OTP Bank Plc.

Half-year Financial Report
First half 2016 result

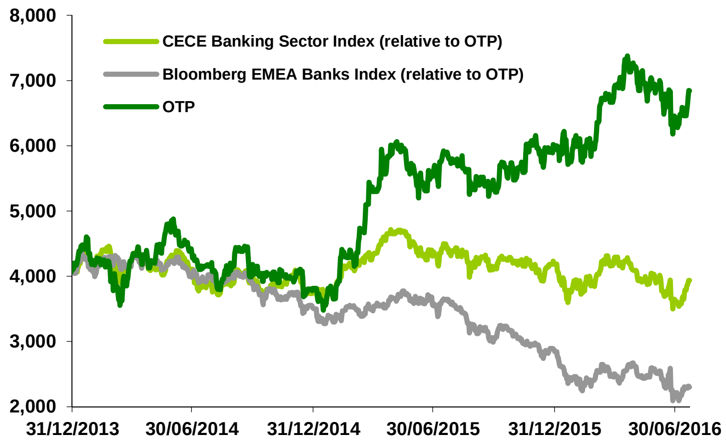
(English translation of the original report submitted to the Budapest Stock Exchange)

Budapest, 12 August 2016

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the Statement of recognised income in HUF million	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Consolidated after tax profit	**40,141**	**106,188**	**165%**	**38,228**	**34,253**	**71,935**	**110%**	**88%**
Adjustments (total)	**-28,899**	**2,047**	**-107%**	**-2,378**	**-13,344**	**15,392**	**-215%**	**-747%**
Consolidated adjusted after tax profit without the effect of adjustments	**69,040**	**104,141**	**51%**	**40,606**	**47,598**	**56,543**	**19%**	**39%**
Pre-tax profit	82,260	134,345	63%	51,577	63,985	70,359	10%	36%
Operating profit	189,863	164,280	-13%	94,385	84,610	79,670	-6%	-16%
Total income	380,689	357,841	-6%	191,139	177,501	180,340	2%	-6%
Net interest income	282,705	258,108	-9%	139,978	129,041	129,067	0%	-8%
Net fees and commissions	81,191	82,339	1%	43,898	38,819	43,520	12%	-1%
Other net non-interest income	16,794	17,394	4%	7,264	9,641	7,753	-20%	7%
Operating expenses	-190,826	-193,561	1%	-96,755	-92,891	-100,670	8%	4%
Total risk costs	-109,787	-32,862	-70%	-45,319	-20,794	-12,069	-42%	-73%
One off items	2,183	2,927	34%	2,511	169	2,758		10%
Corporate taxes	-13,220	-30,204	128%	-10,971	-16,388	-13,816	-16%	26%
Main components of balance sheet closing balances in HUF million	2015	1H 2016	YTD	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Total assets	10,718,848	10,699,226	0%	10,761,079	10,729,882	10,699,226	0%	-1%
Total customer loans (net, FX adjusted)	**5,473,038**	**5,487,920**	**0%**	**5,603,335**	**5,473,884**	**5,487,920**	**0%**	**-2%**
Total customer loans (gross, FX adjusted)	**6,498,842**	**6,493,371**	**0%**	**6,682,938**	**6,498,033**	**6,493,371**	**0%**	**-3%**
Allowances for possible loan losses (FX adjusted)	-1,025,805	-1,005,451	-2%	-1,079,603	-1,024,149	-1,005,451	-2%	-7%
Total customer deposits (FX adjusted)	**8,045,826**	**7,898,534**	**-2%**	**7,605,417**	**7,996,106**	**7,898,534**	**-1%**	**4%**
Issued securities	239,376	232,631	-3%	260,007	236,644	232,631	-2%	-11%
Subordinated loans	234,784	243,864	4%	257,915	242,125	243,864	1%	-5%
Total shareholders' equity	1,233,659	1,300,946	5%	1,258,665	1,232,515	1,300,946	6%	3%
Indicators based on one-off adjusted earnings %	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
ROE (from adjusted net earnings)	11.0%	16.5%	5.5%p	13.3%	15.5%	18.0%	2.4%p	4.7%p
ROA (from adjusted net earnings)	1.3%	2.0%	0.7%p	1.5%	1.8%	2.1%	0.3%p	0.6%p
Operating profit margin	3.52%	3.08%	-0.44%p	3.53%	3.17%	2.99%	-0.18%p	-0.54%p
Total income margin	7.07%	6.72%	-0.35%p	7.14%	6.66%	6.77%	0.11%p	-0.37%p
Net interest margin	5.25%	4.85%	-0.40%p	5.23%	4.84%	4.84%	0.01%p	-0.38%p
Cost-to-asset ratio	3.54%	3.63%	0.09%p	3.61%	3.48%	3.78%	0.30%p	0.16%p
Cost/income ratio	50.1%	54.1%	4.0%p	50.6%	52.3%	55.8%	3.5%p	5.2%p
Risk cost to average gross loans	3.15%	1.09%	-2.06%p	2.72%	1.31%	0.87%	-0.44%p	-1.85%p
Total risk cost-to-asset ratio	2.04%	0.62%	-1.42%p	1.69%	0.78%	0.45%	-0.33%p	-1.24%p
Effective tax rate	16.1%	22.5%	6.4%p	21.3%	25.6%	19.6%	-6.0%p	-1.6%p
Net loan/(deposit+retail bond) ratio (FX adjusted)	72%	68%	-4%p	72%	67%	68%	1%p	-4%p
Capital adequacy ratio (consolidated, IFRS) - Basel3	16.4%	15.8%	-0.7%p	16.4%	15.9%	15.8%	-0.1%p	-0.7%p
Tier1 ratio - Basel3	13.3%	13.2%	-0.2%p	13.3%	13.2%	13.2%	0.0%p	-0.2%p
Common Equity Tier 1 ('CET1') ratio - Basel3	13.3%	13.2%	-0.2%p	13.3%	13.2%	13.2%	0.0%p	-0.2%p
Share Data	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
EPS diluted (HUF) (from unadjusted net earnings)	151	400	165%	145	128	271	112%	87%
EPS diluted (HUF) (from adjusted net earnings)	258	393	52%	154	178	214	20%	39%
Closing price (HUF)	5,600	6,350	13%	5,600	6,926	6,350	-8%	13%
Highest closing price (HUF)	6,065	7,380	22%	6,065	6,926	7,380	7%	22%
Lowest closing price (HUF)	3,479	5,714	64%	5,201	5,714	6,180	8%	19%
Market Capitalization (EUR billion)	5.0	5.6	13%	5.0	6.2	5.6	-9%	13%
Book Value Per Share (HUF)	4,495	4,646	3%	4,495	4,402	4,646	6%	3%
Tangible Book Value Per Share (HUF)	3,898	4,071	4%	3,898	3,832	4,071	6%	4%
Price/Book Value	1.2	1.4	10%	1.2	1.6	1.4	-13%	10%
Price/Tangible Book Value	1.4	1.6	9%	1.4	1.8	1.6	-14%	9%
P/E (trailing, from accounting net earnings)	18.4	13.8	-25%	18.4	20.3	13.8	-32%	-25%
P/E (trailing, from adjusted net earnings)	13.9	11.4	-18%	13.9	13.9	11.4	-18%	-18%
Average daily turnover (EUR million)	19	17	-8%	17	20	15	-23%	-11%
Average daily turnover (million share)	1.2	0.8	-30%	0.9	1.0	0.7	-30%	-24%

SHARE PRICE PERFORMANCE



MOODY'S RATINGS

OTP Bank	
Foreign currency long term deposits	Ba2
OTP Mortgage Bank	
Covered mortgage bond	Baa2

STANDARD & POOR'S RATING

OTP Bank and OTP Mortgage Bank	
Long term credit rating	BB+

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 2016

Half-year Financial Report for the first half 2016 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 2016 or derived from that. At presentation of first half 2016 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 2016

On 20 May 2016 Fitch upgraded Hungary as a result the sovereign rating became investment grade again (BBB-). While the other two major rating agencies are still in wait and see position, given the overall favourable macroeconomic indicators, the substantial improvement in Hungary's external vulnerability, the safe refinancing of the public debt and also, the resilience of the local currency and the government yields, there is a good chance that another upgrade may occur. Besides, the recently published credit reports by the rating agencies all appraised the Government's collaborative approach towards the banking sector, as well as its recently introduced measures.

Despite the GDP growth in 1Q falling short of the pace in 2015, in the meantime the Government already decided about several steps aimed to accelerate growth without materially jeopardizing balance indicators, as a result OTP expects a GDP growth of around 2% this year. For 2016 the official budget deficit forecast is 2.4%, simultaneously the public debt to GDP is forecasted to decline to 75%.

In April and May the National Bank cut the base rate by 15-15 bps and according to the communication of the central bank the current 0.9% level will be maintained for an extended period. However, through other, non-conventional measures NBH will target at reducing the short-end yields (but leaving the base rate unchanged) thus supporting the sustainable balanced growth of the economy.

The low interest rate environment coupled with continuously improving employment indicators, the net real wage increasing above 8% y-o-y and government subsidized mortgage programmes are definitely boosting local consumption: it has been already demonstrated through increasing demand for consumer credits and dynamic mortgage loan origination intensifying month by month. Based on those positive developments there is a good chance that the erosion of retail portfolios on sector level will stop this year and from 2017 already a volume growth might manifest. Since in Hungary the penetration levels are well behind the regional and international average and with the NBH introducing measures putting break on the potential over-indebtedness of households, the current dynamic lending and the pace of volume growth will not end-up in a household credit bubble, rather a low-risk credit expansion is expected.

As for the rest of OTP Group, in general the macroeconomic developments are fairly promising. The Bulgarian, Romanian and Slovakian GDP growth in 1Q exceeded the EU-average, whereas in Croatia the moderate economic growth continues with the major balance indicators improving despite the Government having stepped down in June.

The Russian economy will still face a benign recession; 2Q figures indicated only a slower recovery. Despite strong wage dynamics the volume of retail trade turnover decreased, households rather save than spend. Following the 50 bps rate cut in June for the rest of the year three, maximum four further cuts of the same magnitude might follow, according to OTP Bank's own forecast. Disinflation continues, but the intensification of global risk factors will make the central bank cautious. The current oil price of around 45 USD/barrel as well as the USD to RUB at 63-64 levels are in line with the baseline macroeconomic scenario assumptions.

In Ukraine the appreciation of UAH against USD during the course of 2Q is definitely a positive surprise; it was supported by the declining inflation as well as by the high policy rate. The current domestic atmosphere is much calmer than it used to be, local political forces apparently made the necessary compromises. The disbursement of the next tranche of the IMF package might suffer further delay, true, Ukraine is currently not under any pressure to draw down the facility. On the other hand, the implementation of the structural reforms advised by the Fund would be essential to conduce to the revival of the local economy.

The operating environment and the financial performance in Russia and Ukraine to a great extent will depend on how local currencies will shape: against the last couple of quarters in 2Q the closing level of both the RUB and UAH appreciated against the USD and HUF; both currencies became stronger by 8.3% against HUF.

Changes related to FX mortgage loans affecting OTP Bank's foreign subsidiaries

1. Romania

Under the CHF mortgage loan conversion programme that started on 9 December 2015 and will close technically on 31 August 2016, by the end of June 2016 the conversion has been completed with around 71% of the eligible clients (i.e. it involved about 7,000 individual contracts). Despite the number of new application demonstrating wakening clients' interest, the final participation rate might move higher.

On 13 May 2016 the so-called 'walk-away' law came into effect. Accordingly, eligible borrowers might simply return the property to the banks in exchange for getting rid of the mortgage loan even if the market value of the collateral is not enough to cover the loan obligation. By 30 June around 180 clients applied to the bank (with a gross volume of RON 51 million). The number of applications is far below the original expectations since the partial principal reduction under the applied CHF mortgage loan conversion programme reduced the LTV ratio of eligible clients. OTP Bank Romania forwarded those cases to the courts claiming constitutional concerns. At the same time the necessary individual and collective provisions have been created.

2. Croatia

The conversion programme of retail loans (from CHF into EUR) has been started in 4Q 2015 in line with the relevant Act. By 30 June 2016 the participation rate of eligible clients reached around 95% and 86% of the eligible portfolio has already been converted.

Consolidated earnings: HUF 104.1 billion adjusted after-tax profit in 1H with 4.85% NIM and 16.5% ROE

Based on the six months consolidated after-tax profit, according to the management's expectation, the above 15% ROE target originally forecasted for 2017 might be reached already in 2016.

The consolidated accounting profit was HUF 71.9 billion in 2Q, more than double reached in the previous quarter as a result the half year accounting profit increased to HUF 106.2 billion (+165% y-o-y).

In 2Q the adjustment items were as follows:

- the proceeds after the sale of OTP Group members' stake in Visa Europe has been transferred and exceeded the amount that was flagged (according to Visa's notification on 15 December 2015). The cash transfer affected five group members: OTP Bank, DSK Bank, OTP Bank Romania, OTP Bank Croatia and OTP Bank Slovakia. The after tax impact of the transaction represented HUF 13.2 billion (HUF 15.9 billion before tax) which included the realized cash transfer (HUF 9.6 billion after tax) and the discounted present values of deferred earn-out components due in 3 years and the C-type VISA Inc. shares (HUF 0.8 billion and HUF 2.8 billion respectively).
  The P&L impact of the VISA transaction was eliminated from the individual group members' quarterly P&L and was presented among the adjustment items on consolidated level.
  The originally calculated cash component (EUR 34.2 million before tax) has been already recognized in 4Q 2015 within the Comprehensive Income Statement on the Fair Value Adjustment of Available for Sale Securities line;
- impairment was booked in relation to the investment into the Ukrainian Factoring Company under Hungarian Accounting Standards. While under IFRS it had no direct effect neither on the consolidated balance sheet nor on the P&L, there was a related positive tax shield of altogether HUF 2.2 billion that added to the Group's IFRS accounting profit;
- HUF 168 million banking tax paid by the Slovakian subsidiary (after tax);
- HUF 186 million dividend/total net cash transfers (after tax).

As a result, in 2Q the adjustment items represented HUF 15.4 billion in total. With the annual Hungarian banking tax booked already in 1Q for the first half of 2016 the balance of all adjustment items amounted to (+) HUF 2 billion.

In 1H 2016 OTP Group posted HUF 104.1 billion adjusted after tax profit which is materially higher than the net earnings realized in the base period (HUF 69 billion). The y-o-y 51% increase is almost entirely explained by the significantly improving Russian and Ukrainian performances; the semi-annual profit of the CEE Group members was quite similar as in the base period.

Both the semi-annual and quarterly improvements were triggered mainly by moderating risk costs.

6 months total income fell short of the base period by 6%: the net interest income dropped by 9%, net fees and commissions income grew moderately and other net non-interest income increased by 4%. Operating expenses increased by 1% y-o-y, as a result the half-year operating income eroded by 13% y-o-y.

Due to a 70% y-o-y drop in risk costs 1H adjusted profit before tax improved by HUF 52 billion. The effective tax rate was 22.5% in 1H 2016 (+6.4 ppts y-o-y).

The 1H consolidated adjusted ROE was 16.5% (+5.5 ppts y-o-y), whereas the accounting ROE was 16.8% (+5.8 ppts y-o-y)

OTP Group posted HUF 56.5 billion adjusted profit after tax in 2Q (+19% q-o-q), the improvement was driven by 42% lower risk costs. Within total income the net interest income grew marginally q-o-q: OTP Core and DSK Bank witnessed a moderate decline in NII and Ukraine suffered a more pronounced quarterly set-back. On the other hand it was offset by a stronger Russian net interest income supported also by stronger RUB as the average RUB to HUF rate appreciated by 11.2% q-o-q.

2Q net fees and commissions income increased by 12% on the quarterly basis (-1% y-o-y). The quarterly increase of HUF 4.7 billion was related mainly to seasonality and the pick-up in business activity. Furthermore, at OTP Core there was a base effect, too: the full amount of annual card-related financial transaction tax was paid and booked in 1Q with HUF 1.6 billion.

The other net non-interest income dropped by 20% q-o-q: within that OTP Core suffered a substantial set-back due to weaker security gains; however it was partially offset by better results at DSK Bank and other subsidiaries.

Despite 2Q total income grew by 2% q-o-q, it was mitigated by an 8% q-o-q increase in operating expenses reasoned by higher marketing spending on the back of stronger business activity and stronger RUB. Also, at OTP Core higher regulatory contributions towards the National Deposit Insurance Fund, Investor Protection Fund and the Resolution Fund pushed up expenses by HUF 1.2 billion.

The consolidated net interest margin (4.84%) q-o-q remained unchanged (-38 bps y-o-y). The adjusted ROE in 2Q reached 18% (+2.4 ppts q-o-q and +4.7 ppts y-o-y).

Due to a 2% growth in total income and an 8% increase in operating expenses operating income dropped by 6% q-o-q.

On the back of the improving Ukrainian and Russian performances there was a realignment of individual profit contributions within 2Q consolidated adjusted profit after tax: OTP Core and DSK Bank have maintained their dominant positions with HUF 30.7 billion and HUF 14.2 billion adjusted net profit contributions, respectively, however the Russian and Ukrainian subsidiaries are becoming more and more substantial (HUF 6.5 billion and HUF 3.4 billion, respectively). Other CEE subsidiaries posted HUF 2.5 billion in total; only the Slovakian bank remained in red (-HUF 55 million). Touch Bank was still a loss maker (-HUF 1.5 billion).

The FX-adjusted consolidated loan portfolio stagnated q-o-q (-3% y-o-y). In 2Q 2016 retail volumes remained stable with unchanged consumer book and the mortgage portfolio marginally eroding (-1%). The SME volumes, however, increased by 4%. Large corporate volumes grew by 1% q-o-q (+6% y-o-y). As for individual performances SME volumes at OTP Core surged by 6% q-o-q, whereas the Bulgarian large corporate exposures grew by 9% and the Croatian mortgage book increased by 4% q-o-q.

The FX-adjusted deposit volumes declined by 1% q-o-q, but grew by 5% y-o-y. Out of the major Group members deposit volumes at OTP Core eroded by 3% q-o-q, whereas the Romanian, Bulgarian, and Ukrainian portfolios increased by 4% each. The consolidated net loan-to-(deposit+retail bonds) ratio reached 68% underpinning a moderate increase q-o-q being in line with the management's aspirations.

The volume of issued securities q-o-q marginally declined. The change in the outstanding volume of Upper and Lower Tier2 elements reflects only the impact of FX rate changes; no buyback happened during 2Q.

The consolidated volume of securities reached almost HUF 2,750 billion by the end of the period (HUF +133 billion q-o-q), the dominant part was government securities (HUF 2,384 billion).

By end-June 2016 the Group's liquidity position remained stable: the operative liquidity reserves of the Group comprised EUR 6.8 billion equivalent. The q-o-q EUR 1.4 billion drop is reasoned by the following factors: EUR 500 million subordinated debt maturing on 19 September was not part of the operative liquidity, also, municipality deposits dropped by around EUR 460 million due to seasonality and Treasury deposits eroded approximately by EUR 240 million equivalent.

There was an improvement in the quality of the credit portfolio, the development of the DPD90+ volumes was quite representative. As a result of the improving macroeconomic environment, but also due to FX household loans' conversion and the portfolio clean-up at the Russian and Ukrainian subsidiaries in 2015, DPD90+ loan volume growth adjusted for FX rate movements and the effect of loan sales and write-offs amounted only to HUF 7.7 billion in 2Q. In absolute terms the biggest inflow was registered still in Russia, but the trend is declining (in HUF billion, 1Q: 17, 2Q: 12.7). At the same time the portfolio quality did not deteriorate in Hungary and Bulgaria, there was even a healing process and previously non-performing portfolio elements were taken out of the DPD90+ category. The consolidated DPD90+ ratio declined to 16.4% (-0.6 ppts q-o-q), its coverage increased to 95%. 2Q Group level risk cost rate dropped to 0.87%, as a result the 1H risk cost rate stood at 1.09% versus 3.15% a year ago.

OTP Core: HUF 30.7 billion adjusted profit with marginally lower NIM, lower DPD90+ ratio and coverage, stable credit profile

The adjusted after tax profit of ***OTP Core*** (basic activity in Hungary) reached HUF 30.7 billion in 2Q 2016, underpinning a 6% q-o-q improvement and a

3% y-o-y increase. As a result the semi-annual adjusted profit reached HUF 59.6 billion (+1% y-o-y).

2Q profit before tax grew by 4% q-o-q. The operating profit without one-off revenue items dropped by 19% reasoned by q-o-q 2% lower total income, but rather by a 13% surge in operating expenses. Within total income net interest income eroded by 1% and that was mostly off-set by net fees and commissions advancing by 12% q-o-q. Lower other net non-interest income was the result of weaker securities gain. 2Q net interest margin (3.41%) declined by 2 bps q-o-q which is substantially lower than the 1Q margin erosion of 19 bps q-o-q.

The q-o-q significantly higher operating expenses were reasoned by higher personnel expenses and regulatory contributions as well as by higher marketing spending supporting sales campaigns and elevated business activity.

During 2Q HUF 5.8 billion provisions were released, consequently the quarterly risk cost rate was -0.62%.

The loan portfolio quality improved, the FX-adjusted DPD90+ volume formation (without sales and write-offs) shrank by HUF 7.2 billion. As a result, the DPD90+ ratio dropped by 0.7 ppt q-o-q to 11.0%, whereas its coverage increased to 87.1%.

The FX-adjusted loan portfolio decreased by 1% q-o-q, but increased by similar pace ytd. Within that both mortgages and the consumer book eroded q-o-q by 1%, each. At the same time the SME portfolio surged by 6% q-o-q (+11% y-o-y). The dynamic growth of the large corporate portfolio temporary stopped (-1%), however the y-o-y growth is still spectacular (+9%). OTP Bank's corporate loan market share[2] improved to 14.4% (+0.6 ppt ytd).

Despite the moderate quarterly decline of mortgage volumes, new applications demonstrated further growth (+70% q-o-q) following an already strong 1Q expansion. The total volume of applications exceeded HUF 105 billion in 1H, whereas the disbursed volumes surged by 64% y-o-y. OTP's market share within newly originated mortgages reached 27.4%.

Out of new applications the share of subsidized loans is steadily increasing: applications for the housing subsidy scheme for families reached HUF 32 billion, approx. 41% of which was registered at OTP Bank.

The FX-adjusted deposit book with retail bonds declined by 3% q-o-q amid repricing efforts supported by the outstanding liquidity position. As a result, the net loan-to-(deposit+retail bonds) ratio stood at 50% at end-2Q (+1.5 ppts q-o-q, FX-adjusted).

In 2Q 2016 ***OTP Fund Management*** posted HUF 0.9 billion after-tax profit (-16% q-o-q), as a result 1H profit reached HUF 1.9 billion (-21% y-o-y). Net fee and commission income eroded both q-o-q and y-o-y. The volume of total assets under management somewhat shrank q-o-q (-7% y-o-y) and stood at HUF 1,508 billion. The company retained its market leading position with 23% market share end of June 2016.

Merkantil Group practically repeated its 1Q performance in 2Q and posted more than HUF 1 billion in 1H (+21% y-o-y). In 2Q operating income improved by 2%. The FX-adjusted gross loan volumes grew by 2% ytd.

Foreign subsidiaries' performance: stable Bulgarian, improving Russian, Ukrainian, Romanian and Croatian net earnings

After the strong 1Q performance the ***Bulgarian subsidiary*** continued to post excellent earnings: in 2Q the after tax profit reached HUF 14.2 billion (+3% q-o-q). As a result 1H profit comprised HUF 28 billion (+1% y-o-y). The good 2Q net profit was supported by favourable operating income: core banking revenues expanded by 6% q-o-q, whereas operating expenses grew by 2%. Risk costs jumped by 61% q-o-q. Within total income net interest income marginally eroded despite interest expenses declining substantially, however it was offset by improving net fees and commissions income. The 2Q net interest margin (4.65%) dropped by 17 ppts q-o-q partially due to the dilution effect of higher total assets. Also, the quarterly NIM-decline moderated compared to the previous quarter.

The FX-adjusted gross loan portfolio increased by 3% both q-o-q and y-o-y. Due to the dynamic origination activity in the large corporate segment the corporate book advanced substantially (+9% q-o-q, +16% y-o-y). FX-adjusted deposits grew by 4% q-o-q (+18% y-o-y) despite pricing measures. As a result, the net loan to deposit ratio declined to (66%).

