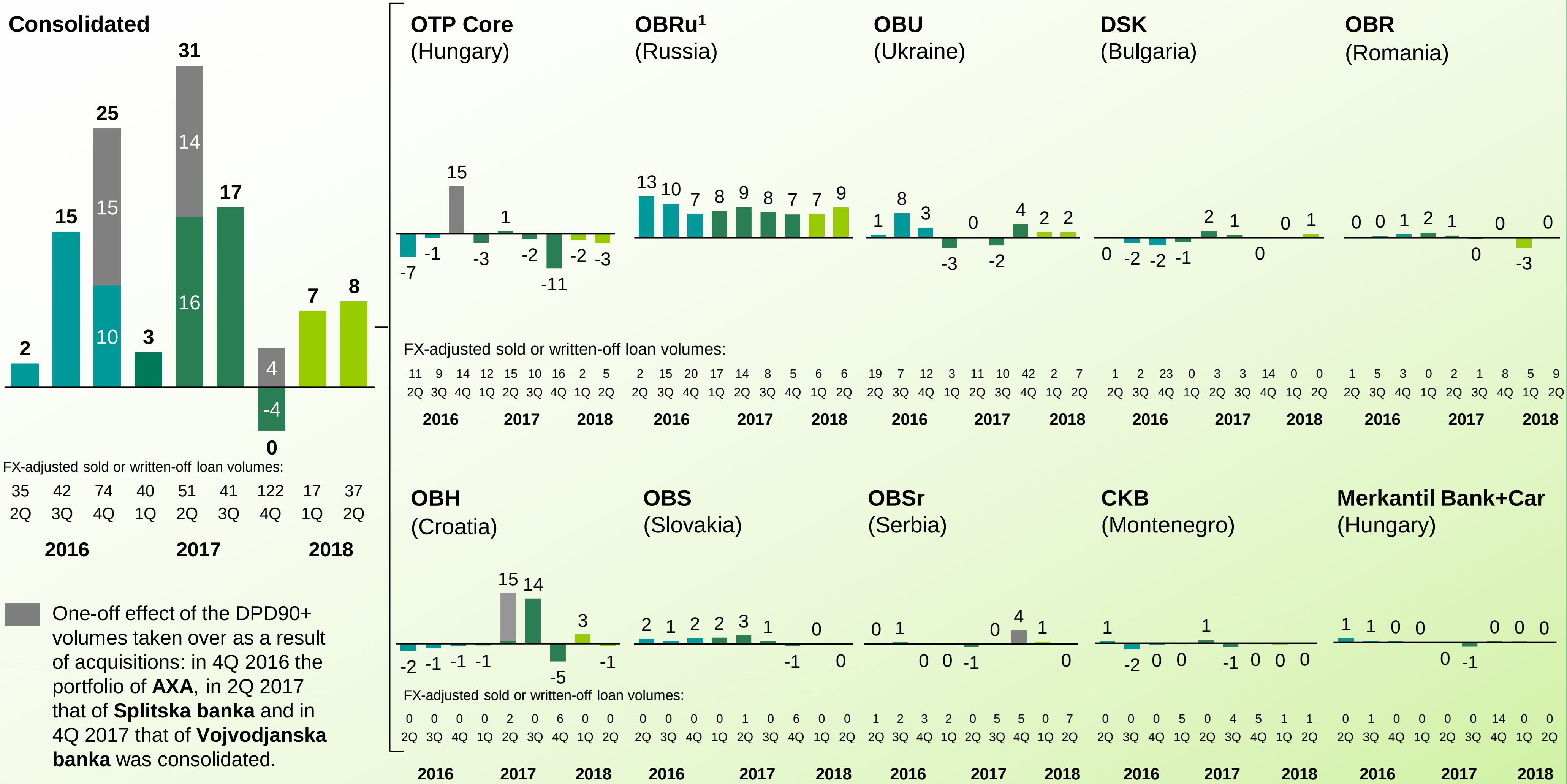






In 2Q 2018 the consolidated DPD90+ formation was subdued; trends remained favourable in all geographies

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



[1] Including Touch Bank from 1Q 2018.

The overall trend of DPD90+ ratio decline continued q-o-q in all key geographies; the risk cost rates are hovering around all-time low levels

Risk cost for possible loan losses / Average gross customer loans[2], %

	OTP Core Hungary	DSK Bank Bulgaria	OTP Bank Croatia	OTP Bank Russia[1]	OTP Bank Ukraine
(2017)	-1.2	0.3	0.9	7.3	0.3
(1H 2018)	-1.7	0.7	0.3	5.5	-0.8
2Q 2017	-1.4	-0.3	0.1	7.9	1.0
3Q 2017	-1.9	0.4	0.5	7.1	1.1
4Q 2017	-0.6	0.9	0.3	6.5	-0.7
1Q 2018	-1.1	1.4	-0.6	4.9	-1.8
2Q 2018	-2.2	0.1	1.2	6.1	0.1

DPD90+ loans / Gross customer loans, %

	OTP Core Hungary	DSK Bank Bulgaria	OTP Bank Croatia	OTP Bank Russia[1]	OTP Bank Ukraine
2Q 2017	8.3	11.1	6.4	18.4	37.5
3Q 2017	7.5	9.4	7.7	17.2	33.4
4Q 2017	6.4	7.9	6.6	15.8	26.4
1Q 2018	6.2	7.7	6.9	15.3	25.1
2Q 2018	5.5	7.6	6.6	15.3	21.6

Total provisions / DPD90+ loans, %

	OTP Core Hungary	DSK Bank Bulgaria	OTP Bank Croatia	OTP Bank Russia[1]	OTP Bank Ukraine
2Q 2017	82	108	85	127	122
3Q 2017	81	111	76	130	119
4Q 2017	88	116	86	134	119
1Q 2018	98	117	90	139	125
2Q 2018	99	116	96	140	128

[1] Including Touch Bank from 1Q 2018.

