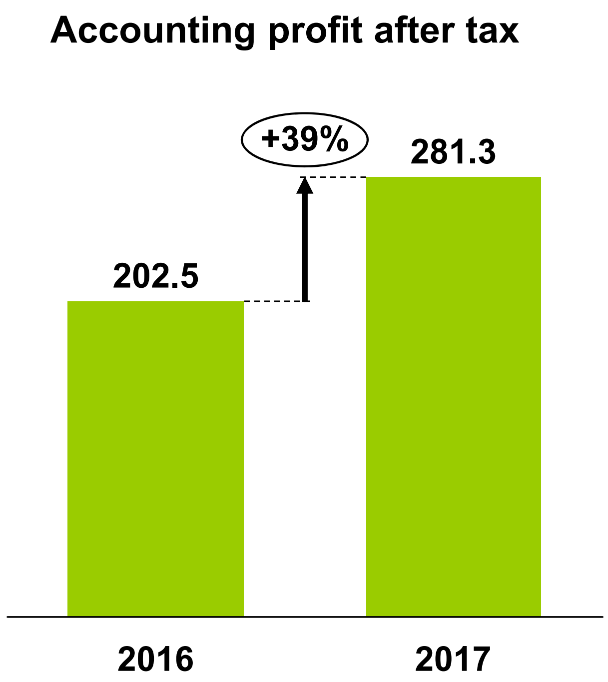
OTP Group
Full year 2017 results

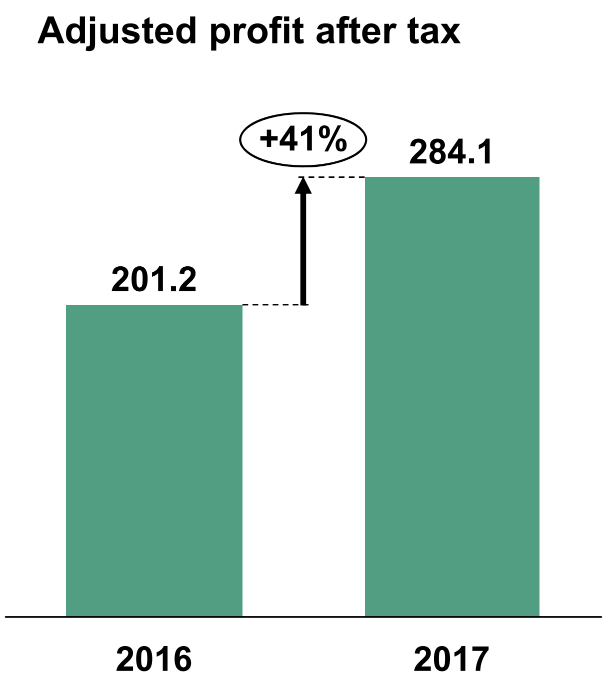
Conference call – 2 March 2018

László Bencsik
Chief Financial and Strategic Officer

The accounting result grew by 39% in 2017, while the adjusted profit increased by +41%. The adjustment items were not significant in 2017

After tax profit development (in HUF billion)





Adjustments (after tax)	**2016**	**2017**
Special tax on financial institutions (Hungary, Slovakia)	-13.9	-15.2
Gain on the sale of Visa Europe shares	13.2	0
Effect of acquisitions (badwill, expected integration expenses, loan FVA)	0	17.7
Other (goodwill/investment impairment charges, dividends and net cash transfers)	2.1	-5.2
Total adjustments (after tax)	**1.3**	**-2.7**

Elements of the management guidance for 2017 were typically met, in some cases with significant overperformance

	Management guidance for 2017		2017 Fact	
1.	**ROE** based on 12.5% CET1 ratio	>15%	22.4%	✓
2.	**Performing loan portfolio** (without acquisition effect)	3% < 2017E < 10%	+10%	✓
3.	**NIM erosion** (without acquisition effect)	-15-20 bps	-16 bps	✓
4.	**Total risk costs** (y-o-y change)	decline	-51%	✓
5.	**Operating expense growth** (FX-adjusted, without acquisitions)	+3-4%	+4.6%	
6.	**Acquisitions**	Further acquisitions in the pipeline	Splitska banka, Vojvodjanska banka	✓
7.	**Nominal increase of dividend**	+15%	+15%[1]	✓

[1] Indicated dividend increase. Final decision will be made by AGM.

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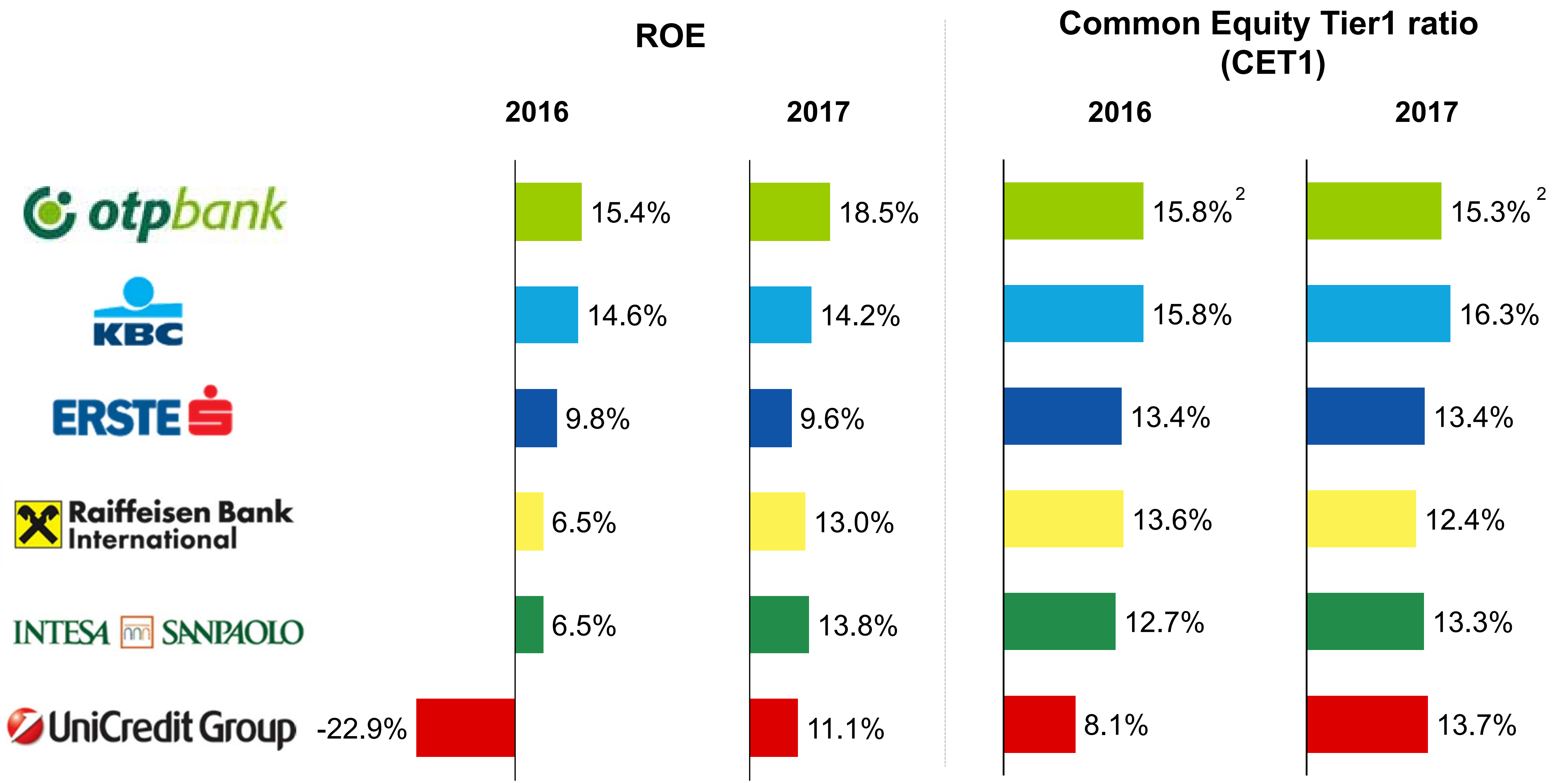
OTP Bank typically outperformed most of the banks active in the CEE region in terms of profitability and capital strength

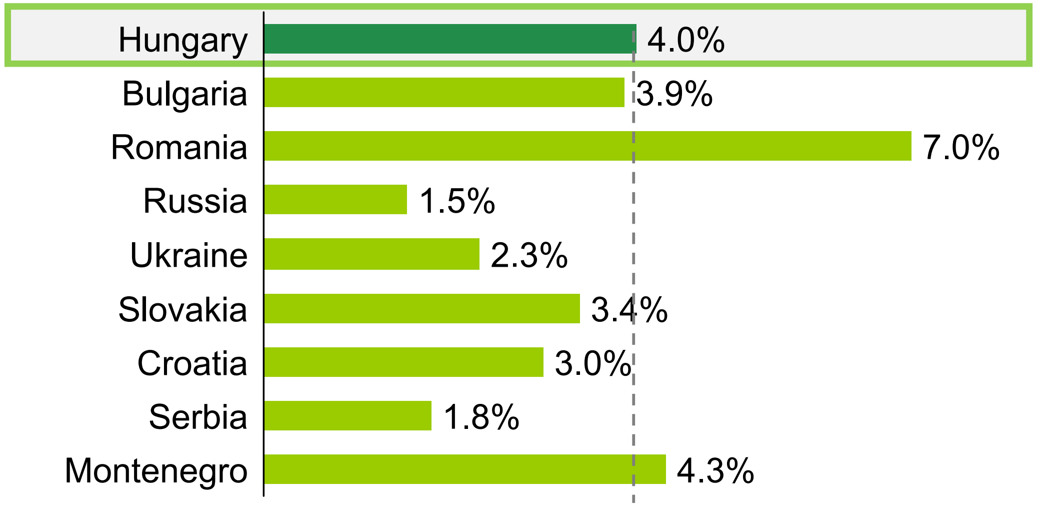
Key financial indicators of OTP Group and other banks active in the CEE region (2017[1])



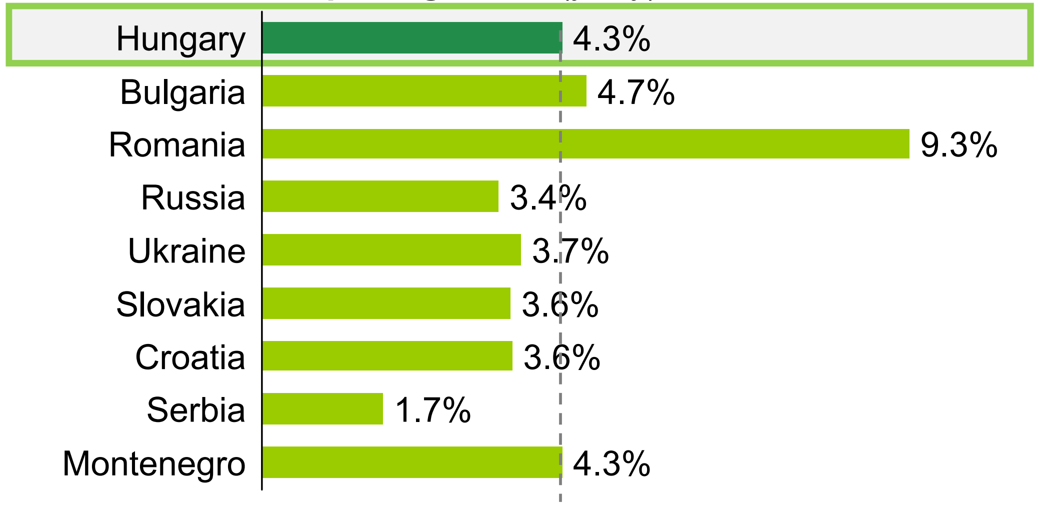
[1] In the case of ROE, 9M 2017 figures are available for Raiffeisen.
[2] In case of OTP Group the Common Equity Tier1 ratio including profit less indicated dividend was displayed.

All countries within OTP universe enjoyed favourable macro environment in 2017, the Hungarian economic growth was one of the fastest. In most of the countries growth is broad-based with household consumption being the major engine

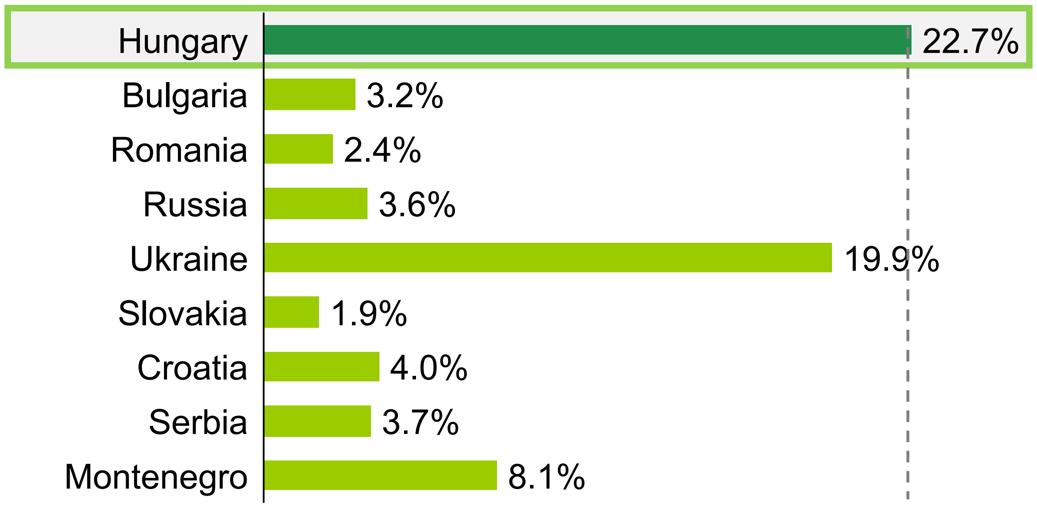
Real GDP growth, 2017[1] (y-o-y)



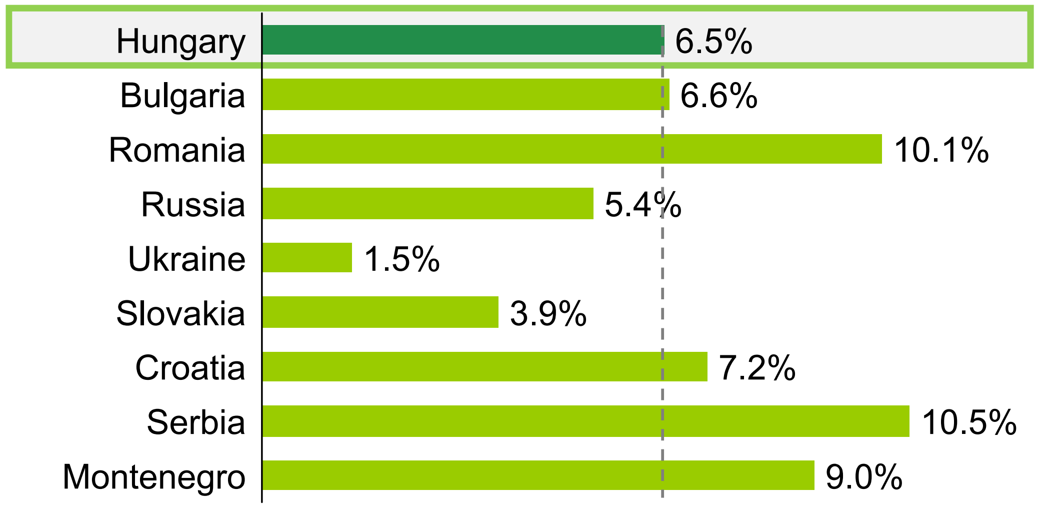
Household consumption growth[2] (y-o-y)



Gross fixed capital formation[3] (y-o-y)



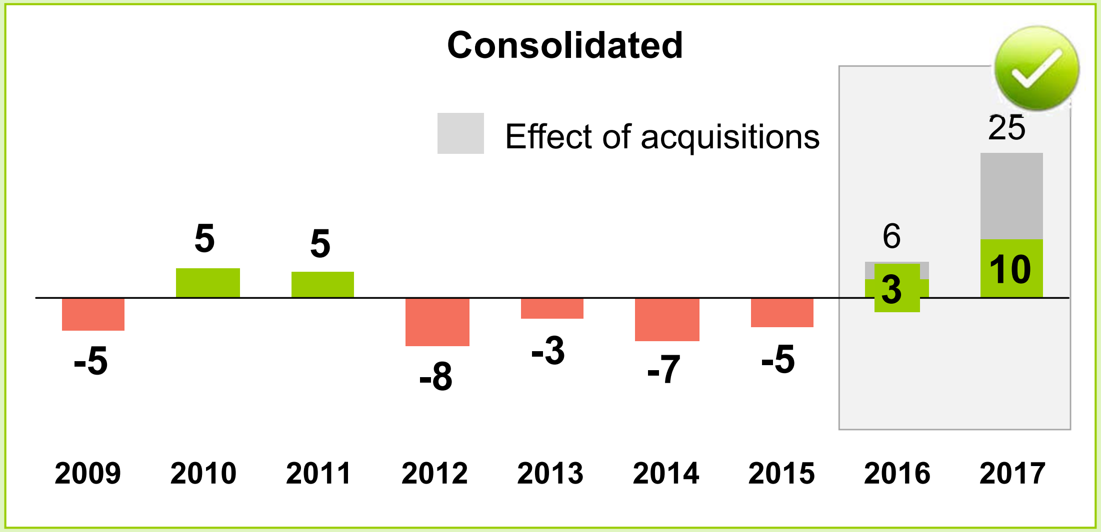
Export growth[3] (y-o-y)

