OTP Group
Investor presentation based on 1Q 2017 results

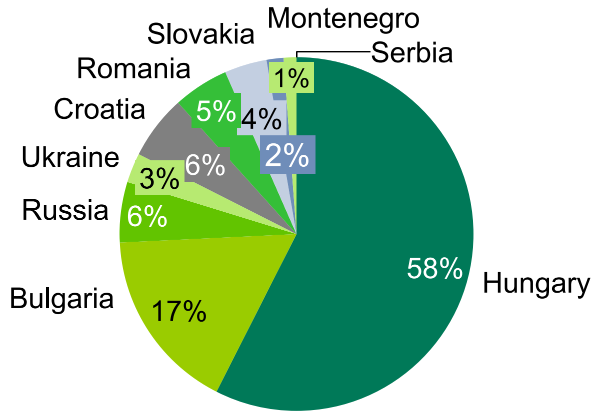
OTP Group has maintained strong profitability, capital adequacy and liquidity

Content

OTP Group is offering universal banking services to almost 13 million customers in 9 countries across the CEE/CIS Region

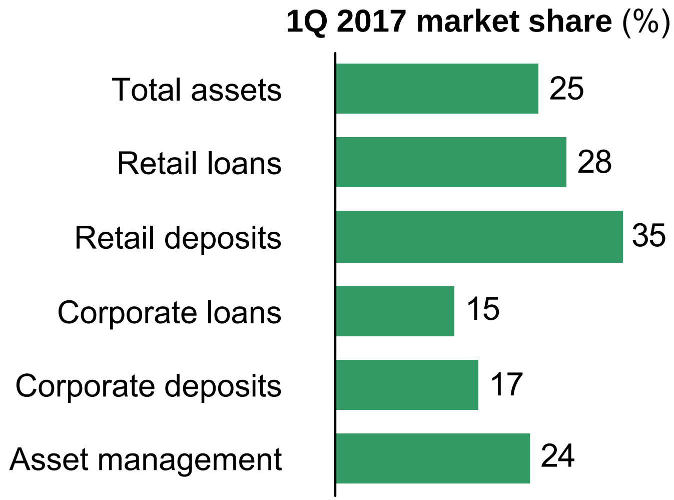
Major Group Members in Europe

Total Assets

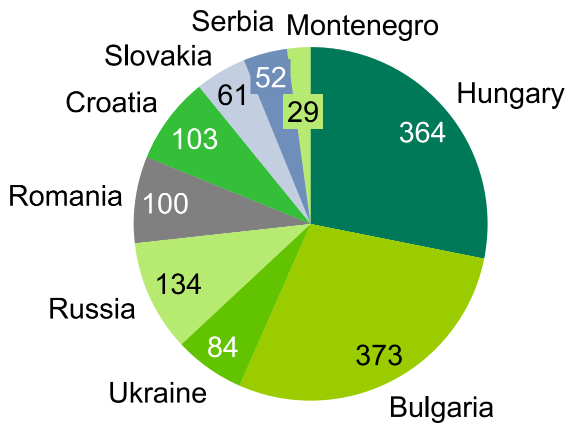


Total Assets: HUF 11,390 billion

Systemic position in Hungary…

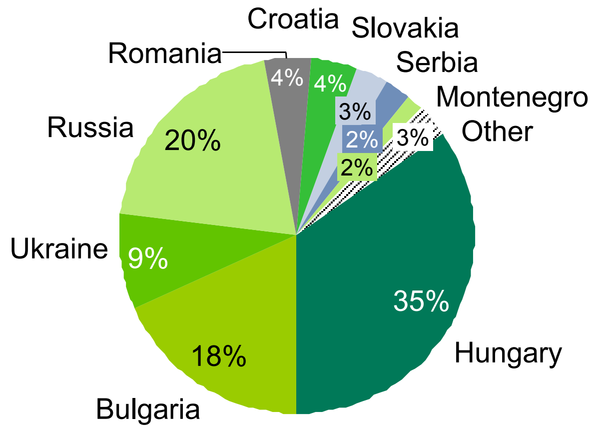


Number of Branches



Total number of branches: 1,300

Headcount



Total headcount: 25,493[1]

… as well as in other CEE countries

Bulgaria

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

Russia

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

Montenegro

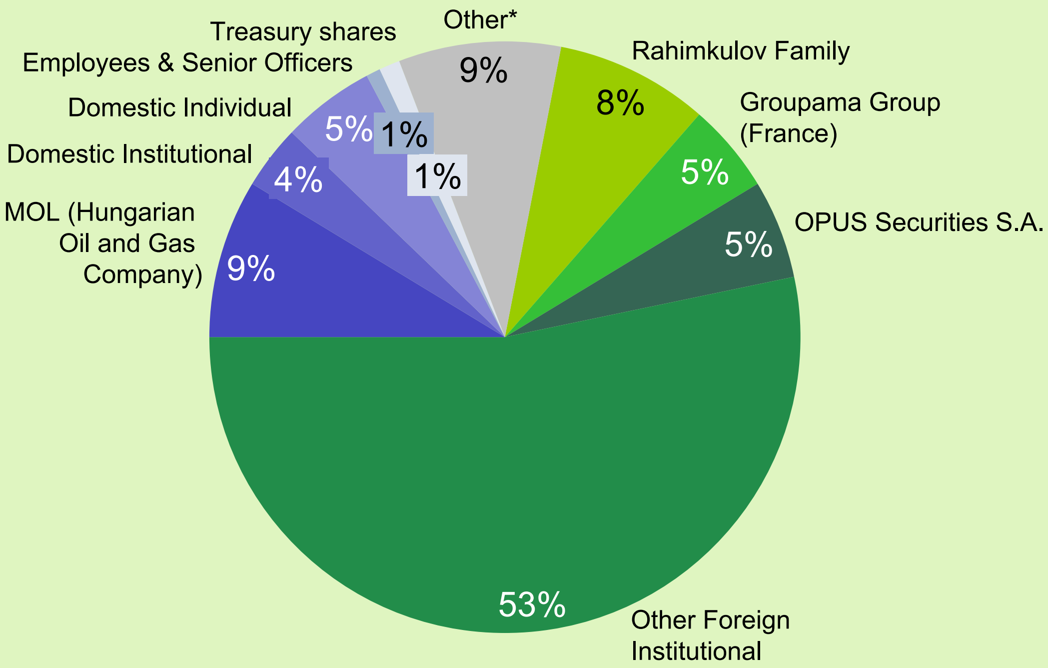
- No. 1 in Total assets

Source: OTP Bank Plc.

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

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

Ownership structure of OTP Bank on 31 March 2017



Key features

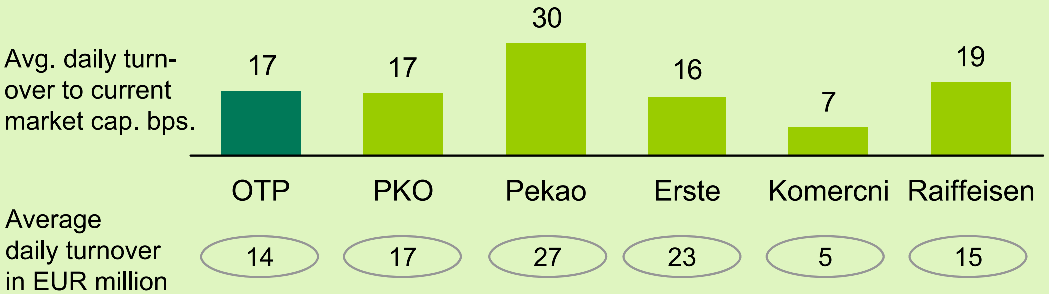
Total number of ordinary shares: 280,000,010, each having a nominal value of HUF 100 and representing the same rights

Diversified ownership structure without strategic investors

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

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

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



OTP Group's Capabilities

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

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

DSK Bank - 'Best Bank in Bulgaria 2015'

'Best local bank in Hungary'

'Best Bank in Bulgaria 2014'

'Best FX providers in Hungary in 2017'

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

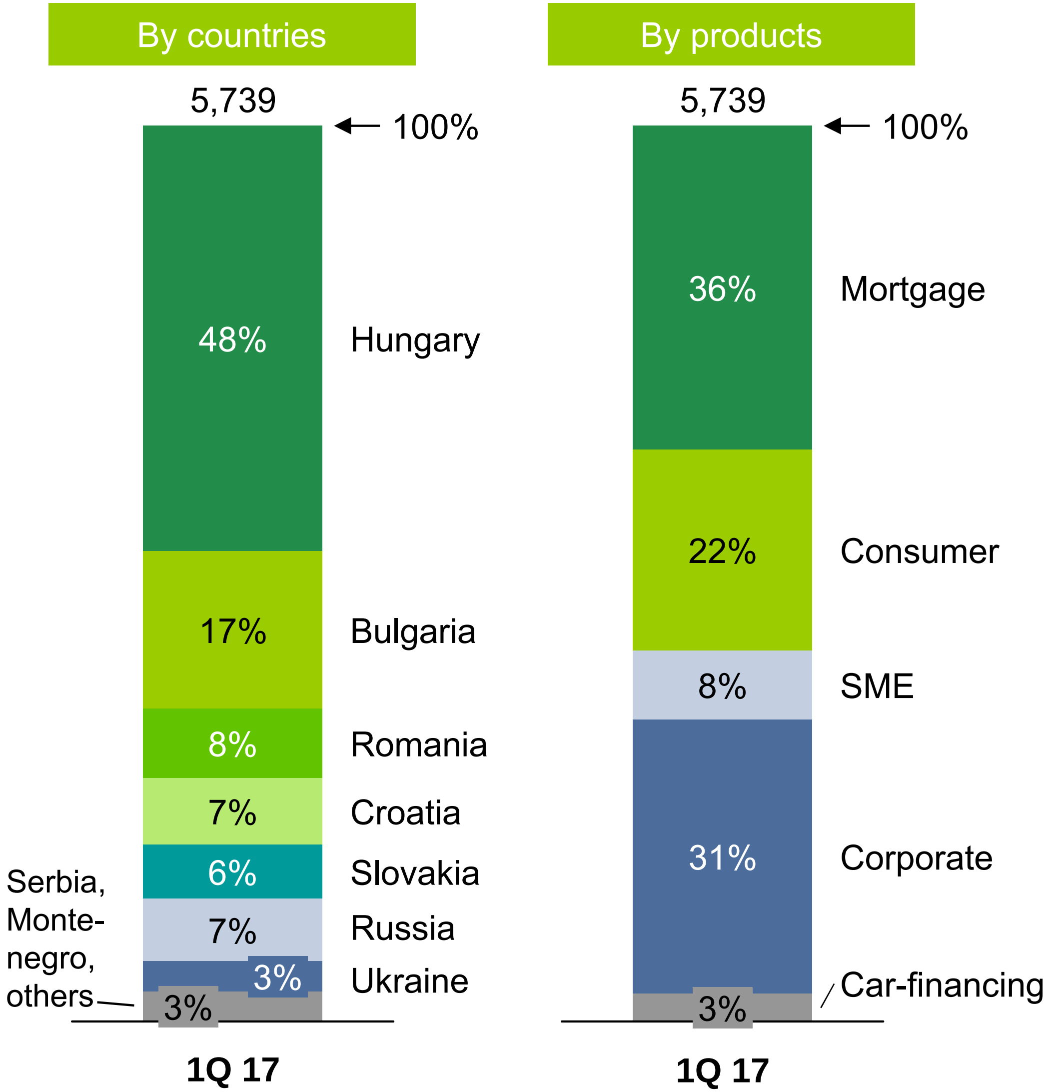
Index Member of CEERIUS

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

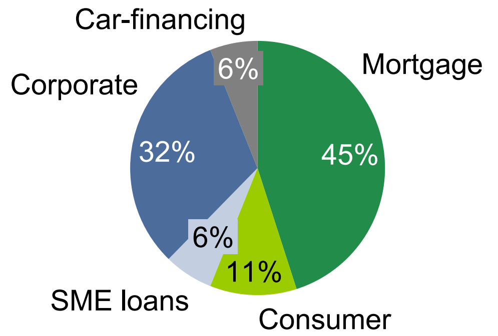
* Foreign individuals and non-identified shareholders.
** According to the last 6M data (end date: 16 May 2017) on the primary stock exchange.

The net loan book is dominated by Hungary and tilted to secured retail lending; 86% of the total book is invested in EU countries with stable earning generating capabilities

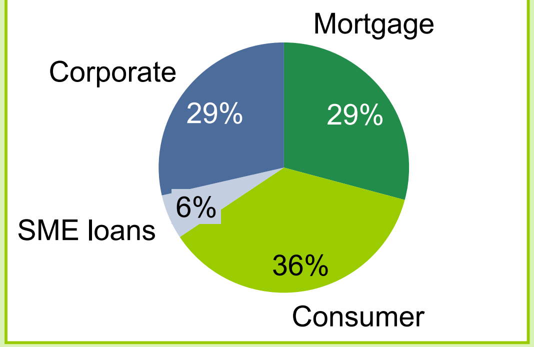
Breakdown of the consolidated net loan book
(in HUF billion)



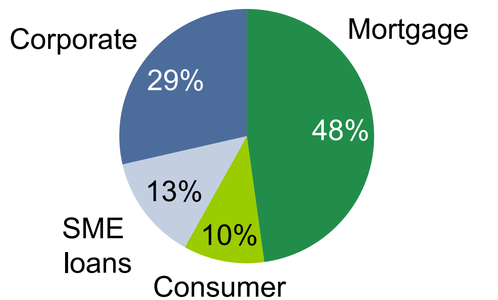
OTP Core[1] (Hungary)



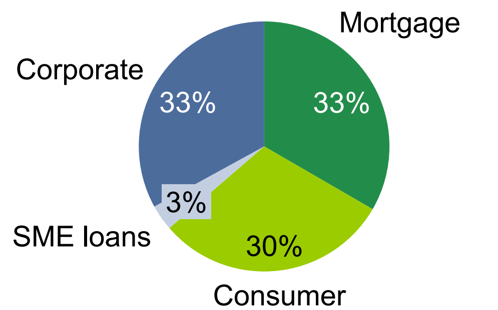
DSK Bank (Bulgaria)



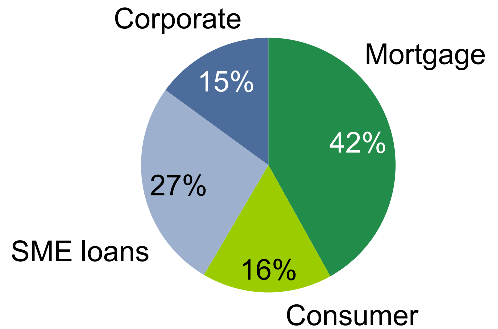
OTP Bank Romania



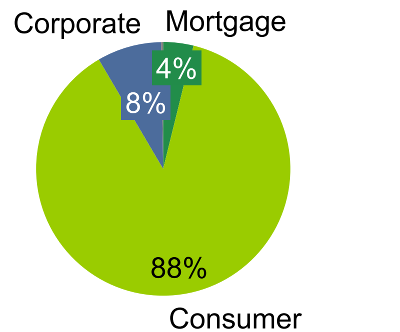
OTP Bank Croatia



OTP Bank Slovakia



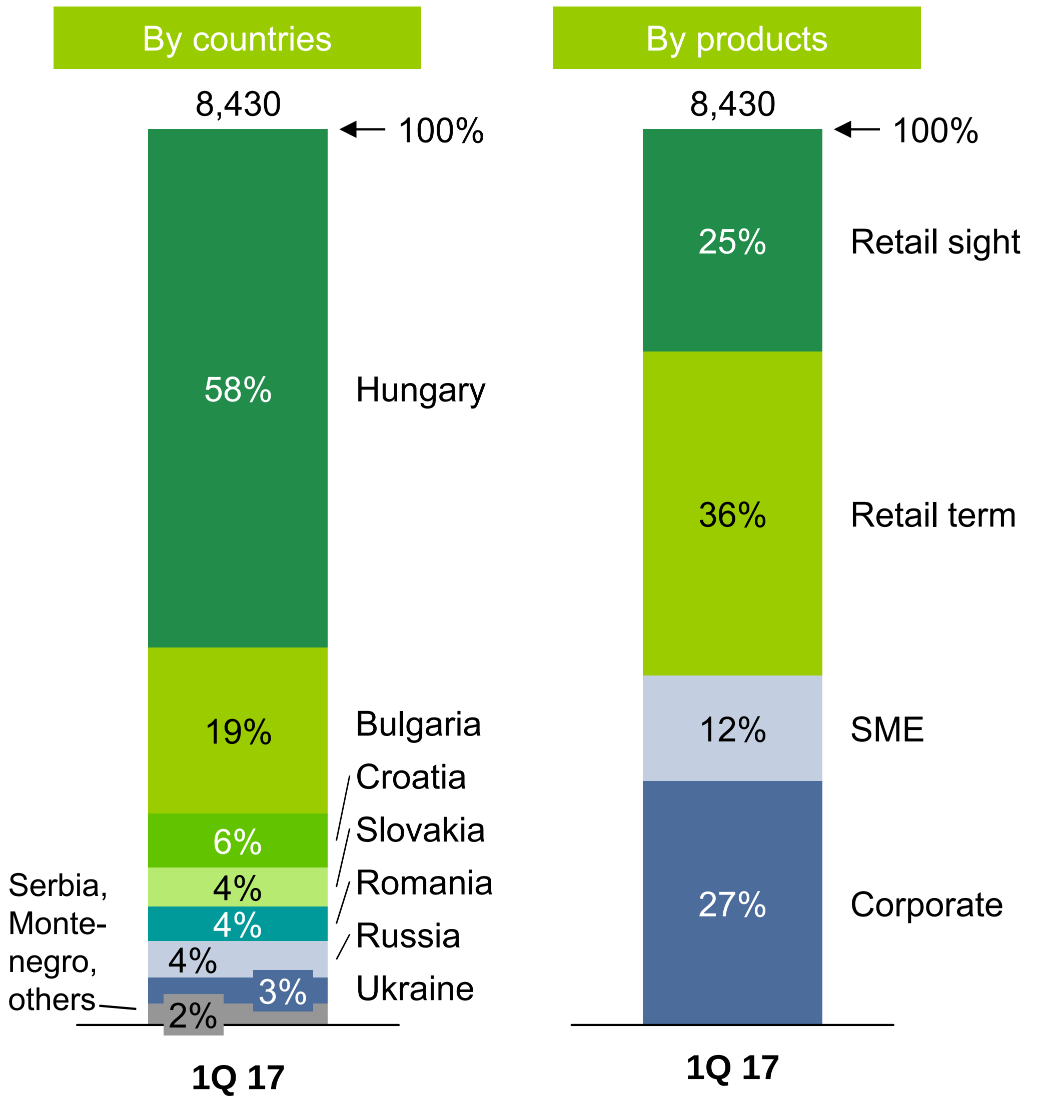
OTP Bank Russia[2]



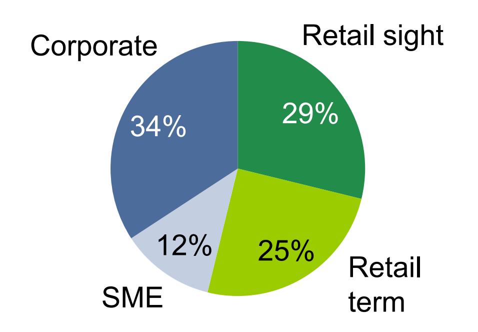
[1] Including car financing loan volumes of Merkantil Bank and Merkantil Car (Hungary).
[2] Excluding Touch Bank.

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

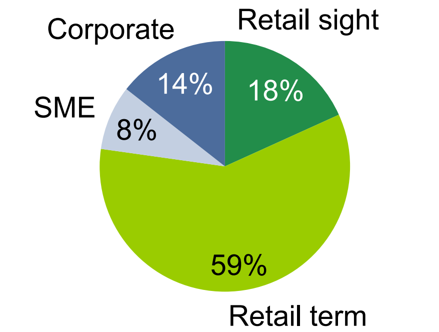
Breakdown of the consolidated deposit base
(in HUF billion)



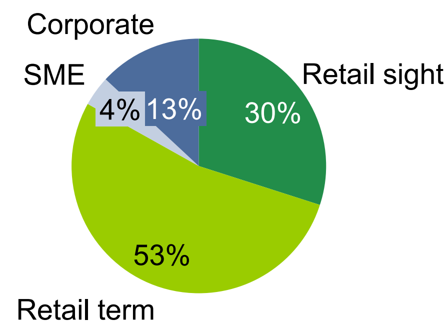
OTP Core (Hungary)



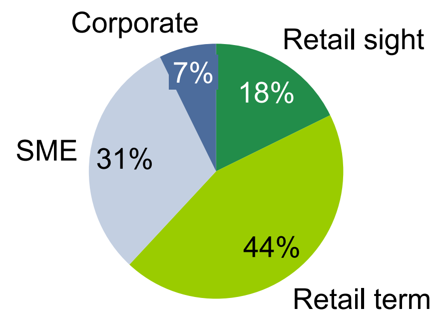
DSK Bank (Bulgaria)



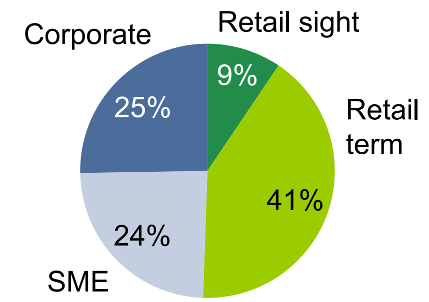
OTP Bank Croatia



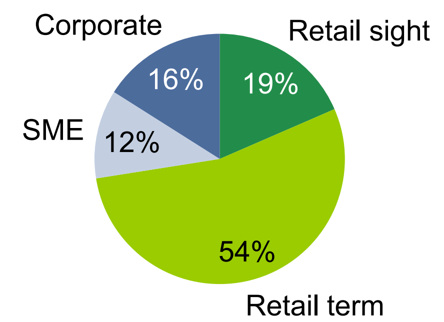
OTP Bank Slovakia



OTP Bank Romania



OTP Bank Russia[1]



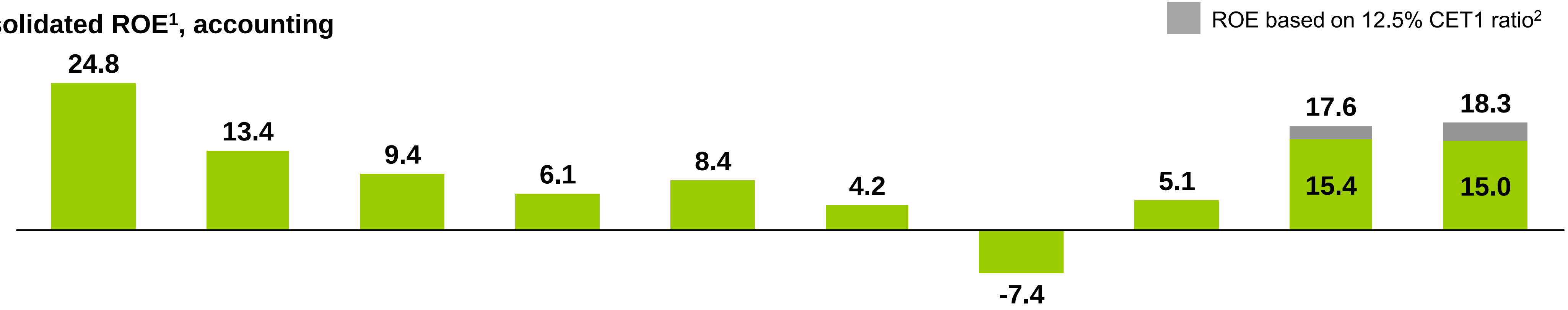
[1] Excluding Touch Bank.

Key pillars of the OTP investment rationale

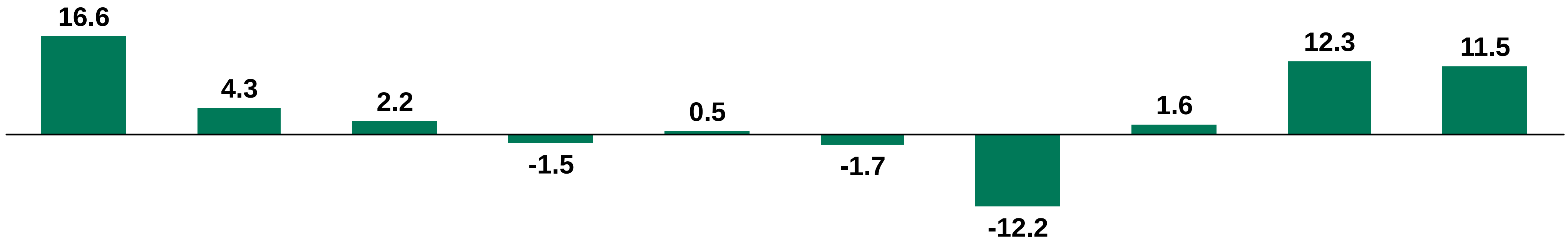
1.	Return on Equity has returned to attractive levels (>15% on 12.5% CET1 ratio)
2.	A new era of structurally low risk environment has commenced
3.	After years of deleveraging loan volumes show positive turnaround in Hungary
4.	Strong capital and liquidity position coupled with robust internal capital generation
5.	OTP is a frontrunner and has always been committed to innovation in digital banking

1. Return on Equity has returned to attractive levels

Consolidated ROE[1], accounting



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



Price to Book ratio

	2008	2009	2010	2011	2012	2013	2014	2015	2016	1Q 17
Max	2.8	1.4	1.7	1.4	0.8	1.0	0.9	1.4	1.7	1.8
Min	0.6	0.4	0.9	0.6	0.6	0.7	0.7	0.8	1.3	1.6

Bloomberg

[1] The calculation methodology of certain indicators has been changed. ROEs are based on new methodology from 2015.
[2] The indicated dividend and the CET1 capital surplus (calculated from the difference between the targeted 12.5% CET1 and the actual CET1 ratio including the interim result less dividend accrual) is deducted from the equity base.
[3] Accounting ROE less the annual average of the Hungarian 10Y government bond yields.

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1. The accounting ROE leaped since 2016 on the back of moderating provision charges and eroding negative adjustment items; the total revenue margin has been relatively resilient amid lower interest rate environment

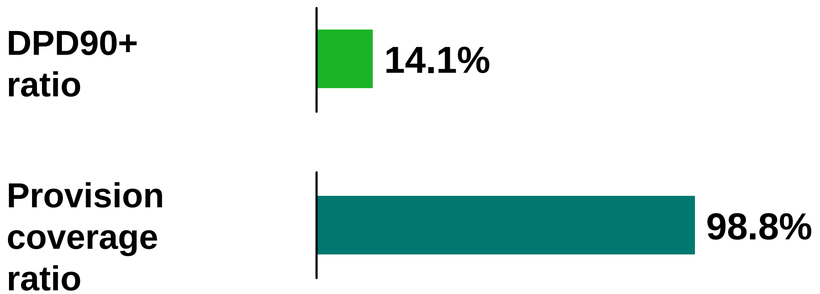
	2009	2010	2011	2012	2013	2014	2015	2016	1Q 17
Accounting ROE	13.4%	9.4%	6.1%	8.4%	4.2%	-7.4%	5.1%	15.4%	15.0%
Accounting ROE on 12.5% CET1 ratio[1]							5.4%	17.6%	18.3%
Adjusted ROE[2]	13.5%	13.0%	11.8%	10.2%	9.6%	8.5%	9.6%	15.4%	18.8%
Total Revenue Margin[2]	7.93%	8.03%	8.12%	8.31%	8.44%	7.74%	7.03%	6.75%	6.80%
Net Interest Margin[3]	6.17%	6.16%	6.31%	6.40%	6.37%	5.96%	5.16%	4.78%	4.76%
...									
Operating Costs / Average Assets	3.65%	3.62%	3.76%	3.89%	4.07%	3.85%	3.65%	3.67%	3.61%
Risk Cost Rate	3.57%	3.69%	2.95%	3.11%	3.51%	3.68%	3.17%	1.14%	0.65%
Leverage (average equity / avg. assets)	11.7%	12.8%	13.6%	14.4%	14.8%	13.0%	11.5%	12.8%	12.8%

General note: performance indicators according to the new calculation methodology from 2015.
[1]The indicated/accrued dividend and the CET1 capital surplus (as calculated from the difference between the targeted 12.5% CET1 and the actual CET1 ratio including the interim result less dividend accrual) is deducted from the equity base.
[2] Calculated from the Group's adjusted after tax result. [3] Excluding one-off revenue items.

