Message from the Chairman & CEO

DEAR SHAREHOLDERS,

Although 2014 was not the most profitable year in terms of the bottom line, overall we had a successful twelve months. I would like to explain this apparent contradiction in a little more detail.

The HUF 102.3 billion accounting loss incurred by the OTP Group last year was the result of one-off adjustment items. What's more, the HUF 220.3 billion annual total of these correction items exceeds that of any previous year, and includes items that have little to do with normal banking operations in the strictest sense of the word; specifically, these were the losses related to the escalation of the Russia-Ukraine conflict, and the expected one-off negative impact on profit of the statutory changes relating to consumer contracts in Hungary. The latter, in terms of size, was the most significant of the one-off items, at almost HUF 156 billion (after-tax). Although ultimately the laws, commonly referred to as the laws on 'calling banks to account', declared that the banks had illegitimately applied an interest rate spread when disbursing foreign-currency loans, and that their unilateral interest rate increases were unfair, I continue to maintain that OTP Bank was acting within the constraints of the prevailing legislative environment, and we intend to pursue every legal avenue of recourse.

The other one-off factor that resulted in several changes to the profit forecast during 2014 was the Russia-Ukraine conflict. First of all, in the second quarter, all our branches in the Crimean Peninsula were closed and we set aside risk provisions for 100% of the outstanding receivables; then, in the third and fourth quarters, the exposures in East Ukraine (Donetsk and Luhansk counties) were also effectively provisioned in their entirety. The combined negative impact of this on profit was HUF 33.4 billion (after-tax). Furthermore, two additional items affected the amount of the correction items: the HUF 5 billion negative impact of the Ukrainian goodwill write-off, and the HUF 4 billion positive impact of the acquisition in Croatia.

The Bank Group's after-tax, consolidated adjusted profit was HUF 118 billion, which falls 19% short of the figure for the previous year. Before embarking on a detailed exposition of the result, I would also like to evaluate certain other aspects of the past year.

In 2014 we saw a continuation, indeed a strengthening, of the duality represented by the improvements in macroeconomic indicators and banking operations in Central and Eastern Europe on the one hand, and the deterioration in the outlook and performance in Ukraine and Russia on the other.

Following a return to growth in 2013, in 2014 the Hungarian economy produced one of the most dynamic growth rates within the European Union, with GDP expanding by 3.5% y-o-y.

In the meantime the financial balance indicators continued to develop favourably: the budget deficit was bellow 3% for the third year running, the balance of payments showed a stable surplus (4% of GDP), and the national debt decreased to a level of 77.3%. Employment improved, and the unemployment rate fell to 7.1%. Annual inflation was –0.2%, and following a 90-basispoint annual reduction, the central bank's base interest rate has stood at 2.1% since August. The excellent economic performance was paired with a favourable structural transformation: in parallel to the continuing run of good export figures, domestic consumption is also growing discernibly, due in no small measure to improving household incomes. A welcome development is that the domestic property market also appears to be recovering: the number of home construction permits is on the rise again, trade in property is growing, and house prices, which had long been falling, also started to increase in 2014.

With the exception of Ukraine and Russia, we witnessed similarly favourable trends, albeit in varying degrees, in the other countries where the Group has a presence: alongside the improved economic performance, consumption is picking up, structural reforms are continuing, and in Croatia, which has been in recession for years, we expect a positive turn of events in 2015.

As regards Ukraine and Russia, however, the management was faced with a substantial deterioration in the operating environment, and with greater-than-expected losses.

A positive development is that in Hungary the regulatory environment improved considerably: in 2014 the passing of four new laws marked an end, in legal terms, to the uncertainty that had surrounded foreign currency loans, and consumer loans in the broader sense, for many years. The Hungarian Parliament passed laws in July, and then in September 2014, declaring the previously applied interest rate spread to be null and void, establishing the presumption of unfairness with respect to unilateral contract amendments, and ordering settlement by the banks. These were followed in November by the act on the conversion of foreign currency loans to forint, and the act on "fair banking". Although the aforementioned laws placed a considerable burden on the banks in connection with the settlement process, and will also have a negative impact on their future revenues, they have eliminated from the system a risk factor that had generated constant tension and impeded the more predictable, healthier operation of the banking system in previous years. Parallel to this, the settlement, through an income transfer in the order of hundreds of billions of forints, will substantially improve the financial position of customers, which hopefully will result in increased borrowing activity in time.

