OTP Bank Annual Report

Management's Analysis

2017

Management's analysis of the 2017 results of the OTP Group

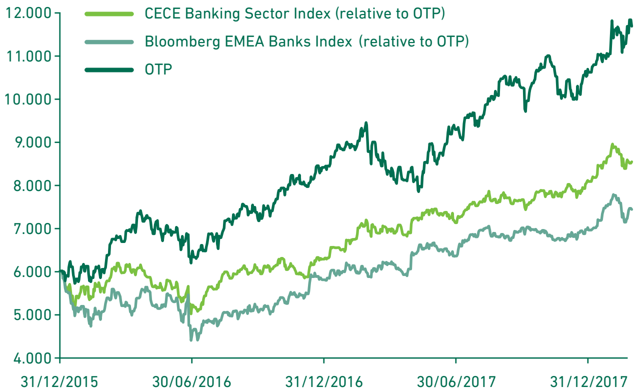
CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the Statement of profit or loss	2016 HUF million	2017 HUF million	Change %
Consolidated after tax profit	**202,452**	**281,339**	**39**
Adjustments (total)	**1,276**	**(2,733)**	**(314)**
Consolidated adjusted after tax profit without the effect of adjustments	**201,176**	**284,072**	**41**
Pre-tax profit	244,772	321,421	31
Operating profit	335,900	363,159	8
Total income	736,316	804,946	9
Net interest income	521,949	546,654	5
Net fees and commissions	175,966	209,428	19
Other net non-interest income	38,400	48,864	27
Operating expenses	(400,416)	(441,788)	10
Total risk costs	(93,218)	(45,682)	(51)
One off items	2,090	3,945	89
Corporate taxes	(43,596)	(37,349)	(14)
Main components of balance sheet (closing balances)	**2016 (restated*)**	**2017**	**%**
Total assets	11,209,041	13,190,228	18
Total customer loans (net, FX-adjusted)	**5,665,091**	**6,987,834**	**23**
Total customer loans and advances (gross)	**6,680,504**	**7,690,419**	**15**
Total customer loans (gross, FX-adjusted)	**6,571,364**	**7,690,419**	**17**
Allowances for possible loan losses	(944,273	(702,585)	(26)
Allowances for possible loan losses (FX-adjusted)	(906,273	(702,585)	(22)
Total customer deposits (FX-adjusted)	**8,428,360**	**10,233,471**	**21**
Issued securities	146,900	250,320	70
Subordinated loans	77,458	76,028	(2)
Total shareholders' equity	1,420,650	1,640,055	15
Indicators based on adjusted earnings	**2016 (restated*)**	**2017**	**pps**
ROE (from accounting net earnings)	15.4%	18.5%	3.1
ROE (from accounting net earnings, on 12.5% CET1 ratio)	17.6%	22.4%	4.8
ROE (from adjusted net earnings)	15.4%	18.7%	3.4
ROA (from adjusted net earnings)	1.9%	2.4%	0.5
Operating profit margin	3.10%	3.03%	(0.07)
Total income margin	6.79%	6.71%	(0.09)
Net interest margin	4.82%	4.56%	(0.26)
Cost-to-asset ratio	3.70%	3.68%	(0.01
Cost/income ratio	54.4%	54.9%	0.5
Risk cost to average gross loans	1.14%	0.43%	(0.71)
Total risk cost-to-asset ratio	0.86%	0.38%	(0.48)
Effective tax rate	17.8%	11.6%	(6.2)
Net loan/(deposit+retail bond) ratio (FX-adjusted)	66%	68%	2
Capital adequacy ratio (consolidated, IFRS) – Basel3	16.0%	14.6%	(1.4)
Tier1 ratio – Basel3	13.5%	12.7%	(0.9)
Common Equity Tier1 ('CET1') ratio – Basel3	13.5%	12.7%	(0.9)
Share Data	**2016**	**2017**	**%**
EPS base (HUF) (from unadjusted net earnings)	765	1,074	40.3
EPS diluted (HUF) (from unadjusted net earnings)	765	1,074	40
EPS diluted (HUF) (from adjusted net earnings)	761	1,085	43
Closing price (HUF)	8,400	10,720	28
Highest closing price (HUF)	8,411	10,930	30
Lowest closing price (HUF)	5,714	7,815	37
Market Capitalization (EUR billion)	7.6	9.7	28
Book Value Per Share (HUF)	5,074	5,857	15
Tangible Book Value Per Share (HUF)	4,487	5,219	16
Price/Book Value	1.7	1.8	11
Price/Tangible Book Value	1.9	2.1	10
P/E (trailing, from accounting net earnings)	11.6	10.7	(8)
P/E (trailing, from adjusted net earnings)	11.7	10.6	(10)
Average daily turnover (EUR million)	15	15	(4)
Average daily turnover (million share)	0.7	0.5	(30)

* Certain balance sheet items have been restated for 2016. For details see the Supplementary data section.

[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.

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 RATING	
OTP Bank Russia	
Long-term credit rating	BB

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2017 RESULTS OF OTP GROUP

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%, and 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 a favourable external environment.

The sovereign rating was back to investment grade again (Baa3/BBB–) by all major rating agencies. In the 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 GDP growth exceeding 4%.

The key engine is going to be the strengthening local consumption, albeit the favourable West-European economic recovery provides a 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 2.5% according to OTP's 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's 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, and in Russia CBR cut the base rate from 10% to 7.75%. In Ukraine and Romania this trend 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, while 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, and 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) and were as follows:

- In 2017 the banking taxes paid by Group members resulted in an after tax negative impact of HUF 15.2 billion, including the Hungarian special tax of financial institutions and the Slovakian banking levy. As for the Hungarian banking tax, the base for calculating the 2017 levy did change, i.e. it was the adjusted total assets at the end of 2015; the applicable upper rate was reduced to 0.21%.
- –HUF 6.1 billion (after tax) negative tax effect related partly to the reversal of impairment charges booked in relation to certain subsidiaries; also, at OTP Bank Slovakia there was a HUF 0.5 billion goodwill write-off;
- +HUF 17.7 billion acquisition effect related partially to the gain on bargain purchase on Splitska and Vojvodjanska banka's acquisition and some expected integration expenses;
- +HUF 0.7 billion dividend and net cash transfer (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 which was partially explained by the y-o-y 10 pps lower Hungarian corporate tax rate, and 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). 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 the red and the Serbian subsidiary couldn't repeat its profitable 2016 performance and posted a negative result. There hasn't been any meaningful turnaround at the Russian on-line bank (Touch Bank) and it suffered 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%. The annual operating profit increased by 8% y-o-y (+4% adjusted for Splitska), whereas total risk costs halved.

It was particularly 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 and finally, the on-going digital transformation required additional expenses, too.

The FX-adjusted gross loan portfolio expanded by 17% y-o-y. 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%. Adjusted for the acquisitions the annual increase would demonstrate a 10% yearly organic growth.

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, and with the consolidation of Splitska banka the expansion was 153% y-o-y. 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), the bulk of which 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 continued selling/writing off non-performing volumes. In 2017 the total amount comprised HUF 255 billion (FX-adjusted).

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.

The consolidated DPD90+ ratio declined substantially, by 5.5 pps y-o-y and stood at 9.2% at the end of 2017. The last time the ratio was below 10% in 2009. 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 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.

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 of provisions were released in 2017.

The long-awaited turnaround in credit growth finally kicked in across 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%. The FX-adjusted deposits (including retail bonds) increased steadily (+10% y-o-y), and 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. The company's market position improved by 0.4 pps y-o-y, retaining their market leading position.

Foreign subsidiaries' annual per-formance: 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.

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, and 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%.

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%). Amid the continuously decreasing interest rate environment the annual NIM dropped by 96 bps in RUB terms (16.86%).

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. 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 the 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 was the key reason 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. While the local currency remained fairly stable against previous years' performance, on average UAH depreciated 6% against HUF, i.e. the performance is better 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%, –156 bps y-o-y) 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 compare 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%. 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 the red in 2017, too (–HUF 2 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 fierce pricing competition the bank failed to stabilize its NIM (2017: 2.98%, –16 bps y-o-y). Performing volumes grew moderately y-o-y (+1%).
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 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** decreasing substantially, 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 2017the 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).

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%. The decline was explained partially by the consolidation of Splitska banka (–1.4 pps) and Vojvodjanska banka (–0.5 pp). 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% 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 leHUF 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 liHUFed 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]

	2016 HUF million	2017 HUF million	Change %
Consolidated after tax profit	**202,452**	**281,339**	**39**
Adjustments (total)	**1,276**	**(2,733)**	**(314)**
Consolidated adjusted after tax profit without the effect of adjustments	**201,176**	**284,072**	**41**
Banks total without one-off items[1]	189,954	265,422	40
OTP CORE (Hungary)[2]	122,194	168,576	38
Corporate Centre (after tax)[3]	(5,868)	194	(103)
OTP Bank Russia[4]	20,535	27,771	35
Touch Bank (Russia)[5]	(5,898)	(7,391)	25
OTP Bank Ukraine[6]	10,202	14,120	38
DSK Bank (Bulgaria)[7]	47,385	47,122	(1)
OBR (Romania)[8]	1,655	3,036	83
OTP banka Srbija (Serbia)[9]	39	(2,904)	
OBH (Croatia)[10]	3,783	17,105	352
OBS (Slovakia)[11]	(2,223)	(2,051)	(8)
CKB (Montenegro)[12]	(1,849)	(155)	(92)
Leasing	3,968	9,836	148
Merkantil Bank + Car, adj. (Hungary)[13]	2,605	8,260	217
Foreign leasing companies (Croatia, Bulgaria, Romania, Serbia)[14]	1,363	1,575	16
Asset Management	6,723	8,677	29
OTP Asset Management (Hungary)	6,658	8,259	24
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[15]	65	418	543
Other Hungarian Subsidiaries	1,888	(747)	(140)
Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Croatia, Belize)[16]	403	295	(27)
Eliminations	(1,760)	590	(134)
Total adjusted after tax profit of HUNGARIAN subsidiaries[17]	125,718	185,132	47
Total adjusted after tax profit of FOREIGN subsidiaries[18]	75,458	98,940	31
Share of foreign profit contribution, %	**38%**	**35%**	**(7)**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS[3]

Main components of the Statement of profit or loss	2016 HUF million	2017 HUF million	Change %
Consolidated after tax profit	**202,452**	**281,339**	**39**
Adjustments (total)	**1,276**	**(2,733)**	**(314)**
Dividends and net cash transfers (after tax)	412	680	65
Goodwill/investment impairment charges (after tax)	11,552	(6,064	(152)
Special tax on financial institutions (after corporate income tax)	(13,950)	(15,233)	9
Impact of fines imposed by the Hungarian Competition Authority (after tax)	1,922	177	(91)
Effect of acquisitions (after tax)	0	17,708	
Corporate tax impact of switching to IFRS from HAR in Hungary	(5,766)	0	(100)
Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary	(6,054)	0	(100)
Gain on the sale of Visa Europe shares (after tax)	13,160	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**201,176**	**284,072**	**41**
Before tax profit	**244,772**	**321,421**	**31**
Operating profit	**335,900**	**363,159**	**8**
Total income	**736,316**	**804,946**	**9**
Net interest income	**521,949**	**546,654**	**5**
Net fees and commissions	**175,966**	**209,428**	**19**
Other net non-interest income	**38,400**	**48,864**	**27**
Foreign exchange result, net*	13,266	21,622	63
Gain/loss on securities, net	5,655	7,068	25
Net other non-interest result*	19,478	20,175	4
Operating expenses	**(400,416)**	**(441,788)**	**10**
Personnel expenses	(191,443)	(213,599)	12
Depreciation	(44,428)	(46,482)	5
Other expenses	(164,545)	(181,707)	10
Total risk costs	**(93,218)**	**(45,682)**	**(51)**
Provision for loan losses	(73,223)	(31,058)	(58)
Other provision	(19,995)	(14,624)	(27)
Total one-off items	**2,090**	**3,945**	**89**
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	
Result of the treasury share swap at OTP Core	2,090	3,945	89
Corporate taxes	**(43,596)**	**(37,349)**	**(14)**
Indicators	**2016 (restated**)**	**2017**	**%/pps**
ROE (from accounting net earnings)	15.4%	18.5%	3.1
ROE (from adjusted net earnings)	15.4%	18.7%	3.4
ROA (from adjusted net earnings)	1.9%	2.4%	0.5
Operating profit margin	3.10%	3.03%	(0.07)
Total income margin	6.79%	6.71%	(0.09)
Net interest margin	4.82%	4.56%	(0.26)
Net fee and commission margin	1.62%	1.75%	0.12
Net other non-interest income margin	0.35%	0.41%	0.05
Cost-to-asset ratio	3.70%	3.68%	(0.01)
Cost/income ratio	54.4%	54.9%	0.5
Risk cost for loan losses-to-average gross loans	1.14%	0.43%	(0.71)
Risk cost for loan losses-to-average FX-adjusted gross loans	1.17%	0.42%	(0.76)
Total risk cost-to-asset ratio	0.86%	0.38%	(0.48)
Effective tax rate	17.8%	11.6%	(6.2)
Non-interest income/total income	29%	32%	3
EPS base (HUF) (from unadjusted net earnings)	765	1,074	40
EPS diluted (HUF) (from unadjusted net earnings)	765	1,074	40
EPS base (HUF) (from adjusted net earnings)	761	1,085	43
EPS diluted (HUF) (from adjusted net earnings)	761	1,085	43

* In case of the Romanian and Slovakian bank the revaluation result of certain intra-group swaps is presented on a net basis 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).
This adjustment was retrospectively 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.

** Certain balance sheet items have been restated for 2016. For details see the Supplementary data section.

[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.

