



# **OTP Bank Plc.**

## **Interim Management Report First quarter 2016 results**

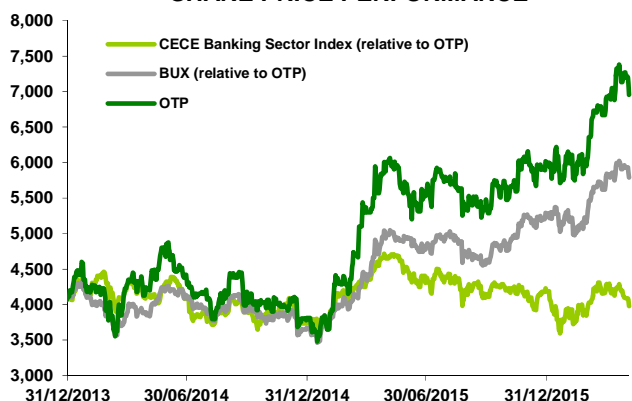
(English translation of the original report submitted  
to the Budapest Stock Exchange)

Budapest, 13 May 2016

## CONSOLIDATED FINANCIAL HIGHLIGHTS<sup>1</sup> AND SHARE DATA

| Main components of the Statement of recognised income<br>in HUF million         | 1Q 2015          | 4Q 2015          | 1Q 2016          | Q-o-Q        | Y-o-Y       |
|---|------------------|------------------|------------------|--------------|-------------|
| <b>Consolidated after tax profit</b>  | <b>1,913</b>     | <b>26,694</b>    | <b>34,253</b>    | <b>28%</b>   |             |
| <b>Adjustments (total)</b>  | <b>-26,521</b>   | <b>10,099</b>    | <b>-13,344</b>   | <b>-232%</b> | <b>-50%</b> |
| <b>Consolidated adjusted after tax profit without the effect of adjustments</b> | <b>28,434</b>    | <b>16,595</b>    | <b>47,598</b>    | <b>187%</b>  | <b>67%</b>  |
| Pre-tax profit  | 30,683           | 23,939           | 63,985           | 167%         | 109%        |
| Operating profit  | 95,479           | 76,210           | 84,610           | 11%          | -11%        |
| Total income  | 189,550          | 182,849          | 177,501          | -3%          | -6%         |
| Net interest income   | 142,727          | 133,279          | 129,041          | -3%          | -10%        |
| Net fees and commissions  | 37,293           | 43,449           | 38,819           | -11%         | 4%          |
| Other net non-interest income   | 9,530            | 6,121            | 9,641            | 58%          | 1%          |
| Operating expenses  | -94,071          | -106,640         | -92,891          | -13%         | -1%         |
| Total risk costs  | -64,468          | -52,733          | -20,794          | -61%         | -68%        |
| One off items   | -328             | 462              | 169              | -63%         | -152%       |
| Corporate taxes   | -2,249           | -7,344           | -16,388          | 123%         | 629%        |
| Main components of balance sheet<br>closing balances in HUF million             | 1Q 2015          | 4Q 2015          | 1Q 2016          | Q-o-Q        | Y-o-Y       |
| Total assets  | 10,714,446       | 10,718,848       | 10,729,882       | 0%           | 0%          |
| <b>Total customer loans (net, FX adjusted)</b>                                  | <b>5,651,145</b> | <b>5,420,134</b> | <b>5,423,478</b> | <b>0%</b>    | <b>-4%</b>  |
| <b>Total customer loans (gross, FX adjusted)</b>                                | <b>6,724,683</b> | <b>6,427,332</b> | <b>6,428,215</b> | <b>0%</b>    | <b>-4%</b>  |
| Allowances for possible loan losses (FX adjusted)                               | -1,073,538       | -1,007,199       | -1,004,737       | 0%           | -6%         |
| <b>Total customer deposits (FX adjusted)</b>                                    | <b>7,643,805</b> | <b>7,981,577</b> | <b>7,936,527</b> | <b>-1%</b>   | <b>4%</b>   |
| Issued securities   | 253,763          | 239,376          | 236,644          | -1%          | -7%         |
| Subordinated loans  | 244,017          | 234,784          | 242,125          | 3%           | -1%         |
| Total shareholders' equity  | 1,196,125        | 1,233,659        | 1,232,515        | 0%           | 3%          |
| Indicators based on one-off adjusted earnings %                                 | 1Q 2015          | 4Q 2015          | 1Q 2016          | Q-o-Q        | Y-o-Y       |
| ROE (from adjusted net earnings)  | 9.4%             | 5.4%             | 15.5%            | 10.2%p       | 6.2%p       |
| ROA (from adjusted net earnings)  | 1.1%             | 0.6%             | 1.8%             | 1.2%p        | 0.7%p       |
| Operating profit margin   | 3.57%            | 2.82%            | 3.17%            | 0.35%p       | -0.40%p     |
| Total income margin   | 7.09%            | 6.78%            | 6.66%            | -0.12%p      | -0.43%p     |
| Net interest margin   | 5.34%            | 4.94%            | 4.84%            | -0.10%p      | -0.50%p     |
| Cost-to-asset ratio   | 3.52%            | 3.95%            | 3.48%            | -0.47%p      | -0.03%p     |
| Cost/income ratio   | 49.6%            | 58.3%            | 52.3%            | -6.0%p       | 2.7%p       |
| Risk cost to average gross loans  | 3.66%            | 2.98%            | 1.31%            | -1.67%p      | -2.35%p     |
| Total risk cost-to-asset ratio  | 2.41%            | 1.95%            | 0.78%            | -1.17%p      | -1.63%p     |
| Effective tax rate  | 7.3%             | 30.7%            | 25.6%            | -5.1%p       | 18.3%p      |
| Net loan/(deposit+retail bond) ratio (FX adjusted)                              | 73%              | 67%              | 67%              | 0%p          | -6%p        |
| Capital adequacy ratio (consolidated, IFRS) - Basel3                            | 16.1%            | 16.2%            | 15.9%            | -0.3%p       | -0.2%p      |
| Tier1 ratio - Basel3  | 13.0%            | 13.3%            | 13.2%            | -0.1%p       | 0.2%p       |
| Common Equity Tier1 ("CET1") ratio - Basel3                                     | 13.0%            | 13.3%            | 13.2%            | -0.1%p       | 0.2%p       |
| Share Data  | 1Q 2015          | 4Q 2015          | 1Q 2016          | Q-o-Q        | Y-o-Y       |
| EPS diluted (HUF) (from unadjusted net earnings)                                | 8                | 104              | 128              | 24%          |             |
| EPS diluted (HUF) (from adjusted net earnings)                                  | 106              | 64               | 178              | 178%         | 67%         |
| Closing price (HUF)   | 5,304            | 6,000            | 6,926            | 15%          | 31%         |
| Highest closing price (HUF)   | 5,440            | 6,158            | 6,926            | 12%          | 27%         |
| Lowest closing price (HUF)  | 3,479            | 5,288            | 5,714            | 8%           | 64%         |
| Market Capitalization (EUR billion)   | 5.0              | 5.4              | 6.2              | 15%          | 24%         |
| Book Value Per Share (HUF)  | 4,272            | 4,406            | 4,402            | 0%           | 3%          |
| Tangible Book Value Per Share (HUF)   | 3,703            | 3,840            | 3,832            | 0%           | 4%          |
| Price/Book Value  | 1.2              | 1.4              | 1.6              | 16%          | 27%         |
| Price/Tangible Book Value   | 1.4              | 1.6              | 1.8              | 16%          | 26%         |
| P/E (trailing, from accounting net earnings)                                    | -14.0            | 26.6             | 20.3             | -24%         | -245%       |
| P/E (trailing, from adjusted net earnings)                                      | 13.4             | 14.0             | 13.9             | 0%           | 4%          |
| Average daily turnover (EUR million)  | 21               | 14               | 20               | 46%          | -5%         |
| Average daily turnover (million share)  | 1.5              | 0.7              | 1.0              | 36%          | -32%        |

### SHARE PRICE PERFORMANCE



### MOODY'S RATINGS

|  |             |
|--|-------------|
| <b>OTP Bank</b><br>Foreign currency long term deposits | <b>Ba2</b>  |
| <b>OTP Mortgage Bank</b><br>Covered mortgage bond      | <b>Baa2</b> |

### STANDARD & POOR'S RATING

|  |           |
|--|-----------|
| <b>OTP Bank and OTP Mortgage Bank</b><br>Long term credit rating | <b>BB</b> |
|--|-----------|

### FITCH'S RATING

|   |           |
|---|-----------|
| <b>OTP Bank Russia</b><br>Long term credit rating | <b>BB</b> |
|---|-----------|

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

## INTERIM MANAGEMENT REPORT – OTP BANK'S RESULTS FOR FIRST QUARTER 2016

*Interim Management Report for the first quarter 2016 results of OTP Bank Plc. has been prepared according to the 24/2008. (VIII.15.) PM resolution on the basis of its unaudited separate and consolidated condensed IFRS financial statements for 31 March 2016 or derived from that. At presentation of first quarter 2016 report of OTP Bank we applied International Financial Reporting Standards adopted by the European Union.*

### SUMMARY OF 1Q 2016

With regard to 2016 outlook, most of the analysts are matching CEE with improving macroeconomic and operating environment and balanced financial indicators. According to the forecast of OTP Bank's own research team, in the countries of the Group the GDP will grow by an average 3.1% in 2016, within that export will expand by 5.9% and household consumption by 3.6% respectively. All those figures exceed significantly the estimates for the Eurozone and EU. In case of Hungary OTP forecasts a 2.1% GDP growth.

Apart from the favourable macro environment there is another supporting factor, namely the phase out of the retail FX mortgage loans through conversion from the balance sheet of local banks. In Hungary it has been already completed, whereas in Croatia the CHF conversion prescribed by the law and in Romania the own CHF mortgage conversion programme are still in progress; however these processes are close to be finished.

On 26 April 2016 the Hungarian Government submitted the 2017 budget draft to the Parliament. The key targets are as follows: 3.1% GDP growth, 2.4% fiscal deficit, 0.9% inflation, 3% expansion of household consumption. The draft envisages a HUF 211 billion expenditure item related to housing which incorporates the housing subsidy scheme for families (CSOK) as well as the impact of VAT reduction for newly built homes. Positive, too that the overall sectoral tax burden of the banking sector might decline by around HUF 19 billion as a result of the further moderation of the banking tax and the elimination of the contribution levy effective since 2006.

From those steps the government expects the acceleration of the lending activity; the first positive signs are already pronounced through the growing interest for mortgages and rapidly increasing house-building projects.

Amid the favourable domestic and global market conditions the National Bank of Hungary cut the policy rate in March and April by 15-15 bps to 1.05%. While NBH kept the door open to further easing, it softened its easing bias and referred to „a further slight reduction in policy rate to achieve the inflation target”.

As for the underperforming Group members in previous quarters, namely Russia and Ukraine, in

2016 the management expects a gradual normalization of the operating environment. According to its base case scenario, neither the Russian (without Touch Bank), nor the Ukrainian subsidiaries will make losses this year.

While in Ukraine the GDP contracted by around 10% in 2015, for 2016 OTP expects a slow growth, whereas in Russia the economy might decline by around 1%. At the same time, with the oil price stabilizing above 40 USD/barrel and the RUB appreciating, also, the inflation outlook gradually improving the pressure on the Russian economy eased a lot. This may help the central bank to cut the current 11% policy rate in coming months. It was also positive that in March S&P confirmed the sovereign rating on Russia, whereas in April Fitch and Moody's did so.

The operating environment in Russia and Ukraine to a great extent will depend on how local currencies will behave: the closing rate of RUB strengthened against the USD by 8% q-o-q, but the UAH depreciated by 9%. Since then both currencies remained relatively stable, even mildly appreciated.

#### **Expected changes in the Hungarian banking sector burdens for 2017**

The base for calculating the 2016 banking tax did not change, i.e. it remained the adjusted total assets in 2009; the applicable rate for above HUF 50 billion adjusted total assets was reduced to 0.24%.

According to the 2017 draft budget submitted to the Parliament on 26 April 2016 the amount of the special tax on financial institutions will be reduced by HUF 12.7 billion on the sector level y-o-y. The rolling tax base will be the adjusted balance sheet total at the actual calendar year minus two years (i.e. for the 2017 banking tax calculation the end-2015 adjusted total assets must be used). The applicable tax rate will be moderated to 0.21%. Furthermore, the contribution tax effective since 2006 will be abolished. In 2016 HUF 6.3 billion was booked on that line within the central budget revenues.

Accordingly, on a sector level the overall burden will be reduced y-o-y by HUF 19 billion.

The draft budget has not proposed any changes to the current rules of the financial transaction tax.

According to the preliminary estimation of OTP Bank, against the HUF 16.1 billion banking tax paid in 2016 by the Hungarian group members, the burden will shrink to HUF 14.5 billion in 2017 (before tax). As for the contribution tax, after HUF 2.1 billion expected burden in 2016 the Bank earmarked HUF 1.9 billion due amount for 2017. Thus, with a lower banking tax being implemented and the contribution tax being entirely abolished the total special tax burden at OTP Bank and its local operations will decline by HUF 3.5 billion in 2017 (before tax).

The banking tax has been booked within adjustment items on consolidated level, whereas the contribution tax is part of the operating expenses on the other non-interest expenses line.

### **Changes related to FX mortgage loans affecting foreign subsidiaries**

#### **1. Romania**

The CHF mortgage loan conversion programme started on 9 December 2015 and by the end of April 2016 practically all eligible clients were notified about the bank's offer. Out of those around 68% have already accepted the conditions and bulk of them signed the new contract. Around 20% of clients turned down the conversion offer. Applications for the remaining group of clients showing interest are currently being processed and might last until 30 June 2016. The conversion technically will be completed by 31 August 2016.

#### **2. Croatia**

The conversion programme (from CHF into EUR) has been started in 4Q 2015 in line with the relevant Act. By 31 March 2016 the process was largely completed and 84% of the eligible portfolio has already been converted.

### **Consolidated earnings: with HUF 47.6 billion adjusted after-tax profit 1Q adjusted ROE was 15.5%**

The consolidated accounting profit was HUF 34.3 billion in 1Q. As the management flagged earlier there was only one larger adjustment item: the HUF 13.4 billion banking tax (after tax). The amount incorporates the whole annual Hungarian banking levy recognized by the Hungarian group members in 1Q, as well as the prorated Slovakian banking tax.

Regarding the rest of the year, according to the notification from Visa on 22 April 2016 there are changes compared to what the Company flagged in its 2015 4Q Stock Exchange Report. Accordingly the expected positive impact after the sale of OTP Group members' stake in Visa Europe will result in a higher cash component and compensation in form of preferred Visa Inc. shares, because the maximum

amount of the earn-out component was reduced. The cash payment will be made later than originally expected, however the exact amount is not known yet.

OTP Group posted HUF 47.6 billion adjusted profit in 1Q 2015 which underpins a significant increase both y-o-y and q-o-q. The improvement was due to the reduction in risk costs; the operating income shrank both y-o-y and q-o-q. The adjusted profit before tax represented HUF almost 64 billion (+109% y-o-y and +167% q-o-q). The effective tax rate was 25.6%, the amount of the total corporate tax more than doubled. The higher tax burden was related partly to OTP Core as a result of the tax shield effect of the revaluation on subsidiary investments due to exchange rate moves.

The consolidated adjusted ROE increased to 15.5% (1Q 2015: 9.4%, 4Q 2015: 5.4%), the highest since 3Q 2009.

Total income (without one-offs) dropped by 3% q-o-q and by 6% compared to the base period. Within that the net interest income eroded by 3% q-o-q (-10% y-o-y). Mainly OTP Core, DSK Bank and OTP Russia posted lower net interest income (the latter was hit by the q-o-q weaker RUB against HUF, since in RUB terms the Russian NII improved). On the opposite, net interest income improved in Croatia and Ukraine (even with the depreciating hryvnia). The lower NII at OTP Core reflects the q-o-q eroding net interest margin. The consolidated net interest margin melted down to 4.84% (-10 bps q-o-q and -50 bps y-o-y).

Net fee and commission income dropped by 11% q-o-q (-4% y-o-y). It was partly due to a HUF 1.6 billion negative item at OTP Core (the full annual card-related financial transaction tax is paid and booked in 1Q); furthermore, OTP Fund Management also suffered a 43% q-o-q setback reasoned mainly by base effect.

The other net non-interest income surged significantly q-o-q: against HUF 6.1 billion posted in 4Q 2015, in 1Q HUF 9.6 billion was realized. The key contributors were OTP Core, OTP Ukraine and OTP Romania with HUF 1.3 billion, 1.8 billion and 1.7 billion q-o-q increase, whereas DSK suffered a HUF 2.2 billion q-o-q setback.

The quarterly operating expenses dropped by 13% q-o-q. The material improvement was partly due to base effect, but the 1Q cost was lower than in any other quarters of 2015. The most significant q-o-q cost reduction took place at OTP Core (HUF 4 billion), OTP Russia (HUF 2.1 billion), DSK Bank (HUF 2.0 billion) and Romania (HUF 1 billion)

As a result of the 3% decline in total income and a 13% cost reduction operating income improved by 11% q-o-q (-11% y-o-y).

Individual profit contributions changed a lot in 1Q due to the improving Russian and Ukrainian performances: OTP Core posted HUF 28.9 billion adjusted net profit, DSK Bank realized HUF 13.8 billion, whereas net earnings in Russia comprised HUF 2.6 billion and in Ukraine 0.9 billion, respectively. Other CEE subsidiaries contributed HUF 2 billion in total; none of them were in red. Touch Bank posted HUF 1 billion loss in 1Q.

The FX-adjusted consolidated loan portfolio remained flat q-o-q, on a yearly base the decline was 4%. In 1Q retail volumes eroded by 2% with the mortgage book shrinking by 3%, whereas the consumer loan portfolio and the SME exposure remained unchanged. Large corporate volumes expanded by 4%.

As for individual performances, large corporate volumes increased by 8% q-o-q at OTP Core, while the SME and consumer book grew by 2% each. As a result, the FX-adjusted loan book at OTP Core increased q-o-q for the first time since 4Q 2010. One should also mention that in Ukraine and Bulgaria the corporate book grew by 2% q-o-q.

The FX-adjusted deposit volumes shrank by 1% q-o-q, but still increased by 4% y-o-y. Out of the major group members, deposit volumes at OTP Core and DSK Bank remained flat q-o-q, but dropped in Russia, Ukraine and Romania by 10%, 3% and 2% respectively. The consolidated net loan to (deposit+retail bonds) ratio was 67% marking a moderate q-o-q increase.

The volume of issued securities marginally declined. The change in the volume of Upper and Lower Tier2 elements reflects only the impact of FX rate moves; no buyback happened during 1Q.

The consolidated volume of securities reached almost HUF 2,500 billion by the end of the period (HUF +140 billion q-o-q), the dominant part is government securities.

By end-March 2016 the gross liquidity reserves of the Group were close to EUR 8.3 billion equivalent.

With respect to the risk assessment of the loan portfolio the development of DPD90+ volumes is quite representative. As a result of the improving macroeconomic environment, but also due to FX household loans' conversion and the portfolio clean-up at the Russian and Ukrainian subsidiaries in 2015, DPD90+ loan volume growth adjusted for FX rate movements and the effect of loan sales and write-offs amounted to HUF 35.4 billion. Since the base period was distorted by the massive volume developments in Hungary as a result of the FX loans settlement and conversion, the trend is better demonstrated by comparing DPD90+ formation in 2014 and 2015. In 2014 there was a record inflow with HUF 254 billion followed by HUF 133 billion a year later. Regarding 2016 1Q developments, in absolute terms the biggest inflow was registered in

Russia (HUF 17 billion). At the same time the portfolio practically did not deteriorate in Ukraine and Bulgaria, whereas at OTP Core the formation was moderate (HUF 5.3 billion). The consolidated DPD90+ ratio remained unchanged at 17.0%, its coverage somewhat decreased (92.5%), but remained comfortably high. Group level risk cost rate dropped to 1.3% (-1.7 ppts q-o-q and -2.4 ppts y-o-y).

**OTP Core: HUF 28.9 billion adjusted profit as a result of stable operating income and materially lower risk costs, eroding NIM, lower DPD90 ratio and coverage, stable credit profile**

The adjusted after tax profit of **OTP Core** (basic activity in Hungary) reached HUF 28.9 billion in 1Q 2016, underpinning a moderate y-o-y decline and q-o-q 4% increase. The operating profit without one-off revenue items remained stable q-o-q. Within lower total income (-4% q-o-q) net interest income eroded by 5% as a result of narrowing margins, changing product mix of the performing loan portfolio and calendar effect. The net interest margin (3.43%) declined by 19 bps q-o-q. Net fees and commissions shrank by 9% q-o-q. Within operating profit lower total income was offset by an 8% drop in operating expenses. During 1Q total risk costs dropped to HUF 0.8 billion, fifth of the base period and tenth of the previous quarter. After tax earnings were negatively affected by the higher tax burden. The loan portfolio quality remained stable, the quarterly FX-adjusted DPD90+ volume formation (without sales and write-offs) remained moderate and comprised HUF 5.3 billion. The DPD90+ ratio dropped by 0.4 ppt q-o-q to 11.7%, its coverage was 84.0%.

After the declining trend of the FX-adjusted loan portfolio during the last couple of quarters, in 1Q the loan book already expanded by 2%, y-o-y it still eroded by 3%. Within that mortgages sank by 2%, however consumer loans already grew by the same magnitude. The large corporate portfolio advanced dynamically (+8%) and the micro and small loan portfolio kept growing, too (+2% q-o-q). As a result, OTP Bank's corporate loan market share<sup>2</sup> improved to 14.5% (+0.7ppt q-o-q and +1.4 ppts y-o-y).

Despite the quarterly decline of mortgage volumes, both applications and disbursements demonstrated a strong yearly growth with 69% and 46% respectively. OTP's market share within newly originated mortgages reached 24.8%.

The FX-adjusted deposit book with retail bonds remained stable q-o-q (+4% y-o-y) amid repricing efforts supported by the outstanding liquidity

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

position. As a result, the net loan to deposit ratio stood at 48%, +1 ppt q-o-q, FX-adjusted.

In 1Q 2016 **OTP Fund Management** posted HUF 1.0 billion after-tax profit, underpinning a decline both q-o-q and y-o-y with eroding fee and commission income being the key driver behind. The volume of total assets under management shrank by 4% q-o-q (-7% y-o-y) and stood at HUF 1,520 billion. The company retained its market leading position with 22.8% market share.

**Merkantil Group** posted HUF 502 million adjusted profit which significantly exceeded the net earnings both in the base period and in the previous quarter. The improving performance was the result of materially lower risk costs. The FX-adjusted gross loan volumes grew by 1% q-o-q.

**Foreign subsidiaries' performance: all foreign banks (but Touch Bank) posted profit again with strong Bulgarian results and further improving operations in Russia and Ukraine**

The **Bulgarian subsidiary** continued its excellent performance with posting HUF 13.8 billion after-tax profit in 1Q. The higher q-o-q net result (+29%) was mainly due to risk cost dropping to one-fourth. The operating profit declined by 4% q-o-q as a result of lower core banking revenues (-9%) and declining operating expenses (-16%). Within total income the net interest income eroded by 2% q-o-q, whereas net fees and commissions remained stable.

The FX-adjusted gross loan portfolio increased by 1% y-o-y, but remained flat q-o-q. Due to strong loan origination activity DSK Bank's market share improved both for consumer loan volumes and corporate volumes (30.9% and 7.3% respectively). FX-adjusted deposits remained flat q-o-q, but expanded by 14% despite pricing measures. As a result, the net loan to deposit ratio did not change q-o-q (67%).

The credit quality remained stable, similar to previous quarters the new DPD90+ volume formation was contained (HUF 0.9 billion), the DPD90+ ratio declined further (14.6%, -0.2 ppt q-o-q), its coverage was 96%. In line with the management expectation the net interest margin eroded (4.82%, -22 bps q-o-q), at the same time the risk cost rate dropped significantly (4Q 2015: 2.0%, 1Q 2016: 0.46%).

After an almost break-even bottom-line result in 4Q 2015 the **Russian subsidiary** posted HUF 2.6 billion net profit in 1Q 2016 (without Touch Bank). The P&L figures were substantially distorted again by the q-o-q 12% and y-o-y 13% depreciation of RUB against HUF.

The favourable earnings were the joint result of risk costs dropping by 17% q-o-q (in RUB terms) and the operating profit advancing by 10%. Despite the 6% quarterly decline of FX-adjusted performing loan

volumes total income improved by 2%, within that the net interest income grew by 6% mainly due to lower funding costs. It was also encouraging that despite the quarterly CPI of 2.1% operating expenses moderated by 7% (in RUB terms).

The portfolio deterioration was similar to the previous quarter (FX-adjusted DPD90+ inflow without sales and write-offs in HUF billion: 4Q 2015 4Q: 16, 1Q 2016: 17), however the formation represents around the half observed in the base period (1Q 2015: 32 billion). The DPD90+ ratio increased by 3.1 ppts q-o-q and reached 22.5%, its coverage somewhat declined (112.6%). It was positive that the credit profile of POS lending kept on improving and its cost of risk dropped from 8.6% to 7.0% q-o-q. In case of cash loans' CoR was also below 10%, while credit card risk profile showed definite improvement in February and March.

The FX-adjusted performing portfolio eroded by 6% q-o-q (-21% y-o-y). Compared to the base period both POS and consumer loan origination accelerated (new POS placements advanced by 37% y-o-y) and the cross sale of credit card loans was resumed from February. The FX-adjusted deposit book declined by 22% y-o-y and by 10% q-o-q, respectively. As a result, by the end of March the net loan-to-deposit ratio pierced 100% again.

The cost reduction project was successfully completed in 2015, in 1Q no branches were closed down, however the number of employees (without selling agents) dropped by around 600 people.

It is encouraging that while the net interest margin remained stable q-o-q in HUF terms (16.7%, +3.1 ppts y-o-y), the risk cost rate dropped significantly, to 10% (-2.4 ppts q-o-q, -9.3 ppts y-o-y).