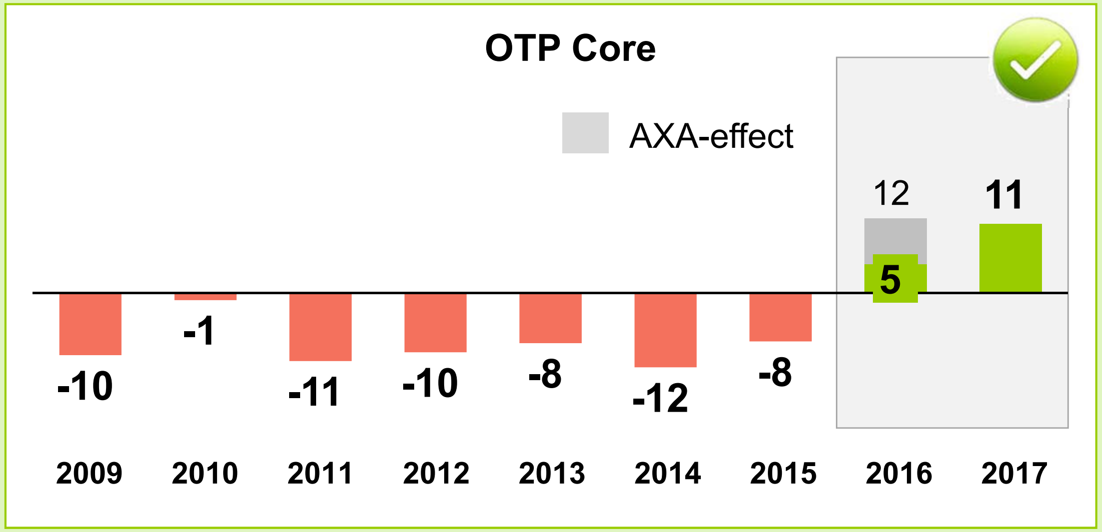


[1] In case of Serbia and Montenegro the average of the first three quarter is displayed.
[2] The average of the first three quarter is displayed, except for Russia where 2017 full-year figure is shown.
[3] The average of the first three quarter is displayed, except Russia and Bulgaria where 2017 full-year figure is shown.

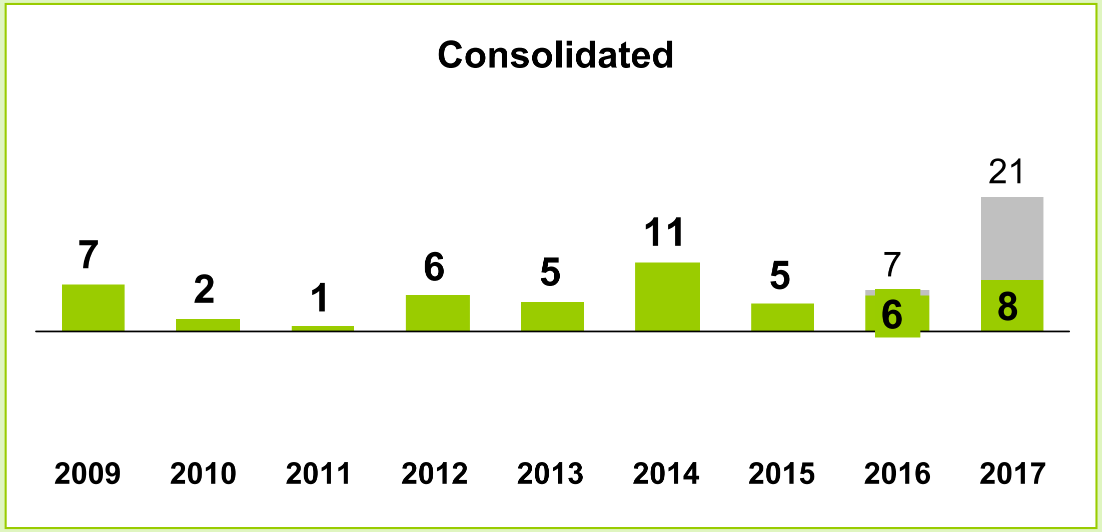
Following the contraction in the previous years, the last two years brought a definite and spectacular turnaround in loan volumes, while deposits have been growing steadily reflecting our clients' trust in the Bank

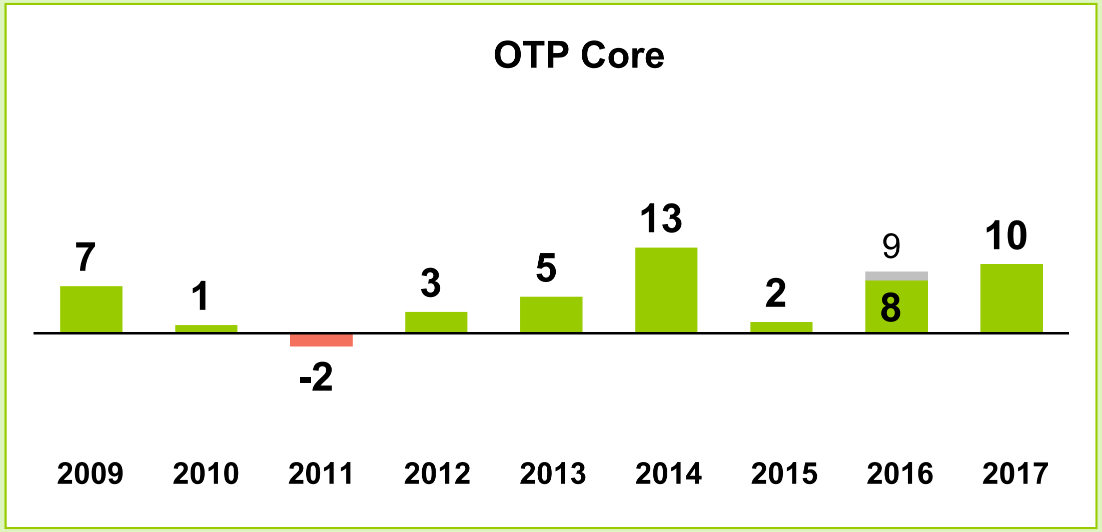
Y-o-Y performing (DPD0-90) loan volume changes [1] (adjusted for FX-effect, %)





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



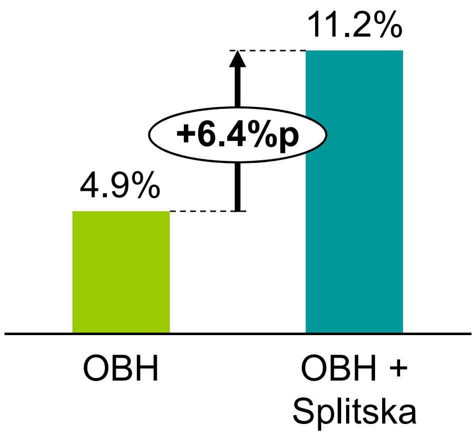


[1] Consolidated: net loan volume between 2009-2013; OTP Core: estimation for 2009.

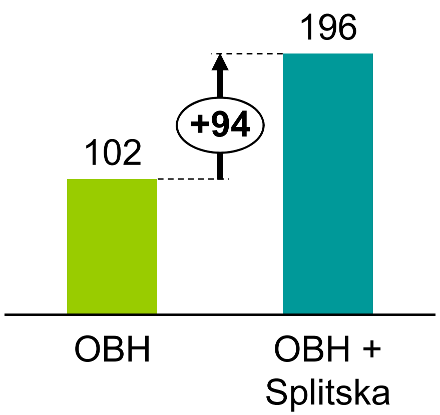
Due to the acquisitions completed in 2017 in Croatia and Serbia, OTP's market shares increased substantially, with loans and deposits expanding several-fold in both countries

Croatia - Splitska banka

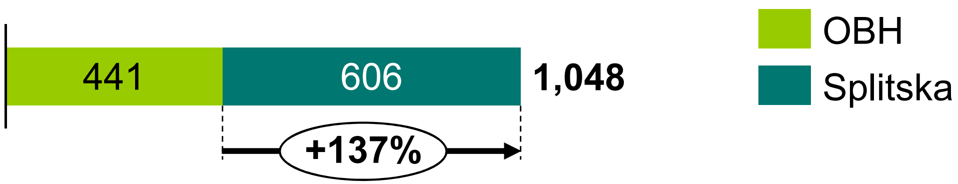
Market share



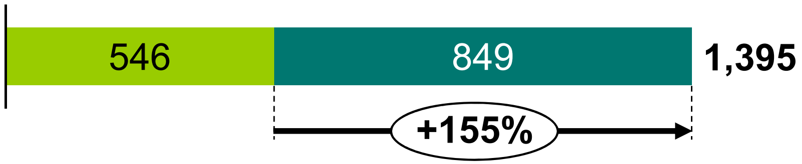
Number of branches



Performing loans (in HUF billion)

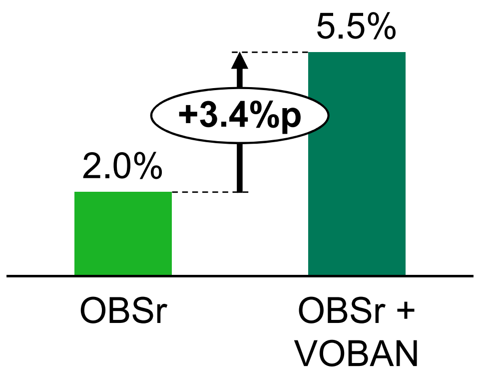


Deposits (in HUF billion)

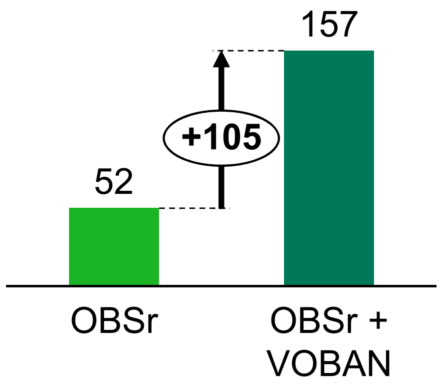


Serbia - Vojvodjanska banka

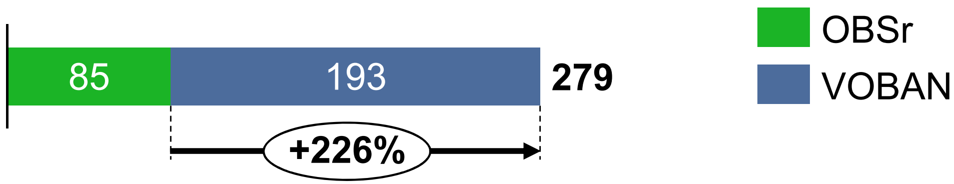
Market share



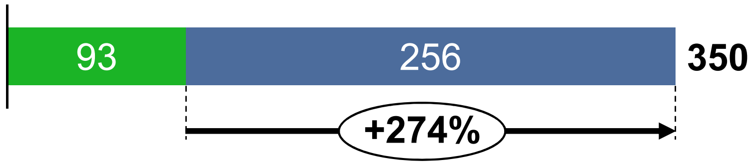
Number of branches



Performing loans (in HUF billion)

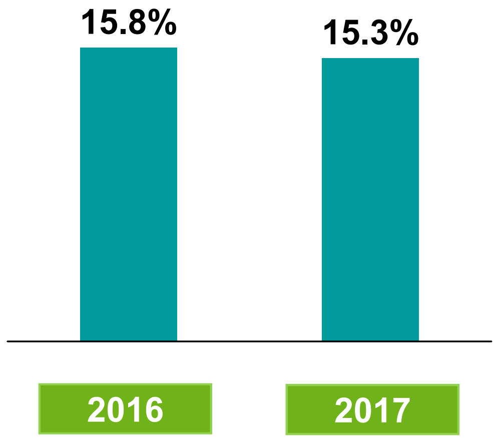


Deposits (in HUF billion)



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

Development of the fully loaded CET1 ratio[1] of OTP Group
(Including interim (unaudited) profit less indicated dividend)



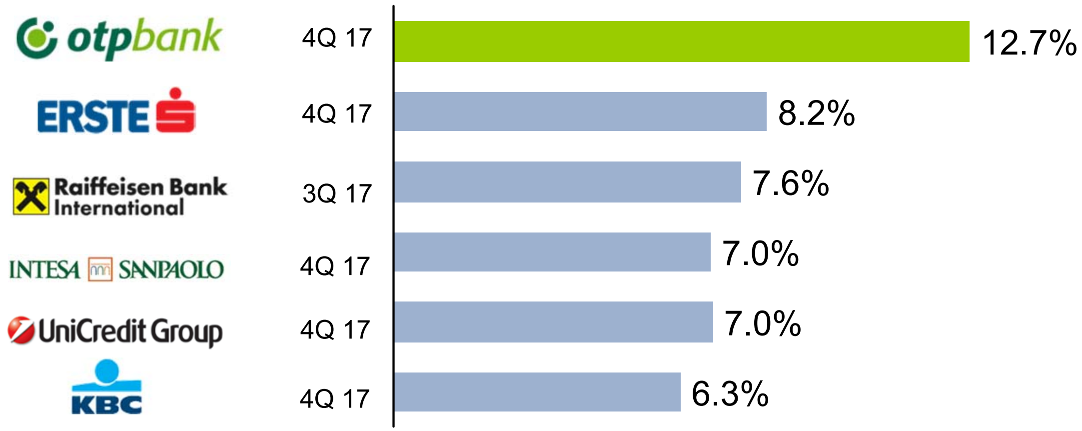
Annualized organic CET1 capital generation based on 2017 figures[1]:

3.0%p

including expected dividend growth of

+15%

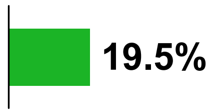
Leverage ratio (average equity / average assets)



Net liquidity reserves (in EUR billion equivalent)

External debt[2] (in EUR billion equivalent)

Net liquidity buffer / total assets (%)

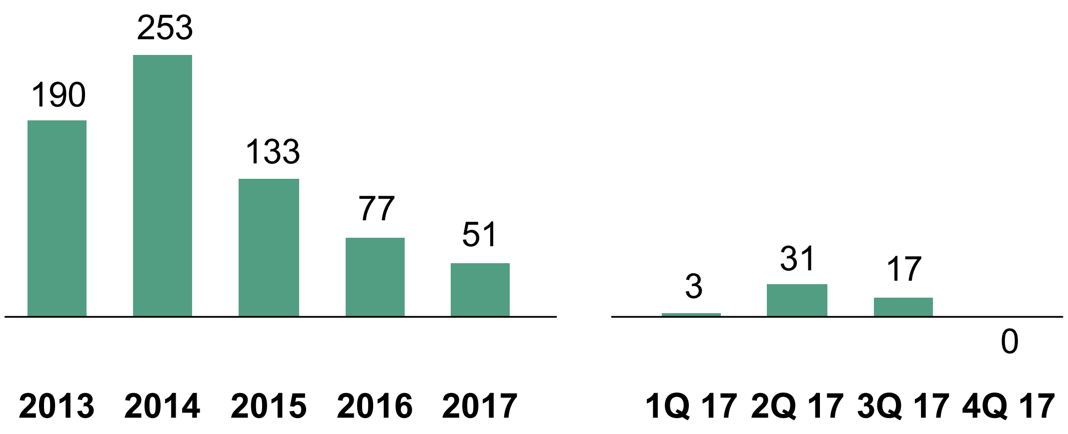


Consolidated net loan to deposit ratio

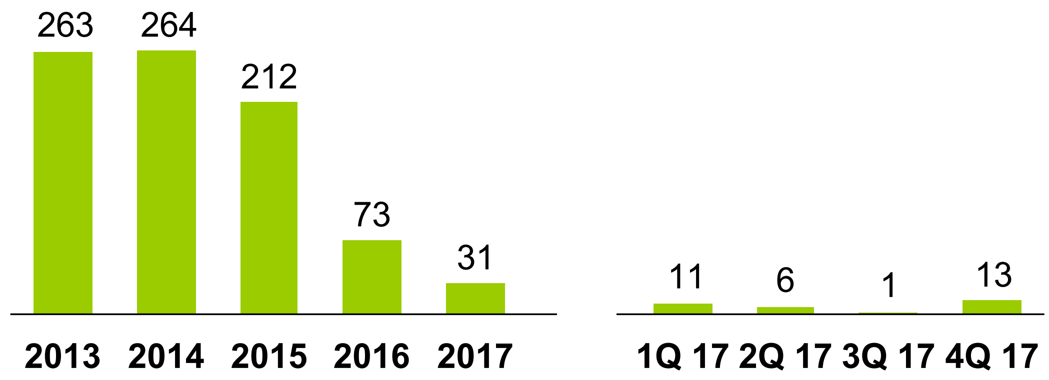
[1] (2017 profit less indicated dividend) / (average 2017 RWA)
[2] Senior bonds, mortgage bonds, bilateral loans