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

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At the largest operations the DPD90+ ratios typically decreased q-o-q

DPD90+ ratio (%)

OTP Core (Hungary)	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	Q-o-Q (pp)
Total	**8.3**	**7.5**	**6.4**	**6.2**	**5.5**	***-0.6***
Retail	10.3	9.7	8.9	8.5	8.0	*-0.5*
Mortgage	9.8	9.4	8.5	8.1	7.7	*-0.4*
Consumer	12.3	10.9	10.3	9.7	9.0	*-0.7*
MSE**	6.5	6.1	5.1	5.2	4.8	*-0.4*
Corporate	5.4	4.2	2.6	2.7	2.2	*-0.6*
Municipal	0.1	0.1	0.0	0.0	0.0	*0.0*

DPD90+ ratio (%)

DSK Bank (Bulgaria)	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	Q-o-Q (pp)
Total	**11.1**	**9.4**	**7.9**	**7.7**	**7.6**	***-0.2***
Mortgage	15.9	13.5	9.9	9.4	9.0	*-0.4*
Consumer	8.4	7.0	7.2	7.5	7.6	*0.1*
MSE	15.9	13.4	9.3	9.0	8.3	*-0.7*
Corporate	8.6	7.4	6.7	6.2	6.0	*-0.2*

DPD90+ ratio (%)

OTP Bank Croatia	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	Q-o-Q (pp)
Total	**6.4**	**7.7**	**6.6**	**6.9**	**6.6**	***-0.3***
Mortgage	5.3	5.1	4.9	5.3	5.2	*-0.1*
Consumer	6.8	7.1	6.6	7.4	7.3	*0.0*
Corporate	10.5	15.0	11.3	11.4	10.7	*-0.8*
Car-finance	0.9	1.0	1.0	1.1	1.2	*0.1*

DPD90+ ratio (%)

OTP Bank Russia[1]	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	Q-o-Q (pp)
Total	**18.4**	**17.2**	**15.8**	**15.3**	**15.3**	***0.0***
Mortgage	37.5	36.7	39.9	43.5	43.5	*0.0*
Consumer	18.3	17.1	15.8	15.5	15.4	*-0.1*
Credit card	29.4	27.8	27.6	25.9	25.4	*-0.4*
POS loan	12.5	11.8	10.4	10.7	11.3	*0.6*
Cash loan	15.8	15.0	14.7	14.3	13.3	*-1.0*

DPD90+ ratio (%)

OTP Bank Ukraine	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	Q-o-Q (pp)
Total	**37.5**	**33.4**	**26.4**	**25.1**	**21.6**	***-3.5***
Mortgage	72.6	73.6	71.1	71.3	70.5	*-0.8*
Consumer	32.5	29.7	20.2	18.7	16.8	*-1.9*
SME	87.8	88.0	81.8	57.6	49.2	*-8.4*
Corporate	13.4	5.9	4.2	4.8	4.1	*-0.7*
Car-finance	35.5	33.5	17.5	14.8	12.8	*-2.0*

[1] Including Touch Bank from 1Q 2018.

In 2Q 2018 the reported CET1 was 14.6%, but the CET1 capital does not include the 1H 2018 profit less indicated dividend; including these the CET1 would be 16.0%

OTP Group consolidated capital adequacy ratios (IFRS)

BASEL III	2013	2014[1]	2015	2016	2017	1H 2018
Capital adequacy ratio	19.7%	16.9%	16.2%	16.0%	14.6%	16.5%
Common Equity Tier1 ratio	16.0%	13.5%	13.3%	13.5%/ 15.8%[2]	12.7%/ 15.3%[2]	14.6%/ 16.0%[2]

1 The CET1 ratio including interim profit less dividend improved ytd by 0.7 pp, mainly thanks to the sound profitability. In 1H the Bank accrued HUF 30,660 million dividend, the same as a year ago, in line with the announcement made at the AGM.

The CET1 ratio was reduced by the higher RWA (induced by growing volumes), but also the shift to IFRS 9 and the application of transitional rules resulted in a 3 bps decline in the first half year.

2 The Ukrainian capital adequacy ratio improved ytd partly due to a subordinated loan taken in 2Q with 7 years tenor.

3 These are the CAR ratios of the mother banks which own the shares of the acquired banks (Vojvodjanska banka in Serbia and Splitska banka in Croatia).

Capital adequacy ratios (under local regulation)

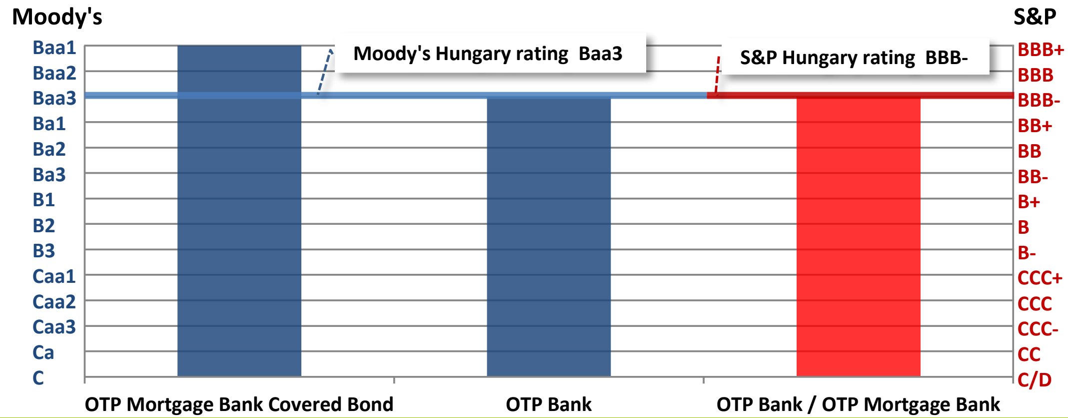
	2013	2014	2015	2016	2017	1H 2018
OTP Group (IFRS)	**19.7%**	**16.9%**	**16.2%**	**16.0%**	**14.6%**	**16.5%**
Hungary	23.0%	19.0%	26.6%	27.7%	31.4%	30.6%
Russia	14.0%	12.1%	13.3%	16.2%	15.9%	16.7%
Ukraine	20.6%	10.4%	15.7%	12.4%	15.5%	17.1%
Bulgaria	16.4%	18.0%	17.3%	17.6%	17.2%	16.4%
Romania	12.7%	12.6%	14.2%	16.0 %	14.5%	17.1%
Serbia	37.8%	30.8%	26.1%	22.8%	28.4%	25.1%
Croatia	16.7%	16.5%	15.5%	16.7%	16.5%	16.9%
Slovakia	10.6%	13.7%	13.4%	12.9%	15.0%	14.6%
Montenegro	14.4%	15.8%	16.2%	21.1%	22.6%	23.9%

[1] Calculated with the deduction of the dividend amount accrued in 2014.
[2] Including the interim net profit less accrued dividend.