A new era of structurally low risk environment has commenced

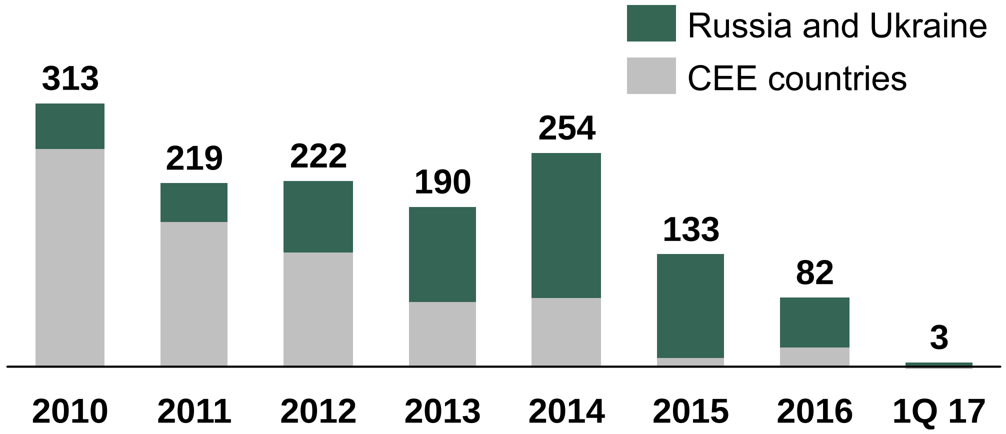
1 Existing DPD90+ loans are conservatively covered with provisions

1Q 2017, consolidated



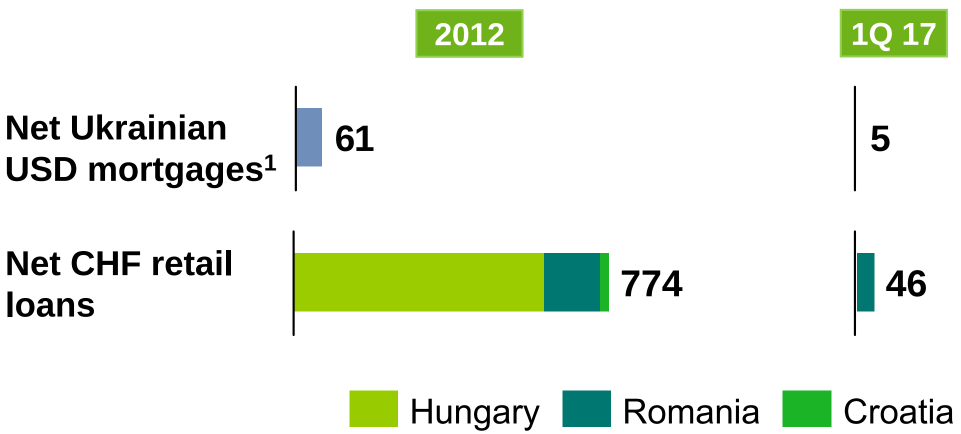
2 The DPD90+ formation has receded

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



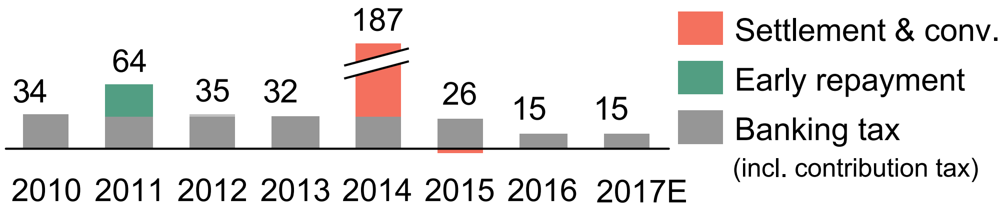
3 Vanishing „toxic” portfolios at OTP Group members

(HUF billion)



4 The Hungarian regulatory risk has moderated substantially

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

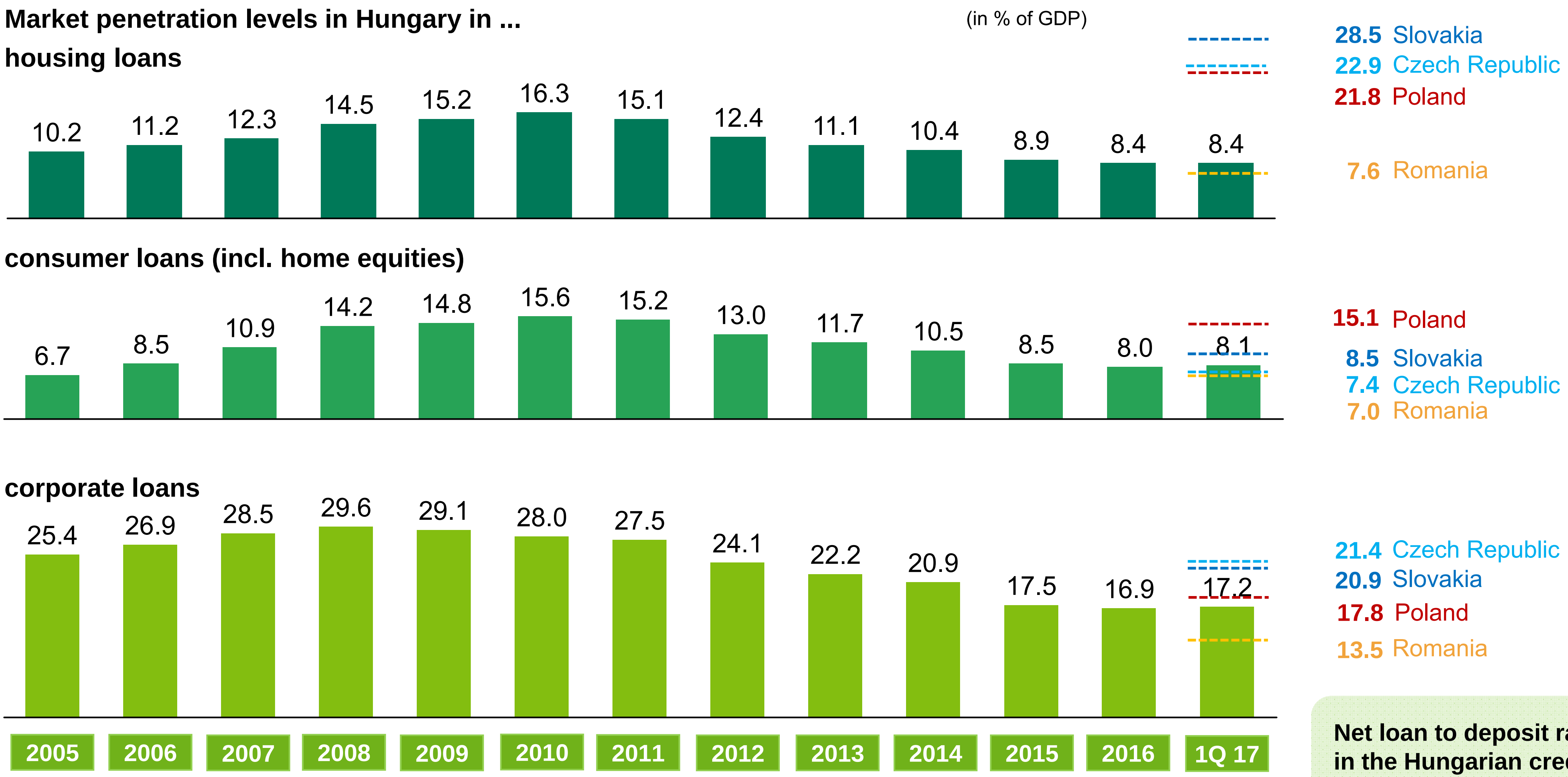


- **Positive measures supporting the banking system**
  - Funding for Growth Scheme
  - Housing subsidy (CSOK)
  - Market-Based Lending Scheme
  - National Asset Mgmt. Company

[1] Performing.

3.

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



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

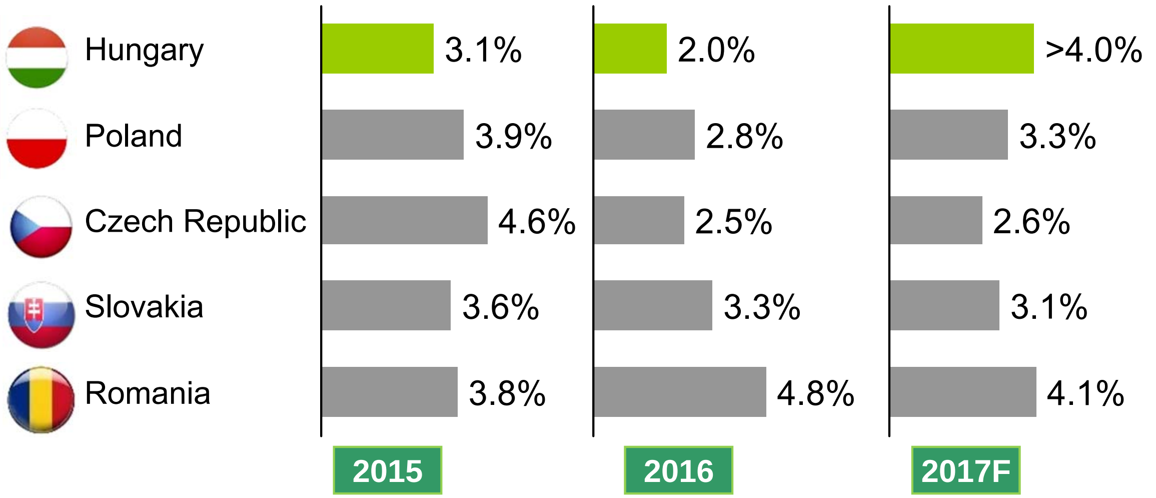
168% → 91%

1Q 09 → 4Q 16

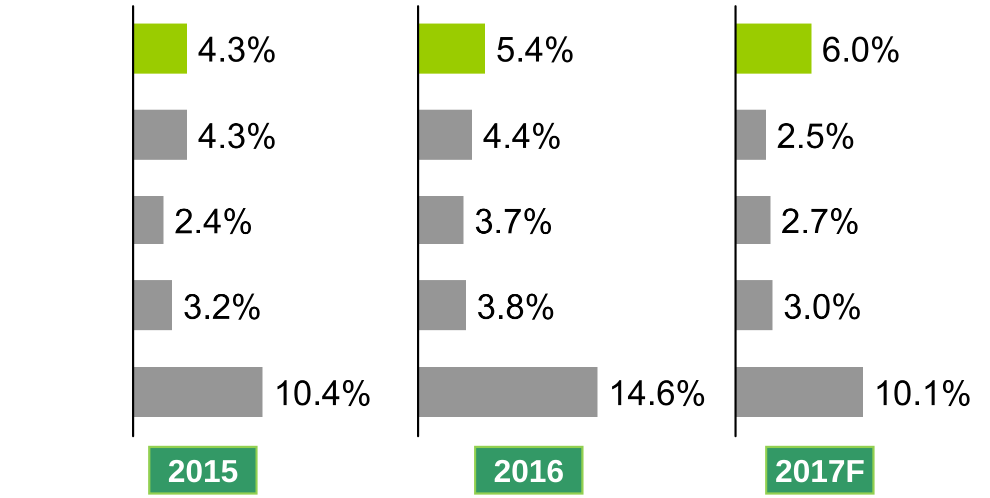
[1] Latest available data. According to the supervisory balance sheet data provision.

3. For most of the indicators affecting loan dynamics, Hungary is becoming again a frontrunner in the regional rally

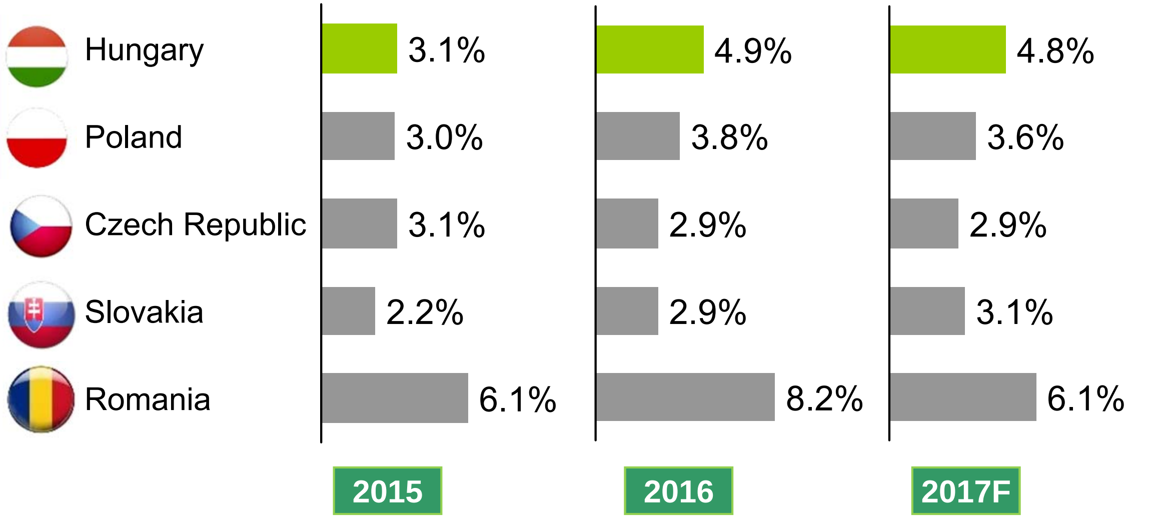
Real GDP growth (y-o-y)



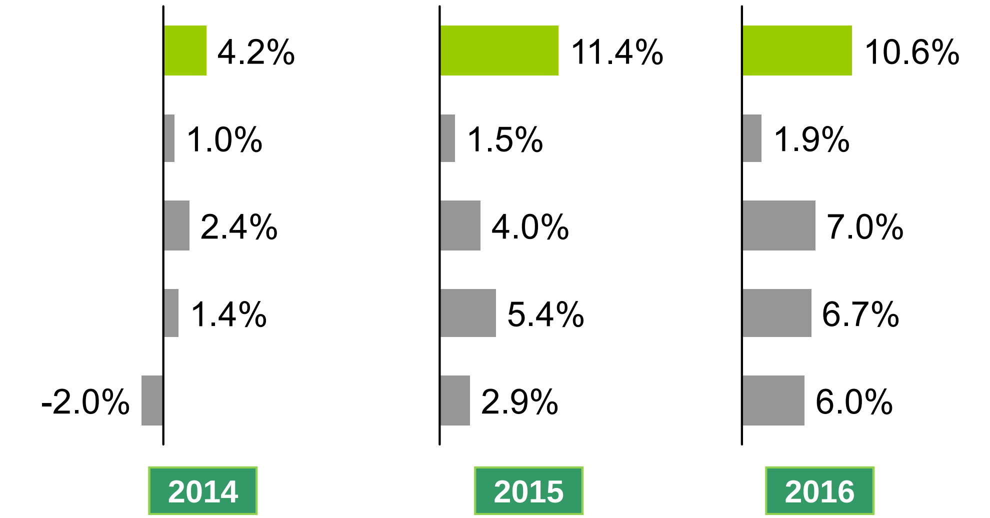
Real wage growth in the private sector (y-o-y)



Household consumption growth (y-o-y)



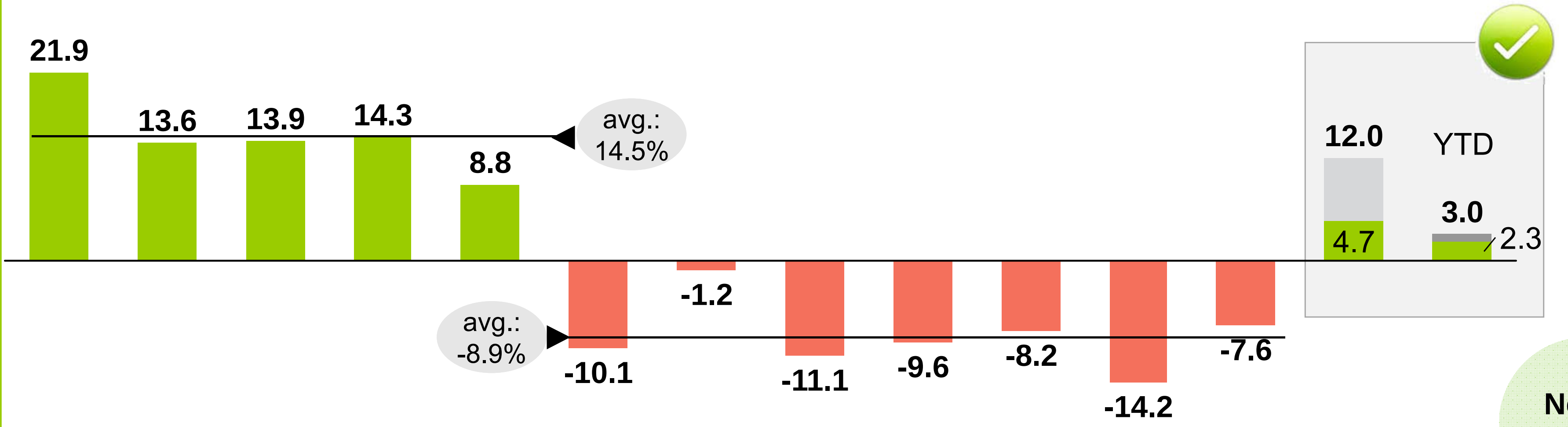
Housing price index (y-o-y)



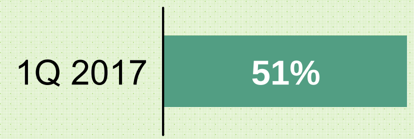
Note: OTP Research Centre's 2016 forecasts are displayed in case of real GDP, household consumption and real wage growth for Hungary, Slovakia and Romania. For Poland and the Czech Republic the Focus Economics and local central bank forecasts were used. Source of housing price indices: Eurostat.

3. After years of loan volume contraction 2016 ad 1Q 2017 developments underpin a definite turnaround at OTP Core

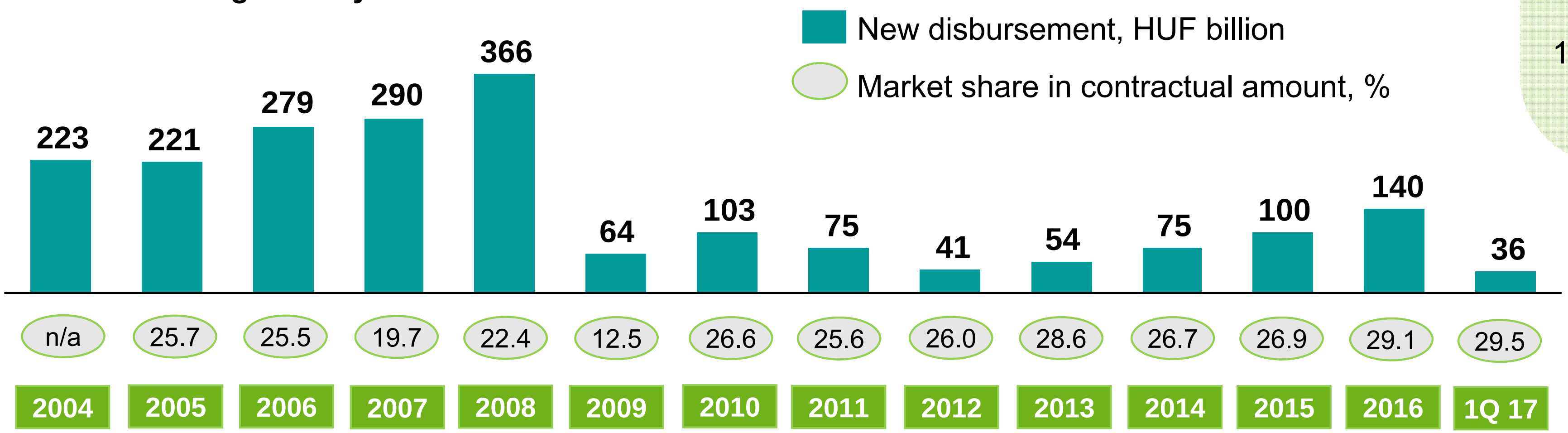
FX-adjusted Y-o-Y performing loan volume changes at OTP Core[1]
(%)



Net loan to deposit + retail bonds ratio at OTP Core



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

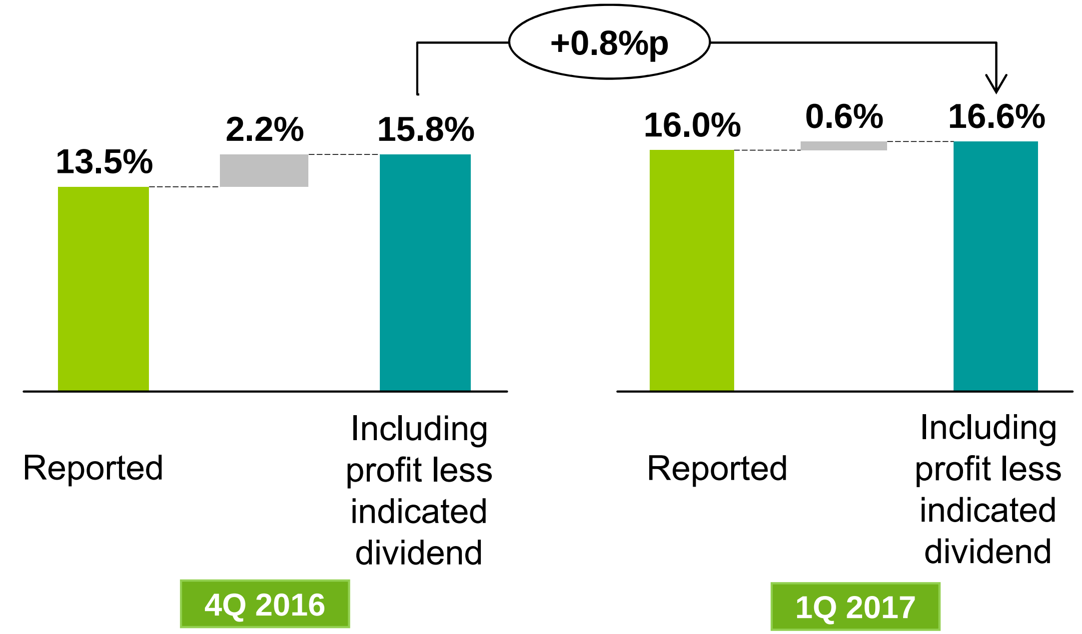


[1] 2004-2008: gross loan volume changes; from 2009: FX-adjusted performing (DPD0-90) loan volume changes, estimate. Changes are based on OTP Bank, Mortgage Bank, Building Society and Factoring aggregated volumes until 2005, and OTP Core volumes from 2006.

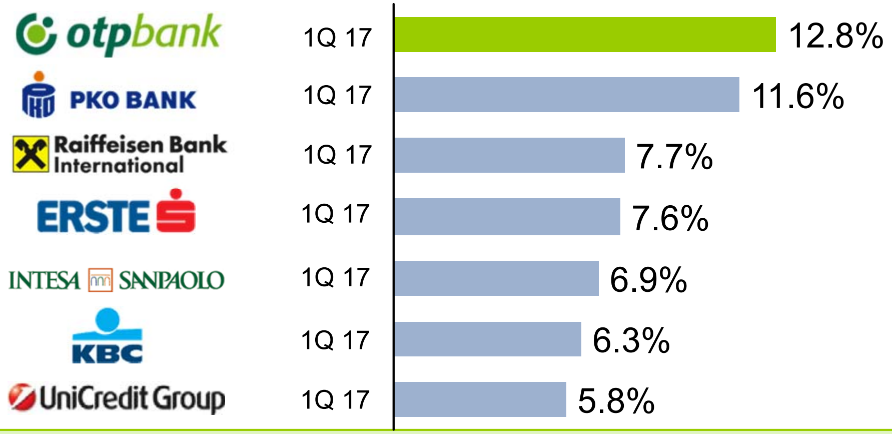
[2] Calculated from raw, unadjusted data.

4. Strong capital and liquidity position coupled with robust internal capital generation

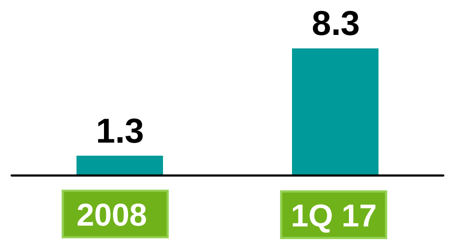
Development of the fully loaded CET1 ratio of OTP Group



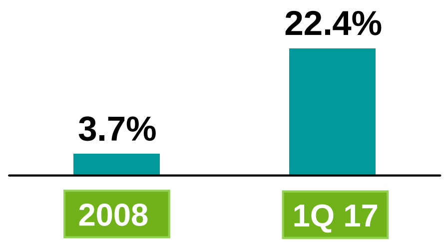
Leverage ratio (average equity / average assets)



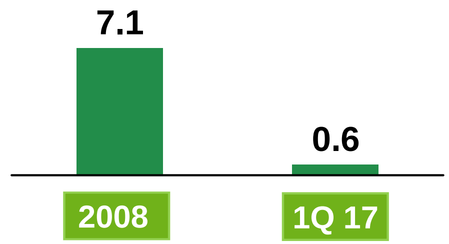
Net liquidity reserves
(in EUR billion equivalent)



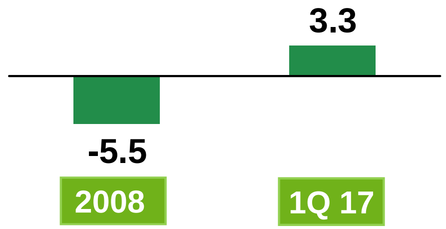
Net liquidity buffer / total assets (%)



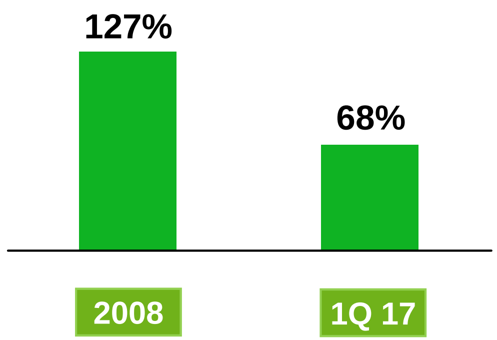
External debt[1]
(in EUR billion equivalent)



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

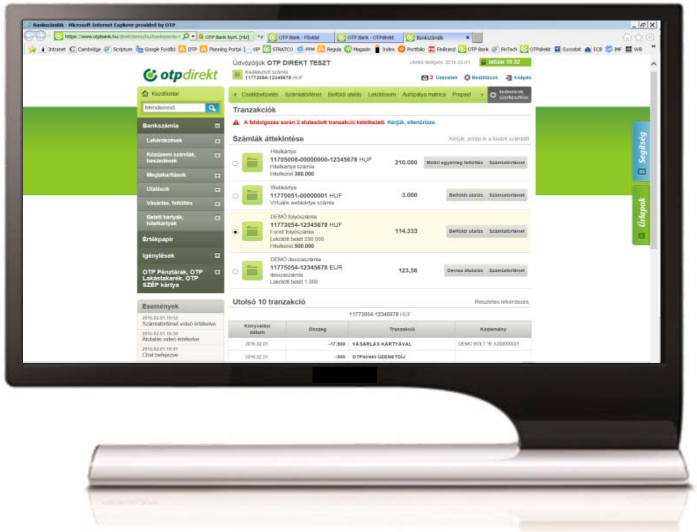


Consolidated net loan to deposit + retail bond ratio



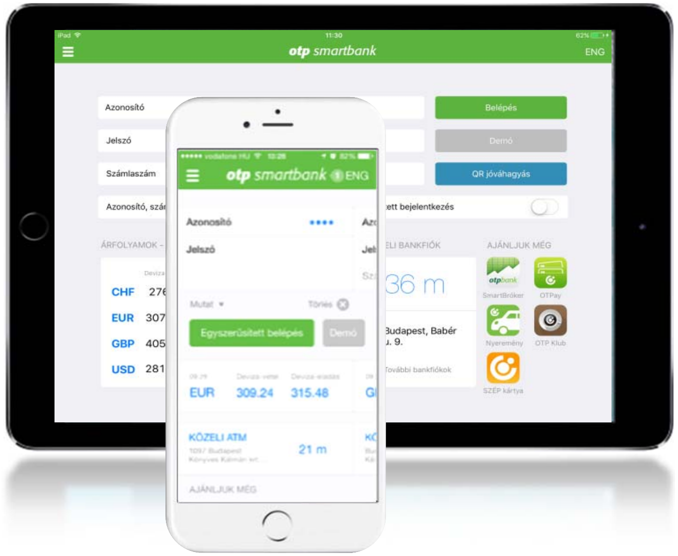
[1] Senior bonds, mortgage bonds, bilateral loans.
[2] Negative amount implies FX liquidity placement.