Comprehensive Income Statement	2016	2017	%
Consolidated after tax profit	202,452	281,339	39
Fair value adjustment of securities available-for-sale (recognised directly through equity)	11,824	15,677	33
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	0	0	
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	525	155	(70)
Foreign currency translation difference	24,554	(20,535)	(184)
Change of actuarial losses (IAS 19)	61	(241)	(495)
Net comprehensive income	**239,416**	**276,395**	**15**
o/w Net comprehensive income attributable to equity holders	238,775	276,222	16
Net comprehensive income attributable to non-controlling interest	641	173	(73)

Average exchange rate of the HUF	2016 HUF	2017 HUF	Change %
HUF/EUR	311	309	(1)
HUF/CHF	286	279	(3)
HUF/USD	281	274	(3)

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position…

The primary objective of OTP Group in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.
Refinancing sources of the European Central Bank are still available for OTP (EUR 304 million). As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising (except for the mortgage bond issuances due to regulatory requirements).
Even with the liquidity absorbing effect of acquisitions (EUR 845 million), total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2017 the gross liquidity buffer was around EUR 8.3 billion equivalent. This buffer is significantly higher than the maturing debt within one year and the reserves required to protect against possible liquidity shocks. Due to governmental FX lending measures and FX loan conversion FX liquidity need of the Group has considerably declined. The maturing long-term FX-swaps were not refinanced and the ECB refinancing facilities are currently not utilized and the FX liquidity reserves are at safe levels (at EUR 1.08 billion on 31 December 2017).
The volume of issued securities increased by 70% y-o-y, mainly because in order to comply with a new liquidity ratio introduced by the National Bank of Hungary OTP Group sold about HUF 148 billion mortgage bonds to external counterparties in the first half of 2017 (issued by OTP Mortgage Bank). The inflow from this was invested into government bonds and mortgage bonds issued by other banks.
On the yearly basis the Hungarian retail bond portfolio shrank by HUF 30 billion (–82%).
The volume of subordinated debt was practically flat y-o-y.

…and kept its interest-rate risk exposures low.

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently, it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 45.7 billion in total, primarily due to the capital requirement of the FX risk exposure. OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore, the group level FX exposure was concentrated at OTP Bank. Thus the main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position (EUR 310 million) kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of balance sheet	2016 HUF million (restated*)	2017 HUF million	Change %
TOTAL ASSETS	**11,209,041**	**13,190,228**	**18**
Cash and amount due from banks	1,625,357	1,198,046	(26)
Placements with other banks	363,530	462,180	27
Financial assets at fair value	189,778	344,417	81
Securities available-for-sale	1,527,093	2,174,718	42
Net customer loans	5,736,231	6,987,834	22
Net customer loans (FX-adjusted)**	**5,665,091**	**6,987,834**	**23**
Gross customer loans	6,680,504	7,690,419	15
Gross customer loans (FX-adjusted)**	**6,571,364**	**7,690,419**	**17**
o/w Retail loans	4,332,268	4,864,153	12
Retail mortgage loans (incl. home equity)	2,331,032	2,445,031	5
Retail consumer loans	1,488,640	1,875,136	26
SME loans	512,596	543,986	6
Corporate loans	1,977,952	2,562,164	30
Loans to medium and large corporates	1,904,206	2,362,104	24
Municipal loans	73,746	200,060	171
Car financing loans	214,503	263,943	23
Bills and accrued interest receivables related to loans	46,641	158	(100)
Allowances for loan losses	(944,273)	(702,585)	(26)
Allowances for loan losses (FX-adjusted**)	(906,273)	(702,585)	(22)
Equity investments	9,837	12,269	25
Securities held-to-maturity	1,114,227	1,310,331	18
Premises, equipment and intangible assets, net	355,516	413,389	16
o/w Goodwill, net	104,282	100,976	(3)
Premises, equipment and other intangible assets, net	251,234	312,414	24
Other assets	287,473	287,044	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,209,041**	**13,190,228**	**18**
Liabilities to credit institutions and governments	543,774	472,068	(13)
Customer deposits	8,540,584	10,233,471	20
Customer deposits (FX-adjusted)**	**8,428,360**	**10,233,471**	**21**
o/w Retail deposits	6,065,374	7,271,548	20
Household deposits	5,075,399	6,079,930	20
SME deposits	989,976	1,191,619	20
Corporate deposits	2,347,342	2,947,248	26
Deposits to medium and large corporates	1,806,008	2,257,993	25
Municipal deposits	541,334	689,255	27
Accrued interest payable related to customer deposits	15,644	14,675	(6)
Issued securities	146,900	250,320	70
o/w Retail bonds	36,921	6,500	(82)
Issued securities without retail bonds	109,978	243,821	122
Other liabilities	479,676	518,286	8
Subordinated bonds and loans***	77,458	76,028	(2)
Total shareholders' equity	**1,420,650**	**1,640,055**	**15**

Indicators	2016	2017	pps
Loan/deposit ratio (FX-adjusted**)	78%	75%	(2)
Net loan/(deposit + retail bond) ratio (FX-adjusted**)	66%	68%	2
90+ days past due loan volume	975,952	707,211	(28)
90+ days past due loans/gross customer loans	14.7%	9.2%	(5.5)
Total provisions/90+ days past due loans	96.8%	99.3%	2.6

* Certain balance sheet items have been restated for 2016. For details see the Supplementary data section.
** 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.
*** The ICES bonds are considered as Tier2 debt, but accounting-wise they are treated as part of the shareholders' equity.

Consolidated capital adequacy – Basel3	**2016 (restated*)**	**2017**	**%/pps**
Capital adequacy ratio (consolidated, IFRS)	16.0%	14.6%	(1.4)
Tier1 ratio	13.5%	12.7%	(0.9)
Common Equity Tier1 ('CET1') capital ratio	13.5%	12.7%	(0.9)
Regulatory capital (consolidated)	1,079,167	1,228,628	14
o/w Tier1 Capital	911,431	1,062,701	17
o/w Common Equity Tier1 capital	911,431	1,062,701	17
Tier2 Capital	167,736	165,927	(1)
o/w Hybrid Tier2	89,935	89,935	0
Consolidated risk weighted assets (RWA) (Credit & Market & Operational risk)	6,730,467	8,389,920	25
o/w RWA (Credit risk)	5,344,636	6,795,559	27
RWA (Market & Operational risk)	1,385,831	1,594,361	15

Closing exchange rate of the HUF	**2016**	**2017**	**Change**
	HUF	**HUF**	**%**
HUF/EUR	311	310	0
HUF/CHF	289	265	(8)
HUF/USD	294	259	(12)

* Certain balance sheet items have been restated for 2016. For details see the Supplementary data section.

OTP Core Statement of profit or loss:

Main components of the Statement of profit or loss	2016 HUF million	2017 HUF million	Change %
After tax profit without the effect of adjustments	122,194	168,576	38
Corporate income tax	(29,680)	(16,986)	(43)
Pre-tax profit	151,874	185,562	22
Operating profit	143,680	150,833	5
Total income	354,698	365,591	3
Net interest income	235,871	234,304	(1)
Net fees and commissions	100,213	109,128	9
Other net non-interest income	18,614	22,159	19
Operating expenses	(211,018)	(214,758)	2
Total risk costs	6,104	30,784	404
Provisions for possible loan losses	14,036	33,586	139
Other provisions	(7,933)	(2,803)	(65)
Total one-off items	2,090	3,945	89
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	0
Revaluation result of the treasury share swap agreement	2,090	3,945	89
Revenues by Business Lines*	**2016**	**2017**	**%**
RETAIL			
Total income	243,375	238,685	(2)
Net interest income	152,141	139,829	(8)
Net fees and commissions	87,333	95,348	9
Other net non-interest income	3,901	3,509	(10)
CORPORATE			
Total income	40,507	41,177	2
Net interest income	26,558	27,937	5
Net fees and commissions	12,808	12,215	(5)
Other net non-interest income	1,140	1,026	(10)
Treasury ALM			
Total income	66,824	76,295	14
Net interest income	57,172	66,539	16
Net fees and commissions	73	1,566	
Other net non-interest income	9,579	8,191	(14)
Indicators	**2016 (restated**)**	**2017**	**pps**
ROE	9.8%	12.3%	2.5
ROA	1.8%	2.3%	0.5
Operating profit margin	2.1%	2.1%	(0.1)
Total income margin	5.23%	5.02%	(0.22)
Net interest margin	3.48%	3.22%	(0.27)
Net fee and commission margin	1.48%	1.50%	0.02
Net other non-interest income margin	0.27%	0.30%	0.03
Operating costs to total assets ratio	3.1%	2.9%	(0.2)
Cost/income ratio	59.5%	58.7%	(0.7)
Cost of risk/average gross loans***	(0.57%)	(1.23%)	(0.66)
Cost of risk/average gross loans (FX-adjusted)***	(0.57%)	(1.23%)	(0.66)
Effective tax rate	19.5%	9.2%	(10.4)

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

** Certain balance sheet items have been restated for 2016. For details see the Supplementary data section.

*** 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	2016 HUF million (restated*)	2017 HUF million	Change %
Total Assets	7,148,673	7,704,135	8
Net customer loans	2,398,694	2,634,920	10
Net customer loans (FX-adjusted)	**2,394,163**	**2,634,920**	**10**
Gross customer loans	2,610,277	2,793,871	7
Gross customer loans (FX-adjusted)	**2,603,380**	**2,793,871**	**7**
Retail loans	1,747,978	1,823,116	4
Retail mortgage loans (incl. home equity)	1,274,813	1,275,655	0
Retail consumer loans	315,348	372,006	18
SME loans	157,818	175,455	11
Corporate loans	855,402	970,755	13
Loans to medium and large corporates	831,988	934,952	12
Municipal loans	23,413	35,803	53
Provisions	(211,583)	(158,951)	(25)
Provisions (FX-adjusted)	**(209,217)**	**(158,951)**	**(24)**
Deposits from customers + retail bonds	4,942,606	5,388,080	9
Deposits from customers + retail bonds (FX-adjusted)	**4,913,226**	**5,388,080**	**10**
Retail deposits + retail bonds	3,183,832	3,477,054	9
Household deposits + retail bonds	2,619,361	2,820,700	8
o/w Retail bonds	36,921	6,500	(82)
SME deposits	564,471	656,354	16
Corporate deposits	1,729,393	1,911,026	11
Deposits to medium and large corporates	1,219,920	1,291,956	6
Municipal deposits	509,474	619,071	22
Liabilities to credit institutions	329,442	285,539	(13)
Issued securities without retail bonds	192,097	288,799	50
Total shareholders' equity	1,312,464	1,430,256	9
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	255,841	179,618	(30)
90+ days past due loans/gross customer loans	9.8%	6.4%	(3.4)
Total provisions/90+ days past due loans	82.7%	88.5%	5.8
Market Share**	**2016**	**2017**	**pps**
Loans	20.2%	20.6%	0.4
Deposits	26.5%	27.6%	1.1
Total Assets	24.5%	25.7%	1.2
Performance Indicators	**2016 (restated*)**	**2017**	**pps**
Net loans to (deposits + retail bonds) (FX-adjusted)	49%	49%	0
Leverage (closing Shareholder's Equity/Total Assets)	18.4%	18.6%	0.2
Leverage (closing Total Assets/Shareholder's Equity)	5.4x	5.4x	(0.1x)
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS until 4Q 2016, IFRS from 1Q 2017)	27.7%	31.4%	3.7
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, HAS until 4Q 2016, IFRS from 1Q 2017)	24.8%	29.0%	4.2

- 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
- The operating profit increased by 5% y-o-y, 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 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 (+2% y-o-y)

* Certain balance sheet items have been restated for 2016. For details see the Supplementary data section.
** Market share figures changed retroactively due to data revision.

Note: the scope of companies comprising OTP Core was extended by the following companies from 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 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[4] **OTP Core** posted a profit after tax of HUF 168.6 billion in 2017, implying a 38% y-o-y increase.
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[5] related to the HUF exchange rate movements.
The 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 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, and 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 net interest margin declined by 27 bps compared to the previous year.
The net fee and commission income increased by 9% y-o-y. 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.
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 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

[4] 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.

[5] In 2016 this caused HUF 2 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).

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 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 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. Operational costs were partly influenced by the increasing advisory and marketing costs.

On the total risk costs line a release of HUF 30.8 billion was recognized in 2017.

The DPD90+ volumes adjusted for FX rate movements and sales and write-offs declined by HUF 14 billion in 2017 (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. The DPD90+ ratio moderated 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 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; performing mortgage loans advanced by 2% y-o-y. The full-year amount of mortgage loan disbursements showed a 30% increase y-o-y. OTP Bank's market share in new mortgage loan contractual amounts reached 27.7% in 2017.

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 Hungarian families realize their housing aims through its active participation in the Housing Subsidy Scheme for Families (CSOK), too. In 2017 10,800 applications for the CSOK subsidy were registered at OTP Bank with a value of over HUF 39 billion in 2017. Applicants also combined CSOK subsidy with subsidized or market-based loan applications in the amount of HUF 63 billion in 2017. 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). The 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 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. The yearly growth was equally supported by retail and corporate expansion. The overall volume of retail savings kept at OTP Bank went on increasing dynamically in 2017, fuelled by the growth of the securities portfolio. The gradual shift of household savings towards securities is in line with general market trends.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2016 HUF million	2017 HUF million	Change %
After tax profit w/o dividends and net cash transfer	6,658	8,259	24
Income tax	(1,379)	(811)	(41)
Profit before income tax	8,038	9,070	13
Operating profit	7,816	9,089	16
Total income	10,232	11,763	15
Net interest income	0	0	
Net fees and commissions	10,217	11,765	15
Other net non-interest income	15	(2)	
Operating expenses	(2,416)	(2,674)	11
Other provisions	222	(20)	(109)
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	17,780	20,587	16
Total shareholders' equity	14,995	17,958	20
Asset under management	**2016 HUF billion**	**2017 HUF billion**	**%**
Assets under management, total (w/o duplicates)	**1,530**	**1,519**	**(1)**
Retail investment funds (closing, w/o duplicates)	1,000	942	(6)
Volume of managed assets (closing, w/o duplicates)	530	576	9
Volume of investment funds (with duplicates)	**1,153**	**1,180**	**2**
money market	295	189	(36)
bond	412	295	(28)
mixed	25	56	122
security	123	158	29
guaranteed	61	49	(20)
other	237	434	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.