From 1Q 2016 the performance of **Touch Bank** is reported separately from OTP Bank Russia. The Russian online bank posted HUF 1 billion loss, by 50% less than in 4Q 2015 mainly as a result of lower operating expenses. During the quarter the bank was successful rather in deposit collection, volumes already exceeded HUF 7.5 billion (+68% q-o-q), loan volumes remained yet negligible.

The **Ukrainian subsidiary** posted HUF 0.9 billion profit manifesting a sharp turnaround after the last two years' mainly loss-making quarters.

Recent P&L developments are better demonstrated in UAH terms given the volatility of the Ukrainian currency. The operating profit jumped by 129% q-o-q, within that the net interest income increased by 37%; operating expenses moderated by 8%. Simultaneously, risk costs dropped by 75%.

The net interest margin improved by more than 300 bps q-o-q, while the risk cost rate declined to 4.4% (1Q 2015: 19.3%, 4Q: 12.2%).

The FX-adjusted performing portfolio grew by 3% (-18% y-o-y). The quarterly volume growth is related

to improving corporate lending and leasing activity. While POS loan origination increased by 15% y-o-y, the cash loan and credit card cross sale activity remained cautious.

The DPD90+ ratio melted down to 47.5% (-1.1 ppts q-o-q), for mortgages the ratio stood at 76.6%, for corporate exposure only at 15.2%, respectively and the trend is declining. The coverage of the DPD90+ exposure increased to 120.4% (+17.8 ppts y-o-y).

The FX-adjusted deposit book eroded by 3% q-o-q, however it increased by 7% y-o-y. The net loan-to-deposit ratio moderately increased and reached 89%.

Following a significant cost reduction in the last couple of quarters in 1Q neither the number of branches, nor the number of employees changed.

By the end of March 2016 the intragroup financing to the Ukrainian operation (including subordinated loans) has not changed in USD terms and represented HUF 103 billion equivalent. The break down was as follows: HUF 8 billion intragroup exposure towards OTP Bank Ukraine, HUF 38 billion towards the Leasing Company and HUF 57 billion towards the Factoring unit.

Risk costs related to Crimea and the Donbass region previously booked on a consolidated level as adjustment items will be shown within the Ukrainian operation's results starting from 1Q 2016.

The **Romanian subsidiary** realized more than HUF 600 million net profit in 1Q 2016. The profit was shaped by q-o-q higher total revenues (+27%) lower operating expenses (-17%) on one hand, at the same time risk cost jumped by 73% q-o-q (true, within that lending related credit costs moderated). The FX-adjusted loan portfolio declined by 3% q-o-q and by 5% y-o-y. Lower quarterly volumes already reflect the impact of the conversion of CHF mortgages; corporate volumes remained flat. The FX-adjusted deposit book decreased by 2% q-o-q (+3% y-o-y). The DPD90+ ratio grew to 18.7% (+2.0 ppts q-o-q); its coverage was 74%.

The **Croatian subsidiary** posted HUF 846 million net profit, a material improvement q-o-q (+61%). The results were positively shaped by lower risk costs (-32%), the operating profit dropped by 20% mainly as a result of higher quarterly operating expenses reasoned by base effect. The net interest margin grew by 0.2% q-o-q and y-o-y which positively influenced the net interest income (+3% q-o-q and +8% y-o-y). The FX-adjusted loan portfolio eroded by 2% q-o-q. The DPD90+ ratio mildly increased (13.5%), its coverage also grew (73%).

The **Slovakian subsidiary** realized HUF 351 million adjusted profit (-20% y-o-y) against HUF 190 million loss in the previous quarter. The improvement was the joint result of higher operating income (+7% q-o-q) and falling risk costs (-28%). The net interest

margin remained stable (3.22%). The FX-adjusted loan portfolio grew by 1% q-o-q and by 5% y-o-y, respectively, with retail volume growth being stronger than in the corporate segment. The DPD90+ ratio increased moderately (10.1%); its coverage remained unchanged (61.2%).

The **Serbian subsidiary** posted HUF 30 million profit in 1Q. Similar to previous quarters, net earnings were shaped by risk cost dynamics (provisioning dropped to 1/10 q-o-q). The operating income dropped a lot (-71% q-o-q), all core banking revenue lines eroded. The FX-adjusted portfolio growth stopped (-2% q-o-q), but the consumer book kept increasing (+2%). The DPD90+ ratio declined further (38.8%), its coverage improved (75.5%)

The **Montenegrin subsidiary** remained profitable and posted HUF 112 million after-tax results in 1Q. The profit was mainly attributable to declining risk costs (-41% q-o-q), but the operating profit also improved by 15% for the same period supported by well-contained operating expenses (-15%). The FX-adjusted loan remained flat q-o-q with corporate volumes increasing by 1%; deposits dropped by 5%. The DPD90+ ratio declined q-o-q, its coverage improved despite lower risk costs.

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

By the end of March 2016 the consolidated Common Equity Tier1 ratio under IFRS was 13.2% (-0.1 ppt q-o-q). Neither the 1Q net result was included, nor was the accrued dividend amount deducted from the regulatory capital when calculating the IFRS consolidated capital adequacy ratios.

OTP Bank's stand-alone Common Equity Tier1 ratio stood at 22.4% in 1Q 2016 underpinning a q-o-q 0.2 ppt decline. The Bank's 1Q results were not included into the regulatory capital while calculating the capital adequacy ratios.

### Credit rating, shareholder structure

There was no change either in OTP Bank's and OTP Mortgage Bank's effective rating, consequently the long term FX deposit ratings were "Ba2/BB" (Moody's/S&P) with the outlook being positive at both rating agencies.

In February 2015 the Russian subsidiary initiated the cancellation of the rating service with Moody's and on 11 May 2016 Moody's has withdrawn the Russian bank's ratings. The Russian bank's rating by Fitch remained unchanged ("BB" with stable outlook)

Regarding the ownership structure of the bank, by 31 March 2016 the following investors had more than 5% influence (beneficial ownership) in the Company: the Rahimkulov family (8.91%), MOL (the Hungarian Oil and Gas Company, 8.68%), the Groupama Group (8.27%).

## POST BALANCE SHEET EVENTS

### Hungary

- On 7 April 2016 Mr. Péter Braun, member of OTP Bank's Board of Directors passed away.
- The employment of Dr. Antal Pongrácz, Deputy Chairman, Deputy CEO and Head of Staff Division, as well as that of Dr. István Gresa, Deputy CEO and Head of the Credit Approval and Risk Management Division ceased on 14 April 2016 due to their retirement. Effective from 15 April 2016 the Chairman and CEO of the Bank entrusted Mr. György Kiss-Haypál to run the Credit Approval and Risk Management Division (in terms of the Act on Financial Institutions this position will not be deemed as executive) as acting head of division. The Chairman and CEO of the Bank will practice the function of head of Staff Division, the division ceased to function.
- Effective from 15 April 2016 Mr. Antal György Kovács has resigned from his position as member of OTP's Supervisory Board as one of the representatives of employees.
- On 15 April 2016 the Annual General Meeting of OTP Bank Plc. elected Dr. Csányi Sándor, Mr. Mihály Baumstark, Dr. Tibor Bíró, Mr. Tamás György Erdei, Dr. István Gresa, Mr. Antal György Kovács, Dr. Antal Pongrácz, Dr. László Utassy, Dr. József Vörös, Mr. László Wolf to the member of the Bank's Board of Directors until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.
- On 15 April 2016 the Annual General Meeting of OTP Bank Plc. elected Mrs. Ágnes Rudas to the member of the Bank's Supervisory Board until the Annual General Meeting closing the 2016 business year of the Company, but no later than 30 April 2017..
- On 27 April 2016 the National Bank of Hungary cut its key policy interest rate by 15 basis points to 1.05% from 1.20%.
- On 28 April 2016 Economy Minister Mihály Varga has announced that the Hungarian government plans to entrust the State Treasury with handling the accounts of municipalities.
- On 5 May 2016 the National Bank of Hungary has announced the introduction of a new tool for economic recovery after SREP examination that is intended to make impact through the capital adequacy of the institutions. The central bank aims to stimulate the small and medium-sized enterprises (SME) lending activity with unleashing partially or even completely the capital requirements related to SME disbursements. The amount of the release is maximized at the level of the capital conservation buffer and depends on any particular institution's actual SME lending figures compared to the undertaking within the Market-based Lending Scheme which is another economic tool introduced earlier by the central bank.

### Russia

- On April 12 2016 the Russian Deposit Insurance Agency (DIA) announced its decision to increase banks' regular fees to the deposit insurance fund to 0.12% of retail deposits per quarter from 0.10%. The new rates will apply starting from 3Q 2016.
- On April 22 2016 Moody's Investors Service confirmed Russia's Ba1 government bond and issuer ratings, concluding the review for downgrade that was initiated on 4 March 2016.
- According to OTP Bank Russia's February 2015 request, Moody's has withdrawn the bank's ratings on 11 May 2016.

### Ukraine

- On 14 April 2016 a new Ukrainian Government was formed with Volodymyr Groysman as prime minister. The parliament also approved an action plan and in line with IMF's recommendation household electricity purchase price was raised close to market price level.
- On 21 April 2016 the National Bank of Ukraine (NBU) cut its key interest rate by 300 basis points to 19% from 22%.

### Romania

- On April 28 2016 Romania's President Mr. Klaus Johannis signed the amendment on the foreclosure law that enables mortgage borrowers to hand back the real estate serving as collateral behind the mortgage loan in exchange for discharge of the total mortgage loan obligation even if the value of the collateral does not cover the total payment obligations arising from the loan contract. Loans disbursed under the Prima Casa programme as well as loans above EUR 250,000 are exempt from the Act.



**CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)<sup>3</sup>**

| in HUF million   | 1Q 2015        | 4Q 2015       | 1Q 2016        | Q-o-Q        | Y-o-Y        |
|--|----------------|---------------|----------------|--------------|--------------|
| <b>Consolidated after tax profit</b>   | <b>1,913</b>   | <b>26,694</b> | <b>34,253</b>  | <b>28%</b>   |              |
| <b>Adjustments (total)</b>   | <b>-26,520</b> | <b>10,099</b> | <b>-13,344</b> | <b>-232%</b> | <b>-50%</b>  |
| Dividend and total net cash transfers (consolidated)   | 2              | -10           | 68             |              |              |
| Goodwill/investment impairment charges (after tax)   | 0              | 3,982         | 0              | -100%        |              |
| Special tax on financial institutions (after corporate income tax)   | -28,745        | -258          | -13,413        |              | -53%         |
| Risk cost created in relation to the decision of the Hungarian Competition Authority (after tax)   | 0              | -662          | 0              | -100%        |              |
| Effect of acquisitions (after tax)   | 1,550          | 0             | 0              |              | -100%        |
| One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary (after tax) | 7,417          | 7,576         | 0              | -100%        | -100%        |
| Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia (after tax)   | 0              | 0             | 0              |              |              |
| One-off impact of regulatory changes related to FX consumer contracts in Serbia (after tax)  | -104           | -2            | 0              | -100%        | -100%        |
| Expected one-off impact of the CHF mortgage loan conversion programme in Romania (after tax)   | 0              | 0             | 0              |              |              |
| Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015 (after tax)  | 71             | -163          | -              |              |              |
| Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015 (after tax)   | -1,172         | -365          | -              |              |              |
| Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (after tax)                                | -5,539         | 0             | 0              |              | -100%        |
| <b>Consolidated adjusted after tax profit without the effect of adjustments</b>  | <b>28,433</b>  | <b>16,595</b> | <b>47,598</b>  | <b>187%</b>  | <b>67%</b>   |
| Banks total without one-off items <sup>1</sup>   | 26,214         | 19,933        | 45,412         | 128%         | 73%          |
| OTP CORE (Hungary) <sup>2</sup>  | 29,388         | 27,892        | 28,898         | 4%           | -2%          |
| Corporate Centre (after tax) <sup>3</sup>  | -231           | -1,627        | -1,637         | 1%           | 609%         |
| OTP Bank Russia <sup>4</sup>   | -10,721        | -26           | 2,609          | -            | -124%        |
| Touch Bank (Russia) <sup>5</sup>   | -731           | -2,058        | -1,054         | -49%         | 44%          |
| OTP Bank Ukraine <sup>6</sup>  | -10,184        | -13,166       | 856            | -107%        | -108%        |
| DSK Bank (Bulgaria) <sup>7</sup>   | 17,605         | 10,650        | 13,784         | 29%          | -22%         |
| OBR (Romania) <sup>8</sup>   | 402            | -1,022        | 616            | -160%        | 53%          |
| OTP banka Srbija (Serbia) <sup>9</sup>   | 109            | -759          | 30             | -104%        | -73%         |
| OBH (Croatia) <sup>10</sup>  | 75             | 527           | 846            | 61%          |              |
| OBS (Slovakia) <sup>11</sup>   | 439            | -199          | 351            | -277%        | -20%         |
| CKB (Montenegro) <sup>12</sup>   | 63             | -278          | 112            | -140%        | 78%          |
| Leasing  | 395            | 189           | 788            | 317%         | 100%         |
| Merkantil Bank + Car, adj. (Hungary) <sup>13</sup>   | 242            | 294           | 502            | 71%          | 107%         |
| Foreign leasing companies (Croatia, Bulgaria, Romania) <sup>14</sup>   | 152            | -105          | 286            | -373%        | 88%          |
| Asset Management   | 1,437          | 946           | 1,048          | 11%          | -27%         |
| OTP Asset Management (Hungary)   | 1,337          | 1,604         | 1,017          | -37%         | -24%         |
| Foreign Asset Management Companies (Ukraine, Romania, Bulgaria) <sup>15</sup>  | 100            | -657          | 30             | -105%        | -69%         |
| Other Hungarian Subsidiaries   | 166            | -2,262        | 657            | -129%        | 297%         |
| Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Croatia, Belize) <sup>16</sup>                                  | 35             | -16           | 18             | -211%        | -50%         |
| Eliminations   | 186            | -2,195        | -325           | -85%         | -275%        |
| <b>Total adjusted after tax profit of HUNGARIAN subsidiaries<sup>17</sup></b>  | <b>31,088</b>  | <b>23,705</b> | <b>29,112</b>  | <b>23%</b>   | <b>-6%</b>   |
| <b>Total adjusted after tax profit of FOREIGN subsidiaries<sup>18</sup></b>  | <b>-2,655</b>  | <b>-7,110</b> | <b>18,486</b>  | <b>-360%</b> | <b>-796%</b> |
| Share of foreign profit contribution, %  | -9%            | -43%          | 39%            | 82%          | -516%        |

<sup>3</sup> Relevant footnotes are in the Supplementary data section of the Report.

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

**CONSOLIDATED STATEMENT OF RECOGNIZED INCOME**

| Main components of the Statement of recognized income<br>in HUF million  | 1Q 2015               | 4Q 2015         | 1Q 2016        | Q-o-Q        | Y-o-Y        |
|--|-----------------------|-----------------|----------------|--------------|--------------|
| <b>Consolidated after tax profit</b>   | <b>1,913</b>          | <b>26,694</b>   | <b>34,253</b>  | <b>28%</b>   |              |
| <b>Adjustments (total)</b>   | <b>-26,521</b>        | <b>10,099</b>   | <b>-13,344</b> | <b>-232%</b> | <b>-50%</b>  |
| Dividends and net cash transfers (after tax)   | 2                     | -10             | 68             | -774%        |              |
| Goodwill/investment impairment charges (after tax)   | 0                     | 3,982           | 0              | -100%        |              |
| Special tax on financial institutions (after corporate income tax)   | -28,745               | -258            | -13,413        |              | -53%         |
| Risk cost created in relation to the decision of the Hungarian Competition Authority (after tax)   | 0                     | -662            | 0              | -100%        |              |
| Effect of acquisitions (after tax)   | 1,550                 | 0               | 0              |              | -100%        |
| One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary (after tax) | 7,417                 | 7,576           | 0              | -100%        | -100%        |
| Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia (after tax)   | 0                     | 0               | 0              |              |              |
| One-off impact of regulatory changes related to FX consumer contracts in Serbia (after tax)  | -104                  | -2              | 0              | -100%        | -100%        |
| Expected one-off impact of the CHF mortgage loan conversion programme in Romania (after tax)   | 0                     | 0               | 0              | -100%        |              |
| Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015 (after tax)  | 71                    | -163            | -              |              |              |
| Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015 (after tax)   | -1,172                | -365            | -              |              |              |
| Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (after tax)                                | -5,539                | 0               | 0              |              | -100%        |
| <b>Consolidated adjusted after tax profit without the effect of adjustments</b>  | <b>28,434</b>         | <b>16,595</b>   | <b>47,598</b>  | <b>187%</b>  | <b>67%</b>   |
| <b>Before tax profit</b>   | <b>30,683</b>         | <b>23,939</b>   | <b>63,985</b>  | <b>167%</b>  | <b>109%</b>  |
| <b>Operating profit</b>  | <b>95,479</b>         | <b>76,210</b>   | <b>84,610</b>  | <b>11%</b>   | <b>-11%</b>  |
| <b>Total income</b>  | <b>189,550</b>        | <b>182,849</b>  | <b>177,501</b> | <b>-3%</b>   | <b>-6%</b>   |
| <b>Net interest income</b>   | <b>142,727</b>        | <b>133,279</b>  | <b>129,041</b> | <b>-3%</b>   | <b>-10%</b>  |
| <b>Net fees and commissions</b>  | <b>37,293</b>         | <b>43,449</b>   | <b>38,819</b>  | <b>-11%</b>  | <b>4%</b>    |
| <b>Other net non-interest income</b>   | <b>9,530</b>          | <b>6,121</b>    | <b>9,641</b>   | <b>58%</b>   | <b>1%</b>    |
| Foreign exchange result, net   | 3,917                 | 2,144           | 3,311          | 54%          | -15%         |
| Gain/loss on securities, net   | 3,707                 | 2,145           | 3,192          | 49%          | -14%         |
| Net other non-interest result  | 1,906                 | 1,832           | 3,139          | 71%          | 65%          |
| <b>Operating expenses</b>  | <b>-94,071</b>        | <b>-106,640</b> | <b>-92,891</b> | <b>-13%</b>  | <b>-1%</b>   |
| Personnel expenses   | -46,135               | -48,482         | -45,383        | -6%          | -2%          |
| Depreciation   | -9,953                | -14,141         | -10,433        | -26%         | 5%           |
| Other expenses   | -37,983               | -44,016         | -37,074        | -16%         | -2%          |
| <b>Total risk costs</b>  | <b>-64,468</b>        | <b>-52,733</b>  | <b>-20,794</b> | <b>-61%</b>  | <b>-68%</b>  |
| Provision for loan losses  | -61,145               | -48,388         | -20,745        | -57%         | -66%         |
| Other provision  | -3,323                | -4,345          | -49            | -99%         | -99%         |
| <b>Total one-off items</b>   | <b>-328</b>           | <b>462</b>      | <b>169</b>     | <b>-63%</b>  | <b>-152%</b> |
| Revaluation result of FX swaps at OTP Core   | -679                  | -               | -              |              |              |
| Gain on the repurchase of own Upper and Lower Tier2 Capital  | 0                     | 0               | 0              |              |              |
| Result of the treasury share swap at OTP Core  | 352                   | 462             | 169            | -63%         | -52%         |
| <b>Corporate taxes</b>   | <b>-2,249</b>         | <b>-7,344</b>   | <b>-16,388</b> | <b>123%</b>  | <b>629%</b>  |
|  | <b>INDICATORS (%)</b> |                 |                |              |              |
| ROE (adjusted)   | 9.4%                  | 5.4%            | 15.5%          | 10.2%p       | 6.2%p        |
| ROA (adjusted)   | 1.1%                  | 0.6%            | 1.8%           | 1.2%p        | 0.7%p        |
| Operating profit margin  | 3.57%                 | 2.82%           | 3.17%          | 0.35%p       | -0.40%p      |
| Total income margin  | 7.09%                 | 6.78%           | 6.66%          | -0.12%p      | -0.43%p      |
| Net interest margin  | 5.34%                 | 4.94%           | 4.84%          | -0.10%p      | -0.50%p      |
| Net fee and commission margin  | 1.39%                 | 1.61%           | 1.46%          | -0.15%p      | 0.06%p       |
| Net other non-interest income margin   | 0.36%                 | 0.23%           | 0.36%          | 0.13%p       | 0.01%p       |
| Cost-to-asset ratio  | 3.52%                 | 3.95%           | 3.48%          | -0.47%p      | -0.03%p      |
| Cost/income ratio  | 49.6%                 | 58.3%           | 52.3%          | -6.0%p       | 2.7%p        |
| Risk cost for loan losses-to-average gross loans   | 3.66%                 | 2.98%           | 1.31%          | -1.67%p      | -2.35%p      |
| Risk cost for loan losses-to-average FX adjusted gross loans   | 3.65%                 | 2.98%           | 1.31%          | -1.68%p      | -2.35%p      |
| Total risk cost-to-asset ratio   | 2.41%                 | 1.95%           | 0.78%          | -1.17%p      | -1.63%p      |
| Effective tax rate   | 7.3%                  | 30.7%           | 25.6%          | -5.1%p       | 18.3%p       |
| Non-interest income/total income   | 25%                   | 27%             | 27%            | 0%p          | 3%p          |
| EPS base (HUF) (from unadjusted net earnings)  | 8                     | 104             | 128            | 24%          |              |
| EPS diluted (HUF) (from unadjusted net earnings)   | 8                     | 104             | 128            | 24%          |              |
| EPS base (HUF) (from adjusted net earnings)  | 107                   | 64              | 178            | 178%         | 67%          |
| EPS diluted (HUF) (from adjusted net earnings)   | 106                   | 64              | 178            | 178%         | 67%          |

| Comprehensive Income Statement   | 1Q 2015        | 4Q 2015      | 1Q 2016       | Q-o-Q       | Y-o-Y        |
|--|----------------|--------------|---------------|-------------|--------------|
| Consolidated after tax profit  | 1,913          | 26,694       | 34,253        | 28%         |              |
| Fair value adjustment of securities available-for-sale (recognised directly through equity)      | 1,699          | -98          | 6,630         |             | 290%         |
| Fair value adjustment of derivative financial instruments designated as cash-flow hedge          | 0              | 0            | 0             |             |              |
| Fair value adjustment of strategic open FX position hedging net investment in foreign operations | 3,944          | 30           | -350          |             | -109%        |
| Foreign currency translation difference  | -33,726        | -18,364      | 4,825         | -126%       | -114%        |
| Change of actuarial losses (IAS 19)  | 0              | -171         | 0             | -100%       |              |
| <b>Net comprehensive income</b>  | <b>-26,170</b> | <b>8,090</b> | <b>45,359</b> | <b>461%</b> | <b>-273%</b> |
| o/w Net comprehensive income attributable to equity holders                                      | -26,067        | 8,382        | 45,233        | 440%        | -274%        |
| Net comprehensive income attributable to non-controlling interest                                | -103           | -292         | 126           | -143%       | -222%        |
| Average exchange rate of the HUF (in forint)   | 1Q 2015        | 4Q 2015      | 1Q 2016       | Q-o-Q       | Y-o-Y        |
| HUF/EUR  | 309            | 313          | 312           | 0%          | 1%           |
| HUF/CHF  | 289            | 288          | 285           | -1%         | -2%          |
| HUF/USD  | 275            | 286          | 283           | -1%         | 3%           |

