OTP Bank Plc.

Summary of the full-year 2016 results

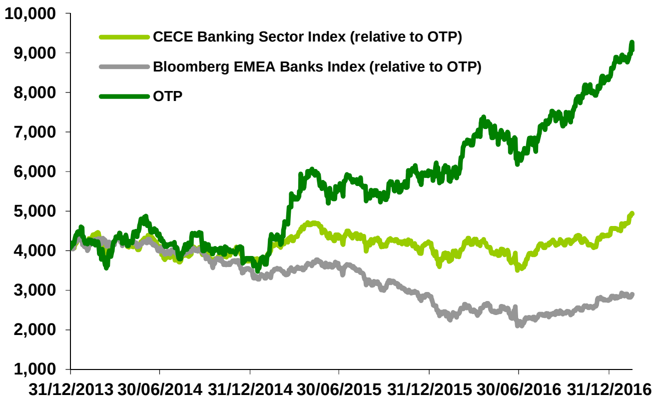
(English translation of the original report submitted
to the Budapest Stock Exchange)

Budapest, 3 March 2017

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the Statement of recognised income in HUF million	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Consolidated after tax profit	**63,171**	**202,452**	**220%**	**26,694**	**69,790**	**26,474**	**-62%**	**-1%**
Adjustments (total)	**-57,073**	**1,276**	**-102%**	**10,099**	**1,038**	**-1,809**	**-274%**	**-118%**
Consolidated adjusted after tax profit without the effect of adjustments	**120,245**	**201,176**	**67%**	**16,595**	**68,752**	**28,283**	**-59%**	**70%**
Pre-tax profit	146,057	244,772	68%	23,939	72,911	37,516	-49%	57%
Operating profit	362,594	335,900	-7%	76,210	86,608	85,011	-2%	12%
Total income	754,912	736,316	-2%	182,849	184,853	193,622	5%	6%
Net interest income	553,659	521,949	-6%	133,279	130,657	133,184	2%	0%
Net fees and commissions	167,250	175,966	5%	43,449	45,411	48,217	6%	11%
Other net non-interest income	34,002	38,400	13%	6,121	8,786	12,221	39%	100%
Operating expenses	-392,317	-400,416	2%	-106,640	-98,245	-108,611	11%	2%
Total risk costs	-220,709	-93,218	-58%	-52,733	-12,780	-47,575	272%	-10%
One off items	4,172	2,090	-50%	462	-917	80	-109%	-83%
Corporate taxes	-25,813	-43,596	69%	-7,344	-4,159	-9,233	122%	26%
Main components of balance sheet closing balances in HUF million	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Total assets	10,718,848	11,307,666	5%	10,718,848	10,952,739	11,307,666	3%	5%
Total customer loans (net, FX adjusted)	**5,454,536**	**5,736,231**	**5%**	**5,454,536**	**5,530,361**	**5,736,231**	**4%**	**5%**
Total customer loans and advances (gross)	**6,423,588**	**6,680,504**	**4%**	**6,423,588**	**6,443,327**	**6,680,504**	**4%**	**4%**
Total customer loans (gross, FX adjusted)	**6,483,245**	**6,680,504**	**3%**	**6,483,245**	**6,515,891**	**6,680,504**	**3%**	**3%**
Allowances for possible loan losses	-1,013,620	-944,273	-7%	-1,013,620	-962,719	-944,273	-2%	-7%
Allowances for possible loan losses (FX adjusted)	-1,028,709	-944,273	-8%	-1,028,709	-985,530	-944,273	-4%	-8%
Total customer deposits (FX adjusted)	**8,025,435**	**8,540,584**	**6%**	**8,025,435**	**8,083,744**	**8,540,584**	**6%**	**6%**
Issued securities	239,376	146,900	-39%	239,376	212,918	146,900	-31%	-39%
Subordinated loans	234,784	77,458	-67%	234,784	82,809	77,458	-6%	-67%
Total shareholders' equity	1,233,659	1,420,650	15%	1,233,659	1,372,086	1,420,650	4%	15%
Indicators based on one-off adjusted earnings %	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
ROE (from accounting net earnings)	5.1%	15.3%	10.2%p	8.6%	20.8%	7.5%	-13.2%p	-1.1%p
ROE (from accounting net earnings, on 12.5% CET1 ratio)	5.3%	17.9%	12.5%p	9.4%	24.2%	9.2%	-15.0%p	-0.3%p
ROE (from adjusted net earnings)	9.6%	15.2%	5.5%p	5.4%	20.5%	8.1%	-12.4%p	2.7%p
ROA (from adjusted net earnings)	1.1%	1.8%	0.7%p	0.6%	2.5%	1.0%	-1.5%p	0.4%p
Operating profit margin	3.34%	3.05%	-0.29%p	2.82%	3.18%	3.04%	-0.14%p	0.21%p
Total income margin	6.96%	6.69%	-0.28%p	6.78%	6.79%	6.92%	0.13%p	0.14%p
Net interest margin	5.11%	4.74%	-0.37%p	4.94%	4.80%	4.76%	-0.04%p	-0.18%p
Cost-to-asset ratio	3.62%	3.64%	0.02%p	3.95%	3.61%	3.88%	0.27%p	-0.07%p
Cost/income ratio	52.0%	54.4%	2.4%p	58.3%	53.1%	56.1%	2.9%p	-2.2%p
Risk cost to average gross loans	3.18%	1.13%	-2.06%p	2.98%	0.56%	1.80%	1.24%p	-1.17%p
Total risk cost-to-asset ratio	2.04%	0.85%	-1.19%p	1.95%	0.47%	1.70%	1.23%p	-0.25%p
Effective tax rate	17.7%	17.8%	0.1%p	30.7%	5.7%	24.6%	18.9%p	-6.1%p
Net loan/(deposit+retail bond) ratio (FX adjusted)	67%	66%	0%p	67%	67%	66%	-1%p	0%p
Capital adequacy ratio (consolidated, IFRS) - Basel3	16.2%	16.0%	-0.2%p	16.2%	15.7%	16.0%	0.3%p	-0.2%p
Tier1 ratio - Basel3	13.3%	13.5%	0.3%p	13.3%	13.2%	13.5%	0.3%p	0.3%p
Common Equity Tier 1 ('CET1') ratio - Basel3	13.3%	13.5%	0.3%p	13.3%	13.2%	13.5%	0.3%p	0.3%p
Share Data	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
EPS diluted (HUF) (from unadjusted net earnings)	242	765	216%	103	266	101	-62%	-2%
EPS diluted (HUF) (from adjusted net earnings)	458	761	66%	64	262	108	-59%	69%
Closing price (HUF)	6,000	8,400	40%	6,000	7,200	8,400	17%	40%
Highest closing price (HUF)	6,158	8,411	37%	6,158	7,530	8,411	12%	37%
Lowest closing price (HUF)	3,479	5,714	64%	5,288	6,280	7,200	15%	36%
Market Capitalization (EUR billion)	5.4	7.6	41%	5.4	6.5	7.6	16%	41%
Book Value Per Share (HUF)	4,406	5,074	15%	4,406	4,900	5,074	4%	15%
Tangible Book Value Per Share (HUF)	3,840	4,487	17%	3,840	4,339	4,487	3%	17%
Price/Book Value	1.4	1.7	22%	1.4	1.5	1.7	13%	22%
Price/Tangible Book Value	1.6	1.9	20%	1.6	1.7	1.9	13%	20%
P/E (trailing, from accounting net earnings)	26.6	11.6	-56%	26.6	9.9	11.6	17%	-56%
P/E (trailing, from adjusted net earnings)	14.0	11.7	-16%	14.0	10.6	11.7	10%	-16%
Average daily turnover (EUR million)	15	15	-2%	14	13	13	-1%	-3%
Average daily turnover (million share)	0.9	0.7	-26%	0.7	0.6	0.5	-13%	-30%

SHARE PRICE PERFORMANCE



MOODY'S RATINGS

OTP Bank

Foreign currency long term deposits	Baa3

OTP Mortgage Bank

Covered mortgage bond	Baa1

STANDARD & POOR'S RATING

OTP Bank and OTP Mortgage Bank

Long term credit rating	BB+

FITCH'S RATING

OTP Bank Russia

Long term credit rating	BB

[1] Structural adjustments made on consolidated IFRS profit and loss statement together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of this report.

SUMMARY OF THE FULL-YEAR 2016 RESULTS

The Summary of the full-year 2016 results of OTP Bank Plc. has been prepared on the basis of its separate condensed and consolidated IFRS financial statements for 31 December 2016 or derived from that. At presentation of full year 2016 report of OTP Bank we applied International Financial Reporting Standards adopted by the European Union.

SUMMARY OF THE FULL-YEAR 2016 AND THE FOURTH QUARTER 2016

In 2016 the Hungarian economic output increased by 2% y-o-y with bulk of the macroeconomic indicators demonstrating material y-o-y improvement. Due to stronger revenues and despite the significant year-end fiscal stimulus the overall budget deficit remained below 2% and the public debt to GDP declined below 74%. Within that the FX component and the share of non-resident holding eroded substantially, as a result the public debt financing conditions improved a lot and the vulnerability of Hungary declined further.

The Central Bank continued its loose monetary policy supporting the sustainable economic growth through conventional and non-conventional tools. The policy rate remained unchanged at 0.9% since May 2016, whereas the interbank reference rates (of which the most relevant for the banking sector is the 3M BUBOR) dropped well below that level as a result of Central Bank measures.

Apart from the supporting operating environment the banking sector also benefited from those government measures (scaling back the banking tax, extending the Housing Subsidy Scheme for Families, the so-called CSOK) which aimed at the longer term stable and balanced growth of the economy.

It is of great importance for the stable development of the sector that after several consecutive years of loan portfolio erosion the long-awaited turnaround in lending activity did take place in 2016: net loan flows turned into positive on sector level and due to strong underwriting activities corporate volumes have already increased.

The favourable macroeconomic trends and positive regulatory changes induced upgrades at rating agencies, too: by November 2016 Hungary became investment grade rated again at all major rating agencies. Such steps will undoubtedly support an even more cost-effective refinancing of public debt and stronger FDI flows.

Regarding 2017 economic outlook, OTP Bank's own forecast is a 3.9% GDP growth supported by further improving local consumption and more active utilization of EU funds. Fiscal deficit might drop well below 2%, whereas the average inflation may be around 2.9%. As a result of the tight labour market, the year-end wage agreements and additional government measures, the nominal wage increase is expected to hover between 7-8%. Based on that forecast OTP Bank expects positive loan growth in each major product segments in its Hungarian operation.

As for the rest of OTP's operation in the CEE region the management calculates with improving macroeconomic conditions in each country, thus 2017 might be the first year since the crisis when all regional economies might post positive GDP growth. Besides Hungary the GDP increase is expected to be the strongest in Romania and Bulgaria (above 4% and 3% respectively), in case of Romania the new Government announced massive fiscal expansion plans in January 2017.

In case of Ukraine and Russia, local subsidiaries became profitable earlier and in bigger scale than expected, and the operational environment supports cautious optimism for both countries.

If the base case scenario prevails without any major negative geopolitical disruption the Ukrainian GDP might expand between 2.5-3.0% and further structural reforms might be carried on (one good example of that was the forced nationalization of the largest local bank, PrivatBank in December 2016) which overall can have a stabilizing impact on Ukraine.

With the current oil price above 50 USD/barrel the Russian authorities enjoy the benefit of some fiscal manoeuvring potential; it also does have a positive impact on RUB and helps loading the fiscal reserves. Furthermore, it might allow the CBR to continue its cautious rate-cut moves. As a whole it may support consumption/investment behaviour.

In line with its strategic goals and utilizing its outstanding liquidity and capital position in 2016 OTP Group completed a successful acquisition in Hungary and announced another one in December in Croatia.

The take-over of AXA Bank's Hungarian portfolio was completed on 1 November, thus the relevant balance sheet and P&L items were consolidated in 4Q 2016.

The acquisition of Splitska banka in Croatia was announced on 21 December 2016, the consolidation is expected to take place in 2H 2017, whereas the full integration process will be completed in 2018.

Changes related to mortgage loans in Romania

On 13 May 2016 the so-called 'walk-away' law came into effect. Clients' interest was fairly benign: by 31 December only 269 customers applied for the scheme (with a gross volume of RON 83 million). OTP Bank Romania has already created the necessary individual and collective provisions. On 25 October 2016 the Romanian Constitutional Court declared several parts of the law unconstitutional and ruled the issue into the competence of local courts to deal with the insolvency and unforeseen developments issues of clients.

On 18 October 2016 the Romanian Parliament unanimously passed a law requiring banks to convert all mortgages originated in CHF into local currency at rates prevailing at origination, however on 24 October the Romanian Government sent the law to the Constitutional Court for review, consequently the President has not signed the Act either. On 7 February 2017 the Constitutional Court declared the Act as a whole unconstitutional.

Consolidated earnings: HUF 201 billion adjusted after-tax profit, eroding income margin and net interest income margin, massively declining risk costs, further improving credit quality trends, increasing DPD90+ coverage

The consolidated accounting profit was HUF 202.5 billion in 2016 versus HUF 63.2 billion posted in 2015. Against the last couple of years this time adjustment items had a limited impact on the annual accounting profit.

The adjusted 2016 ROE improved to 15.2% (+5.5 pps y-o-y), whereas the ROA reached 1.8% (+0.7 pp y-o-y). Based on the accounting profit the annual ROE reached 15.3%. In case the accounting ROE was calculated with a CET1 ratio of 12.5% targeted by the management, the ROE would be 17.9%.

During the course of 2016 the Bank booked all-in +HUF 1.3 billion adjustments which is materially different compared to 2014 or 2015 (-HUF 220 billion and -HUF 57 billion respectively).

In 4Q the Bank booked -HUF 1.8 billion adjustment items (3Q: +HUF 1 billion), the major items were as follows:

- Similar to previous years impairment was booked in relation to the investment in the Ukrainian Factoring company under Hungarian Accounting Standards. While under IFRS it had direct effect neither on the consolidated balance sheet nor on the P&L, there was a related positive tax shield of HUF 0.8 billion that added to the Group's IFRS accounting profit.
- Based on the ruling of the Supreme Court on 16 December 2016 related to a fine imposed earlier by the Hungarian Competition Authority a HUF 1.9 billion positive item emerged (after tax).
- In Hungary the switching from Hungarian Accounting Standards into IFRS from January 2017 resulted in a positive corporate tax impact in the amount of HUF 1.7 billion (detailed explanation see in the Company's 9M Summary).
- Effective from 1 January 2017 the Hungarian corporate tax rate was cut uniformly to 9% and the move implied revaluation of deferred tax assets and liabilities at Hungarian Group members. These revaluations had a total impact of -HUF 2.7 billion stemming from two components: on one hand there was a -HUF 6.1 billion P&L impact booked among the adjustment items. Also, the revaluation impact booked directly against equity in 4Q 2016 is +HUF 3.4 billion. This item is owing to the revaluation of deferred tax liabilities related to the mark-to-market valuation gains of AFS securities booked directly against equity.
- HUF 183 million banking tax paid by the Slovakian subsidiary (after tax).

For 2017 the management expects only one negative adjustment item to occur, the banking tax. Its total amount on consolidated level might be around HUF 15.4 billion (after tax) including the Slovakian banking levy, too. In Hungary the base for calculating the amount of the tax will be the adjusted balance sheet of two years before (i.e. in 2015), whereas the applied upper rate will be reduced to 0.21%.

Furthermore, the contribution tax introduced in 2006 was entirely abolished. In 2016 its annual amount was HUF 2.0 billion and it was booked within operating expenses.

In 2016 OTP Group posted HUF 201.2 billion adjusted after tax profit (+67% y-o-y). The tax burden increased by almost HUF 18 billion y-o-y, but the effective tax rate remained almost unchanged (17.8%). The operating income eroded by 7%, however it was comfortably offset by lower risk costs which plummeted to around one third in the base period.

Within the annual consolidated adjusted after tax profit significant shift has happened in case of individual contributions: after posting losses in the last two years, the Russian subsidiary realized above HUF 20 billion profit after tax, while the Ukrainian bottom line result reached HUF 10.2 billion. The y-o-y improvement was HUF 35.6 billion and HUF 50.5 billion, respectively, which mainly drove the y-o-y earnings improvement on Group level. Despite a y-o-y decline in their net results, OTP Core (HUF 122.2 billion) and DSK Bank (HUF 47.4 billion) still maintained their dominant position. Material improvement was realized in

Croatia (HUF 3.8 billion), as well as at Merkantil Group (HUF 2.6 billion) and OTP Fund Management (HUF 6.7 billion). Out of foreign subsidiaries Slovakia and Montenegro turned into red (-HUF 2.2 billion and 1.8 billion, respectively) as a result of higher risk costs. Furthermore, the Russian online operation, Touch Bank remained a loss maker in 2016, too with -HUF 5.9 billion.

Within 2016 total income the net interest income dropped by 6%. Despite performing loan volumes expanded by 6% y-o-y (FX-adjusted), their average volume was fairly stable, thus the main reason behind lower NII was the eroding net interest margin. The lower NIM (4.74%, -37 bps y-o-y) was mainly due to the declining overall interest rate environment and the dilution effect of the increasing balance sheet. The average of the quarterly NIMs however showed a higher annual rate (4.81%). The lower interest rate environment took its toll almost at all Group members: in 2016 only the Croatian subsidiary managed to increase its NII in HUF terms. In local currency terms, however both Russia and Ukraine achieved higher NII (+2.5% in RUB and +7.3% in UAH terms, respectively).

Net fees and commissions had a good run (+5% y-o-y) supported mainly by strengthening lending activity and stronger transactional turnover. Other net non-interest income increased by 13% y-o-y. As a result total income fell short of the base period by 2% y-o-y.

Operating expenses grew by 2% y-o-y. Higher personnel expenses reflected the impact of ongoing wage inflation in several countries, while administrative expenses grew due to higher marketing spending induced by stronger lending activity, but also to higher contributions paid to regulatory bodies and higher IT costs.

In 4Q OTP Group posted HUF 28.3 billion adjusted profit after tax which was less than half realized in the previous quarter. Total income showed a favourable picture (+5% q-o-q), within that core banking revenues improved, too: net interest income increased by 2% q-o-q, whereas net fees and commissions by 6% respectively. Other non-interest income jumped by 39% q-o-q. Within the Group in 4Q OTP Core posted q-o-q higher NII which already reflects the 2 months effect of the AXA portfolio take-over. Also, due to the strong POS origination, as well as the q-o-q 6% appreciation of RUB against HUF the Russian NII contribution increased, too.

The lower quarterly bottom line earnings on one hand related to the q-o-q 11% increase of operating expenses, but more so to the leaping risk costs (+272% q-o-q). The management continued its cautious and conservative provisioning policy which was in line with effective regulations and accounting rules.

The FX-adjusted consolidated loan portfolio grew by 3% both y-o-y and q-o-q. Given the significant volumes of sold and written off non-performing exposures, volume trends in performing book would give a more realistic picture. Accordingly DPD0-90 volumes increased by 6% y-o-y and by 4% q-o-q. Within that the performing portfolio at OTP Core advanced by 12% y-o-y, true, also reflecting the impact of the AXA portfolio take-over in 4Q. Without the AXA-effect volumes would have increased by 1% q-o-q and 3% y-o-y respectively. In Ukraine and Bulgaria volumes expended quite remarkably (+5% and 4% y-o-y), whereas in Russia the strong 4Q loan sales (+10% q-o-q) broke the declining trend and the overall portfolio started growing again even in y-o-y comparison.

As for the major credit categories: on consolidated level the large corporate exposure and the SME book increased by 12 and 13% respectively (+2% q-o-q in both segments), mainly due to the strong Bulgarian and Hungarian performance. In the retail segment the performing consumer book grew by 2% y-o-y and the mortgage book by 5%. Without AXA-effect the mortgage volumes would have remained unchanged q-o-q and dropped by 3% y-o-y.

Despite the ongoing interest rate reduction the FX-adjusted deposit volumes grew by 6% y-o-y. As a result the consolidated net loan-to-(deposit+retail bonds) ratio remained almost flat (66%).

The volume of issued securities declined by 39% y-o-y, redemptions occurred mainly at OTP Core. The outstanding volume of subordinated bonds and loans dropped by 67% y-o-y. In September an LT2 facility matured and was repaid with EUR 500 million face value. The Bank did not buy back subordinated debt during 2016.

The consolidated volume of securities reached HUF 2,934 billion by the end of 2016 (+18% y-o-y); the dominant part was government securities.

In 4Q 2016 the Bank had an option to redeem its Perpetual bonds and exchangeable bonds (ICES), but the management did not exercise its right. In both cases there was a change in the original conditions of the coupon: in case of the Perpetual bonds the 5.875% annual coupon, for ICES the 3.95% annual coupon changed in both cases into 3M EURIBOR +300 bps. A lower interest payment obligation resulted in savings on interest expense of HUF 0.7 billion in 4Q at the Corporate Centre.

By end-December 2016 the Group's liquidity position was comfortably stable: the operative liquidity reserves of the Group comprised EUR 8.1 billion equivalent.

Similar to the previous years, Group members sold or wrote off non-performing exposures in 2016 with a value of HUF 172 billion (FX-adjusted). Of that the most meaningful sale/write off took place in 4Q with HUF 74 billion.

In line with the management's original expectation and supported by the improving macroeconomic environment overall credit quality trends continued to be favourable: new DPD90+ volumes (adjusted for FX and without the effect of sales and write offs) grew by HUF 82 billion versus HUF 133 billion a year ago. Of that 4Q comprised HUF 25 billion (within that HUF 15 billion was related to the AXA portfolio take-over). The most meaningful improvement was witnessed in Russia, whereas in Hungary and Bulgaria practically there was no further deterioration and Ukraine showed a promising picture, too. The consolidated DPD90+ ratio declined to 14.7% (-2.3 pps y-o-y). In Hungary the rate dropped to 9.8%, last time the DPD90+ ratio was below 10% in 2010. The DPD90+ total coverage stood at 96.8% (+3.4 pps y-o-y).

OTP Core: marginally lower adjusted net earnings, eroding NIM, increasing loan portfolio, favourable credit quality trends with the DPD90+ ratio dropping below 10%

The adjusted after tax profit of ***OTP Core*** (basic activity in Hungary) reached HUF 122.2 billion in 2016, underpinning a 1% y-o-y decline. 4Q the profit comprised almost HUF 24 billion (-39% q-o-q).

The profit before tax improved by 2% y-o-y, within that the operating income declined by 16% as a result of lower net interest income (-6%) and higher operating expenses (+7%).

The net interest margin (3.36%) eroded by 25 bps y-o-y mainly due to lower interest rate environment. Most of the variable-rate assets are priced on 3 months BUBOR, its level dropped from 1.35% at the beginning of the year to 0.37% in late December.

The y-o-y decrease in operating income was offset by significantly lower risk costs. While total provisions in 2015 comprised HUF 25.6 billion, in 2016 HUF 6.1 billion total provisions (within that HUF 14.0 billion provisions for loan losses) were released. The loan portfolio quality demonstrated further improvement: the FX-adjusted DPD90+ volume formation (without sales and write-offs) was HUF 12 billion (versus a decline of HUF 11 billion in 2015), however HUF 15 billion growth was related to the AXA portfolio consolidation in 4Q 2016. The total volume of DPD90+ book declined by around HUF 34 billion y-o-y as a result of sales and write-offs. Consequently, the DPD90+ ratio dropped below 10% (9.8%, -2.3 pps y-o-y) for the first time since 2010. The coverage of DPD90+ loans by total allowances for loan losses declined to 82.7% from end-3Q 86.5%. If the AXA portfolio hadn't been taken over net of allowances for loan losses, the coverage would have stood at 86.3% in 4Q.

4Q total income eroded by mere 1%, however, NII kept increasing (+HUF 2.2 billion q-o-q), partly related to the consolidation of the AXA portfolio. The 4Q NIM was stable q-o-q (3.40%).

The annual operating expenses grew by 7%: on one hand contributions to different regulatory bodies increased by HUF 3 billion y-o-y, and the strengthening business activity was coupled with higher marketing costs. In 4Q 2016 the 10% q-o-q increase was partially related to the AXA deal.

The sector-level turnaround in lending activity can be witnessed at OTP Bank, too. Performing volumes increased by 12% y-o-y (without AXA by 5%), while the quarterly growth was 7% (+0.4% without AXA). The strongest improvement was posted in the corporate and SME sector (+15% and +11% y-o-y, respectively). The dynamism in the large corporate sector remained strong in 4Q, too (+2% q-o-q).

As for the retail segment, performing volumes including AXA increased by 12% y-o-y, without it the erosion was 3%. The annual volume of portfolio amortization still exceeded that of the new flows.

New mortgage originations continued to be meaningful, new flows grew by 40% y-o-y, though in 4Q there was a moderate decline (-6% q-o-q) compared to the strong base. OTP Bank maintained its leading position, out of new yearly flows it captured 29.1% in 2016, whereas in 4Q its share reached 31.8%.

OTP Bank plays a dominant role in originating subsidized mortgages; in 2016 around 75% of new applications were submitted to the Bank. OTP also maintained its leading position in originating CSOK-loans (Housing Subsidy Scheme for Families): every second approved CSOK application was registered with the Bank. Positive that 67% of applications were coupled with the Bank's own mortgage loan offers.

The performing consumer book grew by 4% y-o-y; the marginal decline in 4Q is explained by seasonality.

The FX-adjusted deposit book with retail bonds grew by 8% y-o-y and q-o-q. The year-end volume of deposits taken over from AXA comprised about HUF 60 billion. As a result, the net loan-to-(deposit+retail bonds) ratio grew marginally to 49% (+1 pp y-o-y, FX-adjusted).