The operating profit grew by 16% y-o-y, which was the result of the dynamically increasing net fees and commissions 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.

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. 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.

Performance of Merkantil Bank and Car:

Main components of P&L account	2016 HUF million	2017 HUF million	Change %
After tax profit w/o dividends and net cash transfer	2,605	8,260	217
Income tax	(43)	(357)	
Profit before income tax	2,648	8,618	225
Operating profit	7,370	6,229	(15)
Total income	13,427	12,423	(7)
Net interest income	16,837	12,477	(26)
Net fees and commissions	(991)	(366)	(63)
Other net non-interest income	(2,419)	311	
Operating expenses	(6,057)	(6,194)	2
Total provisions	(4,722)	2,389	
Provision for possible loan losses	(3,374)	2,049	
Other provision	(1,348)	340	
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	349,891	369,180	6
Gross customer loans	286,296	292,925	2
Gross customer loans (FX-adjusted)	285,807	292,925	2
Retail loans	25,483	28,826	13
Corporate loans	87,176	89,445	3
Car financing loans	173,148	174,654	1
Allowances for possible loan losses	(37,051)	(21,000)	(43)
Allowances for possible loan losses (FX-adjusted)	(36,995)	(21,000)	(43)
Deposits from customers	34,554	20,799	(40)
Deposits from customer (FX-adjusted)	34,554	20,799	(40)
Retail deposits	28,494	19,250	(32)
Corporate deposits	6,060	1,549	(74)
Liabilities to credit institutions	286,401	303,371	6
Issued securities	3	0	(100)
Total shareholders' equity	24,530	30,268	23
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	32,356	16,874	(48)
90+ days past due loans/gross customer loans	11.3%	5.8%	(5.5)
Cost of risk/average gross loans	1.21%	(0.71%)	(1.92)
Cost of risk/average (FX-adjusted) gross loans	1.22%	(0.71%)	(1.92)
Total provisions/90+ days past due loans	114.5%	124.5%	9.9
Performance Indicators	**2016**	**2017**	**pps**
ROA	0.8%	2.3%	1.6
ROE	11.5%	29.4%	17.9
Total income margin	3.95%	3.49%	(0.47)
Net interest margin	4.95%	3.50%	(1.45)
Cost/income ratio	45.1%	49.9%	4.7

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.

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).

Annual operating expenses grew by 2% y-o-y, fuelled mainly by higher personnel expenses and other general 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. The ratio of DPD90+ loans decreased by 5.5 pps y-o-y to 5.8%, while in 2017 HUF 14.2 billion problem loans were sold or written off.

The FX-adjusted performing loan portfolio expanded by 9% on a yearly basis.

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 foreign subsidiaries of OTP Bank

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2016 HUF million	2017 HUF million	Change %
After tax profit without the effect of adjustments	47,385	47,122	(1)
Income tax	(4,997)	(4,920)	(2)
Profit before income tax	52,381	52,042	(1)
Operating profit	70,113	61,461	(12)
Total income	112,503	108,290	(4)
Net interest income	84,023	72,257	(14)
Net fees and commissions	26,034	27,714	6
Other net non-interest income	2,445	8,319	240
Operating expenses	(42,391)	(46,830)	10
Total provisions	(17,731)	(9,419)	(47)
Provision for possible loan losses	(12,980)	(3,571)	(72)
Other provision	(4,751)	(5,848)	23
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	1,852,901	1,925,740	4
Gross customer loans	1,151,210	1,184,871	3
Gross customer loans (FX-adjusted)	1,147,870	1,184,871	3
Retail loans	822,276	827,328	1
Corporate loans	325,594	357,543	10
Allowances for possible loan losses	(142,386)	(109,137)	(23)
Allowances for possible loan losses (FX-adjusted)	(141,931)	(109,137)	(23)
Deposits from customers	1,547,669	1,626,924	5
Deposits from customer (FX-adjusted)	1,534,912	1,626,924	6
Retail deposits	1,319,975	1,453,267	10
Corporate deposits	214,937	173,657	(19)
Liabilities to credit institutions	21,782	4,802	(78)
Total shareholders' equity	247,267	250,296	1
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	131,889	93,936	(29)
90+ days past due loans/gross customer loans	11.5%	7.9%	(3.5)
Cost of risk/average gross loans	1.11%	0.31%	(0.80)
Cost of risk/average (FX-adjusted) gross loans	1.12%	0.31%	(0.81)
Total provisions/90+ days past due loans	108.0%	116.2%	8.2
Performance Indicators	**2016**	**2017**	**pps**
ROA	2.6%	2.5%	(0.1)
ROE	19.8%	20.0%	0.2
Total income margin	6.16%	5.77%	(0.38)
Net interest margin	4.60%	3.85%	(0.75)
Cost/income ratio	37.7%	43.2%	5.6
Net loans to deposits (FX-adjusted)	66%	66%	1
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/BGN (closing)	159.0	158.6	0
HUF/BGN (average)	159.3	158.1	(1)

- 2017 ROE stood at 20%
- 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
- Stronger business activity: performing loan portfolio grew by 7% y-o-y supported by further strengthening corporate disbursements and mortgage loan sales

DSK Group posted an after tax profit of HUF 47.1 billion in 2017, which translates into a 20% 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 12% y-o-y decrease in operating profit to a great extent reflected the 14% y-o-y erosion in net interest income. The 2017 net interest margin shrank by 75 bps to 3.85. 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 contributed to the NIM contraction, and also the fact that items related to the fair value adjustment of derivative instruments, that were previously accounted in the other net non-interest income line were presented within the NII since the beginning of 2017 (this explains about HUF 2 billion from the yearly growth of other income and the yearly decline of interest income). In total, however, in 2017 NIM shrank less than in 2016.

The 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.

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 +HUF 2 billion effect related to the FVA of derivative instruments (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.

The operating expenses increased by 10% y-o-y, the key reasons were the higher personnel costs, 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.

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.

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.

The DPD90+ ratio decreased by 3.5 pps y-o-y to 7.9%. The main reason for the improvement of the ratio is, that in 2017 around HUF 20 billion non-performing portfolio was sold/written-off, 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, it went up by 50% y-o-y. Performing mortgage loan volumes grew by 7% y-o-y on an FX-adjusted basis.

The performing consumer loan portfolio went up by 2% y-o-y on an FX-adjusted basis.

Corporate and SME loan disbursements surged by 115% y-o-y in 2017. The performing corporate loan portfolio grew by 13% y-o-y, while the SME book showed similar growth dynamics.

The FX-adjusted deposit base expanded by 6% y-o-y. Retail deposits kept on increasing (+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. Due to the favourable balance sheet movements, the net loan-to-deposit ratio increased to 66% (+1 pps 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.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account	2016 HUF million	2017 HUF million	Change %
After tax profit w/o dividends and net cash transfer	20,535	27,771	35
Income tax	(6,480)	(7,514)	16
Profit before income tax	27,015	35,285	31
Operating profit	61,866	72,015	16
Total income	106,155	125,290	18
Net interest income	91,816	101,326	10
Net fees and commissions	14,098	22,975	63
Other net non-interest income	240	989	312
Operating expenses	(44,289)	(53,276)	20
Total provisions	(34,851)	(36,730)	5
Provision for possible loan losses	(33,988)	(35,880)	6
Other provision	(863)	(850)	(2)
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	622,666	638,031	2
Gross customer loans	490,086	531,280	8
Gross customer loans (FX-adjusted)	459,665	531,280	16
Retail loans	422,355	475,007	12
Corporate loans	36,215	56,168	55
Car financing loans	1,095	105	(90)
Gross DPD0–90 customer loans (FX-adjusted)	366,982	447,538	22
Retail loans	335,128	395,997	18
Allowances for possible loan losses	(116,458)	(112,158)	(4)
Allowances for possible loan losses (FX-adjusted)	(109,071)	(112,158)	3
Deposits from customers	345,241	353,306	2
Deposits from customer (FX-adjusted)	323,025	353,306	9
Retail deposits	262,161	284,714	9
Corporate deposits	60,863	68,592	13
Liabilities to credit institutions	91,641	100,404	10
Issued securities	1,038	353	(66)
Subordinated debt	24,778	22,780	(8)
Total shareholders' equity	125,190	135,213	8
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	99,024	83,742	(15)
90+ days past due loans/gross customer loans	20.2%	15.8%	(4.4)
Cost of risk/average gross loans	8.18%	7.35%	(0.83)
Cost of risk/average (FX-adjusted) gross loans	8.40%	7.38%	(1.01)
Total provisions/90+ days past due loans	117.6%	133.9%	16.3
Performance Indicators	**2016**	**2017**	**pps**
ROA	4.0%	4.6%	0.7
ROE	20.2%	21.0%	0.8
Total income margin	20.59%	20.91%	0.31
Net interest margin	17.81%	16.91%	(0.90)
Cost/income ratio	41.7%	42.5%	0.8
Net loans to deposits (FX-adjusted)	109%	119%	10
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/RUB (closing)	4.8	4.5	(6)
HUF/RUB (average)	4.2	4.7	11

- HUF 27.8 billion after tax profit in 2017 (+35% y-o-y) marked an ROE of 21% due to improving operating performance
- Net interest income declined by only 1% y-o-y in RUB terms, with eroding NIM and growing performing loan volumes
- In 2017 loan portfolio quality deterioration moderated, risk cost rate declined to 7.35%
- Performing loan volumes grew by 22% y-o-y

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

In 2017 **OTP Bank Russia's** net profit almost reached HUF 27.8 billion underpinning a 35% yearly growth (+22% in RUB terms).

As for the rouble denominated 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 the fact that 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.

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 item affecting fee expenses 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%. Compared to end-2016 the number of branches have not changed by the end of 2017 (134), while the number of employees (without agents) increased by 4% y-o-y to 4,956.

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). The DPD90+ ratio declined by 4.4 pps to 15.8% y-o-y. The improvement was supported by the fact, that in the last 12 months altogether RUB 44.4 billion non-performing loans were sold or written-off.

Risk cost moderated by 6% y-o-y. The risk cost rate in 2017 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.

POS lending strengthened: the 2017 disbursements were higher by 14% y-o-y, so the FX-adjusted performing POS loan portfolio surged by 21% y-o-y. 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, still the y-o-y the erosion was 3%.

Cash loan disbursements surged by 61% y-o-y in 2017; the FX-adjusted volume of performing cash loans grew by 41% y-o-y. FX-adjusted performing corporate loan volumes kept on growing dynamically (+62% y-o-y), due to the favourable development of large corporate loans, working capital financing and commercial factoring.

FX-adjusted total deposits increased by 9% y-o-y; within that both retail and corporate segments performed well. Retail deposits increased by 9% y-o-y, while the corporate deposit base expanded by 13%.

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	2016 HUF million	2017 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(5,898)	(7,391)	25
Income tax	1,468	1,816	24
Profit before income tax	(7,366)	(9,208)	25
Operating profit	(7,328)	(7,519)	3
Total income	(122)	1,958	
Net interest income	209	1,767	746
Net fees and commissions	(349)	160	(146)
Other net non-interest income	17	31	79
Operating expenses	(7,205)	(9,477)	32
Total provisions	(38)	(1,689)	
Provision for possible loan losses	(33)	(1,681)	
Other provision	(5)	(8)	59
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	26,141	33,693	29
Gross customer loans	1,609	12,812	696
Gross customer loans (FX-adjusted)	1,511	12,812	748
Retail loans	1,511	12,812	748
Corporate loans	0	0	
Allowances for possible loan losses	(36)	(1,657)	
Allowances for possible loan losses (FX-adjusted)	(34)	(1,657)	
Deposits from customers	20,455	26,352	29
Deposits from customer (FX-adjusted)	19,206	26,352	37
Retail deposits	19,206	26,352	37
Corporate deposits	0	0	
Liabilities to credit institutions	0	0	
Subordinated debt	0	0	
Total shareholders' equity	5,585	7,142	28
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	5	1,283	
90+ days past due loans/gross customer loans	0.3%	10.0%	9.7
Cost of risk/average gross loans	8.05%	18.70%	
Cost of risk/average (FX-adjusted) gross loans	8.10%	18.78%	
Total provisions/90+ days past due loans		129.1%	
Performance Indicators	**2016**	**2017**	**pps**
Total income margin	(0.79%)	7.02%	7.80
Net interest margin	1.34%	6.33%	4.99
Net loans to deposits (FX-adjusted)	8%	42%	35
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/RUB (closing)	4.8	4.5	(6)
HUF/RUB (average)	4.2	4.7	11