## CONSOLIDATED BALANCE SHEET

| Main components of balance sheet in HUF million         | 1Q 2015           | 4Q 2015           | 1Q 2016           | Q-o-Q      | Y-o-Y      |
|---|-------------------|-------------------|-------------------|------------|------------|
| <b>TOTAL ASSETS</b>                                     | <b>10,714,446</b> | <b>10,718,848</b> | <b>10,729,882</b> | <b>0%</b>  | <b>0%</b>  |
| Cash and amount due from banks                          | 2,305,973         | 1,878,961         | 1,806,940         | -4%        | -22%       |
| Placements with other banks                             | 214,115           | 300,569           | 248,349           | -17%       | 16%        |
| Financial assets at fair value                          | 307,340           | 253,782           | 254,232           | 0%         | -17%       |
| Securities available-for-sale                           | 936,231           | 1,305,486         | 1,453,579         | 11%        | 55%        |
| Net customer loans                                      | 5,600,815         | 5,409,967         | 5,423,478         | 0%         | -3%        |
| <b>Net customer loans (FX adjusted<sup>1</sup>)</b>     | <b>5,651,145</b>  | <b>5,420,134</b>  | <b>5,423,478</b>  | <b>0%</b>  | <b>-4%</b> |
| Gross customer loans                                    | 6,680,788         | 6,423,588         | 6,428,215         | 0%         | -4%        |
| <b>Gross customer loans (FX adjusted<sup>1</sup>)</b>   | <b>6,724,683</b>  | <b>6,427,332</b>  | <b>6,428,215</b>  | <b>0%</b>  | <b>-4%</b> |
| o/w Retail loans  | 4,506,469         | 4,270,530         | 4,205,123         | -2%        | -7%        |
| Retail mortgage loans (incl. home equity)               | 2,462,705         | 2,327,572         | 2,268,398         | -3%        | -8%        |
| Retail consumer loans                                   | 1,566,030         | 1,448,017         | 1,443,130         | 0%         | -8%        |
| SME loans   | 477,734           | 494,941           | 493,594           | 0%         | 3%         |
| Corporate loans   | 1,921,417         | 1,891,424         | 1,962,637         | 4%         | 2%         |
| Loans to medium and large corporates                    | 1,798,778         | 1,797,768         | 1,876,857         | 4%         | 4%         |
| Municipal loans   | 122,639           | 93,656            | 85,780            | -8%        | -30%       |
| Car financing loans                                     | 235,573           | 209,583           | 209,547           | 0%         | -11%       |
| Bills and accrued interest receivables related to loans | 61,224            | 55,795            | 50,908            | -9%        | -17%       |
| Allowances for loan losses                              | -1,079,973        | -1,013,620        | -1,004,737        | -1%        | -7%        |
| Allowances for loan losses (FX adjusted <sup>1</sup> )  | -1,073,538        | -1,007,199        | -1,004,737        | 0%         | -6%        |
| Equity investments                                      | 25,402            | 10,028            | 9,232             | -8%        | -64%       |
| Securities held-to-maturity                             | 660,948           | 926,677           | 902,560           | -3%        | 37%        |
| Premises, equipment and intangible assets, net          | 362,061           | 349,469           | 348,764           | 0%         | -4%        |
| o/w Goodwill, net                                       | 103,401           | 95,994            | 98,050            | 2%         | -5%        |
| Premises, equipment and other intangible assets, net    | 258,661           | 253,475           | 250,714           | -1%        | -3%        |
| Other assets  | 301,561           | 283,909           | 282,748           | 0%         | -6%        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>       | <b>10,714,446</b> | <b>10,718,848</b> | <b>10,729,882</b> | <b>0%</b>  | <b>0%</b>  |
| Liabilities to credit institutions and governments      | 736,086           | 533,310           | 477,832           | -10%       | -35%       |
| Customer deposits                                       | 7,567,531         | 7,984,579         | 7,936,527         | -1%        | 5%         |
| <b>Customer deposits (FX adjusted<sup>1</sup>)</b>      | <b>7,643,805</b>  | <b>7,981,577</b>  | <b>7,936,527</b>  | <b>-1%</b> | <b>4%</b>  |
| o/w Retail deposits                                     | 5,287,268         | 5,670,960         | 5,612,348         | -1%        | 6%         |
| Household deposits                                      | 4,518,512         | 4,747,798         | 4,714,961         | -1%        | 4%         |
| SME deposits  | 768,756           | 923,163           | 897,387           | -3%        | 17%        |
| Corporate deposits                                      | 2,325,681         | 2,291,076         | 2,305,903         | 1%         | -1%        |
| Deposits to medium and large corporates                 | 1,793,555         | 1,883,135         | 1,676,682         | -11%       | -7%        |
| Municipal deposits                                      | 532,126           | 407,940           | 629,221           | 54%        | 18%        |
| Accrued interest payable related to customer deposits   | 30,856            | 19,542            | 18,276            | -6%        | -41%       |
| Issued securities                                       | 253,763           | 239,376           | 236,644           | -1%        | -7%        |
| o/w Retail bonds  | 56,285            | 64,777            | 62,743            | -3%        | 11%        |
| Issued securities without retail bonds                  | 197,478           | 174,599           | 173,901           | 0%         | -12%       |
| Other liabilities                                       | 716,924           | 493,140           | 604,238           | 23%        | -16%       |
| Subordinated bonds and loans                            | 244,017           | 234,784           | 242,125           | 3%         | -1%        |
| <b>Total shareholders' equity</b>                       | <b>1,196,125</b>  | <b>1,233,659</b>  | <b>1,232,515</b>  | <b>0%</b>  | <b>3%</b>  |

**INTERIM MANAGEMENT REPORT – FIRST QUARTER 2016 RESULT**

| Indicators  | 1Q 2015        | 4Q 2015        | 1Q 2016        | Q-o-Q        | Y-o-Y        |
|---|----------------|----------------|----------------|--------------|--------------|
| Loan/deposit ratio (FX adjusted <sup>1</sup> )                              | 88%            | 80%            | 81%            | 1%p          | -7%p         |
| Net loan/(deposit + retail bond) ratio (FX adjusted <sup>1</sup> )          | 73%            | 67%            | 67%            | 0%p          | -6%p         |
| 90+ days past due loan volume   | 1,216,070      | 1,085,694      | 1,086,453      | 0%           | -11%         |
| 90+ days past due loans/gross customer loans                                | 18.4%          | 17.0%          | 17.0%          | 0.0%p        | -1.3%p       |
| Total provisions/90+ days past due loans                                    | 88.8%          | 93.4%          | 92.5%          | -0.9%p       | 3.7%p        |
| <b>Consolidated capital adequacy - Basel3</b>                               | <b>1Q 2015</b> | <b>4Q 2015</b> | <b>1Q 2016</b> | <b>Q-o-Q</b> | <b>Y-o-Y</b> |
| Capital adequacy ratio (consolidated, IFRS)                                 | 16.1%          | 16.2%          | 15.9%          | -0.3%p       | -0.2%p       |
| Tier1 ratio   | 13.0%          | 13.3%          | 13.2%          | -0.1%p       | 0.2%p        |
| Common Equity Tier1 ('CET1') capital ratio                                  | 13.0%          | 13.3%          | 13.2%          | -0.1%p       | 0.2%p        |
| Regulatory capital (consolidated)   | 1,110,492      | 1,064,383      | 1,064,183      | 0%           | -4%          |
| o/w Tier1 Capital   | 895,949        | 873,124        | 881,189        | 1%           | -2%          |
| o/w Common Equity Tier1 capital   | 895,949        | 873,124        | 881,189        | 1%           | -2%          |
| Tier2 Capital   | 214,542        | 191,259        | 182,994        | -4%          | -15%         |
| o/w Hybrid Tier2  | 94,559         | 92,093         | 90,563         | -2%          | -4%          |
| Consolidated risk weighted assets (RWA)<br>(Credit&Market&Operational risk) | 6,894,550      | 6,576,258      | 6,693,455      | 2%           | -3%          |
| o/w RWA (Credit risk)   | 5,506,573      | 5,245,874      | 5,235,513      | 0%           | -5%          |
| RWA (Market & Operational risk)   | 1,387,977      | 1,330,384      | 1,457,943      | 10%          | 5%           |
| <b>Closing exchange rate of the HUF (in forint)</b>                         | <b>1Q 2015</b> | <b>4Q 2015</b> | <b>1Q 2016</b> | <b>Q-o-Q</b> | <b>Y-o-Y</b> |
| HUF/EUR   | 299            | 313            | 314            | 0%           | 5%           |
| HUF/CHF   | 286            | 289            | 287            | -1%          | 0%           |
| HUF/USD   | 279            | 287            | 277            | -3%          | -1%          |

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

## OTP BANK'S HUNGARIAN CORE BUSINESS

### OTP Core Statement of recognized income:

| Main components of the Statement of recognised income in HUF<br>million | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
|---|---------|---------|---------|---------|---------|
| After tax profit without the effect of adjustments                      | 29,388  | 27,892  | 28,898  | 4%      | -2%     |
| Corporate income tax  | -5,932  | -4,441  | -10,798 | 143%    | 82%     |
| Pre-tax profit  | 35,319  | 32,333  | 39,696  | 23%     | 12%     |
| Operating profit  | 39,667  | 40,483  | 40,294  | 0%      | 2%      |
| Total income  | 86,691  | 92,636  | 88,475  | -4%     | 2%      |
| Net interest income   | 63,776  | 61,641  | 58,402  | -5%     | -8%     |
| Net fees and commissions  | 21,344  | 24,975  | 22,742  | -9%     | 7%      |
| Other net non-interest income   | 1,571   | 6,020   | 7,331   | 22%     | 367%    |
| Operating expenses  | -47,025 | -52,153 | -48,180 | -8%     | 2%      |
| Total risk costs  | -4,019  | -8,612  | -767    | -91%    | -81%    |
| Provisions for possible loan losses                                     | -1,007  | -7,177  | -36     | -100%   | -96%    |
| Other provisions  | -3,012  | -1,435  | -731    | -49%    | -76%    |
| Total one-off items   | -328    | 462     | 169     | -63%    | -152%   |
| Revaluation result of FX swaps  | -679    | -       | -       | 0%      | 0%      |
| Gain on the repurchase of own Upper and Lower Tier2 Capital             | 0       | 0       | 0       | 0%      | 0%      |
| Revaluation result of the treasury share swap agreement                 | 352     | 462     | 169     | -63%    | -52%    |
| <b>Revenues by Business Lines</b>                                       |         |         |         |         |         |
| <b>RETAIL</b>   |         |         |         |         |         |
| Total income  | 68,033  | 64,368  | 61,520  | -4%     | -10%    |
| Net interest income   | 48,342  | 42,349  | 40,503  | -4%     | -16%    |
| Net fees and commissions  | 18,912  | 21,065  | 19,969  | -5%     | 6%      |
| Other net non-interest income   | 780     | 954     | 1,048   | 10%     | 34%     |
| <b>CORPORATE</b>  |         |         |         |         |         |
| Total income  | 10,940  | 11,258  | 9,417   | -16%    | -14%    |
| Net interest income   | 7,272   | 7,038   | 6,431   | -9%     | -12%    |
| Net fees and commissions  | 3,440   | 3,941   | 2,680   | -32%    | -22%    |
| Other net non-interest income   | 228     | 279     | 306     | 10%     | 34%     |
| <b>Treasury ALM</b>   |         |         |         |         |         |
| Total income  | 7,487   | 16,139  | 16,516  | 2%      | 121%    |
| Net interest income   | 8,163   | 12,253  | 11,468  | -6%     | 40%     |
| Net fees and commissions  | -1,008  | -105    | 93      | -189%   | -109%   |
| Other net non-interest income   | 332     | 3,991   | 4,954   | 24%     | 1393%   |
| <b>Indicators (%)</b>   |         |         |         |         |         |
| ROE   | 10.2%   | 9.2%    | 9.6%    | 0.4%p   | -0.5%p  |
| ROA   | 1.7%    | 1.6%    | 1.7%    | 0.1%p   | 0.0%p   |
| Operating profit margin (operating profit / avg. total assets)          | 2.3%    | 2.4%    | 2.4%    | 0.0%p   | 0.1%p   |
| Total income margin   | 5.01%   | 5.44%   | 5.20%   | -0.24%p | 0.18%p  |
| Net interest margin   | 3.69%   | 3.62%   | 3.43%   | -0.19%p | -0.26%p |
| Net fee and commission margin   | 1.23%   | 1.47%   | 1.34%   | -0.13%p | 0.10%p  |
| Net other non-interest income margin                                    | 0.09%   | 0.35%   | 0.43%   | 0.08%p  | 0.34%p  |
| Operating costs to total assets ratio                                   | 2.7%    | 3.1%    | 2.8%    | -0.2%p  | 0.1%p   |
| Cost/income ratio   | 54.2%   | 56.3%   | 54.5%   | -1.8%p  | 0.2%p   |
| Cost of risk/average gross loans  | 0.16%   | 1.18%   | 0.01%   | -1.18%p | -0.15%p |
| Cost of risk/average gross loans (FX adjusted)                          | 0.15%   | 1.18%   | 0.01%   | -1.18%p | -0.15%p |
| Effective tax rate  | 16.8%   | 13.7%   | 27.2%   | 13.5%p  | 10.4%p  |

- **OTP Core posted HUF 28.9 billion adjusted profit in 1Q underpinning a 4% q-o-q increase (-2% y-o-y)**
- **The net interest income eroded by 5% q-o-q and by 8% y-o-y**
- **Operational expenses moderated by 8% from the 4Q 2015 basis, while rose by 2% on yearly base**
- **1Q risk costs dropped materially both q-o-q and y-o-y**
- **Further decline of DPD90+ volumes (-2% q-o-q), the DPD90+ ratio improved to 11.7% (-1.4 ppts y-o-y)**
- **FX-adjusted gross loans increased q-o-q for the first time since 4Q 2010**
- **The micro and small enterprise loan portfolio expanded dynamically (+2% q-o-q and +13% y-o-y, FX-adjusted); corporate volumes leaped by 8% q-o-q following a 4% increase in 4Q 2015**

### P&L developments

The one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes were eliminated from OTP Core's P&L and were booked among the adjustment items on consolidated level. The balance sheet was not adjusted.

Without the effect of adjustment items<sup>4</sup> **OTP Core** posted a profit of HUF 28.9 billion in 1Q underpinning a 4% q-o-q improvement, on a yearly base there was a 2% erosion.

The effective corporate tax burden increased both in a quarterly and yearly comparison, shaped partly by the tax shield effect of the revaluation of subsidiary investments as a result of HUF volatility.

The pre-tax profit advanced significantly both q-o-q and y-o-y (+23% and 12% respectively).

On a quarterly base the higher profit to a great extent was a result of massively declining risk costs: total risk costs dropped by HUF 7.8 billion q-o-q. The decline was partly related to a provision release on a large corporate exposure sold in 1Q. Credit quality trends remained favourable: the DPD90+ volumes declined further as a result of non-performing loan sales and write-offs, thus the DPD90+ ratio moderated by 0.4 ppt q-o-q to 11.7%. The DPD90+ formation adjusted for FX rate changes, as well as

loan sales and write-offs represented HUF 5 billion in 1Q.

On a yearly base the improving after tax profit apart from lower risk costs was also supported by y-o-y 2% higher revenues: the 8% drop in net interest income was offset by a significant increase in other net non-interest revenues.

In 1Q net interest income eroded by 5% q-o-q reasoned by weaker interest revenues, the q-o-q 14% lower interest expenditure could only mitigate that. Out of the HUF 3.2 billion q-o-q reduction in net interest income around HUF 0.6 billion is explained by calendar effect. The structural changes within the performing loan book continued as the weight of corporate exposures with lower margins increased. The average volume of performing loans increased by 2% q-o-q, within that the corporate exposure advanced by 7%, however the retail book eroded by 1%. The net interest margin in 1Q declined to 3.43% (-19 bps q-o-q, -26 bps y-o-y).

The quarterly decline of net fees and commissions was explained by the fact that similar to 2015, the financial transaction tax on card transactions was paid in a lump-sum in 1Q 2016 for the whole year based on the annual volume of the previous year's transactions. This item amounted to HUF 1.6 billion in 1Q 2016 (and also in 1Q 2015). On a yearly base net fees and commissions advanced by 7%.

The other net non-interest income further improved q-o-q due to securities gains realized on property investment funds, and also supported by FX-gains.

Total one-off revenue items represented HUF 169 million in 1Q, entirely related to the revaluation result of the treasury share swap agreement.

1Q operating expenses decreased by 8% q-o-q mainly due to seasonal effects. On a y-o-y base costs grew by 2%, by around HUF 1.2 billion, of that HUF 0.4 billion is explained by the higher contributions paid into the Deposit Protection Fund (OBA), the Investor Protection Fund (Beva), as well as fees paid into the Resolution Fund. Furthermore, deductible taxes increased by HUF 0.8 billion mainly due to the higher amount of local government tax and innovation contribution. Within operational expenses IT-related costs increased, however it was offset by savings on other administrative cost items.

<sup>4</sup> Adjustments emerged in the presented periods: special tax on financial institutions, dividends and net cash transfers, goodwill impairment charges, the risk cost created in relation to the decision of the Hungarian Competition Authority, one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes and the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd.

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

| Main components of balance sheet closing balances in HUF mn          | 1Q 2015          | 4Q 2015          | 1Q 2016          | Q-o-Q        | Y-o-Y        |
|--|------------------|------------------|------------------|--------------|--------------|
| Total Assets   | 6,895,929        | 6,774,200        | 6,920,680        | 2%           | 0%           |
| Net customer loans   | 2,222,887        | 2,145,475        | 2,196,970        | 2%           | -1%          |
| <b>Net customer loans (FX adjusted)</b>                              | <b>2,236,171</b> | <b>2,147,166</b> | <b>2,196,970</b> | <b>2%</b>    | <b>-2%</b>   |
| Gross customer loans   | 2,494,135        | 2,394,362        | 2,437,706        | 2%           | -2%          |
| <b>Gross customer loans (FX adjusted)</b>                            | <b>2,509,952</b> | <b>2,394,094</b> | <b>2,437,706</b> | <b>2%</b>    | <b>-3%</b>   |
| Retail loans   | 1,727,443        | 1,624,462        | 1,608,296        | -1%          | -7%          |
| Retail mortgage loans (incl. home equity)                            | 1,224,880        | 1,163,744        | 1,138,156        | -2%          | -7%          |
| Retail consumer loans  | 372,623          | 316,961          | 323,326          | 2%           | -13%         |
| SME loans  | 129,940          | 143,756          | 146,814          | 2%           | 13%          |
| Corporate loans  | 782,508          | 769,633          | 829,410          | 8%           | 6%           |
| Loans to medium and large corporates                                 | 732,047          | 748,491          | 806,050          | 8%           | 10%          |
| Municipal loans  | 50,461           | 21,142           | 23,359           | 10%          | -54%         |
| Provisions   | -271,249         | -248,887         | -240,736         | -3%          | -11%         |
| <b>Provisions (FX adjusted)</b>                                      | <b>-273,781</b>  | <b>-246,928</b>  | <b>-240,736</b>  | <b>-3%</b>   | <b>-12%</b>  |
| Deposits from customers + retail bonds                               | 4,377,783        | 4,559,728        | 4,568,904        | 0%           | 4%           |
| <b>Deposits from customers + retail bonds (FX adjusted)</b>          | <b>4,399,129</b> | <b>4,552,571</b> | <b>4,568,904</b> | <b>0%</b>    | <b>4%</b>    |
| Retail deposits + retail bonds                                       | 2,580,653        | 2,857,914        | 2,837,408        | -1%          | 10%          |
| Household deposits + retail bonds                                    | 2,157,275        | 2,356,519        | 2,338,443        | -1%          | 8%           |
| o/w: Retail bonds  | 56,285           | 64,777           | 62,743           | -3%          | 11%          |
| SME deposits   | 423,377          | 501,394          | 498,965          | 0%           | 18%          |
| Corporate deposits   | 1,818,476        | 1,694,658        | 1,731,496        | 2%           | -5%          |
| Deposits to medium and large corporates                              | 1,370,702        | 1,332,184        | 1,157,184        | -13%         | -16%         |
| Municipal deposits   | 447,774          | 362,474          | 574,312          | 58%          | 28%          |
| Liabilities to credit institutions                                   | 525,058          | 376,886          | 442,823          | 17%          | -16%         |
| Issued securities without retail bonds                               | 194,577          | 202,309          | 197,431          | -2%          | 1%           |
| Total shareholders' equity   | 1,147,163        | 1,210,949        | 1,202,418        | -1%          | 5%           |
| <b>Loan Quality</b>  | <b>1Q 2015</b>   | <b>4Q 2015</b>   | <b>1Q 2016</b>   | <b>Q-o-Q</b> | <b>Y-o-Y</b> |
| 90+ days past due loan volume (in HUF million)                       | 326,269          | 290,052          | 285,253          | -1.7%        | -12.6%       |
| 90+ days past due loans/gross customer loans (%)                     | 13.1%            | 12.1%            | 11.7%            | -0.4%p       | -1.4%p       |
| Total provisions/90+ days past due loans (%)                         | 83.1%            | 85.8%            | 84.4%            | -1.4%p       | 1.3%p        |
| <b>Market Share (%)</b>  | <b>1Q 2015</b>   | <b>4Q 2015</b>   | <b>1Q 2016</b>   | <b>Q-o-Q</b> | <b>Y-o-Y</b> |
| Loans  | 18.8%            | 19.1%            | 19.5%            | 0.3%p        | 0.6%p        |
| Deposits   | 26.4%            | 25.8%            | 26.5%            | 0.7%p        | 0.1%p        |
| Total Assets   | 27.2%            | 26.1%            | 26.3%            | 0.2%p        | -0.9%p       |
| <b>Performance Indicators (%)</b>                                    | <b>1Q 2015</b>   | <b>4Q 2015</b>   | <b>1Q 2016</b>   | <b>Q-o-Q</b> | <b>Y-o-Y</b> |
| Net loans to (deposits + retail bonds) (FX adjusted)                 | 51%              | 47%              | 48%              | 1%p          | -3%p         |
| Leverage (Shareholder's Equity/Total Assets)                         | 16.6%            | 17.9%            | 17.4%            | -0.5%p       | 0.7%p        |
| Leverage (Total Assets/Shareholder's Equity)                         | 6.0x             | 5.6x             | 5.8x             |              |              |
| Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS)     | 18.8%            | 26.6%            | 25.8%            | -0.7%p       | 7.1%p        |
| Common Equity Tier 1 ratio (OTP Bank, non-consolidated, Basel3, HAS) | 15.3%            | 22.6%            | 22.4%            | -0.2%p       | 7.2%p        |

Balance sheet trends

In the first quarter the FX-adjusted gross loan portfolio could increase q-o-q (+2%) for the first time since 2010 4Q, whereas y-o-y it still shrank by 3%. Within that corporate volumes grew both q-o-q and y-o-y. After a strong performance during 2015 the micro and small enterprise loan portfolio grew by 2% q-o-q (FX-adjusted), whereas the large corporate volumes advanced by 8% q-o-q thanks to the strong 1Q origination (+10% y-o-y).

Following the accomplishment of the second phase of the Funding for Growth Scheme initiated by the National Bank of Hungary the third phase has been launched from 1 January 2016 within the framework of the Growth Supporting Programme (GSP). By the end of March the volume of applications reached already around 75% of the total amount of available funding for the first pillar which would give boost to overall corporate lending dynamics once they will be allocated. The second pillar of the GSP is the so called Market based Loan Programme. With joining the programme OTP Group obliged itself to lend out

at least HUF 25 billion annually through a three-year period to Hungarian SMEs.

The quarterly growth of the FX-adjusted gross portfolio was induced mainly by the mid-size and large corporate segment. During the course of 1Q new disbursements gained momentum, also, the volumes of commercial factoring business line grew by around HUF 29 billion thanks to one large client.

The retail portfolio kept shrinking further; however it was positive that against the declining trend in the previous quarters the consumer loans posted a q-o-q 2% growth.

As for mortgages, the normal amortization and prepayments continued to outpace the effect of further strengthening new disbursements. As a result the mortgage book eroded by 2% q-o-q and by 7% y-o-y (FX-adjusted). New volume of mortgage loan applications remained stable (-1% q-o-q) and advanced by 69% y-o-y (true, the strong y-o-y dynamics were also supported by a base effect in 1Q 2015). Within 1Q 2016 applications the overall

weight of State subsidized housing loans increased substantially due to the more favourable terms of the CSOK (Housing Subsidy for Families). At OTP Bank applications for subsidized housing loans increased by 16% q-o-q and by 97% y-o-y and represented 44% of total housing loan applications in 1Q (versus 36% in 2015). Mortgage loan disbursement dropped by 22% q-o-q reflecting the strong year-end origination activity. However, on a yearly base disbursements advanced by 46%. According to expectations the strong demand generated by CSOK will be manifested through higher disbursed volumes in 2H 2016.

OTP Bank experienced strong business activity as for the extended CSOK: in 1Q around 1,800 applications were registered, and an additional 1,000 applications were registered in April. 13% of all applications for new houses were made by families with three or more children that represented about half of the total subsidy volumes. Around 65% of applicants combined CSOK with loan application.

Consumer loan volumes increased by 2% q-o-q from a low 4Q base (-13% y-o-y). OTP's market share in this segment remained strong both in terms of stock and new disbursements. The bank has a market share of 33.9% at the end of March out of total volumes (+0.2 ppt q-o-q). OTP Bank's market share in new cash loan disbursement declined to 33.9% in 1Q (-1.0 ppt q-o-q).

FX-adjusted deposit volumes (with retail bonds) were stable q-o-q and increased by 4% y-o-y. The volume of retail deposits (with retail bonds) somewhat eroded (-1% q-o-q) after a strong performance in the last couple of quarters, but on a yearly base it advanced by over 10%. The micro and small enterprise volumes stagnated q-o-q, whereas the mid-size and large corporate segment dropped by 13%. Such erosion was mainly due to the decline of the deposits from mutual funds in line with the outflow of money from mutual funds.



## OTP FUND MANAGEMENT (HUNGARY)

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

| Main components of P&L account<br>in HUF mn                    |              |              |              |            |             |
|--|--------------|--------------|--------------|------------|-------------|
|  | 1Q 2015      | 4Q 2015      | 1Q 2016      | Q-o-Q      | Y-o-Y       |
| After tax profit w/o dividends and net cash transfer           | 1,337        | 1,604        | 1,017        | -37%       | -24%        |
| Income tax   | -243         | -200         | -184         | -8%        | -24%        |
| Profit before income tax                                       | 1,580        | 1,804        | 1,202        | -33%       | -24%        |
| Operating profit   | 1,580        | 2,012        | 1,202        | -40%       | -24%        |
| Total income   | 1,912        | 2,762        | 1,588        | -43%       | -17%        |
| Net interest income  | 0            | 0            | 0            | 66%        | 138%        |
| Net fees and commissions                                       | 1,909        | 2,763        | 1,586        | -43%       | -17%        |
| Other net non-interest income                                  | 3            | -1           | 1            | -217%      | -63%        |
| Operating expenses   | -332         | -750         | -386         | -49%       | 16%         |
| Other provisions   | 0            | -208         | 0            | -100%      | -100%       |
| Main components of balance sheet<br>closing balances in HUF mn |              |              |              |            |             |
|  | 1Q 2015      | 4Q 2015      | 1Q 2016      | Q-o-Q      | Y-o-Y       |
| Total assets   | 12,390       | 12,924       | 13,211       | 2%         | 7%          |
| Total shareholders' equity                                     | 5,008        | 8,314        | 9,475        | 14%        | 89%         |
| Asset under management<br>in HUF bn                            |              |              |              |            |             |
|  | 1Q 2015      | 4Q 2015      | 1Q 2016      | Q-o-Q      | Y-o-Y       |
| <b>Assets under management, total (w/o duplicates)</b>         | <b>1,643</b> | <b>1,576</b> | <b>1,520</b> | <b>-4%</b> | <b>-7%</b>  |
| Retail investment funds (closing, w/o duplicates)              | 1,167        | 1,079        | 1,010        | -6%        | -13%        |
| Volume of managed assets (closing, w/o duplicates)             | 476          | 497          | 510          | 3%         | 7%          |
| <b>Volume of investment funds (with duplicates)</b>            | <b>1,294</b> | <b>1,204</b> | <b>1,138</b> | <b>-5%</b> | <b>-12%</b> |
| money market   | 403          | 378          | 334          | -12%       | -17%        |
| bond   | 491          | 419          | 403          | -4%        | -18%        |
| mixed  | 19           | 21           | 22           | 3%         | 13%         |
| security   | 108          | 109          | 109          | 0%         | 1%          |
| guaranteed   | 113          | 105          | 99           | -5%        | -12%        |
| other  | 161          | 171          | 171          | 0%         | 6%          |

The **OTP Fund Management** posted HUF 1.0 billion after tax profit in the first quarter of 2016, which is by 37% lower than in the last quarter and falling short of the base period by 24%. The assets under management eroded on quarterly and yearly base, too (-4% q-o-q, -7% y-o-y).