In 2016 ***Merkantil Group*** posted HUF 2.6 billion adjusted profit after tax. The y-o-y 60% increase was due the stable total income (+3%) and lower risk costs and operating expenses. The FX-adjusted gross loan volumes started increasing and grew by 5% y-o-y, both the corporate exposures and car loans expanded. New car loan origination increased by 9% y-o-y.

OTP Fund Management posted HUF 6.7 billion after-tax profit. The y-o-y increase of 38% was supported by strong 4Q net earnings of almost HUF 4 billion. The outstanding performance was driven by higher success fees. The volume of total assets under management moderately declined y-o-y (2016: HUF 1,530 billion), however in 4Q volumes already increased by 2% q-o-q. The company retained its market leading position with around 20% market share.

Foreign subsidiaries' performance: meaningful, though y-o-y declining Bulgarian profit, strong Russian and Ukrainian, and improving Croatian, Romanian and Serbian performance, net losses in Slovakia and Montenegro due to prudent provisioning

The ***Bulgarian subsidiary's*** profit contribution is still the second largest within OTP Group despite its 2016 net earnings of HUF 47.4 billion felt short the base period by 10%. In 4Q DSK Bank posted HUF 4.7 billion (-68% q-o-q).

The annual operating profit declined by 4% with total income eroding by 2% y-o-y. The lower net interest income (-5%) was due to eroding net interest margin (4.63%). The NIM declined by 62 bps y-o-y, the quarterly declines were quite similar (4Q: -16 bps q-o-q). The fees and commissions income remained favourable (+13% y-o-y) mainly due to dynamic corporate lending activity, but higher deposit and transaction related fee income played a role, too.

The credit quality improved further with the DPD90+ ratio declining to 11.5% (-2.0 pps q-o-q, -3.4 pps y-o-y), the coverage of DPD90+ volumes by total allowances for loan losses surged to 108%. The DPD90+ volumes (without sales and write offs, FX-adjusted) also showed favourable trends: in 2015 they increased by HUF 6 billion, whereas in 2016 the decline was HUF 3 billion.

Total risk costs grew by 19% y-o-y (in 4Q they leaped by almost nine-fold q-o-q), within that provisions for loan losses moderated by 11% y-o-y. As a result the annual risk cost rate was 1.12% (-14 bps y-o-y).

The FX-adjusted gross loan portfolio stagnated y-o-y mainly as a result of the non-performing portfolio sales and write-offs in 4Q. The FX-adjusted performing volumes, however, grew by 4%. Due to the strong new loan origination in the large corporate segment the corporate book advanced by +15% y-o-y. The retail segment decreased despite better new loan sales: the performing mortgage book melted down by 1%, while the consumer book stagnated.

Due to the profitable operation of the bank and its strong reputation the FX-adjusted deposits advanced by 4% y-o-y (flat q-o-q). As a result, the net loan to deposit ratio declined further to 65%. DSK Bank's profitability and efficiency is outstanding: its annual ROE stood at 18.9%, whereas its cost-to-income ratio was 37.7%.

There was a remarkable turnaround in the performance of the ***Russian subsidiary*** (without Touch Bank) and the bank posted HUF 20.5 billion profit against a loss of HUF 15.1 billion a year ago. In RUB terms the bank realized its third best annual result. The material improvement was due to the y-o-y 58% drop in risk costs which easily offset the weaker operating income (-4% y-o-y). Despite the average depreciation of RUB against HUF eased a lot (2015: -25%, 2016: -8%), earning trends are more realistically presented in RUB terms.

Accordingly, the annual operating income improved by 5%, within that the net interest income grew by 3%, fees and commissions by 7% respectively. The stronger NII was supported by higher net interest margins (in RUB the NIM improved by 2.5 pps), the average performing loan portfolio declined. It was also positive that the improving NII trend remained in place in 4Q, too (+5% q-o-q).

Operating expenses moderated by 1% despite the average annual inflations was around 7%.

In line with the stabilization of the overall Russian macroeconomic situation credit quality trends turned to be positive: the FX-adjusted DPD90+ inflow without sales and write-offs amounted to HUF 110 billion in 2015 and HUF 48 in 2016, of that in 4Q 2016 only HUF 7 billion, the lowest volume for the last five years. Also as a result of non-performing portfolio sales/write offs the DPD90+ ratio moderated to 20.2% (-3.2 pps q-o-q), its total provisioning coverage was 117.6%.

The FX-adjusted performing portfolio increased by 1% y-o-y. With POS-lending being in the focus of business activity in 4Q the new origination increased by 32% q-o-q, as a result performing POS-volumes advanced by 17% y-o-y. Credit card volumes further eroded, but the cash loan portfolio grew by 7%.

The FX-adjusted deposit book eroded by 6% y-o-y, but grew by 7% q-o-q amid continuous deposit rate cuts. As a result, by the end of December the net loan-to-deposit ratio stood at 108%.

The annual risk cost rate (in HUF terms) was 7.7%, positive that within the consumer loan portfolio both POS and cash loan risk cost rates declined (to 6.1% and 7.7% respectively), only the credit card loans' risk cost rate exceeded 12%.

The annual net interest margin (in HUF) was 16.25% (+0.69 pp y-o-y), whereas the ROE stood at 19.1%

Touch Bank, the Bank's digital bank in Russia operating under the same banking license, but as a separate business line still remained in red after the second year of operation and posted HUF 5.9 billion loss (+22% y-o-y) mainly due to the operating expenses surging by 25% y-o-y. Parallel with the client acquisition volumes have been gradually building up, however on the asset side the increase was slower than expected. By the end of 4Q deposit volumes reached HUF 20.5 billion equivalent. From 2Q 2016 the sale of credit card loans and revolving cash loan facilities started, too but volumes remained marginal.

Following massive losses in the last two years in 2016 the ***Ukrainian subsidiary*** turned into profit again, its annual net earnings reached HUF 10.2 billion, of that HUF 2.0 billion was posted in 4Q.

Key driver in profitability improvement was the sharp decline in risk costs.

P&L developments are better demonstrated in UAH terms given the volatility of the Ukrainian currency. The average FX-rate of the local currency against HUF y-o-y depreciated by 15%.

Accordingly the annual operating income increased by 6% y-o-y; stronger total revenues (+8% y-o-y) offset the impact of higher operating expenses (+11%). The expense growth, however, felt short of the annual rate of inflation (13.9%). Positive that the net interest income improved by 7% y-o-y and by 1% q-o-q in 4Q. The better NII was related to the higher volume of performing loans, but also to the prepayment of an intragroup subordinated facility in 4Q. The annual net interest margin reached 8.83% (+0.7 pp y-o-y). Surging net fee and commission income (+29% y-o-y) was explained by base effect and strengthening business activity.

Credit quality trends demonstrated definite improvement: following a significant portfolio clean-up in 2015 in 2016 risk costs sharply declined (-84% y-o-y). The DPD90+ volume increase (FX-adjusted, without the effect of loan sales and write-offs) normalized at levels seen already in 2015 (HUF 11 billion). The DPD90+ ratio moderated to 41.9% (-3.0 pps q-o-q and -6.6 pps y-o-y), its total provisioning coverage is stable and exceeds 118%.

The FX-adjusted performing portfolio increased by 5% y-o-y. Within that the retail book declined by 5%, however, the corporate exposure advanced by 8% (+5% q-o-q). The mortgage loan sales are still suspended and the credit card loan origination is fairly subdued. POS origination, however demonstrates gradual improvement: new placements grew by 62% y-o-y and performing volumes by 49% respectively.

The FX-adjusted deposit book grew by 9% q-o-q and by 13% y-o-y. The net loan-to-deposit ratio remained practically flat at 84% by December 2016.

During the course of the year the total outstanding intragroup exposure towards the Ukrainian operation declined by HUF 61 billion and dropped to HUF 46 billion equivalent by end-2016.

The ***Romanian subsidiary*** realized HUF 1.65 billion net profit in 2016 which underpins a y-o-y 12% improvement despite posting a loss of HUF 0.55 billon in 4Q. The annual operating income increased by 41% y-o-y: somewhat lower total income was easily offset by a 16% decline in operating expenses which already reflects the cost synergy impacts of the Banca Millennium acquisition in 2015. Within core banking revenues the net interest income dropped by 11% y-o-y partly as a result of the bank's own conversion programme launched for CHF mortgage customers. In 4Q, however NII improved q-o-q. The 80 bps erosion in the net interest margin (3.29%) is also explained by the impact of the conversion programme.

The FX-adjusted gross loan portfolio shrank by 3% y-o-y, but grew by 1% q-o-q. The lower retail volumes are reasoned by the partial debt forgiveness offered in the bank's own CHF mortgage conversion programme. The 2% y-o-y growth of the corporate book partially offset that impact. In 4Q all product segments demonstrated a pick-up in lending activity. As a result of a moderate growth in deposits the net loan-to-deposit ratio dropped to 134% (-8 pps y-o-y, FX-adjusted). The DPD90+ ratio somewhat increased to 17.4%; its total provisioning coverage improved and reached 81.7%.

The ***Croatian subsidiary*** managed to improve its annual results and posted HUF 3.8 billion profit in 2016 (+27% y-o-y). In 4Q the bank achieved HUF 0.2 billion profit. The annual operating income grew by 25%, whereas risk costs dropped by 22%. The annual NIM improved by 39 bps y-o-y and reached 3.51%. The FX-adjusted loan portfolio stagnated partly as a reflection of the retail CHF exposure settlement; in 4Q however the loan portfolio grew by 2% q-o-q. The credit quality improved, the DPD90+ ratio decreased (12.1%, -1.0 pp y-o-y), its total provisioning coverage improved substantially (87.6%, +16.7 pps y-o-y).

The ***Slovakian subsidiary*** couldn't repeat its profitable operation seen in the last two years and posted a loss of HUF 2.2 billion in 2016. The turnaround in net earnings to a great extent is reasoned by risk costs trebling in 4Q. Operating income improved by 3% y-o-y, however, risk costs surged by 75%. Positive that despite the eroding interest environment the bank managed to stabilize its annual net interest margin (3.15%). The FX-adjusted loan portfolio increased by 2% both y-o-y and q-o-q, of that the mortgage book grew the fastest. The credit quality deteriorated, the DPD90+ ratio grew to 11.2% (+1.5 pps y-o-y), its total provisioning coverage improved significantly (74.2%, +11.2 pps y-o-y).

The ***Serbian subsidiary*** posted a small profit in 2016 (HUF 39 million), despite a loss of HUF 155 million in 4Q. Operating income suffered a significant setback (-46% y-o-y), however, it was offset by lower risk costs (-59%). The FX-adjusted portfolio kept increasing (+0.4% q-o-q, +12% y-o-y); both the retail and corporate segments demonstrated strong expansion with SME being the fastest growing portfolio. The DPD90+ ratio declined further (32.7%), its total provisioning coverage was stable (74.2%).

The ***Montenegrin subsidiary*** failed to continue its profitable operation witnessed since 2013 and the bank posted HUF 1.8 billion loss. The major reason behind that was the y-o-y doubling risk cost, but the y-o-y 15% lower operating income also took its toll. The FX-adjusted loan book shrank by 4% y-o-y, while deposits grew by 1%. The DPD90+ ratio decreased (42.2%), the total provisioning coverage of the DPD90+ portfolio surged by 10pps y-o-y (92.9%).

Management guidance for 2017

- The management's ROE target of >15% (based on 12.5% CET1) remains valid for 2017.
- Apart from the negative impact of the Hungarian and Slovakian banking tax (HUF 15.4 billion after tax) the management doesn't expect any other major adjustment item to occur in 2017.
- Performing loan volume growth – without the effect of acquisitions – is expected to further accelerate, but its pace may remain single digit.
- The consolidated NIM erosion decelerates, but continues with around 15-20 bps y-o-y decline.
- Credit quality trends may remain favourable, total risk costs are expected to further decline.
- Operating expenses might increase by 3-4% y-o-y, fuelled by wage inflation and the additional costs of the on-going digital transformation.
- The solid capital position coupled with robust internal capital generation creates room for further acquisitions.
- In line with the practice of the previous two years, the nominal dividend amount to be paid from 2017 earnings is expected to grow by 15% under the baseline scenario.

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

By the end of December 2016 the consolidated Common Equity Tier1 ratio under IFRS was 13.5%, +0.2 pp q-o-q. Neither the annual net result was included, nor was the accrued dividend amount deducted from the regulatory capital when calculating the IFRS consolidated capital adequacy ratios. Including those items the CET1 ratio would be 15.8%.

OTP Bank's standalone Common Equity Tier1 ratio stood at 24.8% in December 2016, the accrued dividend amount and retained earnings are already reflected in this number.

Credit rating, shareholder structure

OTP Bank's long-term foreign-currency deposit rating was 'Baa3' by Moody's, the outlook is stable. OTP Mortgage Bank holds a 'Ba1' local-currency issuer rating at Moody's with positive outlook; its foreign-currency denominated mortgage bond rating was 'Baa1'.

From S&P the rating of OTP Bank and OTP Mortgage Bank was 'BB+' with stable outlook.

OTP Bank Russia holds a 'BB' rating from Fitch with stable outlook.

Regarding the ownership structure of the Bank, by 30 December 2016 the following investors had more than 5% influence (voting rights) in the Company: the Rahimkulov family (8.30%), MOL (the Hungarian Oil and Gas Company, 8.69%), the Groupama Group (8.21%) and OPUS Securities (5.25%).

POST BALANCE SHEET EVENTS

Hungary

- On 14 February 2017, the flash estimate of the Hungarian GDP growth was published, accordingly the economy grew by 2% y-o-y, while the expansion in 4Q represented 1.6% y-o-y.
- On 15 February, OJB2021/I covered bonds were issued with a face value of HUF 85 billion within OTP Mortgage Bank Ltd. covered bond programme of HUF 1,000 billion framework. The bonds are rated Baa1 by Moody's

Romania

- On 7 February 2017, the Romanian Constitutional Court ruled that the Act on obliging banks to convert CHF mortgages into local currency at rates prevailing at origination was entirely unconstitutional.

Croatia

- On 27 January 2017; Fitch rating agency modified the outlook of Croatia from negative to stable, while the country's long term FX and HRK 'BB' credit rating was confirmed.

Russia

- On 17 February 2017 Moody's changed the negative outlook for stable on the Russian sovereign rating with confirming all the previous ratings.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[2]

in HUF million	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Consolidated after tax profit	**63,171**	**202,452**	**220%**	**26,694**	**69,790**	**26,474**	**-62%**	**-1%**
Adjustments (total)	**-57,073**	**1,276**	**-102%**	**10,099**	**1,037**	**-1,809**	**-274%**	**-118%**
Consolidated adjusted after tax profit without the effect of adjustments	**120,240**	**201,176**	**67%**	**16,590**	**68,752**	**28,283**	**-59%**	**70%**
Banks total without one-off items[1]	117,253	189,950	62%	19,933	65,001	24,892	-62%	25%
OTP CORE (Hungary)[2]	123,359	122,190	-1%	27,892	38,761	23,815	-39%	-15%
Corporate Centre (after tax)[3]	-4,286	-5,868	37%	-1,627	-1,336	-1,605	20%	-1%
OTP Bank Russia[4]	-15,101	20,535	-236%	-26	6,842	4,565	-33%	
Touch Bank (Russia)[5]	-4,840	-5,898	22%	-2,058	-1,419	-1,968	39%	-4%
OTP Bank Ukraine[6]	-40,312	10,202	-125%	-13,166	3,840	2,065	-46%	-116%
DSK Bank (Bulgaria)[7]	52,537	47,385	-10%	10,650	14,699	4,679	-68%	-56%
OBR (Romania)[8]	1,480	1,655	12%	-1,022	599	-550	-192%	-46%
OTP banka Srbija (Serbia)[9]	-385	39	-110%	-759	76	-155	-304%	-80%
OBH (Croatia)[10]	2,968	3,783	27%	527	1,409	202	-86%	-62%
OBS (Slovakia)[11]	924	-2,223	-341%	-199	124	-2,644		
CKB (Montenegro)[12]	909	-1,849	-303%	-278	1,406	-3,511	-350%	
Leasing	1,786	3,968	122%	189	1,848	787	-57%	317%
Merkantil Bank + Car, adj. (Hungary)[13]	1,625	2,605	60%	294	954	640	-33%	118%
Foreign leasing companies (Croatia, Bulgaria, Romania)[14]	161	1,363	747%	-105	894	148	-83%	-241%
Asset Management	2,713	6,723	148%	946	912	3,897	327%	312%
OTP Asset Management (Hungary)	4,817	6,658	38%	1,604	888	3,896	339%	143%
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[15]	-2,104	65	-103%	-657	24	0	-99%	-100%
Other Hungarian Subsidiaries	-323	1,903	-689%	-2,262	958	-704	-174%	-69%
Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Croatia, Belize)[16]	352	403	14%	-16	240	44	-82%	-376%
Eliminations	-1,541	-1,771	15%	-2,195	-207	-633	206%	-71%
Total adjusted after tax profit of HUNGARIAN subsidiaries[17]	123,650	125,718	2%	23,705	40,018	25,408	-37%	7%
Total adjusted after tax profit of FOREIGN subsidiaries[18]	-3,411	75,458		-7,110	28,735	2,875	-90%	-140%
Share of foreign profit contribution, %	-3%	38%		-43%	42%	10%	-76%	-124%

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

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME

Main components of the Statement of recognized income, in HUF million	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Consolidated after tax profit	**63,171**	**202,452**	**220%**	**26,694**	**69,790**	**26,474**	**-62%**	**-1%**
Adjustments (total)	**-57,073**	**1,276**	**-102%**	**10,099**	**1,038**	**-1,809**	**-274%**	**-118%**
Dividends and net cash transfers (after tax)	144	412	186%	-10	146	11	-92%	-210%
Goodwill/investment impairment charges (after tax)	6,683	11,552	73%	3,982	8,555	784	-91%	-80%
Special tax on financial institutions (after corporate income tax)	-29,383	-13,950	-53%	-258	-186	-183	-1%	-29%
Impact of fines imposed by the Hungarian Competition Authority (after tax)	-662	1,922	-390%	-662	0	1,922		-390%
Effect of acquisitions (after tax)	1,550	0	-100%	0	0	0		
One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary (after tax)	4,594	0	-100%	7,576	0	0		-100%
Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia (after tax)	-6,331	0	-100%	0	0	0		
One-off impact of regulatory changes related to FX consumer contracts in Serbia (after tax)	-211	0	-100%	-2	0	0		-100%
Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania (after tax)	-25,492	0	-100%	0	0	0		-100%
Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015 (after tax)	-169	-		-163	-	-		
Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015 (after tax)	-2,258	-		-365	-	-		
Corporate tax impact of switching to IFRS from HAR in Hungary	0	-5,766		0	-7,477	1,711	-123%	
Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary	0	-6,054		0	0	-6,054		
Gain on the sale of Visa Europe shares (after tax)	0	13,160		0	0	0		
Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (after tax)	-5,539	0	-100%	0	0	0		
Consolidated adjusted after tax profit without the effect of adjustments	**120,245**	**201,176**	**67%**	**16,595**	**68,752**	**28,283**	**-59%**	**70%**
Before tax profit	**146,057**	**244,772**	**68%**	**23,939**	**72,911**	**37,516**	**-49%**	**57%**
Operating profit	**362,594**	**335,900**	**-7%**	**76,210**	**86,608**	**85,011**	**-2%**	**12%**
Total income	**754,912**	**736,316**	**-2%**	**182,849**	**184,853**	**193,622**	**5%**	**6%**
Net interest income	**553,659**	**521,949**	**-6%**	**133,279**	**130,657**	**133,184**	**2%**	**0%**
Net fees and commissions	**167,250**	**175,966**	**5%**	**43,449**	**45,411**	**48,217**	**6%**	**11%**
Other net non-interest income	**34,002**	**38,400**	**13%**	**6,121**	**8,786**	**12,221**	**39%**	**100%**
Foreign exchange result, net	18,476	12,941	-30%	2,144	4,211	40	-99%	-98%
Gain/loss on securities, net	9,197	5,655	-39%	2,145	1,275	816	-36%	-62%
Net other non-interest result	6,329	19,803	213%	1,832	3,299	11,364	244%	520%
Operating expenses	**-392,317**	**-400,416**	**2%**	**-106,640**	**-98,245**	**-108,611**	**11%**	**2%**
Personnel expenses	-187,806	-191,443	2%	-48,482	-47,457	-48,915	3%	1%
Depreciation	-45,463	-44,428	-2%	-14,141	-11,395	-11,876	4%	-16%
Other expenses	-159,048	-164,545	3%	-44,016	-39,393	-47,820	21%	9%
Total risk costs	**-220,709**	**-93,218**	**-58%**	**-52,733**	**-12,780**	**-47,575**	**272%**	**-10%**
Provision for loan losses	-211,663	-73,223	-65%	-48,388	-9,077	-29,522	225%	-39%
Other provision	-9,046	-19,995	121%	-4,345	-3,703	-18,053	388%	316%
Total one-off items	**4,172**	**2,090**	**-50%**	**462**	**-917**	**80**	**-109%**	**-83%**
Revaluation result of FX swaps at OTP Core[1]	-679	-		-	-	-		
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0		0	0	0		
Result of the treasury share swap at OTP Core	4,852	2,090	-57%	462	-917	80	-109%	-83%
Corporate taxes	**-25,813**	**-43,596**	**69%**	**-7,344**	**-4,159**	**-9,233**	**122%**	**26%**

INDICATORS (%)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
ROE (from accounting net earnings)	5.1%	15.3%	10.2%p	8.6%	20.8%	7.5%	-13.2%p	-1.1%p
ROE (from accounting net earnings, on 12.5% CET1 ratio)	5.3%	17.9%	12.5%p	9.4%	24.2%	9.2%	-15.0%p	-0.3%p
ROE (from adjusted net earnings)	9.6%	15.2%	5.5%p	5.4%	20.5%	8.1%	-12.4%p	2.7%p
ROA (from adjusted net earnings)	1.1%	1.8%	0.7%p	0.6%	2.5%	1.0%	-1.5%p	0.4%p
Operating profit margin	3.34%	3.05%	-0.29%p	2.82%	3.18%	3.04%	-0.14%p	0.21%p
Total income margin	6.96%	6.69%	-0.28%p	6.78%	6.79%	6.92%	0.13%p	0.14%p
Net interest margin	5.11%	4.74%	-0.37%p	4.94%	4.80%	4.76%	-0.04%p	-0.18%p
Net fee and commission margin	1.54%	1.60%	0.06%p	1.61%	1.67%	1.72%	0.05%p	0.11%p
Net other non-interest income margin	0.31%	0.35%	0.04%p	0.23%	0.32%	0.44%	0.11%p	0.21%p
Cost-to-asset ratio	3.62%	3.64%	0.02%p	3.95%	3.61%	3.88%	0.27%p	-0.07%p
Cost/income ratio	52.0%	54.4%	2.4%p	58.3%	53.1%	56.1%	2.9%p	-2.2%p
Risk cost for loan losses-to-average gross loans	3.18%	1.13%	-2.06%p	2.98%	0.56%	1.80%	1.24%p	-1.17%p
Risk cost for loan losses-to-average FX adjusted gross loans	3.15%	1.12%	-2.03%p	2.96%	0.56%	1.79%	1.23%p	-1.16%p
Total risk cost-to-asset ratio	2.04%	0.85%	-1.19%p	1.95%	0.47%	1.70%	1.23%p	-0.25%p
Effective tax rate	17.7%	17.8%	0.1%p	30.7%	5.7%	24.6%	18.9%p	-6.1%p
Non-interest income/total income	27%	29%	2%p	27%	29%	31%	2%p	4%p
EPS base (HUF) (from unadjusted net earnings)	242	765	216%	104	266	101	-62%	-2%
EPS diluted (HUF) (from unadjusted net earnings)	242	765	216%	103	266	101	-62%	-2%
EPS base (HUF) (from adjusted net earnings)	459	761	66%	64	262	108	-59%	69%
EPS diluted (HUF) (from adjusted net earnings)	458	761	66%	64	262	108	-59%	69%
Comprehensive Income Statement	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Consolidated after tax profit	63,171	202,452	220%	26,694	69,790	26,474	-62%	-1%
Fair value adjustment of securities available-for-sale (recognised directly through equity)	-246	11,824		-98	17,130	5,591	-67%	
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	0	0		0	0	0		
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	431	525	22%	30	1,747	-372	-121%	
Foreign currency translation difference	-44,301	24,554	-155%	-18,364	-15,570	17,636	-213%	-196%
Change of actuarial losses (IAS 19)	-171	61	-136%	-171	0	61		-136%
Net comprehensive income	**18,884**	**239,416**		**8,090**	**73,097**	**49,390**	**-32%**	**511%**
o/w Net comprehensive income attributable to equity holders	19,582	238,775		8,382	73,050	49,190	-33%	487%
Net comprehensive income attributable to non-controlling interest	-698	641	-192%	-292	47	200	326%	-168%
Average exchange rate of the HUF (in forint)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
HUF/EUR	310	311	1%	313	311	309	-1%	-1%
HUF/CHF	291	286	-2%	288	286	286	0%	-1%
HUF/USD	279	281	1%	286	279	287	3%	0%

