ANNUAL REPORT 2017

Contents

DEAR SHAREHOLDERS, CLIENTS AND BUSINESS PARTNERS,

I wish to thank you for your loyalty and support. The year 2017 was again a very demanding year for the Bank. The Bank successfully maintained its position in an environment of low market interest rates for retail and business loans.
Despite massive refinancing, we achieved growth particularly in the area of real-estate secured loans. In the area of corporate lending, the Bank focused mainly on the segment of small- and medium-sized entrepreneurs and micro-entrepreneurs.
The Bank successfully maintained existing clients and grew the number of active retail and corporate clients across the business network.
The Bank offset falling interest rates by assets leading to obtaining higher fee income from the sale of third-party products. On the other hand, we focused on rigorous cost management, helping us maintain costs at the 2016 level. Sales income, even despite the low operating costs, failed to bring the Bank a positive economic result. The reason lay particularly in the cautious provisioning policy. The shareholder supported the Bank's other business activity by raising its registered capital.
Over the course of 2017, we continued in raising the quality of services for our clients by way of digitalisation of selected banking processes. The automation of retail consumer loans processing enabled us to assess and provide loans to clients faster. The expansion of Internet banking and mobile banking services raised customer satisfaction and convenience. The installation of the first hybrid ATMs with a cash deposit option further extended the range of our services.
The Bank in 2017 devoted especial efforts to projects dealing with legislative requirements of European and national institutions.
Throughout 2017, the OTP READY Foundation actively promoted and organised financial literacy courses for primary and secondary school pupils. The Foundation also launched a project engaging teachers and parents in financial literacy training.
Throughout the year we paid particular attention to care for our colleagues, bank employees, with a view to improving staff retention, training and raising their sales skills.
What awaits us in 2018? We want to focus primarily on expanding the Bank's client base. An important goal is profitability in each segment and raising client satisfaction with the Bank's services.

Ing. Zita Zemková
CEO
and BoD Chair of OTP Banka Slovensko, a.s.

COMPANY BODIES

Board of Directors

Ing. Zita Zemková,
Chairman of the Board of Directors

Ing. Rastislav Matejsko,
Member of the Board of Directors

Ing. Radovan Jenis,
Member of the Board of Directors

Dr. Sándor Patyi,
Member of the Board of Directors

Supervisory Board

József Németh,
Chairman

Ágnes Rudas,
Member

Tamás Endre Vörös,
Supervisory Board Member from 11. 4. 2017

Atanáz Popov,
Member

Angelika Mikócziová,
Member

Jozef Brhel,
Supervisory Board Member until 23. 10. 2017

Attila Angyal,
Supervisory Board Member from 24. 10. 2017

SHAREHOLDER STRUCTURE AS OF 31 December 2017

The share of domestic shareholders in the registered capital as at 31 December 2017 represented 0.62%, while foreign shareholders held a 99.38% share.

OTP Bank, Nyrt., is the only shareholder with a share of more than 1% in the Bank's registered capital.

Shareholder	Shareholding (EUR `000)	Share (in %)
OTP Bank, Nyrt	110,887	99.38
Others	694	0.62
Total share capital	111,581	100

REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY`S BUSINESS AND ASSETS

I. KEY INDICATORS

1) after excluding the impact of one-time VISA transactions (2016)
2) the number of full-time employees