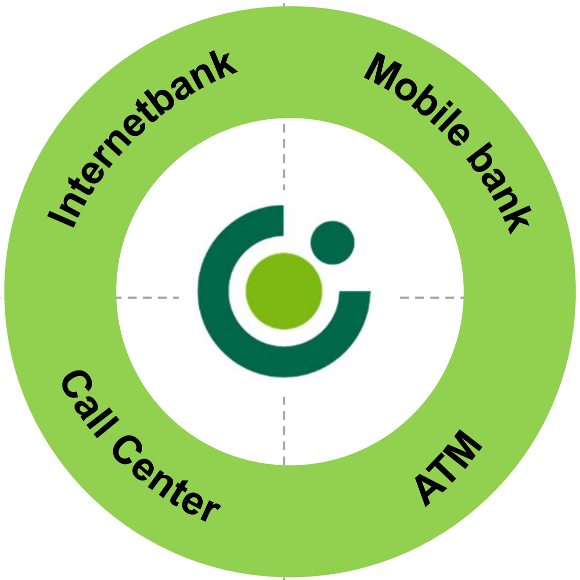
5. OTP Bank is the market leader in all direct channels in Hungary



~930 thousand regular users monthly[1]

~100 thousand users monthly[1]





~200 thousand contacts monthly[1]

Monthly ATM cash withdrawals in the amount of HUF ~240 billion[2]

[1] Based on 4Q 2016 data.
[2] Based on 2015 data.

5.

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

Aspirations

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

Convenient, flexible and fast customer service

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

Extensive services for favourable conditions

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

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

Cost efficient, automatized and paperless processes

Big Data based sale and business decision making

Better transparency and compliance with regulations

Quickly adaptive organization

Facts

- **More than 25 flagship projects** (especially E2E processes, integrated databases, new alternative risk modelling methods, new mobile solutions) and further 70 interdivisional developments
- **More than 650K clients** use the new OTP digital solutions (Loyalty program, Simple, SME onboarding, EBP, mPOS)
- **New agile project management methodology** launched in top flagship projects
- Establishment of the **digital program management office** which coordinates, harmonizes and supports on-time delivery of several projects in the Digital Transformation Program
- **All divisions** and more than 300 colleagues are involved in the Program
- **Harmonizing group level synergies** both at Hungarian group members and foreign subsidiaries

Content

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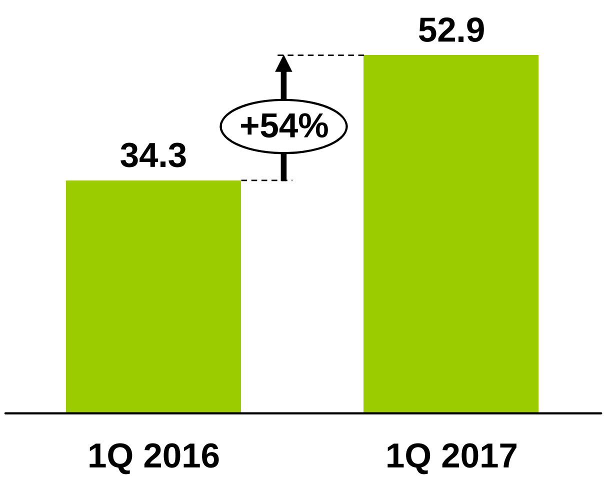
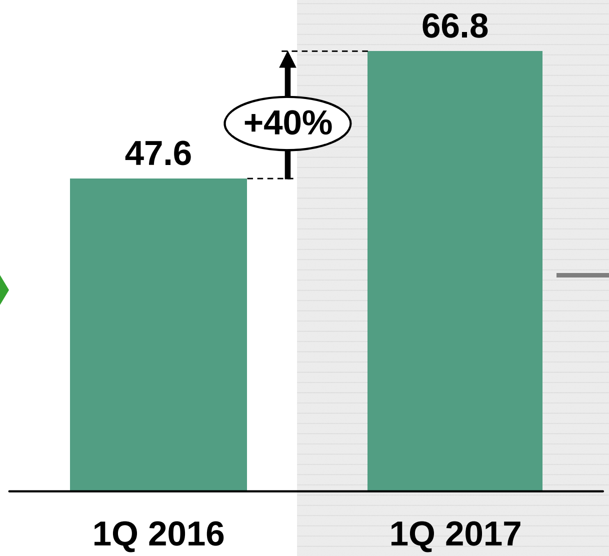
The 1Q accounting result grew by more than 50% y-o-y. The balance of adjustments was nearly the same as a year ago. CEE Group members' contribution grew by 23%, while the Russian and Ukrainian contribution increased to 3.5-fold

(in HUF billion)

Accounting profit after tax

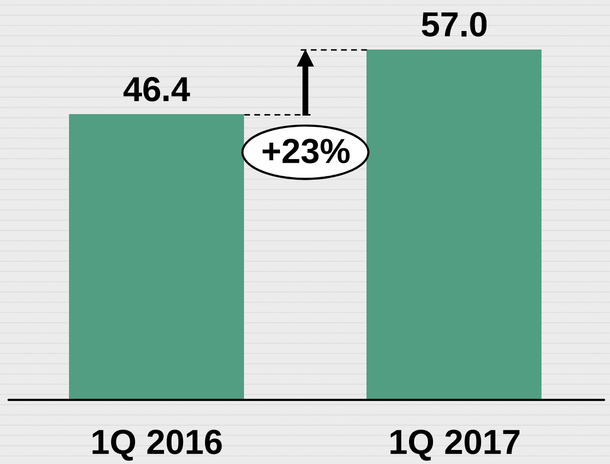


Adjusted profit after tax

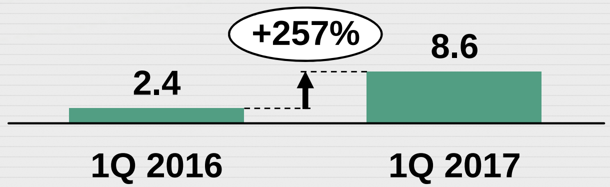


Adjustments (after tax)	**1Q 2016**	**1Q 2017**
Banking tax	-13.4	-14.7
Other	0.1	0.8
Total	-13.3	-13.9

Adjusted after tax results in the CEE countries[1]



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



[1] Total result of CEE operations does not include the result of Corporate Centre, foreign asset management companies, other Hungarian and foreign subsidiaries and eliminations. Their aggregated results amounted to HUF -1.3 billion in 1Q 2016 and HUF 1.2 billion in 1Q 2017.

In 1Q 2017 the aggregated after tax profit of CEE Group members grew by 23% y-o-y, led by OTP Core, Romania and Merkantil (Hungarian leasing). The Croatian result turned into red due to the sharp increase in risk costs

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	Q-o-Q	Y-o-Y
			in HUF billion				
Consolidated adjusted after tax profit	**47.6**	**56.5**	**68.8**	**28.3**	**66.8**	**136%**	**40%**
CEE operation (adjusted)	**46.4**	**48.8**	**59.8**	**26.5**	**57.0**	**115%**	**23%**
OTP Core (Hungary)	28.9	30.7	38.8	23.8	40.8	71%	41%
DSK (Bulgaria)	13.8	14.2	14.7	4.7	13.4	186%	-3%
OBR (Romania)	0.6	1.0	0.6	-0.5	1.3		112%
OBH (Croatia)	0.8	1.3	1.4	0.2	-1.8		
OBS (Slovakia)	0.4	-0.1	0.1	-2.6	0.1		-74%
OBSrb (Serbia)	0.0	0.1	0.1	-0.2	0.0		-121%
CKB (Montenegro)	0.1	0.1	1.4	-3.5	0.1		-27%
Leasing (HUN, RO, BG, CR)	0.8	0.5	1.8	0.8	2.1	161%	161%
OTP Fund Management (Hungary)	1.0	0.9	0.9	3.9	1.0	-73%	3%
Russian and Ukrainian operation (adjusted)	**2.4**	**8.5**	**9.3**	**4.7**	**8.6**	**85%**	**257%**
OBRU (Russia)	2.6	6.5	6.8	4.6	7.6	65%	190%
Touch Bank (Russia)	-1.1	-1.5	-1.4	-2.0	-2.3		
OBU (Ukraine)	0.9	3.4	3.8	2.1	3.3	60%	287%
Corporate Centre and others	**-1.3**	**-0.8**	**-0.3**	**-2.9**	**1.2**		

otpbank

In 1Q 2017 only one major adjustment item emerged: the banking tax. The annual Hungarian banking tax was recognized in a lump-sum already in 1Q, while the Slovakian banking tax is booked quarterly

	1Q 16	16 4Q	17 1Q	Q-o-Q	Y-o-Y
		in HUF billion			
Consolidated after tax profit (accounting)	**34.3**	**26.5**	**52.9**	**100%**	**54%**
Adjustments (total)	**-13.3**	**-1.8**	**-13.9**		
Dividends and net cash transfers (after tax)	0.1	0.0	0.1		103%
Goodwill/investment impairment charges (after tax)	0.0	0.8	1 0.5	-35%	
Special tax on financial institutions (after corporate income tax)	-13.4	-0.2	2 -14.7		10%
Impact of fines imposed by the Hungarian Competition Authority (after tax)	0.0	1.9	3 0.2	-91%	
Consolidated adjusted after tax profit	**47.6**	**28.3**	**66.8**	**136%**	**40%**

1 Impairment was booked in relation to the investments in OTP Life Annuity Ltd. and R.E. FOUR d.o.o. Novi Sad (Serbia), as a result, a positive tax shield of HUF 0.5 billion occurred.

2 The special tax on financial institutions amounted to HUF 14.7 billion (after tax). The y-o-y increase is explained by the declining corporate tax shield due to the lowered statutory corporate tax rate in Hungary; the gross banking tax payable in Hungary declined by HUF 0.2 billion y-o-y.
The banking tax incorporates the whole annual Hungarian banking levy recognized by the Hungarian group members in 1Q, as well as the prorated Slovakian banking tax.

3 Based on the ruling of the Hungarian Supreme Court on 16 December 2016 related to a fine imposed earlier by the Hungarian Competition Authority, a HUF 1.9 billion positive item emerged already in 4Q 2016 (after tax). Related to this, an interest revenue of HUF 194 million (HUF 177 million after tax) occurred on this line in 1Q 2017.

The spectacular q-o-q improvement in adjusted after tax profit was due to declining risk costs and moderating effective tax rate. The operating profit grew by 4% q-o-q despite total income for the quarter shrinking by 3%

	1Q 16	4Q 16	1Q 17	Q-o-Q	Y-o-Y
		in HUF billion			
Consolidated adjusted after tax profit	**47.6**	**28.3**	**66.8**	**136%**	**40%**
Corporate tax	-16.4	-9.2	-9.4	2%	-42%
O/w tax shield of subsidiary investments	*-0.5*	*-1.7*	*-*		
Before tax profit	64.0	37.5	76.2	103%	19%
Total one-off items	0.2	0.1	0.0		
Gain on the repurchase of own capital instruments	0.0	0.0	0.0		
Result of the Treasury share swap agreement	0.2	0.1	0.0		
Before tax profit without one-off items	**63.8**	**37.4**	**76.2**	**104%**	**19%**
Operating profit w/o one-off items	84.6	85.0	88.7	4%	5%
Total income w/o one-off items	177.5	193.6	188.8	-3%	6%
Net interest income w/o one-off items	129.0	133.2	132.2	-1%	2%
Net fees and commissions	38.8	48.2	44.5	-8%	15%
Other net non interest income without one-offs	9.6	12.2	12.0	-2%	25%
Operating costs	-92.9	-108.6	-100.0	-8%	8%
Total risk costs	-20.8	-47.6	-12.5	-74%	-40%

Strong performance in 2016 and 1Q 2017 validates the management's mid-term ROE target of above 15% (based on 12.5% CET1 ratio)

Management expectations for 2017

The management's ROE target of >15% (based on 12.5% CET1) remains valid for 2017.

Apart from the negative impact of the Hungarian and Slovakian banking tax (HUF 15.4 billion after tax) the management doesn't expect any other major adjustment item to occur in 2017.

Performing loan volume growth – without the effect of acquisitions – is expected to further accelerate, but its pace may remain single digit.

The consolidated NIM erosion decelerates, but continues with around 15-20 bps y-o-y decline.

Credit quality trends may remain favourable, total risk costs are expected to further decline.

Operating expenses might increase by 3-4% y-o-y, fuelled by wage inflation and the additional costs of the on-going digital transformation.

The solid capital position coupled with robust internal capital generation creates room for further acquisitions.

In line with the practice of the previous two years, the nominal dividend amount to be paid from 2017 earnings is expected to grow by 15% under the baseline scenario.

Miscellaneous – 1.

Acquisition of Splitska banka in Croatia	On 2 May 2017, based on the acquisition agreement on purchasing 100% shareholding of Splitska banka d.d., member of Société Générale Group signed on 20 December 2016 between OTP banka Hrvatska, the Croatian subsidiary of OTP Bank and Société Générale Group, the **financial closure of the transaction has been completed**. **The purchase price was EUR 425 million**. The current interim management report does not incorporate the impact of the transaction, it will be reported in the Company's 2017 second quarter earnings.
Methodology changes on calculating financial indicators	Starting from 1Q 2017 the methodology of calculating performance indicators having average volumes in their denominators has been changed. Accordingly, while the numerator remained the same, the formula of how the averages are calculated in the denominator has changed. Against the old method when OTP Bank calculated the average as the arithmetic average of closing balance sheet items for the previous period and the current period, under the new method the calendar day-weighted averages of the average balance sheet items in periods (for example months in case of quarters) comprising the given period are used in the denominators. In the 1Q Stock Exchange Report all indicators were calculated and presented according to the new methodology. The summary of the change, as well as the time series of the affected indicators under the old and new methodology are shown within the Supplementary Data section in the Stock Exchange Report.
Inclusion of other Hungarian companies in OTP Core	There was a change in the number of companies comprising OTP Core (the Hungarian operation) therefore the following companies were included in OTP Core from 1Q 2017: OTP Card Factory Ltd, OTP Real Estate Lease Ltd, OTP Facility Management Ltd. and MONICOMP Ltd. The cumulative gross loan portfolio of these companies represented HUF 22.7 billion at the end of 1Q 2017, whereas their aggregated 1Q 2017after tax profit reached HUF 0.5 billion. This change had no impact at all on the consolidated balance sheet and P&L. Earlier these entities' results were presented within Other Hungarian Subsidiaries.

Miscellaneous – 2.

NBH's proposal on „customer-friendly" mortgages	On 9 March 2017 the National Bank of Hungary (NBH) published an announcement according to which NHB is going to introduce a "customer-friendly housing loan" certification and only those banks whose housing loan products meet certain conditions laid down by NBH can use the "customer-friendly housing loan" approval rating. Following intensive consultations with market participants, on 19 May 2017 the NBH published the **„customer-friendly housing loan" criteria for the newly issued housing loans** (i.e. the below criteria apply only to new production of fixed-rate housing loans, e.g. home equity loans and variable rate loans are not part of the initiative). This scheme is a recommendation, and not a binding regulation. According to the conditions set by the Financial Stability Board of the NBH, the „fair housing loan" rating requires the fulfilment of following set of criteria (among others): 1. newly disbursed housing loans should be an annuity, i.e. with constant monthly instalments 2. interest rates should be fixed either with a repricing periods of 3, 5 or 10 years, or for the whole tenor of the loan 3. the maximum tenor of the housing loan cannot exceed 30 years 4. the credit decision should take place within 15 working days after obtaining the appraisal of the collateral 5. the deadline of disbursement is 2 working days following the credit approval 6. the interest premium over the reference rate (more precisely, over the interest rate alteration indicator serving as a reference rate) cannot exceed 350 basis points. As for the reference rate, it will be the discretion of the lender to decide which reference rate should be applied out of the potential reference rates verified and published by the NBH. The list of potential interest rate alteration indicators for HUF loans include: o Hungarian government bond yields * 1.25 o Budapest Interest Rate Swap (BIRS) o Hungarian government bond yields 7. initial disbursement fees will be capped at 0.75% of the total loan amount, or HUF 150,000. 8. early repayment fees cannot exceed 1.0% of the prepaid amount Banks can apply for the „customer-friendly housing loan" approval rating at the NBH from 1 June 2017. Starting from autumn 2017 the NBH will create a website where customers will be able to compare the pricing and other information of the various mortgages being provided under the scheme.

Consolidated total income increased by 6% y-o-y with slight decline at OTP Core, but decent growth in Russia supported by the FX translation effect, too. The q-o-q decline was mainly explained by base effect at OTP Asset Management

TOTAL INCOME – 1Q 2017 without one-off items (HUF billion)		Y-o-Y (HUF bn)	Y-o-Y (%)	Q-o-Q (HUF bn)	Q-o-Q (%)
OTP Group	189	11	6%	-5	-3%
OTP CORE (Hungary)	88	-1	-1%	-1	-1%
DSK (Bulgaria)	26	-1	-3%	-2	-9%
OBRU (Russia)	33	10	43%/11%[1]	3	10%/2%[1]
Touch Bank (Russia)	0	0	n/a	0	n/a
OBU (Ukraine)	9	-2	-18%/-16%[1]	0	-1%/2%[1]
OBH (Croatia)	8	1	8%	0	-1%
OBS (Slovakia)	4	0	1%	0	-2%
OBR (Romania)	7	0	3%	1	8%
CKB (Montenegro)	2	0	-2%	0	-6%
OBSrb (Serbia)	2	0	0%	0	-5%
Others[2]	9	4	67%	-4	-32%

[1] Changes in local currency [2] Other group members and eliminations. Of the HUF 4 billion y-o-y increase Corporate Centre represented HUF 3.4 billion, eliminations accounted for +2.3 billion and other Hungarian subsidiaries -2.6 billion. The q-o-q decline is explained by OTP Asset Management where success fees were booked in 4Q 2016.

The net interest income marginally eroded q-o-q due to calendar effect and base effects; on the other hand, stronger RUB had a positive impact on the Russian NII contribution

NET INTEREST INCOME – 1Q 2017 (HUF billion)	Share	1Q 2017	Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	100%	132	-1	-1%
OTP CORE (Hungary)	44%	58	-3	-5% (1)
DSK (Bulgaria)	14%	18	-2	-9% (2)
OBRU (Russia)	20%	27	2	6%/-2%[1]
Touch Bank (Russia)	0%	0		0%
OBU (Ukraine)	4%	6	0	-1%
OBH (Croatia)	5%	6	0	1%
OBS (Slovakia)	3%	3	0	-1%
OBR (Romania)	4%	5	0	4%
CKB (Montenegro)	1%	2	0	-4%
OBSrb (Serbia)	1%	1	0	-3%
Merkantil (Hungary)	2%	3	-2	-45% (3)
Corporate Centre	1%	1	0	29%
Others and eliminations	1%	1	4	(4)

1 At OTP Core the 5% q-o-q NII decline was partly reasoned by the calendar effect (-2%-points or HUF -1.1 billion q-o-q impact), and a HUF 1.9 billion NII-boosting one-off item[1] booked in 4Q 2016. Moreover, the NII was negatively influenced by the diminishing interbank interest rates (the average 3M BUBOR rate dropped by 39 bps q-o-q).
On the other hand, it was positive for interest revenues that the liquidity reserves have been gradually shifting toward longer duration and higher yielding Hungarian government bonds. Furthermore, the positive impact of AXA already supported the full quarter (vs. only 2 months in 4Q).

2 In Bulgaria half of the q-o-q decline is explained by two recurring technical items. Firstly, methodology change: items related to the fair value adjustment of derivative instruments previously being accounted for on the other net non-interest income line have been reclassified to the NII line since the beginning of the year (this had a q-o-q negative NII impact of about HUF 0.95 billion, but was neutral to total income). Secondly, lower yields realized on liquid assets: DSK Bank holds securities issued by OTP Bank, which had a significant nominal one-off interest rate reduction in 4Q 2016 (HUF -0.1 billion effect q-o-q).
Furthermore, the continuing repricing and refinancing of mortgage loans continued to be a drag on NII.

3 At Merkantil a HUF 1.5 billion item supported the NII line in 4Q 2016 due to a change in the accounting methodology.

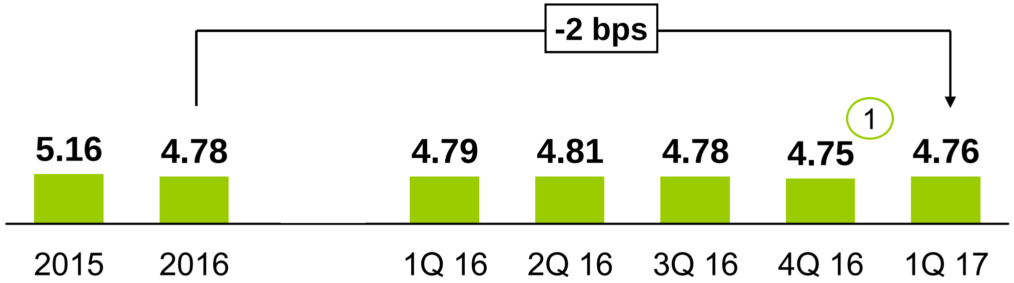
4 The q-o-q increase was explained by base effect: the full-year amount of eliminations related to the intragroup FX swap deals concluded between OTP Bank (Hungary) and DSK Bank was booked in one sum in 4Q 2016.

[1] This HUF 1.9 billion item emerged because in 4Q 2016 certain components of the result on derivative instruments have been presented on a separate line in the accounting P&L structure: on the Gains and losses on derivative financial instruments line. In the previous accounting and adjusted P&L structure, items currently booked on this new line were accounted for on the NII, FX result and gains/losses on securities line. In 4Q 2016 the full annual amounts have been moved in one sum to the new line. In the adjusted P&L structure this new line is part of the Other net non-interest income.

The consolidated net interest margin eroded by 2 bps compared to the full-year 2016 level. Without one-timers the margin of OTP Core would have declined by 7 bps q-o-q, while DSK would have experienced a 24 bps NIM attrition. Romania, Croatia and Ukraine, on the other hand, saw widening margins over the first quarter

Net interest margin (%)

OTP Group

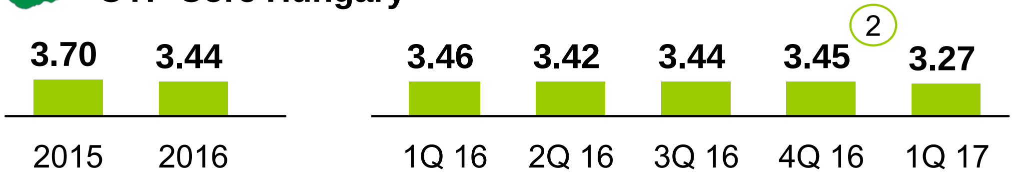


1. In 4Q the NII was distorted by: 1. eliminations (HUF -5 bn impact in 4Q) related to FX swaps between OTP and DSK (see point 4 on page 26); 2. a one-off item at OTP Core (HUF +1.9 bn in 4Q, the same as on page 26 in point 1 and the 2. point on this page); 3. One-off interest revenues booked at Merkantil (HUF +1.5 bn in 4Q). Adjusting for these 3 items the 4Q NIM would have been 4.81%.

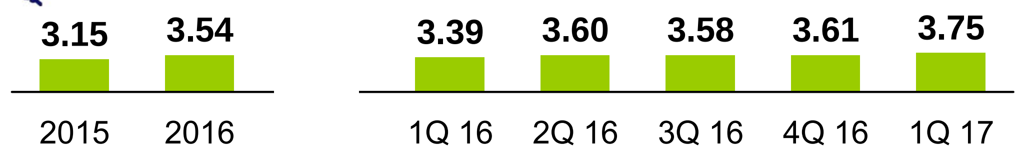
2. A HUF 1.9 billion NII-boosting one-off item was booked in 4Q 2016 at OTP Core (the same as explained on page 26 in point 1). Adjusting for this item the 4Q 2016 NIM would have been 3.34%.

3. At DSK 2 recurring technical items emerged (the same as on page 26 in point 2): a methodology change reduced NII by HUF 0.95 billion, and the coupon step-down of securities issued by OTP Bank by HUF 0.1 billion. These two items explain 23 bps out of the total 47 bps NIM decline, therefore the „clean" NIM contraction would have been 24 bps q-o-q („clean" 1Q NIM: 4.14%).

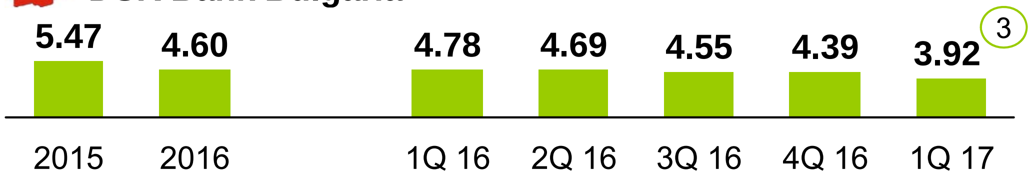
OTP Core Hungary



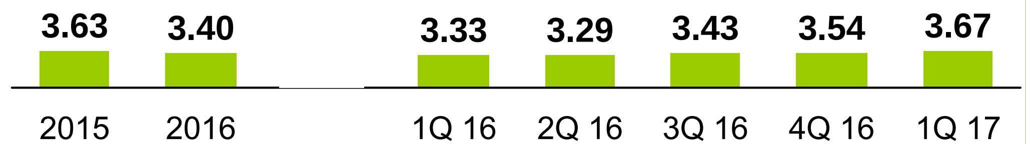
OTP Bank Croatia



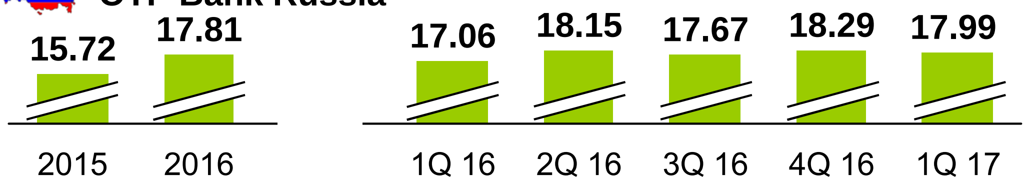
DSK Bank Bulgaria



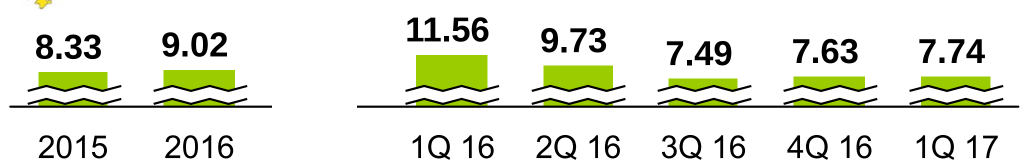
OTP Bank Romania



OTP Bank Russia



OTP Bank Ukraine



Consolidated performing loans increased by 1% q-o-q and 8% y-o-y (+4% y-o-y w/o AXA take-over and broadening of OTP Core definition), led by corporate loan expansion in Hungary and Bulgaria, and reviving consumer loan demand in Russia

DPD0-90 volumes

Q-o-Q loan volume changes in 1Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Monte-negro)
Total	1%	3% / 2%[2]	0%	-2%	301%	-1%	0%	3%	-1%	1%	2%
Consumer	0%	2% / 1%[2]	-1%	-3%	301%	1%	5%	3%	-2%	3%	1%
Mortgage	0%	1% / -1%[2]	0%	-2%		-5%	0%	2%	0%	2%	1%
Corporate[1]	3%	6%	2%	2%		-1%	-1%	5%	-2%	0%	3%

Y-o-Y loan volume changes in 1Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Monte-negro)
Total	8% / 4%[3]	13% / 5%[4]	4%	6%		2%	2%	7%	-1%	15%	-2%
Consumer	3%	2%	0%	6%		18%	9%	2%	0%	12%	1%
Mortgage	7% / -2%[3]	15% / -1%[4]	0%	-18%		-10%	-6%	14%	-2%	10%	6%
Corporate[1]	10%	13%	14%	17%		2%	10%	7%	1%	17%	-9%

[1] Loans to MSE and MLE clients and local governments
[2] Without the effect of entities consolidated into OTP Core from 1Q 2017
[3] Without the AXA-effect
[4] Without the AXA-effect and entities consolidated into OTP Core from 1Q 2017

In 1Q 2017 new household loan disbursements improved significantly y-o-y at OTP Core and at almost all subsidiaries

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

	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Montenegro)
Mortgage loan	48%	39%			238%	5%	30%	268%	148%
Cash loan*	71%	5%	30%	74%	110%	39%	-33%	18%	14%

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

The consolidated deposit base showed a strong 6% growth y-o-y, but decreased by 1% q-o-q. The strength of the Hungarian and Bulgarian franchises is reflected in the steadily strong retail deposit inflows (+15% and +7%, respectively)

Q-o-Q deposit volume changes in 1Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Monte-negro)
Total	-1%	-1%	2%	-8%	-3%	3%	-3%	-1%	-3%	-6%	-6%
Retail	0%	1%	1%	-5%	-3%	-5%	-1%	-1%	-3%	0%	-1%
Corporate[1]	-3%	-3%	3%	-13%		9%	-5%	-1%	-2%	-12%	-14%

Y-o-Y deposit volume changes in 1Q 2017, adjusted for FX-effect

	Cons.	Core (Hungary)	DSK (Bulgaria)	OBRu (Russia)	Touch Bank (Russia)	OBU (Ukraine)	OBR (Romania)	OBH (Croatia)	OBS (Slovakia)	OBSr (Serbia)	CKB (Monte-negro)
Total	6%	8%	7%	-4%	126%	19%	-1%	3%	-6%	-8%	0%
Retail	8%	15%	7%	-9%	126%	-4%	3%	-0%	-10%	4%	-2%
Corporate[1]	3%	0%	7%	16%		42%	-2%	21%	-1%	-19%	5%

[1] including SME, LME and municipality deposits

The net fee and commission income declined by 8% q-o-q mainly due to a seasonal setback at OTP Fund Management

NET FEE AND COMMISSION INCOME – 1Q 2017 (HUF billion)	Share	1Q 2017	Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	100%	44.5	-3.7	-8%
OTP CORE (Hungary)	54%	24.2	-1.0	-4% (1)
DSK (Bulgaria)	14%	6.4	-0.2	-3%
OBRU (Russia)	13%	5.7	1.7	45%/33%[1] (2)
Touch Bank (Russia)	0%	0	0.0	n/a
OBU (Ukraine)	5%	2.2	-0.2	-10%
OBH (Croatia)	3%	1.3	-0.1	-6%
OBS (Slovakia)	2%	0.9	-0.1	-6%
OBR (Romania)	2%	0.8	0.1	16%
CKB (Montenegro)	1%	0.5	-0.1	-13%
OBSrb (Serbia)	1%	0.4	0.0	-5%
Fund mgmt. (Hungary)	3%	1.5	-4.1	-73% (3)

1. At OTP Core the quarterly decline was explained by the fact that similar to previous years, the financial transaction tax on card transactions had to be paid in a lump-sum in the first quarter for the whole year, based on the annual volume of previous year's transactions. This item amounted to HUF 1.6 billion in 1Q 2017.