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

CONSOLIDATED BALANCE SHEET

Main components of balance sheet in HUF million	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
TOTAL ASSETS	**10,718,848**	**10,952,739**	**11,307,666**	**3%**	**5%**
Cash and amount due from banks	1,878,961	1,645,754	1,625,357	-1%	-13%
Placements with other banks	300,569	395,755	363,530	-8%	21%
Financial assets at fair value	253,782	265,013	293,106	11%	15%
Securities available-for-sale	1,305,486	1,618,352	1,527,093	-6%	17%
Net customer loans	5,409,967	5,480,609	5,736,231	5%	6%
Net customer loans (FX adjusted[1])	**5,454,536**	**5,530,361**	**5,736,231**	**4%**	**5%**
Gross customer loans	6,423,588	6,443,327	6,680,504	4%	4%
Gross customer loans (FX adjusted[1])	**6,483,245**	**6,515,891**	**6,680,504**	**3%**	**3%**
o/w Retail loans	4,323,854	4,251,090	4,398,239	3%	2%
Retail mortgage loans (incl. home equity)	2,328,706	2,222,890	2,357,614	6%	1%
Retail consumer loans	1,500,572	1,505,676	1,520,476	1%	1%
SME loans	494,577	522,524	520,149	0%	5%
Corporate loans	1,892,757	2,004,030	2,017,725	1%	7%
Loans to medium and large corporates	1,799,890	1,924,277	1,943,863	1%	8%
Municipal loans	92,867	79,753	73,862	-7%	-20%
Car financing loans	210,838	214,440	217,898	2%	3%
Bills and accrued interest receivables related to loans	55,795	46,332	46,641	1%	-16%
Allowances for loan losses	-1,013,620	-962,719	-944,273	-2%	-7%
Allowances for loan losses (FX adjusted[1])	-1,028,709	-985,530	-944,273	-4%	-8%
Equity investments	10,028	10,446	9,837	-6%	-2%
Securities held-to-maturity	926,677	906,836	1,114,227	23%	20%
Premises, equipment and intangible assets, net	349,469	343,806	355,516	3%	2%
o/w Goodwill, net	95,994	100,187	104,282	4%	9%
Premises, equipment and other intangible assets, net	253,475	243,619	251,234	3%	-1%
Other assets	283,909	286,168	282,770	-1%	0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,718,848**	**10,952,739**	**11,307,666**	**3%**	**5%**
Liabilities to credit institutions and governments	533,310	774,595	543,774	-30%	2%
Customer deposits	7,984,579	8,009,324	8,540,584	7%	7%
Customer deposits (FX adjusted[1])	**8,025,435**	**8,083,744**	**8,540,584**	**6%**	**6%**
o/w Retail deposits	5,699,031	5,845,113	6,139,337	5%	8%
Household deposits	4,773,719	4,894,058	5,141,627	5%	8%
SME deposits	925,312	951,055	997,711	5%	8%
Corporate deposits	2,306,862	2,222,837	2,385,603	7%	3%
Deposits to medium and large corporates	1,899,476	1,773,929	1,844,184	4%	-3%
Municipal deposits	407,386	448,908	541,419	21%	33%
Accrued interest payable related to customer deposits	19,542	15,794	15,644	-1%	-20%
Issued securities	239,376	212,918	146,900	-31%	-39%
o/w Retail bonds	64,777	56,718	36,921	-35%	-43%
Issued securities without retail bonds	174,599	156,200	109,978	-30%	-37%
Other liabilities	493,140	501,008	578,300	15%	17%
Subordinated bonds and loans[2]	234,784	82,809	77,458	-6%	-67%
Total shareholders' equity	**1,233,659**	**1,372,086**	**1,420,650**	**4%**	**15%**
Indicators	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Loan/deposit ratio (FX adjusted[1])	80%	80%	78%	-2%p	-2%p
Net loan/(deposit + retail bond) ratio (FX adjusted[1])	67%	67%	66%	-1%p	0%p
90+ days past due loan volume	1,085,694	1,013,242	975,952	-4%	-10%
90+ days past due loans/gross customer loans	17.0%	15.8%	14.7%	-1.1%p	-2.3%p
Total provisions/90+ days past due loans	93.4%	95.0%	96.8%	1.7%p	3.4%p
Consolidated capital adequacy - Basel3	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Capital adequacy ratio (consolidated, IFRS)	16.2%	15.7%	16.0%	0.3%p	-0.2%p
Tier1 ratio	13.3%	13.2%	13.5%	0.3%p	0.3%p
Common Equity Tier 1 ('CET1') capital ratio	13.3%	13.2%	13.5%	0.3%p	0.3%p
Regulatory capital (consolidated)	1,064,383	1,049,610	1,079,064	3%	1%
o/w Tier1 Capital	873,124	882,980	911,328	3%	4%
o/w Common Equity Tier 1 capital	873,124	882,980	911,328	3%	4%
Tier2 Capital	191,259	166,630	167,736	1%	-12%
o/w Hybrid Tier2	92,093	89,935	89,935	0%	-2%
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	6,576,258	6,678,563	6,730,467	1%	2%
o/w RWA (Credit risk)	5,245,874	5,246,210	5,344,636	2%	2%
RWA (Market & Operational risk)	1,330,384	1,432,353	1,385,831	-3%	4%
Closing exchange rate of the HUF (in forint)	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
HUF/EUR	313	309	311	1%	-1%
HUF/CHF	289	285	289	1%	0%
HUF/USD	287	276	294	6%	2%

[1] For the FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods.
[2] The ICES bonds are considered as Tier2 debt, but accounting-wise they are treated as part of the shareholders' equity.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income, in HUF million	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	123,359	122,190	-1%	27,892	38,761	23,815	-39%	-15%
Corporate income tax	-25,857	-29,676	15%	-4,441	-2,285	-6,156	169%	39%
Pre-tax profit	149,216	151,866	2%	32,333	41,047	29,971	-27%	-7%
Operating profit	170,598	143,672	-16%	40,483	38,266	32,485	-15%	-20%
Total income	367,234	354,671	-3%	92,636	89,965	89,121	-1%	-4%
Net interest income	251,564	235,871	-6%	61,641	58,733	60,936	4%	-1%
Net fees and commissions	97,480	100,214	3%	24,975	26,642	25,262	-5%	1%
Other net non-interest income	18,191	18,586	2%	6,020	4,590	2,924	-36%	-51%
Operating expenses	-196,636	-210,999	7%	-52,153	-51,699	-56,637	10%	9%
Total risk costs	-25,555	6,104	-124%	-8,612	3,697	-2,594	-170%	-70%
Provisions for possible loan losses	-21,550	14,036	-165%	-7,177	6,923	3,409	-51%	-147%
Other provisions	-4,005	-7,932	98%	-1,435	-3,226	-6,003	86%	318%
Total one-off items	4,172	2,090	-50%	462	-917	80	-109%	-83%
Revaluation result of FX swaps	-679	-	0%	-	-	-	0%	0%
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	0%	0	0	0	0%	0%
Revaluation result of the treasury share swap agreement	4,852	2,090	-57%	462	-917	80	-109%	-83%
Revenues by Business Lines								
RETAIL								
Total income	266,216	243,375	-9%	64,368	60,468	58,421	-3%	-9%
Net interest income	179,327	152,141	-15%	42,349	36,345	35,813	-1%	-15%
Net fees and commissions	83,510	87,333	5%	21,065	23,218	21,595	-7%	3%
Other net non-interest income	3,379	3,901	15%	954	905	1,012	12%	6%
CORPORATE								
Total income	43,681	40,507	-7%	11,258	10,337	11,282	9%	0%
Net interest income	27,697	26,558	-4%	7,038	6,679	7,264	9%	3%
Net fees and commissions	14,997	12,808	-15%	3,941	3,393	3,722	10%	-6%
Other net non-interest income	988	1,140	15%	279	265	296	12%	6%
Treasury ALM								
Total income	55,626	66,824	20%	16,139	18,423	17,633	-4%	9%
Net interest income	44,540	57,172	28%	12,253	15,709	17,859	14%	46%
Net fees and commissions	-1,102	73	-107%	-105	30	-55	-283%	-47%
Other net non-interest income	12,187	9,579	-21%	3,991	2,684	-170	-106%	-104%
Indicators (%)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
ROE	10.3%	9.7%	-0.6%p	9.2%	12.3%	7.3%	-5.0%p	-1.9%p
ROA	1.8%	1.7%	0.0%p	1.6%	2.2%	1.3%	-0.9%p	-0.3%p
Operating profit margin (operating profit / avg. total assets)	2.5%	2.0%	-0.4%p	2.4%	2.2%	1.8%	-0.4%p	-0.6%p
Total income margin	5.28%	5.06%	-0.22%p	5.44%	5.21%	4.97%	-0.24%p	-0.47%p
Net interest margin	3.62%	3.36%	-0.25%p	3.62%	3.40%	3.40%	0.00%p	-0.22%p
Net fee and commission margin	1.40%	1.43%	0.03%p	1.47%	1.54%	1.41%	-0.13%p	-0.06%p
Net other non-interest income margin	0.26%	0.27%	0.00%p	0.35%	0.27%	0.16%	-0.10%p	-0.19%p
Operating costs to total assets ratio	2.8%	3.0%	0.2%p	3.1%	3.0%	3.2%	0.2%p	0.1%p
Cost/income ratio	53.5%	59.5%	5.9%p	56.3%	57.5%	63.6%	6.1%p	7.3%p
Cost of risk/average gross loans[1]	0.84%	-0.56%	-1.40%p	1.18%	-1.13%	-0.54%	0.59%p	-1.72%p
Cost of risk/average gross loans (FX adjusted)[1]	0.82%	-0.56%	-1.39%p	1.18%	-1.13%	-0.54%	0.60%p	-1.72%p
Effective tax rate	17.3%	19.5%	2.2%p	13.7%	5.6%	20.5%	15.0%p	6.8%p

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

- ***In 2016 OTP Core posted HUF 122.2 billion adjusted profit marking a 1% y-o-y decline***
- ***In 4Q profit after tax dropped by 39% q-o-q on the back of seasonally higher operating expenses and higher risk costs***
- ***The annual net interest income declined by 6% due to narrowing net interest margin; however, an improvement was observable on a quarterly basis both in 3Q and 4Q 2016 (4Q: +4% q-o-q)***
- ***After a release on the total risk cost line in 2Q and 3Q risk costs increased in 4Q as a result of prudent and conservative provisioning***
- ***Favourable credit quality trends remained intact, the DPD90+ ratio dropped below 10%, the coverage somewhat decreased because the AXA portfolio was taken over net of provisions***

P&L developments

Without the effect of adjustment items[3] **OTP Core** posted a profit after tax of HUF 122.2 billion in 2016 underpinning a 1% y-o-y decline. 4Q net profit dropped by 39% q-o-q (-15% y-o-y) and reached HUF 23.8 billion.

The effective corporate income tax rate was 19.5% in 2016 practically the same as the Hungarian corporate tax rate. The volatility of quarterly effective tax burden in each quarter of 2016 was shaped to a great extent by the tax shield effect on the revaluation of subsidiary investments[4] as a result of HUF exchange rate moves. This caused HUF 3.1 billion tax saving in 2015, but resulted in HUF 2.0 billion additional tax in 2016, of that HUF 2.3 billion tax savings in 3Q and HUF 1.7 billion additional tax burden in 4Q). Since the switch from Hungarian Accounting Standards into IFRS financials became effective from January 2017 in Hungary, from 1Q 2017 the corporate tax line of OTP Core won't be distorted anymore by the tax shield related to the HUF exchange rate movements.

The annual profit before tax improved by 2% y-o-y since the 16% decline in operating result was offset by the massive decrease of total risk costs.

On the total risk costs line a release of 6.1 billion was recognized in 2016 versus HUF 25.6 billion total risk cost creation booked in 2015. Within that on the provisions for possible loan losses line HUF 14.0 billion release was recognized in 2016, of which HUF 3.4 billion was released in 4Q. The trend of credit quality improvement continued: the DPD90+ volumes adjusted for FX rate movements and sales and write offs grew by HUF 12 billion in 2016 versus HUF 11 billion in 2015. However, the take-over of the AXA portfolio itself increased the DPD90+ volumes by HUF 15 billion in 4Q 2016, consequently without that the overall credit quality trends remained favourable. In 2016 overall DPD90+ volumes declined by HUF 34 billion y-o-y and remained stable q-o-q. These changes were influenced by non-performing loan sales and write offs, too: HUF 44 billion exposures were sold or written off in 2016 (within that HUF 14 billion in 4Q 2016). As a result, the DPD90+ ratio moderated by 0.6 pp q-o-q and by 2.3 pps y-o-y to 9.8%. The provision coverage ratio (82.7%) calculated as total provisions/DPD90+ loans declined by 3.8 pps q-o-q, mainly explained by the AXA portfolio take-over net of provisions.

The annual total income eroded by 3%, within that the net interest income declined by 6% reasoned mainly by the y-o-y 25 bps lower net interest margin. The lower NIM was mainly driven by the declining interest rate environment that took its toll through lower deposit margins and lower gross interest income on customer loans. Furthermore, the structural changes within the loan book also had a negative NIM-effect as the share of corporate exposures with lower margins increased y-o-y.

In 4Q 2016 total income eroded by mere 1% q-o-q. It was encouraging, however, that against the declining trend over the last couple of quarters and after the 2% q-o-q growth recorded in 3Q, in 4Q the net interest income grew by 4% q-o-q (-1% y-o-y). The quarterly improvement in 4Q was supported by the consolidation of AXA portfolio on 1 November. Furthermore, there was another NII-boosting item[5] of HUF 1.9 billion, which was neutral to the net result because it influenced only the structure of

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[3] Adjustments emerged in the presented periods: special tax on financial institutions, dividends and net cash transfers, goodwill impairment charges, impact of fines imposed by the Hungarian Competition Authority, one-off impact of regulatory changes in relation to consumer contracts, the impact of the related methodological changes and the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd., the gain realized on securities from the Visa Europe share transaction, the corporate tax impact of switching to IFRS from HAR in Hungary as well as the revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary.

[4] In 4Q 2016 the closing rate of HUF typically depreciated q-o-q against the functional currencies of the subsidiary investments. Therefore a revaluation gain was realized under Hungarian Accounting Standards when translating the value of these subsidiary investments into HUF, increasing the corporate tax base. So, the corporate income tax both under HAS and IFRS went up *ceteris paribus*.

[5] This item emerged because in 4Q 2016 certain components of the result on derivative instruments have been presented on a separate line in the accounting P&L structure: on the Gains and losses on derivative financial instruments line (certain other components were continued to be booked on the net interest income and foreign exchange result line). In the previous accounting and adjusted P&L structure, items currently booked on the Gains and losses on derivative financial instruments line were accounted for on the net interest income, foreign exchange result and gains/losses on securities line. In 4Q 2016 the full annual amounts have been moved in one sum to the Gains and losses on derivative financial instruments line. In the adjusted P&L structure this new line constitutes part of the Net other non-interest result among Other net non-interest income.

revenues (the other net non-interest income dropped by the same amount). However, the 4Q NII would have increased even without this HUF 1.9 billion item. On the other hand, the 4Q net interest income was negatively influenced by the diminishing interbank interest rates: the average 3M BUBOR rate which is the reference rate for most of the floating rate loans dropped by 26 bps q-o-q in 4Q, and its closing value decreased by 51 bps over the last quarter. The average retail deposit rates at OTP Core remained stable q-o-q. In 4Q the net interest margin remained stable q-o-q (3.40%), however adjusted for the above mentioned HUF 1.9 billion NII-boosting item the erosion would have been 11 bps q-o-q.

The annual net fee and commission income increased by 3% y-o-y. The improvement was mainly due to stronger card-related fees induced by growing transactional turnover. In 4Q there was a 5% q-o-q decline: the q-o-q more active usage of credit card generated higher refunds to clients; on the other hand, the deposit and transaction-related fee income improved further.

The annual other net non-interest income grew by 2% y-o-y. In 4Q, however there was a HUF 1.7 billion decline mainly as a joint result of the above mentioned HUF 1.9 billion negative item reducing other revenues and a HUF 0.5 billion positive result realized on government securities.

Total one-off revenue items represented HUF 2.1 billion in 2016, mainly related to dividends received within the framework of the treasury share swap agreement.

Annual operating expenses increased by 7% y-o-y due to the following reasons: OTP had to pay y-o-y HUF 3.0 billion higher contributions into the National Deposit Protection Fund (OBA), the Investor Protection Fund (Beva) and the Resolution Fund. Furthermore, reviving business activity coupled with higher marketing spending, but higher deductible taxes and the one-off costs related to organizational changes occurring in 2Q played a role, too. Finally, at the Bank there was an average base salary increase of 4% in April 2016.

In 4Q operating expenses grew by 10% q-o-q, within that personnel expenses declined predominantly because of one-timer factors (for example the impact of the 5 pps cut in the social security contributions payable by employers was recognized in case of accruals). The takeover of AXA businesses added almost HUF 640 million additional operating cost in 4Q 2016; two-third of this amount emerged on the personnel expenses line. Administrative expenses also grew due to higher marketing and advisory costs, as well as higher deductible taxes (VAT, local business tax).

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

Main components of balance sheet closing balances in HUF mn	4Q 2015	3Q 2016	4Q 2016	Q/Q	Y/Y
Total Assets	6,774,200	7,007,614	7,247,291	3%	7%
Net customer loans	2,145,475	2,223,886	2,398,694	8%	12%
Net customer loans (FX adjusted)	**2,142,887**	**2,226,835**	**2,398,694**	**8%**	**12%**
Gross customer loans	2,394,362	2,444,225	2,610,277	7%	9%
Gross customer loans (FX adjusted)	**2,392,865**	**2,448,108**	**2,610,277**	**7%**	**9%**
Retail loans	1,624,516	1,598,570	1,748,278	9%	8%
Retail mortgage loans (incl. home equity)	1,163,765	1,115,037	1,274,873	14%	10%
Retail consumer loans	316,985	321,563	315,357	-2%	-1%
SME loans	143,766	161,970	158,048	-2%	10%
Corporate loans	768,349	849,538	862,000	1%	12%
Loans to medium and large corporates	747,207	823,381	838,586	2%	12%
Municipal loans	21,142	26,157	23,413	-10%	11%
Provisions	-248,887	-220,339	-211,583	-4%	-15%
Provisions (FX adjusted)	**-249,979**	**-221,273**	**-211,583**	**-4%**	**-15%**
Deposits from customers + retail bonds	4,559,728	4,568,498	4,942,606	8%	8%
Deposits from customers + retail bonds (FX adjusted)	**4,559,928**	**4,586,208**	**4,942,606**	**8%**	**8%**
Retail deposits + retail bonds	2,859,725	3,008,830	3,201,149	6%	12%
Household deposits + retail bonds	2,358,402	2,469,406	2,635,416	7%	12%
o/w: Retail bonds	64,777	56,718	36,921	-35%	-43%
SME deposits	501,323	539,423	565,733	5%	13%
Corporate deposits	1,700,203	1,577,378	1,741,457	10%	2%
Deposits to medium and large corporates	1,337,805	1,161,358	1,231,876	6%	-8%
Municipal deposits	362,398	416,020	509,581	22%	41%
Liabilities to credit institutions	376,886	570,512	329,442	-42%	-13%
Issued securities without retail bonds	202,309	190,372	192,097	1%	-5%
Total shareholders' equity	1,210,949	1,275,149	1,312,460	3%	8%
Loan Quality	4Q 2015	3Q 2016	4Q 2016	Q/Q	Y/Y
90+ days past due loan volume (in HUF million)	290,052	254,622	255,841	0.5%	-11.8%
90+ days past due loans/gross customer loans (%)	12.1%	10.4%	9.8%	-0.6%p	-2.3%p
Total provisions/90+ days past due loans (%)	85.8%	86.5%	82.7%	-3.8%p	-3.1%p

Market Share (%)	4Q 2015	3Q 2016	4Q 2016	Q/Q	Y/Y
Loans	19.2%	19.5%	21.0%	1.5%p	1.9%p
Deposits	25.5%	27.1%	27.2%	0.1%p	1.7%p
Total Assets	26.0%	26.1%	25.6%	-0.6%p	-0.5%p
Performance Indicators (%)	4Q 2015	3Q 2016	4Q 2016	Q/Q	Y/Y
Net loans to (deposits + retail bonds) (FX adjusted)	47%	49%	49%	0%p	2%p
Leverage (Shareholder's Equity/Total Assets)	17.9%	18.2%	18.1%	-0.1%p	0.2%p
Leverage (Total Assets/Shareholder's Equity)	5.6x	5.5x	5.5x	0.0x	-0.1x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS)[1]	26.6%	27.9%	27.7%	-0.2%p	1.1%p
Common Equity Tier 1 ratio (OTP Bank, non-consolidated, Basel3, HAS)[1]	22.6%	24.9%	24.8%	-0.1%p	2.1%p

[1] The standalone regulatory capital (own funds) and Common Equity Tier 1 capital and consequently, the capital adequacy ratios of OTP Bank have been retroactively amended for 2Q and 3Q 2016 due to methodological review.

- ***Following the steady erosion of performing loan volumes in the last couple of years there was a 12% y-o-y increase in 2016; in 4Q the performing portfolio grew by 7% supported by the take-over of AXA business volumes***
- ***The dynamic portfolio expansion was visible in all segments: the performing SME and large corporate loans advanced by 11% and 15% y-o-y, respectively (FX-adjusted)***
- ***Performing consumer loans grew by 4% y-o-y***
- ***In 2016 new mortgage loan disbursements advanced by 40%. Performing mortgage volumes grew by 12%, without AXA they would have declined by 3%. In 2H 2016 the overall portfolio stabilized (without AXA)***

Balance sheet trends

There has been a lending turnaround in 2016 at the Hungarian operation of OTP. In 4Q OTP Core's FX-adjusted gross loan portfolio increased by 7% q-o-q, whereas for the whole year the book grew by 9%. However, due to the sales and write-offs of non-performing loans during 2016 performing (DPD0-90) loan volume developments are more illustrative: they advanced by 7% q-o-q and by 12% y-o-y respectively.

On 1 November 2016 OTP Bank has taken over the retail lending and savings, as well as the corporate businesses of AXA Bank, while the employees of AXA Bank have been transferred to OTP Bank by 1 November 2016 within the framework of an employer's succession. The migrated loan portfolio consisted of almost 100% mortgages. Altogether HUF 162 billion net performing (DPD0-90) mortgage loans and HUF 15 billion net DPD90+ mortgage loans were migrated on 1 November. Due to normal amortization and early repayments during November and December, as well as accounting corrections and other technical effects the gross performing volumes represented HUF 154 billion at the end of December 2016.

Adjusted for the AXA-effect (i.e. deducting the end-2016 balance of loans taken over from AXA) the performing loan portfolio of OTP Core grew by 0.4% q-o-q and by 5% y-o-y. Without the AXA-effect the mortgage book would have shrunk by 3% y-o-y and would have remained basically flat in 4Q (similar to 3Q).

The organic portfolio expansion was mainly fuelled by the corporate volumes: the gross micro and small enterprise loan portfolio advanced by 11% y-o-y, while the large corporate exposures grew by 15%. The steady expansion of the micro and small enterprise loan disbursement suffered a slight setback in 4Q (-2% q-o-q), but the large corporate portfolio kept increasing (+2% q-o-q). It is important that the agricultural financing which is considered by the Bank as a strategic area within corporate lending demonstrated a strong increase in new disbursements in 4Q similar to the previous quarter; OTP's market share edged up steadily and already exceeded 18% according to latest available data.

In 2016 the National Bank of Hungary launched the third, so called "phasing out" part of the Funding for Growth Scheme. According to the data published by the NBH on 3 January 2017 the Hungarian credit institutions participating in the scheme have already contracted for HUF 473 billion by the end of 2016 of which OTP's share represented HUF 74 billion. In October 2016 NBH decided about applying more flexible conditions for utilizing FGS loan facilities and also extended the drawdown deadline by 6 months (until 29 June 2018). In November the Monetary Council decided to extend the deadline for conclusion of loan contracts until 31 March 2017.

Within the household segment performing mortgage loan volumes (without the AXA volumes) stopped shrinking and in 3Q and 4Q stabilized q-o-q against the erosion experienced in 1H 2016.

New mortgage disbursements[6] showed a favourable trend (+40% y-o-y). In 4Q the Bank originated HUF 38.1 billion mortgages which underpins a y-o-y 24% expansion, however it moderated slightly q-o-q (-6%) against the 3Q disbursement results which were strongest since

[6] Mortgage loan application and disbursement statistics include the performance of OTP Building Society.

the crisis. OTP Bank's market share in new mortgage loan contractual amounts reached 29.1% in 2016 and 31.8% in 4Q, respectively.

As for the new mortgage applications, application volumes at OTP Bank exceeded HUF 239 billion (+70% y-o-y). State subsidized housing loan applications increased substantially (+127% y-o-y) due to the demand generated by the Housing Subsidy for Families (CSOK). Thus, within the total housing loan applications the demand for the subsidized housing loans represented 44% (versus 35% in 2015).

OTP Bank experienced strong business activity for the extended CSOK facility, too: in 2016 close to 10,500 applications were registered with a value of over HUF 34 billion. Applicants also combined CSOK with subsidized or market-based loan applications in the amount of HUF 47 billion.

The performing consumer loan volumes advanced by 4% y-o-y (-1% q-o-q). The slight quarterly decline was reasoned by seasonality: the year-end bonus payments reduced overdraft loan balances; cash loan volumes, however kept growing (+3% q-o-q and +13% y-o-y). OTP's market share in the cash loan segment remained strong both in terms of stock and new disbursements. At the end of December the bank had a market share of 32.5% in total cash loan volumes. OTP Bank's market share in new cash loan flows was 35.9% in 4Q, despite q-o-q lower disbursement volumes at OTP.

FX-adjusted deposit volumes (including retail bonds) increased by 8% both q-o-q and y-o-y on an FX-adjusted basis. The annual increase was induced primarily by retail and municipal deposit inflows. The volume of retail deposits (with retail bonds) advanced by 12%, whereas the municipality deposits advanced by 41%. In 4Q the q-o-q developments were shaped by the seasonal expansion of retail deposits on the back of bonus payments and a large deposit placement by a single large corporate client. The seasonal growth of municipality volumes was driven by the collection of local taxes. The year-end volume of deposits taken over from AXA comprised HUF 60 billion, of that HUF 51 billion was household deposit.

