OTP Bank Plc.

Half-year Financial Report
First half 2017 result

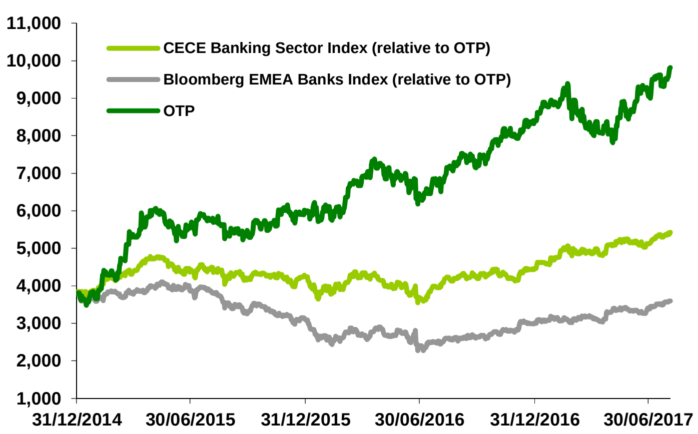
(English translation of the original report submitted to the Budapest Stock Exchange)

Budapest, 11 August 2017

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the Statement of recognised income in HUF million	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Consolidated after tax profit	**106,188**	**133,556**	**26%**	**71,935**	**52,859**	**80,697**	**53%**	**12%**
Adjustments (total)	**2,047**	**-11,462**	**-660%**	**15,392**	**-13,902**	**2,440**	**-118%**	**-84%**
Consolidated adjusted after tax profit without the effect of adjustments	**104,141**	**145,019**	**39%**	**56,543**	**66,762**	**78,257**	**17%**	**38%**
Pre-tax profit	134,345	166,521	24%	70,359	76,204	90,317	19%	28%
Operating profit	164,280	185,986	13%	79,670	88,721	97,265	10%	22%
Total income	357,841	393,277	10%	180,340	188,756	204,521	8%	13%
Net interest income	258,108	269,106	4%	129,067	132,180	136,925	4%	6%
Net fees and commissions	82,339	98,306	19%	43,520	44,549	53,757	21%	24%
Other net non-interest income	17,394	25,865	49%	7,753	12,026	13,839	15%	79%
Operating expenses	-193,561	-207,291	7%	-100,670	-100,035	-107,256	7%	7%
Total risk costs	-32,862	-22,308	-32%	-12,069	-12,475	-9,833	-21%	-19%
One off items	2,927	2,843	-3%	2,758	-42	2,885		5%
Corporate taxes	-30,204	-21,502	-29%	-13,816	-9,442	-12,060	28%	-13%
Main components of balance sheet closing balances in HUF million	2016	1H 2017	YTD	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Total assets	11,307,665	12,145,924	7%	10,699,226	11,390,214	12,145,924	7%	14%
Total customer loans (net, FX adjusted)	**5,687,933**	**6,530,352**	**15%**	**5,416,783**	**5,726,449**	**6,530,352**	**14%**	**21%**
Total customer loans and advances (gross)	**6,680,504**	**7,410,711**	**11%**	**6,493,371**	**6,708,882**	**7,410,711**	**10%**	**14%**
Total customer loans (gross, FX adjusted)	**6,611,751**	**7,410,711**	**12%**	**6,403,099**	**6,634,613**	**7,410,711**	**12%**	**16%**
Allowances for possible loan losses	-944,273	-880,359	-7%	-1,005,451	-930,071	-880,359	-5%	-12%
Allowances for possible loan losses (FX adjusted)	-923,819	-880,359	-5%	-986,317	-908,164	-880,359	-3%	-11%
Total customer deposits (FX adjusted)	**8,461,547**	**9,215,539**	**9%**	**7,793,611**	**8,373,159**	**9,215,539**	**10%**	**18%**
Issued securities	146,900	258,139	76%	232,631	263,629	258,139	-2%	11%
Subordinated loans	77,458	76,464	-1%	243,864	76,565	76,464	0%	-69%
Total shareholders' equity	1,420,650	1,496,262	5%	1,300,946	1,436,232	1,496,262	4%	15%
Indicators based on adjusted earnings %	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
ROE (from accounting net earnings)	17.0%	18.5%	1.5%p	22.9%	15.0%	22.0%	7.0%p	-0.9%p
ROE (from accounting net earnings, on 12.5% CET1 ratio)	18.4%	22.3%	3.9%p	25.1%	18.3%	26.1%	7.8%p	1.0%p
ROE (from adjusted net earnings)	16.7%	20.1%	3.4%p	18.0%	18.8%	21.3%	2.5%p	3.3%p
ROA (from adjusted net earnings)	1.9%	2.5%	0.6%p	2.1%	2.4%	2.6%	0.2%p	0.5%p
Operating profit margin	3.06%	3.24%	0.19%p	2.97%	3.20%	3.29%	0.09%p	0.32%p
Total income margin	6.66%	6.86%	0.21%p	6.73%	6.80%	6.92%	0.11%p	0.19%p
Net interest margin	4.80%	4.69%	-0.11%p	4.81%	4.76%	4.63%	-0.13%p	-0.18%p
Cost-to-asset ratio	3.60%	3.62%	0.02%p	3.76%	3.61%	3.63%	0.02%p	-0.13%p
Cost/income ratio	54.1%	52.7%	-1.4%p	55.8%	53.0%	52.4%	-0.6%p	-3.4%p
Risk cost to average gross loans	1.10%	0.50%	-0.60%p	0.87%	0.65%	0.35%	-0.30%p	-0.52%p
Total risk cost-to-asset ratio	0.61%	0.39%	-0.22%p	0.45%	0.45%	0.33%	-0.12%p	-0.12%p
Effective tax rate	22.5%	12.9%	-9.6%p	19.6%	12.4%	13.4%	1.0%p	-6.3%p
Net loan/(deposit+retail bond) ratio (FX adjusted)	68%	71%	2%p	68%	68%	71%	3%p	2%p
Capital adequacy ratio (consolidated, IFRS) - Basel3	15.8%	16.3%	0.5%p	15.8%	18.5%	16.3%	-2.2%p	0.5%p
Tier1 ratio - Basel3	13.2%	14.1%	0.9%p	13.2%	16.0%	14.1%	-1.9%p	0.9%p
Common Equity Tier 1 ('CET1') ratio - Basel3	13.2%	14.1%	0.9%p	13.2%	16.0%	14.1%	-1.9%p	0.9%p
Share Data	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
EPS diluted (HUF) (from unadjusted net earnings)	400	510	27%	271	202	308	53%	13%
EPS diluted (HUF) (from adjusted net earnings)	393	554	41%	214	255	299	17%	40%
Closing price (HUF)	6,350	9,050	43%	6,350	8,093	9,050	12%	43%
Highest closing price (HUF)	7,300	9,396	29%	7,380	9,396	9,340	-1%	27%
Lowest closing price (HUF)	5,714	7,815	37%	6,180	8,093	7,815	-3%	26%
Market Capitalization (EUR billion)	5.6	8.2	46%	5.6	7.3	8.2	12%	46%
Book Value Per Share (HUF)	4,646	5,344	15%	4,646	5,129	5,344	4%	15%
Tangible Book Value Per Share (HUF)	4,071	4,730	16%	4,071	4,534	4,730	4%	16%
Price/Book Value	1.4	1.7	24%	1.4	1.6	1.7	7%	24%
Price/Tangible Book Value	1.6	1.9	23%	1.6	1.8	1.9	7%	23%
P/E (trailing, from accounting net earnings)	13.8	11.0	-20%	13.8	10.3	11.0	8%	-20%
P/E (trailing, from adjusted net earnings)	11.4	10.5	-9%	11.4	10.3	10.5	2%	-9%
Average daily turnover (EUR million)	17	15	-11%	15	15	16	12%	8%
Average daily turnover (million share)	0.8	0.6	-34%	0.7	0.5	0.6	13%	-15%

SHARE PRICE PERFORMANCE



MOODY'S RATINGS

OTP Bank

Foreign currency long term deposits	Baa3

OTP Mortgage Bank

Covered mortgage bond	Baa1

STANDARD & POOR'S RATING

OTP Bank and OTP Mortgage Bank

Long term credit rating	BBB-

FITCH'S RATING

OTP Bank Russia

Long term credit rating	BB

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

HALF-YEAR FINANCIAL REPORT – OTP BANK'S RESULTS FOR FIRST HALF 2017

Half-year Financial Report for the first half 2017 results of OTP Bank Plc. has been prepared according to the 24/2008. (VIII.15.) PM resolution on the basis of its separate and consolidated condensed IFRS financial statements for 30 June 2017 or derived from that. At presentation of first half 2017 report of OTP Bank we applied International Financial Reporting Standards adopted by the European Union.

SUMMARY OF THE FIRST HALF AND SECOND QUARTER OF THE YEAR 2017

According to the revised 1Q figures published by the Hungarian Central Statistical Office on 7 June 2017 the Hungarian GDP expanded by 4.2% y-o-y. The key drivers behind the growth were the growing household consumption, stronger investment activity supported by more intensive utilization of EU funds and the dynamic export induced by the European economic recovery.

On 15 June 2017 the Parliament passed the 2018 budget with the following core numbers: 4.3% annual GDP growth, 2.4% fiscal deficit and 3.1% average inflation. By the end of the year the public debt-to-GDP ratio is expected to moderate to 69.5%.

Interim statistics did confirm the favourable macroeconomic trends: in May net real wages expanded by 10.9% y-o-y, the retail sales for the same period grew by 5.4%, purchasing manager index and household confidence indicators climbed to levels not seen for years, the number of new house construction in 1H surged by 46% y-o-y. Corporate exposures of the banking sector already increased in 2016, and in May and June 2017 household loan volumes also demonstrated growth for the first time since the crisis: the dynamic expansion of cash loan origination was coupled with a significant growth in housing loan contractual volumes. As a result of the intensifying competition within the sector and also due to lower reference rates the housing loan APRs eroded by 120 bps during the last twelve months and reached 4.8% on average.

The balanced macroeconomic environment and the favourable external conditions facilitated the National Bank of Hungary to continue its loose monetary policy for a longer period of time: the key policy rate has remained unchanged at 0.9% since May 2016. On 20 June the Monetary Council left the base rate unchanged in line with market expectations and lowered the limit for the 3-months central bank deposit facility from HUF 500 billion to HUF 300 billion. Furthermore, in its communication the Central Bank pointed out that downside risks to inflation had increased; consequently if the headline inflation is beyond the official target, NBH will be ready to further loosen monetary conditions through unconventional, targeted measures. The base rate may be increased in 2019 at the earliest. The major reference rates were fairly stable in 2Q: the closing rate of the 3M and 6M BUBOR came down by 3-3 bps (to 15 and 22 bps, respectively).

Apart from a wide range of monetary policy tools NBH used other measures, too, to support healthy lending dynamics: on 19 May it published the particular set of criteria for the so called "Customer friendly mortgage loans" from which it expects intensifying competition and strengthening consumer confidence.

The CEE region enjoys fairly similar trends to what have manifested in Hungary: growth dynamics are exceeding the EU average, whereas balance indicators demonstrated a favourable overall picture. The Romanian economy, in particular, can be the fastest-growing national economy within the Union in 2017 and 2018; however the loose fiscal policy may jeopardize the sustainable growth.

In Russia the consolidation of the economy continued: in 1Q the GDP grew by 0.5% y-o-y, the main driver was the household consumption (+2.1%). In June the retail sales increased by 1.2% y-o-y, the strongest dynamics since December 2014. Improving household confidence index was supported by increasing real wages and continuing disinflationary trends, loan demand also shows signs of recovery. Simultaneously, CBR kept pursuing a cautious monetary loosening: in June there was a 25 bps base rate cut, in July, however the Central Bank left the base rate unchanged at 9.0%. The official GDP forecast for 2017 moved somewhat upwards: the Finance Ministry guided a range of 1.3-1.8% GDP growth, whereas IMF expects 1.5%.

Against previous periods the Ukrainian hryvnia remained fairly stable against the USD in 2Q (on average 26.4 which underpins even a moderate appreciation), despite IMF postponed transferring the next tranche of the financial package due to the slow execution of the pension and land reforms. Apparently, the political leadership is willing to implement any structural reforms only in those areas and to the extent which will not hamper its co-operation with international financial institutions. According to IMF forecast, in 2017 the Ukrainian economy may grow by 2%, whereas the inflation will decline below 10%.

2Q adjusted after tax profit: HUF 78.3 billion, lower net interest margin (4.63%), decreasing risk cost rate (0.35%), improving accounting ROE (22.0%)

The consolidated accounting profit was HUF 80.7 billion in 2Q 2017 (+53% q-o-q). During the last three months four adjustment items appeared:

- 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;
- HUF 782 million negative tax effect related to the write-back of impairment losses at three Hungarian subsidiaries;
- HUF 209 million dividends and net cash transfers (after tax);
- The quarterly Slovakian banking tax (-HUF 169 million after tax).

As a result, the total amount of adjustment items to 2Q 2017 accounting profit represented +HUF 2.4 billion (after tax).

In 1H the consolidated accounting profit reached HUF 133.6 billion (+26% y-o-y) and the cumulative amount of adjustments comprised -HUF 11.5 billion (after tax).

The 2Q accounting ROE was 22%, while the 1H ROE was 18.5% (+1.5 pps y-o-y).

In 2Q 2017 OTP Group posted HUF 78.3 billion adjusted after-tax profit (+38% y-o-y and +17% q-o-q), as a result the semi-annual profit grew to HUF 145.0 billion (+39% y-o-y).

2Q net earnings (1H as well) already incorporated the profit contribution of Splitska banka for May and June (+HUF 4.6 billion). The detailed impact of the acquisition on the particular P&L and balance sheet items is presented within the Croatian section.

Amongst the key components of the 2Q earnings improvement, the significant decline in risk costs (-21% q-o-q), and the 10% q-o-q increase in operating profit were essential. Also, apart from those two positive elements, the 1H profit was supported by the lower Hungarian the corporate tax rate effective from 1 January 2017 (it was cut from 19% to 9%). As a result, the consolidated effective tax rate in 1H 2017 moderated to 12.9%, versus 22.5% in the base period.

The consolidated profit before tax was HUF 90.3 billion (+19% q-o-q and +28% y-o-y).

Total income (without one-off items) for the second quarter grew by 8% q-o-q. All income lines demonstrated material improvement (partially due to the Splitska effect). Consequently, the net interest income increased by 4% q-o-q (+6% y-o-y). In 2Q The consolidated net interest margin sank to 4.63% (-13 bps q-o-q). For the last three months all major Group members suffered NIM erosion; the biggest drop was posted at the Ukrainian and Russian subsidiaries (-101 bps and -38 bps respectively). Thus the improvement in NII was related to the overall increase of performing loan portfolios. It was positive, however, that both in case of OTP Core and DSK Bank the quarterly pace of margin erosion substantially decelerated (OTP Core 1Q: -18 bps, 2Q: - 4 bps, DSK 1Q: -47 bps, 2Q: -1 bp).

Net fees and commissions surged by 21% q-o-q: apart from the Splitska effect and a technical and base effect emerged at OTP Core, such a strong dynamics was also supported by reviving business activity across the Group.

Other net non-interest income grew by 15% q-o-q. More than half of the q-o-q increase was related to the Croatian operation, mainly reflecting the contribution of Splitska banka; simultaneously there was also an increase on that line at OTP Core and DSK Bank Bulgaria.

2Q operating expenses increased by 7% both q-o-q and y-o-y. During the last three months all Group members, but Montenegro, Romania and Serbia posted quarterly operating cost increase, the highest in Bulgaria and Ukraine (+12% and +10% respectively).

Since total income grew by 8% and operating costs by 7%, the 2Q operating profit improved by 10% q-o-q.

Out of the 2Q consolidated adjusted earnings the highest profit was achieved by OTP Core (HUF 49.4 billion), the second highest by DSK Bank (HUF 12.0 billion), followed by the Russian, Croatian and Ukrainian subsidiaries (HUF 7.5, 6.9 and 2.5 billion, respectively). The Romanian, Slovakian, Serbian and Montenegrin subsidiaries realized altogether HUF 2.4 billion loss, whereas the Hungarian Leasing operation (Merkantil Group) and

OTP Fund Management posted HUF 1.5 and HUF 1.0 billion profits, respectively.

Similar to previous quarters, Touch Bank posted a loss again (-HUF 1.6 billion); however its scale declined a lot q-o-q.

The favourable trends already manifested in 1Q in case of performing loan volumes (+3% q-o-q) continued: the DPD0-90 portfolio grew by HUF 802 billion, or +14% q-o-q (+22% y-o-y, FX-adjusted) already including the Splitska effect, too (+HUF 621 billion). Without Splitska the quarterly increase (3%) was similar to that in the previous quarter. If the y-o-y volume change was adjusted for the AXA and Splitska deals, it would demonstrate 7.5% growth.

In 2Q all major segments within the FX-adjusted performing loan portfolio increased: the retail book grew by 10% q-o-q (within that the mortgages by 6% and consumer loans by 17%), while the corporate exposures surged by 22%. As for the major Group members, they all demonstrated volume expansion. The performing book at OTP Core grew by 3% q-o-q, at DSK by 2%, at OTP Russia by 2% and at OTP Ukraine by 5% respectively, whereas in Croatia the acquisition-boosted portfolio grew almost two and a half fold. As a result, Croatia overtook DSK Bank in terms of performing book and became the second largest within the Group. It was positive that at Touch Bank the material q-o-q pick up in loan volumes continued (+59%). Only the Slovakian subsidiary had a marginal setback in 2Q.

Out of individual performances OTP Core excelled itself with a y-o-y performing volume increase of 16% (including AXA; without AXA the increase would be +10% y-o-y), and of course the Croatian operation supported by Splitksa (+161%, without it +7%). It was also encouraging that both the Russian and the Ukrainian operations managed to boost their performing book organically (+13% and +7% y-o-y, respectively).

The FX-adjusted deposit book grew by 10% q-o-q. Out of the major Group members OTP Core enjoyed a moderate inflow (+1%) and, of course the Croatian operation (+161%). At the same time Russia, Bulgaria and Ukraine suffered outflows. As a result the consolidated net loan-to-(deposit+retail bonds) ratio increased by 3 pps q-o-q and reached 71%; such development was in line with management's aims.

The volume of issued securities moderated by 2% q-o-q, but the ytd increase was 76%. The outstanding volume of subordinated bonds reflects only the impact of cross currency moves; no issuance/buyback happened during 2Q. The significant ytd increase was induced – partly due to regulatory requirements – by covered bond issuances by OTP Mortgage Bank in 1Q 2017.

The consolidated volume of securities represented HUF 3,312 billion by end of June 2017 (+HUF 249 billion q-o-q), 93% of that exposure was government papers.

At the end of 2Q 2017 the Group' liquidity position was comfortably stable: liquidity reserves comprised EUR 7.2 billion equivalent. The q-o-q HUF 1.1 billion decline was due to several reasons: bulk of that was related to the Splitska acquisition, but dividend payment and the deployment of excess liquidity by the business lines across the Group also played a role.

As for the credit quality trends, the development of DPD90+ volumes gives a comprehensive picture: DPD90+ volumes (adjusted for FX and the effect of sales and write offs as well as the effect of Splitska acquisition) grew by HUF 17 billion in 2Q, against HUF 3.4 billion increase in 1Q. The biggest inflow was registered in Russia (HUF 9.6 billion), but even this amount fell short of the quarterly average of HUF 12 billion in 2016. This time DPD90+ volumes did not decline in Hungary, Ukraine and Bulgaria (as it was the case in 1Q), but the increase was marginal in each countries. As a result of the Splitska acquisition the DPD90+ portfolio grew by HUF 15 billion q-o-q (FX-adjusted).

The consolidated DPD90+ ratio declined to 12.2% (-1.9 pps q-o-q). In 2Q non-performing loans in the amount of altogether HUF 49 billion were sold or written-off (FX-adjusted). The ratio of total provisions to DPD90+ volumes stood at 97.7% (-1.0 pp q-o-q). Total risk cost dropped to HUF 9.8 billion in 2Q 2017, within that provisions for loan losses dropped by 42% q-o-q, but other provisions doubled. In 2Q the consolidated risk cost rate melted down to 35 bps (-31 bps q-o-q); 1H risk cost rate was 0.5%.

OTP Core: HUF 49.4 billion adjusted net earnings as a result of improving operating profit and provision releases; slowing NIM erosion, declining DPD90+ ratio, stable credit quality

The adjusted after tax profit of **OTP Core** (basic activity in Hungary) reached HUF 49.4 billion in 2Q 2017, underpinning a 21% q-o-q increase (+61% y-o-y). 1H net earnings exceeded the base period by 51% y-o-y. The after tax profit was positively affected by the Hungarian corporate tax rate being cut uniformly to 9% from 19% effective from 1 January 2017. The semi-annual profit before tax improved by 26% y-o-y.

The 2Q operating profit (without one-offs) advanced by 14% q-o-q: the higher quarterly total income (+8% q-o-q) more than offset the negative impact of higher operating expenses (+4%). The net interest income improved by 2% q-o-q. While the quarterly average reference rate (3M BUBOR) melted down by 10 bps q-o-q (against 39 bps q-o-q erosion in 1Q), the NII was supported by higher interest income realized on longer duration government papers and by calendar effect, too. The net interest margin tightened by 4 bps q-o-q (1Q: -18 bps). Net fee and commission income leaped by 23 q-o-q, out of the HUF 5.7 billion quarterly increase the bulk was related to a base effect and a technical item (for details see: OTP Core section).

In 2Q on the total risk cost line HUF 9.5 billion was released.

The loan portfolio quality demonstrated stable picture: the DPD90+ volumes (FX-adjusted, without sales and write offs) grew by mere HUF 1 billion. The DPD90+ ratio came down by 0.8 pp q-o-q and reached 8.3%. The coverage of DPD90+ loans by total provisions stood at 81.8%.

In line with expectations, performing loan volumes kept increasing: following a 3% increase in 1Q, the portfolio expanded by 3.3% in 2Q q-o-q (+16.4% y-o-y). The mortgage book grew only marginally q-o-q, within that housing loans grew by 1%, while home equity loans declined by 3%. The performing consumer loan portfolio grew by 14%, while the micro and small enterprise portfolio and the corporate book posted a q-o-q growth of 3% and 4%, respectively.

In line with the management's expectations new mortgage applications and originations continued to be strong with 31% and 29% q-o-q growth, respectively. Out of mortgage loan contractual amounts OTP Bank's market share reached 28.4% in 2Q.

The FX-adjusted deposit book including retail bonds increased by 1% q-o-q. The 5% retail inflow offset the decline of corporate deposits (-5% q-o-q). As a result, the net loan-to-(deposit + retail bonds) ratio grew to 52% (+1 pp q-o-q, adjusted for the FX-effect).

OTP Fund Management posted HUF 1.0 billion profit in 2Q, practically the same as in 1Q. The 1H net result showed an 8% y-o-y improvement. The fee income related to ongoing business grew by 6% q-o-q; the volume of total assets under management didn't change materially (HUF 1,515 billion). The company retained its market leading position with 23.7% market share (+0.7 pp y-o-y).

In 2Q ***Merkantil Group*** *posted HUF 1.5 billion adjusted profit following a strong 1Q profit of HUF 1.9 billion. The bottom line earnings were shaped by q-o-q 8% lower total income and by 6% higher operating expenses. 1H profit, however, was more than three times higher than that in the base period.*

The FX-adjusted performing loan book grew by 4% q-o-q (+6% y-o-y). The company remained market leader in terms of new disbursements and flows, too.

Foreign subsidiaries: stable Russian, somewhat declining quarterly profits at the Bulgarian and Ukrainian subsidiaries, strong bottom line earnings in Croatia; loss making performance in Romania, Slovakia, Serbia and Montenegro

The ***Bulgarian subsidiary*** posted a strong quarterly result again, despite the 2Q profit of HUF 12 billion underpins an 11% q-o-q decline. 1H profit was 9% weaker than that in the base period.

The 2Q operating profit remained stable (+1% q-o-q), within total income net fees and commission had a decent rally (+8% q-o-q), while net interest income eroded marginally. Total risk costs almost tripled q-o-q due to increasing other provisions; there was a release on the provisions for potential loan losses line. Despite total income grew by 5%, it was partly offset by q-o-q 12% higher operating expenses. Encouraging, that 2Q net interest margin eroded only marginally (-1 bps) against a substantial drop in 1Q.

Due to internal measures and also the overall supporting macroeconomic environment, new originations improved in 2Q for all major product segments: consumer loan sales surged by 40%, whereas mortgage origination by 49% respectively, q-o-q in BGN terms. As a result, all segments posted a performing loan volume growth in 2Q: mortgages grew by 2%, consumer loans by 1% and the corporate exposure by 2% q-o-q. In yearly comparison the performing corporate book grew by 5%, mortgages by 2% and the consumer portfolio stagnated.

FX-adjusted deposits declined (-2% q-o-q) in line with management targets; retail volumes advanced by 2%, but the corporate book suffered a 25% setback q-o-q. As a result the net loan to deposit ratio increased to 67% (+2 pps q-o-q).

The credit quality remained stable, DPD90+ volumes (without sales and write offs, FX-adjusted) grew by HUF 2 billion. The DPD90+ ratio moderated further (11.1%, -0.2 pp q-o-q), whereas the coverage of DPD90+ loans with total provisions was 108.1%. Parallel with the NIM erosion the risk cost rate depleted, and in 2Q there was even a release on the loan-related risk costs line.

The bank's ROE remained stable q-o-q and reached 21.8% in 2Q 2017.

Supported by the improving macroeconomic conditions, too, in 2Q 2017 the ***Russian subsidiary*** posted decent results; the bank's ROE stood at 22.2%. The quarterly net profit of HUF 7.5 billion is practically the same as in 1Q. Thus 1H profit after tax exceeded HUF 15 billion (+65% y-o-y).

Cross currency moves again had an impact on P&L figures in HUF terms: in 2Q the RUB/HUF rate remained stable, but y-o-y the RUB depreciated by 17%.