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

(rating outlook)
+ positive
- negative
0 stable

Hungarian sovereign, OTP Bank and OTP Mortgage Bank ratings



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

Moody's		S&P Global		Fitch	
Aaa		AAA		AAA	
Aa1		AA+		AA+	
Aa2		AA		AA	
Aa3		AA-		AA-	
A1		A+	SK(0)	A+	SK(0)
A2	SK(+)	A		A	
A3		A-		A-	
Baa1		BBB+		BBB+	
Baa2	BG(0)	BBB		BBB	BG(0)
Baa3	RO(0) HU(0)	BBB-	HU(+) BG (+) RO(0) RU(0)	BBB-	RU(+) HU(+) RO(0)
Ba1	RU(+)	BB+	CR(+)	BB+	CR(+)
Ba2	CR(0)	BB	SRB (0)	BB	SRB (0)
Ba3	SRB(0)	BB-		BB-	
B1	MN(+)	B+	MN(0)	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, S&P Globa, Fitch or Dagong.

OTP Group related rating actions

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

Recent sovereign rating developments

- S&P upgraded **Russia**'s ratings to BBB- from BB+, with stable outlook. *(23 February 2018)*
- S&P upgraded **Croatia**'s ratings to BB+ from BB, with stable outlook. *(23 March 2018)*
- S&P has changed the outlook on **Bulgaria**'s BBB- rating to positive from stable. *(01 June 2018)*
- Fitch has changed the outlook on **Croatia**'s BB+ rating to positive from stable. *(06 July 2018)*
- Moody's has changed the outlook on **Montenegro** to positive from stable. *(21 September 2018)*
- S&P has changed the outlook on **Croatia** to positive from stable. *(21 September 2018)*

Last update: 21/09/2018
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

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Strong growth is expected to continue in 2018 supported by organic and acquisition-generated business expansion

Management expectations for 2018 – 1.

Original guidance disclosed at the 2018 AGM	Comments at the 2Q 18 confcall
The ROE target of above 15% (assuming 12.5% Common Equity Tier1 ratio) announced at the 2015 Annual General Meeting remains in place.	**OTP Group is very likely going to over-exceed this target.**
Apart from the negative impact of the Hungarian and Slovakian banking tax (HUF 15 billion after tax) further acquisitions may result in material adjustment items.	
The FX-adjusted growth of performing loans – without the potential effect of further acquisitions – may be close to the 2017 organic growth (+10%). Within that, the increase of household exposures may intensify, whereas the pace of corporate book expansion – following an outstandingly strong performance in 2016 and 2017 – may somewhat decelerate.	**Loan growth may be materially higher than 10%. After the strong first half the corporate loan growth may somewhat decelerate, but retail volumes might pick up.**
The net interest margin erosion may continue, compared to the 4Q 2017 level (4.38%) the annual NIM may contract by around another 10-15 bps. The forecast does incorporate the effect of acquisitions completed in 2017, however doesn't include the impact of further potential acquisitions.	**Reaffirmed.**
Positive credit quality trends may continue with the DPD90+ ratio further declining, however total risk costs may increase as a result of higher loan volumes, the introduction of IFRS 9 and the presumably lower provision releases compared to 2017.	**2018 total risk costs are very likely to be lower than in 2017.**
The increase of FX-adjusted operating expenses without acquisition effect may exceed the 2017 dynamics and be around 6% y-o-y as a result of wage inflation and on-going digital transformation.	**Based on 1H results the OPEX target is achievable, but difficult.**

The expected amount of proposed dividend to be paid after the 2018 financial year depends on the future acquisitions. 2018 adjusted after tax profit might reach EUR 1 billion

Management expectations for 2018 – 2.

Beyond the capital required for organic growth the management intends to allocate significant part of the generated excess capital for further value-creating acquisitions:

- **The dividend amount to be paid from 2018 earnings depends primarily on the impact of completed future acquisitions. Subject to these deals, the final dividend proposal will be decided at the beginning of 2019.**
- **As for the indicated / deducted dividend amount presented among the financial data in the quarterly Stock Exchange Reports in 2018, the basis for the calculation will be the dividend proposal after the 2017 financial year (HUF 61.32 billion). However, the final dividend proposal can differ from this amount.**

According to the guidance provided by the Chairman-CEO in September 2018, the full-year 2018 adjusted after tax profit might reach EUR 1 billion, assuming the current level of EURHUF rate.

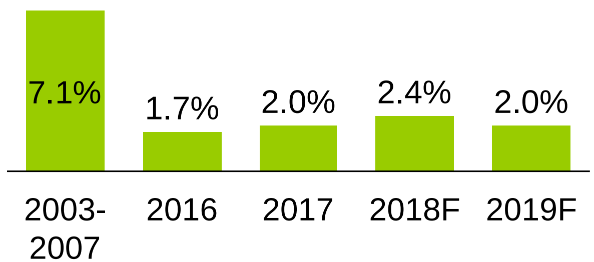
Content

Hungary

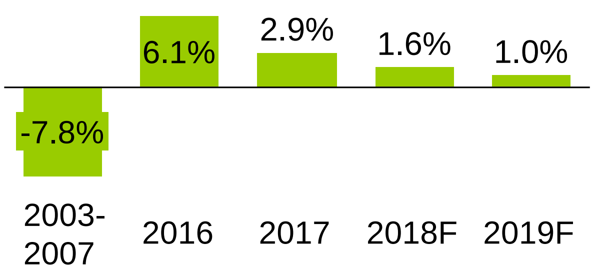
OTP Research expects 4.4% economic growth in Hungary in 2018; in 1H 2018 it reached 4.5% y-o-y. Growth is forecasted to stay at around 4% in 2019

Balance

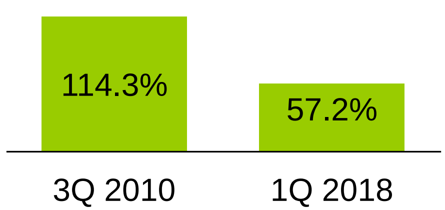
Budget deficit



Current account balance

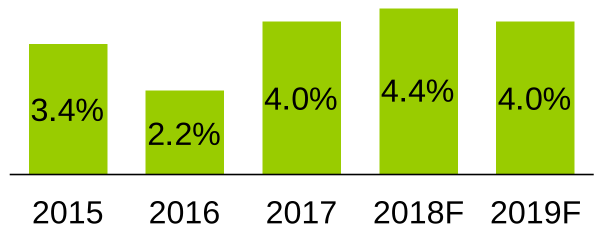


Gross external debt[1] (in % of GDP)