In past years I have commented more than once on the negative impact that the frequently changing, often unpredictable domestic legislative environment has on normal business operations. It seems that we are starting to see positive changes in this respect, for which the improving macroeconomic environment has created a favourable framework. There is no doubt that resolving the problem of foreign currency mortgage loans is of key importance with regard to the banking sector's long-term development. Through the aforementioned forint-conversion act, the bulk of the foreign currency mortgage loans have been eliminated, and in relation to this the National Bank of Hungary (MNB), in November 2014, made available the quantity of foreign currency necessary for the sector to close its open positions. Besides this, with effect from 1 January 2015 customers' repayments on mortgage loans denominated in Swiss franc, euro or Japanese yen, were calculated at the central bank's exchange rate valid on 7 November. On 15 January 2015 the Swiss central bank unexpectedly unpegged the Swiss franc's exchange rate from the euro, temporarily triggering massive swings in the market. In this light, the MNB's action and professional implementation is highly commendable, as the strengthening of the Swiss franc led to no extra burden whatsoever for Hungarian foreign currency mortgage borrowers.

In addition to the above step, a growing number of market-friendly measures were reflected in economic policy. Specifically, on 9 February 2015 an agreement was reached between the Government and the EBRD, under which the Government committed itself to a cut of some HUF 60 billion in the bank tax for 2016, followed by a further substantial reduction from 2017 onwards. The government also agreed to refrain from introducing measures that are detrimental

to the banking sector's profitability, and to ensure fair competition and equal treatment among the financial institutions active in the market. Besides this, the MNB extended and expanded the Funding for Growth Scheme (FGS) launched in 2013. In the first phase of the FGS, some HUF 701 billion in credit was disbursed at favourable terms to the domestic small and medium-sized enterprise sector, while in the second phase, by the end of 2014, contracts totalling HUF 585 billion were concluded. On 18 February 2015 the central bank, as part of what was dubbed FGS+, improved the borrowing opportunities for the small and medium-sized enterprises that had until then been excluded from the scheme, by taking on 50% of the lending losses resulting from the concluded credit agreements, for a maximum of 5 years and up to 2.5% of each individual credit institution's portfolio of loans provided under the scheme. Apart from stabilising the situation of the domestic SME sector, through the loan placements the scheme also contributed to the growth in GDP.
I would also like to highlight two more important events from last year. Firstly, following the past years' continuous market assessment and search for potential targets, in 2014 two successful acquisitions were made: in Croatia, we succeeded in purchasing the local subsidiaries of the Italian Banco Popolare, while in Romania, we acquired Portugal's Bank Millennium. We expect these two deals to bring a further improvement in our market positions, primarily in the field of consumer lending. The integration of the acquired bank was completed in 2014 in Croatia, and is expected to take place in the first half of 2015 in Romania.
Furthermore, October 2014 saw the completion of the asset quality and stress test, encompassing 123 European banks, conducted by the European Central Bank (ECB) and the European Banking Authority (EBA). Before the stress test, the MNB also carried out its asset quality review (AQR) of OTP Bank's asset quality on the basis of the EBA's protocol, which took place on the basis of the ECB's asset quality review methodology with the involvement of an independent auditing firm that does not perform the auditing of OTP Bank. The AQR established no additional provisioning requirement in the case of OTP Bank. Based on the result of the EBA stress test modified with the AQR result, OTP Bank achieved a common equity Tier1 capital ratio of 11.95% in the stress scenario at the end of 2016, which is the 22nd highest value among the tested banks, placing OTP Bank in the upper quintile in this respect.

