OTP Bank Plc.

Summary of the full-year 2017 results

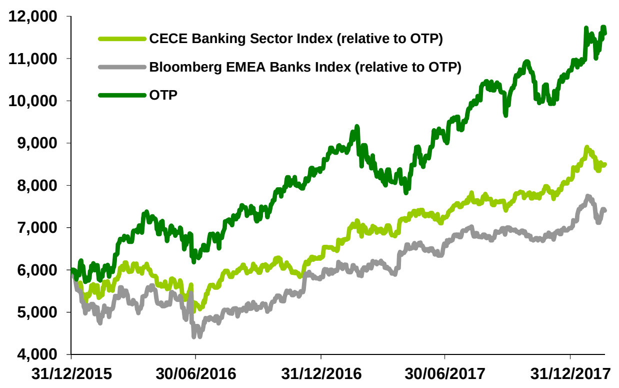
(English translation of the original report submitted
to the Budapest Stock Exchange)

Budapest, 2 March 2018

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the Statement of recognised income in HUF million	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Consolidated after tax profit	**202,452**	**281,339**	**39%**	**26,474**	**79,329**	**68,454**	**-14%**	**159%**
Adjustments (total)	**1,276**	**-2,733**	**-314%**	**-1,809**	**-205**	**8,934**		**-594%**
Consolidated adjusted after tax profit without the effect of adjustments	**201,176**	**284,072**	**41%**	**28,283**	**79,534**	**59,520**	**-25%**	**110%**
Pre-tax profit	244,772	321,421	31%	37,516	88,837	66,063	-26%	76%
Operating profit	335,900	363,159	8%	85,011	92,096	85,077	-8%	0%
Total income	736,316	804,946	9%	193,622	202,818	208,852	3%	8%
Net interest income	521,949	546,654	5%	133,184	137,026	140,523	3%	6%
Net fees and commissions	175,966	209,428	19%	48,217	53,049	58,073	9%	20%
Other net non-interest income	38,400	48,864	27%	12,221	12,743	10,256	-20%	-16%
Operating expenses	-400,416	-441,788	10%	-108,611	-110,721	-123,775	12%	14%
Total risk costs	-93,218	-45,682	-51%	-47,575	-4,255	-19,120	349%	-60%
One off items	2,090	3,945	89%	80	996	106	-89%	32%
Corporate taxes	-43,596	-37,349	-14%	-9,233	-9,304	-6,543	-30%	-29%
Main components of balance sheet closing balances in HUF million	2016	2017	YTD	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Total assets	11,209,041	13,190,228	18%	11,209,041	12,641,691	13,190,228	4%	18%
Total customer loans (net, FX adjusted)	**5,665,091**	**6,987,834**	**23%**	**5,665,091**	**6,661,621**	**6,987,834**	**5%**	**23%**
Total customer loans and advances (gross)	**6,680,504**	**7,690,419**	**15%**	**6,680,504**	**7,498,123**	**7,690,419**	**3%**	**15%**
Total customer loans (gross, FX adjusted)	**6,571,364**	**7,690,419**	**17%**	**6,571,364**	**7,454,778**	**7,690,419**	**3%**	**17%**
Allowances for possible loan losses	-944,273	-702,585	-26%	-944,273	-803,774	-702,585	-13%	-26%
Allowances for possible loan losses (FX adjusted)	-906,273	-702,585	-22%	-906,273	-793,157	-702,585	-11%	-22%
Total customer deposits (FX adjusted)	**8,428,360**	**10,233,471**	**21%**	**8,428,360**	**9,629,885**	**10,233,471**	**6%**	**21%**
Issued securities	146,900	250,320	70%	146,900	251,527	250,320	0%	70%
Subordinated loans	77,458	76,028	-2%	77,458	76,903	76,028	-1%	-2%
Total shareholders' equity	1,420,650	1,640,055	15%	1,420,650	1,575,440	1,640,055	4%	15%
Indicators based on adjusted earnings %	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
ROE (from accounting net earnings)	15.4%	18.5%	3.1%p	7.5%	20.3%	16.9%	-3.4%p	9.3%p
ROE (from accounting net earnings, on 12.5% CET1 ratio)	17.6%	22.4%	4.8%p	9.3%	24.6%	20.3%	-4.3%p	11.1%p
ROE (from adjusted net earnings)	15.4%	18.7%	3.4%p	8.0%	20.3%	14.7%	-5.7%p	6.6%p
ROA (from adjusted net earnings)	1.9%	2.4%	0.5%p	1.0%	2.6%	1.9%	-0.7%p	0.8%p
Operating profit margin	3.10%	3.03%	-0.07%p	3.06%	2.97%	2.65%	-0.32%p	-0.41%p
Total income margin	6.79%	6.71%	-0.09%p	6.96%	6.55%	6.50%	-0.04%p	-0.45%p
Net interest margin	4.82%	4.56%	-0.26%p	4.79%	4.42%	4.38%	-0.05%p	-0.41%p
Cost-to-asset ratio	3.70%	3.68%	-0.01%p	3.90%	3.57%	3.85%	0.28%p	-0.05%p
Cost/income ratio	54.4%	54.9%	0.5%p	56.1%	54.6%	59.3%	4.7%p	3.2%p
Risk cost to average gross loans	1.14%	0.43%	-0.71%p	1.80%	0.05%	0.70%	0.65%p	-1.10%p
Total risk cost-to-asset ratio	0.86%	0.38%	-0.48%p	1.71%	0.14%	0.60%	0.46%p	-1.11%p
Effective tax rate	17.8%	11.6%	-6.2%p	24.6%	10.5%	9.9%	-0.6%p	-14.7%p
Net loan/(deposit+retail bond) ratio (FX adjusted)	66%	68%	2%p	66%	69%	68%	-1%p	2%p
Capital adequacy ratio (consolidated, IFRS) - Basel3	16.0%	14.6%	-1.4%p	16.0%	15.8%	14.6%	-1.2%p	-1.4%p
Tier1 ratio - Basel3	13.5%	12.7%	-0.9%p	13.5%	13.7%	12.7%	-1.0%p	-0.9%p
Common Equity Tier 1 ('CET1') ratio - Basel3	13.5%	12.7%	-0.9%p	13.5%	13.7%	12.7%	-1.0%p	-0.9%p
Share Data	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
EPS base (HUF) (from unadjusted net earnings)	765	1,074	40.3%	101	303	262	-14%	158%
EPS diluted (HUF) (from unadjusted net earnings)	765	1,074	40%	101	303	261	-14%	158%
EPS diluted (HUF) (from adjusted net earnings)	761	1,085	43%	108	304	227	-25%	110%
Closing price (HUF)	8,400	10,720	28%	8,400	9,895	10,720	8%	28%
Highest closing price (HUF)	8,411	10,930	30%	8,411	10,465	10,930	4%	30%
Lowest closing price (HUF)	5,714	7,815	37%	7,148	9,000	9,930	10%	39%
Market Capitalization (EUR billion)	7.6	9.7	28%	7.6	8.9	9.7	9%	28%
Book Value Per Share (HUF)	5,074	5,857	15%	5,074	5,627	5,857	4%	15%
Tangible Book Value Per Share (HUF)	4,487	5,219	16%	4,487	5,023	5,219	4%	16%
Price/Book Value	1.7	1.8	11%	1.7	1.8	1.8	4%	11%
Price/Tangible Book Value	1.9	2.1	10%	1.9	2.0	2.1	4%	10%
P/E (trailing, from accounting net earnings)	11.6	10.7	-8%	11.6	11.6	10.7	-8%	-8%
P/E (trailing, from adjusted net earnings)	11.7	10.6	-10%	11.7	11.0	10.6	-4%	-10%
Average daily turnover (EUR million)	15	15	-4%	13	13	14	7%	9%
Average daily turnover (million share)	0.7	0.5	-30%	0.5	0.4	0.4	4%	-16%

SHARE PRICE PERFORMANCE



MOODY'S RATINGS

OTP Bank - FX long term deposits	Baa3
OTP Mortgage Bank - Covered mortgage bond	Baa1

S&P GLOBAL RATINGS

OTP Bank and **OTP Mortgage Bank -** FX Long term credit rating	BBB-

DAGONG GLOBAL RATING

OTP Bank - FX long term credit rating	BBB+

FITCH'S RATING

OTP Bank Russia - Long term credit rating	BB

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

SUMMARY OF THE FULL-YEAR 2017 RESULTS

The Summary of the full-year 2017 results of OTP Bank Plc. has been prepared on the basis of its separate condensed and consolidated, unaudited IFRS financial statements for 31 December 2017 or derived from that. At presentation of full year 2017 report of OTP Bank we applied International Financial Reporting Standards adopted by the European Union.

SUMMARY OF THE FULL-YEAR 2017 AND THE FOURTH QUARTER 2017

According to the preliminary data published on 14 February 2017 the Hungarian GDP grew by 4.2% (seasonally and working-day adjusted) due to the robust increase in 4Q (+4.8%). As a result 2017 stands out as one of the most successful years in the history of the Hungarian economy. The growth rate was amongst the fastest ones in Europe and economic expansion is broad-based, while the balance indicators are stable and improving. According to the preliminary statistics the fiscal deficit could be around 2% of GDP, whereas the public debt to GDP moderated further (74%). The yearly wage increase in excess of 10% boosted household consumption which expanded by 4.3%, investments grew by more than 20% y-o-y. In 2017 the average annual inflation was 2.4%. The strengthening economic metrics have been coupled with accommodative monetary policy and favourable external environment.

The sovereign rating was back to investment grade again (Baa3/BBB-) by all major rating agencies, in case of Fitch and S&P the outlook is positive which might induce further upgrades, whereas it is stable at Moody's. The current sovereign credit spreads also indicate potential rating improvement in the medium-run.

The Hungarian Central Bank has continued to pursue an expansionary monetary policy which has constantly and efficiently supported the sustainable growth of the economy. Local government yields dropped all across the curve y-o-y.

As for 2018, the Government and the Central Bank forecast a GDP growth exceeding 4%, the key engine is going to be the strengthening local consumption, albeit the favourable West-European economic recovery provides good platform for export growth, too. Amid the tight labour market, the wage agreement reached by the end of 2016, as well as certain government measures might result in a somewhat moderating wage increase below 10%. In 2018 the average CPI may be around 2.6%, i.e. falling short of the 3% inflation target set by the Central Bank.

2017 brought a visible recovery in lending activity in Hungary; alongside the corporate exposures the household sector also demonstrated net volume growth (+1.3% y-o-y). New mortgage origination was outstandingly strong, according to NBH's preliminary statistics new volumes surged by over 30% y-o-y. Interest levels dropped by almost 1 pp for newly disbursed housing loans (4.46%), the reduction was material for both floating and fixed rate mortgages.

As for the rest of the Group, all markets within OTP universe witnessed GDP growth, the overall macro environment improved and several countries enjoyed sovereign rating upgrades (Bulgaria, Serbia, and Croatia). For 2018 OTP management forecasts further improvement. In Ukraine GDP growth may exceed 3%, while in Russia the economic growth may reach even 2.5% according to OTP forecast. In both countries local currencies are expected to remain relatively stable.

Regarding the interest rate environment in 2017 most of the countries within OTP universe witnessed further reduction: in Hungary the reference rate (3M BUBOR) dropped from 37 bps to 3 bps y-o-y, in Bulgaria it hovered around zero for most of the year, in Russia CBR cut the base rate from 10% to 7.75%. In Ukraine and Romania this trends turned around: the Ukrainian central bank made two consecutive 100 bps rate hikes in 4Q 2017; as a result the base rate stood at 14.5% at the end of 2017, whereas in Romania the interest rate corridor was tightened. Albeit the management still forecasts low/benign interest rate environment for 2018, in a couple of countries central banks became more cautious: in Ukraine there was a 150 bps rate hike in January, whereas in Romania the central bank further tightened monetary conditions (by 25-25 bps rate hikes in January and February).

Consolidated results: over HUF 284 billion after tax profit in 2017 with moderating NIM; risk costs halved and credit quality kept improving

In 2017 OTP Group posted its highest ever consolidated accounting and adjusted profit; such a performance was shaped by several factors. The single most important one was the operating environment becoming supportive in every market; amid the decreasing interest rate environment the negative impact of eroding net interest margin on net interest income was overall offset by dynamically expanding performing loan volumes backed by strengthening business activity. Additionally, the credit quality improved further, coupled with lower risk costs and occasionally with provision write-backs. Acquisitions also had a positive effect on y-o-y profit dynamics: the

Croatian Splitska banka added 8 months of its earnings to consolidated profit, the Serbian Vojvodjanska banka 1 month, whereas there was a positive base effect related to the take-over of the AXA portfolio in Hungary (in 2016 only 2 months earnings were consolidated). Finally, the lower Hungarian corporate tax rate (cut from 19% to 9% effective from 1 January 2017) also had a positive effect on the bottom line profit.

The consolidated accounting profit was HUF 281.3 billion in 2017 versus HUF 202.5 billion in the base period.

The annual accounting ROE was 18.5%. The adjusted ROA stood at 2.37% (+0.51 pp y-o-y).

In 2017 as a whole adjustment items amounted to -HUF 2.7 billion (after tax).

During the last three months the volume of adjustment items comprised +HUF 9 billion and were as follows:

- +HUF 14.7 billion acquisition effect related mainly to the badwill on Vojvodjanska banka's acquisition and some expected integration expenses;
- -HUF 5.6 billion (after tax) negative tax effect related to the reversal of impairment charges booked in relation to certain subsidiaries (o/w -HUF 4.1 billion was related to OTP Mortgage Bank); also, at OTP Bank Slovakia there was a HUF 0.5 billion goodwill write-off;
- -HUF 171 million quarterly banking tax in Slovakia (after tax);

Since the 2017 P&L lines incorporate 8 months results from Splitska banka and 1 month from Vojvodjanska banka, the y-o-y comparison of the Group performance is somewhat difficult. Overall, the core figures reflect favourable business and income dynamics let them be based on organic or acquisition-supported trends.

In 2017 OTP Group posted HUF 284.1 billion adjusted after-tax profit (+41% y-o-y), adjusted for the positive impact of the Splitska banka and Vojvodjanska banka acquisitions (in total HUF 11 billion) the increase would be 36% y-o-y. The annual corporate tax burden declined by HUF 6.2 billion partially reasoned by the y-o-y 10 pps lower Hungarian corporate tax rate, as a result the consolidated effective tax rate dropped substantially in 2017 (11.6%). Profit before tax expanded by 31% y-o-y.

Within the annual consolidated adjusted profit the following group members posted outstanding results: OTP Core (HUF 168.6 billion), DSK Bank (HUF 47.1 billion), OTP Bank Russia (HUF 27.8 billion), the Croatian operation (HUF 17.1 billion, o/w the contribution of Splitska was HUF 10.9 billion) and Ukraine (HUF 14.1 billion). Out of those the annual profit in Bulgaria remained stable y-o-y, whereas all others saw an improvement. Furthermore, both Merkantil (the leasing company) and OTP Fund Management managed to further boost bottom line earnings y-o-y, while in Romania profit surged by 83% y-o-y. At the same time the Montenegrin and Slovakian subsidiaries remained in red and the Serbian subsidiary couldn't repeat its profitable 2016 performance and posted negative results, again. There hasn't been any meaningful turnaround at the Russian on-line bank (Touch Bank) and it suffered already its third consecutive loss-making year (-HUF 7.4 billion).

It was positive that the consolidated total income (adjusted for one-off revenue items) advanced by 9% y-o-y, and even without the positive impact of the Splitska consolidation the increase was 5%. In 4Q total income grew by 3% q-o-q. The annual operating profit increased by 8% y-o-y (+4% adjusted for Splitska), whereas total risk costs halved.

Encouraging that despite further eroding net interest margin the annual net interest income even without Splitska banka grew by 1% y-o-y (+5% including Splitska) supported by the increase of performing loans. The good total income stream was mainly induced by the dynamic expansion of net fees and commissions (+19% y-o-y and +15% without Splitska); furthermore other net non-interest income also grew by around HUF 10.5 billion y-o-y. There were several larger items causing one-off growth in other income: the consolidation of Splitska resulted in an increase of +HUF 3.3 billion; at DSK Bank around HUF 1.1 billion arose because interest claims related to off-balance sheet items of the Bulgarian factoring company have been revised, and also, the fair value adjustment of derivatives shifted into the net interest income boosted this line by HUF 2 billion.

The annual net interest margin was 4.56% underpinning a 26 bps y-o-y erosion as a result of declining interest environment, intensifying competition, the composition effect of lower NIM at Splitska banka and the dilution effect of higher total assets on the back of dynamic deposit inflows. It is important to note that without the consolidation of Splitska banka the annual NIM erosion would have been only 16 bps, in line with the forecast given by the management for 2017 (15-20 bps NIM erosion).

Consolidated annual operating expenses went up by 10% y-o-y, whereas without the effect of the acquired banks the FX-adjusted increase was 4.6%. Higher personnel expenses (+7% y-o-y without Splitska) were fuelled by wage inflation and also by higher number of employees, whereas in Hungary the contribution tax paid by the employer shrank by 5 pps y-o-y. Administrative expenses were pushed up by increasing marketing costs explained by the stronger business activity, but also higher advisory costs related to acquisitions and business development projects; finally, the on-going digital transformation required additional expenses, too.

The 4Q adjusted profit declined by 25% q-o-q to HUF 59.5 billion. The quarterly total income (without one-offs) expanded by 3% q-o-q. Within that the net interest income improved by 3% q-o-q amid continuing q-o-q interest rate decline. 4Q NII was supported by the continuing organic loan growth, the consolidation of Vojvodjanska banka (+HUF 1.1 billion) and several one-off items. Net fees and commissions increased dynamically (+9% q-o-q) mainly due to the strong fee income at OTP Fund Management supported by robust performance fee booked in 4Q; other net non-interest income declined q-o-q.

The quarterly decline in 4Q adjusted profit was partly reasoned by q-o-q 12% higher operating expenses, but total risk costs also grew almost 4.5-fold from a low 3Q base. As the management flagged: the Bank is going to pursue a cautious and conservative provisioning policy in line with regulations and accounting standards.

The FX-adjusted gross loan portfolio expanded by 18% y-o-y- and in 4Q by 3% q-o-q, respectively. Due to the write-offs and sale of non-performing portfolio, underlying trends are better represented through the performing loan volume trends. The performing (DPD0-90) portfolio grew by 25% y-o-y and by 6% q-o-q, FX-adjusted. Adjusted for the acquisitions the annual increase would demonstrate a 10% yearly organic growth (+3% q-o-q). It was positive that in 2017 the FX-adjusted performing loan portfolio increased in all countries and in all major segments. There was a substantial y-o-y increase in Hungary (+11%), Russia (+22%), Ukraine (+11%), Romania (+10%) and Bulgaria (+7%). The Croatian loan book grew by 6% organically, with the consolidation of Splitska banka the expansion was 153% y-o-y. In 4Q the Russian and Montenegrin portfolio expanded the fastest (+12 and 11% q-o-q, respectively). The Serbian performing book increased almost four-fold as a result of the consolidation of Vojvodjanska banka in December.

As for the major product categories: the large corporate exposures grew the fastest (+33%, without acquisition +16%), while the performing consumer book increased by 32% y-o-y, the SME book by 14% and the mortgage loans by 10% (+2% without acquisitions).

The FX-adjusted deposit book grew by 21% y-o-y, without acquisitions by 8%, respectively. As a result the consolidated net loan-to-(deposit+retail bonds) ratio increased by 1.8 pp y-o-y, reaching 68.3%.

The volume of issued securities leaped by 70% y-o-y, the Hungarian retail bonds practically disappeared, at the same time the volume of covered bonds increased substantially induced partly by regulatory requirements.

The volume of securities comprised HUF 3,699 billion at the end of 2017 (+38% y-o-y), bulk of it was government securities. The y-o-y significantly growing liquidity surplus was invested mostly into Hungarian and foreign sovereign papers.

At the end of 2017 the Group' gross liquidity reserves comprised EUR 8.3 billion equivalent.

Similar to previous years the Group kept on selling/writing off non-performing volumes. In 2017 the total amount comprised HUF 255 billion (FX-adjusted), o/w in 4Q HUF 122 billion was sold/written off.

In line with the management forecast and the improving macroeconomic environment the development of DPD90+ volumes remained favourable: DPD90+ volumes (adjusted for FX and the effect of sales and write-offs) grew by HUF 50.8 billion in 2017, against HUF 77 billion in 2016. In 4Q the DPD90+ volumes decreased by HUF 0.4 billion.

The consolidated DPD90+ ratio declined substantially, by 5.5 pps y-o-y and stood at 9.2% at the end of 2017. Last time it was in 2009 when the ratio was below 10%. The lower DPD90+ ratio was supported not only by non-performing loan sales and write offs, but also by the acquisitions: in case of the acquired banks the DPD90+ volumes were consolidated net of provisions. In Hungary the DPD90+ ratio was 6.4% at the end of 2017.

OTP Core: HUF 168.6 billion adjusted net earnings; continuing NIM erosion, 11% performing volume growth, favourable credit quality trends

The adjusted after tax profit of **OTP Core** (basic activity in Hungary) reached HUF 168.6 billion in 2017, underpinning a 38% y-o-y increase. The 4Q profit was HUF 31.7 billion (-32% q-o-q).

The annual result was shaped by higher operating profit (+5% y-o-y without one-offs) and favourable risk cost trends. Annual total income increased by 3% mainly as a result of better net fees and commission supported by improving business activity. At the same time net interest income remained practically flat y-o-y which is quite an achievement given the y-o-y 27 bps net interest margin erosion (2017: 3.22%). NIM was negatively affected by the dilution effect as a result of deposit inflows, but also by the reference rate (3M BUBOR) dropping by 34 bps y-o-y and the whole Hungarian credit curve declining significantly.

Operating expenses for the whole year grew only moderately (+2% y-o-y) despite strong wage inflation and higher advisory and marketing expenses induced by strengthening business activity.

Major reasons behind the q-o-q decline in 4Q profit were the moderating quarterly operating income (-9% q-o-q) and lower provision write-backs. Net interest income grew by HUF 2.2 billion, partly reasoned by technical factors. 4Q NIM improved marginally q-o-q (3.16%). Operating expenses advanced by 7% q-o-q mainly due to seasonal factors.

Positive credit quality trends continued: the DPD90+ volumes declined. This effect, coupled with the overall loan portfolio increase, resulted in lower DPD90+ ratio (6.4%, -3.4 pps y-o-y). As a result of the improving portfolio quality HUF 30.8 billion provisions were released in 2017.

The long-awaited turnaround in credit growth finally kicked in in all product categories: the performing portfolio expanded by 11% y-o-y (FX-adjusted), within that the consumer book grew by 25%, the corporate exposure by 18%, the SME by 13% and the mortgage book by 2%.

In 2017 the Bank originated more than 21 thousand housing loans; both the average ticket size and the number of applicants grew y-o-y.

The FX-adjusted deposits (including retail bonds) increased steadily (+10% y-o-y), as a result the Bank's net loan-to-deposit ratio was 49%, practically unchanged y-o-y.

Merkantil Bank and Car more than tripled its adjusted annual net earnings realizing almost HUF 8.3 billion, the highest ever profit. Such a good performance was mainly shaped by provision releases throughout 2017. The FX-adjusted performing loan book grew by 9% y-o-y.

OTP Fund Management posted improving annual profits in 2017 (+24% y-o-y); the HUF 8.3 billion after tax earnings were the highest ever due to excellent fee income. In 4Q the company posted HUF 5.1 billion profit (+HUF 3.9 billion q-o-q); the surge was mainly due to performance fees realized in the last quarter. The company's market position improved by 0.4 pp y-o-y, retaining their market leading position.

Foreign subsidiaries' annual performance: stable Bulgarian, improving Russian, Ukrainian, Croatian and Romanian performance, loss-making operations in Slovakia, Serbia and Montenegro as a result of prudent provisioning

The ***Bulgarian subsidiary*** posted almost the same bottom-line results in 2017 as in 2016; the annual profit of HUF 47.1 billion underpins a y-o-y 1% decline. It is still the second biggest net earnings across the Group. 4Q profit represented HUF 10.4 billion (-8% q-o-q).

Annual operating profit decreased by 12% y-o-y, within that total income moderated by 4% y-o-y. The lower NII (-14% y-o-y) reflects eroding margins: the annual NIM (3.85%) tightened by 75 bps. The lower NIM was mainly related to the repricing of the retail portfolio. Strong business activity boosted net fees and commissions (+6% y-o-y).

The performing loan portfolio advanced by 7% y-o-y with all major segments increasing: the corporate book grew by 13%, but mortgages also demonstrated a decent growth. The FX-adjusted deposits expanded by 6% y-o-y, as a result the net loan-to-deposit ratio marginally grew (66%).

The portfolio quality kept further improving and the DPD90+ ratio dropped substantially, by 3.5 pps y-o-y to 7.9%. The volume of total risk costs almost halved y-o-y, as a result the risk cost rate in 2017 was 0.31%.

The bank's profitability was outstanding, the annual ROE stood at 20.0%.