II. EXTERNAL DEVELOPMENT

The favourable financial conditions and positive business confidence encouraged economic activity in a number of countries. Increased investment demand stimulated industrial production and favourably influenced also the pace of foreign trade growth. Optimistic expectations connected with growth in the real economy, against a background of low interest rates, relaxed financial conditions and led to growth in borrowing. The eurozone economy also reacted positively to these developments. Concerns regarding the interconnection of the banking and public sector remained a real problem in terms of financial stability.
Slovakia's economy again in 2017 continued its favourable development, supported particularly by domestic demand. Growth in consumption was mainly a reflection of good labour market conditions, while households' improved financial situation stimulated also growth in demand for loans. The labour market situation was characterised by a record number of persons employed, with skilled workforce shortages in some sectors triggering accelerated wage growth. Inflation edged up slightly, mainly through the influence of the rise in food and non-energy industrial goods prices. Over the coming period they are projected to move further toward the inflation target, under the influence of rising demand and other labour market incentives. Favourable economic conditions, business optimism and low interest rates have paved the way for a development of business activities in most sectors.
In comparison with the high benchmark for 2016, when the banks' operating revenues were increased by the one-off sale of VISA Europe shares, the banking sector's profit declined markedly. The development in profitability was negatively affected in particular by net interest income, the impact of which was partially offset by faster growth in lending volumes, supported also by macroeconomic development and continuing favourable development in the labour and real estate market. Lower operating costs, cost charges and lower provisioning for operating costs, cost charges, and lower provisioning for credit losses, on the other hand, helped improve the sector's performance
The year-on-year 12% growth in retail lending was significantly higher than the 4% growth in retail deposits and was in large part due to the 13% growth in housing loans. Expectations regarding the impact of new measures by the National Bank of Slovakia in the area of housing loans had a significant impact on credit growth. Consumer loans were characterised by steady growth alongside a significant fall in interest rates, due in part to the impact of legislation in the area of maximising compensation. The National Bank of Slovakia noted rising household debt as the reason for introducing a countercyclical capital buffer in the amount of 0.5% of total risk exposure, which, from 1 August 2018 will be further increased to the level of 1.25%.
The rate of growth in corporate loans in the sector (+7%) was comparable to the level from 2016, with notable growth in exposures to existing business clients. The expansion of business revenues and their rising interest in loans, especially of an investment nature, triggered intense competition among Slovak banks for clients in this segment. Business deposits accelerated in the growth against a year earlier, to reach 7% higher in 2017.

III. BASIC FACTS ON THE BANK MANAGEMENT

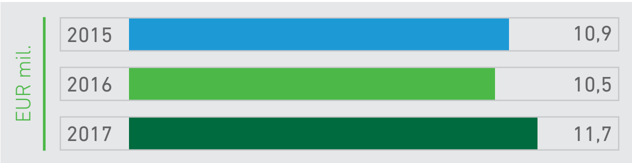
- In the business area, the Bank in 2017 achieved a slight increase in the volume of gross loans, with particular growth in the housing loans portfolio (+4%). Growth was seen also in consumer loans and loans to micro-entrepreneurs. Activities were also focused on improving the quality of the loan portfolio, both through sales and write-offs of non-performing loans as well as significantly better quality new lending. Thanks to this, the volume of non-performing loans decreased, while the coverage of non-performing loans by provisions was significantly increased. The development of loans was substantially affected also by an increase in the volume of early repayments, particularly in the consumer and business loans segments.
- The Bank continued in optimising its funding, where it significantly reduced the volume of relatively expensive term deposits (-26%). It focused, in particular, on strengthening the return on non-term deposits across all segments, notably through the acquisition and support of clients' transaction behaviour. Further progress was recorded also in savings accounts, the volume of which grew by 17%. Part of the funds from due term deposits was redirected by clients into funds of the partner fund management company.
- In 2017 the range of products for corporate clients was expanded with the introduction of trade and export finance tools. Together with the further development and growth in factoring business, this represents an important impulse for strengthening the Bank's position in the corporate client segment. With a view to supporting the area of trade finance, a specialised team of experienced professionals was created in 2017.
- In an environment of unemployment falling to historical lows and strong competition for high-quality and experienced staff, human resources management is becoming an increasingly important factor of success in the highly competitive environment of the banking market. In 2017, the area of employee acquisition, retention and further development thus became one of the key activities for the Bank's management.

IV. FINANCIAL RESULTS

A. Operating income

1. Net interest income
fell by 8% against the year earlier, whilst 57% lower interest costs were not able to fully offset falling interest income, despite the progressive change in the structure of the Bank's deposit portfolio in favour of cheaper non-term accounts. The year-on-year decline in interest income to the level of 15% reflects the continuing downward trend in interest rates, particularly on consumer loans and housing loans. A negative factor remains the strengthening competitive battle in conjunction with harsh legislative conditions, evidenced by growing volumes of early repayments made both in retail consumer loans as well as in the business segment. The net interest margin declined by 28 bp, and ended the year at 3.01%.

2. Net fee and commission income
recorded a 12% year-on-year increase. Successful activation of clients on current accounts in the framework of the new service packages contributed to increasing fee income from deposits and payment transactions by 7%. Significantly, commission for intermediation of mutual funds and insurance increased by more than 127%. Progress was made also in the area of corporate credit transactions, where the highest fee income in comparison with the previous year was generated by investment loans and factoring deals. Legislative restrictions in the field of setting the maximum fee for early repayment of housing loans and consumer loans in the retail segment led to a significant year-on-year fall of 37% in income fees in this category.