2Q operating income in RUB terms eroded by 2% q-o-q as a result of lower total income (-1% q-o-q) and higher operational expenses (+1% q-o-q). Despite performing loan volumes increased by 2% q-o-q, the net interest income came down by 4% q-o-q (-3% y-o-y) as a result of eroding NIMs. The quarterly NIM dropped by 0.4 pp q-o-q and by 0.8 pp y-o-y in RUB terms as a reflection of an overall decline in lending interest rates across the board and the lower interest rate environment in general. Net fees and commissions for 2Q surged by 53% y-o-y (+8% q-o-q) supported by the intensifying disbursement activity, higher insurance fees and also by a methodology change.

Credit quality trends remained positive: the DPD90+ ratio shrank further (18.4%); at the same time its total provision coverage ratio improved by 4.5 pps and reached 127% despite risk costs declined by 1% q-o-q. In 2Q the sales and write-offs of non-performing assets represented RUB 2.3 billion. The quarterly risk cost rate remained below 8%, q-o-q stable. During the last three months the FX-adjusted DPD90+ inflow (adjusted for sales and write offs) was HUF 9.6 billion, much lower than the HUF 12 billion quarterly average in 2016.

The FX-adjusted performing portfolio grew by 2% q-o-q (+13% y-o-y), within that the consumer book was flat q-o-q. Compared to the previous quarter POS and cash loan disbursement activity picked up by 11% q-o-q in RUB terms. The cross-sale of credit card loans resumed from February moderated in May and June. Corporate volumes grew in 2Q by 25% q-o-q, true, from a low base. The FX-adjusted deposit book eroded by 2% q-o-q and 6% y-o-y, as a result by end of June the net loan-to-deposit ratio increased to 118%.

Touch Bank demonstrated further encouraging signs. Despite the bank remained loss-making (2Q 2017: -HUF 1.6 billion), negative earnings came down by 31% q-o-q. In RUB terms the performing loan book increased by almost 60% q-o-q, total income quadrupled and NII grew more than two fold. Operating expenses decreased by 28% since the media campaigns launched in spring were finished. Stronger business activity was also coupled with higher risk costs.

The ***Ukrainian subsidiary*** posted HUF 2.5 billion profit in 2Q 2017 (-24% q-o-q). For the first six months net earnings comprised HUF 5.8 billion (+35% y-o-y).

Operating income dropped by 19% q-o-q. Total revenues decreased by 7% q-o-q, simultaneously operating expenses grew by 10%. Within total revenues net interest income eroded by 10% q-o-q, however net fees and commissions grew by 5%. Total risk costs declined by 25% q-o-q and by 60% y-o-y, i.e. this was the main item shaping the performance of the bank.

The quarterly ROE reached 34% in 2Q 2017, the highest among subsidiary banks of OTP Group.

The FX-adjusted performing portfolio expanded by 5% q-o-q (+7% y-o-y), within that the consumer book grew only moderately (+0.2% q-o-q), but on an annual base it surged by 23%. In 2Q the corporate exposures grew the fastest (+7% q-o-q). As for the new disbursement activity, cash loans and corporate lending manifested the strongest performance in 2Q.

The DPD90+ ratio came down to 37.5% (-3.7 pps q-o-q), its total provision coverage increased to 122.1%. The DPD90+ volumes (FX-adjusted, without the effect of sales and write-offs) did not change y-o-y. During 2Q the total amount of non-performing loans sold/written off was HUF 13.5 billion.

The bank's liquidity remained stable despite FX-adjusted deposits dropped by 3% q-o-q. The net loan-to-deposit ratio increased to 87%.

The outstanding intragroup exposure towards the Ukrainian operation did not change q-o-q and represented USD 155 million at end-June 2017.

The ***Romanian subsidiary*** posted HUF 447 million loss in 2Q mainly due to surging risk cost on the back of technical effects. 1H profit comprised HUF 0.9 billion, roughly 50% less than in the base period.

Operating income dropped by 5% q-o-q, however y-o-y the bank demonstrated a material improvement (+34%). 2Q total income eroded by 2%, but the bank managed to keep operating expenses flat q-o-q (-5% y-o-y). Since the 2Q net interest margin remained stable q-o-q (3.65%) the higher quarterly NII was supported by increasing performing loan volumes (+5% q-o-q). Total risk costs tripled q-o-q, but such a material increase was induced mainly by methodology changes; the credit quality did not deteriorate. DPD90+ volumes increased only marginally (+HUF 0.6 billion q-o-q, FX-adjusted and without sales and write-offs). The DPD90+ ratio declined to 16.6% (-1.0 pp) and its coverage improved further (83.7%).

Within FX-adjusted performing loan volumes mainly the SME and corporate exposures grew (+9% and 10% q-o-q respectively). As for new disbursements, mortgage origination turned to be exceptional and surged by 115% q-o-q. FX-adjusted deposits grew by 3% q-o-q and the net loan-to-deposit ratio increased to 139%.

The ***Croatian subsidiary*** posted HUF 6.9 billion profit after tax in 2Q. The strong result already included the May and June contribution from Splitska banka which comprised HUF 4.6 billion.

The P&L and balance sheet effect of the acquisition is presented in the standalone section on Croatia.

The bank more than doubled its 2Q operating profit q-o-q with total income increasing by 107% q-o-q.

Within that net interest income advanced by 93%, whereas fees and commission income grew two and half times similar to other net non-interest income. Operating expenses were by 89% higher q-o-q. The bank's 2Q NIM stood at 3.67% (-8 bps q-o-q).

As for total risk cost, within that there was a release on the other provision line. Loan-related risk costs, however, declined by around HUF 5 billion q-o-q despite the bank increased its provision coverage for a particular corporate exposure during 2Q on which it already made significant provisions in 1Q.

The performing loan book jumped to HUF 1,052 billion, thus the Croatian operation had already the second biggest DPD0-90 book within the Group taking over this position from DSK bank. As a result of the acquisition, retail volumes doubled and the corporate exposure increased to three-fold. The entity's net loan-to-deposit ratio melted down to 80% (-4 pps q-o-q).

The DPD90+ ratio decreased (6.4%); the coverage ratio depleted to 85.4% (-12 pps q-o-q).

The ***Slovakian subsidiary*** performance is quite uneven: it posted almost HUF 400 million loss in 2Q after a HUF 90 million profit after tax in 1Q. The operating profit deteriorated (-5% q-o-q), whereas risk costs jumped by 25%. 2Q NIM eroded marginally (2.97%). Performing loan volumes were stable q-o-q, within that both the mortgage and consumer book grew. In 2Q cash loan disbursement showed strong momentum (+56% q-o-q). The credit portfolio somewhat deteriorated: the DPD90+ ratio grew to 12.3%, the coverage ratio increased to 73.7%.

Following a marginal loss in 1Q the ***Serbian subsidiary*** posted a loss of HUF 1.5 billion in 2Q. The apparently weak bottom line result was mainly due to surging risk costs on the back of methodology changes; the improving operating profit could not offset that. The underlying credit quality, however kept improving and the DPD90+ ratio decreased below 30% (29.4%), a level not seen since 2009; the coverage ratio was stable (78%). The FX-adjusted performing loan book grew by 7% q-o-q and by 18% y-o-y.

The **Montenegrin subsidiary** couldn't repeat its profitable operation and posted HUF 94 million loss. Improving operating profit in 2Q was offset by higher risk costs (+43% q-o-q).

The DPD90+ ratio remained practically flat q-o-q (39.7%), while the coverage ratio was 95.1% (+11.8 pps y-o-y). FX-adjusted performing loan volumes grew by 1% q-o-q, within that the consumer and SME exposures grew the fastest.

Consolidated and stand-alone capital adequacy ratio (in accordance with BASEL III)

By the end of June 2017 the consolidated Common Equity Tier1 ratio under IFRS was 14.1% (-1.9 pps q-o-q) which already reflects the impact of the Splitska banka acquisition, as well as the combined effect (cca.0.5 pp) of lower CET1 (due to the change in revaluation reserves) and higher RWAs. Neither the quarterly net result was included, nor was the accrued dividend amount was deducted from the regulatory capital when calculating the IFRS consolidated capital adequacy ratios. Including those items the CET1 ratio would be 15.4%.

OTP Bank's standalone Common Equity Tier1 ratio stood at 28.0% in June 2017 (-1.4 pps q-o-q) which includes the retained earnings for the period, as well as the total amount of dividend accrued for 2017. The q-o-q decline in the CET1 ratio is explained mainly by an increase in capital requirement for credit risk.

Since OTP Bank switched from Hungarian Accounting Standards into IFRS from January 2017 the capital adequacy ratios can't be compared to those in previous periods.

Credit rating, shareholder structure

There has been no change in the outstanding ratings of OTP Bank and OTP Mortgage Bank, however on 24 July Standard & Poor's improved both banks' long term FX and local currency rating into investment grade. Thus, after 2011 OTP Bank currently enjoys investment grade rating from both major credit rating agencies ("Baa3/BBB-"). The outlook is stable by both Moody's and S&P.

OTP Mortgage Bank holds a 'Ba1' local-currency issuer rating at Moody's with positive outlook; its foreign-currency denominated mortgage bond rating was 'Baa1'.

From S&P the rating of OTP Bank and OTP Mortgage Bank was 'BB+' with stable outlook.

OTP Bank Russia holds a 'BB' rating from Fitch with stable outlook.

Regarding the ownership structure of the Bank, on 30 June 2017 the following investors had more than 5% influence (voting rights) in the Company: the Rahimkulov family (9.04%), MOL (the Hungarian Oil and Gas Company, 8.69%), OPUS Securities S.A. (5.25%) and Groupama S.A. (5.19%).

POST BALANCE SHEET EVENTS

Hungary

- On 18 July 2017 the Monetary Council left the base rate unchanged at 0.9%.
- On 24 July 2017 Standard & Poor's upgraded the long- and short-term foreign and local currency counterparty credit ratings of OTP Bank and OTP Mortgage Bank to 'BBB-" from "BB+". The outlook on the long-term ratings of both banks are stable.
- On 1 August 2017 OTP Mortgage Bank received the approval of NBH to sell its qualified customer friendly mortgage loan.

Russia

- On 22 July 2017 the US Congress agreed on sweeping sanctions against Russia. The RUB weakened on the news and CBR also left the base rate unchanged (9%) at its rate-setting meeting on 28 July.

Ukraine

- On 5 July 2017 the Ukrainian Prime Minister announced that IMF postponed transferring the next tranche (USD 1.9 billion) of the financial aid until autumn as the parliament had not approved several legislative acts on necessary structural reforms.

Romania

- On 27 July 2017 OTP Bank Romania S.A., the Romanian subsidiary of OTP Bank signed an acquisition agreement on purchasing a 99.28% shareholding held in the Romanian Banca Romaneasca S.A. by National Bank of Greece S.A and certain other Romanian exposures held by different subsidiaries of National Bank of Greece S.A. As a result of the acquisition the Romanian market share of OTP Group will rise to approximately 4%, and will become the 8th largest bank in the country. The financial closing of the transaction is expected to be completed by the beginning of 2018.

Serbia

- On 4 August 2017 OTP banka Srbija a.d. Novi Sad, the Serbian subsidiary of OTP Bank signed an acquisition agreement on purchasing 100% shareholding held in the Serbian Vojvodjanska banka a.d. („VOBAN") and NBG Leasing d.o.o. and certain other Serbian exposures held by the Group of the National Bank of Greece S.A. The agreed consideration for the share capital of VOBAN and NBG Leasing amounts to EUR 125 million.

  VOBAN is the 9th biggest player on the Serbian banking market and as a universal bank it has been active in the retail and corporate segment as well. As a result of the acquisition the Serbian market share of OTP Group will rise to 5.7 %, and will become the 7th largest bank in the country.

  The financial closing of the transaction is expected to be completed by the end of 2017.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[2]

in HUF million	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Consolidated after tax profit	**106,188**	**133,556**	**26%**	**71,935**	**52,859**	**80,697**	**53%**	**12%**
Adjustments (total)	**2,048**	**-11,462**	**-660%**	**15,392**	**-13,902**	**2,440**	**-118%**	**-84%**
Consolidated adjusted after tax profit without the effect of adjustments	**104,140**	**145,019**	**39%**	**56,544**	**66,762**	**78,257**	**17%**	**38%**
Banks total without one-off items[1]	100,057	138,161	38%	54,644	63,608	74,553	17%	36%
OTP CORE (Hungary)[2]	59,614	90,198	51%	30,717	40,848	49,351	21%	61%
Corporate Centre (after tax)[3]	-2,926	1,391	-148%	-1,289	1,137	254	-78%	-120%
OTP Bank Russia[4]	9,128	15,050	65%	6,519	7,553	7,497	-1%	15%
Touch Bank (Russia)[5]	-2,511	-3,820	52%	-1,457	-2,259	-1,561	-31%	7%
OTP Bank Ukraine[6]	4,297	5,817	35%	3,441	3,311	2,506	-24%	-27%
DSK Bank (Bulgaria)[7]	28,007	25,372	-9%	14,223	13,391	11,982	-11%	-16%
OBR (Romania)[8]	1,606	861	-46%	989	1,308	-447	-134%	-145%
OTP banka Srbija (Serbia)[9]	118	-1,483		88	-6	-1,476		
OBH (Croatia)[10]	2,172	5,094	134%	1,326	-1,847	6,941	-476%	423%
OBS (Slovakia)[11]	296	-308	-204%	-55	90	-398	-543%	625%
CKB (Montenegro)[12]	255	-12	-105%	143	82	-94	-215%	-166%
Leasing	1,332	4,203	215%	544	2,053	2,150	5%	295%
Merkantil Bank + Car, adj. (Hungary)[13]	1,011	3,425	239%	510	1,942	1,483	-24%	191%
Foreign leasing companies (Croatia, Bulgaria, Romania)[14]	321	778	142%	34	111	667	502%	
Asset Management	1,915	2,207	15%	867	1,087	1,121	3%	29%
OTP Asset Management (Hungary)	1,874	2,032	8%	857	1,046	986	-6%	15%
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[15]	41	176	331%	10	41	135	233%	
Other Hungarian Subsidiaries	1,650	132	-92%	993	5	127		-87%
Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Croatia, Belize)[16]	118	-63	-153%	100	51	-114	-322%	-213%
Eliminations	-931	379	-141%	-605	-42	421		-170%
Total adjusted after tax profit of HUNGARIAN subsidiaries[17]	60,292	97,557	62%	31,182	44,936	52,621	17%	69%
Total adjusted after tax profit of FOREIGN subsidiaries[18]	43,848	47,462	8%	25,362	21,825	25,636	17%	1%
Share of foreign profit contribution, %	42%	33%	-22%	45%	33%	33%	0%	-27%

[2] Relevant footnotes are in the Supplementary data section of the Report.

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME

Main components of the Statement of recognized income in HUF million	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Consolidated after tax profit	**106,188**	**133,556**	**26%**	**71,935**	**52,859**	**80,697**	**53%**	**12%**
Adjustments (total)	**2,047**	**-11,462**	**-660%**	**15,392**	**-13,902**	**2,440**	**-118%**	**-84%**
Dividends and net cash transfers (after tax)	254	348	37%	186	139	209	51%	12%
Goodwill/investment impairment charges (after tax)	2,214	-270	-112%	2,214	512	-782	-253%	-135%
Special tax on financial institutions (after corporate income tax)	-13,581	-14,899	10%	-168	-14,730	-169	-99%	1%
Impact of fines imposed by the Hungarian Competition Authority (after tax)	0	177		0	177	0	-100%	
Effect of acquisitions (after tax)	0	3,182		0	0	3,182		
Of which customer base value, fair value adjustment of loans and their amortization (after tax)	0	6,752		0	0	6,752		
Gain on the sale of Visa Europe shares (after tax)	13,160	0	-100%	13,160	0	0		-100%
Consolidated adjusted after tax profit without the effect of adjustments	**104,141**	**145,019**	**39%**	**56,543**	**66,762**	**78,257**	**17%**	**38%**
Before tax profit	**134,345**	**166,521**	**24%**	**70,359**	**76,204**	**90,317**	**19%**	**28%**
Operating profit	**164,280**	**185,986**	**13%**	**79,670**	**88,721**	**97,265**	**10%**	**22%**
Total income	**357,841**	**393,277**	**10%**	**180,340**	**188,756**	**204,521**	**8%**	**13%**
Net interest income	**258,108**	**269,106**	**4%**	**129,067**	**132,180**	**136,925**	**4%**	**6%**
Net fees and commissions	**82,339**	**98,306**	**19%**	**43,520**	**44,549**	**53,757**	**21%**	**24%**
Other net non-interest income	**17,394**	**25,865**	**49%**	**7,753**	**12,026**	**13,839**	**15%**	**79%**
Foreign exchange result, net	8,690	11,159	28%	5,379	4,955	6,203	25%	15%
Gain/loss on securities, net	3,564	5,031	41%	373	1,719	3,312	93%	789%
Net other non-interest result	5,140	9,676	88%	2,001	5,352	4,324	-19%	116%
Operating expenses	**-193,561**	**-207,291**	**7%**	**-100,670**	**-100,035**	**-107,256**	**7%**	**7%**
Personnel expenses	-95,071	-102,991	8%	-49,687	-49,560	-53,432	8%	8%
Depreciation	-21,157	-21,150	0%	-10,724	-9,722	-11,427	18%	7%
Other expenses	-77,333	-83,150	8%	-40,259	-40,753	-42,397	4%	5%
Total risk costs	**-32,862**	**-22,308**	**-32%**	**-12,069**	**-12,475**	**-9,833**	**-21%**	**-19%**
Provision for loan losses	-34,624	-16,791	-52%	-13,879	-10,647	-6,145	-42%	-56%
Other provision	1,761	-5,517	-413%	1,810	-1,828	-3,688	102%	-304%
Total one-off items	**2,927**	**2,843**	**-3%**	**2,758**	**-42**	**2,885**		**5%**
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0		0	0	0		
Result of the treasury share swap at OTP Core	2,927	2,843	-3%	2,758	-42	2,885		5%
Corporate taxes	**-30,204**	**-21,502**	**-29%**	**-13,816**	**-9,442**	**-12,060**	**28%**	**-13%**
INDICATORS (%)	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
ROE (from accounting net earnings)	17.0%	18.5%	1.5%p	22.9%	15.0%	22.0%	7.0%p	-0.9%p
ROE (from accounting net earnings, on 12.5% CET1 ratio)	18.4%	22.3%	3.9%p	25.1%	18.3%	26.1%	7.8%p	1.0%p
ROE (from adjusted net earnings)	16.7%	20.1%	3.4%p	18.0%	18.8%	21.3%	2.5%p	3.3%p
ROA (from adjusted net earnings)	1.9%	2.5%	0.6%p	2.1%	2.4%	2.6%	0.2%p	0.5%p
Operating profit margin	3.06%	3.24%	0.19%p	2.97%	3.20%	3.29%	0.09%p	0.32%p
Total income margin	6.66%	6.86%	0.21%p	6.73%	6.80%	6.92%	0.11%p	0.19%p
Net interest margin	4.80%	4.69%	-0.11%p	4.81%	4.76%	4.63%	-0.13%p	-0.18%p
Net fee and commission margin	1.53%	1.72%	0.18%p	1.62%	1.61%	1.82%	0.21%p	0.19%p
Net other non-interest income margin	0.32%	0.45%	0.13%p	0.29%	0.43%	0.47%	0.03%p	0.18%p
Cost-to-asset ratio	3.60%	3.62%	0.02%p	3.76%	3.61%	3.63%	0.02%p	-0.13%p
Cost/income ratio	54.1%	52.7%	-1.4%p	55.8%	53.0%	52.4%	-0.6%p	-3.4%p
Risk cost for loan losses-to-average gross loans	1.10%	0.50%	-0.60%p	0.87%	0.65%	0.35%	-0.30%p	-0.52%p
Risk cost for loan losses-to-average FX adjusted gross loans	1.22%	0.50%	-0.72%p	0.95%	0.66%	0.35%	-0.31%p	-0.60%p
Total risk cost-to-asset ratio	0.61%	0.39%	-0.22%p	0.45%	0.45%	0.33%	-0.12%p	-0.12%p
Effective tax rate	22.5%	12.9%	-9.6%p	19.6%	12.4%	13.4%	1.0%p	-6.3%p
Non-interest income/total income	28%	32%	4%p	28%	30%	33%	3%p	5%p
EPS base (HUF) (from unadjusted net earnings)	400	510	27%	271	202	308	53%	14%
EPS diluted (HUF) (from unadjusted net earnings)	400	510	27%	271	202	308	53%	13%
EPS base (HUF) (from adjusted net earnings)	393	554	41%	214	255	299	17%	40%
EPS diluted (HUF) (from adjusted net earnings)	393	554	41%	214	255	299	17%	40%
Comprehensive Income Statement	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Consolidated after tax profit	106,188	133,556	26%	71,935	52,859	80,697	53%	12%
Fair value adjustment of securities available-for-sale (recognised directly through equity)	-10,897	8,155	-175%	-17,527	4,970	3,185	-36%	-118%
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	0	0		0	0	0		
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	-850	465	-155%	-500	543	-78	-114%	-84%
Foreign currency translation difference	22,488	-12,738	-157%	17,663	10,736	-23,474	-319%	-233%
Change of actuarial losses (IAS 19)	0	0		0	0	0		
Net comprehensive income	**116,929**	**129,439**	**11%**	**71,570**	**69,108**	**60,331**	**-13%**	**-16%**
o/w Net comprehensive income attributable to equity holders	116,535	129,432	11%	71,302	68,890	60,542	-12%	-15%
Net comprehensive income attributable to non-controlling interest	394	7	-98%	268	218	-211	-197%	-179%
Average exchange rate of the HUF (in forint)	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
HUF/EUR	313	309	-1%	313	309	310	0%	-1%
HUF/CHF	285	287	1%	286	289	286	-1%	0%
HUF/USD	280	286	2%	277	290	281	-3%	1%

CONSOLIDATED BALANCE SHEET

Main components of balance sheet in HUF million	2Q 2016	4Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y	YTD
TOTAL ASSETS	**10,699,226**	**11,307,665**	**11,390,214**	**12,145,924**	**7%**	**14%**	**7%**
Cash and amount due from banks	1,486,420	1,625,357	1,351,267	1,038,507	-23%	-30%	-36%
Placements with other banks	336,532	363,530	347,441	447,376	29%	33%	23%
Financial assets at fair value	243,709	293,106	309,807	226,909	-27%	-7%	-23%
Securities available-for-sale	1,605,945	1,527,093	1,669,298	1,967,950	18%	23%	29%
Net customer loans	5,487,920	5,736,231	5,778,811	6,530,352	13%	19%	14%
Net customer loans (FX adjusted[1])	**5,416,783**	**5,687,933**	**5,726,449**	**6,530,352**	**14%**	**21%**	**15%**
Gross customer loans	6,493,371	6,680,504	6,708,882	7,410,711	10%	14%	11%
Gross customer loans (FX adjusted[1])	**6,403,099**	**6,611,751**	**6,634,613**	**7,410,711**	**12%**	**16%**	**12%**
o/w Retail loans	4,193,401	4,355,200	4,342,993	4,705,824	8%	12%	8%
Retail mortgage loans (incl. home equity)	2,220,413	2,343,062	2,325,452	2,444,721	5%	10%	4%
Retail consumer loans	1,464,964	1,496,472	1,491,076	1,707,841	15%	17%	14%
SME loans	508,024	515,666	526,465	553,262	5%	9%	7%
Corporate loans	1,947,384	1,993,759	2,033,595	2,416,001	19%	24%	21%
Loans to medium and large corporates	1,865,917	1,920,204	1,948,393	2,189,450	12%	17%	14%
Municipal loans	81,467	73,555	85,202	226,551	166%	178%	208%
Car financing loans	211,438	216,152	218,502	252,650	16%	19%	17%
Bills and accrued interest receivables related to loans	50,877	46,641	39,523	36,237	-8%	-29%	-22%
Allowances for loan losses	-1,005,451	-944,273	-930,071	-880,359	-5%	-12%	-7%
Allowances for loan losses (FX adjusted[1])	-986,317	-923,819	-908,164	-880,359	-3%	-11%	-5%
Equity investments	9,215	9,837	10,041	10,311	3%	12%	5%
Securities held-to-maturity	894,218	1,114,227	1,218,822	1,231,992	1%	38%	11%
Premises, equipment and intangible assets, net	350,816	355,516	360,314	381,927	6%	9%	7%
o/w Goodwill, net	101,404	104,282	107,573	102,044	-5%	1%	-2%
Premises, equipment and other intangible assets, net	249,412	251,234	252,740	279,883	11%	12%	11%
Other assets	284,451	282,769	344,412	310,599	-10%	9%	10%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,699,226**	**11,307,665**	**11,390,214**	**12,145,924**	**7%**	**14%**	**7%**
Liabilities to credit institutions and governments	516,242	543,774	491,895	534,254	9%	3%	-2%
Customer deposits	7,898,534	8,540,584	8,441,077	9,215,539	9%	17%	8%
Customer deposits (FX adjusted[1])	**7,793,611**	**8,461,547**	**8,373,159**	**9,215,539**	**10%**	**18%**	**9%**
o/w Retail deposits	5,657,636	6,082,301	6,080,437	6,776,661	11%	20%	11%
Household deposits	4,761,430	5,090,740	5,094,004	5,696,968	12%	20%	12%
SME deposits	896,206	991,561	986,433	1,079,693	9%	20%	9%
Corporate deposits	2,118,734	2,363,602	2,281,312	2,422,172	6%	14%	2%
Deposits to medium and large corporates	1,718,832	1,822,391	1,747,068	1,902,989	9%	11%	4%
Municipal deposits	399,902	541,211	534,244	519,183	-3%	30%	-4%
Accrued interest payable related to customer deposits	17,241	15,644	11,410	16,706	46%	-3%	7%
Issued securities	232,631	146,900	263,629	258,139	-2%	11%	76%
o/w Retail bonds	59,511	36,921	19,875	10,368	-48%	-83%	-72%
Issued securities without retail bonds	173,119	109,978	243,754	247,771	2%	43%	125%
Other liabilities	507,009	578,300	680,817	565,266	-17%	11%	-2%
Subordinated bonds and loans[2]	243,864	77,458	76,565	76,464	0%	-69%	-1%
Total shareholders' equity	**1,300,946**	**1,420,650**	**1,436,232**	**1,496,262**	**4%**	**15%**	**5%**
Indicators	2Q 2016	4Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y	YTD
Loan/deposit ratio (FX adjusted[1])	82%	78%	79%	80%	1%p	-2%p	2%p
Net loan/(deposit + retail bond) ratio (FX adjusted[1])	68%	67%	68%	71%	3%p	2%p	4%p
90+ days past due loan volume	1,058,728	975,952	941,546	900,638	-4%	-15%	-8%
90+ days past due loans/gross customer loans	16.4%	14.7%	14.1%	12.2%	-1.9%p	-4.2%p	-2.5%p
Total provisions/90+ days past due loans	95.0%	96.8%	98.8%	97.7%	-1.0%p	2.8%p	1.0%p
Consolidated capital adequacy - Basel3	2Q 2016	4Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y	YTD
Capital adequacy ratio (consolidated, IFRS)	15.8%	16.0%	18.5%	16.3%	-2.2%p	0.5%p	0.2%p
Tier1 ratio	13.2%	13.5%	16.0%	14.1%	-1.9%p	0.9%p	0.5%p
Common Equity Tier1 ('CET1') capital ratio	13.2%	13.5%	16.0%	14.1%	-1.9%p	0.9%p	0.5%p
Regulatory capital (consolidated)	1,060,918	1,079,064	1,249,151	1,227,883	-2%	16%	14%
o/w Tier1 Capital	885,007	911,328	1,082,678	1,061,477	-2%	20%	16%
o/w Common Equity Tier1 capital	885,007	911,328	1,082,678	1,061,477	-2%	20%	16%
Tier2 Capital	175,911	167,736	166,473	166,406	0%	-5%	-1%
o/w Hybrid Tier2	91,451	89,935	89,935	89,935	0%	-2%	0%
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	6,723,900	6,730,467	6,768,003	7,545,318	11%	12%	12%
o/w RWA (Credit risk)	5,354,095	5,344,636	5,552,337	6,154,700	11%	15%	15%
RWA (Market & Operational risk)	1,369,805	1,385,831	1,215,665	1,390,618	14%	2%	0%
Closing exchange rate of the HUF (in forint)	2Q 2016	4Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y	YTD
HUF/EUR	316	311	309	309	0%	-2%	-1%
HUF/CHF	291	289	289	283	-2%	-3%	-2%
HUF/USD	284	294	289	271	-6%	-5%	-8%