The profitability of the ***Russian subsidiary*** improved further and in 2017 the bank posted HUF 27.8 billion after-tax results (without Touch Bank) underpinning a 35% y-o-y increase. Since the average rate of the RUB strengthened 11% y-o-y against the HUF, the performance is better measured in local currency.

In RUB terms the annual net results grew by 22% y-o-y. Operating income improved by 4%, the higher total income (+6%) offset the negative impact of increasing operating expenses (+8% y-o-y). It was positive that the y-o-y marginally weaker net interest income was offset by the robust increase of net fees and commissions (+47%) which was partially influenced by methodology changes. Amid the continuously decreasing interest rate environment the annual NIM dropped by 96 bps in RUB terms (16.86%); within that in 4Q the quarterly erosion was 73 bps.

The credit quality kept improving: in 2017 DPD90+ volumes (adjusted for FX, sale and write offs) grew by HUF 32.7 billion versus HUF 47.5 billion in 2016. As a result of this, but also due to sales/write offs the DPD90+ ratio declined to 15.8% (-4.4 pps y-o-y).The annual risk cost rate stood at 7.35% (-0.83 pp y-o-y).

Performing loan volumes surged by 22% y-o-y, within that 4Q volume expansion was seasonally strong (+12% q-o-q). FX-adjusted deposit volumes increased by 9% y-o-y.

The bank's annual ROE stood at 21%.

From a legal point of view **Touch Bank** is part of OTP Bank Russia and operating under the same banking license, but as a separate digital banking business line. In 2017 the bank remained in red already for the third consecutive year (-HUF 7.4 billion, in RUB terms +13% y-o-y). Despite the bank reached some results in client acquisition and lending – the FX-adjusted loan book increased more than eight-fold y-o-y to HUF 12.8 billion – the performance fell short of the management's expectations. Apart from high operating expenses elevating risk costs were the key reasons behind the bank's loss-making performance.

The ***Ukrainian subsidiary*** improved its annual profit in 2017 by 38% y-o-y and reached HUF 14.1 billion (4Q: HUF 5.2 billon, +71% q-o-q). While the local currency remained fairly stable against previous years' performance, on average UAH depreciated 6% against HUF, i.e. the performance is better measured in UAH terms.

The annual profitability in UAH was mainly shaped by the 83% y-o-y decrease in risk costs; operating profit dropped by 9% y-o-y as total income moderated by 1%, however operating expenses grew by 12% y-o-y. The annual NII came down by 7%: the meaningful erosion of the net interest margin (2017: 7.46%, -146 bps y-o-y) and the impact of a methodology change negatively affecting the interest income could be only partly counterbalanced by the 11% increase of performing loan volumes. Net fees and commissions surged by 19% y-o-y supported by stronger business activity and increasing transaction volumes.

The Bank's ROE was 47.1%, the highest amongst subsidiary banks.

Credit quality trends were clearly positive: DPD90+ volumes (FX-adjusted, without sales/write offs) declined by HUF 1.3 billion y-o-y. The DPD90+ ratio dropped to 26.4% (-15.5 pps y-o-y), mainly as a result of HUF 64.2 billion non-performing portfolio sales and write off.

Performing volumes grew by 11% y-o-y, within that corporate exposure increase by 10%, whereas the consumer loan book by 43%, respectively. Mortgage lending is still suspended, but in 2017 car financing was resumed and performing volumes grew by 43% y-o-y (albeit from a low base). The FX-adjusted deposits expanded by 18%. The net-loan-to-deposit ratio slightly increased y-o-y (84%).

The outstanding intragroup exposure towards the whole Ukrainian operation eroded further and by the end of 4Q 2017 dropped to HUF 29 billion equivalent.

The total **Croatian operation** posted above HUF 17.1 billion net profit in 2017, without the contribution of Splitska banka (for 8 months HUF 10.9 billion) it represented HUF 6.2 billion (+63% y-o-y). As a result of the acquisition the annual performance is difficult to be compared to 2016 however certain indicators already manifest the positive impact of the deal. The annual ROE was 9.3% (2016: 5.2%), whereas the cost-to-income ratio declined to 54.8% (-2.2 pps y-o-y).

The performing loan portfolio surged by 153% y-o-y, without Splitska banka the increase was 6%; in 4Q the loan book grew by 1% q-o-q. The credit quality of the portfolio improved: the DPD90+ ratio decreased to 6.6% (-5.5 pps y-o-y).

The ***Romanian subsidiary***'s adjusted annual profit exceeded HUF 3 billion (+83% y-o-y). The 4Q profit was HUF 1 billion. Operating income improved by 9% y-o-y; alongside the 2% increase of total income (within that both NII and fees and commissions declined), operating expenses moderated by the same magnitude. Annual total risk costs dropped by 16% y-o-y. The net interest margin for 2017 eroded by 12 bps (3.27%), but the pace of decline moderated y-o-y. The performing loan volumes grew by 10% y-o-y (FX-adjusted) supported by a dynamic expansion of the consumer and SME exposures. The net loan-to-deposit ratio increased to 142%. The DPD90+ ratio declined to 13.5%.

After a loss-making year in 2016 the **Slovakian subsidiary** remained in red in 2017, too (-HUF 2.0 billion). The operating income eroded by 2% y-o-y, the major income lines suffered a setback. It was only partially offset by lower operating expense (-2% y-o-y). Total risk costs dropped by 9% y-o-y. Amid a fierce pricing competition the bank failed to stabilize its NIM (2017: 2.98%, -16 bps y-o-y). Performing volumes grew moderately q-o-q and y-o-y (+1% in both cases). The portfolio quality stabilized: the DPD90+ ratio moderated to 9.4% (-1.8 pps y-o-y).

The ***Serbian subsidiary*** posted HUF 2.9 billion loss in 2017, the 4Q negative result was HUF 1.6 billion. The annual figures already include the balance sheet of Vojvodjanska banka and also its one moth earnings (HUF 73 million), so the y-o-y comparison is distorted. As a result of the consolidation performing loan volumes increased almost four-folds, without the acquisition the portfolio still grew by 17% y-o-y. Total FX-adjusted deposits more than quadrupled. Consequently, the combined operation's net loan-to-deposit ratio dropped to 82% (-23 pps y-o-y).

Despite the loss at the **Montenegrin subsidiary** decreased a lot, the bank failed to leave behind loss-making operation already seen in 2015 and 2016. In 2017 it posted -HUF 155 million negative result. The significant drop in risk costs (-57% y-o-y) was not enough to off-set the y-o-y 33% decline in operating profit. The annual NIM eroded by 19 bps y-o-y (3.38%), the NII declined by 6% despite performing loan volumes growing by 16% y-o-y. During 2017 the management pushed through a significant portfolio clean-up, and partly as a result of non-performing portfolio sales and write-backs the DPD90+ ratio dropped to 31.3% (-11.1 pps y-o-y).

Management guidance for 2018

Similar to the 2016/2017 actual numbers, comparison of 2017 actual and 2018 plan figures for volumes and major P&L lines is going to be difficult due to the expected acquisition effects. In 2017 the full year contribution from the AXA deal was recognized, but only 8 months results of Splitska banka and just one month earnings of Vojvodjanska banka, respectively. According to the management's expectation there are chances to complete further acquisitions in 2018.

Accordingly, expectations for the 2018 fiscal year are as follows:

- Apart from the negative impact of the Hungarian and Slovakian banking tax (HUF 15 billion after tax) further acquisitions may result in material adjustment items.
- The FX-adjusted growth of performing loans – without the potential effect further acquisitions – may be close to the 2017 organic growth (+10%). Within that, the increase of household exposures may intensify, whereas the pace of corporate book expansion – following an outstandingly strong performance in 2016 and 2017 – may somewhat decelerate.
- The net interest margin erosion may continue, compared to the 4Q 2017 level (4.38%) the annual NIM may contract by around another 10-15 bps. The forecast does incorporate the effect of acquisitions completed in 2017, however doesn't include the impact of further potential acquisitions.
- Positive credit quality trends may continue with the DPD90+ ratio further declining, however total risk costs may increase as a result of higher loan volumes, the introduction of IFRS 9 and the presumably lower provision releases compared to 2017.
- The increase of FX-adjusted operating expenses without acquisition effect may exceed the 2017 dynamics and be around 6% y-o-y as a result of wage inflation and on-going digital transformation.
- Beyond the capital required for organic growth the management intends to allocate significant part of the generated excess capital for further value-creating acquisitions.

The preliminary estimate for the impact of implementing the IFRS 9 standards, including the deferred tax effect, on the retained earnings is around -HUF 50 billion in the opening consolidated balance sheet as of 1 January 2018. OTP Bank opted to apply transitional rules (phase-in), i.e. in 2018 the expected negative CET1 impact will be around 3 bps.

The Group continues to refine and monitor certain elements of the new impairment process in advance of its 1Q 2018 reporting. As a result, changes could be required to the preliminary estimate for the impact of implementing the IFRS 9 standards.

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

At the end of December 2017 the consolidated Common Equity Tier1 ratio under IFRS was 12.7% (-1.0 pp q-o-q). The decline was explained partially by the consolidation of Vojvodjanska banka (-50 bps). Neither the interim net result was included, nor the accrued dividend amount was deducted from the regulatory capital when calculating the IFRS consolidated capital adequacy ratios. Including those items the CET1 ratio would be 15.3%.

OTP Bank's stand-alone common equity Tier1 ratio was 29.0% by the end of 2017.

Credit rating, shareholder structure

During 2017 there have been several positive developments in the credit rating of OTP Bank: on 24 July 2017 S&P Global improved OTP Bank and OTP Mortgage Bank long term FX and local currency rating into investment grade ('BBB-'), the outlook is stable. Furthermore, on 19 October 2017, Moody's Investors Service upgraded OTP Bank Plc.'s long and short-term local-currency deposit ratings to 'Baa2/Prime-2' from 'Baa3/Prime-3'. At the same time the junior subordinated rating of the bank was raised by one notch to 'Ba3 (hyb)' from 'B1 (hyb)'. Also, the rating agency upgraded the backed long-term local-currency issuer rating of OTP Mortgage Bank Ltd. to 'Baa3' from 'Ba1', with stable outlook. On 22 November Dagong Global gave a 'BBB+' inaugural rating for OTP Bank's long-term liabilities, the outlook was stable.

Regarding the ownership structure of the Bank, by 31 December 2017 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.66%), the Rahimkulov family (8.57%), OPUS Securities SA (5.23%) and Groupama Group (5.19%).

POST BALANCE SHEET EVENTS

Hungary

- Effective from 29 January the National Bank of Hungary (NBH) has modified the monetary policy interest rate swap (MIRS) facility terms and conditions. Accordingly, it will announce its monetary policy interest rate swap facility (MIRS) at fixed rate tenders. The allocation among banks will be based upon balance sheet totals.
- On 30 January 2018 the Monetary Council of NBH left interest conditions unchanged and stated that the Council's aim is that the loose monetary conditions have their effect not only at the short, but also at the longer end of the yield curve. For that purpose the NBH will continue mortgage bond purchases and the monetary policy interest rate swap facility as programmes. The Council focuses on the relative position of domestic long-term yields relative to international yields when evaluating the programme.
- According to the notification received from the Government Debt Management Agency, effective from 12 February 2018 the distribution fee rates related to the sale of retail government bonds to households was cut further. As a result, the distribution fee on 6M Government Bonds was reduced from 0.2% to 0.1%, on 1 year Government Bonds from 0.6% to 0.3%, whereas on 2 year Government Bonds, Premium and Bonus Government Securities from 0.8% to 0.4-0.8%, respectively, depending on particular products and maturities.

Russia

- On 25 January 2018 Moody's changed the outlook on Russia's 'Ba1' long-term issuer and senior unsecured debt ratings to positive from stable.
- On 9 February 2018 Central bank of Russia cut the base rate by 25 bps to 7.5%.
- On 23 February 2018 Fitch Ratings affirmed Russia's long term foreign and local currency issuer rating at 'BBB-'with positive outlook.
- On 23 February 2018 S&P Global raised its foreign currency sovereign credit ratings on Russia to 'BBB-'.The outlook is stable.

Ukraine

- On 25 January 2018 the Ukrainian central bank raised its key rate by 150 bps to 16% and said that the USD 17.5 billion International Monetary Fund programme and future cooperation with the Fund remained vital for economic stability.

Romania

- The Romanian central bank lifted its benchmark interest rate by 25 bps to 2% in a move to anchor inflation expectations.
- On 7 February 2018 Romania's central bank delivered a 25 bp hike to its benchmark interest rate to 2.25% seeking to curb rising inflation.

Croatia

- On 12 January 2018 Fitch upgraded Croatia's credit rating to 'BB+' with a stable outlook.

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

in HUF million	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Consolidated after tax profit	**202,452**	**281,339**	**39%**	**26,474**	**79,329**	**68,454**	**-14%**	**159%**
Adjustments (total)	**1,276**	**-2,733**	**-314%**	**-1,809**	**-205**	**8,934**	**-4467%**	**-594%**
Consolidated adjusted after tax profit without the effect of adjustments	**201,176**	**284,072**	**41%**	**28,283**	**79,534**	**59,520**	**-25%**	**110%**
Banks total without one-off items[1]	189,954	265,422	40%	24,896	74,490	52,772	-29%	112%
OTP CORE (Hungary)[2]	122,194	168,576	38%	23,819	46,693	31,685	-32%	33%
Corporate Centre (after tax)[3]	-5,868	194	-103%	-1,605	558	-1,755	-415%	9%
OTP Bank Russia[4]	20,535	27,771	35%	4,565	6,393	6,328	-1%	39%
Touch Bank (Russia)[5]	-5,898	-7,391	25%	-1,968	-1,335	-2,236	67%	14%
OTP Bank Ukraine[6]	10,202	14,120	38%	2,065	3,062	5,242	71%	154%
DSK Bank (Bulgaria)[7]	47,385	47,122	-1%	4,679	11,305	10,445	-8%	123%
OBR (Romania)[8]	1,655	3,036	83%	-550	1,223	952	-22%	-273%
OTP banka Srbija (Serbia)[9]	39	-2,904		-155	213	-1,634	-867%	953%
OBH (Croatia)[10]	3,783	17,105	352%	202	5,977	6,035	1%	
OBS (Slovakia)[11]	-2,223	-2,051	-8%	-2,644	-274	-1,469	437%	-44%
CKB (Montenegro)[12]	-1,849	-155	-92%	-3,511	676	-819	-221%	-77%
Leasing	3,968	9,836	148%	787	2,870	2,763	-4%	251%
Merkantil Bank + Car, adj. (Hungary)[13]	2,605	8,260	217%	640	2,518	2,317	-8%	262%
Foreign leasing companies (Croatia, Bulgaria, Romania, Serbia)[14]	1,363	1,575	16%	148	352	446	27%	202%
Asset Management	6,723	8,677	29%	3,897	1,275	5,194	307%	33%
OTP Asset Management (Hungary)	6,658	8,259	24%	3,896	1,156	5,071	339%	30%
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[15]	65	418	543%	0	119	123	4%	
Other Hungarian Subsidiaries	1,888	-747	-140%	-719	360	-1,239	-444%	72%
Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Croatia, Belize)[16]	403	295	-27%	44	51	307	503%	597%
Eliminations	-1,760	590	-134%	-622	488	-277	-157%	-55%
Total adjusted after tax profit of HUNGARIAN subsidiaries[17]	125,718	185,132	47%	25,408	51,768	35,807	-31%	41%
Total adjusted after tax profit of FOREIGN subsidiaries[18]	75,458	98,940	31%	2,875	27,761	23,717	-15%	725%
Share of foreign profit contribution, %	38%	35%	-7%	10%	35%	40%	14%	292%

[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)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Consolidated after tax profit	**202,452**	**281,339**	**39%**	**26,474**	**79,329**	**68,454**	**-14%**	**159%**
Adjustments (total)	**1,276**	**-2,733**	**-314%**	**-1,809**	**-205**	**8,934**		**-594%**
Dividends and net cash transfers (after tax)	412	680	65%	11	302	30	-90%	167%
Goodwill/investment impairment charges (after tax)	11,552	-6,064	-152%	784	-189	-5,606		-815%
Special tax on financial institutions (after corporate income tax)	-13,950	-15,233	9%	-183	-162	-171	5%	-7%
Impact of fines imposed by the Hungarian Competition Authority (after tax)	1,922	177	-91%	1,922	0	0		-100%
Effect of acquisitions (after tax)	0	17,708		0	-155	14,681		
Corporate tax impact of switching to IFRS from HAR in Hungary	-5,766	0	-100%	1,711	0	0		-100%
Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary	-6,054	0	-100%	-6,054	0	0		-100%
Gain on the sale of Visa Europe shares (after tax)	13,160	0	-100%	0	0	0		
Consolidated adjusted after tax profit without the effect of adjustments	**201,176**	**284,072**	**41%**	**28,283**	**79,534**	**59,520**	**-25%**	**110%**
Before tax profit	**244,772**	**321,421**	**31%**	**37,516**	**88,837**	**66,063**	**-26%**	**76%**
Operating profit	**335,900**	**363,159**	**8%**	**85,011**	**92,096**	**85,077**	**-8%**	**0%**
Total income	**736,316**	**804,946**	**9%**	**193,622**	**202,818**	**208,852**	**3%**	**8%**
Net interest income	**521,949**	**546,654**	**5%**	**133,184**	**137,026**	**140,523**	**3%**	**6%**
Net fees and commissions	**175,966**	**209,428**	**19%**	**48,217**	**53,049**	**58,073**	**9%**	**20%**
Other net non-interest income	**38,400**	**48,864**	**27%**	**12,221**	**12,743**	**10,256**	**-20%**	**-16%**
Foreign exchange result, net[1]	13,266	21,622	63%	365	6,478	3,955	-39%	983%
Gain/loss on securities, net	5,655	7,068	25%	816	741	1,295	75%	59%
Net other non-interest result[1]	19,478	20,175	4%	11,039	5,524	5,006	-9%	-55%
Operating expenses	**-400,416**	**-441,788**	**10%**	**-108,611**	**-110,721**	**-123,775**	**12%**	**14%**
Personnel expenses	-191,443	-213,599	12%	-48,915	-53,827	-56,780	5%	16%
Depreciation	-44,428	-46,482	5%	-11,876	-12,957	-12,376	-4%	4%
Other expenses	-164,545	-181,707	10%	-47,820	-43,937	-54,619	24%	14%
Total risk costs	**-93,218**	**-45,682**	**-51%**	**-47,575**	**-4,255**	**-19,120**	**349%**	**-60%**
Provision for loan losses	-73,223	-31,058	-58%	-29,522	-896	-13,371		-55%
Other provision	-19,995	-14,624	-27%	-18,053	-3,359	-5,749	71%	-68%
Total one-off items	**2,090**	**3,945**	**89%**	**80**	**996**	**106**	**-89%**	**32%**
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	2,090	3,945	89%	80	996	106	-89%	32%
Corporate taxes	**-43,596**	**-37,349**	**-14%**	**-9,233**	**-9,304**	**-6,543**	**-30%**	**-29%**
INDICATORS (%)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
ROE (from accounting net earnings)	15.4%	18.5%	3.1%p	7.5%	20.3%	16.9%	-3.4%p	9.3%p
ROE (from adjusted net earnings)	15.4%	18.7%	3.4%p	8.0%	20.3%	14.7%	-5.7%p	6.6%p
ROA (from adjusted net earnings)	1.9%	2.4%	0.5%p	1.0%	2.6%	1.9%	-0.7%p	0.8%p
Operating profit margin	3.10%	3.03%	-0.07%p	3.06%	2.97%	2.65%	-0.32%p	-0.41%p
Total income margin	6.79%	6.71%	-0.09%p	6.96%	6.55%	6.50%	-0.04%p	-0.45%p
Net interest margin	4.82%	4.56%	-0.26%p	4.79%	4.42%	4.38%	-0.05%p	-0.41%p
Net fee and commission margin	1.62%	1.75%	0.12%p	1.73%	1.71%	1.81%	0.10%p	0.08%p
Net other non-interest income margin	0.35%	0.41%	0.05%p	0.44%	0.41%	0.32%	-0.09%p	-0.12%p
Cost-to-asset ratio	3.70%	3.68%	-0.01%p	3.90%	3.57%	3.85%	0.28%p	-0.05%p
Cost/income ratio	54.4%	54.9%	0.5%p	56.1%	54.6%	59.3%	4.7%p	3.2%p
Risk cost for loan losses-to-average gross loans	1.14%	0.43%	-0.71%p	1.80%	0.05%	0.70%	0.65%p	-1.10%p
Risk cost for loan losses-to-average FX adjusted gross loans	1.17%	0.42%	-0.76%p	1.81%	0.06%	0.71%	0.64%p	-1.11%p
Total risk cost-to-asset ratio	0.86%	0.38%	-0.48%p	1.71%	0.14%	0.60%	0.46%p	-1.11%p
Effective tax rate	17.8%	11.6%	-6.2%p	24.6%	10.5%	9.9%	-0.6%p	-14.7%p
Non-interest income/total income	29%	32%	3%p	31%	32%	33%	0%p	2%p
EPS base (HUF) (from unadjusted net earnings)	765	1,074	40%	101	303	262	-14%	158%
EPS diluted (HUF) (from unadjusted net earnings)	765	1,074	40%	101	303	261	-14%	158%
EPS base (HUF) (from adjusted net earnings)	761	1,085	43%	108	304	227	-25%	110%
EPS diluted (HUF) (from adjusted net earnings)	761	1,085	43%	108	304	227	-25%	110%

Comprehensive Income Statement	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Consolidated after tax profit	202,452	281,339	39%	26,474	79,329	68,454	-14%	159%
Fair value adjustment of securities available-for-sale (recognised directly through equity)	11,824	15,677	33%	5,591	3,418	4,104	20%	-27%
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	525	155	-70%	-372	-584	274	-147%	-174%
Foreign currency translation difference	24,554	-20,535	-184%	17,636	343	-8,140		-146%
Change of actuarial losses (IAS 19)	61	-241	-495%	61	0	-241		-495%
Net comprehensive income	**239,416**	**276,395**	**15%**	**49,390**	**82,506**	**64,450**	**-22%**	**30%**
o/w Net comprehensive income attributable to equity holders	238,775	276,222	16%	49,190	82,420	64,370	-22%	31%
Net comprehensive income attributable to non-controlling interest	641	173	-73%	200	86	80	-7%	-60%
Average exchange rate of the HUF (in forint)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
HUF/EUR	311	309	-1%	309	306	312	2%	1%
HUF/CHF	286	279	-3%	286	271	268	-1%	-6%
HUF/USD	281	274	-3%	287	261	265	1%	-8%

[1] In case of the Romanian and Slovakian bank the revaluation result of certain intra-group swaps is presented on a net base on the net interest income line in the consolidated adjusted P&L structure (in the accounting P&L the impact of these swaps is recognized on 3 different lines: the net interest income, the foreign exchange gains and losses, and the result of derivative financial instruments line, latter is presented within the net other non-interest result line).
In the *Summary of the full-year 2017 results* this adjustment was retroactively corrected from 4Q 2016.
This step doesn't affect the accounting P&L, but it triggers changes on the *Foreign exchange result, net* and the *Net other non-interest result* (both being part of the *Other net non-interest income*) in the adjusted P&L – in the same amount, but with opposite sign. Therefore, the change doesn't affect the amount of *Other net non-interest income* line and thus, the after tax results.