The credit quality remained stable, the DPD90+ volume even decreased marginally (-HUF 0.2 billion without sales and write offs, FX-adjusted), the DPD90+ ratio declined further (14.1%, -0.6 ppt q-o-q), its coverage was 97.4%. 2Q risk cost rate was 0.76%.

The ***Russian subsidiary*** managed to improve its quarterly earnings and posted HUF 6.5 billion net profit in 2Q 2016. As a result in 1H profit exceeded HUF 9 billion against a loss of HUF 13.9 billion in the base period (without Touch Bank).

The P&L figures were substantially distorted again by the q-o-q 11% appreciation of average RUB to

[2] Based on the balance sheet data provision to the Hungarian National Bank, calculated from the aggregated financials for the „Loans to non-financial companies, other-financials companies and non-profit organisations supporting households" line of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil Bank.

HUF rate; y-o-y there was however a 20% depreciation.

The favourable 2Q earnings were mainly the result of risk costs dropping by 35% q-o-q (in RUB terms) and the operating profit advancing by 5%. Despite the 5% quarterly decline of FX-adjusted performing loan volumes total income improved by 2% in RUB, within that the net interest income grew by 1% mainly due to lower funding cost and q-o-q improving disbursement dynamics in high margin consumer loans. Net fees and commissions income advanced by 6%. It was also encouraging that despite the 1H CPI of around 8% operating expenses moderated by 2% q-o-q (in RUB terms).

The portfolio deterioration decelerated: FX-adjusted DPD90+ inflow without sales and write-offs in HUF billion: 4Q 2015: 16, 1Q 2016: 17, 2Q: 12.7). The DPD90+ ratio increased by 2.1 ppts q-o-q and reached 24.6%, its coverage somewhat declined (111.0%). It was positive that the cost of risk for consumer loans further moderated: for POS-loans risk cost rate dropped to 6.5%, for cash loans to 7.1% and for credit cards below 11%, respectively.

The FX-adjusted performing portfolio eroded by 5% q-o-q (-15% y-o-y). Compared to the base period both POS and consumer loan origination accelerated (new POS placements advanced by 19% y-o-y). The cross-sale of credit card loans was resumed from February; still, despite the strong 2Q activity the overall volumes dropped both q-o-q and y-o-y. The FX-adjusted deposit book stagnated q-o-q and declined by 16% y-o-y. As a result, by the end of June the net loan-to-deposit ratio stood at 100%.

The cost reduction project was successfully completed in 2015, in 2Q no branches were closed down, however the number of employees (without selling agents) dropped by around 200 people in 1H.

It is encouraging that parallel with the 2Q net interest margin improving in HUF terms (18.31%, +157 ppts q-o-q), the risk cost rate dropped significantly, to 7% (-3.0 ppts q-o-q, -10.1 ppts y-o-y).

Touch Bank realized almost HUF 1.5 billion loss in 2Q (+38% q-o-q) mainly as a result of higher operating expenses. So far the bank was successful rather in deposit collection, volumes already exceeded RUB 2.7 billion (+48% q-o-q), loan volumes remained negligible in absolute terms (RUB 75 million), despite the stronger lending activity in 2Q.

Positive developments witnessed in the previous quarter remained in place and the ***Ukrainian subsidiary*** q-o-q quadrupled its net profit in 2Q, as a result 6M profit reached HUF 4.3 billion versus a loss of HUF 9.6 billion a year ago.

Recent P&L developments are better demonstrated in UAH terms given the volatility of the Ukrainian currency. The operating profit dropped by 20% q-o-q, within that the net interest income decreased by 15%; operating expenses grew by 5%. Simultaneously, risk costs dropped by 42%.

The net interest margin shrank by 200 bps q-o-q (9.61%), at the same time the risk cost rate dropped to 2.2% (4Q 2015: 12.2%, 1Q 2016: 4.4%).

The FX-adjusted performing portfolio grew marginally q-o-q (-4% y-o-y). The quarterly volume growth is related to improving UAH denominated corporate lending and leasing activity (+1% q-o-q). The consumer loan portfolio on the other hand eroded by 4%. While POS loan origination increased by 19% q-o-q, other retail loan product sales activity remained cautious. The mortgage lending has not been resumed.

The DPD90+ ratio melted down to 43.9% (-3.5 ppts q-o-q), for mortgages the ratio stood at 74.2%, for corporate exposure only at 14.2% and the trend is declining in both cases. The coverage of the DPD90+ exposure increased to 123.2% (+21.5 ppts y-o-y). The DPD90+ volume declined a lot in 2Q as a result of write-off/sale.

The FX-adjusted deposit book grew by 4% q-o-q and by 8% y-o-y. The net loan-to-deposit ratio decreased and reached 86% by June 2016.

Following a significant cost reduction in the last couple of quarters in 2Q neither the number of branches, nor the number of employees changed.

By the end of June 2016 the intragroup financing to the Ukrainian operation (including subordinated loans) has not changed in USD terms and represented HUF 105.5 billion equivalent.

The ***Romanian subsidiary*** improved its 1Q performance and realized HUF 1 billion net profit in 2Q 2016, thus in 1H it posted HUF 1.6 billion (+43% y-o-y).

2Q operating income somewhat grew: the 6% q-o-q decline in total income was offset by operating costs dropping by 9%. Quarterly risk costs jumped by 63% related mainly to creating provisions on corporate exposures. As a result the profit before tax shrank by 47% q-o-q.

The FX-adjusted gross loan portfolio stagnated q-o-q (-5% y-o-y), but within that corporate volumes grew by 4%. 2Q net interest margin eroded by 7 basis points q-o-q (3.26%); the risk cost rate increased by 52 bps to 1.23%.

The credit quality did not deteriorate; there was no change in the DPD90+ volumes. The DPD90+ ratio remained unchanged (18.7%); its coverage improved and reached 79%.

The ***Croatian subsidiary*** posted HUF 1.3 billion net profit, a material improvement q-o-q (+57%), the 1H profit after tax reached almost HUF 2.2 billion. The substantial q-o-q improvement was supported mainly by the strong operating profit (+21%); risk cost volumes remained practically flat. All core revenues increased, at the same time operating expenses did not change q-o-q. The net interest margin grew by 0.23 ppt q-o-q (to 3.59%). The FX-adjusted loan portfolio grew by 1% q-o-q, within that the retail book increased by 2% due to the strong mortgage lending activity. The DPD90+ ratio decreased (12.8%), its coverage improved substantially (78.4%).

The ***Slovakian subsidiary*** realized HUF 55 million loss in 2Q, thus the 1H profit moderated to 0.3 billion (-57% y-o-y). Surging risk costs were only partially off-set by stronger operating income. The net interest margin remained stable (3.19%) both y-o-y and q-o-q. The FX-adjusted loan portfolio stagnated q-o-q, but increased by 4% y-o-y. The DPD90+ ratio stood at 10.6%, its coverage improved.

The ***Serbian subsidiary*** posted HUF 88 million profit in 2Q, thus 1H net earnings reached HUF 118 million (-50% y-o-y). Similar to previous quarters, net profit was shaped by risk cost dynamics (provisioning dropped by 59% q-o-q). Despite the moderate increase in banking revenues higher operating expenses induced a 6% q-o-q decline in operating profit. The FX-adjusted portfolio increased by 1% q-o-q (+6% y-o-y) supported mainly by the retail segment. The portfolio quality was stable, the DPD90+ ratio declined further (36.8%), its coverage was 75.1%.

The ***Montenegrin subsidiary*** posted HUF 255 million after-tax results in 1H (2Q: HUF 143 million) which was only half of the profit realized in the base period. During the last 3 months operating profit improved by 22% q-o-q due to stronger revenues. The FX-adjusted loan book moderated a bit. The DPD90+ ratio increased q-o-q (43.1%), coverage of the DPD90+ portfolio reached 83.3%.

Consolidated and stand-alone capital adequacy ratio (in accordance with BASEL III), EBA stress test results

By the end of June 2016 the consolidated Common Equity Tier1 ratio under IFRS was 13.2%, did not change q-o-q. Neither the 1H net result was included, nor was the accrued dividend amount deducted from the regulatory capital when calculating the IFRS consolidated capital adequacy ratios.

OTP Bank's stand-alone Common Equity Tier1 ratio stood at 25.6% in 2Q 2016 underpinning a y-o-y 1.3 ppts increase. The 3.2 ppts quarterly improvement of the ratio is due to the fact that while calculating the stand-alone capital adequacy ratios the Bank's 1H results adjusted by the accrued dividend amount were already included into the regulatory capital in 2Q, whereas in 1Q it was not yet possible.

On 29 July 2016 the European Banking Authority published the result of the stress test conducted at 51 European banks. The baseline and adverse stress test scenarios were set by the ECB/ESRB and cover a three-year time horizon. The baseline and adverse stress test scenarios were set by the ECB/ESRB and cover a three-year time horizon (2016-2018). Furthermore, both the baseline and the adverse scenarios have been carried out applying a static balance sheet assumption as at December 2015, and consequently do not take into account future business strategies and management actions. Therefore, the baseline and adverse stress test scenarios do not constitute a forecast of OTP Bank Plc. profits, moreover even the baseline scenario suggests significantly lower profits than the management's expectation for the three-year time horizon (2016-2018).

According to the stress test results the fully loaded consolidated Common Equity Tier1 (CET1) ratio of OTP Bank Plc. would change to 14.6% under the baseline scenario and to 9.2% under the adverse scenario in 2018, compared to the transitional CET1 of 12.9% as at the end of 2015. The 9.2% CET1 level under the adverse scenario is well above the 5.5% threshold set as a minimum level in the previous EU-wide stress test conducted by the EBA in cooperation with the National Bank of Hungary and ECB in 2014.

Credit rating, shareholder structure

Recently the following changes has occurred in OTP Group members' credit ratings: on 29 June Moody's changed the outlook on OTP Bank's 'Baa3' the long term HUF deposit rating from stable to positive. The Bank's long term foreign currency deposit rating ('Ba2') with positive outlook remained unchanged. At the same time, a 'Ba1' local currency issuer rating was assigned to OTP Mortgage Bank. with positive outlook, while its deposit ratings were withdrawn since the bank is a specialized financial institution. Furthermore, on 21 July S&P improved the rating of OTP Bank and OTP Mortgage Bank from 'BB' to 'BB+', at the same time the outlook was changed from positive to stable.

Regarding the ownership structure of the Bank, by 30 June 2016 the following investors had more than 5% influence (beneficial ownership) in the Company: the Rahimkulov family (8.71%), MOL (the Hungarian Oil and Gas Company, 8.69%), the Groupama Group (8.26%).

POST BALANCE SHEET EVENTS

Hungary

- On 12 July 2016 according to the announcement of the National Bank of Hungary (MNB), the terms of the three-month policy instrument were modified. In line with the decision the MNB will accept three-month deposit instruments once a month (instead of the weekly frequency applied earlier) and the automatic renewal of deposits will be ceased, as well. Furthermore, MNB will impose a limit on the amount of three-month deposits; the details of the limitation will be published following the Monetary Council's meeting in September.
- On 29 July 2016 the European Banking Authority published the result of the stress test conducted by the European Banking Authority (EBA). (Further details are available in the Summary section of the Half-year financial report.)
- Following the decision of the Hungarian Competition Authority (GVH), on 1 August 2016 the National Bank of Hungary (MNB) has granted permission for the transfer of the Hungarian business unit – as defined in the business transfer agreement – of AXA Bank to OTP Bank Plc. as of 31 October 2016 based on the business transfer agreement concluded on 2 February 2016 among AXA Bank Europe SA, the Hungarian Branch Office of AXA Bank Europe SA and OTP Bank Plc.

Ukraine

- Effective from 29 July 2016 The Board of the National Bank of Ukraine has decided to trim the key policy rate to 15.5%. The base rate cut was reasoned by the headline level of the current inflation (6.9%) remaining under 10%.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[3]

in HUF million	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Consolidated after tax profit	**40,141**	**106,188**	**165%**	**38,228**	**34,253**	**71,935**	**110%**	**88%**
Adjustments (total)	**-28,899**	**2,047**	**-107%**	**-2,378**	**-13,344**	**15,392**	**-215%**	**-747%**
Dividend and total net cash transfers (consolidated)	74	254	244%	72	68	186	173%	158%
Goodwill/investment impairment charges (after tax)	2,701	2,214	-18%	2,701	0	2,214		-18%
Special tax on financial institutions (after corporate income tax)	-28,928	-13,581	-53%	-183	-13,413	-168	-99%	-8%
Effect of acquisitions (after tax)	1,550	0	0%	0	0	0	0%	0%
One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary (after tax)	3,474	0	-100%	-3,942	0	0		-100%
Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia (after tax)	0	0	0%	0	0	0	0%	0%
One-off impact of regulatory changes related to FX consumer contracts in Serbia (after tax)	-105	0	-100%	0	0	0		-100%
Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania (after tax)	0	0	0%	0	0	0	0%	0%
Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015 (after tax)	98	-		27	-	-		
Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015 (after tax)	-2,225	-		-1,053	-	-		
Gain on the sale of Visa Europe shares (after tax)	0	13,160	0%	0	0	13,160	0%	0%
Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (after tax)	-5,539	0	-100%	0	0	0		
Consolidated adjusted after tax profit without the effect of adjustments	**69,041**	**104,141**	**51%**	**40,606**	**47,598**	**56,543**	**19%**	**39%**
Banks total without one-off items[1]	64,362	100,057	55%	38,148	45,412	54,644	20%	43%
OTP CORE (Hungary)[2]	59,210	59,614	1%	29,822	28,898	30,717	6%	3%
Corporate Centre (after tax)[3]	-1,276	-2,926	129%	-1,046	-1,637	-1,289	-21%	23%
OTP Bank Russia[4]	-13,883	9,128	-166%	-3,162	2,609	6,519	150%	-306%
Touch Bank (Russia)[5]	-1,764	-2,511	42%	-1,033	-1,054	-1,457	38%	41%
OTP Bank Ukraine[6]	-9,598	4,297	-145%	586	856	3,441	302%	487%
DSK Bank (Bulgaria)[7]	27,761	28,007	1%	10,156	13,784	14,223	3%	40%
OBR (Romania)[8]	1,124	1,606	43%	723	616	989	60%	37%
OTP banka Srbija (Serbia)[9]	237	118	-50%	128	30	88	196%	-31%
OBH (Croatia)[10]	1,321	2,172	64%	1,246	846	1,326	57%	6%
OBS (Slovakia)[11]	694	296	-57%	255	351	-55	-116%	-121%
CKB (Montenegro)[12]	535	255	-52%	472	112	143	27%	-70%
Leasing	1,087	1,332	23%	692	788	544	-31%	-21%
Merkantil Bank + Car, adj. (Hungary)[13]	832	1,011	21%	590	502	510	2%	-14%
Foreign leasing companies (Croatia, Bulgaria, Romania)[14]	255	321	26%	102	286	34	-88%	-66%
Asset Management	1,708	1,915	12%	271	1,048	867	-17%	220%
OTP Asset Management (Hungary)	2,381	1,874	-21%	1,043	1,017	857	-16%	-18%
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[15]	-672	41	-106%	-772	30	10	-66%	-101%
Other Hungarian Subsidiaries	790	1,650	109%	625	657	993	51%	59%
Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Croatia, Belize)[16]	109	118	9%	73	18	100	464%	37%
Eliminations	983	-931	-195%	798	-325	-605	86%	-176%
Total adjusted after tax profit of HUNGARIAN subsidiaries[17]	62,920	60,293	-4%	31,832	29,112	31,181	7%	-2%
Total adjusted after tax profit of FOREIGN subsidiaries[18]	6,119	43,848	617%	8,774	18,486	25,362	37%	189%
Share of foreign profit contribution, %	9%	42%	33%	22%	39%	45%	6%	23%

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

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME

Main components of the Statement of recognized income in HUF million	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Consolidated after tax profit	**40,141**	**106,188**	**165%**	**38,228**	**34,253**	**71,935**	**110%**	**88%**
Adjustments (total)	**-28,899**	**2,047**	**-107%**	**-2,378**	**-13,344**	**15,392**	**-215%**	**-747%**
Dividends and net cash transfers (after tax)	74	254	242%	72	68	186	173%	158%
Goodwill/investment impairment charges (after tax)	2,701	2,214	-18%	2,701	0	2,214		-18%
Special tax on financial institutions (after corporate income tax)	-28,928	-13,581	-53%	-183	-13,413	-168	-99%	-8%
Effect of acquisitions (after tax)	1,550	0	-100%	0	0	0		
One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary (after tax)	3,474	0	-100%	-3,942	0	0		-100%
Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia (after tax)	0	0		0	0	0		
One-off impact of regulatory changes related to FX consumer contracts in Serbia (after tax)	-105	0	-100%	0	0	0		-100%
Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania (after tax)	0	0		0	0	0		
Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015 (after tax)	98	-		27	-	-		
Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015 (after tax)	-2,225	-		-1,053	-	-		
Gain on the sale of Visa Europe shares (after tax)	0	13,160		0	0	13,160		
Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (after tax)	-5,539	0	-100%	0	0	0		
Consolidated adjusted after tax profit without the effect of adjustments	**69,040**	**104,141**	**51%**	**40,606**	**47,598**	**56,543**	**19%**	**39%**
Before tax profit	**82,260**	**134,345**	**63%**	**51,577**	**63,985**	**70,359**	**10%**	**36%**
Operating profit	**189,863**	**164,280**	**-13%**	**94,385**	**84,610**	**79,670**	**-6%**	**-16%**
Total income	**380,689**	**357,841**	**-6%**	**191,139**	**177,501**	**180,340**	**2%**	**-6%**
Net interest income	**282,705**	**258,108**	**-9%**	**139,978**	**129,041**	**129,067**	**0%**	**-8%**
Net fees and commissions	**81,191**	**82,339**	**1%**	**43,898**	**38,819**	**43,520**	**12%**	**-1%**
Other net non-interest income	**16,794**	**17,394**	**4%**	**7,264**	**9,641**	**7,753**	**-20%**	**7%**
Foreign exchange result, net	9,325	8,690	-7%	5,408	3,311	5,379	62%	-1%
Gain/loss on securities, net	4,167	3,564	-14%	460	3,192	373	-88%	-19%
Net other non-interest result	3,302	5,140	56%	1,396	3,139	2,001	-36%	43%
Operating expenses	**-190,826**	**-193,561**	**1%**	**-96,755**	**-92,891**	**-100,670**	**8%**	**4%**
Personnel expenses	-93,752	-95,071	1%	-47,617	-45,383	-49,687	9%	4%
Depreciation	-20,764	-21,157	2%	-10,811	-10,433	-10,724	3%	-1%
Other expenses	-76,310	-77,333	1%	-38,327	-37,074	-40,259	9%	5%
Total risk costs	**-109,787**	**-32,862**	**-70%**	**-45,319**	**-20,794**	**-12,069**	**-42%**	**-73%**
Provision for loan losses	-106,358	-34,624	-67%	-45,213	-20,745	-13,879	-33%	-69%
Other provision	-3,429	1,761	-151%	-106	-49	1,810		
Total one-off items	**2,183**	**2,927**	**34%**	**2,511**	**169**	**2,758**		**10%**
Revaluation result of FX swaps at OTP Core[1]	-679	-		-	-	-		
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	2,863	2,927	2%	2,511	169	2,758		10%
Corporate taxes	**-13,220**	**-30,204**	**128%**	**-10,971**	**-16,388**	**-13,816**	**-16%**	**26%**

INDICATORS (%)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
ROE (adjusted)	11.0%	16.5%	5.5%p	13.3%	15.5%	18.0%	2.4%p	4.7%p
ROA (adjusted)	1.3%	2.0%	0.7%p	1.5%	1.8%	2.1%	0.3%p	0.6%p
Operating profit margin	3.52%	3.08%	-0.44%p	3.53%	3.17%	2.99%	-0.18%p	-0.54%p
Total income margin	7.07%	6.72%	-0.35%p	7.14%	6.66%	6.77%	0.11%p	-0.37%p
Net interest margin	5.25%	4.85%	-0.40%p	5.23%	4.84%	4.84%	0.01%p	-0.38%p
Net fee and commission margin	1.51%	1.55%	0.04%p	1.64%	1.46%	1.63%	0.18%p	-0.01%p
Net other non-interest income margin	0.31%	0.33%	0.01%p	0.27%	0.36%	0.29%	-0.07%p	0.02%p
Cost-to-asset ratio	3.54%	3.63%	0.09%p	3.61%	3.48%	3.78%	0.30%p	0.16%p
Cost/income ratio	50.1%	54.1%	4.0%p	50.6%	52.3%	55.8%	3.5%p	5.2%p
Risk cost for loan losses-to-average gross loans	3.15%	1.09%	-2.06%p	2.72%	1.31%	0.87%	-0.44%p	-1.85%p
Risk cost for loan losses-to-average FX adjusted gross loans	3.15%	1.08%	-2.07%p	2.72%	1.29%	0.87%	-0.43%p	-1.85%p
Total risk cost-to-asset ratio	2.04%	0.62%	-1.42%p	1.69%	0.78%	0.45%	-0.33%p	-1.24%p
Effective tax rate	16.1%	22.5%	6.4%p	21.3%	25.6%	19.6%	-6.0%p	-1.6%p
Non-interest income/total income	26%	28%	2%p	27%	27%	28%	1%p	2%p
EPS base (HUF) (from unadjusted net earnings)	152	400	164%	145	128	271	112%	87%
EPS diluted (HUF) (from unadjusted net earnings)	151	400	165%	145	128	271	112%	87%
EPS base (HUF) (from adjusted net earnings)	259	393	52%	154	178	214	20%	39%
EPS diluted (HUF) (from adjusted net earnings)	258	393	52%	154	178	214	20%	39%
Comprehensive Income Statement	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Consolidated after tax profit	40,141	106,188	165%	38,228	34,253	71,935	110%	88%
Fair value adjustment of securities available-for-sale (recognised directly through equity)	-5,495	-10,897	98%	-7,194	6,630	-17,527	-364%	144%
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	-85	-850	900%	-4,029	-350	-500	43%	-88%
Foreign currency translation difference	4,909	22,488	358%	38,635	4,825	17,663	266%	-54%
Change of actuarial losses (IAS 19)	0	0		0	0	0		
Net comprehensive income	**39,470**	**116,929**	**196%**	**65,640**	**45,359**	**71,570**	**58%**	**9%**
o/w Net comprehensive income attributable to equity holders	39,502	116,535	195%	65,569	45,233	71,302	58%	9%
Net comprehensive income attributable to non-controlling interest	-32	394		71	126	268	113%	277%
Average exchange rate of the HUF (in forint)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
HUF/EUR	307	313	2%	306	312	313	0%	2%
HUF/CHF	292	285	-2%	294	285	286	0%	-3%
HUF/USD	276	280	2%	277	283	277	-2%	0%

[1] From 2Q 2015 this item (booked within the net interest income of OTP Core from accounting point of view) is not shown separately among the one-off items, but on the net interest income line.