The total income development was driven by the net fee and commission income, latter decreased by 43% q-o-q and 17% y-o-y. The quarterly drop was mainly reasoned by the success fee income booked in 4Q 2015 (it is usually accounted at the end of the year.) The yearly decline was influenced mainly by the decrease of the assets under management.

The quarterly decrease of the operating expenses was driven by base effect due to the seasonality of personnel expenses. In contrast, there is a 16% y-o-y increase explained mainly by a technical reason: in 2015 the accrual of the premium expenses was not prorated.

Considering the whole market, in 1Q 2016 the managed assets of BAMOSZ<sup>5</sup> members decreased slightly q-o-q. The money market funds suffered the most significant capital outflow, in the current low interest rate environment investors prefer the derivative, real estate and absolute return funds.

The structural shift within the different types of investment funds influenced the assets of OTP Fund Management, too. The volume of money market funds moderated by 12% q-o-q, while the mixed funds grew by 3%. The total assets under management melted down by 4%, exceeding the decline on the market. As a result, the market share of OTP Fund Management decreased, but the Company kept its market leading position. The market share (not adjusted for duplications) was 22.8% at the end of March. The market share decrease during the last 12 months (-2.8 ppts y-o-y) was mainly reasoned by the shift to retail government bonds that was more pronounced at OTP due to OTP's more conservative customer base.

<sup>5</sup> Association of Hungarian Investment Fund and Asset Management Companies

**MERKANTIL GROUP (HUNGARY)**

**Performance of Merkantil Bank and Car:**

| Main components of P&L account<br>in HUF mn                    | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
|--|---------|---------|---------|---------|---------|
| After tax profit without the effect of adjustments             | 242     | 294     | 502     | 71%     | 107%    |
| Income tax   | 178     | -59     | 0       | -100%   | -100%   |
| Profit before income tax                                       | 65      | 353     | 502     | 42%     | 676%    |
| Operating profit   | 1,218   | 1,555   | 1,416   | -9%     | 16%     |
| Total income   | 2,742   | 3,135   | 2,884   | -8%     | 5%      |
| Net interest income  | 4,262   | 4,723   | 4,099   | -13%    | -4%     |
| Net fees and commissions                                       | -705    | -567    | -239    | -58%    | -66%    |
| Other net non-interest income                                  | -815    | -1,021  | -976    | -4%     | 20%     |
| Operating expenses   | -1,524  | -1,580  | -1,468  | -7%     | -4%     |
| Total provisions   | -1,153  | -1,203  | -915    | -24%    | -21%    |
| Provision for possible loan losses                             | -1,129  | -1,165  | -886    | -24%    | -21%    |
| Other provision  | -25     | -38     | -29     | -25%    | 15%     |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| Total assets   | 305,923 | 332,791 | 342,553 | 3%      | 12%     |
| Gross customer loans   | 272,916 | 274,024 | 277,290 | 1%      | 2%      |
| Gross customer loans (FX-adjusted)                             | 273,607 | 274,032 | 277,290 | 1%      | 1%      |
| Retail loans   | 16,687  | 22,239  | 22,101  | -1%     | 32%     |
| Corporate loans  | 67,379  | 82,724  | 86,935  | 5%      | 29%     |
| Car financing loans  | 189,541 | 169,069 | 168,254 | 0%      | -11%    |
| Allowances for possible loan losses                            | -33,497 | -36,075 | -36,722 | 2%      | 10%     |
| Allowances for possible loan losses (FX-adjusted)              | -33,529 | -36,072 | -36,722 | 2%      | 10%     |
| Deposits from customers  | 6,239   | 10,910  | 12,121  | 11%     | 94%     |
| Deposits from customer (FX-adjusted)                           | 6,239   | 10,910  | 12,121  | 11%     | 94%     |
| Retail deposits  | 2,533   | 3,280   | 5,455   | 66%     | 115%    |
| Corporate deposits   | 3,706   | 7,630   | 6,666   | -13%    | 80%     |
| Liabilities to credit institutions                             | 213,966 | 256,997 | 268,618 | 5%      | 26%     |
| Issued securities  | 34,398  | 35,004  | 34,928  | 0%      | 2%      |
| Total shareholders' equity                                     | 19,359  | 21,146  | 21,995  | 4%      | 14%     |
| Loan Quality   | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| 90+ days past due loan volume (in HUF million)                 | 37,887  | 29,451  | 32,313  | 10%     | -15%    |
| 90+ days past due loans/gross customer loans (%)               | 13.9%   | 10.7%   | 11.7%   | 0.9%p   | -2.2%p  |
| Cost of risk/average gross loans (%)                           | 1.70%   | 1.69%   | 1.29%   | -0.39%p | -0.41%p |
| Cost of risk/average (FX-adjusted) gross loans                 | 1.67%   | 1.69%   | 1.29%   | -0.39%p | -0.38%p |
| Total provisions/90+ days past due loans (%)                   | 88.4%   | 122.5%  | 113.6%  | -8.8%p  | 25.2%p  |
| Performance Indicators (%)                                     | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| ROA  | 0.3%    | 0.4%    | 0.6%    | 0.2%p   | 0.3%p   |
| ROE  | 5.0%    | 6.4%    | 9.4%    | 2.9%p   | 4.3%p   |
| Total income margin  | 3.59%   | 3.77%   | 3.44%   | -0.33%p | -0.16%p |
| Net interest margin  | 5.59%   | 5.68%   | 4.88%   | -0.79%p | -0.70%p |
| Cost/income ratio  | 55.6%   | 50.4%   | 50.9%   | 0.5%p   | -4.7%p  |

The **Merkantil Bank and Car** posted HUF 0.5 billion aggregated adjusted after tax profit in the first quarter of 2016, exceeding twice the HUF 242 million result for the same period of previous year.

The 42% percent q-o-q increase of the before tax profit was shaped by the 9% lower operating profit and the 24% decline of the total risk cost. The total income decreased by 8% q-o-q. The comparison of the 1Q net interest income and net fee and commission income with those in the previous periods is distorted by changes in the methodology<sup>6</sup>. As a result of the conversion executed in 4Q 2015 the margin of the converted loans narrowed.

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

The operating expenses declined both y-o-y and q-o-q. The improvement of the financial result was mainly driven by the drop in the risk cost (-24% q-o-q).

The ratio of DPD90+ loans decreased by 2.2 ppts to 11.7% y-o-y, while the coverage ratio went up by 25.2 ppts. Both changes were driven mainly by the technical effect of the settlement with retail FX borrowers completed in 2015 (the amount refunded to clients during the settlement reduced the delinquent balance). However, clients who temporarily healed in 4Q 2015 thanks to the technical effect of the conversion into HUF re-defaulted and slipped back to DPD90+ category in 1Q; as a result the DPD90+ ratio went up (+0.9 ppt q-o-q) and the coverage also eroded (-8.8 ppts q-o-q).

The FX-adjusted loan portfolio expanded by 1% both on a yearly and on a quarterly basis. Positive trends

can be observed in the lending activity: total new loan origination increased by 15% y-o-y, the volume of newly disbursed car loans improved by 23%

y-o-y. Merkantil Bank and Car is a market leader in terms of new loan disbursements.

## IFRS REPORTS OF THE MAIN SUBSIDIARIES

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

### DSK GROUP (BULGARIA)

#### Performance of DSK Group:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015   | 4Q 2015   | 1Q 2016   | Q-o-Q   | Y-o-Y   |
|--|-----------|-----------|-----------|---------|---------|
| After tax profit w/o dividends and net cash transfer           | 17,605    | 10,650    | 13,784    | 29%     | -22%    |
| Income tax   | -1,987    | -1,017    | -1,546    | 52%     | -22%    |
| Profit before income tax                                       | 19,592    | 11,667    | 15,330    | 31%     | -22%    |
| Operating profit   | 19,487    | 17,448    | 16,815    | -4%     | -14%    |
| Total income   | 28,807    | 29,755    | 27,103    | -9%     | -6%     |
| Net interest income  | 22,330    | 21,893    | 21,456    | -2%     | -4%     |
| Net fees and commissions                                       | 5,350     | 5,787     | 5,813     | 0%      | 9%      |
| Other net non-interest income                                  | 1,128     | 2,075     | -166      | -108%   | -115%   |
| Operating expenses   | -9,321    | -12,307   | -10,288   | -16%    | 10%     |
| Total provisions   | 105       | -5,781    | -1,485    | -74%    |         |
| Provision for possible loan losses                             | 198       | -5,865    | -1,334    | -77%    | -774%   |
| Other provision  | -93       | 84        | -151      | -280%   | 63%     |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015   | 4Q 2015   | 1Q 2016   | Q-o-Q   | Y-o-Y   |
| Total assets   | 1,551,329 | 1,778,326 | 1,801,090 | 1%      | 16%     |
| Gross customer loans   | 1,096,020 | 1,158,894 | 1,158,596 | 0%      | 6%      |
| Gross customer loans (FX-adjusted)                             | 1,150,946 | 1,162,667 | 1,158,596 | 0%      | 1%      |
| Retail loans   | 863,827   | 861,261   | 851,064   | -1%     | -1%     |
| Corporate loans  | 287,119   | 301,406   | 307,531   | 2%      | 7%      |
| Allowances for possible loan losses                            | -150,489  | -164,898  | -162,640  | -1%     | 8%      |
| Allowances for possible loan losses (FX-adjusted)              | -157,960  | -165,385  | -162,640  | -2%     | 3%      |
| Deposits from customers  | 1,240,457 | 1,489,542 | 1,484,787 | 0%      | 20%     |
| Deposits from customer (FX-adjusted)                           | 1,299,078 | 1,489,791 | 1,484,787 | 0%      | 14%     |
| Retail deposits  | 1,149,938 | 1,253,221 | 1,264,221 | 1%      | 10%     |
| Corporate deposits   | 149,141   | 236,570   | 220,566   | -7%     | 48%     |
| Liabilities to credit institutions                             | 30,265    | 14,951    | 12,808    | -14%    | -58%    |
| Total shareholders' equity                                     | 207,897   | 253,468   | 214,876   | -15%    | 3%      |
| Loan Quality   | 1Q 2015   | 4Q 2015   | 1Q 2016   | Q-o-Q   | Y-o-Y   |
| 90+ days past due loan volume (in HUF million)                 | 171,628   | 172,124   | 169,418   | -2%     | -1%     |
| 90+ days past due loans/gross customer loans (%)               | 15.7%     | 14.9%     | 14.6%     | -0.2%p  | -1.0%p  |
| Cost of risk/average gross loans (%)                           | -0.07%    | 2.01%     | 0.46%     | -1.55%p | 0.53%p  |
| Cost of risk/average (FX-adjusted) gross loans (%)             | -0.07%    | 2.00%     | 0.46%     | -1.54%p | 0.53%p  |
| Total provisions/90+ days past due loans (%)                   | 87.7%     | 95.8%     | 96.0%     | 0.2%p   | 8.3%p   |
| Performance Indicators (%)                                     | 1Q 2015   | 4Q 2015   | 1Q 2016   | Q-o-Q   | Y-o-Y   |
| ROA  | 4.5%      | 2.5%      | 3.1%      | 0.6%p   | -1.4%p  |
| ROE  | 31.3%     | 17.1%     | 23.7%     | 6.6%p   | -7.6%p  |
| Total income margin  | 7.41%     | 6.85%     | 6.09%     | -0.76%p | -1.31%p |
| Net interest margin  | 5.74%     | 5.04%     | 4.82%     | -0.22%p | -0.92%p |
| Cost/income ratio  | 32.4%     | 41.4%     | 38.0%     | -3.4%p  | 5.6%p   |
| Net loans to deposits (FX-adjusted)                            | 76%       | 67%       | 67%       | 0%p     | -9%p    |
| FX rates (in HUF)  | 1Q 2015   | 4Q 2015   | 1Q 2016   | Q-o-Q   | Y-o-Y   |
| HUF/BGN (closing)  | 153.0     | 160.1     | 160.6     | 0%      | 5%      |
| HUF/BGN (average)  | 157.9     | 159.8     | 159.5     | 0%      | 1%      |

- **HUF 13.8 billion after tax profit, underpinning a q-o-q 29% improvement mainly as a result of declining risk costs**
- **The net interest margin eroded further q-o-q**
- **Loan quality trends remained favourable with the DPD90+ ratio declining and the coverage ratio increasing**
- **Amid improving retail and corporate loan origination statistics gross loan volumes grew by 1% y-o-y (FX-adjusted), while deposits advanced by 14%**

**DSK Group** posted an after tax profit of HUF 13.8 billion in 1Q 2016, up by 29% q-o-q, but falling short of the record profit reached in 1Q 2015 (-22% y-o-y).

The operating profit and within that, the total income eroded both q-o-q and y-o-y. In the quarterly decline of total income lower other net non-interest income played a key role (explained almost entirely by the volatility of unrealized result on intragroup swap deals).

The net interest income also moderated by 2% q-o-q, since lower deposit interest expenses could not offset the impact of weaker interest revenues related primarily to retail exposures. The y-o-y decline of net interest income was mainly shaped by the change in the methodology<sup>7</sup> effective from October regarding the accounting treatment of recoveries collected from DPD90+ exposures. Furthermore, the lower nominal interest rate on refinanced and repriced mortgages had a negative impact on net interest income, too. The net interest margin declined by 22 bps q-o-q to 4.82%. The y-o-y 92 bps drop is explained partially by the steady deposit inflow which pushed up the total assets and proved to be dilutive to the margin.

Net fee and commission income grew by 9% y-o-y explained mainly by strengthening fee income related to deposits and transactions.

The operating expenses dropped by 16% q-o-q mainly as a result of lower marketing costs, deductible taxes and contributions paid by the bank to regulatory bodies. The y-o-y higher (+10%) operating expenses are mainly reasoned by higher amortization (+28%), but increasing marketing, IT and personal expenses played a role, too.

Total risk costs represented HUF 1.5 billion in 1Q. The quarterly risk cost rate was 46 bps. The volume of DPD90+ loans declined by 2% q-o-q.

During the last quarter HUF 4 billion non-performing portfolio was written off. The ratio of loans with more than 90 days of delay (DPD90+) moderated by 0.2 ppt to 14.6%. The FX-adjusted DPD90+ volume changes excluding the impact of loan sales and write-offs remained favourable (in HUF billion: 1Q 2015: 6, 2Q: 0, 3Q: 0, 4Q: 0, 1Q 2016: 1). The provision coverage ratio of the DPD90+ portfolio went up to 96.0% (+0.2 ppt q-o-q, +8.3 ppts y-o-y).

The total gross loan portfolio did not change q-o-q, but increased by 1% y-o-y; the performing loan portfolio grew by 2% y-o-y (FX-adjusted changes). New mortgage loan disbursements advanced by 8% q-o-q, however volumes eroded by 1% q-o-q and by 3% y-o-y, respectively (on an FX-adjusted basis). New consumer loan origination surpassed the 1Q 2015 level by 5%, whereas their volumes remained stable y-o-y. The nominal interest rate level of newly disbursed household loans reflects a declining trend.

Corporate and SME loan disbursements demonstrated a strong upward trend (+61% y-o-y) thanks mainly to the strong performance in the large corporate segment. The corporate portfolio grew by 2% q-o-q and by 7% in the last 12 months (adjusted for the FX-effect). Corporate loan market share of DSK Bank reached 7.3% at the end of March 2016, marking a 0.3 ppt improvement q-o-q.

The deposit base remained stable in 1Q (+14% y-o-y FX-adjusted), despite persistently lower than market average and even further declining deposit rates offered by DSK. With retail deposit inflow remaining steady corporate volumes jumped to one and a half times in the last 12 months. The q-o-q decline in corporate deposits can be explained by a single large deposit withdrawal.

The capital adequacy ratio of DSK Bank calculated in accordance with local regulation stood at 16.8%. The reason for the q-o-q declining shareholders' equity was the removal of the dividend to be paid to the mother company among the short term liabilities.

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

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

## OTP BANK RUSSIA

### Performance of OTP Bank Russia:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015  | 4Q 2015 | 1Q 2016  | Q-o-Q   | Y-o-Y    |
|--|----------|---------|----------|---------|----------|
| After tax profit w/o dividends and net cash transfer           | -10,721  | -26     | 2,609    |         |          |
| Income tax   | 2,553    | -224    | -745     | 232%    |          |
| Profit before income tax                                       | -13,273  | 198     | 3,354    |         |          |
| Operating profit   | 13,918   | 13,876  | 13,367   | -4%     | -4%      |
| Total income   | 26,970   | 25,624  | 22,972   | -10%    | -15%     |
| Net interest income  | 23,903   | 22,010  | 20,443   | -7%     | -14%     |
| Net fees and commissions                                       | 3,131    | 3,228   | 2,898    | -10%    | -7%      |
| Other net non-interest income                                  | -64      | 387     | -370     | 0%      | 476%     |
| Operating expenses   | -13,052  | -11,748 | -9,605   | -18%    | -26%     |
| Total provisions   | -27,192  | -13,678 | -10,013  | -27%    | -63%     |
| Provision for possible loan losses                             | -27,068  | -13,385 | -9,923   | -26%    | -63%     |
| Other provision  | -123     | -293    | -90      | -69%    | -27%     |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015  | 4Q 2015 | 1Q 2016  | Q-o-Q   | Y-o-Y    |
| Total assets   | 675,312  | 507,082 | 475,408  | -6%     | -30%     |
| Gross customer loans   | 570,361  | 393,914 | 403,117  | 2%      | -29%     |
| Gross customer loans (FX-adjusted)                             | 489,285  | 412,739 | 403,117  | -2%     | -18%     |
| Retail loans   | 454,817  | 381,185 | 368,933  | -3%     | -19%     |
| Corporate loans  | 32,513   | 29,889  | 33,005   | 10%     | 2%       |
| Car financing loans  | 1,956    | 1,665   | 1,179    | -29%    | -40%     |
| Gross DPD0-90 customer loans (FX-adjusted)                     | 395,054  | 332,915 | 312,407  | -6%     | -21%     |
| Retail loans   | 363,639  | 306,826 | 285,398  | -7%     | -22%     |
| Allowances for possible loan losses                            | -130,128 | -88,017 | -102,177 | 16%     | -21%     |
| Allowances for possible loan losses (FX-adjusted)              | -110,978 | -92,076 | -102,177 | 11%     | -8%      |
| Deposits from customers  | 426,972  | 307,646 | 288,419  | -6%     | -32%     |
| Deposits from customer (FX-adjusted)                           | 370,375  | 320,722 | 288,419  | -10%    | -22%     |
| Retail deposits  | 287,064  | 263,210 | 249,199  | -5%     | -13%     |
| Corporate deposits   | 83,312   | 57,512  | 39,221   | -32%    | -53%     |
| Liabilities to credit institutions                             | 36,506   | 42,974  | 35,640   | -17%    | -2%      |
| Issued securities  | 3,111    | 1,024   | 1,090    | 6%      | -65%     |
| Subordinated debt  | 24,676   | 21,820  | 22,225   | 2%      | -10%     |
| Total shareholders' equity                                     | 110,647  | 89,504  | 89,729   | 0%      | -19%     |
| Loan Quality   | 1Q 2015  | 4Q 2015 | 1Q 2016  | Q-o-Q   | Y-o-Y    |
| 90+ days past due loan volume (in HUF million)                 | 109,904  | 76,403  | 90,710   | 19%     | -17%     |
| 90+ days past due loans/gross customer loans (%)               | 19.3%    | 19.4%   | 22.5%    | 3.1%p   | 3.2%p    |
| Cost of risk/average gross loans (%)                           | 19.27%   | 12.45%  | 10.01%   | -2.44%p | -9.26%p  |
| Cost of risk/average (FX-adjusted) gross loans                 | 21.59%   | 12.43%  | 9.78%    | -2.64%p | -11.80%p |
| Total provisions/90+ days past due loans (%)                   | 118.4%   | 115.2%  | 112.6%   | -2.6%p  | -5.8%p   |
| Performance Indicators (%)                                     | 1Q 2015  | 4Q 2015 | 1Q 2016  | Q-o-Q   | Y-o-Y    |
| ROA  | -6.1%    | 0.0%    | 2.1%     | 2.2%p   | 8.2%p    |
| ROE  | -39.1%   | -0.1%   | 11.7%    | 11.8%p  | 50.8%p   |
| Total income margin  | 15.34%   | 19.49%  | 18.81%   | -0.68%p | 3.47%p   |
| Net interest margin  | 13.60%   | 16.74%  | 16.74%   | 0.00%p  | 3.14%p   |
| Cost/income ratio  | 48.4%    | 45.8%   | 41.8%    | -4.0%p  | -6.6%p   |
| Net loans to deposits (FX-adjusted)                            | 102%     | 100%    | 104%     | 4%p     | 2%p      |
| FX rates (in HUF)  | 1Q 2015  | 4Q 2015 | 1Q 2016  | Q-o-Q   | Y-o-Y    |
| HUF/RUB (closing)  | 4.8      | 3.9     | 4.1      | 5%      | -15%     |
| HUF/RUB (average)  | 4.4      | 4.3     | 3.8      | -12%    | -13%     |

- **Further improving bottom line profit on quarterly basis, HUF 2.6 billion after tax profit in 1Q due to decreasing risk cost**
- **Pace of portfolio deterioration unchanged q-o-q, the DPD90+ ratio increased by 3.1 ppts to 22.5%, risk cost rate down to 10%**
- **Further decreasing performing loan volumes (-6% q-o-q), customer deposits declined by 10% q-o-q (FX-adjusted) due to deposit interest rates cuts**
- **Cost rationalization resulted in further decline of operating expenses (-15% y-o-y, -7% q-o-q in rouble terms)**

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: in 1Q 2016 the closing rate showed a q-o-q 5% strengthening and y-o-y 15% devaluation of RUB against HUF; whereas the average 1Q rate depreciated by 12% q-o-q and 13% y-o-y. Therefore local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

After nine consecutive loss-making quarters OTP Bank Russia posted HUF 2.6 billion profit in 1Q 2016. Although performing loan volumes kept decreasing in 1Q operating profit grew by 10% q-o-q, and with a significant drop in risk costs the favourable trend from last year continued.

In 1Q 2016 the operating profit in rouble terms grew by 11% y-o-y, as a result of total income decreasing by 2% and 15% lower operating expenses. The net interest income decreased by only 1% in rouble terms, despite performing loans dropping by 21% y-o-y on an FX-adjusted basis. The interest income decrease induced by lower loan volumes was counterbalanced by the decrease of funding cost. After the series of rate hikes by the Central Bank of Russia at the end of 2014 deposit interest rates increased rapidly, but a trend-like moderation was observed during 2015, and the deposits carrying the highest interest rates matured by the end of 2015. Also, total deposit volumes decreased by 22% (FX-adjusted). Accordingly, net interest margin widened by more than 300 bps y-o-y.

The net fee and commission income grew by 7% y-o-y in rouble terms due to the cash loan with insurance disbursements, and the decrease of commissions paid to agencies.

As a result of cost rationalisation 1Q operating expenses decreased by 15% y-o-y in RUB terms in spite of the 8.4% average 1Q Russian inflation rate. In line with the decreasing number of employees and smaller operation personnel expenses and other expenses declined. Cost/income ratio stood at 41.8% in 1Q, down by 6.6 ppts y-o-y. Compared to 1Q 2015 25 branches were closed down (no change in 1Q), while the number of the Bank's employees (without agents) decreased by 11% y-o-y to 4,633 (-3% q-o-q).

On quarterly basis 1Q operating profit grew by 10% in rouble terms. Although gross interest income dropped by 4% q-o-q due to the eroding performing loan volumes, the decrease of deposit base and deposit interest rates more than counterbalanced this effect. Net interest income grew by 6% q-o-q in rouble terms, and owing to the decreasing funding costs the net interest margin improved q-o-q by 180 bps in rouble (in HUF terms NIM remained unchanged q-o-q due to the diverging quarterly development of the average and closing HUF/RUB exchange rates). In 1Q net fee and commission income grew by 2% q-o-q in local currency, the decline of other net non-interest income was the result of the drop in FX results. 1Q 2016 operating expenses decreased by 7% q-o-q in rouble terms, mainly due to the seasonally moderating business activity and the base effect of the expert fees recognized in 4Q 2015. Personnel expenses, on the other hand, slightly increased due to the regressive nature of wage related social tax.

The FX-adjusted DPD90+ volume growth excluding the impact of sold/written-off non-performing loans significantly moderated in the second half of 2015 after the all-time-high level in 2Q 2015. In 1Q 2016 the pace of portfolio deterioration was stable q-o-q (new DPD90+ volumes in HUF billion: 2Q: 38, 3Q: 24, 4Q: 16, 1Q 2015: 17). The DPD90+ ratio grew by 3.1 ppts to 22.5% q-o-q.

The development of total risk cost showed a favourable trend: q-o-q it decreased by 17% in rouble terms, while y-o-y it sunk by 58%. In the first quarter the risk cost rate decreased close to 10%, which is almost half of the 1Q 2015 level. Due to the holidays the beginning of the year is seasonally unfavourable for collection activity, but March already showed improving efficiency gains. The provision coverage of DPD90+ loans decreased by 2.6 ppts q-o-q to 112.6% by the end of 1Q.

The FX-adjusted performing (DPD0-90) consumer loan portfolio shrank by 21% y-o-y and by 7% q-o-q. According to the usual seasonality of the POS lending the 1Q disbursements were somewhat lower compared to 4Q, the high season period, but compared to 1Q 2015, when disbursements were held back, the yearly growth was 37%. In 1Q FX-adjusted performing POS loan volumes contracted by 6% both y-o-y and q-o-q. The bank kept its No. 2 position on the POS market, however, its market share somewhat diminished. With regards to cross-sale of credit cards, the bank sent out about twice as much cards as in the preceding quarter, but number of sent cards still stayed at a relatively low level; FX-adjusted performing card loan volumes further declined (-8% q-o-q, -30% y-o-y). Cash loan disbursements continued under strict conditions, FX-adjusted performing cash loans dropped by 8% q-o-q (-31% y-o-y). FX-adjusted performing corporate loans increased by 4% q-o-q (-13% y-o-y), mainly due to the intensifying trade finance and commercial factoring activities.