CONSOLIDATED BALANCE SHEET

Main components of balance sheet in HUF million	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
TOTAL ASSETS	**11,209,041**	**12,641,691**	**13,190,228**	**4%**	**18%**
Cash and amount due from banks	1,625,357	1,182,704	1,198,046	1%	-26%
Placements with other banks	363,530	462,832	462,180	0%	27%
Financial assets at fair value	189,778	322,404	344,417	7%	81%
Securities available-for-sale	1,527,093	2,040,018	2,174,718	7%	42%
Net customer loans	5,736,231	6,694,349	6,987,834	4%	22%
Net customer loans (FX adjusted[1])	**5,665,091**	**6,661,621**	**6,987,834**	**5%**	**23%**
Gross customer loans	6,680,504	7,498,123	7,690,419	3%	15%
Gross customer loans (FX adjusted[1])	**6,571,364**	**7,454,778**	**7,690,419**	**3%**	**17%**
o/w Retail loans	4,332,268	4,744,465	4,864,153	3%	12%
Retail mortgage loans (incl. home equity)	2,331,032	2,436,003	2,445,031	0%	5%
Retail consumer loans	1,488,640	1,749,803	1,875,136	7%	26%
SME loans	512,596	558,659	543,986	-3%	6%
Corporate loans	1,977,952	2,448,374	2,562,164	5%	30%
Loans to medium and large corporates	1,904,206	2,227,168	2,362,104	6%	24%
Municipal loans	73,746	221,207	200,060	-10%	171%
Car financing loans	214,503	255,133	263,943	3%	23%
Bills and accrued interest receivables related to loans	46,641	6,807	158	-98%	-100%
Allowances for loan losses	-944,273	-803,774	-702,585	-13%	-26%
Allowances for loan losses (FX adjusted[1])	-906,273	-793,157	-702,585	-11%	-22%
Equity investments	9,837	11,824	12,269	4%	25%
Securities held-to-maturity	1,114,227	1,250,083	1,310,331	5%	18%
Premises, equipment and intangible assets, net	355,516	377,592	413,389	9%	16%
o/w Goodwill, net	104,282	102,232	100,976	-1%	-3%
Premises, equipment and other intangible assets, net	251,234	275,360	312,414	13%	24%
Other assets	287,473	299,885	287,044	-4%	0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,209,041**	**12,641,691**	**13,190,228**	**4%**	**18%**
Liabilities to credit institutions and governments	543,774	497,513	472,068	-5%	-13%
Customer deposits	8,540,584	9,671,295	10,233,471	6%	20%
Customer deposits (FX adjusted[1])	**8,428,360**	**9,629,885**	**10,233,471**	**6%**	**21%**
o/w Retail deposits	6,065,374	6,865,899	7,271,548	6%	20%
Household deposits	5,075,399	5,738,825	6,079,930	6%	20%
SME deposits	989,976	1,127,074	1,191,619	6%	20%
Corporate deposits	2,347,342	2,748,339	2,947,248	7%	26%
Deposits to medium and large corporates	1,806,008	2,034,567	2,257,993	11%	25%
Municipal deposits	541,334	713,772	689,255	-3%	27%
Accrued interest payable related to customer deposits	15,644	15,647	14,675	-6%	-6%
Issued securities	146,900	251,527	250,320	0%	70%
o/w Retail bonds	36,921	7,096	6,500	-8%	-82%
Issued securities without retail bonds	109,978	244,430	243,821	0%	122%
Other liabilities	479,676	569,012	518,286	-9%	8%
Subordinated bonds and loans[2]	77,458	76,903	76,028	-1%	-2%
Total shareholders' equity	**1,420,650**	**1,575,440**	**1,640,055**	**4%**	**15%**
Indicators	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Loan/deposit ratio (FX adjusted[1])	78%	77%	75%	-2%p	-2%p
Net loan/(deposit + retail bond) ratio (FX adjusted[1])	66%	69%	68%	-1%p	2%p
90+ days past due loan volume	975,952	842,207	707,211	-16%	-28%
90+ days past due loans/gross customer loans	14.7%	11.2%	9.2%	-2.0%p	-5.5%p
Total provisions/90+ days past due loans	96.8%	95.4%	99.3%	3.9%p	2.6%p
Consolidated capital adequacy - Basel3	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Capital adequacy ratio (consolidated, IFRS)	16.0%	15.8%	14.6%	-1.2%p	-1.4%p
Tier1 ratio	13.5%	13.7%	12.7%	-1.0%p	-0.9%p
Common Equity Tier 1 ('CET1') capital ratio	13.5%	13.7%	12.7%	-1.0%p	-0.9%p
Regulatory capital (consolidated)	1,079,167	1,236,617	1,228,628	-1%	14%
o/w Tier1 Capital	911,431	1,069,936	1,062,701	-1%	17%
o/w Common Equity Tier 1 capital	911,431	1,069,936	1,062,701	-1%	17%
Tier2 Capital	167,736	166,681	165,927	0%	-1%
o/w Hybrid Tier2	89,935	89,935	89,935	0%	0%
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	6,730,467	7,808,796	8,389,920	7%	25%
o/w RWA (Credit risk)	5,344,636	6,328,779	6,795,559	7%	27%
RWA (Market & Operational risk)	1,385,831	1,480,017	1,594,361	8%	15%
Closing exchange rate of the HUF (in forint)	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
HUF/EUR	311	311	310	0%	0%
HUF/CHF	289	272	265	-2%	-8%
HUF/USD	294	264	259	-2%	-12%

[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)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	122,194	168,576	38%	23,819	46,693	31,685	-32%	33%
Corporate income tax	-29,680	-16,986	-43%	-6,160	-3,805	-1,637	-57%	-73%
Pre-tax profit	151,874	185,562	22%	29,978	50,498	33,322	-34%	11%
Operating profit	143,680	150,833	5%	32,493	36,410	33,042	-9%	2%
Total income	354,698	365,591	3%	89,149	90,964	91,506	1%	3%
Net interest income	235,871	234,304	-1%	60,936	57,892	60,132	4%	-1%
Net fees and commissions	100,213	109,128	9%	25,261	28,760	26,214	-9%	4%
Other net non-interest income	18,614	22,159	19%	2,951	4,312	5,161	20%	75%
Operating expenses	-211,018	-214,758	2%	-56,656	-54,555	-58,464	7%	3%
Total risk costs	6,104	30,784	404%	-2,595	13,092	174	-99%	-107%
Provisions for possible loan losses	14,036	33,586	139%	3,409	13,387	4,139	-69%	21%
Other provisions	-7,933	-2,803	-65%	-6,003	-295	-3,964		-34%
Total one-off items	2,090	3,945	89%	80	996	106	-89%	32%
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	2,090	3,945	89%	80	996	106	-89%	32%
Revenues by Business Lines								
RETAIL								
Total income	243,375	238,685	-2%	58,421	60,843	60,759	0%	4%
Net interest income	152,141	139,829	-8%	35,813	34,562	37,060	7%	3%
Net fees and commissions	87,333	95,348	9%	21,595	25,421	22,789	-10%	6%
Other net non-interest income	3,901	3,509	-10%	1,012	860	910	6%	-10%
CORPORATE								
Total income	40,507	41,177	2%	11,282	11,320	11,787	4%	4%
Net interest income	26,558	27,937	5%	7,264	7,944	8,121	2%	12%
Net fees and commissions	12,808	12,215	-5%	3,722	3,124	3,400	9%	-9%
Other net non-interest income	1,140	1,026	-10%	296	252	266	6%	-10%
Treasury ALM								
Total income	66,824	76,295	14%	17,633	17,721	15,077	-15%	-14%
Net interest income	57,172	66,539	16%	17,859	15,386	14,951	-3%	-16%
Net fees and commissions	73	1,566	2050%	-55	214	24	-89%	-144%
Other net non-interest income	9,579	8,191	-14%	-170	2,121	101	-95%	-160%
Indicators (%)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
ROE	9.8%	12.3%	2.5%p	7.3%	13.5%	8.8%	-4.6%p	1.5%p
ROA	1.8%	2.3%	0.5%p	1.4%	2.5%	1.7%	-0.9%p	0.3%p
Operating profit margin	2.1%	2.1%	-0.1%p	1.9%	2.0%	1.7%	-0.2%p	-0.1%p
Total income margin	5.23%	5.02%	-0.22%p	5.11%	4.93%	4.80%	-0.13%p	-0.30%p
Net interest margin	3.48%	3.22%	-0.27%p	3.49%	3.14%	3.16%	0.02%p	-0.33%p
Net fee and commission margin	1.48%	1.50%	0.02%p	1.45%	1.56%	1.38%	-0.18%p	-0.07%p
Net other non-interest income margin	0.27%	0.30%	0.03%p	0.17%	0.23%	0.27%	0.04%p	0.10%p
Operating costs to total assets ratio	3.1%	2.9%	-0.2%p	3.2%	3.0%	3.1%	0.1%p	-0.2%p
Cost/income ratio	59.5%	58.7%	-0.7%p	63.6%	60.0%	63.9%	3.9%p	0.3%p
Cost of risk/average gross loans[2]	-0.57%	-1.23%	-0.66%p	-0.54%	-1.92%	-0.58%	1.34%p	-0.05%p
Cost of risk/average gross loans (FX adjusted)[2]	-0.57%	-1.23%	-0.66%p	-0.54%	-1.92%	-0.59%	1.34%p	-0.05%p
Effective tax rate	19.5%	9.2%	-10.4%p	20.5%	7.5%	4.9%	-2.6%p	-15.6%p

[1] In case of the Revenue by business lines table a new methodology was implemented from 3Q 2017, therefore these numbers' comparability with previous periods is limited.

[2] Negative *Cost of risk/average gross loan volumes* indicators imply provision release.

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

Main components of balance sheet closing balances in HUF mn	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Total Assets	7,148,673	7,503,496	7,704,135	3%	8%
Net customer loans	2,398,694	2,622,597	2,634,920	0%	10%
Net customer loans (FX adjusted)	**2,394,163**	**2,620,456**	**2,634,920**	**1%**	**10%**
Gross customer loans	2,610,277	2,791,162	2,793,871	0%	7%
Gross customer loans (FX adjusted)	**2,603,380**	**2,788,653**	**2,793,871**	**0%**	**7%**
Retail loans	1,747,978	1,820,054	1,823,116	0%	4%
Retail mortgage loans (incl. home equity)	1,274,813	1,274,747	1,275,655	0%	0%
Retail consumer loans	315,348	365,174	372,006	2%	18%
SME loans	157,818	180,133	175,455	-3%	11%
Corporate loans	855,402	968,599	970,755	0%	13%
Loans to medium and large corporates	831,988	929,578	934,952	1%	12%
Municipal loans	23,413	39,020	35,803	-8%	53%
Provisions	-211,583	-168,566	-158,951	-6%	-25%
Provisions (FX adjusted)	**-209,217**	**-168,197**	**-158,951**	**-5%**	**-24%**
Deposits from customers + retail bonds	4,942,606	5,133,355	5,388,080	5%	9%
Deposits from customers + retail bonds (FX adjusted)	**4,913,226**	**5,125,906**	**5,388,080**	**5%**	**10%**
Retail deposits + retail bonds	3,183,832	3,346,059	3,477,054	4%	9%
Household deposits + retail bonds	2,619,361	2,729,064	2,820,700	3%	8%
o/w: Retail bonds	36,921	7,096	6,500	-8%	-82%
SME deposits	564,471	616,995	656,354	6%	16%
Corporate deposits	1,729,393	1,779,848	1,911,026	7%	11%
Deposits to medium and large corporates	1,219,920	1,123,715	1,291,956	15%	6%
Municipal deposits	509,474	656,132	619,071	-6%	22%
Liabilities to credit institutions	329,442	307,458	285,539	-7%	-13%
Issued securities without retail bonds	192,097	288,394	288,799	0%	50%
Total shareholders' equity	1,312,464	1,401,460	1,430,256	2%	9%
Loan Quality	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	255,841	208,898	179,618	-14.0%	-29.8%
90+ days past due loans/gross customer loans (%)	9.8%	7.5%	6.4%	-1.1%p	-3.4%p
Total provisions/90+ days past due loans (%)	82.7%	80.7%	88.5%	7.8%p	5.8%p
Market Share[1]	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Loans	20.2%	21.0%	20.6%	-0.4%p	0.4%p
Deposits	26.5%	27.6%	27.6%	0.0%p	1.1%p
Total Assets	24.5%	25.3%	25.7%	0.5%p	1.2%p
Performance Indicators	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Net loans to (deposits + retail bonds) (FX adjusted)	49%	51%	49%	-2%p	0%p
Leverage (closing Shareholder's Equity/Total Assets)	18.4%	18.7%	18.6%	-0.1%p	0.2%p
Leverage (closing Total Assets/Shareholder's Equity)	5.4x	5.4x	5.4x	0.0x	-0.1x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS until 4Q 2016, IFRS from 1Q 2017)	27.7%	30.6%	31.4%	0.8%p	3.7%p
Common Equity Tier 1 ratio (OTP Bank, non-consolidated, Basel3, HAS until 4Q 2016, IFRS from 1Q 2017)	24.8%	28.1%	29.0%	0.9%p	4.2%p

[1] Market share figures changed retroactively due to data revision.

- ***2017 adjusted profit after tax of OTP Core reached HUF 168.6 billion (+38% y-o-y), supported also by the lower effective tax rate; the before tax profit advanced by 22% y-o-y. HUF 31.7 billion net profit was realized in 4Q***
- ***The full-year operating profit increased by 5%, mainly because of the 9% higher net fee income. Net interest income remained stable (-0.7% y-o-y) despite the 27 bps margin erosion. Operating costs went up by 2%***
- ***In 4Q the q-o-q increase in net interest income was mainly due to one-off items, without these the net interest margin kept on eroding***
- ***In 2017 y-o-y increasing provision releases were booked. The DPD90+ ratio kept further decreasing***
- ***Performing loan volume growth accelerated to 11% in 2017, after a 5% increase in 2016 as a whole (without the AXA portfolio take-over). Within that, consumer and corporate loan growth was outstanding (+25% and +20%, respectively)***
- ***The annual new mortgage disbursements grew by 30% y-o-y; the performing mortgage loan growth already shifted into positive territory (+1% q-o-q, +2% y-o-y)***
- ***Within new mortgage loan applications the share of fixed rate loans and within that, the proportion of certified customer-friendly mortgages showed an upward trend***

Note on methodological change: the scope of companies comprising OTP Core was extended by the following companies from 1Q 2017: OTP Card Factory Ltd, OTP Real Estate Lease Ltd, OTP Facility Management Ltd. and MONICOMP Ltd. (earlier these entities' results were presented within Other Hungarian Subsidiaries).

The aggregated gross loan portfolio of those companies that were included into OTP Core from 1Q 2017 amounted to HUF 21.3 billion, while the performing loan volumes represented HUF 17.7 billion at the end of 2017 (of which HUF 15.9 billion mortgages, HUF 0.2 billion consumer loans, HUF 1.4 billion micro and small enterprise exposures and HUF 0.2 billion corporate loans). The aggregated total after tax profit of these entities amounted to HUF 1.2 billion in 2017.

P&L developments

Without the effect of adjustment items[3] **OTP Core** posted a profit after tax of HUF 168.6 billion in 2017, implying a 38% y-o-y increase. 4Q adjusted profit represented HUF 31.7 billion (-32% q-o-q, +33% y-o-y).

The annual effective corporate income tax rate was 9.2% versus 19.5% for the base period. Effective from 1 January 2017 the Hungarian corporate tax rate was reduced uniformly to 9%. Since the switch from Hungarian Accounting Standards into IFRS financials became effective from January 2017 in Hungary, from 2017 the corporate income tax line of OTP Core wasn't distorted by the tax shield effect[4] related to the HUF exchange rate movements.

The annual profit before tax improved by 22% y-o-y supported by both higher operating result and lower total risk costs. On quarterly basis the profit before tax moderated by 34% q-o-q because cost growth exceeded revenue growth, and q-o-q lower provision releases were accounted for.

The annual total income without one-off items went up by 3% y-o-y. It was positive that the net interest income basically stabilized y-o-y (-0.7%). Gross interest revenues benefited from dynamic loan volume growth: apart from the strong organic growth the portfolio was also boosted by the take-over of the AXA volumes in November 2016. Furthermore, the placement of additional liquidity generated by the deposit inflow added to the interest revenues. It was also positive for revenues that the liquidity reserves have been gradually shifting toward longer duration and higher yielding Hungarian government bonds, this trend continued throughout 2017. The increasing liquid assets and thus, total asset base in the wake of expanding deposits, however, diluted the net interest margin. The net interest margin was also negatively affected by the continuing erosion of short-term reference rates (used as benchmark rates for variable rate loans). The annual net interest margin declined by 27 bps compared to the previous year.

4Q net interest income rose by 4% or HUF 2.2 billion q-o-q. This can be partially explained by the

[3] Adjustments emerged in the presented periods: special tax on financial institutions, dividends and net cash transfers, goodwill/investment impairment charges, impact of fines imposed by the Hungarian Competition Authority, the corporate tax impact of switching to IFRS from HAR in Hungary, the revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary, and the gain on the sale of Visa Europe shares.

[4] In 2016 this caused HUF 2.0 billion additional tax payment. The reason for this was that in the base period the closing rate of HUF typically depreciated 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 was higher in the base period (ceteris paribus).

continued expansion of performing loans, especially consumer loans. On the negative side, short-term reference rates kept further diminishing following the meeting of the Monetary Council on 19 September 2017: the average rate of 3M BUBOR dropped by 10 bps q-o-q, whereas its closing rate went down by 1 bps to 3 bps.

The quarterly NII dynamics were also shaped by one-off items and base effect, altogether accounting for HUF 1.7 billion NII increase over the last quarter. On one hand, certain one-off items booked in 4Q 2017 in connection with agent fees related to purchase loan disbursements added HUF 1.3 billion to the NII line (out of this, HUF 0.7 billion was reclassified from NII into the other risk cost line, therefore, this was neutral to the quarterly results). Secondly, a reclassification made in 3Q played a role in the q-o-q improvement in net interest income, too: the ytd fee revenues from housing loans disbursed by employers other than OTP, but administered by the Bank (and kept as an off-balance sheet item) were shifted from net interest income into net fees and commissions in a lump sum in September 2017 with an amount of HUF 0.5 billion.

The net interest margin widened q-o-q by 2 bps, but adjusted for the above-mentioned one-offs and reclassification, the 4Q NIM would have shrunk q-o-q by 7 bps.

The annual net fee and commission income increased by 9%. The improvement was due to stronger card-related fee revenues induced by growing transactional turnover. However, the deposit and transaction-related, as well as loan-related and securities fee income developed nicely, too. According to the announcement made by the Hungarian Government Debt Management Agency the distribution fees on certain household targeted government bonds were reduced from 17 July 2017.

In 4Q 2017 net fee income improved by 4% y-o-y, but declined by 9% q-o-q (-HUF 2.5 billion). Beside the q-o-q increasing deposit- and transactions-related fee revenues, card-related fee revenues slightly moderated because the total annual amount (HUF 1.9 billion) of credit card refunds was booked in lump-sum in 4Q, similar to the previous year. Furthermore, HUF 0.5 billion q-o-q drop is explained by the above mentioned reclassification.

The strengthening of the business activity is illustrated by the agreement signed on 29 June 2017 with the Hungarian Development Bank under which OTP Bank, as the leader of a consortium, joined the network of HDB's selling points through which OTP distributes EU loans and other loan products combined with non-refundable funds. As part of HDB's selling points, these products are available in 163 OTP branches. By the end of 2017 applications in the amount of almost HUF 7 billion were registered.

The annual other net non-interest income (without one-offs) grew by 19% or HUF 3.5 billion y-o-y, driven by several larger items. Interest revenues realized on trading securities explained an increase of HUF 1.8 billion, whereas the other income (not eliminated at OTP Core level) of companies that were included into OTP Core from the beginning of 2017 added HUF 1.0 billion. In 4Q the quarterly change was mainly triggered by the higher interest income on trading securities (+HUF 0.7 billion).

The total amount of one-off revenue items comprised HUF 3.9 billion in 2017, mostly related to a dividend income realized in 2Q on the treasury share swap agreement.

2017 operating expenses increased moderately by 2% y-o-y as a result of higher personnel expenses. The inclusion of the above-mentioned four Hungarian entities into OTP Core from 1Q 2017 did not have a material impact on the dynamics of operating expenses due to eliminations, however it did influence the structure of operating costs (as a result, personnel costs grew, while administrative expenses declined). The total number of employees at OTP Core increased by 757 people y-o-y, of which the four new entities added 581 people.

The y-o-y change of cumulated personnel expenses was shaped by the following factors: at OTP Bank there was an average base salary increase of 4% in April 2016, however its effect was counterbalanced by the 5 pps cut in social and health care contributions effective from 1 January 2017. The take-over of the Hungarian operation of AXA in November 2016 had an impact mainly on personnel costs. Furthermore, in April 2017 there was a base salary increase for employees working in the sales network, whereas the HQ employees received a base salary increase from July 2017.

Starting from January 2018 the social and health care contributions to be paid by employers were reduced by another 2.5 pps.

The annual operational costs were partly influenced by the increasing advisory and marketing costs.

The q-o-q 7% increase in operating expenses in 4Q 2017 (+3% y-o-y) was mainly shaped by the higher operational costs: marketing expenses showed a seasonal uptick, but advisory costs in connection with M&A and integration, as well as business development projects and other general costs increased, too. Amortization, on the other hand, moderated q-o-q due to base effect.

On the total risk costs line a release of HUF 30.8 billion was recognized in 2017, of which HUF 0.2 billion occurred in 4Q.

The DPD90+ volumes adjusted for FX rate movements and sales and write offs declined by HUF 14 billion in 2017, of which the 4Q drop represented HUF 11 billion (whereas the decline was HUF 11 billion in 2015 and HUF 5 billion in 2016, respectively, latter adjusted for the technical effect of the AXA portfolio take-over). HUF 58 billion non-performing exposures were sold or written off during the last twelve months, of which HUF 16 billion in 4Q 2017. The DPD90+ ratio moderated by 1.1 pps q-o-q and by 3.4 pps y-o-y to 6.4%.

Balance sheet trends

Loan volume growth at OTP Core further accelerated in 2017, following the turnaround reached in 2016. The FX-adjusted gross loan portfolio increased by 7% y-o-y. However, due to the sales and write-offs of non-performing loans, the performing (DPD0-90) loan volume developments are more illustrative: performing loans advanced by 1.3% q-o-q and by 11% y-o-y, which is stronger than the full-year 2016 dynamics (+5% without the take-over of the AXA portfolio).

The organic loan portfolio expansion was fuelled mainly by the corporate sector: the performing large corporate book advanced by 18% y-o-y, whereas the SME exposures grew by 13% over the same period. Local government exposures – from a low base though – advanced by 53% y-o-y.

In 2016 the National Bank of Hungary launched the third, so called “phasing out” stage of the Funding for Growth Scheme, under which the deadline for concluding loan contracts was 31 March 2017. According to the data published by the NBH on 5 April 2017 the Hungarian credit institutions participating in the third part of the FGS have granted loans to Hungarian micro and SME companies in the amount of HUF 685 billion since the beginning of 2016, whereas OTP contracted for HUF 102 billion under the scheme.

On the retail side, the stock of mortgage loans has finally switched into growth mode in the second half of 2017, following the contraction and stabilization seen in previous periods. Performing mortgage loans advanced by 0.4% q-o-q in 3Q and by 1.1% in 4Q 2017. In 4Q mortgage loan applications at OTP Core represented HUF 77.8 billion (+4% q-o-q, +19% y-o-y). Disbursements remained stable q-o-q, but their full-year amount showed a 30% increase y-o-y. OTP Bank’s market share in new mortgage loan contractual amounts reached 27.7% in 2017.

From October 2017 a positive trend started to unfold in the share of fixed rate mortgages within total mortgage loan applications. The proportion of fixed rate housing loans (with an interest rate fixation period of at least 5 years) within applications for non-subsidized housing loans reached 63% in January 2018.

The gradually increasing share of certified customer-friendly mortgages is also positive: in January 2018 their proportion in new applications moved within 40-55% in case of products with the most popular fixation periods, in the relevant product segments.

On 19 May 2017 the NBH published the „customer-friendly housing loan” criteria for the newly issued housing loans and banks could apply for the approval from 1st June 2017. On 1 August 2017 OTP Mortgage Bank received the approval of NBH to sell its qualified customer friendly mortgage loan product. The Bank started to offer its fixed 10 year certified customer-friendly product from the second half of August, whereas the fixed 5 and 20 years fixed certified customer-friendly products became available from December.

OTP Bank helps the Hungarian families realize their housing aims through its active participation in the Housing Subsidy Scheme for Families (CSOK), too. In 4Q 2017 around 2,700, in 2017 altogether 10,800 applications for the CSOK subsidy were registered at OTP Bank with a value of over HUF 39 billion in 2017 (o/w 4Q: HUF 10 billion). Applicants also combined CSOK subsidy with subsidized or market-based loan applications in the amount of HUF 17 billion in 4Q 2017 (2017: HUF 63 billion). State subsidized housing loan applications in 2017 represented HUF 52.6 billion, up by 13% y-o-y due to the additional demand generated by the CSOK.

Performing consumer loan volumes advanced by 25% y-o-y (FX adjusted), but there was a 3% quarterly growth in the seasonally weak 4Q, too. The yearly increase was supported by few big ticket Lombard loans disbursed in 2Q 2017 in the amount of HUF 29 billion; without these the y-o-y growth would have been 14%.

Performing cash loan volume growth was outstanding: the quarterly growth reached 7%, whereas the yearly increase accelerated to 34%. OTP’s market share in the cash loan segment remained strong in terms of the outstanding stock (34.1% at the end of December). OTP Bank was the first Bank in Hungary which fully digitalized the whole process of cash loan sales.

After gradual erosion in previous periods, purchase loan and credit card loan volumes stabilized in 3Q, and 4Q already saw expanding volumes in both segments. Thus, performing credit card loans stabilized even in y-o-y comparison, and purchase loans grew by 4%.

FX-adjusted deposit volumes (including retail bonds) increased by 10% y-o-y and by 5% q-o-q. The yearly growth was equally supported by retail and corporate expansion, while the quarterly growth was mainly the reflection of the 15% jump in large corporate deposits. Household deposits continued their upward tendency (+3% q-o-q) and municipal deposits showed a seasonal drop q-o-q. The overall volume of retail savings kept at OTP Bank went on increasing dynamically in 4Q, fuelled by the growth of the securities portfolio. The gradual shift of household savings towards securities is in line with general market trends.

Summary of the National Bank of Hungary's steps influencing interest rate and yield levels

According to the decision of the Monetary Council, the maximum amount of 3 months deposits placed with the central bank at the end of March 2017 was reduced to HUF 750 billion. For the end of June 2017 the limit was set at HUF 500 billion and at HUF 300 billion for September, respectively.

On 19 September the Monetary Council set a limit of HUF 75 billion applicable from the end of 2017, whereas it also reduced the overnight deposit rate by 10 bps to -15 bps.