- HUF 7.4 billion loss in 2017
- Due to the stringent risk management loan portfolio growth fell short of expectations; closing volume of gross loans was HUF 12.8 billion
- Worsening loan portfolio quality, DPD90+ rate grew 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 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. 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%.
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 116 y-o-y in 2017 and almost reached 134 thousand. Gross loans grew further (+748% y-o-y on an FX-adjusted basis) close to HUF 13 billion, however, the pace of accumulation moderated in 2H due to more stringent lending standards introduced in 2Q 2017.
The loan portfolio quality deteriorated, the DPD90+ ratio grew to 10%.
Total deposits grew by 37% (FX-adjsuted), and reached RUB 5.9 billion at the end of 2017.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2016 HUF million	2017 HUF million	Change %
After tax profit w/o dividends and net cash transfer	10,202	14,120	38
Income tax	(1,477)	(2,954)	100
Profit before income tax	11,679	17,074	46
Operating profit	22,217	18,876	(15)
Total income	37,304	34,595	(7)
Net interest income	26,478	23,060	(13)
Net fees and commissions	8,746	9,716	11
Other net non-interest income	2,080	1,819	(13)
Operating expenses	(15,087)	(15,719)	4
Total provisions	(10,538)	(1,802)	(83)
Provision for possible loan losses	(11,866)	(1,060)	(91)
Other provision	1,328	(742)	
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	307,117	312,334	2
Gross customer loans	381,662	287,236	(25)
Gross customer loans (FX-adjusted)	330,200	287,236	(13)
Retail loans	141,749	110,092	(22)
Corporate loans	169,600	158,306	(7)
Car financing loans	18,851	18,838	0
Gross DPD0–90 customer loans (FX-adjusted)	191,098	211,314	11
Retail loans	42,707	44,060	3
Corporate loans	137,555	151,710	10
Car financing loans	10,837	15,544	43
Allowances for possible loan losses	(189,450)	(90,163)	(52)
Allowances for possible loan losses (FX-adjusted)	(164,591)	(90,163)	(45)
Deposits from customers	228,568	234,943	3
Deposits from customer (FX-adjusted)	198,564	234,943	18
Retail deposits	94,151	98,065	4
Corporate deposits	104,413	136,878	31
Liabilities to credit institutions	46,270	33,985	(27)
Total shareholders' equity	24,243	34,079	41
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	160,009	75,922	(53)
90+ days past due loans/gross customer loans	41.9%	26.4%	(15.5)
Cost of risk/average gross loans	3.03%	0.31%	(2.73)
Cost of risk/average (FX-adjusted) gross loans	3.05%	0.31%	(2.74)
Total provisions/90+ days past due loans	118.4%	118.8%	0.4
Performance Indicators	**2016**	**2017**	**pps**
ROA	3.5%	4.6%	1.1
ROE	n.a.	47.1%	
Total income margin	12.71%	11.19%	(1.52)
Net interest margin	9.02%	7.46%	(1.56)
Cost/income ratio	40.4%	45.4%	5.0
Net loans to deposits (FX-adjusted)	83%	84%	0
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/UAH (closing)	10.8	9.2	(15)
HUF/UAH (average)	11.0	10.3	(6)

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

The 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.

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

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.

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 versus an increase of HUF 11 billion in the base period. The DPD90+ ratio shrank to 26.4% (–15.5 pps y-o-y). Such a meaningful drop was induced mainly by non-performing loans sales/write-offs. In 2017 such volumes comprised HUF 64.2 billion problem loans were sold or written off.

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%). The retail portfolio grew by 3% y-o-y. Performing consumer loans showed strong dynamics (+43% y-o-y) 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. 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 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	2016 HUF million	2017 HUF million	Change %
After tax profit without the effect of adjustments	1,655	3,036	83
Income tax	(483)	(916)	90
Profit before income tax	2,138	3,952	85
Operating profit	8,545	9,346	9
Total income	26,644	27,138	2
Net interest income	20,315	19,779	(3)
Net fees and commissions	3,230	3,064	(5)
Other net non-interest income	3,098	4,295	39
Operating expenses	(18,100)	(17,792)	(2)
Total provisions	(6,407)	(5,394)	(16)
Provision for possible loan losses	(5,541)	(5,062)	(9)
Other provision	(866)	(332)	(62)
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	588,188	624,060	6
Gross customer loans	524,576	535,140	2
Gross customer loans (FX-adjusted)	508,640	535,140	5
Retail loans	369,275	377,841	2
Corporate loans	139,365	157,298	13
Allowances for possible loan losses	(74,645)	(56,909)	(24)
Allowances for possible loan losses (FX-adjusted)	(70,655)	(56,909)	(19)
Deposits from customers	336,991	337,691	0
Deposits from customer (FX-adjusted)	328,790	337,691	3
Retail deposits	249,773	253,347	1
Corporate deposits	79,017	84,344	7
Liabilities to credit institutions	167,372	196,377	17
Total shareholders' equity	42,510	53,481	26
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	91,328	72,133	(21)
90+ days past due loans/gross customer loans	17.4%	13.5%	(3.9)
Cost of risk/average gross loans	1.05%	0.95%	(0.11)
Cost of risk/average (FX-adjusted) gross loans	1.06%	0.96%	(0.10)
Total provisions/90+ days past due loans	81.7%	78.9%	(2.8)
Performance Indicators	**2016**	**2017**	**pps**
ROA	0.3%	0.5%	0.2
ROE	3.8%	6.8%	3.0
Total income margin	4.46%	4.49%	0.03
Net interest margin	3.40%	3.27%	(0.12)
Cost/income ratio	67.9%	65.6%	(2.4)
Net loans to deposits (FX-adjusted)	133%	142%	8
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/RON (closing)	68.5	66.6	(3)
HUF/RON (average)	69.4	67.7	(2)

- The bank posted HUF 3 billion net profit in 2017 (+83% y-o-y)
- The 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 billion net profit in 2017 exceeding the base period by 83% y-o-y. The 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. Net interest margin narrowed slightly (3.27%, –12 bps y-o-y).

Net fees and commissions 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 one-off gain on property sale (HUF 0.3 billion) as well as improving FX result.

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.

DPD90+ volumes (FX-adjusted, without sales and write-offs) grew by HUF 1.9 billion in 2017. During 2017 HUF 16.1 billion problem loans were sold/written off. The DPD90+ ratio declined to 13.5% at the end of 2017 (–3.9 pps y-o-y).

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).

The FX-adjusted performing loan volumes increased by 10% y-o-y . 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% y-o-y, 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. The growth was supported by retail and corporate inflows, too (+1% and 7% y-o-y, 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. According to local regulation the Bank's standalone capital adequacy ratio stood at 14.5% at the end of 2017.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska (including Splitska banka):

Main components of P&L account	2016 HUF million	2017 HUF million	Change %
After tax profit without the effect of adjustments	3,783	17,105	352
Income tax	(865)	(3,742)	333
Profit before income tax	4,648	20,848	349
Operating profit	13,538	28,779	113
Total income	31,442	63,643	102
Net interest income	22,800	44,313	94
Net fees and commissions	5,330	12,603	136
Other net non-interest income	3,312	6,728	103
Operating expenses	(17,904)	(34,864)	95
Total provisions	(8,890)	(7,931)	(11)
Provision for possible loan losses	(5,331)	(7,498)	41
Other provision	(3,560)	(434)	(88)
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	649,063	1,821,613	181
Gross customer loans	471,346	1,121,938	138
Gross customer loans (FX-adjusted)	472,217	1,121,938	138
Retail loans	308,539	623,627	102
Corporate loans	163,546	479,610	193
Car financing loans	132	18,700	
Allowances for possible loan losses	(50,051)	(63,752)	27
Allowances for possible loan losses (FX-adjusted)	(50,497)	(63,752)	26
Deposits from customers	515,450	1,395,087	171
Deposits from customer (FX-adjusted)	509,107	1,395,087	174
Retail deposits	443,696	991,776	124
Corporate deposits	65,412	403,312	517
Liabilities to credit institutions	44,141	132,765	201
Total shareholders' equity	74,026	238,935	223

Loan Quality	2016	2017	%/pps
90+ days past due loan volume (in HUF million)	57,127	74,325	30
90+ days past due loans/gross customer loans	12.1%	6.6%	(5.5)
Cost of risk/average gross loans	1.15%	0.85%	(0.29)
Cost of risk/average (FX-adjusted) gross loans	1.15%	0.85%	(0.30)
Total provisions/90+ days past due loans	87.6%	85.8%	(1.8)
Performance Indicators	**2016**	**2017**	**pps**
ROA	0.6%	1.3%	0.7
ROE	5.2%	9.3%	4.1
Total income margin	4.89%	4.70%	(0.19)
Net interest margin	3.54%	3.27%	(0.27)
Cost/income ratio	56.9%	54.8%	(2.2)
Net loans to deposits (FX-adjusted)	83%	76%	(7)
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/HRK (closing)	41.1	41.6	1
HUF/HRK (average)	41.3	41.4	0

- 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 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.

The 2017 ROE indicator of the Croatian operation (including Splitska banka) reached 9.3%. The 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[6].

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.

[6] 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.

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. The DPD90+ ratio changed to 6.6% (–5.5 pps y-o-y).

Based on total assets the market share of the Croatian operation jumped from 4% 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 1,333 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).

The FX-adjusted deposit base expanded by HUF 886 billion during 2017 (+174%), 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.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko:

Main components of P&L account	2016 HUF million	2017 HUF million	Change %
After tax profit without the effect of adjustments	(2,223)	(2,051)	(8)
Income tax	256	(231)	(190)
Profit before income tax	(2,479)	(1,820)	(27)
Operating profit	6,781	6,616	(2)
Total income	17,893	17,452	(2)
Net interest income	14,257	13,358	(6)
Net fees and commissions	3,272	3,627	11
Other net non-interest income	363	467	29
Operating expenses	(11,112)	(10,836)	(2)
Total provisions	(9,260)	(8,436)	(9)
Provision for possible loan losses	(8,987)	(8,358)	(7)
Other provision	(273)	(78)	(71)
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	453,720	452,084	0
Gross customer loans	388,926	382,932	(2)
Gross customer loans (FX-adjusted)	387,825	382,932	(1)
Retail loans	326,617	330,893	1
Corporate loans	61,147	52,010	(15)
Allowances for possible loan losses	(31,462)	(28,098)	(11)
Allowances for possible loan losses (FX-adjusted)	(31,373)	(28,098)	(10)
Deposits from customers	366,976	343,924	(6)
Deposits from customer (FX-adjusted)	365,285	343,924	(6)
Retail deposits	339,899	318,989	(6)
Corporate deposits	25,387	24,935	(2)
Liabilities to credit institutions	8,104	10,020	24
Subordinated debt	6,223	6,205	0
Total shareholders' equity	27,339	32,200	18

Loan Quality	2016	2017	%/pps
90+ days past due loan volume (in HUF million)	43,451	35,968	(17)
90+ days past due loans/gross customer loans	11.2%	9.4%	(1.8)
Cost of risk/average gross loans	2.35%	2.17%	(0.18)
Cost of risk/average (FX-adjusted) gross loans	2.37%	2.18%	(0.19)
Total provisions/90+ days past due loans	72.4%	78.1%	5.7
Performance Indicators	**2016**	**2017**	**pps**
ROA	(0.5%)	(0.5%)	0.0
ROE	(7.4%)	(7.6%)	(0.2)
Total income margin	3.95%	3.90%	(0.05)
Net interest margin	3.15%	2.98%	(0.16)
Cost/income ratio	62.1%	62.1%	0.0
Net loans to deposits (FX-adjusted)	98%	103%	6
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/EUR (closing)	311.0	310.1	0
HUF/EUR (average)	311.5	308.4	(1)

- 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%.
Net interest income declined by 6% y-o-y due to decreasing net interest margin. The net interest margin 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.
The net fee and commission income increased by 11% y-o-y, mainly as a result of higher commission income on deposits and transactions. The 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.
Total risk cost declined by 9% y-o-y. In 2017 the FX-adjusted DPD90+ loan growth (without the effect of sales and write-offs) was HUF 5 billion (2016: HUF 6 billion).
The DPD90+ ratio decreased by 1.8 ppt q-o-q to 9.4%. In 2017 around HUF 7.6 billion equivalent non-performing loans were sold or written off.
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.
The standalone IFRS capital adequacy ratio stood at 15% at the end of December 2017.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija (including Vojvodjanska banka):

Main components of P&L account	2016 HUF million	2017 HUF million	Change %
After tax profit without the effect of adjustments	39	(2,904)	
Income tax	34	109	222
Profit before income tax	5	(3,013)	
Operating profit	697	1,360	95
Total income	7,720	10,071	30
Net interest income	5,769	7,235	25
Net fees and commissions	1,653	2,275	38
Other net non-interest income	298	561	88
Operating expenses	(7,023)	(8,711)	24
Total provisions	(692)	(4,373)	532
Provision for possible loan losses	(890)	(3,133)	252
Other provision	198	(1,241)	
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	123,279	482,887	292
Gross customer loans	108,704	306,874	182
Gross customer loans (FX-adjusted)	109,565	306,874	180
Retail loans	49,017	155,878	218
Corporate loans	60,548	150,997	149
Allowances for possible loan losses	(26,349)	(19,759)	(25)
Allowances for possible loan losses (FX-adjusted)	(27,107)	(19,759)	(27)
Deposits from customers	78,583	349,553	345
Deposits from customer (FX-adjusted)	79,505	349,553	340
Retail deposits	48,455	238,733	393
Corporate deposits	31,050	110,820	257
Liabilities to credit institutions	8,572	38,397	348
Subordinated debt	2,511	2,505	0
Total shareholders' equity	28,805	80,070	178
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	35,504	28,372	(20)
90+ days past due loans/gross customer loans	32.7%	9.2%	(23.4)
Cost of risk/average gross loans	0.83%	2.64%	1.81
Cost of risk/average (FX-adjusted) gross loans	0.85%	2.64%	1.79
Total provisions/90+ days past due loans	74.2%	69.6%	(4.6)
Performance Indicators	**2016**	**2017**	**pps**
ROA	0.0%	(2.0)%	(2.0)
ROE	0.1%	(9.5)%	(9.6)
Total income margin	6.16%	6.84%	0.68
Net interest margin	4.60%	4.92%	0.31
Cost/income ratio	91.0%	86.5%	(4.5)
Net loans to deposits (FX-adjusted)	104%	82%	(22)
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/RSD (closing)	2.5	2.6	4
HUF/RSD (average)	2.5	2.5	1

- The financial closure of the acquisition of Vojvodjanska banka was completed on 1 December 2017, thus 2017 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 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 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 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 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 annual risk costs.