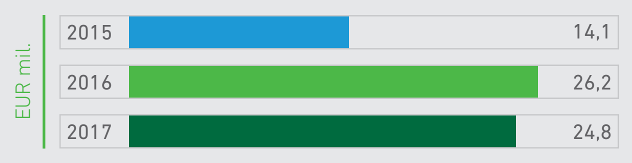


B. Operating costs

fell against 2016 by 2.5%. The Bank in 2017 continued in its strict management of operating costs. The levy burden decreased in comparison with the previous year, mainly thanks to the lower contribution to the Deposit Protection Fund and Resolution Fund.
The ratio of operating costs to revenue rose against a year earlier from 63% to 66% mainly under the influence of lower operating income, which in 2016 were increased by the one-off income from the sale of VISA Europe shares. After adjusting for the impact of this one-off transaction, the Bank recorded an improvement in this indicator from 68% to 66%.

C. Costs of the credit risk

Again in 2017 the Bank continued in a conservative assessment of the quality of its loan portfolio, which resulted in a significant increase in coverage of non-performing loans by provisions, by more than 10 pp to 61%. Through measures focused on the existing portfolio, as well as newly provided loans, the quality of assets also improved. In a year-on-year comparison, the Bank recorded a 9% decrease in the delinquent portfolio, which was due both to write-offs (€5.7 million) and sales (€8.2 million) of non-performing loans. These transactions had a positive impact on the Bank's economic result in 2017, since the sale price was higher than the net value of the receivables sold. In 2017 the Bank increased its balance of provisions by €6.7 million, to €8.6 million at the close of the year. The volume of total risk costs fell year-on-year by 5% to €24.8 million.



D. Business result

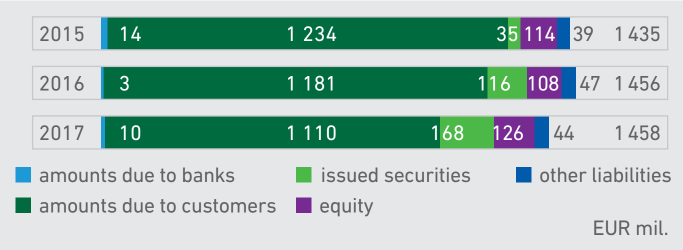
The economic result exceeded the planned level and in 2017 reached €19.1 million. Its 6% reduction against a year earlier was due fully to the extraordinary income from the sale of VISA Europe shares in 2016. For reason of continuing the conservative policy in assessing the quality of loan receivables and the significant increase in coverage of non-performing loans by provisions, risk costs exceeded the operating economic result and the Bank in 2017 reported an after-tax result of a loss in the amount of €5.93 million, which was lower than the Bank had planned. The loss for 2017 will be settled from retained profit from past years.

V. BUSINESS RESULTS

A. Liabilities and equity

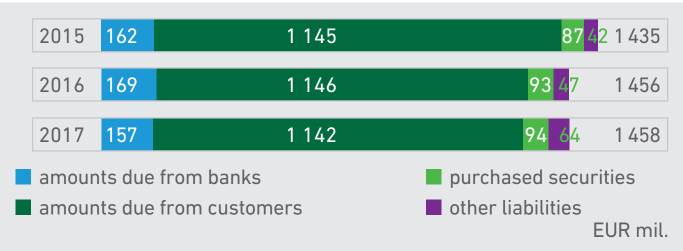
The Bank's balance sheet sum increased slightly in 2017. The volume of client deposits fell by 6% as a result of the planned change in their structure across all segments in favour of more profitable current accounts and savings accounts, which rose in total by 7%. Term deposits fell overall by 26%; the Bank does not expect any further such significant reduction in the period ahead. In 2017 the Bank issued bonds in the amount of €105 million and mortgage bonds in a volume of €17 million, and redeemed bonds totalling €50 million and mortgage bonds in a volume of €20 mil-

lion. The portfolio of issued securities thus rose by 45% against a year earlier.
Through an issue of ordinary shares in December 2017, the Bank increased its registered capital by €23 million with a view to strengthening its capital position and creating space for covering increasing statutory capital requirements, as well as for the dynamic development of its business activities.
The Bank fulfilled all European and national legislative requirements in the field of capital and at the close of the year reported capital adequacy of 15%. In a year-on-year comparison there was no change in the volume of the Bank's subordinate liabilities.