Driven also by the above decisions, the Hungarian money market interest rates sank to their historic lows: by the end of 2017 the 3M BUBOR diminished to 3 bps from 15 bps in September 2017 and 37 bps at the end of 2016.

After its September meeting the Monetary Council stressed that the stock of swap instruments will be increased in the coming period in order to provide the loosening effect up to the longest possible section of the yield curve as soon as possible.

On its meeting held on 21 November the Council decided to introduce two unconventional instruments from January 2018 with an aim of loose monetary conditions to exert their effect not only at the short but also at the longer end of the yield curve. Pursuant to this,

- the Council introduced unconditional interest rate swap (IRS) facilities with five and ten-year maturities, the allocation amount of which has been set at HUF 300 billion for the first quarter of 2018. The IRS facilities are available for counterparty banks at regular tenders from the beginning of January 2018. The first tender was held on 18 January 2018, with a total allocated amount of HUF 75 billion. On 24 January 2018 the central bank revealed that it will announce its monetary policy interest rate swap facility at fixed rate tenders in the future (available for counterparty banks only), and the allocation among banks will be based upon balance sheet totals. On the second tender held on 1 February the central bank allocated HUF 60 billion in swaps, and another HUF 50 billion on 15 February.
- additionally, the central bank launched a targeted programme, aimed at purchasing publicly issued, fixed-rate mortgage bonds from Hungarian issuers, denominated in forint, with an original maturity of at least 3 years and a current residual maturity of 1 year.

Both programmes contribute to an increase in the share of loans with long periods of interest rate fixation, thereby improving financial stability. The operational details of the programmes were disclosed by the central bank on 21 December 2017. The experiences from the consultation with market participants have also been incorporated by the central bank into the programmes.

Long-term yields decreased significantly in 4Q 2017. By the end of 2017 the 10 year government bond benchmark yield sank to 2.02% from 2.58% in September and 3.16% at the end of 2016.

The Budapest Stock Exchange, in cooperation with the MNB introduced three new mortgage bond indices in December 2017, which, at a later stage, may be potentially employed as official benchmarks also, according to the announcement.

At the end of December 2017 OTP kept HUF 17 billion in three-month central bank deposits. As for the distribution of the liquidity reserves of the Bank, during the last twelve months there has been a gradual shift towards longer duration Hungarian government securities.

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	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	6,658	8,259	24%	3,896	1,156	5,071	339%	30%
Income tax	-1,379	-811	-41%	-791	-116	-497	330%	-37%
Profit before income tax	8,038	9,070	13%	4,687	1,272	5,568	338%	19%
Operating profit	7,816	9,089	16%	4,465	1,272	5,588	339%	25%
Total income	10,232	11,763	15%	5,612	1,648	6,982	324%	24%
Net interest income	0	0		0	0	0		
Net fees and commissions	10,217	11,765	15%	5,613	1,643	6,955	323%	24%
Other net non-interest income	15	-2		-2	5	28		
Operating expenses	-2,416	-2,674	11%	-1,146	-376	-1,395	271%	22%
Other provisions	222	-20	-109%	222	0	-20	-100%	-109%
Main components of balance sheet closing balances in HUF mn	2016	2017	YTD	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Total assets	17,780	20,587	16%	17,780	17,168	20,587	20%	16%
Total shareholders' equity	14,995	17,958	20%	14,995	12,922	17,958	39%	20%
Asset under management in HUF bn	2016	2017	YTD	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Assets under management, total (w/o duplicates)	**1,530**	**1,519**	**-1%**	**1,530**	**1,505**	**1,519**	**1%**	**-1%**
Retail investment funds (closing, w/o duplicates)	1,000	942	-6%	1,000	945	942	0%	-6%
Volume of managed assets (closing, w/o duplicates)	530	576	9%	530	560	576	3%	9%
Volume of investment funds (with duplicates)	1,153	1,180	2%	1,153	1,171	1,180	1%	2%
money market	295	189	-36%	295	219	189	-14%	-36%
bond	412	295	-28%	412	311	295	-5%	-28%
mixed	25	56	122%	25	48	56	16%	122%
security	123	158	29%	123	148	158	7%	29%
guaranteed	61	49	-20%	61	49	49	-1%	-20%
other	237	434	83%	237	396	434	10%	83%

OTP Fund Management realized its highest ever after tax profit of HUF 8.3 billion in 2017 underpinning a 24% y-o-y increase. In 4Q the Company posted HUF 5.1 billion profit, more than four-fold higher than in the previous quarter (+30% y-o-y). The results were mainly shaped by the performance fees generated by the excellent fund management activity.

The full-year 2017 operating profit grew by 16% y-o-y, which was the result of the dynamically increasing net fees and commission income (+15% y-o-y); at the same time operating expenses increased more moderately (+11% y-o-y). The surging fees and commissions income was mainly reasoned by the higher performance fees booked in 4Q.

Considering the whole market, in 2017 the managed assets of BAMOSZ members increased y-o-y. Equity and mixed funds as well as total return funds and real estate funds experienced increasing capital inflow, while money market funds, bond funds and protected funds suffered an outflow.

Assets under management at the Company expanded by 2% y-o-y, and also in 4Q by 1% q-o-q. The structural shift within the different types of investment funds influenced the portfolio of OTP Fund Management similar to the whole market in 2017. 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 23.7% at the end of 2017, up by 0.4 pp y-o-y. The Company retained its market leading position.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account in HUF mn	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	2,605	8,260	217%	640	2,518	2,317	-8%	262%
Income tax	-43	-357		-43	-187	-38	-80%	-13%
Profit before income tax	2,648	8,618	225%	683	2,705	2,355	-13%	245%
Operating profit	7,370	6,229	-15%	2,665	2,294	1,174	-49%	-56%
Total income	13,427	12,423	-7%	4,292	3,757	2,891	-23%	-33%
Net interest income	16,837	12,477	-26%	5,063	3,576	3,326	-7%	-34%
Net fees and commissions	-991	-366	-63%	-236	-62	-45	-27%	-81%
Other net non-interest income	-2,419	311		-535	243	-390		-27%
Operating expenses	-6,057	-6,194	2%	-1,627	-1,463	-1,718	17%	6%
Total provisions	-4,722	2,389		-1,982	411	1,181	187%	
Provision for possible loan losses	-3,374	2,049		-761	504	463	-8%	
Other provision	-1,348	340		-1,222	-93	719		
Main components of balance sheet closing balances in HUF mn	**2016**	**2017**	**YTD**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	349,891	369,180	6%	349,891	358,246	369,180	3%	6%
Gross customer loans	286,296	292,925	2%	286,296	292,654	292,925	0%	2%
Gross customer loans (FX-adjusted)	285,807	292,925	2%	285,807	292,502	292,925	0%	2%
Retail loans	25,483	28,826	13%	25,483	28,807	28,826	0%	13%
Corporate loans	87,176	89,445	3%	87,176	85,800	89,445	4%	3%
Car financing loans	173,148	174,654	1%	173,148	177,895	174,654	-2%	1%
Allowances for possible loan losses	-37,051	-21,000	-43%	-37,051	-34,312	-21,000	-39%	-43%
Allowances for possible loan losses (FX-adjusted)	-36,995	-21,000	-43%	-36,995	-34,295	-21,000	-39%	-43%
Deposits from customers	34,554	20,799	-40%	34,554	22,903	20,799	-9%	-40%
Deposits from customer (FX-adjusted)	34,554	20,799	-40%	34,554	22,903	20,799	-9%	-40%
Retail deposits	28,494	19,250	-32%	28,494	21,019	19,250	-8%	-32%
Corporate deposits	6,060	1,549	-74%	6,060	1,885	1,549	-18%	-74%
Liabilities to credit institutions	286,401	303,371	6%	286,401	292,591	303,371	4%	6%
Issued securities	3	0	-100%	3	0	0		-100%
Total shareholders' equity	24,530	30,268	23%	24,530	30,446	30,268	-1%	23%
Loan Quality	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	32,356	16,874	-48%	32,356	30,547	16,874	-45%	-48%
90+ days past due loans/gross customer loans (%)	11.3%	5.8%	-5.5%p	11.3%	10.4%	5.8%	-4.7%p	-5,5%p
Cost of risk/average gross loans (%)	1.21%	-0.71%	-1.92%p	1.08%	-0.68%	-0.63%	0.05%p	-1,70%p
Cost of risk/average (FX-adjusted) gross loans	1.22%	-0.71%	-1.92%p	1.08%	-0.68%	-0.63%	0.05%p	-1,71%p
Total provisions/90+ days past due loans (%)	114.5%	124.5%	9.9%p	114.5%	112.3%	124.5%	12.1%p	9,9%p
Performance Indicators	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	0.8%	2.3%	1.6%p	0.7%	2.8%	2.5%	-0.3%p	1.8%p
ROE	11.5%	29.4%	17.9%p	10.5%	34.5%	29.4%	-5.1%p	18.9%p
Total income margin	3.95%	3.49%	-0.47%p	5.02%	4.17%	3.16%	-1.01%p	-1.86%p
Net interest margin	4.95%	3.50%	-1.45%p	5.92%	3.97%	3.63%	-0.33%p	-2.29%p
Cost/income ratio	45.1%	49.9%	4.7%p	37.9%	38.9%	59.4%	20.5%p	21.5%p

The **Merkantil Bank and Car** posted a record high aggregated adjusted after tax profit of HUF 8.3 billion in 2017, exceeding more than three times the result for the base period. The strong result was mainly attributable to the positive development of loan-related risk costs: in 2017 a provision release of altogether HUF 2.4 billion was booked. In 4Q 2017 the aggregated adjusted after tax profit was HUF 2.3 billion.

Annual total income grew by 7% y-o-y. The structure of revenues was influenced by two items with a rather technical nature. On one hand, due to the shift to IFRS from 2017 the negative revaluation result related to intragroup securities transactions was reclassified to the net interest income line from the other net non-interest income line, resulting in a y-o-y HUF 3.4 billion NII decrease in 2017 (simultaneously other net non-interest income increased in the same amount). On the other hand, also due to the switch to IFRS from 2017 certain items – previously treated as fee expenses – have been reclassified into NII starting from 1Q 2017. This had a negative effect of HUF 1.2 billion on NII in 2017. As a result, the annual net interest income decreased by HUF 4.4 billion (-26% y-o-y).

In 4Q the net interest income dropped by 7% q-o-q, driven mainly by base effect: in 3Q the accounting of one-off technical items added around HUF 540 million to the NII line. In contrast, the expansion of performing loans thanks to growing new disbursements had a positive NII-effect.

Annual operating expenses grew by 2% y-o-y, fuelled mainly by higher personnel expenses and other general costs. Higher operating expenses for 4Q (+17% q-o-q) were reasoned by increasing personnel expenses, IT and marketing costs.

In 2017 DPD90+ volumes (adjusted for FX rate changes and sold and written off volumes) decreased by HUF 1.1 billion against the increase of HUF 5.1 billion in 2016; in 4Q these volumes increased by HUF 0.3 billion against an average decrease of HUF 0.3 billion in the previous four quarters. The ratio of DPD90+ loans decreased by 5.5 pps y-o-y to 5.8%, while in 4Q 2017 HUF 14.0 billion problem loans were sold or written off, thus in 2017 such volumes comprised HUF 14.2 billion in total.

The FX-adjusted performing loan portfolio expanded by 9% on a yearly basis, majority of the expansion occurred in 4Q (+5% q-o-q). The volume of performing SME, corporate and car financing exposures all increased on a yearly basis (+13%, +3% and 11%, respectively). Annual total new loan origination grew by 22% y-o-y, within that the volume of newly disbursed car loans surged by 29% y-o-y. Merkantil retained its market leading position both 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	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	47,385	47,122	-1%	4,679	11,305	10,445	-8%	123%
Income tax	-4,997	-4,920	-2%	-382	-1,197	-827	-31%	116%
Profit before income tax	52,381	52,042	-1%	5,061	12,502	11,271	-10%	123%
Operating profit	70,113	61,461	-12%	17,505	16,044	13,747	-14%	-21%
Total income	112,503	108,290	-4%	28,762	27,402	26,997	-1%	-6%
Net interest income	84,023	72,257	-14%	20,317	17,825	17,756	0%	-13%
Net fees and commissions	26,034	27,714	6%	6,582	7,085	7,304	3%	11%
Other net non-interest income	2,445	8,319	240%	1,862	2,492	1,936	-22%	4%
Operating expenses	-42,391	-46,830	10%	-11,256	-11,358	-13,250	17%	18%
Total provisions	-17,731	-9,419	-47%	-12,445	-3,542	-2,476	-30%	-80%
Provision for possible loan losses	-12,980	-3,571	-72%	-8,356	-1,229	-2,718	121%	-67%
Other provision	-4,751	-5,848	23%	-4,089	-2,313	242		
Main components of balance sheet closing balances in HUF mn	**2016**	**2017**	**YTD**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	1,852,901	1,925,740	4%	1,852,901	1,916,985	1,925,740	0%	4%
Gross customer loans	1,151,210	1,184,871	3%	1,151,210	1,178,804	1,184,871	1%	3%
Gross customer loans (FX-adjusted)	1,147,870	1,184,871	3%	1,147,870	1,174,654	1,184,871	1%	3%
Retail loans	822,276	827,328	1%	822,276	831,570	827,328	-1%	1%
Corporate loans	325,594	357,543	10%	325,594	343,084	357,543	4%	10%
Allowances for possible loan losses	-142,386	-109,137	-23%	-142,386	-122,784	-109,137	-11%	-23%
Allowances for possible loan losses (FX-adjusted)	-141,931	-109,137	-23%	-141,931	-122,351	-109,137	-11%	-23%
Deposits from customers	1,547,669	1,626,924	5%	1,547,669	1,628,749	1,626,924	0%	5%
Deposits from customer (FX-adjusted)	1,534,912	1,626,924	6%	1,534,912	1,621,503	1,626,924	0%	6%
Retail deposits	1,319,975	1,453,267	10%	1,319,975	1,390,831	1,453,267	4%	10%
Corporate deposits	214,937	173,657	-19%	214,937	230,671	173,657	-25%	-19%
Liabilities to credit institutions	21,782	4,802	-78%	21,782	5,799	4,802	-17%	-78%
Total shareholders' equity	247,267	250,296	1%	247,267	240,359	250,296	4%	1%
Loan Quality	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	131,889	93,936	-29%	131,889	110,630	93,936	-15%	-29%
90+ days past due loans/gross customer loans (%)	11.5%	7.9%	-3.5%p	11.5%	9.4%	7.9%	-1.5%p	-3.5%p
Cost of risk/average gross loans (%)	1.11%	0.31%	-0.80%p	2.83%	0.42%	0.90%	0.48%p	-1.93%p
Cost of risk/average (FX-adjusted) gross loans (%)	1.12%	0.31%	-0.81%p	2.85%	0.42%	0.91%	0.48%p	-1.94%p
Total provisions/90+ days past due loans (%)	108.0%	116.2%	8.2%p	108.0%	111.0%	116.2%	5.2%p	8.2%p
Performance Indicators	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	2.6%	2.5%	-0.1%p	1.0%	2.4%	2.2%	-0.3%p	1.2%p
ROE	19.8%	20.0%	0.2%p	7.6%	19.5%	17.0%	-2.6%p	9.4%p
Total income margin	6.16%	5.77%	-0.38%p	6.21%	5.93%	5.66%	-0.27%p	-0.55%p
Net interest margin	4.60%	3.85%	-0.75%p	4.39%	3.86%	3.72%	-0.13%p	-0.66%p
Cost/income ratio	37.7%	43.2%	5.6%p	39.1%	41.5%	49.1%	7.6%p	9.9%p
Net loans to deposits (FX-adjusted)	66%	66%	1%p	66%	65%	66%	1%p	1%p
FX rates (in HUF)	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/BGN (closing)	159.0	158.6	0%	159.0	159.1	158.6	0%	0%
HUF/BGN (average)	159.3	158.1	-1%	158.2	156.7	159.3	2%	1%

- ***2017 ROE stood at 20.0%***
- ***HUF 47.1 billion profit after tax for the year, practically flat y-o-y, as a result of moderating operating profit (-12%) and almost halving risk cost***
- ***4Q profit decreased by 8% q-o-q due to higher operating expenses***
- ***Stronger business activity: performing loans grew by 7% y-o-y and 2% q-o-q supported by further strengthening corporate and mortgage loan sales***

DSK Group posted an after tax profit of HUF 47.1 billion in 2017, which translates into a 20.0% return on equity. On the yearly basis the profit was practically flat due to the 12% weaker operating profit and the 47% lower total provisions. The 4Q after tax profit of HUF 10.4 billion declined by 8% q-o-q, but almost doubled on the yearly comparison.

The 12% y-o-y decrease in yearly operating profit to a great extent reflected the 14% y-o-y erosion in net interest income. The annual net interest margin shrank by 75 bps to 3.85%, while 4Q NIM showed a 13 bps contraction q-o-q to 3.72%. The y-o-y shrinking NIM is reasoned by the continuous repricing of assets amid the decreasing yield environment, also lower interest income was realized on household loans due to refinancing. Furthermore, the higher average total assets stemming from the growing excess liquidity of the bank and a methodology change[5] also contributed to the NIM contraction. In total, however, in 2017 NIM shrank less than in 2016. 4Q net interest income was stable q-o-q due to the growth of the performing loan volumes.

2017 net fee and commission income improved by 6% y-o-y due to the favourable disbursement dynamics, pricing changes and growth of transactions-related fee revenues. In 4Q net fees and commissions increased by 3% q-o-q.

Other net non-interest income increased by HUF 5.9 billion y-o-y. This was reasoned mostly by the revaluation gains on derivative instruments and securities portfolio, the above mentioned methodology change (together +HUF 3.7 billion) and higher treasury income (+HUF 0.8 billion). Simultaneously, interest claims related to off-balance sheet items of the Bulgarian factoring company have been revised, resulting in a HUF 1.1 billion other non-interest revenue booked in the Bulgarian P&L in 2017.

2017 operating expenses increased by 10%because of higher personnel and IT expenses, charges paid to supervisory authorities and advisory costs related to the business development project in the retail area. Cost-to-income ratio increased by 5.6 pps to 43.2% y-o-y. 4Q operating costs (+17% q-o-q) were driven by seasonally higher personnel and material expenses.

Total risk cost in 2017 declined by 47% on the yearly basis, within that provisions for possible loan losses decreased by 72%, while other risk cost went up by 23%. Risk cost rate in 2017 shrank by 80 bps to 31 bps y-o-y. In 4Q risk cost declined by 30% q-o-q in total.

Favourable credit quality trends have remained intact. The FX-adjusted DPD90+ volumes excluding the impact of loan sales and write-offs increased by HUF 1.4 billion y-o-y, and remained unchanged in 4Q q-o-q.

The DPD90+ ratio decreased by 3.5 pps y-o-y and by 1.5 pps q-o-q to 7.9%. The main reason for the improvement of the ratio was that in 2017 around HUF 20 billion non-performing portfolio was sold/written-off (almost HUF 14 billion of that in 4Q), half of it came from the mortgage segment.

The FX-adjusted growth of performing loans reached 7% y-o-y, supported by strengthening disbursement activity. Mortgage loan disbursement further strengthened, in 4Q it went up by 9% q-o-q in local currency (+65% y-o-y), so for the whole year disbursements grew by 50%. Performing mortgage loan volumes grew by 2% q-o-q in the last quarter (+7% y-o-y on an FX-adjusted basis). In 4Q 2017 cash loan and POS loan disbursements somewhat declined q-o-q in BGN, nevertheless, the performing consumer loan portfolio remained flat q-o-q (went up by 2% y-o-y).

Corporate and SME loan disbursements surged by 115% y-o-y in 2017 and increased by 17% q-o-q in 4Q. Due to the record-high 4Q sales performance the performing corporate loan portfolio grew by 5% q-o-q and 13% y-o-y, while the SME book showed similar growth dynamics.

The FX-adjusted deposit base was stable on a quarterly basis and expanded by 6% y-o-y. Retail deposits kept on increasing (+4% q-o-q, +10% y-o-y). The volatility of corporate deposits throughout 2017 was related to a large corporate client's placement and withdrawals, on the whole the corporate deposit portfolio shrank by 19% y-o-y (4Q: -25% q-o-q). Due to the favourable balance sheet movements, the net loan-to-deposit ratio increased to 66% (+1 pp q-o-q and y-o-y).

The capital adequacy ratio of DSK Bank calculated in accordance with local regulation stood at 17.2% at the end of 2017 (+0.5 pp q-o-q).

[5] Items related to the fair value adjustment of derivative instruments previously accounted for on the other net non-interest income line have been presented on the NII line since the beginning of 2017. This change explained about HUF 2 billion from the yearly growth of other income and the yearly decline of interest income.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	20,535	27,771	35%	4,565	6,393	6,328	-1%	39%
Income tax	-6,480	-7,514	16%	-1,986	-1,711	-1,631	-5%	-18%
Profit before income tax	27,015	35,285	31%	6,551	8,104	7,959	-2%	21%
Operating profit	61,866	72,015	16%	16,866	16,573	16,587	0%	-2%
Total income	106,155	125,290	18%	29,761	29,194	30,697	5%	3%
Net interest income	91,816	101,326	10%	25,445	23,749	24,386	3%	-4%
Net fees and commissions	14,098	22,975	63%	3,916	5,162	6,047	17%	54%
Other net non-interest income	240	989	312%	400	284	263	-7%	-34%
Operating expenses	-44,289	-53,276	20%	-12,894	-12,621	-14,110	12%	9%
Total provisions	-34,851	-36,730	5%	-10,315	-8,469	-8,628	2%	-16%
Provision for possible loan losses	-33,988	-35,880	6%	-9,683	-8,255	-8,273	0%	-15%
Other provision	-863	-850	-2%	-632	-214	-355	66%	-44%
Main components of balance sheet closing balances in HUF mn	**2016**	**2017**	**YTD**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	622,666	638,031	2%	622,666	616,572	638,031	3%	2%
Gross customer loans	490,086	531,280	8%	490,086	488,161	531,280	9%	8%
Gross customer loans (FX-adjusted)	459,665	531,280	16%	459,665	480,639	531,280	11%	16%
Retail loans	422,355	475,007	12%	422,355	431,349	475,007	10%	12%
Corporate loans	36,215	56,168	55%	36,215	48,207	56,168	17%	55%
Car financing loans	1,095	105	-90%	1,095	1,083	105	-90%	-90%
Gross DPD0-90 customer loans (FX-adjusted)	366,982	447,538	22%	366,982	397,935	447,538	12%	22%
Retail loans	335,128	395,997	18%	335,128	354,343	395,997	12%	18%
Allowances for possible loan losses	-116,458	-112,158	-4%	-116,458	-109,409	-112,158	3%	-4%
Allowances for possible loan losses (FX-adjusted)	-109,071	-112,158	3%	-109,071	-107,696	-112,158	4%	3%
Deposits from customers	345,241	353,306	2%	345,241	329,410	353,306	7%	2%
Deposits from customer (FX-adjusted)	323,025	353,306	9%	323,025	324,366	353,306	9%	9%
Retail deposits	262,161	284,714	9%	262,161	266,073	284,714	7%	9%
Corporate deposits	60,863	68,592	13%	60,863	58,293	68,592	18%	13%
Liabilities to credit institutions	91,641	100,404	10%	91,641	96,000	100,404	5%	10%
Issued securities	1,038	353	-66%	1,038	654	353	-48%	-66%
Subordinated debt	24,778	22,780	-8%	24,778	23,204	22,780	-2%	-8%
Total shareholders' equity	125,190	135,213	8%	125,190	134,055	135,213	1%	8%
Loan Quality	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	99,024	83,742	-15%	99,024	84,026	83,742	0%	-15%
90+ days past due loans/gross customer loans (%)	20.2%	15.8%	-4.4%p	20.2%	17.2%	15.8%	-1.5%p	-4.4%p
Cost of risk/average gross loans (%)	8.18%	7.35%	-0.83%p	8.47%	7.13%	6.48%	-0.65%p	-1.99%p
Cost of risk/average (FX-adjusted) gross loans	8.40%	7.38%	-1.01%p	8.54%	7.20%	6.56%	-0.64%p	-1.98%p
Total provisions/90+ days past due loans (%)	117.6%	133.9%	16.3%p	117.6%	130.2%	133.9%	3.7%p	16.3%p
Performance Indicators	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	4.0%	4.6%	0.7%p	3.3%	4.4%	4.1%	-0.4%p	0.8%p
ROE	20.2%	21.0%	0.8%p	15.6%	20.0%	18.6%	-1.4%p	3.0%p
Total income margin	20.59%	20.91%	0.31%p	21.40%	20.20%	19.70%	-0.50%p	-1.70%p
Net interest margin	17.81%	16.91%	-0.90%p	18.29%	16.43%	15.65%	-0.78%p	-2.64%p
Cost/income ratio	41.7%	42.5%	0.8%p	43.3%	43.2%	46.0%	2.7%p	2.6%p
Net loans to deposits (FX-adjusted)	109%	119%	10%p	109%	115%	119%	4%p	10%p
FX rates (in HUF)	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	4.8	4.5	-6%	4.8	4.6	4.5	-2%	-6%
HUF/RUB (average)	4.2	4.7	11%	4.6	4.4	4.5	2%	-1%

- ***HUF 27.8 billion after tax profit in 2017 (+35% y-o-y) marked an ROE of 21% due to improving operating profit; 4Q profit of HUF 6.3 billion was stable q-o-q***
- ***Net interest income was stable q-o-q in RUB terms, with eroding NIM and growing performing loan volumes***
- ***In 4Q loan portfolio quality deterioration remained moderate, risk cost rate declined to 6.5%***
- ***In 4Q loan disbursement further strengthened, performing loan volumes grew by 22% y-o-y and by 12% q-o-q, within that the expansion of the corporate portfolio also continued***

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: the 2017 closing rate showed q-o-q 2% and y-o-y 6% depreciation of RUB against HUF; whereas the yearly average rate appreciated by 11% y-o-y, the 4Q average rate weakened by 1% y-o-y and appreciated by 2% q-o-q. Therefore, local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

In 4Q 2017 **OTP Bank Russia** posted HUF 6.3 billion after tax profit, as a result the 2017 net profit almost reached HUF 27.8 billion underpinning a 35% yearly growth (+22% in RUB terms).