2. Fee expenses dropped due to methodology change. 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.

3. At OTP Fund Management the q-o-q drop is explained by success fees booked in 4Q 2016.

[1] Change in local currency

The other net non-interest income remained relatively stable q-o-q

OTHER NET NON-INTEREST INCOME – 1Q 2017 without one-off items (HUF billion)	Share	1Q 2017	Q-o-Q (HUF billion)	Q-o-Q (%)
OTP Group	100%	12.0	-0.2	-2%
OTP CORE (Hungary)	51%	6.1	3.1	106% (1)
DSK (Bulgaria)	12%	1.5	-0.4	-20%
OBRU (Russia)	1%	0.1	-0.3	-77%
Touch Bank (Russia)	0%	0		n/a
OBU (Ukraine)	5%	0.6	0.1	30%
OBH (Croatia)	5%	0.6	0.0	-1%
OBS (Slovakia)	1%	0.1	0.0	11%
OBR (Romania)	9%	1.1	0.3	33%
CKB (Montenegro)	1%	0.1	0.0	11%
OBSrb (Serbia)	0%	0.1	0.0	-39%
Others[1]	15%	1.8	-3.0	-62% (2)

1 At OTP Core the q-o-q change was mainly induced by a base effect: in 4Q there was a HUF 1.9 billion decline in other revenues induced by a one-off item (the same as explained on page 20 in point 1), and a HUF 0.5 billion gain was realized on government securities in 4Q 2016.

2 The q-o-q change is explained by base effect: the lump-sum accounting of the full-year amount of eliminations (HUF 5 billion) related to the intragroup FX swap deals concluded between OTP Bank (Hungary) and DSK Bank in 4Q 2016. As the other leg of this item, there was an elimination within NII with a similar magnitude, but with an opposite sign (see on page 26 in point 4).

[1] Other group members and eliminations

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Consolidated operating costs grew by 8% y-o-y (+4% adjusted for FX rate changes), explained by higher costs at OTP Core, Touch Bank and OTP Bank Russia. Romania demonstrated efficient utilization of synergies from the Millennium deal

OPERATING COSTS – 1Q 2017 (HUF billion)	Share	1Q 2017	Y-o-Y (HUF bn)	Y-o-Y (%)	Y-o-Y (FX-adj., HUF bn)	Y-o-Y (FX-adj., %)
OTP Group	100%	100	7	8%	4	4%
OTP CORE (Hungary)	50%	50	2	4%	2	4% (1)
DSK (Bulgaria)	11%	11	0	2%	0	3%
OBRU (Russia)	13%	13	4	38%	1	6% (2)
Touch Bank (Russia)	3%	3	2	122%	1	71% (3)
OBU (Ukraine)	4%	4	0	6%	0	9%
OBH (Croatia)	5%	5	0	3%	0	2%
OBS (Slovakia)	3%	3	0	-5%	0	-4%
OBR (Romania)	4%	4	-1	-14%	-1	-12%
CKB (Montenegro)	2%	2	0	0%	0	1%
OBSrb (Serbia)	2%	2	0	0%	0	2%
Merkantil (Hungary)	1%	1	0	0%	0	0%

1 The consolidation of four Hungarian entities into OTP Core from 1Q 2017 did not have a material impact on the dynamics of operating expenses due to eliminations.
The y-o-y increase in operating expenses was fuelled by higher marketing costs and higher contributions paid to regulatory bodies. In 1Q 2017 HUF 0.4 billion personal costs emerged due to the AXA take-over. Also, at OTP Bank there was an average base salary increase of 4% in April 2016, however its effect for 1Q 2017 operating costs was counterbalanced by the 5 pps cut in social and health care contributions from January 2017.

2 At OTP Bank Russia the opex growth was explained by higher business activity. The reclassification of deposit protection fund contributions from other income to opex line pushed up 1Q opex by HUF 0.3 billion.

3 Increasing cost base at Touch Bank due to higher client acquisition costs and personnel expenses.

OTP Core

The 1Q 2017 performance of OTP Core was shaped by declining effective corporate tax rate, lower net interest income and risk cost releases

OTP CORE (in HUF billion)	1Q 16	4Q 16	1Q 17	Q-o-Q	Y-o-Y
Profit after tax	**28.9**	**23.8**	**40.8**	**71%**	**41%**
Corporate tax	-10.8	-6.2	-5.2	-16%	-52%
Before tax profit	**39.7**	**30.0**	**46.0**	**54%**	**16%**
Operating profit	40.3	32.5	38.0	17%	-6%
Total income	88.5	89.1	87.9	-1%	-1%
Net interest income	58.4	60.9	57.6	-5%	-1%
Net fees and commissions	22.7	25.3	24.2	-4%	7%
Other net non interest income without one-offs	7.3	3.0	6.1	106%	-17%
Operating costs	-48.2	-56.7	-49.9	-12%	4%
Total risk costs	-0.8	-2.6	8.0		
Total one-off items	0.2	0.1	0.0		

1 The effective corporate income tax rate for the first quarter was 11.3%, marking a sharp drop both q-o-q and y-o-y (1Q 2016: 27.2%, 4Q 2016: 20.5%). The main reason behind was that effective from 1 January 2017 the Hungarian corporate tax rate was reduced to 9%. Also, the tax shield effect on the revaluation of subsidiary investments resulted in additional tax payment both in 1Q and 4Q 2016 (1Q: HUF 0.5 billion, 4Q: HUF 1.7 billion). Since the switch from Hungarian Accounting Standards into IFRS financials happened from January 2017 in Hungary, from 1Q 2017 the corporate tax line of OTP Core won't be distorted by this tax shield effect related to the HUF exchange rate movements.

2 The y-o-y NII decline was driven by narrowing margins: declining interest rate environment that took its toll through lower deposit margins and lower gross interest income on customer loans. On the other hand, volume expansion could almost entirely offset the NIM pressure.

3 Favourable risk cost developments can be attributed to the continuation of improving credit quality trends.

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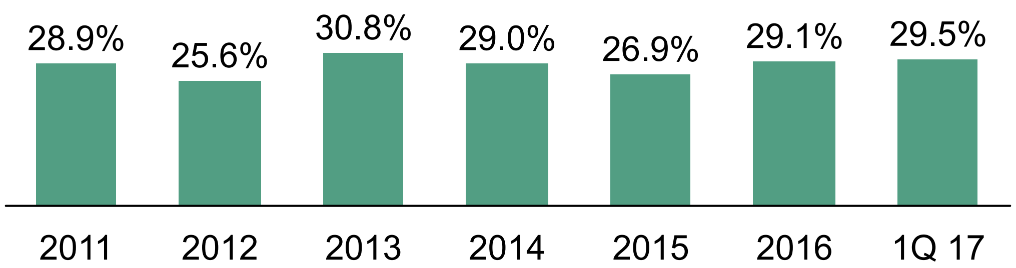
OTP Core

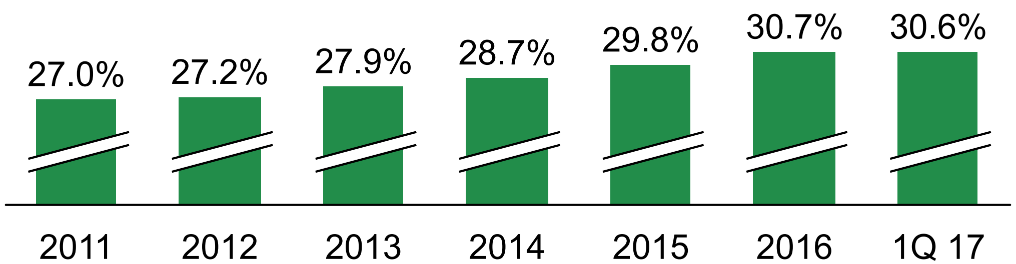
Mortgage loan applications and disbursements accelerated further. OTP's market share remained strong in new loan disbursements, corporate loans and also in retail savings

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

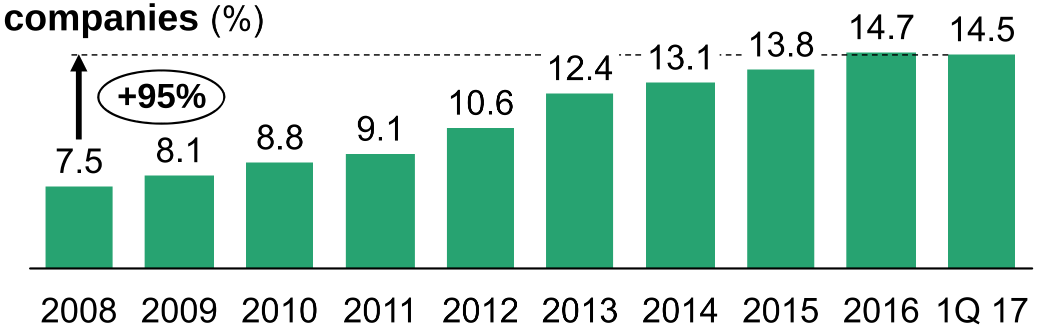
OTP's market share in mortgage loan contractual amounts[1]



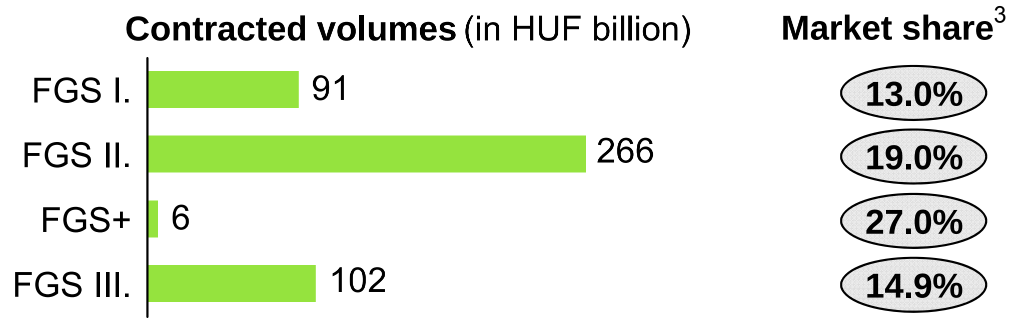
OTP Bank's market share in household savings



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

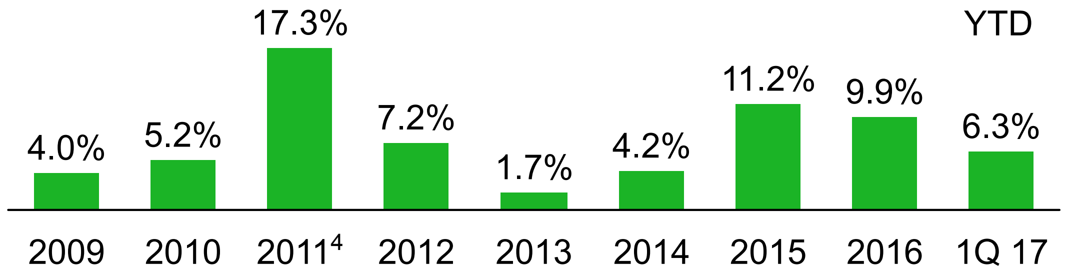


Activity of OTP Group in the Funding for Growth Scheme



Changes of SME loan volumes

(FX-adjusted y-o-y changes)



[1] Including the performance of OTP Building Society. Raw, unadjusted data are used for the calculation of market shares.
[2] Aggregated market share of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil, based on central bank data (Supervisory Balance Sheet data provision until 2016 and Monetary Statistics from 1Q 2017).
[3] The source of the sector statistics is the central bank's publications on FGS.
[4] The y-o-y increase in 2011 was influenced by reclassification, too.

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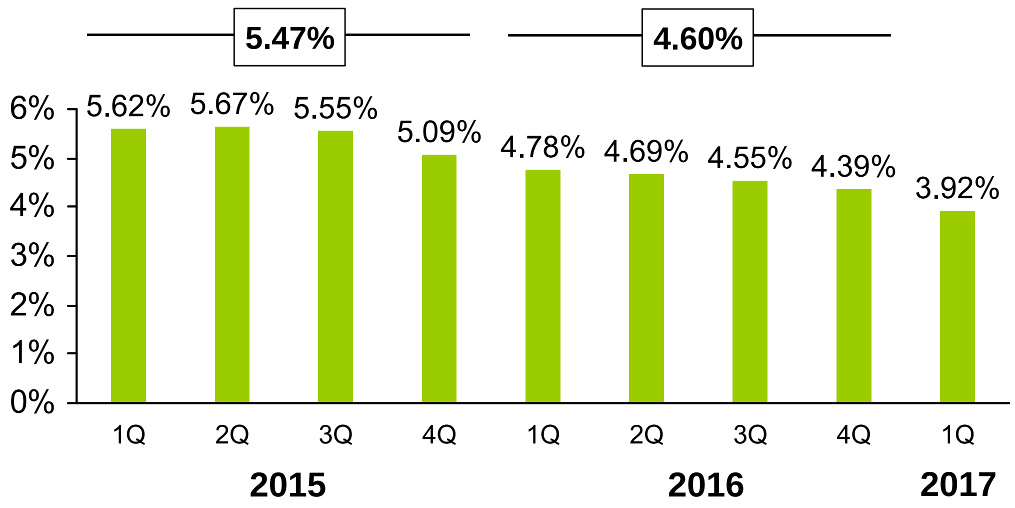
DSK Bank Bulgaria

Net earnings rebounded massively q-o-q and remained fairy stable y-o-y. NIM erosion (partially explained by technical and one-off items) continued, but coupled with parallel moderation in risk cost rate

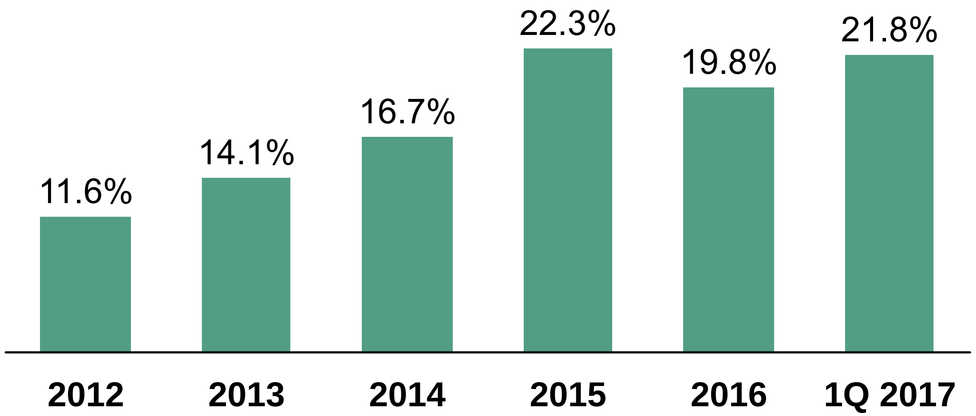
Income statement

(in HUF billion)	1Q 16	4Q 16	1Q 17	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**13.8**	**4.7**	**13.4**	**186%**	**-3%**
Profit before tax	15.3	5.1	14.9	194%	-3%
Operating profit	16.8	17.5	15.8	-10%	-6%
Total income	27.1	28.8	26.3	-9%	-3%
Net interest income	21.5	20.3	18.4	-9%	-14%
Net fees and commissions	5.8	6.6	6.4	-3%	10%
Other income	-0.2	1.9	1.5	-20%	-997%
Operating costs	-10.3	-11.3	-10.5	-7%	2%
Total risk cost	-1.5	-12.4	-0.9	-93%	-40%

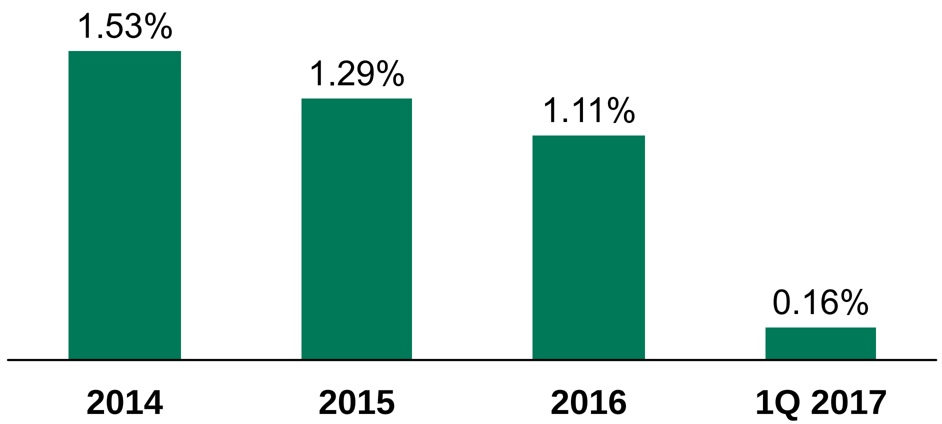
Net interest margin



Return on Equity[1]



Risk cost rate[1]



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

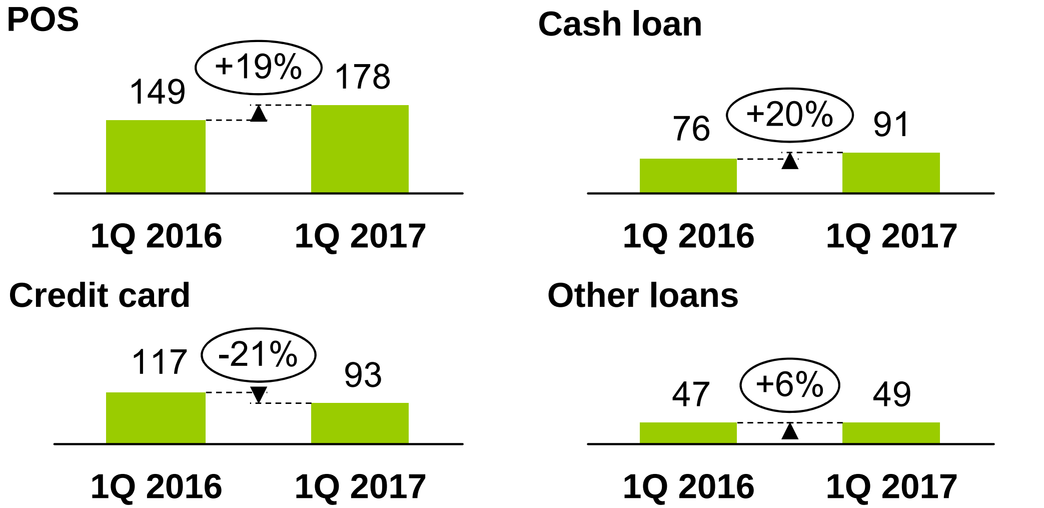
OTP Bank Russia

The Russian subsidiary further improved its profit in 1Q 2017 as a result of operating profit increasing. FX-adjusted performing POS and cash loan volumes grew y-o-y due to the favourable new disbursements

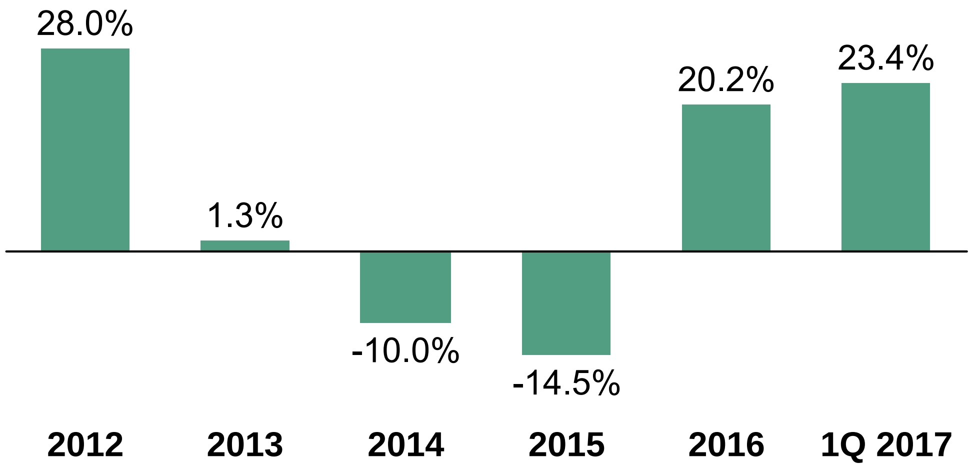
Income statement

(in HUF billion)	1Q 16	4Q 16	1Q 17	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**2.6**	**4.6**	**7.6**	**65%**	**190%**
Profit before tax	3.4	6.6	9.8	49%	191%
Operating profit	13.4	16.9	19.6	16%	47%
Total income	23.0	29.8	32.8	10%	43%
Net interest income	20.4	25.4	27.1	6%	33%
Net fees and commissions	2.9	3.9	5.7	45%	95%
Other income	-0.4	0.4	0.1	-77%	-125%
Operating costs	-9.6	-12.9	-13.2	3%	38%
Total risk cost	-10.0	-10.3	-9.9	-4%	-2%

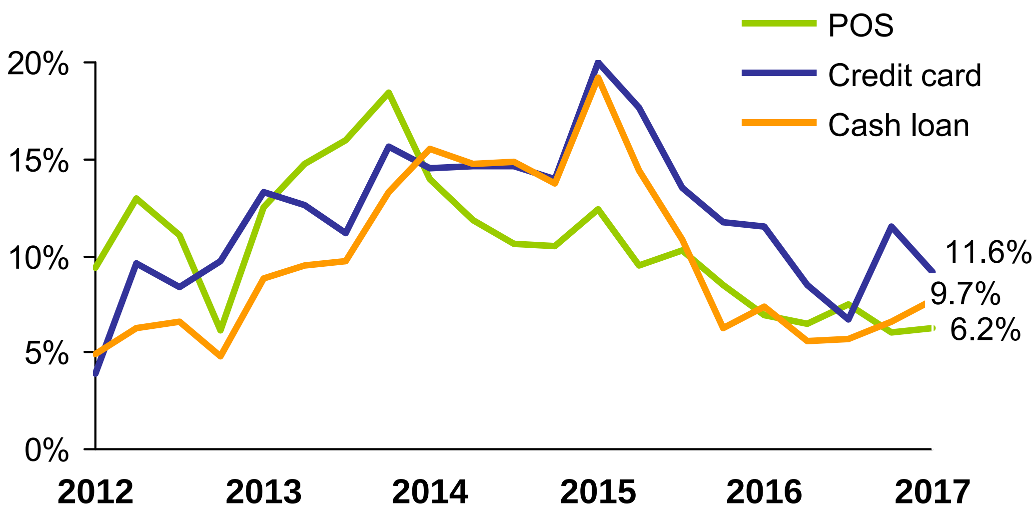
DPD0-90 loan volumes (FX-adjusted, in HUF billion)



Return on Equity[1]



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



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

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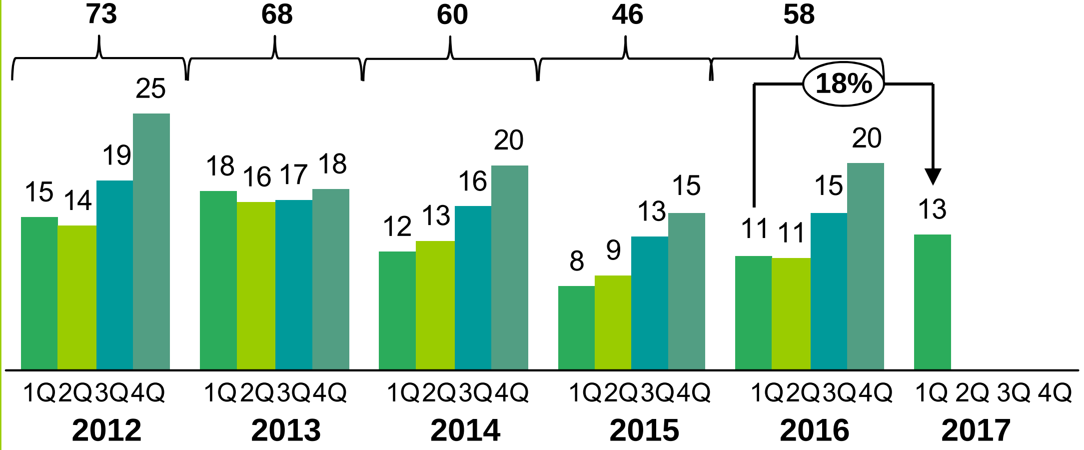
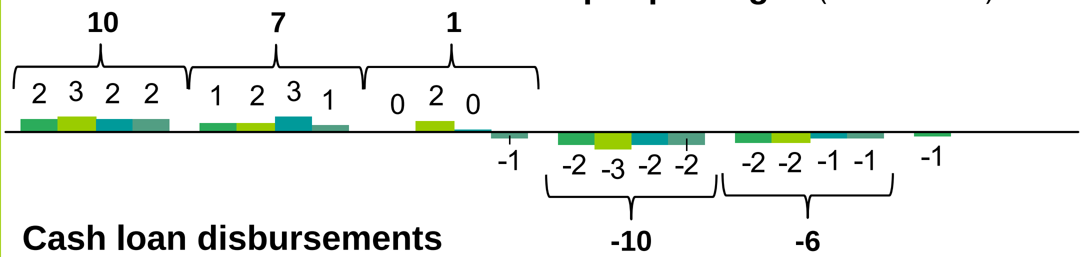
OTP Bank Russia

In 1Q 2017 POS and cash loan disbursements grew on a yearly basis, but performing credit card volumes declined further. Deposits decreased q-o-q in RUB terms. Average RUB term deposit rates kept shrinking