B. Assets

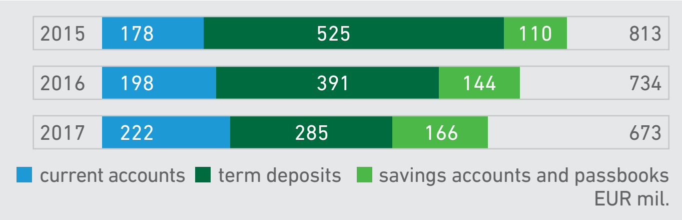
The volume of the loan portfolio in 2017 was positively influenced by the growth in retail loans, which recorded growth of €31 million. The unchanged total volume of loans was due to the concurrent €29 million fall in corporate loans, in consequence of the high volume of early repayments, combined with sales and write-offs of non-performing loans. The net balance of loans was reduced also by an increase in the balance of adjustments. The net lending to deposits ratio grew from 97% to 103% at the end of 2017.
Other asset components remained largely unchanged. The Bank's financial assets were administered so that, alongside efforts for their efficient use, the assets fulfilled all regulatory and internal requirements in the field of liquidity management.



VI. RETAIL BANKING

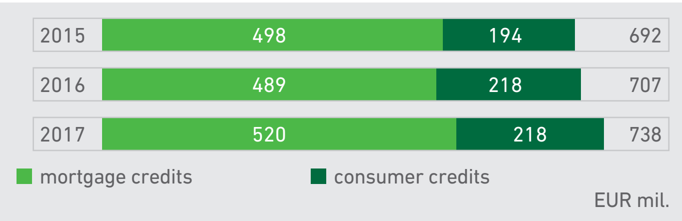
A. Retail deposits

Positive trends from 2016 carried on into 2017 in retail current accounts and savings accounts. The number of clients with the successful product Active Account in 2017 grew significantly, by 68%, representing a 12% growth overall growth in the number of active clients at the Bank. The Bank practically did not raise fees for transactions and services in the area of deposit products in 2017, and so the growth in active clients was seen in an identical percentage increase in retail deposit income, which also grew by 12%. These significant increases in current accounts were achieved through the competitive setting of products and, among others, were supported also by growing use of the successful mobile application, in the case of which the number of downloads in 2017 grew by 700%. The combination of the Active Account with the accompanying product Savings Account with Current Account in 2017, similarly as in 2016, formed one of the best deposit offers on the market, resulting in a 24% growth in deposits on the Savings Account with Current Account.
A portion of clients with term deposits transferred their deposits into potentially higher yielding mutual funds of the partner fund management company.



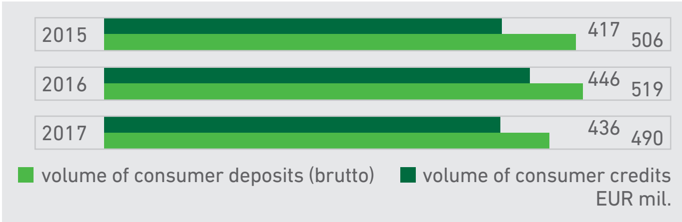
B. Retail loans

In 2017, the Bank achieved growth in the retail loans portfolio, where the gross balance rose by €31 million (4%) to reach €738 million. In 2017 The Bank was successful particularly in housing loans, where the balance grew by €31 million (+6%) against a year earlier. The Bank increased media support for the sale of unsecured consumer loans. Support was focused on "for anything" consumer loans.
The gross volume of consumer loans remained unchanged against a year earlier at the level of €218 million, where this was due to the higher volume of regular and extraordinary repayments and a higher volume of sales of non-performing loans. The Bank also focused on providing consumer loans for its own clients, who were offered loans at attractive terms in the form of predefined limits.



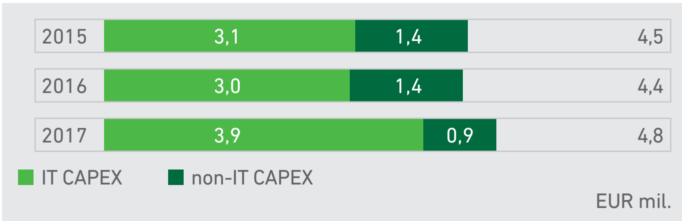
VII. CORPORATE BANKING

In the field of corporate banking, the banking market in 2017 saw a heightened competitive battle, resulting in more aggressive conditions for financing corporate clients. The Bank focused on maintaining the profitability of corporate deals. The increase in the volume of early repayments, as well as potential sales and write-offs of non-performing loan receivables ultimately resulted in a fall of €29 million in corporate loans. A positive feature was the development in the volume and income from factoring deals and in the micro-entrepreneurs segment. On the deposits side, the volume of term deposits decreased, while conversely clients' current account balances rose.
A significant change in 2017 was the emergence of a team and implementation of trade and export finance products in the framework of corporate banking. The team of experienced specialists prepared a complex set of new products for this type of financing and, together with factoring, which had already been a part of the product portfolio; the Bank thus now offers a broad spectrum of products and tools for financing corporate clients' needs.