The FX-adjusted total deposits decreased by 10% q-o-q (-22% y-o-y); due to the significantly lowered deposit interest rates corporate term deposit base witnessed massive withdrawals, and retail deposits decreased as well. FX-adjusted net loan-to-deposit ratio stood at 104% at the end of 1Q 2016.

The capital adequacy ratio of the bank calculated in line with local regulation stood at 13.3% at the end of March (+1.0 ppt y-o-y).

## TOUCH BANK (RUSSIA)

### Performance of Touch Bank:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q | Y-o-Y |
|--|---------|---------|---------|-------|-------|
| After tax profit w/o dividends and net cash transfer           | -731    | -2,058  | -1,054  | -49%  | 44%   |
| Income tax   | 183     | 493     | 263     | -47%  | 44%   |
| Profit before income tax                                       | -914    | -2,551  | -1,317  | -48%  | 44%   |
| Operating profit   | -914    | -2,542  | -1,298  | -49%  | 42%   |
| Total income   | -28     | -100    | -26     | -74%  | -6%   |
| Net interest income  | -28     | -41     | 29      | -169% | -202% |
| Net fees and commissions                                       | 0       | -57     | -51     | -10%  |       |
| Other net non-interest income                                  | 0       | -2      | -4      | 84%   |       |
| Operating expenses   | -886    | -2,442  | -1,272  | -48%  | 44%   |
| Total provisions   | 0       | -8      | -19     | 127%  |       |
| Provision for possible loan losses                             | 0       | 0       | -1      |       |       |
| Other provision  | 0       | -8      | -18     | 118%  |       |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q | Y-o-Y |
| Total assets   | 2,452   | 7,410   | 11,090  | 50%   | 352%  |
| Gross customer loans   | 0       | 4       | 81      |       |       |
| Gross customer loans (FX-adjusted)                             | 0       | 4       | 81      |       |       |
| Retail loans   | 0       | 4       | 81      |       |       |
| Corporate loans  | 0       | 0       | 0       |       |       |
| Allowances for possible loan losses                            | 0       | 0       | -1      |       |       |
| Allowances for possible loan losses (FX-adjusted)              | 0       | 0       | -1      |       |       |
| Deposits from customers  | 0       | 4,250   | 7,526   | 77%   |       |
| Deposits from customer (FX-adjusted)                           | 0       | 4,474   | 7,526   | 68%   |       |
| Retail deposits  | 0       | 4,474   | 7,526   | 68%   |       |
| Corporate deposits   | 0       | 0       | 0       |       |       |
| Liabilities to credit institutions                             | 0       | 4       | 0       |       |       |
| Subordinated debt  | 957     | 1,653   | 0       |       |       |
| Total shareholders' equity                                     | 1,463   | 1,474   | 3,518   | 139%  | 141%  |
| Loan Quality   | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q | Y-o-Y |
| 90+ days past due loan volume (in HUF million)                 | 0       | 0       | 0       |       |       |
| FX rates (in HUF)  | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q | Y-o-Y |
| HUF/RUB (closing)  | 4.8     | 3.9     | 4.1     | 5%    | -15%  |
| HUF/RUB (average)  | 4.4     | 4.3     | 3.8     | -12%  | -13%  |

- **HUF 1.1 billion loss in 1Q 2016**
- **Intensifying business activity, about 30 thousand customers, stronger credit card cross-sale activities**
- **68% q-o-q growth in total deposits in rouble terms (1Q: 7.5 billion HUF)**

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

**Touch Bank** started its operation in April 2015 in Russia, with services based on state of the art online technologies. The results of the 'bank' was shaped in 1Q 2016 again by the operating expenditures. After the HUF 2.1 billion loss in 4Q 2015 the after tax loss halved q-o-q (1Q 2016: HUF -1.1 billion).

The acquisition of new customers continued: the number of activated cards grew by 50% q-o-q thus topped 30 thousand. Total deposits grew by 68% q-o-q on an FX-adjusted basis and exceeded HUF 7.5 billion.

Credit card and revolving personal loan origination started to accelerate in March due to the cross-sale campaign; however, total loan volumes were still negligible (HUF 81 million).

Operating cost of Touch Bank almost halved q-o-q (HUF 1.3 billion in 1Q 2016), related to moderating marketing activities and the higher base of personnel expenses in 4Q 2015. The number of employees increased q-o-q by 29 to 248.

Compared to the preceding quarter, in 1Q net interest income was already positive, which came from the minor lending activity and more importantly from the placement of collected deposits within the Group.



## OTP BANK UKRAINE

### Performance of OTP Bank Ukraine:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015  | 4Q 2015  | 1Q 2016  | Q-o-Q   | Y-o-Y    |
|--|----------|----------|----------|---------|----------|
| After tax profit without the effect of adjustments             | -10,184  | -13,166  | 856      | -107%   | -108%    |
| Income tax   | 3,337    | -1,150   | -2,806   | 144%    | -184%    |
| Profit before income tax                                       | -13,521  | -12,016  | 3,662    | -130%   | -127%    |
| Operating profit   | 13,013   | 3,537    | 7,167    | 103%    | -45%     |
| Total income   | 17,043   | 7,748    | 10,616   | 37%     | -38%     |
| Net interest income  | 10,005   | 6,581    | 8,017    | 22%     | -20%     |
| Net fees and commissions                                       | 1,831    | 2,393    | 1,998    | -17%    | 9%       |
| Other net non-interest income                                  | 5,207    | -1,226   | 601      | -149%   | -88%     |
| Operating expenses   | -4,030   | -4,210   | -3,449   | -18%    | -14%     |
| Total provisions   | -26,534  | -15,553  | -3,506   | -77%    | -87%     |
| Provision for possible loan losses                             | -26,223  | -14,319  | -4,465   | -69%    | -83%     |
| Other provision  | -311     | -1,234   | 959      | -178%   | -408%    |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015  | 4Q 2015  | 1Q 2016  | Q-o-Q   | Y-o-Y    |
| Total assets   | 347,418  | 292,882  | 272,892  | -7%     | -21%     |
| Gross customer loans   | 535,244  | 421,330  | 394,301  | -6%     | -26%     |
| Gross customer loans (FX-adjusted)                             | 519,839  | 396,572  | 394,301  | -1%     | -24%     |
| Retail loans   | 284,127  | 204,991  | 198,509  | -3%     | -30%     |
| Corporate loans  | 204,559  | 169,071  | 173,161  | 2%      | -15%     |
| Car financing loans  | 31,154   | 22,510   | 22,631   | 1%      | -27%     |
| Gross DPD0-90 customer loans (FX-adjusted)                     | 252,567  | 201,858  | 207,114  | 3%      | -18%     |
| Retail loans   | 69,874   | 51,048   | 49,302   | -3%     | -29%     |
| Corporate loans  | 169,825  | 140,149  | 146,896  | 5%      | -14%     |
| Car financing loans  | 12,868   | 10,662   | 10,915   | 2%      | -15%     |
| Allowances for possible loan losses                            | -279,170 | -242,515 | -225,338 | -7%     | -19%     |
| Allowances for possible loan losses (FX-adjusted)              | -273,425 | -230,201 | -225,338 | -2%     | -18%     |
| Deposits from customers  | 186,505  | 211,346  | 190,661  | -10%    | 2%       |
| Deposits from customer (FX-adjusted)                           | 178,471  | 196,615  | 190,661  | -3%     | 7%       |
| Retail deposits  | 108,375  | 118,650  | 114,826  | -3%     | 6%       |
| Corporate deposits   | 70,096   | 77,965   | 75,835   | -3%     | 8%       |
| Liabilities to credit institutions                             | 133,690  | 99,083   | 95,188   | -4%     | -29%     |
| Subordinated debt  | 40,147   | 8,571    | 8,300    | -3%     | -79%     |
| Total shareholders' equity                                     | -31,405  | -34,804  | -36,501  | 5%      | 16%      |
| Loan Quality   | 1Q 2015  | 4Q 2015  | 1Q 2016  | Q-o-Q   | Y-o-Y    |
| 90+ days past due loan volume (in HUF million)                 | 272,081  | 204,635  | 187,188  | -9%     | -31%     |
| 90+ days past due loans/gross customer loans (%)               | 50.8%    | 48.6%    | 47.5%    | -1.1%p  | -3.4%p   |
| Cost of risk/average gross loans (%)                           | 19.28%   | 12.19%   | 4.40%    | -7.79%p | -14.87%p |
| Cost of risk/average (FX-adjusted) gross loans (%)             | 20.02%   | 13.00%   | 4.54%    | -8.46%p | -15.48%p |
| Total provisions/90+ days past due loans (%)                   | 102.6%   | 118.5%   | 120.4%   | 1.9%p   | 17.8%p   |
| Performance Indicators (%)                                     | 1Q 2015  | 4Q 2015  | 1Q 2016  | Q-o-Q   | Y-o-Y    |
| ROA  | -10.7%   | -16.6%   | 1.2%     | 17.8%p  | 11.9%p   |
| ROE  | n/a      | n/a      | n/a      |         |          |
| Total income margin  | 17.96%   | 9.74%    | 15.09%   | 5.35%p  | -2.87%p  |
| Net interest margin  | 10.54%   | 8.28%    | 11.40%   | 3.12%p  | 0.86%p   |
| Cost/income ratio  | 23.6%    | 54.3%    | 32.5%    | -21.9%p | 8.8%p    |
| Net loans to deposits (FX-adjusted)                            | 138%     | 85%      | 89%      | 4%p     | -49%p    |

- **Positive after tax result reported in 1Q thanks to plummeting risk costs supported by favourable asset quality trends and q-o-q improving net interest income**
- **The FX-adjusted performing loan portfolio expanded by 3% q-o-q (-18% y-o-y) as a result of outstanding corporate loan disbursement dynamics. Deposits melted down by 3% in the first quarter**

The financial performance and indicators of OTP Bank Ukraine in HUF terms were significantly distorted by the HUF/UAH exchange rate moves: in 1Q 2016 the closing rate of HUF appreciated by 11% both in quarterly and yearly comparison against the Ukrainian hryvnia. The quarterly

average rate strengthened by 11% q-o-q and 19% y-o-y. Therefore local currency P&L and balance sheet dynamics are materially different from those in HUF terms.

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

Note: the shareholders' equity of the Ukrainian banking group under IFRS was HUF -36.5 billion at the end of March. The Ukrainian shareholders'

equity includes that of 3 entities: the Bank, the Leasing and Factoring companies' equity. The standalone equity of the Bank under IFRS reached HUF 17.8 billion, the equity of the Leasing Company comprised HUF -2.6 billion, whereas the Factoring Company also had a negative equity of HUF 51.7 billion.

**OTP Bank Ukraine** posted HUF 0.9 billion profit in 1Q 2016, marking a sharp turnaround compared to the base periods. The pre-tax profit amounted to HUF 3.7 billion.

Given the significant FX rate movements, we analyse the P&L developments in UAH terms. The operating result in UAH terms declined by one-third y-o-y, explained by the large one-off FX gain realized in the base period. However, the operating result jumped by 129% q-o-q related mainly to the better net interest income.

The net interest income advanced by 37% q-o-q in local currency terms. This is partially attributable to the drop of interest expenses due to the conversion of intra-group financing and subordinated debt into equity in mid-December 2015. It was also positive that the pace of mortgage loans' restructuring slowed further down in 1Q 2016 compared to the previous quarters (in case of loans involved in the bank's own restructuring programme, the total NPV decline for the whole duration of the restructured loan is accounted for in one sum on the net interest income line at the time of the restructuring). As of 31 March around 90% of the loans originally targeted have been already involved in the programme. The NII was also supported by the step-up in the interest rate of the restructured mortgages, because in the second and third years of the tenor the interest rate concession gets lower than in the first year. Interest revenues were affected by the higher performing corporate loan volumes and elevating income from securities. Interest expenditures on deposits declined q-o-q despite the expanding deposit volumes (in UAH terms).

The net interest income expressed in local currency terms remained stable y-o-y, since the positive factors listed above were offset by the 18% y-o-y decline in performing loan volumes.

The mild decline of net fee and commission income (-6% q-o-q) was driven by seasonality, whereas the 35% y-o-y surge was due to the repayment of the subordinated debt facility to third party in 4Q 2015 as no further fee expenses occurred.

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

Operating expenses went up by 6% y-o-y in hryvnia terms amid the over 30% inflation environment in

1Q. The number of employees (including employed agents) declined by 27% y-o-y.

Total risk costs dropped by more than 75% both on quarterly and yearly basis. These rates of decline were influenced by the high risk costs set aside in the base periods: in 1Q 2015 the sharp weakening of the hryvnia against the USD triggered additional provisioning need, whereas in 4Q 2015 the portfolio of the local factoring company was cleaned out. In 1Q 2016 risk costs were inflated by the devaluation of the UAH against USD from 24 to 26.2 (LTV-effect in case of covered loans denominated in FX). The loan quality did not show deterioration, therefore the favourable trend witnessed in previous quarters did not break (FX-adjusted DPD90+ volume growth excluding the impact of loan sales and write-offs in HUF billion: 1Q 2015: 6, 2Q: 7, 3Q: -1, 4Q:-1, 1Q 2016: 0). In 1Q 2016 around HUF 6 billion equivalent non-performing loans were sold or written off. The DPD90+ ratio came down by 1.1 pts to 47.5%, the provision coverage ratio of DPD90+ loans edged further up q-o-q by 1.9 pts to 120.4% (+17.8 pts y-o-y).

It was positive that through a successful acquisition of new quality clients in 1Q the volume of newly disbursed corporate loans and lease contracts was strong. Performing corporate loans expanded by 5% over the quarter (filtering out the FX-effect). With respect to household lending, the new mortgage loan sales continued to be suspended. The sales of new cash loans further eroded by close to one-third from a low base. The Bank remained cautious in new credit card sales, too. The new purchase loan (POS) business increased by 15% y-o-y, however the stock shrank by 4%. Total performing loans grew by 3% q-o-q (FX-adjusted).

Deposits eroded by 3% over the quarter (adjusted for the FX-effect). Offered deposit rates typically declined in the actual period. The amount of intra-group funding and subordinated debt did not change in USD terms q-o-q, it stood at HUF 103 billion equivalent by the end of March.

Regarding the capital adequacy ratio calculation the Ukrainian bank has switched to the use of IFRS financial statements. The 15.7% CAR reported in the *Summary of the full-year 2015 results* was based on financials under local accounting standards. The standalone IFRS capital adequacy ratio of the Bank according to local calculation rules stood at 7.7% at the end of March 2016. In 2016 the effective regulatory minimum level for the IFRS capital adequacy ratio is set at 5%.

The system-wide solution for the problem of households' FX housing loans continues to be on the agenda.

## OTP BANK ROMANIA

### Performance of OTP Bank Romania:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
|--|---------|---------|---------|---------|---------|
| After tax profit without the effect of adjustments             | 402     | -1,022  | 616     | -160%   | 53%     |
| Income tax   | 0       | -100    | -543    |         |         |
| Profit before income tax                                       | 402     | -923    | 1,159   | -226%   | 188%    |
| Operating profit   | 2,123   | -400    | 2,064   | -616%   | -3%     |
| Total income   | 7,369   | 5,475   | 6,948   | 27%     | -6%     |
| Net interest income  | 5,367   | 5,238   | 5,170   | -1%     | -4%     |
| Net fees and commissions                                       | 975     | 932     | 725     | -22%    | -26%    |
| Other net non-interest income                                  | 1,027   | -695    | 1,053   | -251%   | 3%      |
| Operating expenses   | -5,246  | -5,875  | -4,884  | -17%    | -7%     |
| Total provisions   | -1,721  | -522    | -905    | 73%     | -47%    |
| Provision for possible loan losses                             | -1,694  | -2,163  | -949    | -56%    | -44%    |
| Other provision  | -27     | 1,641   | 44      | -97%    | -262%   |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| Total assets   | 618,131 | 646,042 | 603,767 | -7%     | -2%     |
| Gross customer loans   | 542,221 | 546,148 | 528,710 | -3%     | -2%     |
| Gross customer loans (FX-adjusted)                             | 558,142 | 547,661 | 528,710 | -3%     | -5%     |
| Retail loans   | 408,130 | 406,484 | 386,852 | -5%     | -5%     |
| Corporate loans  | 150,012 | 141,178 | 141,859 | 0%      | -5%     |
| Allowances for possible loan losses                            | -64,498 | -72,305 | -73,192 | 1%      | 13%     |
| Allowances for possible loan losses (FX-adjusted)              | -65,933 | -72,346 | -73,192 | 1%      | 11%     |
| Deposits from customers  | 307,766 | 334,346 | 329,982 | -1%     | 7%      |
| Deposits from customer (FX-adjusted)                           | 319,042 | 336,926 | 329,982 | -2%     | 3%      |
| Retail deposits  | 245,688 | 259,551 | 251,002 | -3%     | 2%      |
| Corporate deposits   | 73,354  | 77,375  | 78,980  | 2%      | 8%      |
| Liabilities to credit institutions                             | 250,924 | 201,187 | 181,960 | -10%    | -27%    |
| Total shareholders' equity                                     | 47,807  | 46,667  | 42,371  | -9%     | -11%    |
| Loan Quality   | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| 90+ days past due loan volume (in HUF million)                 | 84,158  | 91,359  | 98,867  | 8%      | 17%     |
| 90+ days past due loans/gross customer loans (%)               | 15.5%   | 16.7%   | 18.7%   | 2.0%p   | 3.2%p   |
| Cost of risk/average gross loans (%)                           | 1.41%   | 1.56%   | 0.71%   | -0.85%p | -0.70%p |
| Cost of risk/average (FX-adjusted) gross loans (%)             | 1.37%   | 1.56%   | 0.71%   | -0.85%p | -0.66%p |
| Total provisions/90+ days past due loans (%)                   | 76.6%   | 79.1%   | 74.0%   | -5.1%p  | -2.6%p  |
| Performance Indicators (%)                                     | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| ROA  | 0.3%    | -0.6%   | 0.4%    | 1.0%p   | 0.1%p   |
| ROE  | 3.9%    | -8.8%   | 5.6%    | 14.4%p  | 1.6%p   |
| Total income margin  | 5.46%   | 3.40%   | 4.47%   | 1.08%p  | -0.99%p |
| Net interest margin  | 3.98%   | 3.25%   | 3.33%   | 0.08%p  | -0.65%p |
| Cost/income ratio  | 71.2%   | 107.3%  | 70.3%   | -37.0%p | -0.9%p  |
| Net loans to deposits (FX-adjusted)                            | 154%    | 141%    | 138%    | -3%p    | -16%p   |
| FX rates (in HUF)  | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| HUF/RON (closing)  | 67.9    | 69.2    | 70.2    | 1%      | 3%      |
| HUF/RON (average)  | 69.4    | 70.1    | 69.5    | -1%     | 0%      |

- **HUF 0.6 billion net profit (+50% y-o-y) shaped by somewhat lower operating profit and by almost halving risk costs**
- **The DPD90+ ratio grew and its coverage moderated mainly as a result of a few corporate exposures slipping into the DPD90+ category**
- **The loan portfolio decline in 1Q reflected mainly the negative effect of the partial debt forgiveness offered to CHF mortgage borrowers under the conversion programme**

*Methodological note: in November 2015 a decision was taken about a conversion programme offered to retail CHF mortgage borrowers. The expected one-off negative impact of the programme was recognised in 3Q 2015. This item was eliminated*

*from the Romanian results and was presented among the adjustment items on consolidated level.*

*For more details about the programme see the relevant paragraph in the Executive Summary*

**OTP Bank Romania** posted HUF 0.6 billion profit after tax in 1Q 2016, about 50% more than a year ago. The HUF 1.2 billion pre-tax earnings exceeded the 1Q 2015 level by almost two times.

The operating profit improved significantly q-o-q, but declined by 3% y-o-y. 1Q total revenues surged by 27% q-o-q mainly due to base effect (the *Summary on 2015 results* gave a detailed overview on that); the y-o-y decline was 6%. The major reason for y-o-y lower total income was the 26% drop in net fee and commission income (-22%

q-o-q). On one hand, this line was negatively affected by a new regulation<sup>8</sup> on interchange fees in accordance with an EU directive, effective since December 2015. On the other hand, in 1Q 2016 the bank was charged a one-off guarantee fee in connection with loans originated by Banca Millennium under the Prima Casa programme in 2015. Those two items explain altogether HUF 0.2 billion q-o-q decline in net fees and commissions.

The 1Q net interest income, as well the other net non-interest income is difficult to reconcile with previous quarters due to a methodological change effective from 1Q 2016. Accordingly, the total revaluation result from intragroup swap deals – earlier booked partly within net interest income, but also within other net non-interest income – will be presented on the net interest income line on a net base. Regarding the business developments, the quarterly decline in the net interest income was the result of lower loan volumes (-3%), mainly due to eroding mortgage book as a reflection of the discount offered to clients participating in the conversion programme. Furthermore, lower margin of the converted mortgage loans also had a negative impact in net interest income. At the same time, in 1Q deposit interest expenditures kept declining, too. 1Q net interest margin was 3.32%.

Operating expenses declined by 17% q-o-q and by 7% y-o-y, respectively. Cost developments were affected by the restructuring costs of Banca Millennium, as these costs appeared on the operating expenses line, and simultaneously other provisions made earlier for such purposes were released. At the same time, the bank kept on capitalizing on cost synergies: during the last twelve months 40 branches were closed down (of them 8 units in 1Q). The number of employees was cut by 14% y-o-y.

Total risk costs were by 47% lower than a year ago. The quarterly development was to a great extent influenced by a base effect as a result of the release of other risk costs made for the Banca Millennium restructuring costs in 4Q 2015.

The DPD90+ loan volume growth (adjusted for FX rate changes and sold and written off volumes) amounted to HUF 7.5 billion in 1Q 2016 versus the quarterly average of HUF 2.4 billion in 2015. (1Q 2015: HUF 2.3 billion<sup>9</sup>, 2Q: 2.4, 3Q 1.7, 4Q: 3.2). The acceleration in 1Q was related to few corporate exposures becoming overdue by more than 90 days. Those loans were already covered by provisions and only marginal risk cost was made for them in 1Q. It is favourable, however, that the mortgage portfolio quality improved in 1Q 2016. As a result of the above mentioned corporate issues, as well as the overall gross loan portfolio contraction (to a great extent due to the conversion programme), the DPD90+ ratio went up by 2ppts q-o-q to 18.7%. The volume of sold or written-off non-performing loans was negligible in 1Q. The provision coverage ratio of DPD90+ loans moderated by 5.1 ppts q-o-q (74%).

The FX-adjusted gross loan portfolio declined by 3% q-o-q and by 5% y-o-y, respectively. Out of the quarterly decline around HUF 13 billion could be attributed to the CHF mortgage loan conversion programme. Despite increasing new mortgage origination (true, from a low base), the total mortgage book would have shrunk even adjusted for the conversion effect. Starting from March the bank offers again housing loans under the Prima Casa programme. Cash loan disbursement moderated both q-o-q and y-o-y and volumes dropped by 5% y-o-y. Quarterly corporate loan dynamics were favourable and the portfolio remained stable q-o-q (FX-adjusted).

The total FX-adjusted deposit volumes grew by 3% y-o-y, but eroded by 2% q-o-q due to declining retail volumes. Household deposit interest rates continued to decline in line with overall market trends. The net loan-to-deposit ratio shrank to 138%.

According to the local regulation the Bank's standalone capital adequacy ratio stood at 14.6% at the end of March, implying a 0.4 ppt q-o-q improvement.

<sup>8</sup> From December 2015 the interchange fee cannot exceed 0.2% in case of debit cards and 0.3% in case of credit card transactions.

<sup>9</sup> Excluding the newly consolidated DPD90+ loan volumes of Banca Millennium in 1Q 2015.