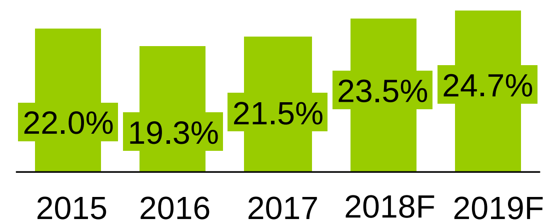


Growth

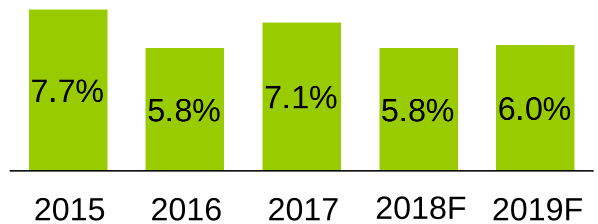
Real GDP growth



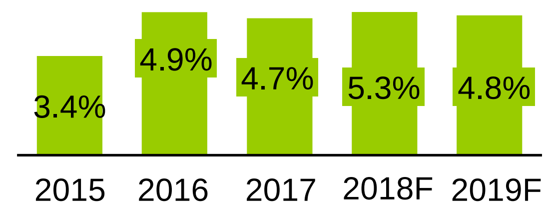
Investment to GDP



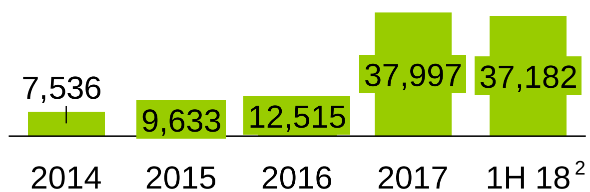
Export growth



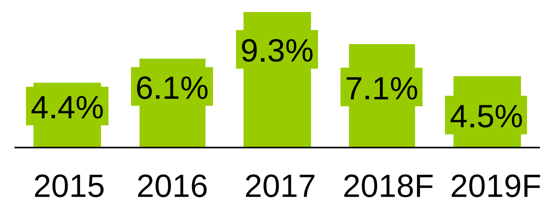
Household consumption



Housing construction permits



Real wage growth



Sources: CSO, NBH; forecasts: OTP Research Centre

[1] Without inter-company loans

[2] Seasonally adjusted annualized figure

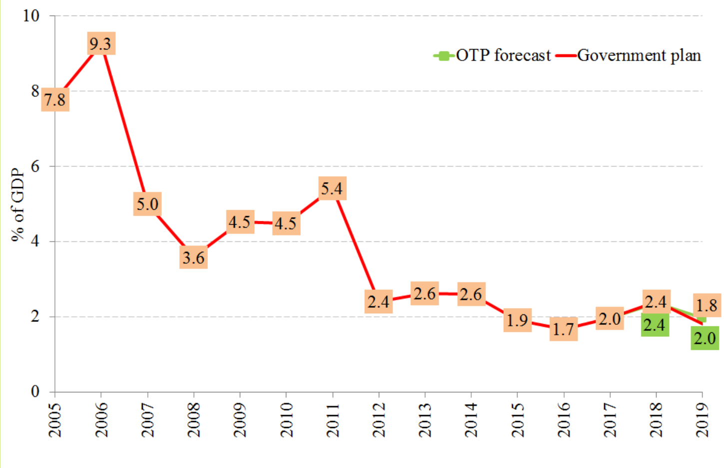
Hungary

The government intends to spend more on investments, but the overall fiscal discipline is expected to persist. The current account surplus moderated, while external indebtedness fell further

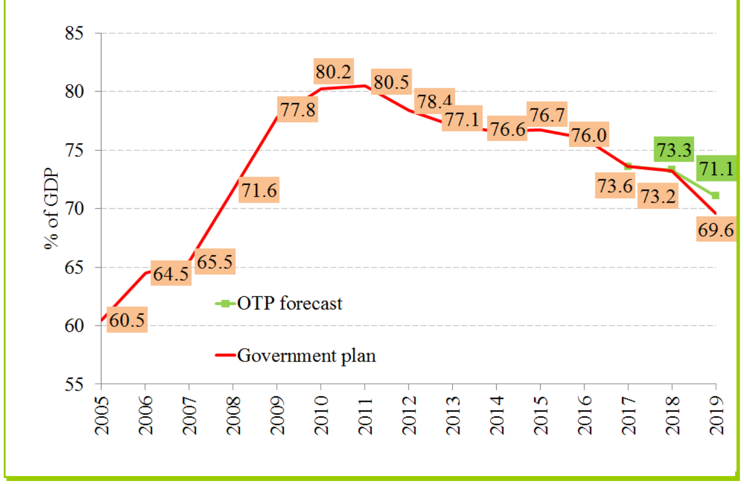
The budget deficit might reach 2.4% of GDP in 2018, marginally higher than the 2% in 2017, as temporary revenues from the corporate tax credit fell out. Furthermore, while revenue growth remained strong, expenditures were temporary boosted by public investments before the elections, so the four quarters average deficit widened to 3% of GDP in 1Q. Public debt moderated further, despite the high financing requirement from the pre-financing of EU-fund-related projects.

After hitting an all-time high surplus of 6.1% of GDP in 2016 as a whole, the C/A balance started to shrink slowly due to stronger domestic demand and higher energy prices. External debt fell further, gross external debt fell below 60% of GDP, very close to levels characteristic for the CEE region, while net and short-term debt moderated to 13%.

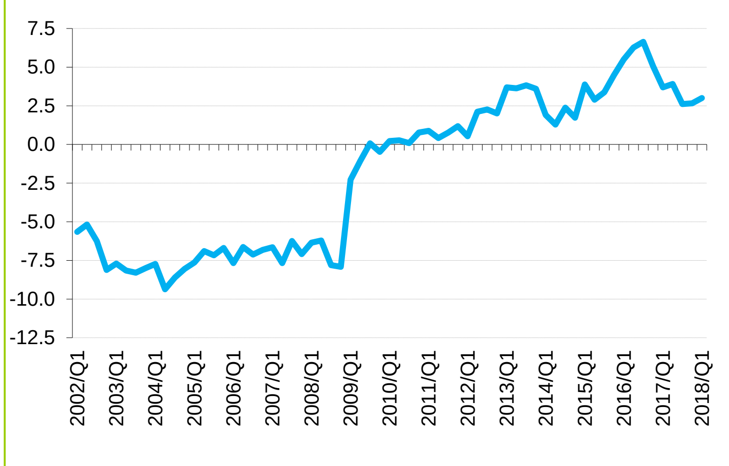
Budget balance (as % of GDP)