The credit quality indicators kept further improving. The ratio of consolidated DPD90+ loans dropped below 10%

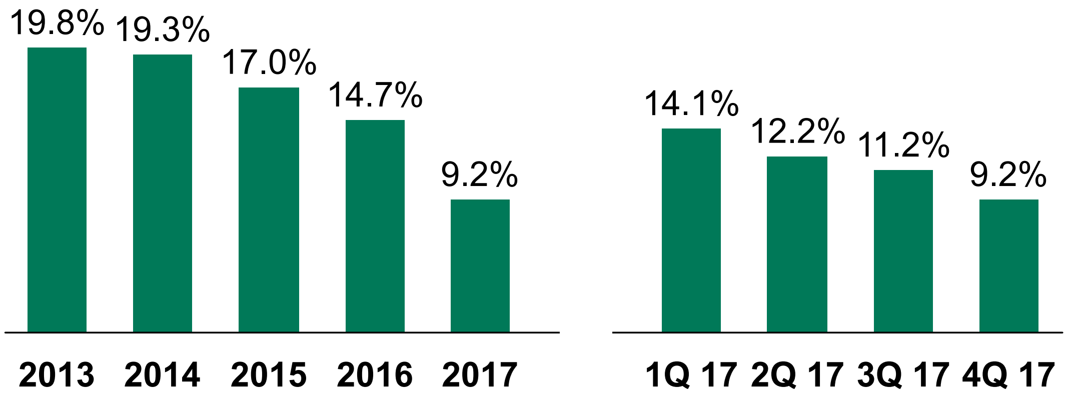
Change in DPD90+ loan volumes (consolidated, adjusted for FX and sales and write-offs, in HUF billion)



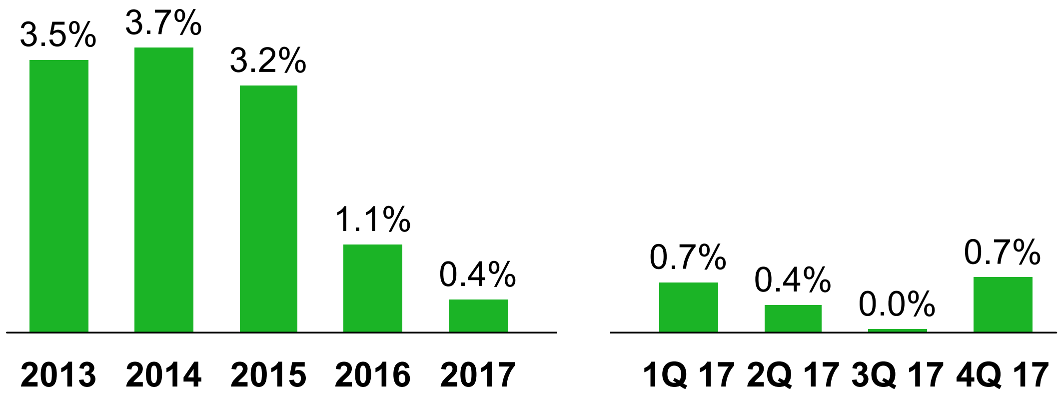
Consolidated risk cost for possible loan losses (in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



Consolidated risk cost rate



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The annual adjusted profit growth of 41% was driven mainly by the improving performance of OTP Core and the Splitska acquisition. The quarterly profit decline was mostly due to the weaker contribution from OTP Core

(in HUF billion)	2016	2017	Y-o-Y	4Q 16	3Q 17	4Q 17	Q-o-Q	Y-o-Y
Consolidated adjusted after tax profit	**201.2**	**284.1**	**41%**	**28.3**	**79.5**	**59.5**	**-25%**	**110%**
CEE operation (adjusted)	**181.6**	**248.8**	**37%**	**26.5**	**69.8**	**53.0**	**-24%**	**100%**
OTP Core (Hungary)	122.2	168.6	38%	23.8	46.7	31.7	-32%	33%
DSK (Bulgaria)	47.4	47.1	-1%	4.7	11.3	10.4	-8%	123%
OBR (Romania)	1.7	3.0	83%	-0.5	1.2	1.0	-22%	
OBH (Croatia) (including Splitska banka)	3.8	17.1	352%	0.2	6.0	6.0	1%	
OBH w/o Splitska (Croatia)	3.8	6.2	63%	0.2	2.9	2.7	-7%	
Splitska banka (Croatia)	-	10.9		-	3.1	3.3	9%	
OBS (Slovakia)	-2.2	-2.1	-8%	-2.6	-0.3	-1.5		-44%
OBSrb (Serbia) (including Vojvodjanska banka)	0.0	-2.9		-0.2	0.2	-1.6		
CKB (Montenegro)	-1.8	-0.2	-92%	-3.5	0.7	-0.8		-77%
Leasing (HUN, RO, BG, CR)	4.0	9.8	148%	0.8	2.9	2.8	-4%	251%
OTP Fund Management (Hungary)	6.7	8.3	24%	3.9	1.2	5.1	339%	30%
Russian and Ukrainian operation (adjusted)	**24.8**	**34.5**	**39%**	**4.7**	**8.1**	**9.3**	**15%**	**100%**
OBRU (Russia)	20.5	27.8	35%	4.6	6.4	6.3	-1%	39%
Touch Bank (Russia)	-5.9	-7.4	25%	-2.0	-1.3	-2.2	67%	14%
OBU (Ukraine)	10.2	14.1	38%	2.1	3.1	5.2	71%	154%
Corporate Centre and others	**-5.3**	**0.7**		**-2.9**	**1.6**	**-2.8**		**-2%**

In 4Q 2017 two larger adjustment items emerged with an aggregated positive effect of HUF 8.9 billion

(in HUF billion)	2016	2017	Y-o-Y	4Q 16	3Q 17	4Q 17	Q-o-Q	Y-o-Y
Consolidated after tax profit (accounting)	**202.5**	**281.3**	**39%**	**26.5**	**79.3**	**68.5**	**-14%**	**159%**
Adjustments (total)	**1.3**	**-2.7**		**-1.8**	**-0.2**	**8.9**		
Dividends and net cash transfers (after tax)	0.4	0.7	65%	0.0	0.3	0.0		
Goodwill/investment impairment charges (after tax)	11.6	-6.1		0.8	-0.2	1 -5.6		
Special tax on financial institutions (after corporate income tax)	-13.9	-15.2	9%	-0.2	-0.2	-0.2	5%	-7%
Impact of fines imposed by the Hungarian Competition Authority (after tax)	1.9	0.2	-91%	1.9	0.0	0.0		
Effect of acquisitions (after tax)	0.0	17.7		0.0	-0.2	2 14.7		
Corporate tax impact of switching to IFRS from HAR in Hungary	-5.8	0.0		1.7	0.0	0.0		
Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary	-6.1	0.0		-6.1	0.0	0.0		
Gain on the sale of Visa Europe shares (after tax)	13.2	0.0		0.0	0.0	0.0		
Consolidated adjusted after tax profit	**201.2**	**284.1**	**41%**	**28.3**	**79.5**	**59.5**	**-25%**	**110%**

1 -HUF 5.6 billion negative tax effect was related to the reversal of impairment charges booked in relation to certain subsidiaries (o/w -HUF 4.1 billion was related to OTP Mortgage Bank); also, at OTP Bank Slovakia there was a HUF 0.5 billion goodwill write-off.

2 HUF 14.7 billion acquisition effect comprised mainly the badwill on Vojvodjanska banka's acquisition and some expected integration expenses.

The annual total revenues and within that net interest income increased even without the Splitska-effect. Core banking revenues grew on a quarterly basis, offset by the seasonal increase of operating costs and total risk costs

(in HUF billion)	2016	2017	Y-o-Y	2017 w/o Splitska	Y-o-Y	4Q 16	3Q 17	4Q 17	Q-o-Q	Y-o-Y
Consolidated adjusted after tax profit	**201.2**	**284.1**	**41%**	**272.8**	**36%**	**28.3**	**79.5**	**59.5**	**-25%**	**110%**
Corporate tax	-43.6	-37.3	-14%	-34.9	-20%	-9.2	-9.3	-6.5	-30%	-29%
O/w tax shield of subsidiary investments	-2.0	-		-		-1.7	-	-		
Before tax profit	244.8	321.4	31%	307.7	26%	37.5	88.8	66.1	-26%	76%
Total one-off items	2.1	3.9	89%	3.9	89%	0.1	1.0	0.1	-89%	32%
Result of the Treasury share swap agreement	2.1	3.9	89%	3.9	89%	0.1	1.0	0.1	-89%	32%
Before tax profit without one-off items	**242.7**	**317.5**	**31%**	**303.8**	**25%**	**37.4**	**87.8**	**66.0**	**-25%**	**76%**
Operating profit w/o one-off items	335.9	363.2	8%	348.1	4%	85.0	92.1	85.1	-8%	0%
Total income w/o one-off items	736.3	804.9	9%	772.7	5%	193.6	202.8	208.9	3%	8%
Net interest income	521.9	546.7	5%	525.3	1%	133.2	137.0	140.5	3%	6%
Net fees and commissions	176.0	209.4	19%	202.4	15%	48.2	53.0	58.1	9%	20%
Other net non interest income without one-offs	38.4	48.9	27%	45.0	17%	12.2	12.7	10.3	-20%	-16%
Operating costs	-400.4	-441.8	10%	-424.6	6%	-108.6	-110.7	-123.8	12%	14%
Total risk costs	-93.2	-45.7	-51%	-44.4	-52%	-47.6	-4.3	-19.1	349%	-60%

Miscellaneous

Update on M&A transactions	The financial closure of the Serbian transaction has been completed on 1 December 2017 and Vojvodjanska banka was consolidated, its one months profit contribution amounted to less than 0.1 billion in 4Q. As for the Banca Romaneasca transaction in Romania, the Competition Office has approved the transaction. The financial closing of the deal is subject to the necessary regulatory approvals by the central bank.
IFRS 9 impact	The preliminary estimate for the impact of implementing the IFRS 9 standards, including the deferred tax effect, on the retained earnings is around -HUF 50 billion in the opening consolidated balance sheet as of 1 January 2018. OTP Bank opted to apply transitional rules (phase-in), i.e. in 2018 the expected negative CET1 impact will be around 3 bps. The Group continues to refine and monitor certain elements of the new impairment process in advance of its 1Q 2018 reporting. As a result, changes could be required to the preliminary estimate for the impact of implementing the IFRS 9 standards.
Retail bond distribution fee cut in Hungary	According to the notification received from the Government Debt Management Agency, effective from 12 February 2018 the distribution fee rates related to the sale of retail government bonds to households was cut further. As a result, the distribution fee on 6M Government Bonds was reduced from 0.2% to 0.1%, on 1 year Government Bonds from 0.6% to 0.3%, whereas on 2 year Government Bonds, Premium and Bonus Government Securities from 0.8% to 0.4-0.8%, respectively, depending on particular products and maturities. The annual negative impact is expected to be around HUF 3.5 billion.

Total income showed a strong 9% growth in 2017, driven by OTP Core, Russia and the Splitska acquisition. The q-o-q increase was mostly due to Russia, Vojvodjanska and the seasonal Fund Management fee income

Effect of acquisitions

TOTAL INCOME without one-off items	2017 (HUF billion)	4Q 2017 (HUF billion)	2017 Y-o-Y (HUF billion)	2017 Y-o-Y (%)	4Q 2017 Q-o-Q (HUF billion)	4Q 2017 Q-o-Q (%)
OTP Group	805	209	35 / 69	5%[1]/9%	4 / 6	2%[1]/3%
OTP CORE (Hungary)	366	92	11	3% (1)	1	1%
DSK (Bulgaria)	108	27	-4	-4%	0	-1%
OBRU (Russia)	125	31	19	18%/6%[2] (2)	2	5% (2)
Touch Bank (Russia)	2	1	2	n/a	0	8%
OBU (Ukraine)	35	9	-3	-7%/-1%[2]	0	5%
OBH (Croatia)	64	19	1 / 32	3%[1]/102% (3)	-1	-6%
OBS (Slovakia)	17	4	0	-2%	0	1%
OBR (Romania)	27	6	0	2%	-1	-14%
CKB (Montenegro)	10	3	0	-3%	1	36%
OBSrb (Serbia)	10	4	1 / 2	7%[1]/30%	2	4%[1]/89% (4)
Others	41	13	9	29%	3	33% (5)

1. At OTP Core to the strong net fee income growth was the major source of the annual total income growth.
2. In Russia the y-o-y dynamics were boosted by the stronger RUB: in HUF terms the y-o-y growth was 6%. Within that the net fees gave bulk of the growth. In 4Q the quarterly increase was due to the higher net fee income.
3. Splitska delivered HUF 31 billion out of the total HUF 32 billion growth in Croatia.
4. The 1 month contribution of Vojvodjanska banka represented HUF 1.8 billion.
5. The q-o-q increase was reasoned by the lump-sum performance-related success fees at OTP Fund Management (Hungary).

[1] Changes without acquisitions (as for the 2017 y-o-y changes, both Splitska and Vojvodjanska are filtered out; as for the 4Q 2017 q-o-q changes, Vojvodjanska is filtered out).
[2] Changes in local currency.

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The annual net interest income benefited from the Splitska acquisition, but stronger Russian contribution played a role, too. In 4Q 2017 one-off items influenced the NII path at the Core and Romanian division

Effect of acquisitions

NET INTEREST INCOME	2017 (HUF billion)	4Q 2017 (HUF billion)	2017 Y-o-Y (HUF billion, %)		4Q 2017 Q-o-Q (HUF billion, %)	
OTP Group	547	141	2 / 25	0.4%[1]/5%	2 / 3	2%[1]/3%
OTP CORE (Hungary)	234	60	-2	-1%	2	4%
DSK (Bulgaria)	72	18	-12	-14%	0	0%
OBRU (Russia)	101	24	10	10%/-1%[2]	1	3%
Touch Bank (Russia)	2	1	2	n/a	0	10%
OBU (Ukraine)	23	6	-3	-13%/-7%[2]	0	3%
OBH (Croatia)	44	14	1 / 22	4%[1]/94%	0	1%
OBS (Slovakia)	13	3	-1	-6%	0	0%
OBR (Romania)	20	4	-1	-3%	-2	-32%
CKB (Montenegro)	7	2	0	-6%	0	3%
OBSrb (Serbia)	7	3	0 / 1	7%[1]/25%	0 / 1	10%[1]/80%
Merkantil (Hungary)	13	3	-4	-26%	0	-7%
Corporate Centre	3	1	7		0	42%
Others and eliminations	7	2	6		1	

1. The annual NII of OTP Core remained basically stable as a joint effect of strong loan growth and declining margins. In 4Q the q-o-q increase was explained by: 1) one-off items booked in 4Q 2017 in connection with agent fees related to purchase loan disbursements added HUF 1.3 billion to the NII line; 2) a reclassification in 3Q played a role, too (+HUF 0.5 bn).
2. The ongoing refinancing and repricing of household loans was a drag on interest income.
3. The Russian NII marginally declined y-o-y in RUB terms, because a methodological change reduced NII by HUF 3 billion in 2017. Strong performing volume growth could offset eroding NIM.
4. Splitska added HUF 21 billion.
5. In 4Q 2017 there were certain accounting corrections influencing, amoung others, the NII line.
6. Vojvodjanska added HUF 1.1 bn.
7. Maturity of a senior bond and coupon step-down of the perpetual bond reduced interest expenses.

[1] Changes without acquisitions (as for the 2017 y-o-y changes, both Splitska and Vojvodjanska are filtered out; as for the 4Q 2017 q-o-q changes, Vojvodjanska is filtered out).
[2] Changes in local currency.