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

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

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income in HUF million	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	59,614	90,198	51%	30,717	40,848	49,351	21%	61%
Corporate income tax	-21,235	-11,544	-46%	-10,436	-5,179	-6,365	23%	-39%
Pre-tax profit	80,849	101,742	26%	41,153	46,026	55,716	21%	35%
Operating profit	72,922	81,382	12%	32,627	38,033	43,348	14%	33%
Total income	175,584	183,120	4%	87,110	87,926	95,194	8%	9%
Net interest income	116,202	116,280	0%	57,800	57,586	58,694	2%	2%
Net fees and commissions	48,310	54,154	12%	25,569	24,249	29,905	23%	17%
Other net non-interest income	11,072	12,685	15%	3,741	6,091	6,594	8%	76%
Operating expenses	-102,663	-101,738	-1%	-54,482	-49,893	-51,845	4%	-5%
Total risk costs	5,001	17,518	250%	5,768	8,035	9,482	18%	64%
Provisions for possible loan losses	3,705	16,061	334%	3,740	6,988	9,073	30%	143%
Other provisions	1,296	1,456	12%	2,027	1,048	409	-61%	-80%
Total one-off items	2,927	2,843	-3%	2,758	-42	2,885		5%
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	0%	0	0	0	0%	0%
Revaluation result of the treasury share swap agreement	2,927	2,843	-3%	2,758	-42	2,885		5%
Revenues by Business Lines								
RETAIL								
Total income	124,485	117,083	-6%	62,966	56,661	60,422	7%	-4%
Net interest income	79,982	68,207	-15%	39,480	34,641	33,566	-3%	-15%
Net fees and commissions	42,519	47,137	11%	22,550	21,157	25,980	23%	15%
Other net non-interest income	1,984	1,739	-12%	936	863	876	2%	-6%
CORPORATE								
Total income	18,888	18,071	-4%	9,471	9,081	8,989	-1%	-5%
Net interest income	12,615	11,872	-6%	6,184	6,086	5,786	-5%	-6%
Net fees and commissions	5,693	5,690	0%	3,013	2,743	2,947	7%	-2%
Other net non-interest income	580	508	-12%	274	252	256	2%	-6%
Treasury ALM								
Total income	30,768	43,497	41%	14,252	18,863	24,634	31%	73%
Net interest income	23,605	36,201	53%	12,136	16,858	19,342	15%	59%
Net fees and commissions	98	1,327	1256%	5	349	978	180%	20364%
Other net non-interest income	7,065	5,969	-16%	2,111	1,655	4,314	161%	104%
Indicators (%)	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
ROE	9.9%	13.8%	3.9%p	10.1%	12.6%	14.9%	2.3%p	4.8%p
ROA	1.8%	2.5%	0.8%p	1.8%	2.3%	2.7%	0.4%p	0.9%p
Operating profit margin (operating profit / avg. total assets)	2.2%	2.3%	0.1%p	1.9%	2.2%	2.4%	0.2%p	0.5%p
Total income margin	5.20%	5.12%	-0.08%p	5.16%	4.99%	5.23%	0.24%p	0.07%p
Net interest margin	3.44%	3.25%	-0.19%p	3.42%	3.27%	3.23%	-0.04%p	-0.20%p
Net fee and commission margin	1.43%	1.51%	0.08%p	1.52%	1.38%	1.64%	0.27%p	0.13%p
Net other non-interest income margin	0.33%	0.35%	0.03%p	0.22%	0.35%	0.36%	0.02%p	0.14%p
Operating costs to total assets ratio	3.0%	2.8%	-0.2%p	3.2%	2.8%	2.9%	0.0%p	-0.4%p
Cost/income ratio	58.5%	55.6%	-2.9%p	62.5%	56.7%	54.5%	-2.3%p	-8.1%p
Cost of risk/average gross loans[1]	-0.31%	-1.21%	-0.90%p	-0.62%	-1.07%	-1.35%	-0.28%p	-0.73%p
Cost of risk/average gross loans[1] (FX adjusted)	-0.31%	-1.21%	-0.90%p	-0.62%	-1.07%	-1.35%	-0.28%p	-0.73%p
Effective tax rate	26.3%	11.3%	-14.9%p	25.4%	11.3%	11.4%	0.2%p	-13.9%p

[1] Negative volume of Cost of risk/average gross loan volumes imply provision release

- ***1H adjusted profit after tax of OTP Core reached HUF 90.2 billion (+51%y-o-y) supported also by the lower effective tax rate; the before tax profit advanced by 26% y-o-y. HUF 49.4 billion net profit was posted in 2Q***
- ***Stable 1H net interest income, whereas in 2Q it showed improvement on a quarterly basis due to increasing loan portfolio and moderately eroding NIM***
- ***Increasing provision releases were recorded both in half-yearly and quarterly comparison***
- ***The DPD90+ ratio dropped to 8.3%, the coverage ratio declined q-o-q***

Note on methodological change: the scope of companies comprising OTP Core was extended by the following companies from 1Q 2017: OTP Card Factory Ltd, OTP Real Estate Lease Ltd, OTP Facility Management Ltd. and MONICOMP Ltd. (earlier these entities' results were presented within Other Hungarian Subsidiaries).

The aggregated gross loan portfolio of those companies that were included into OTP Core from 1Q 2017 amounted to HUF 22.1 billion, while the performing loan volumes represented HUF 18.1 billion at end of 2Q 2017 (of which HUF 16.0 billion mortgages, HUF 0.2 billion consumer loans, HUF 1.6 billion micro and small enterprise exposures and HUF 0.3 billion corporate loans). The aggregated total after tax of these entities amounted to HUF 0.9 billion in 1H 2017.

P&L developments

Without the effect of adjustment items[3] **OTP Core** posted a profit after tax of HUF 90.2 billion in 1H 2017, implying a 51% y-o-y increase. 2Q adjusted profit represented HUF 49.4 billion (+21% q-o-q and +61% y-o-y).

The effective corporate income tax rate for the first six months was 11.3% versus 26.3% for the base period. The main reason behind was that effective from 1 January 2017 the Hungarian corporate tax rate was reduced uniformly to 9%. Also, the tax shield effect of the revaluation of subsidiary investments resulted in additional tax payment[4] of HUF 2.6 billion in 1H 2016. Since the switch from Hungarian Accounting Standards into IFRS financials became effective from January 2017 in Hungary, from 2017 the corporate tax line of OTP Core isn't distorted by this tax shield effect related to the HUF exchange rate movements.

The semi-annual profit before tax improved by 26% y-o-y supported by both higher operating result and lower total risk costs. On quarterly basis the profit before tax surged mainly as a result of better core banking revenues q-o-q.

1H total income without one-offs went up by 4% y-o-y. It was positive that in 1H 2017 the net interest income stabilized y-o-y. Gross interest revenues were supported by higher loan volumes: apart from the strong organic loan volume growth dynamics the overall portfolio was also boosted by the take-over of the AXA volumes in last November. Furthermore, it was also positive for interest revenues that the liquidity reserves have been gradually shifting toward longer duration and higher yielding Hungarian government bonds, and this trend continued throughout 1H 2017. At the same time the net interest income was negatively influenced by the continuing erosion of short-term reference rates (used as benchmark rates for variable rate loans) already observed from the beginning of 2016. The semi-annual net interest margin declined by 20 bps y-o-y.

2Q net interest income grew by 2% q-o-q. 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. The NIM decline was explained by the further shrinking of the short-term reference rates, however its pace decelerated: 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, too.

In 1H 2017 the net fee and commission income increased by 12% y-o-y. The improvement was mainly due to stronger card-related fees induced by growing transactional turnover. However, the deposit and transaction-related, as well as loan-related and securities fee revenues strengthened, too. The quarterly increase of 2Q net fees and commissions (+23% q-o-q) was explained predominantly by the q-o-q lower financial transaction tax obligation (which is presented on the net fee and commission income line); however the higher business activity and the usual seasonality played a role, too. The quarterly decline of financial transaction tax 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,

[3] Adjustments emerged in the presented periods: special tax on financial institutions, dividends and net cash transfers, goodwill impairment charges, impact of fines imposed by the Hungarian Competition Authority, and the gain on the sale of Visa Europe shares.

[4] In the base period the closing rate of HUF typically depreciated against the functional currencies of the subsidiary investments. Therefore a revaluation gain was realized under Hungarian Accounting Standards when translating the value of these subsidiary investments into HUF, increasing the corporate tax base. So, the corporate income tax both under HAS and IFRS was higher in this period (ceteris paribus).

part of the contributions 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[5]. This explained HUF 2.6 billion out of the HUF 5.7 billion q-o-q net fee and commission income growth.

Business activity might be also boosted by an agreement with the Hungarian Development Bank under which OTP Bank as the leader of a consortium joined the network of HDB's selling points. Accordingly, OTP Bank will add 163 branches to the network through which OTP – in exchange for fees – will distribute EU loans and other loan products combined with non-refundable funds.

According to the announcement made by the Hungarian Government Debt Management Agency the distribution fees on certain household targeted government bonds were reduced starting from 17 July 2017.

The semi-annual other net non-interest income (without one-offs) grew by 15% y-o-y.

The total amount of one-off revenue items in 1H 2017 comprised HUF 2.8 billion (y-o-y unchanged), almost entirely being related to a dividend income realized in 2Q on the treasury share swap agreement.

1H operating expenses moderated by 1% y-o-y as a result of lower amortization and administrative expenses. The inclusion of the above-mentioned four Hungarian entities into OTP Core from 1Q 2017 did not have a material impact on the dynamics of operating expenses due to eliminations, however it did influence the structure of operating costs (as a result, personnel costs grew, while administrative expenses declined). The total number of employees at OTP Core increased by 809 people y-o-y and by 579 people ytd, of which the four new entities added 575 people.

The y-o-y change in 1H personnel expenses was shaped by the following factors: at OTP Bank there was an average base salary increase of 4% in April 2016, however its effect was counterbalanced by the 5 pps cut in social and health care contributions effective from 1 January 2017. The cost base in 2Q 2016 was also affected by one-off costs emerged due to organizational changes at the Bank. The take-over of the Hungarian operation of AXA in November 2016 had an impact mainly on personnel costs (in 1H 2017 around HUF 0.4 billion was booked on that line related to the AXA take-over). Furthermore, in April 2017 there was a base salary increase for employees working in the sales network. The q-o-q 4% cost increase reported in 2Q was mainly explained by this single item, though marketing cost increased, too.

On the total risk costs line a release of HUF 17.5 billion was recognized in 1H 2017, of which HUF 9.5 billion occurred in 2Q, mainly booked on the provisions for possible loan losses line.

The DPD90+ volumes adjusted for FX rate movements and sales and write offs declined by HUF 2 billion in 1H 2017, versus HUF 11 billion decline in 2015 and HUF 5 billion in 2016 (latter adjusted for the technical effect of the AXA portfolio take-over). The overall DPD90+ volumes declined by HUF 40 billion y-o-y and by HUF 17 billion q-o-q. These changes were influenced by non-performing loan sales and write offs, too: HUF 55 billion exposures were sold or written off during the last twelve months, of which HUF 18 billion in 2Q 2017. As a result, the DPD90+ ratio moderated by 0.8 pp q-o-q and by 2.7 pps y-o-y to 8.3%. The provision coverage ratio calculated as total provisions to DPD90+ loans (81.8%) moderated by 1.9 pps q-o-q.

On 19 May 2017 the National Bank of Hungary published the set of criteria under which housing loans may qualify for the "customer-friendly housing loan" certification. Banks can apply for the certification from 1 June 2017. On 1 August 2017 NBH notified OTP Mortgage Bank that its application for selling such product was approved.

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[5] The contribution payable by OTP Bank in 2017 into the Compensation Fund (established in order to indemnify the victims of Quaestor and Hungaria Securities Ltd.) is HUF 1.4 billion. The whole annual amount was already accounted for in 1Q 2017, in line with IFRS standards. However the de-facto payment was made in 3 tranches: in March, May and July. The total amount of contribution paid into the Compensation Fund can be deducted immediately from the nominal amount of banking tax, or from the nominal amount of financial transaction tax, or from the nominal amount of corporate tax burden. Due to the deductibility, in the adjusted P&L structure the Compensation Fund contributions and also the deductions were presented partly within the banking tax and partly within the financial transaction tax.

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

Main components of balance sheet closing balances in HUF mn	2Q 2016	4Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y	YTD
Total Assets	6,726,389	7,247,297	7,281,170	7,250,346	0%	8%	0%
Net customer loans	2,191,993	2,398,694	2,462,973	2,542,500	3%	16%	6%
Net customer loans (FX adjusted)	**2,183,797**	**2,394,761**	**2,461,192**	**2,542,500**	**3%**	**16%**	**6%**
Gross customer loans	2,424,160	2,610,277	2,667,329	2,727,902	2%	13%	5%
Gross customer loans (FX adjusted)	**2,414,165**	**2,605,185**	**2,664,816**	**2,727,902**	**2%**	**13%**	**5%**
Retail loans	1,599,358	1,748,170	1,764,474	1,801,023	2%	13%	3%
Retail mortgage loans (incl. home equity)	1,124,709	1,274,847	1,279,896	1,275,156	0%	13%	0%
Retail consumer loans	319,740	315,354	316,756	352,415	11%	10%	12%
SME loans	154,909	157,969	167,822	173,453	3%	12%	10%
Corporate loans	814,807	857,015	900,343	926,879	3%	14%	8%
Loans to medium and large corporates	789,547	833,602	870,776	885,027	2%	12%	6%
Municipal loans	25,260	23,413	29,567	41,851	42%	66%	79%
Provisions	-232,167	-211,583	-204,356	-185,402	-9%	-20%	-12%
Provisions (FX adjusted)	**-230,368**	**-210,424**	**-203,624**	**-185,402**	**-9%**	**-20%**	**-12%**
Deposits from customers + retail bonds	4,417,379	4,942,606	4,868,019	4,899,449	1%	11%	-1%
Deposits from customers + retail bonds (FX adjusted)	**4,393,067**	**4,920,616**	**4,853,145**	**4,899,449**	**1%**	**12%**	**0%**
Retail deposits + retail bonds	2,901,512	3,188,373	3,202,361	3,338,502	4%	15%	5%
Household deposits + retail bonds	2,394,835	2,623,737	2,627,509	2,737,943	4%	14%	4%
o/w: Retail bonds	59,511	36,921	19,875	10,368	0%	-100%	-99%
SME deposits	506,677	564,637	574,851	600,559	4%	19%	6%
Corporate deposits	1,491,554	1,732,243	1,650,785	1,560,948	-5%	5%	-10%
Deposits to medium and large corporates	1,153,596	1,222,762	1,153,269	1,095,291	-5%	-5%	-10%
Municipal deposits	337,959	509,481	497,516	465,657	-6%	38%	-9%
Liabilities to credit institutions	468,827	329,442	288,139	326,917	13%	-30%	-1%
Issued securities without retail bonds	196,245	192,097	299,280	302,779	1%	54%	58%
Total shareholders' equity	1,226,235	1,312,464	1,303,288	1,351,524	4%	10%	3%
Loan Quality	2Q 2016	4Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y	YTD
90+ days past due loan volume (in HUF million)	266,546	255,841	243,919	226,526	-7.1%	-15.0%	-11.5%
90+ days past due loans/gross customer loans (%)	11.0%	9.8%	9.1%	8.3%	-0.8%p	-2.7%p	-1.5%p
Total provisions/90+ days past due loans (%)	87.1%	82.7%	83.8%	81.8%	-1.9%p	-5.3%p	-0.9%p
Market Share (%)	2Q 2016	4Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y	YTD
Loans	18.8%	20.2%	20.3%	20.7%	0.3%p	0.4%p	0.4%p
Deposits	26.2%	26.5%	27.2%	27.0%	-0.2%p	0.5%p	0.5%p
Total Assets	25.3%	24.5%	25.0%	25.1%	0.0%p	0.5%p	0.5%p
Performance Indicators (%)	2Q 2016	4Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y	YTD
Net loans to (deposits + retail bonds) (FX adjusted)	50%	49%	51%	52%	1%p	3%p	3%p
Leverage (closing Shareholder's Equity/Total Assets)	18.2%	18.1%	17.9%	18.6%	0.7%p	0.5%p	0.5%p
Leverage (closing Total Assets/Shareholder's Equity)	5.5x	5.5x	5.6x	5.4x	-0.2x	-0.2x	-0.2x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS until 4Q 2016, IFRS from 1Q 2017)	28.1%	27.7%	32.2%	30.7%	-1.5%p	3.0%p	3.0%p
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, HAS until 4Q 2016, IFRS from 1Q 2017)	25.0%	24.8%	29.5%	28.1%	-1.4%p	3.3%p	3.3%p

- ***Accelerating performing loan volume growth: +6% ytd and +3% q-o-q, after a 5% increase in 2016 as a whole (without the AXA portfolio take-over)***
- ***In 2Q all major product segments demonstrated performing volume growth. The q-o-q increase was fuelled mainly by the consumer and corporate segments***
- ***The semi-annual mortgage loan origination advanced by 31% y-o-y, as a result overall performing mortgage loans stabilized q-o-q following the erosion experienced in the last couple of quarters***
- ***Retail deposit volumes kept increasing***

Balance sheet trends

Loan volume growth at OTP Core accelerated in the first half of 2017 following the lending turnaround in 2016. The FX-adjusted gross loan portfolio increased by 5% ytd and by 13% y-o-y, respectively. However, due to the sales and write-offs of non-performing loans, the performing (DPD0-90) loan volume developments are more illustrative: performing loans advanced by 3% q-o-q and by 6% ytd, which is stronger than the full-year 2016 dynamics (+5% without the take-over of the AXA portfolio).

The semi-annual organic loan portfolio expansion was fuelled mainly by the corporate sector: the performing SME book advanced by 10% ytd, whereas the corporate exposures grew by 11% over the same period. During the last three months the growth rates reached 3% and 4%, respectively. Local government exposures – from a low base though – advanced by 42% q-o-q.

In 2016 the National Bank of Hungary launched the third, so called “phasing out” stage of the Funding for Growth Scheme, under which the deadline for concluding loan contracts was 31 March 2017. According to the data published by the NBH on 5 April 2017 the Hungarian credit institutions participating in the scheme have granted loans to Hungarian micro and SME companies in the amount of HUF 685 billion since the beginning of 2016, whereas OTP contracted for HUF 102 billion under the scheme.

Within the household segment performing mortgage loan volumes stabilized q-o-q, following the small erosion seen in the last couple of quarters (adjusted for one-off effects). The positive development was due to the pick-up in loan demand on sector level. In 2Q OTP Core’s new disbursements demonstrated a q-o-q 29% increase; as a result the semi-annual dynamics reached +31% y-o-y. OTP Bank’s market share in new mortgage loan contractual amounts reached 28.8% in 1H 2017 (+1.0 pp y-o-y).

As for the new mortgage applications, volumes at OTP Bank represented HUF 87.0 billion in 2Q (+31% q-o-q and +30% y-o-y). State subsidized housing loan applications represented HUF 31.4 billion, up by 40% y-o-y due to the additional demand generated by the Housing Subsidy Scheme for Families (CSOK). In 2Q 2017 close to 3,100 (around 5,400 in the first six months) applications for the CSOK subsidy were registered with a value of HUF 11 billion. Applicants also combined CSOK subsidy with subsidized or market-based loan applications in the amount of HUF 18 billion in 2Q 2017.

Performing consumer loan volumes advanced by 14% q-o-q (FX adjusted), the growth amounted to HUF 37 billion in nominal terms. Out of the quarterly increase 11 pps (HUF 29 billion) was related to a few big ticket lombard loans. Performing cash loan volume growth accelerated: the quarterly growth exceeded 8%, whereas the yearly increase was 24%. OTP’s market share in the cash loan segment remained strong both in terms of the outstanding stock and new disbursements. At the end of June the Bank had a market share of 32.8% in total cash loan volumes. Due to strong origination activity (+30% q-o-q) OTP Bank’s market share in new cash loan disbursements reached 34.6% in 2Q. POS and credit card loan volumes kept shrinking q-o-q.

FX-adjusted deposit volumes (including retail bonds) increased by 12% y-o-y and by 1% q-o-q. The quarterly erosion of corporate deposits continued (-5% q-o-q) whereas the steady expansion of retail deposits (including retail bonds) remained intact: in the last three months they grew by 4% and advanced by 15% y-o-y.

According to the decision of the Monetary Council taken in December 2016 the maximum amount of 3 months deposits placed with the central bank at the end of March 2017 was reduced to HUF 750 billion. For the end of June 2017 the limit was set at HUF 500 billion and for September at HUF 300 billion, respectively. At the end of June 2017 OTP Bank kept HUF 116 billion in 3 months central bank deposits. As for the distribution of the liquidity reserves of the Bank, during the last twelve months there has been a gradual shift towards longer duration Hungarian government securities.

According to the announcement made by OTP Bank Plc. on 28 June 2017 the share swap agreement between OTP Bank Plc. and MOL Plc. has been amended. Taking into account the economic substance of the deal and the amendment of certain elements of the contract, in order to show a full and reliable picture, the Bank decided to account for the deal on a net base, which provides a better reflection of the deal’s economic substance, rather than booking it on a gross base. Simultaneously, the accounting policy has been changed. Pursuant to the change, the

MOL shares (previously booked on the trading securities balance sheet line) and the related financial liabilities have been netted off. Consequently, only the net fair value of the share swap deal is presented in the balance sheet.

The 2Q 2017 the consolidated balance sheet and the balance sheet of OTP Bank and OTP Core were affected by the change; however, the change was neutral on the shareholders' equity and the statement of recognised income.

OTP FUND MANAGEMENT (HUNGARY)

Changes in assets under management and financial performance of OTP Fund Management:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	1,874	2,032	8%	857	1,046	986	-6%	15%
Income tax	-388	-198	-49%	-204	-102	-96	-7%	-53%
Profit before income tax	2,263	2,230	-1%	1,061	1,149	1,081	-6%	2%
Operating profit	2,263	2,230	-1%	1,061	1,149	1,081	-6%	2%
Total income	3,070	3,133	2%	1,482	1,539	1,595	4%	8%
Net interest income	0	0		0	0	0		
Net fees and commissions	3,066	3,168	3%	1,479	1,538	1,629	6%	10%
Other net non-interest income	4	-34		3	0	-35		
Operating expenses	-808	-903	12%	-422	-390	-513	32%	22%
Other provisions	0	0		0	0	0		
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	17,780	16,596	-7%	12,814	18,046	16,596	-8%	30%
Total shareholders' equity	14,995	11,721	-22%	9,950	10,701	11,721	10%	18%
Asset under management in HUF bn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Assets under management, total (w/o duplicates)	**1,530**	**1,515**	**-1%**	**1,508**	**1,522**	**1,515**	**0%**	**0%**
Retail investment funds (closing, w/o duplicates)	1,000	971	-3%	999	994	971	-2%	-3%
Volume of managed assets (closing, w/o duplicates)	530	544	3%	510	529	544	3%	7%
Volume of investment funds (with duplicates)	1,153	1,176	2%	1,129	1,176	1,176	0%	4%
money market	295	248	-16%	310	276	248	-10%	-20%
bond	412	335	-19%	401	367	335	-9%	-16%
mixed	25	43	70%	22	34	43	25%	94%
security	123	138	12%	109	133	138	4%	26%
guaranteed	61	51	-17%	98	66	51	-22%	-48%
other	237	362	53%	188	301	362	20%	92%

1H profit after tax at **OTP Fund Management** exceeded HUF 2.0 billion which was 8% higher y-o-y. In 2Q the Company posted around HUF 1 billion profit (-6% q-o-q, +15% y-o-y).