Within the 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 dynamism was material (+7% and 13%, respectively).

The net interest margin (4.92%) improved by 31 bps y-o-y and it was entirely the result of the consolidation of Vojvodjanska banka[7]; without it the Serbian NIM remained stable y-o-y.

The DPD90+ loan portfolio decreased by HUF 7.1 billion y-o-y. 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. 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).

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.

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.

[7] 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	2016 HUF million	2017 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(1,849)	(155)	(92)
Income tax	2	(11)	
Profit before income tax	(1,851)	(144)	(92)
Operating profit	2,684	1,802	(33)
Total income	10,022	9,709	(3)
Net interest income	6,951	6,543	(6)
Net fees and commissions	2,622	3,319	27
Other net non-interest income	449	(153)	
Operating expenses	(7,337)	(7,907)	8
Total provisions	(4,535)	(1,947)	(57)
Provision for possible loan losses	(4,289)	(864)	(80)
Other provision	(246)	(1,083)	339
Main components of balance sheet (closing balances)	**2016**	**2017**	**%**
Total assets	197,562	197,590	0
Gross customer loans	143,331	138,485	(3)
Gross customer loans (FX-adjusted)	142,926	138,485	(3)
Retail loans	71,480	72,987	2
Corporate loans	71,446	65,499	(8)
Allowances for possible loan losses	(56,513)	(38,899)	(31)
Allowances for possible loan losses (FX-adjusted)	(56,353)	(38,899)	(31)
Deposits from customers	149,119	152,316	2
Deposits from customer (FX-adjusted)	147,783	152,316	3
Retail deposits	112,614	116,502	3
Corporate deposits	35,169	35,814	2
Liabilities to credit institutions	20,765	17,962	(13)
Subordinated debt	0	0	
Total shareholders' equity	21,188	21,127	0
Loan Quality	**2016**	**2017**	**%/pps**
90+ days past due loan volume (in HUF million)	60,801	43,395	(29)
90+ days past due loans/gross customer loans	42.4%	31.3%	(11.1)
Cost of risk/average gross loans	2.90%	0.63%	(2.27)
Cost of risk/average (FX-adjusted) gross loans	2.93%	0.62%	(2.31)
Total provisions/90+ days past due loans	92.9%	89.6%	(3.3)
Performance Indicators	**2016**	**2017**	**pps**
ROA	(1.0)%	(0.1)%	0.9
ROE	(7.9)%	(0.7)%	7.1
Total income margin	5.16%	5.02%	(0.14)
Net interest margin	3.58%	3.38%	(0.19)
Cost/income ratio	73.2%	81.4%	8.2
Net loans to deposits (FX-adjusted)	59%	65%	7
FX rates	**2016 HUF**	**2017 HUF**	**%**
HUF/EUR (closing)	311.0	310.1	0
HUF/EUR (average)	311.5	309.2	(1)

- In 2017 the bank posted HUF 0.2 billion loss
- The 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%) improved in 2017, supported also by sale/write-offs
- 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. The 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 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.The total risk cost dropped by 57% y-o-y.
The DPD90+ ratio (31.3%) improved further by 11.1 pps y-o-y. The DPD90+ loan volume (FX-adjusted, without sales and write-offs) decreased by HUF 0.9 billion y-o-y.
During 2017 HUF 17 billion non-performing loans were sold/written off.
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). 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.
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 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*				1,327				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**

* 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.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.
In accordance with the statutory requirements and the recommendation concerned, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the website of the BSE (www.bet.hu), the information storage system operated by National Bank of Hungary (www.kozzetetelek.hu), and the website of the Bank (www.otpbank.hu).

The purposes of applying the Corporate Governance Recommendations of the BSE is to facilitate the transparent and efficient market operation, support the enforcement of the laws as well as harmonise the interests of the organisation, the investors and the organisation's environment.
On the basis of the Corporate Governance Recommendations of the BSE – in line with the "comply or explain" principle – organisations need to report on their compliance with the provisions of certain specific points of the recommendation as well as whether they apply certain suggestions as provided for in the recommendation. Conforming to and observing the provisions of the Corporate Governance Recommendations of the BSE is recommended, although not compulsory for companies listed on the stock exchange and a negative answer in itself does not indicate a deficiency. With regard to the suggestions, companies only need to indicate whether they apply the given guideline or not, they are not required to provide additional explanation.

OTP Bank Plc. provided a negative answer to the following recommendations and suggestions:
R 1.1.2 The Company follows the "one share – one vote" principle.
Each of the Company's ordinary shares ensures one voting right. In keeping with the stipulations of the Company's Articles of Association, voting rights depend specifically on the size of the shareholding.
Transactions, specified in 2.6.2, which depart from regular business practices and the conditions thereof were accepted by the Supervisory Board (Audit Committee).
The Company prepared procedural rules for approving transactions that depart from usual business practices, and this ensures adequate control.
R 2.7.2 The Board of Directors evaluated its own performance in a given business year.
The Company has a Nomination Committee, which has assessed the board's work.
R 2.7.2.1 The Supervisory Board evaluated its own performance in a given business year.
The Company has a Nomination Committee, which has assessed the board's work.
R 2.7.7 The Company has prepared a Declaration on Remuneration and presented it to the General Meeting.
The Declaration on Remuneration contains the remuneration of certain members of the Board of Directors, the Supervisory Board, and the management.
R 4.1.11 The Company has published in its annual report and on its website a Declaration on Remuneration, which describes the remuneration guidelines used and, specifically, the guidelines pertaining to the remuneration of members of the Board of Directors, the Supervisory Board and the management.
G 3.4.5 The Remuneration Committee ensures that a declaration on remuneration is prepared.
In compliance with the applicable European Union directive (CRD IV) and the provisions of the Act on Credit Institutions and Financial Enterprises, the Bank's General Meeting concluding the year 2016, its Board of Directors and Supervisory Board have provided for the

review of the Remuneration Policy of the Bank and the Bank Group. In line with the national and EU legislative environment, the process of implementing the Bank Group's Remuneration Policy includes the methodological framework relating to the identification of activities and employees with a material impact on risk, which constitutes the basis for determining the group of persons subject to the Bank Group's Remuneration Policy, and the rules of procedure relating to the annual evaluation process.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at the Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of the Bank's and the Bank Group's (credit institutions and investment firms) Board of Directors and Supervisory Board, and – among the staff in an employment relationship with the Bank and other institutions operating in the Bank Group – the members of the management (Chairman & CEO and the deputies thereof), and managers who materially influence the risk profile and its profit, managers performing special executive functions, managers with control functions, all managers whose salaries are in the same pay scale as that of the management of the given institution. The Remuneration Policy also applies to the chief executive officers and their deputies of those Bank Group subsidiaries that are subject to consolidated supervision and considered as major business units for the Bank or its given subsidiary, and to those employed by the Bank Group subsidiary subject to consolidated supervision having a salary in the best-earning 0.3% segment at the level of the Bank Group or the sub-consolidated group led by the institution or the institution. Managers whose impact on the risk profile is significant at the Bank Group level are subject to the consolidated level personal scope, while managers whose impact on the risk profile is significant only to the sub-consolidated group led by the institution or institution level are subject to the sub-consolidated or the local level personal scope. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Supervisory Board. The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Supervisory Board based on the function, size and complexity of the unit being managed. The proportion of performance-based remuneration may not exceed 100% of fixed remuneration for any person concerned.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with the Bank, the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure strategic and individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Supervisory Board on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – remuneration exchanged for shares or a preferentially-priced share package, in equal proportions (50–50%). As a general rule, for the consolidated level, the share-based part of the variable remuneration is provided to the employees concerned by the Bank, while for the sub-consolidated and the local level as well as for the Bank Group subsidiaries operating outside the European Union, virtual stock transfers (payment of cash bonus corresponding to the prevailing exchange rate) is made. Employees employed by OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd. and Merkantil Bank Ltd. subject to the consolidated level personal scope of the Bank Group's Remuneration Policy receiving performance-based remuneration are entitled to acquire a membership stake in OTP Bank MRP Organisation to the extent of the share-based part of their performance-based remuneration on the basis of their voluntary resolution. The membership stake in OTP Bank MRP Organisation is non-marketable, cannot be credited, cannot be offered as collateral and only enables the individual to receive the actual settlement of the share package if the conditions as stipulated in the Remuneration Policy (the result of the performance evaluation, the subsequent risk assessment) are met. Membership stakes not meeting the conditions revert to OTP Bank Plc.

In keeping with the Credit Institutions Act, at consolidated level payment of 60%, while at sub-consolidated and local level, as a general rule, 40% of the variable remuneration is staggered over a period of three years – in case of the Bank's Management a period of four years –, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, the Bank complies with its public disclosure obligation in accordance with the prevailing statutory provisions.

R The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".

The Board of Directors did not take any decision in that respect in 2017.

R 3.1.6 The company published on its website the tasks delegated to the Audit Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).

OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Audit Committee, and the objectives and procedural rules of the Committee, are not in the public domain.

R 3.1.6.1 The company published on its website the tasks delegated to the Nomination Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).

OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Audit Committee, the objectives and procedural rules of the Committee are not in the public domain.

R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts that were concluded with the management.

A review of the terms of contracts concluded with members of the management does not fall within the remit of the Remuneration Committee.

R 3.5.1 The Board of Directors has disclosed its reasons for merging the Remuneration and the Nomination Committee.

The Company operates both a Remuneration Committee and a Nomination Committee.

R 3.5.2 The Board of Directors performed the tasks of the Nomination Committee and issued a statement on its reasons for doing so.
The Nomination Committee performed its own tasks.
R 3.5.2.1 The Board of Directors performed the tasks of the Remuneration Committee and issued a statement on its reasons for doing so.
The Remuneration Committee performed its own tasks.
G 1.3.1 The Company's General Meeting accepted the chairman of the General Meeting prior to the actual discussion of the agenda items.
For the purpose of the Articles of Association of the Company, the Chairman of the Board or another person mandated by the Board of Directors for this purpose chairs the General Meeting.
G 1.4.2 The Company published its guidelines concerning solutions for preventing hostile takeovers directed at the Company.
The domestic legislation provide appropriate guarantee for the procedures relating to acquisitions and the enforcement of the shareholders' interests.
G 2.5.3 The Company provided information about how it ensures that the Board of Directors remains objective in its evaluation of the management activities in the event that the position of Chairman & CEO is combined.
A Nomination Committee operates at the Company which evaluates the activity.
G 2.5.5 No member of the Company's Supervisory Board held a position on the Company's Board of Directors or in the management in the three years prior to his/her nomination.
The Supervisory Board of the Company has such a member who held a position in the management of the company in the three years preceding his designation.
G 3.1.2 The chairman of the Audit Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
Based on the Civil Code the Audit Committee is a body assisting the Supervisory Board, its members are elected by the General Meeting from among the independent members of the Supervisory Board. Since the functions of these bodies are closely linked to each other, the chairman of one board is the vice president of the other board and vice versa, so the Supervisory Board is aware of the Audit Committee's decisions. Special reporting is not justified for the Supervisory Board. The Audit Committee does not need to report for the executive body.
G 3.3.5 The Nomination Committee's rules of procedure include the stipulations specified in point 3.3.5.
For the conditions of performing the evaluation activity, the Company has drafted rules of procedure which provide appropriate control.

System of internal controls

The main function of the internal audit system is to protect customers, the company's assets and shareholder's interests, as well as to facilitate and monitor operation in compliance with the statutory provisions.
The internal audit system extends to all of the company's organisational units, business lines and activities, including outsourced activities. To ensure effective auditing, the internal audit system consists of several modular control levels, and is also segmented in line with the departmental structure of the organisation.
The elements of the internal audit system are comprised of in-process and management controls, and an independent internal audit unit and management information system.
OTP Bank Plc. has developed and applies such a uniform internal audit system consistently throughout the Bank Group that is proportionate to the size of the OTP Group and the market share of the Company, includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the financial institutions that are subject to consolidated supervision as specified in the Credit Institutions Act. To this end, standardised internal audit procedures and methodologies pertaining to the operation and activities of

group members' internal audit departments are developed, enhanced and applied on a continuous basis. Internal audit also liaises regularly and cooperates with external auditing bodies. The independent internal audit unit assists in the legally compliant and effective management of assets and liabilities and the protection of property; it supports secure business operation, the effectiveness,

cost-efficiency and success of internal control systems, the minimisation of risks, and moreover – alongside the compliance unit – it detects and reports departures from the provisions of the statutory regulations and internal policies, makes recommendations for the elimination of deficiencies, and monitors the implementation of the measures. It performs its activities independently, objectively and professionally. Its independence is ensured by the fact that it is professionally overseen by the Supervisory Board, within the framework set out by the Credit Institutions Act.

The independent internal audit organisation was set up in a manner that the execution of ownership controls at the Organisation, in the network and at the foreign and domestic group members, as well as the professional supervision of the foreign and domestic internal audit organisation is properly ensured.

The independent internal audit organisation has an annual audit plan which is approved by the Supervisory Board. The annual plan is prepared using a risk-based methodology and, in addition to focusing on the areas that entail regulatory, business and operational risk, and the other main risk exposures, it emphasizes especially the control of reporting and data, further, it also takes into account the company's prevailing strategic priorities.

The internal audit organisation makes independent reports on its auditing activities for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a group-level, summary account of the audits conducted in the given quarter, the risks identified in the course of its own audits and audits conducted by the authorities, and the success of any action taken to eliminate them. In exceptional cases that require immediate intervention, it provides the management with extraordinary briefings. The audit organisation reports annually on the performance of the tasks stipulated in the group-level annual audit schedule, the audits conducted and other activities, and on the circumstances of the organisation's operation, as well as on any changes to the internal audit system.