Consolidated performing loans increased by one-quarter over the last 12 months (+6% q-o-q), fuelled also by acquisitions; the organic growth surpassed 10% in 2017, of which 3% materialized in the last quarter. At OTP Core mortgages turned into growth mode. In Russia the q-o-q loan growth reached 12% due to the seasonally strong sales activity

DPD0-90 volumes

Q-o-Q loan volume changes in 4Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Montenegro)
Total	6% / 3%[2]	1%	2%	12%	6%	1%	1%	1%	1%	234% / 2%[2]	11%
Consumer	8% / 4%[2]	3%	0%	12%	6%	23%	1%	1%	-1%	261% / 8%[2]	0%
Mortgage	3% / 1%[2]	1%	2%	-10%		-7%	0%	2%	1%	359% / 5%[2]	-1%
Corporate[1]	6% / 2%[2]	1%	5%	18%		-2%	2%	1%	1%	195% / -1%[2]	31%

Y-o-Y loan volume changes in 4Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Montenegro)
Total	25% / 10%[3]	11%	7%	22%	665%	11%	10%	153% / 6%[4]	1%	281% / 17%[2]	16%
Consumer	32% / 14%[3]	25%	2%	19%	665%	43%	22%	135% / 6%[4]	-2%	315% / 24%[2]	5%
Mortgage	10% / 2%[3]	2%	7%	-18%		-20%	2%	93% / 7%[4]	7%	419% / 19%[2]	8%
Corporate[1]	34% / 14%[3]	18%	13%	62%		9%	16%	208% / 6%[4]	-5%	235% / 13%[2]	29%

[1] Loans to MSE and MLE clients and local governments
[2] Without the effect of Vojvodjanska banka acquisition
[3] Without the effect of Splitska banka and Vojvodjanska banka acquisitions
[4] Without the effect of Splitska banka acquisition

Retail loan disbursement showed strong dynamics in 2017 at OTP Core and almost all foreign subsidiaries

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

	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Montenegro)
Mortgage loan	30%	50%			69%	22%	-24%	36%	34%
Cash loan*	266%	13%	24%	49%	47%	129%	-9%	27%	-5%

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

The consolidated deposit base increased altogether by 21% y-o-y, the 8% organic growth (without Splitska and Vojvodjanska) was driven by steady inflows in Hungary, but Russia, Ukraine and Serbia performed well, too

Q-o-Q deposit volume changes in 4Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Montenegro)
Total	6% / 4%[2]	5%	0%	9%	21%	16%	2%	0%	0%	314% / 11%[2]	-2%
Retail	6% / 3%[2]	3%	5%	8%	21%	5%	3%	0%	0%	405% / 0%[2]	3%
Corporate[1]	7% / 5%[2]	7%	-14%	12%		23%	1%	1%	0%	230% / 20%[2]	-9%

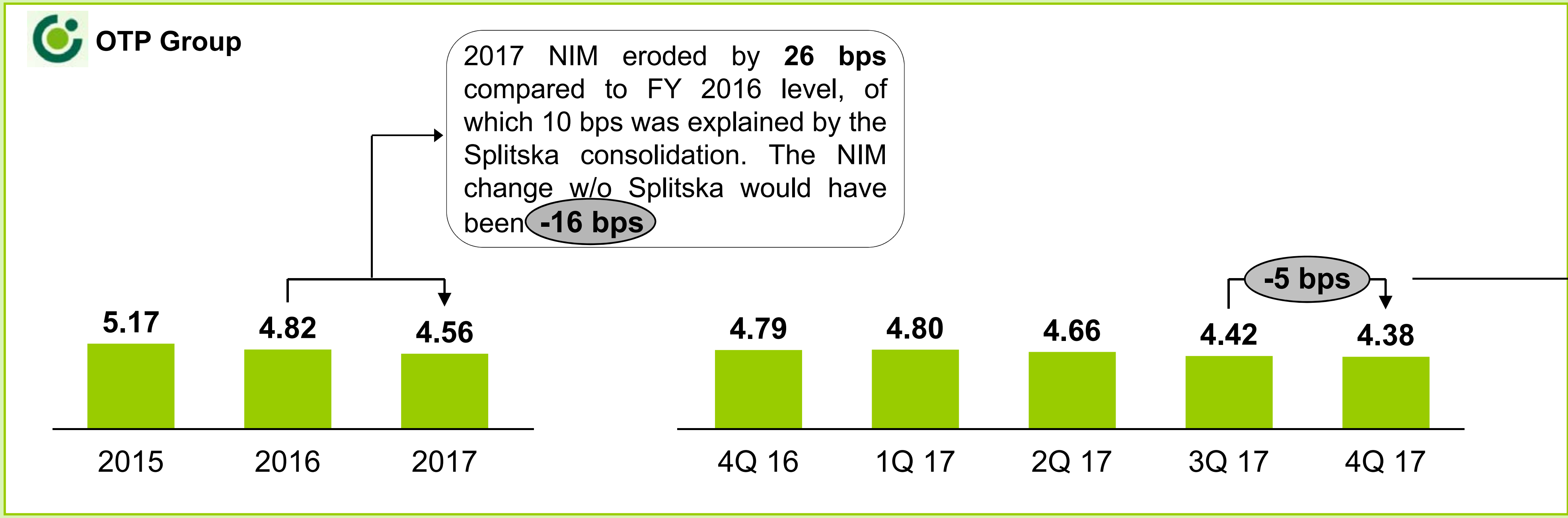
Y-o-Y deposit volume changes in 4Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Montenegro)
Total	21% / 8%[2]	10%	6%	9%	37%	18%	3%	174% / 7%[2]	-6%	340% / 18%[2]	3%
Retail	20% / 7%[2]	9%	9%	7%	37%	1%	1%	117% / 3%[2]	-8%	428% / 5%[2]	4%
Corporate[1]	24% / 10%[2]	12%	-6%	16%		32%	4%	449% / 30%[2]	-2%	256% / 30%[2]	2%

[1] Including SME, LME and municipality deposits
[2] Without the Splitska-effect in Croatia and without the Vojvodjanska banka acquisition in Serbia.

The consolidated net interest margin eroded by 26 bps compared to the full-year 2016 level, of which around 10 bps can be attributed to the dilution effect of Splitska banka. In 4Q 2017 the NIM contraction decelerated

Net interest margin (%)



Interest rate effects: **-11 bps**

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

o/w		
	OTP Romania	**-6 bps**
	OTP Russia	**-3 bps**
	DSK	**-2 bps**

Composition effects: **+3 bps**

Capturing the weight changes within the Group in LCY terms.

o/w		
	Vojvodjanska	**+3 bps**
	OTP Russia	**+1 bp**

FX rate changes: **+3 bps**

Bulk of this was related to Russia: the appreciating average RUB rate improved the consolidated NIM through the higher share of the high-margin Russian business. Other FX rate changes didn't have material impact.

At OTP Core the q-o-q widening of net interest margin can be explained by technical factors. Croatia and Ukraine remained broadly stable q-o-q. In 4Q the Romanian margin drop was driven by a one-off accounting correction. The Russian margin diminished over the last quarter due lower interest rates on loans

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

	2015	2016	2017	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17
OTP Core Hungary	3.72	3.48	3.22	3.49	3.31	3.27	3.14	3.16
DSK Bank Bulgaria	5.47	4.60	3.85	4.39	3.92	3.91	3.86	3.72
OTP Bank Russia	15.72	17.81	16.91	18.29	17.99	17.60	16.43	15.65
OTP Bank Croatia	3.15	3.54	3.27	3.61	3.75	3.67	3.06	3.02
OTP Bank Romania	3.63	3.40	3.27	3.54	3.67	3.65	3.47	2.34
OTP Bank Ukraine	8.33	9.02	7.46	7.63	7.74	6.73	7.66	7.72

OTP Core Hungary: The quarterly headline NIM increase was due to one-off items positively affecting the q-o-q net interest income dynamics. Without one-offs the 4Q 2017 NIM would have been 3.09%. The underlying decline was partially induced by the q-o-q lower average BUBOR rates.

DSK Bank Bulgaria: DSK's q-o-q NIM trajectory was partly driven by the continuing repricing and refinancing of retail loans, and the diluting effect of the q-o-q further increasing average total aset base.

OTP Bank Russia: In Russia the annual NIM contraction was explained by a methodology change[1] and the by the gross accounting of intra-group funding transactions (diluting NIMs due to higher total assets).
The q-o-q NIM decline was reasoned by the lower interest rate (APR) on loans, while the average deposit interest rates hardly decreased.

OTP Bank Croatia: The NIM remained basically flat q-o-q.
The annual net interest margin of the Croatian operation declined by 27 bps, predominantly attributable to the dilution effect of the lower margin at Splitska banka.

OTP Bank Romania: The significant quarterly drop was driven by a large one-off item relating to accounting corrections: in 4Q 2017 a negative one-off of HUF 2.0 billion appeared on the net interest income line.

OTP Bank Ukraine: The NIM remained basically flat q-o-q.
The annual NIM decline was mainly driven by a methodology change concerning the accounting of interest income on impaired exposures starting from July and August 2016, reducing interest revenues.

[1] From the beginning of 2017 discounts paid to retail agents related to product sale and certain agent bonuses previously treated as fee expense are now capitalised and treated as part of the amortised cost of the loans, thus these expenses will amortise through interest payment on loans during their lifetime. In 2017 this had around HUF 3 billion negative effect on NII.

The annual net fee income showed decent growth, fuelled by OTP Core, Russia and Croatia.The quarterly increase was induced by the seasonality at Fund Management, the decline at OTP Core was technical

Effect of acquisitions

NET FEE INCOME	2017 (HUF billion)	4Q 2017 (HUF billion)	2017 Y-o-Y (HUF billion, %)		4Q 2017 Q-o-Q (HUF billion, %)	
OTP Group	209	58	26 33	15%[1]/19%	4.6 5.0	9%
OTP CORE (Hungary)	109	26	9	9%	-2.5	-9%
DSK (Bulgaria)	28	7	2	6%	0.2	3%
OBRU (Russia)	23	6	9	63%/47%[2]	0.9	17%
Touch Bank (Russia)	0	0	1		0.0	-11%
OBU (Ukraine)	10	3	1	11%/19%[2]	0.2	8%
OBH (Croatia)	13	4	0 7	2%[1]/136%	-0.3	-7%
OBS (Slovakia)	4	1	0	11%	0.0	3%
OBR (Romania)	3	1	0	-5%	0.0	-1%
CKB (Montenegro)	3	1	1	27%	0.6	84%
OBSrb (Serbia)	2	1	0 1	13%[1]/38%	0.1 0.5	18%[1]/107%
Fund mgmt. (Hungary)	12	7	2	15%	5.3	323%

1 Az OTP Core the annual growth was broad-based, mainly due to stronger card-related fee income. As for the q-o-q decline, the total annual amount (HUF 1.9 bn) of credit card refunds was booked in lump-sum in 4Q, similar to 2016. HUF 0.5 bn drop is explained by a base effect (reclassification between NII and net fees in 3Q).

2 The strong annual growth of 47% in RUB terms was due to higher insurance fee income on cash loans with insurance policies and other loans expanding fast. Fee expenses dropped due to methodology change (around -HUF 3 bn y-o-y). 4Q q-o-q growth was due to loan volume expansion, and also q-o-q lower commissions paid to POS agents.

3 Splitska delivered HUF 7 billion.

4 Effective from 4Q 2017 the contribution paid into the deposit insurance scheme booked earlier within net fees was shifted to the operating cost line in a lump sum for the whole year (HUF 0.7 bn).

5 Vojvodjanska added HUF 0.4 bn.

6 Success fees were booked in 4Q.

[1] Changes without acquisitions (as for the 2017 y-o-y changes, both Splitska and Vojvodjanska are filtered out; as for the 4Q 2017 q-o-q changes, Vojvodjanska is filtered out).
[2] Changes in local currency.

The annual other net non-interest income rose by HUF 10 billion, driven by several larger items

Effect of acquisitions

OTHER INCOME without one-off items	2017 (HUF billion)	4Q 2017 (HUF billion)	2017 Y-o-Y (HUF billion)	2017 Y-o-Y (%)	4Q 2017 Q-o-Q (HUF billion)	4Q 2017 Q-o-Q (%)
OTP Group	49	10	6 10	17%[1]/27%	-2	-22%[1]/-20%
OTP CORE (Hungary)	22	5	4	19%	1	20%
DSK (Bulgaria)	8	2	6	240%	-1	-22%
OBRU (Russia)	1	0	1		0	-7%
Touch Bank (Russia)	0	0	0	79%	0	12%
OBU (Ukraine)	2	0	0	-13%/-7%[2]	0	6%
OBH (Croatia)	7	2	0 3	4%[1]/103%	-1	-36%
OBS (Slovakia)	0	0	0	29%	0	26%
OBR (Romania)	4	2	1	39%	1	93%
CKB (Montenegro)	0	0	-1		0	-76%
OBSrb (Serbia)	1	0	0 0	-14%[1]/88%	0 0	-148%[1]/152%
Others	4	-1	-4	-51%	-3	-177%

1. The annual other income of OTP core grew HUF 3.5 bn: 1) higher interest revenues realized on trading securities: +HUF 1.8 bn, 2) other income (not eliminated at Core level) of companies included into Core from 2017 added HUF 1.0 bn. In 4Q the q-o-q change was triggered by the higher interest income on trading securities (+HUF 0.7 bn).

2. At DSK revaluation gains on derivatives and securities, and a methodology change resulted in HUF 3.7 bn increase; higher treasury income +HUF +0.8 bn. Interest claims related to off-balance sheet items of the Bulgarian factoring company have been revised (+HUF 1.1 billion).

3. Splitska delivered HUF 3.3 billion. The q-o-q drop was seasonal.

4. Out of the annual drop of HUF 4 billion, Other Hungarian subsidiaries accounted for HUF 1 billion (some of these entities were included into OTP Core from 2017). Sale and write-off of certain other assets also explained part of the decline.

[1] Changes without acquisitions (as for the 2017 y-o-y changes, both Splitska and Vojvodjanska are filtered out; as for the 4Q 2017 q-o-q changes, Vojvodjanska is filtered out).
[2] Change in local currency.

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Operating costs grew by 10% in 2017, whereas without Splitska and Vojvodjanska the increase was 4.6% on an FX-adjusted basis

Effect of acquisitions

OPERATING COSTS – 2017 (HUF billion)		Y-o-Y (HUF bn)	Y-o-Y (%)	Y-o-Y (FX-adj., HUF bn)	Y-o-Y (FX-adj., %)
OTP Group	442	23 / 41	5.7%[1] / 10.3%	19 / 37	**4.6%[1]** / 9.3%
OTP CORE (Hungary)	215	4	2%	4	2%
DSK (Bulgaria)	47	4	10%	5	11% (1)
OBRU (Russia)	53	9	20%	4	8% (2)
Touch Bank (Russia)	9	2	32%	1	19%
OBU (Ukraine)	16	1	4%	2	12% (3)
OBH (Croatia)	35	0 / 17	2%[1] / 95%	0 / 17	2%[1] / 94% (4)
OBS (Slovakia)	11	0	-2%	0	-2%
OBR (Romania)	18	0	-2%	0	1%
CKB (Montenegro)	8	1	8%	1	8%
OBSrb (Serbia)	9	0 / 2	3%[1] / 24%	0 / 2	2%[1] / 23% (5)
Merkantil (Hungary)	6	0	2%	0	2%

1. At DSK 2017 operating expenses increased by 11% y-o-y (FX-adjusted), the key reasons were the higher personnel costs, IT expenses, charges paid to supervisory authorities and advisory costs related to the business development project in the retail area.

2. In Russia 2017 operating expenses grew by 8% on an FX-adjusted basis, within that both personnel and administrative expenses increased by 10%. Latter was boosted by y-o-y more than doubling marketing spending and surging postal and telco expenses.

3. In Ukraine annual operating expenses grew by 12% y-o-y FX-adjusted amid 14.5% average inflation, fuelled mainly by higher personnel expenses and marketing costs.

4. Splitska banka added HUF 17 billion operating costs between May-December 2017.

5. Vojvodjanska added HUF 1.5 bn.

[1] Without the operating expenses of the newly consolidated entities due to the Splitska and Vojvodjanska transaction.

OTP Core

The annual profit of OTP Core grew by 38% amid moderating corporate tax burden. In 4Q 2017 both NII and net fee dynamics were influenced by one-off items, whereas costs and risk costs saw a seasonal increase

OTP CORE (in HUF billion)	2016	2017	Y-o-Y	4Q 16	3Q 17	4Q 17	Q-o-Q	Y-o-Y
Profit after tax	**122.2**	**168.6**	**38%**	**23.8**	**46.7**	**31.7**	**-32%**	**33%**
Corporate tax	-29.7	-17.0	-43% 1	-6.2	-3.8	-1.6	-57%	-73%
Before tax profit	**151.9**	**185.6**	**22%**	**30.0**	**50.5**	**33.3**	**-34%**	**11%**
Operating profit w/o one-off items	143.7	150.8	5%	32.5	36.4	33.0	-9%	2%
Total income w/o one-off items	354.7	365.6	3%	89.1	91.0	91.5	1%	3%
Net interest income	235.9	234.3	-1%	60.9	57.9	60.1	4% 2	-1%
Net fees and commissions	100.2	109.1	9%	25.3	28.8	26.2	-9% 3	4%
Other net non interest income without one-offs	18.6	22.2	19%	3.0	4.3	5.2	20%	75%
Operating costs	-211.0	-214.8	2%	-56.7	-54.6	-58.5	7%	3%
Total risk costs	6.1	30.8	404%	-2.6	13.1	0.2	-99%	
Total one-off items	2.1	3.9	89%	0.1	1.0	0.1	-89%	32%

1 Effective from 1 January 2017 the Hungarian corporate tax rate was reduced uniformly to 9%.

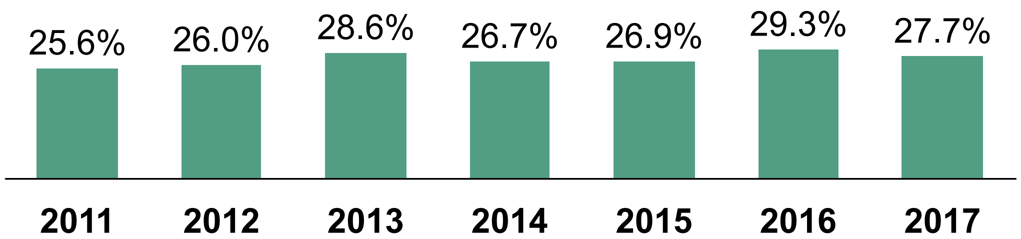
2 Despite the decline in net interest margin, the annual net interest income remained almost flat on the back of expanding loan volumes.
4Q net interest income rose by 4% or HUF 2.2 billion q-o-q. This can be partially explained by the continued expansion of performing loans, especially consumer loans. On the negative side, short-term reference rates kept further diminishing: the average 3M BUBOR declined from 99 bps in 2016 to 14 bps in 2017 (-85 bps), whereas its closing rate moved to 3 bps from 37 bps at the end of 2016 (-34 bps).
The quarterly NII dynamics were also shaped by one-off items and base effect, altogether accounting for HUF 1.7 billion NII increase q-o-q.