The moderate erosion of 1H operating profit (-1% y-o-y) was a result of the 2% y-o-y increase of total income and the 12% y-o-y rise of the operating expenses. Net fees and commissions increased by 3% y-o-y, whereas in 2Q they grew by 6% q-o-q.

Considering the whole market, in 1H 2017 the managed assets of BAMOSZ members increased. Total return funds and real estate funds enjoyed the biggest inflows, whereas money market funds and bond funds (especially with short maturity) suffered an outflow.

Assets under management at the Company expanded by 4% y-o-y and in 2Q it remained stable q-o-q. The structural shift within the different types of investment funds influenced the assets of OTP Fund Management similar to the whole market during 1H. The volume of money market fund, bond fund and guaranteed fund shrunk, while the mixed fund, equity fund and other asset classes grew. The market share of OTP Fund Management (without duplications) was 23.7% at the end of 2Q 2017, higher by 0.7 pp y-o-y. The Company retained its market leading position.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 217	2Q 217	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,011	3,425	239%	510	1,942	1,483	-24%	191%
Income tax	0	-133		0	-56	-77	38%	
Profit before income tax	1,011	3,558	252%	510	1,998	1,560	-22%	206%
Operating profit	2,858	2,761	-3%	1,442	1,546	1,216	-21%	-16%
Total income	5,833	5,774	-1%	2,949	3,009	2,765	-8%	-6%
Net interest income	7,943	5,575	-30%	3,843	2,779	2,796	1%	-27%
Net fees and commissions	-500	-259	-48%	-261	-128	-130	2%	-50%
Other net non-interest income	-1,610	458	-128%	-634	359	99	-72%	
Operating expenses	-2,975	-3,013	1%	-1,507	-1,464	-1,549	6%	3%
Total provisions	-1,847	796		-932	452	344	-24%	-
Provision for possible loan losses	-1,805	1,082		-919	559	523	-6%	
Other provision	-42	-286	581%	-13	-106	-180	69%	
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 217**	**2Q 217**	**Q-o-Q**	**Y-o-Y**
Total assets	349,891	357,751	2%	342,967	351,217	357,751	2%	4%
Gross customer loans	286,296	291,255	2%	278,359	282,564	291,255	3%	5%
Gross customer loans (FX-adjusted)	286,039	291,255	2%	277,928	282,476	291,255	3%	5%
Retail loans	25,473	28,317	11%	24,652	25,793	28,317	10%	15%
Corporate loans	87,188	85,781	-2%	83,555	83,881	85,781	2%	3%
Car financing loans	173,378	177,157	2%	169,721	172,803	177,157	3%	4%
Allowances for possible loan losses	-37,051	-35,758	-3%	-37,220	-36,415	-35,758	-2%	-4%
Allowances for possible loan losses (FX-adjusted)	-37,035	-35,758	-3%	-37,191	-36,396	-35,758	-2%	-4%
Deposits from customers	34,554	25,911	-25%	8,855	31,173	25,911	-17%	193%
Deposits from customer (FX-adjusted)	34,554	25,911	-25%	8,855	31,173	25,911	-17%	193%
Retail deposits	28,494	23,176	-19%	3,758	25,446	23,176	-9%	517%
Corporate deposits	6,060	2,735	-55%	5,097	5,726	2,735	-52%	-46%
Liabilities to credit institutions	286,401	296,054	3%	270,939	287,526	296,054	3%	9%
Issued securities	3	0	-100%	34,867	3	0	-100%	-100%
Total shareholders' equity	24,530	27,905	14%	22,504	26,400	27,905	6%	24%
Loan Quality	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 217**	**2Q 217**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	33,057	31,904	-3%	33,057	32,353	31,904	-1%	-3%
90+ days past due loans/gross customer loans (%)	11.9%	11.0%	-0.9%p	11.9%	11.4%	11,0%	-0.5%p	-0,9%p
Cost of risk/average gross loans (%)	1.32%	-0.77%	-2.08%p	1.33%	-0.80%	-0,73%	0.07%p	-2,07%p
Cost of risk/average (FX-adjusted) gross loans	1.32%	-0.77%	-2.08%p	1.34%	-0.80%	-0,73%	0.07%p	-2,07%p
Total provisions/90+ days past due loans (%)	112.6%	112.1%	-0.5%p	112.6%	112.6%	112,1%	-0.5%p	-0,5%p
Performance Indicators (%)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 217**	**2Q 217**	**Q-o-Q**	**Y-o-Y**
ROA	0.6%	2.0%	1.4%p	0.6%	2.3%	1.7%	-0.6%p	1.1%p
ROE	9.4%	26.5%	17.1%p	9.2%	31.3%	22.0%	-9.3%p	12.8%p
Total income margin	3.46%	3.31%	-0.15%p	3.46%	3.49%	3.13%	-0.36%p	-0.33%p
Net interest margin	4.71%	3.19%	-1.52%p	4.51%	3.22%	3.16%	-0.06%p	-1.35%p
Cost/income ratio	51.0%	52.2%	1.2%p	51.1%	48.6%	56.0%	7.4%p	4.9%p

The **Merkantil Bank and Car** posted HUF 3.4 billion aggregated adjusted after tax profit in the first half of 2017, exceeding three times the result for the base period. It was mainly attributable to the positive development of loan-related risk costs: in the first half of the year provision was released. In 2Q 2017 the aggregated adjusted after tax profit was HUF 1.5 billion (-24% q-o-q).

In 1H total income remained stable y-o-y. The structure of revenues was influenced by two items with a rather technical nature. On one hand, the abolishment of the structural adjustment related to intragroup securities transactions from 2017 affected the net interest income and other net non-interest income lines of the adjusted P&L and caused a y-o-y HUF 1.8 billion NII decrease in 1H (simultaneously other net non-interest income increased in the same amount). On the other hand, due to the switch to IFRS from 2017 certain items – previously treated as fee expenses – have been reclassified into NII starting from 1Q 2017. This had a negative effect of HUF 0.6 billion on NII in 1H 2017. As a result, in 1H net interest income decreased by 30% y-o-y, but in 2Q the net interest income increased by 1% q-o-q as a joint result of growing loan volumes and shrinking margins.

In 1H operating expenses increased on a yearly basis by 1%. Higher operating expenses for 2Q (+6% q-o-q) were also reasoned by higher charges paid to supervisory authorities (the full amount of the annual fee to the Resolution Fund was booked in 2Q) and personnel expenses (partly due to salary increases).

In 2Q DPD90+ volumes (adjusted for FX rate changes and sold and written off volumes) decreased by HUF 0.2 billion against an average increase of HUF 1.3 billion in the previous four quarters. The ratio of DPD90+ loans decreased by 0.9 pp y-o-y to 11.0%, while the coverage ratio remained stable (112.1%).

The FX-adjusted loan portfolio expanded by 5% on a yearly basis due to the favourable origination activity. The volume of corporate loans increased on a quarterly basis (+2% q-o-q) against the setback seen in the previous quarter. The volume of car-financing loans increased by 4% y-o-y. In 1H total new loan origination grew by 14% y-o-y (+35% q-o-q in 2Q), within that the volume of newly disbursed car loans jumped by 21% y-o-y (+23% q-o-q). Merkantil Bank and Car is a market leader in terms of new loan disbursements and volumes.

IFRS REPORTS OF THE MAIN SUBSIDIARIES

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

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	28,007	25,372	-9%	14,223	13,391	11,982	-11%	-16%
Income tax	-3,109	-2,896	-7%	-1,563	-1,496	-1,400	-6%	-10%
Profit before income tax	31,116	28,269	-9%	15,786	14,887	13,382	-10%	-15%
Operating profit	34,985	31,670	-9%	18,170	15,776	15,894	1%	-13%
Total income	55,790	53,892	-3%	28,687	26,278	27,614	5%	-4%
Net interest income	42,605	36,676	-14%	21,149	18,392	18,284	-1%	-14%
Net fees and commissions	12,783	13,325	4%	6,970	6,394	6,931	8%	-1%
Other net non-interest income	401	3,891	869%	568	1,492	2,400	61%	323%
Operating expenses	-20,805	-22,222	7%	-10,517	-10,502	-11,720	12%	11%
Total provisions	-3,869	-3,402	-12%	-2,384	-890	-2,512	182%	5%
Provision for possible loan losses	-3,557	375	-111%	-2,222	-466	842	-280%	-138%
Other provision	-313	-3,777		-162	-423	-3,354	692%	
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	1,852,901	1,813,437	-2%	1,859,562	1,895,337	1,813,437	-4%	-2%
Gross customer loans	1,151,210	1,159,451	1%	1,195,999	1,144,119	1,159,451	1%	-3%
Gross customer loans (FX-adjusted)	1,143,249	1,159,451	1%	1,168,418	1,144,723	1,159,451	1%	-1%
Retail loans	818,949	827,107	1%	839,836	817,344	827,107	1%	-2%
Corporate loans	324,299	332,344	2%	328,583	327,380	332,344	2%	1%
Allowances for possible loan losses	-142,386	-138,852	-2%	-164,336	-141,609	-138,852	-2%	-16%
Allowances for possible loan losses (FX-adjusted)	-141,375	-138,852	-2%	-160,513	-141,661	-138,852	-2%	-13%
Deposits from customers	1,547,669	1,532,183	-1%	1,560,502	1,563,146	1,532,183	-2%	-2%
Deposits from customer (FX-adjusted)	1,531,986	1,532,183	0%	1,521,568	1,559,480	1,532,183	-2%	1%
Retail deposits	1,316,817	1,361,524	3%	1,249,859	1,334,670	1,361,524	2%	9%
Corporate deposits	215,168	170,659	-21%	271,710	224,810	170,659	-24%	-37%
Liabilities to credit institutions	21,782	7,240	-67%	16,520	32,077	7,240	-77%	-56%
Total shareholders' equity	247,267	225,746	-9%	230,850	212,740	225,746	6%	-2%
Loan Quality	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	168,672	128,439	-24%	168,672	129,209	128,439	-1%	-24%
90+ days past due loans/gross customer loans (%)	14.1%	11.1%	-3.0%p	14.1%	11.3%	11.1%	-0.2%p	-3.0%p
Cost of risk/average gross loans (%)	0.61%	-0.07%	-0.68%p	0.76%	0.16%	-0.29%	-0.46%p	-1.06%p
Cost of risk/average (FX-adjusted) gross loans (%)	0.62%	-0.07%	-0.68%p	0.77%	0.16%	-0.29%	-0.46%p	-1.06%p
Total provisions/90+ days past due loans (%)	97.4%	108.1%	10.7%p	97.4%	109.6%	108.1%	-1.5%p	10.7%p
Performance Indicators (%)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	3.1%	2.7%	-0.4%p	3.2%	2.9%	2.6%	-0.3%p	-0.6%p
ROE	23.7%	21.8%	-1.9%p	25.6%	21.8%	21.8%	-0.1%p	-3.9%p
Total income margin	6.20%	5.75%	-0.44%p	6.35%	5.60%	5.90%	0.30%p	-0.45%p
Net interest margin	4.73%	3.91%	-0.82%p	4.69%	3.92%	3.91%	-0.01%p	-0.78%p
Cost/income ratio	37.3%	41.2%	3.9%p	36.7%	40.0%	42.4%	2.5%p	5.8%p
Net loans to deposits (FX-adjusted)	66%	67%	0%p	66%	64%	67%	2%p	0%p
FX rates (in HUF)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/BGN (closing)	161.7	157.9	-2%	161.7	157.8	157.9	0%	-2%
HUF/BGN (average)	159.9	158.2	-1%	160.2	158.1	158.4	0%	-1%

- ***HUF 25.4 billion profit after tax in 1H (-9% y-o-y) as a result of moderating operating profit (-9%) and lower risk costs (-12%)***
- ***In 2Q the total income margin improved by 0.3 pp q-o-q with net interest margin remaining stable***
- ***DPD90+ ratio declined further; there was a release of provisions in 2Q on the provision for loan losses line***
- ***The performing loan portfolio grew by 2% q-o-q supported by strengthening retail and steadily strong corporate disbursements; the deposit base declined by 2% (FX-adjusted)***

DSK Group posted an after tax profit of HUF 25.4 billion in 1H 2017, which fell short of that in the base period by 9% y-o-y due to weaker operating profit. Despite a loan-related provision release of HUF 0.4 billion in 1H, other provisions (HUF 3.8 billion) made for potential future obligations were a drag on semi-annual pre-tax earnings. For the same reason 2Q after tax profit also declined (-11% q-o-q) despite the operating profit grew by 1% q-o-q. 2Q ROE remained unchanged q-o-q (21.8%).

The 9% y-o-y decrease in 1H operating profit to a great extent reflected the 14% y-o-y erosion in net interest income: lower interest income was realized on household loans due to persistent repricing and refinancing. Furthermore, methodology changes also caused NII reduction: items related to the fair value adjustment of derivative instruments previously accounted in the other net non-interest income line, appeared within the NII since the beginning of the year (out of the 1H NIM erosion it explained 25 bps, whereas it had a negative impact on 1H NII of about HUF 2.3 billion; however, it was neutral to total income). The 1H NIM dropped by 82 bps y-o-y to 3.91%, but in 2Q it remained stable q-o-q. The 2Q NII declined only marginally (-1% q-o-q).

1H net fee and commission income improved by 4% y-o-y partly due to the growth of transactions-related fee revenues. In 2Q net fees and commissions increased by 8% q-o-q supported by the strong pick-up in lending activity.

Other net non-interest income in 2Q grew by HUF 0.9 billion, mainly due to revaluation gains on derivatives and securities portfolio.

1H operating expenses increased by 7% y-o-y, the key reasons were the higher personnel costs and advisory costs related to business development project in the retail segment. Higher 2Q operating expenses (+12% q-o-q) were due to higher marketing and advisory costs; personnel expenses also grew (+4% q-o-q) as the overall number of employees increased.

Favourable credit quality trends on the whole have remained intact. The FX-adjusted DPD90+ volume excluding the impact of loan sales and write-offs increased mainly due to a single corporate exposure (2Q: HUF 2 billion); the mortgage portfolio quality further improved q-o-q. In 2Q there was a HUF 0.8 billion release on the provision for loan losses line, so the growth in total risk costs was reasoned by an increase on the other provision line (related to potential future obligations).

The DPD90+ ratio decreased by 0.2 pp q-o-q to 11.1%. The total provision coverage of DPD90+ loans remained conservative (108%). During 1H around HUF 3.2 billion non-performing portfolio was sold/written-off (mostly in 2Q), mainly in the corporate segment.

The FX-adjusted gross loans eroded marginally y-o-y (-1%), but the performing book expanded by 3% y-o-y supported by strengthening disbursement activity. The bank launched a lending campaign for mortgages and consumer loans in March and continued it through 2Q; as a result mortgage disbursement surged by 49% q-o-q in BGN terms (+45% y-o-y), and in 2Q performing volumes already grew by 2% q-o-q, following a stagnation in previous quarters. Cash loan disbursements leaped by 17% y-o-y and 40% q-o-q. The performing consumer loan portfolio was stable y-o-y and increased by 1% q-o-q. The nominal interest rates of newly disbursed household loans showed a diminishing trend.

The corporate and SME loan disbursement advanced by 45% y-o-y, while increased by 42% q-o-q. The performing corporate loan portfolio grew by 2% q-o-q and advanced by 5% in the last 12 months. The SME book grew even faster (+3% q-o-q and +12% y-o-y respectively).

The FX-adjusted deposit base declined by 2% q-o-q, but grew by 1% y-o-y. Retail deposits kept on increasing (+2% q-o-q), while corporate deposits suffered an almost 25% outflow related to a single large corporate client's withdrawal. Net loan-to-deposit ratio increased to 67% (+2 pp q-o-q).

The capital adequacy ratio of DSK Bank calculated in accordance with local regulation stood at 17.1% at the end of June. The reason behind the 0.4 pp q-o-q erosion was the q-o-q increase in RWA.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	9,128	15,050	65%	6,519	7,553	7,497	-1%	15%
Income tax	-2,610	-4,172	60%	-1,866	-2,218	-1,954	-12%	5%
Profit before income tax	11,738	19,222	64%	8,384	9,771	9,451	-3%	13%
Operating profit	28,937	38,855	34%	15,570	19,630	19,224	-2%	23%
Total income	48,946	65,399	34%	25,974	32,847	32,552	-1%	25%
Net interest income	43,343	53,192	23%	22,899	27,093	26,099	-4%	14%
Net fees and commissions	6,302	11,766	87%	3,404	5,663	6,103	8%	79%
Other net non-interest income	-699	442		-329	92	350	280%	
Operating expenses	-20,009	-26,545	33%	-10,404	-13,217	-13,328	1%	28%
Total provisions	-17,199	-19,632	14%	-7,186	-9,859	-9,773	-1%	36%
Provision for possible loan losses	-17,148	-19,352	13%	-7,225	-9,725	-9,627	-1%	33%
Other provision	-50	-280	456%	39	-134	-146	10%	
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	622,666	562,014	-10%	530,497	612,958	562,014	-8%	6%
Gross customer loans	490,086	456,180	-7%	424,680	508,938	456,180	-10%	7%
Gross customer loans (FX-adjusted)	467,423	456,180	-2%	435,436	452,284	456,180	1%	5%
Retail loans	429,402	409,164	-5%	400,898	413,855	409,164	-1%	2%
Corporate loans	36,888	45,896	24%	33,355	37,291	45,896	23%	38%
Car financing loans	1,133	1,121	-1%	1,183	1,138	1,121	-1%	-5%
Gross DPD0-90 customer loans (FX-adjusted)	373,046	372,098	0%	328,469	364,596	372,098	2%	13%
Retail loans	340,590	330,725	-3%	299,554	331,562	330,725	0%	10%
Allowances for possible loan losses	-116,458	-106,793	-8%	-115,985	-120,651	-106,793	-11%	-8%
Allowances for possible loan losses (FX-adjusted)	-111,032	-106,793	-4%	-118,854	-107,380	-106,793	-1%	-10%
Deposits from customers	345,241	297,334	-14%	309,231	340,151	297,334	-13%	-4%
Deposits from customer (FX-adjusted)	328,783	297,334	-10%	315,108	304,431	297,334	-2%	-6%
Retail deposits	266,743	254,786	-4%	268,859	254,978	254,786	0%	-5%
Corporate deposits	62,040	42,548	-31%	46,249	49,453	42,548	-14%	-8%
Liabilities to credit institutions	91,641	80,766	-12%	55,039	70,632	80,766	14%	47%
Issued securities	1,038	698	-32%	1,060	690	698	2%	-33%
Subordinated debt	24,778	23,379	-6%	23,538	25,902	23,379	-10%	-1%
Total shareholders' equity	125,190	128,002	2%	104,855	139,104	128,002	-8%	22%
Loan Quality	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	104,446	84,082	-19%	104,446	98,483	84,082	-15%	-19%
90+ days past due loans/gross customer loans (%)	24.6%	18.4%	-6.2%p	24.6%	19.4%	18.4%	-0.9%p	-6.2%p
Cost of risk/average gross loans (%)	8.66%	7.90%	-0.76%p	7.06%	7.89%	7.92%	0.03%p	0.85%p
Cost of risk/average (FX-adjusted) gross loans	9.66%	8.51%	-1.15%p	7.77%	8.52%	8.51%	-0.01%p	0.74%p
Total provisions/90+ days past due loans (%)	111.0%	127.0%	16.0%p	111.0%	122.5%	127.0%	4.5%p	16.0%p
Performance Indicators (%)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	3.7%	5.0%	1.3%p	5.2%	5.0%	5.1%	0.0%p	-0.1%p
ROE	19.8%	22.7%	2.9%p	27.0%	23.4%	22.2%	-1.2%p	-4.8%p
Total income margin	19.90%	21.88%	1.98%p	20.59%	21.81%	21.96%	0.15%p	1.37%p
Net interest margin	17.62%	17.80%	0.18%p	18.15%	17.99%	17.60%	-0.38%p	-0.54%p
Cost/income ratio	40.9%	40.6%	-0.3%p	40.1%	40.2%	40.9%	0.7%p	0.9%p
Net loans to deposits (FX-adjusted)	100%	118%	17%p	100%	113%	118%	4%p	17%p
FX rates (in HUF)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	4.4	4.6	3%	4.4	5.2	4.6	-11%	3%
HUF/RUB (average)	4.0	4.9	23%	4.2	4.9	4.9	0%	17%

- ***HUF 15 billion after tax profit in 1H (+65% y-o-y), due to improving operating performance***
- ***6 months NIM was stable, while in 2Q it slightly eroded q-o-q***
- ***In 2Q loan portfolio quality deterioration remained moderate, risk cost rate in RUB terms was below 8%***
- ***Performing loan volumes grew by 13% y-o-y due to outstanding cash loan and POS loan disbursements, also, the expansion of the corporate portfolio continued***
- ***Stable 1H cost-to-income ratio (40.6%)***

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: in 2Q 2017 the closing rate showed a q-o-q 11% depreciation and y-o-y 3% appreciation of RUB against HUF; whereas the average 1H rate appreciated by 23% y-o-y, the 2Q average rate strengthened by 17% y-o-y and was stable q-o-q. Therefore, local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

In 2Q 2017 **OTP Bank Russia** generated almost the same profit as in the first quarter, thus the semi-annual after tax result topped HUF 15 billion underpinning a 65% improvement y-o-y (+37% in RUB terms).

As for the rouble denominated 1H profit dynamics, owing to the 9% y-o-y growth of total income, operating profit increased by 9% while operating expenses were by 8% higher. Net interest income did not change on the yearly basis in RUB terms with NIM staying flat (1H 2017: 17.8%), as the lower interest income generated by the performing portfolio was offset by the declining funding costs.

At the same time, net fee and commission income grew in RUB terms by 52% y-o-y, due to insurance fee income on cash loans with insurance policies and other products growing considerably. Furthermore, methodology change also contributed to the growth of this line as the way of calculating effective interest rate for sales discount changed[6].

In 1H 2017 operating expenses grew by 8% in RUB terms, however, without the effect of a methodology change[7] in place since 3Q 2016 the yearly growth would have been 5%. The quarterly dynamics of operating expenses in 2Q (+1% q-o-q) was affected favourably by the 4% decrease of personnel expenses (in rouble terms), partly due to the regressive nature of related taxes. Depreciation increased by 15% due to an extra amortisation charge related to software. Compared to 2Q 2016 the number of branches have not changed, and the number of employees (without agents) grew by 5% y-o-y to 4,818 people (+1% q-o-q).

On quarterly basis 2Q operating profit in RUB terms decreased by 2%, as a result of total income melting by 1% and operating expenses growing by about the same magnitude. Net interest income decreased by 4% as the lower funding costs could not counterbalance the lower gross interest income realized amid decreasing market interest rates. Also, according to the revised methodology, from the beginning of 2017 items that were previously treated as commission expenses are now capitalised, and through their amortisation the NII decreased by HUF 0.55 billion in 1H (out of which HUF 0.4 billion emerged in 2Q). In 2Q net F&C income gained 8% q-o-q in local currency terms due to the intensive sales of cash loan and other products with insurance policies attached.

The FX-adjusted DPD90+ volume growth excluding the impact of sold/written-off non-performing loans amounted to HUF 9.6 billion in 2Q, after the HUF 8 billion growth seen in the preceding quarter. The DPD90+ ratio improved by 0.9 pp to 18.4% q-o-q (-6.2 pps y-o-y). In 2Q 2017 about RUB 2.3 billion (in the last 12 months altogether RUB 10.7 billion) non-performing loans were sold or written-off. In 2Q total risk cost declined by 1% q-o-q in RUB terms, whereas in 1H the yearly moderation was 8%. The risk cost rate settled below 8%. Total provision coverage of DPD90+ loans stood at 127% by end-2Q (+5 pps q-o-q, +16 pps y-o-y).

The FX-adjusted performing (DPD0-90) loan portfolio expanded by 13% y-o-y and by 2% q-o-q. The quarterly growth was induced by the increasing corporate portfolio with the retail segment remaining stable. POS lending strengthened, the 1H disbursements were higher by 18% y-o-y, and together with the intensive POS sales in 2H 2016 the FX-adjusted performing POS loan volumes surged by 21% y-o-y (-5% q-o-q). With regards to the credit card segment, the portfolio erosion continued. The FX-adjusted performing card loan volumes shrank by 3% q-o-q and by 17% y-o-y. Cash loan disbursements surged by 89% y-o-y and by 50% q-o-q in 2Q, the FX-adjusted volume of performing cash loans grew by 35% y-o-y and 13% q-o-q.

FX-adjusted performing corporate loan volumes grew by about one quarter in 2Q (+43% y-o-y), due to the favourable development of working capital financing and commercial factoring.

FX-adjusted total deposits decreased by 2% q-o-q (-6% y-o-y); within that retail deposits were stable and corporate sight deposits melted. FX-adjusted net loan-to-deposit ratio stood at 118% at the end of 2Q 2017.

The capital adequacy ratio of the bank calculated in line with local regulation stood at 16.7% at the end of June (+2.9 pps y-o-y).

[6] From the beginning of 2017 discounts paid to retail agents related to product sale and certain agent bonuses previously treated as fee expense are now capitalised and treated as part of the amortised cost of the loans, thus these expenses will amortise through interest payment on loans during their lifetime.

[7] Since 3Q 2016 deposit protection fund contributions have been reclassified from the other net non-interest income line to operating expenses. This item amounted to HUF 0.6 billion in 1H 2017.