## OTP BANKA HRVATSKA (CROATIA)

### Performance of OTP banka Hrvatska:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q  | Y-o-Y   |
|--|---------|---------|---------|--------|---------|
| After tax profit without the effect of adjustments             | 75      | 527     | 846     | 61%    |         |
| Income tax   | 24      | -417    | -209    | -50%   |         |
| Profit before income tax                                       | 51      | 944     | 1,055   | 12%    |         |
| Operating profit   | 1,732   | 3,423   | 2,733   | -20%   | 58%     |
| Total income   | 6,199   | 7,291   | 7,269   | 0%     | 17%     |
| Net interest income  | 4,946   | 5,220   | 5,362   | 3%     | 8%      |
| Net fees and commissions                                       | 1,194   | 1,407   | 1,183   | -16%   | -1%     |
| Other net non-interest income                                  | 59      | 664     | 724     | 9%     |         |
| Operating expenses   | -4,466  | -3,868  | -4,535  | 17%    | 2%      |
| Total provisions   | -1,681  | -2,479  | -1,678  | -32%   | 0%      |
| Provision for possible loan losses                             | -1,832  | -1,326  | -1,523  | 15%    | -17%    |
| Other provision  | 151     | -1,154  | -155    | -87%   |         |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q  | Y-o-Y   |
| Total assets   | 614,859 | 649,870 | 632,916 | -3%    | 3%      |
| Gross customer loans   | 448,921 | 470,862 | 465,437 | -1%    | 4%      |
| Gross customer loans (FX-adjusted)                             | 472,384 | 474,452 | 465,437 | -2%    | -1%     |
| Retail loans   | 302,725 | 302,834 | 298,124 | -2%    | -2%     |
| Corporate loans  | 169,411 | 171,455 | 167,166 | -3%    | -1%     |
| Car financing loans  | 249     | 163     | 146     | -10%   | -41%    |
| Allowances for possible loan losses                            | -38,679 | -43,905 | -45,907 | 5%     | 19%     |
| Allowances for possible loan losses (FX-adjusted)              | -41,033 | -44,579 | -45,907 | 3%     | 12%     |
| Deposits from customers  | 483,019 | 509,317 | 496,611 | -2%    | 3%      |
| Deposits from customer (FX-adjusted)                           | 505,726 | 511,090 | 496,611 | -3%    | -2%     |
| Retail deposits  | 453,962 | 452,565 | 441,106 | -3%    | -3%     |
| Corporate deposits   | 51,764  | 58,525  | 55,505  | -5%    | 7%      |
| Liabilities to credit institutions                             | 50,624  | 48,974  | 50,000  | 2%     | -1%     |
| Total shareholders' equity                                     | 67,771  | 69,563  | 71,560  | 3%     | 6%      |
| Loan Quality   | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q  | Y-o-Y   |
| 90+ days past due loan volume (in HUF million)                 | 58,664  | 61,906  | 62,857  | 2%     | 7%      |
| 90+ days past due loans/gross customer loans (%)               | 13.1%   | 13.1%   | 13.5%   | 0.4%p  | 0.4%p   |
| Cost of risk/average gross loans (%)                           | 1.62%   | 1.12%   | 1.31%   | 0.19%p | -0.31%p |
| Cost of risk/average (FX-adjusted) gross loans                 | 1.57%   | 1.11%   | 1.30%   | 0.19%p | -0.27%p |
| Total provisions/90+ days past due loans (%)                   | 65.9%   | 70.9%   | 73.0%   | 2.1%p  | 7.1%p   |
| Performance Indicators (%)                                     | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q  | Y-o-Y   |
| ROA  | 0.0%    | 0.3%    | 0.5%    | 0.2%p  | 0.5%p   |
| ROE  | 0.4%    | 3.1%    | 4.8%    | 1.8%p  | 4.4%p   |
| Total income margin  | 3.96%   | 4.40%   | 4.56%   | 0.15%p | 0.60%p  |
| Net interest margin  | 3.16%   | 3.15%   | 3.36%   | 0.21%p | 0.20%p  |
| Cost/income ratio  | 72.1%   | 53.0%   | 62.4%   | 9.3%p  | -9.7%p  |
| Net loans to deposits (FX-adjusted)                            | 85%     | 84%     | 84%     | 0%p    | -1%p    |
| FX rates (in HUF)  | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q  | Y-o-Y   |
| HUF/HRK (closing)  | 39.1    | 41.0    | 41.7    | 2%     | 7%      |
| HUF/HRK (average)  | 40.2    | 41.0    | 41.0    | 0%     | 2%      |

- **HUF 846 million net profit in 1Q (+61% q-o-q) as a result of declining risk costs**
- **The net interest income grew by 8% y-o-y supported by improving margins**
- **FX-adjusted loan volumes were affected by the CHF mortgage conversion executed in 1Q; as a result the mortgage loans dropped by around HUF 6.7 billion**
- **The DPD90+ ratio increased q-o-q, its coverage improved significantly**

*Methodological note: on 18 September 2015 the Croatian Parliament adopted amendments to the Consumer Lending Act, which determined the conditions of the conversion of CHF denominated retail loans into EUR at an exchange rate valid at origination. The one-off negative impact due to the*

*amendments of the Act has been eliminated from the OBH P&L and booked on consolidated level within adjustment items. Balance sheet data have not been adjusted.*

OTP banka Hrvatska posted HUF 846 million after tax profit in 1Q 2016 underpinning a significant increase compared to the net profit of HUF 75 million in the base period. The quarterly improvement was remarkable, too (+61%).

The y-o-y 58% higher operating profit was supported by increasing total income (+17%) as well as contained operating expenses (+2% in HUF terms, while in HRK terms expenses actually declined). The improving efficiency of operation is signalled by the y-o-y 10 ppts decrease of the cost-to-income ratio. Higher y-o-y net interest income (+8%) was supported by lower funding costs; as a result, the

net interest margin improved to 3.36% (+20 bps y-o-y). The significant y-o-y change in other net non-interest income is related mainly to a one-off loss posted in 1Q 2015 (the CHF fixing exerted a HUF 360 million negative effect on other non-interest income as a reflection of lower principal part of the repayments due to the fixing). Risk costs were stable y-o-y.

As for the quarterly P&L dynamics, the q-o-q 20% drop in operating profit – amid stable total income – is explained by a base effect in operating expenses: due to several one-timer items emerged in 4Q 2015<sup>10</sup>, in 1Q operational expenses returned to their normal quarterly level experienced in the first three quarters of 2015. Net interest income grew by 3% q-o-q as a result of interest expenses dropping by 16% on the back of lower deposit interest rates and eroding deposit volumes. Net fees and commission eroded by 16% q-o-q, mostly due to seasonal effects. Risk cost declined sharply q-o-q (-32%), also thanks to base effect: in 4Q 2015 other risk costs related to on-going litigations surged and weighed on earnings in the amount of around HUF 1.2 billion. As a result, pre-tax earnings for 1Q 2016 improved by 12% q-o-q.

FX-adjusted gross loans decreased by 1% y-o-y and by 2% q-o-q. The conversion of CHF mortgages with a principal discount induced a HUF 6.7 billion volume drop in the mortgage book. By the end of March around 93% of eligible clients (in volume terms) showed willingness to participate in the conversion programme, and around 90% of these clients were converted into EUR (i.e. around 84% of the total eligible book has been already converted).

The bank made provisions for the potential losses induced by the conversion already in 3Q 2015; this was booked on consolidated level among the adjustment items. While the conversion process tied up significant resources, thus new mortgage loan originations were yet benign in January, but for the whole quarter new mortgage disbursements surged by 50% y-o-y. Despite such a strong lending activity mortgage volumes dropped by 4% q-o-q (FX-adjusted). Other retail loan volumes remained basically flat q-o-q. The corporate portfolio eroded by 3% q-o-q (-1% y-o-y) mainly as a result of the shrinkage in the municipality exposures.

The DPD90+ ratio slightly increased to 13.5% (+0.4 ppt q-o-q), delinquent volumes grew in the corporate and SME sectors. The DPD90+ coverage improved steadily (+7.1 ppts y-o-y and +2.1 ppts q-o-q) and reached 73%.

FX-adjusted total deposits eroded by 2% q-o-q, but increased by 3% y-o-y. Triggered by deposit pricing measures the retail deposit base shrank by 3% over the quarter, while the corporate segment dropped by 5% q-o-q.

According to local standards the capital adequacy ratio stood at 15.9% by the end of 1Q (+0.4 ppt q-o-q).

<sup>10</sup> The amount of contributions to the Resolution Fund as well as the realised cost of some IT developments were below the anticipated, therefore accrued cost have been reversed in 4Q.

## OTP BANKA SLOVENSKO (SLOVAKIA)

### Performance of OTP Banka Slovensko\*:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y  |
|--|---------|---------|---------|---------|--------|
| After tax profit without the effect of adjustments             | 439     | -199    | 351     | -277%   | -20%   |
| Income tax   | -149    | -109    | -116    | 7%      | -22%   |
| Profit before income tax                                       | 588     | -90     | 467     | -619%   | -21%   |
| Operating profit   | 1,608   | 1,517   | 1,628   | 7%      | 1%     |
| Total income   | 4,365   | 4,538   | 4,388   | -3%     | 1%     |
| Net interest income  | 3,613   | 3,730   | 3,628   | -3%     | 0%     |
| Net fees and commissions                                       | 847     | 817     | 679     | -17%    | -20%   |
| Other net non-interest income                                  | -95     | -9      | 81      |         | -186%  |
| Operating expenses   | -2,757  | -3,021  | -2,761  | -9%     | 0%     |
| Total provisions   | -1,019  | -1,607  | -1,161  | -28%    | 14%    |
| Provision for possible loan losses                             | -1,038  | -1,542  | -1,167  | -24%    | 12%    |
| Other provision  | 18      | -66     | 6       | -109%   | -67%   |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y  |
| Total assets   | 456,758 | 450,819 | 456,310 | 1%      | 0%     |
| Gross customer loans   | 349,044 | 382,500 | 386,649 | 1%      | 11%    |
| Gross customer loans (FX-adjusted)                             | 366,565 | 383,770 | 386,649 | 1%      | 5%     |
| Retail loans   | 298,778 | 316,363 | 318,796 | 1%      | 7%     |
| Corporate loans  | 67,532  | 67,265  | 67,736  | 1%      | 0%     |
| Car financing loans  | 255     | 142     | 116     | -18%    | -54%   |
| Allowances for possible loan losses                            | -21,716 | -22,702 | -23,919 | 5%      | 10%    |
| Allowances for possible loan losses (FX-adjusted)              | -22,806 | -22,777 | -23,919 | 5%      | 5%     |
| Deposits from customers  | 378,198 | 385,082 | 383,878 | 0%      | 2%     |
| Deposits from customer (FX-adjusted)                           | 396,709 | 386,105 | 383,878 | -1%     | -3%    |
| Retail deposits  | 359,234 | 363,342 | 348,748 | -4%     | -3%    |
| Corporate deposits   | 37,475  | 22,764  | 35,130  | 54%     | -6%    |
| Liabilities to credit institutions                             | 17,362  | 11,113  | 7,936   | -29%    | -54%   |
| Issued securities  | 12,732  | 10,869  | 18,574  | 71%     | 46%    |
| Subordinated debt  | 10,769  | 6,262   | 6,283   | 0%      | -42%   |
| Total shareholders' equity                                     | 28,698  | 30,430  | 30,613  | 1%      | 7%     |
| Loan Quality   | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y  |
| 90+ days past due loan volume (in HUF million)                 | 36,234  | 37,099  | 39,112  | 5%      | 8%     |
| 90+ days past due loans/gross customer loans (%)               | 10.4%   | 9.7%    | 10.1%   | 0.4%p   | -0.3%p |
| Cost of risk/average gross loans (%)                           | 1.17%   | 1.61%   | 1.22%   | -0.39%p | 0.05%p |
| Cost of risk/average (FX-adjusted) gross loans                 | 1.14%   | 1.61%   | 1.22%   | -0.39%p | 0.07%p |
| Total provisions/90+ days past due loans (%)                   | 59.9%   | 61.2%   | 61.2%   | 0.0%p   | 1.2%p  |
| Performance Indicators (%)                                     | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y  |
| ROA  | 0.4%    | -0.2%   | 0.3%    | 0.5%p   | -0.1%p |
| ROE  | 6.1%    | -2.6%   | 4.6%    | 7.2%p   | -1.5%p |
| Total income margin  | 3.84%   | 3.92%   | 3.89%   | -0.03%p | 0.05%p |
| Net interest margin  | 3.18%   | 3.23%   | 3.22%   | -0.01%p | 0.04%p |
| Cost/income ratio  | 63.2%   | 66.6%   | 62.9%   | -3.7%p  | -0.3%p |
| Net loans to deposits (FX-adjusted)                            | 87%     | 93%     | 94%     | 1%p     | 8%p    |
| FX rates (in HUF)  | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y  |
| HUF/EUR (closing)  | 299.1   | 313.1   | 314.2   | 0%      | 5%     |
| HUF/EUR (average)  | 308.8   | 312.6   | 311.9   | 0%      | 1%     |

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

- **HUF 0.4 billion adjusted after tax profit supported by q-o-q improving operating profit and lower risk cost**
- **Slightly increasing DPD90+ ratio q-o-q, stable coverage ratio**
- **Stable net interest margin, 5% y-o-y increase of the FX-adjusted loan book**

The **OTP Banka Slovensko** reached HUF 351 million adjusted after tax profit in 1Q 2016 versus HUF 199 million loss in the previous quarter, supported by 7% q-o-q improvement in operating profit and 28% lower risk cost.

The increase of the 1Q operating profit is a result of the 3% lower operating income and the 9% decrease in the operating expenses.

The 1Q net interest income stagnated y-o-y, while it decreased slightly q-o-q. The net interest margin (3.2%) remained stable both y-o-y and q-o-q, since the lower interest income on loans liquid assets were counterbalanced by lower funding cost as a result of deposit interest rate cuts.

The 17% drop in net fees and commission income is the consequence of lower number of early repayments and reduced early repayment fees, seasonal effect and decline in fee income related to corporate loans. The decrease of the early

repayment fees is a result of the newly enacted Slovakian law that capped the prepayment fee as 1% of the prepaid loan amount. Moreover, in line with the new legal requirement, from February the bank started offering free of charge or cheap bank accounts to customers depending on their monthly income.

In 1Q 2016 the operating expenses dropped by 9% q-o-q partially due to the decrease of personnel costs related to lower bonus payments.

The total risk cost declined by 28% q-o-q in 1Q 2016, however it increased by 14% y-o-y.

The FX adjusted DPD90+ loan book grew by HUF 1.7 billion (without the effect of non-performing loan sales and write-offs), while during 2015 the quarterly average was HUF 1.1 billion. The DPD90+ ratio

increased by 0.4 ppt to 10.1% q-o-q (-0.3 ppt y-o-y). The DPD90+ coverage ratio (61.2%) remained stable q-o-q, improved by 1.2 ppts y-o-y.

The FX-adjusted loan book expanded by 5% on a yearly basis due to growth in the retail loans (+7% y-o-y). The corporate loan book stagnated y-o-y while it improved by 1% q-o-q.

The FX-adjusted deposit volume shrank by 3% y-o-y, in comparison to the previous quarter 1% decline can be observed. Latter is reasoned by the 4% drop in the volume of retail deposits; the 54% growth in the corporate deposit volume is a result of the inflow of a single large corporate deposit.

The capital adequacy ratio stood at 13.1% at the end of 1Q 2016.

## OTP BANKA SRBIJA (SERBIA)

### Performance of OTP banka Srbija:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
|--|---------|---------|---------|---------|---------|
| After tax profit without the effect of adjustments             | 109     | -759    | 30      |         | -73%    |
| Income tax   | 0       | 9       | 0       | -100%   |         |
| Profit before income tax                                       | 109     | -768    | 30      |         | -73%    |
| Operating profit   | 302     | 492     | 144     | -71%    | -52%    |
| Total income   | 2,036   | 2,205   | 1,890   | -14%    | -7%     |
| Net interest income  | 1,616   | 1,561   | 1,406   | -10%    | -13%    |
| Net fees and commissions                                       | 417     | 487     | 399     | -18%    | -4%     |
| Other net non-interest income                                  | 3       | 157     | 85      | -46%    |         |
| Operating expenses   | -1,734  | -1,713  | -1,745  | 2%      | 1%      |
| Total provisions   | -192    | -1,260  | -115    | -91%    | -40%    |
| Provision for possible loan losses                             | -173    | -499    | -127    | -74%    | -27%    |
| Other provision  | -19     | -761    | 13      | -102%   | -167%   |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| Total assets   | 98,315  | 119,224 | 124,196 | 4%      | 26%     |
| Gross customer loans   | 97,388  | 108,327 | 105,988 | -2%     | 9%      |
| Gross customer loans (FX-adjusted)                             | 100,509 | 107,808 | 105,988 | -2%     | 5%      |
| Retail loans   | 44,705  | 45,919  | 46,257  | 1%      | 3%      |
| Corporate loans  | 55,804  | 61,889  | 59,731  | -3%     | 7%      |
| Allowances for possible loan losses                            | -31,898 | -31,835 | -31,035 | -3%     | -3%     |
| Allowances for possible loan losses (FX-adjusted)              | -32,938 | -31,666 | -31,035 | -2%     | -6%     |
| Deposits from customers  | 54,813  | 73,385  | 81,331  | 11%     | 48%     |
| Deposits from customer (FX-adjusted)                           | 57,054  | 73,205  | 81,331  | 11%     | 43%     |
| Retail deposits  | 42,371  | 44,989  | 45,269  | 1%      | 7%      |
| Corporate deposits   | 14,683  | 28,216  | 36,062  | 28%     | 146%    |
| Liabilities to credit institutions                             | 8,545   | 10,234  | 7,107   | -31%    | -17%    |
| Subordinated debt  | 2,416   | 2,532   | 2,539   | 0%      | 5%      |
| Total shareholders' equity                                     | 28,918  | 29,377  | 29,194  | -1%     | 1%      |
| Loan Quality   | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| 90+ days past due loan volume (in HUF million)                 | 42,473  | 42,519  | 41,089  | -3%     | -3%     |
| 90+ days past due loans/gross customer loans (%)               | 43.6%   | 39.3%   | 38.8%   | -0.5%p  | -4.8%p  |
| Cost of risk/average gross loans (%)                           | 0.72%   | 1.86%   | 0.48%   | -1.39%p | -0.24%p |
| Cost of risk/average (FX-adjusted) gross loans                 | 0.70%   | 1.88%   | 0.48%   | -1.40%p | -0.23%p |
| Total provisions/90+ days past due loans (%)                   | 75.1%   | 74.9%   | 75.5%   | 0.7%p   | 0.4%p   |
| Performance Indicators (%)                                     | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| ROA  | 0.4%    | -2.6%   | 0.1%    | 2.7%p   | -0.3%p  |
| ROE  | 1.5%    | -10.0%  | 0.4%    | 10.5%p  | -1.1%p  |
| Total income margin  | 7.94%   | 7.55%   | 6.24%   | -1.31%p | -1.70%p |
| Net interest margin  | 6.31%   | 5.34%   | 4.65%   | -0.70%p | -1.66%p |
| Cost/income ratio  | 85.2%   | 77.7%   | 92.4%   | 14.7%p  | 7.2%p   |
| Net loans to deposits (FX-adjusted)                            | 118%    | 104%    | 92%     | -12%p   | -26%p   |
| FX rates (in HUF)  | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| HUF/RSD (closing)  | 2.5     | 2.6     | 2.6     | -1%     | 3%      |
| HUF/RSD (average)  | 2.5     | 2.6     | 2.5     | -2%     | 0%      |



- **HUF 30 million profit in 1Q owing to moderating risk cost**
- **The DPD90+ ratio decreased to 38.8% in 1Q, while coverage improved to 75.5%**
- **Performing loans grew by 15%, while gross loans grew by 5% y-o-y, FX-adjusted**
- **Due to massive deposit inflow the net loan to deposit ratio decreased by 12 ppts q-o-q to 92%**

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

OTP banka Srbija posted HUF 30 million profit in 1Q 2016 as opposed to the HUF 759 million loss in the preceding quarter. In 1Q 2016 the result of the Serbian factoring company totalled to HUF -18 million, whereas in 4Q 2015 it made HUF -717 million.

The y-o-y halving operating profit is reasoned by the 7% drop in total income, while operating expenses grew by 1% compared to the base period. Net interest income decreased by 13% y-o-y, the net interest margin shrank by 166 bps at the same time. This was partly the repercussion of the significantly lower interest rate environment: the Serbian base rate decreased by 375 bps to 4.25% between the beginning of 2015 and end of March 2016 (in 1Q 2016 the base rate was lowered by 25 bps). The net fee and commission income sank by 4% on yearly basis, mainly due to the higher collection related commissions. The growth of operating expenses was due to the more intense business activity, also the number of branches got higher by 4 units thus

reaching 56, at the same time the number of employees decreased by 4% compared to 1Q 2015.

Concerning the quarterly P&L developments, the 10% q-o-q drop of net interest income is to be highlighted, which is triggered by the narrowing margins due to the lower average interest rates on assets in the descending interest rate environment coupled with the q-o-q erosion of total loans. Net fee and commission income decreased by 18% q-o-q, partly due to the lower deposit related fees and higher expenses of collection activities.

The DPD90+ ratio decreased by 0.5 ppt to 38.8% q-o-q. The 4.8 ppts y-o-y improvement of the ratio was positively affected by around HUF 3 billion non-performing loan write-offs during the last 4 quarters; also, the settlement of FX mortgages resulted in lower delinquent volumes in 3Q 2015. Risk cost dropped by 40% on the yearly basis. Furthermore, due to the higher provisions for possible loan losses in 4Q 2015 and the high volume of other risk cost (mostly related to litigation) emerged in 4Q resulted in an even larger drop on quarterly basis. The provision coverage of DPD90+ loans improved to 75.5% (+0.7 ppt q-o-q, +0.4 ppt y-o-y).

The FX-adjusted loan book expanded by 5% y-o-y, but decreased by 2% q-o-q, the change of performing loan volumes was +15% and -1%, respectively. These dynamics were driven by the large corporate loan volume developments (with respect to the FX-adjusted gross loans: +7% y-o-y, -3% q-o-q). At the same time retail loans grew in both comparisons (+3% y-o-y, +1% q-o-q). Consumer loans expanded by 2% q-o-q and by 8% y-o-y on an FX-adjusted basis. Total deposits grew by 43% y-o-y and by 11% q-o-q, mainly due to corporate deposit inflows. The net loan to deposit ratio decreased to 92% by the end of 1Q.

The capital adequacy ratio of the bank stood at 26.4% at the end of 1Q (+0.4 ppt q-o-q).

## CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

### Performance of CKB:

| Main components of P&L account<br>in HUF mn                    | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q | Y-o-Y |
|--|---------|---------|---------|-------|-------|
| After tax profit w/o dividends and net cash transfer           | 63      | -278    | 112     | -140% | 78%   |
| Income tax   | 0       | 1       | 0       | -100% | -100% |
| Profit before income tax                                       | 63      | -279    | 112     | -140% | 78%   |
| Operating profit   | 732     | 487     | 561     | 15%   | -23%  |
| Total income   | 2,461   | 2,549   | 2,314   | -9%   | -6%   |
| Net interest income  | 1,875   | 1,690   | 1,730   | 2%    | -8%   |
| Net fees and commissions                                       | 555     | 819     | 561     | -31%  | 1%    |
| Other net non-interest income                                  | 32      | 40      | 24      | -41%  | -26%  |
| Operating expenses   | -1,730  | -2,061  | -1,754  | -15%  | 1%    |
| Total provisions   | -669    | -766    | -448    | -41%  | -33%  |
| Provision for possible loan losses                             | -731    | -591    | -440    | -25%  | -40%  |
| Other provision  | 63      | -175    | -8      | -95%  | -113% |
| Main components of balance sheet<br>closing balances in HUF mn | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q | Y-o-Y |
| Total assets   | 182,723 | 199,800 | 192,300 | -4%   | 5%    |
| Gross customer loans   | 147,542 | 149,775 | 150,907 | 1%    | 2%    |

| Main components of balance sheet closing balances in HUF mn | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
|---|---------|---------|---------|---------|---------|
| Gross customer loans (FX-adjusted)                          | 154,950 | 150,273 | 150,907 | 0%      | -3%     |
| Retail loans  | 71,346  | 73,308  | 72,921  | -1%     | 2%      |
| Corporate loans   | 83,604  | 76,965  | 77,986  | 1%      | -7%     |
| Allowances for possible loan losses                         | -48,788 | -52,991 | -53,587 | 1%      | 10%     |
| Allowances for possible loan losses (FX-adjusted)           | -51,238 | -53,167 | -53,587 | 1%      | 5%      |
| Deposits from customers                                     | 133,650 | 148,117 | 140,579 | -5%     | 5%      |
| Deposits from customer (FX-adjusted)                        | 139,930 | 148,285 | 140,579 | -5%     | 0%      |
| Retail deposits   | 111,928 | 114,545 | 110,332 | -4%     | -1%     |
| Corporate deposits  | 28,002  | 33,741  | 30,247  | -10%    | 8%      |
| Liabilities to credit institutions                          | 18,690  | 21,829  | 21,898  | 0%      | 17%     |
| Subordinated debt   | 2,094   | 0       | 0       | -100%   | -100%   |
| Total shareholders' equity                                  | 21,742  | 23,091  | 23,310  | 1%      | 7%      |
| Loan Quality  | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| 90+ days past due loan volume (in HUF million)              | 58,407  | 63,881  | 64,024  | 0%      | 10%     |
| 90+ days past due loans/gross customer loans (%)            | 39.6%   | 42.7%   | 42.4%   | -0.2%p  | 2.8%p   |
| Cost of risk/average gross loans (%)                        | 1.94%   | 1.55%   | 1.18%   | -0.37%p | -0.76%p |
| Cost of risk/average (FX-adjusted) gross loans              | 1.90%   | 1.55%   | 1.18%   | -0.37%p | -0.72%p |
| Total provisions/90+ days past due loans (%)                | 83.5%   | 83.0%   | 83.7%   | 0.7%p   | 0.2%p   |
| Performance Indicators (%)                                  | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| ROA   | 0.1%    | -0.5%   | 0.2%    | 0.8%p   | 0.1%p   |
| ROE   | 1.1%    | -4.7%   | 1.9%    | 6.7%p   | 0.8%p   |
| Total income margin   | 5.27%   | 5.00%   | 4.75%   | -0.25%p | -0.53%p |
| Net interest margin   | 4.02%   | 3.31%   | 3.55%   | 0.24%p  | -0.47%p |
| Cost/income ratio   | 70.3%   | 80.9%   | 75.8%   | -5.1%p  | 5.5%p   |
| Net loans to deposits (FX-adjusted)                         | 74%     | 65%     | 69%     | 4%p     | -5%p    |
| FX rates (in HUF)   | 1Q 2015 | 4Q 2015 | 1Q 2016 | Q-o-Q   | Y-o-Y   |
| HUF/EUR (closing)   | 299.1   | 313.1   | 314.2   | 0%      | 5%      |
| HUF/EUR (average)   | 308.8   | 312.6   | 311.9   | 0%      | 1%      |

- **HUF 0.1 billion after tax profit in 1Q 2016 versus HUF 278 million loss in the previous quarter**
- **Net interest income increased by 2% q-o-q beside the 15% decline of operating expenses**
- **Risk cost decreased by one-third y-o-y**
- **The net loan-to-deposit ratio improved by 4 ppts q-o-q to 69%**

The **Montenegrin CKB Bank** posted HUF 112 million after tax profit in 1Q 2016 versus HUF 278 million loss in 4Q 2015.

The operating profit for 1Q 2016 improved by 15% q-o-q due to cost control that resulted in a 15% drop of operating expenses, while the net fee and commission income decreased by 9% reasoned by seasonal effect. The net interest income went up by 2% q-o-q supported by slightly increasing margins.