3 The annual net fee income growth was propelled by stronger card-related fee revenues induced by growing transactional turnover.
In 4Q 2017 net fee income improved by 4% y-o-y, but declined by 9% q-o-q (-HUF 2.5 billion). The total annual amount (HUF 1.9 billion) of credit card refunds was booked in lump-sum in 4Q, similar to the previous year. Furthermore, HUF 0.5 billion q-o-q drop is explained by a base effect (reclassification from NII to net fees in 3Q 2017).

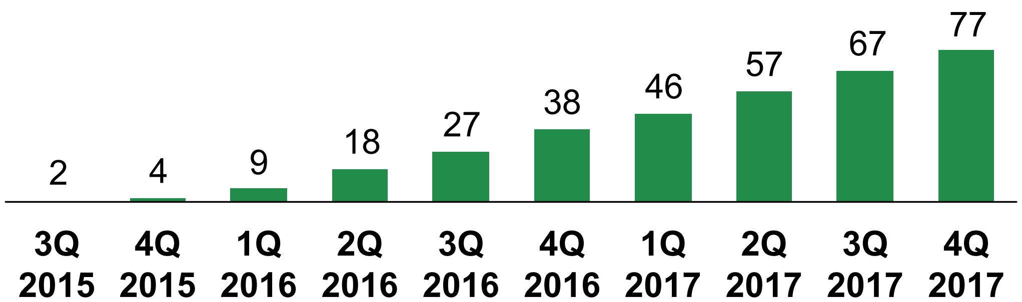
Mortgage loan applications and disbursements accelerated further in Hungary. OTP's market share remained strong in new mortgage and cash loan disbursements, as well as in retail savings

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

OTP's market share in mortgage loan contractual amounts

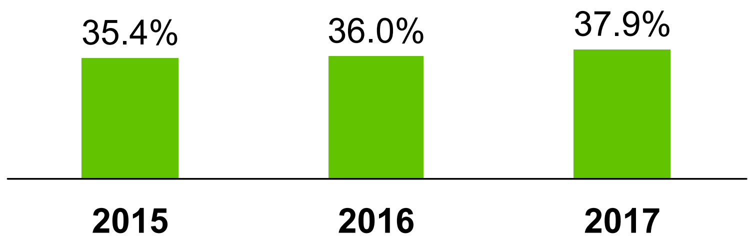


The cumulative amount of non-refundable CSOK subsidiaries contracted at OTP Bank since the launch of the programme (HUF billion)

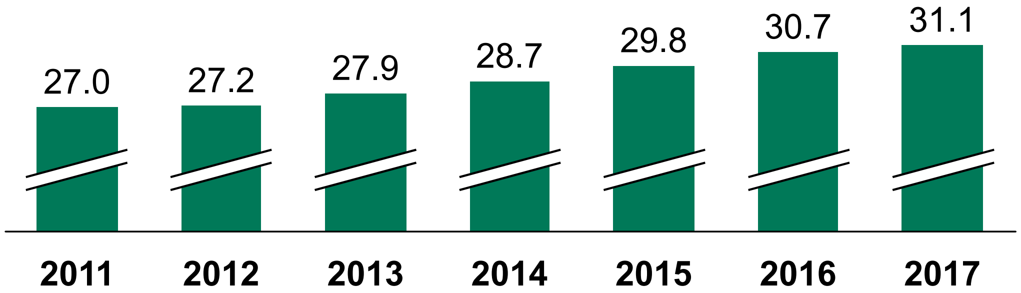


Performing cash loan volume growth in 2017 (FX-adjusted)

Market share in newly disbursed cash loans



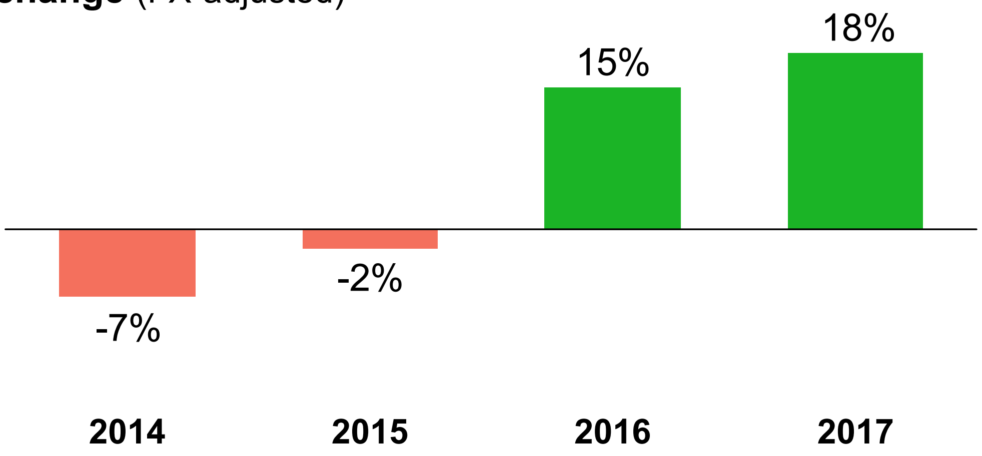
OTP Bank's market share in household savings (%)



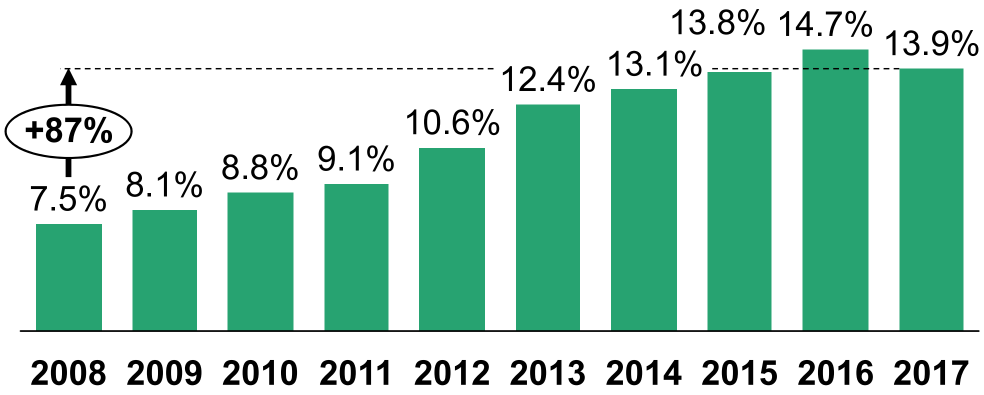
OTP CORE

Corporate business had another successful year in Hungary: both large and SME exposures posted double-digit expansion

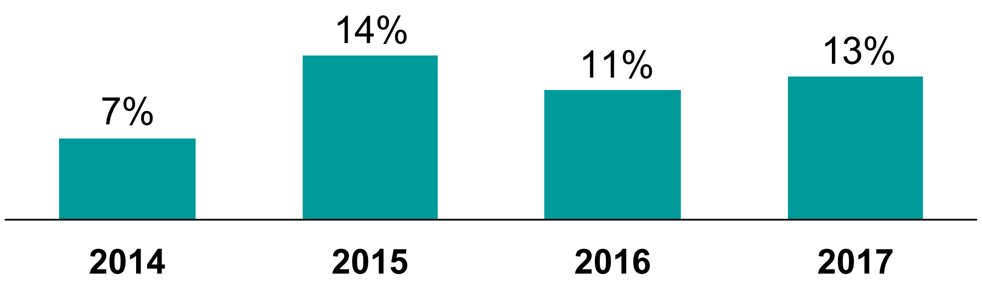
Performing medium and large corporate loan volume change (FX-adjusted)



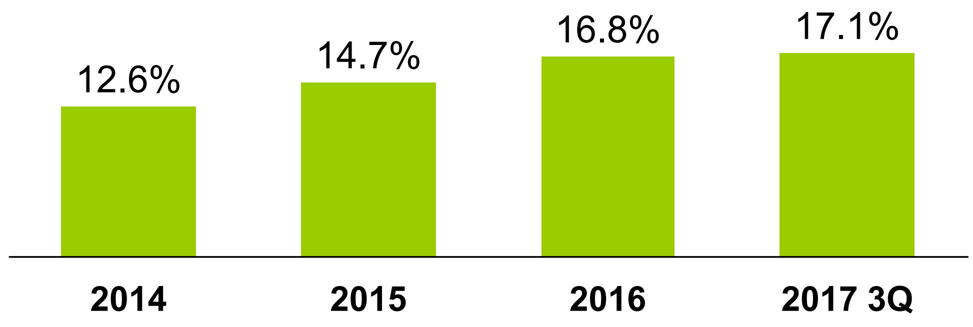
OTP Group's market share in loans to Hungarian companies[1]



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



OTP's market share in agricultural loans[2]



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

[2] Enterprises in the agriculture sector. Market share: OTP Bank's estimation.

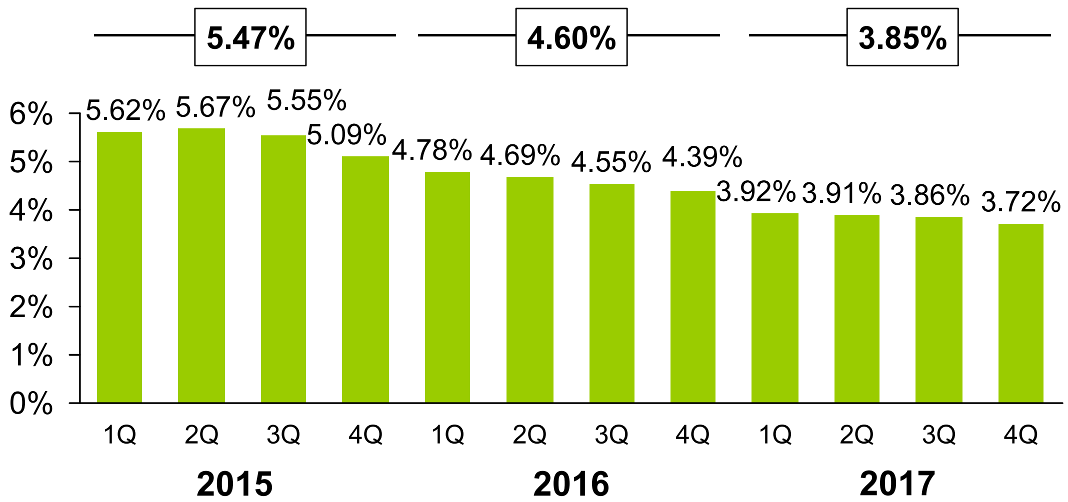
DSK Bank Bulgaria

DSK Bank retained its stable profitability (ROE: 20%). Favourable credit quality trends remained intact and NIM erosion moderated in 2017

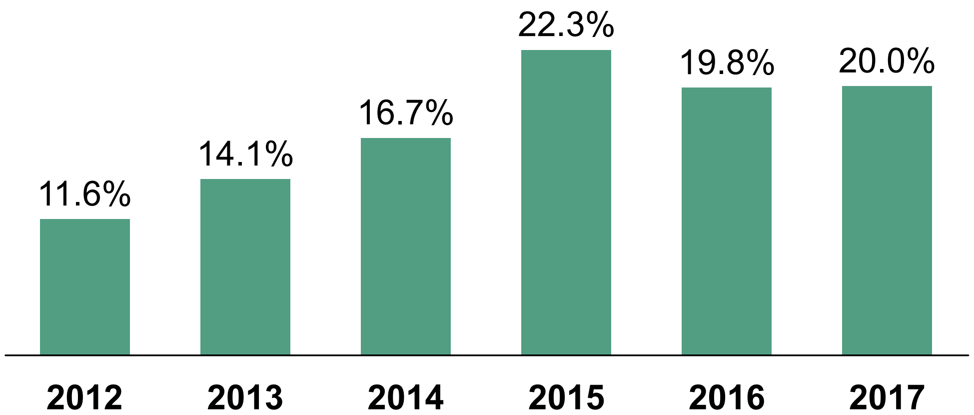
Income statement

(in HUF billion)	4Q 16	3Q 17	4Q 17	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**4.7**	**11.3**	**10.4**	**-8%**	**123%**
Profit before tax	5.1	12.5	11.3	-10%	123%
Operating profit	17.5	16.0	13.7	-14%	-21%
Total income	28.8	27.4	27.0	-1%	-6%
Net interest income	20.3	17.8	17.8	0%	-13%
Net fees and commissions	6.6	7.1	7.3	3%	11%
Other income	1.9	2.5	1.9	-22%	4%
Operating costs	-11.3	-11.4	-13.3	17%	18%
Total risk cost	-12.4	-3.5	-2.5	-30%	-80%

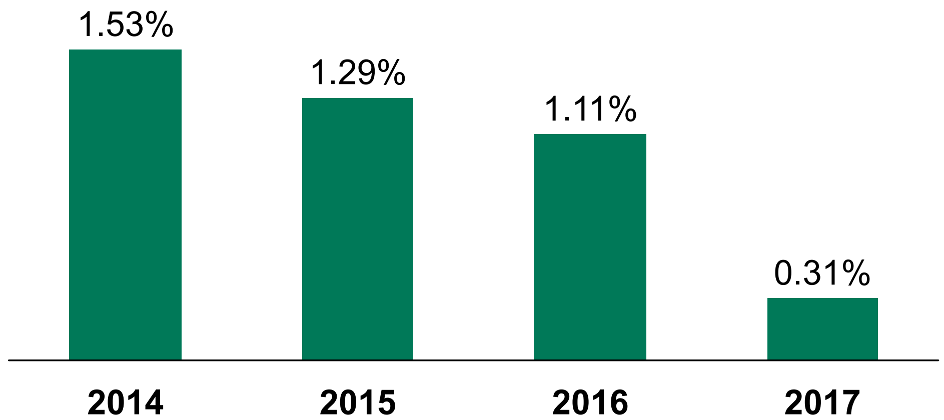
Net interest margin



Return on Equity



Risk cost rate



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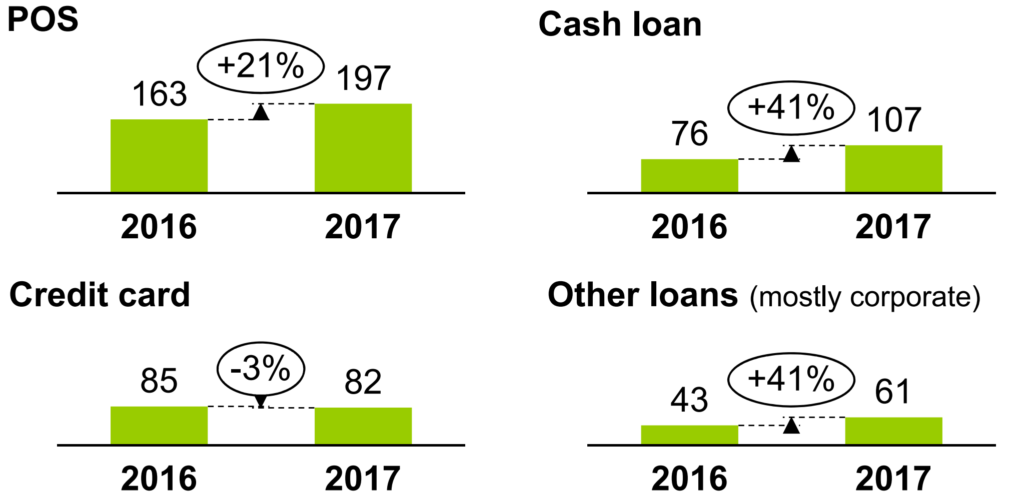
OTP Bank Russia