On 20 September the National Bank of Hungary announced that the cumulative volume of 3 months deposits placed with the central bank can't exceed HUF 900 billion through the October, November and December 2016 tenders. Starting from August 2016 the frequency of 3M deposit tenders changed from a weekly one to a monthly one. By the end of December 2016 OTP kept HUF 212 billion in the 3 months instruments with NBH. According to the decision of the Monetary Council in December 2016 the maximum amount of 3 months deposits placed with the central bank in 1Q 2017 was further reduced and set at HUF 750 billion. The overnight central bank deposit interest rate remained unchanged at -5 bps since 23 March 2016.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	4,817	6,658	38%	1,604	888	3,896	339%	143%
Income tax	-897	-1,379	54%	-200	-201	-791	294%	295%
Profit before income tax	5,714	8,038	41%	1,804	1,088	4,687	331%	160%
Operating profit	5,922	7,816	32%	2,012	1,088	4,465	310%	122%
Total income	7,951	10,232	29%	2,762	1,551	5,612	262%	103%
Net interest income	0	0	509%	0	0	0	159%	
Net fees and commissions	7,942	10,217	29%	2,763	1,538	5,613	265%	103%
Other net non-interest income	9	15	78%	-1	13	-2	-113%	51%
Operating expenses	-2,029	-2,416	19%	-750	-462	-1,146	148%	53%
Other provisions	-208	222	-206%	-208	0	222	-100%	-206%
Main components of balance sheet closing balances in HUF mn	2015	2016	YTD	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Total assets	12,924	17,780	38%	12,924	13,785	17,780	29%	38%
Total shareholders' equity	8,314	14,995	80%	8,314	10,834	14,995	38%	80%
Asset under management in HUF bn	2015	2016	YTD	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Assets under management, total (w/o duplicates)	**1,576**	**1,530**	**-3%**	**1,576**	**1,515**	**1,530**	**1%**	**-3%**
Retail investment funds (closing, w/o duplicates)	1,079	1,000	-7%	1,079	996	1,000	0%	-7%
Volume of managed assets (closing, w/o duplicates)	497	530	7%	497	519	530	2%	7%
Volume of investment funds (with duplicates)	1,204	1,153	-4%	1,204	1,135	1,153	2%	-4%
money market	378	295	-22%	378	286	295	3%	-22%
bond	419	412	-2%	419	412	412	0%	-2%
mixed	21	25	19%	21	22	25	12%	19%
security	109	123	13%	109	114	123	8%	13%
guaranteed	105	61	-42%	105	97	61	-37%	-42%
other	171	237	38%	171	204	237	16%	38%

The OTP Fund Management posted HUF 6.7 billion profit after tax in 2016 which is 38% higher than in 2015. In 4Q 2016 the Company realized more than quadruple profit after tax (HUF 3.9 billion) compared to the previous quarter. The results were mainly shaped by the performance fees generated by the excellent fund management activities.

The full-year 2016 operating profit grew by 32% y-o-y, which was the result of increasing net fees and commissions income (+29% y-o-y) on one hand and higher operating expenses (+19% y-o-y) on the other. The surging fees and commissions income is mainly reasoned by the performance fees registered in 4Q. The quarterly increase of expenses is justified by higher personal expenses (more precisely the bonus payments) and deductible taxes within the administrative expenses line.

Considering the whole market, in 2016 the managed assets of BAMOSZ members slightly increased
y-o-y.

Although the total volume of managed assets varied within a narrow range during the whole year, realignments can be seen in certain categories: money market funds and fixed income funds suffered capital outflow, while derivative funds, commodity funds and real estate funds experienced increasing capital inflow.

Assets under management at the Company dwindled by 4% y-o-y, but in 4Q increased by 2% q-o-q. The structural shift within the different types of investment funds influenced the assets of OTP Fund Management, too. The volume of mixed funds, equity funds and other asset classes grew, while money market fund, debt funds and fixed income funds shrunk. The market share of OTP Fund Management (without duplications) was 19.9%, lower by 3.7 pps compared to the end of 2015. The Company still holds its market leading position.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,625	2,605	60%	294	954	640	-33%	118%
Income tax	0	-43	-100%	-59	0	-43		-27%
Profit before income tax	1,625	2,648	63%	353	954	683	-28%	93%
Operating profit	6,678	7,370	10%	1,555	1,847	2,665	44%	71%
Total income	13,062	13,427	3%	3,135	3,302	4,292	30%	37%
Net interest income	17,736	16,837	-5%	4,723	3,832	5,063	32%	7%
Net fees and commissions	-2,536	-991	-61%	-567	-255	-236	-7%	-58%
Other net non-interest income	-2,138	-2,419	13%	-1,021	-275	-535	95%	-48%
Operating expenses	-6,383	-6,057	-5%	-1,580	-1,456	-1,627	12%	3%
Total provisions	-5,053	-4,722	-7%	-1,203	-893	-1,982	122%	65%
Provision for possible loan losses	-5,064	-3,374	-33%	-1,165	-808	-761	-6%	-35%
Other provision	11	-1,348		-38	-85	-1,222		
Main components of balance sheet closing balances in HUF mn	**2015**	**2016**	**YTD**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	332,791	349,891	5%	332,791	338,751	349,891	3%	5%
Gross customer loans	274,024	286,296	4%	274,024	277,365	286,296	3%	4%
Gross customer loans (FX-adjusted)	273,955	286,296	5%	273,955	277,529	286,296	3%	5%
Retail loans	22,237	25,498	15%	22,237	24,600	25,498	4%	15%
Corporate loans	82,636	87,329	6%	82,636	83,555	87,329	5%	6%
Car financing loans	169,082	173,469	3%	169,082	169,374	173,469	2%	3%
Allowances for possible loan losses	-36,075	-37,051	3%	-36,075	-36,749	-37,051	1%	3%
Allowances for possible loan losses (FX-adjusted)	-36,075	-37,051	3%	-36,075	-36,760	-37,051	1%	3%
Deposits from customers	10,910	34,554	217%	10,910	8,376	34,554	313%	217%
Deposits from customer (FX-adjusted)	10,910	34,554	217%	10,910	8,376	34,554	313%	217%
Retail deposits	3,280	28,493	769%	3,280	3,528	28,493	708%	769%
Corporate deposits	7,630	6,060	-21%	7,630	4,848	6,060	25%	-21%
Liabilities to credit institutions	256,997	286,401	11%	256,997	272,450	286,401	5%	11%
Issued securities	35,004	3	-100%	35,004	29,959	3	-100%	-100%
Total shareholders' equity	21,146	24,530	16%	21,146	23,890	24,530	3%	16%
Loan Quality	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	29,451	32,356	10%	29,451	32,338	32,356	0%	10%
90+ days past due loans/gross customer loans (%)	10.7%	11.3%	0.6%p	10.7%	11.7%	11.3%	-0.4%p	0.6%p
Cost of risk/average gross loans (%)	1.88%	1.20%	-0.68%p	1.69%	1.16%	1.07%	-0.08%p	-0.61%p
Cost of risk/average (FX-adjusted) gross loans	1.85%	1.20%	-0.64%p	1.68%	1.16%	1.07%	-0.08%p	-0.61%p
Total provisions/90+ days past due loans (%)	122.5%	114.5%	-8.0%p	122.5%	113.6%	114.5%	0.9%p	-8.0%p
Performance Indicators (%)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	0.5%	0.8%	0.3%p	0.4%	1.1%	0.7%	-0.4%p	0.4%p
ROE	7.9%	11.4%	3.5%p	6.4%	16.4%	10.5%	-5.9%p	4.1%p
Total income margin	4.04%	3.93%	-0.11%p	3.77%	3.85%	4.96%	1.10%p	1.19%p
Net interest margin	5.49%	4.93%	-0.56%p	5.68%	4.47%	5.85%	1.38%p	0.17%p
Cost/income ratio	48.9%	45.1%	-3.8%p	50.4%	44.1%	37.9%	-6.2%p	-12.5%p

The **Merkantil Bank and Car** posted HUF 2.6 billion aggregated adjusted after tax profit in 2016 versus HUF 1.6 billion net earnings in the base period (+60% y-o-y). 4Q 2016 adjusted after tax profit represents almost HUF 0.6 billion (-33% q-o-q).

The higher operating profit (+10% y-o-y) was fuelled mainly by a strong performance in 4Q. Total risk costs in 2016 dropped by 7% y-o-y.

The total income increased by 3% y-o-y. Within that the comparability of net interest income and net fees and commissions income with the base period is distorted by changes in the methodology[7].

Furthermore, in 4Q a HUF 1.5 billion one-off item supported the net interest income line due to a change in the accounting methodology. Formerly, the booked but unpaid interest income in case of exposures with over 30 days delinquency was booked as suspended off-balance sheet interest pursuant to HAR (and not recognized in the income statement). In December 2016 the switching to IFRS induced the realization of suspended interests on the net interest income line within the income statement. At the same risk costs for possible loan losses and other risk costs were booked, too.

Operating expenses declined by 5% y-o-y: while postages and the volume of deductible taxes dropped, marketing expenses increased. In 4Q

[7] 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.

lower operating expenses were mainly due to lower personal costs.

Total risk cost declined by 7% y-o-y. Higher annual other risk costs were due to the switching to IFRS and provision created for litigations. Possible loan losses fell by a quarter. In 4Q DPD90+ volumes (adjusted for FX rate changes and sold and written off volumes) increased by HUF 0.4 billion against an average of HUF 1.6 billion for the last three quarters. The ratio of DPD90+ loans decreased by 0.4 pp q-o-q to 11.3%, while the total coverage ratio of 114.5% improved by 0.9 pp q-o-q (-8.0 pps y-o-y).

The FX-adjusted loan portfolio expanded by 5% on a yearly basis due to the favourable origination activity in the corporate) and car loan segments (+6% and +3% y-o-y, respectively). Total new loan origination eroded by 4% y-o-y (+13% q-o-q), albeit within that the volume of newly disbursed car loans improved by 9% y-o-y (+14% q-o-q). Merkantil Bank and Car is a market leader in terms of new loan disbursements and volumes.

IFRS REPORTS OF THE MAIN SUBSIDIARIES

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

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	52,537	47,385	-10%	10,650	14,699	4,679	-68%	-56%
Income tax	-5,729	-4,997	-13%	-1,017	-1,506	-382	-75%	-62%
Profit before income tax	58,266	52,381	-10%	11,667	16,205	5,061	-69%	-57%
Operating profit	73,136	70,113	-4%	17,448	17,622	17,505	-1%	0%
Total income	114,440	112,503	-2%	29,755	27,951	28,762	3%	-3%
Net interest income	88,674	84,023	-5%	21,893	21,101	20,317	-4%	-7%
Net fees and commissions	23,013	26,034	13%	5,787	6,669	6,582	-1%	14%
Other net non-interest income	2,752	2,445	-11%	2,075	182	1,862	926%	-10%
Operating expenses	-41,303	-42,391	3%	-12,307	-10,329	-11,256	9%	-9%
Total provisions	-14,870	-17,731	19%	-5,781	-1,417	-12,445	778%	115%
Provision for possible loan losses	-14,650	-12,980	-11%	-5,865	-1,068	-8,356	682%	42%
Other provision	-220	-4,751		84	-349	-4,089		
Main components of balance sheet closing balances in HUF mn	**2015**	**2016**	**YTD**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	1,778,326	1,852,901	4%	1,778,326	1,838,897	1,852,901	1%	4%
Gross customer loans	1,158,894	1,151,210	-1%	1,158,894	1,187,362	1,151,210	-3%	-1%
Gross customer loans (FX-adjusted)	1,151,148	1,151,210	0%	1,151,148	1,194,540	1,151,210	-4%	0%
Retail loans	852,641	824,614	-3%	852,641	852,025	824,614	-3%	-3%
Corporate loans	298,507	326,596	9%	298,507	342,515	326,596	-5%	9%
Allowances for possible loan losses	-164,898	-142,386	-14%	-164,898	-158,837	-142,386	-10%	-14%
Allowances for possible loan losses (FX-adjusted)	-163,837	-142,386	-13%	-163,837	-159,818	-142,386	-11%	-13%
Deposits from customers	1,489,542	1,547,669	4%	1,489,542	1,532,046	1,547,669	1%	4%
Deposits from customer (FX-adjusted)	1,482,405	1,547,669	4%	1,482,405	1,546,029	1,547,669	0%	4%
Retail deposits	1,243,730	1,329,264	7%	1,243,730	1,288,436	1,329,264	3%	7%
Corporate deposits	238,675	218,405	-8%	238,675	257,593	218,405	-15%	-8%
Liabilities to credit institutions	14,951	21,782	46%	14,951	31,067	21,782	-30%	46%
Total shareholders' equity	253,468	247,267	-2%	253,468	241,873	247,267	2%	-2%
Loan Quality	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	172,124	131,889	-23%	172,124	159,961	131,889	-18%	-23%
90+ days past due loans/gross customer loans (%)	14.9%	11.5%	-3.4%p	14.9%	13.5%	11.5%	-2.0%p	-3.4%p
Cost of risk/average gross loans (%)	1.26%	1.12%	-0.14%p	2.01%	0.36%	2.84%	2.49%p	0.83%p
Cost of risk/average (FX-adjusted) gross loans (%)	1.28%	1.13%	-0.15%p	2.02%	0.36%	2.83%	2.48%p	0.81%p
Total provisions/90+ days past due loans (%)	95.8%	108.0%	12.2%p	95.8%	99.3%	108.0%	8.7%p	12.2%p
Performance Indicators (%)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	3.1%	2.6%	-0.5%p	2.5%	3.2%	1.0%	-2.2%p	-1.4%p
ROE	21.0%	18.9%	-2.0%p	17.1%	24.7%	7.6%	-17.1%p	-9.5%p
Total income margin	6.77%	6.20%	-0.57%p	6.85%	6.01%	6.20%	0.19%p	-0.65%p
Net interest margin	5.24%	4.63%	-0.62%p	5.04%	4.54%	4.38%	-0.16%p	-0.66%p
Cost/income ratio	36.1%	37.7%	1.6%p	41.4%	37.0%	39.1%	2.2%p	-2.2%p
Net loans to deposits (FX-adjusted)	67%	65%	-1%p	67%	67%	65%	-2%p	-1%p
FX rates (in HUF)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/BGN (closing)	160.1	159.0	-1%	160.1	158.1	159.0	1%	-1%
HUF/BGN (average)	158.5	159.3	1%	159.8	159.1	158.2	-1%	-1%

- ***The full-year 2016 profit reached HUF 47.4 billion (-10% y-o-y); the results were shaped mainly by higher total risk costs and moderating net interest income***
- ***4Q profit declined by 68% q-o-q due to conservative provisioning***
- ***The annual net interest income eroded by 5%; the net interest margin continued to shrink in 4Q 2016***
- ***Loan quality developments remained favourable: the DPD90+ ratio declined and the coverage edged further up on a quarterly basis***
- ***Higher lending activity: outstanding performing corporate loan growth of 15%; basically stagnating performing volumes on the household side***

DSK Group posted an after tax profit of HUF 47.4 billion in 2016 (-10% compared with the previous year's record high result), marking a return on equity (ROE) of 18.9%. The HUF 4.7 billion profit after tax recorded in 4Q 2016 declined by 68% q-o-q and 56% y-o-y.

The annual operating profit moderated by 4%. Within total income the net interest income eroded by 5% y-o-y, which was attributable mainly to the continuing repricing and refinancing of household loans that resulted in declining interest revenues through lower margins, as well as to the steadily decreasing interest rate environment observed through 2016. The above effects were only partially mitigated by the further declining interest expenditures on deposits along with reduced deposit interest rates. The net interest income was also shaped by the change in the methodology[8] effective from October 2015 regarding the accounting treatment of recoveries collected from DPD90+ exposures. The annual net interest margin declined by 62 bps y-o-y to 4.63%, explained partially by the above reasons, but also by the dilutive effect of steady deposit inflow inducing faster growth in average total assets (+7% y-o-y) than in loans.

In 4Q 2016 the net interest income weakened by 4% q-o-q or HUF 0.8 billion, explained mainly by the coupon step-down of bonds issued by OTP Bank held in the balance sheet of DSK Bank (-HUF 0.5 billion NII impact q-o-q). Interest revenues on loans continued to dwindle slowly parallel with the 1% q-o-q performing loan erosion, whereas interest expenditures on deposits remained largely stable over the last quarter amid stagnating average deposit volumes q-o-q. The erosion of the net margin further continued in 4Q (-16 bps q-o-q).

The full-year net fee and commission income grew by 13% as deposits and transactions-related fee revenues rose parallel with expanding business volumes and stronger account keeping fee income. Soaring corporate loan disbursements also helped fee income generation.

Annual other net non-interest income making up 2% of total income weakened by 11% on yearly basis. The outstanding q-o-q improvement recorded in 4Q 2016 is decisively due to a one-off revenue item accounted for in the last quarter. In 4Q the Bulgarian factoring company's off-balance sheet interest claims have been revised, resulting in a HUF 1.4 billion other non-interest revenue booked in the Bulgarian P&L.

Operating expenses went up by 3% y-o-y in 2016, mainly due to higher personnel expenses and marketing costs, but the expert fees on the local AQR process emerged in 2Q 2016 played a role, too. On the other hand, supervisory fees and deductible taxes moderated y-o-y. In 4Q 2016 operating costs showed a mainly seasonality-driven 9% q-o-q increase, whereas the 9% decrease in yearly comparison was owing to lower supervisory fees and deductible taxes.

Credit quality trends remained healthy. During the whole year the ratio of DPD90+ loans to total gross loans sank to 11.5% (-2 pps q-o-q and -3.4 pps y-o-y). At the same time, the total provision coverage ratio of DPD90+ loans edged up to 108%. In 2016 altogether HUF 35 billion non-performing portfolio was sold or written off, of which HUF 26 billion in 4Q. The FX-adjusted DPD90+ volume changes excluding the impact of loan sales and write-offs remained favourable (in HUF billion: 1Q 2015: 6, 2Q: 0, 3Q: 0, 4Q: 0, 1Q 2016: 1, 2Q: 0, 3Q: -2, 4Q: -2). With respect to this indicator, especially the mortgage and corporate loans showed improvement in the consecutive quarters of 2016.

The annual total risk costs went up by 19%. Within that, loan-related risk costs fell by 11%, thus the risk cost rate moderated to 112 bps (-14 bps y-o-y). Provisions for possible loan losses amounted to HUF 8.4 billion in 4Q 2016, 42% higher than a year ago. Apart from the prudent and conservative provisioning policy applied by the Bank, the quarterly increase is justified by the tightening of the classification of restructured loans, too. This methodological change resulted in an incremental risk cost of around HUF 4 billion q-o-q. (According to the new methodology, restructured loans remain

[8] 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.

in restructured category for longer after the resumption of payment on schedule.)

In 2016 the other risk cost line was shaped mainly by provisions for potential future losses booked in 4Q 2016.

Business activity demonstrated a strengthening trend: the FX-adjusted performing (DPD0-90) loan portfolio grew by 4% y-o-y, fuelled mainly by outstanding corporate loan dynamics (+15% y-o-y FX-adjusted) supported by the doubling new corporate loan origination. However, the repayment of a large corporate exposure induced a 4% contraction over the last quarter. DSK Bank's market share in the corporate loan stock stood at 7.5% at the end of 2016, up from 7.0% a year ago.

As for the retail segment, performing mortgage loans eroded by a mere 1%, whereas DPD0-90 consumer loans remained stable y-o-y (FX-adjusted). Annual mortgage loan disbursements advanced by 3%, and new consumer loan sales were up by 7% y-o-y. In 4Q 2016 mortgage loan origination did not change y-o-y, but in case of consumer loans a slight decline was observed.

As a result of non-performing loan sales and write-offs occurring mainly in 4Q 2016, the FX-adjusted total gross loan portfolio contracted by 4% q-o-q and remained stable y-o-y.

The FX-adjusted deposit base remained stable q-o-q, and advanced by 4% y-o-y. Retail deposits kept on increasing in 4Q and demonstrated a 3% q-o-q and 7% y-o-y growth, despite persistently lower than market average and even q-o-q further declining deposit rates offered by DSK Bank. Corporate deposits saw a 15% quarterly decline, thus the y-o-y change was -8% (FX-adjusted).

The capital adequacy ratio of DSK Bank calculated in accordance with local regulation stood at 17.6%. The reason behind the 2% y-o-y decrease of shareholders' equity was the dividend payment to the mother company.

Following the completion of the AQR, the Bulgarian National Bank published the results of the stress test on 13 August 2016. The results confirmed that DSK Bank's capital position is strong and stable.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	-15,101	20,535	-236%	-26	6,842	4,565	-33%	
Income tax	3,318	-6,480	-295%	-224	-1,884	-1,986	5%	786%
Profit before income tax	-18,419	27,015	-247%	198	8,725	6,551	-25%	
Operating profit	64,515	61,866	-4%	13,876	16,062	16,866	5%	22%
Total income	113,052	106,155	-6%	25,624	27,448	29,761	8%	16%
Net interest income	97,871	91,816	-6%	22,010	23,029	25,445	10%	16%
Net fees and commissions	14,478	14,098	-3%	3,228	3,880	3,916	1%	21%
Other net non-interest income	703	240	-66%	387	539	400	-26%	4%
Operating expenses	-48,536	-44,289	-9%	-11,748	-11,386	-12,894	13%	10%
Total provisions	-82,934	-34,851	-58%	-13,678	-7,337	-10,315	41%	-25%
Provision for possible loan losses	-82,060	-33,988	-59%	-13,385	-7,157	-9,683	35%	-28%
Other provision	-874	-863	-1%	-293	-180	-632	250%	115%
Main components of balance sheet closing balances in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Total assets	507,082	622,666	23%	507,082	520,231	622,666	20%	23%
Gross customer loans	393,914	490,086	24%	393,914	424,769	490,086	15%	24%
Gross customer loans (FX-adjusted)	477,900	490,086	3%	477,900	464,344	490,086	6%	3%
Retail loans	443,218	450,353	2%	443,218	430,352	450,353	5%	2%
Corporate loans	32,879	38,528	17%	32,879	32,766	38,528	18%	17%
Car financing loans	1,803	1,205	-33%	1,803	1,226	1,205	-2%	-33%
Gross DPD0-90 customer loans (FX-adjusted)	385,763	391,062	1%	385,763	355,639	391,062	10%	1%
Retail loans	357,319	357,183	0%	357,319	327,553	357,183	9%	0%
Allowances for possible loan losses	-88,017	-116,458	32%	-88,017	-111,074	-116,458	5%	32%
Allowances for possible loan losses (FX-adjusted)	-106,216	-116,458	10%	-106,216	-121,366	-116,458	-4%	10%
Deposits from customers	307,646	345,241	12%	307,646	297,079	345,241	16%	12%
Deposits from customer (FX-adjusted)	369,171	345,241	-6%	369,171	323,527	345,241	7%	-6%
Retail deposits	303,511	279,980	-8%	303,511	280,537	279,980	0%	-8%
Corporate deposits	65,659	65,261	-1%	65,659	42,990	65,261	52%	-1%
Liabilities to credit institutions	42,974	91,641	113%	42,974	54,722	91,641	67%	113%
Issued securities	1,024	1,038	0%	1,024	1,158	1,038	-10%	0%
Subordinated debt	21,820	24,778	14%	21,820	22,993	24,778	8%	14%
Total shareholders' equity	89,504	125,190	40%	89,504	110,034	125,190	14%	40%
Loan Quality	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	76,403	99,024	30%	76,403	99,503	99,024	0%	30%
90+ days past due loans/gross customer loans (%)	19.4%	20.2%	0.8%p	19.4%	23.4%	20.2%	-3.2%p	0.8%p
Cost of risk/average gross loans (%)	17.05%	7.69%	-9.36%p	12.45%	6.70%	8.42%	1.72%p	-4.03%p
Cost of risk/average (FX-adjusted) gross loans	15.07%	7.02%	-8.04%p	10.73%	6.18%	8.07%	1.89%p	-2.66%p
Total provisions/90+ days past due loans (%)	115.2%	117.6%	2.4%p	115.2%	111.6%	117.6%	6.0%p	2.4%p
Performance Indicators (%)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
ROA	-2.4%	3.6%	6.0%p	0.0%	5.2%	3.2%	-2.0%p	3.2%p
ROE	-15.0%	19.1%	34.1%p	-0.1%	25.3%	15.4%	-9.9%p	15.6%p
Total income margin	17.98%	18.79%	0.82%p	19.49%	20.78%	20.72%	-0.07%p	1.23%p
Net interest margin	15.56%	16.25%	0.69%p	16.74%	17.44%	17.71%	0.28%p	0.97%p
Cost/income ratio	42.9%	41.7%	-1.2%p	45.8%	41.5%	43.3%	1.8%p	-2.5%p
Net loans to deposits (FX-adjusted)	101%	108%	8%p	101%	106%	108%	2%p	8%p
FX rates (in HUF)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
HUF/RUB (closing)	3.9	4.8	23%	3.9	4.4	4.8	10%	23%
HUF/RUB (average)	4.6	4.2	-8%	4.3	4.3	4.6	6%	5%

- ***Profitable operation in each and every quarter of 2016, HUF 20.5 billion after tax profit in 2016 is the result of operating profit improving by 5% in RUB terms and risk cost halving y-o-y***
- ***Pace of portfolio deterioration moderated further q-o-q, DPD90+ ratio decreased close to 20%***
- ***Net interest margin widened in 2016***
- ***In 4Q POS loan disbursements increased by about 32% q-o-q and FX-adjusted performing loan volumes grew by 10% respectively, as a result the annual volume change turned into positive, too (+1%)***

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: the 4Q 2016 closing exchange rate showed a 10% q-o-q and 23% y-o-y rouble strengthening; while the average 2016 exchange rate depreciated by 8% y-o-y, the 4Q average rate strengthened by 6% q-o-q and by 5% y-o-y. Therefore local currency P&L dynamics can be materially different from those in HUF terms.