CONSOLIDATED BALANCE SHEET

Main components of balance sheet in HUF million	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y	YTD
TOTAL ASSETS	**10,761,079**	**10,718,848**	**10,729,882**	**10,699,226**	**0%**	**-1%**	**0%**
Cash and amount due from banks	1,998,651	1,878,961	1,806,940	1,486,420	-18%	-26%	-21%
Placements with other banks	237,271	300,569	248,349	336,532	36%	42%	12%
Financial assets at fair value	289,035	253,782	254,232	243,709	-4%	-16%	-4%
Securities available-for-sale	948,611	1,305,486	1,453,579	1,605,945	10%	69%	23%
Net customer loans	5,668,255	5,409,967	5,423,478	5,487,920	1%	-3%	1%
Net customer loans (FX adjusted[1])	**5,603,335**	**5,473,038**	**5,473,884**	**5,487,920**	**0%**	**-2%**	**0%**
Gross customer loans	6,773,123	6,423,588	6,428,215	6,493,371	1%	-4%	1%
Gross customer loans (FX adjusted[1])	**6,682,938**	**6,498,842**	**6,498,033**	**6,493,371**	**0%**	**-3%**	**0%**
o/w Retail loans	4,491,071	4,323,829	4,256,017	4,241,200	0%	-6%	-2%
Retail mortgage loans (incl. home equity)	2,433,642	2,340,965	2,280,423	2,250,723	-1%	-8%	-4%
Retail consumer loans	1,555,145	1,484,361	1,478,410	1,472,590	0%	-5%	-1%
SME loans	502,285	498,503	497,185	517,887	4%	3%	4%
Corporate loans	1,900,528	1,908,654	1,980,520	1,987,985	0%	5%	4%
Loans to medium and large corporates	1,798,291	1,814,554	1,894,354	1,905,234	1%	6%	5%
Municipal loans	102,236	94,100	86,167	82,750	-4%	-19%	-12%
Car financing loans	221,779	210,564	210,587	213,309	1%	-4%	1%
Bills and accrued interest receivables related to loans	69,560	55,795	50,908	50,877	0%	-27%	-9%
Allowances for loan losses	-1,104,869	-1,013,620	-1,004,737	-1,005,451	0%	-9%	-1%
Allowances for loan losses (FX adjusted[1])	-1,079,603	-1,025,805	-1,024,149	-1,005,451	-2%	-7%	-2%
Equity investments	26,183	10,028	9,232	9,215	0%	-65%	-8%
Securities held-to-maturity	908,820	926,677	902,560	894,218	-1%	-2%	-4%

Main components of balance sheet in HUF million	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y	YTD
Premises, equipment and intangible assets, net	366,451	349,469	348,764	350,816	1%	-4%	0%
o/w Goodwill, net	107,326	95,994	98,050	101,404	3%	-6%	6%
Premises, equipment and other intangible assets, net	259,125	253,475	250,714	249,412	-1%	-4%	-2%
Other assets	317,803	283,909	282,748	284,451	1%	-10%	0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,761,079**	**10,718,848**	**10,729,882**	**10,699,226**	**0%**	**-1%**	**0%**
Liabilities to credit institutions and governments	727,905	533,310	477,832	516,242	8%	-29%	-3%
Customer deposits	7,657,531	7,984,579	7,936,527	7,898,534	0%	3%	-1%
Customer deposits (FX adjusted[1])	**7,605,417**	**8,045,826**	**7,996,106**	**7,898,534**	**-1%**	**4%**	**-2%**
o/w Retail deposits	5,369,385	5,717,661	5,658,071	5,733,858	1%	7%	0%
Household deposits	4,577,182	4,788,039	4,754,949	4,826,732	2%	5%	1%
SME deposits	792,203	929,622	903,122	907,126	0%	15%	-2%
Corporate deposits	2,204,355	2,308,623	2,319,759	2,147,435	-7%	-3%	-7%
Deposits to medium and large corporates	1,763,839	1,900,317	1,690,126	1,745,994	3%	-1%	-8%
Municipal deposits	440,516	408,306	629,632	401,441	-36%	-9%	-2%
Accrued interest payable related to customer deposits	31,677	19,542	18,276	17,241	-6%	-46%	-12%
Issued securities	260,007	239,376	236,644	232,631	-2%	-11%	-3%
o/w Retail bonds	62,711	64,777	62,743	59,511	-5%	-5%	-8%
Issued securities without retail bonds	197,295	174,599	173,901	173,119	0%	-12%	-1%
Other liabilities	599,056	493,140	604,238	507,009	-16%	-15%	3%
Subordinated bonds and loans	257,915	234,784	242,125	243,864	1%	-5%	4%
Total shareholders' equity	**1,258,665**	**1,233,659**	**1,232,515**	**1,300,946**	**6%**	**3%**	**5%**
Indicators	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y	YTD
Loan/deposit ratio (FX adjusted[1])	87%	80%	81%	82%	1%p	-6%p	1%p
Net loan/(deposit + retail bond) ratio (FX adjusted[1])	72%	67%	67%	68%	1%p	-4%p	2%p
90+ days past due loan volume	1,232,546	1,085,694	1,086,453	1,058,728	-3%	-14%	-2%
90+ days past due loans/gross customer loans	18.4%	17.0%	17.0%	16.4%	-0.6%p	-2.0%p	-0.6%p
Total provisions/90+ days past due loans	89.6%	93.4%	92.5%	95.0%	2.5%p	5.3%p	1.6%p
Consolidated capital adequacy - Basel3	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y	YTD
Capital adequacy ratio (consolidated, IFRS)	16.4%	16.2%	15.9%	15.8%	-0.1%p	-0.7%p	-0.4%p
Tier1 ratio	13.3%	13.3%	13.2%	13.2%	0.0%p	-0.2%p	-0.1%p
Common Equity Tier1 ('CET1') capital ratio	13.3%	13.3%	13.2%	13.2%	0.0%p	-0.2%p	-0.1%p
Regulatory capital (consolidated)	1,128,886	1,064,383	1,064,183	1,060,918	0%	-6%	0%
o/w Tier1 Capital	916,484	873,124	881,189	885,007	0%	-3%	1%
o/w Common Equity Tier 1 capital	916,484	873,124	881,189	885,007	0%	-3%	1%
Tier2 Capital	212,402	191,259	182,994	175,911	-4%	-17%	-8%
o/w Hybrid Tier2	95,118	92,093	90,563	91,451	1%	-4%	-1%
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	6,867,516	6,576,258	6,693,455	6,723,900	0%	-2%	2%
o/w RWA (Credit risk)	5,575,266	5,245,874	5,235,513	5,354,095	2%	-4%	2%
RWA (Market & Operational risk)	1,292,250	1,330,384	1,457,943	1,369,805	-6%	6%	3%
Closing exchange rate of the HUF (in forint)	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y	YTD
HUF/EUR	315	313	314	316	1%	0%	1%
HUF/CHF	304	289	287	291	1%	-4%	0%
HUF/USD	283	287	277	284	3%	1%	-1%

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

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income in HUF million	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	59,210	59,614	1%	29,822	28,898	30,717	6%	3%
Corporate income tax	-16,539	-21,235	28%	-10,608	-10,798	-10,436	-3%	-2%
Pre-tax profit	75,749	80,849	7%	40,430	39,696	41,153	4%	2%
Operating profit	83,263	72,922	-12%	43,596	40,294	32,627	-19%	-25%
Total income	178,829	175,584	-2%	92,138	88,475	87,110	-2%	-5%
Net interest income	126,666	116,202	-8%	62,890	58,402	57,800	-1%	-8%
Net fees and commissions	46,963	48,310	3%	25,619	22,742	25,569	12%	0%
Other net non-interest income	5,200	11,072	113%	3,629	7,331	3,741	-49%	3%
Operating expenses	-95,566	-102,663	7%	-48,542	-48,180	-54,482	13%	12%
Total risk costs	-9,697	5,001	-152%	-5,678	-767	5,768	-852%	-202%
Provisions for possible loan losses	-7,752	3,705	-148%	-6,744	-36	3,740		-155%
Other provisions	-1,946	1,296	-167%	1,066	-731	2,027	-377%	90%
Total one-off items	2,183	2,927	34%	2,511	169	2,758		10%
Revaluation result of FX swaps	-679	-	0%	0	-	-	0%	0%
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	2,863	2,927	2%	2,511	169	2,758		10%
Revenues by Business Lines								
RETAIL								
Total income	135,190	124,485	-8%	67,156	61,520	62,966	2%	-6%
Net interest income	92,822	79,982	-14%	44,480	40,503	39,480	-3%	-11%
Net fees and commissions	40,771	42,519	4%	21,859	19,969	22,550	13%	3%
Other net non-interest income	1,597	1,984	24%	817	1,048	936	-11%	15%
CORPORATE								
Total income	21,650	18,888	-13%	10,710	9,417	9,471	1%	-12%
Net interest income	13,989	12,615	-10%	6,717	6,431	6,184	-4%	-8%
Net fees and commissions	7,194	5,693	-21%	3,754	2,680	3,013	12%	-20%
Other net non-interest income	467	580	24%	239	306	274	-11%	15%
Treasury ALM								
Total income	21,917	30,768	40%	14,430	16,516	14,252	-14%	-1%
Net interest income	19,855	23,605	19%	11,692	11,468	12,136	6%	4%
Net fees and commissions	-1,002	98	-110%	6	93	5	-95%	-22%
Other net non-interest income	3,064	7,065	131%	2,732	4,954	2,111	-57%	-23%
Indicators (%)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
ROE	10.1%	9.8%	-0.3%p	10.3%	9.6%	10.2%	0.5%p	-0.2%p
ROA	1.7%	1.8%	0.1%p	1.8%	1.7%	1.8%	0.1%p	0.1%p
Operating profit margin (operating profit / avg. total assets)	2.4%	2.2%	-0.2%p	2.6%	2.4%	1.9%	-0.4%p	-0.6%p
Total income margin	5.20%	5.23%	0.03%p	5.42%	5.20%	5.13%	-0.06%p	-0.29%p
Net interest margin	3.68%	3.46%	-0.22%p	3.70%	3.43%	3.41%	-0.02%p	-0.29%p
Net fee and commission margin	1.37%	1.44%	0.07%p	1.51%	1.34%	1.51%	0.17%p	0.00%p
Net other non-interest income margin	0.15%	0.33%	0.18%p	0.21%	0.43%	0.22%	-0.21%p	0.01%p
Operating costs to total assets ratio	2.8%	3.1%	0.3%p	2.9%	2.8%	3.2%	0.4%p	0.4%p
Cost/income ratio	53.4%	58.5%	5.0%p	52.7%	54.5%	62.5%	8.1%p	9.9%p
Cost of risk/average gross loans[1]	0.60%	-0.31%	-0.91%p	1.09%	0.01%	-0.62%	-0.62%p	-1.71%p
Cost of risk/average gross loans (FX adjusted)[1]	0.59%	-0.31%	-0.90%p	1.08%	0.01%	-0.62%	-0.62%p	-1.70%p
Effective tax rate	21.8%	26.3%	4.4%p	26.2%	27.2%	25.4%	-1.8%p	-0.9%p

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

- ***In 1H OTP Core posted HUF 59.6 billion adjusted profit underpinning a 1% y-o-y increase***
- ***In 2Q profit after tax grew by 6% q-o-q to HUF 30.7 billion (+3% y-o-y)***
- ***The cumulated net interest income declined by 8% y-o-y due to narrowing net interest margin and y-o-y eroding loan volumes***
- ***1H operating expenses increased by 7% y-o-y***
- ***The 1H total risk cost line shows HUF 5 billion release due to loan loss and other provision releases in 2Q***
- ***DPD90+ volumes declined further, the DPD90+ ratio improved to 11.0% (-0.7 ppts q-o-q, -1.6 ppts y-o-y), the coverage kept improving***
- ***FX-adjusted gross loans already increased in 1H (+1% ytd) after a consecutive erosion in the last couple of years***
- ***The micro and small enterprise loan portfolio expansion continued (+6% q-o-q, +11% y-o-y, FX-adjusted). Corporate volumes surged by 9% y-o-y***

P&L developments

The one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes, as well as gain on securities from the VISA Europe share transaction were eliminated from OTP Core's P&L and booked among the adjustment items on consolidated level. The balance sheet was not adjusted for this item.

Without the effect of adjustment items[4] **OTP Core** posted a profit of HUF 59.6 billion in 1H underpinning a 1% y-o-y improvement, on a quarterly base 2Q net profit improved by 6% (+3% y-o-y) and reached HUF 30.7 billion.

The effective corporate tax burden for 1H increased by 28% y-o-y shaped by the tax shield effect of the revaluation of subsidiary investments as a result of HUF volatility.

The 1H pre-tax profit advanced by 7% y-o-y, while in 2Q the improvement was 4% q-o-q and 2% y-o-y, respectively.

Both on a quarterly and yearly base the higher profit was mainly reasoned by provision releases on total risk cost line (in 2Q 2016: HUF 5.8 billion, in 1H: HUF 5.0). The q-o-q change of the other risk cost was reasoned by the release of provisions made earlier for the expenses of structural changes.

On the provisions for loan losses line was a HUF 3.7 billion release in 2Q. The credit quality improved: the DPD90+ volumes adjusted for write/sale offs declined by HUF 7.2 billion in 2Q related to the mortgage and corporate exposures. Furthermore DPD90+ volumes were positively affected by the sale and write offs, by HUF 11.6 billion in 2Q, by HUF 20.0 billion in 1H, respectively. As a result, the DPD90+ ratio moderated by 0.7 ppt q-o-q and by 1.6 ppts y-o-y to 11.0%. Consequently the coverage improved by 2.7 ppts q-o-q to 87.1%.

Against the remarkable improvement in risk costs 1H total income eroded by 2% y-o-y and in 2Q by 2% q-o-q and by 5% y-o-y, respectively.

In 1H net interest income decreased by 8% y-o-y reasoned by the y-o-y 4% lower average performing loan book, as well as the 22 ppts lower net interest margin. From a business perspective the lower NIM was mainly influenced by the declining interest rate environment that took its toll through lower deposit margins. The structural changes within the performing loan book also had a negative effect as the weight of corporate exposures with lower margins increased y-o-y.

It was encouraging, however, that in 2Q the net interest income eroded only by 1% q-o-q due to the moderate decrease of the performing loan book. The net interest margin (3.41%) q-o-q narrowed only by 2 ppts.

1H net fee and commission increased by 3% y-o-y. In 2Q the q-o-q improvement was partly seasonal, and there was a positive base effect, too: the financial transaction tax on card transactions was paid in a lump-sum in 1Q 2016 for the whole year. This item amounted to HUF 1.6 billion

The significant y-o-y increase in 1H in other net non-interest income was due to the outstanding results in 1Q (significant securities gains realized on property investment funds, and also supported by FX-gains). In 2Q, however other non-interest income declined due to a drop in securities gain.

Total one-off revenue items represented HUF 2.8 billion in 2Q (in 1H: HUF 2.9 billion), entirely related to dividends paid in 2Q within the treasury share swap agreement framework.

1H operating expenses increased by 7% y-o-y mainly due to a significant surge in 2Q (+12% y-o-y). Higher expenses are explained by the following reasons: higher marketing spending related to reviving business activity; also, there were one off costs due to structural changes at the Bank and there was an average base salary increase of 4% in

[4] Adjustments emerged in the presented periods: special tax on financial institutions, dividends and net cash transfers, goodwill impairment charges, the risk cost created in relation to the decision of the Hungarian Competition Authority, one-off impact of regulatory changes in relation to consumer contracts, the impact of the related methodological changes and the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd., as well as the gain realized on securities from the Visa Europe share transaction.

April 2016 (against the national average of 6.9%). Furthermore, the Bank had to pay q-o-q higher charges to supervisory authorities. It explained HUF 1.2 billion expense increase q-o-q (HUF +1.4 billion y-o-y) due to higher contributions into the National Deposit Protection Fund (OBA), the Investor Protection Fund (Beva) and the Resolution Fund. In 2Q POS terminals were activated in an amount of HUF 0.3 billion which were written off at the same time.

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

Main components of balance sheet closing balances in HUF mn	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q/Q	Y/Y	YTD
Total Assets	6,736,125	6,774,200	6,920,680	6,726,389	-3%	0%	-1%
Net customer loans	2,210,810	2,145,475	2,196,970	2,191,993	0%	-1%	2%
Net customer loans (FX adjusted)	**2,210,142**	**2,148,624**	**2,199,686**	**2,191,993**	**0%**	**-1%**	**2%**
Gross customer loans	2,477,006	2,394,362	2,437,706	2,424,160	-1%	-2%	1%
Gross customer loans (FX adjusted)	**2,474,258**	**2,397,691**	**2,441,097**	**2,424,160**	**-1%**	**-2%**	**1%**
Retail loans	1,705,014	1,624,654	1,608,520	1,599,625	-1%	-6%	-2%
Retail mortgage loans (incl. home equity)	1,202,284	1,163,841	1,138,249	1,124,832	-1%	-6%	-3%
Retail consumer loans	362,629	317,001	323,331	319,752	-1%	-12%	1%
SME loans	140,100	143,812	146,940	155,041	6%	11%	8%
Corporate loans	769,244	773,037	832,577	824,534	-1%	7%	7%
Loans to medium and large corporates	736,223	751,894	809,218	799,274	-1%	9%	6%
Municipal loans	33,021	21,142	23,359	25,261	8%	-24%	19%
Provisions	-266,196	-248,887	-240,736	-232,167	-4%	-13%	-7%
Provisions (FX adjusted)	**-264,117**	**-249,067**	**-241,411**	**-232,167**	**-4%**	**-12%**	**-7%**
Deposits from customers + retail bonds	4,309,168	4,559,728	4,568,904	4,417,379	-3%	3%	-3%
Deposits from customers + retail bonds (FX adjusted)	**4,308,549**	**4,561,773**	**4,577,767**	**4,417,379**	**-4%**	**3%**	**-3%**
Retail deposits + retail bonds	2,648,569	2,862,588	2,842,242	2,916,414	3%	10%	2%
Household deposits + retail bonds	2,211,352	2,360,731	2,342,841	2,408,381	3%	9%	2%
o/w: Retail bonds	62,711	64,777	62,743	59,511	-5%	-5%	-8%
SME deposits	437,217	501,857	499,402	508,033	2%	16%	1%
Corporate deposits	1,659,980	1,699,185	1,735,525	1,500,965	-14%	-10%	-12%
Deposits to medium and large corporates	1,308,680	1,336,631	1,161,153	1,162,819	0%	-11%	-13%
Municipal deposits	351,300	362,554	574,371	338,146	-41%	-4%	-7%
Liabilities to credit institutions	519,679	376,886	442,823	468,827	6%	-10%	24%
Issued securities without retail bonds	195,584	202,309	197,431	196,245	-1%	0%	-3%
Total shareholders' equity	1,167,973	1,210,949	1,202,418	1,226,235	2%	5%	1%
Loan Quality	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q/Q	Y/Y	YTD
90+ days past due loan volume (in HUF million)	311,698	290,052	285,253	266,546	-6.6%	-14.5%	-8.1%
90+ days past due loans/gross customer loans (%)	12.6%	12.1%	11.7%	11.0%	-0.7%p	-1.6%p	0.0%p
Total provisions/90+ days past due loans (%)	85.4%	85.8%	84.4%	87.1%	2.7%p	1.7%p	0.0%p
Market Share (%)	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q/Q	Y/Y	YTD
Loans	18.9%	19.1%	19.5%	19.5%	0.0%p	0.5%p	0.3%p
Deposits	26.3%	25.8%	26.5%	26.4%	-0.2%p	0.1%p	0.5%p
Total Assets	26.6%	26.1%	26.3%	26.4%	0.1%p	-0.2%p	0.4%p
Performance Indicators (%)	2Q 2015	4Q 2015	1Q 2016	2Q 2016	Q/Q	Y/Y	YTD
Net loans to (deposits + retail bonds) (FX adjusted)	51%	47%	48%	50%	2%p	-2%p	3%p
Leverage (Shareholder's Equity/Total Assets)	17.3%	17.9%	17.4%	18.2%	0.9%p	0.9%p	0.4%p
Leverage (Total Assets/Shareholder's Equity)	5.8x	5.6x	5.8x	5.5x	-0.3x	0.0x	0.0x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS)	28.4%	26.6%	25.9%	28.7%	2.8%p	0.3%p	2.1%p
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, HAS)	24.3%	22.6%	22.4%	25.6%	3.2%p	1.3%p	3.0%p

Balance sheet trends

In the first quarter the FX-adjusted gross loan portfolio could increase q-o-q for the first time since 2010 4Q, but in 2Q it was followed by a moderate setback (-1% q-o-q). As a result ytd FX-adjusted gross volumes grew by 1%. Within that mainly corporate volumes added to the growth, but the consumer portfolio also grew by 1% ytd despite a HUF 6.6 billion retail exposure sale and write-off. The dynamic expansion of the micro and small enterprise loan portfolio continued and grew by 8% compared to the year-end closing volume (+6% q-o-q, +11% y-o-y, FX-adjusted). The large corporate volumes declined by 1% q-o-q, but advanced by 6% ytd due to the strong 1Q origination.

The National Bank of Hungary launched the third phase of the Funding for Growth Scheme from the beginning of 2016. According to the data published by the NBH on 5th July the Hungarian credit institutions participating in the scheme have already contracted for HUF 125 billion in 1H 2016 of which OTP's share represented HUF 23.4 billion.

The growth of the FX-adjusted gross portfolio was induced mainly by the SME and MLE segment. During the course of 1Q there were several big ticket new disbursements and in 2Q a few more kept the volumes flat q-o-q in the corporate segment.

Within the household segment mortgage volumes kept shrinking; however, the 2Q erosion moderated (-1% q-o-q) whereas the consumer loans shrank a bit (also by 1% q-o-q), after a growth posted in 1Q. As a result the consumer book grew by 1% ytd.

As for mortgages, new originations showed a favourable trend in 1H (+64% y-o-y), yet they could not outpace the effect of normal amortization and prepayments. As a result the mortgage book eroded by 3% ytd, however the erosion is demonstrating a definitely decelerating trend in 2Q. New volume of mortgage loan applications in 1H kept increasing (+90% y-o-y) and exceeded HUF 105 billion. Within 1H 2016 applications the overall weight of State subsidized housing loans increased substantially due to the CSOK (Hosing Subsidy for Families). In the first six months at OTP Bank applications for subsidized housing loans increased by 175% y-o-y and represented 47% of total housing loan applications (versus 35% in 2015). Disbursement statistics in 2Q already show steady increase in mortgage loan demand (+56% q-o-q) generated by CSOK, however it is expected to be manifested in higher disbursed volumes rather in 2H 2016.

OTP Bank experienced strong business activity as for the extended CSOK: in 1H around 4,900 applications were registered with a value of HUF 13.1 billion. 15% of all applications for new houses were made by families with three or more children that represented about half of the total subsidy volumes. Around 58% of applicants combined CSOK with subsidized or market-based loan application (HUF 20.1 billion).

Consumer loan volumes increased by 1% ytd, while declined by 12% y-o-y. OTP's market share in this segment remained strong both in terms of stock and new disbursements. The bank has a market share of 32.6%[5] at the end of June out of total cash loan volumes. OTP Bank's market share in new cash loan disbursement was 33.8% in 2Q.

FX-adjusted deposit volumes (with retail bonds) decreased by 3% ytd and increased by 3% y-o-y. The volume of retail deposits (with retail bonds) after slight decrease in 1Q grew again (+3% q-o-q and +10% y-o-y). The micro and small enterprise volumes grew by 2% q-o-q, whereas the mid-size and large corporate segment stagnated (FX-adjusted).

[5] The presented market share figures are not comparable to the figures showed in the previous reports.

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 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	2,381	1,874	-21%	1,043	1,017	857	-16%	-18%
Income tax	-503	-388	-23%	-260	-184	-204	11%	-22%
Profit before income tax	2,884	2,263	-22%	1,303	1,202	1,061	-12%	-19%
Operating profit	2,884	2,263	-22%	1,303	1,202	1,061	-12%	-19%
Total income	3,596	3,070	-15%	1,683	1,588	1,482	-7%	-12%
Net interest income	0	0	58%	0	0	0	-19%	11%
Net fees and commissions	3,587	3,066	-15%	1,678	1,586	1,479	-7%	-12%
Other net non-interest income	8	4	-51%	5	1	3	133%	-42%
Operating expenses	-712	-808	13%	-380	-386	-422	9%	11%
Other provisions	0	0	-100%	0	0	0	-100%	-100%
Main components of balance sheet closing balances in HUF mn	2015	1H 2016	YTD	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Total assets	12,924	12,814	-1%	10,812	13,215	12,814	-3%	19%
Total shareholders' equity	8,314	9,950	20%	6,172	9,479	9,950	5%	61%
Asset under management in HUF bn	2015	1H 2016	YTD	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Assets under management, total (w/o duplicates)	**1,576**	**1,508**	**-4%**	**1,624**	**1,520**	**1,508**	**-1%**	**-7%**
Retail investment funds (closing, w/o duplicates)	1,079	999	-7%	1,146	1,010	999	-1%	-13%
Volume of managed assets (closing, w/o duplicates)	497	510	3%	478	510	510	0%	7%
Volume of investment funds (with duplicates)	1,204	1,129	-6%	1,294	1,138	1,129	-1%	-13%
money market	378	310	-18%	403	334	310	-7%	-23%
bond	419	401	-4%	491	403	401	0%	-18%
mixed	21	22	4%	19	22	22	1%	14%
security	109	109	0%	108	109	109	0%	1%
guaranteed	105	98	-7%	113	99	98	-2%	-13%
other	171	188	10%	161	171	188	10%	17%

The **OTP Fund Management** posted around HUF 1.9 billion after tax profit in 1H 2016, which is by 21% lower than in the base period. In 2Q 2016 the company realized HUF 0.9 billion (-16% q-o-q and -18% y-o-y).

The net fees and commissions income in 1H 2016 decreased by 15% y-o-y, mainly due to the erosion of assets under management. The 2Q 2016 fees and commissions income also dropped on a quarterly and yearly basis as well (-7% and -12%). The decline was mainly reasoned by the one-off fees paid to third-party distributors in 2Q (HUF -0.1 billion). The 9% quarterly increase in 2Q operating expenses was driven by IT-related support service costs.