The Russian profit somewhat declined in 4Q, but the annual ROE reached 21%. FX-adjusted performing POS and cash loan volumes as well as corporate loans grew y-o-y due to strong disbursements

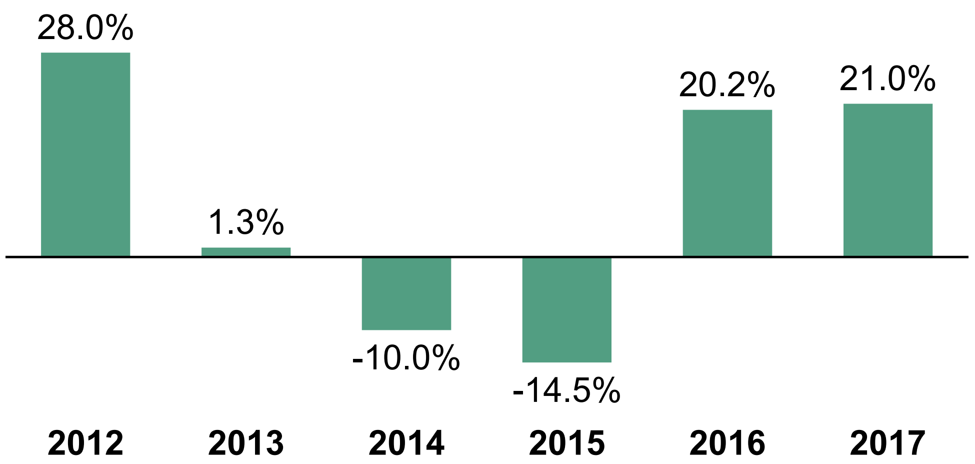
Income statement

(in HUF billion)	4Q 16	3Q 17	4Q 17	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**4.6**	**6.4**	**6.3**	**-1%**	**39%**
Profit before tax	6.6	8.1	8.0	-2%	22%
Operating profit	16.9	16.6	16.6	0%	-2%
Total income	29.8	29.2	30.7	5%	3%
Net interest income	25.4	23.7	24.4	3%	-4%
Net fees and commissions	3.9	5.2	6.0	17%	54%
Other income	0.4	0.3	0.3	-7%	-34%
Operating costs	-12.9	-12.6	-14.1	12%	9%
Total risk cost	-10.3	-8.5	-8.6	2%	-16%

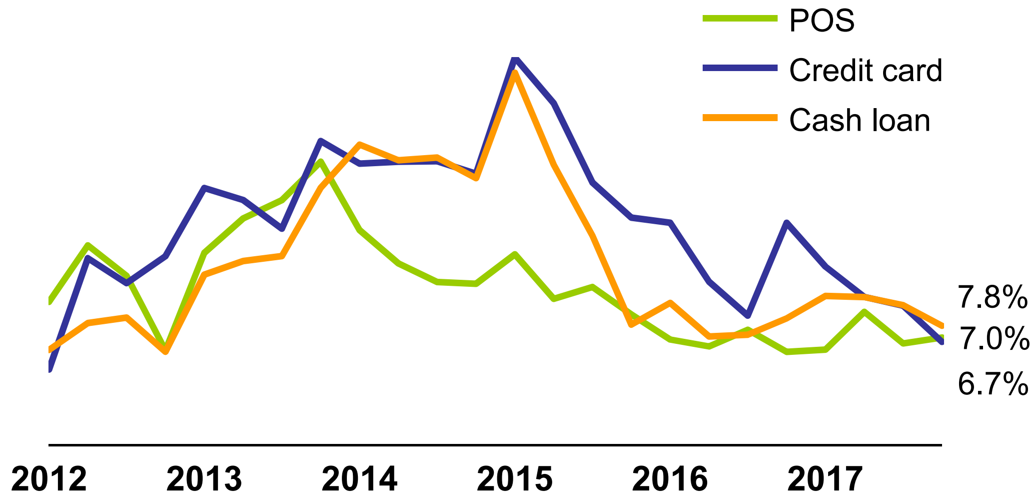
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity



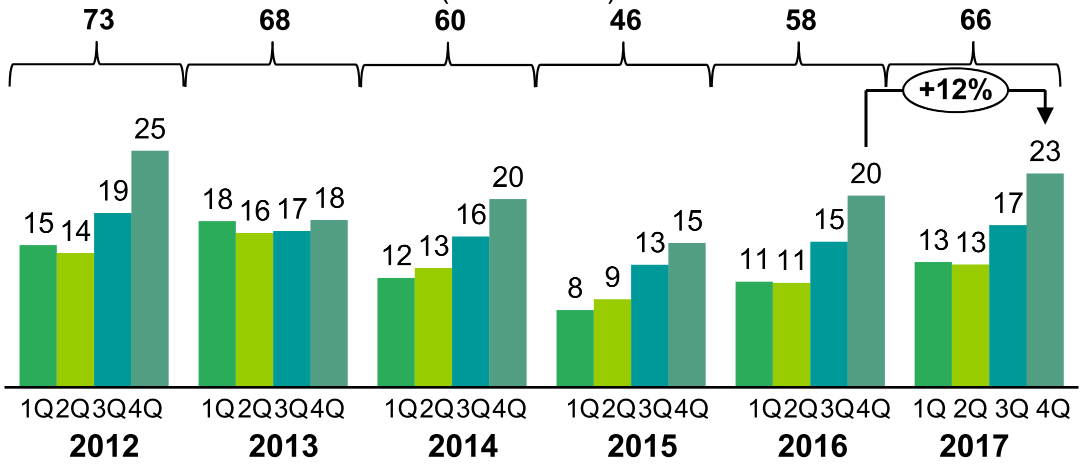
OTP Bank Russia - risk cost rates in different segments



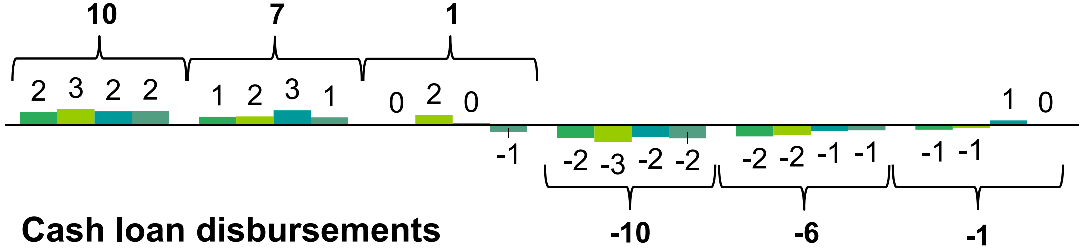
OTP Bank Russia

In 4Q POS and cash loan sales increased significantly, performing credit card volumes kept growing q-o-q. Deposits grew q-o-q in RUB terms. RUB denominated term deposit rates further declined in 4Q

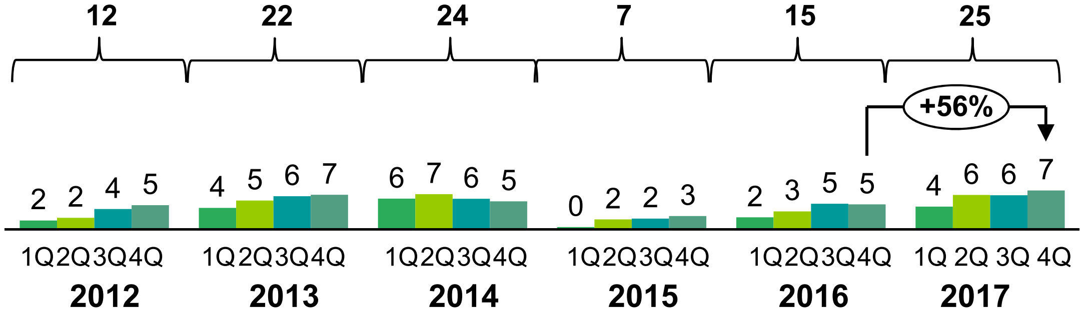
POS loan disbursements (RUB billion)



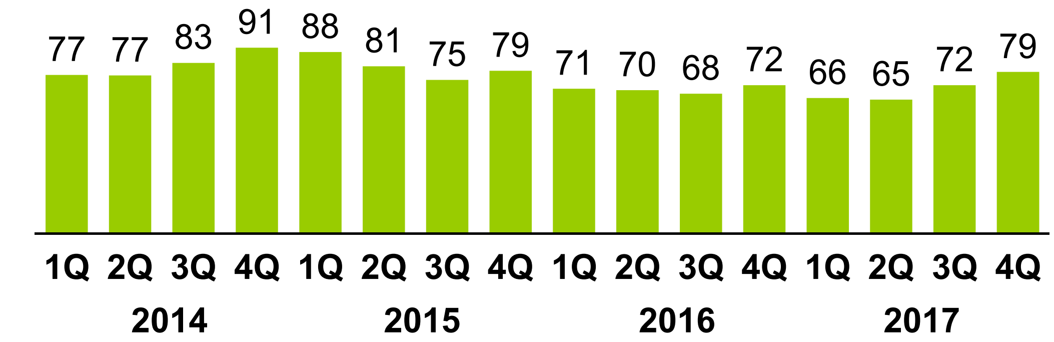
DPD0-90 credit card loan volume q-o-q changes (RUB billion)



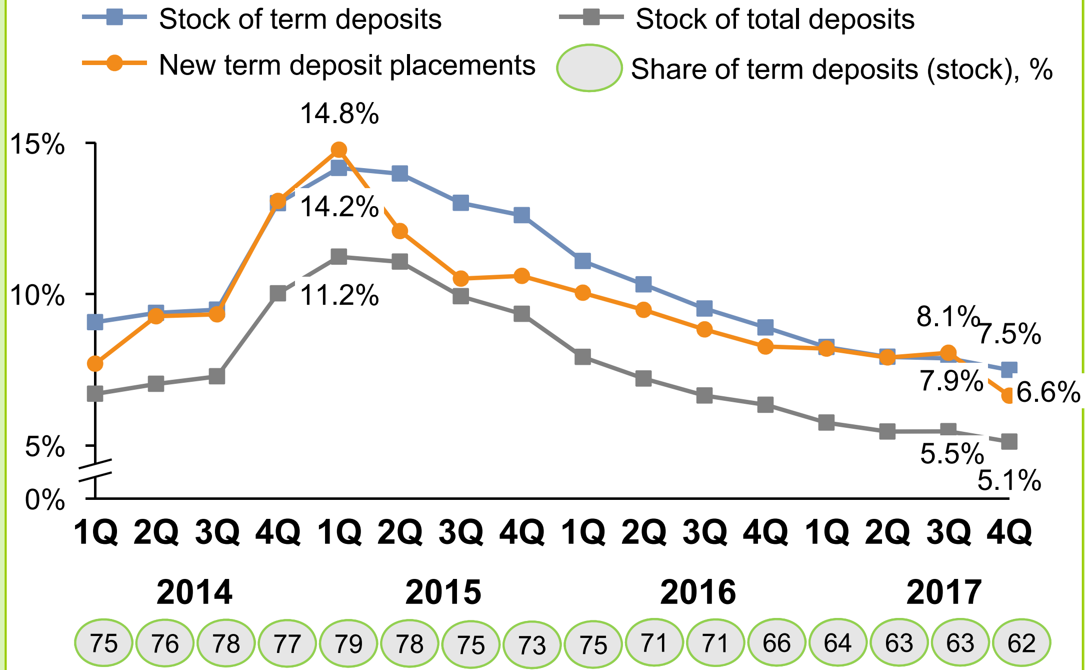
Cash loan disbursements
(RUB billion, including quick cash loans)



Development of customer deposits (RUB billion)



Average interest rates for RUB deposits



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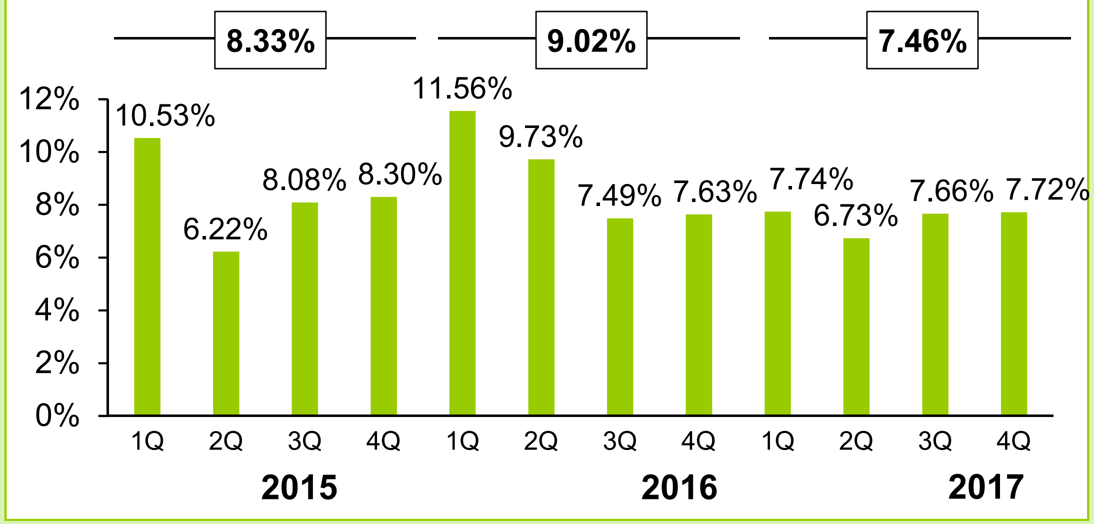
OTP Bank Ukraine

The Ukrainian profit improved q-o-q, the annual ROE (47.1%) was the highest among subsidiary banks of the Group. NIM remained broadly stable in 4Q. Performing loan volumes kept growing

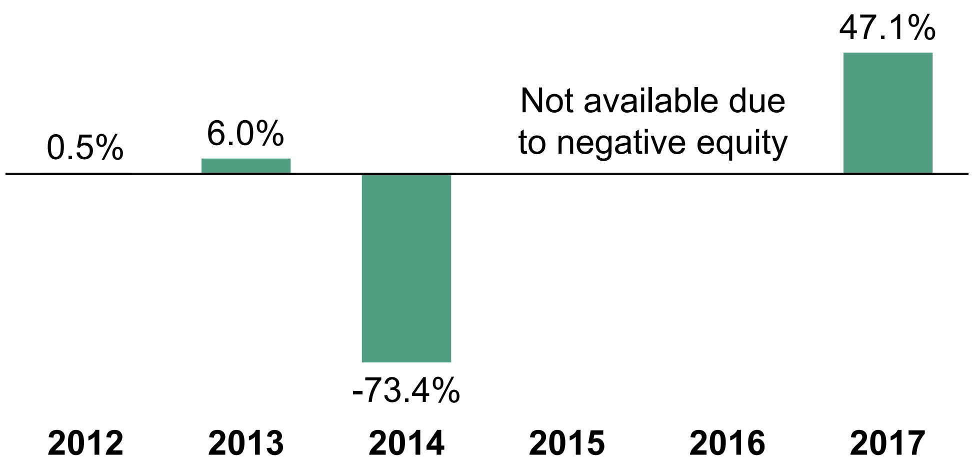
Income statement

(in HUF billion)	4Q 16	3Q 17	4Q 17	Q-o-Q	Y-o-Y
Profit after tax	**2.1**	**3.1**	**5.2**	**71%**	**154%**
Profit before tax	2.2	3.5	6.4	82%	197%
Operating profit	4.3	4.9	4.9	-1%	14%
Total income	8.8	8.7	9.1	5%	4%
Net interest income	5.9	5.9	6.1	3%	3%
Net fees and commissions	2.5	2.5	2.7	8%	9%
Other income	0.5	0.3	0.4	6%	-23%
Operating costs	-4.5	-3.8	-4.3	12%	-6%
Total risk cost	-2.1	-1.4	1.5		

Net interest margin

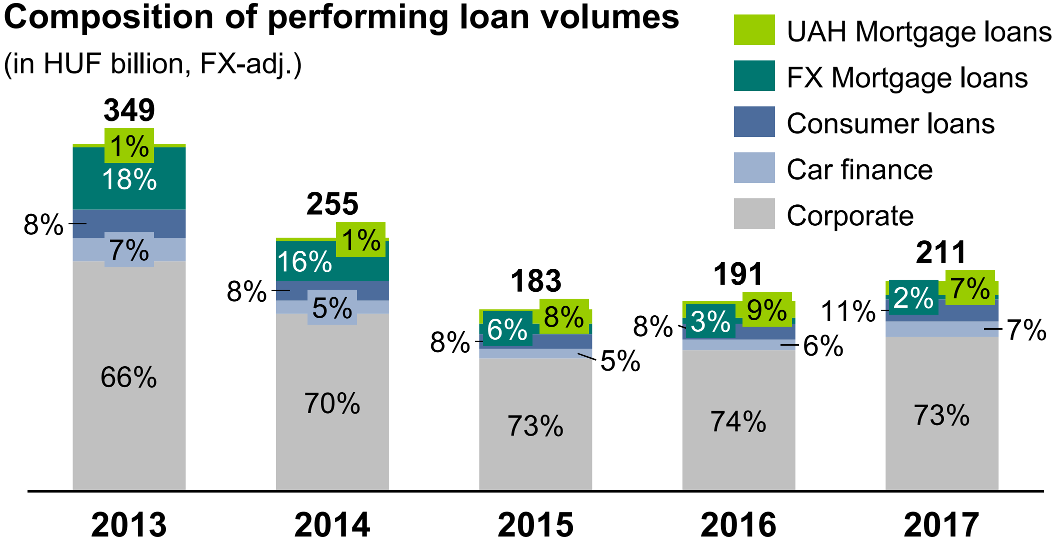


Return on Equity



Composition of performing loan volumes

(in HUF billion, FX-adj.)