Overview of financial performance in the year 2014

In 2014 the OTP Group posted a HUF 118 billion adjusted after-tax profit, which is 19% lower than in the previous year. The contributions of individual subsidiaries to profit and loss reflect the duality already described in connection with the macroeconomic trends. The Central and Eastern European group members achieved a combined after-tax profit of HUF 182.5 billion, which reflects a 32% y-o-y improvement owing to the good performance of the Hungarian and Bulgarian operations (which increased their after-tax profit by 20% and 30% respectively). Besides this, all of the smaller subsidiary banks were profitable in 2014 which, given the substantial losses of past years, is a major achievement. Unfortunately, parallel to this, the Russian and Ukrainian subsidiary banks realised a combined loss of HUF 57.7 billion (further increased by the additional HUF 33.4 billion negative impact of the Crimean and East-Ukrainian losses recorded among the adjustment items).

The Bank Group's profitability ratios continue to be good by international comparison although a y-o-y decline can be observed: the adjusted return on assets was 1.1%, while the return on equity came in at 8.5%.
The development of revenues and the profit lines in general was significantly impacted by the trends in the ruble and hryvnia exchange rates, with the former dropping by 77% and the latter by 92% against the US dollar.
The Bank Group's operating profit, stripped of one-off items, was HUF 414.5 billion, which is 7% lower than in the previous year. The 4% y-o-y decrease in revenues was due partly to the already mentioned exchange rate impact, and partly to the drop in credit volumes. Within the main revenue lines, net interest income decreased by 3%, but net fee and commission income rose by 2%. The significant

drop in other net non-interest revenues is the combined result of the base effect and the reclassification of certain items.
The consolidated income margin (7.74%) decreased at annual level (–70 basis points), and within this figure the net interest margin (5.96%) also showed a y-o-y decline. Among the main markets, the bulk of the fall in the Hungarian, Bulgarian and Russian net interest margin resulted from the growth in total assets.
Consolidated operating expenses decreased by 1% in the past 12 months. As a part of the network rationalisation program, relatively major branch closures took place in 2014 in Ukraine and Slovakia (24 and 7 branches respectively, y-o-y), and in response to the altered market circumstances significant cost-cutting projects got under way in Russia and Ukraine.

As regards the most important balance sheet items, on the lending side tentative changes can be observed, but the deposit dynamics also reflect one-off events.

The Bank Group's gross loan portfolio adjusted for the impact of exchange rate changes decreased by 7% y-o-y. Because of the substantial credit write-downs that took place in the reporting period, the development of the performing (DPD0–90) loan portfolio gives a more realistic picture of the actual tendencies. The trend of the previous years continued and accordingly, the portfolios declined by 6%.
With regard to the FX-adjusted change in the performing (DPD0–90) portfolios, the greatest y-o-y decreases occurred at OTP Core (–12%) and Ukraine (–24%), but the picture is nuanced somewhat by the fact that the portfolio shrank by HUF 167 billion y-o-y in the context of the consolidation of municipality loans in Hungary. The consolidated retail loan portfolio declined 3% y-o-y, and within this figure mortgage loans dropped by 7%, but on the other hand performing consumer loans and micro and small business loans grew (+2% and +4% respectively). The portfolio of loans to large corporations fell by 3%. In terms of individual performances, at the Serbian and Croatian subsidiary banks the gross performing loan portfolio increased y-o-y (+14% and +15%), with a substantial part of the growth reflecting the impact of the acquisition in the latter case. Russian consumer loans, which had previously shown dynamic expansion, only increased by a modest 3% y-o-y, but this portfolio grew substantially at annual level at the Romanian (7%), Serbian (10%) and especially the Slovak (69%) subsidiaries, as well as at the Croatian operation (39%) due to the acquisition. In the large corporate segment the performance of the Bulgarian and Serbian subsidiaries stands out (17% and 25% y-o-y growth respectively).
The Hungarian micro and small business DPD0–90 portfolio expanded by 7% y-o-y, due in part to the Funding For Growth Scheme.
The FX-adjusted, consolidated deposit volume increased dynamically, by 11% y-o-y, with the highest growth rate registered in Serbia (+47%), although given their weight in absolute terms the growth in the portfolios of OTP Core (+13%) and DSK (+14%) was also considerable. Commendably, Ukrainian deposits grew both y-o-y and quarter on quarter (by 9% and 5% respectively), which is highly unusual in the Ukrainian market, and also reflects customers' confidence in our bank. Russian deposits also grew in the fourth quarter (+3%), but over the year as a whole they fell by 4%.
As a consequence of the above processes, the Group's net loan-to-deposit ratio (75%) declined significantly over the past year, by 14 percentage points. Another important point is that the Bank Group's liquid reserves at the end of 2014 amounted to the equivalent of EUR 7 billion, while we have no substantive international items due to mature in the coming 1–2 years. Based on all these factors, it is safe to assert that the Bank Group has a stable financial base. At the same time, I would be happier if our consolidated loan-to-deposit ratio were in the region of 100%, because this would mean that our successful deposit collection activity was being accompanied by substantive growth in our lending activity.