Considering the whole market, in 1H 2016 the managed assets of BAMOSZ members decreased slightly y-o-y. The money market funds suffered the most significant capital outflow; in the current low interest rate environment investors prefer the derivative, real estate and absolute return funds.

The erosion of assets under management moderated, it dropped by 1% q-o-q, while it showed a 7% decline y-o-y. The structural shift within the different types of investment funds influenced the assets of OTP Fund Management, too. The volume of money market funds moderated further by 18% ytd, while the mixed funds grew by 4% and other asset classes advanced by 10% ytd. The market share of OTP Fund Management (w/o duplications) slightly increased on a quarterly basis (23.0%), the company maintained its market leading position.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	1Q 2015	4Q 2015	1Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	832	1,011	21%	590	502	510	2%	-14%
Income tax	-262	0	-100%	-439	0	0		-100%
Profit before income tax	1,094	1,011	-8%	1,029	502	510	2%	-50%
Operating profit	3,416	2,858	-16%	2,198	1,416	1,442	2%	-34%
Total income	6,664	5,833	-12%	3,922	2,884	2,949	2%	-25%
Net interest income	8,415	7,943	-6%	4,153	4,099	3,843	-6%	-7%
Net fees and commissions	-1,319	-500	-62%	-614	-239	-261	9%	-58%
Other net non-interest income	-431	-1,610	273%	384	-976	-634	-35%	-265%
Operating expenses	-3,248	-2,975	-8%	-1,724	-1,468	-1,507	3%	-13%
Total provisions	-2,322	-1,847	-20%	-1,169	-915	-932	2%	-20%

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	1Q 2015	4Q 2015	1Q 2016	Q-o-Q	Y-o-Y
Provision for possible loan losses	-2,390	-1,805	-24%	-1,262	-886	-919	4%	-27%
Other provision	68	-42	-162%	93	-29	-13	-53%	-114%
Main components of balance sheet closing balances in HUF mn	**2015**	**1H 2016**	**YTD**	**1Q 2015**	**4Q 2015**	**1Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	332,791	342,967	3%	306,374	342,553	342,967	0%	12%
Gross customer loans	274,024	278,359	2%	270,670	277,290	278,359	0%	3%
Gross customer loans (FX-adjusted)	274,140	278,359	2%	267,108	277,470	278,359	0%	4%
Retail loans	22,240	24,684	11%	18,518	22,102	24,684	12%	33%
Corporate loans	82,808	83,808	1%	72,578	87,044	83,808	-4%	15%
Car financing loans	169,092	169,867	0%	176,011	168,324	169,867	1%	-3%
Allowances for possible loan losses	-36,075	-37,220	3%	-34,537	-36,722	-37,220	1%	8%
Allowances for possible loan losses (FX-adjusted)	-36,078	-37,220	3%	-34,178	-36,736	-37,220	1%	9%
Deposits from customers	10,910	8,855	-19%	6,948	12,121	8,855	-27%	27%
Deposits from customer (FX-adjusted)	10,910	8,855	-19%	6,948	12,121	8,855	-27%	27%
Retail deposits	3,280	3,758	15%	2,628	5,455	3,758	-31%	43%
Corporate deposits	7,630	5,097	-33%	4,319	6,666	5,097	-24%	18%
Liabilities to credit institutions	256,997	270,939	5%	237,351	268,618	270,939	1%	14%
Issued securities	35,004	34,867	0%	33,993	34,928	34,867	0%	3%
Total shareholders' equity	21,146	22,504	6%	18,726	21,995	22,504	2%	20%
Loan Quality	**1H 2015**	**1H 2016**	**Y-o-Y**	**1Q 2015**	**4Q 2015**	**1Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	27,722	33,057	19%	27,722	32,313	33,057	2%	19%
90+ days past due loans/gross customer loans (%)	10.2%	11.9%	1.6%p	10.2%	11.7%	11.9%	0.2%p	1.6%p
Cost of risk/average gross loans (%)	1.80%	1.31%	-0.49%p	1.86%	1.29%	1.33%	0.04%p	-0.53%p
Cost of risk/average (FX-adjusted) gross loans	1.78%	1.31%	-0.47%p	1.87%	1.29%	1.33%	0.04%p	-0.54%p
Total provisions/90+ days past due loans (%)	124.6%	112.6%	-12.0%p	124.6%	113.6%	112.6%	-1.1%p	-12.0%p
Performance Indicators (%)	**1H 2015**	**1H 2016**	**Y-o-Y**	**1Q 2015**	**4Q 2015**	**1Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	0.5%	0.6%	0.1%p	0.8%	0.6%	0.6%	0.0%p	-0.2%p
ROE	8.7%	9.3%	0.6%p	12.4%	9.4%	9.2%	-0.1%p	-3.2%p
Total income margin	4.34%	3.47%	-0.87%p	5.14%	3.44%	3.46%	0.02%p	-1.68%p
Net interest margin	5.48%	4.73%	-0.75%p	5.44%	4.88%	4.51%	-0.37%p	-0.93%p
Cost/income ratio	48.7%	51.0%	2.3%p	44.0%	50.9%	51.1%	0.2%p	7.1%p

The **Merkantil Bank and Car** posted HUF 1 billion aggregated adjusted after tax profit in 1H 2016 versus HUF 0.8 billion posted in the base period (+21% y-o-y). 2Q 2016 adjusted after tax profit represents HUF 510 million, almost flat on a q-o-q basis.

The semi-annual before tax profit dropped by 8%, reflecting the lower operating profit (-16% y-o-y) and it was only partially off-set by the y-o-y 20% decline of total risk cost level.

In 1H 2016 core banking revenues (net interest and net fees and commissions income) grew by 5% y-o-y. Within total income the comparison of 1H net interest income and net fees and commissions income with the base period is distorted by changes in the methodology[6]. 1H 2016 total income however dropped by 12% y-o-y due to weaker other net non-interest income (mainly reasoned by lower FX results). In 2Q total revenues advanced by 2% q-o-q supported by an improvement on other net non-interest line.

The operating expenses in 1H 2016 declined by 8% y-o-y mainly due to the base effect as a result of higher costs related to the FX-loan conversion (etc. postal expenses) in the base period and lower level of deductible taxes.

The portfolio quality was still shaped by the technical effect of the settlement with FX borrowers. The amount refunded to clients during the settlement period reduced the delinquent balance in 2Q 2015, however, part of the clients who temporarily healed re-defaulted and slipped back to DPD90+ category. As a consequence the ratio of DPD90+ loans decreased by 1.6 ppts y-o-y to 11.9%, while the coverage ratio declined by 12 ppts.

The FX-adjusted loan portfolio expanded by 4% on a yearly basis due to the corporate segment, whereas the y-o-y 3% decline in volumes reflects the impact of the conversion into HUF in 2015. In 2Q, however the car loan portfolio already grew by 1% q-o-q due to the improving activity. Favourable trends can be witnessed in the lending activity: total new loan origination increased by 15% y-o-y, within that the volume of newly disbursed car loans improved by 28% y-o-y. Merkantil Bank and Car is a market leader in terms of new loan disbursements.

[6] Fee expenses paid to dealers (being part of net interest income from accounting point of view) were reclassified from net interest income to the net fee income line in the P&L of Merkantil until 4Q 2015. Starting from 1Q 2016 this adjustment has been discontinued.

IFRS REPORTS OF THE MAIN SUBSIDIARIES

In the following parts of the Half-yearly 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 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	27,761	28,007	1%	10,156	13,784	14,223	3%	40%
Income tax	-3,123	-3,109	0%	-1,135	-1,546	-1,563	1%	38%
Profit before income tax	30,884	31,116	1%	11,292	15,330	15,786	3%	40%
Operating profit	36,638	34,985	-5%	17,151	16,815	18,170	8%	6%
Total income	55,634	55,790	0%	26,826	27,103	28,687	6%	7%
Net interest income	44,219	42,605	-4%	21,889	21,456	21,149	-1%	-3%
Net fees and commissions	11,308	12,783	13%	5,957	5,813	6,970	20%	17%
Other net non-interest income	108	401	273%	-1,020	-166	568	-442%	-156%
Operating expenses	-18,996	-20,805	10%	-9,675	-10,288	-10,517	2%	9%
Total provisions	-5,754	-3,869	-33%	-5,860	-1,485	-2,384	61%	-59%
Provision for possible loan losses	-5,570	-3,557	-36%	-5,768	-1,334	-2,222	67%	-61%
Other provision	-184	-313	70%	-92	-151	-162	7%	77%
Main components of balance sheet closing balances in HUF mn	**2015**	**1H 2016**	**YTD**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	1,778,326	1,859,562	5%	1,608,339	1,801,090	1,859,562	3%	16%
Gross customer loans	1,158,894	1,195,999	3%	1,159,086	1,158,596	1,195,999	3%	3%
Gross customer loans (FX-adjusted)	1,170,093	1,195,999	2%	1,163,198	1,165,995	1,195,999	3%	3%
Retail loans	866,735	859,628	-1%	874,127	856,473	859,628	0%	-2%
Corporate loans	303,358	336,370	11%	289,071	309,522	336,370	9%	16%
Allowances for possible loan losses	-164,898	-164,336	0%	-164,237	-162,640	-164,336	1%	0%
Allowances for possible loan losses (FX-adjusted)	-166,468	-164,336	-1%	-164,822	-163,706	-164,336	0%	0%
Deposits from customers	1,489,542	1,560,502	5%	1,323,134	1,484,787	1,560,502	5%	18%
Deposits from customer (FX-adjusted)	1,501,419	1,560,502	4%	1,327,233	1,495,930	1,560,502	4%	18%
Retail deposits	1,262,013	1,280,680	1%	1,169,233	1,272,986	1,280,680	1%	10%
Corporate deposits	239,407	279,823	17%	158,000	222,944	279,823	26%	77%
Liabilities to credit institutions	27,443	16,520	10%	27,443	12,808	16,520	29%	-40%
Total shareholders' equity	253,468	230,850	-9%	227,084	214,876	230,850	7%	2%
Loan Quality	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	180,334	168,672	-6%	180,334	169,418	168,672	0%	-6%
90+ days past due loans/gross customer loans (%)	15.6%	14.1%	-1.5%p	15.6%	14.6%	14.1%	-0.5%p	-1.5%p
Cost of risk/average gross loans (%)	0.97%	0.61%	-0.36%p	2.05%	0.46%	0.76%	0.30%p	-1.29%p
Cost of risk/average (FX-adjusted) gross loans (%)	0.97%	0.60%	-0.36%p	1.99%	0.46%	0.76%	0.30%p	-1.24%p
Total provisions/90+ days past due loans (%)	91.1%	97.4%	6.4%p	91.1%	96.0%	97.4%	1.4%p	6.4%p
Performance Indicators (%)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	3.5%	3.1%	-0.4%p	2.6%	3.1%	3.1%	0.0%p	0.5%p
ROE	23.6%	23.3%	-0.3%p	18.7%	23.7%	25.7%	2.0%p	6.9%p
Total income margin	6.99%	6.17%	-0.82%p	6.81%	6.09%	6.30%	0.21%p	-0.51%p
Net interest margin	5.55%	4.71%	-0.84%p	5.56%	4.82%	4.65%	-0.17%p	-0.91%p
Cost/income ratio	34.1%	37.3%	3.1%p	36.1%	38.0%	36.7%	-1.3%p	0.6%p
Net loans to deposits (FX-adjusted)	75%	66%	-9%p	75%	67%	66%	-1%p	-9%p
FX rates (in HUF)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/BGN (closing)	161.1	161.7	0%	161.1	160.6	161.7	1%	0%
HUF/BGN (average)	157.2	159.9	2%	156.5	159.5	160.2	0%	2%

- ***Due to the improving performance in 2Q the semi-annual profit surpassed HUF 28 billion (+1% y-o-y). The results were shaped by shrinking risk costs and lower net interest income***
- ***The pace of net interest margin erosion decelerated q-o-q***
- ***Loan quality indicators remained benign: the DPD90+ ratio declined and the coverage edged further up q-o-q***
- ***Strong corporate loan growth (+9% q-o-q) thanks to record high disbursements; retail loans remained stable q-o-q***

The securities gain realized by DSK Bank in 2Q on the sale of Visa Europe shares was eliminated from DSK Bank's P&L account and showed among the adjustment items on consolidated level. Balance sheet lines were not adjusted for this item.

DSK Group posted an after tax profit of HUF 28 billion in 1H 2016, up by 1% y-o-y. The 2Q profit amounting to HUF 14.2 billion improved both in quarterly and yearly comparison.

The semi-annual operating profit declined by 4%, mostly because the net interest income dropped by the same magnitude. The moderation of net interest income was reasoned by the continuing repricing and refinancing of household loans that resulted in lower interest revenues, which couldn't be fully offset by the steadily declining interest expenditures on deposits. The net interest income was also shaped by the change in the methodology[7] effective from October 2015 regarding the accounting treatment of recoveries collected from DPD90+ exposures. 1H net interest margin declined by 84 bps y-o-y to 4.71% explained partially by the above reasons, but also by the dilutive effect of steady deposit inflow inducing faster growth in total assets than in loans. In 2Q the net interest margin melted down by 17 bps q-o-q, against the 22 bps decline seen in the previous quarter. The 2Q 2016 net interest margin declined only marginally (-1% q-o-q).

1H net fee and commission income grew by 13% y-o-y explained mainly by strengthening fee income related to deposits and transactions parallel with expanding business volumes. In 2Q the quarterly net fee income advanced by 20% q-o-q driven partly by seasonality and also by the increasing account management fee revenues.

The 1H operating expenses went up by 10% y-o-y, mainly because depreciation was up by 20%, but higher personnel and IT expenses as well as marketing spending played a role, too. In 2Q 2016 operating costs grew by 2% q-o-q driven by higher marketing expenses; however contributions paid by the bank to regulatory bodies went lower q-o-q.

During the first half of 2016 total risk costs declined by one-third. The semi-annual risk cost rate was 61 bps. The ratio of loans with more than 90 days of delay (DPD90+) moderated by 1.5 ppts to 14.1% in the last 12 months. The provision coverage ratio of the DPD90+ loan portfolio went up to 97.4% (+1.4 ppts q-o-q, +6.4 ppts y-o-y). During the first half of 2016 altogether HUF 6 billion non-performing portfolio was sold or written off (of which HUF 2 billion in 2Q). The FX-adjusted DPD90+ volume changes excluding the impact of loan sales and write-offs remained favourable (in HUF billion: 1Q 2015: 6, 2Q: 0, 3Q: 0, 4Q: 0, 1Q 2016: 1, 2Q: 0).

The total gross loan portfolio grew by 3% q-o-q and y-o-y, too, fuelled by outstanding corporate loan disbursements. The new corporate business was helped by a single large-ticket and short-maturity loan originated in 2Q (HUF 18 billion), but the 2Q disbursements hit all-time high level even without this large single deal. Thus, the 1H corporate loan sales soared to nearly 3-fold y-o-y, as a result the stock expanded by 9% q-o-q and 16% y-o-y. The corporate loan market share of DSK Bank reached 7.7% at the end of June 2016, marking a 0.5 ppt improvement q-o-q.

Retail loans grew slightly over the last quarter (+0.4%). 1H new mortgage loan disbursements advanced by 4% y-o-y; volumes remained stable in the last 3 months, whereas they declined by 3% y-o-y (FX-adjusted). In the actual period new consumer loan origination exceeded the 1H 2015 level by 7% (supported by internal refinancing), whereas their volumes increased slightly q-o-q (+1% FX-adjusted). The nominal interest rate of newly disbursed household loans continued to follow a declining trend.

The deposit base expanded by 4% in 2Q (+18% y-o-y, FX-adjusted). Retail deposits kept on increasing in 2Q and demonstrated a 10% y-o-y growth, despite persistently lower than market average and even further declining deposit rates offered by DSK Bank. Corporate volume dynamics were outstanding: volumes climbed by one-fourth q-o-q and three-quarter y-o-y.

The capital adequacy ratio of DSK Bank calculated in accordance with local regulation stood at 16.9%. The reason behind the ytd declining shareholders'

[7] Effective from October 2015 the accounting treatment of recoveries collected from DPD90+ exposures has been changed. According to the previous methodology such recoveries were treated as recoveries of the previously suspended off-balance sheet interest income. Starting from October the order of accounting changed; consequently recoveries reduce on-balance sheet claims first. The change in methodology affects the provisions for possible loan losses, too. Therefore it is neutral for the profit after tax and influences the structure of the P&L account only.

equity was the dividend payment to the mother company.

The Bulgarian National Bank started the asset quality review of the local banks on 15 February 2016. The AQR will be followed by a stress test, the results of which will be published on 13 August 2016 by the National Bank.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	-13,883	9,128	-166%	-3,162	2,609	6,519	150%	-306%
Income tax	3,297	-2,610	-179%	744	-745	-1,866	150%	-351%
Profit before income tax	-17,180	11,738	-168%	-3,907	3,354	8,384	150%	-315%
Operating profit	33,980	28,937	-15%	20,062	13,367	15,570	16%	-22%
Total income	60,271	48,946	-19%	33,301	22,972	25,974	13%	-22%
Net interest income	52,697	43,343	-18%	28,794	20,443	22,899	12%	-20%
Net fees and commissions	7,866	6,302	-20%	4,734	2,898	3,404	17%	-28%
Other net non-interest income	-291	-699	140%	-227	-370	-329	-11%	45%
Operating expenses	-26,291	-20,009	-24%	-13,239	-9,605	-10,404	8%	-21%
Total provisions	-51,160	-17,199	-66%	-23,969	-10,013	-7,186	-28%	-70%
Provision for possible loan losses	-50,698	-17,148	-66%	-23,629	-9,923	-7,225	-27%	-69%
Other provision	-462	-50	-89%	-339	-90	39	-144%	-112%
Main components of balance sheet closing balances in HUF mn	**2015**	**1H 2016**	**YTD**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	507,082	530,497	5%	643,028	475,408	530,497	12%	-18%
Gross customer loans	393,914	424,680	8%	534,414	403,117	424,680	5%	-21%
Gross customer loans (FX-adjusted)	444,944	424,680	-5%	471,295	434,712	424,680	-2%	-10%
Retail loans	411,763	390,562	-5%	438,540	398,588	390,562	-2%	-11%
Corporate loans	31,448	32,914	5%	30,855	34,892	32,914	-6%	7%
Car financing loans	1,733	1,204	-31%	1,900	1,232	1,204	-2%	-37%
Gross DPD0-90 customer loans (FX-adjusted)	359,038	320,235	-11%	376,386	337,101	320,235	-5%	-15%
Retail loans	331,703	291,638	-12%	349,497	308,543	291,638	-5%	-17%
Allowances for possible loan losses	-88,017	-115,985	32%	-119,541	-102,177	-115,985	14%	-3%
Allowances for possible loan losses (FX-adjusted)	-99,085	-115,985	17%	-105,037	-110,002	-115,985	5%	10%
Deposits from customers	307,646	309,231	1%	413,061	288,419	309,231	7%	-25%
Deposits from customer (FX-adjusted)	344,654	309,231	-10%	367,725	309,756	309,231	0%	-16%
Retail deposits	283,125	263,461	-7%	285,025	267,973	263,461	-2%	-8%
Corporate deposits	61,529	45,770	-26%	82,700	41,783	45,770	10%	-45%
Liabilities to credit institutions	42,974	55,039	28%	27,270	35,640	55,039	54%	102%
Issued securities	1,024	1,060	2%	3,687	1,090	1,060	-3%	-72%
Subordinated debt	21,820	23,538	8%	25,851	22,225	23,538	6%	-9%
Total shareholders' equity	89,504	104,855	17%	113,186	89,729	104,855	17%	-7%
Loan Quality	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	107,482	104,446	-3%	107,482	90,710	104,446	15%	-3%
90+ days past due loans/gross customer loans (%)	20.1%	24.6%	4.5%p	20.1%	22.5%	24.6%	2.1%p	4.5%p
Cost of risk/average gross loans (%)	18.54%	8.43%	-10.11%p	17.16%	10.01%	7.02%	-2.99%p	-10.14%p
Cost of risk/average (FX-adjusted) gross loans	19.65%	7.93%	-11.72%p	18.98%	9.07%	6.76%	-2.31%p	-12.22%p
Total provisions/90+ days past due loans (%)	111.2%	111.0%	-0.2%p	111.2%	112.6%	111.0%	-1.6%p	-0.2%p
Performance Indicators (%)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	-4.0%	3.5%	7.6%p	-1.9%	2.1%	5.2%	3.1%p	7.1%p
ROE	-24.9%	18.9%	43.8%p	-11.3%	11.7%	26.9%	15.2%p	38.3%p
Total income margin	17.44%	18.97%	1.53%p	20.26%	18.81%	20.77%	1.96%p	0.51%p
Net interest margin	15.25%	16.80%	1.55%p	17.52%	16.74%	18.31%	1.57%p	0.79%p
Cost/income ratio	43.6%	40.9%	-2.7%p	39.8%	41.8%	40.1%	-1.8%p	0.3%p
Net loans to deposits (FX-adjusted)	100%	100%	0%p	100%	105%	100%	-5%p	0%p
FX rates (in HUF)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	5.1	4.4	-13%	5.1	4.1	4.4	8%	-13%
HUF/RUB (average)	4.8	4.0	-17%	5.3	3.8	4.2	11%	-20%

- ***HUF 9.1 billion after tax profit in 1H, improving quarterly performance (2Q: HUF 6.5 billion) due to further significant decline of risk cost***
- ***Pace of portfolio deterioration moderated further. Risk cost rate was down to 7% in 2Q 2016, which is the lowest quarterly level since 1Q 2012***
- ***Net interest margin continued to increase in 2Q (18.3%) as a result of moderating funding cost***
- ***Further decreasing performing loan volumes (-5% q-o-q, FX-adjusted), stable customer deposits base***
- ***Operating expenses kept decreasing in 2Q (-2% both y-o-y and q-o-q in rouble terms)***

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: in 2Q 2016 the closing rate showed a q-o-q 8% appreciation and y-o-y 13% devaluation of RUB against HUF; whereas the average 1H rate depreciated by 17% y-o-y, the 2Q average rate strengthened by 11% q-o-q and depreciated by 20% y-o-y. Therefore local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

In 2Q 2016 **OTP Bank Russia** enhanced its profit, thus reaching HUF 9.1 billion after tax profit in 1H 2016, which is a material improvement over the HUF 13.9 billion loss in the base period. The main driver behind the substantial change was the 60% drop of risk cost in RUB terms, in addition operating profit improved by 3%, too in RUB terms. The 2Q net earnings of HUF 6.5 billion exceeded the 1Q level by 150%, which was reasoned again by the improvement of operating results and diminishing risk cost.

As for the rouble denominated profit dynamics, the 1H 2016 operating profit development was driven by the 9% y-o-y decline of operating expenses, partly offset by the 2% decrease of total income. The net interest income was stable y-o-y in rouble terms, despite performing loans dropping by 15% y-o-y on an FX-adjusted basis. The interest income decrease induced by lower loan volumes was counterbalanced by the decrease of interest rates of liabilities. In addition, total deposit volumes shrank, too by 16% y-o-y (FX-adjusted). In 1H the net fee and commission income declined by 3% y-o-y in rouble terms. Due to the decreasing performing credit card loan volumes, related fee and commission income also declined, however, this was somewhat compensated by the more active disbursement of other consumer loan products.

As a result of cost rationalisation 1H operating expenses decreased by 9% y-o-y in RUB terms in spite of the 7.8% average 1H Russian inflation rate. Cost-to-income ratio improved y-o-y by 2.7 ppts to 40.9% in 1H 2016. Branch network rationalisation was practically completed in the first half of 2015; by the end of 2Q 2016 number of branches decreased by 3 y-o-y (with no change in 2Q), while the number of the Bank's employees (without agents) decreased by 5% y-o-y to 4,586 (-1% q-o-q).

On a quarterly basis 2Q 2016 operating profit grew by 5% in rouble terms (-3% y-o-y). Net interest income grew by 1% q-o-q in rouble terms mainly owing to the decreasing funding costs. Net fee and commission income grew by 6% q-o-q in local currency, due to intensifying consumer lending. In 2Q operating expenses decreased by 2% q-o-q in rouble terms.

Net interest margin improved q-o-q by 100 bps in rouble terms (in HUF terms +157 bps due to the diverging quarterly development of the average and closing HUF/RUB exchange rates).