VIII. DEVELOPMENT OF THE BANK

In 2017, investments totalling €4.8 million were made. The main development objectives were information technology, bank equipment, ATM and sales network expansion. The volume of funds reinvested in IT totalled €3.9 million. Significant attention was devoted to the new credit system, harmonisation of IT systems with legislative regulations and also the implementation of requirements connected with the changeover to the IFRS 9 standard. A further priority in the area of investments were the projects for digitalisation, raising convenience and the level of services provided to clients, with greatest attention given to the development of internet banking and mobile banking. Other investments were focused on the purchase of recycling ATMs, with a view to expanding the ATM network, on modernising the IT infrastructure, and on purchasing computer equipment. At the end of the year the Bank opened another new sales outlet – a branch in Bratislava.



IX. EXPECTED BUSINESS DEVELOPMENT

Positive expectations in the field of economic growth, household consumption and falling unemployment should in 2018 create a positive environment for the banking sector. On the other hand, however, the rising level of household debt will lead the National Bank of Slovakia to take further measures for dampening growth in retail lending. For these reasons, the competitive battle for clients in all segments is expected to further strengthen.
Slovak banks will also be affected by a methodological change in the accounting of adjustments, due to the mandatory changeover to the new IFRS 9 standard, i.e. the model of expected losses, which should primarily ensure their realistic coverage in future periods. The National Bank of Slovakia expects an approximately 14% growth in the volume of adjustments, which, though, should not yet affect the level of banks' profitability in 2018.
In 2018 the Bank expects an 8% increase in the total loan portfolio, where the largest growths should be in housing loans and consumer loans, which will continue to be supported by marketing campaigns. In the case of corporate loans, the Bank will focus attention on the SME and micro-entrepreneurs segment, anticipating 4% growth in this segment. Positive development is expected also in the area of factoring and trade and export finance products, which will substantially increase also the Bank's fee income.
On the deposits side, maintaining the return of non-term deposits alongside continually improving convenience and services for clients will remain of key importance for the Bank. The composition and functionality of products will further evolve in line with current market trends, whereby the Bank will support primarily the active behaviour of clients and improving client convenience.
The Bank will also give increased attention over the coming period to further streamlining and automating sales processes at branches and the head office, as well as employee care.

X. ADDITIONAL INFORMATION

The Bank has no branch offices abroad. It operates in the banking sector; this activity has no specific negative environmental impacts.
The OTP Group was represented in Slovakia in 2017 by the Bank and the companies OTP Faktoring Slovensko, s. r. o., OTP Buildings, s. r. o. And OTP REAL Slovensko, s. r. o. (the companies OTP Buildings, s. r. o. and OTP REAL Slovensko, s. r. o. merged in 2017).
The Bank in 2017 further expanded the activities of the OTP Ready Foundation, focused on financial education for primary and secondary school pupils throughout Slovakia.
The Bank did not acquire any of its own shares, temporary certificates or ownership interests, or any shares, temporary certificates or ownership interests of its parent entity. Nor did it receive any subsidies from public sources.
At the end of the year ordinary shares were issued in a total number of 23 041 402 pcs, at a par value of €1. The total volume of the issue represented €23 041 402. OTP Bank, Nyrt. acquired 23 000 000 pcs (99.82%), other domestic shareholders own 41 402 pcs of the issued shares (0.18%).
Structure of shareholders as at 31.12.2017: the share of domestic shareholders in the registered capital as at 31.12.2017 represented 0.62% and the share of foreign shareholders 99.38%. OTP Bank, Nyrt., is the only shareholder with a share of more than 1% of the Bank's registered capital.\

Shareholder	Shareholding (EUR `000)	Share (in %)
OTP Bank, Nyrt	110,887	99.38
Others	694	0.62
Total share capital	**111,581**	**100**

MARKETING SUPPORT OF PROJECTS

Communications activities in 2017 were focused primarily on supporting sales.

In retail banking, OTP Banka introduced a new communications concept. In the media space, the bulk of funds was invested in TV advertising, which was reflected in growth in monitored indicators in the field of awareness of the Bank's brand, image characteristics, as well as product offer parameters. The main product for year-round above-the-line communications were loans. Service packages and support for clients' account activities were promoted through a year-long consumer competition and promo events directly at the point of sale. In the area of mortgages, we focused on achieving the best possible targeting in print media. An important attribute of all communications activities was the introduction of the measurement of efficiency and performance parameters of individual communications tools.