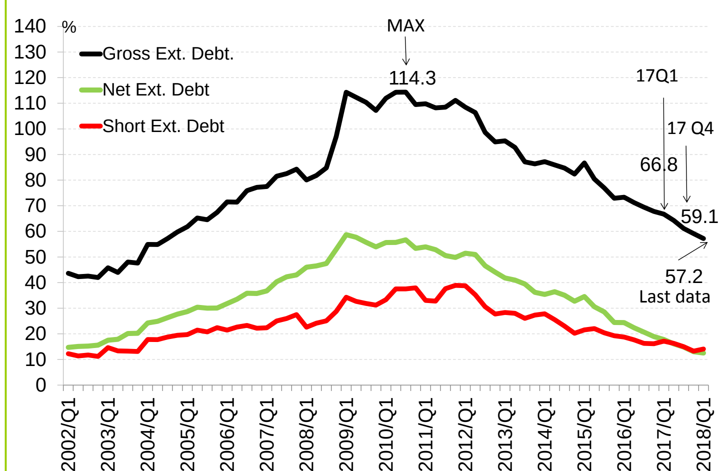
Public debt (as % of GDP)



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

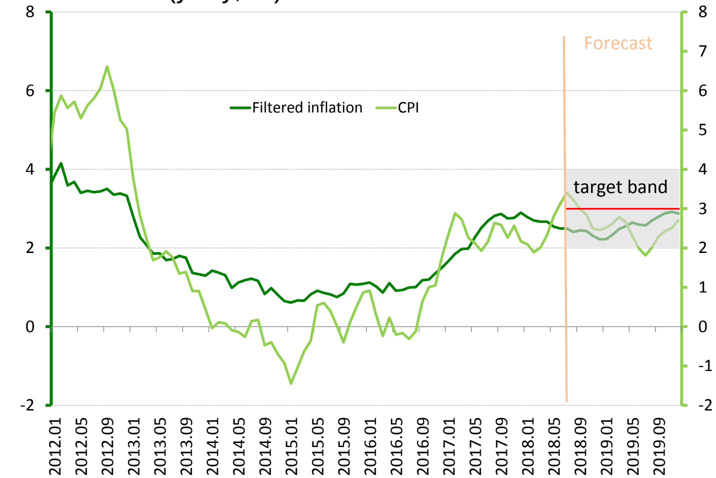
The zero interest rate environment may come to an end in 2019

CPI reached 3.4% in July, due to the sharp rise in fuel prices. After hitting the peak we expect inflation gradually to moderate and fall below the 3% target in early autumn, as inflation contribution of fuel prices will fall gradually from the current above 1 percentage point level. Than we expect the inflation to remain below the NBH 3% target both in 2018 and 2019.

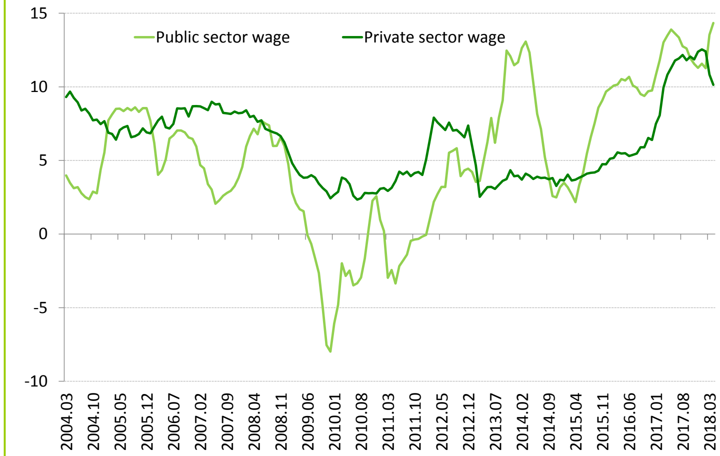
Even though the current phase of the economic cycle points to accelerating CPI, it is still offset by a number of factors (e.g. VAT & social security contributions cuts, moderate food and imported inflation, unchanged administrative prices).

However, as underlying inflation is on the rise and could exceed 3% in 2H 2019 we expect the National Bank to start a cautious monetary tightening in 2019, by phasing out unconventional measures in the first half of the year, driving up BUBOR rates toward the base rate, which could be followed by base rate hikes in the second half of 2019.

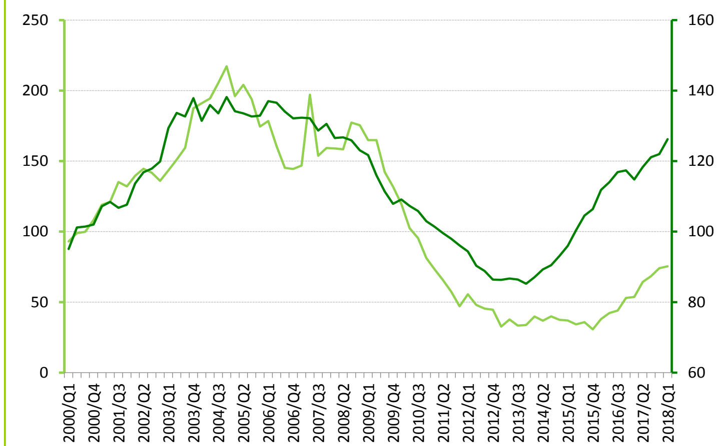
Inflation (y-o-y, %)



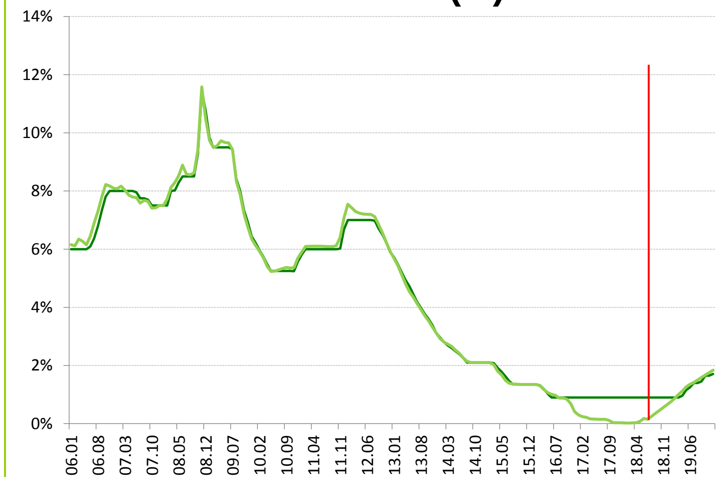
Wage growth in the economy (3M rolling y-o-y,%)