The FX-adjusted DPD90+ volume growth excluding the impact of sold/written-off non-performing loans showed a trend-like moderation after the all-time-high level in 2Q 2015 (in HUF billion: 2Q 2015: 38, 3Q: 24, 4Q: 16, 1Q 2016: 17, 2Q:13). The DPD90+ ratio grew by 2.1 ppts to 24.6% q-o-q. In 2Q 2016 about RUB 540 million (approx. HUF 2.4 billion) non-performing loans were sold or written-off.

The development of total risk cost demonstrated a favourable trend: in 1H it decreased y-o-y by 60% in rouble terms, while it sunk by 35% in 2Q q-o-q. In the second quarter the risk cost rate decreased by 3 ppts q-o-q close to 7%. The provision coverage of DPD90+ loans was stable q-o-q and stood at 111% by the end of 2Q.

The FX-adjusted performing (DPD0-90) consumer loan portfolio shrank by 16% y-o-y and by 6% q-o-q. POS lending strengthened, the 1H disbursements were higher by 27% compared to 1H 2015 levels, when disbursements were fairly subdued; however, due to the regular seasonality disbursements were flat in 2Q on the quarterly basis. In 2Q FX-adjusted performing POS loan volumes contracted by 6% q-o-q, but increased by 1% y-o-y. With regards to cross-sale of credit cards, the bank sent out by about 76% more credit cards as compared to the preceding quarter. Nevertheless, bearing in mind that the delivery of credit cards was resumed only in February this is still considered as a relatively low level and was certainly not enough to stop the erosion of the FX-adjusted performing card loan volumes (-8% q-o-q, -28% y-o-y). Cash loan disbursements started to pick up in 2Q, so the FX-adjusted volume of performing cash loans was flat q-o-q (-22% y-o-y). FX-adjusted performing corporate loan volumes were unchanged q-o-q (+7% y-o-y).

The FX-adjusted total deposits were flat q-o-q (-16% y-o-y); within that retail deposits decreased by 2%

and corporate deposits grew again after the melt down in 1Q (+10% q-o-q). FX-adjusted net loan-to-deposit ratio stood at 100% at the end of 2Q 2016 (-4 ppts q-o-q).

The capital adequacy ratio of the bank calculated in line with local regulation stood at 13.8% at the end of 2Q (+0.5 ppt y-o-y).

TOUCH BANK (RUSSIA)

Performance of Touch Bank:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	-1,764	-2,511	42%	-1,033	-1,054	-1,457	38%	41%
Income tax	441	625	42%	258	263	362	38%	40%
Profit before income tax	-2,204	-3,136	42%	-1,291	-1,317	-1,819	38%	41%
Operating profit	-2,204	-3,129	42%	-1,291	-1,298	-1,830	41%	42%
Total income	-75	-98	30%	-47	-26	-71	172%	52%
Net interest income	-73	84	-215%	-45	29	56	95%	-223%
Net fees and commissions	-2	-173		-2	-51	-122	141%	
Other net non-interest income	0	-8		0	-4	-5	16%	
Operating expenses	-2,129	-3,031	42%	-1,244	-1,272	-1,759	38%	41%
Total provisions	0	-8		0	-19	11	-159%	
Provision for possible loan losses	0	-4		0	-1	-3	228%	
Other provision	0	-4		0	-18	14	-177%	
Main components of balance sheet closing balances in HUF mn	**2015**	**1H 2016**	**YTD**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	7,410	16,329	120%	3,120	11,090	16,329	47%	423%
Gross customer loans	4	331		0	81	331	311%	-100%
Gross customer loans (FX-adjusted)	5	331		0	87	331	280%	-100%
Retail loans	5	331		0	87	331	280%	-100%
Corporate loans	0	0		0	0	0		
Allowances for possible loan losses	0	-4		0	-1	-4	312%	-100%
Allowances for possible loan losses (FX-adjusted)	0	-4		0	-1	-4	280%	-100%
Deposits from customers	4,250	12,022	183%	158	7,526	12,022	60%	
Deposits from customer (FX-adjusted)	4,842	12,022	148%	138	8,144	12,022	48%	
Retail deposits	4,842	12,022	148%	138	8,144	12,022	48%	
Corporate deposits	0	0		0	0	0		
Liabilities to credit institutions	0	0		0	0	0		
Subordinated debt	1,268	0	-100%	1,268	0	0		
Total shareholders' equity	1,474	4,244	188%	1,616	3,518	4,244	21%	163%
Loan Quality	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	0	0		0	0	0		
Cost of risk/average gross loans (%)	n.a.	4.42%		n.a.	8.16%	5.51%	-2.65%p	
Cost of risk/average (FX-adjusted) gross loans	n.a.	4.41%		n.a.	7.52%	5.42%	-2.09%p	
FX rates (in HUF)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	5.1	4.4	-13%	5.1	4.1	4.4	8%	-13%
HUF/RUB (average)	4.8	4.0	-17%	5.3	3.8	4.2	11%	-20%

- ***HUF 2.5 billion loss in 1H 2016***
- ***Intensifying business activity, about 40 thousand customers, slowly growing credit card cross-sale activities***
- ***48% q-o-q growth in total deposits in rouble terms (2Q: HUF 12 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 result of **Touch Bank** in 1H 2016 was shaped again by the operating expenditures. In 1H 2016 HUF 2.5 billion after tax loss was made, out of which HUF 1.5 billion in 2Q. Net interest income continued to grow y-o-y, although they are still very low. At the same time F&C expense also grew mainly due to increasing credit card related reimbursements in the context of the loyalty program.

The acquisition of new customers continued: in 1H 2016 about 25 thousand cards have been sent out; the number of activated cards grew by about 30% q-o-q to almost 40 thousand by the end of 1H. Total deposits expanded by 48% q-o-q on an FX-adjusted basis and exceeded HUF 12 billion.

Credit card and revolving personal loan origination started to accelerate in March due to the cross-sale campaign; however, total loan volumes were still negligible (HUF 331 million) at the end of June.

Operating cost of Touch Bank jumped by 38% q-o-q, related to more active marketing and the higher personnel expenses. The number of employees q-o-q increased by 20 to 268.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	-9,598	4,297	-145%	586	856	3,441	302%	487%
Income tax	2,331	-3,042	-231%	-1,006	-2,806	-236	-92%	-77%
Profit before income tax	-11,929	7,338	-162%	1,592	3,662	3,676	0%	131%
Operating profit	16,728	12,881	-23%	3,715	7,167	5,714	-20%	54%
Total income	24,549	19,949	-19%	7,506	10,616	9,333	-12%	24%
Net interest income	15,446	14,825	-4%	5,441	8,017	6,808	-15%	25%
Net fees and commissions	3,577	4,080	14%	1,746	1,998	2,082	4%	19%
Other net non-interest income	5,526	1,044	-81%	319	601	443	-26%	39%
Operating expenses	-7,821	-7,068	-10%	-3,791	-3,449	-3,619	5%	-5%
Total provisions	-28,657	-5,543	-81%	-2,123	-3,506	-2,037	-42%	-4%
Provision for possible loan losses	-28,826	-6,643	-77%	-2,604	-4,465	-2,179	-51%	-16%
Other provision	170	1,100	548%	481	959	141	-85%	-71%
Main components of balance sheet closing balances in HUF mn	**2015**	**1H 2016**	**YTD**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	292,882	296,949	1%	361,503	272,892	296,949	9%	-18%
Gross customer loans	421,330	390,664	-7%	527,229	394,301	390,664	-1%	-26%
Gross customer loans (FX-adjusted)	414,089	390,664	-6%	509,054	412,236	390,664	-5%	-23%
Retail loans	214,445	186,441	-13%	284,307	207,779	186,441	-10%	-34%
Corporate loans	176,349	181,831	3%	194,716	181,020	181,831	0%	-7%
Car financing loans	23,295	22,392	-4%	30,030	23,437	22,392	-4%	-25%
Gross DPD0-90 customer loans (FX-adjusted)	212,093	219,019	3%	229,265	217,994	219,019	0%	-4%
Retail loans	54,520	51,386	-6%	57,797	52,750	51,386	-3%	-11%
Corporate loans	146,592	155,975	6%	159,536	153,984	155,975	1%	-2%
Car financing loans	10,980	11,658	6%	11,932	11,260	11,658	4%	-2%
Allowances for possible loan losses	-242,515	-211,386	-13%	-289,046	-225,338	-211,386	-6%	-27%
Allowances for possible loan losses (FX-adjusted)	-239,156	-211,386	-12%	-282,832	-234,129	-211,386	-10%	-25%
Deposits from customers	211,346	207,530	-2%	206,396	190,661	207,530	9%	1%
Deposits from customer (FX-adjusted)	206,829	207,530	0%	192,327	200,091	207,530	4%	8%
Retail deposits	123,753	124,261	0%	112,318	119,893	124,261	4%	11%
Corporate deposits	83,076	83,269	0%	80,009	80,198	83,269	4%	4%
Liabilities to credit institutions	121,417	97,904	-1%	121,417	95,188	97,904	3%	-19%
Subordinated debt	40,752	8,529	0%	40,752	8,300	8,529	3%	-79%
Total shareholders' equity	-34,804	-29,448	-15%	-25,465	-36,501	-29,448	-19%	16%
Loan Quality	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	284,460	171,645	-40%	284,460	187,188	171,645	-8%	-40%
90+ days past due loans/gross customer loans (%)	54.0%	43.9%	-10.0%p	54.0%	47.5%	43.9%	-3.5%p	-10.0%p
Cost of risk/average gross loans (%)	10.61%	3.29%	-7.32%p	1.97%	4.40%	2.23%	-2.17%p	0.27%p
Cost of risk/average (FX-adjusted) gross loans (%)	10.85%	3.32%	-7.53%p	1.99%	4.35%	2.18%	-2.16%p	0.19%p
Total provisions/90+ days past due loans (%)	101.6%	123.2%	21.5%p	101.6%	120.4%	123.2%	2.8%p	21.5%p
Performance Indicators (%)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	-4.9%	2.9%	7.9%p	0.7%	1.2%	4.9%	3.6%p	4.2%p
ROE	n/a	n/a		n/a	n/a	n/a		
Total income margin	12.63%	13.60%	0.97%p	8.49%	15.09%	13.17%	-1.92%p	4.68%p
Net interest margin	7.95%	10.11%	2.16%p	6.16%	11.40%	9.61%	-1.79%p	3.45%p
Cost/income ratio	31.9%	35.4%	3.6%p	50.5%	32.5%	38.8%	6.3%p	-11.7%p
Net loans to deposits (FX-adjusted)	118%	86%	-31%p	118%	89%	86%	-3%p	-31%p
FX rates (in HUF)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/UAH (closing)	13.5	11.5	-15%	13.5	10.6	11.5	8%	-15%
HUF/UAH (average)	13.2	11.0	-16%	12.9	11.0	11.0	0%	-15%

- ***With improving profitability in 2Q the bank posted HUF 4.3 net profit in 1H mainly as a result of declining risk costs supported by favourable credit quality trends***
- ***The DPD90+ ratio dropped further due to non-performing portfolio sales; the provision coverage increased to 123% (+21.5 ppts y/y)***
- ***Performing (DPD0-90) loans remained flat q/q and dropped by 4% y-o-y. FX-adjusted deposits increased by 4% q-o-q***

The financial performance and indicators of OTP Bank Ukraine in HUF terms were significantly distorted by the HUF/UAH exchange rate moves: in 2Q 2016 the closing rate of HUF depreciated by 8% q-o-q, but appreciated by 15% y-o-y against the Ukrainian hryvnia. The 1H average rate strengthened by 16% y-o-y and the 2Q by 15% y-o-y, respectively, q-o-q it remained flat against UAH. Therefore local currency P&L and balance sheet dynamics are materially different from those in HUF terms.

Methodological note: as one-off items not related to the normal course of business activity, the risk costs created in relation to the Crimean exposures from 2Q 2014 until 4Q 2015, as well as risk costs made for exposures to Donetsk and Luhansk counties from 3Q 2014 to 4Q 2015 were eliminated from the Ukrainian P&L and shown amongst the adjustment items on consolidated level. Balance sheet lines were not adjusted for these items.

OTP Bank Ukraine posted HUF 4.3 billion profit in 1H 2016 marking a sharp turnaround compared to the base periods. With HUF 3.4 billion realized in 2Q the bank posted its best quarterly profit for the last five years.

Given the significant FX rate movements, we analyse the P&L developments in UAH terms.

1H operating result in UAH terms declined by 6% y-o-y (-23% in HUF), explained mainly by the large one-off FX gain realized in 1Q 2015. However, the lower 2Q operating result (-20% q-o-q) was related mainly to the weakening net interest income.

The 1H net interest income increased by 16% y-o-y in UAH. This is partially attributable to the drop of interest expenses due to the conversion of intra-group financing and subordinated debt into equity in mid-December 2015. It was also positive that the pace of dollar-based mortgage loans' restructuring further slowed down compared to the previous quarters (in case of loans involved in the bank's own restructuring programme, the total NPV decline for the whole duration of the restructured loan is accounted for in one sum on the net interest income line at the time of the restructuring). By June around 95% of the loans originally targeted in the programme have been already restructured. The NII was also supported by the step-up in the interest rate of the restructured mortgages, since in the second and third years of the tenor the interest rate concession gets lower compared to the first year. Interest revenues were positively affected by the higher performing corporate loan volumes, too.

In the second quarter the net interest income expressed in local currency terms dropped by 15% q-o-q, mainly due to the increasing amount of sold and written-off non-performing portfolios. The accrued but not paid interest income declined due to the sold/written off volumes (simultaneously, the risk cost created for the accrued but not paid interest income is booked on the Provision for possible loan losses line).

The net fee and commission income in 1H surged by 37% in UAH terms due to the repayment of the subordinated debt facility to third party in 4Q 2015 as no further fee expenses occurred.

Regarding the net non-interest revenues, the y-o-y change was mainly shaped by base effect: in 1Q 2015 a large one-off FX gain was realized due to the FX rate wavering.

Operating expenses went up by 9% y-o-y in hryvnia terms amid 18% inflation in 1H. In 2Q the q-o-q 5% increase was induced mainly by wage increases.

Total risk costs in UAH dropped by more than 75% on a yearly basis. Such a decline was partially shaped by the high risk costs set aside in the base periods: in 1H 2015 the sharp weakening of the hryvnia against the USD (from 16 to 21) triggered additional provisioning need (LTV-effect in case of covered loans denominated in FX), whereas in 1H 2016 UAH weakened only moderately against the USD. Also, in 2Q favourable credit quality trends already manifesting in previous quarters have continued (FX-adjusted DPD90+ volume growth excluding the impact of loan sales and write-offs in HUF billion: 1Q 2015: 6, 2Q: 7, 3Q: -1, 4Q: -1, 1Q 2016: 0, 2Q: 1). In 1H 2016 around HUF 27 billion equivalent non-performing loans were sold or written off, of that HUF 21 billion in 2Q. The DPD90+ ratio came down by 3.5 ppts to 43.9%, the provision coverage ratio of DPD90+ loans edged further up to 123.2% (+2.8 ppts q-o-q, +21.5 ppts y-o-y).

It was positive that through the successful acquisition of new quality clients in 1H the volume of newly disbursed corporate loans and lease contracts (mainly in UAH) was strong. Performing corporate loans expanded by 6% y-o-y (filtering out the FX-effect). With respect to household lending, the new mortgage loan origination is still suspended. The Bank remained cautious in new credit card sales, too. 1H sales of new cash loans underpin a y-o-y 5% improvement. The new purchase loan (POS) disbursement increased by 60% y-o-y compared to the subdued base in 1H 2015; its performing stock grew by 1% q-o-q. Total performing loan portfolio – with shrinking retail book and increasing corporate exposures – remained stable q-o-q (FX-adjusted).

Deposits expanded by 4% over the quarter (adjusted for the FX-effect). Offered deposit rates declined further in 2Q. The amount of intra-group funding and subordinated debt did not change in USD terms q-o-q, it stood at HUF 105.5 billion equivalent by the end of June.

The standalone IFRS capital adequacy ratio of the Ukrainian Banking Group according to local calculation rules stood at 9.3% at the end of June 2016. In 2016 the effective regulatory minimum level for the IFRS capital adequacy ratio is set at 5%.

The shareholders' equity of the Ukrainian banking group under IFRS was HUF -29.4 billion at the end of June 2016. The Ukrainian shareholders' equity includes that of 3 entities: the Bank, the Leasing and Factoring companies' equity. Accordingly, the standalone equity of the Bank under IFRS reached HUF 23.5 billion by June 2016. The shareholders' equity of the Leasing Company comprised

HUF -1.4 billion, whereas the Factoring Company also had a negative equity of HUF 53.6 billion.

The system-wide solution for the problem of households' FX housing loans is still on the agenda.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,124	1,606	43%	723	616	989	60%	37%
Income tax	0	-165		1	-543	378		
Profit before income tax	1,124	1,770	57%	722	1,159	611	-47%	-15%
Operating profit	4,516	4,151	-8%	2,392	2,064	2,087	1%	-13%
Total income	14,860	13,471	-9%	7,491	6,948	6,522	-6%	-13%
Net interest income	10,857	10,088	-7%	5,490	5,170	4,918	-5%	-10%
Net fees and commissions	1,950	1,603	-18%	974	725	878	21%	-10%
Other net non-interest income	2,054	1,780	-13%	1,027	1,053	727	-31%	-29%
Operating expenses	-10,344	-9,319	-10%	-5,099	-4,884	-4,435	-9%	-13%
Total provisions	-3,392	-2,381	-30%	-1,670	-905	-1,476	63%	-12%
Provision for possible loan losses	-3,416	-2,565	-25%	-1,722	-949	-1,616	70%	-6%
Other provision	25	184	647%	52	44	140	215%	168%
Main components of balance sheet closing balances in HUF mn	**2015**	**1H 2016**	**YTD**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	646,042	611,143	-6%	650,350	603,767	611,143	1%	-6%
Gross customer loans	546,148	529,399	-7%	567,603	528,710	529,399	0%	-7%
Gross customer loans (FX-adjusted)	550,472	529,399	-5%	559,378	530,626	529,399	0%	-5%
Retail loans	408,962	381,698	-7%	408,809	388,451	381,698	-2%	-7%
Corporate loans	141,510	147,702	-2%	150,569	142,175	147,702	4%	-2%
Allowances for possible loan losses	-72,305	-78,116	10%	-70,784	-73,192	-78,116	7%	10%
Allowances for possible loan losses (FX-adjusted)	-72,812	-78,116	13%	-69,224	-73,650	-78,116	6%	13%
Deposits from customers	334,346	342,845	5%	325,136	329,982	342,845	4%	5%
Deposits from customer (FX-adjusted)	337,402	342,845	6%	324,740	330,497	342,845	4%	6%
Retail deposits	259,883	252,876	4%	243,913	251,370	252,876	1%	4%
Corporate deposits	77,519	89,969	11%	80,827	79,127	89,969	14%	11%
Liabilities to credit institutions	201,187	180,998	-10%	263,002	181,960	180,998	-1%	-31%
Total shareholders' equity	46,667	43,528	-13%	50,232	42,371	43,528	3%	-13%
Loan Quality	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	91,689	98,931	8%	91,689	98,867	98,931	0%	8%
90+ days past due loans/gross customer loans (%)	16.2%	18.7%	2.5%p	16.2%	18.7%	18.7%	0.0%p	2.5%p
Cost of risk/average gross loans (%)	1.38%	0.96%	-0.42%p	1.24%	0.71%	1.23%	0.52%p	-0.02%p
Cost of risk/average (FX-adjusted) gross loans (%)	1.37%	0.96%	-0.41%p	1.23%	0.71%	1.23%	0.52%p	-0.01%p
Total provisions/90+ days past due loans (%)	77.2%	79.0%	1.8%p	77.2%	74.0%	79.0%	4.9%p	1.8%p
Performance Indicators (%)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	0.4%	0.5%	0.1%p	0.5%	0.4%	0.7%	0.3%p	0.2%p
ROE	5.3%	7.2%	1.8%p	5.9%	5.6%	9.3%	3.7%p	3.4%p
Performance Indicators (%)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
Total income margin	5.32%	4.31%	-1.01%p	4.74%	4.47%	4.32%	-0.15%p	-0.42%p
Net interest margin	3.89%	3.23%	-0.66%p	3.47%	3.33%	3.26%	-0.07%p	-0.22%p
Cost/income ratio	69.6%	69.2%	-0.4%p	68.1%	70.3%	68.0%	-2.3%p	-0.1%p
Net loans to deposits (FX-adjusted)	151%	132%	-19%p	151%	138%	132%	-7%p	-19%p
FX rates (in HUF)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/RON (closing)	70.2	70.0	0%	70.2	70.2	70.0	0%	0%
HUF/RON (average)	69.1	69.5	1%	68.9	69.5	69.7	0%	1%

- ***HUF 1.6 billion net profit in 1H shows 43% increase y-o-y; lower operating income was coupled with a y-o-y 30% decline in risk costs***
- ***Dynamically increasing mortgage and corporate loan disbursements q-o-q***
- ***The loan book decline in 1H 2016 was reasoned mainly by partial principal reduction within the CHF mortgage conversion programme which induced a net interest income erosion, too***

The securities gain realized by OTP Bank Romania in 2Q on the sale of Visa Europe shares was eliminated from OTP Bank Romania's P&L account and showed among the adjustment items on consolidated level. Balance sheet lines were not adjusted for this item.

OTP Bank Romania posted HUF 1.6 billion profit after tax in 1H 2016 that is by 43% higher than a year ago, whereas the before-tax profit grew by 57% y-o-y. The HUF 1.0 billion after-tax earnings realized in 2Q was also supported by the positive effect of deferred tax assets (HUF +0.4 billion).

1H operating profit declined by 8% y-o-y, but it was off-set by a y-o-y 30% lower risk costs. Total income in 1H eroded by 9% y-o-y, mainly as a result of lower net interest income[8]. Furthermore the net fee and commission income and the other net non-interest income dropped in the period. The y-o-y decline in the net interest income was the result of lower loan volumes (-13%), mainly due to eroding mortgage book as a reflection of the discount offered to clients participating in the conversion programme. The lower margin of the converted mortgage loans also had a negative impact in net interest income. Also, the lost court cases required interest refund towards the clients which had a negative impact on overall net interest income (1H 2016: HUF -0.3 billion y-o-y). At the same time, in deposit interest expenditures kept declining. 1H net interest margin eroded by 66 ppts y-o-y and was 3.23%.

Net fee and commission income dropped by 18% y-o-y in 1H. On one hand, this line was negatively affected by a new regulation[9] on interchange fees in accordance with an EU directive, effective since December 2015. On the other hand, in 1Q 2016 the bank was charged a one-off guarantee fee in connection with loans originated by Banca Millennium under the Prima Casa programme in 2015. Other net non-interest income in 1H declined by 13% y-o-y due to lower FX results.

The semi-annual operating expenses declined by 10% y-o-y. Cost developments were affected by the restructuring costs of Banca Millennium, as these costs appeared on the operating expenses line, and simultaneously other provisions made earlier for such purposes were released. At the same time, the bank kept on capitalizing on cost synergies, consequently administrative expenses dropped by 17% y-o-y. During the last twelve months 40 branches were closed down (of them 8 units in 1H). The number of employees was cut by 12% y-o-y. In 2Q branch-related rental contract have been renegotiated, as a result and also due to branch closures all property-linked expenses dropped by 18% y-o-y. 2Q operating expenses (-9% q-o-q and -13% y-o-y) were shaped by lower amortization expenses and lower contributions paid into the Deposit Insurance Fund.

1H total risk costs were by 30% lower than a year ago, in 2Q however they surged by 63% q-o-q (-6% y-o-y). Higher quarterly provisions were related to a handful of SME and corporate exposures.

The DPD90+ loan volume growth (adjusted for FX rate changes and sold and written off volumes) amounted only to HUF 0.3 billion in 2Q 2016 versus HUF 7.5 billon in the previous quarter. The DPD90+ ratio did not change q-o-q (18.7%), while y-o-y increased by 2.5 ppts partly due to the portfolio quality deterioration in the corporate segment, but also to overall gross loan portfolio contraction (to a great extent being the result of the conversion programme). The volume of sold or written-off non-performing loans comprised HUF 0.6 billion in 2Q.

The FX-adjusted gross loan portfolio remained flat q-o-q and declined by 5% y-o-y and ytd, respectively attributed to the conversion programme. Starting from March the bank offers again housing loans under the Prima Casa programme, as a result new mortgage origination increased dynamically, still it could not off-set the negative impact of the conversion yet and the outstanding volume of mortgages decreased by 2% q-o-q. Cash loan disbursement in 2Q moderated y-o-y, but surged by 26% q-o-q. Closing volumes dropped by 1% q-o-q and by 8% y-o-y, respectively. Quarterly corporate loan dynamics were favourable and the portfolio advanced by 4% q-o-q (FX-adjusted).