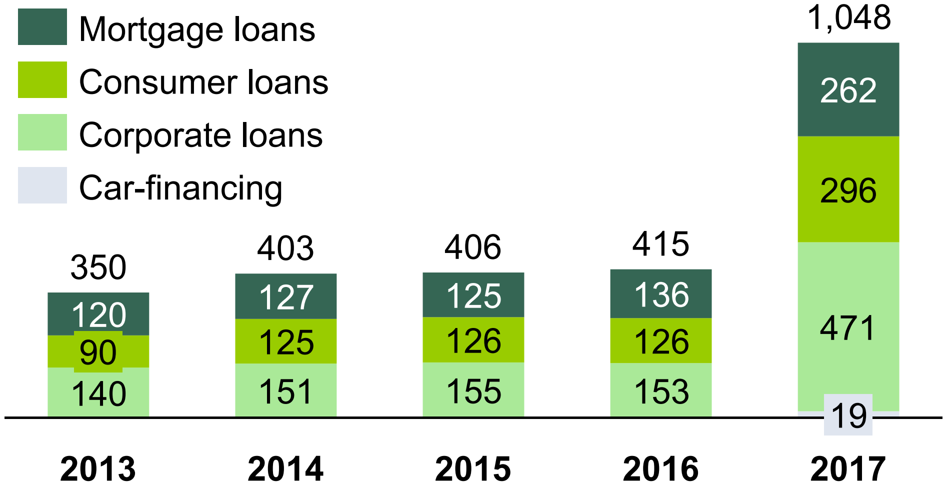
OBH (Croatia)

The 2017 performance of the Croatian operation was boosted by the consolidation of Splitska banka from May. The ROE was the highest in many years

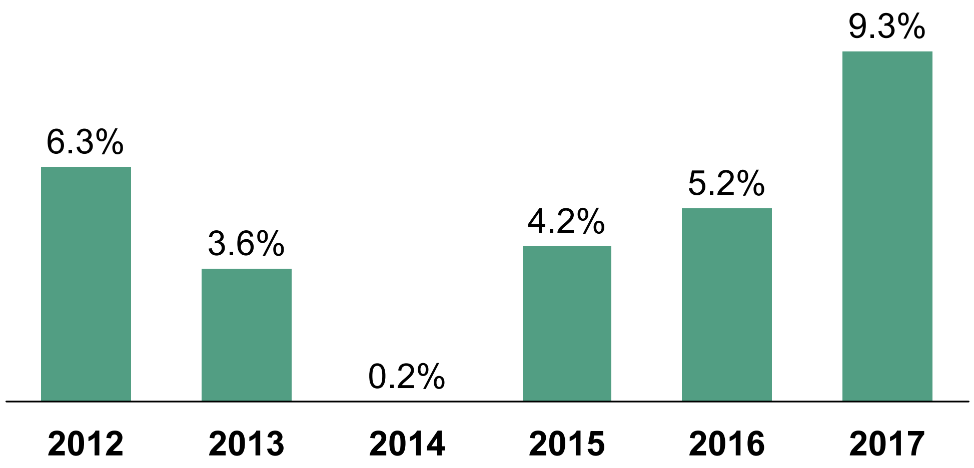
Income statement

(in HUF billion)	4Q 16	3Q 17	4Q 17	Q-o-Q	Y-o-Y
Profit after tax	**0.2**	**6.0**	**6.0**	**1%**	
Profit before tax	0.2	7.6	7.0	-8%	
Operating profit	3.6	9.6	8.7	-10%	142%
Total income	7.9	20.4	19.2	-6%	144%
Net interest income	5.9	13.4	13.5	1%	128%
Net fees and commissions	1.4	4.2	3.9	-7%	181%
Other income	0.6	2.8	1.8	-36%	221%
Operating costs	-4.3	-10.8	-10.5	-2%	146%
Total risk cost	-3.4	-2.0	-1.7	-15%	-50%

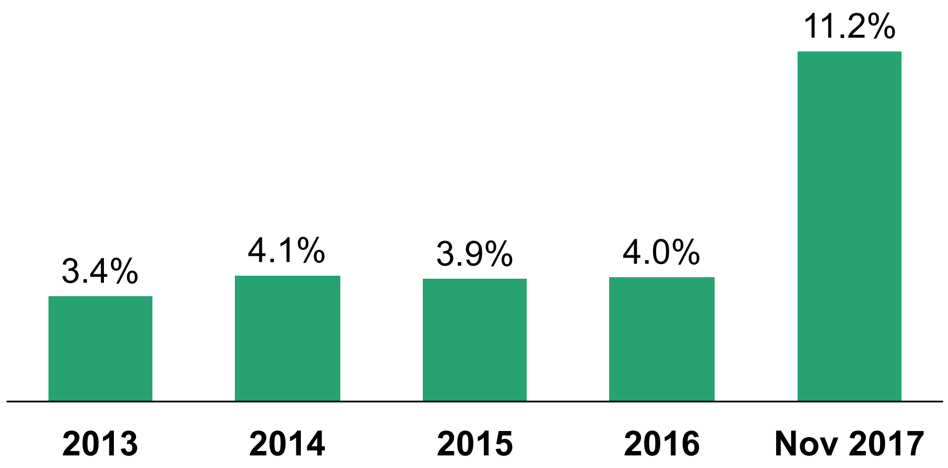
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



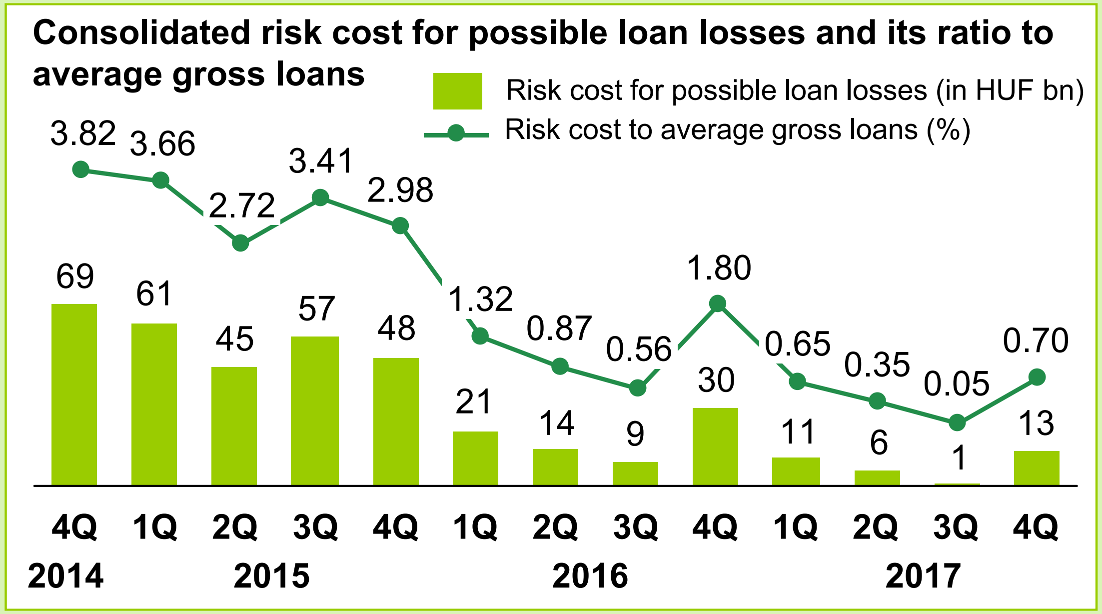
Return on Equity

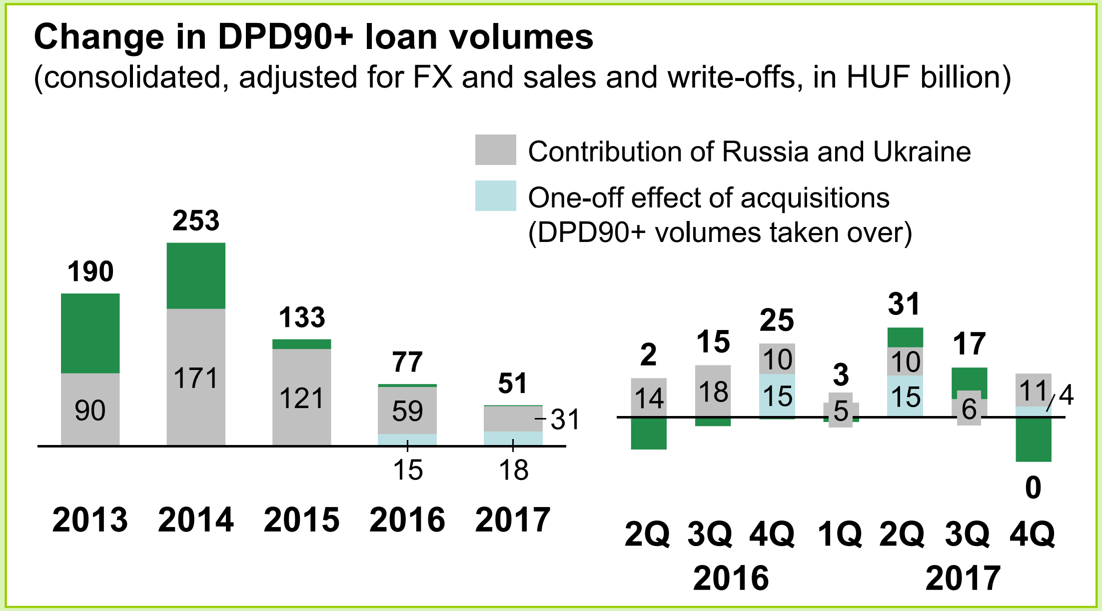


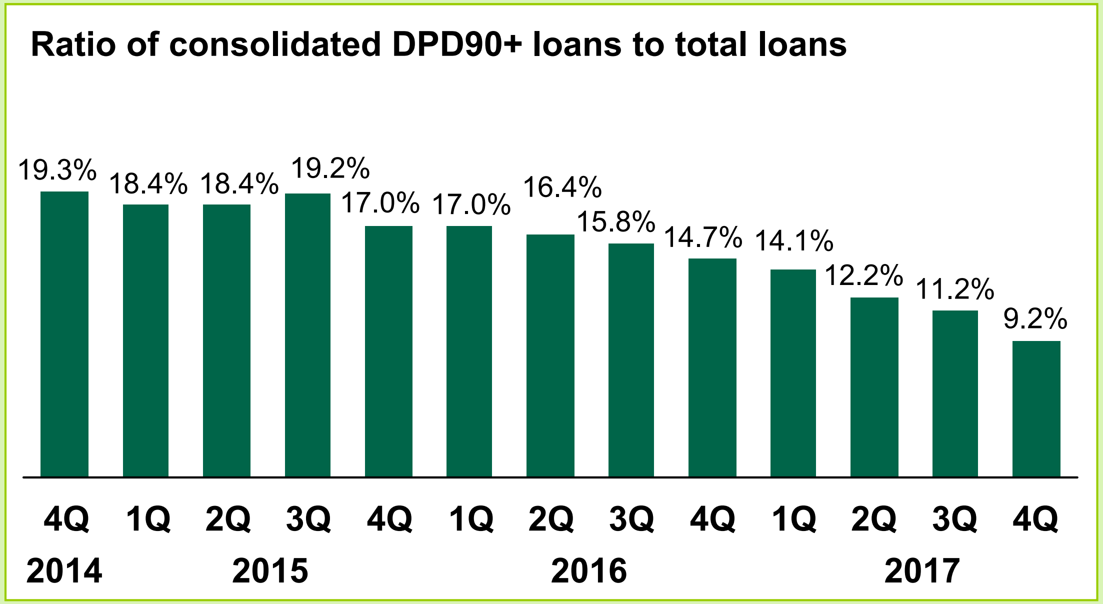
Market share by total assets (%)

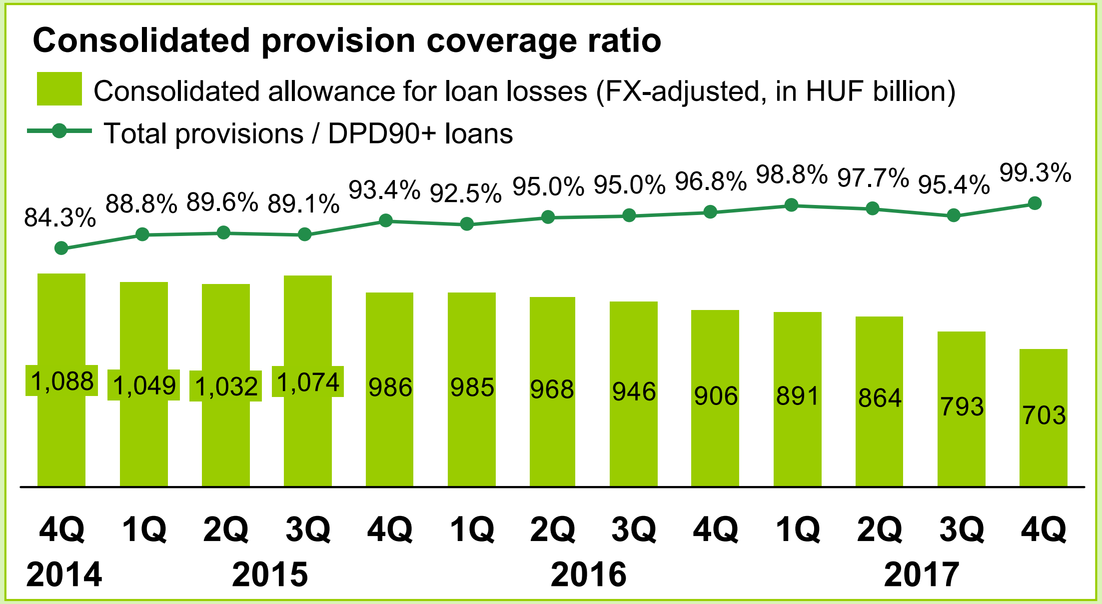


The decline of the consolidated DPD90+ ratio accelerated. The risk cost rate remained at close to multi-year lows despite the seasonal increase in 4Q