As for the rouble denominated yearly earnings dynamics, operating profit increased by 4% owing to the 6% y-o-y growth of total income, while operating expenses were by 8% higher. Despite narrowing net interest margin net interest income decreased merely 1% on yearly basis in RUB terms. NIM eroded by 1 pp to 16.9%, reasoned partly by a methodology change[6] from in 2017.

In 2017 net fee and commission income grew in RUB terms by 47% y-o-y due to insurance fee income on cash loans with insurance policies and other products growing considerably, while commission income generated by credit cards declined due to the shrinkage of the average outstanding portfolio. Furthermore, the above mentioned methodology change also contributed to the y-o-y growth of this line.

In 2017 operating expenses grew y-o-y by 8% in RUB terms, within that both personnel and material expenses increased by 10% in RUB terms, while depreciation shrank by 4%.

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

The 4Q after tax profit decreased by 3% q-o-q in RUB terms as a result of operating profit eroding by 2% with risk cost staying flat. Total income increased by 3% owing to the favourable disbursement dynamics, within that net interest income was stable q-o-q and net fee and commission income surged by 14%. Net interest income was boosted by the dynamic expansion of performing loan volumes, net interest margin, however, shrank by 0.7 pp to 15.7% q-o-q. The NIM erosion was reasoned by the lower lending interest rates (APRs), while the average deposit interest rates hardly decreased on a quarterly basis. Net F&C income development in 4Q was affected favourably by the growth of retail and corporate loan volumes, and also by q-o-q lower commissions paid to POS agents. 4Q operating expenses increased by 9% q-o-q, due to the seasonally higher personnel expenses (+8% in RUB terms) and the 14% growth of material expenses. The latter is explained by the surge of marketing spending: compared to 3Q cash loans sales and online channels were supported more intensively by marketing campaigns. Compared to end-2016 the number of branches didn't change (134), while the number of employees (without agents) increased by 4% to 4,956 (+3% q-o-q).

In 2017 the FX-adjusted increase in DPD90+ loans (adjusted for loan sales and write-offs) amounted to HUF 32.7 billion versus HUF 47.5 billion growth seen in the preceding year (-31% y-o-y). In 4Q the moderation of the loan portfolio quality deterioration continued, the adjusted DPD90+ volume growth was HUF 7.1 billion on an FX-adjusted basis (1Q: 8.3, 2Q: 9.4, 3Q: 7.9). The DPD90+ ratio improved by 1.5 pps to 15.8% q-o-q (-4.4 pps y-o-y). The improvement was supported by the fact that in 4Q 2017 around RUB 5.5 billion (in the last 12 months altogether RUB 44.4 billion) non-performing loans were sold or written-off.

In 4Q total risk cost was stable q-o-q in RUB terms, whereas for the whole year it moderated by 6%. The risk cost rate contracted further in 4Q (6.48%), thus in 2017 the risk cost rate decreased by 0.8 pp to 7.35% y-o-y.

In 2017 the FX-adjusted performing (DPD0-90) loan portfolio expanded by 22% y-o-y and by 12% q-o-q in 4Q. The quarterly growth was mainly induced by the seasonal surge of consumer loan sales, as well as the 18% q-o-q increase of performing corporate exposures.

POS lending strengthened: the 2017 disbursements were higher by 14% y-o-y, and the 4Q disbursements grew by 32% q-o-q. The FX-adjusted performing POS loan portfolio surged by 21% both y-o-y and q-o-q. With regards to the credit card segment, the portfolio erosion that has been in place since 3Q 2014 stopped in 3Q 2017 and the portfolio grew marginally in 4Q (y-o-y the erosion was still 3%). Cash loan disbursements surged by 61% y-o-y in 2017 and increased by 14% in 4Q on a quarterly basis; the FX-adjusted volume of performing cash loans grew by 41% y-o-y and 9% q-o-q.

FX-adjusted performing corporate loan volumes kept on growing dynamically (+18% q-o-q, +62% y-o-y), due to the favourable development of large corporate loans, working capital loans and commercial factoring.

FX-adjusted total deposits increased by 9% q-o-q and y-o-y; within that both retail and corporate segments performed well. Retail deposits increased by 7% q-o-q, while the corporate deposit base expanded by 18%, respectively. FX-adjusted net loan-to-deposit ratio stood at 119% at the end of 2017 (+10 pps y-o-y).

The capital adequacy ratio of the bank calculated in line with local regulation stood at 15.9% at the end of December (-0.2 pp y-o-y).

TOUCH BANK (RUSSIA)

Performance of Touch Bank:

Main components of P&L account in HUF mn	2016	2017	Y/Y	2016 4Q	2017 3Q	2017 4Q	Q/Q	Y/Y
After tax profit w/o dividends and net cash transfer	-5,898	-7,391	25%	-1,968	-1,335	-2,236	67%	14%
Income tax	1,468	1,816	24%	490	332	537	62%	10%
Profit before income tax	-7,366	-9,208	25%	-2,458	-1,667	-2,773	66%	13%
Operating profit	-7,328	-7,519	3%	-2,434	-1,150	-2,287	99%	-6%
Total income	-122	1,958		-8	566	613	8%	
Net interest income	209	1,767	746%	76	508	559	10%	636%
Net fees and commissions	-349	160	-146%	-89	51	46	-11%	-151%
Other net non-interest income	17	31	79%	6	7	8	12%	43%
Operating expenses	-7,205	-9,477	32%	-2,426	-1,717	-2,900	69%	20%
Total provisions	-38	-1,689		-24	-517	-487	-6%	
Provision for possible loan losses	-33	-1,681		-24	-512	-484	-5%	
Other provision	-5	-8	59%	-1	-5	-2	-52%	187%
Main components of balance sheet closing balances in HUF mn	**2016**	**2017**	**YTD**	**2016 4Q**	**2017 3Q**	**2017 4Q**	**Q/Q**	**Y/Y**
Total assets	26,141	33,693	29%	26,141	28,773	33,693	17%	29%
Gross customer loans	1,609	12,812	696%	1,609	11,884	12,812	8%	696%
Gross customer loans (FX-adjusted)	1,511	12,812	748%	1,511	11,702	12,812	9%	748%
Retail loans	1,511	12,812	748%	1,511	11,702	12,812	9%	748%
Corporate loans	0	0		0	0	0		
Allowances for possible loan losses	-36	-1,657		-36	-1,195	-1,657	39%	
Allowances for possible loan losses (FX-adjusted)	-34	-1,657		-34	-1,176	-1,657	41%	
Deposits from customers	20,455	26,352	29%	20,455	22,037	26,352	20%	29%
Deposits from customer (FX-adjusted)	19,206	26,352	37%	19,206	21,699	26,352	21%	37%
Retail deposits	19,206	26,352	37%	19,206	21,699	26,352	21%	37%
Corporate deposits	0	0		0	0	0		
Liabilities to credit institutions	0	0		0	0	0		
Subordinated debt	0	0		0	0	0		
Total shareholders' equity	5,585	7,142	28%	5,585	6,611	7,142	8%	28%
Loan Quality	**2016**	**2017**	**Y/Y**	**2016 4Q**	**2017 3Q**	**2017 4Q**	**Q/Q**	**Y/Y**
90+ days past due loan volume (in HUF million)	5	1,283		5	800	1,283	60%	
90+ days past due loans/gross customer loans (%)	0.3%	10.0%	9.7%p	0.3%	6.7%	10.0%	3.3%p	9.7%p
Cost of risk/average gross loans (%)	8.05%	18.70%		9.55%	18.88%	15.43%	-3.45%p	5.88%p
Cost of risk/average (FX-adjusted) gross loans	8.10%	18.78%		9.65%	19.04%	15.61%	-3.43%p	5.96%p
Total provisions/90+ days past due loans (%)	711.6%	129.1%			149.3%	129.1%	-20.2%p	
Performance Indicators	**2016**	**2017**	**Y/Y**	**2016 4Q**	**2017 3Q**	**2017 4Q**	**Q/Q**	**Y/Y**
Total income margin	-0.79%	7.02%	7.80%p	-0.14%	8.45%	7.83%	-0.62%p	7.97%p
Net interest margin	1.34%	6.33%	4.99%p	1.38%	7.58%	7.14%	-0.43%p	5.76%p
Net loans to deposits (FX-adjusted)	8%	42%	35%p	8%	49%	42%	-6%p	35%p
FX rates (in HUF)	**2016**	**2017**	**Y/Y**	**2016 4Q**	**2017 3Q**	**2017 4Q**	**Q/Q**	**Y/Y**
HUF/RUB (closing)	4.8	4.5	-6%	4.8	4.6	4.5	-2%	-6%
HUF/RUB (average)	4.2	4.7	11%	4.6	4.4	4.5	2%	-1%

- ***HUF 7.4 billion loss in 2017***
- ***The q/q growth of the loan portfolio further moderated in 4Q due to the stringent risk management; closing volume of gross loans was HUF 12.8 billion***
- ***Worsening loan portfolio quality, DPD90+ rate grew by 3.3 pps q-o-q to 10%***

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

Touch Bank remained loss making for the third year of its existence and realised HUF 7.4 billion loss in 2017 (+25% y-o-y in HUF, +13% in RUB terms). In 4Q it generated HUF 2.2 billion loss (+67% q-o-q, +14% y-o-y). The quarterly result was mostly shaped by the higher operating expenses.

In 2017 total income reached HUF 2 billion due to the higher net interest income (HUF 1.8 billion) resulting from the significant, nevertheless weaker than expected yearly growth of loan volumes. Net fee and commission income turned positive on the yearly basis and amounted to HUF 160 million. Total income growth continued in 4Q (+8% q-o-q). Within that net interest income increased by 10% q-o-q due to the expanding loan portfolio. Net F&C income decreased by 11% q-o-q, as fee and commission expenses (mostly refunds to customers) increased more than income.

Operating expenses amounted to HUF 9.5 billion in 2017 growing by 19% in RUB terms mostly due to marketing expenses increasing y-o-y; personnel expenses also increased by 6% while depreciation was also higher by 21%. 4Q operating expenses surged by 69% q-o-q as client acquisition cost increased reasoned by active client number growing by 23% q-o-q. Also, the 4Q marketing budget was boosted by a HUF 0.6 billion TV campaign. Personnel expenses grew by 36% q-o-q: on one hand the number of employees increased by 12 people q-o-q to 356, on the other hand a one-off cost emerged in 4Q related to an organisational change.

In spite of the outstanding value proposition the pace of potentially profit generating customers' acquisition still falls short of the management's expectations. Number of activated cards increased by 14% q-o-q and by 116% y-o-y in 4Q 2017 and almost reached 134 thousand. Gross loans grew further in 4Q (+9% q-o-q, +748% y-o-y on an FX-adjusted basis) and got close to HUF 13 billion, however, the pace of accumulation moderated further on a quarterly basis due to more stringent lending standards introduced in 2Q 2017.

The loan portfolio quality deteriorated, the DPD90+ ratio grew q-o-q from 6.7% to 10.0%.

After the 1Q moderation total deposits grew for the remaining quarters of 2017 (by 6, 10 and 21% respectively, FX-adjusted) and reached RUB 5.9 billion, despite deposit interest rates were lowered in 4Q. The net loan-to-deposit ratio decreased by 6 pps to 42% in 4Q.

The technologically advanced platforms of Touch Bank have been developed mostly by the use of internal IT resources resulting in a cutting edge operating environment. The performance of Touch Bank, however, fell short of expectation with respect to number of customers, volumes and income. The new management works continuously in order to reach profitability targets along with the more advanced utilisation of synergies with OTP Bank Russia.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account in HUF mn	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	10,202	14,120	38%	2,065	3,062	5,242	71%	154%
Income tax	-1,477	-2,954	100%	-92	-453	-1,154	155%	
Profit before income tax	11,679	17,074	46%	2,157	3,514	6,395	82%	197%
Operating profit	22,217	18,876	-15%	4,284	4,911	4,872	-1%	14%
Total income	37,304	34,595	-7%	8,800	8,725	9,128	5%	4%
Net interest income	26,478	23,060	-13%	5,867	5,890	6,070	3%	3%
Net fees and commissions	8,746	9,716	11%	2,457	2,486	2,689	8%	9%
Other net non-interest income	2,080	1,819	-13%	477	349	369	6%	-23%
Operating expenses	-15,087	-15,719	4%	-4,517	-3,814	-4,256	12%	-6%
Total provisions	-10,538	-1,802	-83%	-2,127	-1,397	1,523		
Provision for possible loan losses	-11,866	-1,060	-91%	-2,049	-938	588		
Other provision	1,328	-742		-78	-459	935		
Main components of balance sheet closing balances in HUF mn	2016	2017	YTD	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Total assets	307,117	312,334	2%	307,117	305,484	312,334	2%	2%
Gross customer loans	381,662	287,236	-25%	381,662	333,522	287,236	-14%	-25%
Gross customer loans (FX-adjusted)	330,200	287,236	-13%	330,200	316,812	287,236	-9%	-13%
Retail loans	141,749	110,092	-22%	141,749	130,937	110,092	-16%	-22%
Corporate loans	169,600	158,306	-7%	169,600	164,110	158,306	-4%	-7%
Car financing loans	18,851	18,838	0%	18,851	21,765	18,838	-13%	0%
Gross DPD0-90 customer loans (FX-adjusted)	191,098	211,314	11%	191,098	209,865	211,314	1%	11%
Retail loans	42,707	44,060	3%	42,707	41,258	44,060	7%	3%
Corporate loans	137,555	151,710	10%	137,555	154,123	151,710	-2%	10%
Car financing loans	10,837	15,544	43%	10,837	14,484	15,544	7%	43%
Allowances for possible loan losses	-189,450	-90,163	-52%	-189,450	-132,447	-90,163	-32%	-52%
Allowances for possible loan losses (FX-adjusted)	-164,591	-90,163	-45%	-164,591	-126,785	-90,163	-29%	-45%
Deposits from customers	228,568	234,943	3%	228,568	213,993	234,943	10%	3%
Deposits from customer (FX-adjusted)	198,564	234,943	18%	198,564	202,783	234,943	16%	18%
Retail deposits	94,151	98,065	4%	94,151	91,278	98,065	7%	4%
Corporate deposits	104,413	136,878	31%	104,413	111,505	136,878	23%	31%
Liabilities to credit institutions	46,270	33,985	-27%	46,270	39,901	33,985	-15%	-27%
Total shareholders' equity	24,243	34,079	41%	24,243	32,025	34,079	6%	41%
Loan Quality	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	160,009	75,922	-53%	160,009	111,542	75,922	-32%	-53%
90+ days past due loans/gross customer loans (%)	41.9%	26.4%	-15.5%p	41.9%	33.4%	26.4%	-7.0%p	-15.5%p
Cost of risk/average gross loans (%)	3.03%	0.31%	-2.73%p	2.09%	1.12%	-0.74%	-1.86%p	-2.83%p
Cost of risk/average (FX-adjusted) gross loans (%)	3.05%	0.31%	-2.74%p	2.13%	1.15%	-0.77%	-1.92%p	-2.90%p
Total provisions/90+ days past due loans (%)	118.4%	118.8%	0.4%p	118.4%	118.7%	118.8%	0.0%p	0.4%p
Performance Indicators	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
ROA	3.5%	4.6%	1.1%p	2.7%	4.0%	6.7%	2.7%p	4.0%p
ROE	n.a.	47.1%		32.3%	38.7%	62.6%	23.9%p	30.3%p
Total income margin	12.71%	11.19%	-1.52%p	11.45%	11.35%	11.60%	0.25%p	0.15%p
Net interest margin	9.02%	7.46%	-1.56%p	7.63%	7.66%	7.72%	0.05%p	0.08%p
Cost/income ratio	40.4%	45.4%	5.0%p	51.3%	43.7%	46.6%	2.9%p	-4.7%p
Net loans to deposits (FX-adjusted)	83%	84%	0%p	83%	94%	84%	-10%p	0%p
FX rates (in HUF)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
HUF/UAH (closing)	10.8	9.2	-15%	10.8	9.9	9.2	-7%	-15%
HUF/UAH (átlag)	11.0	10.3	-6%	11.1	10.1	9.8	-3%	-11%

- ***The Ukrainian subsidiary posted the highest annual ROE within subsidiary banks across the Group (ROE: 47.1%)***
- ***The annual profit increased to HUF 14.1 billion (+38% y-o-y) supported mainly by declining risk costs stemming from favourable credit quality trends***
- ***The DPD90+ rate dropped by 15.5 pps y-o-y to 26.4% reflecting mainly non-performing asset sales/write offs***
- ***Performing loans advanced by 11% y-o-y, while the deposit book grew by 18% (FX-adjusted)***

The financial performance and indicators of OTP Bank Ukraine in HUF terms were affected by the HUF/UAH exchange rate moves: in 4Q 2017 the closing rate of UAH depreciated 7% q-o-q and 15% y-o-y. The 4Q average rates also demonstrated weakening (-3% q-o-q and -11% y-o-y, respectively).The annual average rate weakened by 6% y-o-y. As a result, there are some differences in local currency P&L and balance sheets dynamics versus those in HUF terms.

OTP Bank Ukraine posted HUF 14.1 billion adjusted after tax profit in 2017 marking a 38% increase (+49% in UAH terms) against the base period. In 4Q the unit realized HUF 5.2 billion net profit (+71% q-o-q), thus the quarterly ROE reached

62.6%. With an annual ROE of 47.1%, the Ukrainian operation excelled itself among subsidiary banks across the Group.

Full-year operating result dropped by 15% y-o-y (-9% in UAH terms), the key reason was the y-o-y 13% decline in net interest income. The y-o-y NII dynamics were negatively influenced by a methodology change concerning the accounting of interest income on impaired exposures effective from July and August 2016 (different timing for different products). This change had a negative impact on net interest income, but also lowered the risk costs in the bank's standalone income statement staring from July 2016. In 4Q 2017 net interest income already advanced by 3% q-o-q mainly due to the higher volume of performing loans.

The annual net fees and commissions surged by 11% (+19% in UAH terms), induced by increasing income generated on corporate and credit card transactions.

Annual operating expenses grew by 4% y-o-y (+12% in UAH terms) amid 14.5% average inflation, fuelled mainly by higher personnel expenses and marketing costs. In 4Q increasing operating expenses (+12% q-o-q) were reasoned by higher marketing, IT and advisory costs.

The annual volume of total risk costs dropped by 83% y-o-y. The credit quality showed favourable trends: in 2017 the DPD90+ volumes (FX-adjusted and excluding the impact of loan sales and write-offs) declined by HUF 1.3 billion (in HUF billion: 1Q 2017: -3.2, 2Q: +0.1, 3Q: -2.4, 4Q: +4.2) versus an increase of HUF 11 billion in the base period. In 4Q there were provision releases reasoned by DPD90+ sales and write offs at the Factoring company, but there were write-backs on the other risk cost line, too.

The DPD90+ ratio shrank to 26.4% (-7.0 pps q-o-q and -15.5 pps y-o-y). Such a meaningful drop was induced mainly by non-performing loans sales/write offs. In 4Q 2017 HUF 34.3 billion problem loans were sold or written off, thus in 2017 such volumes comprised HUF 64.2 billion in total.

The FX-adjusted total performing loan book grew by 11% y-o-y and by 1% q-o-q. Corporate volumes demonstrated strong y-o-y dynamics (+10%, but -2% q-o-q). The retail portfolio grew by 3% y-o-y, and expanded by 7% q-o-q in 4Q. Performing consumer loans showed strong dynamics (+43% y-o-y and 23% q-o-q) due to higher credit card and POS loan volumes. Card loan disbursements kept increasing, whereas in the POS segment new volumes surged by 44% y-o-y (in UAH terms). Mortgage lending remained suspended, as a result the performing mortgage book eroded by 20% y-o-y and by 7% q-o-q. At the end of December 2017 the volume of net performing USD denominated mortgage loans comprised HUF 3.5 billion, whereas the UAH denominated ones represented HUF 10 billion. From 1Q 2017 car loan sales were resumed, performing volumes increased by 43% y-o-y albeit from a low base (FX-adjusted).

Deposits (adjusted for the FX-effect) increased by 16% q-o-q and 18% y-o-y amid further declining offered deposit rates.

The standalone capital adequacy ratio of the Ukrainian bank according to local standards stood at 15.5% at the end of December 2017 (+3.1 pps y-o-y).

The shareholders' equity of the Ukrainian operation under IFRS was HUF 34.1 billion at the end of December 2017. The Ukrainian shareholders' equity includes that of three entities: the Bank, the Leasing and Factoring companies' equity. Accordingly, the standalone equity of the Bank under IFRS reached HUF 31.7 billion at the end of 2017, whereas the equity of the Leasing Company comprised HUF 1.6 billion. As for the Factoring company, its equity was HUF 0.7 billion.

At the end of 4Q 2017 the total gross amount of intragroup funding exposure toward the Ukrainian group members decreased to HUF 29 billion equivalent (-HUF 17 billion y-o-y) with the following break down: there was an outstanding exposure of USD 98 million equivalent toward the Leasing Company and the remaining USD 15 million toward the Factoring unit.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account in HUF mn	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	1,655	3,036	83%	-550	1,223	952	-22%	-273%
Income tax	-483	-916	90%	-156	-285	-138	-52%	-11%
Profit before income tax	2,138	3,952	85%	-394	1,508	1,090	-28%	-377%
Operating profit	8,545	9,346	9%	2,073	2,652	941	-65%	-55%
Total income	26,644	27,138	2%	6,603	6,962	6,013	-14%	-9%
Net interest income	20,315	19,779	-3%	5,144	5,367	3,656	-32%	-29%
Net fees and commissions	3,230	3,064	-5%	661	770	761	-1%	15%
Other net non-interest income	3,098	4,295	39%	799	825	1,596	93%	100%
Operating expenses	-18,100	-17,792	-2%	-4,530	-4,310	-5,072	18%	12%
Total provisions	-6,407	-5,394	-16%	-2,467	-1,145	149	-113%	-106%
Provision for possible loan losses	-5,541	-5,062	-9%	-1,556	-1,315	-58	-96%	-96%
Other provision	-866	-332	-62%	-911	170	207	21%	-123%
Main components of balance sheet closing balances in HUF mn	**2016**	**2017**	**YTD**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	588,188	624,060	6%	588,188	623,010	624,060	0%	6%
Gross customer loans	524,576	535,140	2%	524,576	550,760	535,140	-3%	2%
Gross customer loans (FX-adjusted)	508,640	535,140	5%	508,640	543,361	535,140	-2%	5%
Retail loans	369,275	377,841	2%	369,275	388,805	377,841	-3%	2%
Corporate loans	139,365	157,298	13%	139,365	154,556	157,298	2%	13%
Allowances for possible loan losses	-74,645	-56,909	-24%	-74,645	-70,604	-56,909	-19%	-24%
Allowances for possible loan losses (FX-adjusted)	-70,655	-56,909	-19%	-70,655	-69,326	-56,909	-18%	-19%
Deposits from customers	336,991	337,691	0%	336,991	335,826	337,691	1%	0%
Deposits from customer (FX-adjusted)	328,790	337,691	3%	328,790	331,738	337,691	2%	3%
Retail deposits	249,773	253,347	1%	249,773	248,705	253,347	2%	1%
Corporate deposits	79,017	84,344	7%	79,017	83,033	84,344	2%	7%
Liabilities to credit institutions	167,372	196,377	17%	167,372	209,134	196,377	-6%	17%
Total shareholders' equity	42,510	53,481	26%	42,510	44,625	53,481	20%	26%
Loan Quality	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	91,328	72,133	-21%	91,328	85,582	72,133	-16%	-21%
90+ days past due loans/gross customer loans (%)	17.4%	13.5%	-3.9%p	17.4%	15.5%	13.5%	-2.1%p	-3.9%p
Cost of risk/average gross loans (%)	1.05%	0.95%	-0.11%p	1.19%	0.97%	0.04%	-0.93%p	-1.15%p
Cost of risk/average (FX-adjusted) gross loans (%)	1.06%	0.96%	-0.10%p	1.20%	0.98%	0.04%	-0.94%p	-1.16%p
Total provisions/90+ days past due loans (%)	81.7%	78.9%	-2.8%p	81.7%	82.5%	78.9%	-3.6%p	-2.8%p
Performance Indicators (%)	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	0.3%	0.5%	0.2%p	-0.4%	0.8%	0.6%	-0.2%p	1.0%p
ROE	3.8%	6.8%	3.0%p	-5.0%	11.1%	8.1%	-3.0%p	13.1%p
Total income margin	4.46%	4.49%	0.03%p	4.55%	4.50%	3.85%	-0.65%p	-0.69%p
Net interest margin	3.40%	3.27%	-0.12%p	3.54%	3.47%	2.34%	-1.13%p	-1.20%p
Cost/income ratio	67.9%	65.6%	-2.4%p	68.6%	61.9%	84.4%	22.5%p	15.7%p
Net loans to deposits (FX-adjusted)	133%	142%	8%p	133%	143%	142%	-1%p	8%p
FX rates (in HUF)	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/RON (closing)	68.5	66.6	-3%	68.5	67.7	66.6	-2%	-3%
HUF/RON (average)	69.4	67.7	-2%	68.6	66.9	67.5	1%	-2%

- ***The bank posted HUF 3.0 billion net profit in 2017 (+83% y-o-y)***
- ***In 4Q accounting corrections occurred influencing several P&L lines; the total negative impact of these corrections was HUF 0.8 billion, thus the after tax profit declined by 22% q-o-q***
- ***The annual operating profit advanced by 9% y-o-y as a result of 2% higher total income and 2% lower operating expenses***
- ***Total risk costs moderated by 16% y-o-y***
- ***The performing FX-adjusted loan portfolio grew by 10% y-o-y supported by strong lending activity in the consumer and corporate segments***

In July 2017 OTP Bank Romania S.A., the Romanian subsidiary of OTP Bank signed an acquisition agreement on purchasing a 99.28% shareholding held in the Romanian Banca Romaneasca S.A. by National Bank of Greece S.A and certain other Romanian exposures held by different subsidiaries of National Bank of Greece S.A. The Competition Office has approved the transaction. The financial closing of the deal is subject to the necessary regulatory approvals by the central bank.