The total FX-adjusted deposit volumes kept increasing and grew by 1% q-o-q and by 6% y-o-y. Household deposit interest rates continued to decline in line with overall market trends. The net loan-to-deposit ratio shrank to 132%.

According to the local regulation the Bank's standalone capital adequacy ratio stood at 15.0% at the end of June, implying a 0.4 ppt q-o-q improvement.

[8] 2016 1H and 2Q net interest income, as well the other net non-interest income is difficult to reconcile y-o-y due to a methodological change effective from 1Q 2016. Accordingly, the total revaluation result from intragroup 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.

[9] From December 2015 the interchange fee cannot exceed 0.2% in case of debit cards and 0.3% in case of credit card transactions.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,321	2,172	64%	1,246	846	1,326	57%	6%
Income tax	1,679	-529	-131%	1,655	-209	-320	53%	-119%
Profit before income tax	-358	2,701	-854%	-409	1,055	1,646	56%	-503%
Operating profit	4,318	6,051	40%	2,586	2,733	3,318	21%	28%
Total income	13,174	15,127	15%	6,975	7,269	7,859	8%	13%
Net interest income	9,972	11,046	11%	5,027	5,362	5,684	6%	13%
Net fees and commissions	2,468	2,485	1%	1,274	1,183	1,303	10%	2%
Other net non-interest income	733	1,597	118%	675	724	872	20%	29%
Operating expenses	-8,855	-9,076	2%	-4,389	-4,535	-4,541	0%	3%
Total provisions	-4,676	-3,350	-28%	-2,995	-1,678	-1,672	0%	-44%
Provision for possible loan losses	-3,627	-2,689	-26%	-1,794	-1,523	-1,166	-23%	-35%
Other provision	-1,050	-661	-37%	-1,201	-155	-506	226%	-58%
Main components of balance sheet closing balances in HUF mn	2015	1H 2016	YTD	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Total assets	649,870	640,465	-1%	648,793	632,916	640,465	1%	-1%
Gross customer loans	470,862	471,914	0%	473,038	465,437	471,914	1%	0%
Gross customer loans (FX-adjusted)	477,581	471,914	-1%	474,883	468,396	471,914	1%	-1%
Retail loans	304,882	306,451	1%	306,000	300,019	306,451	2%	0%
Corporate loans	172,535	165,320	-4%	168,673	168,229	165,320	-2%	-2%
Car financing loans	164	144	-12%	210	147	144	-2%	-32%
Allowances for possible loan losses	-43,905	-47,401	8%	-42,824	-45,907	-47,401	3%	11%
Allowances for possible loan losses (FX-adjusted)	-44,853	-47,401	6%	-43,185	-46,187	-47,401	3%	10%
Deposits from customers	509,317	502,953	-1%	509,158	496,611	502,953	1%	-1%
Deposits from customer (FX-adjusted)	515,481	502,953	-2%	511,820	500,860	502,953	0%	-2%
Retail deposits	456,550	444,402	-3%	453,795	445,003	444,402	0%	-2%
Corporate deposits	58,931	58,551	-1%	58,026	55,857	58,551	5%	1%
Liabilities to credit institutions	48,974	49,364	1%	51,968	50,000	49,364	-1%	-5%
Total shareholders' equity	69,563	73,633	6%	72,627	71,560	73,633	3%	1%
Loan Quality	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	64,137	60,487	-6%	64,137	62,857	60,487	-4%	-6%
90+ days past due loans/gross customer loans (%)	13.6%	12.8%	-0.7%p	13.6%	13.5%	12.8%	-0.7%p	-0.7%p
Cost of risk/average gross loans (%)	1.55%	1.15%	-0.41%p	1.56%	1.31%	1.00%	-0.31%p	-0.56%p
Cost of risk/average (FX-adjusted) gross loans	1.54%	1.14%	-0.40%p	1.51%	1.30%	1.00%	-0.30%p	-0.52%p
Total provisions/90+ days past due loans (%)	66.8%	78.4%	11.6%p	66.8%	73.0%	78.4%	5.3%p	11.6%p
Performance Indicators (%)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
ROA	0.4%	0.7%	0.3%p	0.8%	0.5%	0.8%	0.3%p	0.0%p
ROE	3.7%	6.1%	2.4%p	7.1%	4.8%	7.3%	2.5%p	0.2%p
Total income margin	4.08%	4.72%	0.64%p	4.43%	4.56%	4.96%	0.41%p	0.54%p
Net interest margin	3.09%	3.44%	0.36%p	3.19%	3.36%	3.59%	0.23%p	0.40%p
Cost/income ratio	67.2%	60.0%	-7.2%p	62.9%	62.4%	57.8%	-4.6%p	-5.1%p
Net loans to deposits (FX-adjusted)	84%	84%	0%p	84%	84%	84%	0%p	0%p
FX rates (in HUF)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
HUF/HRK (closing)	41.5	42.0	1%	41.5	41.7	42.0	1%	1%
HUF/HRK (average)	40.3	41.4	3%	40.4	41.0	41.8	2%	3%

- ***HUF 2.2 billion net profit in 1H as a result of operating profit increasing by 64% y-o-y and risk costs declining***
- ***The 2Q net interest income grew by 6% q-o-q supported by improving margins and more active lending***
- ***FX-adjusted loan volumes increased by 1% q-o-q in 2Q as a result of the intensified retail loan origination***
- ***The DPD90+ ratio decreased to 12.8%, the coverage improved***

Methodological note: on 18 September 2015 the Croatian Parliament adopted amendments to the Consumer Lending Act, which determined the conditions of the conversion of CHF denominated retail loans into EUR at an exchange rate valid at origination. The one-off negative impact due to the amendments of the Act has been eliminated from the OBH P&L and booked on consolidated level within adjustment items. Balance sheet data have not been adjusted.

The securities gain of OTP banka Hrvatska on the sale of Visa Europe shares in 2Q 2016 has been eliminated from the OBH P&L and booked on consolidated level within adjustment items. Balance sheet data have not been adjusted by this item.

OTP banka Hrvatska posted HUF 2.2 billion after tax profit in 1H 2016 underpinning a 64% increase compared to the base period. Adjusting the base period figures with the one-off items[10] that emerged in 2Q, however, the 1H profit more than doubled y-o-y. The quarterly profit in 2Q was HUF 1.3 billion, which represent a 57% q-o-q growth.

The y-o-y 40% higher operating profit in 1H was supported by increasing total income (+15%) as well as contained operating expenses (+2% in HUF terms, while in HRK terms expenses actually declined). The cost-to-income ratio declined y-o-y by 7 ppts to 60%. Higher y-o-y net interest income (+11%) was supported by lower funding costs; as a result, the net interest margin improved to 3.44% (+36 bps y-o-y). The significant y-o-y change in other net non-interest income is related mainly to a one-off loss posted in 1Q 2015. The CHF fixing exerted a HUF 360 million negative effect on other non-interest income as a reflection of lower principal part of the repayments due to the fixing.

The 2Q operating profit grew dynamically (+21% q-o-q, +28% y-o-y). Net interest income increased by 6% q-o-q (+13% y-o-y) as a result of interest expenses dropping on the back of lower deposit interest rates coupled with stable deposit volumes. Net fees and commission income grew by 10% q-o-q, mostly due to seasonal effects (y-o-y slightly decreased in local currency). Operating expenses declined by 2% q-o-q in 2Q as a result of contained material expenses.

Portfolio quality trends are promising: FX-adjusted DPD90+ volume excluding the impact of sold/written-off non-performing loans declined in 2Q by HUF 2.3 billion as opposed to the average HUF 0.1 billion growth in the preceding 5 quarters. The 2Q improvement is mostly related to effective collection in the corporate segment. The DPD90+ ratio decreased to 12.8% (-0.7 ppt both q-o-q and y-o-y). 1H risk costs dropped by 28% y-o-y. In 2Q 2016 the bank created provisions in the amount of HUF 435 million for possible litigation charges. Provision for loan losses, however, declined in 2Q by 35% y-o-y and by 23% q-o-q. The DPD90+ coverage improved significantly (+5.3 ppts q-o-q and +11.6 ppts y-o-y) and reached 78.4%.

FX-adjusted gross loans increased by 1% q-o-q. The conversion of CHF mortgages with a principal discount happened mostly in the first quarter of 2016 (by the end of March around 84%, by the end of June 86% of the total eligible book was already converted), so it had no major negative impact on the gross loan volumes in the 2Q. New mortgage loan disbursements have been on the rise since March 2016: the disbursed volumes doubled in 2Q q-o-q, whereas for 1H the disbursements grew more than 2.5-fold y-o-y. Mortgage volumes grew by 4% q-o-q (FX-adjusted). Other retail loan volumes remained basically flat q-o-q and the corporate portfolio eroded by 2% q-o-q and y-o-y, too, mainly as a result of the shrinkage in the municipality exposures.

FX-adjusted total deposit was stable q-o-q, but decreased by 2% y-o-y, triggered by a decline in retail deposits. The corporate segment grew by 5% q-o-q and by 1% y-o-y on an FX-adjusted basis.

[10] In 2Q 2015 the after tax profit was positively affected by income tax refund, which tax was imposed on badwill of the Banco Popolare Croatia acquisition in 2Q 2014 (it was shown on consolidated level, among adjustments) and the Bank utilized the BPC's deferred tax of former years (these two items improved the profit by HUF +1.5 billion on income tax line). Another item emerged on other risk cost line in relation to the provision on litigation of the Bank's predecessor in the amount of HUF 1.4 billion (the after tax effect was HUF -1.1 billion). Adjusting 2Q 2015 after tax profit with the impact of the above items would result in a PAT of about HUF 850 million in 2Q 2015.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko*:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	694	296	-57%	255	351	-55	-116%	-121%
Income tax	-230	-136	-41%	-81	-116	-20	-82%	-75%
Profit before income tax	924	433	-53%	336	467	-34	-107%	-110%
Operating profit	3,191	3,305	4%	1,583	1,628	1,678	3%	6%
Total income	8,663	8,916	3%	4,298	4,388	4,527	3%	5%
Net interest income	7,178	7,272	1%	3,565	3,628	3,644	0%	2%
Net fees and commissions	1,694	1,466	-13%	847	679	787	16%	-7%
Other net non-interest income	-209	178	-185%	-114	81	96	19%	-185%
Operating expenses	-5,472	-5,610	3%	-2,715	-2,761	-2,850	3%	5%
Total provisions	-2,266	-2,873	27%	-1,247	-1,161	-1,712	48%	37%
Provision for possible loan losses	-2,296	-2,846	24%	-1,258	-1,167	-1,679	44%	33%
Other provision	30	-27	-189%	11	6	-33	-638%	-390%
Main components of balance sheet closing balances in HUF mn	2015	1H 2016	YTD	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Total assets	450,819	461,750	2%	472,307	456,310	461,750	1%	-2%
Gross customer loans	382,500	389,206	2%	373,244	386,649	389,206	1%	4%
Gross customer loans (FX-adjusted)	386,212	389,206	1%	374,571	389,110	389,206	0%	4%
Retail loans	318,376	323,370	2%	306,792	320,826	323,370	1%	5%
Corporate loans	67,693	65,737	-3%	67,571	68,168	65,737	-4%	-3%
Car financing loans	143	98	-31%	208	117	98	-16%	-53%
Allowances for possible loan losses	-22,702	-25,799	14%	-24,181	-23,919	-25,799	8%	7%
Allowances for possible loan losses (FX-adjusted)	-22,922	-25,799	13%	-24,267	-24,071	-25,799	7%	6%
Deposits from customers	385,082	367,278	-5%	394,788	383,878	367,278	-4%	-7%
Deposits from customer (FX-adjusted)	388,654	367,278	-5%	396,127	386,408	367,278	-5%	-7%
Retail deposits	365,745	337,172	-8%	358,291	351,055	337,172	-4%	-6%
Corporate deposits	22,908	30,106	31%	37,835	35,353	30,106	-15%	-20%
Liabilities to credit institutions	11,113	7,553	-32%	18,169	7,936	7,553	-5%	-58%
Issued securities	10,869	39,166	260%	13,464	18,574	39,166	111%	191%
Subordinated debt	6,265	6,327	1%	5,674	6,287	6,327	1%	11%
Total shareholders' equity	30,430	30,870	1%	30,205	30,613	30,870	1%	2%
Loan Quality	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	39,761	41,230	4%	39,761	39,112	41,230	5%	4%
90+ days past due loans/gross customer loans (%)	10.7%	10.6%	-0.1%p	10.7%	10.1%	10.6%	0.5%p	-0.1%p
Cost of risk/average gross loans (%)	1.25%	1.48%	0.24%p	1.40%	1.22%	1.74%	0.52%p	0.34%p
Cost of risk/average (FX-adjusted) gross loans	1.24%	1.48%	0.23%p	1.36%	1.21%	1.74%	0.53%p	0.38%p
Total provisions/90+ days past due loans (%)	60.8%	62.6%	1.8%p	60.8%	61.2%	62.6%	1.4%p	1.8%p
Performance Indicators (%)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
ROA	0.3%	0.1%	-0.2%p	0.2%	0.3%	0.0%	-0.4%p	-0.3%p
ROE	4.7%	1.9%	-2.7%p	3.5%	4.6%	-0.7%	-5.3%p	-4.2%p
Total income margin	3.73%	3.93%	0.20%p	3.71%	3.89%	3.97%	0.08%p	0.26%p
Net interest margin	3.09%	3.20%	0.11%p	3.08%	3.22%	3.19%	-0.02%p	0.12%p
Cost/income ratio	63.2%	62.9%	-0.2%p	63.2%	62.9%	62.9%	0.0%p	-0.2%p
Net loans to deposits (FX-adjusted)	88%	99%	11%p	88%	94%	99%	4%p	11%p
FX rates (in HUF)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
HUF/EUR (closing)	315.0	316.2	0%	315.0	314.2	316.2	1%	0%
HUF/EUR (average)	307.4	312.1	2%	306.0	311.9	313.4	0%	2%

* P&L account lines and indicators are adjusted for banking tax and Deposit Protection Fund contributions

- ***The y-o-y decline of 1H 2016 adjusted after-tax profit (HUF 296 million) was due to the increasing risk cost; operating income improved by 4%***
- ***DPD90+ ratio decreased (-0.1 ppt) parallel with further improving DPD90+ coverage ratio (+1.8%-points)***
- ***Stable net interest margin, 4% y-o-y increase of the FX-adjusted loan book***

The securities gain realized by the bank on the sale of the VISA Europe shares in 2Q 2016 was eliminated from OTP Banka Slovensko P&L and shown among the adjustment items on consolidated level. The balance sheet items were not adjusted with this item.

The **OTP Banka Slovensko** posted HUF 55 million adjusted after tax loss in 2Q 2016, thus its 1H 2016 adjusted after tax profit declined to HUF 296 million. The sharp increase (+27% y-o-y) of loan loss provisioning in 1H 2016 was the major reason of the weaker semi-annual profit performance and it was only partially offset by the 4% improvement of operating income.

The 1H 2016 net interest income increased by 1% y-o-y, supported by the increasing loan volumes and the slightly improving (+11 bps) net interest margin, as well. Higher net interest margin is the consequence of lower funding cost as a result of moderating deposit interest rates.

In 1H 2016 net fees and commissions income dropped by 13% y-o-y. However, the 16% q-o-q improvement of net fees and commissions income realized in 2Q 2016 was related to intensified early repayments and loan refinancing as well as higher fee income realized on corporate loans. It was achieved despite the Slovakian government decided about capping the prepayment fee at 1% of the prepaid loan amount, effective from end of March 2016, and the bank started offering free of charge or cheap bank accounts to its customers, as well.

In 1H 2016 operating expenses grew by 3% y-o-y partially due to the decrease of personnel costs. The 3% increase of quarterly operating expenses was mainly attributable to higher marketing expenses.

In 1H 2016 the total risk cost grew by 27% y-o-y. The reason behind increasing quarterly risk cost was mainly the higher provisioning in the retail segment.

The FX-adjusted DPD90+ formation in 2Q 2016 was HUF 1.6 billion (without the effect of non-performing loan sales and write-offs), while during the last 5 quarters the quarterly average was HUF 1.2 billion. The DPD90+ ratio increased by 0.5 ppts on a quarterly basis to 10.6% (-0.1 ppt y-o-y). The DPD90+ coverage ratio (62.6%) increased on a quarterly and a yearly basis as well (+1.4 ppts and +1.8 ppts).

The FX-adjusted loan book expanded by 4% on a yearly basis due to the intensifying retail lending (+5% y-o-y). The corporate loan book eroded by 3% y-o-y.

The FX-adjusted deposit volume shrank on a yearly and a quarterly basis as well (-7% and -5% respectively). The volume of retail term deposits decreased further since the interest rates on term deposits kept declining in line with market trends. Regarding the corporate deposit base several big clients and household associations did not renew their term deposits. As a consequence the net loan-to-deposit ratio increased to 99% as at the end of June 2016.

The standalone IFRS capital adequacy ratio stood at 13.5% at the end of 1H 2016.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	237	118	-50%	128	30	88	196%	-31%
Income tax	0	0	-100%	0	0	0	-100%	-100%
Profit before income tax	237	118	-50%	128	30	88	196%	-31%
Operating profit	561	280	-50%	259	144	136	-6%	-48%
Total income	4,078	3,817	-6%	2,042	1,890	1,928	2%	-6%
Net interest income	3,206	2,833	-12%	1,590	1,406	1,427	1%	-10%
Net fees and commissions	856	805	-6%	440	399	406	2%	-8%
Other net non-interest income	16	179		13	85	94	11%	641%
Operating expenses	-3,517	-3,537	1%	-1,783	-1,745	-1,792	3%	0%
Total provisions	-324	-162	-50%	-132	-115	-47	-59%	-64%
Provision for possible loan losses	-390	-208	-47%	-216	-127	-81	-36%	-63%
Other provision	66	46	-29%	85	13	34	165%	-60%
Main components of balance sheet closing balances in HUF mn	**2015**	**1H 2016**	**YTD**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	119,224	122,534	3%	107,205	124,196	122,534	-1%	14%
Gross customer loans	108,327	108,259	0%	102,957	105,988	108,259	2%	5%
Gross customer loans (FX-adjusted)	108,508	108,259	0%	101,824	106,666	108,259	1%	6%
Retail loans	46,172	47,409	3%	45,518	46,511	47,409	2%	4%
Corporate loans	62,335	60,850	-2%	56,306	60,155	60,850	1%	8%
Allowances for possible loan losses	-31,835	-29,941	-6%	-31,891	-31,035	-29,941	-4%	-6%
Allowances for possible loan losses (FX-adjusted)	-31,813	-29,941	-6%	-31,428	-31,179	-29,941	-4%	-5%
Deposits from customers	73,385	77,787	6%	60,373	81,331	77,787	-4%	29%
Deposits from customer (FX-adjusted)	73,626	77,787	6%	60,062	81,778	77,787	-5%	30%
Retail deposits	45,263	47,104	4%	43,556	45,545	47,104	3%	8%
Corporate deposits	28,363	30,683	8%	16,507	36,234	30,683	-15%	86%
Liabilities to credit institutions	10,234	8,340	-19%	9,553	7,107	8,340	17%	-13%
Subordinated debt	2,532	2,557	1%	2,550	2,539	2,557	1%	0%
Total shareholders' equity	29,377	29,414	0%	30,583	29,194	29,414	1%	-4%
Loan Quality	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	44,763	39,882	-11%	44,763	41,089	39,882	-3%	-11%
90+ days past due loans/gross customer loans (%)	43.5%	36.8%	-6.6%p	43.5%	38.8%	36.8%	-1.9%p	-6.6%p
Cost of risk/average gross loans (%)	0.78%	0.39%	-0.39%p	0.87%	0.48%	0.30%	-0.17%p	-0.56%p
Cost of risk/average (FX-adjusted) gross loans	0.78%	0.39%	-0.39%p	0.86%	0.48%	0.30%	-0.17%p	-0.55%p
Total provisions/90+ days past due loans (%)	71.2%	75.1%	3.8%p	71.2%	75.5%	75.1%	-0.5%p	3.8%p

Performance Indicators (%)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
ROA	0.4%	0.2%	-0.2%p	0.5%	0.1%	0.3%	0.2%p	-0.2%p
ROE	1.6%	0.8%	-0.8%p	1.7%	0.4%	1.2%	0.8%p	-0.5%p
Total income margin	7.59%	6.35%	-1.24%p	7.97%	6.24%	6.28%	0.04%p	-1.69%p
Net interest margin	5.97%	4.71%	-1.25%p	6.21%	4.65%	4.65%	0.01%p	-1.55%p
Cost/income ratio	86.2%	92.7%	6.4%p	87.3%	92.4%	93.0%	0.6%p	5.7%p
Net loans to deposits (FX-adjusted)	117%	101%	-17%p	117%	92%	101%	8%p	-17%p
FX rates (in HUF)	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
HUF/RSD (closing)	2.6	2.6	-2%	2.6	2.6	2.6	0%	-2%
HUF/RSD (average)	2.5	2.5	0%	2.5	2.5	2.5	0%	0%

- ***HUF 118 million profit in 1H due to y-o-y halving of operating profit and risk cost***
- ***The DPD90+ ratio decreased to 36.8% (-6.6 ppts y-o-y) with a coverage at 75.1%***
- ***Performing loans expanded by 19%, while gross loans grew by 6% y-o-y, FX-adjusted***

Methodological note: due to a series of decisions on FX mortgages made by the central bank on 24 February 2015 the bank suffered a loss of HUF 104 million before tax in 1H 2015 and a total of HUF 211 million in 2015. Those losses were taken out of the P&L of the Serbian subsidiary and were presented on consolidated level within adjustment items.

OTP banka Srbija posted HUF 118 million profit in 1H 2016 as opposed to the HUF 237 million profit in the base period. In 2Q 2016 profit surged q-o-q three-fold mostly due to the favourable risk cost developments.

The y-o-y halving operating profit in 1H 2016 is reasoned by the 6% drop in total income, while operating expenses remained flat compared to the base period. Net interest income decreased by 12% y-o-y, the net interest margin shrank by 125 bps at the same time. This was partly the repercussion of the significantly lower interest rate environment: the Serbian base rate decreased by 375 bps to 4.25% between the beginning of 2015 and end of 2Q 2016. Also, the changes of the balance sheet did not help either: total deposits grew by 30% y-o-y (FX-adjusted), while performing loans increased by 19%. The net fee and commission income sank by 6% on yearly basis. The 1H profit development was favourably affected by the y-o-y halving risk cost, along with the yearly improvement of portfolio quality, better DPD90+ ratio and improving coverage ratio.

Concerning the quarterly P&L developments, the significant q-o-q after tax profit increase was supported by the 59% drop of risk cost, while operating profit moderated by 6%. Net interest income grew q-o-q by 1%, net fee and commission income increased by 2%. q-o-q. The 3% quarterly growth of operating expenses was due to the higher personnel expenses and more intense marketing activity, but also the higher tax burden related to write-offs. The number of branches was unchanged in 2Q (56), at the same time the number of employees increased by 10 to 642.

The DPD90+ ratio decreased to 36.8% (-1.9 ppts q-o-q, -6.6 ppts y-o-y). The improvement of the ratio was positively affected by around HUF 2.4 billion non-performing loan write-offs during the last 4 quarters (out of which HUF 1.3 billion in 2Q 2016). The provision coverage of DPD90+ loans changed to 75.1% (-0.5 ppt q-o-q, +3.8 ppt y-o-y).

The FX-adjusted loan book expanded by 6% y-o-y and by 1.5% q-o-q, the change of performing loan volumes was +19% and +5%, respectively. The yearly dynamics were driven by positive developments in the large corporate segment (with respect to the FX-adjusted gross loans: +8% y-o-y, +1% q-o-q). Retail volumes could increase, too (+4% y-o-y, +2% q-o-q). In 2Q 2016 both mortgage and cash loan disbursements grew on the quarterly basis. Gross consumer loans expanded by 1.5% q-o-q and by 7.3% y-o-y on an FX-adjusted basis. FX-adjusted total deposits grew by 30% y-o-y, but decreased by 5% q-o-q, mainly due to changes in the corporate deposit base (+86% y-o-y, -15% q-o-q), while retail deposits grew steadily (+8% y-o-y, +3% q-o-q).