In corporate banking, communication throughout the year was focused on selecting professional journals and periodicals oriented at a specific group of clients and products. Relationship management in the central region was supported by a VIP event for selected clients at the Vígľaš Chateau. Throughout the year great emphasis was placed on activities related to the agricultural sector, the most important event being the Bank's participation at the Agrokomplex exhibition.

Besides the Bank's business activities in 2017, it also supported employees' activities in volunteering, sport, cultural and charity events. An important aspect of allocating funds was support for local and regional communities in areas where the Bank has a business presence.

OTP READY Foundation
The Bank also contributed financially to the activities of the OTP READY Foundation, which focuses on financial education for primary and secondary school pupils throughout Slovakia. In 2017, a total of 2919 pupils from 64 schools, including schools for pupils with special needs, received these training courses. The Foundation also launched a project in which teachers and parents are engaged in financial literacy training.

VISION AND MISSION

VISION

Our bank's vision is not only to continue in what we have become in the Slovak financial market, but to achieve the maximum satisfaction and convenience for our clients, while our work and its results would convince other clients who are looking for quality services to express their trust in OTP Banka Slovensko as a modern, re-liable and well-established financial institution. We use the expertise, human potential of employees and the experience of an international group to satisfy our clients' needs, providing them with convenient services and exceeding their expectations.

Mission

The mission of OTP Banka Slovensko, a.s. is to provide professional and high quality services to its retail, corporate and local government clients. To apply fine-tuned management practices to combine existing potential and to act transparently and prudently, and also to proactively promote efficient innovations. Our motto is to satisfy each client. Our clients need to know that we are here for them, that they are important to us, regardless of whether they are a large company or an employee of a small business. We listen to their needs and respect them. We will convince them with the high quality of modern products, with the level of the services provided, with our personal approach, reliability, professionalism and open communication.

CODE OF ETHICS

BASIC MORAL REQUIREMENTS

Honesty and integrity

To act honestly and fairly in personal and business relationships, while taking care to comply with all applicable rules and regulations and adhere to moral principles and rules of decent behaviour.

Professionalism

To perform all work activities at the highest possible professional level and in accordance with the rules and principles of honest business conduct.

PRINCIPLES OF PROFESSIONAL ACTIVITY

Professional credibility

To continuously advance the development of the Bank staff's expertise, with the aim of meeting and exceeding the expectations associated with a good business reputation. To sell products andservices by means of experienced staff, paying particular attention to providing complete and correct information to clients.

Conflict of interest

Pursuant to legal regulations, to avoid conflicts of interest relating to the standing of the Bank, work and person, as well as to prevent such conflicts from arising. Refrain from all activities that are in conflict with the Bank's or clients' interests, to make decisions impartially and objectively.

Confidentiality

One of the key conditions for a relationship of trust established between the Bank and its clients is the strict protection of business secrets, banking secrets and confidential information. We protect personal data that weobtain in the course of providing our financial services.