The operating profit declined by 23% compared to 1Q 2015 as a result of the 8% drop in net interest income. On one hand, the interest expenses halved y-o-y as a consequence of lower offered deposit rates aimed at reducing the excess liquidity of the

Bank, on the other hand the Bank realized lower interest income on loans.

The total risk cost declined by one-third y-o-y, and by 41% q-o-q. The quality of the loan portfolio slightly improved q-o-q mainly reasoned by the improvement in the corporate loan book. The DPD90+ ratio decreased by 0.2 ppt q-o-q. The DPD90+ coverage ratio increased by 0.7 ppt q-o-q and reached 83.7%. The FX-adjusted loan portfolio shrank by 3%, but q-o-q stagnated. The retail loan volume expanded by 2% y-o-y mainly as a result of the growth in the consumer loan portfolio. The corporate loan portfolio grew by 1% q-o-q supported by the strengthening new loan disbursements.

The FX-adjusted deposit portfolio stagnated y-o-y, the 5% q-o-q decline was driven by deposit rate cuts aimed at reducing the excess liquidity of the Bank. The FX-adjusted net loan/deposit ratio increased to 69% (+4 ppts q-o-q; -5 ppts y-o-y, FX-adjusted).

The capital adequacy ratio calculated according to local requirements stood at 16.2% at the end of 1Q 2016.

## STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 31,259 as of 31 March 2015. During the quarter the headcount decreased most significantly in Russia, while increased in Hungary and the Ukraine.

OTP Group provides services through 1,326 branches and close to 3,900 ATMs in 9 countries of

the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 370 branches and 1,895 ATM terminals. The bank (Hungary) has more than 56 thousands POS terminals. The branch network decreased in Romania and Hungary in the last three months (-4 and -5 units q-o-q, respectively).

|   | 31/03/2016   |              |               |                     | 31/12/2015   |              |               |                     |
|---|--------------|--------------|---------------|---------------------|--------------|--------------|---------------|---------------------|
|   | Branches     | ATM          | POS           | Headcount (closing) | Branches     | ATM          | POS           | Headcount (closing) |
| OTP Core  | 370          | 1,895        | 56,516        | 8,192               | 375          | 1,895        | 55,288        | 8,142               |
| DSK Group   | 382          | 877          | 5,143         | 4,497               | 383          | 874          | 5,207         | 4,502               |
| OTP Bank Russia (w/o employed agents)                 | 134          | 264          | 1,808         | 4,633               | 134          | 233          | 1,751         | 4,787               |
| Touch Bank (Russia)                                   | 0            | 0            | 0             | 248                 | 0            | 0            | 0             | 219                 |
| OTP Bank Ukraine (W/o employed agents)                | 85           | 105          | 315           | 2,145               | 85           | 105          | 315           | 2,146               |
| OTP Bank Romania                                      | 100          | 144          | 2,788         | 1,138               | 108          | 150          | 2,848         | 1,139               |
| OTP banka Hrvatska                                    | 110          | 247          | 2,094         | 1,094               | 110          | 247          | 2,048         | 1,082               |
| OTP Banka Slovenko                                    | 61           | 142          | 225           | 677                 | 60           | 141          | 216           | 678                 |
| OTP banka Srbija                                      | 56           | 129          | 2,292         | 632                 | 56           | 128          | 2,248         | 633                 |
| CKB   | 28           | 82           | 4,873         | 423                 | 29           | 84           | 4,895         | 431                 |
| <b>Foreign subsidiaries, total</b>                    | <b>956</b>   | <b>1,990</b> | <b>19,538</b> | <b>15,485</b>       | <b>965</b>   | <b>1,962</b> | <b>19,528</b> | <b>15,615</b>       |
| Other Hungarian and foreign subsidiaries <sup>1</sup> |              |              |               | 1,243               |              |              |               | 1,206               |
| <b>OTP Group (w/o employed agents)</b>                |              |              |               | <b>24,920</b>       |              |              |               | <b>24,963</b>       |
| <i>OTP Bank Russia - employed agents</i>              |              |              |               | 5,895               |              |              |               | 6,328               |
| <i>OTP Bank Ukraine - employed agents</i>             |              |              |               | 444                 |              |              |               | 423                 |
| <b>OTP Group (aggregated)</b>                         | <b>1,326</b> | <b>3,885</b> | <b>76,054</b> | <b>31,259</b>       | <b>1,340</b> | <b>3,857</b> | <b>74,816</b> | <b>31,713</b>       |

<sup>1</sup> Due to the broadening of the data provider group members, the historical employee figures of the other Hungarian and foreign subsidiaries are not comparable.

## PERSONAL AND ORGANIZATIONAL CHANGES

In 2015 there was no change in the composition of the Board of Directors, Supervisory Board, Audit Committee and the Auditor of the Bank.

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

***FINANCIAL DATA***

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION

| in HUF million  | OTP Bank         |                  |            | Consolidated      |                   |           |
|---|------------------|------------------|------------|-------------------|-------------------|-----------|
|   | 31/03/2016       | 31/03/2015       | change     | 31/03/2016        | 31/03/2015        | change    |
| Cash, amounts due from banks and balances with the National Bank of Hungary                               | 1,332,706        | 1,947,490        | -32%       | 1,806,940         | 2,305,973         | -22%      |
| Placements with other banks, net of allowance for placement losses  | 748,365          | 550,728          | 36%        | 248,349           | 214,115           | 16%       |
| Financial assets at fair value through profit or loss   | 256,837          | 337,395          | -24%       | 254,232           | 307,340           | -17%      |
| Securities available-for-sale   | 1,460,466        | 1,174,297        | 24%        | 1,453,579         | 936,231           | 55%       |
| Loans, net of allowance for loan losses   | 1,696,265        | 1,835,991        | -8%        | 5,423,478         | 5,600,815         | -3%       |
| Investments in subsidiaries, associates and other investments   | 666,318          | 618,631          | 8%         | 9,232             | 25,402            | -64%      |
| Securities held-to-maturity   | 818,545          | 607,181          | 35%        | 902,560           | 660,948           | 37%       |
| Property, equipments and intangible assets  | 95,241           | 100,880          | -6%        | 348,764           | 362,061           | -4%       |
| Other assets  | 179,644          | 166,487          | 8%         | 282,748           | 301,561           | -6%       |
| <b>TOTAL ASSETS</b>   | <b>7,254,386</b> | <b>7,339,079</b> | <b>-1%</b> | <b>10,729,882</b> | <b>10,714,446</b> | <b>0%</b> |
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | 859,955          | 1,033,913        | -17%       | 477,832           | 736,086           | -35%      |
| Deposits from customers   | 4,335,308        | 4,150,900        | 4%         | 7,936,527         | 7,567,531         | 5%        |
| Liabilities from issued securities  | 148,586          | 155,018          | -4%        | 236,644           | 253,763           | -7%       |
| Financial liabilities at fair value through profit or loss  | 136,774          | 356,534          | -62%       | 103,810           | 267,284           | -61%      |
| Other liabilities   | 344,081          | 281,450          | 22%        | 500,427           | 449,640           | 11%       |
| Subordinated bonds and loans  | 273,835          | 254,498          | 8%         | 242,125           | 244,017           | -1%       |
| <b>TOTAL LIABILITIES</b>  | <b>6,098,539</b> | <b>6,232,314</b> | <b>-2%</b> | <b>9,497,367</b>  | <b>9,518,321</b>  | <b>0%</b> |
| Share capital   | 28,000           | 28,000           | 0%         | 28,000            | 28,000            | 0%        |
| Retained earnings and reserves  | 1,025,101        | 1,020,676        | 0%         | 1,225,528         | 1,219,156         | 1%        |
| Net earnings for the year   | 111,889          | 65,652           | 70%        | 34,221            | 2,154             |           |
| Treasury shares   | -9,143           | -7,563           | 21%        | -58,011           | -56,431           | 3%        |
| Non-controlling interest  | 0                | 0                |            | 2,777             | 3,245             | -14%      |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   | <b>1,155,847</b> | <b>1,106,765</b> | <b>4%</b>  | <b>1,232,515</b>  | <b>1,196,125</b>  | <b>3%</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>7,254,386</b> | <b>7,339,079</b> | <b>-1%</b> | <b>10,729,882</b> | <b>10,714,446</b> | <b>0%</b> |

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME

| in HUF million   | OTP Bank       |                |             | Consolidated    |                 |              |
|--|----------------|----------------|-------------|-----------------|-----------------|--------------|
|  | 1Q 2016        | 1Q 2015        | change      | 1Q 2016         | 1Q 2015         | change       |
| Loans  | 30,098         | 36,517         | -18%        | 127,625         | 156,043         | -18%         |
| Placements with other banks  | 20,663         | 63,794         | -68%        | 17,703          | 47,532          | -63%         |
| Amounts due from banks and balances with the National Banks                                      | 4,129          | 9,608          | -57%        | 4,149           | 9,857           | -58%         |
| Securities held for trading  | 0              | 0              |             | 0               | 3               | -100%        |
| Securities available-for-sale  | 10,880         | 14,488         | -25%        | 10,063          | 6,917           | 45%          |
| Securities held-to-maturity  | 10,322         | 9,308          | 11%         | 12,372          | 10,190          | 21%          |
| Other interest income  | 0              | 0              |             | 1,757           | 1,718           | 2%           |
| <b>Interest income</b>   | <b>76,091</b>  | <b>133,715</b> | <b>-43%</b> | <b>173,668</b>  | <b>232,260</b>  | <b>-25%</b>  |
| Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks | -22,803        | -68,470        | -67%        | -18,090         | -52,257         | -65%         |
| Deposits from customers  | -5,064         | -10,960        | -54%        | -18,387         | -31,940         | -42%         |
| Liabilities from issued securities   | -411           | -465           | -12%        | -1,614          | -1,323          | 22%          |
| Subordinated bonds and loans   | -4,235         | -4,168         | 2%          | -3,246          | -3,395          | -4%          |
| Other interest expense   | 0              | 0              |             | -1,542          | -1,604          | -4%          |
| <b>Interest expense</b>  | <b>-32,512</b> | <b>-84,064</b> | <b>-61%</b> | <b>-42,879</b>  | <b>-90,519</b>  | <b>-53%</b>  |
| <b>Net interest income</b>   | <b>43,579</b>  | <b>49,651</b>  | <b>-12%</b> | <b>130,789</b>  | <b>141,741</b>  | <b>-8%</b>   |
| Provision for impairment on loans  | -3,681         | -8,075         | -54%        | -35,125         | -151,147        | -77%         |
| Provision for impairment on placement losses   | 0              | -2             | -85%        | 2               | -6              | -126%        |
| Provision for impairment on loans and placement losses   | -3,682         | -8,077         | -54%        | -35,123         | -151,153        | -77%         |
| <b>NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES</b>           | <b>39,897</b>  | <b>41,574</b>  | <b>-4%</b>  | <b>95,665</b>   | <b>-9,413</b>   |              |
| Income from fees and commissions   | 42,402         | 40,586         | 4%          | 61,108          | 59,999          | 2%           |
| Expense from fees and commissions  | -6,036         | -6,358         | -5%         | -10,630         | -10,857         | -2%          |
| <b>NET PROFIT FROM FEES AND COMMISSIONS</b>  | <b>36,367</b>  | <b>34,228</b>  | <b>6%</b>   | <b>50,478</b>   | <b>49,142</b>   | <b>3%</b>    |
| Foreign exchange gains, net (-)/(+)  | -1,748         | 10,727         | -116%       | 15,727          | 93,329          | -83%         |
| Gains / (losses) on securities, net  | 26,141         | 13,169         | 99%         | 3,361           | 4,059           | -17%         |
| Gains on real estate transactions  | 62             | 30             | 109%        | 583             | 484             | 20%          |
| Dividend income  | 87,058         | 56,368         | 54%         | 59              | 241             | -76%         |
| Other operating income   | 1,068          | 183            | 485%        | 3,138           | 4,191           | -25%         |
| Other operating expense  | -130           | -16,647        | -99%        | -1,939          | -9,433          | -79%         |
| <b>NET OPERATING RESULT</b>  | <b>112,450</b> | <b>63,828</b>  | <b>76%</b>  | <b>20,928</b>   | <b>92,872</b>   | <b>-77%</b>  |
| Personnel expenses   | -21,242        | -20,704        | 3%          | -45,383         | -46,135         | -2%          |
| Depreciation and amortization  | -5,050         | -5,067         | 0%          | -10,433         | -9,953          | 5%           |
| Other administrative expenses  | -41,337        | -51,712        | -20%        | -63,613         | -81,927         | -22%         |
| <b>OTHER ADMINISTRATIVE EXPENSES</b>   | <b>-67,630</b> | <b>-77,484</b> | <b>-13%</b> | <b>-119,430</b> | <b>-138,015</b> | <b>-13%</b>  |
| <b>PROFIT BEFORE INCOME TAX</b>  | <b>121,083</b> | <b>62,147</b>  | <b>95%</b>  | <b>47,642</b>   | <b>-5,414</b>   | <b>-980%</b> |
| Income tax   | -9,194         | 3,505          | -362%       | -13,388         | 7,328           | -283%        |
| <b>NET PROFIT FOR THE PERIODS</b>  | <b>111,889</b> | <b>65,652</b>  | <b>70%</b>  | <b>34,253</b>   | <b>1,913</b>    |              |
| From this, attributable to non-controlling interest  | 0              | 0              |             | -32             | 241             | -113%        |
| <b>NET PROFIT FOR THE PERIODS ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>                          | <b>111,889</b> | <b>65,652</b>  | <b>70%</b>  | <b>34,221</b>   | <b>2,154</b>    |              |

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

| in HUF million  | OTP Bank         |                  |              | Consolidated     |                  |              |
|---|------------------|------------------|--------------|------------------|------------------|--------------|
|   | 31/03/2016       | 31/03/2015       | change       | 31/03/2016       | 31/03/2015       | change       |
| <b>OPERATING ACTIVITIES</b>   |                  |                  |              |                  |                  |              |
| Profit before income tax  | 121,083          | 62,147           | 95%          | 47,642           | -5,415           | -980%        |
| <i>Adjustments to reconcile income before income taxes to net cash provided by operating activities</i> |                  |                  |              |                  |                  |              |
| Income tax paid   | -264             | -1,647           | -84%         | -3,525           | -8,073           | -56%         |
| Depreciation and amortization   | 5,050            | 5,067            | 0%           | 10,434           | 9,953            | 5%           |
| Provision for impairment / Release of provision   | 3,067            | -14,838          | -121%        | 13,347           | 7,748            | 72%          |
| Share-based payment   | 933              | 953              | -2%          | 933              | 953              | -2%          |
| Unrealized (losses) / gains on fair value adjustment of securities held for trading                     | -13,237          | -6,788           | 0%           | -13,237          | -6,788           | 0%           |
| Unrealized losses on fair value adjustment of derivative financial instruments                          | 15,189           | -13,047          | -216%        | 14,387           | -4,641           | -410%        |
| Changes in operating assets and liabilities   | -81,612          | -74,523          | 10%          | 44,968           | 42,501           | 6%           |
| <b>Net cash provided by operating activities</b>  | <b>50,209</b>    | <b>-42,676</b>   | <b>-218%</b> | <b>114,949</b>   | <b>36,238</b>    | <b>217%</b>  |
| <b>INVESTING ACTIVITIES</b>   |                  |                  |              |                  |                  |              |
| <b>Net cash used in investing activities</b>  | <b>-36,511</b>   | <b>286,594</b>   | <b>-113%</b> | <b>-60,133</b>   | <b>10,210</b>    | <b>-689%</b> |
| <b>FINANCING ACTIVITIES</b>   |                  |                  |              |                  |                  |              |
| <b>Net cash used in financing activities</b>  | <b>-13,212</b>   | <b>-201,133</b>  | <b>-93%</b>  | <b>-93,636</b>   | <b>-100,589</b>  | <b>-7%</b>   |
| <b>Net increase in cash and cash equivalents</b>  | <b>486</b>       | <b>42,785</b>    | <b>-99%</b>  | <b>-38,820</b>   | <b>-54,141</b>   | <b>-28%</b>  |
| Cash and cash equivalents at the beginning of the period  | 1,238,858        | 1,762,727        | 0%           | 1,427,292        | 2,003,324        | -29%         |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>1,239,344</b> | <b>1,805,512</b> | <b>-31%</b>  | <b>1,388,472</b> | <b>1,949,183</b> | <b>-29%</b>  |
| <b>Analysis of cash and cash equivalents</b>  |                  |                  |              |                  |                  |              |
| Cash, amounts due from banks and balances with the National Banks                                       | 1,326,197        | 1,897,778        | -30%         | 1,878,960        | 2,307,632        | -19%         |
| Compulsory reserve established by the National Banks  | -87,339          | -135,051         | -35%         | -451,668         | -304,308         | 48%          |
| <b>Cash and cash equivalents at the beginning of the period</b>   | <b>1,238,858</b> | <b>1,762,727</b> | <b>0%</b>    | <b>1,427,292</b> | <b>2,003,324</b> | <b>-29%</b>  |
| Cash, amounts due from banks and balances with the National Banks                                       | 1,332,705        | 1,947,490        | -32%         | 1,806,938        | 2,305,973        | -22%         |
| Compulsory reserve established by the National Banks  | -93,361          | -141,978         | -34%         | -418,466         | -356,790         | 17%          |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>1,239,344</b> | <b>1,805,512</b> | <b>-31%</b>  | <b>1,388,472</b> | <b>1,949,183</b> | <b>-29%</b>  |

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (IFRS)

| in HUF million                      | Share capital | Capital reserve | Share based payment reserve | Retained earnings and reserves | Put option reserves | Treasury shares | Non-controlling interest | Total            |
|-------------------------------------|---------------|-----------------|-----------------------------|--------------------------------|---------------------|-----------------|--------------------------|------------------|
| <b>Balance as at 1 January 2015</b> | <b>28,000</b> | <b>52</b>       | <b>20,897</b>               | <b>1,323,277</b>               | <b>-55,468</b>      | <b>-55,941</b>  | <b>3,349</b>             | <b>1,264,166</b> |
| Net profit for the year             | --            | --              | --                          | 2,154                          | --                  | --              | -241                     | 1,913            |
| Other comprehensive income          | --            | --              | --                          | -28,221                        | --                  | --              | 138                      | -28,083          |
| Share-based payment                 | --            | --              | 953                         | --                             | --                  | --              | --                       | 953              |
| Treasury shares                     | --            | --              | --                          | --                             | --                  | --              | --                       | --               |
| Dividend for the year 2013          | --            | --              | --                          | -40,600                        | --                  | --              | --                       | -40,600          |
| Put option                          | --            | --              | --                          | --                             | --                  | --              | --                       | --               |
| Treasury shares                     | --            | --              | --                          | --                             | --                  | --              | --                       | --               |
| – sale                              | --            | --              | --                          | --                             | --                  | 4,310           | --                       | 4,310            |
| – loss on sale                      | --            | --              | --                          | -622                           | --                  | --              | --                       | -622             |
| – volume change                     | --            | --              | --                          | --                             | --                  | -4,800          | --                       | -4,800           |
| Payment to ICES holders             | --            | --              | --                          | -1,112                         | --                  | --              | --                       | -1,112           |
| <b>Balance as at 31 March 2015</b>  | <b>28,000</b> | <b>52</b>       | <b>21,850</b>               | <b>1,254,876</b>               | <b>-55,468</b>      | <b>-56,431</b>  | <b>3,246</b>             | <b>1,196,125</b> |
| in HUF million                      | Share capital | Capital reserve | Share based payment reserve | Retained earnings and reserves | Put option reserves | Treasury shares | Non-controlling interest | Total            |
| <b>Balance as at 1 January 2016</b> | <b>28,000</b> | <b>52</b>       | <b>24,707</b>               | <b>1,291,738</b>               | <b>-55,468</b>      | <b>-58,021</b>  | <b>2,651</b>             | <b>1,233,659</b> |
| Net profit for the year             | --            | --              | --                          | 34,221                         | --                  | --              | 33                       | 34,254           |
| Other comprehensive income          | --            | --              | --                          | 11,012                         | --                  | --              | 93                       | 11,105           |
| Share-based payment                 | --            | --              | 933                         | --                             | --                  | --              | --                       | 933              |
| Treasury shares                     | --            | --              | --                          | --                             | --                  | --              | --                       | --               |
| Dividend for the year 2012          | --            | --              | --                          | -46,200                        | --                  | --              | --                       | -46,200          |
| Put option                          | --            | --              | --                          | --                             | --                  | --              | --                       | --               |
| Treasury shares                     | --            | --              | --                          | --                             | --                  | --              | --                       | --               |
| – sale                              | --            | --              | --                          | --                             | --                  | 15              | --                       | 15               |
| – loss on sale                      | --            | --              | --                          | -15                            | --                  | --              | --                       | -15              |
| – volume change                     | --            | --              | --                          | --                             | --                  | -5              | --                       | -5               |
| Payment to ICES holders             | --            | --              | --                          | -1,231                         | --                  | --              | --                       | -1,231           |
| <b>Balance as at 31 March 2016</b>  | <b>28,000</b> | <b>52</b>       | <b>25,640</b>               | <b>1,289,525</b>               | <b>-55,468</b>      | <b>-58,011</b>  | <b>2,777</b>             | <b>1,232,515</b> |



Ownership structure of OTP Bank Plc.

as at 31 March 2016

| Description of owner                                | Total equity   |                |                    |                |                |                    |
|---|----------------|----------------|--------------------|----------------|----------------|--------------------|
|   | 1 January 2016 |                | 31 March 2016      |                |                |                    |
|   | % <sup>1</sup> | % <sup>2</sup> | Qty                | % <sup>1</sup> | % <sup>2</sup> | Qty                |
| Domestic institution/company                        | 20.31%         | 20.58%         | 56,865,293         | 20.79%         | 21.07%         | 58,223,030         |
| Foreign institution/company                         | 63.77%         | 64.62%         | 178,546,741        | 64.15%         | 65.00%         | 179,618,180        |
| Domestic individual                                 | 5.95%          | 6.03%          | 16,656,480         | 4.57%          | 4.63%          | 12,782,042         |
| Foreign individual                                  | 0.43%          | 0.44%          | 1,215,093          | 0.39%          | 0.39%          | 1,081,756          |
| Employees, senior officers                          | 1.37%          | 1.38%          | 3,825,466          | 1.33%          | 1.35%          | 3,723,066          |
| Treasury shares                                     | 1.31%          | 0.00%          | 3,677,506          | 1.30%          | 0.00%          | 3,649,535          |
| Government held owner <sup>3</sup>                  | 0.09%          | 0.09%          | 238,312            | 0.09%          | 0.09%          | 238,312            |
| International Development Institutions <sup>4</sup> | 0.01%          | 0.01%          | 38,242             | 0.02%          | 0.02%          | 53,404             |
| Other <sup>5</sup>                                  | 6.76%          | 6.85%          | 18,936,877         | 7.37%          | 7.47%          | 20,630,685         |
| <b>TOTAL</b>  | <b>100.00%</b> | <b>100.00%</b> | <b>280,000,010</b> | <b>100.00%</b> | <b>100.00%</b> | <b>280,000,010</b> |

<sup>1</sup> Voting rights

<sup>2</sup> Beneficial ownership

<sup>3</sup> E.g.: State Privatization Holding Co. Ltd., Social Security, Municipality, 100% state-owned companies, Pension Reform and Debt Reduction Fund etc.

<sup>4</sup> E.g.: EBRD, EIB, IBRD etc.

<sup>5</sup> Non-identified shareholders according to the shareholders' registry.