The capital adequacy ratio of the bank stood at 25.3% at the end of 2Q (-1.1 ppts q-o-q).

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account in HUF mn	1H 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	535	255	-52%	472	112	143	27%	-70%
Income tax	0	0	-100%	0	0	0	-100%	-100%
Profit before income tax	535	255	-52%	472	112	143	27%	-70%
Operating profit	1,744	1,242	-29%	1,012	561	682	22%	-33%
Total income	5,227	4,816	-8%	2,766	2,314	2,502	8%	-10%
Net interest income	3,750	3,517	-6%	1,875	1,730	1,787	3%	-5%
Net fees and commissions	1,374	1,251	-9%	819	561	690	23%	-16%
Other net non-interest income	104	48	-53%	72	24	25	5%	-66%
Operating expenses	-3,483	-3,574	3%	-1,754	-1,754	-1,820	4%	4%
Total provisions	-1,209	-987	-18%	-540	-448	-539	20%	0%
Provision for possible loan losses	-1,274	-761	-40%	-542	-440	-320	-27%	-41%
Other provision	65	-226	-449%	2	-8	-219		
Main components of balance sheet closing balances in HUF mn	**2015**	**1H 2016**	**YTD**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	199,800	193,168	-3%	193,313	192,300	193,168	0%	0%
Gross customer loans	149,775	151,029	1%	153,344	150,907	151,029	0%	-2%
Gross customer loans (FX-adjusted)	151,229	151,029	0%	153,889	151,868	151,029	-1%	-2%
Retail loans	73,774	73,519	0%	72,606	73,385	73,519	0%	1%
Corporate loans	77,455	77,510	0%	81,283	78,482	77,510	-1%	-5%
Allowances for possible loan losses	-52,991	-54,174	2%	-51,930	-53,587	-54,174	1%	4%
Allowances for possible loan losses (FX-adjusted)	-53,506	-54,174	1%	-52,114	-53,928	-54,174	0%	4%
Deposits from customers	148,117	139,783	-6%	143,272	140,579	139,783	-1%	-2%
Deposits from customer (FX-adjusted)	149,388	139,783	-6%	143,720	141,622	139,783	-1%	-3%
Retail deposits	115,400	111,220	-4%	112,900	111,150	111,220	0%	-1%
Corporate deposits	33,988	28,562	-16%	30,820	30,472	28,562	-6%	-7%
Liabilities to credit institutions	21,829	21,945	1%	19,618	21,898	21,945	0%	12%
Subordinated debt	0	0	-100%	0	0	0	-100%	-100%
Total shareholders' equity	23,091	23,635	2%	22,809	23,310	23,635	1%	4%
Loan Quality	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	63,199	65,038	3%	63,199	64,024	65,038	2%	3%
90+ days past due loans/gross customer loans (%)	41.2%	43.1%	1.8%p	41.2%	42.4%	43.1%	0.6%p	1.8%p
Cost of risk/average gross loans (%)	1.65%	1.02%	-0.63%p	1.45%	1.18%	0.85%	-0.32%p	-0.59%p
Cost of risk/average (FX-adjusted) gross loans	1.64%	1.01%	-0.63%p	1.40%	1.17%	0.85%	-0.32%p	-0.55%p
Total provisions/90+ days past due loans (%)	82.2%	83.3%	1.1%p	82.2%	83.7%	83.3%	-0.4%p	1.1%p
Performance Indicators (%)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	0.6%	0.3%	-0.3%p	1.0%	0.2%	0.3%	0.1%p	-0.7%p
ROE	4.7%	2.2%	-2.5%p	8.5%	1.9%	2.5%	0.5%p	-6.1%p
Total income margin	5.42%	4.93%	-0.49%p	5.90%	4.75%	5.22%	0.47%p	-0.68%p
Net interest margin	3.89%	3.60%	-0.29%p	4.00%	3.55%	3.73%	0.18%p	-0.27%p
Cost/income ratio	66.6%	74.2%	7.6%p	63.4%	75.8%	72.7%	-3.0%p	9.3%p
Net loans to deposits (FX-adjusted)	71%	69%	-2%p	71%	69%	69%	0%p	-2%p
FX rates (in HUF)	**1H 2015**	**1H 2016**	**Y-o-Y**	**2Q 2015**	**1Q 2016**	**2Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/EUR (closing)	315.0	316.2	0%	315.0	314.2	316.2	1%	0%
HUF/EUR (average)	307.4	312.1	2%	306.0	311.9	313.4	0%	2%

- ***1H 2016 after-tax profit (HUF 255 million) halved, however improved in 2Q by 27% q-o-q***
- ***Operating income decreased by 29% y-o-y, reasoned mainly by eroding total income (-8%) and increasing operating costs (+3%)***
- ***Overall loan quality trends were favourable, 2Q risk cost rate decreased by 85 bps parallel with stabilizing coverage ratio q-o-q***
- ***During the first half of 2016 loan portfolio stagnated, the 6% decline of FX-adjusted deposit base was driven by deposit rate cuts aimed at reducing the excess liquidity***

The **Montenegrin CKB Bank** posted HUF 255 million after tax profit in 1H 2016, while 2Q 2016 performance improved by 27% q-o-q due to favourable income dynamics.

In terms of the components of the total income in 1H: 2016 net interest income moderated by 6% y-o-y due to early repayments and lower interest rates on newly disbursed loans. It was partially offset by the lower interest expenses on deposits. The semi-annual net fees and commissions income declined by 9% y-o-y, while the better q-o-q result (+23%) was driven by seasonal effects as well as the favourable income generation realized on higher early repayments.

The operating expenses for 1H 2016 increased by 3% y-o-y reflecting the effect of higher fees paid to supervisory authorities and increased IT costs. These negative effects were only partially mitigated by savings on marketing costs.

During 1H 2016 total risk cost declined by 18% y-o-y, within that loan loss provisioning declined by 40%; the 1H 2016 risk cost rate dropped to 1%. The 20% quarterly increase of total risk cost was shaped by the drawdown of banking guarantees booked as other risk cost.

The y-o-y 1.8 ppts increase of DPD90+ ratio (43.1%) was coupled with improving coverage ratio (83.3%).

The FX-adjusted loan portfolio remained unchanged ytd, however there was a slight erosion on a quarterly basis. In 2Q 2016 within retail loan volume consumer loan portfolio could expanded due to improvement in demand and favourable lending conditions in line with the market trends.

The FX-adjusted deposit portfolio declined by 6% y-o-y reasoned by deposit rate cuts aimed at reducing the excess liquidity of the Bank. As a consequence the FX-adjusted net loans to deposits ratio dropped to 69% (-2 ppts y-o-y).

The capital adequacy ratio calculated according to local requirements stood at 19.5% at the end of 1H 2016.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 30,864 as of 30 June 2016. In the first half of the year the headcount decreased in Russia and Hungary, while increased in Bulgaria and the Ukraine.

OTP Group provides services through 1,326 branches and more than 3,900 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 370 branches and 1,925 ATM terminals. The Bank (Hungary) has close to 58 thousands POS terminals. The branch network decreased in Romania and Hungary (-8 and -5 units) in the last six months.

	30/06/2016				31/12/2015			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	370	1,925	57,999	8,062	375	1,895	55,288	8,142
DSK Group	382	877	5,461	4,550	383	874	5,207	4,502
OTP Bank Russia (w/o employed agents)	134	264	1,911	4,586	134	233	1,751	4,787
Touch Bank (Russia)	0	0	0	268	0	0	0	219
OTP Bank Ukraine (W/o employed agents)	85	109	315	2,134	85	105	315	2,146
OTP Bank Romania	100	146	2,905	1,132	108	150	2,848	1,139
OTP banka Hrvatska	110	249	2,196	1,112	110	247	2,048	1,082
OTP Banka Slovenko	61	143	234	663	60	141	216	678
OTP banka Srbija	56	127	2,039	642	56	128	2,248	633
CKB	28	83	4,921	426	29	84	4,895	431
Foreign subsidiaries, total	**956**	**1,998**	**19,982**	**15,512**	**965**	**1,962**	**19,528**	**15,615**
Other Hungarian and foreign subsidiaries[1]				1,318				1,206
OTP Group (w/o employed agents)				**24,893**				**24,963**
OTP Bank Russia - employed agents				*5,517*				*6,328*
OTP Bank Ukraine - employed agents				*454*				*423*
OTP Group (aggregated)	**1,326**	**3,923**	**77,981**	**30,864**	**1,340**	**3,857**	**74,816**	**31,713**

[1] Due to the changes of the data provider group members, the historical employee figures of the other Hungarian and foreign subsidiaries are not comparable.

PERSONAL AND ORGANIZATIONAL CHANGES

In the first half 2016 there was no change in the composition of Audit Committee and the Auditor of the Bank.

In accordance with the decision of the Board of Directors of the Bank, effective from 25 January 2016 Mr. András Tibor Johancsik has been in charge of running the IT and Operations Division as the Head of it, furthermore from 24 February 2016 his Deputy CEO nomination came into force.

OTP Bank's Board of Directors member Mr. Péter Braun passed away on 7 April 2016

From 14 April 2016, Mr. György Kovács Antal's membership in the Supervisory Board ceased.

From 14 April 2016, the memberships of Mr. Zsolt Hernádi and Mr. István Kocsis in the Board of Directors ceased.

The employment of Dr. Antal Pongrácz, Deputy Chairman, Deputy CEO and Head of Staff Division, as well as that of Dr István Gresa, Deputy CEO and Head of the Credit Approval and Risk Management Division ceased on 14 April 2016 due to their retirement. Effective from 15 April 2016 the Chairman and CEO of the Bank entrusted Mr. György Kiss-Haypál to run the Credit Approval and Risk Management Division (according to the terms of the Act on Financial Institutions this position will not be deemed as executive).

The Annual General Meeting appointed Dr. Sándor Csányi, Mr. Mihály Baumstark, Dr. Tibor Bíró, Mr. Tamás György Erdei, Dr. István Gresa, Mr. Antal György Kovács, Dr. Antal Pongrácz, Dr. László Utassy, Dr. József Vörös, Mr. László Wolf as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

The Annual General Meeting appointed Mrs. Ágnes Rudas, as member of the Supervisory Board of the Company until the Annual General Meeting closing the 2016 business year of the Company, but no later than 30 April 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, thus the refinancing risk of maturing FX mortgage bonds is low. As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising, only refinancing loan of Funding for Growth Scheme was used in the amount of HUF 15 billion (HUF 243 billion was the total used amount at group level as at end of 1H 2016).

Without significant maturities in 1H 2016 the total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 30 June 2016 the gross liquidity buffer was above EUR 7 billion equivalent (the operative liquidity buffer above EUR 6.8 billion equivalent). This buffer is significantly higher than the maturing debt within one year (at EUR 522 million equivalent) 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 1.95 billion on 30 June 2016).

The volume of issued securities decreased by 11% y-o-y. On yearly basis Hungarian retail bond volumes decreased by HUF 3 billion (-5%). 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 7 billion equivalent.

The volume of subordinated debt decreased by HUF 12 billion y-o-y, reasoned mainly by a subordinated loan repayment by the Ukrainian bank in the amount of USD 65 million in 4Q 2015.

…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

On 30 June 2016 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 44.4 billion in total, primarily due to the capital requirement of the FX risk exposure at HUF 25.1 billion.

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 kept to hedge the currency risk of the expected FX-denominated net earnings (EUR 310 million for 2 years) 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 realised on several levels of control built on each other, and segmented along territorial units as well. 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
Mrs. Ágnes Rudas
Mr. Dominique Uzel
Dr. Gellért Vági Márton

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

[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. The effective operation of Supervisory Board is supported by the Audit Committee.

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

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

The Board of Directors held 4, the Supervisory Board held 6 meetings, while the Audit Committee gathered 1 times in the first half of 2016. In addition, resolutions were passed by the Board of Directors on 51, by the Supervisory Board on 14 and by the Audit Committee on 3 occasions by written vote.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Aspiring to be a good corporate citizen, OTP Bank assigns top priority to environmental protection, good environmental stewardship, leading by example, and last but not least to inspire others to adopt environmentally conscious practices. In addition to providing top-of-the-line financial services, the Bank intends to exert more and more effort each year to reduce transaction-related paperwork and energy consumption, to constantly be on the lookout for solutions with low environmental impact, as well as to strive for and achieve the broadest possible application of such measures.

OTP Group is a law-abiding corporate citizen in the area of environmental stewardship. No environmental fine has been levied on OTP Bank or any of its subsidiary banks in the first half of 2016. Besides compliance with the applicable law, the Group's efforts in this domain continue to be guided by rationalization and efficient resource management, as well as by stable operational expenditures. Still, the Group is always ready to extend immediate and effective assistance in crisis situations, as the preservation of natural treasures and the reduction of the respective environmental impact of operations are core values of OTP Bank corporate social responsibility.

The Foundations of our Responsible Operations

Our core CSR values have remained constant in recent years. Our Corporate Social Responsibility strategy (CSR Strategy) sets forth and defines our applicable guidelines and objectives. Our annual Corporate Social Responsibility Report presents our goals and accomplishments and is published on our website. Furthermore, the Bank's Code of Ethics has stated the commitment to environmental protection and to a healthy workplace. The Bank's Environmental Protection Regulations have been effective since 2009, while the internal corporate guidelines continue to enable environmentally conscious operations in compliance with applicable law.

OTP Facility Management coordinates the company's environmental activities in line with the existing time schedule. The organization carries out tasks related to regulatory reporting, coordinates and supervises the collection and disposal of hazardous waste (worn out office equipment and electronic waste), in compliance with prevailing regulations, on the company-wide level.

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.

As compared to the corresponding period in the previous year, it can be established that within OTP Bank, in regard of the central office buildings, the selectively collected amount of PET and office paper shows a downward trend. Waste from PET plastic bottles has lessened by 8% while waste from office paper dropped by 28%. The reduction of PET waste can be attributed to a change in consumption habits, while the decreased amount of paper waste is due to the efficiency of the measures taken to cut back on paper use. This latter is realized by reducing the scope of documents to be printed, by networking printers, and by digitizing documents.

Reducing paper use

OTP Group has set the goal to cut back on paper use by reducing printing. Over the past two years, virtually all of our subsidiary banks have launched projects to that effect. Where allowed by applicable law, electronic account statements have been available for years from all members of OTP Group. We have continuously been providing incentives for customers to cancel paper-based statements. The proportion of electronic statements has significantly grown at our Romanian, Ukrainian, Russian and also Serbian subsidiary banks in the past year, in equal proportions pertaining to retail deposit accounts, statements related to cards, as well as foreign currency bank account statements. At our Serbian subsidiary bank, the proportion of e-statements is almost 100%. As a result of the above processes, in 2015 the total paper use decreased by 10% (104 tons at OTP Bank alone and by 8% or 410 tons at OTP Group), as compared to the previous year, and this tendency continued.

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 OTP Bank, we expect that the introduction of E-Repository will save us approximately 1.4 million pages of paper annually. We have also made our services available online (taking out a personal loan, or contracting via verified electronic signature in case of overdrafts). In case of Long Term Investment deposits and securities accounts, it is possible to make declarations electronically.

At our foreign subsidiaries:

- At DSK Bank branches, we have introduced printing on both sides of the paper. On several occasions we sent e-mails to our customers instead of printed letters.
- In Romania, due to the integration of Millennium Bank and the CHF conversion program, we had to inform our customers on paper pursuant to the regulatory provisions. We have been

striving to replace paper use with electronic means of information wherever possible.

- In Serbia, paper use has decreased thanks to the new logistics software. On the other hand, paper use has increased due to the legally mandated mandatory client information obligation.
- In Ukraine, we only issue electronic documents on account movements, instead of paper based ones.
- In Russia, we have launched a paper-free POS project so that in the future, the number of paper sheets necessary for a loan application can be decreased from 47 to 1 or 2.

Environmentally conscious energy use

We are continuously modernizing our systems at all of our subsidiary banks and have been installing energy-efficient, modern building engineering solutions and energy-efficient lighting as part of our construction investments. In the last few years, we have given priority to replacing the lightning on advertising walls and facades in branches, with LED lamps, both in the parent bank and foreign subsidiary banks, thereby achieving approximately 85% energy savings with such equipment.

- In the Serbian central office, the procurement of reactive power compensation equipment has been completed.
- In Ukraine and Russia, after introducing energy efficient lighting indoors, outdoor lighting panels were also replaced with LED lighting.
- In two branches of CKB Bank, we replaced the old heating system with new, more energy efficient equipment; we insulated the building and installed energy saving lighting.

We are proud to use renewable energy sources. Our Hungarian sites continue to operate solar collectors on nearly 600 square meters, while our central archive uses geothermic energy. We have recently installed solar panels in Dubrovnik, Croatia, on the roof of the central building, with a capacity of 25 MW and a planned annual energy production of 32 thousand kWh.

As an alternative to trips, OTP Group is increasingly harnessing the potential of video conferencing, year after year.

Awards and Recognition

RFU CEERIUS INDEX: In recognition of our performance in the field of sustainability, we have been selected to be listed on 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 compiled by RFU (Reinhard Friesenbichler Unternehmens-beratung).

We wish to make the stewardship of our environment a priority to our staff and customers. Accordingly, we provide ongoing updates about our environmental protection activities on our corporate social responsibility webpage: https://www.otpbank.hu/csr/en/main.

FINANCIAL DATA

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION

in HUF million	OTP Bank			Consolidated		
	30/06/2016	30/06/2015	change	30/06/2016	30/06/2015	change
Cash, amounts due from banks and balances with the National Bank of Hungary	994,418	1,590,942	-37%	1,486,420	1,998,651	-26%
Placements with other banks, net of allowance for placement losses	798,370	635,802	26%	336,532	237,271	42%
Financial assets at fair value through profit or loss	240,356	313,504	-23%	243,709	289,035	-16%
Securities available-for-sale	1,603,583	1,157,243	39%	1,605,945	948,611	69%
Loans, net of allowance for loan losses	1,727,027	1,845,476	-6%	5,487,920	5,668,255	-3%
Investments in subsidiaries, associates and other investments	672,243	623,426	8%	9,215	26,183	-65%
Securities held-to-maturity	812,979	827,605	-2%	894,218	908,820	-2%
Property, equipments and intangible assets	92,815	97,192	-5%	350,816	366,451	-4%
Other assets	150,503	127,842	18%	284,451	317,803	-10%
TOTAL ASSETS	**7,092,295**	**7,219,032**	**-2%**	**10,699,226**	**10,761,079**	**-1%**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	925,833	1,048,711	-12%	516,242	727,905	-29%
Deposits from customers	4,190,578	4,077,449	3%	7,898,534	7,657,531	3%
Liabilities from issued securities	143,959	160,857	-11%	232,631	260,007	-11%
Financial liabilities at fair value through profit or loss	102,077	280,245	-64%	74,424	204,988	-64%
Other liabilities	283,809	239,967	18%	432,585	394,068	10%
Subordinated bonds and loans	276,868	270,865	2%	243,864	257,915	-5%
TOTAL LIABILITIES	**5,923,124**	**6,078,094**	**-3%**	**9,398,280**	**9,502,414**	**-1%**
Share capital	28,000	28,000	0%	28,000	28,000	0%
Retained earnings and reserves	1,011,632	1,021,666	-1%	1,223,361	1,244,163	-2%
Net earnings for the year	140,179	99,685	41%	106,047	40,464	162%
Treasury shares	-10,639	-8,413	26%	-59,507	-57,280	4%
Non-controlling interest	0	0		3,045	3,317	-8%
TOTAL SHAREHOLDERS' EQUITY	**1,169,172**	**1,140,938**	**2%**	**1,300,946**	**1,258,665**	**3%**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**7,092,295**	**7,219,032**	**-2%**	**10,699,226**	**10,761,079**	**-1%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME

in HUF million	OTP Bank			Consolidated		
	1H 2016	1H 2015	change	1H 2016	1H 2015	change
Loans	58,999	66,547	-11%	254,355	303,963	-16%
Placements with other banks	50,044	104,157	-52%	35,391	78,467	-55%
Amounts due from banks and balances with the National Banks	6,828	17,722	-61%	6,849	18,204	-62%
Securities held for trading	0	0		0	0	-100%
Securities available-for-sale	20,785	26,255	-21%	20,901	13,425	56%
Securities held-to-maturity	20,476	18,865	9%	24,152	21,458	13%
Other interest income	0	0		3,660	3,716	-1%
Interest income	*157,133*	*233,546*	*-33%*	*345,309*	*439,232*	*-21%*
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	-54,181	-103,895	-48%	-37,311	-81,437	-54%
Deposits from customers	-8,907	-18,652	-52%	-35,343	-61,463	-42%
Liabilities from issued securities	-797	-962	-17%	-3,174	-3,135	1%
Subordinated bonds and loans	-8,490	-8,205	3%	-6,498	-6,635	-2%
Other interest expense	0	0		-2,856	-3,675	-22%
Interest expense	*-72,375*	*-131,714*	*-45%*	*-85,183*	*-156,345*	*-46%*
Net interest income	**84,757**	**101,832**	**-17%**	**260,126**	**282,887**	**-8%**
Provision for impairment on loans	-5,571	-16,416	-66%	-44,024	-178,299	-75%
Provision for impairment on placement losses	-1	-2	-47%	-1	4	-128%
Provision for impairment on loans and placement losses	-5,573	-16,419	-66%	-44,025	-178,295	-75%
NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	79,185	85,413	-7%	216,101	104,592	107%
Income from fees and commissions	91,301	95,988	-5%	127,106	125,055	2%
Expense from fees and commissions	-11,890	-11,678	2%	-21,726	-20,745	5%
NET PROFIT FROM FEES AND COMMISSIONS	79,411	84,310	-6%	105,380	104,310	1%
Foreign exchange gains, net (-)/(+)	1,169	10,294	-89%	12,555	78,383	-84%
Gains / (losses) on securities, net	34,428	17,458	97%	19,574	4,597	326%
Gains on real estate transactions	127	63	102%	1,297	1,129	15%
Dividend income	90,463	58,591	54%	2,892	3,274	-12%
Other operating income	1,944	991	96%	5,619	8,932	-37%
Other operating expense	-2,000	-21,361	-91%	-2,424	-22,376	-89%
NET OPERATING RESULT	126,131	66,037	91%	39,513	73,938	-47%
Personnel expenses	-45,359	-42,519	7%	-95,071	-93,752	1%
Depreciation and amortization	-10,416	-10,262	1%	-21,157	-20,764	2%
Other administrative expenses	-72,391	-80,872	-10%	-112,765	-129,801	-13%
OTHER ADMINISTRATIVE EXPENSES	-128,165	-133,652	-4%	-228,993	-244,317	-6%
PROFIT BEFORE INCOME TAX	**156,561**	**102,107**	**53%**	**132,001**	**38,522**	**243%**
Income tax	-14,882	-2,423	514%	-25,813	1,619	
NET PROFIT FOR THE PERIODS	**141,679**	**99,685**	**42%**	**106,188**	**40,141**	**165%**
From this, attributable to non-controlling interest	0	0		-141	323	-144%
NET PROFIT FOR THE PERIODS ATTRIBUTABLE OWNERS OF THE COMPANY	**141,679**	**99,685**	**42%**	**106,047**	**40,464**	**162%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

in HUF million	OTP Bank			Consolidated		
	30/06/2016	30/06/2015	change	30/06/2016	30/06/2015	change
OPERATING ACTIVITIES						
Profit before income tax	156,561	102,107	53%	132,002	38,523	243%
Adjustments to reconcile income before income taxes to net cash provided by operating activities						
Income tax paid	-264	-3,295	-92%	-11,870	-8,508	40%
Depreciation and amortization	10,416	10,262	2%	21,157	20,765	2%
Provision for impairment / Release of provision	2,610	-7,411	-135%	12,571	13,894	-10%
Share-based payment	1,865	1,905	-2%	1,865	1,905	-2%
Unrealized (losses) / gains on fair value adjustment of securities held for trading	-11,183	-6,204	0%	-11,183	-6,204	0%
Unrealized losses on fair value adjustment of derivative financial instruments	4,326	-20,163	-121%	4,001	-3,592	-211%
Changes in operating assets and liabilities	-271,264	-211,314	28%	-126,150	-83,804	51%
Net cash provided by operating activities	**-106,933**	**-134,113**	**-20%**	**22,393**	**-27,021**	**-183%**
INVESTING ACTIVITIES						
Net cash used in investing activities	**-276,204**	**-3,373**		**-325,879**	**-294,669**	**11%**
FINANCING ACTIVITIES						
Net cash used in financing activities	**46,691**	**-166,699**	**-128%**	**-43,672**	**-53,892**	**-19%**
Net increase in cash and cash equivalents	**-336,446**	**-304,185**	**11%**	**-347,158**	**-375,582**	**-8%**
Cash and cash equivalents at the beginning of the period	1,238,858	1,762,727	0%	1,427,292	2,003,324	-29%
Cash and cash equivalents at the end of the period	**902,412**	**1,458,542**	**-38%**	**1,080,134**	**1,627,742**	**-34%**
Analysis of cash and cash equivalents						
Cash, amounts due from banks and balances with the National Banks	1,326,197	1,897,778	-30%	1,878,960	2,307,632	-19%
Compulsory reserve established by the National Banks	-87,339	-135,051	-35%	-451,668	-304,308	48%
Cash and cash equivalents at the beginning of the period	**1,238,858**	**1,762,727**	**0%**	**1,427,292**	**2,003,324**	**-29%**
Cash, amounts due from banks and balances with the National Banks	994,418	1,590,943	-37%	1,486,420	1,998,651	-26%
Compulsory reserve established by the National Banks	-92,006	-132,401	-31%	-406,286	-370,909	10%
Cash and cash equivalents at the end of the period	**902,412**	**1,458,542**	**-38%**	**1,080,134**	**1,627,742**	**-34%**