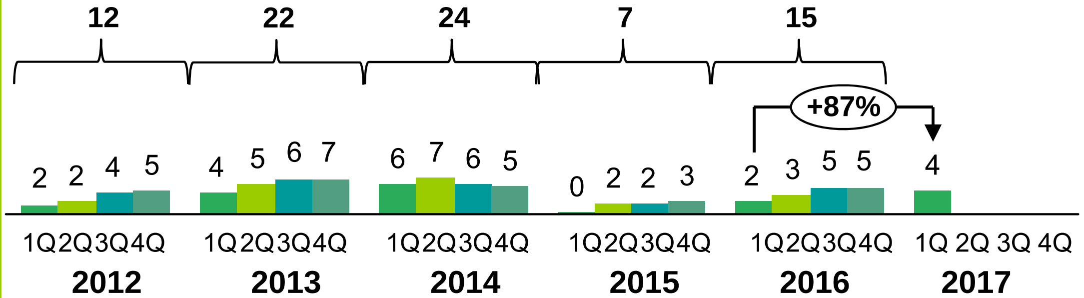
POS loan disbursements (RUB billion)



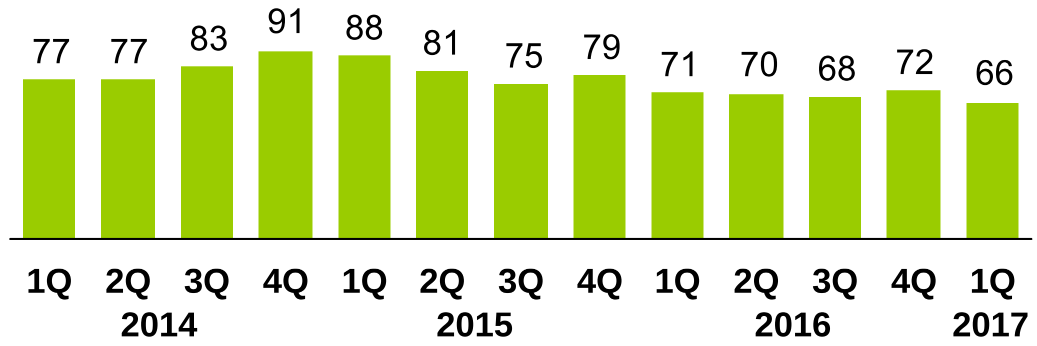
DPD0-90 credit card loan volume q-o-q changes (RUB billion)



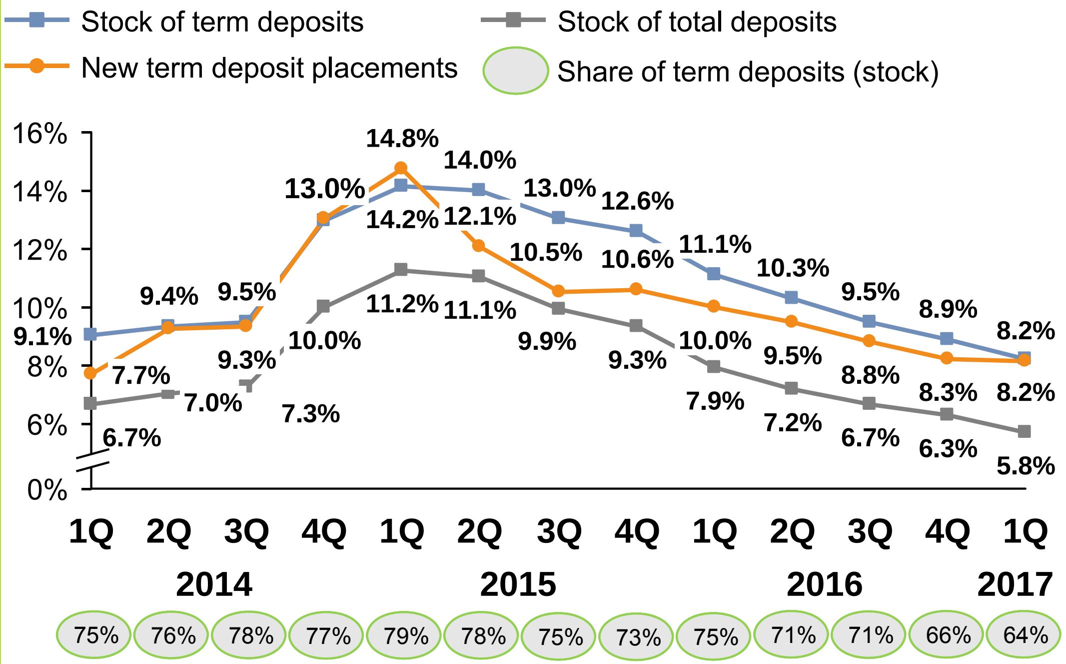
Cash loan disbursements
(RUB billion, including quick cash loans)



Development of customer deposits (RUB billion)



Average interest rates for stock and new RUB deposits

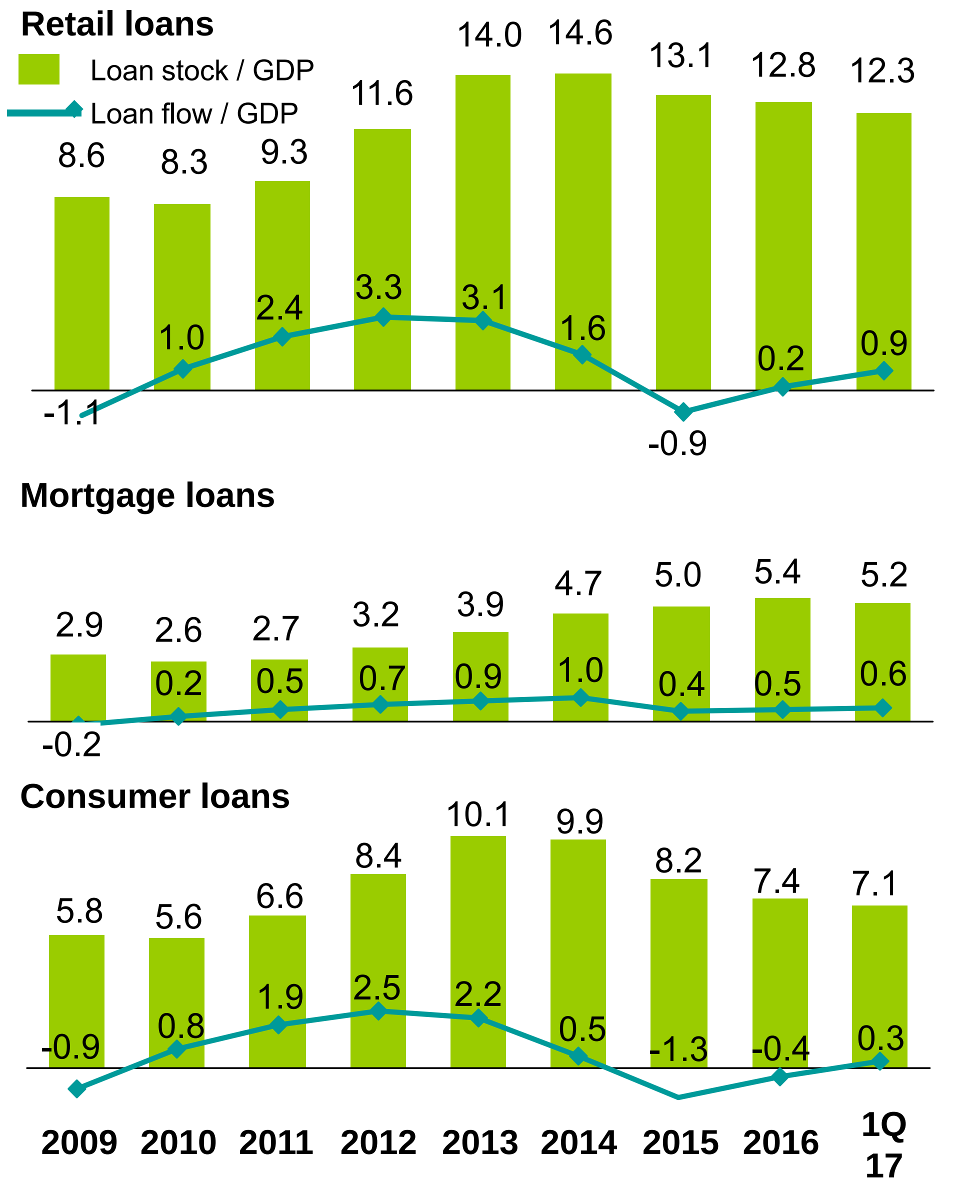


Russia

The recovery of domestic demand is sluggish, but retail lending has bottomed out by mid-2016

Key economic indicators

	2012	2013	2014	2015	2016	OTP Research 2017F	OTP Research 2018F
Nominal GDP (RUB bn)	66,927	71,017	79,200	83,233	86,044	**91,647**	**98,154**
Real GDP change	3.5%	1.3%	0.7%	-2.8%	-0.2%	**1.0%**	**2.0%**
Final consumption	6.1%	3.6%	0.9%	-8.0%	-3.5%	**1.0%**	**3.1%**
Household consumption	7.4%	4.4%	2.0%	-9.8%	-4.5%	**1.4%**	**4.0%**
Collective consumption	2.5%	1.4%	-2.1%	-3.1%	-0.5%	**0.0%**	**0.5%**
Gross fixed capital formation	6.0%	0.9%	-0.4%	-9.9%	-1.8%	**1.4%**	**3.0%**
Exports	1.4%	4.6%	0.5%	3.7%	3.1%	**6.2%**	**3.2%**
Imports	9.7%	3.6%	-7.6%	-25.5%	-5.0%	**8.5%**	**7.8%**
Government balance*	-0.1%	-0.5%	-0.4%	-2.4%	-3.5%	**-2.8%**	**-1.8%**
Government debt*	9.7%	10.6%	13.4%	13.5%	13.4%	**13.6%**	**13.4%**
Current account*	3.3%	1.5%	2.8%	5.1%	1.9%	**2.4%**	**2.1%**
Gross external debt*	28.9%	33.6%	42.6%	45.5%	36.2%	**33.7%**	**32.7%**
Gross nominal wages	13.1%	12.5%	8.2%	4.3%	8.0%	**8.3%**	**7.6%**
Unemployment rate (avg)	5.4%	5.5%	5.2%	5.6%	5.5%	**5.5%**	**5.3%**
Inflation (annual average)	5.1%	6.8%	7.8%	15.6%	7.2%	**4.2%**	**4.0%**
Brent (USD / barrel)	111.68	108.70	99.44	52.40	42.80	**52.10**	**53.20**
Base rate (end of year)	8.25%	6.50%	18.0%	11.0%	10.0%	**8.0%**	**6.5%**
RUB/USD FX rate (eop)	30.37	32.90	58.05	73.00	61.27	**62.00**	**65.00**



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

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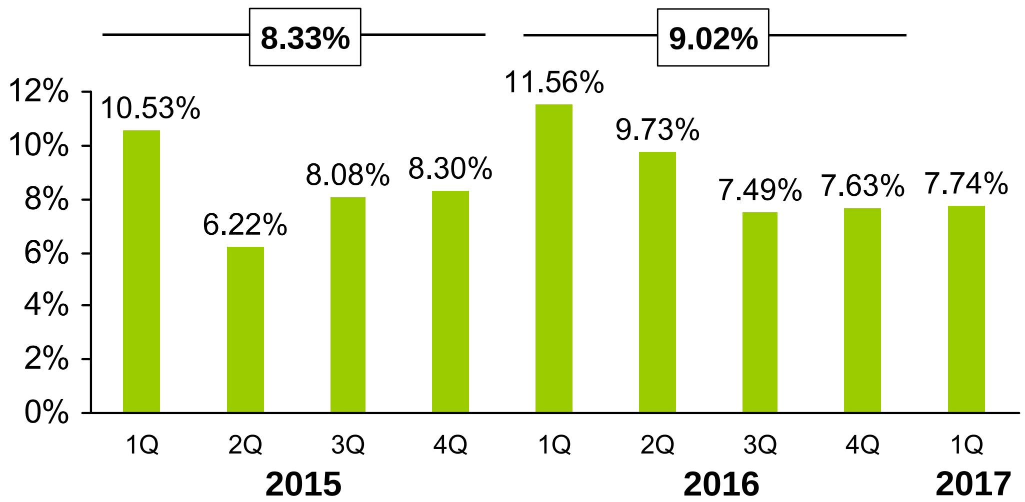
OTP Bank Ukraine

In Ukraine profitability further improved in 1Q 2017 due to moderating risk cost, stringent cost control, stable net interest margin and q-o-q slightly lower performing loan volumes

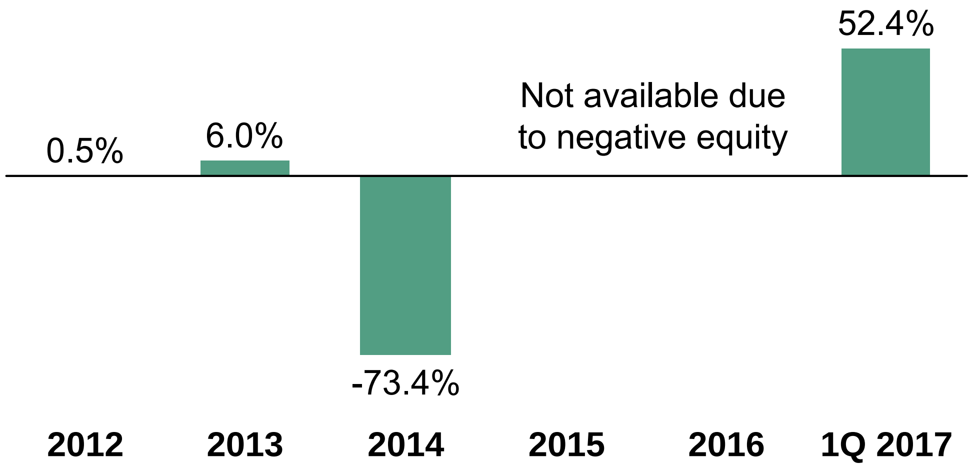
Income statement

(in HUF billion)	1Q 16	4Q 16	1Q 17	Q-o-Q	Y-o-Y
Profit after tax	**0.9**	**2.1**	**3.3**	**60%**	**287%**
Profit before tax	3.7	2.2	3.9	82%	7%
Operating profit	7.2	4.3	5.0	17%	-30%
Total income	10.6	8.8	8.7	-1%	-18%
Net interest income	8.0	5.9	5.8	-1%	-27%
Net fees and commissions	2.0	2.5	2.2	-10%	11%
Other income	0.6	0.5	0.6	30%	3%
Operating costs	-3.4	-4.5	-3.6	-19%	6%
Total risk cost	-3.5	-2.1	-1.1	-48%	-69%

Net interest margin

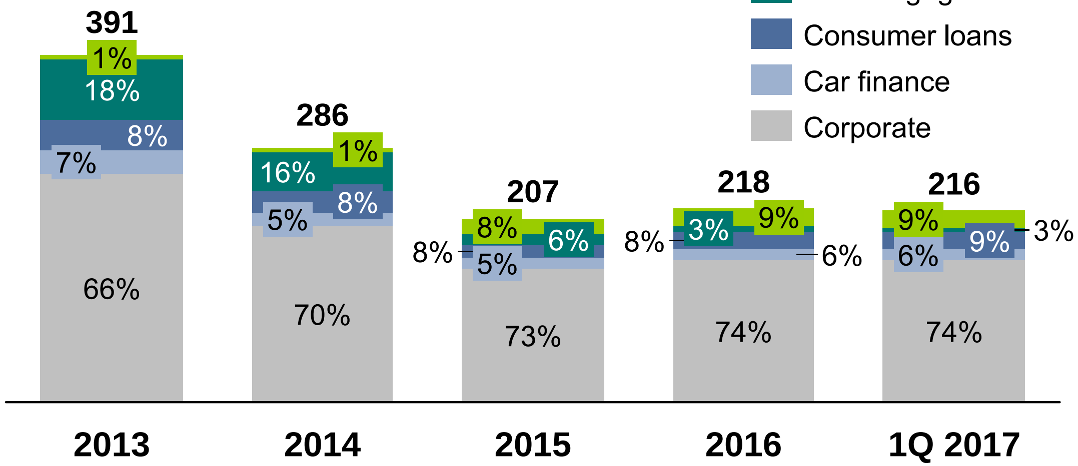


Return on Equity[1]



Composition of performing loan volumes

(in HUF billion, FX-adj.)



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

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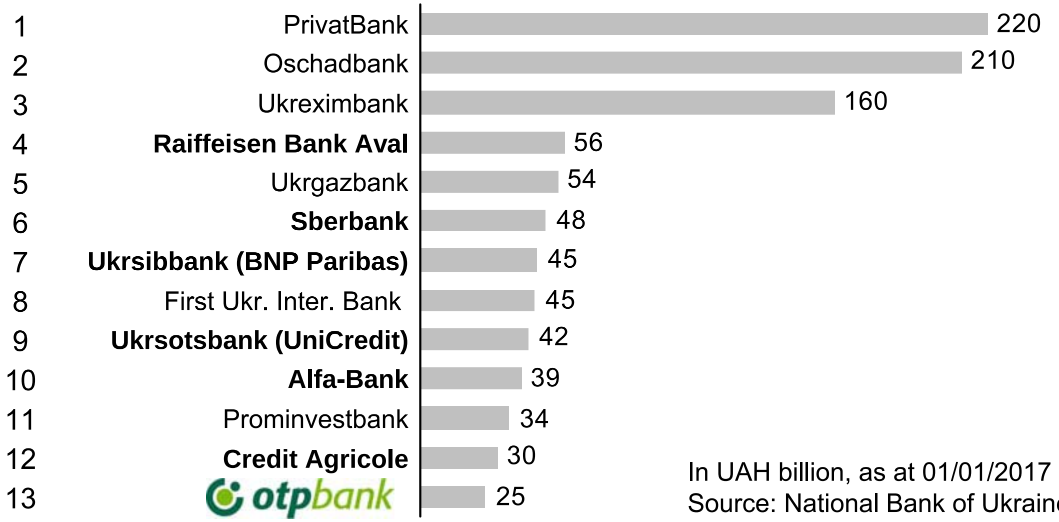
OTP Bank Ukraine excelled in terms of nominal profit despite its low ranking by total assets. Intragroup funding remained stable q-o-q, but the net loan to deposit ratio sank further

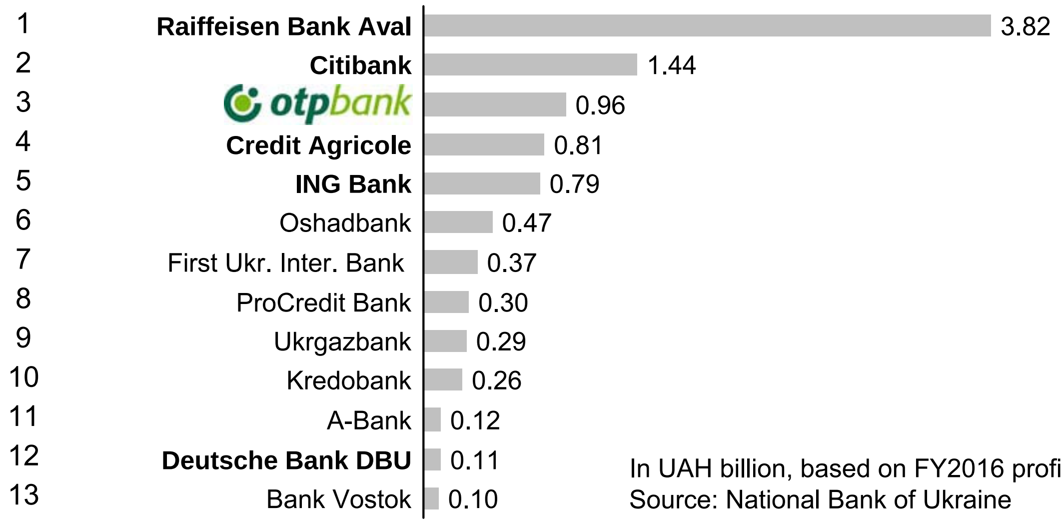
OTP Bank Ukraine

Ranking of Ukrainian banks by total assets



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

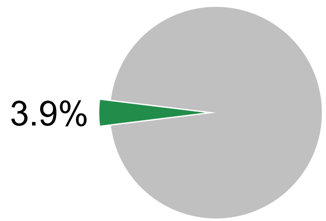
Ranking of Ukrainian banks by after tax result



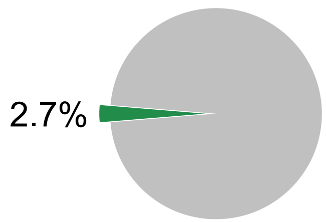
In UAH billion, based on FY2016 profit
Source: National Bank of Ukraine

OTP Ukraine's share within consolidated loans and deposits

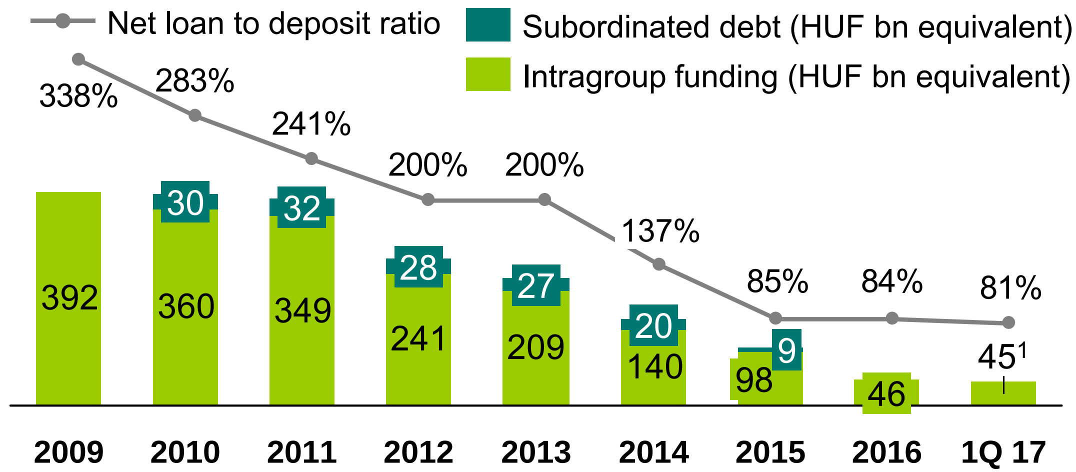
Share of the Ukrainian bank's performing loans (DPD0-90) within the Group



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



Intragroup funding and net loan to deposit ratio



[1] Out of the total outstanding intragroup funding exposure of HUF 44.6 billion equivalent toward the Ukrainian operation, HUF 39.5 billion (USD 137 million) was toward the leasing company and HUF 5.2 billion (USD 18 million) was toward the factoring company.

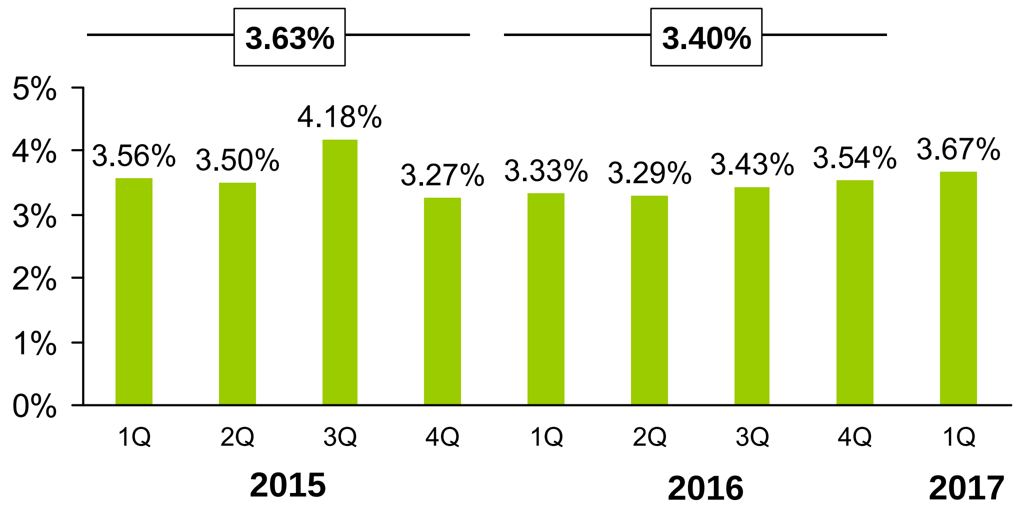
OTP Bank Romania

OTP Bank Romania demonstrated strong profitability in 1Q 2017, supported by favourable margins and the cost efficiency gains thanks to the exploitation of cost synergies after the Banca Millennium transaction

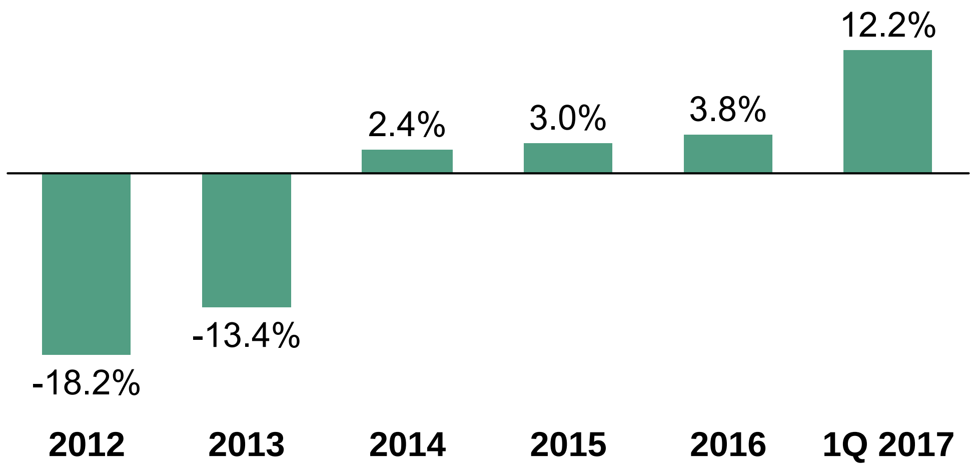
Income statement

(in HUF billion)	1Q 16	4Q 16	1Q 17	Q-o-Q	Y-o-Y
Profit after tax (adjusted)	**0.6**	**-0.5**	**1.3**	**-338%**	**112%**
Profit before tax	1.2	-0.4	1.9	-578%	62%
Operating profit	2.1	2.1	2.9	42%	43%
Total income	6.9	6.6	7.2	8%	3%
Net interest income	5.2	5.1	5.3	4%	3%
Net fees and commissions	0.7	0.7	0.8	16%	6%
Other income	1.1	0.8	1.1	33%	1%
Operating costs	-4.9	-4.5	-4.2	-7%	-14%
Total risk cost	-0.9	-2.5	-1.1	-57%	18%

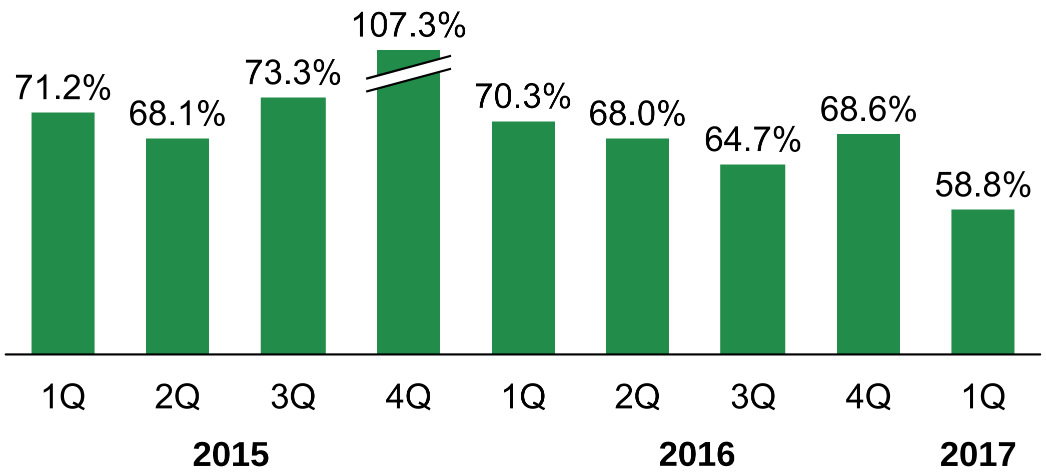
Net interest margin



Return on Equity[1]