Retail network – branches as at 31. 12. 2017

Nr.:	Branch	Street	Post Code	Town	Telephone
1	Bratislava-Štúrova	Štúrova 5	813 54	Bratislava	02/5979 2511
2	Malacky	Záhorácka 46/30	901 01	Malacky	034/32 687 01
3	Senec	Lichnerova 93	903 01	Senec	02/5979 2901
4	Pezinok OC Plus	Holubyho 28	902 01	Pezinok	033/32 687 31
5	Bratislava-Dúbravka	Saratovská 6 B	841 01	Bratislava	02/5979 2701
6	Bratislava-Blumentál-ska	Blumentálska 20	811 07	Bratislava	02/5979 2711
7	Bratislava-Hurb. nám.	Hurbanovo nám. 7	811 03	Bratislava	02/5979 2721
8	Bratislava-Polus	Vajnorská 100	831 04	Bratislava	02/5979 2731
9	Bratislava-Twin City	Mlynské Nivy 14	821 09	Bratislava	02/5979 2771
10	Bratislava-Kazanská	Kazanská 58	821 06	Bratislava	02/5979 2791
11	Nitra	Štúrova 71/A	949 01	Nitra	037/32 687 11
12	Dunajská Streda	Korzo Bélu Bartóka 344	929 01	Dunajská Streda	031/32 687 01
13	Galanta	Poštová 914/2	924 00	Galanta	031/32 687 21
14	Komárno	Záhradnícka 10	945 01	Komárno	035/32 687 21
15	Levice	Komenského 2	934 01	Levice	036/32 687 01
16	Nové Zámky	Petöfiho 1	940 24	Nové Zámky	035/32 687 51
17	Senica	Hviezdoslavova 309	905 01	Senica	034/32 687 11
18	Topoľčany	Škultétyho 4720/2A	955 01	Topoľčany	038/32 687 01
19	Trenčín	Jesenského 7371/2	911 62	Trenčín	032/32 687 17
20	Trnava	Andreja Žarnova 5	917 02	Trnava	033/32 687 21
21	Piešťany	Nálepkova 38	921 01	Piešťany	033/32 687 41
22	Šaľa	Hlavná 33/36	927 01	Šaľa	031/32 687 41
23	Partizánske	Februárová 152/1	958 01	Partizánske	038/32 687 11
24	Šamorín	Gazdovský rad 39	931 01	Šamorín	031/32 687 51
25	Veľký Meder	Bratislavská cesta 2467/122	932 01	Veľký Meder	031/32 687 71
26	Štúrovo	Hlavná 27	943 01	Štúrovo	036/32 687 11
27	Kolárovo	Kostolné nám. 15	946 03	Kolárovo	035/32 687 41
28	Komárno-Trend	Tržničné nám. 4810	945 01	Komárno	035/32 687 71
29	Banská Bystrica	Námestie SNP 15	974 01	Banská Bystrica	048/32 687 04
30	Čadca	Palárikova 98	022 01	Čadca	041/32 687 31

Nr.:	Branch	Street	Post Code	Town	Telephone
31	Dolný Kubín	Radlinského 1729	026 01	Dolný Kubín	043/32 687 01
32	Liptovský Mikuláš	1. mája 26	031 01	Liptovský Mikuláš	044/32 687 01
33	Lučenec	Železničná 1	984 01	Lučenec	047/32 687 31
34	Martin	M. R. Štefánika 42	036 53	Martin	043/32 687 11
35	Považská Bystrica	Centrum 2304	017 01	Považská Bystrica	042/32 687 01
36	Prievidza	Kláštorná 4	971 01	Prievidza	046/32 687 01
37	Rimavská Sobota	SNP 2	979 01	Rimavská Sobota	047/32 687 21
38	Zvolen	Nám. SNP 27	960 01	Zvolen	045/32 687 01
39	Žilina	Sládkovičova 9	010 01	Žilina	041/32 687 11
40	Detva	Tajovského 10	962 12	Detva	045/32 687 21
41	Ružomberok	Antona Bernoláka 3963	034 01	Ružomberok	044/32 687 11
42	Veľký Krtíš	SNP 16	990 01	Veľký Krtíš	047/32 687 51
43	Šahy	E. B. Lukáča 603	936 01	Šahy	036/32 687 21
44	Fiľakovo	Biskupická 4	986 01	Fiľakovo	047/32 687 61
45	Tornaľa	Mierová 23	982 01	Tornaľa	047/32 687 71
46	Košice-Alžbetina	Alžbetina 2	040 41	Košice	055/32 687 10
47	Bardejov	Radničné námestie 10	085 20	Bardejov	054/32 687 01
48	Humenné	Námestie Slobody 43	066 82	Humenné	057/32 687 01
49	Michalovce	Št. Kukuru 14	071 01	Michalovce	056/32 687 01
50	Poprad	Námestie sv. Egídia 3633/44	058 01	Poprad	052/32 687 81
51	Prešov	Hlavná 13	080 01	Prešov	051/32 687 21
52	Rožňava	Šafárikova 17	048 01	Rožňava	058/32 687 01
53	Spišská Nová Ves	Letná 48	052 01	Spišská N. V.	053/32 687 01
54	Stará Ľubovňa	Nám. sv. Mikuláša 20	064 01	Stará Ľubovňa	052/32 687 91
55	Trebišov	M. R. Štefánika 3782/25/A	075 01	Trebišov	056/32 687 21
56	Vranov nad Topľou	A. Dubčeka 1	093 25	Vranov nad Topľou	057/32 687 21
57	Svidník	Centrálna 817/21	089 01	Svidník	054/32 687 21
58	Košice-Murgašova	Murgašova 3	040 01	Košice	055/32 687 51
59	Sabinov	Námestie Slobody 1	083 01	Sabinov	051/32 687 71
60	Moldava nad Bodvou	Hviezdoslavova 32	045 01	Moldava nad Bodvou	055/32 687 71
61	Kráľovský Chlmec	Nemocničná 8	077 01	Kráľovský Chlmec	056/32 687 51