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 2015	**28,000**	**52**	**20,897**	**1,323,277**	**-55,468**	**-55,941**	**3,349**	**1,264,166**
Net profit for the year	--	--	--	40,464		--	-323	40,141
Other comprehensive income				-962			291	-671
Share-based payment	--	--	1,905			--	--	1,905
Treasury shares								
Dividend for the year 2013	--	--	--	-40,600		--	--	-40,600
Put option								
Treasury shares								
– sale						15,348		15,348
– loss on sale				-4,197				-4,197
– volume change						-16,688		-16,688
Payment to ICES holders				-739				-739
Balance as at 30 June 2015	**28,000**	**52**	**22,802**	**1,317,243**	**-55,468**	**-57,281**	**3,317**	**1,258,665**

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 2012	--	--	--	-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**

Ownership structure of OTP Bank Plc.

as at 30 June 2016

Description of owner	Total equity					
	1 January 2016			30 June 2016		
	%[1]	%[2]	Qty	%[1]	%[2]	Qty
Domestic institution/company	20.31%	20.58%	56,865,293	20.86%	21.14%	58,411,177
Foreign institution/company	63.77%	64.62%	178,546,741	63.03%	63.88%	176,485,749
Domestic individual	5.95%	6.03%	16,656,480	5.53%	5.61%	15,495,682
Foreign individual	0.43%	0.44%	1,215,093	0.38%	0.39%	1,065,989
Employees, senior officers	1.37%	1.38%	3,825,466	1.32%	1.34%	3,693,986
Treasury shares	1.31%	0.00%	3,677,506	1.33%	0.00%	3,718,459
Government held owner[3]	0.09%	0.09%	238,312	0.08%	0.08%	224,538
International Development Institutions[4]	0.01%	0.01%	38,242	0.02%	0.02%	53,404
Other[5]	6.76%	6.85%	18,936,877	7.45%	7.55%	20,851,026
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights
[2] Beneficial ownership
[3] E.g.: State Privatization Holding Co. Ltd., Social Security, Municipality, 100% state-owned companies, Pension Reform and Debt Reduction Fund etc.
[4] E.g.: EBRD, EIB, etc.
[5] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2016)

	1 January	31 March	30 June	30 September	31 December
Company	1,603,946	1,575,975	1,644,899		
Subsidiaries	2,073,560	2,073,560	2,073,560		
TOTAL	3,677,506	3,649,535	3,718,459		

Shareholders with over/around 5% stake as at 30 June 2016

Name	Number of shares	Voting rights	Beneficial ownership
Megdet, Timur and Ruszlan Rahimkulov	24,076,189	8.60%	8.71%
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.69%
Groupama Group	22,809,760	8.15%	8.26%

Senior officers, strategic employees and their shareholding of OTP shares as at 30 June 2016

Type[1]	Name	Position	No. of shares held
IT	Dr. Sándor Csányi [2]	Chairman and CEO	362,623
IT	Mihály Baumstark	member	44,800
IT	Dr. Tibor Bíró	member	31,956
IT	Tamás Erdei	member	35,239
IT	Dr. István Gresa	member	124,728
IT	Antal Kovács	member, Deputy CEO	36,324
IT	Dr. Antal Pongrácz	member	70,077
IT	Dr. László Utassy	member	258,921
IT	Dr. József Vörös	member	156,114
IT	László Wolf	member, Deputy CEO	591,360
FB	Ágnes Rudas	member	137,510
FB	Tibor Tolnay	Chairman	54
FB	Dr. Gábor Horváth	member	0
FB	András Michnai	member	100
FB	Dominique Uzel	member	0
FB	Dr. Márton Gellért Vági	member	0
SP	László Bencsik	Chief Financial and Strategic Officer, Deputy CEO	30,033
SP	András Tibor Johancsik	Deputy CEO	0
TOTAL No. of shares held by management:			**1,879,839**

[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: 2,162,623

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

a) Contingent liabilities

	30/06/2016	30/06/2015
Commitments to extend credit	1,264,901	1,036,066
Guarantees arising from banking activities	428,850	357,427
Confirmed letters of credit	13,336	18,232
Legal disputes (disputed value)	33,316	71,739
Contingent liabilities related to OTP Mortgage Bank	-	-
Other	292,918	275,924
Total:	**2,033,321**	**1,759,388**

[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	7,688	7,588	7,506
Consolidated	31,630	31,713	30,864

SECURITY ISSUANCES ON GROUP LEVEL BETWEEN 01/07/2015 AND 30/06/2016

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.	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 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	Corporate bond	Bonds OTP III.	29/06/2016	29/06/2021	EUR	0	0
OTP Banka Slovensko	Corporate bond	Bonds OTP II.	29/02/2016	28/02/2017	EUR	0	0

SECURITY REDEMPTIONS ON GROUP LEVEL BETWEEN 01/07/2015 AND 30/06/2016

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2015	Outstanding consolidated debt (in HUF million) 30/06/2015
OTP Bank Plc.	Retail bond	OTP TBSZ2015/I	26/02/2010	30/12/2015	HUF	5.376	5.376
OTP Bank Plc.	Corporate bond	OTP 2015/Bx	28/06/2010	09/07/2015	HUF	4.000	4.000
OTP Bank Plc.	Corporate bond	OTP 2016/Fx	22/03/2013	24/03/2016	HUF	670	670
OTP Bank Plc.	Retail bond	OTP TBSZ 4 2015/I	13/01/2012	15/12/2015	HUF	469	469
OTP Bank Plc.	Corporate bond	OTP 2015/Ex	18/07/2012	20/07/2015	HUF	315	315
OTP Bank Plc.	Corporate bond	OTP 2015/Hx	28/12/2012	27/12/2015	HUF	152	152
OTP Bank Plc.	Retail bond	OTP TBSZ 4 2015/II	21/12/2012	15/12/2015	HUF	46	46
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/III	20/03/2015	03/04/2016	EUR	13.071.100	4.118
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XX	03/10/2014	17/10/2015	EUR	13.036.300	4.107
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XVIII	29/08/2014	12/09/2015	EUR	10.400.000	3.276
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/VI	29/05/2015	12/06/2016	EUR	10.298.400	3.244
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/I	00/01/1900	13/02/2016	EUR	10.178.300	3.207
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XXV	19/12/2014	02/01/2016	EUR	9.355.900	2.947
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/II	20/02/2015	06/03/2016	EUR	8.384.300	2.641
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XXI	22/10/2014	05/11/2015	EUR	8.238.000	2.595
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/IV	10/04/2015	24/04/2016	EUR	7.221.400	2.275
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XXIII	14/11/2014	28/11/2015	EUR	5.437.000	1.713
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XIX	12/09/2014	26/09/2015	EUR	5.242.000	1.651
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XXIV	28/11/2014	12/12/2015	EUR	5.014.400	1.580
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XXVI	09/01/2015	23/01/2016	EUR	4.336.300	1.366
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XVI	30/07/2014	13/08/2015	EUR	3.673.700	1.157
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/V	24/04/2015	08/05/2016	EUR	3.607.800	1.137
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XVII	08/08/2014	22/08/2015	EUR	3.199.800	1.008
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XXII	31/10/2014	14/11/2015	EUR	3.117.300	982
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XIV	04/07/2014	18/07/2015	EUR	2.610.000	822
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XXI	31/10/2013	31/10/2015	EUR	2.311.700	728
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XIII	20/06/2014	04/07/2015	EUR	2.238.200	705
OTP Bank Plc.	Corporate bond	OTP 2015/Fx	21/12/2012	23/12/2015	EUR	2.073.900	653
OTP Bank Plc.	Retail bond	OTP_VK_USD_1_2016/1	24/04/2015	24/04/2016	USD	1.780.900	504
OTP Bank Plc.	Retail bond	OTP EUR 1 2015/XV	18/07/2014	01/08/2015	EUR	1.750.100	551
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XXIV	20/12/2013	20/12/2015	EUR	1.548.200	488
OTP Bank Plc.	Corporate bond	OTP 2016/Cx	22/04/2011	22/04/2016	EUR	1.424.200	449
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XXIII	29/11/2013	29/11/2015	EUR	1.211.700	382
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XXII	15/11/2013	15/11/2015	EUR	1.156.800	364
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/III	14/02/2014	14/02/2016	EUR	947.000	298
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/I	17/01/2014	17/01/2016	EUR	895.200	282
OTP Bank Plc.	Corporate bond	OTP 2015/Cx	27/12/2010	29/12/2015	EUR	846.700	267
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/II	31/01/2014	31/01/2016	EUR	829.700	261
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/V	14/03/2014	14/03/2016	EUR	724.700	228
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/VII	11/04/2014	11/04/2016	EUR	715.200	225
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XVI	16/08/2013	16/08/2015	EUR	677.100	213
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/IV	28/02/2014	28/02/2016	EUR	652.800	206
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XI	06/06/2014	06/06/2016	EUR	639.500	201
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/XII	20/06/2014	20/06/2016	EUR	636.700	201
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XV	26/07/2013	26/07/2015	EUR	630.100	199
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/IX	09/05/2014	09/05/2016	EUR	612.500	193
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/X	23/05/2014	23/05/2016	EUR	600.800	189
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XVIII	13/09/2013	13/09/2015	EUR	566.400	178
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XIX	27/09/2013	27/09/2015	EUR	505.700	159
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XVII	30/08/2013	30/08/2015	EUR	422.900	133
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XX	11/10/2013	11/10/2015	EUR	297.300	94
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/VI	21/03/2014	21/03/2016	EUR	210.400	66
OTP Bank Plc.	Retail bond	OTP EUR 2 2016/VIII	18/04/2014	18/04/2016	EUR	200.700	63
OTP Bank Plc.	Retail bond	OTP EUR 2 2015/XIV	12/07/2013	12/07/2015	EUR	123.200	39
OTP Mortgage Bank	Mortgage bond	OJB2016_I	03/02/2006	03/02/2016	HUF	1.254	1.254
OTP Mortgage Bank	Mortgage bond	OJB2016_III	17/02/2009	17/02/2016	HUF	0	0
OTP Banka Slovensko	Mortgage bond	OTP VII.	21/12/2005	21/12/2015	EUR	22.472.284	7.080
OTP Banka Slovensko	Mortgage bond	OTP XXVI.	30/03/2015	29/03/2016	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 2015	1H 2016	Y-o-Y	2Q 2015	1Q 2016	2Q 2016	Q-o-Q	Y-o-Y
Total	**4,933**	**6,748**	**37%**	**2,549**	**1,749**	**4,999**	**186%**	**96%**
Short-term employee benefits	3,480	5,270	51%	1,796	1,068	4,202	293%	134%
Share-based payment	1,138	1,165	2%	569	582	583	0%	2%
Other long-term employee benefits	294	287	-2%	184	99	188	90%	2%
Termination benefits	21	26	24%	0	0	26		
Redundancy payments								
Loans provided to companies owned by members of the management[1] or their family members (normal course of business)	18,750	30,848	65%	18,750	28,222	30,848	9%	65%
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	283	315	11%	283	325	315	-3%	11%
Commitments to extend credit and guarantees	15,767	25,994	65%	15,767	31,036	25,994	-16%	65%
Loans provided to unconsolidated subsidiaries	1,561	2,121	36%	1,561	2,108	2,121	1%	36%

[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. 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 the companies engaged in OTP Group's underlying banking 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. 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 Real Estate 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, statements are based on the aggregated financials of DSK Group and the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC. 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) 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) From 4Q 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o. (Croatia) (until 3Q 2011), OTP Leasing d.d. (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 (Slovakia), OTP Real Slovensko (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).

(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 Interim Management 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, the fine imposed by the Hungarian Competition Authority and the risk cost created in relation to the decision of 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, 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.
- 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.
- 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 fine imposed by the Hungarian Competition Authority and the risk cost created in relation to the decision of 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, 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.
- 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.

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 15	2Q 15	1H 15	3Q 15	4Q 15 Audited	2015 Audited	1Q 16	2Q 16	1H 16
Net interest income	**141,741**	**141,147**	**282,887**	**137,339**	**130,204**	**550,430**	**130,789**	**129,338**	**260,126**
(-) Agent fees paid to car dealers by Merkantil Group	-454	-929	-1,382	-381	-322	-2,084	-	-	-
(+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	-232	0	-232	0	0	-232	0	0	0
(+) Other risk costs recognised in relation to the fixed exchange rate scheme	0	0	0	0	0	0	0	0	0
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	-85	2,098	2,013	45	-2,754	-697	0	0	0
(-) Revaluation result of FX provisions							255	229	484
(+) 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
Net interest income (adj.) with one-offs	**142,048**	**139,978**	**282,026**	**137,675**	**133,279**	**552,980**	**129,041**	**129,067**	**258,108**
(-) Revaluation result of FX swaps at OTP Core (booked within net interest income)	-679	-	-679	-	-	-679	-	-	-
Net interest income (adj.) without one-offs	**142,727**	**139,978**	**282,705**	**137,675**	**133,279**	**553,659**	**129,041**	**129,067**	**258,108**
Net fees and commissions	**49,142**	**55,168**	**104,310**	**53,981**	**55,581**	**213,872**	**50,478**	**54,902**	**105,380**
(+) Agent fees paid to car dealers by Merkantil Group	-454	-929	-1,382	-381	-322	-2,084	-	-	-
(+) Financial Transaction Tax	-11,395	-10,880	-22,276	-10,990	-11,810	-45,076	-11,660	-11,382	-23,041
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		-539	-539	0	0	-539	0	0	0
Net fees and commissions (adj.)	**37,293**	**43,898**	**81,191**	**42,610**	**43,449**	**167,250**	**38,819**	**43,520**	**82,339**
Foreign exchange result	**93,329**	**-14,947**	**78,383**	**6,789**	**31,511**	**116,682**	**15,727**	**-3,172**	**12,555**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	89,413	-21,675	67,737	-290	29,367	96,814	13,909	-8,510	5,399
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		1,321	1,321	0	0	1,321	0	0	0
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia				70	0	70	0	0	0
(-) 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
Foreign exchange result (adj.) with one-offs	**3,917**	**5,408**	**9,325**	**7,008**	**2,144**	**18,476**	**3,311**	**5,379**	**8,690**
(-) Non-recurring FX-gains and losses (booked within Foreign exchange gains, net at OTP Core)	0	0	0	0	0	0	0	0	0
Foreign exchange result (adj.) without one-offs	**3,917**	**5,408**	**9,325**	**7,008**	**2,144**	**18,476**	**3,311**	**5,379**	**8,690**
Gain/loss on securities, net	**4,059**	**538**	**4,597**	**4,412**	**2,607**	**11,616**	**3,361**	**16,213**	**19,574**
(-) Gain on the sale of Visa Europe shares								15,924	15,924
Gain/loss on securities, net (adj.) with one-offs	**4,059**	**538**	**4,597**	**4,412**	**2,607**	**11,616**	**3,361**	**290**	**3,650**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)	352	78	430	1,527	462	2,418	169	-83	86
Gain/loss on securities, net (adj.) without one-offs	**3,707**	**460**	**4,167**	**2,885**	**2,145**	**9,197**	**3,192**	**373**	**3,564**

in HUF million	1Q 15	2Q 15	1H 15	3Q 15	4Q 15 Audited	2015 Audited	1Q 16	2Q 16	1H 16
Gains and losses on real estate transactions	**484**	**644**	**1,129**	**437**	**159**	**1,725**	**583**	**714**	**1,297**
(+) Other non-interest income	**4,191**	**4,741**	**8,932**	**3,137**	**9,180**	**21,248**	**3,138**	**2,481**	**5,619**
(-) Received cash transfers	0	2	3	6	0	9	10	17	27
(-) Non-interest income from the release of pre-acquisition provisions	368	2,643	3,010	786	-2,278	1,518	194	210	404
(+) Other other non-interest expenses	-137,729	-27,953	-165,682	-7,920	-9,125	-182,726	-22,063	-5,445	-27,509
(+) Change in shareholders' equity of companies consolidated with equity method	237	490	727	-58	22	690	1	-177	-176
(-) Badwill booked in relation to acquisitions	1,845	0	1,845	0	0	1,845	0	0	0
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	-136,832	-26,119	-162,951	-6,285	-1,184	-170,420	0	0	0
(-) One-off impact of regulatory changes related to FX consumer contracts in Serbia	-104	0	-105	-104	-2	-211	0	0	0
(-) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015					1,868	1,868			
(-) One-off impact of regulatory changes related to CHF consumer contracts in Croatia							-8,720	-244	-8,963
(-) 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
Net other non-interest result (adj.) with one-offs	**1,906**	**1,396**	**3,302**	**1,195**	**1,832**	**6,329**	**3,139**	**2,001**	**5,140**
(-) 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	**1,906**	**1,396**	**3,302**	**1,195**	**1,832**	**6,329**	**3,139**	**2,001**	**5,140**
Provision for loan losses	**-151,153**	**-27,142**	**-178,295**	**-55,351**	**-85,036**	**-318,683**	**-35,123**	**-8,902**	**-44,025**
(+) Non-interest income from the release of pre-acquisition provisions	368	2,643	3,010	786	-2,278	1,518	194	210	404
(-) Revaluation result of FX provisions	-88,402	21,943	-66,460	145	-29,469	-95,783	-14,184	8,290	-5,894
(-) Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015	68	20	88	-146	-182	-240	0	0	0
(-) Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015	-1,307	-1,249	-2,555	295	-424	-2,684	0	0	0
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia				2,058	0	2,058	0	0	0
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary					-8,852	-8,852	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
Provision for loan losses (adj.)	**-61,145**	**-45,213**	**-106,358**	**-56,917**	**-48,388**	**-211,663**	**-20,745**	**-13,879**	**-34,624**
After tax dividends and net cash transfers	**-4,406**	**-1,606**	**-6,011**	**-2,765**	**-3,731**	**-12,508**	**-447**	**-240**	**-687**
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	-4,645	-4,601	-9,245	-2,787	-3,440	-15,473	-516	-3,091	-3,607
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	2,433	2,433	0	0	2,433	0	2,841	2,841
(-) Change in shareholders' equity of companies consolidated with equity method	237	490	727	-58	22	690	1	-177	-176
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary					-303	-303	0	0	0
After tax dividends and net cash transfers	**2**	**72**	**74**	**80**	**-10**	**144**	**68**	**186**	**254**

in HUF million	1Q 15	2Q 15	1H 15	3Q 15	4Q 15 Audited	2015 Audited	1Q 16	2Q 16	1H 16
Income taxes	**7,328**	**-5,709**	**1,619**	**3,010**	**-1,481**	**3,148**	**-13,388**	**-12,425**	**-25,813**
(-) Corporate tax impact of goodwill/investment impairment charges	0	2,701	2,701	0	3,982	6,683	0	2,214	2,214
(-) Corporate tax impact of the special tax on financial institutions	6,429	52	6,480	56	73	6,609	2,968	47	3,016
(+) Tax deductible transfers	-2,938	-4,378	-7,316	-2,133	-2,750	-12,200	-31	-1,894	-1,925
(-) Corporate tax impact of the risk cost created in relation to the decision of the Hungarian Competition Authority	0	0	0	0	151	151	0	0	0
(-) Corporate tax impact of the badwill booked in relation to acquisitions	-295	0	-295	0	0	-295	0	0	0
(-) Corporate tax impact of the one-off effect of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	-931	-2,071	-3,002	0	-1,171	-4,173	0	0	0
(-) Corporate tax impact of risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015	3	6	10	42	19	71	0	0	0
(-) Corporate tax impact of risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015	134	196	330	37	59	426	0	0	0
(-) Corporate tax impact of revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes	1,299	0	1,299	0	0	1,299	0	0	0
(-) Corporate tax impact of the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia				1,583	0	1,583	0	0	0
(-) Corporate tax impact of the expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania				4,408	0	4,408	0	0	0
(-) Corporate tax impact of the gain on the sale of Visa Europe shares								-2,764	-2,764
Corporate income tax (adj.)	**-2,249**	**-10,971**	**-13,220**	**-5,249**	**-7,344**	**-25,813**	**-16,388**	**-13,816**	**-30,204**
Other operating expense, net	**-9,433**	**-12,943**	**-22,376**	**-53,212**	**893**	**-74,695**	**-1,939**	**-484**	**-2,424**
(-) Other costs and expenses	-10,461	-1,345	-11,807	-1,192	-1,212	-14,211	-1,135	-1,627	-2,762
(-) Other non-interest expenses	-142,376	-32,593	-174,970	-10,734	-12,884	-198,588	-22,579	-8,536	-31,115
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	154,576	21,368	175,945	-216	21,840	197,569	0	0	0
(-) Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (booked within other risk cost)	-6,838	0	-6,838	0	0	-6,838	0	0	0
(-) Revaluation result of FX provisions	-1,010	-267	-1,277	144	102	-1,031	20	-9	11
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia				-10,042	0	-10,042	8,720	244	8,963
(-) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania				-29,900	72	-29,828	12,965	7,515	20,480
(-) Risk cost created in relation to the decision of the Hungarian Competition Authority					-813	-813	119	119	238
(-) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015					-1,868	-1,868	0	0	0
Other provisions (adj.)	**-3,323**	**-106**	**-3,429**	**-1,272**	**-4,345**	**-9,046**	**-49**	**1,810**	**1,761**
Other administrative expenses	**-81,927**	**-47,874**	**-129,801**	**-48,120**	**-54,326**	**-232,248**	**-63,613**	**-49,152**	**-112,765**
(+) Other costs and expenses	-10,461	-1,345	-11,807	-1,192	-1,212	-14,211	-1,135	-1,627	-2,762
(+) Other non-interest expenses	-142,376	-32,593	-174,970	-10,734	-12,884	-198,588	-22,579	-8,536	-31,115
(-) Paid cash transfers	-4,647	-4,640	-9,288	-2,815	-3,760	-15,862	-516	-3,091	-3,607
(+) Film subsidies and cash transfers to public benefit organisations	-4,645	-4,601	-9,245	-2,787	-3,440	-15,473	-516	-3,091	-3,607
(-) Other other non-interest expenses	-137,729	-27,953	-165,682	-7,920	-9,125	-182,726	-22,063	-5,445	-27,509
(-) Special tax on financial institutions (recognised as other administrative expenses)	-35,173	-235	-35,408	-253	-330	-35,992	-16,381	-215	-16,596
(-) Tax deductible transfers	-2,938	-4,378	-7,316	-2,133	-2,750	-12,200	-31	-1,894	-1,925
(-) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	-232	0	-232	0	0	-232	0	0	0
(-) Financial Transaction Tax	-11,395	-10,880	-22,276	-10,990	-11,810	-45,076	-11,660	-11,382	-23,041
(-) Risk cost created in relation to the decision of the Hungarian Competition Authority	0	0	0	0	0	0	-119	-119	-238
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	-9,312	0	-9,312	0	0	-9,312	0	0	0
(-) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania					-72	-72	0	0	0
Other non-interest expenses (adj.)	**-37,983**	**-38,327**	**-76,310**	**-38,723**	**-44,016**	**-159,048**	**-37,074**	**-40,259**	**-77,333**

TABLE OF CONTENTS

OTP Bank Plc.

Postal address: P.O.Box: 501 Budapest H-1876 Hungary

Phone: +36 1 473 5460

Fax: +36 1 473 5951

E-mail: investor.relations@otpbank.hu

Internet: www.otpbank.hu