Cost to income ratio



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

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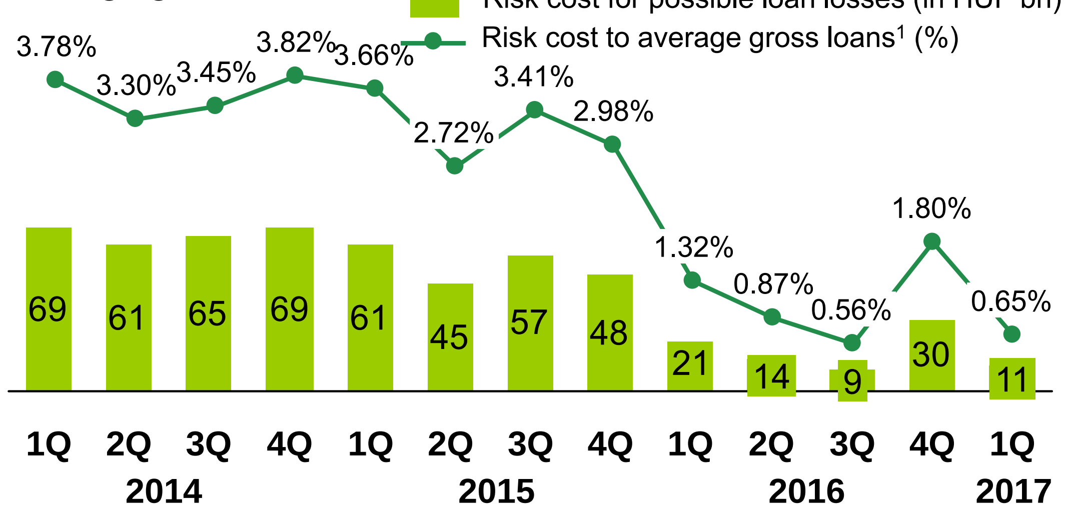
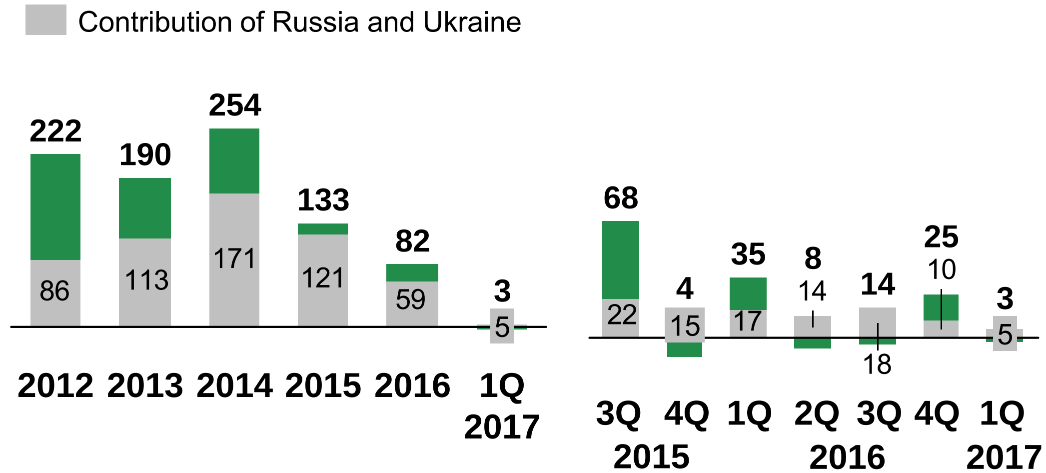
The consolidated DPD90+ ratio declined further. The risk cost rate sank to multi-year lows

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

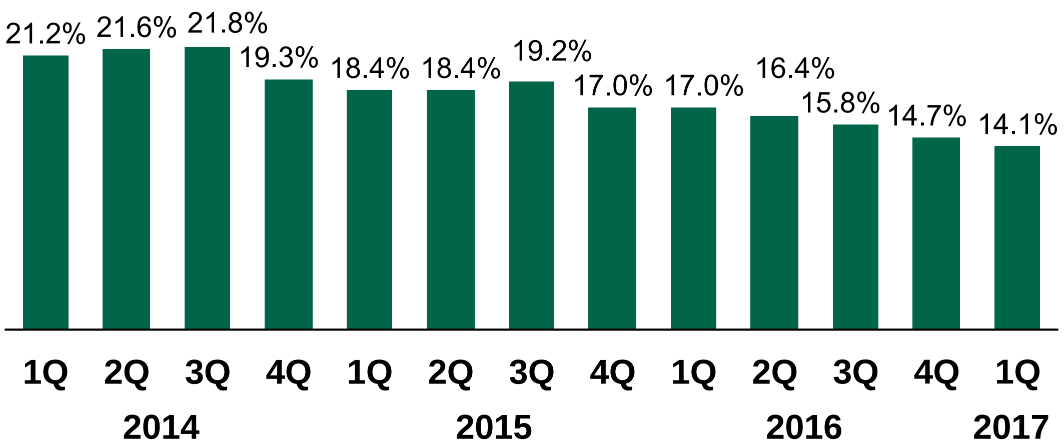


Change in DPD90+ loan volumes

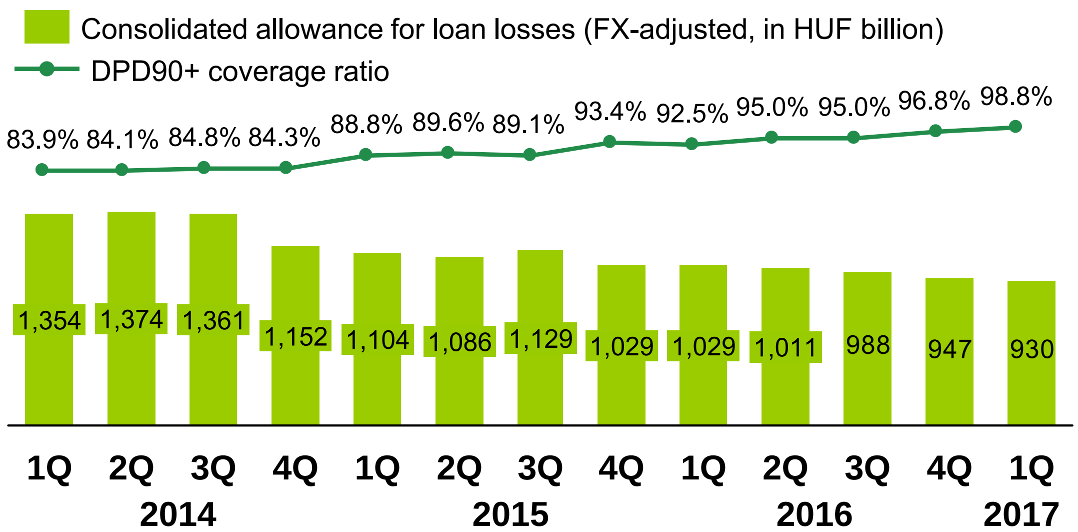
(consolidated, adjusted for FX and sales and write-offs, in HUF billion)



Ratio of consolidated DPD90+ loans to total loans



Consolidated provision coverage ratio

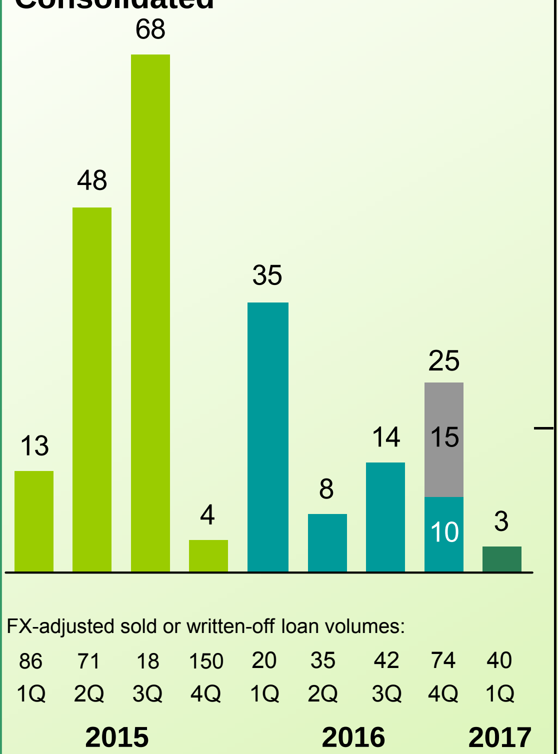


[1] According to the old calculation methodology until 4Q 2015 and the new calculation methodology from 1Q 2016.

In 1Q 2017 the FX-adjusted DPD90+ formation sank to HUF 3 billion. The Russian inflow was below the quarterly average of the last couple of years

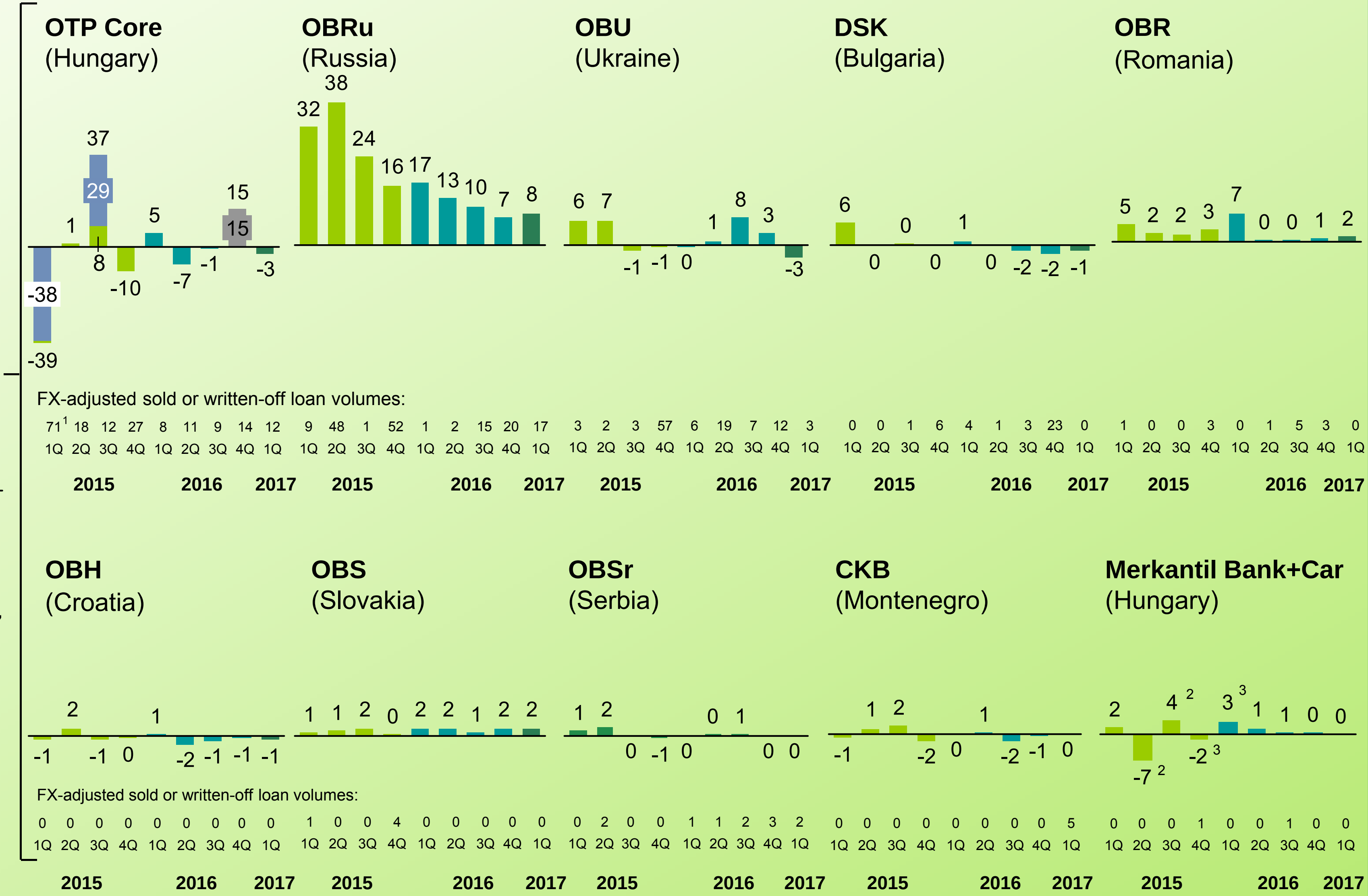
FX-adjusted quarterly change in DPD90+ loan volumes

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



Technical effect of settlement: In 3Q 2015 mortgages worth HUF 29 billion (FX-adjusted) slipped into the DPD90+ category again after the HUF 38 billion technical healing in 1Q.

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



[1] The netting out at Factoring induced by the conversion in 1Q 2015 was equivalent of HUF 65 billion on an FX-adjusted basis.
[2] In 2Q 2015 at Merkantil the settlement reduced the DPD90+ volumes by HUF 7 billion (FX-adjusted) and HUF 3 billion re-defaulted in 3Q.
[3] In 4Q 2015 at Merkantil the FX car financing loan conversion reduced the DPD90+ volumes by HUF 3 bn. In 1Q 16 part of these volumes redefaulted.

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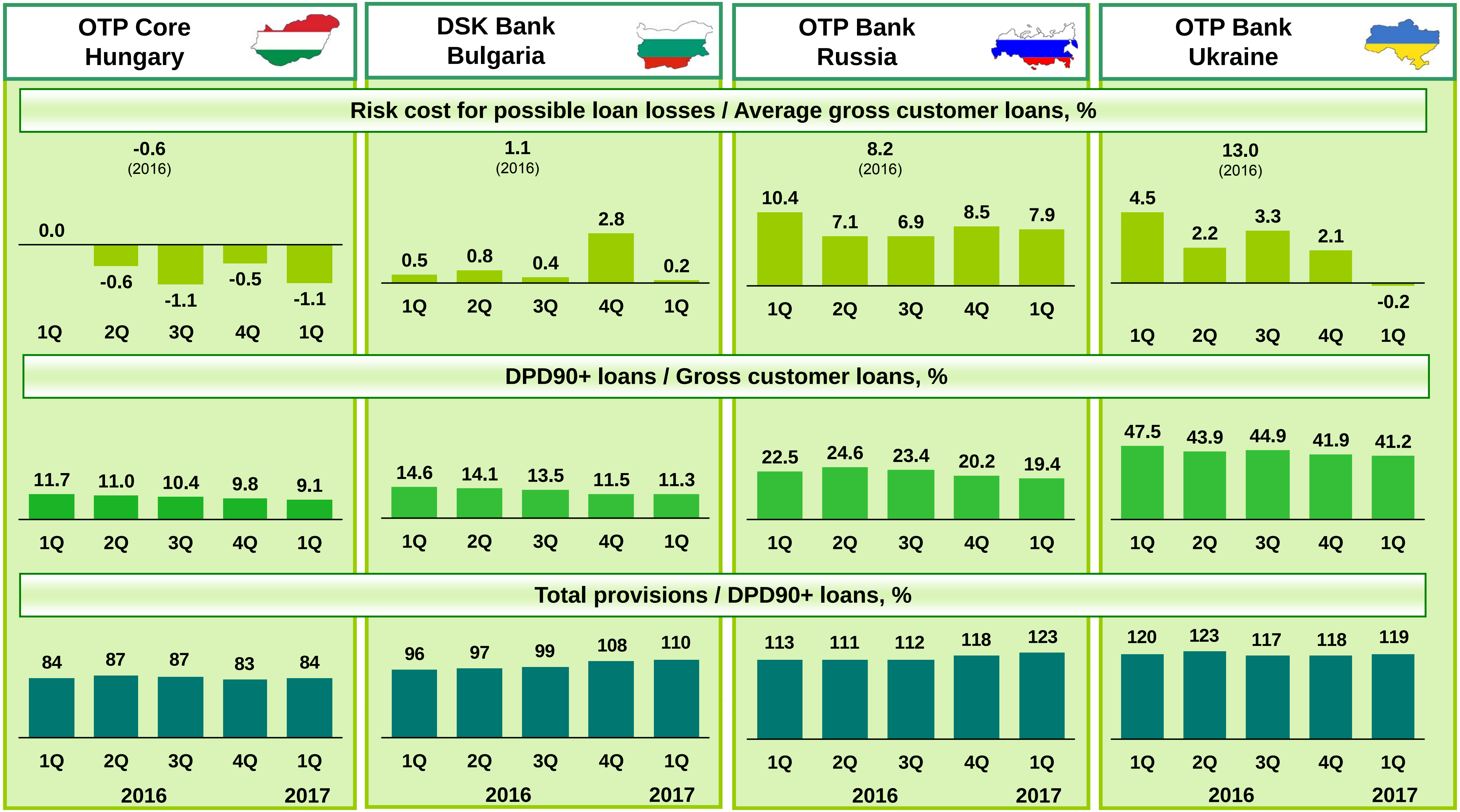
The risk cost rate and the DPD90+ ratio declined q-o-q all across the board with the provision coverage ratios remaining conservative



At OTP Core, DSK Bank and the Russian operation the DPD90+ ratio decreased q-o-q partly as a result of DPD90+ portfolio sales and write-offs

DPD90+ ratio (%)

OTP Core (Hungary)	1Q16	2Q16	3Q16	4Q16	1Q17	Q-o-Q (%-point)
Total	**11.7%**	**11.0%**	**10.4%**	**9.8%**	**9.1%**	*-0.7*
Retail	13.6%	13.0%	12.2%	11.3%	10.9%	*-0.4*
Mortgage	12.4%	11.8%	11.1%	10.4%	10.1%	*-0.3*
Consumer	18.0%	17.0%	16.0%	15.2%	14.3%	*-0.9*
MSE	7.4%	6.8%	6.4%	6.4%	6.5%	*0.1*
Corporate	9.4%	8.5%	8.3%	7.9%	6.8%	*-1.1*
Municipal	0.2%	2.2%	4.1%	0.3%	0.1%	*-0.2*

DPD90+ ratio (%)

OTP Bank Russia	1Q16	2Q16	3Q16	4Q16	1Q17	Q-o-Q (%-point)
Total	**22.5%**	**24.6%**	**23.4%**	**20.1%**	**19.1%**	*-1.0*
Mortgage	35.2%	35.5%	37.1%	36.9%	36.1%	*-0.8*
Consumer	21.8%	24.7%	23.2%	19.8%	18.8%	*-1.0*
Credit card	28.5%	32.4%	32.7%	30.6%	30.0%	*-0.6*
POS loan	13.3%	15.9%	14.4%	11.1%	11.7%	*0.6*
Personal loan	25.4%	26.9%	24.3%	22.7%	18.7%	*-4.0*

DPD90+ ratio (%)

DSK Bank (Bulgaria)	1Q16	2Q16	3Q16	4Q16	1Q17	Q-o-Q (%-point)
Total	**14.6%**	**14.1%**	**13.5%**	**11.5%**	**11.3%**	*-0.2*
Mortgage	21.5%	21.2%	21.0%	16.7%	16.5%	*-0.2*
Consumer	7.9%	8.2%	8.5%	7.7%	8.2%	*0.4*
MSE	25.2%	22.8%	20.6%	17.2%	17.5%	*0.3*
Corporate	13.4%	12.2%	10.4%	9.6%	8.7%	*-0.9*

DPD90+ ratio (%)

OTP Bank Ukraine	1Q16	2Q16	3Q16	4Q16	1Q17	Q-o-Q (%-point)
Total	**47.5%**	**43.9%**	**44.9%**	**41.9%**	**41.2%**	*-0.7*
Mortgage	76.6%	74.2%	74.1%	72.6%	73.2%	*0.6*
Consumer	43.4%	40.6%	38.3%	34.6%	31.8%	*-2.7*
SME	88.1%	86.2%	87.8%	87.3%	87.6%	*0.3*
Corporate	15.2%	14.2%	19.0%	18.6%	17.6%	*-1.0*
Car-financig	51.8%	47.9%	46.6%	42.6%	41.2%	*-1.4*

Restructured retail volumes slightly increased q-o-q on group level

Definition of retail restructured loans:

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

Restructured retail loans with less than 90 days of delinquency

	1Q 2016		2Q 2016		3Q 2016		4Q 2016		1Q 2017	
	HUF mn	*%[1]*	*HUF mn*	*%[1]*	*HUF mn*	*%[1]*	*HUF mn*	*%[1]*	*HUF mn*	*%[1]*
OTP Core (Hungary)	15,080	1.0%	14,799	1.0%	15,369	1.1%	16,803	1.1%	18,061	1.1%
OBRu (Russia)	3,980	1.1%	4,542	1.2%	3,852	1.0%	3,897	0.9%	5,904	1.3%
DSK (Bulgaria)	22,618	2.9%	23,924	3.0%	21,137	2.7%	20,255	2.7%	20,235	2.7%
OBU (Ukraine)	16,958	10.1%	18,813	11.7%	14,126	9.4%	14,338	9.7%	13,387	9.4%
OBR (Romania)	7,467	2.3%	3,506	1.1%	2,782	0.9%	2,287	0.7%	1,912	0.6%
OBH (Croatia)	2,856	1.0%	2,897	1.0%	2,453	0.9%	4,167	1.4%	3,971	1.3%
OBS (Slovakia)	1,085	0.5%	1,089	0.5%	782	0.4%	878	0.4%	648	0.3%
OBSr (Serbia)	1,027	2.7%	704	1.8%	404	1.0%	303	0.8%	261	0.6%
CKB (Montenegro)	171	0.3%	157	0.2%	117	0.2%	100	0.2%	234	0.4%
Merkantil (Hungary)	981	0.6%	1,158	0.7%	1,339	0.8%	1,566	0.9%	1,647	1.0%
Other leasing[2] (Hungary)	316	1.4%	233	1.1%	354	1.6%	223	1.1%		
TOTAL	**72,538**	**1.8%**	**71,823**	**1.8%**	**62,713**	**1.6%**	**64,815**	1.6%	**66,260**	1.6%

[1] Share out of retail + car-financing portfolio (without SME)
[2] OTP Flat Lease; included into OTP Core from 1Q 2017.

In 1Q 2017 the reported CET1 was 16.0%, but the CET1 capital does not include the 1Q 2017 profit less indicated dividend; including these items the CET1 would have been 16.6%, reflecting strong underlying capital generation

OTP Group consolidated capital adequacy ratios (IFRS)

BASEL III	2012	2013	2014[1]	2015	2016	1Q 17
Capital adequacy ratio	19.7%	19.7%	16.9%	16.2%	16.0%	18.5%
Common Equity Tier1 ratio	15.1%	16.0%	13.5%	13.3%	13.5%/ 15.8%[2]	16.0%/ 16.6%[3]

1. The stand-alone capital adequacy ratio of OTP Bank is according to Hungarian Accounting Standards (HAS) until 2016, and due to the switch from HAS to IFRS from 2017 it is based on IFRS from 1Q 2017.
2. The acquisition of Splitska banka was completed on 2 May 2017. The 1Q 2017 financials (including the capital adequacy ratio) reflect the impact of the transaction neither on standalone, nor on consolidated level.

Capital adequacy ratios (under local regulation)

	2012	2013	2014	2015	2016	1Q 17
OTP Group (IFRS)	**19.7%**	**19.7%**	**16.9%***	**16.2%**	**16.0%**	**18.5%**
Hungary	20.4%	23.0%	19.0%	26.6%	27.7% (1)	32.2% (1)
Russia	16.2%	14.0%	12.1%	13.3%	16.2%	17.3%
Ukraine	19.6%	20.6%	10.4%	15.7%	12.4%	14.0%
Bulgaria	18.9%	16.4%	18.0%	17.3%	17.6%	17.5%
Romania	15.6%	12.7%	12.6%	14.2%	16.0 %	16.3%
Serbia	16.5%	37.8%	30.8%	26.1%	22.8%	23.2%
Croatia	16.0%	16.7%	16.5%	15.5%	16.7%	16.5% (2)
Slovakia	12.8%	10.6%	13.7%	13.4%	12.9%	13.1%
Montenegro	12.4%	14.4%	15.8%	16.2%	21.1%	20.1%

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

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

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

in HUF million	1Q 2016	4Q 2016	1Q 2017
CAR	**15.9%**	**16.0%**	**18.5%**
Tier1 ratio	**13.2%**	**13.5%**	**16.0%**
Common Equity Tier1 capital ratio	**13.2%**	**13.5%**	**16.0%**
Own funds	**1,064,183**	**1,079,064**	**1,249,151**
Tier1 capital	**881,189**	**911,328**	**1,082,678**
Common Equity Tier1 capital	**881,189**	**911,328**	**1,082,678**
Paid in capital	28,000	28,000	28,000
Reserves and current year profit	1,281,697	1,271,881	1,399,692
Memorandum item: Dividend	*-13,300*	*-53,200*	*-15,330*
Accumulated other comprehensive income and other reserves	-146,732	-114,546	-77,447
Treasury shares	-58,011	-60,121	-60,257
Goodwill and other intangible assets	-159,452	-164,343	-166,714
Minority interests	568	598	637
Prudential filters	-1,853	-1,924	-2,068
Other transitional adjustments	0	0	0
CET1 Deductions from investments	0	0	0
Additional Tier1 capital	**0**	**0**	**0**
Hybrid Tier1	0	0	0
Other AT1 corrections	0	0	0
AT1 Deductions from investments	0	0	0
Tier2	**182,994**	**167,736**	**166,473**
Hybrid Tier2	90,563	89,935	89,935
Lower Tier2	14,739	0	0
Upper Tier2	77,361	77,458	76,174
Instruments issued by subsidiaries that are given recognition in T2 Capital (8)	331	343	364
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	0	0	0
Tier2 Deductions from investments	0	0	0
Deductions	n/a	n/a	n/a
Investments	n/a	n/a	n/a
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	**6,693,455**	**6,730,467**	**6,768,003**
Consolidated risk weighted assets (RWA) (Credit risk)	5,235,513	5,344,636	5,552,337
Consolidated risk weighted assets (RWA) (Maket & Operational risk)	1,457,943	1,385,831	1,215,665
TOTAL CAPITAL REQUIREMENT	**535,476**	**538,437**	**541,440**
Capital requirement for Credit risk	418,841	427,571	444,187
Capital requirement for Market risk	42,074	36,455	23,158
Capital requirement for Operational risk	74,561	74,411	74,095

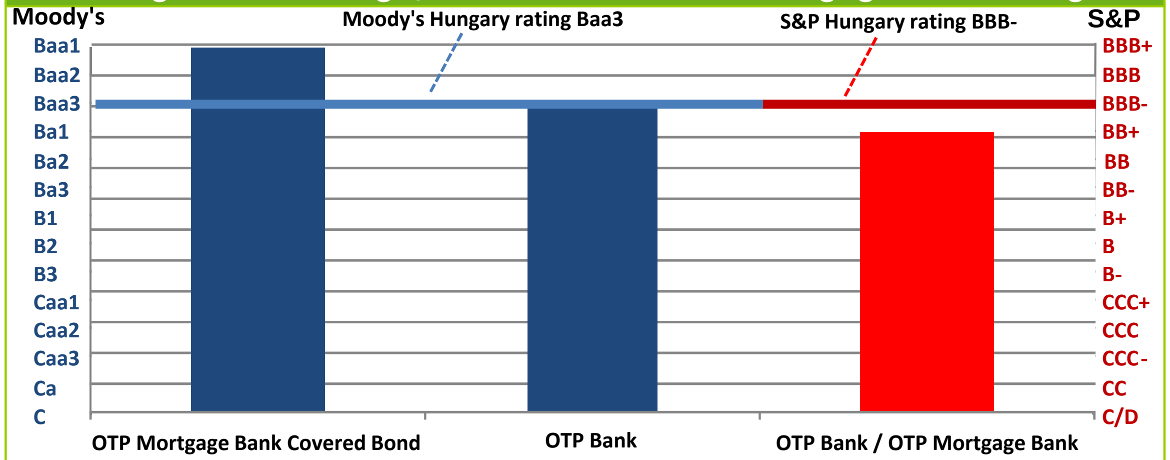
OTP Bank unconsolidated CAR (according to Basel III, HAS until 4Q16, IFRS from 1Q17)

in HUF million	1Q 2016	4Q 2016	1Q 2017
CAR	**25.9%**	**27.7%**	**32.2%**
Tier1 ratio	**22.4%**	**24.8%**	**29.5%**
Common Equity Tier1 capital ratio	**22.4%**	**24.8%**	**29.5%**
Own funds	**1,019,985**	**1,141,462**	**1,287,818**
Tier1 capital	**884,561**	**1,022,394**	**1,179,113**
Common Equity Tier1 capital	**884,561**	**1,022,394**	**1,179,113**
Paid in capital	28,000	28,000	28,000
Reserves and current year profit	856,587	985,295	1,143,001
Retained earnings	856,587	857,018	1,068,938
Eligible interim/year-end profit or loss	0	128,277	74,063
Memorandum item: Dividend	-13,300	-53,200	-15,330
Accumulated other comprehensive income and other reserves	36,307	43,847	76,031
Other reserves	36,307	43,847	-11,976
Revaluation reserves	n/a	n/a	0
Fair value adjustment of securities available-for-sale and of derivative financial instruments recognised directly through equity	n/a	n/a	58,927
Fair value of share based payments	n/a	n/a	29,080
Fair value adjustment of cash flow hedge transactions	n/a	n/a	0
Fair value adjustment of strategic open FX position recognised directly through equity	n/a	n/a	0
Treasury shares	-12,246	-11,795	-11,778
Direct shares	-9,321	-8,870	-8,844
Indirect shares	-2,926	-2,925	-2,934
Synthetic shares	0	0	0
Actual or contingent obligations to purchase own CET1 instruments	n/a	n/a	0
Goodwill and other intangible assets	-24,087	-22,954	-25,648
Prudential filters	n/a	n/a	-2,054
Deferred tax assets	n/a	n/a	-28,438
Other transitional adjusments	0	0	0
CET1 Deductions due to investments	0	0	0
Reserve for general banking risk	0	0	0
Excess of non-financial investment limit (only Basel 2)	n/a	n/a	0
Excess of deduction from T2 items over T2 Capital	n/a	n/a	0
Additional Tier1 capital	**0**	**0**	**0**
Hybrid Tier1	0	0	0
Other AT1 corrections	0	0	0
AT1 Deductions from investments	0	0	0
Tier2	**135,425**	**119,069**	**108,705**
Lower Tier2	14,739	0	0
Upper Tier2	120,686	119,069	108,705
Tier2 Deductions from investments	0	0	0
Other transitional adjustment to Tier 2 Capital	0	0	0
Deductions (financial investments) - Basel 2	n/a	n/a	0
Excess of non-financial investment limit (only Basel 2)	n/a	n/a	0
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	3,944,667	4,126,043	4,000,215
Consolidated risk weighted assets (RWA) (Credit risk)	3,156,932	3,254,901	3,538,062
Consolidated risk weighted assets (RWA) (Maket & Operational risk)	787,735	871,142	462,152
TOTAL CAPITAL REQUIREMENT	**315,573**	**330,083**	**320,017**
Capital requirement for Credit risk	252,555	260,392	283,045
Capital requirement for Market risk	41,173	47,887	15,481
Capital requirement for Operational risk	21,846	21,804	21,492