After two loss-making years in 2016 **OTP Bank Russia** delivered its third ever highest profit in RUB terms and realised HUF 20.5 billion after tax profit. This is a material improvement over the HUF 15.1 billion loss in the base period. The main driver behind the substantial change was the 54% drop of risk cost in RUB terms, in addition performing loans increased on the yearly basis and the moderating funding costs also helped. The 4Q net earnings of HUF 4.6 billion falls short of the 3Q level by 33%: in spite of the improving net interest income seasonally higher operating costs and risk costs took their toll.

As for the rouble denominated profit dynamics, the 2016 operating profit development (+5% y-o-y) was driven by the 3% y-o-y growth of total income, while operating expenses fell by 1%. The 4Q 2016 operating profit was stable on the quarterly basis but grew by 15% y-o-y in rouble terms.

The net interest income for the year increased by 3% y-o-y in rouble terms, despite average performing loan portfolio was smaller compared to the base period. Only with a seasonally strong disbursement activity at the end of year the bank managed to exceed the 2015 year-end closing volume y-o-y. The interest income decrease induced by lower loan volumes was counterbalanced by the decrease of interest rates of liabilities, as a result the yearly net interest margin improved by 2.5 pps y-o-y in RUB terms. In 4Q net interest income increased by 5% q-o-q: funding cost further diminished and performing loan volumes grew – however with narrowing interest margins earned on loans. The net interest margin was stable q-o-q.

The 2016 net fee and commission income advanced by 7% y-o-y in RUB terms supported by insurance fee income on cash loans with insurance and other lending related F&C income. In 4Q net F&C income decreased by 4% q-o-q in local currency due to the higher F&C expenses paid to POS agents in the peak season.

Operating expenses in 2016 decreased by 1% y-o-y in RUB terms in spite of the 7% yearly average Russian inflation rate (adjusted to the one-off[9] item in 3Q 2016 it would have decreased by 3%). Branch network rationalisation was practically completed in the first half of 2015; number of branches was stable in the course of 2016. The number of the Bank's employees (without agents) decreased by 1% y-o-y to 4,744 while the number of agents remained practically the same. 4Q operating expenses grew by 7% q-o-q in RUB terms due to a one-off software amortization recognised in 4Q, higher personnel expenses (year-end bonuses) and higher administrative costs in line with stronger business activity.

The FX-adjusted DPD90+ volume growth excluding the impact of sold/written-off non-performing loans showed a trend-like moderation after 2Q 2015, so the total growth in 2016 was less than half of the 2015 figure (in HUF billion 2015: 110, 2016: 48, out of which 3Q:10, 4Q: 7). The HUF 7 billion in 4Q 2016 is the lowest quarterly amount seen in the last 5 years. The DPD90+ ratio decreased by 3.2 pps q-o-q to 20.2%. The improvement was supported in 4Q 2016 by the sale and write-off of non-performing loans in the amount of RUB 3.2 billion (in total RUB 6.5 billion in 2016). The development of total risk cost demonstrated a favourable trend: in 2016 it decreased y-o-y by 54% in rouble terms. In 4Q risk cost went up by 33% q-o-q due to the prudent and conservative provisioning. In 2016 the risk cost rate decreased considerably and sank below 8%. The total provision coverage of DPD90+ loans was 117.6% by the end of 4Q (+6 pps q-o-q).

Due to the favourable loan sales dynamics in the second half of the year the FX-adjusted performing (DPD0-90) consumer loan portfolio increased by 1% y-o-y. In the seasonally strongest fourth quarter the performing consumer loan portfolio expanded by 10% q-o-q. POS lending strengthened, the 2016 disbursements were higher by 27% compared to 2015 levels, in 4Q on the quarterly basis disbursed volumes grew by 32%. In 4Q FX-adjusted performing POS loan volumes advanced by 21% q-o-q, and by 17% y-o-y. With regards to cross-sale of credit cards, the mass delivery of credit characterised mainly 3Q, in 4Q the number of sent

[9] In 3Q 2016 deposit protection fund contributions paid in the first nine months of 2016 have been reclassified from the other net non-interest income line to operating expenses. Thus for the whole year other net non-interest income increased by about HUF 1.0 billion and operating expenses grew in absolute terms by the same amount.

cards declined. As a result, the erosion of the FX-adjusted performing card loan volumes continued (-5% q-o-q, -24% y-o-y). Cash loan disbursements remained strong in 4Q, so yearly disbursed volumes more than doubled y-o-y in 2016. The FX-adjusted volume of performing cash loans increased by 6% q-o-q (+7% y-o-y). FX-adjusted performing corporate loan volumes surged significantly in 4Q (+21% q-o-q, +20% y-o-y), due to the favourable development of working capital financing and commercial factoring.

FX-adjusted total deposits contracted by 6% y-o-y, but increased by 7% q-o-q in 4Q in spite of the further moderation of interest on term deposits in the last quarter. The quarterly deposit base expansion is mostly due to the 52% q-o-q growth of corporate deposits, while SME and retail deposits were flat. The FX-adjusted net loan-to-deposit ratio stood at 108% at the end of 2016 (+8 pps y-o-y).

The capital adequacy ratio of the bank calculated in line with local regulation stood at 16.2% at the end of 4Q (+0.8 pp y-o-y).

TOUCH BANK (RUSSIA)

Performance of Touch Bank:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	-4,840	-5,898	22%	-2,058	-1,419	-1,968	39%	-4%
Income tax	1,189	1,468	23%	493	352	490	39%	0%
Profit before income tax	-6,029	-7,366	22%	-2,551	-1,771	-2,458	39%	-4%
Operating profit	-6,020	-7,328	22%	-2,542	-1,765	-2,434	38%	-4%
Total income	-241	-122	-49%	-100	-17	-8	-56%	-92%
Net interest income	-155	209	-235%	-41	49	76	55%	-284%
Net fees and commissions	-84	-349	314%	-57	-86	-89	4%	58%
Other net non-interest income	-2	17		-2	20	6	-72%	-365%
Operating expenses	-5,779	-7,205	25%	-2,442	-1,748	-2,426	39%	-1%
Total provisions	-9	-38	346%	-8	-6	-24	313%	195%
Provision for possible loan losses	0	-33		0	-6	-24	300%	
Other provision	-9	-5	-43%	-8	0	-1		-91%
Main components of balance sheet closing balances in HUF mn	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	7,410	26,141	253%	7,410	19,020	26,141	37%	253%
Gross customer loans	4	1,609		4	605	1,609	166%	
Gross customer loans (FX-adjusted)	5	1,609		5	663	1,609	142%	
Retail loans	5	1,609		5	663	1,609	142%	
Corporate loans	0	0			0	0		
Allowances for possible loan losses	0	-36		0	-10	-36	260%	
Allowances for possible loan losses (FX-adjusted)	0	-36		0	-11	-36	228%	
Deposits from customers	4,250	20,455	381%	4,250	14,410	20,455	42%	381%
Deposits from customer (FX-adjusted)	5,220	20,455	292%	5,220	15,788	20,455	30%	292%
Retail deposits	5,220	20,455	292%	5,220	15,788	20,455	30%	292%
Corporate deposits	0	0	-	0	0	0		
Liabilities to credit institutions	4	0	-100%	4	0	0		-100%
Subordinated debt	1,653	0	-100%	1,653	0	0		-100%
Total shareholders' equity	1,474	5,585	279%	1,474	4,539	5,585	23%	279%
Loan Quality	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	0	5		0	0	5		
Cost of risk/average gross loans (%)	2.60%	4.13%	1.53%p	9.68%	5.03%	8.52%	3.48%p	-1.16%p
Cost of risk/average (FX-adjusted) gross loans	2.11%	4.13%	2.02%p	7.88%	4.62%	8.30%	3.68%p	0.42%p
FX rates (in HUF)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	3.9	4.8	23%	3.9	4.4	4.8	10%	23%
HUF/RUB (average)	4.6	4.2	-8%	4.3	4.3	4.6	6%	5%

- ***HUF 5.9 billion loss in 2016***
- ***Intensifying business activity, about 62 thousand activated cards, slowly growing cross-sale lending activities***
- ***30% q-o-q growth in total deposits in rouble terms (2016: HUF 20.5 billion)***

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

The 2016 result of **Touch Bank** in its second year of operation was shaped again by the operating expenditures. For the whole year HUF 5.9 billion after tax loss was realized, out of which HUF 2 billion in 4Q. The yearly loss shows a 30% increase compared to 2015 in rouble terms. 4Q loss grew by 31% in rouble terms q-o-q: total income was still low, but operating expenses increased by 32%. The growth of operating expenses was influenced by the higher personnel expenses and marketing cost.

The acquisition of new customers continued: in 4Q 2016 more than 17 thousand cards have been sent out; the number of activated cards grew by about 60% q-o-q and reached 62 thousand by the end of the year. Total deposits expanded fourfold y-o-y, and grew by 30% q-o-q on an FX-adjusted basis and almost reached HUF 20.5 billion equivalent. Credit card and revolving cash loan origination started to accelerate in March, total loan portfolio was HUF 1.6 billion by year-end.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	-40,312	10,202	-125%	-13,166	3,840	2,065	-46%	-116%
Income tax	1,918	-1,477	-177%	-1,150	1,656	-92	-106%	-92%
Profit before income tax	-42,230	11,679	-128%	-12,016	2,184	2,157	-1%	-118%
Operating profit	25,185	22,217	-12%	3,537	5,052	4,284	-15%	21%
Total income	41,087	37,304	-9%	7,748	8,554	8,800	3%	14%
Net interest income	29,146	26,478	-9%	6,581	5,786	5,867	1%	-11%
Net fees and commissions	7,915	8,746	10%	2,393	2,210	2,457	11%	3%
Other net non-interest income	4,025	2,080	-48%	-1,226	559	477	-15%	-139%
Operating expenses	-15,902	-15,087	-5%	-4,210	-3,502	-4,517	29%	7%
Total provisions	-67,414	-10,538	-84%	-15,553	-2,868	-2,127	-26%	-86%
Provision for possible loan losses	-65,891	-11,866	-82%	-14,319	-3,173	-2,049	-35%	-86%
Other provision	-1,523	1,328	-187%	-1,234	305	-78	-126%	-94%
Main components of balance sheet closing balances in HUF mn	2015	2016	YTD	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Total assets	292,882	307,117	5%	292,882	290,642	307,117	6%	5%
Gross customer loans	421,330	381,662	-9%	421,330	372,336	381,662	3%	-9%
Gross customer loans (FX-adjusted)	415,512	381,662	-8%	415,512	387,784	381,662	-2%	-8%
Retail loans	214,527	164,404	-23%	214,527	177,406	164,404	-7%	-23%
Corporate loans	177,208	195,539	10%	177,208	187,689	195,539	4%	10%
Car financing loans	23,777	21,719	-9%	23,777	22,690	21,719	-4%	-9%
Gross DPD0-90 customer loans (FX-adjusted)	210,892	221,653	5%	210,892	212,224	221,653	4%	5%
Retail loans	52,811	50,102	-5%	52,811	48,637	50,102	3%	-5%
Corporate loans	146,764	159,093	8%	146,764	151,409	159,093	5%	8%
Car financing loans	11,316	12,457	10%	11,316	12,179	12,457	2%	10%
Allowances for possible loan losses	-242,515	-189,450	-22%	-242,515	-195,851	-189,450	-3%	-22%
Allowances for possible loan losses (FX-adjusted)	-241,894	-189,450	-22%	-241,894	-205,488	-189,450	-8%	-22%
Deposits from customers	211,346	228,568	8%	211,346	203,664	228,568	12%	8%
Deposits from customer (FX-adjusted)	203,157	228,568	13%	203,157	209,615	228,568	9%	13%
Retail deposits	122,776	107,465	-12%	122,776	105,314	107,465	2%	-12%
Corporate deposits	80,381	121,103	51%	80,381	104,301	121,103	16%	51%
Liabilities to credit institutions	99,083	46,270	-53%	99,083	43,402	46,270	7%	-53%
Subordinated debt	8,571	0	-100%	8,571	8,291	0	-100%	-100%
Total shareholders' equity	-34,804	24,243	-170%	-34,804	23,058	24,243	5%	-170%
Loan Quality	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	204,635	160,009	-22%	204,635	167,315	160,009	-4%	-22%
90+ days past due loans/gross customer loans (%)	48.569%	41.9%	-6.6%p	48.6%	44.9%	41.9%	-3.0%p	-6.6%p
Cost of risk/average gross loans (%)	13.32%	2.96%	-10.36%p	12.19%	3.31%	2.16%	-1.15%p	-10.03%p
Cost of risk/average (FX-adjusted) gross loans (%)	13.36%	2.98%	-10.38%p	12.39%	3.25%	2.12%	-1.13%p	-10.27%p
Total provisions/90+ days past due loans (%)	118.5%	118.4%	-0.1%p	118.5%	117.1%	118.4%	1.3%p	-0.1%p
Performance Indicators (%)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
ROA	-11.3%	3.4%	14.7%p	-16.6%	5.2%	2.7%	-2.5%p	19.3%p
ROE	n/a	n/a		n/a	n/a	n/a		
Total income margin	11.49%	12.43%	0.94%p	9.74%	11.58%	11.71%	0.13%p	1.97%p
Net interest margin	8.15%	8.83%	0.68%p	8.28%	7.83%	7.81%	-0.02%p	-0.47%p
Cost/income ratio	38.7%	40.4%	1.7%p	54.3%	40.9%	51.3%	10.4%p	-3.0%p
Net loans to deposits (FX-adjusted)	85%	84%	-1%p	85%	87%	84%	-3%p	-1%p
FX rates (in HUF)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
HUF/UAH (closing)	11.9	10.8	-9%	11.9	10.7	10.8	2%	-9%
HUF/UAH (average)	12.9	11.0	-15%	12.5	11.0	11.1	1%	-11%

- ***In 2016 the Ukrainian subsidiary turned into profit: 2016 adjusted net after tax profit exceeded HUF 10.2 billion (o/w 4Q 2016: HUF 2.0 billion)***
- ***The profitable operation was mainly shaped by favourable credit quality trends coupled with lower risk costs supported by the base effect of the portfolio clean up in 2015***
- ***DPD90+ ratio dropped by 6.6 pps y-o-y due to non-performing loan sales and write-offs; stable coverage ratio above 118%***
- ***FX-adjusted performing loans increased by 5% y-o-y, while deposits advanced by 13%***

The financial performance and indicators of OTP Bank Ukraine in HUF terms were significantly distorted by the HUF/UAH exchange rate moves: in 4Q 2016 the closing rate of HUF depreciated by 2% q-o-q, but appreciated by 9% y-o-y against the Ukrainian hryvnia. The annual average rate strengthened by 15% y-o-y, the 4Q average rate by 11% y-o-y, while q-o-q it weakened by 1% against UAH. Therefore local currency P&L and balance sheet dynamics are materially different from those in HUF terms.

OTP Bank Ukraine posted HUF 10.2 billion adjusted[10] after tax profit in 2016 marking a sharp improvement compared to the loss in the base periods. In 4Q HUF 2.0 billion profit was realized (-46% q-o-q); the profit before income tax decreased by a mere 1% q-o-q.

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

In 2016 the operating result in UAH terms increased by 6% y-o-y (-12% in HUF), while total income improved by 8% y-o-y.

The full-year net interest income went up by 7% y-o-y in UAH terms. This improvement was reasoned by several factors: on one hand there was a drop in interest expenses due to the conversion of intra-group financing and subordinated debt into equity in December 2015. Furthermore, it was positive that the restructuring of dollar-based mortgage loans took place mainly in 2015: 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. At the end of December the restructured USD mortgage loan volumes reached USD 108 million equivalent.

At the end of 4Q 2016 the net performing USD mortgage loan volumes stood at HUF 6.0 billion, whereas the UAH denominated net performing mortgages amounted to HUF 14.2 billion.

In 4Q 2016 net interest income increased by 1% q-o-q in UAH terms. The better NII was partly reasoned by the higher volume of performing loans (+4% q-o-q), but also by the repayment of an USD 30 million intragroup subordinated facility at the end of November 2016 (the related interest expenditures dropped out).

The bank changed the methodology[11] on booking interest income on impaired exposures in July and August 2016 (different timing for different product categories). This change had a negative impact on net interest income, but also lowered the risk costs in the bank's standalone income statement starting from July.

The annual net fees and commissions surged by 29% in UAH terms due to the repayment of a subordinated debt facility to third party in 4Q 2015, as no further fee expenses occurred (the Ukrainian subsidiary used to pay a guarantee fee to OTP Bank which acted as guarantor).

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

Annual operating expenses increased by 11% y-o-y in hryvnia terms, beside 13.9% average annual inflation. The y-o-y growth was partly induced by higher personnel expenses, as well as higher expert fees and regulatory expenses.

Total annual risk costs dropped by 84% on a yearly basis, thanks to favourable credit quality trends and the base effect of portfolio cleaning executed in 2015. Such a decline was shaped by the lack of large one-off provisioning in 2016.[12] Favourable credit quality trends were also reflected in the slow portfolio quality deterioration (FX-adjusted DPD90+ volume growth excluding the impact of loan sales and write-offs in HUF billion: 2015: 11, 2016: 11, of which 4Q 2016: 3).

In 2016 altogether HUF 51 billion equivalent non-performing loans were sold or written off, of that

[10] *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.*

[11] According to the old method the bank recognized interest revenues based on gross loan volumes. Simultaneously, risk costs were created for the booked interest revenues in line with the provision coverage level. In line with the new methodology interest revenues based on net loan volumes. Further details are available in 'Supplementary Data' section of the report.

[12] In 1Q 2015 high risk costs were set aside since the sharp weakening of the hryvnia against the USD triggered additional provisioning need in case of covered loans denominated in FX. Also, in 3Q 2015 the bank made provisions for the corporate exposures especially for those originated before the financial crisis (so called legacy book).

HUF 17 billion in 4Q 2016. The DPD90+ ratio shrank by 3.0 pps q-o-q to 41.9%, (-6.6 pps y-o-y), the total provision coverage ratio of DPD90+ loans remained above 118%.

Regarding lending activity, mortgage disbursement has not been resumed yet. New credit card sales generated only limited volume increase. New POS loans sales kept increasing in 4Q, their disbursement grew by 55% q-o-q supported by seasonality (+62% y-o-y). The volume of performing consumer loans expanded by 9% y-o-y. The volume of POS loans comprising 58% of the total consumer loan portfolio surged by 49% y-o-y.

The FX-adjusted total performing loan expanded by 5% y-o-y. Within that the volume of retail loans eroded by 5% y-o-y. Corporate exposures increased on a quarterly and a yearly basis as well (+5% q-o-q and +8% y-o-y).

Deposits (adjusted for the FX-effect) expanded by 9% over the quarter and by 13% y-o-y amid further declining offered deposit rates. The volume of retail deposits increased by 2% q-o-q (-12% y-o-y). Corporate deposits increased on a quarterly and a yearly basis as well (+16% q-o-q and +51% y-o-y).

The standalone IFRS capital adequacy ratio of the Ukrainian Banking Group according to local calculation rules stood at 12.4% at the end of December 2016.

The shareholders' equity of the Ukrainian operation under IFRS was HUF 24.2 billion at the end of December 2016. The Ukrainian shareholders' equity includes that of 3 entities: the Bank, the Leasing and Factoring companies' equity. Accordingly, the standalone equity of the Bank under IFRS reached HUF 25.8 billion at the end of December 2016, whereas the equity of the Leasing Company comprised -HUF 0.6 billion. As for the Factoring company, its equity increased from -HUF 52.6 billion in June 2016 to -HUF 1 billion by December as a result of a capital increase; simultaneously bulk of the intragroup funding was repaid. A temporary change in local regulation made it possible to implement such debt into equity conversion in a rapid way without facing major FX risk. Accordingly, in case of the Ukrainian Factoring USD 187 million capital increase was implemented through several steps, simultaneously USD 187 million intragroup funding has been repaid in 3Q 2016 out of the total outstanding USD 207 million. Furthermore, the Ukrainian bank repaid USD 30 million intragroup subordinated debt.

As a result, by December 2016 the total gross amount of intragroup funding exposure toward the Ukrainian group members dropped to HUF 46 billion (HUF -61 billion y-o-y) and were as follows: there was an outstanding exposure of USD 137 million toward the Leasing Company and the remaining USD 20 million toward the Factoring unit, respectively.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,480	1,655	12%	-1,022	599	-550	-192%	-46%
Income tax	-100	-483	382%	-100	-163	-156		56%
Profit before income tax	1,580	2,138	35%	-923	762	-394	-152%	-57%
Operating profit	6,074	8,545	41%	-400	2,321	2,073	-11%	-618%
Total income	27,662	26,644	-4%	5,475	6,571	6,603	0%	21%
Net interest income	22,904	20,315	-11%	5,238	5,083	5,144	1%	-2%
Net fees and commissions	3,773	3,230	-14%	932	967	661	-32%	-29%
Other net non-interest income	985	3,098	215%	-695	520	799	54%	-215%
Operating expenses	-21,588	-18,100	-16%	-5,875	-4,250	-4,530	7%	-23%
Total provisions	-4,493	-6,407	43%	-522	-1,559	-2,467	58%	372%
Provision for possible loan losses	-6,598	-5,541	-16%	-2,163	-1,420	-1,556	10%	-28%
Other provision	2,105	-866	-141%	1,641	-139	-911	554%	-156%
Main components of balance sheet closing balances in HUF mn	**2015**	**2016**	**YTD**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	646,042	588,188	-9%	646,042	574,360	588,188	2%	-9%
Gross customer loans	546,148	524,576	-4%	546,148	517,228	524,576	1%	-4%
Gross customer loans (FX-adjusted)	543,347	524,576	-3%	543,347	517,058	524,576	1%	-3%
Retail loans	404,106	382,021	-5%	404,106	376,026	382,021	2%	-5%
Corporate loans	139,241	142,555	2%	139,241	141,032	142,555	1%	2%
Allowances for possible loan losses	-72,305	-74,645	3%	-72,305	-74,889	-74,645	0%	3%
Allowances for possible loan losses (FX-adjusted)	-72,015	-74,645	4%	-72,015	-75,340	-74,645	-1%	4%
Deposits from customers	334,346	336,991	1%	334,346	327,077	336,991	3%	1%
Deposits from customer (FX-adjusted)	332,030	336,991	1%	332,030	326,611	336,991	3%	1%
Retail deposits	255,609	255,729	0%	255,609	247,797	255,729	3%	0%
Corporate deposits	76,420	81,262	6%	76,420	78,814	81,262	3%	6%
Liabilities to credit institutions	201,187	167,372	-17%	201,187	164,360	167,372	2%	-17%
Total shareholders' equity	46,667	42,510	-9%	46,667	43,726	42,510	-3%	-9%
Loan Quality	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	91,359	91,328	0%	91,359	92,336	91,328	-1%	0%
90+ days past due loans/gross customer loans (%)	16.7%	17.4%	0.7%p	16.7%	17.9%	17.4%	-0.4%p	0.7%p
Cost of risk/average gross loans (%)	1.35%	1.03%	-0.32%p	1.56%	1.08%	1.19%	0.11%p	-0.38%p
Cost of risk/average (FX-adjusted) gross loans (%)	1.34%	1.04%	-0.30%p	1.58%	1.09%	1.19%	0.10%p	-0.39%p
Total provisions/90+ days past due loans (%)	79.1%	81.7%	2.6%p	79.1%	81.1%	81.7%	0.6%p	2.6%p
Performance Indicators (%)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	0.3%	0.3%	0.0%p	-0.6%	0.4%	-0.4%	-0.8%p	0.3%p
ROE	3.6%	3.7%	0.1%p	-8.8%	5.5%	-5.1%	-10.5%p	3.7%p
Total income margin	4.93%	4.32%	-0.61%p	3.40%	4.41%	4.52%	0.11%p	1.12%p
Net interest margin	4.08%	3.29%	-0.79%p	3.25%	3.41%	3.52%	0.11%p	0.27%p
Cost/income ratio	78.0%	67.9%	-10.1%p	107.3%	64.7%	68.6%	3.9%p	-38.7%p
Net loans to deposits (FX-adjusted)	142%	134%	-8%p	142%	135%	134%	-2%p	-8%p
FX rates (in HUF)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/RON (closing)	69.2	68.5	-1%	69.2	69.3	68.5	-1%	-1%
HUF/RON (average)	69.7	69.4	-1%	70.1	69.7	68.6	-1%	-2%

- ***The Romanian operation posted HUF 1.7 billion net profit in 2016***
- ***Operating income advanced by 41% y-o-y mainly due to lower operating expenses (-16%) while total income eroded by 4%***
- ***In 4Q the FX-adjusted retail loan portfolio already increased fuelled by strong cash loan origination; the y-o-y erosion of retail volumes reflects the impact of the bank's own conversion programme***

OTP Bank Romania delivered HUF 1.7 billion profit after tax in 2016 (+12% y-o-y). Earnings before tax (HUF 2.1 billion) demonstrated an even stronger y-o-y improvement (+35%) as a result of higher effective tax rate being applied in 2016. In 4Q the bank posted HUF 550 million loss due to higher risk costs and elevated operational expenses.