A recurring question since the crisis is how long the share of non-performing loans within the portfolio will continue to grow, and whether any improvement can already be seen. The significant non-performing loan portfolio and the resulting provisioning requirement is in itself a major profit-reducing item, and also suppresses the banks' propensity to take risks. In this respect the situation is by no means straightforward, as here too, the duality that characterises the Group is apparent: growth in the portfolio of loans in default for more than 90 days accelerated, increasing from HUF 190 billion in 2013 to HUF 254 billion (adjusted for exchange rates and stripped of the effect of loan sales and write-offs). The y-o-y deterioration, however, was almost exclusively concentrated in the Russian and Ukrainian portfolios (in HUF billion: Russian subsidiary 110, Ukrainian subsidiary 61). While in these two markets the portfolio growth of DPD90+ loans accelerated, at the other banks in the Group the trend was one of stabilisation or a gradual decrease from the second quarter of 2014 onwards.

A positive development in 2014 was that the proportion of loans in default for more than 90 days decreased y-o-y, by 0.4 ppts, to 19.3%, due to write-offs and sales. Since September 2014 the Group has made use of the opportunity to effect partial write-off. This is permitted where the chance of fully recovering a financial claim is very slight. Partial write-off may only be applied to the part of the claim in excess of the maximum expected recovery. The methodological background was agreed with the auditor. As a part of this, during 2014 a total of HUF 238 billion in non-performing loans were written off at group level, which primarily affected OTP Core (HUF 66 billion), the Russian (HUF 56 billion) and Ukrainian (HUF 27 billion) subsidiary banks, and DSK Bank (HUF 67 billion). In terms of the product segments, at the Hungarian and Ukrainian operations, corporate receivables, and in the case of the Russian and Bulgarian subsidiaries, mostly retail claims, were taken off the books. Had it not been for the use of the partial write-off method, the DPD90+ rate would have been 22% at the end of 2014.

The OTP Group's capital strength remained exceptionally stable as of the end of 2014: The Bank Group's IFRS consolidated Common Equity Tier1 (CET1) ratio was 14.1% at the end of 2014. The amount earmarked for dividend payment in 2014 in accordance with Hungarian accounting standards was not deducted from the capital when calculating the IFRS consolidated capital adequacy ratios, because in the event of a loss, the result of the reporting year is not reduced by the dividend. With deduction of the amount earmarked for dividend, the consolidated CET1 ratio would have come in at 13.5%. The stand-alone CET1 ratio of OTP Bank was 14.8%, at the end of 2014.

The Bank's stable capital position provides scope for the payment of dividend, the ultimate extent of which will be decided by the General Meeting due to be held in April. The management will make a proposal for payment of the same amount as last year (HUF 40.6 billion), resulting in a dividend payment of approximately HUF 146 per share. On the one hand, the payment of dividend reflects our optimism with regards to the economic and financial trends in Central and Eastern Europe, but at the same time the unchanged amount signifies a need for caution in light of the uncertainty surrounding the situation in Russia and Ukraine.