TOUCH BANK (RUSSIA)

Performance of Touch Bank:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	-2,511	-3,820	52%	-1,457	-2,259	-1,561	-31%	7%
Income tax	625	947	51%	362	558	389	-30%	7%
Profit before income tax	-3,136	-4,767	52%	-1,819	-2,817	-1,950	-31%	7%
Operating profit	-3,129	-4,082	30%	-1,830	-2,665	-1,417	-47%	-23%
Total income	-98	779		-71	158	621	293%	
Net interest income	84	700	733%	56	218	482	121%	768%
Net fees and commissions	-173	62	-136%	-122	-68	131	-292%	-207%
Other net non-interest income	-8	16	-286%	-5	8	8	2%	-275%
Operating expenses	-3,031	-4,860	60%	-1,759	-2,823	-2,037	-28%	16%
Total provisions	-8	-685		11	-152	-533	251%	
Provision for possible loan losses	-4	-684		-3	-153	-532	248%	
Other provision	-4	-1	-77%	14	1	-2	-304%	-113%
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	26,141	26,215	0%	16,329	28,059	26,215	-7%	61%
Gross customer loans	1,609	9,930	517%	331	6,953	9,930	43%	
Gross customer loans (FX-adjusted)	1,535	9,930	547%	341	6,156	9,930	61%	
Retail loans	1,535	9,930	547%	341	6,156	9,930	61%	
Corporate loans	0	0		0	0	0		
Allowances for possible loan losses	-36	-667		-4	-198	-667	237%	
Allowances for possible loan losses (FX-adjusted)	-34	-667		-4	-175	-667	280%	
Deposits from customers	20,455	20,092	-2%	12,022	21,398	20,092	-6%	67%
Deposits from customer (FX-adjusted)	19,509	20,092	3%	12,361	18,965	20,092	6%	63%
Retail deposits	19,509	20,092	3%	12,361	18,965	20,092	6%	63%
Corporate deposits	0	0		0	0	0		
Liabilities to credit institutions	0	0		0	0	0		
Subordinated debt	0	0		0	0	0		
Total shareholders' equity	5,585	6,026	8%	4,244	6,509	6,026	-7%	42%
Loan Quality	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	0	176	-100%	0	21	176	750%	-100%
Cost of risk/average gross loans (%)	6.40%	21.83%	15.43%p	5.34%	17.32%	23.60%	6.28%p	18.26%p
Cost of risk/average (FX-adjusted) gross loans	7.19%	23.54%	16.35%p	5.88%	18.95%	25.30%	6.35%p	19.42%p
Performance Indicators (%)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total income margin	-1.73%	5.82%	7.55%p	-2.10%	2.41%	9.09%	6.68%p	11.19%p
Net interest margin	1.49%	5.24%	3.75%p	1.63%	3.33%	7.06%	3.73%p	5.43%p
Net loans to deposits (FX-adjusted)	3%	46%	43%p	3%	32%	46%	15%p	43%p
FX rates (in HUF)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	4.4	4.6	3%	4.4	5.2	4.6	-11%	3%
HUF/RUB (average)	4.0	4.9	23%	4.2	4.9	4.9	0%	17%

- ***HUF 3.8 billion loss in 1H 2017 however, in 2Q, loss moderated by 31% q-o-q***
- ***In 2Q total income increased four-fold q-o-q, operating expenses dropped by 28%***
- ***Risk costs increased in 2Q***
- ***Strengthening business activity: more than 106 thousand activated cards, loan volumes grew by 61% q-o-q to HUF 10 billion***

Touch Bank is part of OTP Bank Russia from legal point of view, and it is operating under the same banking license, but as a separate digital banking business line. In order to provide transparent information Touch Bank is presented as a separate virtual entity.

The loss of **Touch Bank** in 1H 2017 was HUF 3.8 billion, out of which HUF 1.6 loss was made in 2Q. The RUB denominated 2Q result exhibit a decline both q-o-q and y-o-y (-31% and -8%, respectively). The quarterly changes were shaped by the increasing total income, decreasing marketing spending and surging risk cost.

In 1Q total income turned positive, and in 2Q this first quarter figure increased four-fold. Within that net interest income surged by 121% q-o-q in RUB terms, and net fees and commission income turned positive. Net F&C income growth was fuelled by the higher transaction-related income due to higher number of customers. In 2Q 2017 F&C expenses dropped q-o-q mainly due to the lump-sum reclassification of customer acquisition related commissions paid to agents since the beginning of 2017 from F&C expenses to marketing expenses.

2Q operating expenses dropped by 28% q-o-q in RUB terms. On one hand, an expensive TV advertising campaign ended in 1Q, and partly related to that card applications halved in 2Q q-o-q, thus related client acquisition expenses also decreased. Operating expenses closely related to the banking operation (personnel expenses, depreciation and administrative expenses unrelated to client acquisition) increased by 3% q-o-q in RUB terms, while number of employees grew by 5% to 346 people.

In 2Q 2017 the number of activated cards grew by 20% q-o-q and topped 106 thousand. Loan volumes expanded further (+61% q-o-q), reaching almost HUF 10 billion, but the pace of growth moderated compared to 1Q. The reasons are the end of the advertising campaign, and the more stringent lending standards introduced in 2Q: since the accelerated lending started late last year, more information has been accumulated on the new customers' behaviour enabling the bank reviewing and making the lending standards more stringent in several steps. The credit quality of the portfolio worsened, DPD90+ ratio increased from 0.3% to 1.8%, while risk cost surged by about 250% q-o-q.

After the q-o-q decline in the first quarter, total deposits grew by 6% q-o-q in 2Q (FX-adjusted) to HUF 20.1 billion, while the average market rates on deposits kept shrinking. The net loan-to-deposit ratio increased by 14 pps to 46% in 2Q.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	4,297	5,817	35%	3,441	3,311	2,506	-24%	-27%
Income tax	-3,042	-1,348	-56%	-236	-617	-731	18%	210%
Profit before income tax	7,338	7,164	-2%	3,676	3,928	3,237	-18%	-12%
Operating profit	12,881	9,093	-29%	5,714	5,031	4,061	-19%	-29%
Total income	19,949	16,742	-16%	9,333	8,671	8,072	-7%	-14%
Net interest income	14,825	11,100	-25%	6,808	5,836	5,264	-10%	-23%
Net fees and commissions	4,080	4,542	11%	2,082	2,214	2,328	5%	12%
Other net non-interest income	1,044	1,101	5%	443	621	479	-23%	8%
Operating expenses	-7,068	-7,650	8%	-3,619	-3,639	-4,011	10%	11%
Total provisions	-5,543	-1,929	-65%	-2,037	-1,104	-825	-25%	-60%
Provision for possible loan losses	-6,643	-711	-89%	-2,179	161	-871		-60%
Other provision	1,100	-1,218		141	-1,264	46		-67%
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	307,117	307,137	0%	296,949	320,750	307,137	-4%	3%
Gross customer loans	381,662	349,874	-8%	390,664	367,784	349,874	-5%	-10%
Gross customer loans (FX-adjusted)	359,714	349,874	-3%	365,990	353,192	349,874	-1%	-4%
Retail loans	155,355	143,562	-8%	174,392	151,561	143,562	-5%	-18%
Corporate loans	184,079	183,817	0%	170,445	180,890	183,817	2%	8%
Car financing loans	20,280	22,496	11%	21,153	20,741	22,496	8%	6%
Gross DPD0-90 customer loans (FX-adjusted)	209,655	218,717	4%	204,044	208,244	218,717	5%	7%
Retail loans	47,853	45,031	-6%	47,195	46,714	45,031	-4%	-5%
Corporate loans	150,227	159,170	6%	145,793	149,376	159,170	7%	9%
Car financing loans	11,574	14,516	25%	11,057	12,154	14,516	19%	31%
Allowances for possible loan losses	-189,450	-160,230	-15%	-211,386	-180,478	-160,230	-11%	-24%
Allowances for possible loan losses (FX-adjusted)	-177,569	-160,230	-10%	-199,281	-172,472	-160,230	-7%	-20%
Deposits from customers	228,568	217,762	-5%	207,530	231,073	217,762	-6%	5%
Deposits from customer (FX-adjusted)	217,769	217,762	0%	193,290	223,837	217,762	-3%	13%
Retail deposits	101,759	98,589	-3%	116,634	97,074	98,589	2%	-15%
Corporate deposits	116,010	119,173	3%	76,656	126,763	119,173	-6%	55%
Liabilities to credit institutions	46,270	42,107	-9%	97,904	45,131	42,107	-7%	-57%
Subordinated debt	0	0	-100%	8,529	0	0		-100%
Total shareholders' equity	24,243	30,514	26%	-29,448	27,849	30,514	10%	
Loan Quality	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	171,645	131,178	-24%	171,645	151,671	131,178	-14%	-24%
90+ days past due loans/gross customer loans (%)	43.9%	37.5%	-6.4%p	43.9%	41.2%	37.5%	-3.7%p	-6.4%p
Cost of risk/average gross loans (%)	3.36%	0.39%	-2.97%p	2.23%	-0.17%	0.97%	1.14%p	-1.26%p
Cost of risk/average (FX-adjusted) gross loans (%)	3.38%	0.40%	-2.97%p	2.24%	-0.18%	0.99%	1.17%p	-1.25%p
Total provisions/90+ days past due loans (%)	123.2%	122.1%	-1.0%p	123.2%	119.0%	122.1%	3.2%p	-1.0%p
Performance Indicators (%)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	3.1%	3.8%	0.7%p	4.9%	4.4%	3.2%	-1.2%p	-1,7%p
ROE	n.a.	42.5%		n.a.	52.4%	34.0%	-18.3%p	
Total income margin	14.31%	10.90%	-3.41%p	13.33%	11.50%	10.32%	-1.18%p	-3.01%p
Net interest margin	10.64%	7.23%	-3.41%p	9.73%	7.74%	6.73%	-1.01%p	-2.99%p
Cost/income ratio	35.4%	45.7%	10.3%p	38.8%	42.0%	49.7%	7.7%p	10.9%p
Net loans to deposits (FX-adjusted)	86%	87%	1%p	86%	81%	87%	6%p	1%p
FX rates (in HUF)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/UAH (closing)	11.5	10.4	-9%	11.5	10.7	10.4	-3%	-9%
HUF/UAH (átlag)	11.0	10.7	-3%	11.0	10.7	10.7	-1%	-3%

- ***The Ukrainian subsidiary posted the highest ROE within subsidiary banks across the Group (1H: 42.5%)***
- ***The semi-annual profit increased to HUF 5.8 billion (+35% y-o-y) supported mainly lower risk costs stemming from favourable credit quality trends***
- ***The DPD90+ rate dropped by 6.4 pps reflecting non-performing asset sales/write offs, too; the coverage ratio went up to 122.1% (+3.2 pps q-o-q)***
- ***Performing loan volumes grew by 7% y-o-y, whereas deposits advanced by 13% (FX-adjusted)***

The financial performance and indicators of OTP Bank Ukraine in HUF terms were only marginally distorted by the HUF/UAH exchange rate moves: in 2Q 2017 the closing rate of UAH depreciated 1% q-o-q and y-o-y, too (-3% and -9% respectively). The semi-annual average rate weakened by 3% y-o-y. As a result, there are some differences in local currency P&L and balance sheets dynamics versus those in HUF terms.

OTP Bank Ukraine posted HUF 5.8 billion adjusted after tax profit in 1H 2017 marking a 35% increase against the base period. The profit before tax declined by 2% y-o-y and reached HUF 7.2 billion. In 2Q the Bank realized HUF 2.5 billion net profit

(-24% q-o-q), thus the quarterly ROE stood at 34%, the highest level among subsidiary banks across the Group.

1H operating result dropped by 29% y-o-y, the key reason was the y-o-y 25% decline in net interest income. The y-o-y NII dynamics were negatively influenced by a methodology change concerning the accounting of interest income on impaired exposures starting from 3Q 2016. This change had a negative impact on net interest income, but also lowered the risk costs in the bank's standalone income statement staring from July 2016. In 2Q 2017 net interest income eroded by 10% q-o-q. The q-o-q decline was partly explained by the q-o-q higher volume of restructured corporate and mortgage loans, because at the time of the restructuring the total NPV decline for the whole duration of the loan is accounted for in one sum on the net interest income line.

Net fees and commissions in 1H surged by 11% induced by increasing income generated on corporate and credit card-related transactions.

1H operating expenses grew by 8% y-o-y, mainly due to higher personnel expenses induced by salary increases, while the average inflation for the first six months reached 13.9% y-o-y. Higher operating expenses for 2Q were reasoned by higher marketing costs, too.

1H total risk costs dropped by 65% y-o-y. In 2Q the decline continued and total risk costs came down by 25% q-o-q. Within that provision for possible loan losses increased q-o-q, related mainly to corporate exposures. The DPD90+ volumes (FX-adjusted and excluding the impact of loan sales and write-offs) practically did not change in 2Q (in HUF billion 1Q 2017: -3.2, 2Q: +0.1 billion).

The DPD90+ ratio shrank to 37.5% (-3.7 pps q-o-q and -6.4 pps y-o-y). In 2Q 2017 HUF 13.5 billion non-performing loans were sold or written off, thus during the last twelve months such volumes comprised HUF 37.5 billion The total provision coverage of DPD90+ loans increased to 122.1% (+3.2 pps q-o-q).

The FX-adjusted total performing loan book grew by 7% y-o-y, within that the volume of retail loans eroded by 5% y-o-y. Mortgage lending is still suspended. By the end of June 2017 the total volume of USD denominated mortgage loans comprised HUF 4.4 billion, whereas the UAH denominated ones represented HUF 12.6 billion.

Credit card sales generated only small volumes. New POS sales, however surged by 63% y-o-y in UAH terms. On a pilot base car financing has been re-started in 1Q 2017, but new volumes remained . Within the retail segment performing consumer loan volumes expanded by 23% y-o-y. The volume of POS loans comprising 56% of the total consumer loan portfolio increased steadily, by 51% y-o-y.

Performing corporate exposures grew by 9% y-o-y and 7% q-o-q.

Deposits (adjusted for the FX-effect) eroded by 3% q-o-q amid further declining offered deposit rates; y-o-y, however, they leaped by 13%.

The standalone capital adequacy ratio of the Ukrainian bank according to local standards stood at 14.1% at the end of June 2017.

The shareholders' equity of the Ukrainian operation under IFRS was HUF 30.5 billion at the end of March 2017. The Ukrainian shareholders' equity includes that of three entities: the Bank, the Leasing and Factoring companies' equity. Accordingly, the standalone equity of the Bank under IFRS reached HUF 28.7 billion at the end of June 2017, whereas the equity of the Leasing Company comprised HUF 1.0 billion. As for the Factoring company its equity was HUF 0.8 billion.

At the end of June 2017 the total gross amount of intragroup funding exposure toward the Ukrainian group members decreased to HUF 42.1 billion (-HUF 64.2 billion y-o-y) and were as follows: there was an outstanding exposure of USD 137 million toward the Leasing Company and the remaining USD 18 million toward the Factoring unit, respectively.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,606	861	-46%	989	1,308	-447	-134%	-145%
Income tax	-165	-494	200%	378	-575	81	-114%	-79%
Profit before income tax	1,770	1,355	-23%	611	1,883	-529	-128%	-187%
Operating profit	4,151	5,752	39%	2,087	2,949	2,804	-5%	34%
Total income	13,471	14,163	5%	6,522	7,158	7,004	-2%	7%
Net interest income	10,088	10,756	7%	4,918	5,330	5,427	2%	10%
Net fees and commissions	1,603	1,533	-4%	878	769	764	-1%	-13%
Other net non-interest income	1,780	1,874	5%	727	1,060	814	-23%	12%
Operating expenses	-9,319	-8,411	-10%	-4,435	-4,210	-4,201	0%	-5%
Total provisions	-2,381	-4,398	85%	-1,476	-1,065	-3,332	213%	126%
Provision for possible loan losses	-2,565	-3,689	44%	-1,616	-1,026	-2,663	159%	65%
Other provision	184	-709	-485%	140	-39	-670		-579%
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	588,188	600,792	-2%	611,143	588,209	600,792	2%	-2%
Gross customer loans	524,576	538,093	2%	529,399	520,174	538,093	3%	2%
Gross customer loans (FX-adjusted)	517,880	538,093	5%	514,473	517,677	538,093	4%	5%
Retail loans	377,049	389,292	5%	371,044	379,499	389,292	3%	5%
Corporate loans	140,831	148,801	4%	143,429	138,178	148,801	8%	4%
Allowances for possible loan losses	-74,645	-75,003	-4%	-78,116	-75,287	-75,003	0%	-4%
Allowances for possible loan losses (FX-adjusted)	-73,348	-75,003	-1%	-75,944	-74,389	-75,003	1%	-1%
Deposits from customers	336,991	334,339	-2%	342,845	325,251	334,339	3%	-2%
Deposits from customer (FX-adjusted)	332,587	334,339	0%	332,856	323,806	334,339	3%	0%
Retail deposits	252,561	249,213	1%	245,596	242,500	249,213	3%	1%
Corporate deposits	80,026	85,126	-2%	87,260	81,306	85,126	5%	-2%
Liabilities to credit institutions	167,372	182,274	9%	180,998	180,216	182,274	1%	1%
Total shareholders' equity	42,510	43,258	-1%	43,528	43,726	43,258	-1%	-1%
Loan Quality	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	98,931	89,572	-9%	98,931	91,925	89,572	-3%	-9%
90+ days past due loans/gross customer loans (%)	18.7%	16.6%	-2.0%p	18.7%	17.7%	16.6%	-1.0%p	-2.0%p
Cost of risk/average gross loans (%)	0.97%	1.41%	0.44%p	1.24%	0.80%	2.01%	1.21%p	0.77%p
Cost of risk/average (FX-adjusted) gross loans (%)	0.97%	1.42%	0.45%p	1.24%	0.80%	2.02%	1.22%p	0.78%p
Total provisions/90+ days past due loans (%)	79.0%	83.7%	4.8%p	79.0%	81.9%	83.7%	1.8%p	4.8%p
Performance Indicators (%)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	0.5%	0.3%	-0.2%p	0.7%	0.9%	-0.3%	-1.2%p	-1.0%p
ROE	7.6%	4.0%	-3.6%p	9.3%	12.2%	-4.1%	-16.3%p	-13.4%p
Total income margin	4.42%	4.82%	0.40%p	4.37%	4.93%	4.72%	-0.22%p	0.35%p
Net interest margin	3.31%	3.66%	0.35%p	3.29%	3.67%	3.65%	-0.02%p	0.36%p
Cost/income ratio	69.2%	59.4%	-9.8%p	68.0%	58.8%	60.0%	1.2%p	-8.0%p
Net loans to deposits (FX-adjusted)	132%	139%	7%p	132%	137%	139%	2%p	7%p
FX rates (in HUF)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/RON (closing)	70.0	67.7	-3%	70.0	67.9	67.7	0%	-3%
HUF/RON (average)	69.6	68.1	-2%	69.7	68.4	68.1	0%	-2%

- ***OTP Bank Romania posted HUF 0.9 billion after tax profit in 1H 2017 (-46% y-o-y) with 2Q results turning into red***
- ***2Q loss was mainly due to higher risk costs reasoned by one-off provisions created in connection with changes in the provisioning policy. Underlying credit quality trends remained favourable***
- ***Operative trends in general were positive with 1H operating profit surging by almost 40% y-o-y***
- ***Performing loan volumes advanced by 5% q-o-q. New mortgage and corporate loan disbursement demonstrated strong dynamics q-o-q (+115% and +14%, respectively)***

In July 2017 OTP Bank Romania S.A., the Romanian subsidiary of OTP Bank signed an acquisition agreement on purchasing a 99.28% shareholding held in the Romanian Banca Romaneasca S.A. by National Bank of Greece S.A and certain other Romanian exposures held by different subsidiaries of National Bank of Greece S.A. Banca Romaneasca S.A. is the 14th biggest bank in Romania by total assets. As a result of the acquisition the Romanian market share of OTP Group will rise to approximately 4%, and will become the 8th largest bank in the country. The financial closing of the transaction is expected to be completed by the beginning of 2018, thus the semi-annual figures did not incorporate the effect of the transaction.

OTP Bank Romania posted HUF 861 million net earnings in 1H 2017 underpinning a y-o-y 46% decline. HUF 0.5 billion loss was realized in 2Q, reasoned mainly by increasing risk costs.

1H total risk costs surged by 85% y-o-y as a result of higher provisioning in 2Q: both provisions for possible loan losses and other risk costs increased substantially q-o-q. However, the quarterly surge in risk costs didn't reflect any turnaround in positive credit quality trends experienced in previous periods, but rather the changes in provisioning policy resulted in one-off additional provisions.

The credit quality remained stable. DPD90+ volumes adjusted for FX changes and without sales and write-offs grew by HUF 0.6 billion in 2Q versus HUF 1.6 billion in 1Q. During 1H 2017 HUF 2.3 billion non-performing assets were sold/written off, of which HUF 1.9 billion happened in 2Q. The DPD90+ ratio was 16.6% at the end of June (-2.0 pps y-o-y, -1.0 pp q-o-q); the coverage ratio reached 83.7% (+4.8 pps y-o-y, +1.8 pps q-o-q), the highest level since 2009.

Overall operating trends were positive: the operating profit in 1H surged by 39% y-o-y as a result a 5% y-o-y increase in total income and a 10% moderation in operating expenses. The net interest income improved by 7% y-o-y. The semi-annual net interest margin went up by 35 bps y-o-y: on one hand the CHF mortgage conversion already played its course and its negative impact has been already partly reflected in the base period figures; also, lower funding costs had a positive impact on margins. Furthermore, gross interest revenues were supported by the increasing volume of performing loans, especially consumer loans.

Semi-annual net fees and commissions moderated by 4% y-o-y due to methodology change: effective from 4Q 2016 discounts for certain products and services previously booked within marketing expenses have been shifted into fee and commission expenses.

1H operating expenses declined by 10% y-o-y. Apart from lower amortization costs (-47% y-o-y) administrative cost came down, too (-13% y-o-y) partly due to lower expenses related to real estates.

2Q operating profit eroded by 5% q-o-q. Total income shrank by 2%, within that net interest income improved (+2%), but other net non-interest income dropped due to base effect (there was a gain in 1Q on real estate sale). Operating expenses remained flat q-o-q.

Performing loan volumes adjusted for FX changes increased both y-o-y and q-o-q (+7% and +5% respectively); the corporate book and the retail portfolio grew in both comparisons. As a result of intensifying business activity mortgage disbursements advanced significantly (+115% q-o-q). The large corporate disbursement activity also showed pick-up (+14% q-o-q). Within the outstanding new mortgage disbursements, the state subsidized Prima Casa Programme played an important role.

FX-adjusted deposit volumes increased by 3% q-o-q, but they stagnated ytd. The quarterly growth was supported by both retail and corporate inflows.

According to local regulation the Bank's standalone capital adequacy ratio stood at 15.7% at the end of June 2017 (-0.6 pp q-o-q).

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	2,172	5,094	134%	1,326	-1,847	6,941	-476%	423%
Income tax	-529	-1,196	126%	-320	417	-1,612	-487%	404%
Profit before income tax	2,701	6,289	133%	1,646	-2,264	8,553	-478%	420%
Operating profit	6,051	10,511	74%	3,318	3,140	7,371	135%	122%
Total income	15,127	24,037	59%	7,859	7,818	16,219	107%	106%
Net interest income	11,046	17,466	58%	5,684	5,955	11,511	93%	103%
Net fees and commissions	2,485	4,500	81%	1,303	1,301	3,199	146%	146%
Other net non-interest income	1,597	2,071	30%	872	562	1,509	169%	73%
Operating expenses	-9,076	-13,526	49%	-4,541	-4,678	-8,849	89%	95%
Total provisions	-3,350	-4,222	26%	-1,672	-5,404	1,182	-122%	-171%
Provision for possible loan losses	-2,689	-5,166	92%	-1,166	-5,011	-156	-97%	-87%
Other provision	-661	945	-243%	-506	-393	1,338	-440%	-364%
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	649,063	1,710,654	164%	640,465	639,423	1,710,654	168%	167%
Gross customer loans	471,346	1,123,698	138%	471,914	483,195	1,123,698	133%	138%
Gross customer loans (FX-adjusted)	471,608	1,123,697	138%	463,745	484,147	1,123,697	132%	142%
Retail loans	308,280	617,748	100%	301,391	313,878	617,748	97%	105%
Corporate loans	163,195	486,906	198%	162,212	170,150	486,906	186%	200%
Car financing loans	132	19,043		142	120	19,043		
Allowances for possible loan losses	-50,051	-61,180	22%	-47,401	-55,397	-61,180	10%	29%
Allowances for possible loan losses (FX-adjusted)	-50,571	-61,180	21%	-46,947	-55,626	-61,180	10%	30%
Deposits from customers	515,450	1,321,631	156%	502,953	508,805	1,321,631	160%	163%
Deposits from customer (FX-adjusted)	511,086	1,321,631	159%	492,364	506,005	1,321,631	161%	168%
Retail deposits	445,614	964,024	116%	434,540	439,610	964,024	119%	122%
Corporate deposits	65,472	357,608	446%	57,824	66,395	357,608	439%	518%
Liabilities to credit institutions	44,141	107,126	143%	49,364	40,802	107,126	163%	117%
Total shareholders' equity	74,026	229,006	209%	73,633	72,917	229,006	214%	211%
Loan Quality	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	60,487	71,678	19%	60,487	56,771	71,678	26%	19%
90+ days past due loans/gross customer loans (%)	12.8%	6.4%	-6.4%p	12.8%	11.7%	6.4%	-5.4%p	-6.4%p
Cost of risk/average gross loans (%)	1.16%	1.62%	0.46%p	1.00%	4.29%	0.08%	-4.22%p	-0.93%p
Cost of risk/average (FX-adjusted) gross loans	1.18%	1.63%	0.45%p	1.01%	4.32%	0.08%	-4.24%p	-0.94%p
Total provisions/90+ days past due loans (%)	78.4%	85.4%	7.0%p	78.4%	97.6%	85.4%	-12.2%p	7.0%p
Performance Indicators (%)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	0.7%	1.1%	0.4%p	0.8%	-1.2%	2.2%	3.4%p	1.4%p
ROE	6.1%	7.5%	1.4%p	7.4%	-10.0%	14.1%	24.1%p	6.7%p
Total income margin	4.78%	5.08%	0.30%p	4.98%	4.92%	5.17%	0.25%p	0.19%p
Net interest margin	3.49%	3.69%	0.20%p	3.60%	3.75%	3.67%	-0.08%p	0.07%p
Cost/income ratio	60.0%	56.3%	-3.7%p	57.8%	59.8%	54.6%	-5.3%p	-3.2%p
Net loans to deposits (FX-adjusted)	85%	80%	-4%p	85%	85%	80%	-4%p	-4%p
FX rates (in HUF)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/HRK (closing)	42.0	41.7	-1%	42.0	41.5	41.7	0%	-1%
HUF/HRK (average)	41.4	41.5	0%	41.8	41.4	41.7	1%	0%

- ***On 2 May the financial closure of Splitska banka acquisition was completed, thus 2Q figures of the Croatian operation already included the May and June performance of Splitska banka***
- ***The Croatian banking group posted HUF 5.1 billion adjusted net profit o/w Splitska banka's two months contribution represented HUF 4.6 billion***
- ***In 2Q other provisions were released***
- ***The FX-adjusted gross loan portfolio surged by 132% q-o-q and deposits by 159%, driven by the acquisition***

Based on the acquisition agreement on purchasing 100% shareholding of Splitska banka d.d., member of Société Générale Group signed on 20 December 2016 between OTP banka Hrvatska, the Croatian subsidiary of OTP Bank and Société Générale Group, on 2 May 2017 the financial closure of the transaction has been completed and Splitska banka was consolidated.