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



Base rate & 3M BUBOR (%)



Sources: HCSO, NBH, Reuters, OTP Research

Hungary

2018 is likely to be even more encouraging than 2017 with close to 4.5% GDP growth, moderate inflation, low budget deficit and declining external debt

Key economic indicators					OTP Research		Focus Economics*	
	2014	2015	2016	2017	2018F	2019F	2018F	2019F
Nominal GDP (at current prices, HUF billion)	32,400	33,999	35,005	37,520	**40,300**	**43,517**	**40,726**	**43,212**
Real GDP change	4.2%	3.4%	2.2%	4.0%	**4.4%**	**4.0%**	**4.0%**	**3.1%**
Household final consumption	2.1%	3.1%	4.2%	4.1%	**4.6%**	**4.0%**	**4.7%**	**3.6%**
Household consumption expenditure	2.5%	3.4%	4.9%	4.7%	**5.3%**	**4.8%**		
Collective consumption	9.2%	0.6%	0.1%	-0.4%	**1.1%**	**1.1%**	**2.0%**	**1.5%**
Gross fixed capital formation	9.9%	1.9%	-15.5%	16.8%	**13.4%**	**9.8%**	**10.6%**	**5.2%**
Exports	9.8%	7.7%	5.8%	7.1%	**5.8%**	**6.0%**		
Imports	10.9%	6.1%	5.7%	9.7%	**6.8%**	**6.8%**		
General government balance (% of GDP)	-2.6%	-1.9%	-1.7%	-2.0%	**-2.4%**	**-2.0%**	**-2.4%**	**-2.2%**
General government debt (% of GDP ESA 2010)	75.2%	74.8%	73.9%	73.6%	**73.3%**	**71.1%**	**71.8%**	**70.4%**
Current account (% of GDP)**	1.5%	3.5%	6.1%	2.9%	**1.6%**	**1.0%**	**2.0%**	**1.8%**
Gross external debt (% GDP)***	82.4%	73.0%	67.9%	58.9%				
FX reserves (in EUR billion)	34.6	30.3	24.4	23.4				
Gross real wages	3.8%	4.4%	6.1%	9.3%	**7.1%**	**4.9%**		
Gross real disposable income	4.4%	4.4%	2.3%	4.8%	**4.5%**	**3.1%**		
Employment (annual change)	5.3%	2.7%	3.4%	1.7%	**0.6%**	**0.3%**		
Unemployment rate (annual average)	7.7%	6.8%	5.1%	4.2%	**3.9%**	**3.9%**	**3.9%**	**3.8%**
Inflation (annual average)	-0.2%	-0.1%	0.4%	2.4%	**2.6%**	**2.4%**	**2.6%**	**3.0%**
Base rate (end of year)	2.10%	1.35%	0.90%	0.90%	**0.90%**	**1.65%**	**0.90%**	**1.26%**
1Y Treasury Bill (average)	2.28%	1.17%	0.77%	0.09%	**0.41%**	**1.45%**		
Real interest rate (average. ex post)****	2.5%	1.2%	0.4%	-2.3%	**-2.1%**	**-0.9%**		
EUR/HUF exchange rate (end of year)	314.9	313.1	311.0	310.1	**325.0**	**325.0**	**320.0**	**318.0**

Source: CSO, National Bank of Hungary.
* Augustus 2018 consensus . **Official data of balance of payments (excluding net errors and omissions).
*** w/o FDI related intercompany lending. last data. **** = (1+ Yield of the 1Y Treasury Bill (average)) / (1+ annual average inflation) – 1

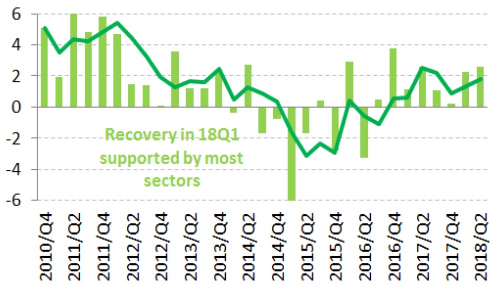
otpbank

Russia: slow recovery continues, supported by higher oil prices, rate cuts on hold due to the VAT hike in 2019, geopolitical risks rose further. Ukraine: GDP growth was 3.6% y-o-y in 2Q 2018, inflation is below 10%, IMF visit is due in September

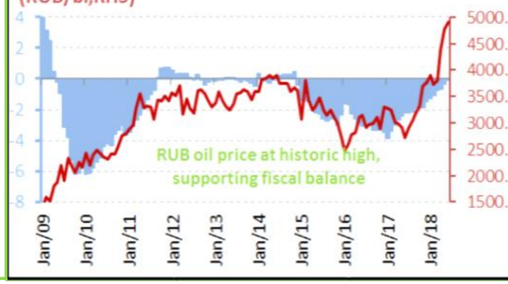
Russia

GDP growth stood at 1.8% in 2Q 18.
Higher oil prices brought the budget into balance, and improved the current account. Disinflation bottomed out as the RUB weakened and domestic demand recovered. The government submitted the 2019-2021 budget framework containing ambitious spending plans and tax hikes, while kept the overall budget in surplus.
Though the exchange rate has stabilized, government bond yields increased during the emerging market sell-of in June. The CBR put on hold the rate cut cycle due to the effect of foreseeable VAT hike in 2019. Slow recovery could continue with higher lending flows. Despite a strong financial position, proposed new US sanction bills hit RUB assets sharply, the USD/RUB weakened to 69 in mid-August and government bond yields widened.