The operating profit surged by 41% y-o-y as a result of lower revenues (-4% y-o-y) and moderating operational expenses (-16% y-o-y). On the total income line the full-year net interest income dropped by 11% y-o-y due to methodology change[13] in 4Q 2016 and also the CHF mortgage conversion (a partial principal write off resulted in lower volumes and the converted loans carried lower margins). The annual net interest margin dropped to 3.29% (-79 bps y-o-y). In 4Q total income remained stable q-o-q and the NII grew again by 1% following a 3% q-o-q increase in 3Q.

The full-year net fees and commissions income eroded by 14%. On the one hand there was a negative impact of lower card related fees induced by EU-directives effective from 2015[14]. On the other hand, in 1Q the bank had to pay a one-off guarantee fee after loans originated in 2015 by Banca Millennium under the Prima Casa programme.

In 4Q the substantial drop in fees and commissions income (-32% q-o-q) was reasoned by a change in booking methodology: earlier the bank registered discounts within marketing costs related to the use of particular products and services, but in November the cumulative amount of those discounts were booked within fees and commissions expenses. As a result in 4Q the net fees and commissions line declined by HUF 240 million.

Other net non-interest income grew by HUF 2.1 billion y-o-y due to a base effect: in 4Q 2015 one-off items resulted in HUF 1.7 billion loss. Of that HUF 0.8 billon was related to one-off losses induced by asset write-offs, real estate sales or revaluations connected to branch closures and IT system write-off. An additional HUF 0.9 billion was due to the integration expenses of Banca Millennium. The latter had no P&L impact as they were offset by lower lending related and other provisions.

In 2016 operating expenses dropped by 16% which already reflects the cost synergies of the Banca Millennium transaction. During 2016 administrative costs dropped by 25% as the bank posted savings on the IT and real estate side. Furthermore personal expenses declined by 7% y-o-y and the amortization costs also dropped by 12% respectively.

Total risk costs surged by 43% y-o-y in 2016. Within that other risk cost dynamics were influenced by several factors: other provisions made for the integration expenses of the Banca Millennium were released mainly in 4Q 2015. Also, in 4Q 2016 the bank created provisions for litigation cases.

Provisions on loan losses dropped by 16% y-o-y, as a result the annual risk cost rate moderated to 103 bps. The annual DPD90+ loan volume growth (adjusted for FX rate changes and sold and written off volumes) amounted to HUF 9.1 billion in 2016 versus HUF 12.1 billion in 2015. In 4Q the deterioration was HUF 0.9 billion somewhat higher than in 3Q (HUF 0.5 billion). In 4Q the DPD90+ volume declined by HUF 1 billion. In 2016 in total HUF 9.8 billion non-performing exposures were sold/written off, of that HUF 2.9 billion in 4Q respectively. The DPD90+ ratio stood at to 17.4% (-0.4 pp q-o-q), their total provision coverage ratio increased to 81.7% (+2.6 pps y-o-y) the highest level since 2009.

The FX-adjusted gross loan portfolio declined by 3% y-o-y, but in 4Q slightly increased (+1% q-o-q). Retail volumes eroded by 5% y-o-y which was partially offset by the increasing corporate portfolio (+2%). In 4Q both categories registered a q-o-q growth (+2% and 1% respectively). Disbursement activity intensified in 4Q: new cash loan flows grew by 6% q-o-q, the SME by 37% q-o-q and the corporate by 15% q-o-q respectively. New mortgage disbursement more than quadrupled y-o-y partially due active participation in the state subsidized Prima Casa Programme.

The total FX-adjusted deposit volumes increased by mere 1% y-o-y supported by corporate inflows. In 4Q deposit volumes grew by 3% q-o-q.

According to the local regulation the Bank's standalone capital adequacy ratio stood at 14.4% at the end of December implying a -0.9 pp q-o-q improvement.

[13] 2016 and 4Q net interest income, as well the other net-non interest income is difficult to reconcile y-o-y due to a methodological change effective from 1Q 2016. Accordingly, the total revaluation result from intragroup swap deals – earlier booked partly within net interest income, but also within other net non-interest income – will be presented on the net interest income line on a net base.

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

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	2,968	3,783	27%	527	1,409	202	-86%	-62%
Income tax	1,256	-865	-169%	-417	-354	17	-105%	-104%
Profit before income tax	1,711	4,648	172%	944	1,762	184	-90%	-80%
Operating profit	10,844	13,538	25%	3,423	3,898	3,589	-8%	5%
Total income	28,020	31,442	12%	7,291	8,438	7,876	-7%	8%
Net interest income	20,345	22,800	12%	5,220	5,836	5,918	1%	13%
Net fees and commissions	5,309	5,330	0%	1,407	1,454	1,391	-4%	-1%
Other net non-interest income	2,367	3,312	40%	664	1,148	568	-51%	-15%
Operating expenses	-17,177	-17,904	4%	-3,868	-4,541	-4,287	-6%	11%
Total provisions	-9,132	-8,890	-3%	-2,479	-2,135	-3,405	59%	37%
Provision for possible loan losses	-6,813	-5,331	-22%	-1,326	-1,368	-1,273	-7%	-4%
Other provision	-2,320	-3,560	53%	-1,154	-767	-2,131	178%	85%
Main components of balance sheet closing balances in HUF mn	2015	2016	YTD	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
Total assets	649,870	649,063	0%	649,870	653,480	649,063	-1%	0%
Gross customer loans	470,862	471,346	0%	470,862	459,131	471,346	3%	0%
Gross customer loans (FX-adjusted)	469,573	471,346	0%	469,573	460,940	471,346	2%	0%
Retail loans	299,868	307,791	3%	299,868	303,023	307,791	2%	3%
Corporate loans	169,545	163,424	-4%	169,545	157,788	163,424	4%	-4%
Car financing loans	161	131	-18%	161	130	131	1%	-18%
Allowances for possible loan losses	-43,905	-50,051	14%	-43,905	-48,435	-50,051	3%	14%
Allowances for possible loan losses (FX-adjusted)	-43,987	-50,051	14%	-43,987	-48,474	-50,051	3%	14%
Deposits from customers	509,317	515,450	1%	509,317	520,367	515,450	-1%	1%
Deposits from customer (FX-adjusted)	509,291	515,450	1%	509,291	525,600	515,450	-2%	1%
Retail deposits	451,463	450,278	0%	451,463	457,066	450,278	-1%	0%
Corporate deposits	57,828	65,171	13%	57,828	68,534	65,171	-5%	13%
Liabilities to credit institutions	48,974	44,141	-10%	48,974	45,705	44,141	-3%	-10%
Total shareholders' equity	69,563	74,026	6%	69,563	74,165	74,026	0%	6%
Loan Quality	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	61,906	57,127	-8%	61,906	57,726	57,127	-1%	-8%
90+ days past due loans/gross customer loans (%)	13.1%	12.1%	-1.0%p	13.1%	12.6%	12.1%	-0.5%p	-1.0%p
Cost of risk/average gross loans (%)	1.45%	1.13%	-0.32%p	1.12%	1.17%	1.09%	-0.08%p	-0.03%p
Cost of risk/average (FX-adjusted) gross loans	1.45%	1.13%	-0.32%p	1.12%	1.18%	1.09%	-0.09%p	-0.04%p
Total provisions/90+ days past due loans (%)	70.9%	87.6%	16.7%p	70.9%	83.9%	87.6%	3.7%p	16.7%p
Performance Indicators (%)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
ROA	0.5%	0.6%	0.1%p	0.3%	0.9%	0.1%	-0.7%p	-0.2%p
ROE	4.2%	5.3%	1.1%p	3.1%	7.6%	1.1%	-6.5%p	-2.0%p
Total income margin	4.30%	4.84%	0.55%p	4.40%	5.19%	4.81%	-0.38%p	0.41%p
Net interest margin	3.12%	3.51%	0.39%p	3.15%	3.59%	3.61%	0.03%p	0.46%p
Cost/income ratio	61.3%	56.9%	-4.4%p	53.0%	53.8%	54.4%	0.6%p	1.4%p
Net loans to deposits (FX-adjusted)	84%	82%	-2%p	84%	78%	82%	3%p	-2%p
FX rates (in HUF)	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
HUF/HRK (closing)	41.0	41.1	0%	41.0	41.1	41.1	0%	0%
HUF/HRK (average)	40.7	41.3	2%	41.0	41.5	41.1	-1%	0%

- ***HUF 3.8 billion net profit in 2016 (+27% y-o-y) as a result of increasing operating profit and slightly declining risk costs***
- ***In 2016 the net interest income grew by 12% y-o-y supported by decreasing funding costs***
- ***FX-adjusted loan volumes increased by 2% q-o-q , within that mortgage loans grew by 3%***
- ***The DPD90+ ratio declined to 12.1%, the total provision coverage improved***

In December 2016 OTP banka Hrvatska signed an acquisition agreement on purchasing Splitska banka. Societe Generale Splitska is the 5th biggest player on the Croatian banking market, as a result of the acquisition the market share of OTP Group will rise to approximately 11%. The financial closure of the transaction is expected in the summer 2017, therefore the presented numbers of OBH exclude the acquisition effects.

OTP banka Hrvatska posted HUF 3.8 billion adjusted[15] after tax profit in 2016, exceeding the base period by 27%. Adjusting the base period figures from the one-off items[16] that emerged in 2Q 2015, however, the yearly profit surged by 159% y-o-y. The quarterly profit in 4Q was HUF 202 million, the q-o-q profit decrease is due to lower other net non-interest income and rising risk cost.

The y-o-y 25% higher operating profit in 2016 was supported by increasing total income (+12%), whereas operating expenses increased by 4%. The cost-to-income ratio declined y-o-y by 4 pps to 57%. Higher y-o-y net interest income (+12%) was supported by lower funding costs; as a result, the net interest margin improved to 3.51% (+39 bps y-o-y). Net fees and commission income was flat on the yearly basis. The 40% y-o-y growth in other net non-interest income is related mainly to a property sale and also to one-off loss posted in 1Q 2015. The CHF fixing exerted a HUF 360 million negative effect on other non-interest income as a reflection of lower principal part of the repayments due to the fixing.

The 4Q operating profit grew by 5% y-o-y, but compared to 3Q 2016 it decreased by 8%. Net interest income increased by 1% q-o-q (+13% y-o-y) as a result of lower interest expenses. Net fees and commissions income declined by 4% q-o-q, mostly due to seasonal effects. Operating expenses shrank by 6% q-o-q.

Portfolio quality trends are promising: FX-adjusted DPD90+ volume excluding the impact of sold/written-off non-performing loans declined in 4Q by HUF 0.5 billion. The quarterly improvement is mostly related to effective collection in the corporate segment. In 2016 HUF442 million loans were sold or written-off in total, bulk of it in the first quarter, in 4Q the sold/written-off portfolio was marginal. The DPD90+ ratio decreased to 12.1% (-0.5 pp q-o-q and -1.0 pp y-o-y). Provisions for loan losses in 2016 dropped by 22% y-o-y, and decreased by 7% in 4Q q-o-q. Total provision coverage of DPD90+ portfolio improved by 3.7 pps q-o-q and by 16.7 pps y-o-y, and reached 87.6% as a result of prudent provisioning.

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[15] 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.
Furthermore, the gain on sale of Visa Europe shares booked in 2Q 2016 have been eliminated from the OBH P&L and are booked on consolidated level within adjustment items. Balance sheet data have not been adjusted.

[16] In 2Q 2015 the after tax profit was positively affected by income tax refund, which tax was imposed on badwill of the Banco Popolare Croatia acquisition in 2Q 2014 (it was shown on consolidated level, among adjustments) and the Bank utilized the BPC's deferred tax of former years. These two items improved the profit by HUF +1.5 billion on income tax line.

In 2015 HUF 1.4 billion other risk cost was created related to a litigation case against the predecessor of the OBH. Another litigation case related to the predecessor of OBH resulted in provisions with the amount of HUF 3.1 billion in 2016 (out of which HUF 2 billion was booked in 4Q) recognized in other provisions.

FX-adjusted gross loans were flat on the yearly comparison, notwithstanding the HUF 6.3 billion drop in gross loans resulting from the conversion of CHF mortgages with a principal discount mostly in the first half of 2016. Nevertheless, performing (DPD0-90) loans grew by 2% in 2016. In 4Q gross loans increased by 2% on an FX-adjusted basis, within that retail loans by 2% q-o-q and the corporate portfolio by 4% due to the active lending in 4Q. New mortgage loan disbursements have been on the rise since March 2016, thus the amount of disbursed volumes in 2016 doubled y-o-y. Mortgage volumes grew by 6% y-o-y and 3% q-o-q (FX-adjusted). Consumer loan volumes hardly changed y-o-y and q-o-q.

FX-adjusted total deposits grew by 1% y-o-y and decreased by 2% q-o-q. The retail deposit base was stable q-o-q, but the SME and corporate deposits shrank mainly in the sight deposit segment. Net loan-to-deposit ratio increased by 3 pps to 82% q-o-q, but diminished by 2 pps y-o-y.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko*:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	924	-2,223	-341%	-199	124	-2,644		
Income tax	-489	256	-152%	-109	-61	454	-843%	-517%
Profit before income tax	1,413	-2,479	-276%	-90	185	-3,097		
Operating profit	6,601	6,781	3%	1,517	1,786	1,689	-5%	11%
Total income	17,672	17,893	1%	4,538	4,444	4,533	2%	0%
Net interest income	14,568	14,257	-2%	3,730	3,523	3,462	-2%	-7%
Net fees and commissions	3,386	3,272	-3%	817	819	987	21%	21%
Other net non-interest income	-283	363	-228%	-9	102	83	-18%	
Operating expenses	-11,071	-11,112	0%	-3,021	-2,658	-2,844	7%	-6%
Total provisions	-5,188	-9,260	78%	-1,607	-1,601	-4,786	199%	198%
Provision for possible loan losses	-5,144	-8,987	75%	-1,542	-1,564	-4,577	193%	197%
Other provision	-44	-273	523%	-66	-37	-209	469%	218%
Main components of balance sheet closing balances in HUF mn	**2015**	**2016**	**YTD**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	450,819	453,720	1%	450,819	444,503	453,720	2%	1%
Gross customer loans	382,500	388,926	2%	382,500	378,612	388,926	3%	2%
Gross customer loans (FX-adjusted)	379,935	388,926	2%	379,935	380,902	388,926	2%	2%
Retail loans	313,202	327,544	5%	313,202	322,406	327,544	2%	5%
Corporate loans	66,592	61,321	-8%	66,592	58,423	61,321	5%	-8%
Allowances for possible loan losses	-22,702	-31,462	39%	-22,702	-26,771	-31,462	18%	39%
Allowances for possible loan losses (FX-adjusted)	-22,550	-31,462	40%	-22,550	-26,933	-31,462	17%	40%
Deposits from customers	385,082	366,976	-5%	385,082	356,010	366,976	3%	-5%
Deposits from customer (FX-adjusted)	382,659	366,976	-4%	382,659	358,475	366,976	2%	-4%
Retail deposits	360,122	341,516	-5%	360,122	332,706	341,516	3%	-5%
Corporate deposits	22,536	25,459	13%	22,536	25,768	25,459	-1%	13%
Liabilities to credit institutions	11,113	8,104	-27%	11,113	7,406	8,104	9%	-27%
Subordinated debt	6,265	6,223	-1%	6,265	6,185	6,223	1%	-1%
Total shareholders' equity	30,430	27,339	-10%	30,430	30,046	27,339	-9%	-10%
Loan Quality	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	37,099	43,451	17%	37,099	41,397	43,451	5%	17%
90+ days past due loans/gross customer loans (%)	9.7%	11.2%	1.5%p	9.7%	10.9%	11.2%	0.2%p	1.5%p
Cost of risk/average gross loans (%)	1.37%	2.33%	0.96%p	1.61%	1.62%	4.74%	3.12%p	3.13%p
Cost of risk/average (FX-adjusted) gross loans	1.38%	2.34%	0.96%p	1.62%	1.63%	4.73%	3.10%p	3.11%p
Total provisions/90+ days past due loans (%)	61.2%	72.4%	11.2%p	61.2%	64.7%	72.4%	7.7%p	11.2%p
Performance Indicators (%)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	0.2%	-0.5%	-0.7%p	-0.2%	0.1%	-2.3%	-2.5%p	-2.2%p
ROE	3.1%	-7.7%	-10.8%p	-2.6%	1.6%	-36.7%	-38.3%p	-34.1%p
Total income margin	3.86%	3.96%	0.09%p	3.92%	3.90%	4.02%	0.11%p	0.09%p
Net interest margin	3.18%	3.15%	-0.03%p	3.23%	3.09%	3.07%	-0.03%p	-0.16%p
Cost/income ratio	62.6%	62.1%	-0.5%p	66.6%	59.8%	62.7%	2.9%p	-3.8%p
Net loans to deposits (FX-adjusted)	93%	97%	4%p	93%	99%	97%	-1%p	4%p
FX rates (in HUF)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/EUR (closing)	313.1	311.0	-1%	313.1	309.2	311.0	1%	-1%
HUF/EUR (average)	309.9	312.1	1%	312.6	311.2	309.4	-1%	-1%

*P&L account lines and indicators are adjusted for banking tax and Deposit Protection Fund contributions. The securities gain realized by the bank on the sale of the VISA Europe shares in 2Q 2016 was eliminated from OTP Banka Slovensko P&L and shown among the adjustment items on consolidated level.

- ***HUF 2.2 billion loss was due to the increasing risk cost (+78% y-o-y)***
- ***Higher DPD90+ ratio (11.2%), improving coverage ratio (72.4%; +11.2 pps y-o-y)***
- ***Stable net interest margin (2016: 3.22%), 2% y-o-y increase of the FX-adjusted loan book***

The **OTP Banka Slovensko** posted HUF 2.2 billion loss in 2016, versus HUF 0.9 billion profit in 2015. The sharp increase (+78% y-o-y) of loan loss provisioning in 4Q 2016 was the major reason for the weaker performance which was only partially offset by the increasing operating income (3% y-o-y).

Net interest margin slightly dropped (-3 bps), while net loans decreased by 1% y-o-y, thus net interest income moderated by 2% y-o-y. In 4Q net interest income decreased by 2% q-o-q, because lower interest income accrued on mortgages and liquid assets couldn't be offset by further declining interest expenses on deposits.

In 2016 net fees and commissions income dropped by 3% y-o-y. However, in 4Q 2016 net fees and commissions income improved by 21% q-o-q and y-o-y as a result of higher income realized on corporate exposures prepayment and transactions on newly introduced retail account packages. The reason behind increasing other net non-interest income was due to higher FX result.

In 2016 operating expenses stagnated y-o-y. The 7% q-o-q increase was mainly attributable to higher marketing and IT expenses.

In 2016 the increase in the FX-adjusted DPD90+ formation (without the effect of non-performing loan sales and write-offs) was HUF 6 billion versus HUF 4 billion in the base period. In 4Q 2016 was HUF 1.8 billion against the quarterly average of HUF 1.3 billion during the last 5 quarters, as a result of a big corporate portfolio falling into the DPD90+ category. The DPD90+ ratio increased by 0.2 pp on a quarterly basis to 11.2% (+1.5 pps y-o-y). In 2016 around HUF 0.3 billion in non-performing loans were sold or written off, of that HUF 0.2 billion in 4Q.

Total risk cost grew by 78% y-o-y, in 4Q 2016 the increase was threefold. The DPD90+ coverage ratio (72.4%) increased on a quarterly and a yearly basis as well (+7.7 pps q-o-q and +11.2 pps y-o-y respectively).

The FX-adjusted loan book expanded by 2% on a yearly basis due to the intensifying retail lending (+5% y-o-y). In the last three quarters the increase of newly disbursed mortgage loans (2016: +90% y-o-y) was related to intensified early repayments and loan refinancing. Mortgage volumes decreased by q-o-q and y-o-y, too. Disbursement of consumer loans decreased by 20% y-o-y, however their FX-adjusted volume improved by 12% y-o-y. The corporate loan book eroded by 8% y-o-y (+5% q-o-q due to surging new loan origination in 4Q). New disbursement of MSE loans increased sharply (+46% q-o-q).

The FX-adjusted deposit volume improved on a quarterly basis by 2% q-o-q (-4% y-o-y). After the 3Q stabilization the retail deposits already increased by 3% in 4Q. The volume of corporate deposits comprising 7% of the deposit book increased by 13% y-o-y.

The standalone IFRS capital adequacy ratio stood at 12.9% at the end of December 2016.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	-385	39	-110%	-759	76	-155	-304%	-80%
Income tax	9	34	280%	9	0	34	-100%	280%
Profit before income tax	-394	5	-101%	-768	76	-189	-349%	-75%
Operating profit	1,292	697	-46%	492	166	251	52%	-49%
Total income	8,359	7,720	-8%	2,205	1,910	1,993	4%	-10%
Net interest income	6,407	5,769	-10%	1,561	1,465	1,471	0%	-6%
Net fees and commissions	1,747	1,653	-5%	487	413	434	5%	-11%
Other net non-interest income	206	298	45%	157	32	88	174%	-44%
Operating expenses	-7,067	-7,023	-1%	-1,713	-1,744	-1,741	0%	2%
Total provisions	-1,686	-692	-59%	-1,260	-90	-440	392%	-65%
Provision for possible loan losses	-922	-890	-4%	-499	-91	-591	553%	19%
Other provision	-764	198	-126%	-761	1	151		-120%
Main components of balance sheet closing balances in HUF mn	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	119,224	123,279	3%	119,224	131,092	123,279	-6%	3%
Gross customer loans	108,327	108,704	0%	108,327	109,979	108,704	-1%	0%
Gross customer loans (FX-adjusted)	106,918	108,704	2%	106,918	110,933	108,704	-2%	2%
Retail loans	45,409	48,180	6%	45,409	47,782	48,180	1%	6%
Corporate loans	61,509	60,524	-2%	61,509	63,151	60,524	-4%	-2%
Allowances for possible loan losses	-31,835	-26,349	-17%	-31,835	-28,001	-26,349	-6%	-17%
Allowances for possible loan losses (FX-adjusted)	-31,230	-26,349	-16%	-31,230	-28,129	-26,349	-6%	-16%
Deposits from customers	73,385	78,583	7%	73,385	83,577	78,583	-6%	7%
Deposits from customer (FX-adjusted)	72,411	78,583	9%	72,411	84,074	78,583	-7%	9%
Retail deposits	44,531	48,231	8%	44,531	48,558	48,231	-1%	8%
Corporate deposits	27,880	30,352	9%	27,880	35,516	30,352	-15%	9%
Liabilities to credit institutions	10,234	8,572	-16%	10,234	11,718	8,572	-27%	-16%
Subordinated debt	2,532	2,511	-1%	2,532	2,497	2,511	1%	-1%
Total shareholders' equity	29,377	28,805	-2%	29,377	28,838	28,805	0%	-2%
Loan Quality	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	42,519	35,504	-16%	42,519	37,842	35,504	-6%	-16%
90+ days past due loans/gross customer loans (%)	39.3%	32.7%	-6.6%p	39.3%	34.4%	32.7%	-1.7%p	-6.6%p
Cost of risk/average gross loans (%)	0.89%	0.82%	-0.07%p	1.86%	0.33%	2.15%	1.82%p	0.29%p
Cost of risk/average (FX-adjusted) gross loans	0.90%	0.83%	-0.08%p	1.90%	0.33%	2.14%	1.81%p	0.25%p
Total provisions/90+ days past due loans (%)	74.9%	74.2%	-0.7%p	74.9%	74.0%	74.2%	0.2%p	-0.7%p
Performance Indicators (%)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	-0.3%	0.0%	0.4%p	-2.6%	0.2%	-0.5%	-0.7%p	2.1%p
ROE	-1.3%	0.1%	1.4%p	-10.0%	1.0%	-2.1%	-3.2%p	7.9%p
Total income margin	7.31%	6.37%	-0.94%p	7.55%	5.99%	6.23%	0.24%p	-1.32%p
Net interest margin	5.60%	4.76%	-0.84%p	5.34%	4.59%	4.60%	0.01%p	-0.74%p
Cost/income ratio	84.5%	91.0%	6.4%p	77.7%	91.3%	87.4%	-3.9%p	9.7%p
Net loans to deposits (FX-adjusted)	105%	105%	0%p	105%	98%	105%	6%p	0%p
FX rates (in HUF)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/RSD (closing)	2.6	2.5	-2%	2.6	2.5	2.5	0%	-2%
HUF/RSD (average)	2.6	2.5	-1%	2.6	2.5	2.5	-1%	-3%

- ***HUF 39 million profit in 2016 due to y-o-y almost halving operating profit and risk cost decreasing by 59%***
- ***The DPD90+ ratio declined to 32.7% (-6.6 pps y-o-y) with a coverage at 74.2%***
- ***Performing loans expanded by 12%, while gross loans grew by 2% y-o-y, FX-adjusted***

OTP banka Srbija posted HUF 39 million adjusted[17] profit in 2016 as opposed to the HUF 385 million loss in the base period. In 4Q 2016 profit sunk considerably on the quarterly basis: despite operating profit grew by 52% there has been a fivefold increase in risk cost q-o-q.

The y-o-y 46% decline of operating profit in 2016 is reasoned by the 8% drop in total income, while operating expenses decreased by 1% y-o-y. Net interest income fell by 10% y-o-y, as the net interest

[17] *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 in 2015. Those losses were taken out of the P&L of the Serbian subsidiary and were presented on consolidated level within adjustment items.*

margin shrank by 84 bps y-o-y due to the lower interest rate environment. The net fees and commissions income sank by 5% on yearly basis. The yearly profit development was favourably affected by the 59% drop of risk cost y-o-y. Improvement in other provision is due to base effect: in 4Q 2015 litigation related provisions were made.