The Summary of the full-year 2017 results does not incorporate the effect of the transaction.

OTP Bank Romania posted HUF 3.0 billion net profit in 2017 exceeding the base period by 83% y-o-y. The bank reached HUF 1.0 billion profit in 4Q (-22% q-o-q).

In 4Q 2017 there were certain accounting corrections influencing several P&L lines. Those corrections had a total profit impact of -HUF -0.8 billion. Within that, -HUF 2.0 billion appeared on the net interest income, +0.4 billion on the other income and +0.9 billion on the other risk costs line, respectively.

The annual operating profit grew by 9% y-o-y as a result of a 2% increase in total income and a 2% moderation in operating expenses. Within total income the net interest income eroded by 3% y-o-y.

The one-off correction affecting NII in 4Q also had a small negative influence on the annual net interest margin (3.27%, -12 bps y-o-y).

Net fees and commissions in 2017 moderated by 5% y-o-y, partly due to a regulatory change: effective from 4Q 2016 banks cannot charge fees on cash withdrawals if it is related to new loan disbursement.

Other non-interest income grew by 39% y-o-y (+HUF 1.2 billion). The increase is partially explained by the one-off accounting correction in 4Q (+HUF 0.4 billion), also by one-off gain on property sale (+HUF 0.3 billion) as well as improving FX-gains.

Annual operating expenses declined by 2% y-o-y. Apart from lower amortization costs other administrative expenses came down, too mainly due to savings in expenses related to real estates and lower deductible taxes. On the other hand, personnel expenses grew by 6% y-o-y.

4Q operating expenses grew by 18% q-o-q, partially driven by seasonal effects (rising personnel and marketing expenses) and by higher expert fees.

DPD90+ volumes (FX-adjusted, without sales and write-offs) grew by HUF 1.9 billion in 2017, but didn’t change in 4Q. During 2017 HUF 16.1 billion problem loans were sold/written off, of which HUF 12 billion in 4Q. The DPD90+ ratio declined to 13.5% at the end of 2017 (-3.9 pps y-o-y, -2.1 pps q-o-q).

Annual total risk costs declined by 16% y-o-y supported by both lower provision for possible loan losses (-9%) and other risk costs (-62% y-o-y). In 4Q there was a HUF 0.15 billion provision release; out of the q-o-q HUF 1.3 billion risk cost decrease HUF 0.9 billion was related to the accounting correction.

The FX-adjusted performing loan volumes increased by 10% y-o-y and by 1% q-o-q. Both the retail and corporate segment supported the expansion in 2017 (+7% and +15% y-o-y, respectively). Within retail the consumer and SME segments were the key drivers of growth (+22% and 18%, respectively); mortgage volumes grew by 2%. As for new loan disbursements, the cash loan sales improved by 47% y-o-y, while mortgages by 69% y-o-y.

FX-adjusted deposit volumes increased by 3% y-o-y (+2% q-o-q). The yearly growth was supported by retail and corporate inflows, too (+1% and 7%, respectively).

The y-o-y increase in shareholders’ equity was partly reasoned by a capital injection of EUR 27 million executed by the mother bank in 4Q. According to local regulation the Bank’s standalone capital adequacy ratio stood at 14.5% at the end of 4Q 2017.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska (including Splitska banka):

Main components of P&L account in HUF mn	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	3,783	17,105	352%	202	5,977	6,035	1%	
Income tax	-865	-3,742	333%	17	-1,609	-938	-42%	
Profit before income tax	4,648	20,848	349%	184	7,586	6,973	-8%	
Operating profit	13,538	28,779	113%	3,589	9,592	8,676	-10%	142%
Total income	31,442	63,643	102%	7,876	20,390	19,216	-6%	144%
Net interest income	22,800	44,313	94%	5,918	13,363	13,483	1%	128%
Net fees and commissions	5,330	12,603	136%	1,391	4,190	3,913	-7%	181%
Other net non-interest income	3,312	6,728	103%	568	2,837	1,820	-36%	221%
Operating expenses	-17,904	-34,864	95%	-4,287	-10,798	-10,540	-2%	146%
Total provisions	-8,890	-7,931	-11%	-3,405	-2,006	-1,703	-15%	-50%
Provision for possible loan losses	-5,331	-7,498	41%	-1,273	-1,441	-891	-38%	-30%
Other provision	-3,560	-434	-88%	-2,131	-566	-812	44%	-62%
Main components of balance sheet closing balances in HUF mn	**2016**	**2017**	**YTD**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	649,063	1,821,613	181%	649,063	1,778,037	1,821,613	2%	181%
Gross customer loans	471,346	1,121,938	138%	471,346	1,122,527	1,121,938	0%	138%
Gross customer loans (FX-adjusted)	472,217	1,121,938	138%	472,217	1,120,793	1,121,938	0%	138%
Retail loans	308,539	623,627	102%	308,539	615,807	623,627	1%	102%
Corporate loans	163,546	479,610	193%	163,546	486,073	479,610	-1%	193%
Car financing loans	132	18,700		132	18,912	18,700	-1%	
Allowances for possible loan losses	-50,051	-63,752	27%	-50,051	-65,618	-63,752	-3%	27%
Allowances for possible loan losses (FX-adjusted)	-50,497	-63,752	26%	-50,497	-65,655	-63,752	-3%	26%
Deposits from customers	515,450	1,395,087	171%	515,450	1,399,289	1,395,087	0%	171%
Deposits from customer (FX-adjusted)	509,107	1,395,087	174%	509,107	1,395,202	1,395,087	0%	174%
Retail deposits	443,696	991,776	124%	443,696	1,002,150	991,776	-1%	124%
Corporate deposits	65,412	403,312	517%	65,412	393,052	403,312	3%	517%
Liabilities to credit institutions	44,141	132,765	201%	44,141	89,571	132,765	48%	201%
Total shareholders' equity	74,026	238,935	223%	74,026	231,070	238,935	3%	223%
Loan Quality	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	57,127	74,325	30%	57,127	86,685	74,325	-14%	30%
90+ days past due loans/gross customer loans (%)	12.1%	6.6%	-5.5%p	12.1%	7.7%	6.6%	-1.1%p	-5.5%p
Cost of risk/average gross loans (%)	1.15%	0.85%	-0.29%p	1.09%	0.51%	0.32%	-0.20%p	-0.78%p
Cost of risk/average (FX-adjusted) gross loans	1.15%	0.85%	-0.30%p	1.10%	0.51%	0.32%	-0.20%p	-0.78%p
Total provisions/90+ days past due loans (%)	87.6%	85.8%	-1.8%p	87.6%	75.7%	85.8%	10.1%p	-1.8%p
Performance Indicators (%)	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	0.6%	1.3%	0.7%p	0.1%	1.4%	1.4%	0.0%p	1.2%p
ROE	5.2%	9.3%	4.1%p	1.1%	10.4%	10.3%	-0.1%p	9.2%p
Total income margin	4.89%	4.70%	-0.19%p	4.80%	4.67%	4.31%	-0.36%p	-0.49%p
Net interest margin	3.54%	3.27%	-0.27%p	3.61%	3.06%	3.02%	-0.04%p	-0.58%p
Cost/income ratio	56.9%	54.8%	-2.2%p	54.4%	53.0%	54.9%	1.9%p	0.4%p
Net loans to deposits (FX-adjusted)	83%	76%	-7%p	83%	76%	76%	0%p	-7%p
FX rates (in HUF)	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/HRK (closing)	41.1	41.6	1%	41.1	41.5	41.6	0%	1%
HUF/HRK (average)	41.3	41.4	0%	41.1	41.3	41.4	0%	1%

- ***On 2 May the financial closure of Splitska banka acquisition was completed, thus performance of Splitska banka has already been included into the financial statements of the Croatian operation since May***
- ***In 2017 the Croatian banking group posted HUF 17.1 billion adjusted net profit (ROE: 9.3%), of which Splitska banka's 8 months contribution represented HUF 10.9 billion***
- ***The FX-adjusted gross loan portfolio surged by 138% and deposits by 174% y-o-y, both driven primarily by the Splitska acquisition***

Based on the acquisition agreement on purchasing 100% shareholding of Splitska banka d.d., member of Société Générale Group signed on 20 December 2016 between OTP banka Hrvatska, the Croatian subsidiary of OTP Bank and Société Générale Group, on 2 May 2017 the financial closure of the transaction has been completed and Splitska banka was consolidated.

The Croatian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown on consolidated level among the adjustment items. The balance sheet items were not adjusted for the acquisition effect.

In 2017 the **Croatian operation** (including Splitska banka) posted HUF 17.1 billion adjusted after tax profit, exceeding the base period by HUF 13.3 billion. The 4Q result amounted to HUF 6 billion, q-o-q stable.

The annual profit increase was mostly shaped by the consolidation of Splitska banka: it added HUF 10.9 billion to the combined profit through the consolidation of its results reached between the first time consolidation (occurring in May) and December. As for other key P&L lines, in 2017 Splitska banka contributed HUF 20.7 billion to the net interest income, HUF 7.2 billion to the net fees and commissions, HUF 3.3 billion to the other net non-interest income, -HUF 16.6 billion to the operating expenses and -HUF 1.2 billion to the total risk costs line, respectively.

In 4Q 2017 the Croatian operation (including Splitska banka) delivered a profit of HUF 6.0 billion, of which Splitska banka represented HUF 3.3 billion. The 4Q 2017 ROE indicator reached 10.3%, thus the full-year ratio stood at 9.3%.

In 4Q 2017 the operating result moderated by 10% q-o-q, explained mainly by seasonality. The net fee income eroded by 7% over the quarter, and other income dropped by 36% q-o-q, both changes were attributable to the tourism-related seasonality. Furthermore, the quarterly decline in other income was partly due to base effect[7].

It was favourable that net interest income increased by 1% over the last quarter enabled by the increasing average total asset base, which more than offset the impact of slightly declining margins (-4 bps q-o-q).

The annual net interest margin of the Croatian operation declined by 27 bps, predominantly reasoned by the dilution effect of the lower margin at Splitska banka (3.04%), but a technical effect related to the consolidation played a role, too[8].

In 2017 the cost to income ratio improved by 2.2 pps to 54.8%.

In 2017 altogether HUF 7.9 billion total risk cost was booked, 11% lower than in the previous year. The change was to a certain extent shaped by the fact that HUF 1.7 billion other provisions were written back at Splitska banka in 2Q 2017, mostly induced by the expiry of a bank guarantee: as a consequence, the related provisions were released. During 2017 loan-related risk costs emerged primarily in the corporate segment.

In 4Q 2017 HUF 1.7 billion risk costs burdened the quarterly results, 15% less than in the previous quarter.

In 2017 the FX-adjusted increase in DPD90+ loans (adjusted for loan sales and write-offs) amounted to HUF 23 billion. The consolidation of Splitska banka's DPD90+ loan volumes was one reason behind. Apart from this, mostly corporate loans slipped into more than 90 days of delay. During the last 12 months HUF 9.4 billion non-performing loans were sold/written off (of which HUF 6.2 billion in 4Q 2017). The DPD90+ ratio changed to 6.6% (-1.1 pps q-o-q, -5.5 pps y-o-y).

Based on total assets the market share of the Croatian operation jumped from 4.0% at end-December 2016 to 11.2% at end-November 2017, thanks to the consolidation of Splitska banka. The branch number increased by 93 units y-o-y, the number of ATMs by 255, whereas the number of employees (on an FTE basis) by 1,334 people, respectively.

The y-o-y developments in loan volumes were mainly shaped by the consolidation of Splitska banka's portfolio. The performing (DPD0-90) loan portfolio was consolidated on a gross base, whereas the DPD90+ volumes on a net base (netted off with created provisions at the time of the consolidation). In total, the gross loan portfolio increased by HUF 650 billion, while the performing book by HUF 633 billion (+153% y-o-y), respectively.

At the end of 2017 the gross loan volumes of Splitska banka amounted to HUF 627 billion, whereas performing loans to HUF 606 billion. Excluding Splitska-effect the performing loans expanded by 6% y-o-y (FX-adjusted).

Performing retail loan volumes increased by 2% q-o-q; 4Q mortgage loan disbursements strengthened by 13%, while cash loan sales went up by 15% q-o-q.

The FX-adjusted deposit base expanded by HUF 886 billion during 2017 (+174% FX-adjusted), whereas the end-2017 deposit book at Splitska comprised HUF 849 billion. The net loan to deposit ratio sank by 7 pps to 76% (FX-adjusted).

The y-o-y increase in shareholders' equity to a great extent was related to the capital increase by OTP Bank in order to complete the Splitska acquisition. The capital adequacy ratio of the Croatian subsidiary (holding the shares of Splitska banka) calculated in accordance with local regulation stood at 16.5% at the end of 2017.

[7] In 3Q around HUF 0.25 billion penalty interest revenues were booked within the other net non-interest income.

[8] The Croatian margin was upwardly biased by the fact that practically the full May net interest income was consolidated, but according to the performance indicator calculation methodology, the total assets of Splitska banka (which influences the denominator of net interest margin) was counted in only from the end of May.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko*:

Main components of P&L account in HUF mn	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	-2,223	-2,051	-8%	-2,644	-274	-1,469	437%	-44%
Income tax	256	-231	-190%	454	-27	-128	383%	-128%
Profit before income tax	-2,479	-1,820	-27%	-3,097	-247	-1,341	442%	-57%
Operating profit	6,781	6,616	-2%	1,689	1,705	1,402	-18%	-17%
Total income	17,893	17,452	-2%	4,533	4,303	4,345	1%	-4%
Net interest income	14,257	13,358	-6%	3,462	3,327	3,314	0%	-4%
Net fees and commissions	3,272	3,627	11%	987	885	916	3%	-7%
Other net non-interest income	363	467	29%	83	91	115	26%	38%
Operating expenses	-11,112	-10,836	-2%	-2,844	-2,598	-2,942	13%	3%
Total provisions	-9,260	-8,436	-9%	-4,786	-1,952	-2,743	40%	-43%
Provision for possible loan losses	-8,987	-8,358	-7%	-4,577	-1,940	-2,701	39%	-41%
Other provision	-273	-78	-71%	-209	-12	-42	254%	-80%
Main components of balance sheet closing balances in HUF mn	2016	2017	YTD	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Total assets	453,720	452,084	0%	453,720	449,154	452,084	1%	0%
Gross customer loans	388,926	382,932	-2%	388,926	389,923	382,932	-2%	-2%
Gross customer loans (FX-adjusted)	387,825	382,932	-1%	387,825	388,607	382,932	-1%	-1%
Retail loans	326,617	330,893	1%	326,617	335,184	330,893	-1%	1%
Corporate loans	61,147	52,010	-15%	61,147	53,389	52,010	-3%	-15%
Allowances for possible loan losses	-31,462	-28,098	-11%	-31,462	-32,673	-28,098	-14%	-11%
Allowances for possible loan losses (FX-adjusted)	-31,373	-28,098	-10%	-31,373	-32,559	-28,098	-14%	-10%
Deposits from customers	366,976	343,924	-6%	366,976	345,240	343,924	0%	-6%
Deposits from customer (FX-adjusted)	365,285	343,924	-6%	365,285	343,988	343,924	0%	-6%
Retail deposits	339,899	318,989	-6%	339,899	319,089	318,989	0%	-6%
Corporate deposits	25,387	24,935	-2%	25,387	24,899	24,935	0%	-2%
Liabilities to credit institutions	8,104	10,020	24%	8,104	10,247	10,020	-2%	24%
Subordinated debt	6,223	6,205	0%	6,223	6,228	6,205	0%	0%
Total shareholders' equity	27,339	32,200	18%	27,339	26,765	32,200	20%	18%
Loan Quality	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	43,451	35,968	-17%	43,451	44,005	35,968	-18%	-17%
90+ days past due loans/gross customer loans (%)	11.2%	9.4%	-1.8%	11.2%	11.3%	9.4%	-1.9%p	-1.8%p
Cost of risk/average gross loans (%)	2.35%	2.17%	-0.18%	4.78%	2.01%	2.76%	0.76%p	-2.01%p
Cost of risk/average (FX-adjusted) gross loans	2.37%	2.18%	-0.19%	4.81%	2.02%	2.78%	0.76%p	-2.03%p
Total provisions/90+ days past due loans (%)	72.4%	78.1%	5.7%	72.4%	74.2%	78.1%	3.9%p	5.7%p
Performance Indicators (%)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
ROA	-0.5%	-0.5%	0.0%	-2.3%	-0.2%	-1.3%	-1.0%p	1.1%p
ROE	-7.4%	-7.6%	-0.2%	-36.0%	-4.1%	-21.2%	-17.1%p	14.8%p
Total income margin	3.95%	3.90%	-0.05%	4.01%	3.86%	3.80%	-0.05%	-0.21%
Net interest margin	3.15%	2.98%	-0.16%	3.07%	2.98%	2.90%	-0.08%	-0.17%
Cost/income ratio	62.1%	62.1%	0.0%	62.7%	60.4%	67.7%	7.3%p	5.0%p
Net loans to deposits (FX-adjusted)	98%	103%	6%	98%	104%	103%	0%p	6%p
FX rates (in HUF)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
HUF/EUR (closing)	311.0	310.1	0%	311.0	311.2	310.1	0%	0%
HUF/EUR (average)	311.5	308.4	-1%	309.4	306.4	311.6	2%	1%

* P&L account lines and indicators are adjusted for banking tax and Deposit Protection Fund contributions

- ***HUF 2.1 billion adjusted after tax loss (-8% y-o-y); risk costs decreased by 9% y-o-y, operating income slightly deteriorated***
- ***Further improving DPD90+ ratio (9.4%, -1.8 pps y-o-y)***
- ***Net interest margin eroded by 16 bps (2.98%), 1% y-o-y increase of the FX-adjusted performing loan book***

OTP Banka Slovensko posted HUF 2.1 billion adjusted after tax loss in 2017, which is lower by 8% compared to 2016. The negative result on the profit before income tax line is by 27% lower than in 2016 explained by the decreasing risk costs (-9% y-o-y); operating income diminished by 2%.

In 2017 net interest income declined by 6% y-o-y due to decreasing net interest margin. The annual NIM decreased by 16 bps y-o-y, since the lower interest income on loans couldn't be counterbalanced by lower funding cost as a result of deposit interest rate cuts. Furthermore, the Bank offered retail loans with interest discounts during the spring and autumn sales campaign. In 4Q net interest income remained stable, as the higher volume of perfoming loans offset the impact of further decreasing net interest margin.

In 2017 net fee and commission income increased by 11% y-o-y, mainly as a result of higher commission income on deposits and transactions. In 4Q 2017 net fees and commissions improved by 3% q-o-q, whereas the y-o-y 7% decline can be explained by base effect: in 4Q 2016 prepayment of corporate exposures generated higher fee income. The annual other net non-interest income grew by HUF 0.2 billion y-o-y.

In 2017 operating expenses decreased by 2% y-o-y, within that personnel and other expenses remained flat, therefore the decline is explained by lower software amortization. The 13% q-o-q cost increase in 4Q 2017 was mainly attributable to higher marketing expenses and the seasonality of bonus payments.

Annual total risk cost declined by 9% y-o-y, while in 4Q 2017 there was an increase of 40% q-o-q. In 2017 the FX-adjusted DPD90+ loan growth (without the effect of sales and write-offs) was HUF 5 billion (2016: HUF 6 billion), while in 4Q the decrease was HUF 0.7 billion, against the quarterly average of +HUF 1.6 billion for the last 5 quarters. The DPD90+ ratio decreased by 1.9 ppt q-o-q to 9.4% (-1.8 ppt y-o-y). In 2017 around HUF 7.6 billion equivalent non-performing loans were sold or written off, of which 4Q represented HUF 6.2 billion.

The FX-adjusted gross loan book shrank by 1%, while the performing loan book expanded by 1% y-o-y. The latter can be explained by 7% higher mortgage volumes; FX-adjusted corporate loan volumes declined by 13% y-o-y. In 2017 the newly disbursed cash loans decreased by 9% y-o-y (in local currency), thus the performing cash loan book declined by 2%. Newly disbursed mortgage volumes dropped by 24% y-o-y.

The FX-adjusted deposit volumes eroded by 6% y-o-y, driven mainly by the 6% drop in the volume of retail deposits; the volume of corporate deposits comprising 7% of the total deposit book decreased by 2% y-o-y.