The organisation annually prepares, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions.

The basis for effective group-level risk management is the operation of a standardised, "OTP-compatible" organisational structure as well as regulations and procedures at the subsidiaries concerned. The Company has detailed risk management rules for each of the various types of risk (liquidity, market, country, counterparty, credit, operational, compliance), and these rules are in harmony with the statutory regulations pertaining to prudential banking operations. The annual report describes the risk management practices, the limits, and compliance with these limits.

Within the Company, the Credit Approval and Risk Management Division and the Strategy and Finance Division exercise functional control over the guidelines, methodology and infrastructure of the Bank Group's risk management strategy, the purpose of which is to create a clearly defined, transparent, standardised credit, country, counterparty, market and operational risk management system at group level which complies with the expectations of the supervisory authority and local conditions.

The Bank Group's Risk Strategy, as well and the rules on risk prescribed by the Credit Institutions Act, are approved by the Bank's Board of Directors.

The Risk Strategy determines, with respect to the entire Bank Group, the framework for risk management and the principles and guidelines of risk assumption.

With respect to the cornerstones of the risk management methodologies, and the main risk topics for Bank Group members, the final decision-making competence is held by the Group members' risk committees (Credit and Limit Committee, Workout Committee, Group Operational Risk Committee).

The Bank's risk management system encompasses the identification of the risks, assessment of their impact, elaboration of the necessary action plans, and the monitoring of their effectiveness and results. The management make their business decisions in a knowledge of all the key risks. All significant risks related to internal and external operations, or to compliance with financial and legal requirements, as well as numerous other risks, are evaluated and managed using a clearly-defined and transparent internal mechanism.
In adopting its accounting policy and defining its accounting order the Bank uses its own control mechanisms and processes ensuring properly to reach the following goals: to draw up reliable financial reports, to carry out various successful and effective operations for the company, to comply with the legislation in force and to fully comply with the provisions related to the supplying of data to the Regulators. All competencies of the banking units responsible for drawing up the report and the accounting control are set up in an internal regulation instrument.
The internal regulation shall define the closing competencies and data supplying necessary for drawing up the interim (monthly, quarterly and six-month) and the annual disclosure reports.
It provides a complete guidance for the interim (monthly, quarterly, six-month) and the annual closing competencies, tasks and supplying of data. The internal regulation sets up deadlines and appoints responsible officers for the tasks.
The internal regulation also orders the inventory and conciliation of ledger records containing provisional registration of items which – for various reasons – could not be immediately cleared on a real account of assets/liabilities or on the general ledger accounts serving for registration of items outside the balance sheet at the time when they emerged.
Act no. 100 of 2000 on Accounting (IFRS) provides that the report shall rest on an inventory. Internal regulation sets detailed rules of inventory tasks in order to ensure a genuine balance sheet rest on proper definition of stocks of assets and liabilities, to check the bookkeeping and the accountancies and to reinforce this way the documentary discipline, to protect belongings, to explore inventories of decreased value and the assets out of use.

Furthermore, the Bank draws up and applies a detailed accounting system and continuously adapts new accounting measurements related the actual products and activities. Internal regulations on accounting are revised annually and updated if necessary. The legal, the internal audit and the compliance area are involved in the drafting and amending of these regulations.

General meeting, Articles of Association

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully with both general and special statutory requirements.
Information on the General Meeting is available in the Corporate Governance Report.

Regulations and information to be presented in the Business Report concerning securities conferring voting rights issued by the Company and senior officials, according to the effective Articles of Association, and ownership structure

The Company's registered capital is HUF 28,000,001,000, that is twenty-eight thousand million one thousand Hungarian forint, divided into 280,000,010 that is Two hundred and eighty million and ten dematerialised ordinary shares with a nominal value of HUF 100 each, and a total nominal value of HUF 28,000,001,000, that is twenty eight billion one thousand Hungarian forint.
The ordinary shares of the Company specified all have the same nominal value and bestow the same rights in respect of the Company.
There are no restrictions in place concerning the transfer of issued securities constituting the registered capital of the Company.
No securities with special control rights have been issued by the Company.
The Company does not run control systems prescribed by an employee ownership program, where control rights are not exercised directly by the employees.

Rules on the restrictions of the voting rights: The Company's ordinary shares confer one vote per share.

An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.

The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations. The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)–(8) and Section 61 (10)–(11)–(12), of the Capital Markets Act.

Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights.

For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.

If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.

If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.

The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority).

The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.

Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:

The Board of Directors has at least 5, and up to 11 members.

When making the decisions, shares embodying multiple voting rights shall represent one share.

The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election.

The mandate of a member elected during this period expires together with the mandate of the Board of Directors.

The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company.

The membership of the Board of Directors ceases to exist by
a) expiry of the mandate,
b) resignation,
c) recall,
d) death,
e) the occurrence of grounds for disqualification as regulated by law,
f) termination of the employment of internal (executive) Board members.

The General Meeting has exclusive authority with respect to the following matters:

- the recall of members of the Board of Directors, the Supervisory Board and Audit Committee, and of the auditor; (qualified majority)
  More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if any shareholder holds more than 33% of the shares issued by the Company, which have been obtained by the shareholder by way of a public purchase offer.
- except in the cases referred by these Articles of Association to the authority of the Board of Directors, the establishment and amendment of the Articles of Association; (qualified majority); the General Meeting decides on proposals concerning the amendment of the Articles of Association – based on a resolution passed by shareholders with a simple majority – either individually or en masse.

The Board of Directors is exclusively authorised to make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association.

The Board of Directors is obliged to

- prepare the Company's financial statements in accordance with the Accounting Act, and make a proposal for the use of the profit after taxation;
- prepare a report once a year for the General Meeting, and once every three months for the Supervisory Board, concerning management, the status of the Company's assets and business policy;
- provide for the proper keeping of the Company's business books;
- perform the tasks referred to its authority under the Credit Institutions Act, in particular:
  - ensuring the integrity of the accounting and financial reporting system;
  - elaborating the appropriate strategy and determining risk tolerance levels for each business unit concerned;
  - setting risk assumption limits;
  - providing the necessary resources for the management or risk, the valuation of assets, the use of external credit ratings and the application of internal models.

The following, in particular, come under the exclusive authority of the Board of Directors:

- election of the Chairman & Chief Executive Officer of the Company, and exercising employer's right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company's quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;
- designation of the employees entitled to sign on behalf of the Company;
- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;
- decision on the approval of regulations that fundamentally determine banking operations,

or are referred to its authority by the Credit Institutions Act. The following shall qualify as such regulations:
  – the collateral evaluation regulations,
  – the risk-assumption regulations,
  – the customer rating regulations,
  – the counterparty rating regulations,
  – the investment regulations,
  – the regulations on asset classification, impairment and provisioning,
  – the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,
  – the regulations on the transfer of signatory rights;
- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);
- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

The Board of Directors is exclusively authorised to:
- decide, in the cases specified in the Civil Code, on acceptance of the Company's interim balance sheet, subject to the prior approval of the Supervisory Board;
- decide, instead of the General Meeting, to pay an advance on dividends, subject to the preliminary approval of the Supervisory Board;
- make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association;
- make decision on mergers (if, according to the provisions of the law on the transformation, merger and demerger of legal entities, the approval of the General Meeting is not required in order for the merger to take place).

The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chief Executive Officer and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.

The Board of Directors may delegate, to individual members of the Board of Directors, to executive directors employed by the Company, and to the heads of the individual service departments, any task that does not come under the exclusive authority of the Board of Directors in accordance with these Articles of Association or a General Meeting resolution.

The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation.

The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc. as at 31 December 2017:

	Total equity					
Description of owner	**At the beginning of actual year**			**Időszak végén**		
	%[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	23,738,672	8.48%	8.57%
OPUS Securities S.A.	14,496,476	5.18%	5.23%
Groupama Group	14,369,541	5.13%	5.19%

Committees

Members of the Board of Directors

Dr. Sándor Csányi – Chairman
Mr. Antal György Kovács
Mr. László Wolf
Mr. Mihály Baumstark
Dr. Tibor Bíró
Mr. Tamás Erdei
Dr. István Gresa
Dr. Antal Pongrácz
Dr. László Utassy
Dr. József Vörös

Members of the Supervisory Board

Mr. Tibor Tolnay – Chairman
Dr. Gábor József Horváth – Deputy Chairman
Mr. Dominique Uzel
Dr. Márton Gellért Vági
Mrs. Ágnes Rudas
Mr. András Michnai

Members of the Audit Committee

Dr. Gábor József Horváth – Chairman
Mr. Tibor Tolnay
Mr. Dominique Uzel
Dr. Márton Gellért Vági

The résumés of the committee and board members are available in the Corporate Governance Report/Annual Report.

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.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive body, while the Supervisory Board performs oversight tasks. The effective operation of Supervisory Board is supported by the Audit Committee.

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or special committees, such as the Management Committee, the Management Coordination Committee or the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee. To ensure effective operation OTP Bank Plc. also has a number of other permanent and special committees.

OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.

The Board of Directors held 6, the Supervisory Board held 9 meetings, while the Audit Committee gathered 3 times in 2017. In addition, resolutions were passed by the Board of Directors on 98, by the Supervisory Board on 37 and by the Audit Committee on 21 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions. When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate. With this in mind, OTP Bank Plc.'s Nomination Committee continuously keeps tracking the European Union and domestic legislation relating to women's quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures.

It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence. For the purposes of OTP Bank Plc.'s Articles of Association, a Board of Directors comprising 5–11 members and a Supervisory Board comprising 5–9 members are set up at the Bank. The Board of Directors in its current form operates with 10 members and has no female member, while the Supervisory Board comprises 6 members and has one female member as of 15 April, 2016. The management of OTP Bank Plc. currently comprises 6 members and has no female member.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

OTP Group reports on its social, environmental and wider economic impacts and performance primarily in its Sustainability Report. Information on these matters is also included in the Business Report in order to comply with the relevant provisions in the Accounting Act, while also adhering to the principle of keeping the duplication of information to the minimum. The Sustainability Report for 2017 will be a group-level report that meets the GRI (Global Reporting Initiative) Standard and is certified by an independent third party; it will be available on OTP Bank's website (www.otpfenntarthatosag.hu/hu/jelentesek).

Commitment to society

Responsible financial services

As a financial service provider OTP Bank's goal is to create added value for its customers, be it the availability, compatibility or the simple and safe usability of tools and products.

We give priority to maintaining the stability of the Banking Group and to providing services that are secure for our customers in all aspects. We shape our risk management principles and practices in accordance with the criteria of responsible lending. Our loan assessment system helps avoid over-indebtedness. We invest and lend the money deposited with us in a manner that ensures its repayment and does not serve purposes that are illegal or contrary to the values of our society. This delicate balance is maintained by:

- our strict Risk Management Policy,
- our annually revised Lending Policy,
- our continuously updated credit approval system.

In 2017, our debtor protection programs remained available to customers facing payment difficulties. In addition to assistance

Customer complaint features:

OTP Bank*	2017
Number of warranted complaints	97,780
Proportion of warranted complaints	33%
Compensation paid (HUF million)	235
Amount of compensation per warranted complaint (HUF)	2,403

* Also includes data for OTP Lakástakarék and OTP Jelzálogbank.

programs by the state, we continue to provide the option of programs developed by the Group. With an eye to the strategic goal of customer focus we consider it of utmost importance to provide our customers with ever more convenient and enjoyable services at a high standard of quality. OTP Group's clear objective is to serve its customers in an error-free manner. Our Complaint Management Regulation is available to view in our branches and on our website.

Accessibility

OTP Bank developed a complex accessibility strategy regarding how to treat and inform customers with special needs. We are constantly improving accessibility by relying on the expertise of our branch employees, the feedback from the customers concerned and our cooperation with independent non-governmental organizations. Physical accessibility is provided in all but one of our branches[8]. Our branch queue management system offers the option to request special services for persons with reduced mobility or persons who are deaf or hard-of-hearing, blind or partially-sighted. At the moment 133 branches (35%) have tactile indicators or doming to help the visually impaired with orientation; the roll-out of these features is continuous. Induction loop amplifier systems are available in 32% of all branches, and 35 high-traffic branches have employees who can serve customers using sign language. 72% of our ATMs are wheelchair-accessible. We are testing a text-to-speech function for our ATMs and plan to roll it out to 150 ATMs in 2018.

Community Involvement

Historically, OTP Bank has been among the largest donors in Hungary. In 2017 we donated a total of HUF 1,828 million. For several years now, we have focused our efforts on:

- developing financial literacy, attitude-shaping;
- creating equal opportunities: helping the disadvantaged and those in need;
- sponsoring culture and the arts: creating and preserving values; and
- sports.

The main objective of our donation efforts is to provide genuine and effective help by supporting programs and causes that serve the interests of society as a whole. In order to use resources efficiently and productively, we work with local non-governmental organizations, are committed to long-term cooperation, concentrate our donated funds and monitor how they are used and with what results. OTP Bank attaches particular importance to its CSR programs implemented via its foundations; the professionalism and result-orientation of these programs meet the standard expected by the Company. The Humanity Social Foundation is active in the field of social issues, while the OTP Fáy András Foundation is responsible for financial and economic education. In 2017 the Foundation's OK Centre trained nearly 17,000 students in approximately 1300 free training groups. The high standard of education at the Centre earned the OK Project a certificate of excellence from KOKOA of Finland.