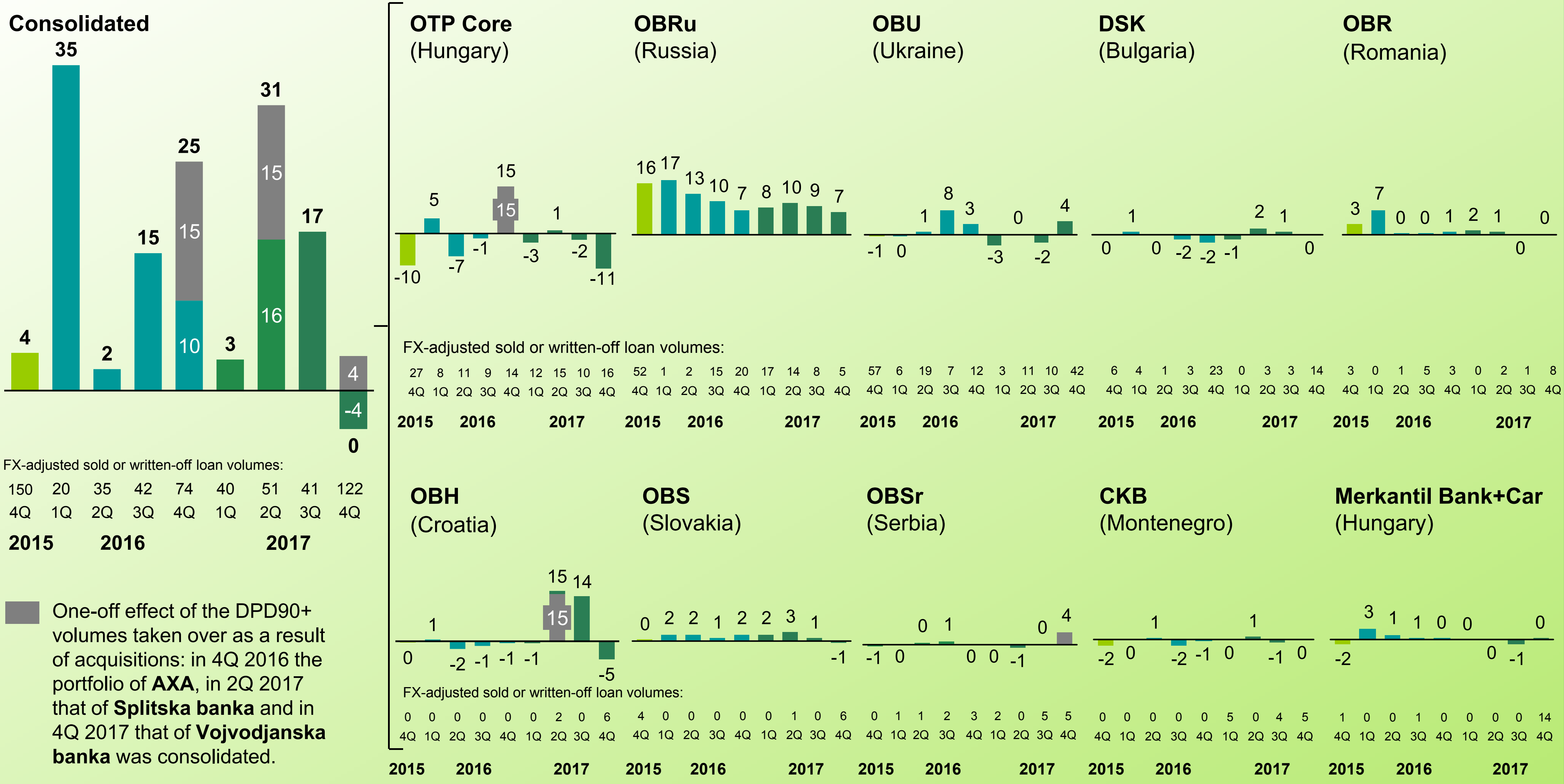




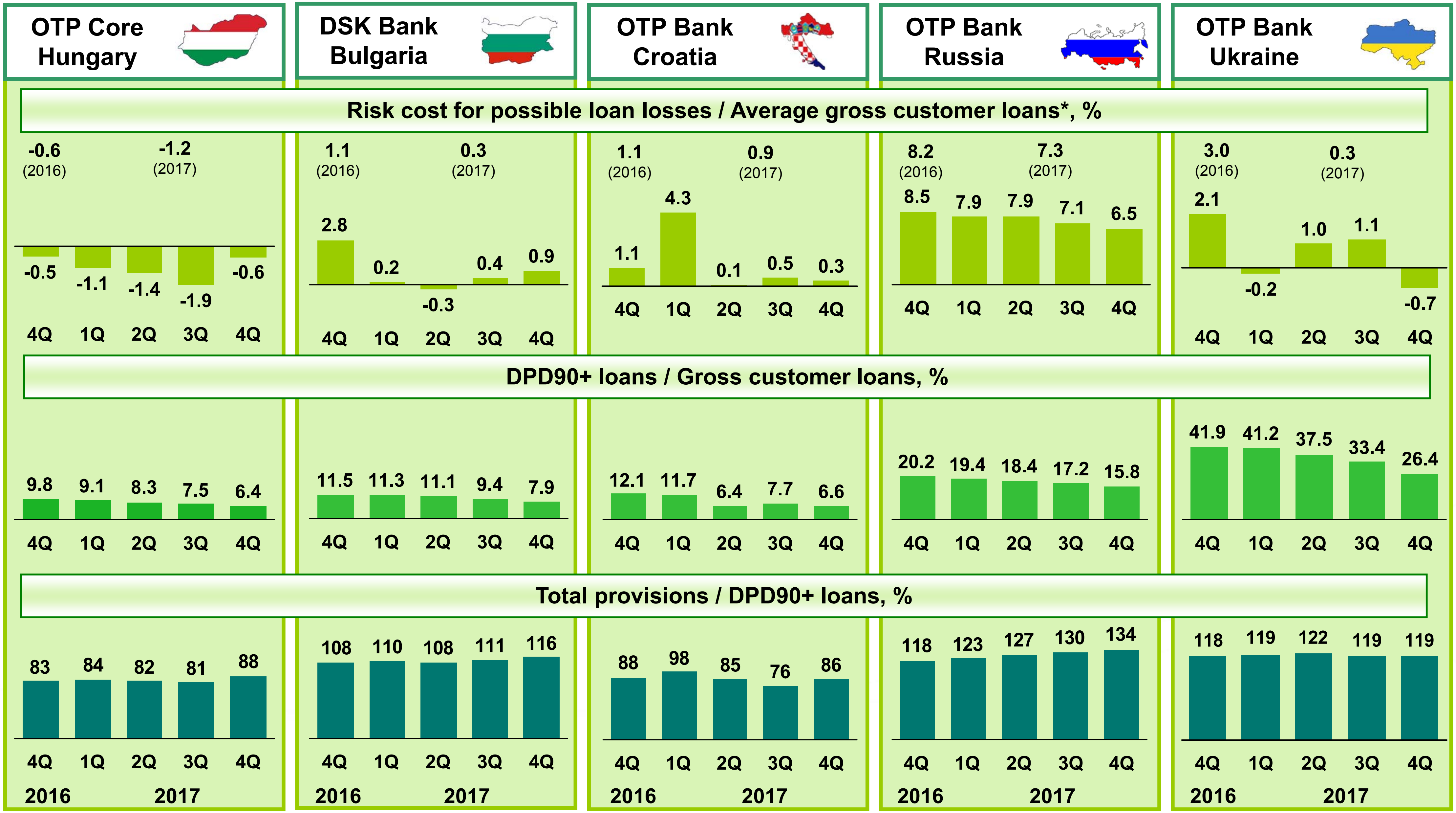


In 4Q 2017 the FX-adjusted DPD90+ formation was zero. OTP Core saw a significant decline. The Russian inflow was below the quarterly average of the last couple of years. In Serbia the increase was related to take-over of Vojvodjanska's portfolio

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



The DPD90+ ratios declined q-o-q in all key geographies. The annual risk cost rates improved compared to 2016. Provision coverage ratios stood at conservative levels



* Negative amount implies provision releases.

At the largest operations the DPD90+ ratios decreased q-o-q, supported mainly by DPD90+ portfolio sales and write-offs

DPD90+ ratio (%)

OTP Core (Hungary)	4Q16	1Q17	2Q17	3Q17	4Q17	Q-o-Q (pp)
Total	**9.8**	**9.1**	**8.3**	**7.5**	**6.4**	*-1.1*
Retail	11.3	10.9	10.3	9.7	8.9	*-0.8*
Mortgage	10.4	10.1	9.8	9.4	8.5	*-0.9*
Consumer	15.2	14.3	12.3	10.9	10.3	*-0.6*
MSE**	6.4	6.5	6.5	6.1	5.1	*-1.0*
Corporate	7.9	6.8	5.4	4.2	2.6	*-1.6*
Municipal	0.3	0.1	0.1	0.1	0.0	*0.0*

DPD90+ ratio (%)

DSK Bank (Bulgaria)	4Q16	1Q17	2Q17	3Q17	4Q17	Q-o-Q (pp)
Total	**11.5**	**11.3**	**11.1**	**9.4**	**7.9**	*-1.5*
Mortgage	16.7	16.5	15.9	13.5	9.9	*-3.6*
Consumer	7.7	8.2	8.4	7.0	7.2	*0.2*
MSE	17.2	17.5	15.9	13.4	9.3	*-4.2*
Corporate	9.6	8.7	8.6	7.4	6.7	*-0.7*

DPD90+ ratio (%)

OTP Bank Croatia	4Q16	1Q17	2Q17	3Q17	4Q17	Q-o-Q (pp)
Total	**12.1**	**11.7**	**6.4**	**7.7**	**6.6**	*-1.1*
Mortgage	8.4	8.2	5.3	5.1	4.9	*-0.2*
Consumer	12.6	12.4	6.8	7.1	6.6	*-0.5*
Corporate	19.2	18.8	10.5	15.0	11.3	*-3.8*
Car-finance	70.7	72.8	0.9	1.0	1.0	*0.0*

DPD90+ ratio (%)

OTP Bank Russia	4Q16	1Q17	2Q17	3Q17	4Q17	Q-o-Q (pp)
Total	**20.2**	**19.4**	**18.4**	**17.2**	**15.8**	*-1.5*
Mortgage	36.9	36.1	37.5	36.7	39.9	*3.2*
Consumer	19.9	19.1	18.3	17.1	15.8	*-1.3*
Credit card	30.8	30.5	29.4	27.8	27.6	*-0.2*
POS loan	11.1	11.7	12.5	11.8	10.4	*-1.4*
Cash loan	22.7	18.7	15.8	15.0	14.7	*-0.3*

DPD90+ ratio (%)

OTP Bank Ukraine	4Q16	1Q17	2Q17	3Q17	4Q17	Q-o-Q (pp)
Total	**41.9**	**41.2**	**37.5**	**33.4**	**26.4**	*-7.0*
Mortgage	72.6	73.2	72.6	73.6	71.1	*-2.5*
Consumer	34.6	31.8	32.5	29.7	20.2	*-9.5*
SME	87.3	87.6	87.8	88.0	81.8	*-6.2*
Corporate	18.6	17.6	13.4	5.9	4.2	*-1.7*
Car-finance	42.6	41.2	35.5	33.5	17.5	*-16.1*

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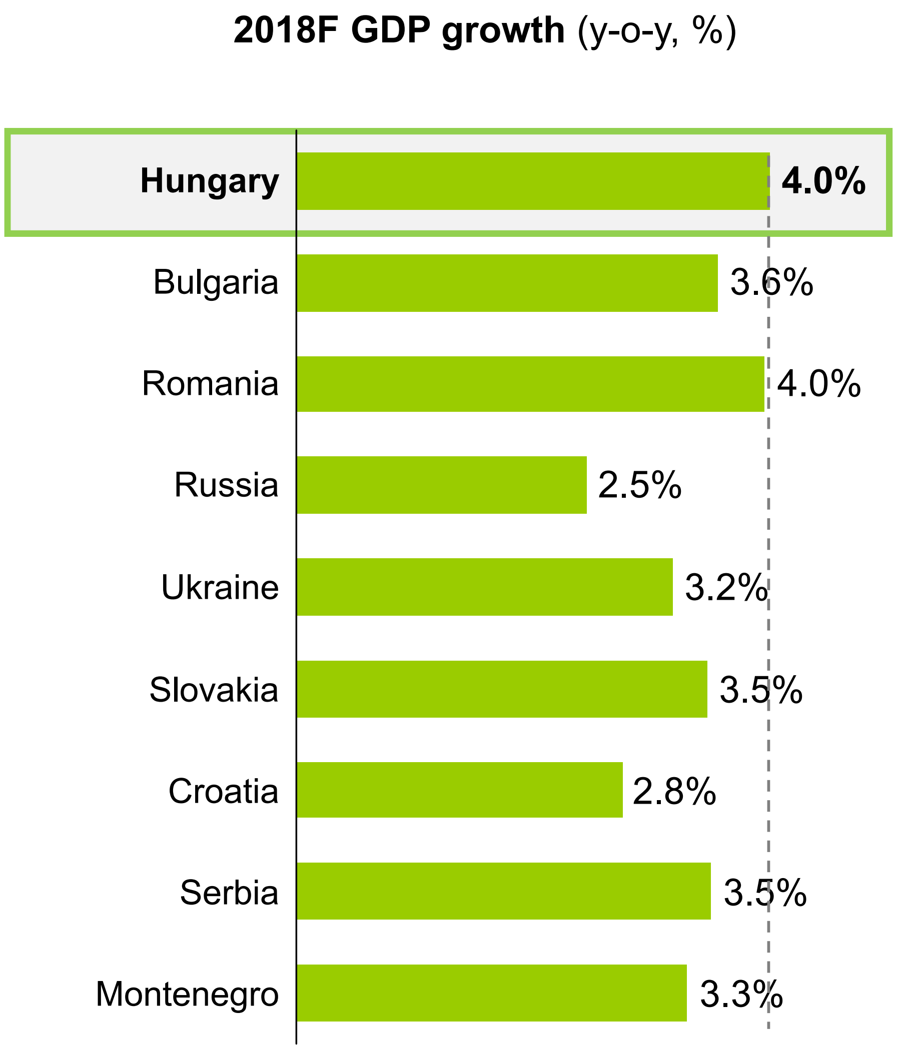
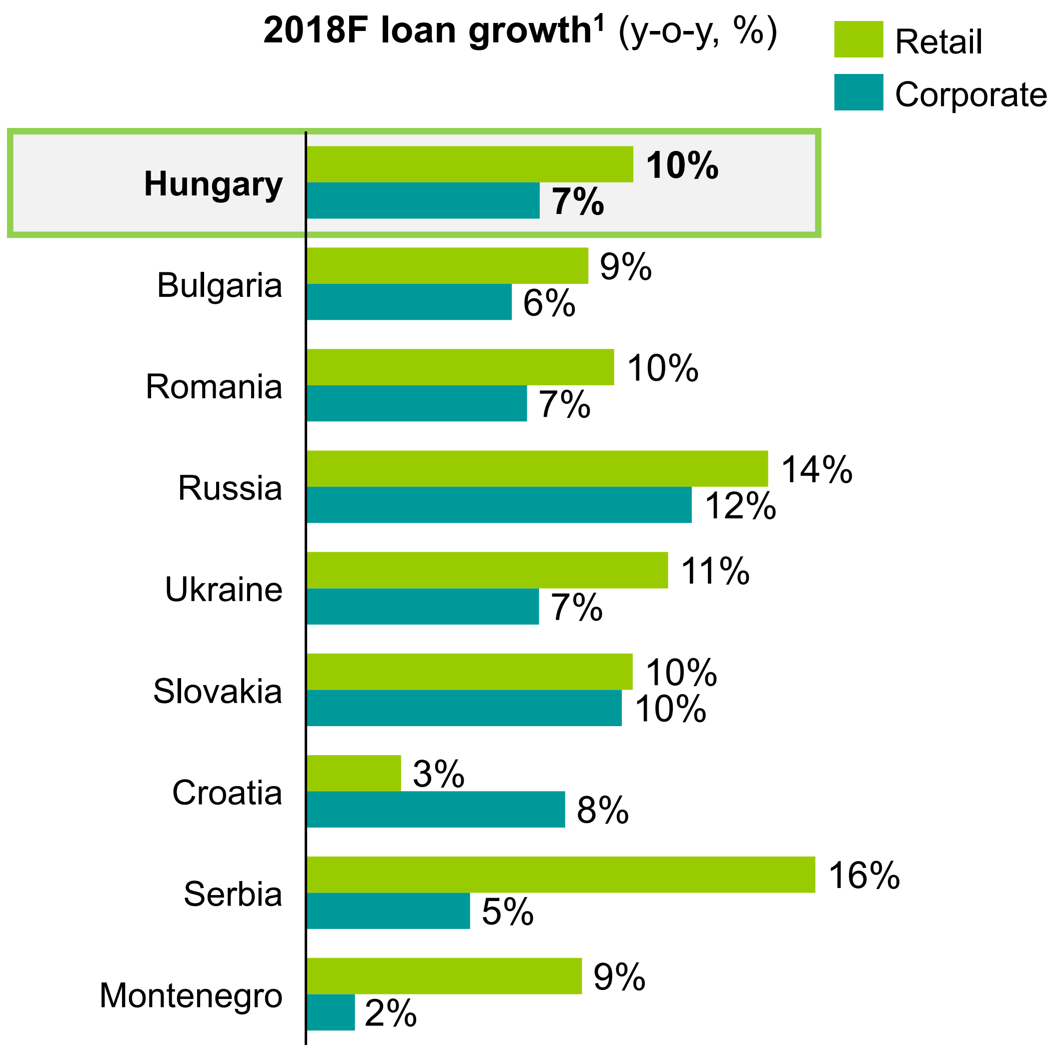
In 2018 the GDP is expected to continue to grow dynamically in Hungary and in other Group members' countries, inducing healthy growth in loan volumes





[1] 2018 net loan flow / end of previous year volume

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

Management expectations for 2018

Apart from the negative impact of the Hungarian and Slovakian banking tax (HUF 15 billion after tax) further acquisitions may result in material adjustment items.

The FX-adjusted growth of performing loans – without the potential effect of further acquisitions – may be close to the 2017 organic growth (+10%). Within that, the increase of household exposures may intensify, whereas the pace of corporate book expansion – following an outstandingly strong performance in 2016 and 2017 – may somewhat decelerate.

The net interest margin erosion may continue, compared to the 4Q 2017 level (4.38%) the annual NIM may contract by around another 10-15 bps. The forecast does incorporate the effect of acquisitions completed in 2017, however doesn't include the impact of further potential acquisitions.

Positive credit quality trends may continue with the DPD90+ ratio further declining, however total risk costs may increase as a result of higher loan volumes, the introduction of IFRS 9 and the presumably lower provision releases compared to 2017.

The increase of FX-adjusted operating expenses without acquisition effect may exceed the 2017 dynamics and be around 6% y-o-y as a result of wage inflation and on-going digital transformation.

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

Forward looking statements

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

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