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

(rating outlook)
+ positive
- negative
0 stable

Hungarian sovereign, OTP Bank and OTP Mortgage Bank ratings



RATING HISTORY

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

OTP GROUP RELATED RATING ACTIONS

- Moody's has withdrawn **OTP Bank Russia's** ratings for its own business reasons. *(11 May 2016)*
- Moody's affirmed the long-term ratings of **OTP Bank** and changed the outlook on its Baa3 long-term local currency deposit rating to positive from stable. Also, the rating agency withdrew the deposit ratings of **OTP Mortgage Bank** as it is not a deposit-taking entity and assigned a Ba1 local currency issuer rating to the mortgage bank with positive outlook. *(29 June 2016)*
- S&P has upgraded **OTP Bank**'s and **OTP Mortgage Bank**'s foreign and local currency counterparty credit ratings to BB+ from BB with stable outlook. *(21 July 2016)*
- Moody's has upgraded **OTP Bank**'s long-term foreign currency deposit rating to Baa3 with a stable outlook and **OTP Mortgage Bank**'s covered bonds rating to Baa1. *(07 November 2016)*

RECENT SOVEREIGN RATING DEVELOPMENTS

- Fitch changed the outlook on **Croatia**'s sovereign rating to stable from negative, affirmed BB rating. *(27 January 2017)*
- Moody's has changed the outlook on **Russia**'s ratings to stable from negative. *(17 February 2017)*
- Moody's has changed the outlook on **Croatia**'s ratings to stable from negative. *(10 March 2017)*
- Moody's upgraded **Serbia**'s ratings to Ba3 from B1, with stable outlook. *(17 March 2017)*
- S&P has changed the outlook on **Russia**'s ratings to positive from stable. *(17 March 2017)*
- Moody's has changed the outlook on **Slovakia**'s ratings to positive from stable. *(7 April 2017)*
- Moody's has changed the outlook on **Romania**'s ratings to stable from positive. *(21 April 2017)*

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

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

Last update: 21/04/2017
Sovereign ratings: long term foreign currency government bond ratings,
OTP Mortgage Bank Moody's rating: covered bond rating; Other bank ratings: long term foreign currency deposit ratings
Abbreviations: BG - Bulgaria, CR - Croatia, HU - Hungary, MN - Montenegro, RO - Romania, RU - Russia, SRB - Serbia, SK - Slovakia, UA - Ukraine

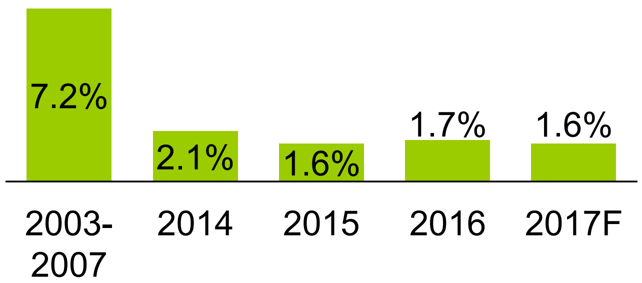
Content

Hungary

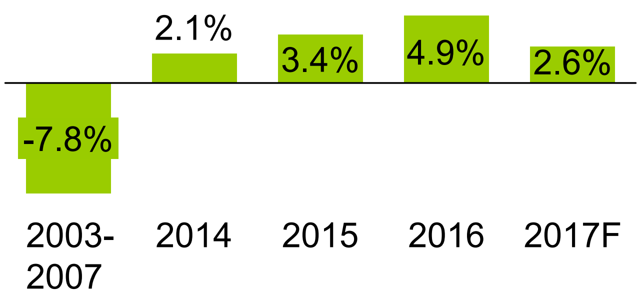
After a temporary slowdown in 2016 GDP growth is expected to accelerate to around 4% in 2017. The dynamic growth of household consumption is going to be the main driver of the economy for a longer period of time

Balance

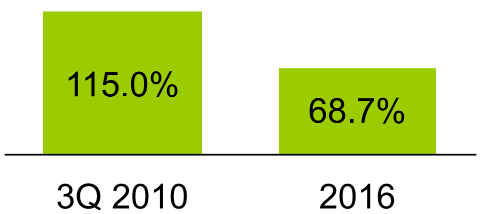
Budget deficit



Current account balance

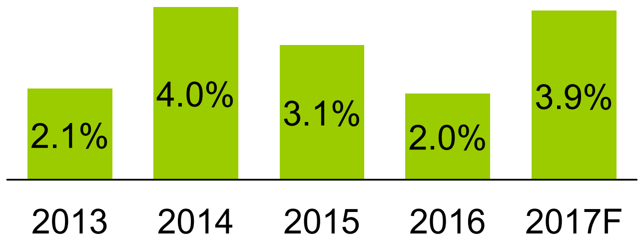


Gross external debt[1] (in % of GDP)

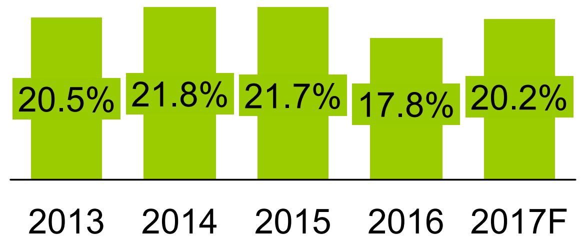


Growth

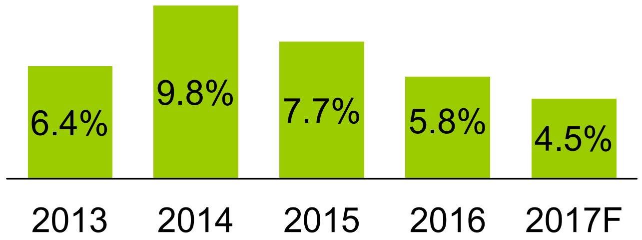
Real GDP growth



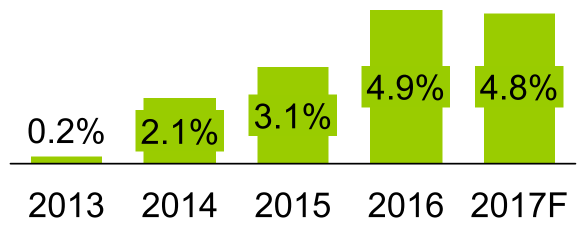
Investments to GDP



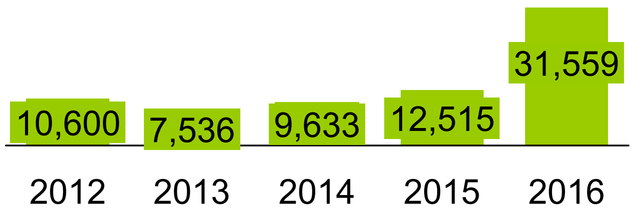
Export growth



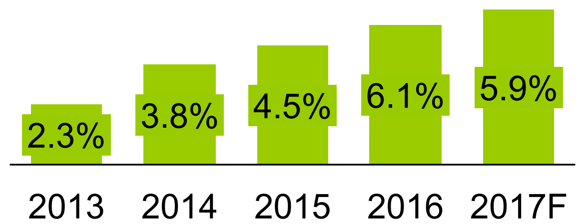
Household consumption



Housing construction permits



Real wage growth



Source: CSO, NBH; forecasts: OTP Research Centre
[1] Without inter-company loans

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Hungary

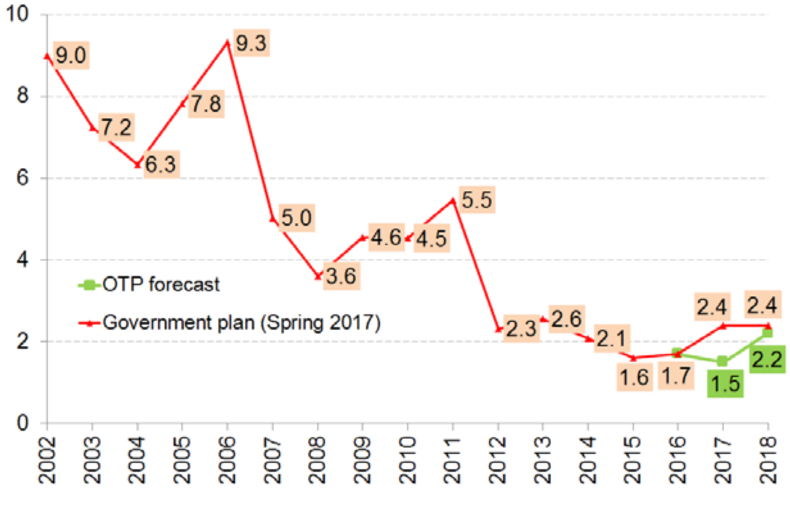
Without jeopardizing fiscal balance the government intends to accelerate spending on investments. The current account surplus reached all-time high level in 2016, and the external indebtedness fell further

The budget position remains outstanding. Due to strong revenue dynamics and falling interest expenditures, the deficit would have dropped to zero in 2016. However, the government decided to utilize this room: year-end spending on one-off items boosted the deficit to 1.7% of GDP. In a no-policy-change scenario the deficit would have remained below 1% of GDP in 2017-18. The 2018 draft budget aims to reach the 2.4% deficit target by increasing public investments and government purchases.

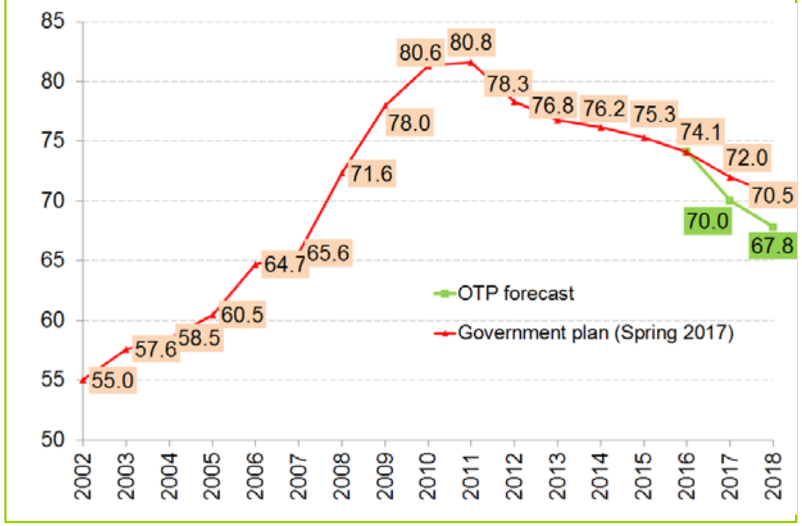
Government debt decreased near 74% of GDP in 2016 and expected to moderate further in coming years.

After hitting an all-time high C/A surplus to GDP in 2016, it started to moderate slowly due to stronger demand. The net financing capacity reached 3.5% of GDP in 2016 as a whole as EU fund absorption fell back temporarily. External debt fell to 69% of GDP, almost in line with the regional average, from the peak of 115% in 2010.

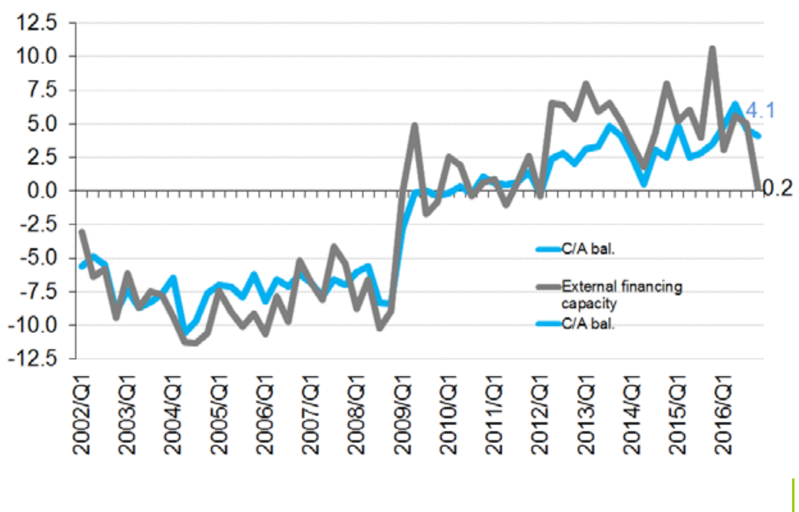
Budget balance (as % of GDP)



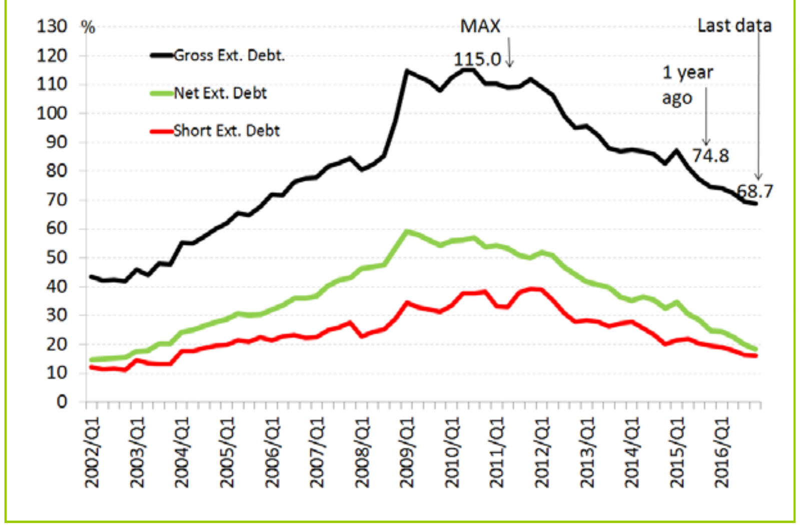
Public debt (as % of GDP)



External balance (as % of GDP)



External debt indicators (as % of GDP)

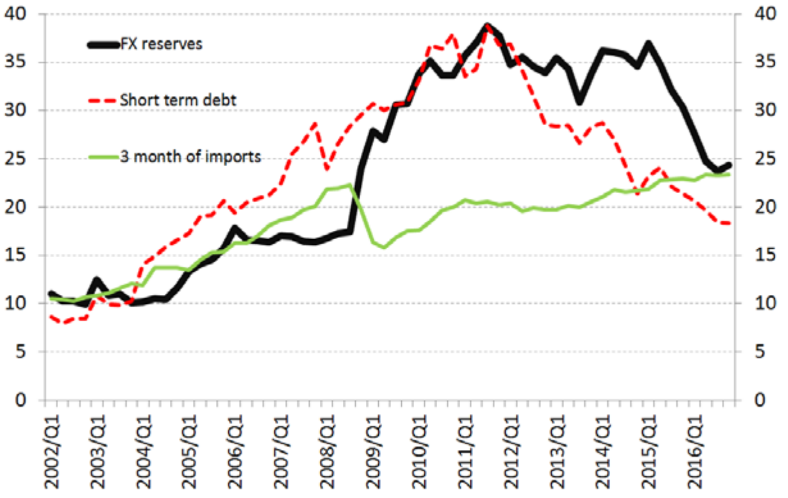


Sources: HCSO, MNB, Ministry for National Economy, OTP Research
The net financial capacity shows the amount of absorbed external funding / accumulated foreign assets in a period (equals to the sum of the current account balance + capital balance (EU funds) + Net errors and omissions)

Hungary

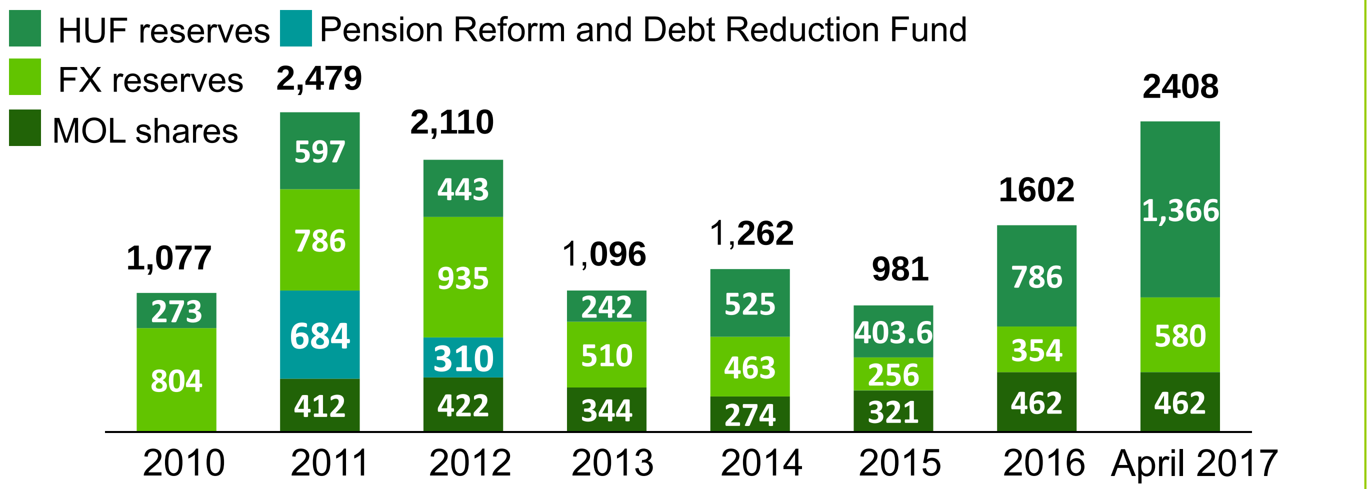
Buffers represent adequate levels. The amount of fiscal reserves stood at elevated levels, the financing of the government debt is safe

Reserves and adequacy rules (EUR billion)

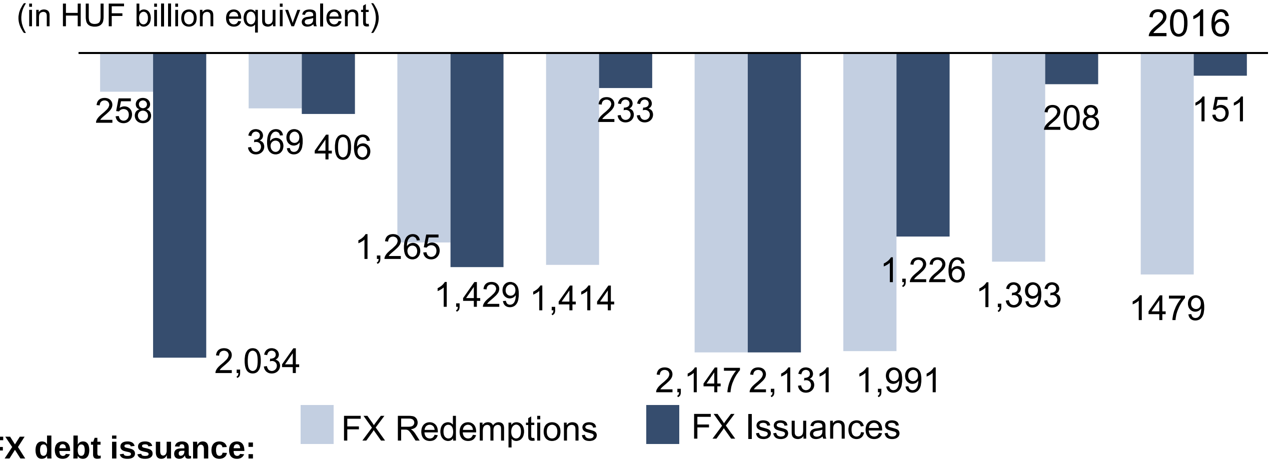


Liquid fiscal reserves* (EUR billion)

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



FX denominated funding transactions of the Central Government
(in HUF billion equivalent)



FX debt issuance:

- Issuance: floating rate FX debt is sold to domestic and foreign investors in small amounts and CNY 1 billion international bond (dim sum bond) was issued for diversification reasons
- Redemption 2016: HUF equivalent of 473 billion loan to EU in April, 462 billion domestic FX bond in May and October, international FX bond maturity in May and July; half of the total is already repaid

Sources: MNB, Ministry for National Economy, GDMA, OTP Research.
* The balance of the Treasury account and the liquid assets of the Pension Reform and Debt Reduction Fund

Hungary

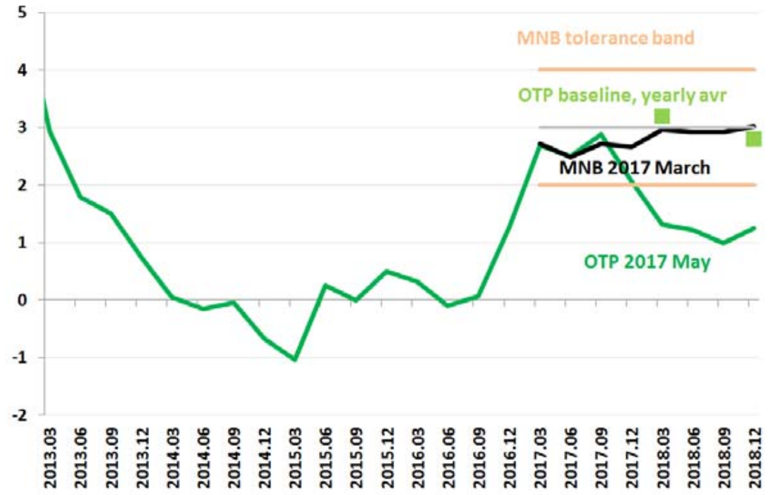
CPI is expected to hit the NBH's 3% target later this year, but only for a short period, hence the base rate is expected to remain on hold. The comfortable budgetary position may result in further selective VAT-cuts

A slow growth in underlying inflation is masked by selective VAT cuts and very modest inflation of goods. Imported inflation is still subdued while food's inflation lags behind what OTP Bank assumed in its medium-term forecast.

CPI is driven by the base effect of fuel prices: after peaking in February 2017, CPI has been heading down as fuel prices started to rise a year ago, and from 3Q 2017 onward CPI will pick up again as the rise in fuel prices stopped during the base period.

From monetary policy perspective we forecast inflation to peak at 3% y-o-y in August, from where only very limited further acceleration may come (without government measures). However, we suppose that the government will have enough room for manoeuvre to take measures before the spring 2018 parliamentary elections, which will drive CPI considerably lower. Taking into account that the MNB's March 2017 update forecasts about 3% CPI for the entire forecast horizon under a no-policy-change scenario (and its inflation target is 3%), we do not expect base rate hikes before 2019, but the 3M BUBOR rate may slightly increase.

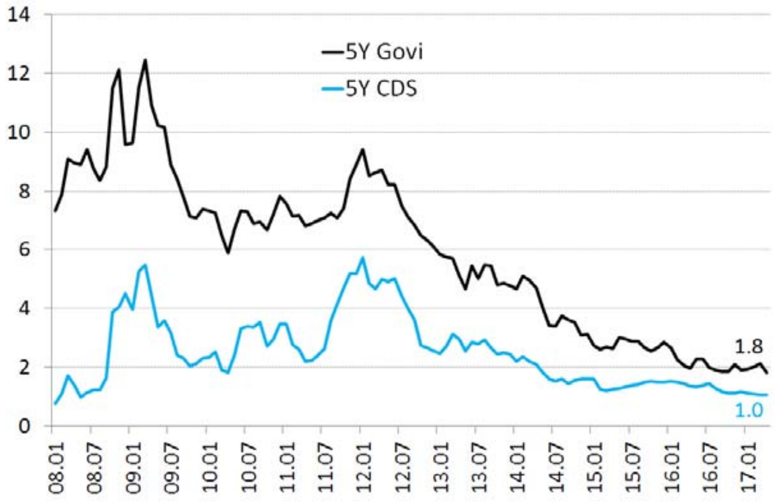
Inflation (y-o-y, %)



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

Base rate & 3M BUBOR (%)

Country risk indicators (%)



Sources: HCSO, NBH, Reuters, OTP Research

Hungary

1Q 2017 GDP growth exceeded market expectations by a wide margin. The economy is on track to achieve about 4% y-o-y GDP growth this year; we foresee election year (2018) to bring further acceleration

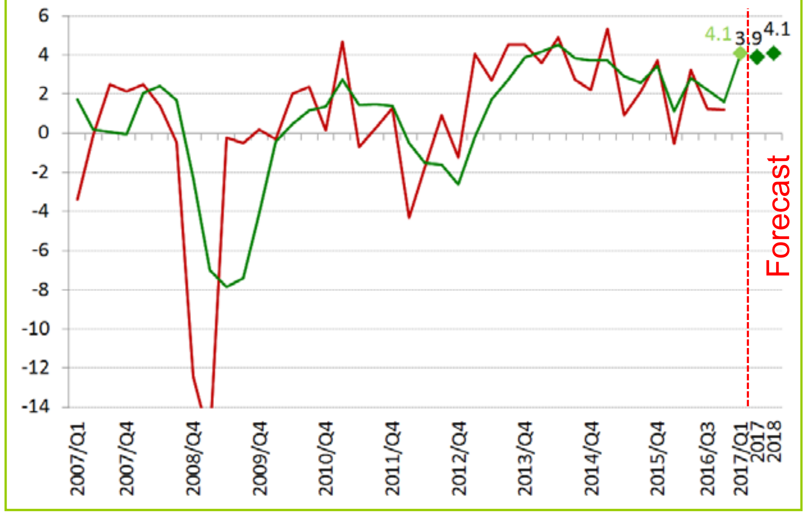
1Q GDP growth jumped to 4.1% from 1.6% a quarter earlier

The start of 2017 demonstrated encouraging signs of accelerating GDP growth: external demand has improved supporting the export-oriented industrial sector, while the 2016 December government spending spree alongside robust private investment intention resulted in sky-rocketing construction figures. Furthermore, administrative measures pushed up y-o-y wage dynamics toward 10%, supporting domestic demand. All these, coupled with the very modest performance during the base period, led to an eye-catching 4.1% y-o-y growth rate.