Responsible employment

Our employees play a key role in OTP Bank's success, and our Bank is therefore committed to creating and retaining a pool of talented and committed employees. Ethical and compliant behaviour constitute the basic principles in our human resource management. OTP Bank's Collective Agreement sets out the rights and obligations of it employees. The interests of employees are represented by their trade union. In its Code of Conduct, our Bank declares its commitment to providing a safe and healthy working environment and states its expectation of mutual respect

OTP Bank's employees:

31 December 2017	Total	Men	Women
Employees, total (no. of persons)*	8,107	2,299	5,808
Distribution by gender	100%	28%	72%
Fluctuation ratio**	13%	12%	14%

* Active employees on an employment contract (persons).
** Compared to the end-of-year headcount; includes termination of employment both by employee and employer, as well as retirement.

[8] Accessibility is not feasible at one branch due to the characteristics of its building and environment.

between managers and employees, including the prohibition of discrimination and harassment. As the expertise of our employees is our most valuable asset, we treat the training and education of our staff as a high priority. Besides professional knowledge, we also support management skills and improve the transparency of career opportunities. We encourage our talented and committed employees by setting individual career targets and rewarding their performance with competitive remuneration. We consistently employ the principle of "equal pay for equal work". Our Bank lays special emphasis on preventive health within and outside the workplace, offering a complex health insurance package and subsidizing recreation and sports.

Environmental protection

Environmental protection principles

OTP Group is committed to the protection of the environment and the preservation and low-impact use of natural resources. OTP Bank's environmental activities are regulated in its Environmental Policy. The Policy safeguards compliance with the law and stipulates the voluntary commitment and responsibility of protecting the environment. Its aim is to consider environmental criteria and their integration into the Bank's business operations in order to minimize the environmental impacts of operating and maintaining the Bank's organization. The Policy also sets out the rules on how to enforce the principles of sustainable procurement. The Group does not finance transactions that do not meet environmental requirements. The availability of the required permits and authorizations and compliance with their provisions is always verified by external consultants; thereafter the Bank's monitoring activity provides for compliance. The long-term sustainability of environmental impacts is taken into consideration as a subjective factor in the rating of large corporate clients.

OTP Group members operate in full compliance with environmental legislation and received no fines in 2017 either.

OTP Group's main environmental protection aims are to improve its energy efficiency and to reduce the amount of paper it uses.

Energy consumption and business travel

OTP Group uses state-of-the-art technology in new construction and renovation projects. OTP Bank regularly refurbishes its heating centers, with energy efficiency as a primary criterion. It has employed heat recovery ventilation for several years and is expanding its use of LED lighting. In continuation of earlier development work, we started to install LED lighting in branch interiors in 2017: we refurbished the lighting systems in 12 branches by the end of the year and plan to do the same in 9 other branches in 2018. OTP Bank's new head office building will have LEED Gold certification. In 2017, our subsidiaries in Ukraine and Serbia expanded the use of LED technology in several locations. We are intensifying our reliance on renewable energy due to financial considerations. OTP Bank's entities in Hungary operate solar panels of a total size of 460 m^2; we have scheduled a pilot to install solar panels on a branch in 2018. The central archives facility owned by Monicomp Zrt. has been using geothermal energy for several years. In 2017, OTP banka Hrvatska of Croatia expanded its solar panel network in Pula; in that year, it used as much as 40 MWh of solar power. The subsidiary continues to investigate options for expanding its solar panel systems.

The number of business trips and the size of the vehicle fleet is shaped by the changes in business activities, and it is our practice to plan all trips on a rational basis. We plan to introduce into our Vehicle Policy certain carbon-dioxide

Energy consumption quantities:

OTP Bank	2017
Total energy consumption* (GJ)	254,641
Per-capita energy consumption** (GJ)	31.98

* Energy consumption data are derived from readings; the measured consumption quantities are converted to energy at the local average calorific values.

** The projection basis for the per-capital figure is the average statistical headcount.

limits applicable to new vehicles. Our Croatian subsidiary supported the installation of two electric car charging stations in 2017 and plans to participate in financing further charging stations.
OTP Group is exploiting the possibilities of video conferencing more and more each year. More video conference rooms were added in Hungary and at our Croatian, Russian and Slovakian subsidiaries in 2017. We continue adding new bicycle stands for our customers and employees; in 2017. we did so at the subsidiaries in Bulgaria and Ukraine.
We present the energy consumption figures of OTP Bank. The Bank's overall energy consumption did not change as compared to the previous year. Alongside the implementation of energy-efficient solutions, there has been an expansion in functions that consume energy (e.g. additional digital processes, more brightly lit workplaces, air conditioners, water dispensers).

Working to reduce paper use

OTP Group set itself the task of reducing paper use and printing both in internal processes and as regards the documents and account statements delivered to customers. But legislative requirements and the expansion of our business has often counteracted this objective. The digital signature pads introduced widely at OTP Bank in 2017 helped prevent paper use and enabled online application for yet more products. Our Croatian subsidiary reduced its paper use by nearly 7% as compared to the previous year; this was greatly facilitated by the introduction of centralized printing in its head office buildings.

Paper usage quantities:

OTP Bank	2017
Total paper quantities (t) (office, packaging, indirect)	957
Per capita paper use (kg)*	120

* The projection basis is the average statistical headcount.

OTP Bank has used recycled paper for its account statements and marketing publications for years, and some of its office paper consumption is also recycled. Our aim is to increase the proportion of the latter in the near future. The Croatian subsidiary has used recycled paper almost exclusively for several years, and the Ukrainian subsidiary is investigating options for implementing this practice.

Sustainable use and waste management

We follow a principle of using all our equipment, devices and machines for the reasonably longest possible time. Mindful of the priorities in waste management and the relevant financial considerations, we explicitly aim to use furniture up to the end of their lifecycle, using them multiple times and ensuring interchangeability. OTP Bank, DSK Bank, OTP Bank Romania and OTP banka Srbija all follow the practice of making charitable donations of any furniture no longer used but in good condition, alongside functioning IT equipment (mostly computers and laptops) to institutions and organizations in need.
OTP Bank donated a total of 516 computers in 2017. Our Slovakian subsidiary also donated smaller pieces of furniture to charity.
The subsidiaries in Montenegro and Slovakia use toner refills to reduce toner and ink cartridge waste. The Russian subsidiary plans to launch toner refill pilot starting in 2018.
There were no changes in waste collection at the Group in 2017. All members of OTP Group collect and manage hazardous waste and paper with business secrets selectively, in compliance with the law. OTP Bank provides selective collection of non-confidential paper waste and PET bottles at its head office buildings. The Croatian subsidiary has collected waste selectively for years, whereas the Slovakian subsidiary provides selective waste collection wherever locally facilitated by the municipality. DSK Bank operates selective waste collection at its sites in Sofia and Varna. The Romanian subsidiary offers selective collection of paper in its head office building.

Attitude shaping

Several members of our Banking Group have a tradition of raising awareness and joint action to protect environmental and natural resources.

- OTP Bank has been joining the WWF's Earth Hour initiative for years. In 2017, we helped the Hungarian Hikers' Association popularize hiking.
- The head office of DSK Bank has been active for years in the national PET bottle cap collection scheme; the caps are used for producing wheelchairs. In 2017 the bank took part in the Cycle2Work initiative organized by the Sofia Urban Mobility Centre. For a period of six weeks, the bank's employees used nine bicycles of the Centre, thus raising awareness and helping improve city air.
- The Slovakian subsidiary planted 273 trees to partially offset its paper use (one tree for every 50 packs of paper purchased). The Bank has also joined "Our City", a volunteering project to improve the urban environment.
- On the occasion of World Car Free Day, the Romanian subsidiary encouraged its employees to choose an alternative mode of transport. It also announced a 30-day competition to reduce the reliance on cars. The Bank has employed stickers and posters to encourage its employees to behave in environmentally friendly and healthy ways.
- Twice a year, CKB of Montenegro has traditionally taken part in nationwide forestation and environmental protection campaigns.
- Our affiliate in Serbia sends regular e-mails to its employees to advocate environmental awareness.

Risks

OTP Bank analyses and manages the risks pertaining to environmental protection, employment, the respect of human rights and the fight against corruption and bribery within its operational risk management process. Risk management is decentralized; risks are managed by the organizational units where the risks emerge. Potential risks are identified by self assessment. The Group Operational Risk Management Committee decides any risk mitigation measures and orders further investigations. Risk mitigation measures are monitored and verified on a quarterly basis.

NON-FINANCIAL STATEMENT – OTP BANK PLC. (SEPARATE)

The description of the company's policy on environmental protection, social and employment issues, respect for human rights, anti-corruption and bribery, as well as certain non-financial performance indicators can be found in the Environmental policy, environmental projects section.

The business model of the company

OTP Bank is the market-leading credit institution in Hungary. As for its business model, the Bank offers high-quality financial services to retail, private banking, micro and small business, medium and large corporate, as well as municipality clients through both its own physical network and its steadily developing digital channels. The Bank renders comprehensive retail and corporate banking services: its activities include deposit collection from customers and raising money from the money and capital markets. On the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities, whereas its liquidity reserves are invested in money and capital market instruments. Moreover, the Bank provides a wide range of state-of-the-art services, including the areas of wealth management, investment services, payment services, treasury and other services. In addition, OTP Bank's Hungarian subsidiaries deliver a wide range of further financial services. The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

Fight against corruption and against the practice of bribery

The Code of Ethics of OTP Bank contains separate chapters on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (www.otpbank.hu/portal/en/EthicalDeclaration, www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf). As it can be read in the foreword of the Code, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption.
In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes.".
The Bank has set up an ethics reporting system (whistleblowing), which is for the reporting and the handling of the reports on suspected or actual violation of the values set forth in the Code of Ethics, where anonymous reporting of ethics issues is also possible. The Bank conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.
Through the Bank's ethics reporting system a total of 15 reports were received in 2017, out of which one case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination.
The Bank has created and maintains its Code of Ethics to keep reputational risk and financial losses, which may incur in relation to corruption, bribery and discrimination, on a minimum level. Both employees and newcomers receive education on the Code of Ethics, and in addition, the acceptance to be bound by it is a prerequisite for their employment.

Non-financial performance indicators

- Internal audit: 173 closed investigations, 1,470 accepted proposals;
- Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio): 130 yes, 21 no;
- Compliance: 4 audits, 2,105 reports due to suspicion of money laundering;
- Bank security: expected damages arising from crimes detected: HUF 1,103.9 million, prevented damages: HUF 1,779.2 million; reported charges: 3,211; the ratio of bank card abuses to the turnover is much lower than the European average (OTP Bank 0.0078%, European average 0.0433%);
- Ethics issues: 15 ethics reports, establishing ethics offense in 1 case.

LIST OF NON-AUDIT SERVICES BY SERVICE CATEGORIES USED BY THE BANK

Deloitte Auditing and Consulting Ltd. provided the following services to OTP Bank Plc. during 2017:

- Testing of controls (and/or IT controls) that have already been designed and implemented;
- Consultation relating to interpretation and implementation of accounting standards;
- Trainings relating to changes in accounting regulations and professional interpretations;
- Engagements to perform agreed-upon procedures regarding financial information;
- Assurance engagements other than audits or reviews of historical financial information.

Restatement of certain items in the statement of financial position

According to the announcement made by OTP Bank Plc. on 28 June 2017 the share swap agreement between OTP Bank Plc. and MOL Plc. has been amended. Taking into account the economic substance of the deal and the amendment of certain elements of the contract, in order to show a full and reliable picture, the Bank decided to account for the deal on a net base, which provides a better reflection of the deal's economic substance, rather than booking it on a gross base. Pursuant to the change, the MOL shares (previously booked on the trading securities balance sheet line) and the related financial liabilities have been netted off. Consequently, only the net fair value of the share swap deal is presented in the balance sheet. The consolidated balance sheet and the balance sheet of OTP Bank and OTP Core were affected by the change. As a result of the above mentioned decision, the balance sheets for the 2016 base period have been restated. The restatement was neutral on the shareholders' equity and the statement of profit and loss.

Affected balance sheet lines were as follows: Financial assets at fair value through profit and loss, Other assets, Total assets, Other liabilities, Total liabilities, Total liabilities and shareholders' equity. Consequently, performance indicators with total assets in their denominators changed retroactively for 2016.

Affected performance indicators were as follows: ROA (from adjusted net earnings), Operating profit margin, Total income margin, Net interest margin, Net fee and commission margin, Net other non-interest income margin, Cost-to-asset ratio, Total risk cost-to-asset ratio, Leverage.

The restatement affected the separate regulatory capital of OTP Bank Plc. and the consolidated regulatory capital, and thus the capital adequacy ratios, too, through the Prudential filters which is part of the Common Equity Tier1 capital. The restated consolidated regulatory capital and capital adequacy ratios have been presented for 2016. (The restatement did not affect the separate regulatory capital of OTP Bank under Hungarian Accounting Standards at the end of 2016.)

Adjustments of the consolidated IFRS balance sheet lines

Starting from 3Q 2017, in the adjusted balance sheets presented in the analytical section of this Report 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.