Individual performances of banks in the group

Within the Bank Group, in 2014 the adjusted profit of the **Hungarian core operation** was HUF 137.4 billion, which exceeds the previous year's performance by 20%. The considerable improvement in the annual adjusted profit is, first and foremost, a consequence of the 57% decrease in risk costs: the operating profit/loss figure adjusted for one-off items dropped by 6%, as the combined result of the fall in revenues (–2% y-o-y) and the 2% rise in operating expenses. The 39 basis-points drop in the annual interest margin (3.92%) was primarily due to the environment of lower domestic interest rates, and the considerable growth in the balance sheet total experienced in the second half; net interest income declined by 3%.

A favourable development is that the rate of portfolio deterioration slowed continuously after the first quarter, with factors in this being the relatively stable forint and the increasingly widespread use of the exchange rate cap scheme, available to customers with foreign currency loans, which results in fixed monthly repayments for a period of five years. Accompanied by a substantial drop in the cost of risk, the provisioning coverage of loans in default by more than 90 days decreased (76.5%, –8.8 pps y-o-y). The DPD90+ rate remained effectively unchanged (17.5%). The performing loan portfolio shrank by 12% over the year, adjusted for exchange rates. The retail portfolio decreased by 7% in the case of both mortgage loans and consumer loans. Within the corporate portfolios, the 77% annual drop in municipality loans predominantly reflects the impact of the state debt consolidation initiative. It was favourable, however, that partly due to the Funding for Growth Scheme of the National Bank of Hungary the portfolio of loans provided to Hungarian businesses increased 4.2% over the year at OTP Bank (adjusted for the partial write-offs effected at OTP), while the portfolio of the Hungarian credit institutions sector, excluding OTP, declined by 3.5%. The OTP Group's share of the portfolio of loans provided to Hungarian businesses increased further (Q4 2014: 13%, +0.6 ppt y-o-y).

Concurrently with the restrained loan disbursement prevalent in the banking sector as a whole, OTP's share of the retail market is consistently high, with a 30.4% share of new mortgage loan disbursements in the fourth quarter of 2014 (28.3% over the year), and within this, an outstanding volume of mortgage loans disbursed in December, representing a market share of 34.1%. The FX-adjusted deposit volume, including retail bonds, increased by 12% y-o-y. Despite the popularity of alternative investment vehicles on offer (government securities, investment funds), the volume of retail deposits grew by 7% at both annual and quarterly level. This rate of growth was considerably surpassed by the 21% rise in corporate deposits. The net loan-to-deposit ratio sank to a low that has not been seen for a long time (53%, –14 ppts y-o-y, FX-adjusted).

Among the key members of the Hungarian group, **OTP Fund Management** posted an annual after-tax profit, excluding bank tax and one-offs, of HUF 6.1 billion; the substantial 71% y-o-y improvement was due to the growth in the fund and asset management portfolios and, in relation to this, the considerable growth in fee and commission revenues. The **Merkantil Group** suffered a HUF 1.5 billion loss in 2014 as a result of the significant increase in risk costs. The loan portfolio continued to decrease, but the pace of growth in new loans is showing an improving trend. Underlying the consolidated annual adjusted profit was a significant change in the ranking of foreign subsidiaries by individual performance, and due to the losses in Ukraine and Russia the foreign subsidiary banks' contribution to profit was overall negative (in HUF billion, 2013: +25, 2014: –20.8).

The excellent performance of the **Bulgarian DSK Bank** stood out not only on its own merits, but also in the light of its weight within the Group: its HUF 39.2 billion annual after-tax profit is a 30% improvement on the previous year, and significantly exceeds the previous, HUF 31 billion, record profit of 2008. This superlative performance is only partly attributable to the 12% decrease in risk costs; the main driving force was the 13% improvement in operating profit. The bank's FX-adjusted DPD0–90 loan portfolio expanded by 2% y-o-y, and within this figure the 2% drop in the retail loan portfolio was compensated for in a considerable extent by the 18% growth in the corporate portfolio. Owing to the bank's excellent operation and market reputation, the FX-adjusted deposit volume rose by 14%.
The **Russian subsidiary** made a loss for the first time since it became a member of the Group in 2006. In 2014 overall the Bank realised a HUF 14.5 billion negative result, which contrasted with the HUF 2.4 billion profit of the base period. The loss can primarily be attributed to the fall in operating profit (in ruble: –6% y-o-y) resulting from the worsening economic environment, but risk costs also increased by a significant extent (in ruble: +12% y-o-y). The deterioration in portfolio quality continued, with the portfolio of non-performing loans growing by HUF 110 billion last year. However, as a consequence of the sales and write-offs of non-performing loans, most of which took place in the fourth quarter, the DPD90+ rate decreased substantially y-o-y, from 18.1% to 14.7%. It is clear that the consumer credit boom that began in the Russian market at the end of the last decade has slowed discernibly, and OTP Bank Russia reacted to this earlier than the market, and has pursued a more conservative business policy. The cyclical correction brought a substantial