The y-o-y increase of the bank’s shareholders’ equity was reasoned by a capital injection of EUR 23 million made by the mother bank in 4Q. The standalone IFRS capital adequacy ratio stood at 15.0% at the end of December 2017.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija (including Vojvodjanska banka)::

Main components of P&L account in HUF mn	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit without the effect of adjustments	39	-2,904		-155	213	-1,634	-867%	953%
Income tax	34	109	222%	34	0	109	-100%	222%
Profit before income tax	5	-3,013		-189	213	-1,744	-919%	822%
Operating profit	697	1,360	95%	251	283	604	113%	140%
Total income	7,720	10,071	30%	1,993	2,117	4,004	89%	101%
Net interest income	5,769	7,235	25%	1,471	1,555	2,794	80%	90%
Net fees and commissions	1,653	2,275	38%	434	461	954	107%	120%
Other net non-interest income	298	561	88%	88	101	256	152%	192%
Operating expenses	-7,023	-8,711	24%	-1,741	-1,834	-3,400	85%	95%
Total provisions	-692	-4,373	532%	-440	-70	-2,348		433%
Provision for possible loan losses	-890	-3,133	252%	-591	-102	-2,297		289%
Other provision	198	-1,241	-725%	151	32	-51	-256%	-133%
Main components of balance sheet closing balances in HUF mn	**2016**	**2017**	**YTD**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
Total assets	123,279	482,887	292%	123,279	139,201	482,887	247%	292%
Gross customer loans	108,704	306,874	182%	108,704	112,347	306,874	173%	182%
Gross customer loans (FX-adjusted)	109,565	306,874	180%	109,565	112,233	306,874	173%	180%
Retail loans	49,017	155,878	218%	49,017	51,810	155,878	201%	218%
Corporate loans	60,548	150,997	149%	60,548	60,423	150,997	150%	149%
Allowances for possible loan losses	-26,349	-19,759	-25%	-26,349	-21,431	-19,759	-8%	-25%
Allowances for possible loan losses (FX-adjusted)	-27,107	-19,759	-27%	-27,107	-21,462	-19,759	-8%	-27%
Deposits from customers	78,583	349,553	345%	78,583	84,491	349,553	314%	345%
Deposits from customer (FX-adjusted)	79,505	349,553	340%	79,505	84,444	349,553	314%	340%
Retail deposits	48,455	238,733	393%	48,455	51,504	238,733	364%	393%
Corporate deposits	31,050	110,820	257%	31,050	32,941	110,820	236%	257%
Liabilities to credit institutions	8,572	38,397	348%	8,572	18,527	38,397	107%	348%
Subordinated debt	2,511	2,505	0%	2,511	2,514	2,505	0%	0%
Total shareholders' equity	28,805	80,070	178%	28,805	28,533	80,070	181%	178%
Loan Quality	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	35,504	28,372	-20%	35,504	28,780	28,372	-1%	-20%
90+ days past due loans/gross customer loans (%)	32.7%	9.2%	-23.4%p	32.7%	25.6%	9.2%	-16.4%p	-23.4%p
Cost of risk/average gross loans (%)	0.83%	2.64%	1.81%p	2.14%	0.36%	6.28%	5.92%p	4.15%p
Cost of risk/average (FX-adjusted) gross loans	0.85%	2.64%	1.79%p	2.20%	0.36%	6.29%	5.93%p	4.09%p
Total provisions/90+ days past due loans (%)	74.2%	69.6%	-4.6%p	74.2%	74.5%	69.6%	-4.8%p	-4.6%p
Performance Indicators (%)	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
ROA	0.0%	-2.0%	-2.0%p	-0.5%	0.6%	-3.3%	-3.9%p	-2.8%p
ROE	0.1%	-9.5%	-9.6%p	-2.1%	3.0%	-17.5%	-20.5%p	-15.4%p
Total income margin	6.16%	6.84%	0.68%p	6.25%	6.15%	7.97%	1.81%p	1.71%p
Net interest margin	4.60%	4.92%	0.31%p	4.62%	4.52%	5.56%	1.04%p	0.94%p
Cost/income ratio	91.0%	86.5%	-4.5%p	87.4%	86.6%	84.9%	-1.7%p	-2.5%p
Net loans to deposits (FX-adjusted)	104%	82%	-22%p	104%	107%	82%	-25%p	-22%p
FX rates (in HUF)	**2016**	**2017**	**Y-o-Y**	**4Q 2016**	**3Q 2017**	**4Q 2017**	**Q-o-Q**	**Y-o-Y**
HUF/RSD (closing)	2.5	2.6	4%	2.5	2.6	2.6	0%	4%
HUF/RSD (average)	2.5	2.5	1%	2.5	2.6	2.6	2%	4%

- ***The financial closure of the acquisition of Vojvodjanska banka was completed on 1 December 2017, thus 4Q Serbian figures already incorporated the balance sheet, as well as one month earnings contribution of the acquired bank***
- ***In 2017 the Serbian operation posted HUF 2.9 billion loss***
- ***The annual operating profit almost doubled y-o-y; half of the increase was related to Vojvodjanska banka***
- ***As a result of the consolidation, FX-adjusted performing loan volumes grew almost four-fold***
- ***The DPD90+ ratio declined below 10%***

Based on the acquisition agreement signed on 4 August 2017 by OTP banka Srbija a.d. Novi Sad, the Serbian subsidiary of OTP Bank and the Group of National Bank of Greece ("NBG") on purchasing 100% shareholding held in the Serbian Vojvodjanska banka a.d. („VOBAN") and NBG Leasing d.o.o. and certain other Serbian exposures held by the Group of the National Bank of Greece S.A. the financial closure of the transaction has been completed on 1 December 2017 and Vojvodjanska banka was consolidated.

The Serbian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown on consolidated level among the adjustment items. The balance sheet items were not adjusted for the acquisition effect.

The Serbian operation (including Vojvodjanska banka) posted HUF 2.9 billion loss in 2017 versus a profit of HUF 39 million achieved in 2016. The bank realized HUF 1.6 billion negative result in 4Q. The consolidation of Vojvodjanska banka in December added HUF 73 million profit to the Serbian after tax results.

Based on total assets, the market share of the Serbian operation jumped to 5.5% at end-December. Mainly as a result of the consolidation the branch network grew by 105 units, the total number of ATMs by 135 and the number of employees by 1,464 people, respectively.

The dynamism of P&L lines was predominantly shaped by the consolidation of Vojvodjanska banka. As for the operating profit the contribution of Vojvodjanska banka comprised HUF 0.3 billion, withint that it brought in HUF 1.1 billion in net interest income, HUF 0.4 billion in net fees and commissions and HUF 0.3 billion other income, respectively. The operating costs reached HUF 1.5 billion, while the total risk cost amounted to HUF 0.4 billion.

The annual operating profit of the Serbian operation almost doubled y-o-y, within that total income advanced by 30%, while operating expenses went up by 24%. Without the effect of Vojvodjanska acquisition, the operating profit grew by 48%, total income by 7% and operating expense by 3% y-o-y, respectively.

Total risk costs comprised HUF 4.4 billion (o/w 4Q: HUF 2.3 billion) underpinning a y-o-y HUF 3.7 billion increase. Part of the growth was related to the revaluation of collaterals behind DPD90+ volumes which induced a risk cost increase in 4Q; on the other hand, other risk cost also increased. Furthermore, the consolidation of Vojvodjanska banka added HUF 0.4 billion to 4Q (and annual) risk costs.

Within the annual total income of the Serbian operation, both the net interest income and net fees and commission income grew substantially (+25% and +38% y-o-y). Even without the consolidation the yearly dynamism was material (+7% and 13%, respectively).

The annual net interest margin (4.92%) improved by 31 bps y-o-y and it was entirely the result of the consolidation of Vojvodjanska banka[9]; without it the Serbian NIM remained stable y-o-y. The 4Q margin increase was also reasoned by the consolidation.

The DPD90+ loan portfolio decreased by HUF 7.1 billion y-o-y, while in 4Q it remained unchanged. The DPD90+ portfolio of Vojvodjanska banka was consolidated net of provisions, i.e. adjusted for provisions already set aside at the time of consolidation. The DPD90+ portfolio at Vojvodjanska banka stood at HUF 4.1 billion in December 2017. In 2017 HUF 11 billion non-performing portfolio was sold or written-off, of which HUF 4.9 billion happened in 4Q. On an FX-adjusted basis and without the effect of loan sales and write-offs the volume of DPD90+ loans grew by HUF 4.2 billion in 4Q 2017, o/w HUF 3.7 billion was related to Vojvodjanska banka. The DPD90+ ratio shrank to 9.2% by the end of 2017.

Loan volume trends were mainly shaped by the consolidation of Vojvodjanska banka. The performing (DPD0-90) loan portfolio was consolidated on a gross base, whereas the DPD90+ volumes on a net base (as explained earlier). As a result, gross volumes grew by HUF 194 billion q-o-q, while the performing portfolio expanded by HUF 195 billion (FX-adjusted) – within that Vojvodjanska banka added HUF 197 billion and HUF 193 billion q-o-q, respectively.

The FX-adjusted performing volumes increased almost four-fold y-o-y as a result of the consolidation. But even without the merger effect performing volumes expanded by 17% y-o-y and 2% q-o-q on a stand-alone base.

FX-adjusted deposit base more than quadrupled q-o-q in 4Q, consequently the net loan-to-deposit ratio dropped to 82% (-25.5 pps q-o-q).

The y-o-y increase of shareholders' equity was reasoned by the capital injection made by the mother bank in relation to the acquisition of Vojvodjanska banka. According to local regulation the capital adequacy ratio of the Serbian subsidiary holding the shares of Vojvodjanska banka stood at 28.4% at the end of 2017.

[9] The 4Q 2017 Serbian margin was upwardly biased by the fact that practically the full December net interest income of Vojvodjanska banka was consolidated, but according to the performance indicator calculation methodology, the total assets of Vojvodjanska banka (which influences the denominator of net interest margin) was counted in only from the end of December.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account in HUF mn	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	-1,849	-155	-92%	-3,511	676	-819	-221%	-77%
Income tax	2	-11	-830%	2	0	-11	-100%	-830%
Profit before income tax	-1,851	-144	-92%	-3,512	676	-808	-220%	-77%
Operating profit	2,684	1,802	-33%	443	422	319	-24%	-28%
Total income	10,022	9,709	-3%	2,413	2,209	3,008	36%	25%
Net interest income	6,951	6,543	-6%	1,691	1,609	1,664	3%	-2%
Net fees and commissions	2,622	3,319	27%	611	752	1,381	84%	126%
Other net non-interest income	449	-153	-134%	112	-152	-37	-76%	-133%
Operating expenses	-7,337	-7,907	8%	-1,970	-1,787	-2,689	50%	36%
Total provisions	-4,535	-1,947	-57%	-3,955	254	-1,127	-543%	-72%
Provision for possible loan losses	-4,289	-864	-80%	-3,793	463	-703	-252%	-81%
Other provision	-246	-1,083	339%	-163	-209	-425	103%	161%
Main components of balance sheet closing balances in HUF mn	2016	2017	YTD	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Total assets	197,562	197,590	0%	197,562	203,001	197,590	-3%	0%
Gross customer loans	143,331	138,485	-3%	143,331	134,830	138,485	3%	-3%
Gross customer loans (FX-adjusted)	142,926	138,485	-3%	142,926	134,358	138,485	3%	-3%
Retail loans	71,480	72,987	2%	71,480	73,749	72,987	-1%	2%
Corporate loans	71,446	65,499	-8%	71,446	60,609	65,499	8%	-8%
Allowances for possible loan losses	-56,513	-38,899	-31%	-56,513	-42,846	-38,899	-9%	-31%
Allowances for possible loan losses (FX-adjusted)	-56,353	-38,899	-31%	-56,353	-42,696	-38,899	-9%	-31%
Deposits from customers	149,119	152,316	2%	149,119	155,984	152,316	-2%	2%
Deposits from customer (FX-adjusted)	147,783	152,316	3%	147,783	155,315	152,316	-2%	3%
Retail deposits	112,614	116,502	3%	112,614	114,580	116,502	2%	3%
Corporate deposits	35,169	35,814	2%	35,169	40,735	35,814	-12%	2%
Liabilities to credit institutions	20,765	17,962	-13%	20,765	18,271	17,962	-2%	-13%
Subordinated debt	0	0	-100%	0	0	0	-100%	-100%
Total shareholders' equity	21,188	21,127	0%	21,188	21,983	21,127	-4%	0%
Loan Quality	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	60,801	43,395	-29%	60,801	49,208	43,395	-12%	-29%
90+ days past due loans/gross customer loans (%)	42.4%	31.3%	-11.1%p	42.4%	36.5%	31.3%	-5.2%p	-11.1%p
Cost of risk/average gross loans (%)	2.90%	0.63%	-2.27%p	10.46%	-1.36%	2.05%	3.41%p	-8.40%p
Cost of risk/average (FX-adjusted) gross loans	2.93%	0.62%	-2.31%p	10.53%	-1.37%	2.06%	3.43%p	-8.47%p
Total provisions/90+ days past due loans (%)	92.9%	89.6%	-3.3%p	92.9%	87.1%	89.6%	2.6%p	-3.3%p
Performance Indicators (%)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
ROA	-1.0%	-0.1%	0.9%p	-7.1%	1.4%	-1.6%	-3.0%p	5.5%p
ROE	-7.9%	-0.7%	7.1%p	-58.8%	12.5%	-14.9%	-27.5%p	43.9%p
Total income margin	5.16%	5.02%	-0.14%p	4.87%	4.50%	5.92%	1.41%p	1.04%p
Net interest margin	3.58%	3.38%	-0.19%p	3.41%	3.28%	3.27%	-0.01%p	-0.14%p
Cost/income ratio	73.2%	81.4%	8.2%p	81.6%	80.9%	89.4%	8.5%p	7.8%p
Net loans to deposits (FX-adjusted)	59%	65%	7%p	59%	59%	65%	6%p	7%p
FX rates (in HUF)	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
HUF/EUR (closing)	311.0	310.1	0%	311.0	311.2	310.1	0%	0%
HUF/EUR (average)	311.5	309.2	-1%	309.4	306.4	311.6	2%	1%

- ***In 2017 the bank posted HUF 0.2 billion loss o/w 4Q represented HUF 0.8 billion negative result***
- ***The annual operating profit dropped by 33% y-o-y as a result of 3% lower total income and 8% increase in operating expenses; however total risk costs more than halved y-o-y***
- ***The DPD90+ ratio (31.3%) further improved, supported also by sale/write offs in 4Q***
- ***FX-adjusted performing loan volume increase was mainly due to the expansion of the corporate segment***

The Montenegrin **CKB Bank** posted HUF 0.2 billion loss in 2017 against HUF 1.8 billion loss in 2016. In 4Q the bank suffered HUF 0.8 billion negative result mainly due to higher risk costs.

The annual operating profit declined by 33% y-o-y due to lower total income (-3% y-o-y) and increasing operating expenses (+8% y-o-y). The weaker income was shaped by the erosion of net interest income (-6% y-o-y) and lower other net non-interest income. The annual net interest margin eroded by 19 bps y-o-y, because lower interest income on newly disbursed exposures couldn't be off-set by moderating cost of funding. The decline in other net non-interest income was related to losses realized on property sales.

Effective from 4Q 2017 the contribution paid into the deposit insurance scheme and booked earlier within net fees and commissions was shifted into the operating cost line in a lump sum for the whole year (HUF 0.7 billion). The y-o-y 27% surge in net fees and commissions was reasoned by that reclassification, without that the annual net fee and commission would have eroded by 1% y-o-y. Simultaneously, the 8% y-o-y increase of operating expenses was mainly induced by this shift; the adjusted cost dynamism would have shown a y-o-y 2% moderation.

4Q operating profit dropped by 24% as a result of seasonally increasing operational expenses (higher personal expenses and marketing costs); amortization also increased.

The total risk cost dropped by 57% y-o-y. In 4Q there was a q-o-q increase reasoned by base effect: in 3Q there was a provision release.

The DPD90+ ratio (31.3%) improved further by 11.1 pps y-o-y (-5.2 pps q-o-q). The DPD90+ loan volume (FX-adjusted, without sales and write offs) decreased by HUF 0.9 billion y-o-y, within that in 4Q by HUF 0.3 billion, respectively. During 2017 HUF 17 billion non-performing loans were sold/written off, of which HUF 6.1 billion in 4Q.

The FX-adjusted performing loan portfolio increased by 16% y-o-y mainly due to the remarkable growth of corporate exposures (+35% y-o-y, bulk of it was realized in 4Q). The retail portfolio also increased (+6% y-o-y): the mortgage loans advanced by 8% y-o-y and the consumer portfolio by 5%, respectively.

The FX-adjusted deposit portfolio grew by 3% y-o-y, but eroded in 4Q by 2% q-o-q due to corporate deposit outflow.

The capital adequacy ratio calculated according to local requirements stood at 22.6% at the end of 2017.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 35,633 as of 31 December 2017. The Serbian increase mainly reflects to the Vojvodjanska banka acquisition (1,473 employees).

OTP Group provides services through 1,488 branches and more than 4,340 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network which includes 362 branches and 1,945 ATM terminals. OTP Bank (Hungary) has 70 thousands POS terminals.

	31/12/2016				31/12/2017			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	367	1,883	59,988	8,293	362	1,945	70,002	9,049
o/w: new OTP Core members from 1Q 2017								581
DSK Group	372	892	5,723	4,679	367	890	7,005	4,872
OTP Bank Russia (w/o employed agents)	134	267	1,446	4,744	134	230	1,079	4,956
Touch Bank (Russia)	0	0	0	268	0	0	0	356
OTP Bank Ukraine (w/o employed agents)	84	118	246	2,151	85	115	382	2,224
OTP Bank Romania	100	147	3,374	1,119	96	139	4,351	1,163
OTP banka Hrvatska (including Splitska banka)	103	273	2,269	1,097	196	528	10,765	2,430
OTP Banka Slovenko	61	142	223	667	62	148	276	674
OTP banka Srbija (including Vojvodjanska banka)	52	118	2,303	611	157	254	5,098	2,103
CKB	29	87	4,991	424	29	91	4,070	429
Foreign subsidiaries, total	**935**	**2,044**	**20,575**	**15,758**	**1,126**	**2,395**	**33,026**	**19,206**
Other Hungarian and foreign subsidiaries[1]				1,327				860
OTP Group (w/o employed agents)				**25,378**				**29,115**
OTP Bank Russia - employed agents				*6,324*				5,771
OTP Bank Ukraine - employed agents				*633*				747
OTP Group (aggregated)	**1,302**	**3,927**	**80,563**	**32,335**	**1,488**	**4,340**	**103,028**	**35,633**

[1] Due to the changes of the data provider group members, and companies (previously presented among other Hungarian Group members) becoming member of OTP Core from 1Q 2017, the historical employee numbers of Other Hungarian and foreign subsidiaries are not comparable.

PERSONAL AND ORGANIZATIONAL CHANGES

In consideration of retirement the employment relationship of Antal Kovács, Deputy Chief Executive Officer, head of the Retail Division and internal member of the Board of Directors, was terminated by mutual agreement on 17 March 2017. According to the Act on Credit Institutions and Financial Enterprises, the internal membership of the Board of Directors was terminated at the time his employment was terminated.

Antal Kovács and OTP Bank Plc. concluded an employment contract for an indefinite duration from 20 March 2017 and based thereon Antal Kovács as a head of division and – as of the date of delivery of the permission of National Bank of Hungary – as the Deputy Chief Executive Officer (according to the Act on Credit Institutions and Financial Enterprises as managing director) will be the head of the Retail Division.

The Annual General Meeting elects Mr. György Antal Kovács as member of the Board of Directors of the Company until the Annual General Meeting of the Company closing the 2020 business year but not later than 30 April 2021.

The Annual General Meeting elects Mr. Tibor Tolnay Dr. Gábor Horváth, Mr. András Michnai, Mrs. Ágnes Rudas, Mr. Dominique Uzel and Dr. Márton Gellért Vági as members of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2019 business year but not later than 30 April 2020.

The Annual General Meeting elects Dr. Gábor Horváth, Mr. Tibor Tolnay Mr. Dominique Uzel and Dr. Márton Gellért Vági as members of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2019 business year but not later than 30 April 2020.

The Annual General Meeting elects concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2017, the Annual General Meeting is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2017 until 30 April 2018.

Based on the decision of the Board of Directors Mr. György Kiss-Haypál, Chief of Credit Approval and Risk Management Division, was appointed as Deputy Chief Executive Officer – possessing the necessary permissions – from 3 May 2017.

FINANCIAL DATA

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION

in HUF million	OTP Bank			Consolidated		
	31/12/2017	31/12/2016	change	31/12/2017	31/12/2016	change
Cash, amounts due from banks and balances with the National Bank of Hungary	399,124	928,846	-57%	1,198,046	1,625,357	-26%
Placements with other banks, net of allowance for placement losses	978,098	915,654	7%	462,180	363,530	27%
Financial assets at fair value through profit or loss	303,926	168,188	81%	344,417	189,778	81%
Securities available-for-sale	1,735,902	1,484,522	17%	2,174,718	1,527,093	42%
Loans, net of allowance for loan losses	2,145,049	1,902,935	13%	6,987,834	5,736,231	22%
Investments in subsidiaries, associates and other investments	967,414	668,869	45%	12,269	9,837	25%
Securities held-to-maturity	1,043,780	858,151	22%	1,310,331	1,114,227	18%
Property, equipments and intangible assets	100,537	92,395	9%	413,389	355,516	16%
Other assets	98,053	133,571	-27%	287,044	287,472	0%
TOTAL ASSETS	**7,771,882**	**7,153,132**	**9%**	**13,190,228**	**11,209,041**	**18%**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	694,533	646,271	7%	472,068	543,774	-13%
Deposits from customers	5,192,870	4,745,050	9%	10,233,471	8,540,584	20%
Liabilities from issued securities	60,303	104,103	-42%	250,320	146,900	70%
Financial liabilities at fair value through profit or loss	79,544	96,668	-18%	69,874	75,871	-8%
Other liabilities	210,541	238,258	-12%	448,412	403,805	11%
Subordinated bonds and loans	108,835	110,358	-1%	76,028	77,458	-2%
TOTAL LIABILITIES	**6,346,627**	**5,940,709**	**7%**	**11,550,173**	**9,788,392**	**18%**
Share capital	28,000	28,000	0%	28,000	28,000	0%
Retained earnings and reserves	1,155,246	1,020,754	13%	1,390,737	1,247,269	12%
Net earnings for the year	251,550	172,378	46%	281,142	202,210	39%
Treasury shares	-9,540	-8,709	10%	-63,289	-60,121	5%
Non-controlling interest	0	0		3,465	3,292	5%
TOTAL SHAREHOLDERS' EQUITY	**1,425,255**	**1,212,422**	**18%**	**1,640,055**	**1,420,650**	**15%**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**7,771,882**	**7,153,132**	**9%**	**13,190,228**	**11,209,041**	**18%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME

in HUF million	OTP Bank			Consolidated		
	2017	2016	change	2017	2016	change
Loans	120,958	125,110	-3%	521,122	510,449	2%
Placements with other banks	47,777	102,317	-53%	42,686	74,589	-43%
Amounts due from banks and balances with the National Banks	1,403	9,830	-86%	1,444	9,865	-85%
Securities held for trading	0	0		0	0	
Securities available-for-sale	30,100	35,767	-16%	34,442	34,557	0%
Securities held-to-maturity	44,737	41,327	8%	56,343	51,427	10%
Other interest income	0	0		10,479	8,804	19%
Interest income	*244,976*	*314,350*	*-22%*	*666,515*	*689,691*	*-3%*
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	-56,849	-103,633	-45%	-46,475	-75,925	-39%
Deposits from customers	-9,245	-22,854	-60%	-50,995	-72,554	-30%
Liabilities from issued securities	-151	-1,329	-89%	-5,727	-4,726	21%
Subordinated bonds and loans	-3,033	-13,721	-78%	-2,259	-10,239	-78%
Other interest expense	0	0		-7,303	-6,518	12%
Interest expense	*-69,278*	*-141,537*	*-51%*	*-112,759*	*-169,963*	*-34%*
Net interest income	**175,698**	**172,813**	**2%**	**553,755**	**519,729**	**7%**
Provision for impairment on loans	-7,806	-13,628	-43%	-40,620	-93,605	-57%
Provision for impairment on placement losses	32	-3		-228	133	-272%
Provision for impairment on loans and placement losses	-7,774	-13,631	-43%	-40,848	-93,472	-56%
NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	167,924	159,182	5%	512,908	426,256	20%
Income from fees and commissions	206,759	189,730	9%	315,606	272,235	16%
Expense from fees and commissions	-30,357	-26,254	16%	-54,413	-49,244	10%
NET PROFIT FROM FEES AND COMMISSIONS	176,402	163,476	8%	261,193	222,991	17%
Foreign exchange gains, net (-)/(+)	4,555	5,075	-10%	16,579	29,305	-43%
Gains / (losses) on securities, net	7,946	44,999	-82%	7,930	20,828	-62%
Gains on real estate transactions	222	268	-17%	2,093	1,923	9%
Dividend income	82,638	90,467	-9%	4,152	3,054	36%
Net insurance result	0	0		410	0	
Gains and losses on derivative financial instruments	2,030	656	209%	5,291	6,838	-23%
Other operating income	9,768	8,375	17%	62,968	17,704	256%
Other operating expense	71,359	-28,850	-347%	-51,230	-36,405	41%
NET OPERATING RESULT	178,519	120,989	48%	48,193	43,247	11%
Personnel expenses	-90,444	-88,720	2%	-213,886	-191,443	12%
Depreciation and amortization	-20,528	-21,907	-6%	-49,493	-44,428	11%
Other administrative expenses	-141,455	-139,547	1%	-236,072	-220,228	7%
OTHER ADMINISTRATIVE EXPENSES	-252,427	-250,174	1%	-499,451	-456,099	10%
PROFIT BEFORE INCOME TAX	**270,418**	**193,473**	**40%**	**322,842**	**236,396**	**37%**
Income tax	-18,868	-21,095	-11%	-41,503	-33,944	22%
NET PROFIT FOR THE PERIODS	**251,550**	**172,378**	**46%**	**281,339**	**202,452**	**39%**
From this, attributable to non-controlling interest	0	0		-197	-242	-18%
NET PROFIT FOR THE PERIODS ATTRIBUTABLE OWNERS OF THE COMPANY	**251,550**	**172,378**	**46%**	**281,142**	**202,210**	**39%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

in HUF million	OTP Bank			Consolidated		
	31/12/2017	31/12/2016	change	31/12/2017	31/12/2016	change
OPERATING ACTIVITIES						
Profit before income tax	270,417	193,474	40%	322,842	236,395	37%
Adjustments to reconcile income before income taxes to net cash provided by operating activities						
Income tax paid	0	-264		-14,797	-19,922	-26%
Depreciation and amortization	20,529	21,907	-6%	48,988	44,427	10%
Provision for impairment / Release of provision	-78,627	24,985	-415%	65,121	81,888	-20%
Share-based payment	3,598	3,530	2%	3,598	3,530	2%
Unrealized (losses) / gains on fair value adjustment of securities held for trading	-18,335	-9,970	84%	18,335	-9,969	-284%
Unrealized losses on fair value adjustment of derivative financial instruments	12,458	-14		11,966	14,762	-19%
Changes in operating assets and liabilities	-22,370	134,658	-117%	303,214	124,165	144%
Net cash provided by operating activities	**187,670**	**368,306**	**-49%**	**759,771**	**475,276**	**60%**
INVESTING ACTIVITIES						
Net cash used in investing activities	**-663,249**	**-306,402**	**116%**	**-1,037,066**	**-498,110**	**108%**
FINANCING ACTIVITIES						
Net cash used in financing activities	**-56,833**	**-420,496**	**-86%**	**-50,626**	**-275,848**	**-82%**
Net increase in cash and cash equivalents	**-532,412**	**-358,592**		**-327,921**	**-298,682**	**10%**
Cash and cash equivalents at the beginning of the period	880,266	1,238,858	-29%	1,128,610	1,427,292	-21%
Cash and cash equivalents at the end of the period	**347,854**	**880,266**	**-60%**	**800,689**	**1,128,610**	**-29%**