	2017 HUF million
Gross customer loans (incl. accrued interest receivables related to loans)	**7,726,631**
(–) Accrued interest receivables related to DPD90+ loans	36,212
Gross customer loans (adjusted)	**7,690,419**
Allowances for loan losses	**(738,797)**
(–) Allocated provision on accrued interest receivables related to DPD90+ loans	(36,212)
Allowances for loan losses (adjusted)	**(702,585)**

Footnotes to the table 'consolidated net 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 profit or loss 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 profit or loss 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 or loss statements presented in the business 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 Supplementary 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 Profit or Loss. 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 profit or loss, 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 started to calculate interest revenues based on net loan volumes. This resulted in a one-off structural correction between the net interest income and provision for loan losses in 3Q 2016.
- Performing 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 on the consolidated statement of profit or loss (IFRS):

	2017 HUF million	2016 HUF million
Net interest income	**553,755**	**519,729**
(–) Revaluation result of FX provisions	190	823
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	(103)	(440)
(+) Structural correction affecting Ukrainian interest revenues and provision for loan losses in 3Q 2016	0	3,484
(–) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core	5,961	
(–) Effect of acquisitions	847	
Net interest income (adj.)	**546,654**	**521,949**
Net fees and commissions	**261,193**	**222,991**
(+) Financial Transaction Tax	(51,770)	(47,025)
(–) Effect of acquisitions	(5	
Net fees and commissions (adj.)	**209,428**	**175,966**
Foreign exchange result	**16,579**	**29,305**
(–) Revaluation result of FX positions hedging the revaluation of FX provisions	(4,350)	16,804
(–) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	(814)	(765)
(–) Effect of acquisitions	122	
Foreign exchange result (adj.)	**21,622**	**13,266**
Gain/loss on securities, net	**7,930**	**20,828**
(–) Gain on the sale of Visa Europe shares	0	15,924
Gain/loss on securities, net (adj.) with one-offs	**7,930**	**4,904**
(–) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net [adj.] at OTP Core)	862	(751)
Gain/loss on securities, net (adj.) without one-offs	**7,068**	**5,655**
Gains and losses on real estate transactions	**2,093**	**1,923**
(+) Other non-interest income	62,968	17,704
(+) Gains and losses on derivative financial instruments	5,291	6,838
(+) Net insurance result	410	
(–) Received cash transfers	584	37
(+) Received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary	560	
(–) Non-interest income from the release of pre-acquisition provisions	9,750	735
(+) Other other non-interest expenses	(9,666)	(29,221)
(+) Change in shareholders' equity of companies consolidated with equity method	413	(163)
(–) Effect of acquisitions	32,271	0
(–) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	712	325
(–) One-off impact of regulatory changes related to CHF consumer contracts in Croatia	(54)	(9,068)
(–) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(363)	(18,347)
(–) Impact of fines imposed by the Hungarian Competition Authority	194	3,922
(–) 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	(1,200)	
Net other non-interest result (adj.) with one-offs	**20,175**	**19,478**
(–) 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
Net other non-interest result (adj.) without one-offs	**20,175**	**19,478**
Provision for loan losses	**(40,848)**	**(93,472)**
(+) Non-interest income from the release of pre-acquisition provisions	9,750	735
(–) Revaluation result of FX provisions	4,144	(17,648)
(–) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	0	(574)
(–) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	1,777	(4,776)
(+)Structural correction affecting Ukrainian interest revenues and provision for loan losses in 3Q 2016	0	(3,484)
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core	5,961	
Provision for loan losses (adj.)	**(31,058)**	**(73,223)**

	2017 HUF million	2016 HUF million
Dividend income	**4,152**	**3,054**
(+) Received cash transfers	584	37
(+) Paid cash transfers	(11,496)	(13,131)
(–) Sponsorships, subsidies and cash transfers to public benefit organisations	(11,495)	(13,130)
(–) Received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary	560	
(–) Dividend income of swap counterparty shares kept under the treasury share swap agreement	3,082	2,841
(–) Change in shareholders' equity of companies consolidated with equity method	413	(163)
After tax dividends and net cash transfers	**680**	**412**

	2017 HUF million	2016 HUF million
Depreciation	**(49,493)**	**(44,428)**
(–) Effect of acquisitions	(2,507)	
Depreciation (adj.)	**(46,482)**	**(44,428)**

	2017 HUF million	2016 HUF million
Personnel expenses	**(213,886)**	**(191,443)**
(–) Effect of acquisitions	(287)	0
Personnel expenses (adj.)	**(213,599)**	**(191,443)**

	2017 HUF million	2016 HUF million
Income taxes	**(41,503)**	**(33,944)**
(–) Corporate tax impact of goodwill/investment impairment charges	(5,561)	11,552
(–) Corporate tax impact of the special tax on financial institutions	1,561	3,120
(+) Tax deductible transfers (offset against corporate taxes)	(2,162)	(9,565)
(–) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	(17)	0
(–) Corporate tax impact of the effect of acquisitions	(2,298)	0
(–) Corporate tax impact of the gain on the sale of Visa Europe shares	0	(2,764)
(–) Corporate tax impact of switching to IFRS from HAR in Hungary	0	(5,766)
(–) Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary	0	(6,054)
Corporate income tax (adj.)	**(37,350)**	**(43,596)**

	2017 HUF million	2016 HUF million
Other operating expense, net	**(51,230)**	**(36,405)**
(–) Other costs and expenses	**(5,795)**	**(5,639)**
(–) Other non-interest expenses	(21,162)	(42,351)
(–) Effect of acquisitions	(9,504)	0
(–) Revaluation result of FX provisions	16	22
(–) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	54	9,642
(–) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(1,414)	23,123
(–) Impact of fines imposed by the Hungarian Competition Authority	0	(1,207)
(–) 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	1,200	
Other provisions (adj.)	**(14,624)**	**(19,995)**

	2017 HUF million	2016 HUF million
Other administrative expenses	**(236,072)**	**(220,228)**
(+) Other costs and expenses	(5,795)	(5,639)
(+) Other non-interest expenses	(21,162)	(42,351)
(–) Paid cash transfers	(11,496)	(13,131)
(+) Film subsidies and cash transfers to public benefit organisations	(11,495)	(13,130)
(–) Other other non-interest expenses	(9,666)	(29,221)
(–) Special tax on financial institutions (recognised as other administrative expenses)	(16,794)	(17,069)
(–) Tax deductible transfers (offset against corporate taxes)	(2,162)	(9,565)
(–) Financial Transaction Tax	(51,770)	(47,025)
(–) Impact of fines imposed by the Hungarian Competition Authority	0	(793)
(–) Effect of acquisitions	(931)	
Other non-interest expenses (adj.)	**(181,706)**	**(164,545)**

Statement of profit or loss of OTP Bank Plc., According to IFRS standards as adopted by the European Union (separate, audited)*:

	2017 HUF million	2016 HUF million	Change %
Loans	120,960	125,170	(3)
Placements with other banks	47,776	102,317	(53)
Amounts due from banks and balances with the National Banks	1,403	9,830	(86)
Securities available-for-sale	30,100	35,766	(16)
Securities held-to-maturity	44,737	41,327	8
Interest income	244,976	314,410	(22)
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	56,893	103,668	(45)
Deposits from customers	9,244	22,853	(60)
Liabilities from issued securities	151	1,329	(89)
Subordinated bonds and loans	3,033	13,721	(78)
Interest expense	**69,321**	**141,571**	**(51)**
NET INTEREST INCOME	**175,655**	**172,839**	**2**
Provision for impairment on loans	7,807	13,629	(43)
Provision for impairment on placement losses	(32)	3	(1167)
Provision for impairment on loans and placement losses	7,775	13,632	(43)
NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	**167,880**	**159,207**	**5**
Income from fees and commissions	206,759	189,731	9
Expense from fees and commissions	30,355	26,254	16
NET PROFIT FROM FEES AND COMMISSIONS	176,404	163,477	8
Foreign exchange gains, net (–)/(+)	4,555	5,075	(10)
Gains/(losses) on securities, net	7,946	44,999	(82)
Gains on derivative instruments, net	2,030	656	209
Dividend income	82,638	90,467	(9)
Other operating income	9,990	8,583	16
Other operating expense	71,359	(28,851)	(347)
NET OPERATING RESULT	178,518	120,929	48
Personnel expenses	90,444	88,720	2
Depreciation and amortization	20,486	21,872	(6)
Other administrative expenses	141,455	139,547	1
OTHER ADMINISTRATIVE EXPENSES	252,385	250,139	1
PROFIT BEFORE INCOME TAX	**270,417**	**193,474**	**40**
Income tax	18,867	21,096	(11)
NET PROFIT FOR THE PERIODS	**251,550**	**172,378**	**46**
From this, attributable to non-controlling interest	0	0	
NET PROFIT FOR THE PERIODS ATTRIBUTABLE OWNERS OF THE COMPANY	**251,550**	**172,378**	**46**

* The rows of the table are based on audited numbers, but some rows differ from audited data (merged or different level of aggregation).

Statement of financial position of OTP Bank Plc.,
According to IFRS standards as adopted by the European Union (separate, audited)*:

	2017 HUF million	2016 HUF million	Change %
Cash, amounts due from banks and balances with the National Bank of Hungary	399,124	928,846	(57)
Placements with other banks, net of allowance for placement losses	978,098	915,654	7
Financial assets at fair value through profit or loss	303,927	168,188	81
Securities available-for-sale	1,735,902	1,484,522	17
Loans, net of allowance for loan losses	2,145,046	1,902,937	13
Investments in subsidiaries, associates and other investments	967,414	668,869	45
Securities held-to-maturity	1,043,779	858,150	22
Tangible and intangible assets	100,537	92,395	9
Tangible assets	65,286	62,361	5
Intangible assets	32,877	27,767	18
Investment property	2,374	2,267	5
Other assets	98,055	133,571	(27)
TOTAL ASSETS	**7,771,882**	**7,153,132**	**9**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	694,533	646,271	7
Deposits from customers	5,192,869	4,745,051	9
Liabilities from issued securities	60,304	104,103	(42)
Financial liabilities at fair value through profit or loss	79,545	96,668	(18)
Other liabilities	210,539	238,258	(12)
Subordinated bonds and loans	108,835	110,358	(1)
TOTAL LIABILITIES	**6,346,625**	**5,940,709**	**7**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,155,247	1,020,754	13
Net earnings for the year	251,550	172,378	46
Treasury shares	(9,540)	(8,709)	10
Non-controlling interest	0	0	
TOTAL SHAREHOLDERS' EQUITY	**1,425,257**	**1,212,423**	**18**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**7,771,882**	**7,153,132**	**9**

* The rows of the table are based on audited numbers, but some rows differ from audited data (merged or different level of aggregation).

Statement of profit or loss of OTP Bank Plc., According to IFRS standards as adopted by the European Union (consolidated, audited)*:

	2017 HUF million	2016 HUF million	Change %
Loans	521,121	510,449	2
Placements with other banks	42,686	74,588	(43)
Amounts due from banks and balances with the National Banks	1,444	9,866	(85)
Securities available-for-sale	34,442	34,557	0
Securities held-to-maturity	56,343	51,427	10
Other interest income	10,479	8,804	19
Interest income	666,515	689,691	(3)
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	46,475	75,925	(39)
Deposits from customers	50,995	72,554	(30)
Liabilities from issued securities	5,727	4,726	21
Subordinated bonds and loans	2,259	10,239	(78)
Other interest expense	7,303	6,518	12
Interest expense	112,759	169,962	(34)
NET INTEREST INCOME	**553,756**	**519,729**	**7**
Provision for impairment on loans	40,620	93,605	(57)
Provision for impairment on placement losses	228	(132)	(273)
Provision for impairment on loans and placement losses	40,848	93,473	(56)
NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	**512,908**	**426,256**	**20**
Income from fees and commissions	315,606	272,235	16
Expense from fees and commissions	54,413	49,244	10
NET PROFIT FROM FEES AND COMMISSIONS	261,193	222,991	17
Foreign exchange gains, net (–)/(+)	16,579	29,304	(43)
Gains on derivative instruments, net	5,291	6,838	(22)
Gains/(losses) on securities, net	7,930	20,828	(62)
Gains on real estate transactions	2,093	1,923	9
Dividend income	4,152	3,054	36
Net insurance result	409	0	
Other operating income	62,967	17,705	256
Other operating expense	(51,230)	(36,406)	41
NET OPERATING RESULT	48,191	43,246	11
Personnel expenses	213,886	191,442	12
Depreciation and amortization	49,492	44,427	11
Other administrative expenses	236,072	220,229	7
OTHER ADMINISTRATIVE EXPENSES	499,450	456,098	10
PROFIT BEFORE INCOME TAX	**322,842**	**236,395**	**37**
Income tax	41,503	33,943	22
NET PROFIT FOR THE PERIODS	**281,339**	**202,452**	**39**
From this, attributable to non-controlling interest	(197)	(242)	(19)
NET PROFIT FOR THE PERIODS ATTRIBUTABLE OWNERS OF THE COMPANY	**281,142**	**202,210**	**39**

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Financial position of OTP Bank Plc.,
According to IFRS standards as adopted by the European Union (consolidated, audited)*:

	2017 HUF million	2016 HUF million	Change %
Cash, amounts due from banks and balances with the National Bank of Hungary	1,198,045	1,625,357	(26)
Placements with other banks, net of allowance for placement losses	462,180	363,530	27
Financial assets at fair value through profit or loss	344,417	189,778	81
Securities available-for-sale	2,174,718	1,527,093	42
Loans, net of allowance for loan losses	6,987,834	5,736,232	22
Investments in subsidiaries, associates and other investments	12,269	9,836	25
Securities held-to-maturity	1,310,331	1,114,227	18
Tangible and intangible assets	413,390	355,516	16
Tangible assets	237,321	193,485	23
Intangible assets	176,069	162,031	9
Other assets	287,044	287,472	0
TOTAL ASSETS	**13,190,228**	**11,209,041**	**18**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	472,068	543,775	(13)
Deposits from customers	10,233,471	8,540,583	20
Liabilities from issued securities	250,320	146,900	70
Financial liabilities at fair value through profit or loss	69,874	75,871	(8)
Other liabilities	448,412	403,805	11
Subordinated bonds and loans	76,028	77,458	(2)
TOTAL LIABILITIES	**11,550,173**	**9,788,392**	**18**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,390,737	1,247,268	12
Net earnings for the year	281,142	202,210	39
Treasury shares	(63,289)	(60,121)	5
Non-controlling interest	3,465	3,292	5
TOTAL SHAREHOLDERS' EQUITY	**1,640,055**	**1,420,649**	**15**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**13,190,228**	**11,209,041**	**18**

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