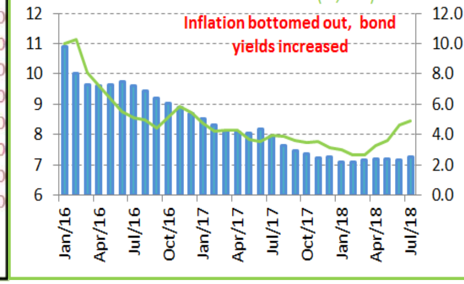
GDP growth **(YoY; NSA, %)** & (QoQ, SA, ann. %)



Budget balance (Central Gov, % of GDP) & **RUB oil price (RUB/bl,RHS)**



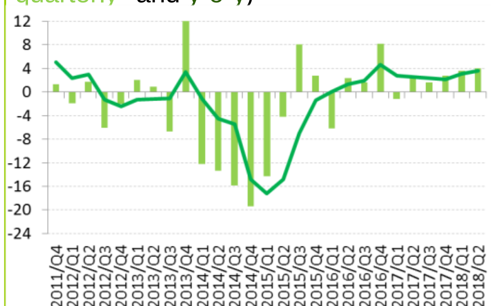
Consumer Price Index (YoY%, RHS) and the 10Y Government Bond Yield (%,LHS)



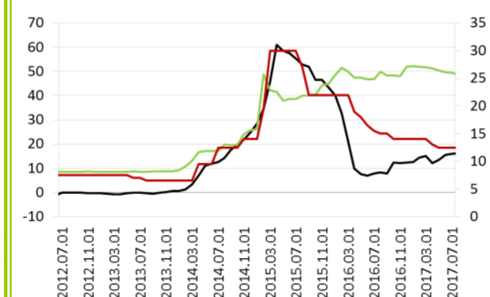
Ukraine

In 1Q 2018 the main driver of growth was strong consumption growth and investment activity. In 2Q 2018, GDP grew by 3.6% y-o-y, which is equivalent of a 1% q-o-q growth. Based on monthly indicators, consumption was the main driver behind the good growth figure. Inflation slowed from 13.7% in December 2017 to 8.9% in July 2018. The NBU has increased its base rate to 17.5% in July. Forthcoming IMF visit is expected in September and the next tranche may arrive after that. In that case the World Bank will also provide USD 650 million loan guarantee.

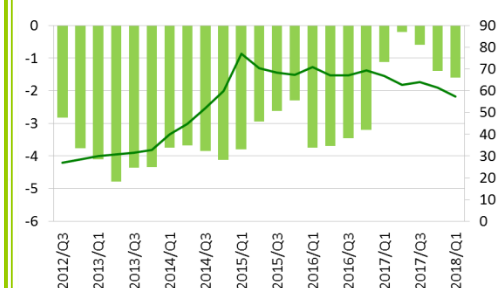
Real GDP growth (%, SA, annualized quarterly* and y-o-y)



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



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



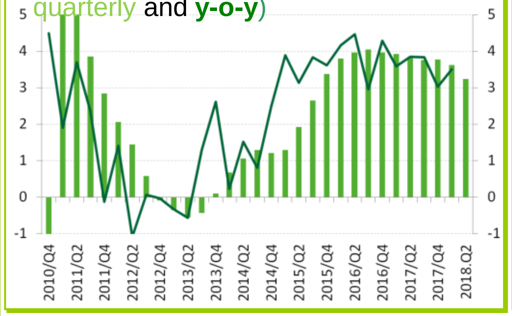
Source: CBR, Rosstat, Ukrstat, National Bank of Ukraine, Focus Economics
*annualized q-o-q growth is OTP Research estimate

Bulgaria: slight slowdown of growth as output nears the potential level; Croatia: budget balance is in surplus, government debt declines fast, tourism posted strong start; Romania: growth picked up in 2Q; inflation marked a turning point; the 3% government deficit target is challenging

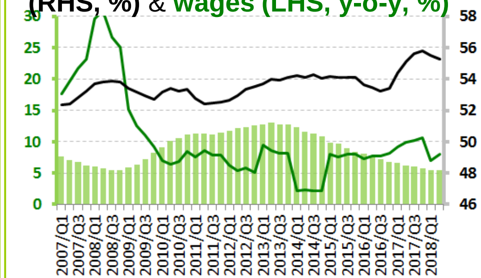
Bulgaria

The Bulgarian economy shows some weakness as GDP growth decelerated to 3.4% y-o-y in 2Q based on preliminary data. Labor market conditions continue to tighten as unemployment rate falls near historic lows despite the decrease in the number of people employed. Inflation is on the rise: headline CPI grew by 3.5% y-o-y in June, although a slowdown is expected as the base effect in fuel prices wears off.

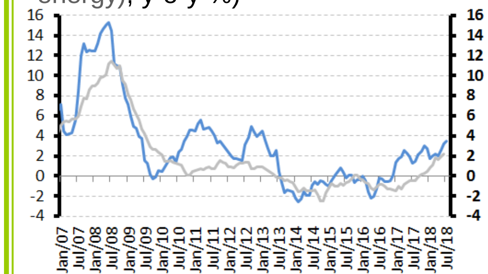
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



Unemploy. (LHS, %), activity rate (RHS, %) & wages (LHS, y-o-y, %)



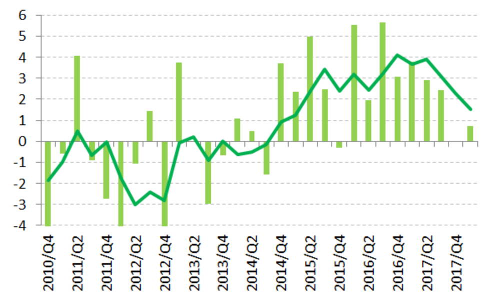
CPI & **core HICP** (ex unproc. food & energy), y-o-y %)



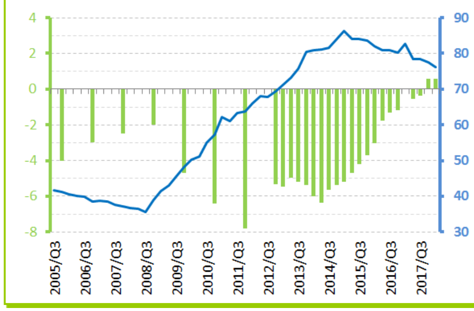
Croatia

GDP growth bounced back to 2.5% y-o-y from 2.0% y-o-y NSA in 1Q 2018, over the whole year GDP figure may stick to this level. Industrial production expansion has moderated recently, but tourism season is surprisingly strong supporting the retail turnover, as well. Wage dynamics and loan transactions to household accelerated while imbalance indicators show further improvement: government budget posted its first ever yearly surplus in 2017 and remained in surplus 1Q 2018.