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

|              | 1 January        | 31 March         | 30 June | 30 September | 31 December |
|--------------|------------------|------------------|---------|--------------|-------------|
| Company      | 1,626,164        | 1,687,245        |         |              |             |
| Subsidiaries | 2,073,560        | 2,073,560        |         |              |             |
| <b>TOTAL</b> | <b>3,699,724</b> | <b>3,760,805</b> |         |              |             |

Shareholders with over/around 5% stake as at 31 March 2016

| Name                                     | Number of shares | Voting rights | Beneficial ownership |
|--|------------------|---------------|----------------------|
| Megdet, Timur and Ruszlan Rahimkulov     | 24,626,189       | 8.80%         | 8.91%                |
| MOL (Hungarian Oil and Gas Company Plc.) | 24,000,000       | 8.57%         | 8.68%                |
| Groupama Group                           | 22,843,155       | 8.16%         | 8.27%                |

Senior officers, strategic employees and their shareholding of OTP shares as at 31 March 2016

| Type <sup>1</sup>                              | Name                                | Position  | No. of shares held |
|--|-------------------------------------|---|--------------------|
| IT   | Dr. Sándor Csányi <sup>2</sup>      | Chairman and CEO                                  | 292,912            |
| IT   | Mihály Baumstark                    | member  | 44,800             |
| IT   | Dr. Tibor Bíró                      | member  | 31,956             |
| IT   | Péter Braun <sup>3</sup>            | member  | 320,291            |
| IT   | Tamás Erdei                         | member  | 35,239             |
| IT   | Dr. István Gresá                    | member, Deputy CEO                                | 59,054             |
| IT   | Zsolt Hernádi <sup>5</sup>          | member  | 28,074             |
| IT   | Dr. István Kocsis <sup>4</sup>      | member  | 3,635              |
| IT   | Dr. Antal Pongrácz                  | Deputy Chairman, Deputy CEO                       | 59,067             |
| IT   | Dr. László Utassy                   | member  | 256,943            |
| IT   | Dr. József Vörös                    | member  | 156,114            |
| FB   | Tibor Tolnay                        | Chairman  | 54                 |
| FB   | Dr. Gábor Horváth                   | member  | 0                  |
| FB   | Antal Kovács                        | member, Deputy CEO                                | 25,000             |
| FB   | András Michnai                      | member  | 462                |
| FB   | Dominique Uzel                      | member  | 0                  |
| FB   | Dr. Márton Gellért Vági             | member  | 0                  |
| SP   | László Bencsik                      | Chief Financial and Strategic Officer, Deputy CEO | 23,709             |
| SP   | Tibor András Johancsik <sup>5</sup> | Deputy CEO  | 0                  |
| SP   | László Wolf                         | Deputy CEO  | 571,609            |
| <b>TOTAL No. of shares held by management:</b> |                                     |   | <b>1,908,919</b>   |

<sup>1</sup> Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)

<sup>2</sup> Number of OTP shares owned by Mr Csányi directly or indirectly: 1,717,912

<sup>3</sup> OTP Bank's Board of Directors member Mr. Péter Braun passed away on 7 April 2016

<sup>4</sup> Membership under suspended since 3 April 2014

<sup>5</sup> Membership under suspended since 3 October 2012

<sup>6</sup> His Deputy CEO nomination came into force from 24 February 2016

**OFF-BALANCE SHEET ITEMS ACCORDING TO IFRS (consolidated, in HUF million)<sup>1</sup>**

**a) Contingent liabilities**

|   | 31/03/2016       | 31/03/2015       |
|---|------------------|------------------|
| Commitments to extend credit                        | 1,155,524        | 966,571          |
| Guarantees arising from banking activities          | 415,878          | 364,571          |
| Confirmed letters of credit                         | 13,467           | 23,825           |
| Legal disputes (disputed value)                     | 52,112           | 69,479           |
| Contingent liabilities related to OTP Mortgage Bank | -                | -                |
| Other   | 304,921          | 364,068          |
| <b>Total:</b>                                       | <b>1,941,902</b> | <b>1,788,514</b> |

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

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

|              | End of reference period | Current period opening | Current period closing |
|--------------|-------------------------|------------------------|------------------------|
| Bank         | 7,727                   | 7,588                  | 7,640                  |
| Consolidated | 33,100                  | 31,713                 | 31,259                 |

**SECURITY ISSUANCES ON GROUP LEVEL BETWEEN 01/04/2015 AND 31/03/2016**

| Issuer              | Type of security | Security name         | Date of issue | Date of maturity | Ccy | Outstanding consolidated debt (in original currency or HUF million) 31/03/2016 | Outstanding consolidated debt (in HUF million) 31/03/2016 |
|---------------------|------------------|-----------------------|---------------|------------------|-----|--|---|
| OTP Bank Plc.       | Retail bond      | OTP_VK_USD_2_2017/I   | 10/04/2015    | 10/04/2017       | USD | 331,400  | 92  |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/IV     | 10/04/2015    | 24/04/2016       | EUR | 7,038,700  | 2,211   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/V      | 24/04/2015    | 08/05/2016       | EUR | 3,577,100  | 1,124   |
| OTP Bank Plc.       | Retail bond      | OTP_VK_USD_1_2016/I   | 24/04/2015    | 24/04/2016       | USD | 3,230,300  | 894   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/VI     | 29/05/2015    | 12/06/2016       | EUR | 10,127,200   | 3,182   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/VII    | 30/06/2015    | 14/07/2016       | EUR | 9,966,500  | 3,131   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/VIII   | 24/07/2015    | 07/08/2016       | EUR | 6,071,100  | 1,907   |
| OTP Bank Plc.       | Retail bond      | OTP_VK_USD_1_2016/II  | 24/07/2015    | 24/07/2016       | USD | 842,100  | 233   |
| OTP Bank Plc.       | Retail bond      | OTP_VK_USD_1_2016/III | 25/09/2015    | 25/09/2016       | USD | 7,581,900  | 2,097   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/IX     | 25/09/2015    | 09/10/2016       | EUR | 21,234,000   | 6,671   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/X      | 30/10/2015    | 13/11/2016       | EUR | 14,778,600   | 4,643   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/XI     | 11/11/2015    | 25/11/2016       | EUR | 8,830,900  | 2,774   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/XII    | 27/11/2015    | 11/12/2016       | EUR | 5,981,600  | 1,879   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/XIII   | 30/12/2015    | 13/01/2017       | EUR | 26,075,800   | 8,192   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2017/I      | 29/01/2016    | 12/02/2017       | EUR | 14,858,100   | 4,668   |
| OTP Bank Plc.       | Retail bond      | OTP_VK_USD_1_2017/I   | 29/01/2016    | 29/01/2017       | USD | 3,888,400  | 1,076   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2017/II     | 12/02/2016    | 26/02/2017       | EUR | 4,445,900  | 1,397   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2017/III    | 26/02/2016    | 12/03/2017       | EUR | 7,509,700  | 2,359   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2017/IV     | 18/03/2016    | 01/04/2017       | EUR | 6,655,200  | 2,091   |
| OTP Bank Plc.       | Retail bond      | OTP_VK_USD_1_2017/II  | 18/03/2016    | 18/03/2017       | USD | 351,600  | 97  |
| OTP Banka Slovensko | Mortgage bond    | OTP XXVII.            | 17/12/2015    | 16/12/2016       | EUR | 0  | 0   |
| OTP Banka Slovensko | Mortgage bond    | OTP XXVIII.           | 30/03/2016    | 29/03/2017       | EUR | 0  | 0   |
| OTP Banka Slovensko | Corporate bond   | Bonds OTP II.         | 29/02/2016    | 28/02/2017       | EUR | 0  | 0   |

SECURITY REDEMPTIONS ON GROUP LEVEL BETWEEN 01/04/2015 AND 31/03/2016

| Issuer              | Type of security | Security name        | Date of issue | Date of maturity | Ccy | Outstanding consolidated debt (in original currency or HUF million) 31/03/2015 | Outstanding consolidated debt (in HUF million) 31/03/2015 |
|---------------------|------------------|----------------------|---------------|------------------|-----|--|---|
| OTP Bank Plc.       | Retail bond      | OTP TBSZ2015/I       | 26/02/2010    | 30/12/2015       | HUF | 5,388  | 5,388   |
| OTP Bank Plc.       | Corporate bond   | OTP 2015/Bx          | 28/06/2010    | 09/07/2015       | HUF | 4,015  | 4,015   |
| OTP Bank Plc.       | Corporate bond   | OTP 2016/Fx          | 22/03/2013    | 24/03/2016       | HUF | 670  | 670   |
| OTP Bank Plc.       | Retail bond      | OTP TBSZ 4 2015/I    | 13/01/2012    | 15/12/2015       | HUF | 469  | 469   |
| OTP Bank Plc.       | Corporate bond   | OTP 2015/Ex          | 18/07/2012    | 20/07/2015       | HUF | 356  | 356   |
| OTP Bank Plc.       | Corporate bond   | OTP 2015/Hx          | 28/12/2012    | 27/12/2015       | HUF | 152  | 152   |
| OTP Bank Plc.       | Retail bond      | OTP TBSZ 4 2015/II   | 21/12/2012    | 15/12/2015       | HUF | 48   | 48  |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XX    | 03/10/2014    | 17/10/2015       | EUR | 13,153,300   | 3,935   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XVIII | 29/08/2014    | 12/09/2015       | EUR | 10,466,700   | 3,131   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/I     | 30/01/2015    | 13/02/2016       | EUR | 10,221,700   | 3,058   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XXV   | 19/12/2014    | 02/01/2016       | EUR | 9,377,200  | 2,805   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2016/II    | 20/02/2015    | 06/03/2016       | EUR | 8,408,200  | 2,515   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XXI   | 22/10/2014    | 05/11/2015       | EUR | 8,357,600  | 2,500   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XXIII | 14/11/2014    | 28/11/2015       | EUR | 5,464,900  | 1,635   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XIX   | 12/09/2014    | 26/09/2015       | EUR | 5,350,700  | 1,601   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XXIV  | 28/11/2014    | 12/12/2015       | EUR | 5,133,000  | 1,535   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XI    | 23/05/2014    | 06/06/2015       | EUR | 4,529,600  | 1,355   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XXVI  | 09/01/2015    | 23/01/2016       | EUR | 4,412,900  | 1,320   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/VIII  | 11/04/2014    | 25/04/2015       | EUR | 4,283,000  | 1,281   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/X     | 09/05/2014    | 23/05/2015       | EUR | 3,832,200  | 1,146   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XVI   | 30/07/2014    | 13/08/2015       | EUR | 3,748,900  | 1,121   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XVII  | 08/08/2014    | 22/08/2015       | EUR | 3,235,100  | 968   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XXII  | 31/10/2014    | 14/11/2015       | EUR | 3,120,700  | 934   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XII   | 06/06/2014    | 20/06/2015       | EUR | 2,728,700  | 816   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XIV   | 04/07/2014    | 18/07/2015       | EUR | 2,636,600  | 789   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XXI   | 31/10/2013    | 31/10/2015       | EUR | 2,313,100  | 692   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XIII  | 20/06/2014    | 04/07/2015       | EUR | 2,283,300  | 683   |
| OTP Bank Plc.       | Corporate bond   | OTP 2015/Fx          | 21/12/2012    | 23/12/2015       | EUR | 2,073,900  | 620   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/XV    | 18/07/2014    | 01/08/2015       | EUR | 1,750,100  | 524   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XXIV  | 20/12/2013    | 20/12/2015       | EUR | 1,548,200  | 463   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XXIII | 29/11/2013    | 29/11/2015       | EUR | 1,211,700  | 362   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XXII  | 15/11/2013    | 15/11/2015       | EUR | 1,156,800  | 346   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/IX    | 18/04/2014    | 02/05/2015       | EUR | 990,100  | 296   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2016/III   | 14/02/2014    | 14/02/2016       | EUR | 963,600  | 288   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2016/I     | 17/01/2014    | 17/01/2016       | EUR | 895,800  | 268   |
| OTP Bank Plc.       | Corporate bond   | OTP 2015/Cx          | 27/12/2010    | 29/12/2015       | EUR | 846,700  | 253   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2016/II    | 31/01/2014    | 31/01/2016       | EUR | 839,300  | 251   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 1 2015/VII   | 21/03/2014    | 04/04/2015       | EUR | 815,100  | 244   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2016/V     | 14/03/2014    | 14/03/2016       | EUR | 734,400  | 220   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/IX    | 10/05/2013    | 10/05/2015       | EUR | 729,500  | 218   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XVI   | 16/08/2013    | 16/08/2015       | EUR | 677,100  | 203   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2016/IV    | 28/02/2014    | 28/02/2016       | EUR | 652,800  | 195   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XVIII | 13/09/2013    | 13/09/2015       | EUR | 641,700  | 192   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XV    | 26/07/2013    | 26/07/2015       | EUR | 630,100  | 188   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XIX   | 27/09/2013    | 27/09/2015       | EUR | 505,700  | 151   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XVII  | 30/08/2013    | 30/08/2015       | EUR | 422,900  | 127   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XI    | 07/06/2013    | 07/06/2015       | EUR | 390,300  | 117   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/X     | 24/05/2013    | 24/05/2015       | EUR | 355,700  | 106   |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/VII   | 05/04/2013    | 05/04/2015       | EUR | 313,700  | 94  |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/VIII  | 19/04/2013    | 19/04/2015       | EUR | 297,400  | 89  |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XX    | 11/10/2013    | 11/10/2015       | EUR | 297,300  | 89  |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XIII  | 28/06/2013    | 28/06/2015       | EUR | 274,200  | 82  |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XII   | 21/06/2013    | 21/06/2015       | EUR | 210,600  | 63  |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2016/VI    | 21/03/2014    | 21/03/2016       | EUR | 210,400  | 63  |
| OTP Bank Plc.       | Retail bond      | OTP EUR 2 2015/XIV   | 12/07/2013    | 12/07/2015       | EUR | 123,200  | 37  |
| OTP Mortgage Bank   | Mortgage bond    | OJB2015 I            | 10/06/2005    | 10/06/2015       | HUF | 3,223  | 3,223   |
| OTP Mortgage Bank   | Mortgage bond    | OJB2015 II           | 17/05/2012    | 17/05/2015       | HUF | 0  | 0   |
| OTP Mortgage Bank   | Mortgage bond    | OJB2016 I            | 03/02/2006    | 03/02/2016       | HUF | 1,249  | 1,249   |
| OTP Mortgage Bank   | Mortgage bond    | OJB2016 III          | 17/02/2009    | 17/02/2016       | HUF | 0  | 0   |
| OTP Banka Slovensko | Mortgage bond    | OTP VII.             | 21/12/2005    | 21/12/2015       | EUR | 22,472,284   | 6,722   |
| OTP Banka Slovensko | Mortgage bond    | OTP XXVI.            | 30/03/2015    | 29/03/2016       | EUR | 0  | 0   |

**RELATED-PARTY TRANSACTIONS**

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

| Compensations (in HUF million)   | 1Q 2015      | 4Q 2015      | 1Q 2016      | Q-o-Q      | Y-o-Y       |
|--|--------------|--------------|--------------|------------|-------------|
| <b>Total</b>   | <b>2,384</b> | <b>1,587</b> | <b>1,749</b> | <b>10%</b> | <b>-27%</b> |
| Short-term employee benefits   | 1,684        | 864          | 1,068        | 24%        | -37%        |
| Share-based payment  | 569          | 569          | 582          | 2%         | 2%          |
| Other long-term employee benefits  | 110          | 133          | 99           | -26%       | -10%        |
| Termination benefits   | 21           | 21           | 0            | -100%      | -100%       |
| Redundancy payments  | 0            | 0            | 0            |            |             |
|  |              |              |              |            |             |
| Loans provided to companies owned by members of the management <sup>1</sup> or their family members (normal course of business)          | 12,435       | 25,734       | 28,222       | 10%        | 127%        |
| Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions) | 349          | 340          | 325          | -4%        | -7%         |
| Commitments to extend credit and guarantees  | 15,758       | 33,943       | 31,036       | -9%        | 97%         |
| Loans provided to unconsolidated subsidiaries  | 1,330        | 1,790        | 2,108        | 18%        | 58%         |

<sup>1</sup> Members of the Board of Directors and the Supervisory Board, senior officers and the auditor of the company

***SUPPLEMENTARY DATA***

**FOOTNOTES OF THE TABLE ‘CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)’**

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

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

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of the companies engaged in OTP Group’s underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financial Point Ltd., and companies providing intragroup financing. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

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

(4) From 1Q 2015 the performance of OTP Bank Russia does not contain the volumes and financial result of Touch Bank. From 1Q 2015 the statement of recognised income and balance sheet of LLC MFO OTP Finance” was included in the Russian performance. The pre-tax gain realised on the perpetual EUR 500 million subordinated Notes transaction within the Group in 3Q 2014 was eliminated from the performance of OTP Bank Russia.

(5) Touch Bank is part of OTP Bank Russia from legal point of view, and it is operating under the same banking license, but as a separate digital banking business line. In order to provide transparent information Touch Bank is presented as a separate virtual entity. The performance of Touch Bank was shown separately from OTP Bank Russia’s performance for the first time in the Summary of the full-year 2015 results, with retroactive effect from 1Q 2015.

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

the statement of recognised income and balance sheet of LLC OTP Credit was also added.

(7) From 3Q 2010, statements are based on the aggregated financials of DSK Group and the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC. DSK Group balance sheet contains the loans sold to the factoring company at before sale gross value and the related provisions as well.

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

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

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

(11) From 2011 on the balance sheet contains consolidated data of OTP Banka Slovensko and OTP Faktor Slovensko s.r.o., adjusted for loans sold to OTP Bank Plc. and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements since 2011. From 2012 on P&L data and related indices are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund.

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

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

(14) From 4Q 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o. (Croatia) (until 3Q 2011), OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).

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

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

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

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

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

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

### Adjustments:

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, the fine imposed by the Hungarian Competition Authority and the risk cost created in relation to the decision of the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme in Romania, the risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014 until 4Q 2015, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary. Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.
- Other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- From 2Q 2014 OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations –, Other non-interest expenses stemming from non-financial activities, Special tax on financial institutions and the one-timer payment compensating the underperformance of the financial transaction tax.
- From 4Q 2010 the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense in the accounting income statement. Earlier this item had been booked as fee expense. From 4Q 2010 to 4Q 2015 dealer fee expenses have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.
- Performing indicators such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, the fine imposed by the Hungarian Competition Authority and the risk cost created in relation to the decision of the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of Banco Popolare Croatia acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme in Romania, the risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014 until 4Q 2015, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd.

simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary. In case of Touch Bank's affected performance indicators instead of the 4Q 2014 total assets we used the 1Q 2015 balance sheet total for the base period when calculating the average total assets.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- In 3Q 2012 and in 2Q 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies' previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Tax deductible transfers paid by Hungarian group members from 3Q 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (i.e. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L.
- From 2012 credit institutions' contribution tax was recognised in the accounting P&L of OTP Group and OTP Core as OTP Core's burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the contribution tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- Due to regulatory changes related to consumer contracts in Hungary the actual negative effects of the financial settlement with clients and the conversion of FX consumer contracts prescribed by regulatory changes related to consumer contracts in Hungary as well as the impact of the related methodological changes were recognized within the accounting P&L in each quarters of 2015 on the net interest income, net fees and commissions, foreign exchange gains (net), net other non-interest result, other non-interest expenses, provision for loan losses, other risk cost and dividends and net cash transfers lines. These items booked in these periods were eliminated from all of the affected lines and were shown separately among adjustment items on consolidated level, whereas the estimate on the one-off negative impact of regulatory changes related to consumer contracts was booked on the other risk cost line in the accounting P&L.
- The revaluation result booked on Other provisions line due to regulatory changes related to FX mortgage loans in Hungary were moved to the Foreign exchange result line in 4Q 2014.
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within net interest income, but also within other net non-interest income – will be presented on the net interest income line on a net base.
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. (In Hungary in case of FX mortgage loans converted into HUF in 1Q 2015 pursuant to the Act No. LXXVII of 2014 the fixed FX rates stipulated by the law were used for the FX adjustment.) Thus the FX adjusted volumes will be different from those published earlier.



ADJUSTMENTS OF CONSOLIDATED IFRS P&L LINES

| in HUF million  | 1Q 15          | 2Q 15          | 3Q 15          | 4Q 15<br>Audited | 2015<br>Audited | 1Q 16          |
|---|----------------|----------------|----------------|------------------|-----------------|----------------|
| <b>Net interest income</b>  | <b>141,741</b> | <b>141,147</b> | <b>137,339</b> | <b>130,204</b>   | <b>550,430</b>  | <b>130,789</b> |
| (-) Agent fees paid to car dealers by Merkantil Group   | -454           | -929           | -381           | -322             | -2,084          | -              |
| (+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme  | -232           | 0              | 0              | 0                | -232            | 0              |
| (-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary        | -85            | 2,098          | 45             | -2,754           | -697            | 0              |
| (-) Revaluation result of FX provisions   |                |                |                |                  |                 | 255            |
| (+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations |                |                |                |                  |                 | -1,492         |
| <b>Net interest income (adj.) with one-offs</b>   | <b>142,048</b> | <b>139,978</b> | <b>137,675</b> | <b>133,279</b>   | <b>552,980</b>  | <b>129,041</b> |
| (-) Revaluation result of FX swaps at OTP Core (booked within net interest income)  | -679           | -              | -              | -                | -679            | -              |
| <b>Net interest income (adj.) without one-offs</b>  | <b>142,727</b> | <b>139,978</b> | <b>137,675</b> | <b>133,279</b>   | <b>553,659</b>  | <b>129,041</b> |
| <b>Net fees and commissions</b>   | <b>49,142</b>  | <b>55,168</b>  | <b>53,981</b>  | <b>55,581</b>    | <b>213,872</b>  | <b>50,478</b>  |
| (+) Agent fees paid to car dealers by Merkantil Group   | -454           | -929           | -381           | -322             | -2,084          | -              |
| (+) Financial Transaction Tax   | -11,395        | -10,880        | -10,990        | -11,810          | -45,076         | -11,660        |
| (-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary        |                | -539           | 0              | 0                | -539            | 0              |
| <b>Net fees and commissions (adj.)</b>  | <b>37,293</b>  | <b>43,898</b>  | <b>42,610</b>  | <b>43,449</b>    | <b>167,250</b>  | <b>38,819</b>  |
| <b>Foreign exchange result</b>  | <b>93,329</b>  | <b>-14,947</b> | <b>6,789</b>   | <b>31,511</b>    | <b>116,682</b>  | <b>15,727</b>  |
| (-) Revaluation result of FX positions hedging the revaluation of FX provisions   | 89,413         | -21,675        | -290           | 29,367           | 96,814          | 13,909         |
| (-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary        |                | 1,321          | 0              | 0                | 1,321           | 0              |
| (-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia  |                |                | 70             | 0                | 70              | 0              |
| (-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations |                |                |                |                  |                 | -1,492         |
| <b>Foreign exchange result (adj.) with one-offs</b>   | <b>3,917</b>   | <b>5,408</b>   | <b>7,008</b>   | <b>2,144</b>     | <b>18,476</b>   | <b>3,311</b>   |
| <b>Foreign exchange result (adj.) without one-offs</b>  | <b>3,917</b>   | <b>5,408</b>   | <b>7,008</b>   | <b>2,144</b>     | <b>18,476</b>   | <b>3,311</b>   |
| <b>Gain/loss on securities, net</b>   | <b>4,059</b>   | <b>538</b>     | <b>4,412</b>   | <b>2,607</b>     | <b>11,616</b>   | <b>3,361</b>   |
| <b>Gain/loss on securities, net (adj.) with one-offs</b>  | <b>4,059</b>   | <b>538</b>     | <b>4,412</b>   | <b>2,607</b>     | <b>11,616</b>   | <b>3,361</b>   |
| (-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)                                 | 352            | 78             | 1,527          | 462              | 2,418           | 169            |
| <b>Gain/loss on securities, net (adj.) without one-offs</b>   | <b>3,707</b>   | <b>460</b>     | <b>2,885</b>   | <b>2,145</b>     | <b>9,197</b>    | <b>3,192</b>   |

**INTERIM MANAGEMENT REPORT – FIRST QUARTER 2016 RESULT**

| in HUF million   | 1Q 15           | 2Q 15          | 3Q 15          | 4Q 15<br>Audited | 2015<br>Audited | 1Q 16          |
|--|-----------------|----------------|----------------|------------------|-----------------|----------------|
| <b>Gains and losses on real estate transactions</b>  | <b>484</b>      | <b>644</b>     | <b>437</b>     | <b>159</b>       | <b>1,725</b>    | <b>583</b>     |
| <b>(+) Other non-interest income</b>   | <b>4,191</b>    | <b>4,741</b>   | <b>3,137</b>   | <b>9,180</b>     | <b>21,248</b>   | <b>3,138</b>   |
| (-) Received cash transfers  | 0               | 2              | 6              | 0                | 9               | 10             |
| (-) Non-interest income from the release of pre-acquisition provisions   | 368             | 2,643          | 786            | -2,278           | 1,518           | 194            |
| (+) Other other non-interest expenses  | -137,729        | -27,953        | -7,920         | -9,125           | -182,726        | -22,063        |
| (+) Change in shareholders' equity of companies consolidated with equity method  | 237             | 490            | -58            | 22               | 690             | 1              |
| (-) Badwill booked in relation to acquisitions   | 1,845           | 0              | 0              | 0                | 1,845           | 0              |
| (-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary | -136,832        | -26,119        | -6,285         | -1,184           | -170,420        | 0              |
| (-) One-off impact of regulatory changes related to FX consumer contracts in Serbia  | -104            | 0              | -104           | -2               | -211            | 0              |
| (-) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015                       |                 |                |                | 1,868            | 1,868           |                |
| (-) One-off impact of regulatory changes related to CHF consumer contracts in Croatia  |                 |                |                |                  |                 | -8,720         |
| (-) One-off impact of the CHF mortgage loan conversion programme in Romania  |                 |                |                |                  |                 | -12,965        |
| <b>Net other non-interest result (adj.) with one-offs</b>  | <b>1,906</b>    | <b>1,396</b>   | <b>1,195</b>   | <b>1,832</b>     | <b>6,329</b>    | <b>3,139</b>   |
| <b>Net other non-interest result (adj.) without one-offs</b>   | <b>1,906</b>    | <b>1,396</b>   | <b>1,195</b>   | <b>1,832</b>     | <b>6,329</b>    | <b>3,139</b>   |
| <b>Provision for loan losses</b>   | <b>-151,153</b> | <b>-27,142</b> | <b>-55,351</b> | <b>-85,036</b>   | <b>-318,683</b> | <b>-35,123</b> |
| (+) Non-interest income from the release of pre-acquisition provisions   | 368             | 2,643          | 786            | -2,278           | 1,518           | 194            |
| (-) Revaluation result of FX provisions  | -88,402         | 21,943         | 145            | -29,469          | -95,783         | -14,184        |
| (-) Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015  | 68              | 20             | -146           | -182             | -240            | 0              |
| (-) Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015   | -1,307          | -1,249         | 295            | -424             | -2,684          | 0              |
| (-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia   |                 |                | 2,058          | 0                | 2,058           | 0              |
| (-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary |                 |                |                | -8,852           | -8,852          | 0              |
| <b>Provision for loan losses (adj.)</b>  | <b>-61,145</b>  | <b>-45,213</b> | <b>-56,917</b> | <b>-48,388</b>   | <b>-211,663</b> | <b>-20,745</b> |
| <b>After tax dividends and net cash transfers</b>  | <b>-4,406</b>   | <b>-1,606</b>  | <b>-2,765</b>  | <b>-3,731</b>    | <b>-12,508</b>  | <b>-447</b>    |
| (-) Sponsorships, subsidies and cash transfers to public benefit organisations   | -4,645          | -4,601         | -2,787         | -3,440           | -15,473         | -516           |
| (-) Dividend income of swap counterparty shares kept under the treasury share swap agreement   | 0               | 2,433          | 0              | 0                | 2,433           | 0              |
| (-) Change in shareholders' equity of companies consolidated with equity method  | 237             | 490            | -58            | 22               | 690             | 1              |
| (-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary |                 |                |                | -303             | -303            | 0              |
| <b>After tax dividends and net cash transfers</b>  | <b>2</b>        | <b>72</b>      | <b>80</b>      | <b>-10</b>       | <b>144</b>      | <b>68</b>      |

**INTERIM MANAGEMENT REPORT – FIRST QUARTER 2016 RESULT**

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

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