increase in the risk costs for all players in the market. The latest developments beg the question of whether it was a good decision to enter the Russian market in 2006. My answer is an unqualified yes! In spite of last year's loss, the cumulative profit of the past nine years approaches HUF 110 billion. In the future we will concentrate mainly on the consumer durable loans market; and through Touch Bank, launched in spring 2015, we aim to use online channels to reach a new affluent customer base within the younger age cohort. In other words, we have no intention of leaving the Russian market.

The performance of the **Ukrainian subsidiary** dropped off considerably due to the worsening operating environment and substantial weakening of the hryvnia: in 2014 the bank's total loss was HUF 76.6 billion, and within this, the after-tax impact of the provisions set aside for the Crimean and East-Ukrainian (Donetsk and Luhansk counties) exposures represented HUF 7.9 and 25.5 billion dollars respectively. Although the loss had a sensitive impact on the Group's annual performance, the size of the Ukrainian subsidiary bank is relatively modest within the Group, with 5.5% of performing loans being in Ukraine. The FX-adjusted DPD0–90 loan portfolio fell by 24% y-o-y; a more pronounced decrease occurred in respect of performing retail loans (–32%), while the corporate loan portfolio fell by 17%. The bank's operating result fell considerably (in hryvnia: –11% y-o-y), and risk costs grew three-and-a-half fold. The portfolio deterioration accelerated, and despite the write-offs the DPD90+ rate rose by 11.5 ppts (46.1%). Amid the current uncertain circumstances, lending activity is restrained and selective, besides which the Bank is working to continuously reduce its net position towards the subsidiary, while injections of capital necessary for operation can only take place in the form of the conversion of existing subordinated loans into capital.

A favourable development last year was that the **Romanian subsidiary** moved into profit: in contrast to the HUF 4.1 billion negative result of the previous year, the bank achieved an after-tax profit of HUF 0.8 billion in 2014. Although the cost of risk decreased by 20% over the year as a whole, the improvement in business performance was primarily due to the excellent operating profit (+37% y-o-y). The integration of the Portuguese Bank Millennium, which was acquired in 2014, is expected to take place in the first half of 2015, and thanks to the improving Romanian economy we expect our Romanian subsidiary bank to show a further gain in profitability.

The **Croatian subsidiary** remained profitable in 2014, posting an after-tax profit of HUF 104 million. Predominantly due to the acquisition, the FX-adjusted performing loan portfolios grew by 15%, and within this, retail loans were up 21% y-o-y, while deposits increased by 15%. Similarly to our Croatian subsidiary, the **Slovak** and **Serbian operations** were also profitable in 2014, improving the Group's after-tax profit by HUF 32 million and HUF 50 million respectively. Both subsidiary banks showed robust growth in their consumer loan portfolios, with the dynamic increase in deposit volumes providing the source of funding for this expansion. The **Montenegrin** subsidiary, as in 2013, turned a profit in 2014 (HUF 406 million).

As one of the most important strategic objectives of last year, we concentrated our efforts on continuously improving the quality of service, and the projects launched in this context focused on raising customer satisfaction, boosting customer acquisition and cross-selling activity, partly through the use of new (e.g. digital) sales channels, as well as on strengthening operational efficiency. OTP is already a market leader in the se of mobile payment solutions such as PayPass and the mobile wallet; and the "Simple" integrated mobile app, which was launched in September and offers an effective solution for age groups that actively use smart phones, is enjoying growing popularity. We engaged in considerable lending activity in the domestic SME and agricultural sectors, in excess of our market share; with respect to the latter sector we aim to achieve a 20% market share in the next five years. With regard to our large corporate customers, the aim is to leverage cross-selling opportunities as effectively as possible: the corporate project launched in Bulgaria in 2013 generated a considerable portfolio growth, and at the same time improved DSK Bank's market share.