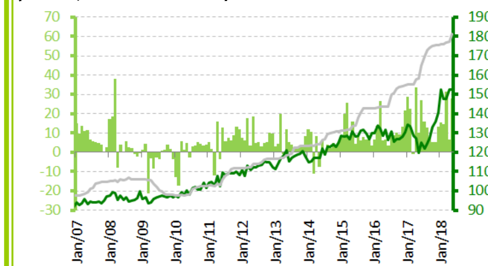
Real GDP growth (%, SA, annualized quarterly and **y-o-y**)



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



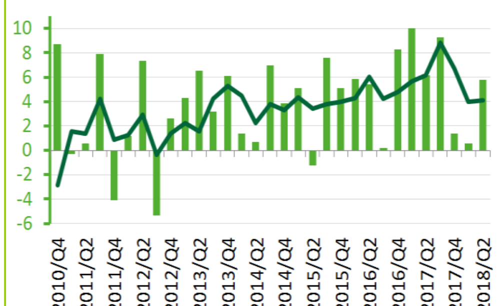
Tourist nights (3M, y-o-y, LHS) & tourist nights, tourist arrivals (12M, 2010 = 100)



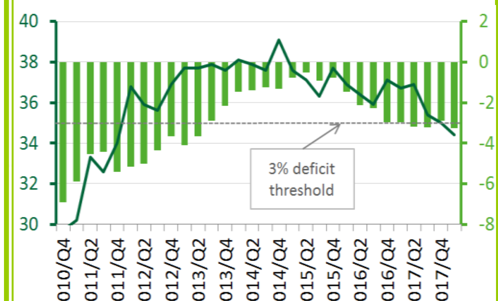
Romania

GDP growth picked up in 2Q, likely on the back of recovering consumption, after loosing momentum in 1Q, due to a temporary dip in real wage growth, rising borrowing costs and falling confidence. In 2Q wages accelerated and confidence stabilized. Inflation moderated and is expected to ease further in 2H 2018, so the NBR put on hold the tightening cycle. Rising public wages and social benefits put further pressure on the budget balance, so the 3% deficit target seems to be challenging.

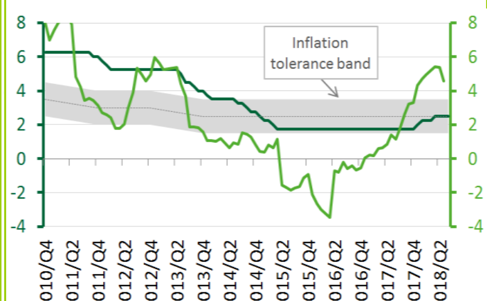
Real GDP growth (%, SA annualized q-o-q and NSA y-o-y)



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



Headline inflation (y-o-y; %), **policy rate** (%)



Source: Eurostat, national banks and statistical offices

Growth can remain strong in the next two years and macro trends are favourable in CEE countries

REAL GDP GROWTH

	2016	2017	2018F	2019F
Hungary	2.2%	4.0%	4.4%	4.0%
Ukraine	2.3%	2.5%	3.2%	3.5%
Russia	-0.2%	1.5%	2.0%	1.8%
Bulgaria	3.9%	3.6%	3.6%	3.4%
Romania	4.8%	6.9%	3.9%	3.8%
Croatia	3.2%	2.8%	2.7%	2.6%
Slovakia	3.3%	3.4%	3.7%	3.9%
Serbia	2.8%	1.9%	3.4%	3.2%
Montenegro	3.0%	4.4%	3.3%	3.0%

EXPORT GROWTH

	2016	2017	2018F	2019F
Hungary	5.8%	7.1%	5.8%	6.0%
Ukraine	-1.6%	3.6%	9.3%	4.1%
Russia	3.2%	5.4%	3.7%	3.3%
Bulgaria	8.1%	4.0%	5.2%	4.8%
Romania	8.7%	9.7%	8.7%	7.8%
Croatia	5.6%	6.1%	4.7%	4.5%
Slovakia	6.2%	4.3%	5.8%	7.5%
Serbia	12.0%	9.8%	11.4%	12.0%
Montenegro	6.2%	4.4%	4.4%	3.0%

UNEMPLOYMENT

	2016	2017	2018	2019F
Hungary	5.1%	4.2%	3.9%	3.9%
Ukraine	9.7%	9.9%	8.8%	8.4%
Russia	5.5%	5.2%	4.8%	4.5%
Bulgaria	7.6%	6.3%	5.6%	5.4%
Romania	5.9%	4.9%	4.5%	4.4%
Croatia	15.0%	12.4%	11.0%	10.0%
Slovakia	9.7%	8.1%	7.3%	7.0%
Serbia	15.9%	14.1%	11.0%	10.5%
Montenegro	17.8%	16.2%	15.5%	15.3%

BUDGET BALANCE*

	2016	2017	2018F	2019F
Hungary	-1.7%	-2.0%	-2.4%	-2.0%
Ukraine	-2.9%	-1.4%	-2.5%	-2.8%
Russia	-3.5%	-1.5%	-0.2%	-0.2%
Bulgaria	0.2%	0.9%	-0.4%	-0.6%
Romania	-3.0%	-2.9%	3.0%	-2.9%
Croatia	-1.2%	0.6%	0.2%	0.0%
Slovakia	-2.2%	-1.1%	-1.2%	-1.3%
Serbia	-1.3%	1.2%	-1.0%	-1.0%
Montenegro	-3.3%	-5.7%	-4.2%	-3.8%

CURRENT ACCOUNT BALANCE

	2016	2017	2018F	2019F
Hungary	6.1%	2.9%	1.6%	1.0%
Ukraine	-1.5%	-1.9%	-2.4%	-2.5%
Russia	1.9%	2.2%	3.0%	1.5%
Bulgaria	2.3%	4.5%	3.2%	1.7%
Romania	-2.1%	-3.3%	-3.9%	-4.1%
Croatia	2.6%	3.9%	3.0%	2.2%
Slovakia	-1.4%	-2.0%	-1.5%	-1.0%
Serbia	-3.1%	-5.7%	-4.7%	-4.5%
Montenegro	-18.1%	-19%	-17.4%	-17.2%

INFLATION

	2016	2017	2018F	2019F
Hungary	0.4%	2.4%	2.6%	2.4%
Ukraine	13.9%	13.4%	11.5%	7.6%
Russia	7.0%	3.7%	2.9%	3.8%
Bulgaria	-0.8%	2.1%	2.7%	3%
Romania	-1.5%	1.3%	4.6%	3.1%
Croatia	-1.1%	1.2%	1.5%	2.1%
Slovakia	-0.5%	1.3%	2.3%	3.0%
Serbia	1.1%	3.2%	2.0%	3.0%
Montenegro	-0.2%	2.4%	2.7%	2.4%

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

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.

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