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

In 1H 2017 **OTP banka Hrvatska** posted HUF 5.1 billion, of which 2Q net earnings represented HUF 6.9 billion. Splitska banka contributed HUF 4.6 billion to the combined profit through the consolidation of its May and June results.

Based on total assets, the market share of the Croatian operation jumped from 4.0% at end-March to 11.3% at end-May. Mainly due to the consolidation of Splitska banka the total number of branches increased by 94 units q-o-q, the number of ATMs by 265 units, whereas the number of employees by 1,375 people.

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

As for the P&L developments, comparing 1Q results to the 2Q Croatian result excluding the Splitska banka contribution, one can see a significant q-o-q change (decline) only on the provision for loan losses line: in 1Q 2017 there was a significant increase in provision for possible loan losses, mainly in connection with a larger corporate client. During 2Q the provision coverage ratio on that particular corporate exposure of the combined Croatian operation (i.e. including Splitska banka) went further up q-o-q.

As for the P&L dynamics of the whole Croatian operation, in 2Q HUF 1.3 billion other provisions were released.

The operating profit reached HUF 7.4 billion in 2Q, of which Splitska's contribution (for two months) represented HUF 3.9 billion. Net interest income of Splitska banka comprised HUF 5.6 billion, the net fees and commission income HUF 1.9 billion, the other net non-interest income HUF 0.7 billion, whereas operating expenses HUF 4.2 billion, respectively.

DPD90+ loan volumes increased by HUF 15 billion q-o-q at the Croatian operation. The DPD90+ portfolio of Splitska banka (HUF 16.5 billion at the end of June) was consolidated net of provisions, i.e. adjusted for provisions already set aside at the time of consolidation. During the last four quarters HUF 2.9 billion non-performing loans were sold/written off (of which HUF 2.8 billion in 2Q alone). The DPD90+ ratio dropped to 6.4% (-5.4 pps q-o-q), while the provision coverage ratio eroded by 12.2 pps to 85.4%.

The q-o-q developments in loan volumes were mainly shaped by the consolidation of Splitska banka's portfolio. The performing (DPD0-90) loan portfolio was consolidated on a gross base, whereas the DPD90+ on a net base (as explained earlier). In total, the gross loan portfolio increased by HUF 641 billion q-o-q, while the performing book by HUF 625 billion. Out of the quarterly increase the consolidation of Splitska banka explained HUF 637 billion gross loan growth and HUF 621 billion performing loan growth. Without the volume-boosting impact of Splitska, the perfuming portfolio would have posted a 1% q-o-q and 7% y-o-y increase, of which mortgages and large corporate exposure grew the fastest (+11% and 9% y-o-y, respectively).

In 2Q mortgage loan disbursements surged by more than 90% q-o-q, but even without the positive impact of Splitska they grew by 10%. Cash loan origination – following the successful sales campaign in 1Q – increased by more than 75% q-o-q in total.

The FX-adjusted deposits expanded by HUF 816 billion (+161% q-o-q), whereas the end-June deposit book at Splistka comprised HUF 815 billion. The net loan-to-deposit ratio eroded by 4 pps q-o-q to 80%; the same ratio for Splitska banka stood at 77% at the end of June.

The q-o-q increase in shareholders' equity to a great extend was related to the capital increase by OTP Bank in order to complete the Splitska acquisition. The capital adequacy ratio of the Croatian subsidiary (holding the shares of Splitska banka) calculated in accordance with local regulation stood at 16.1% at the end of June.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko*:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-O-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	296	-308		-55	90	-398		
Income tax	-136	-76	-44%	-20	-50	-26	-47%	30%
Profit before income tax	433	-232		-34	140	-372		
Operating profit	3,305	3,509	6%	1,678	1,801	1,708	-5%	2%
Total income	8,916	8,804	-1%	4,527	4,437	4,367	-2%	-4%
Net interest income	7,272	6,718	-8%	3,644	3,412	3,305	-3%	-9%
Net fees and commissions	1,466	1,825	24%	787	933	892	-4%	13%
Other net non-interest income	178	261	47%	96	92	169	84%	76%
Operating expenses	-5,610	-5,295	-6%	-2,850	-2,636	-2,659	1%	-7%
Total provisions	-2,873	-3,741	30%	-1,712	-1,661	-2,080	25%	21%
Provision for possible loan losses	-2,846	-3,717	31%	-1,679	-1,636	-2,081	27%	24%
Other provision	-27	-24	-9%	-33	-26	2		
Main components of balance sheet closing balances in HUF mn	2016	1H 2017	YTD	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Total assets	453,720	437,280	-4%	461,750	444,108	437,280	-2%	-5%
Gross customer loans	388,926	386,300	-1%	389,206	384,442	386,300	0%	-1%
Gross customer loans (FX-adjusted)	386,238	386,300	0%	380,233	384,653	386,300	0%	2%
Retail loans	325,280	330,776	2%	315,916	325,161	330,776	2%	5%
Corporate loans	60,897	55,484	-9%	64,221	59,443	55,484	-7%	-14%
Allowances for possible loan losses	-31,462	-34,917	11%	-25,799	-32,481	-34,917	7%	35%
Allowances for possible loan losses (FX-adjusted)	-31,245	-34,917	12%	-25,204	-32,499	-34,917	7%	39%
Deposits from customers	366,976	344,382	-6%	367,278	353,455	344,382	-3%	-6%
Deposits from customer (FX-adjusted)	364,057	344,382	-5%	358,713	353,358	344,382	-3%	-4%
Retail deposits	338,774	318,955	-6%	329,301	327,483	318,955	-3%	-3%
Corporate deposits	25,283	25,427	1%	29,412	25,875	25,427	-2%	-14%
Liabilities to credit institutions	8,104	10,148	25%	7,553	8,432	10,148	20%	34%
Subordinated debt	6,223	6,180	-1%	6,327	6,178	6,180	0%	-2%
Total shareholders' equity	27,339	26,932	-1%	30,870	27,126	26,932	-1%	-13%
Loan Quality	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	41,230	47,361	15%	41,230	44,990	47,361	5%	15%
90+ days past due loans/gross customer loans (%)	10.6%	12.3%	1.7%p	10.6%	11.7%	12.3%	0.6%p	1.7%p
Cost of risk/average gross loans (%)	1.49%	1.94%	0.46%p	1.75%	1.72%	2.17%	0.45%p	0.42%p
Cost of risk/average (FX-adjusted) gross loans	1.49%	1.95%	0.46%p	1.75%	1.73%	2.17%	0.44%p	0.42%p
Total provisions/90+ days past due loans (%)	62.6%	73.7%	11.2%p	62.6%	72.2%	73.7%	1,5%p	11.2%p
Performance Indicators (%)	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
ROA	0.1%	-0.1%	-0.3%p	0.0%	0.1%	-0.4%	-0.4%p	-0.3%p
ROE	2.0%	-2.3%	-4.3%p	-0.7%	1.3%	-5.9%	-7.3%p	-5.2%p
Total income margin	3.95%	3.97%	0.02%p	3.98%	4.01%	3.93%	-0.08%p	-0.05%p
Net interest margin	3.22%	3.03%	-0.19%p	3.20%	3.08%	2.97%	-0.11%p	-0.23%p
Cost/income ratio	62.9%	60.1%	-2.8%p	62.9%	59.4%	60.9%	1.5%p	-2.1%p
Net loans to deposits (FX-adjusted)	99%	102%	3%p	99%	100%	102%	2%p	3%p
FX rates (in HUF)	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
HUF/EUR (closing)	316.2	308.9	-2%	316.2	308.7	308.9	0%	-2%
HUF/EUR (average)	312.7	309.5	-1%	313.4	309.2	309.9	0%	-1%

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

- ***In 1H HUF 0.3 billion adjusted after tax loss supported by 30% y-o-y improving risk cost, operating expenses decreased by 6%***
- ***Higher DPD90+ ratio (12.3%), improving coverage ratio (73.7%, +11.2%-points y-o-y)***
- ***Decreasing net interest margin, 1% y-o-y increase of the FX-adjusted loan book***

The **OTP Banka Slovensko** posted HUF 0.4 billion adjusted after tax loss in 2Q 2017, thus its 1H 2017 adjusted after tax loss declined to HUF 0.3 billion. The sharp increase (+30% y-o-y) of loan loss provisioning in 1H 2017 was the underlying cause of the semi-annual profit performance and it was only partially offset by the 6% improvement of operating income.

The 1H 2017 net interest income increased by 8% y-o-y, in 2Q lower NII (-3% q-o-q) supported by the slightly decreasing (+11 bps) net interest margin, as well. The net interest margin (3.08%) decreased by 19 bps q-o-q, since the lower interest income on loans and liquid assets were counterbalanced by lower funding cost as a result of deposit interest rate cuts, during the spring sales campaign, the Bank offered retail loans with interest discounts

In 1H 2017 net fees and commission income GREW by 24% y-o-y, partly due to higher income realized on prepayments and transactions on newly introduced retail account packages and cards.

In 1H 2017 the operating expenses dropped by 6% Y-o-Y due to lower personal expenses, marketing, IT cost and expert fees.

The FX adjusted DPD90+ loan book dropped by HUF 2.6 billion (without the effect of non-performing loan sales and write-offs), while during the last 5 quarters the quarterly average was HUF 1.6 billion. The DPD90+ ratio increased by 0.6 ppt to 12.3% q-o-q (+1.7 ppt y-o-y). In 1H 2017 around HUF 0.7 billion equivalent non-performing loans were sold or written off.

In 1H total risk cost increased by 30% y-o-y, thus the 2Q total risk cost grew by 25% q-o-q, which resulted in coverage of over 90 days of overdue loans (73.7%) increased on a quarterly and a yearly basis as well (+1.5 pps and +11.2 pps).

The FX-adjusted loan book improved by 2% y-o-y, within higher retail (+5% y-o-y) and lower corporate loans (-14% y-o-y. Thanks to the spring sales campaign, the amount of newly-disbursed mortgage loans increased by 11% q-o-q and consumer loans improved by 56% q-o-q (in local currency). On a yearly basis the increase of SME portfolio was the most significant (+12

The FX-adjusted deposit volume eroded by 4% y-o-y, the latter is reasoned by the 3% drop in the volume of retail deposits; the volume of corporate deposits comprising 7% of the deposit book decreased by 14% y-o-y.

The capital adequacy ratio stood at 13.0% at the end of 2Q 2017.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	118	-1,483		88	-6	-1,476		
Income tax	0	0	-100%	0	0	0	-100%	-100%
Profit before income tax	118	-1,483		88	-6	-1,476		
Operating profit	280	473	69%	136	136	337	147%	149%
Total income	3,817	3,950	3%	1,928	1,889	2,061	9%	7%
Net interest income	2,833	2,885	2%	1,427	1,424	1,461	3%	2%
Net fees and commissions	805	861	7%	406	411	449	9%	11%
Other net non-interest income	179	204	14%	94	54	150	180%	60%
Operating expenses	-3,537	-3,477	-2%	-1,792	-1,753	-1,724	-2%	-4%
Total provisions	-162	-1,956		-47	-143	-1,813		
Provision for possible loan losses	-208	-733	252%	-81	-122	-611	399%	655%
Other provision	46	-1,223		34	-20	-1,202		
Main components of balance sheet closing balances in HUF mn	**2016**	**1H 2017**	**YTD**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	123,279	137,637	12%	122,534	121,461	137,637	13%	12%
Gross customer loans	108,704	111,915	3%	108,259	106,738	111,915	5%	3%
Gross customer loans (FX-adjusted)	108,637	111,915	3%	106,691	107,758	111,915	4%	5%
Retail loans	48,481	51,175	6%	46,897	48,967	51,175	5%	9%
Corporate loans	60,156	60,741	1%	59,794	58,791	60,741	3%	2%
Allowances for possible loan losses	-26,349	-25,656	-3%	-29,941	-24,797	-25,656	3%	-14%
Allowances for possible loan losses (FX-adjusted)	-26,625	-25,656	-4%	-29,688	-25,322	-25,656	1%	-14%
Deposits from customers	78,583	81,950	4%	77,787	72,998	81,950	12%	5%
Deposits from customer (FX-adjusted)	78,663	81,950	4%	76,633	73,710	81,950	11%	7%
Retail deposits	48,104	49,739	3%	46,210	48,987	49,739	2%	8%
Corporate deposits	30,559	32,211	5%	30,423	24,722	32,211	30%	6%
Liabilities to credit institutions	8,572	19,815	131%	8,340	13,373	19,815	48%	138%
Subordinated debt	2,511	2,497	-1%	2,557	2,491	2,497	0%	-2%
Total shareholders' equity	28,805	27,754	-4%	29,414	28,451	27,754	-2%	-6%
Loan Quality	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	39,882	32,908	-17%	39,882	33,496	32,908	-2%	-17%
90+ days past due loans/gross customer loans (%)	36.8%	29.4%	-7.4%p	36.8%	31.4%	29.4%	-2.0%p	-7.4%p
Cost of risk/average gross loans (%)	0.39%	1.36%	0.97%p	0.31%	0.46%	2.24%	1.77%p	1.93%p
Cost of risk/average (FX-adjusted) gross loans	0.39%	1.36%	0.96%p	0.31%	0.46%	2.23%	1.76%p	1.92%p
Total provisions/90+ days past due loans (%)	75.1%	78.0%	2.9%p	75.1%	74.0%	78.0%	3.9%p	2.9%p
Performance Indicators (%)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	0.2%	-2.4%	-2.6%p	0.3%	0.0%	-4.5%	-4.5%p	-4.8%p
ROE	0.8%	-10.5%	-11.3%p	1.2%	-0.1%	-20.7%	-20.6%p	-21.9%p
Total income margin	6.24%	6.32%	0.09%p	6.05%	6.30%	6.35%	0.04%p	0.29%p
Net interest margin	4.63%	4.62%	-0.01%p	4.48%	4.75%	4.50%	-0.25%p	0.02%p
Cost/income ratio	92.7%	88.0%	-4.6%p	93.0%	92.8%	83.6%	-9.1%p	-9.3%p
Net loans to deposits (FX-adjusted)	100%	105%	5%p	100%	112%	105%	-7%p	5%p
FX rates (in HUF)	**1H 2016**	**1H 2017**	**Y-o-Y**	**2Q 2016**	**1Q 2017**	**2Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/RSD (closing)	2.6	2.6	0%	2.6	2.5	2.6	3%	0%
HUF/RSD (average)	2.5	2.5	-1%	2.5	2.5	2.5	1%	-1%

- ***HUF 1.5 billion loss in 1H as a result of high 2Q risk costs due mainly to one-offs***
- ***1H operating profit improved by 69/ y-o-y***
- ***Performing loan portfolio expanded by 18% y-o-y supported by 18% volume increase both in the consumer and the corporate sectors***

On 4 August 2017 OTP banka Srbija a.d. Novi Sad, the Serbian subsidiary of OTP Bank signed an acquisition agreement on purchasing 100% shareholding held in the Serbian Vojvodjanska banka a.d. („VOBAN”) and NBG Leasing d.o.o. and certain other Serbian exposures held by the Group of the National Bank of Greece S.A. The agreed consideration (purchase price) for the share capital of VOBAN and NBG Leasing amounts to EUR 125 million. VOBAN-is the 9th biggest player on the Serbian banking market. As a result of the acquisition the Serbian market share of OTP Group will rise to 5.7%, and will become the 7th largest bank in the country.

The financial closing of the transaction is expected to be completed by the end of 2017, thus the half-year Financial Report has not incorporated the acquisition impact yet.

OTP banka Srbija posted almost HUF 1.5 billion loss in 1H versus a HUF 118 million profit achieved in the base period.

Operating trends showed favourable picture with operating profit improving by 69% y-o-y as a result of total income growing by 3% and opreating expenses moderating by 2% y-o-y. Within total income the net interest income grew by 2% supported by net interest margins remaining stable and performing loan volumes increasing. Semi-annual net fees and commissions improved by 7% y-o-y on the back of higher transactional turnover and business volumes. 1H Other net non-interest income grew by 14% y-o-y due to a sharp increase in 2Q (+180% q-o-q) mainly related to gains on derivative transactions.

2Q operating income was by HUF 200 million higher q-o-q (+147%). Apart from strong income dynamics (+9% q-o-q) effective cost control (-2% q-o-q) also had a positive impact

Total risk costs surged three and half folds in 1H, bulk of the increase arising in 2Q. Apart from provision for loan losses other provision also surged.

DPD90+ ratio shrank to 29.4% (-7.4 pps y-o-y, -2 pps q-o-q). The improvement of the indicator can be attributable to a HUF 0.9 decline of DPD90+ volumes (FX-adjsuted, without sale/write offs). Furthermore, in 2Q HUF 0.3 billion non-performing portfolio was sold or written-off. Total provision coverage ratio of DPD90+ loans grew to 78.0% (+2.9 pps y-o-y and +3.9 pps q-o-q).

FX-adjusted performing loan portfolio advanced both y-o-y and q-o-q (+18% and 7% respectively). During 2Q consumer loans increased by 5% q-o-q, whereas corporate exposure expanded by 7% and the SME book by 24% respectively. New loan disbursements advanced well on a quarterly basis: new cash loan disbursement increased by 36%, new morgage loan disbursement by 15% and corporate disbursement was strong, too.

FX-adjusted deposit base decreased 7% y-o-y and by 11% q-o-q. In 2Q corporate deposit intflow (+30% q-o-q) was the key driver behind the growth.

The capital adequacy ratio of the bank stood at 24.8% at the end of 2Q (+1.6 pps q-o-q).

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account in HUF mn	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	255	-12	-105%	143	82	-94	-215%	-166%
Income tax	0	0		0	0	0		
Profit before income tax	255	-12	-105%	143	82	-94	-215%	-166%
Operating profit	1,242	1,062	-15%	682	524	538	3%	-21%
Total income	4,816	4,493	-7%	2,502	2,278	2,215	-3%	-11%
Net interest income	3,517	3,270	-7%	1,787	1,623	1,647	1%	-8%
Net fees and commissions	1,251	1,187	-5%	690	531	656	24%	-5%
Other net non-interest income	48	36	-25%	25	124	-88	-171%	-455%
Operating expenses	-3,574	-3,431	-4%	-1,820	-1,754	-1,678	-4%	-8%
Total provisions	-987	-1,074	9%	-539	-442	-632	43%	17%
Provision for possible loan losses	-761	-625	-18%	-320	-192	-432	125%	35%
Other provision	-226	-449	98%	-219	-250	-200	-20%	-9%
Main components of balance sheet closing balances in HUF mn	2016	1H 2017	YTD	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Total assets	197,562	187,188	-5%	193,168	185,478	187,188	1%	-3%
Gross customer loans	143,331	139,204	-3%	151,029	137,644	139,204	1%	-8%
Gross customer loans (FX-adjusted)	142,341	139,204	-2%	147,546	137,720	139,204	1%	-6%
Retail loans	71,188	72,153	1%	71,824	71,266	72,153	1%	0%
Corporate loans	71,153	67,051	-6%	75,722	66,454	67,051	1%	-11%
Allowances for possible loan losses	-56,513	-52,605	-7%	-54,174	-52,454	-52,605	0%	-3%
Allowances for possible loan losses (FX-adjusted)	-56,122	-52,605	-6%	-52,925	-52,483	-52,605	0%	-1%
Deposits from customers	149,119	140,337	-6%	139,783	138,878	140,337	1%	0%
Deposits from customer (FX-adjusted)	147,539	140,337	-5%	136,344	138,470	140,337	1%	3%
Retail deposits	112,455	108,430	-4%	108,485	108,237	108,430	0%	0%
Corporate deposits	35,084	31,908	-9%	27,859	30,233	31,908	6%	15%
Liabilities to credit institutions	20,765	19,122	-8%	21,945	19,181	19,122	0%	-13%
Subordinated debt	0	0	-100%	0	0	0	-100%	-100%
Total shareholders' equity	21,188	21,098	0%	23,635	21,143	21,098	0%	-11%
Loan Quality	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	65,038	55,296	-15%	65,038	54,256	55,296	2%	-15%
90+ days past due loans/gross customer loans (%)	43.1%	39.7%	-3.3%p	43.1%	39.4%	39.7%	0.3%p	-3.3%p
Cost of risk/average gross loans (%)	1.02%	0.90%	-0.12%p	0.86%	0.56%	1.25%	0.69%p	0.39%p
Cost of risk/average (FX-adjusted) gross loans	1.02%	0.91%	-0.12%p	0.86%	0.56%	1.25%	0.69%p	0.39%p
Total provisions/90+ days past due loans (%)	83.3%	95.1%	11.8%p	83.3%	96.7%	95.1%	-1.5%p	11.8%p
Performance Indicators (%)	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
ROA	0.3%	0.0%	-0.3%p	0.3%	0.2%	-0.2%	-0.4%p	-0.5%p
ROE	2.2%	-0.1%	-2.3%p	2.5%	1.6%	-1.8%	-3.3%p	-4.2%p
Total income margin	5.04%	4.81%	-0.23%p	5.30%	4.84%	4.78%	-0.07%p	-0.53%p
Net interest margin	3.68%	3.50%	-0.18%p	3.79%	3.45%	3.55%	0.10%p	-0.24%p
Cost/income ratio	74.2%	76.4%	2.2%p	72.7%	77.0%	75.7%	-1.3%p	3.0%p
Net loans to deposits (FX-adjusted)	69%	62%	-8%p	69%	62%	62%	0%p	-8%p
FX rates (in HUF)	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
HUF/EUR (closing)	316.2	308.9	-2%	316.2	308.7	308.9	0%	-2%
HUF/EUR (average)	313.3	309.8	-1%	313.4	309.2	309.9	0%	-1%

- ***HUF 12 million loss in 1H with a negative result of HUF 94 million in 2Q***
- ***1H operating profit dropped by 15% y-o-y as a result of 7% lower total income and 4% erosion in operating expenses y-o-y***
- ***FX-adjusted performing loan volumes were stable y-o-y, however it was positive that they increased by 1% q-o-q supported by improving cash loan disbursement***

The Montenegrin **CKB Bank** posted HUF 12 million losses in 1H 2017 versus HUF 255 million net profit realized in the base period. In 2Q losses amounted to HUF 94 million reasoned by higher q-o-q risk costs.

The semi-annual operating profit declined by 15% y-o-y; lower operating expenses (-4% y-o-y) couldn’t offset the 7% decrease in total income. The latter was mainly due to the fall of net interest income: decreasing interest rate level of new loan disbursement still has negative impact on net interest income. The net interest margin for 1H eroded by 18 bps y-o-y.

In 2Q, however the bank realized higher q-o-q net interest income (+1%) as a result of growing performing loan volumes supported by strong cash loan disbursement, but also by improving NIMs (+10 bps q-o-q) helped by moderating funding costs.

Other net non-interest income dropped q-o-q due to a loss realized on a real estate sale. The decline of operating expenses in 2Q is due to the decrease of personnel expenses (-9% q-o-q).

The total risk cost in 1H increased by 9% y-o-y. In 2Q they leaped by 43% q-o-q mainly due to higher provisions made on corporate exposures.

The DPD90+ 90 ratio (39.7%) improved by 3.3 pps y-o-y, while on the quarterly base it grew by 0.3 pp. The DPD90+ loan volume increased by HUF 0.9 billion in 2Q (FX-adjusted, without sales and write offs) related mainly to the corporate segment. During 1H 2017 HUF 5.8 billion non-performing assets were sold/written off, almost entirely in 1Q. The coverage of DPD90+ loans stood at 95.1% at the end of 2Q 2017 (-1.5 pps q-o-q, +11.8% pps y-o-y).

The FX-adjusted performing loan portfolio remained stable y-o-y, but grew moderately q-o-q (+1%) due to the retail segment (+2% q-o-q). The volume growth was induced mainly by strengthening cash loan disbursement (+10% q-o-q).

The FX-adjusted deposit portfolio grew by 3% y-o-y and by 1% q-o-q as a result of corporate inflows (+6% q-o-q)

The capital adequacy ratio calculated according to local requirements stood at 20.9% at the end of 2Q 2017.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 32,991 as of 30 June 2017. The Croatian ytd rise mainly reflects to the Splitska banka acquisition (1,385 employees).

OTP Group provides services through 1,385 branches and more than 4,130 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 363 branches and 1,895 ATM terminals. The Bank (Hungary) has more than 62 thousands POS terminals.