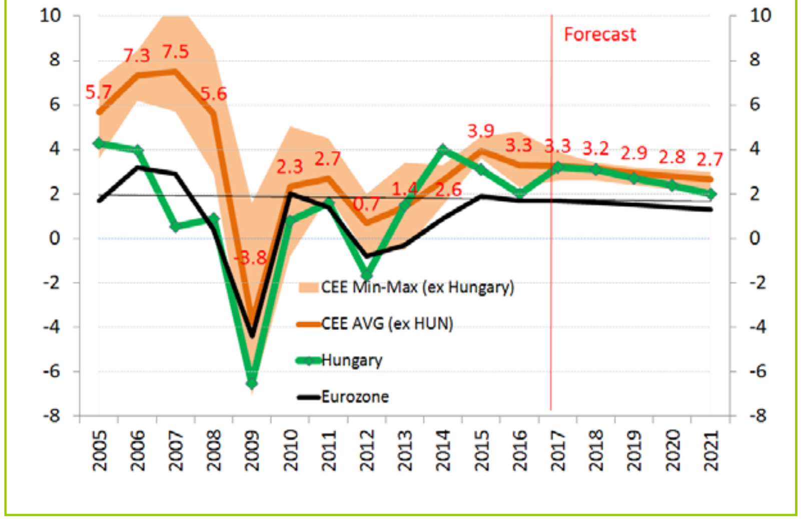
Growth is on track to be close to 4% in 2017

In 2017 consumption will remain strong, private construction is expected to revive, while EU fund absorption will accelerate. The stronger-than-expected 1Q start poses upside risk to our 3.9% GDP growth forecast. In addition there is further maneuvering room in the budget, so we expect 2018 to bring further acceleration.

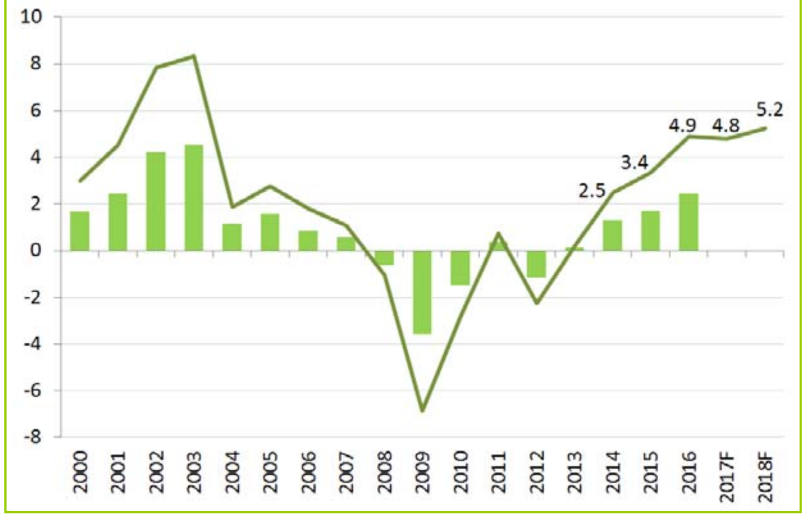
y-o-y and annualized q-o-q GDP (%)



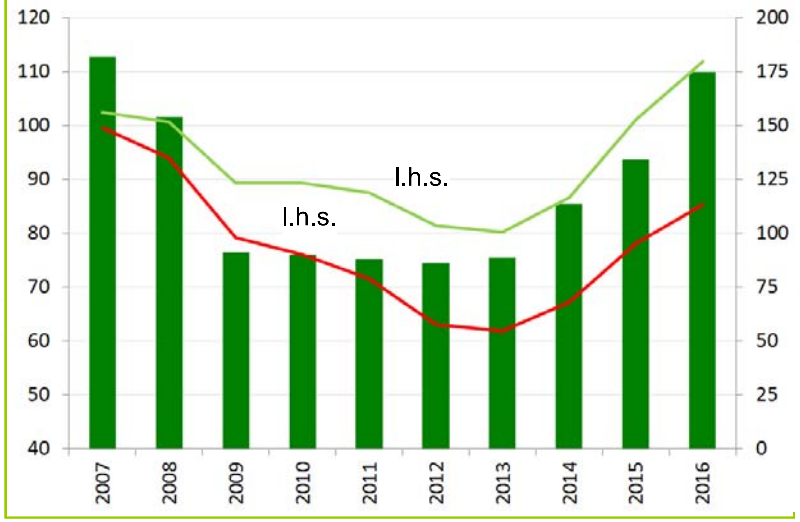
Consensus on long-term growth (%)



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



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



Sources: CSO. NBH. Focus Economics. European Commission. OTP Research
* w/o pension funds reserves. non-life insurance claims. other financial assets

Hungary

Temporary slowdown in 2016 coupled with reviving consumption and strong balance indicators. In 2017 growth may accelerate to close to 4% and further in 2018

Key economic indicators	2013	2014	2015	2016	OTP Research 2017F	OTP Research 2018F	Focus Economics* 2017F	Focus Economics* 2018F
Nominal GDP (at current prices, HUF billion)	30 127	32 400	33 999	35 005	**37 891**	**40 443**		
Real GDP change	2.1%	4.0%	3.1%	2.0%	**3.9%**	**4.1%**	**3.5%**	**3.2%**
Household final consumption	0.5%	2.1%	3.1%	4.2%	**4.9%**	**4.8%**	**4.8%**	**3.9%**
Household consumption expenditure	0.2%	2.5%	3.4%	4.9%	**4.8%**	**5.2%**		
Collective consumption	6.5%	9.2%	0.6%	0.1%	**5.3%**	**2.5%**		
Gross fixed capital formation	9.8%	9.9%	1.9%	-15.5%	**19.0%**	**5.1%**	**10.0%**	**5.0%**
Exports	4.2%	9.8%	7.7%	5.8%	**4.5%**	**6.4%**		
Imports	4.5%	10.9%	6.1%	5.7%	**5.4%**	**7.0%**		
General government balance (% of GDP)	-2.6%	-2.1%	-1.6%	-1.7%	**-1.6%**	**-2.0%**	**-2.4%**	**-2.5%**
General government debt (% of GDP ESA 2010)	76.8%	76.2%	75.3%	74.1%	**70.0%**	**67.6%**	**72.3%**	**71.2%**
Current account (% of GDP)**	3.8%	2.1%	3.4%	4.9%	**2.6%**	**2.5%**	**3.7%**	**3.2%**
Gross external debt (% GDP)***	86.8%	82.6%	74.8%	68.7%				
FX reserves (in EUR billion)	33.8	34.6	30.3	24.4				
Gross real wages	2.0%	3.8%	4.4%	6.1%	**5.9%**	**4.8%**		
Gross real disposable income	0.9%	4.0%	4.2%	4.8%	**5.8%**	**4.6%**		
Employment (annual change)	1.7%	5.3%	2.7%	3.4%	**1.9%**	**1.5%**		
Unemployment rate (annual average)	10.2%	7.7%	6.8%	5.1%	**3.8%**	**3.0%**	**4.4%**	**4.3%**
Inflation (annual average)	1.7%	-0.2%	-0.1%	0.4%	**2.5%**	**1.5%**	**2.6%**	**2.8%**
Base rate (end of year)	3.00%	2.10%	1.35%	0.90%	**0.90%**	**0.90%**	**0.91%**	**1.17%**
1Y Treasury Bill (average)	4.11%	2.28%	1.17%	0.77%	**0.21%**	**0.49%**		
Real interest rate (average. ex post)****	2.3%	2.5%	1.2%	0.4%	**-2.3%**	**-1.0%**		
EUR/HUF exchange rate (end of year)	296.9	314.9	313.1	311.0	**312.6**	**314.1**	**310.0**	**310.0**

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

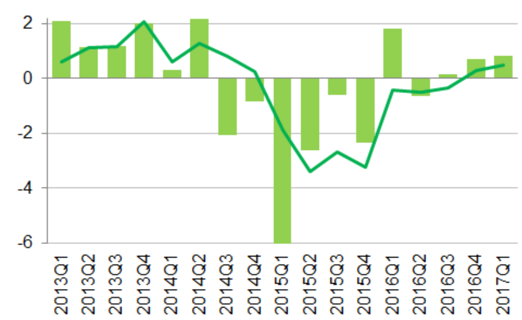
otpbank

Russia: private consumption may have turned the corner; inflation fell to CBR's target level prompting a rate-cutting cycle. Ukraine: GDP growth was 2.4% y-o-y in 1Q 2017, inflation stabilized around 12%

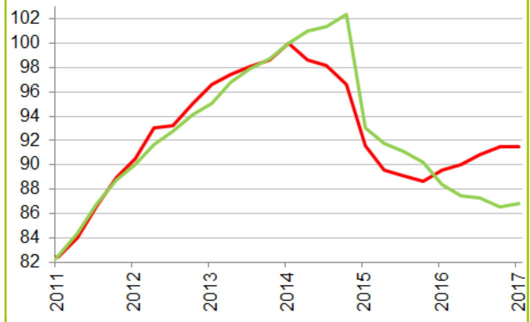
Russia

Recession ended and GDP grew modestly in 1Q 2017 as well. Retail sales may have finally turned the corner, helped by rising real income and returning consumer confidence. Disinflation continued on the back of a stabilizing currency and subdued demand; CPI fell near the 4% target of CBR and may even undershoot it in the short run. As for the monetary policy, the central bank started to cut rates, but high real rates will keep households' saving rate high, as well. Fiscal consolidation weighs on medium-term growth expectations. However, a portion of oil revenues is used to replenish fiscal reserves, which lowers macroeconomic vulnerability.

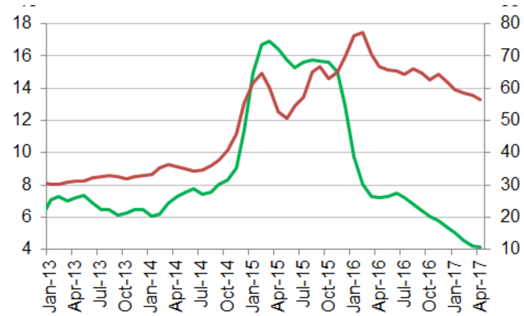
Real GDP growth (OTP estimation, %, annualized quarterly SA* and year/year)



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



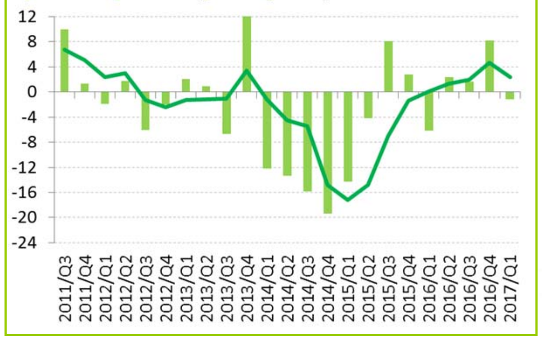
Inflation (y-o-y %) and **USD/RUB** (r.a)



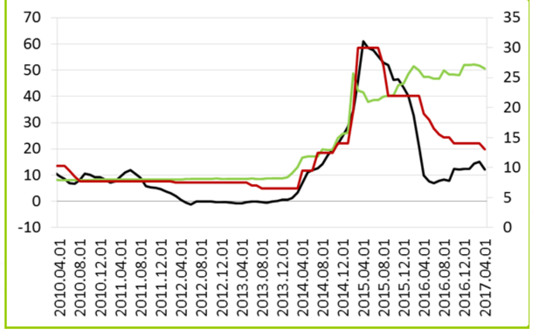
Ukraine

GDP increased by 2.4% y-o-y in 1Q 2017, which is equivalent to a 0.3% decrease q-o-q. The blockade of the rebel-held Eastern region could hurt GDP growth in 2Q and if sustained, it could pose a negative risk to our 2.7% GDP growth forecast for 2017. Inflation slightly moderated from 12.4% in December to 12.2% in April. The NBU cut the base rate to 13.0%, as inflation expectations decreased. As inflation is expected to decrease to below 10% (around 2Q 2017), the NBU may continue its rate-cutting cycle.

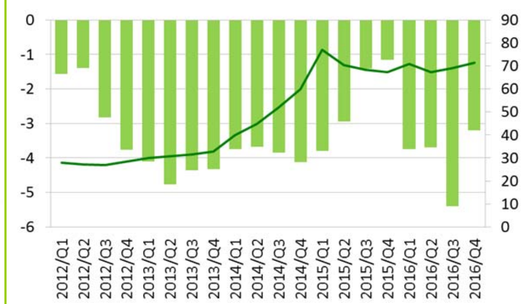
Real GDP growth (%, SA, annualized quarterly* and year/year)



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



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



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

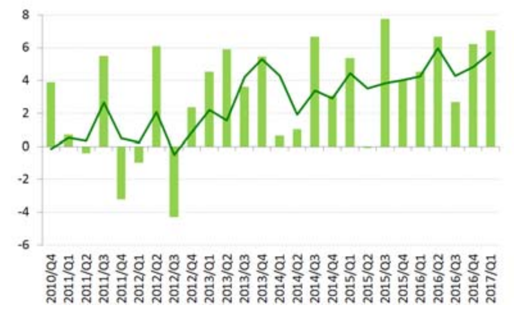
otpbank

Romania: GDP grew by 4.8% last year, the largest y-o-y gain since 2008; the budget deficit may exceed 3%. Bulgaria: solid growth, increasing retail trade, positive signs on the housing market. Slovakia: 3.1% y-o-y growth in 1Q

Romania

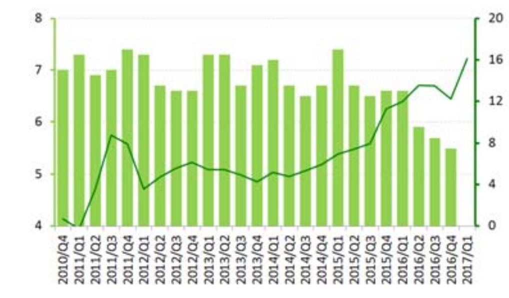
GDP growth accelerated to 1.7% q-o-q and 5.7% y-o-y in 1Q 2017, driven both by external and domestic demand. Consumption has been further fuelled by decreasing labour market uncertainties and the sizeable fiscal loosening through tax cuts and wage hikes. These measures have already pushed the budget deficit to 3% of GDP, while in 2017 further widening is in the pipeline.

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



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

Wage growth (y-o-y; %, r.h.s) & **unemployment rate** (%; l.h.s)

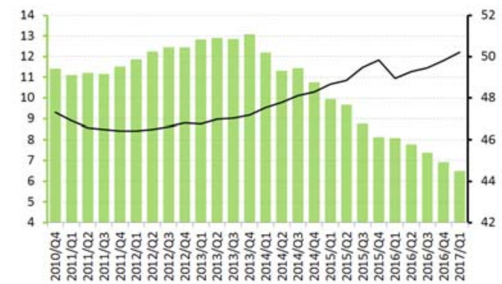


Bulgaria

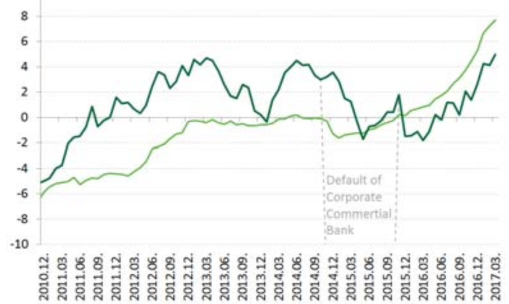
GDP grew by 3.4% y-o-y and 0.8% q-o-q in 1Q, maintaining the 3%+ dynamics of recent years. The main driver was tourism, but industry and retail trade also support growth. Improving macroeconomic situation results in higher demand for loans and a sizeable improvement in debt repayment capacity, so the stock of performing loans is expected to grow by 5-7% year-on year.

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

Employment (SA; %, r.h.s) & **unemployment rate** (SA; %, l.h.s)



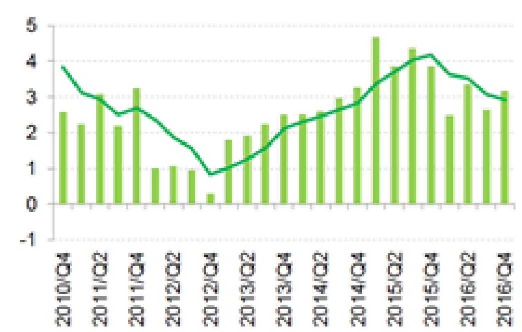
Retail and **non-financial** corporate performing loans growth (%, YoY)



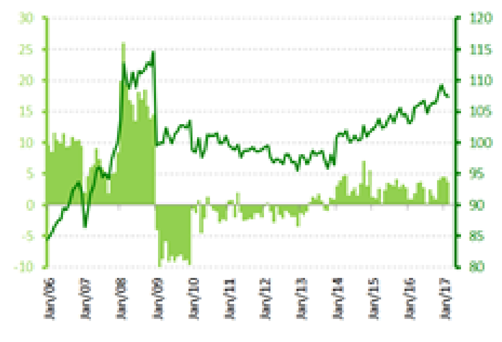
Slovakia

Economic growth in Slovakia in 1Q 2017 reached 3.1 percent, as shown by a flash estimate of the Statistics Office of the Slovak Republic. The Slovak economy still maintains a solid growth of 0.8 percent in quarterly terms, just like in the last quarter of the previous year. The main driving forces might have been the consumption of households, but also foreign trade.

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



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



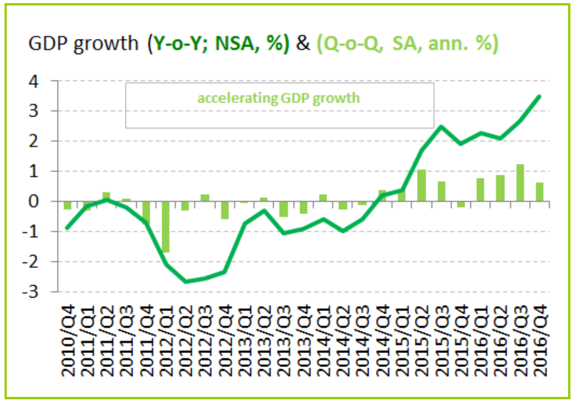
Manufacture of transport equipment (2010= 100, %) & Y-o-Y (2010=100, %)

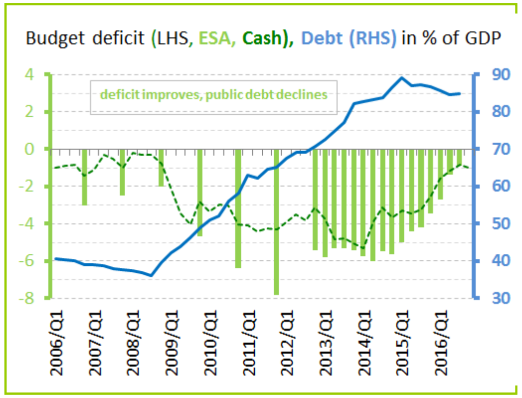
Source: Eurostat, Bulgarian National Bank, Statistical Office of the Slovak Republic

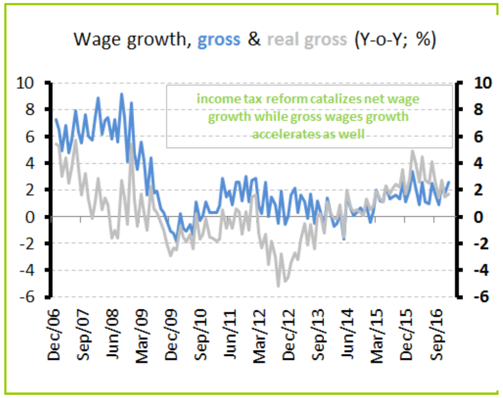
Croatia: growth may remain around or even above 2.5% y-o-y in 2017, imbalance indicators improve steadily. Serbia: GDP growth slowed to 1.0% y-o-y in 1Q from 2.5% in 4Q; Montenegro: modest growth shadowed by imbalances

Croatia

GDP growth overshot expectations in 2016. According to supranationals, Croatian and market expectations, growth may remain about 3% y-o-y over the coming years, fuelled by PIT-reduction, tightening labor market, accelerating EU-fund absorption and outstanding performance of tourism sector. However, due to labor shortage the latter may have limited room for further expansion. Imbalance indicators improved a lot and they are not crucial issues right now.

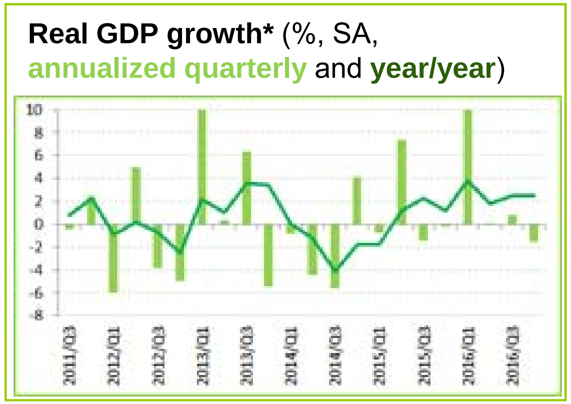


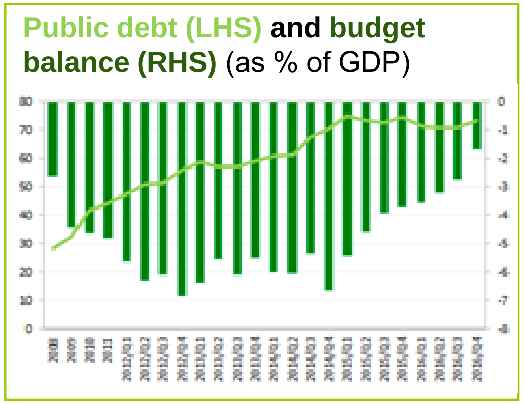


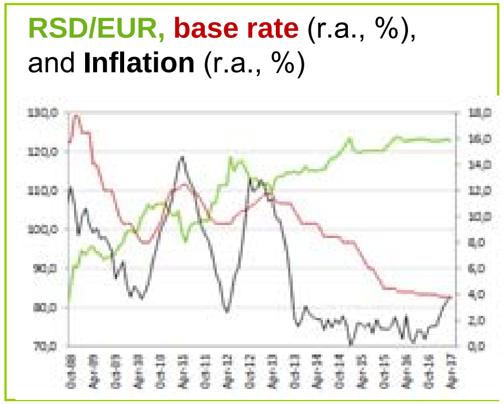


Serbia

GDP growth decelerated to 1.0% y-o-y in 1Q from 2.5% y-o-y in 4Q 2016, according to a flash estimate of the statistical office. The GDP growth can reach 3.0% this year, up from 2.8% in 2016, and will be driven by investments and net exports with an increasing contribution from household consumption. On the production side, the largest positive contribution to GDP growth should come from industry and services.

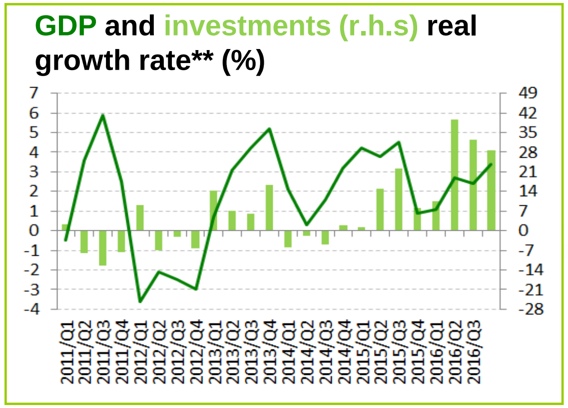


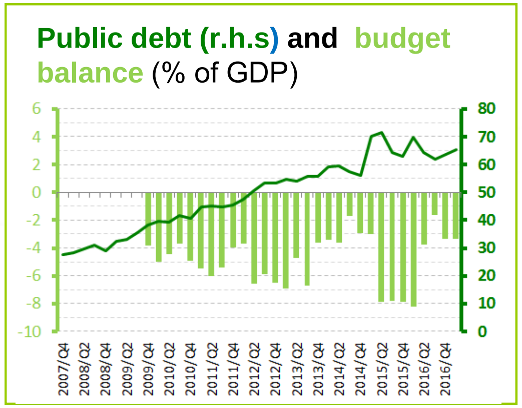


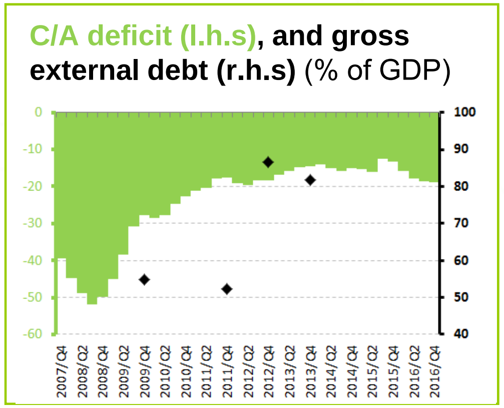


Montenegro

Growth picked up in 4Q, but real GDP growth rate slowed to 2.5% in 2016 after 3.2% in 2015. Households' consumption is strengthening. GFCF showed a stunning 30% growth rate, as large-scale government projects intensified. However, investment growth was not enough to offset the deterioration of net export. The budget balance improved throughout 2016, deficit shrank to 3.3% of GDP. On the other hand, public debt increased to 64% by the end of last year and to 65% in 1Q 2017.







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

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

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

General macro trends remained favourable in CEE countries with growth levels exceeding EU average, while Russia and Ukraine are underperformers with modestly improving outlook

REAL GDP GROWTH

	2015	2016	2017F	2018F
Hungary	3.1%	2.0%	3.9%	4.1%
Ukraine	-10%	1.6%	2.7%	2.7%
Russia	-2.8%	-0.2%	1.0%	2.0%
Bulgaria	3.6%	3.4%	3.2%	3.0%
Romania	3.9%	4.8%	4.1%	3.5%
Croatia	1.6%	2.9%	2.5%	2.5%
Slovakia	3.8%	3.3%	3.1%	3.3%
Serbia	0.7%	2.8%	2.9%	3.0%
Montenegro	3.2%	2.5%	2.8%	2.9%

EXPORT GROWTH

	2015	2016	2017F	2018F
Hungary	7.7%	5.8%	4.5%	6.4%
Ukraine	-24%	-7.3%	2.7%	2.7%
Russia	3.7%	3.1%	6.2%	3.2%
Bulgaria	5.7%	5.7%	6.6%	6.5%
Romania	5.4%	8.3%	6.4%	6.0%
Croatia	10.0%	6.7%	5.5%	4.7%
Slovakia	7.0%	4.8%	5.6%	5.9%
Serbia	7.6%	11.8%	9.2 %	7.9%
Montenegro	5.7%	5.1%	4.4%	3.9%

UNEMPLOYMENT

	2015	2016	2017F	2018F
Hungary	6.8%	5.1%	3.8%	3.0%
Ukraine	9.5%	9.5%	9.1%	9.1%
Russia	5.6%	5.5%	5.5%	5.3%
Bulgaria	9.1%	7.5%	6.4%	5.8%
Romania	6.8%	5.9%	5.1%	4.9%
Croatia	17.7%	15.0%	14.0%	13.5%
Slovakia	11.5%	9.7%	8.8%	8.5%
Serbia	17.9%	15.3%	15.0%	15.0%
Montenegro	18.0%	18.0%	17.3%	17.0%

BUDGET BALANCE*

	2015	2016	2017F	2018F
Hungary	-1.6%	-1.7%	-1.6%	-2.0%
Ukraine	-1.4%	-3.4%	-3.1%	-3.1%
Russia	-2.4%	-3.5%	-2.8%	-1.8%
Bulgaria	-1.6%	0.0%	0.5%	0.8%
Romania	-0.8%	-3.0%	-3.5%	-3.6%
Croatia	-3.6%	-1.0%	-2.1%	-1.8%
Slovakia	-2.7%	-1.7%	-2.1%	-2.0%
Serbia	-3.7%	-1.4%	-2.3%	-2.3%
Montenegro	-7.7%	-3.3%	-7.0%	-6.5%

CURRENT ACCOUNT BALANCE

	2015	2016	2017F	2018F
Hungary	3.4%	4.9%	2.6%	2.5%
Ukraine	-0.2%	-1.5%	-1.8%	-1.8%
Russia	5.1%	1.9%	2.4%	2.1%
Bulgaria	-0.1%	4.2%	3.1%	1.7%
Romania	-1.2%	-2.3%	-3.4%	-3.7%
Croatia	4.8%	2.6%	2.9%	2.9%
Slovakia	-0.3%	-0.6%	-1.5%	-1.3%
Serbia	-4.7%	-3.8%	-3.8%	-3.8%
Montenegro	-14%	-19%	-19.2%	-19.6%

INFLATION

	2015	2016	2017F	2018F
Hungary	-0.1%	0.4%	2.5%	1.5%
Ukraine	48.7%	13.9%	11.2%	11.2%
Russia	15.6%	7.2%	4.2%	4.0%
Bulgaria	-0.1%	-0.8%	1.4%	2.0%
Romania	-0.6%	-1.5%	0.9%	2.9%
Croatia	-0.5%	-1.1%	1.2%	2.0%
Slovakia	-0.3%	-0.5%	1.5%	1.9%
Serbia	1.4%	1.1%	2.6%	3.2%
Montenegro	1.5%	-0.2%	2.5%	2.2%

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

Forward looking statements

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

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