Concerning the 4Q quarterly P&L developments, the q-o-q decline of after tax profit is reasoned by the fivefold growth of risk cost, while operating profit improved by 52%. Net interest income grew q-o-q by less than 1%, net fees and commissions income increased by 5% thanks to the favourable lending dynamics. Operating expenses were flat on quarterly basis, the number of employees decreased q-o-q by 29 to 611 in 4Q.

The FX-adjusted increase of the DPD90+ portfolio (adjusted to sales and write-offs) moderated in 2016 (2015: 2.4, 2016: 0.3 billion HUF).The DPD90+ ratio decreased to 32.5% (-1.9 pps q-o-q, -6.7 pps y-o-y). The improvement of the ratio was positively affected by around HUF 6.1 billion non-performing loan sale/write-offs during the last four quarters (of that HUF 2.5 billion in 4Q 2016). The total provision coverage of DPD90+ loans slightly decreased y-o-y (4Q: 74.5%).

The loan portfolio shows favourable trend, the FX-adjusted performing (DPD0-90) loan book expanded by 12% y-o-y and by 0.4% q-o-q. The corporate segment grew by 12% y-o-y, but dropped by 3% q-o-q. Retail performing loan volumes increased (+13% y-o-y, +5% q-o-q). In 2016 cash loan disbursements were strong throughout the whole year, performing cash loans expanded by 4% q-o-q and by 11% y-o-y on an FX-adjusted basis. Retail mortgage loans also advanced (+4% q-o-q and +7% y-o-y).

FX-adjusted total deposits surged by 9% y-o-y, but decreased by 7% q-o-q. Net loan-to-deposit ratio stood at 105% by year-end (almost flat y-o-y).

The capital adequacy ratio of the bank stood at 22.4% at the end of 4Q (-0.7 pp q-o-q).

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account in HUF mn	2015	2016	Y-o-Y	4Q 2015	3Q 2016	4Q 2016	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	909	-1,849	-303%	-278	1,406	-3,511	-350%	
Income tax	1	2	186%	1	0	2		186%
Profit before income tax	909	-1,851	-304%	-279	1,406	-3,512	-350%	
Operating profit	3,146	2,684	-15%	487	999	443	-56%	-9%
Total income	10,468	10,022	-4%	2,549	2,792	2,413	-14%	-5%
Net interest income	7,228	6,951	-4%	1,690	1,744	1,691	-3%	0%
Net fees and commissions	2,996	2,622	-12%	819	760	611	-20%	-25%
Other net non-interest income	244	449	84%	40	289	112	-61%	179%
Operating expenses	-7,322	-7,337	0%	-2,061	-1,793	-1,970	10%	-4%
Total provisions	-2,238	-4,535	103%	-766	407	-3,955		417%
Provision for possible loan losses	-2,266	-4,289	89%	-591	265	-3,793		542%
Other provision	28	-246	-970%	-175	143	-163	-214%	-7%
Main components of balance sheet closing balances in HUF mn	**2015**	**2016**	**YTD**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
Total assets	199,800	197,562	-1%	199,800	198,770	197,562	-1%	-1%
Gross customer loans	149,775	143,331	-4%	149,775	144,468	143,331	-1%	-4%
Gross customer loans (FX-adjusted)	148,771	143,331	-4%	148,771	145,342	143,331	-1%	-4%
Retail loans	72,575	71,683	-1%	72,575	71,884	71,683	0%	-1%
Corporate loans	76,196	71,648	-6%	76,196	73,458	71,648	-2%	-6%
Allowances for possible loan losses	-52,991	-56,513	7%	-52,991	-52,665	-56,513	7%	7%
Allowances for possible loan losses (FX-adjusted)	-52,636	-56,513	7%	-52,636	-52,984	-56,513	7%	7%
Deposits from customers	148,117	149,119	1%	148,117	145,931	149,119	2%	1%
Deposits from customer (FX-adjusted)	147,348	149,119	1%	147,348	147,215	149,119	1%	1%
Retail deposits	113,836	113,697	0%	113,836	113,273	113,697	0%	0%
Corporate deposits	33,512	35,422	6%	33,512	33,942	35,422	4%	6%
Liabilities to credit institutions	21,829	20,765	-5%	21,829	21,440	20,765	-3%	-5%
Subordinated debt	0	0	-100%	0	0	0	-100%	-100%
Total shareholders' equity	23,091	21,188	-8%	23,091	24,538	21,188	-14%	-8%
Loan Quality	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	63,881	60,801	-5%	63,881	61,379	60,801	-1%	-5%
90+ days past due loans/gross customer loans (%)	42.7%	42.4%	-0.2%p	42.7%	42.5%	42.4%	-0.1%p	-0.2%p
Cost of risk/average gross loans (%)	1.47%	2.93%	1.46%p	1.55%	-0.71%	10.49%	11.20%p	8.93%p
Cost of risk/average (FX-adjusted) gross loans	1.49%	2.94%	1.45%p	1.56%	-0.72%	10.45%	11.17%p	8.89%p
Total provisions/90+ days past due loans (%)	83.0%	92.9%	10.0%p	83.0%	85.8%	92.9%	7.1%p	10.0%p
Performance Indicators (%)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
ROA	0.5%	-0.9%	-1.4%p	-0.5%	2.9%	-7.0%	-9.9%p	-6.5%p
ROE	4.0%	-8.4%	-12.3%p	-4.7%	23.2%	-61.1%	-84.3%p	-56.3%p
Total income margin	5.29%	5.04%	-0.25%p	5.00%	5.67%	4.85%	-0.82%p	-0.15%p
Net interest margin	3.65%	3.50%	-0.16%p	3.31%	3.54%	3.39%	-0.15%p	0.08%p
Cost/income ratio	69.9%	73.2%	3.3%p	80.9%	64.2%	81.6%	17.4%p	0.7%p
Net loans to deposits (FX-adjusted)	65%	58%	-7%p	65%	63%	58%	-5%p	-7%p
FX rates (in HUF)	**2015**	**2016**	**Y-o-Y**	**4Q 2015**	**3Q 2016**	**4Q 2016**	**Q-o-Q**	**Y-o-Y**
HUF/EUR (closing)	313.1	311.0	-1%	313.1	309.2	311.0	1%	-1%
HUF/EUR (average)	309.9	311.5	1%	312.6	311.2	309.4	-1%	-1%

- ***HUF 1.8 billion loss in 2016***
- ***Operating profit decreased by 15% y-o-y reasoned by the decline of core banking revenues***
- ***The annual risk cost doubled, the coverage ratio improved***
- ***The FX adjusted gross customer loans declined by 4% y-o-y, customer deposits increased by 1% y-o-y***

The Montenegrin CKB Bank posted HUF 1.8 billion adjusted after tax loss in 2016 versus HUF 0.9 billion profit posted in 2015. The 4Q loss of HUF 3.5 billion was mainly due to higher provision in 4Q.

The annual operating profit declined by 15% y-o-y reasoned by a y-o-y 4% decrease in the total income. Within that, the net interest income declined by 4% y-o-y, while net fees and commissions dropped by 12% y-o-y. The narrowing margins and the decreasing average performing loans had negative impact on the net interest income. Other net non-interest income increased by 84% y-o-y.

The annual operating expenses stagnated in 2016 compare to the previous year, while the 10% q-o-q increase is mainly explained by seasonally effects.

The total provisions doubled in 2016, mainly due to the increase of provision for possible loan losses in 4Q.

The DPD90+ ratio (42.4%) improved slightly; it decreased by 0.2 pp on annual basis. The DPD90+

loan volume declined by HUF 2 billion (FX adjusted, without the effect of non-performing loan sales and write-offs) against HUF 1 billion increase in 2015. In 2016, HUF 0.5 billion non-performing loans was sold or written off, from which 4Q represented HUF 0.4 billion. The total coverage ratio increased further, it stood at 92.9% at the end of year (+10 pps y-o-y, +7 pps q-o-q).

The FX adjusted gross loans declined by 4% y-o-y. The erosion was higher in case of corporate loans (-6% y-o-y), but lower for retail loans (-1% y-o-y).

The FX adjusted deposits rose by 1% y-o-y explained by the 6% y-o-y increase of corporate deposits.

The capital adequacy ratio calculated according to local requirements stood at 21.0% at the end of 4Q 2016.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 32,335 as of 31 December 2016.

OTP Group provides services through 1,302 branches and more than 3,927 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 367 branches and 1,883 ATM terminals. The Bank (Hungary) has close to 60 thousands POS terminals.

	31/12/2016				31/12/2015			
	Branches[2]	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	367	1,883	59,988	8,293	375	1,895	55,288	8,142
DSK Group	372	892	5,723	4,679	383	874	5,207	4,502
OTP Bank Russia (w/o employed agents)	134	267	1,446	4,744	134	233	1,751	4,787
Touch Bank (Russia)	0	0	0	268	0	0	0	219
OTP Bank Ukraine (w/o employed agents)	84	118	246	2,151	85	105	315	2,146
OTP Bank Romania	100	147	3,374	1,119	108	150	2,848	1,139
OTP banka Hrvatska	103	273	2,269	1,097	110	247	2,048	1,082
OTP Banka Slovenko	61	142	223	667	60	141	216	678
OTP banka Srbija	52	118	2,303	611	56	128	2,248	633
CKB	29	87	4,991	424	29	84	4,895	431
Foreign subsidiaries, total	**935**	**2,044**	**20,575**	**15,758**	**965**	**1,962**	**19,528**	**15,615**
Other Hungarian and foreign subsidiaries[1]				1,327				1,206
OTP Group (w/o employed agents)				**25,378**				**24,963**
OTP Bank Russia - employed agents				*6,324*				*6,328*
OTP Bank Ukraine - employed agents				*633*				*423*
OTP Group (aggregated)	**1,302**	**3,927**	**80,563**	**32,335**	**1,340**	**3,857**	**74,816**	**31,713**

[1] Due to the changes of the data provider group members, the historical employee figures of the other Hungarian and foreign subsidiaries are not comparable.
[2] Starting from 3Q 2016 a new branch count calculation method has been applied. Under the new method only branches with active employees are included into the branch number. Therefore, the 3Q and 4Q 2016 branch numbers are not comparable with the previous periods.

PERSONAL AND ORGANIZATIONAL CHANGES

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

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

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

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

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

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

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

The Annual General Meeting appointed Mrs. Ágnes Rudas, as member of the Supervisory Board of the Company until the Annual General Meeting closing the 2016 business year of the Company, but no later than 30 April 2017.

FINANCIAL DATA

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION

in HUF million	OTP Bank			Consolidated		
	31/12/2016	31/12/2015	change	31/12/2016	31/12/2015	change
Cash, amounts due from banks and balances with the National Bank of Hungary	928,846	1,326,197	-30%	1,625,357	1,878,961	-13%
Placements with other banks, net of allowance for placement losses	915,654	647,724	41%	363,530	300,569	21%
Financial assets at fair value through profit or loss	271,516	252,140	8%	293,106	253,782	15%
Securities available-for-sale	1,484,522	1,462,660	1%	1,527,093	1,305,486	17%
Loans, net of allowance for loan losses	1,902,935	1,679,183	13%	5,736,231	5,409,967	6%
Investments in subsidiaries, associates and other investments	668,869	657,531	2%	9,837	10,028	-2%
Securities held-to-maturity	858,151	824,801	4%	1,114,227	926,677	20%
Property, equipments and intangible assets	92,395	98,173	-6%	355,516	349,469	2%
Other assets	128,868	147,966	-13%	282,770	283,909	0%
TOTAL ASSETS	**7,251,756**	**7,096,376**	**2%**	**11,307,666**	**10,718,848**	**5%**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	646,271	829,122	-22%	543,774	533,310	2%
Deposits from customers	4,745,050	4,323,239	10%	8,540,584	7,984,579	7%
Liabilities from issued securities	104,103	150,231	-31%	146,900	239,376	-39%
Financial liabilities at fair value through profit or loss	96,668	144,592	-33%	75,871	101,561	-25%
Other liabilities	336,883	300,028	12%	502,429	391,579	28%
Subordinated bonds and loans	110,358	266,063	-59%	77,458	234,784	-67%
TOTAL LIABILITIES	**6,039,333**	**6,013,275**	**0%**	**9,887,015**	**9,485,189**	**4%**
Share capital	28,000	28,000	0%	28,000	28,000	0%
Retained earnings and reserves	1,020,754	1,014,610	1%	1,247,269	1,197,445	4%
Net earnings for the year	172,378	49,645	247%	202,210	63,583	218%
Treasury shares	-8,709	-9,153	-5%	-60,121	-58,021	4%
Non-controlling interest	0	0		3,292	2,651	24%
TOTAL SHAREHOLDERS' EQUITY	**1,212,422**	**1,083,101**	**12%**	**1,420,650**	**1,233,659**	**15%**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**7,251,756**	**7,096,376**	**2%**	**11,307,666**	**10,718,848**	**5%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME

in HUF million	OTP Bank			Consolidated		
	2016	2015	change	2016	2015	change
Loans	125,110	129,576	-3%	510,449	575,619	-11%
Placements with other banks	102,317	151,938	-33%	74,589	114,024	-35%
Amounts due from banks and balances with the National Banks	9,830	26,574	-63%	9,865	27,495	-64%
Securities held for trading	0	0		0	0	-100%
Securities available-for-sale	35,767	50,656	-29%	34,557	31,063	11%
Securities held-to-maturity	41,327	39,973	3%	51,427	46,619	10%
Other interest income	0	0		8,804	7,607	16%
Interest income	*314,350*	*398,716*	*-21%*	*689,691*	*802,428*	*-14%*
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	-103,633	-152,613	-32%	-75,925	-116,713	-35%
Deposits from customers	-22,854	-29,744	-23%	-72,554	-108,023	-33%
Liabilities from issued securities	-1,329	-2,091	-36%	-4,726	-6,786	-30%
Subordinated bonds and loans	-13,721	-16,686	-18%	-10,239	-13,633	-25%
Other interest expense	0	0		-6,518	-6,844	-5%
Interest expense	*-141,537*	*-201,134*	*-30%*	*-169,963*	*-251,998*	*-33%*
Net interest income	**172,813**	**197,582**	**-13%**	**519,729**	**550,430**	**-6%**
Provision for impairment on loans	-13,628	-39,544	-66%	-93,605	-318,689	-71%
Provision for impairment on placement losses	-3	-3	13%	133	6	
Provision for impairment on loans and placement losses	-13,631	-39,547	-66%	-93,472	-318,683	-71%
NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	159,182	158,035	1%	426,256	231,747	84%
Income from fees and commissions	189,730	186,030	2%	272,235	257,431	6%
Expense from fees and commissions	-26,254	-24,304	8%	-49,244	-43,559	13%
NET PROFIT FROM FEES AND COMMISSIONS	163,476	161,726	1%	222,991	213,872	4%
Foreign exchange gains, net (-)/(+)	5,075	15,158	-67%	29,305	116,682	-75%
Gains / (losses) on securities, net	44,999	24,461	84%	20,828	11,616	79%
Gains on real estate transactions	268	190	41%	1,923	1,725	11%
Dividend income	90,467	58,597	54%	3,054	3,345	-9%
Gains and losses on derivative financial instruments	656	0		6,838	0	
Other operating income	8,375	8,582	-2%	17,704	21,248	-17%
Other operating expense	-28,850	-131,180	-78%	-36,405	-74,695	-51%
NET OPERATING RESULT	120,989	-24,191	-600%	43,247	79,922	-46%
Personnel expenses	-88,720	-86,770	2%	-191,443	-187,806	2%
Depreciation and amortization	-21,907	-21,356	3%	-44,428	-45,463	-2%
Other administrative expenses	-139,547	-141,090	-1%	-220,228	-232,248	-5%
OTHER ADMINISTRATIVE EXPENSES	-250,174	-249,216	0%	-456,099	-465,517	-2%
PROFIT BEFORE INCOME TAX	**193,473**	**46,354**	**317%**	**236,396**	**60,024**	**294%**
Income tax	-21,095	3,291	-741%	-33,944	3,148	
NET PROFIT FOR THE PERIODS	**172,378**	**49,645**	**247%**	**202,452**	**63,171**	**220%**
From this, attributable to non-controlling interest	0	0		-242	412	-159%
NET PROFIT FOR THE PERIODS ATTRIBUTABLE OWNERS OF THE COMPANY	**172,378**	**49,645**	**247%**	**202,210**	**63,583**	**218%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

in HUF million	OTP Bank			Consolidated		
	31/12/2016	31/12/2015	change	31/12/2016	31/12/2015	change
OPERATING ACTIVITIES						
Profit before income tax	193,474	46,354	317%	236,395	60,024	294%
Adjustments to reconcile income before income taxes to net cash provided by operating activities						
Income tax paid	-264	-3,823	-93%	-19,922	-14,676	36%
Depreciation and amortization	21,907	21,355	3%	44,427	45,463	-2%
Provision for impairment / Release of provision	24,985	84,974	-71%	81,888	180,579	-55%
Share-based payment	3,530	3,810	-7%	3,530	3,810	-7%
Unrealized (losses) / gains on fair value adjustment of securities held for trading	-9,970	-12,096	0%	-9,969	-12,098	0%
Unrealized losses on fair value adjustment of derivative financial instruments	-14	-13,701	-100%	14,762	7,793	89%
Changes in operating assets and liabilities	164,119	161,938	1%	124,205	218,653	-43%
Net cash provided by operating activities	**397,767**	**288,811**	**38%**	**475,316**	**489,548**	**-3%**
INVESTING ACTIVITIES						
Net cash used in investing activities	**-335,863**	**-404,620**	**-17%**	**-498,150**	**-717,172**	**-31%**
FINANCING ACTIVITIES						
Net cash used in financing activities	**-420,496**	**-408,060**	**3%**	**-275,848**	**-348,408**	**-21%**
Net increase in cash and cash equivalents	**-358,592**	**-523,869**	**-32%**	**-298,682**	**-576,032**	**-48%**
Cash and cash equivalents at the beginning of the period	1,238,858	1,762,727	0%	1,427,292	2,003,324	-29%
Cash and cash equivalents at the end of the period	**880,266**	**1,238,858**	**-29%**	**1,128,610**	**1,427,292**	**-21%**
Analysis of cash and cash equivalents						
Cash, amounts due from banks and balances with the National Banks	1,326,197	1,897,778	-30%	1,878,960	2,307,632	-19%
Compulsory reserve established by the National Banks	-87,339	-135,051	-35%	-451,668	-304,308	48%
Cash and cash equivalents at the beginning of the period	**1,238,858**	**1,762,727**	**0%**	**1,427,292**	**2,003,324**	**-29%**
Cash, amounts due from banks and balances with the National Banks	928,846	1,326,197	-30%	1,625,357	1,878,960	-13%
Compulsory reserve established by the National Banks	-48,580	-87,339	-44%	-496,747	-451,668	10%
Cash and cash equivalents at the end of the period	**880,266**	**1,238,858**	**-29%**	**1,128,610**	**1,427,292**	**-21%**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (IFRS)

in HUF million	Share capital	Capital reserve	Share based payment reserve	Retained earnings and reserves	Put option reserves	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2015	**28,000**	**52**	**20,897**	**1,323,277**	**-55,468**	**-55,941**	**3,349**	**1,264,166**
Net profit for the year	--	--	--	63,583		--	-412	63,171
Other comprehensive income				-44,001			-286	-44,287
Share-based payment	--	--	3,810			--	--	3,810
Treasury shares								
Dividend for the year 2014	--	--	--	-40,600		--	--	-40,600
Put option								
Treasury shares								
– sale						24,641		24,641
– loss on sale				-7,372				-7,372
– volume change						-26,721		-26,721
Payment to ICES holders				-3,149				-3,149
Balance as at 31 December 2015	**28,000**	**52**	**24,707**	**1,291,738**	**-55,468**	**-58,021**	**2,651**	**1,233,659**

in HUF million	Share capital	Capital reserve	Share based payment reserve	Retained earnings and reserves	Put option reserves	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2016	**28,000**	**52**	**24,707**	**1,291,738**	**-55,468**	**-58,021**	**2,651**	**1,233,659**
Net profit for the year	--	--	--	202,210		--	242	202,452
Other comprehensive income				36,565			399	36,964
Share-based payment	--	--	3,530			--	--	3,530
Treasury shares								
Dividend for the year 2015	--	--	--	-46,200		--	--	-46,200
Put option								
Treasury shares								
– sale						9,882		9,882
– loss on sale				-3,915				-3,915
– volume change						-11,982		-11,982
Payment to ICES holders				-3,741				-3,741
Balance as at 31 December 2016	**28,000**	**52**	**28,237**	**1,476,657**	**-55,468**	**-60,121**	**3,292**	**1,420,649**

Ownership structure of OTP Bank Plc.

as at 31 December 2016

Description of owner	Total equity					
	At the beginning of actual year			End of actual period		
	%[1]	%[2]	Qty	%[1]	%[2]	Qty
Domestic institution/company	20.31%	20.58%	56,865,293	20.20%	20.47%	56,561,346
Foreign institution/company	63.77%	64.62%	178,546,741	64.83%	65.71%	181,528,602
Domestic individual	5.95%	6.03%	16,656,480	3.88%	3.93%	10,852,905
Foreign individual	0.43%	0.44%	1,215,093	0.16%	0.16%	447,025
Employees, senior officers	1.37%	1.38%	3,825,466	1.33%	1.35%	3,726,348
Treasury shares[3]	1.31%	0.00%	3,677,506	1.33%	0.00%	3,737,768
Government held owner[4]	0.09%	0.09%	238,312	0.08%	0.08%	225,928
International Development Institutions[5]	0.01%	0.01%	38,242	0.02%	0.02%	49,715
Other[6]	6.76%	6.85%	18,936,877	8.17%	8.28%	22,870,373
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Ownership share
[2] Voting rights
[3] Treasury shares include the aggregated amount of own shares held by the mother company, the subsidiaries and ESOP.
[4] E.g.: State Privatization Holding Co. Ltd., Social Security, Municipality, 100% state-owned companies, Pension Reform and Debt Reduction Fund etc.
[5] E.g.: EBRD, EIB, etc.
[6] 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
OTP Bank	1,603,946	1,575,975	1,644,899	1,769,833	1,281,704
ESOP					382,504
Subsidiaries	2,073,560	2,073,560	2,073,560	2,073,560	2,073,560
TOTAL	3,677,506	3,649,535	3,718,459	3,843,393	3,737,768

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

Name	Number of shares	Ownership	Voting rights
Megdet, Timur and Ruszlan Rahimkulov	22,931,972	8.19%	8.30%
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.69%
Groupama Group	22,692,685	8.10%	8.21%
OPUS Securities S.A.	14,496,476	5.18%	5.25%

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

Type[1]	Name	Position	No. of shares held
IT	Dr. Sándor Csányi [2]	Chairman and CEO	416,753
IT	Mihály Baumstark	member	44,800
IT	Dr. Tibor Bíró	member	31,956
IT	Tamás Erdei	member	6,439
IT	Dr. István Gresa	member	132,041
IT	Antal Kovács	member, Deputy CEO	22,000
IT	Dr. Antal Pongrácz	member	70,077
IT	Dr. László Utassy	member	264,000
IT	Dr. József Vörös	member	156,114
IT	László Wolf	member, Deputy CEO	595,791
FB	Ágnes Rudas	member	141,138
FB	Tibor Tolnay	Chairman	54
FB	Dr. Gábor Horváth	member	0
FB	András Michnai	member	100
FB	Dominique Uzel	member	0
FB	Dr. Márton Gellért Vági	member	0
SP	László Bencsik	Chief Financial and Strategic Officer, Deputy CEO	30,033
SP	András Tibor Johancsik	Deputy CEO	0
TOTAL No. of shares held by management:			**1,911,296**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Mr Csányi directly or indirectly: 2,216,753

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

a) Contingent liabilities

	31/12/2016	31/12/2015
Commitments to extend credit	1,234,450	1,166,386
Guarantees arising from banking activities	426,541	374,422
Confirmed letters of credit	12,702	18,237
Legal disputes (disputed value)	13,053	54,732
Contingent liabilities related to OTP Mortgage Bank	--	--
Other	302,362	283,819
Total:	**1,989,108**	**1,897,596**

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

SECURITY ISSUANCES ON GROUP LEVEL BETWEEN 01/01/2016 AND 31/12/2016

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 31/12/2013	Outstanding consolidated debt (in HUF million) 31/12/2013
OTP Bank Plc	Retail bond	OTP_VK_USD_1_2017/I	29/01/2016	29/01/2017	USD	3,882,800	1,140
OTP Bank Plc	Retail bond	OTP EUR 1 2017/I	29/01/2016	12/02/2017	EUR	14,584,300	4,536
OTP Bank Plc	Retail bond	OTP EUR 1 2017/II	12/02/2016	26/02/2017	EUR	4,352,400	1,354
OTP Bank Plc	Retail bond	OTP EUR 1 2017/III	26/02/2016	12/03/2017	EUR	7,468,700	2,323
OTP Bank Plc	Retail bond	OTP_VK_USD_1_2017/II	18/03/2016	18/03/2017	USD	1,966,000	577
OTP Bank Plc	Retail bond	OTP EUR 1 2017/IV	18/03/2016	01/04/2017	EUR	6,466,700	2,011
OTP Bank Plc	Retail bond	OTP EUR 1 2017/V	15/04/2016	29/04/2017	EUR	8,594,900	2,673
OTP Bank Plc	Retail bond	OTP_VK_USD_1_2017/III	27/05/2016	27/05/2017	USD	6,256,400	1,837
OTP Bank Plc	Retail bond	OTP EUR 1 2017/VI	27/05/2016	10/06/2017	EUR	11,668,300	3,629
OTP Bank Plc	Retail bond	OTP EUR 1 2017/VII	10/06/2016	24/06/2017	EUR	3,621,500	1,126
OTP Bank Plc	Retail bond	OTP EUR 1 2017/VIII	01/07/2016	15/07/2017	EUR	6,783,600	2,110
OTP Bank Plc	Retail bond	OTP EUR 1 2017/IX	10/08/2016	24/08/2017	EUR	8,669,600	2,696
OTP Bank Plc	Retail bond	OTP_VK_USD_1_2017/IV	16/09/2016	17/09/2017	USD	1,453,800	427
OTP Bank Plc	Retail bond	OTP EUR 1 2017/X	16/09/2016	30/09/2017	EUR	4,453,500	1,385
OTP Banka Slovensko	Corporate bond	Bonds OTP II.	29/02/2016	28/02/2017		0	0
OTP Banka Slovensko	Corporate bond	Bonds OTP III.	29/06/2016	29/06/2021		0	0
OTP Banka Slovensko	Mortgage bond	OTP XXVIII.	30/03/2016	29/03/2017		0	0
OTP Banka Slovensko	Mortgage bond	OTP XXIX.	28/09/2016	27/09/2017		0	0
OTP Banka Slovensko	Mortgage bond	OTP XXX.	16/12/2016	15/12/2017		0	0