	31/12/2016				30/06/2017			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	367	1,883	59,988	8,293	363	1,895	62,420	8,872
o/w: new OTP Core members from 1Q 2017								575
DSK Group	372	892	5,723	4,679	369	882	6,225	4,756
OTP Bank Russia (w/o employed agents)	134	267	1,446	4,744	134	236	1,172	4,818
Touch Bank (Russia)	0	0	0	268	0	0	0	346
OTP Bank Ukraine (w/o employed agents)	84	118	246	2,151	84	100	287	2,181
OTP Bank Romania	100	147	3,374	1,119	96	143	4,121	1,129
OTP banka Hrvatska	103	273	2,269	1,097	197	518	11,024	2,498
OTP Banka Slovenko	61	142	223	667	61	144	232	659
OTP banka Srbija	52	118	2,303	611	52	120	2,307	624
CKB	29	87	4,991	424	29	92	5,230	419
Foreign subsidiaries, total	**935**	**2,044**	**20,575**	**15,758**	**1,022**	**2,235**	**30,598**	**17,429**
Other Hungarian and foreign subsidiaries[1]				1,327				816
OTP Group (w/o employed agents)				**25,378**				**27,116**
OTP Bank Russia - employed agents				*6,324*				5,216
OTP Bank Ukraine - employed agents				*633*				659
OTP Group (aggregated)	**1,302**	**3,927**	**80,563**	**32,335**	**1,385**	**4,130**	**93,018**	**32,991**

[1] Due to the changes of the data provider group members, and companies (previously presented among other Hungarian Group members) becoming member of OTP Core from 1Q 2017, the historical employee numbers of Other Hungarian and foreign subsidiaries are not comparable.

PERSONAL AND ORGANIZATIONAL CHANGES

In consideration of retirement the employment relationship of Antal Kovács, Deputy Chief Executive Officer, head of the Retail Division and internal member of the Board of Directors, was terminated by mutual agreement on 17 March 2017. According to the Act on Credit Institutions and Financial Enterprises, the internal membership of the Board of Directors was terminated at the time his employment was terminated.

Antal Kovács and OTP Bank Plc. concluded an employment contract for an indefinite duration from 20 March 2017 and based thereon Antal Kovács as a head of division and – as of the date of delivery of the permission of National Bank of Hungary – as the Deputy Chief Executive Officer (according to the Act on Credit Institutions and Financial Enterprises as managing director) will be the head of the Retail Division.

The Annual General Meeting elects Mr. György Antal Kovács as member of the Board of Directors of the Company until the Annual General Meeting of the Company closing the 2020 business year but not later than 30 April 2021.

The Annual General Meeting elects Mr. Tibor Tolnay Dr. Gábor Horváth, Mr. András Michnai, Mrs. Ágnes Rudas, Mr. Dominique Uzel and Dr. Márton Gellért Vági as members of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2019 business year but not later than 30 April 2020.

The Annual General Meeting elects Dr. Gábor Horváth, Mr. Tibor Tolnay Mr. Dominique Uzel and Dr. Márton Gellért Vági as members of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2019 business year but not later than 30 April 2020.

The Annual General Meeting elects concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2017, the Annual General Meeting is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2017 until 30 April 2018.

Based on the decision of the Board of Directors Mr. György Kiss-Haypál, Chief of Credit Approval and Risk Management Division, was appointed as Deputy Chief Executive Officer – possessing the necessary permissions – from 3 May 2017.

ASSET-LIABILITY MANAGEMENT

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

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

Refinancing sources of the European Central Bank are still available for OTP (EUR 480 million). As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising.

After the acquisition of Splitska banka total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 30 June 2017 the gross liquidity buffer was around EUR 7.2 billion equivalent. This buffer is significantly higher than the maturing debt within one year and the reserves required to protect against possible liquidity shocks. Due to governmental FX lending measures and FX loan conversion FX liquidity need of the Group has considerably declined. The maturing long term FX-swaps were not refinanced and the ECB refinancing facilities are currently not utilized the FX liquidity reserves are at safe levels (at EUR 1.1 billion on 30 June 2017).

The volume of issued securities increased by 26% y-o-y, mainly because in order to comply with a new liquidity ratio introduced by National Bank of Hungary OTP Group sold HUF 148 billion mortgage bonds issued by OTP Mortgage Bank to external counterparties. The inflow from this was invested into government bonds and mortgage bonds issued by other banks.

On the yearly basis the Hungarian retail bond portfolio shrank by HUF 50 billion (-83%), and Merkantil bonds were reclassified into deposits in the amount of HUF 30 billion in 4Q 2016. In the last 12 months Hungarian mortgage bonds matured in the amount of about HUF 5 billion, and the volume of mortgage bonds issued by the Slovakian bank shrank by HUF 2.5 billion equivalent.

The volume of subordinated debt decreased by HUF 167 billion y-o-y, reasoned mainly by a subordinated bond repayment of OTP Bank in the amount of EUR 500 million in 3Q 2016.

…and kept its interest-rate risk exposures low.

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

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 23 billion in total, primarily due to the capital requirement of the FX risk exposure.

OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore, the group level FX exposure was concentrated at OTP Bank. Thus the main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position (EUR 310 million) kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

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

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

System of internal controls

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

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

To ensure effective auditing, the Company's internal audit system is realized on several levels of control built on each other, and segmented along territorial units. The system of internal checks and balances includes a combination of process-integrated and management control, independent internal audit organisation and executive information system. The independent internal audit organisation promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient, economical and productive operation of internal control systems, the minimisation of risks, moreover – beside compliance organisation – it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares reports on control actions for the executive boards. The internal audit organisation annually makes reports on risk management operations, internal control mechanisms and corporate governance functions, for the Supervisory Board.

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

General meeting

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

Committees[1]

Members of the Board of Directors
Dr. Sándor Csányi– Chairman
Mr. Mihály Baumstark
Dr. Tibor Bíró
Mr. Tamás Erdei
Dr. István Gresa
Mr. Antal Kovács
Dr. Antal Pongrácz
Dr. László Utassy
Dr. József Vörös
Mr. László Wolf

Members of the Supervisory Board
Mr. Tibor Tolnay – Chairman
Dr. Gábor Horváth – Deputy Chairman
Mr. András Michnai
Ms. Ágnes Rudas
Mr. Dominique Uzel
Dr. Márton Gellért Vági

Members of the Audit Committee
Dr. Gábor Horváth – Chairman
Mr. Tibor Tolnay
Mr. Dominique Uzel
Dr. Márton Gellért Vági

[1] Personal changes can be found in the „Personal and organizational changes" chapter.

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

Operation of the executive boards

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

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as the Management Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee. To ensure effective operation OTP Bank Plc. also has a number of further permanent committees.

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

The Board of Directors held 3, the Supervisory Board held 6 meetings, while the Audit Committee gathered 2 times in the first half of 2017. In addition, resolutions were passed by the Board of Directors on 50, by the Supervisory Board on 17 and by the Audit Committee on 12 occasions by written vote.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

The indirect environmental impacts and opportunities of OTP Group are primarily related to the role of responsible service provider and employer. For years, the measures and activities of the banking group have been determined by efforts to keep operating expenses at a constant level, hence the implementation of targeted investments.

The foundations of responsible operation have not changed in recent years. The entity that coordinates the company's environmental protection activity, in accordance with the already elaborated schedule, is still OTP Facility Management Ltd. It performs the tasks related to data reporting to public authorities, coordinates and supervises the collection of hazardous waste across the company and the disposal thereof in accordance with the regulations.

Environmentally conscious energy use

The Company is continuously modernising its systems at all subsidiary banks, and installs energy-saving, modern building engineering solutions and energy-saving lighting as part of the construction investments. In recent years, particular attention was paid to replacing the lighting of advertising walls and façade lighting to LED technology at the branches of the parent bank and foreign subsidiary banks.

Measures and investments of major significance at the subsidiaries:

- The measures aimed at the reduction of the environmental burden still have a priority in the business strategy of OTP banka Hrvatska. The installation of solar panel systems continued in Croatia: the latest investment was implemented on the Zadar Head Office building, supported by the Environmental Protection and Energy Efficiency Fund. In Serbia, heat exchangers were installed in the air conditioners of the renovated branches to ensure energy saving.
- The new energy provider of OTP Banka Slovensko generates electricity from renewable energy sources.

The Bank has been increasing emphasis on environmental awareness, thus its vehicle fleet was expanded by two e-cars in 2017. The cars were deployed in Budapest, serving areas where the vehicles run daily, but within a distance of less than 100 km. One of them delivers postal letters, while the other one participates in the running of the vehicle repair shop. The plans for next year include the procurement of additional e-cars.

Environmentally conscious waste management

The bank steadily continues to enforce the following order of priority: "prevention of waste production: reuse/recycling/disposal". Collecting waste selectively and cutting back on paper use is an integral part of this effort.

In year-on-year terms, it can be established that within OTP Bank, in respect of the headquarter buildings, the volume of PET (plastic) waste collected selectively shows an increase, while that of office paper waste shows a decreasing trend. The volume of PET (plastic) waste increased by 9 per cent, while that of office paper waste dropped by 46 per cent (from 52,000 kg to 27,850 kg). The growth in PET waste can be attributed to a change in consumption habits, while the decreased volume of paper waste is due to the efficiency of measures taken to cut back on paper use.

Reduction of paper use

OTP Group has set the goal to cut back on paper use by reducing printing operations. Over the past two years, virtually all subsidiary banks have launched or are implementing projects for that purpose.

We are continuously examining on a group level how our services and the materials to be provided for customers could be provided electronically, which would further reduce the use of paper and printing ink. In Hungary we introduced e-contracting for the following products, which resulted in significant savings in paper use:

- bankcard
- car lottery deposit
- foreign currency account
- savings account
- securities account
- change of account package and opening of new account

The standardisation of the contracts, documents and materials requested, and the elimination of duplications have also been attained in the case of several processes and products alike in Romania, Russia and Serbia.

In Ukraine, paper usage dropped significantly, by roughly 50 per cent, as a result of introducing electronic signature, the termination of the mandatory invoice issuance for certain transactions, and the shortening of the contracts.

E-statements

Electronic account statements have been available for years at all members of OTP Group where this is permitted by the legislation. We have continuously been providing incentives to customers to cancel paper-based statements.

In DSK Bank customers automatically receive e-statements; paper-based bank account statement is subject to a fee, thus the proportion of e-statements was 83 per cent in 2016. In Romania there was no material change in the ratio of e-statements in 2016; they accounted for roughly 8 per cent of all statements. In Slovakia the revised retail account packages offer only e-accounts.

In Russia, the Bank launched a paperless POS project to reduce the number of sheets required for loan applications from 47 to 1 or 2.

Legislative compliance

OTP Group shows compliant conduct in the area of environmental protection; no environmental fine was imposed on OTP Bank in the first half of 2017 (either). In addition to complying with the laws, this type of activity of the group is still dominated by efforts to ensure rationalisation, efficient utilisation of resources and to keep operating expenses at a constant level. On the other hand, we are ready to provide prompt and efficient assistance in emergency situations, as the protection of natural treasures and reducing the burden on the environment are key elements of OTP Bank's social responsibility.

Recognition

RFU CEERIUS INDEX: As a recognition of our sustainability performance, OTP Bank is a constant member of the Responsible Investment Universe index of the Vienna Stock Exchange since 2009. The index may feature regional listed companies that are awarded the best ratings in sustainability analysis in social, environmental and economic terms made by RFU (Reinhard Friesenbichler Unternehmensberatung).

Information

The Bank wishes to make the cause of environmental protection important for all stakeholders, thus it provides information on its environmental activity on a continuous basis. It shares its environmental goals and achievements with its employees through the internal information interfaces and with its customers through its revamped sustainability site.

For more information visit www.otpfenntarthatosag.hu

FINANCIAL DATA

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION

in HUF million	OTP Bank			Consolidated		
	30/06/2017	30/06/2016	change	30/06/2017	30/06/2016	change
Cash, amounts due from banks and balances with the National Bank of Hungary	385,920	994,418	-61%	1,038,507	1,486,420	-30%
Placements with other banks, net of allowance for placement losses	943,260	798,370	18%	447,376	336,532	33%
Financial assets at fair value through profit or loss	198,058	240,356	-18%	226,909	243,709	-7%
Securities available-for-sale	1,617,096	1,603,583	1%	1,967,950	1,605,945	23%
Loans, net of allowance for loan losses	2,085,921	1,727,027	21%	6,530,352	5,487,920	19%
Investments in subsidiaries, associates and other investments	822,846	672,243	22%	10,311	9,215	12%
Securities held-to-maturity	979,436	812,979	20%	1,231,992	894,218	38%
Property, equipments and intangible assets	89,180	92,815	-4%	381,927	350,816	9%
Other assets	115,812	150,503	-23%	310,599	284,451	9%
TOTAL ASSETS	**7,237,529**	**7,092,295**	**2%**	**12,145,924**	**10,699,226**	**14%**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	693,983	925,833	-25%	534,254	516,242	3%
Deposits from customers	4,725,148	4,190,578	13%	9,215,539	7,898,534	17%
Liabilities from issued securities	70,823	143,959	-51%	258,139	232,631	11%
Financial liabilities at fair value through profit or loss	80,361	102,077	-21%	67,742	74,424	-9%
Other liabilities	255,313	283,809	-10%	497,523	432,585	15%
Subordinated bonds and loans	109,134	276,868	-61%	76,464	243,864	-69%
TOTAL LIABILITIES	**5,934,761**	**5,923,124**	**0%**	**10,649,662**	**9,398,280**	**13%**
Share capital	28,000	28,000	0%	28,000	28,000	0%
Retained earnings and reserves	1,150,135	1,011,632	14%	1,393,045	1,223,361	14%
Net earnings for the year	131,450	140,179	-6%	133,420	106,047	26%
Treasury shares	-6,817	-10,639	-36%	-61,502	-59,507	3%
Non-controlling interest	0	0		3,300	3,045	8%
TOTAL SHAREHOLDERS' EQUITY	**1,302,768**	**1,169,172**	**11%**	**1,496,262**	**1,300,946**	**15%**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**7,237,529**	**7,092,295**	**2%**	**12,145,924**	**10,699,226**	**14%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME

in HUF million	OTP Bank			Consolidated		
	1H 2017	1H 2016	change	1H 2017	1H 2016	change
Loans	60,154	58,999	2%	257,647	254,355	1%
Placements with other banks	25,857	50,044	-48%	21,334	35,391	-40%
Amounts due from banks and balances with the National Banks	731	6,828	-89%	756	6,849	-89%
Securities held for trading	0	0		0	0	
Securities available-for-sale	15,247	20,785	-27%	16,605	20,901	-21%
Securities held-to-maturity	22,247	20,476	9%	28,633	24,152	19%
Other interest income	0	0		4,607	3,660	26%
Interest income	*124,236*	*157,133*	*-21%*	*329,582*	*345,309*	*-5%*
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	-28,676	-54,181	-47%	-22,100	-37,311	-41%
Deposits from customers	-5,898	-8,907	-34%	-27,307	-35,343	-23%
Liabilities from issued securities	-156	-797	-80%	-2,431	-3,174	-23%
Subordinated bonds and loans	-1,555	-8,490	-82%	-1,176	-6,498	-82%
Other interest expense	0	0		-3,502	-2,856	23%
Interest expense	*-36,286*	*-72,375*	*-50%*	*-56,516*	*-85,183*	*-34%*
Net interest income	**87,951**	**84,757**	**4%**	**273,067**	**260,126**	**5%**
Provision for impairment on loans	-3,650	-5,571	-34%	-17,738	-44,024	-60%
Provision for impairment on placement losses	2	-1	-294%	36	-1	
Provision for impairment on loans and placement losses	-3,647	-5,573	-35%	-17,702	-44,025	-60%
NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	84,303	79,185	6%	255,365	216,101	18%
Income from fees and commissions	101,194	91,301	11%	148,239	127,106	17%
Expense from fees and commissions	-13,905	-11,890	17%	-24,727	-21,726	14%
NET PROFIT FROM FEES AND COMMISSIONS	87,289	79,411	10%	123,512	105,380	17%
Foreign exchange gains, net (-)/(+)	2,881	1,169	146%	5,081	12,555	-60%
Gains / (losses) on securities, net	3,431	34,428	-90%	4,791	19,574	-76%
Gains on real estate transactions	113	127	-11%	1,527	1,297	18%
Dividend income	80,624	90,463	-11%	3,313	2,892	15%
Gains and losses on derivative financial instruments	744	0		332	0	
Other operating income	6,954	1,944	258%	26,145	5,619	365%
Other operating expense	4,147	-2,000	-307%	-19,734	-2,424	714%
NET OPERATING RESULT	98,894	126,131	-22%	21,456	39,513	-46%
Personnel expenses	-44,589	-45,359	-2%	-102,998	-95,071	8%
Depreciation and amortization	-9,374	-10,416	-10%	-21,777	-21,157	3%
Other administrative expenses	-76,052	-72,391	5%	-122,166	-112,765	8%
OTHER ADMINISTRATIVE EXPENSES	-130,014	-128,165	1%	-246,940	-228,993	8%
PROFIT BEFORE INCOME TAX	**140,472**	**156,561**	**-10%**	**153,393**	**132,001**	**16%**
Income tax	-9,022	-14,882	-39%	-19,837	-25,813	-23%
NET PROFIT FOR THE PERIODS	**131,450**	**141,679**	**-7%**	**133,556**	**106,188**	**26%**
From this, attributable to non-controlling interest	0	0		-137	-141	-3%
NET PROFIT FOR THE PERIODS ATTRIBUTABLE OWNERS OF THE COMPANY	**131,450**	**141,679**	**-7%**	**133,420**	**106,047**	**26%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

in HUF million	OTP Bank			Consolidated		
	30/06/2017	30/06/2016	change	30/06/2017	30/06/2016	change
OPERATING ACTIVITIES						
Profit before income tax	140,472	156,561	-10%	153,394	132,002	16%
Adjustments to reconcile income before income taxes to net cash provided by operating activities						
Income tax paid	0	-264		-9,998	-11,870	-16%
Depreciation and amortization	9,373	10,416	-10%	21,777	21,157	3%
Provision for impairment / Release of provision	-2,606	2,610	-200%	32,638	12,571	160%
Share-based payment	1,685	1,865	-10%	1,685	1,865	-10%
Unrealized (losses) / gains on fair value adjustment of securities held for trading	-20	-11,183	-100%	-20	-11,183	-100%
Unrealized losses on fair value adjustment of derivative financial instruments	5,289	4,326	22%	21,852	4,001	446%
Changes in operating assets and liabilities	-306,059	-271,264	13%	-191,492	-126,150	52%
Net cash provided by operating activities	**-151,866**	**-106,933**	**42%**	**29,835**	**22,393**	**33%**
INVESTING ACTIVITIES						
Net cash used in investing activities	**-351,091**	**-276,204**	**27%**	**-677,326**	**-325,879**	**108%**
FINANCING ACTIVITIES						
Net cash used in financing activities	**-39,417**	**46,691**	**-184%**	**85,831**	**-43,672**	**-297%**
Net increase in cash and cash equivalents	**-542,374**	**-336,446**		**-561,660**	**-347,158**	**62%**
Cash and cash equivalents at the beginning of the period	880,266	1,238,858	-29%	1,128,610	1,427,292	-21%
Cash and cash equivalents at the end of the period	**337,892**	**902,412**	**-63%**	**566,950**	**1,080,134**	**-48%**
Analysis of cash and cash equivalents						
Cash, amounts due from banks and balances with the National Banks	928,846	1,326,197	-30%	1,625,357	1,878,960	-13%
Compulsory reserve established by the National Banks	-48,580	-87,339	-44%	-496,747	-451,668	10%
Cash and cash equivalents at the beginning of the period	**880,266**	**1,238,858**	**-29%**	**1,128,610**	**1,427,292**	**-21%**
Cash, amounts due from banks and balances with the National Banks	385,920	994,418	-61%	1,038,506	1,486,420	-30%
Compulsory reserve established by the National Banks	-48,028	-92,006	-48%	-471,556	-406,286	16%
Cash and cash equivalents at the end of the period	**337,892**	**902,412**	**-63%**	**566,950**	**1,080,134**	**-48%**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (IFRS)

in HUF million	Share capital	Capital reserve	Share based payment reserve	Retained earnings and reserves	Put option reserves	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2016	**28,000**	**52**	**24,707**	**1,291,738**	**-55,468**	**-58,021**	**2,651**	**1,233,659**
Net profit for the year	--	--	--	106,047		--	141	106,188
Other comprehensive income				10,488			253	10,741
Share-based payment	--	--	1,865			--	--	1,865
Treasury shares								
Dividend for the year 2015	--	--	--	-46,200		--	--	-46,200
Put option								
Treasury shares								
– sale						7,531		7,531
– loss on sale				-3,328				-3,328
– volume change						-9,017		-9,017
Payment to ICES holders				-493				-493
Balance as at 30 June 2016	**28,000**	**52**	**26,572**	**1,358,252**	**-55,468**	**-59,507**	**3,045**	**1,300,946**

in HUF million	Share capital	Capital reserve	Share based payment reserve	Retained earnings and reserves	Put option reserves	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2017	**28,000**	**52**	**28,237**	**1,476,657**	**-55,468**	**-60,121**	**3,292**	**1,420,649**
Net profit for the year	--	--	--	133,420		--	137	133,557
Other comprehensive income				-3,988			-130	-4,118
Share-based payment	--	--	1,686			--	--	1,686
Treasury shares								
Dividend for the year 2016	--	--	--	-53,200		--	--	-53,200
Put option								
Treasury shares								
– sale						4,560		4,560
– loss on sale				783				783
– volume change						-5,940		-5,940
Payment to ICES holders				-1,715				-1,715
Balance as at 30 June 2017	**28,000**	**52**	**29,923**	**1,551,957**	**-55,468**	**-61,501**	**3,299**	**1,496,262**

Ownership structure of OTP Bank Plc.

as at 30 June 2017

Description of owner	Total equity					
	1 January 2017			30 June 2017		
	%[1]	%[2]	Qty	%[1]	%[2]	Qty
Domestic institution/company	20.20%	20.47%	56,561,346	20.56%	20.77%	57,559,792
Foreign institution/company	64.83%	65.71%	181,528,602	63.69%	64.35%	178,324,900
Domestic individual	4.42%	4.48%	12,364,400	4.65%	4.70%	13,018,865
Foreign individual	0.16%	0.16%	447,025	0.23%	0.23%	630,018
Employees, senior officers	0.79%	0.80%	2,214,853	0.82%	0.83%	2,288,316
Treasury shares	1.33%	0.00%	3,737,768	1.03%	0.00%	2,894,336
Government held owner[3]	0.08%	0.08%	225,928	0.08%	0.08%	226,472
International Development Institutions[4]	0.02%	0.02%	49,715	0.02%	0.02%	46,800
Other[5]	8.17%	8.28%	22,870,373	8.93%	9.03%	25,010,511
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Ownership share. The data of Domestic individual and Employees, senior officers were revised for the beginning of actual year.
[2] Voting rights
[3] From 2Q 2017 treasury shares do not include the OTP shares held by ESOP.
[4] E.g.: State Privatization Holding Co. Ltd., Social Security, Municipality, 100% state-owned companies, Pension Reform and Debt Reduction Fund etc.
[5] E.g.: EBRD, EIB, etc.
[6] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2017)

	1 January	31 March	30June
OTP Bank	1,281,704	1,343,799	820,776
ESOP	382,504	382,504	
Subsidiaries	2,073.560	2,073,560	2,073,560
TOTAL	3,737,768	3,799,863	2,894,336

Shareholders with over/around 5% stake as at 30 June 2017

Name	Number of shares	Ownership	Voting rights
Megdet, Timur and Ruszlan Rahimkulov	25,038,159	8,94%	9,04%
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8,57%	8,69%
Groupama Group	14,369,541	5,13%	5,19%
OPUS Securities S.A.	14,496,476	5,18%	5,25%

Senior officers, strategic employees and their shareholding of OTP shares as at 30 June 2017

Type[1]	Name	Position	No. of shares held
IT	Dr. Sándor Csányi [2]	Chairman and CEO	585,024
IT	Mihály Baumstark	member	54,400
IT	Dr. Tibor Bíró	member	37,556
IT	Tamás Erdei	member	16,039
IT	Dr. István Gresa	member	143,071
IT	Antal Kovács	member, Deputy CEO	28,728
IT	Dr. Antal Pongrácz	member	82,101
IT	Dr. László Utassy	member	225,142
IT	Dr. József Vörös	member	156,714
IT	László Wolf	member, Deputy CEO	599,491
FB	Ágnes Rudas	member	150,912
FB	Tibor Tolnay	Chairman	54
FB	Dr. Gábor Horváth	member	0
FB	András Michnai	member	6,274
FB	Dominique Uzel	member	0
FB	Dr. Márton Gellért Vági	member	0
SP	László Bencsik	Chief Financial and Strategic Officer, Deputy CEO	34,961
SP	András Tibor Johancsik	Deputy CEO	4,510
SP	György Kiss-Haypál	Deputy CEO	4,700
TOTAL No. of shares held by management:			**2,129,677**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Mr Csányi directly or indirectly: 2,385,024

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

a) Contingent liabilities

	30/06/2017	30/06/2016
Commitments to extend credit	1,611,258	1,264,901
Guarantees arising from banking activities	476,837	428,850
Confirmed letters of credit	14,449	13,336
Legal disputes (disputed value)	38,880	33,316
Contingent liabilities related to OTP Mortgage Bank	-	-
Other	327,594	292,918
Total:	**2,469,018**	**2,033,321**

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

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

	End of reference period	Current period opening	Current period closing
Bank	7,506	7,683	7,683
Consolidated	30,864	32,335	32,991