Our stable and profitable operation and constant innovation once again earned us several professional accolades: Global Finance awarded us the title of Best Bank in Hungary, while Euromoney and The Banker named OTP Bank and DSK Bank as Best Private Bank in Hungary and Best Bank in Bulgaria respectively. MasterCard presented OTP Bank with the awards of Most Innovative Bank in 2014 and Best Retail Savings Product, as well as the title of Most Innovative Bank in the Development of Financial Literacy.

Expectations for 2015

Our original expectations relating to 2014 were only partially fulfilled, the primary reason for this being that far from being resolved, the Ukraine–Russia conflict escalated considerably, especially in the last quarter of the past year, resulting in a fall in economic performance and a weakening of the local currency in both countries. Due to this, in terms of the 2015 forecasts it makes sense to deal with the Russian and Ukraine market separately.

Overall, in the **Central and Eastern European countries** where the Bank Group is present, we expect to see improving economic performance and operating environments, and accordingly, a moderate expansion in the banking markets. Following the settlement of FX loans with customers, hopefully the willingness to borrow will strengthen further in Hungary, and the loan portfolio will begin to grow. Besides this, we expect to see a further stabilisation in the quality of the loan portfolios, and a reduction in risk costs. The net interest margin could shrink slightly, mainly due to OTP Core: loan fees will decrease following the conversion of FX loans to forint, and the interest rate environment will remain low for a sustained period.

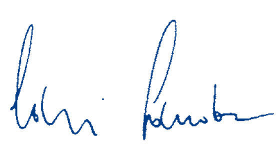
In **Ukraine and Russia,** however, our subsidiary banks will continue to operate at a loss. While in Ukraine the optimisation of operation is moving into focus, in the Russian market we are trying to target new customer segments with the already mentioned digital bank, and make better use of our existing advantages in the consumer durable loans segment. In addition to this, in both markets substantial cost-cutting and network-rationalisation steps will be taken.

The crisis that has lasted since 2008 is also an opportunity: the challenges of past years have continuously motivated the Bank's management, while retaining its existing values, to seek opportunities for ensuring the Company's stable nd predictable operation, in a way that is efficient and profitable both in itself and in comparison to our regional competitors. On the one hand we have continuously sought acquisition targets that fit in well with our business policy strategy, and that contribute to boosting shareholder value.

We have every reason to hope that the Croatian and Romanian acquisitions made in 2014 will live up to our expectations. At the same time, we took care to ensure that the Bank's capital strength complies with the strictest regulatory requirements that are set to be introduced in the future. We believe that our 14.1% CET1 ratio (13.5% after deducting the amount earmarked for dividends) represents a safe level, so we have proposed a dividend payment on a par with that of last year. However, in light of the uncertainty stemming from the conflict between Ukraine and Russia, I can now say that this year secure operation and organic growth will take priority over any corporate acquisitions, both at home and abroad.

In 2015 we have entered the last of the seven lean years of the crisis. I hope it is not just my own personal optimism that prompts me to say that this year will mark the end of a very difficult period for us. In my opinion, overall we have made a good showing, and in comparison to our competitors the situation is clearly favourable: the bank has maintained its stable capital strength and liquidity, our positions on our various markets are strong, and indeed, in certain segments, have improved. I believe that all these fundamental strengths, paired with the selfless, dedicated commitment of our employees to innovation and to continuously improving the standard of our services, as well as the loyalty of our customers, serve as an excellent basis on which OTP Bank can actively contribute to the development of the respective national economies of the countries in which we do business, promoting the prosperity of individuals and communities alike.

We appreciate and look forward to your continued support for the achievement of our objectives.



Dr. Sándor Csányi

Chairman & CEO