SECURITY REDEMPTIONS ON GROUP LEVEL BETWEEN 01/01/2016 AND 31/12/2016

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million)	Outstanding consolidated debt (in HUF million)
OTP Bank Plc	Corporate bond	OTP 2016/Ax	11/11/2010	03/11/2016	HUF	3,525	3,525
OTP Bank Plc	Corporate bond	OTP 2016/Bx	16/12/2010	19/12/2016	HUF	2,589	2,589
OTP Bank Plc	Retail bond	OTP TBSZ2016/I	14/01/2011	15/12/2016	HUF	1,166	1,166
OTP Bank Plc	Retail bond	OTP OJK 2016/I	26/08/2011	26/08/2016	HUF	30	30
OTP Bank Plc	Retail bond	OTP TBSZ2016/II	26/08/2011	15/12/2016	HUF	626	626
OTP Bank Plc	Corporate bond	OTP 2016/Ex	28/12/2012	27/12/2016	HUF	301	301
OTP Bank Plc	Retail bond	OTP TBSZ 4 2016/I	18/01/2013	15/12/2016	HUF	156	156
OTP Bank Plc	Corporate bond	OTP 2016/Fx	22/03/2013	24/03/2016	HUF	649	649
OTP Bank Plc	Corporate bond	OTP 2016/Cx	22/04/2011	22/04/2016	EUR	1,424,200	446
OTP Bank Plc	Corporate bond	OTP 2016/Dx	22/12/2011	29/12/2016	EUR	1,081,400	339
OTP Bank Plc	Retail bond	OTP EUR 2 2016/I	17/01/2014	17/01/2016	EUR	894,500	280
OTP Bank Plc	Retail bond	OTP EUR 2 2016/II	31/01/2014	31/01/2016	EUR	818,100	256
OTP Bank Plc	Retail bond	OTP EUR 2 2016/III	14/02/2014	14/02/2016	EUR	944,700	296
OTP Bank Plc	Retail bond	OTP EUR 2 2016/IV	28/02/2014	28/02/2016	EUR	630,500	197
OTP Bank Plc	Retail bond	OTP EUR 2 2016/V	14/03/2014	14/03/2016	EUR	724,700	227
OTP Bank Plc	Retail bond	OTP EUR 2 2016/VI	21/03/2014	21/03/2016	EUR	210,400	66
OTP Bank Plc	Retail bond	OTP EUR 2 2016/VII	11/04/2014	11/04/2016	EUR	713,200	223
OTP Bank Plc	Retail bond	OTP EUR 2 2016/VIII	18/04/2014	18/04/2016	EUR	200,700	63
OTP Bank Plc	Retail bond	OTP EUR 2 2016/IX	09/05/2014	09/05/2016	EUR	606,700	190
OTP Bank Plc	Retail bond	OTP EUR 2 2016/X	23/05/2014	23/05/2016	EUR	597,500	187
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XI	06/06/2014	06/06/2016	EUR	639,500	200
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XII	20/06/2014	20/06/2016	EUR	590,700	185
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XIII	04/07/2014	04/07/2016	EUR	462,000	145
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XIV	18/07/2014	18/07/2016	EUR	313,300	98
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XV	30/07/2014	30/07/2016	EUR	1,546,000	484
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XVI	08/08/2014	08/08/2016	EUR	367,300	115
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XVII	29/08/2014	29/08/2016	EUR	1,314,600	412
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XVIII	12/09/2014	12/09/2016	EUR	987,600	309
OTP Bank Plc	Retail bond	OTP EUR 2 2016/XIX	03/10/2014	03/10/2016	EUR	1,920,100	601
OTP Bank Plc	Retail bond	OTP_VK_USD_2_2016/I	28/11/2014	28/11/2016	USD	6,757,900	1,937
OTP Bank Plc	Retail bond	OTP EUR 1 2015/XXV	19/12/2014	02/01/2016	EUR	9,135,200	2,860
OTP Bank Plc	Retail bond	OTP EUR 1 2015/XXVI	09/01/2015	23/01/2016	EUR	4,231,900	1,325
OTP Bank Plc	Retail bond	OTP EUR 1 2016/I	30/01/2015	13/02/2016	EUR	9,928,400	3,109
OTP Bank Plc	Retail bond	OTP EUR 1 2016/II	20/02/2015	06/03/2016	EUR	8,271,500	2,590
OTP Bank Plc	Retail bond	OTP EUR 1 2016/III	20/03/2015	03/04/2016	EUR	12,941,800	4,052
OTP Bank Plc	Retail bond	OTP EUR 1 2016/IV	10/04/2015	24/04/2016	EUR	7,143,100	2,237
OTP Bank Plc	Retail bond	OTP EUR 1 2016/V	24/04/2015	08/05/2016	EUR	3,580,400	1,121
OTP Bank Plc	Retail bond	OTP_VK_USD_1_2016/I	24/04/2015	24/04/2016	USD	3,270,300	937
OTP Bank Plc	Retail bond	OTP EUR 1 2016/VI	29/05/2015	12/06/2016	EUR	10,189,100	3,190
OTP Bank Plc	Retail bond	OTP EUR 1 2016/VII	30/06/2015	14/07/2016	EUR	10,059,600	3,150
OTP Bank Plc	Retail bond	OTP EUR 1 2016/VIII	24/07/2015	07/08/2016	EUR	6,128,400	1,919
OTP Bank Plc	Retail bond	OTP_VK_USD_1_2016/II	24/07/2015	24/07/2016	USD	870,000	249
OTP Bank Plc	Retail bond	OTP_VK_USD_1_2016/III	25/09/2015	25/09/2016	USD	7,612,300	2,182
OTP Bank Plc	Retail bond	OTP EUR 1 2016/IX	25/09/2015	09/10/2016	EUR	21,338,300	6,681
OTP Bank Plc	Retail bond	OTP EUR 1 2016/X	30/10/2015	13/11/2016	EUR	14,903,900	4,667
OTP Bank Plc	Retail bond	OTP EUR 1 2016/XI	11/11/2015	25/11/2016	EUR	8,853,400	2,772
OTP Bank Plc	Retail bond	OTP EUR 1 2016/XII	27/11/2015	11/12/2016	EUR	6,026,100	1,887
OTP Mortgage Bank	Mortgage bond	OJB2016_I	03/02/2006	03/02/2016	HUF	1,254	1,254
OTP Mortgage Bank	Mortgage bond	OJB2016_III	17/02/2009	17/02/2016	HUF	0	0
OTP Mortgage Bank	Mortgage bond	OJB2016_II	31/08/2006	31/08/2016	HUF	4,648	4,648
OTP Mortgage Bank	Mortgage bond	OJB2016_J	18/04/2006	28/09/2016	HUF	51	51
OTP Mortgage Bank	Mortgage bond	OMB2016_I	25/10/2013	25/10/2016	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXV.	28/09/2012	28/09/2016	EUR	7,962,000	2,493
OTP Banka Slovensko	Mortgage bond	OTP XXVI.	30/03/2015	29/03/2016	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXVII	17/12/2015	16/12/2016	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	2015	2016	Y/Y	2015 4Q	2016 3Q	2016 4Q	Q/Q	Y/Y
Total	**9,077**	**12,060**	**33%**	**1,587**	**2,538**	**2,774**	**9%**	**75%**
Short-term employee benefits	6,227	9,207	48%	864	1,850	2,087	13%	142%
Share-based payment	2,276	2,330	2%	569	582	583	0%	2%
Other long-term employee benefits	532	497	-7%	133	106	104	-2%	-22%
Termination benefits	42	26	-38%	21	0	0		
Redundancy payments								
Loans provided to companies owned by the management[1] (normal course of business)	25,734	49,383	92%	25,734	25,912	49,383	91%	92%
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	340	326	-4%	340	298	326	9%	-4%
Commitments to extend credit and guarantees	33,943	39,660	17%	33,943	29,372	39,660	35%	17%
Loans provided to unconsolidated subsidiaries	1,790	2,196	23%	1,790	2,173	2,196	1%	23%

[1] Members of the Board of Directors and the Supervisory Board, senior officers and the auditor of the company

SUPPLEMENTARY DATA

FOOTNOTES OF THE TABLE 'CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)

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

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

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

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

(4) From 1Q 2015 the performance of OTP Bank Russia does not contain the volumes and financial result of Touch Bank. From 1Q 2015 the statement of recognised income and balance sheet of LLC MFO "OTP Finance" was included in the Russian performance.

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

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

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

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

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

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

(11) From 2012 on P&L data and related indices are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund.

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

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

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

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

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

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

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

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

In order to present Group level trends in a comprehensive way in the Summary, 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, impact of fines imposed by the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania, the risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014 until 4Q 2015, the corporate tax impact of switching to IFRS from HAR in Hungary, revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary, gain on the sale of Visa Europe shares, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary. Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.
- Other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- From 2Q 2014 OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- In 4Q 2016 certain components of the result on derivative instruments have been presented on a separate line in the accounting P&L structure: on the Gains and losses on derivative financial instruments line (certain other components were continued to be booked on the net interest income and foreign exchange result line). In the previous accounting and adjusted P&L structure, items currently booked on the Gains and losses on derivative financial instruments line were accounted for on the net interest income, foreign exchange result and gains/losses on securities line. In 4Q 2016 the full annual amounts have been moved in one sum to the Gains and losses on derivative financial instruments line. In the adjusted P&L structure this new line constitutes part of the Net other non-interest result among Other net non-interest income.
- 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 impact of fines imposed by the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of Banco Popolare Croatia acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania, the risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014 until 4Q 2015, the corporate tax impact of switching to IFRS from HAR in Hungary, revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary, gain on the sale of Visa Europe shares, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line “Provision for loan losses”), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line “Foreign exchange result, net”). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- In 3Q 2012 and in 2Q 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies’ previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Tax deductible transfers paid by Hungarian group members from 3Q 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (i.e. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L.
- From 2012 credit institutions’ contribution tax was recognised in the accounting P&L of OTP Group and OTP Core as OTP Core’s burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the contribution tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- Due to regulatory changes related to consumer contracts in Hungary the actual negative effects of the financial settlement with clients and the conversion of FX consumer contracts prescribed by regulatory changes related to consumer contracts in Hungary as well as the impact of the related methodological changes were recognized within the accounting P&L in each quarters of 2015 on the net interest income, net fees and commissions, foreign exchange gains (net), net other non-interest result, other non-interest expenses, provision for loan losses, other risk cost and dividends and net cash transfers lines. These items booked in these periods were eliminated from all of the affected lines and were shown separately among adjustment items on consolidated level, whereas the estimate on the one-off negative impact of regulatory changes related to consumer contracts was booked on the other risk cost line in the accounting P&L. The Romanian and Croatian conversion programmes affect several P&L lines, too.
- The revaluation result booked on Other provisions line due to regulatory changes related to FX mortgage loans in Hungary were moved to the Foreign exchange result line in 4Q 2014.
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within net interest income, but also within other net non-interest income – will be presented on the net interest income line on a net base.
- Starting from 3Q 2016 the Ukrainian subsidiary changed its interest income recognition methodology in case of impaired exposures. According to the old method the bank recognized interest revenues based on gross loan volumes. Simultaneously, risk costs were created for the booked interest revenues in line with the provision coverage level of the underlying exposure, these risk costs were presented on the “Provision for possible loan losses” line.

  According to the new methodology interest revenues are calculated based on net loan volumes. The new methodology was first applied in 3Q 2016, however with a retrospective effect back to January 2016. As a result, the ytd difference between the old and new methods was booked in one sum in the 3Q accounting P&L. The change had neutral effect on earnings, since interest income on the provisioned principal part was eliminated, but at the same time the related risk costs (in the same amount) were released, too.

  For the sake of presenting comparable time series, in the adjusted P&L structure showed in the analytical sections of the report this particular item representing the ytd difference between the old and new methods was eliminated both from the Ukrainian and consolidated Profit and Loss accounts. In periods booked under the new methodology there is no such structural correction.
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier.

ADJUSTMENTS OF CONSOLIDATED IFRS P&L LINES

in HUF million	1Q 15	2Q 15	3Q 15	4Q 15 Audited	2015 Audited	1Q 16	2Q 16	3Q 16	4Q 16 Preliminary	2016 Preliminary
Net interest income	**141,741**	**141,147**	**137,339**	**130,204**	**550,430**	**130,789**	**129,338**	**126,945**	**132,658**	**519,729**
(-) Agent fees paid to car dealers by Merkantil Group	-454	-929	-381	-322	-2,084	-	-	0	0	0
(+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	-232	0	0	0	-232	0	0	0	0	0
(+) Other risk costs recognised in relation to the fixed exchange rate scheme	0	0	0	0	0	0	0	0	0	0
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	-85	2,098	45	-2,754	-697	0	0	0	0	0
(-) Revaluation result of FX provisions						255	229	75	264	823
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations						-1,492	-42	303	791	-440
(+) Structural correction related to the amendment of interest income recognition methodology in Ukraine in 3Q 2016								3,484	0	3,484
Net interest income (adj.) with one-offs	**142,048**	**139,978**	**137,675**	**133,279**	**552,980**	**129,041**	**129,067**	**130,657**	**133,184**	**521,949**
(-) Revaluation result of FX swaps at OTP Core (booked within net interest income)	-679	-	-	-	-679	-	-	-	-	-
Net interest income (adj.) without one-offs	**142,727**	**139,978**	**137,675**	**133,279**	**553,659**	**129,041**	**129,067**	**130,657**	**133,184**	**521,949**
Net fees and commissions	**49,142**	**55,168**	**53,981**	**55,581**	**213,872**	**50,478**	**54,902**	**57,006**	**60,605**	**222,991**
(+) Agent fees paid to car dealers by Merkantil Group	-454	-929	-381	-322	-2,084	-	-	0	0	0
(+) Financial Transaction Tax	-11,395	-10,880	-10,990	-11,810	-45,076	-11,660	-11,382	-11,595	-12,388	-47,025
(-) 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	0	0	0	0
Net fees and commissions (adj.)	**37,293**	**43,898**	**42,610**	**43,449**	**167,250**	**38,819**	**43,520**	**45,411**	**48,217**	**175,966**
Foreign exchange result	**93,329**	**-14,947**	**6,789**	**31,511**	**116,682**	**15,727**	**-3,172**	**7,854**	**8,896**	**29,305**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	89,413	-21,675	-290	29,367	96,814	13,909	-8,510	3,340	8,065	16,804
(-) 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	0	0	0	0
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia			70	0	70	0	0	0	0	0
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations						-1,492	-42	303	791	-440
Foreign exchange result (adj.) with one-offs	**3,917**	**5,408**	**7,008**	**2,144**	**18,476**	**3,311**	**5,379**	**4,211**	**40**	**12,941**
Foreign exchange result (adj.) without one-offs	**3,917**	**5,408**	**7,008**	**2,144**	**18,476**	**3,311**	**5,379**	**4,211**	**40**	**12,941**
Gain/loss on securities, net	**4,059**	**538**	**4,412**	**2,607**	**11,616**	**3,361**	**16,213**	**358**	**896**	**20,828**
(-) Gain on the sale of Visa Europe shares							15,924	0	0	15,924
Gain/loss on securities, net (adj.) with one-offs	**4,059**	**538**	**4,412**	**2,607**	**11,616**	**3,361**	**290**	**358**	**896**	**4,904**
(-) 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	-83	-917	80	-751
Gain/loss on securities, net (adj.) without one-offs	**3,707**	**460**	**2,885**	**2,145**	**9,197**	**3,192**	**373**	**1,275**	**816**	**5,655**

in HUF million	1Q 15	2Q 15	3Q 15	4Q 15 Audited	2015 Audited	1Q 16	2Q 16	3Q 16	4Q 16 Preliminary	2016 Preliminary
Gains and losses on real estate transactions	**484**	**644**	**437**	**159**	**1,725**	**583**	**714**	**124**	**502**	**1,923**
(+) Other non-interest income	**4,191**	**4,741**	**3,137**	**9,180**	**21,248**	**3,138**	**2,481**	**2,889**	**9,196**	**17,704**
(+) Gains and losses on derivative financial instruments									**6,838**	**6,838**
(-) Received cash transfers	0	2	6	0	9	10	17	5	5	37
(-) Non-interest income from the release of pre-acquisition provisions	368	2,643	786	-2,278	1,518	194	210	120	210	735
(+) Other other non-interest expenses	-137,729	-27,953	-7,920	-9,125	-182,726	-22,063	-5,445	-466	-1,247	-29,221
(+) Change in shareholders' equity of companies consolidated with equity method	237	490	-58	22	690	1	-177	276	-264	-163
(-) Badwill booked in relation to acquisitions	1,845	0	0	0	1,845	0	0	0	0	0
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	-136,832	-26,119	-6,285	-1,184	-170,420	0	0	0	0	0
(-) One-off impact of regulatory changes related to FX consumer contracts in Serbia	-104	0	-104	-2	-211	0	0	0	0	0
(-) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015				1,868	1,868					
(-) One-off impact of regulatory changes related to CHF consumer contracts in Croatia						-8,720	-244	-116	11	-9,068
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania						-12,965	-4,412	-484	-486	-18,347
(-) Impact of fines imposed by the Hungarian Competition Authority									3,922	3,922
Net other non-interest result (adj.) with one-offs	**1,906**	**1,396**	**1,195**	**1,832**	**6,329**	**3,139**	**2,001**	**3,299**	**11,364**	**19,803**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj) at OTP Core and at the Corporate Centre)	0	0	0	0	0	0	0	0	0	0
Net other non-interest result (adj.) without one-offs	**1,906**	**1,396**	**1,195**	**1,832**	**6,329**	**3,139**	**2,001**	**3,299**	**11,364**	**19,803**
Provision for loan losses	**-151,153**	**-27,142**	**-55,351**	**-85,036**	**-318,683**	**-35,123**	**-8,902**	**-11,033**	**-38,414**	**-93,472**
(+) Non-interest income from the release of pre-acquisition provisions	368	2,643	786	-2,278	1,518	194	210	120	210	735
(-) Revaluation result of FX provisions	-88,402	21,943	145	-29,469	-95,783	-14,184	8,290	-3,433	-8,321	-17,648
(-) Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015	68	20	-146	-182	-240	0	0	0	0	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	0	0	0	0
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia			2,058	0	2,058	0	0	-574	0	-574
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary				-8,852	-8,852	0	0	0	0	0
(-) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania							-3,103	-1,312	-361	-4,776
(+) Structural correction related to the amendment of interest income recognition methodology in Ukraine in 3Q 2016								-3,484	0	-3,484
Provision for loan losses (adj.)	**-61,145**	**-45,213**	**-56,917**	**-48,388**	**-211,663**	**-20,745**	**-13,879**	**-9,077**	**-29,522**	**-73,223**
Dividend income	**241**	**3,032**	**43**	**28**	**3,345**	**59**	**2,834**	**419**	**-258**	**3,054**
(+) Received cash transfers	0	2	6	0	9	10	17	5	5	37
(+) Paid cash transfers	-4,647	-4,640	-2,815	-3,760	-15,862	-516	-3,091	-4,690	-4,834	-13,131
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	-4,645	-4,601	-2,787	-3,440	-15,473	-516	-3,091	-4,689	-4,834	-13,130
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	2,433	0	0	2,433	0	2,841	0	0	2,841
(-) Change in shareholders' equity of companies consolidated with equity method	237	490	-58	22	690	1	-177	276	-264	-163
(-) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary				-303	-303	0	0	0	0	0
After tax dividends and net cash transfers	**2**	**72**	**80**	**-10**	**144**	**68**	**186**	**146**	**11**	**412**

in HUF million	1Q 15	2Q 15	3Q 15	4Q 15 Audited	2015 Audited	1Q 16	2Q 16	3Q 16	4Q 16 Preliminary	2016 Preliminary
Income taxes	**7,328**	**-5,709**	**3,010**	**-1,481**	**3,148**	**-13,388**	**-12,425**	**1,086**	**-9,217**	**-33,944**
(-) Corporate tax impact of goodwill/investment impairment charges	0	2,701	0	3,982	6,683	0	2,214	8,555	784	11,552
(-) Corporate tax impact of the special tax on financial institutions	6,429	52	56	73	6,609	2,968	47	52	52	3,120
(+) Tax deductible transfers	-2,938	-4,378	-2,133	-2,750	-12,200	-31	-1,894	-4,116	-3,523	-9,565
(-) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	0	0	0	151	151	0	0	0	0	0
(-) Corporate tax impact of the badwill booked in relation to acquisitions	-295	0	0	0	-295	0	0	0	0	0
(-) Corporate tax impact of the one-off effect of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	-931	-2,071	0	-1,171	-4,173	0	0	0	0	0
(-) Corporate tax impact of risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015	3	6	42	19	71	0	0	0	0	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	0	0	0	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	0	0	0	0
(-) Corporate tax impact of the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia			1,583	0	1,583	0	0	0	0	0
(-) Corporate tax impact of the expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania			4,408	0	4,408	0	0	0	0	0
(-) Corporate tax impact of the gain on the sale of Visa Europe shares							-2,764	0	0	-2,764
(-) Corporate tax impact of switching to IFRS from HAR in Hungary								-7,477	1,711	-5,766
(-) Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary									-6,054	-6,054
Corporate income tax (adj.)	**-2,249**	**-10,971**	**-5,249**	**-7,344**	**-25,813**	**-16,388**	**-13,816**	**-4,159**	**-9,233**	**-43,596**
Other operating expense, net	**-9,433**	**-12,943**	**-53,212**	**893**	**-74,695**	**-1,939**	**-484**	**-7,313**	**-26,669**	**-36,405**
(-) Other costs and expenses	-10,461	-1,345	-1,192	-1,212	-14,211	-1,135	-1,627	-1,514	-1,364	-5,639
(-) Other non-interest expenses	-142,376	-32,593	-10,734	-12,884	-198,588	-22,579	-8,536	-5,156	-6,080	-42,351
(-) 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	0	0	0	0
(-) Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (booked within other risk cost)	-6,838	0	0	0	-6,838	0	0	0	0	0
(-) Revaluation result of FX provisions	-1,010	-267	144	102	-1,031	20	-9	18	-8	22
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia			-10,042	0	-10,042	8,720	244	690	-11	9,642
(-) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania			-29,900	72	-29,828	12,965	7,515	1,796	847	23,123
(-) Impact of fines imposed by the Hungarian Competition Authority				-813	-813	119	119	555	-2,000	-1,207
(-) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015				-1,868	-1,868	0	0	0	0	0
Other provisions (adj.)	**-3,323**	**-106**	**-1,272**	**-4,345**	**-9,046**	**-49**	**1,810**	**-3,703**	**-18,053**	**-19,995**
Other administrative expenses	**-81,927**	**-47,874**	**-48,120**	**-54,326**	**-232,248**	**-63,613**	**-49,152**	**-49,693**	**-57,769**	**-220,228**
(+) Other costs and expenses	-10,461	-1,345	-1,192	-1,212	-14,211	-1,135	-1,627	-1,514	-1,364	-5,639
(+) Other non-interest expenses	-142,376	-32,593	-10,734	-12,884	-198,588	-22,579	-8,536	-5,156	-6,080	-42,351
(-) Paid cash transfers	-4,647	-4,640	-2,815	-3,760	-15,862	-516	-3,091	-4,690	-4,834	-13,131
(+) Film subsidies and cash transfers to public benefit organisations	-4,645	-4,601	-2,787	-3,440	-15,473	-516	-3,091	-4,689	-4,834	-13,130
(-) Other other non-interest expenses	-137,729	-27,953	-7,920	-9,125	-182,726	-22,063	-5,445	-466	-1,247	-29,221
(-) Special tax on financial institutions (recognised as other administrative expenses)	-35,173	-235	-253	-330	-35,992	-16,381	-215	-238	-235	-17,069
(-) Tax deductible transfers	-2,938	-4,378	-2,133	-2,750	-12,200	-31	-1,894	-4,116	-3,523	-9,565
(-) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	-232	0	0	0	-232	0	0	0	0	0
(-) Financial Transaction Tax	-11,395	-10,880	-10,990	-11,810	-45,076	-11,660	-11,382	-11,595	-12,388	-47,025
(-) Impact of fines imposed by the Hungarian Competition Authority	0	0	0	0	0	-119	-119	-555	0	-793
(-) 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	0	0	0	0
(-) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania				-72	-72	0	0	0	0	0
Other non-interest expenses (adj.)	**-37,983**	**-38,327**	**-38,723**	**-44,016**	**-159,048**	**-37,074**	**-40,259**	**-39,393**	**-47,820**	**-164,545**

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