SECURITY ISSUANCES ON GROUP LEVEL BETWEEN 01/07/2016 AND 30/06/2017

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2017	Outstanding consolidated debt (in HUF million) 30/06/2017
OTP Bank Plc	Retail bond	OTP_VK1_17/4	16/09/2016	16/09/2017	USD	1 451 048	393
OTP Bank Plc	Retail bond	OTP_VK1_18/1	20/01/2017	20/01/2018	USD	2 886 518	782
OTP Bank Plc	Retail bond	OTP_VK1_18/2	03/03/2017	03/03/2018	USD	4 259 100	1 154
OTP Bank Plc	Retail bond	OTP_VK1_18/3	13/04/2017	13/04/2018	USD	2 490 300	675
OTP Bank Plc	Retail bond	OTP_VK1_18/4	02/06/2017	02/06/2018	USD	4 199 100	1 137
OTP Bank Plc	Retail bond	OTP_E1_17/10	16/09/2016	30/09/2017	EUR	4 395 205	1 358
OTP Bank Plc	Retail bond	OTP_E1_17/8	01/07/2016	15/07/2017	EUR	6 745 549	2 084
OTP Bank Plc	Retail bond	OTP_E1_17/9	10/08/2016	24/08/2017	EUR	8 504 210	2 627
OTP Bank Plc	Corporate bond	OTP_DK_18/I	31/05/2017	31/05/2018	HUF	779	0
OTP Mortgage Bank	Mortgage bond	OJB2020_III	23/02/2017	20/05/2020	HUF	40 000	31 508
OTP Mortgage Bank	Mortgage bond	OJB2021_I	15/02/2017	27/10/2021	HUF	122 100	96 250
OTP Mortgage Bank	Mortgage bond	OJB2022_I	24/02/2017	24/05/2022	HUF	30 000	20 475
OTP Banka Slovensko	Mortgage bond	OTP XXIX.	28/09/2016	27/09/2017	EUR	1 000 000	0
OTP Banka Slovensko	Mortgage bond	OTP XXX.	16/12/2016	15/12/2017	EUR	14 000 000	0
OTP Banka Slovensko	Mortgage bond	OTP XXXI.	29/03/2017	28/03/2018	EUR	8 000 000	0
OTP Banka Slovensko	Corporate bond	Bonds OTP IV.	28/02/2017	27/02/2018	EUR	65 000 000	0

SECURITY REDEMPTIONS ON GROUP LEVEL BETWEEN 01/07/2016 AND 30/06/2017

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2016	Outstanding consolidated debt (in HUF million) 30/06/2016
OTP Bank Plc.	Corporate bond	OTP 2016/Ax	11/11/2010	03/11/2016	HUF	3 427	3 427
OTP Bank Plc.	Corporate bond	OTP 2016/Bx	16/12/2010	19/12/2016	HUF	2 539	2 539
OTP Bank Plc.	Retail bond	OTP TBSZ2016/I	14/01/2011	15/12/2016	HUF	1 145	1 145
OTP Bank Plc.	Corporate bond	OTP 2017/Ax	01/04/2011	31/03/2017	HUF	3 953	3 953
OTP Bank Plc.	Corporate bond	OTP 2017/Bx	17/06/2011	20/06/2017	HUF	3 814	3 814
OTP Bank Plc.	Retail bond	OTP OJK 2016/I	26/08/2011	26/08/2016	HUF	10	10
OTP Bank Plc.	Retail bond	OTP TBSZ2016/II	26/08/2011	15/12/2016	HUF	626	626
OTP Bank Plc.	Retail bond	OTP OJK 2017/I	27/01/2012	27/01/2017	HUF	6	6
OTP Bank Plc.	Corporate bond	OTP 2016/Ex	28/12/2012	27/12/2016	HUF	301	301
OTP Bank Plc.	Retail bond	OTP TBSZ 4 2016/I	18/01/2013	15/12/2016	HUF	156	156
OTP Bank Plc.	Corporate bond	OTP 2016/Dx	22/12/2011	29/12/2016	EUR	1 081 400	342
OTP Bank Plc.	Corporate bond	OTP 2017/Fx	19/06/2012	16/06/2017	EUR	776 800	246
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XIII	04/07/2014	04/07/2016	EUR	427 800	135
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XIV	18/07/2014	18/07/2016	EUR	310 100	98
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XV	30/07/2014	30/07/2016	EUR	1 476 100	467
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XVI	08/08/2014	08/08/2016	EUR	350 400	111
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XVII	29/08/2014	29/08/2016	EUR	1 302 400	412
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XVIII	12/09/2014	12/09/2016	EUR	971 700	307
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XIX	03/10/2014	03/10/2016	EUR	1 905 100	602
OTP Bank Plc.	Retail bond	OTP_VK_USD_2_2016/I	28/11/2014	28/11/2016	USD	6 721 800	1 911
OTP Bank Plc.	Retail bond	OTP_VK_USD_2_2017/I	10/04/2015	10/04/2017	USD	331 400	94
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/VII	30/06/2015	14/07/2016	EUR	9 809 400	3 101
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/VIII	24/07/2015	07/08/2016	EUR	6 036 700	1 909
OTP Bank Plc.	Retail bond	OTP_VK_USD_1_2016/II	24/07/2015	24/07/2016	USD	826 500	235
OTP Bank Plc.	Retail bond	OTP_VK_USD_1_2016/III	25/09/2015	25/09/2016	USD	7 531 200	2 141
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/IX	25/09/2015	09/10/2016	EUR	21 052 900	6 656
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/X	30/10/2015	13/11/2016	EUR	14 444 900	4 567
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/XI	11/11/2015	25/11/2016	EUR	8 783 300	2 777
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/XII	27/11/2015	11/12/2016	EUR	5 908 300	1 868
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/XIII	30/12/2015	13/01/2017	EUR	25 765 200	8 146
OTP Bank Plc.	Retail bond	OTP EUR 1 2017/I	29/01/2016	12/02/2017	EUR	14 813 400	4 683
OTP Bank Plc.	Retail bond	OTP_VK_USD_1_2017/I	29/01/2016	29/01/2017	USD	3 888 400	1 105
OTP Bank Plc.	Retail bond	OTP EUR 1 2017/II	12/02/2016	26/02/2017	EUR	4 433 900	1 402
OTP Bank Plc.	Retail bond	OTP EUR 1 2017/III	26/02/2016	12/03/2017	EUR	7 488 800	2 368
OTP Bank Plc.	Retail bond	OTP EUR 1 2017/IV	18/03/2016	01/04/2017	EUR	6 587 200	2 083
OTP Bank Plc.	Retail bond	OTP_VK_USD_1_2017/II	18/03/2016	18/03/2017	USD	1 973 100	561
OTP Bank Plc.	Retail bond	OTP EUR 1 2017/V	15/04/2016	29/04/2017	EUR	8 772 600	2 774
OTP Bank Plc.	Retail bond	OTP EUR 1 2017/VI	27/05/2016	10/06/2017	EUR	11 840 800	3 744
OTP Bank Plc.	Retail bond	OTP_VK_USD_1_2017/III	27/05/2016	27/05/2017	USD	3 329 900	947
OTP Bank Plc.	Retail bond	OTP EUR 1 2017/VII	10/06/2016	24/06/2017	EUR	3 668 700	1 160
OTP Bank Plc.	Corporate bond	OTP LT2 2016	19/09/2006	19/09/2016	EUR	500,000,000	156,660
OTP Mortgage Bank	Mortgage bond	OJB2016_II	31/08/2006	31/08/2016	HUF	4 626	4 626
OTP Mortgage Bank	Mortgage bond	OJB2016_J	18/04/2006	28/09/2016	HUF	17	17
OTP Mortgage Bank	Mortgage bond	OMB2016_I	25/10/2013	25/10/2016	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXV.	28/09/2012	28/09/2016	EUR	7 962 000	2 517
OTP Banka Slovensko	Mortgage bond	OTP XXVII.	17/12/2015	16/12/2016	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXVIII.	30/03/2016	29/03/2017	EUR	0	0
OTP Banka Slovensko	Mortgage bond	Bonds OTP II.	29/02/2016	28/02/2017	EUR	0	0

RELATED-PARTY TRANSACTIONS

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

Compensations in HUF million	1H 2016	1H 2017	Y-o-Y	2Q 2016	1Q 2017	2Q 2017	Q-o-Q	Y-o-Y
Total	**6,748**	**5,569**	**-17%**	**4,999**	**2,117**	**3,452**	**63%**	**-31%**
Short-term employee benefits	5,270	4,218	-20%	4,202	1,407	2,811	100%	-33%
Share-based payment	1,165	1,132	-3%	583	584	548	-6%	-6%
Other long-term employee benefits	287	210	-27%	188	117	93	-21%	-51%
Termination benefits	26	9		26	9	0		
Redundancy payments								
Loans provided to companies owned by the management (normal course of business)	30,848	83,438	170%	30,848	100,337	83,438	-17%	170%
Credit lines and treasury framework contracts of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	315	3,735		315	360	3,735		
Commitments to extend credit and guarantees	25,994	43,899	69%	25,994	35,278	43,899	24%	69%
Loans provided to unconsolidated subsidiaries	2,121	4,524	113%	2,121	4,285	4,524	6%	113%

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

SUPPLEMENTARY DATA

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

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

(1) OTP Core, Corporate Centre and foreign banks aggregated, excluding one-timers.

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

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

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

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

(6) From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the statement of recognised income and balance sheet of LLC OTP Credit was also added.

(7) From 3Q 2010 the result and balance sheet of OTP Factoring Bulgaria LLC was included. DSK Group balance sheet contains the loans sold to the factoring company at before sale gross value and the related provisions, as well.

(8) Net earnings are adjusted with the result of CIRS swap transactions executed with OTP Bank Hungary in relation to interbank financing. Before transfer balance sheet numbers are displayed. From 2Q 2010 the statement of recognised income and balance sheet of OTP Faktoring SRL was included. Banca Millennium was consolidated into OBR's results from 1Q 2015.

(9) Including the financial performance of OTP Factoring Serbia d.o.o from 4Q 2010.

(10) Splitska banka was consolidated into OBH's results from 2Q 2017. Banco Popolare Croatia was consolidated into OBH's results from 2Q 2014. From 1Q 2015 including the financial result and volumes of OTP Faktoring d.o.o.

(11) From 2012 on P&L data and related indices are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund.

(12) Including the financial performance of OTP Factoring Montenegro d.o.o.

(13) Aggregated after tax profit of Merkantil Bank and Merkantil Car without dividends, net cash transfer, other adjustment items and provisioning for investments in subsidiaries.

(14) OTP Leasing Romania IFN S.A. (Romania), OTP Leasing d.d. and SG Leasing d.o.o. (Croatia), DSK Leasing AD (Bulgaria).

(15) LLC AMC OTP Capitol (Ukraine) and OTP Asset Management SAI S.A. (Romania), DSK Asset Management (Bulgaria).

(16) HIF Ltd. (United Kingdom), OTP Faktoring Slovensko (Slovakia) (until 1Q 2011), OTP Buildings s.r.o. (Slovakia), OTP Real Slovensko s.r.o. (Slovakia), Velvin Ventures Ltd. (Belize), Debt Management Project 1 Montenegro d.o.o. (Montenegro), R.E. Four d.o.o., Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia), SG Osiguranje d.d. (Croatia).

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

(18) Total Foreign subsidiaries: sum of the adjusted after tax profits of foreign subsidiaries and one-off items (after tax).

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

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

Adjustments:

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, impact of fines imposed by the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania, the risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014 until 4Q 2015, the corporate tax impact of switching to IFRS from HAR in Hungary, revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary, gain on the sale of Visa Europe shares, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary. Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too. The special banking tax, however, does not include the special tax levied on the result of investment services in the year of 2017 in Hungary, this item is presented among the operating expenses.
- Other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- From 2Q 2014 OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- In 4Q 2016 certain components of the result on derivative instruments have been presented on a separate line in the accounting P&L structure: on the Gains and losses on derivative financial instruments line (certain other components were continued to be booked on the net interest income and foreign exchange result line). In the previous accounting and adjusted P&L structure, items currently booked on the Gains and losses on derivative financial instruments line were accounted for on the net interest income, foreign exchange result and gains/losses on securities line. In 4Q 2016 the full annual amounts have been moved in one sum to the Gains and losses on derivative financial instruments line. In the adjusted P&L structure this new line constitutes part of the Net other non-interest result among Other net non-interest income.
- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers– except for movie subsidies and cash transfers to public benefit organisations –, Other non-interest expenses stemming from non-financial activities, Special tax on financial institutions and the one-timer payment compensating the underperformance of the financial transaction tax.
- From 4Q 2010 the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense in the accounting income statement. Earlier this item had been booked as fee expense. From 4Q 2010 to 4Q 2015 dealer fee expenses have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.
- Performing indicators such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, the impact of fines imposed by the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of Banco Popolare Croatia acquisitions, the one-off

impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania, the risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014 until 4Q 2015, the corporate tax impact of switching to IFRS from HAR in Hungary, revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary, gain on the sale of Visa Europe shares, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- In 3Q 2012 and in 2Q 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies' previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Tax deductible transfers paid by Hungarian group members from 3Q 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (i.e. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L.
- From 2012 credit institutions' contribution tax was recognised in the accounting P&L of OTP Group and OTP Core as OTP Core's burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the contribution tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- The Compensation Fund (established in Hungary in order to indemnify the victims of Quaestor and Hungarian Securities Ltd.) contributions booked from 1Q 2017 are recognized on the Other administrative expenses line of the accounting income statement, and are presented on the Special tax on financial institutions line and the financial transaction tax in the adjusted P&L structure.
- Due to regulatory changes related to consumer contracts in Hungary the actual negative effects of the financial settlement with clients and the conversion of FX consumer contracts prescribed by regulatory changes related to consumer contracts in Hungary as well as the impact of the related methodological changes were recognized within the accounting P&L in each quarters of 2015 on the net interest income, net fees and commissions, foreign exchange gains (net), net other non-interest result, other non-interest expenses, provision for loan losses, other risk cost and dividends and net cash transfers lines. These items booked in these periods were eliminated from all of the affected lines and were shown separately among adjustment items on consolidated level, whereas the estimate on the one-off negative impact of regulatory changes related to consumer contracts was booked on the other risk cost line in the accounting P&L. The Romanian and Croatian conversion programmes affect several P&L lines, too.
- The revaluation result booked on Other provisions line due to regulatory changes related to FX mortgage loans in Hungary were moved to the Foreign exchange result line in 4Q 2014.
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within net interest income, but also within other net non-interest income – will be presented on the net interest income line on a net base.
- Starting from 3Q 2016 the Ukrainian subsidiary changed its interest income recognition methodology in case of impaired exposures. According to the old method the bank recognized interest revenues based on gross loan volumes. Simultaneously, risk costs were created for the booked interest revenues in line with the provision coverage level of the underlying exposure, these risk costs were presented on the "Provision for possible loan losses" line.

According to the new methodology interest revenues are calculated based on net loan volumes. The new methodology was first applied in 3Q 2016, however with a retrospective effect back to January 2016. As a result, the ytd difference between the old and new methods was booked in one sum in the 3Q accounting P&L. The change had neutral effect on earnings, since interest income on the provisioned principal part was eliminated, but at the same time the related risk costs (in the same amount) were released, too.

For the sake of presenting comparable time series, in the adjusted P&L structure showed in the analytical sections of the report this particular item representing the ytd difference between the old and new methods was eliminated both from the Ukrainian and consolidated Profit and Loss accounts. In periods booked under the new methodology there is no such structural correction.

- Within the report, FX-adjusted statistics for business volume developments and their product breakdown are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier.

ADJUSTMENTS OF CONSOLIDATED IFRS P&L LINES

in HUF million	1Q 16	2Q 16	1H 16	3Q 16	4Q 16 Audited	2016 Audited	1Q 17	2Q 17	1H 17
Net interest income	**130,789**	**129,338**	**260,126**	**126,945**	**132,658**	**519,729**	**135,080**	**137,987**	**273,067**
(-) Revaluation result of FX provisions	255	229	484	75	264	823	343	-319	25
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	-1,492	-42	-1,534	303	791	-440	-120	87	-33
(+) Structural correction related to the amendment of interest income recognition methodology in Ukraine in 3Q 2016				3,484	0	3,484	0	0	0
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core							2,437	1,467	3,904
Net interest income (adj.)	**129,041**	**129,067**	**258,108**	**130,657**	**133,184**	**521,949**	**132,180**	**136,925**	**269,106**
Net fees and commissions	**50,478**	**54,902**	**105,380**	**57,006**	**60,605**	**222,991**	**58,572**	**64,941**	**123,512**
(+) Financial Transaction Tax	-11,660	-11,382	-23,041	-11,595	-12,388	-47,025	-14,022	-11,189	-25,212
(-) Effect of acquisitions								-5	-5
Net fees and commissions (adj.)	**38,819**	**43,520**	**82,339**	**45,411**	**48,217**	**175,966**	**44,549**	**53,757**	**98,306**
Foreign exchange result	**15,727**	**-3,172**	**12,555**	**7,854**	**8,896**	**29,305**	**2,913**	**2,168**	**5,081**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	13,909	-8,510	5,399	3,340	8,065	16,804	-1,923	-4,243	-6,166
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	-1,492	-42	-1,534	303	791	-440	-120	87	-33
(-) Effect of acquisitions								122	122
Foreign exchange result (adj.)	**3,311**	**5,379**	**8,690**	**4,211**	**40**	**12,941**	**4,955**	**6,203**	**11,159**
Gain/loss on securities, net	**3,361**	**16,213**	**19,574**	**358**	**896**	**20,828**	**1,677**	**3,115**	**4,791**
(-) Gain on the sale of Visa Europe shares		15,924	15,924	0	0	15,924	0	0	0
Gain/loss on securities, net (adj.) with one-offs	**3,361**	**290**	**3,650**	**358**	**896**	**4,904**	**1,677**	**3,115**	**4,791**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj.) at OTP Core)	169	-83	86	-917	80	-751	-42	-198	-240
Gain/loss on securities, net (adj.) without one-offs	**3,192**	**373**	**3,564**	**1,275**	**816**	**5,655**	**1,719**	**3,312**	**5,031**
Gains and losses on real estate transactions	**583**	**714**	**1,297**	**124**	**502**	**1,923**	**897**	**630**	**1,527**
(+) Other non-interest income	**3,138**	**2,481**	**5,619**	**2,889**	**9,196**	**17,704**	**5,622**	**20,523**	**26,145**
(+) Gains and losses on derivative financial instruments					**6,838**	**6,838**	**-263**	**596**	**332**
(-) Received cash transfers	10	17	27	5	5	37	1	1	3
(-) Non-interest income from the release of pre-acquisition provisions	194	210	404	120	210	735	116	2,764	2,880
(+) Other other non-interest expenses	-22,063	-5,445	-27,509	-466	-1,247	-29,221	-1,044	-1,061	-2,105
(+) Change in shareholders' equity of companies consolidated with equity method	1	-177	-176	276	-264	-163	32	-149	-117
(-) Effect of acquisitions	0	0	0	0	0	0	0	14,228	14,228
(-) One-off impact of regulatory changes related to CHF consumer contracts in Croatia	-8,720	-244	-8,963	-116	11	-9,068	-36	-6	-42
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	-12,965	-4,412	-17,377	-484	-486	-18,347	-58	-233	-290
(-) Impact of fines imposed by the Hungarian Competition Authority					3,922	3,922	194	0	194
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania							-325	-539	-865
Net other non-interest result (adj.) with one-offs	**3,139**	**2,001**	**5,140**	**3,299**	**11,364**	**19,803**	**5,352**	**4,324**	**9,676**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core and at the Corporate Centre)	0	0	0	0	0	0	0	0	0
Net other non-interest result (adj.) without one-offs	**3,139**	**2,001**	**5,140**	**3,299**	**11,364**	**19,803**	**5,352**	**4,324**	**9,676**

in HUF million	1Q 16	2Q 16	1H 16	3Q 16	4Q 16 Audited	2016 Audited	1Q 17	2Q 17	1H 17
Provision for loan losses	**-35,123**	**-8,902**	**-44,025**	**-11,033**	**-38,414**	**-93,472**	**-11,737**	**-5,965**	**-17,702**
(+) Non-interest income from the release of pre-acquisition provisions	194	210	404	120	210	735	116	2,764	2,880
(-) Revaluation result of FX provisions	-14,184	8,290	-5,894	-3,433	-8,321	-17,648	1,558	4,558	6,116
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	0	0	0	-574	0	-574	0	0	0
(-) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania		-3,103	-3,103	-1,312	-361	-4,776	-95	-148	-243
(+) Structural correction related to the amendment of interest income recognition methodology in Ukraine in 3Q 2016				-3,484	0	-3,484	0	0	0
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core							2,437	1,467	3,904
Provision for loan losses (adj.)	**-20,745**	**-13,879**	**-34,624**	**-9,077**	**-29,522**	**-73,223**	**-10,647**	**-6,145**	**-16,791**
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Dividend income	**59**	**2,834**	**2,892**	**419**	**-258**	**3,054**	**171**	**3,142**	**3,313**
(+) Received cash transfers	10	17	27	5	5	37	1	1	3
(+) Paid cash transfers	-516	-3,091	-3,607	-4,690	-4,834	-13,131	-494	-398	-892
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	-516	-3,091	-3,607	-4,689	-4,834	-13,130	-492	-398	-890
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	2,841	2,841	0	0	2,841	0	3,082	3,082
(-) Change in shareholders' equity of companies consolidated with equity method	1	-177	-176	276	-264	-163	32	-149	-117
After tax dividends and net cash transfers	**68**	**186**	**254**	**146**	**11**	**412**	**139**	**209**	**348**
Depreciation	**-10,433**	**-10,724**	**-21,157**	**-11,395**	**-11,876**	**-44,428**	**-9,722**	**-12,054**	**-21,777**
(-) Effect of acquisitions								-627	-627
Depreciation (adj.)	**-10,433**	**-10,724**	**-21,157**	**-11,395**	**-11,876**	**-44,428**	**-9,722**	**-11,427**	**-21,150**
Personnel expenses	**-45,383**	**-49,687**	**-95,071**	**-47,457**	**-48,915**	**-191,443**	**-49,560**	**-53,438**	**-102,998**
(-) Effect of acquisitions	0	0	0	0	0	0	0	-7	-7
Personnel expenses (adj.)	**-45,383**	**-49,687**	**-95,071**	**-47,457**	**-48,915**	**-191,443**	**-49,560**	**-53,432**	**-102,991**
Income taxes	**-13,388**	**-12,425**	**-25,813**	**1,086**	**-9,217**	**-33,944**	**-7,525**	**-12,312**	**-19,837**
(-) Corporate tax impact of goodwill/investment impairment charges	0	2,214	2,214	8,555	784	11,552	512	-782	-270
(-) Corporate tax impact of the special tax on financial institutions	2,968	47	3,016	52	52	3,120	1,423	46	1,468
(+) Tax deductible transfers	-31	-1,894	-1,925	-4,116	-3,523	-9,565	0	-45	-45
(-) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	0	0	0	0	0	0	-17	0	-17
(-) Corporate tax impact of the effect of acquisitions	0	0	0	0	0	0	0	439	439
(-) Corporate tax impact of the gain on the sale of Visa Europe shares		-2,764	-2,764	0	0	-2,764	0	0	0
(-) Corporate tax impact of switching to IFRS from HAR in Hungary				-7,477	1,711	-5,766	0	0	0
(-) Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary					-6,054	-6,054	0	0	0
Corporate income tax (adj.)	**-16,388**	**-13,816**	**-30,204**	**-4,159**	**-9,233**	**-43,596**	**-9,442**	**-12,060**	**-21,502**
Other operating expense, net	**-1,939**	**-484**	**-2,424**	**-7,313**	**-26,669**	**-36,405**	**-3,667**	**-16,067**	**-19,734**
(-) Other costs and expenses	-1,135	-1,627	-2,762	-1,514	-1,364	-5,639	-838	-964	-1,802
(-) Other non-interest expenses	-22,579	-8,536	-31,115	-5,156	-6,080	-42,351	-1,538	-1,459	-2,997
(-) Effect of acquisitions	0	0	0	0	0	0	0	-10,884	-10,884
(-) Revaluation result of FX provisions	20	-9	11	18	-8	22	22	4	26
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	8,720	244	8,963	690	-11	9,642	36	6	42
(-) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	12,965	7,515	20,480	1,796	847	23,123	153	380	533
(-) Impact of fines imposed by the Hungarian Competition Authority	119	119	238	555	-2,000	-1,207	0	0	0
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania							325	539	865
Other provisions (adj.)	**-49**	**1,810**	**1,761**	**-3,703**	**-18,053**	**-19,995**	**-1,828**	**-3,688**	**-5,517**
Other administrative expenses	**-63,613**	**-49,152**	**-112,765**	**-49,693**	**-57,769**	**-220,228**	**-69,598**	**-52,567**	**-122,166**
(+) Other costs and expenses	-1,135	-1,627	-2,762	-1,514	-1,364	-5,639	-838	-964	-1,802
(+) Other non-interest expenses	-22,579	-8,536	-31,115	-5,156	-6,080	-42,351	-1,538	-1,459	-2,997
(-) Paid cash transfers	-516	-3,091	-3,607	-4,690	-4,834	-13,131	-494	-398	-892
(+) Film subsidies and cash transfers to public benefit organisations	-516	-3,091	-3,607	-4,689	-4,834	-13,130	-492	-398	-890

in HUF million	1Q 16	2Q 16	1H 16	3Q 16	4Q 16 Audited	2016 Audited	1Q 17	2Q 17	1H 17
(-) Other other non-interest expenses	-22,063	-5,445	-27,509	-466	-1,247	-29,221	-1,044	-1,061	-2,105
(-) Special tax on financial institutions (recognised as other administrative expenses)	-16,381	-215	-16,596	-238	-235	-17,069	-16,153	-215	-16,368
(-) Tax deductible transfers	-31	-1,894	-1,925	-4,116	-3,523	-9,565	0	-45	-45
(-) Financial Transaction Tax	-11,660	-11,382	-23,041	-11,595	-12,388	-47,025	-14,022	-11,189	-25,212
(-) Impact of fines imposed by the Hungarian Competition Authority	-119	-119	-238	-555	0	-793	0	0	0
(-) Effect of acquisitions								-84	-84
Other non-interest expenses (adj.)	**-37,074**	**-40,259**	**-77,333**	**-39,393**	**-47,820**	**-164,545**	**-40,753**	**-42,397**	**-83,150**

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