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 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
Terminated share based payment								
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**

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 2017	**28,000**	**52**	**28,237**	**1,476,657**	**-55,468**	**-60,121**	**3,292**	**1,420,649**
Net profit for the year	--	--	--	281,142		--	197	281,339
Other comprehensive income				-4,920			-24	-4,944
Share-based payment	--	--	3,598			--	--	3,598
Treasury shares								
Dividend for the year 2016	--	--	--	-53,200		--	--	-53,200
Put option								
Treasury shares								
– sale						10,342		10,342
– loss on sale				-2,839				-2,839
– volume change						-13,510		-13,510
Payment to ICES holders				-1,380				-1,380
Balance as at 31 December 2017	**28,000**	**52**	**31,835**	**1,695,460**	**-55,468**	**-63,289**	**3,465**	**1,640,055**

Ownership structure of OTP Bank Plc.

as at 31 December 2017

Description of owner	Total equity					
	At the beginning of actual year			End of actual period		
	%[1]	%[2]	Qty	%[1]	%[2]	Qty
Domestic institution/company	20.20%	20.47%	56,561,346	20.06%	20.28%	56,171,016
Foreign institution/company	64.83%	65.71%	181,528,602	63.73%	64.42%	178,445,190
Domestic individual	4.42%	4.48%	12,364,400	3.92%	3.97%	10,988,183
Foreign individual	0.16%	0.16%	447,025	0.23%	0.23%	650,713
Employees, senior officers	0.79%	0.80%	2,214,853	0.80%	0.81%	2,250,991
Treasury shares[3]	1.33%	0.00%	3,737,768	1.07%	0.00%	3,009,046
Government held owner[4]	0.08%	0.08%	225,928	0.08%	0.08%	226,012
International Development Institutions[5]	0.02%	0.02%	49,715	0.03%	0.03%	70,502
Other[6]	8.17%	8.28%	22,870,373	10.07%	10.18%	28,188,357
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Ownership share. The data of Domestic individual and Employees, senior officers were revised for the beginning of actual year.
[2] Voting rights
[3] From 2Q 2017 treasury shares do not include the OTP shares held by 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 (2017)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	1,281,704	1,343,799	820,776	1,021,259	935,486
ESOP	382,504	382,504			
Subsidiaries	2,073,560	2,073,560	2,073,560	2,073,560	2,073,560
TOTAL	3,737,768	3,799,863	2,894,336	3,094,819	3,009,046

Shareholders with over/around 5% stake as at 31 December 2017

Name	Number of shares	Ownership	Voting rights
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.66%
Megdet, Timur and Ruszlan Rahimkulov	22,931,972	8.48%	8.57%
OPUS Securities S.A.	14,496,476	5.18%	5.23%
Groupama Group	14,369,541	5.13%	5.19%

Senior officers, strategic employees and their shareholding of OTP shares as at 31 December 2017

Type[1]	Name	Position	No. of shares held
IT	Dr. Sándor Csányi [2]	Chairman and CEO	605,097
IT	Mihály Baumstark	member	54,400
IT	Dr. Tibor Bíró	member	22,356
IT	Tamás Erdei	member	16,039
IT	Dr. István Gresa	member	143,071
IT	Antal Kovács	member, Deputy CEO	23,728
IT	Dr. Antal Pongrácz	member	82,101
IT	Dr. László Utassy	member	200,000
IT	Dr. József Vörös	member	150,714
IT	László Wolf	member, Deputy CEO	597,164
FB	Tibor Tolnay	Chairman	54
FB	Dr. Gábor Horváth	member	0
FB	András Michnai	member	5,624
FB	Ágnes Rudas	member	145,598
FB	Dominique Uzel	member	0
FB	Dr. Márton Gellért Vági	member	0
SP	László Bencsik	Chief Financial and Strategic Officer, Deputy CEO	34,961
SP	András Tibor Johancsik	Deputy CEO	4,510
SP	György Kiss-Haypál	Deputy CEO	6,935
TOTAL No. of shares held by management:			**2,092,352**

[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: 2,405,097

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

a) Contingent liabilities

	31/12/2017	31/12/2016
Commitments to extend credit	1,731,030	1,234,450
Guarantees arising from banking activities	532,359	426,541
Confirmed letters of credit	14,541	12,702
Legal disputes (disputed value)	15,775	13,053
Contingent liabilities related to OTP Mortgage Bank	0	0
Other	326,745	302,362
Total:	**2,620,450**	**1,989,108**

[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 in 2017

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 31/12/2017	Outstanding consolidated debt (in HUF million) 31/12/2017
OTP Bank Plc	Retail bond	OTP_VK1_18/1	20/01/2017	20/01/2018	USD	2,784,814	721
OTP Bank Plc	Retail bond	OTP_VK1_18/2	03/03/2017	03/03/2018	USD	4,246,926	1,099
OTP Bank Plc	Retail bond	OTP_VK1_18/3	13/04/2017	13/04/2018	USD	2,475,765	641
OTP Bank Plc	Corporate bond	OTP_DK_18/I	31/05/2017	31/05/2018	HUF	0	0
OTP Bank Plc	Retail bond	OTP_VK1_18/4	02/06/2017	02/06/2018	USD	4,178,742	1,082
OTP Bank Plc	Retail bond	OTP_VK1_18/5	14/07/2017	14/07/2018	USD	2,238,500	579
OTP Bank Plc	Retail bond	OTP_VK1_18/6	04/08/2017	04/08/2018	USD	690,400	179
OTP Bank Plc	Retail bond	OTP_VK1_18/7	29/09/2017	29/09/2018	USD	4,488,184	1,162
OTP Bank Plc	Retail bond	OTP_VK1_18/8	17/11/2017	17/11/2018	USD	3,043,625	788
OTP Bank Plc	Retail bond	OTP_VK1_18/9	20/12/2017	20/12/2018	USD	1,453,820	376
OTP Banka Slovensko	Corporate bond	Bonds OTP IV.	28/02/2017	27/02/2018	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXXI.	29/03/2017	28/03/2018	EUR	0	0
OTP Banka Slovensko	Corporate bond	Bonds OTP V.	31/07/2017	30/07/2018	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXXII.	15/12/2017	14/12/2018	EUR	0	0
OTP Mortgage Bank	Mortgage bond	OJB2021_I	15/02/2017	27/10/2021	HUF	96,750	96,750
OTP Mortgage Bank	Mortgage bond	OJB2020_III	23/02/2017	20/05/2020	HUF	32,418	32,418
OTP Mortgage Bank	Mortgage bond	OJB2022_I	24/02/2017	24/05/2022	HUF	20,911	20,911

Security redemptions on Group level in 2017

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 31/12/2016	Outstanding consolidated debt (in HUF million) 31/12/2016
OTP Bank Plc.	Corporate bond	OTP 2017/Ax	01/04/2011	31/03/2017	HUF	3,939	3,939
OTP Bank Plc.	Corporate bond	OTP 2017/Bx	17/06/2011	20/06/2017	HUF	3,727	3,727
OTP Bank Plc.	Corporate bond	OTP 2017/Cx	19/09/2011	25/09/2017	HUF	2,838	2,838
OTP Bank Plc.	Corporate bond	OTP 2017/Dx	20/10/2011	19/10/2017	HUF	385	385
OTP Bank Plc.	Corporate bond	OTP 2017/Ex	21/12/2011	28/12/2017	HUF	3,072	3,072
OTP Bank Plc.	Retail bond	OTP OJK 2017/I	27/01/2012	27/01/2017	HUF	1	1
OTP Bank Plc.	Retail bond	OTP TBSZ6 2017/I	13/01/2012	15/12/2017	HUF	223	223
OTP Bank Plc.	Retail bond	OTP EUR 1 2016/XIII	30/12/2015	13/01/2017	EUR	25,322,500	7,876
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_VK_USD_2_2017/I	10/04/2015	10/04/2017	USD	285,500	84
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.	Corporate bond	OTP 2017/Fx	19/06/2012	16/06/2017	EUR	776,800	242
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 Mortgage Bank	Mortgage bond	OMB2017_I	29/01/2015	28/07/2017	EUR	0	0
OTP Banka Slovensko	Corporate bond	Bonds OTP II.	29/02/2016	28/02/2017	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXVIII.	30/03/2016	29/03/2017	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXIX.	28/09/2016	27/09/2017	EUR	0	0
OTP Banka Slovensko	Mortgage bond	OTP XXX.	16/12/2016	15/12/2017	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	2016	2017	Y-o-Y	4Q 2016	3Q 2017	4Q 2017	Q-o-Q	Y-o-Y
Total	**12,060**	**11,268**	**-7%**	**2,774**	**2,528**	**3,171**	**25%**	**14%**
Short-term employee benefits	9,207	8,323	-10%	2,087	1,872	2,233	19%	7%
Share-based payment	2,330	2,520	8%	583	566	822	45%	41%
Other long-term employee benefits	497	384	-23%	104	90	84	-7%	-19%
Termination benefits	26	29	12%	0	0	20		
Redundancy payments	0	12		0	0	12		
Loans provided to companies owned by the management (normal course of business)	49,383	56,508	14%	49,383	88,048	56,508	-36%	14%
Credit lines and treasury framework contracts of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	326	3,743		326	3,731	3,743	0%	
Commitments to extend credit and guarantees	39,660	38,652	-3%	39,660	37,050	38,652	4%	-3%
Loans provided to unconsolidated subsidiaries	2,196	4,484	104%	2,196	4,666	4,484	-4%	104%

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

SUPPLEMENTARY DATA

ADJUSTMENTS OF THE CONSOLIDATED IFRS BALANCE SHEET LINES

Starting from 3Q 2017, in the adjusted balance sheets presented in the analytical section of the Summary the total amount of accrued interest receivables related to DPD90+ loans were netted with the provisions created in relation to the total exposure toward those particular clients, in case of the affected Group members. Therefore, this adjustment made on the accounting balance sheet has an impact on the consolidated gross customer loans and allowances for loan losses.

in HUF million	3Q 2017	4Q 2017
Gross customer loans (incl. accrued interest receivables related to loans)	7,536,850	7,726,631
(-) Accrued interest receivables related to DPD90+ loans	38,728	36,212
Gross customer loans (adjusted)	7,498,123	7,690,419
Allowances for loan losses	-842,502	-738,797
(-) Allocated provision on accrued interest receivables related to DPD90+ loans	-38,728	-36,212
Allowances for loan losses (adjusted)	-803,774	-702,585

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 certain companies engaged in OTP Group's 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; OTP Bank Employee Stock Ownership Plan Organization was included from 4Q 2016; OTP Card Factory Ltd., OTP Facility Management Llc., MONICOMP Ltd. and OTP Real Estate Lease Ltd. were included from 1Q 2017. 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 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.

(7) From 3Q 2010 the result and balance sheet of OTP Factoring Bulgaria LLC was included. 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. Vojvodjanska banka has been consolidated from 4Q 2017.

(10) Splitska banka was consolidated into OBH's results from 2Q 2017. 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) OTP Leasing Romania IFN S.A. (Romania), OTP Leasing d.d. and SB Leasing d.o.o. (Croatia), DSK Leasing AD (Bulgaria), OTP Lizing d.o.o, OTP Services d.o. (Serbia).

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

(16) OTP Buildings s.r.o. (Slovakia), OTP Real Slovensko s.r.o. (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), OTP Osiguranje d.d. (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 Report, the presented consolidated and separate profit and loss statements of this report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the Financial Data section.

Adjustments:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the presented periods: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, 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, and the gain on the sale of Visa Europe shares. 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. The special banking tax, however, does not include the special tax levied on the result of investment services in the year of 2017 in Hungary, this item is presented among the operating expenses.
- 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.
- 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.
- From 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.
- 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. Furthermore, received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary in 3Q 2017 were reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- 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 other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.
- Tax deductible transfers (offset against corporate taxes) 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 these transfers (i.e. the paid transfer less the related corporate tax allowances) is recognised in the corporate income tax line of the adjusted P&L. The amount of tax deductible transfers offset against the special tax on financial institutions is shown on a net base on the special tax on financial institutions line.
- 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.
- The *Net insurance result* line which appeared in the consolidated accounting P&L structure from 3Q 2017 is presented on the *Net other non-interest result* line within the *Other net non-interest income* in the adjusted P&L structure.
- 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.
- The Compensation Fund (established in Hungary in order to indemnify the victims of Quaestor and Hungarian Securities Ltd.) contributions booked from 1Q 2017 are recognized on the Other administrative expenses line of the accounting income statement, and are presented on the Special tax on financial institutions line and the financial transaction tax in the adjusted P&L structure.
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within the net interest income, but also on the Foreign exchange gains and Net other non-interest result lines within total Other non-interest income – is presented on a net base on the net interest income line starting from 1Q 2016.

- 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 2016 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.

- Performance indicators (such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios) presented in this report are calculated on the basis of the adjusted profit and loss statement excluding adjustment items (unless otherwise indicated). Adjustment items include received dividends and net cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, the corporate tax impact of switching to IFRS from HAR in Hungary, the revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary, and the gain on the sale of Visa Europe shares.
- 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 16	2Q 16	3Q 16	4Q 16 Audited	2016 Audited	1Q 17	2Q 17	3Q 17	4Q 17 Preliminary	2017 Preliminary
Net interest income	**130,789**	**129,338**	**126,945**	**132,658**	**519,729**	**135,080**	**137,987**	**138,961**	**141,727**	**553,755**
(-) Revaluation result of FX provisions	255	229	75	264	823	343	-319	123	43	190
(+) 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	-120	87	-50	-20	-103
(+) Structural correction related to the amendment of interest income recognition methodology in Ukraine in 3Q 2016			3,484	0	3,484	0	0	0	0	0
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core						2,437	1,467	1,102	955	5,961
(-) Effect of acquisitions								660	187	847
Net interest income (adj.)	**129,041**	**129,067**	**130,657**	**133,184**	**521,949**	**132,180**	**136,925**	**137,026**	**140,523**	**546,654**
Net fees and commissions	**50,478**	**54,902**	**57,006**	**60,605**	**222,991**	**58,572**	**64,941**	**65,890**	**71,791**	**261,193**
(+) Financial Transaction Tax	-11,660	-11,382	-11,595	-12,388	-47,025	-14,022	-11,189	-12,841	-13,718	-51,770
(-) Effect of acquisitions							-5	0	0	-5
Net fees and commissions (adj.)	**38,819**	**43,520**	**45,411**	**48,217**	**175,966**	**44,549**	**53,757**	**53,049**	**58,073**	**209,428**
Foreign exchange result	**15,727**	**-3,172**	**7,854**	**8,896**	**29,305**	**2,913**	**2,168**	**4,767**	**6,731**	**16,579**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	13,909	-8,510	3,340	8,065	16,804	-1,923	-4,243	-874	2,690	-4,350
(-) 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	466	-765	-168	105	-837	86	-814
(-) Effect of acquisitions						0	122	0	0	122
Foreign exchange result (adj.)	**3,311**	**5,379**	**4,211**	**365**	**13,266**	**5,004**	**6,185**	**6,478**	**3,955**	**21,622**
Gain/loss on securities, net	**3,361**	**16,213**	**358**	**896**	**20,828**	**1,677**	**3,115**	**1,737**	**1,401**	**7,930**
(-) Gain on the sale of Visa Europe shares		15,924	0	0	15,924	0	0	0	0	0
Gain/loss on securities, net (adj.) with one-offs	**3,361**	**290**	**358**	**896**	**4,904**	**1,677**	**3,115**	**1,737**	**1,401**	**7,930**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)	169	-83	-917	80	-751	-42	-198	996	106	862
Gain/loss on securities, net (adj.) without one-offs	**3,192**	**373**	**1,275**	**816**	**5,655**	**1,719**	**3,312**	**741**	**1,295**	**7,068**
Gains and losses on real estate transactions	**583**	**714**	**124**	**502**	**1,923**	**897**	**630**	**156**	**410**	**2,093**
(+) Other non-interest income	**3,138**	**2,481**	**2,889**	**9,196**	**17,704**	**5,622**	**20,523**	**8,827**	**27,996**	**62,968**
(+) Gains and losses on derivative financial instruments				**6,838**	**6,838**	**-263**	**596**	**1,631**	**3,328**	**5,291**
(+) Net insurance result								**159**	**250**	**410**
(-) Received cash transfers	10	17	5	5	37	1	1	572	9	584
(+) Received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary								560	0	560
(-) Non-interest income from the release of pre-acquisition provisions	194	210	120	210	735	116	2,764	4,183	2,687	9,750
(+) Other other non-interest expenses	-22,063	-5,445	-466	-1,247	-29,221	-1,044	-1,061	-866	-6,695	-9,666
(+) Change in shareholders' equity of companies consolidated with equity method	1	-177	276	-264	-163	32	-149	459	71	413
(-) Effect of acquisitions	0	0	0	0	0	0	14,228	275	17,768	32,271
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations				325	325	49	-18	787	-106	712
(-) One-off impact of regulatory changes related to CHF consumer contracts in Croatia	-8,720	-244	-116	11	-9,068	-36	-6	-8	-4	-54
(-) 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	-58	-233	-206	134	-363
(-) Impact of fines imposed by the Hungarian Competition Authority				3,922	3,922	194	0	0	0	194
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania						-325	-539	-201	-134	-1,200
Net other non-interest result (adj.) with one-offs	**3,139**	**2,001**	**3,299**	**11,039**	**19,478**	**5,304**	**4,342**	**5,524**	**5,006**	**20,175**
(-) 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	**3,139**	**2,001**	**3,299**	**11,039**	**19,478**	**5,304**	**4,342**	**5,524**	**5,006**	**20,175**

in HUF million	1Q 16	2Q 16	3Q 16	4Q 16 Audited	2016 Audited	1Q 17	2Q 17	3Q 17	4Q 17 Preliminary	2017 Preliminary
Provision for loan losses	**-35,123**	**-8,902**	**-11,033**	**-38,414**	**-93,472**	**-11,737**	**-5,965**	**-5,614**	**-17,532**	**-40,848**
(+) Non-interest income from the release of pre-acquisition provisions	194	210	120	210	735	116	2,764	4,183	2,687	9,750
(-) Revaluation result of FX provisions	-14,184	8,290	-3,433	-8,321	-17,648	1,558	4,558	757	-2,728	4,144
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	0	0	-574	0	-574	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	-95	-148	-189	2,209	1,777
(+) Structural correction related to the amendment of interest income recognition methodology in Ukraine in 3Q 2016			-3,484	0	-3,484	0	0	0	0	0
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core						2,437	1,467	1,102	955	5,961
Provision for loan losses (adj.)	**-20,745**	**-13,879**	**-9,077**	**-29,522**	**-73,223**	**-10,647**	**-6,145**	**-896**	**-13,371**	**-31,058**
Dividend income	**59**	**2,834**	**419**	**-258**	**3,054**	**171**	**3,142**	**748**	**90**	**4,152**
(+) Received cash transfers	10	17	5	5	37	1	1	572	9	584
(+) Paid cash transfers	-516	-3,091	-4,690	-4,834	-13,131	-494	-398	-645	-9,959	-11,496
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	-516	-3,091	-4,689	-4,834	-13,130	-492	-398	-645	-9,960	-11,495
(-) Received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary								560	0	560
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	2,841	0	0	2,841	0	3,082	0	0	3,082
(-) Change in shareholders' equity of companies consolidated with equity method	1	-177	276	-264	-163	32	-149	459	71	413
After tax dividends and net cash transfers	**68**	**186**	**146**	**11**	**412**	**139**	**209**	**302**	**30**	**680**
Depreciation	**-10,433**	**-10,724**	**-11,395**	**-11,876**	**-44,428**	**-9,722**	**-12,054**	**-13,897**	**-13,819**	**-49,493**
(-) Effect of acquisitions							-627	-940	-940	-2,507
Depreciation (adj.)	**-10,433**	**-10,724**	**-11,395**	**-11,876**	**-44,428**	**-9,722**	**-11,427**	**-12,957**	**-12,376**	**-46,482**
Personnel expenses	**-45,383**	**-49,687**	**-47,457**	**-48,915**	**-191,443**	**-49,560**	**-53,438**	**-53,831**	**-57,057**	**-213,886**
(-) Effect of acquisitions	0	0	0	0	0	0	-7	-4	-276	-287
Personnel expenses (adj.)	**-45,383**	**-49,687**	**-47,457**	**-48,915**	**-191,443**	**-49,560**	**-53,432**	**-53,827**	**-56,780**	**-213,599**
Income taxes	**-13,388**	**-12,425**	**1,086**	**-9,217**	**-33,944**	**-7,525**	**-12,312**	**-9,232**	**-12,434**	**-41,503**
(-) Corporate tax impact of goodwill/investment impairment charges	0	2,214	8,555	784	11,552	512	-782	-189	-5,102	-5,561
(-) Corporate tax impact of the special tax on financial institutions	2,968	47	52	52	3,120	1,423	46	46	47	1,561
(+) Tax deductible transfers (offset against corporate taxes)	-31	-1,894	-4,116	-3,523	-9,565	0	-45	0	-2,117	-2,162
(-) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	0	0	0	0	0	-17	0	0	0	-17
(-) Corporate tax impact of the effect of acquisitions	0	0	0	0	0	0	439	215	-2,952	-2,298
(-) Corporate tax impact of the gain on the sale of Visa Europe shares		-2,764	0	0	-2,764	0	0	0	0	0
(-) Corporate tax impact of switching to IFRS from HAR in Hungary			-7,477	1,711	-5,766	0	0	0	0	0
(-) Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary				-6,054	-6,054		0	0	0	0
Corporate income tax (adj.)	**-16,388**	**-13,816**	**-4,159**	**-9,233**	**-43,596**	**-9,442**	**-12,060**	**-9,304**	**-6,544**	**-37,350**
Other operating expense, net	**-1,939**	**-484**	**-7,313**	**-26,669**	**-36,405**	**-3,667**	**-16,067**	**-5,420**	**-26,076**	**-51,230**
(-) Other costs and expenses	-1,135	-1,627	-1,514	-1,364	-5,639	-838	-964	-1,149	-2,844	-5,795
(-) Other non-interest expenses	-22,579	-8,536	-5,156	-6,080	-42,351	-1,538	-1,459	-1,511	-16,654	-21,162
(-) Effect of acquisitions	0	0	0	0	0	0	-10,884	0	1,380	-9,504
(-) Revaluation result of FX provisions	20	-9	18	-8	22	22	4	-6	-4	16
(-) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	8,720	244	690	-11	9,642	36	6	8	4	54
(-) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	12,965	7,515	1,796	847	23,123	153	380	395	-2,343	-1,414
(-) Impact of fines imposed by the Hungarian Competition Authority	119	119	555	-2,000	-1,207	0	0	0	0	0
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania						325	539	201	134	1,200
Other provisions (adj.)	**-49**	**1,810**	**-3,703**	**-18,053**	**-19,995**	**-1,828**	**-3,688**	**-3,359**	**-5,749**	**-14,624**
Other administrative expenses	**-63,613**	**-49,152**	**-49,693**	**-57,769**	**-220,228**	**-69,598**	**-52,567**	**-55,554**	**-58,353**	**-236,072**
(+) Other costs and expenses	-1,135	-1,627	-1,514	-1,364	-5,639	-838	-964	-1,149	-2,844	-5,795
(+) Other non-interest expenses	-22,579	-8,536	-5,156	-6,080	-42,351	-1,538	-1,459	-1,511	-16,654	-21,162
(-) Paid cash transfers	-516	-3,091	-4,690	-4,834	-13,131	-494	-398	-645	-9,959	-11,496
(+) Film subsidies and cash transfers to public benefit organisations	-516	-3,091	-4,689	-4,834	-13,130	-492	-398	-645	-9,960	-11,495
(-) Other other non-interest expenses	-22,063	-5,445	-466	-1,247	-29,221	-1,044	-1,061	-866	-6,695	-9,666
(-) Special tax on financial institutions (recognised as other administrative expenses)	-16,381	-215	-238	-235	-17,069	-16,153	-215	-208	-218	-16,794
(-) Tax deductible transfers (offset against corporate taxes)	-31	-1,894	-4,116	-3,523	-9,565	0	-45	0	-2,117	-2,162
(-) Financial Transaction Tax	-11,660	-11,382	-11,595	-12,388	-47,025	-14,022	-11,189	-12,841	-13,718	-51,770
(-) Impact of fines imposed by the Hungarian Competition Authority	-119	-119	-555	0	-793	0	0	0	0	0
(-) Effect of acquisitions							-84	-362	-486	-931
Other non-interest expenses (adj.)	**-37,074**	**-40,259**	**-39,393**	**-47,820**	**-164,545**	**-40,753**	**-42,397**	**-43,937**	**-54,618**	**-181,706**

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