STATEMENT ON COMPLIANCE WITH THE PRINCIPLES OF THE CORPORATE GOVERNANCE CODE FOR SLOVAKIA

OTP Banka Slovensko, a.s. and the members of its bodies have committed to raising overall the level of corporate governance and have adopted the Corporate Governance Code for Slovakia, published on the CECGA website at: http://www.cecga.org/kodex. The Code can also be found on the Bank's website.
With the aim of committing to fulfil and comply with the Code's individual principles, to advert to the manner of such compliance and to issue a Corporate Government Statement pursuant to § 20(6) of the Accountancy Act no. 431/2002 Coll. as amended, the Company hereby makes the following Statement:

The records of registered shares are kept by the Central Securities Depository of the SR (Centralny depozitar Cennych papierov SR, a.s.) and these supersede the list of shareholders. In order to be effective the transfer of a registered share requires that a record of the transfer be made in the register of issuers of securities, as aintained by the Central Securities Depository of the SR, where the share is registered. The Articles of Association do not restrict transferability of the shares. To acquire or exceed an interest in the registered capital or voting rights of the Bank amounting to 20%, 30% or 50% in one or several operations, prior approval of the authorities supervising the Company is required.

I. PRINCIPLE: SHAREHOLDERS' RIGHTS AND KEY FUNCTIONS OF OWNERSHIP

A. Shareholders' fundamental rights

At a general meeting, a shareholder is entitled to require information and explanations relating to the Company's affairs or the affairs of entities controlled by the Company, to submit proposals relating to the agenda under discussion and to vote. Upon request, the Board of Directors is obliged to provide a shareholder at the general meeting complete and true information and explanations relating to the subject of the general assembly's agenda. If the Board of Directors is unable to provide the shareholder at the General Meeting with complete information or if requested by the shareholder at the General Meeting, the Board of Directors is obliged to provide such information to the shareholder in writing within 15 days following the General Meeting. The Board of Directors shall send the information to the shareholder to the address specified by the shareholder, else to the address specified in the list of shareholders. The Board of Directors is entitled to refuse to give such information only if it would constitute a breach of law, or if it is clear from a careful assessment of the information that its provision could cause harm to the Company or an entity controlled by the Company. Information relating to the management and assets of the Company must be provided in any circumstances. If the Board of Directors refuses to provide information, the Supervisory Board will, at the shareholder's request, decide on the Board of Directors' obligation to provide the required information during the negotiation of the General Meeting. Shareholders are entitled to view the Minutes of a Meeting of the Supervisory Board. Shareholders are obliged to keep such information obtained confidential.

Shareholders may only exercise their right to take part in the management of the Company at the General Meeting, respecting the organisational measures applicable to the General Meeting. The number of the votes of each shareholder is determined by the ratio of the nominal value of their shares and the amount of the registered capital. Shareholders may exercise their rights at the General Meeting by means of an authorised representative. The authorisation must be in writing and the shareholder's signature must be certified. The authorisation will expire, if the shareholder takes part in the General Meeting. If the shareholder authorises more than one person to exercise their voting rights connected with the same shares at one General Meeting, the Company will allow only the authorised representative who first registered in the attendance list to vote. A member of the Supervisory Board of the Company may not be an authorised representative. The Board of Directors is obliged not to allow the shareholder to exercise their rights, if the relevant body has decided to suspend the exercise of the shareholder's rights or otherwise restrict the shareholder's rights. Shareholders are entitled to a share in the profit, determined by the ratio of the nominal value of their shares and nominal value of all shareholders' shares.

B. Right to take part in the decisionmaking process relating to substantial changes in the Company and right of access to information

Amendment to Articles of Association
A draft amendment to the Articles of Association may be submitted by a shareholder or the Board of Directors of the Company. A shareholder may exercise this right at the General Meeting, if the amendment to the Articles of Association has been included in the General Meeting agenda, or under circumstances specified in Art. VIII of the Articles of Association, and request that a General Meeting be convened in order to negotiate the draft amendment to the Articles of Association. The complete text of the draft amendments must be available at the Company's seat at least 30 days prior to the General Meeting. The Board of Directors is obliged to ensure that each shareholder is able to view the complete wording of the amendments upon registration in the attendance list.

Amendments to Articles of Association and amended Articles of Association (for the purposes of this Section hereinafter referred to as an "Amendment to the Articles of Association") approved by the General Meeting will become valid and effective upon approval by the bodies supervising the Company's activity. If the body supervising the Company's activity fails to decide on the Company's request for approval to an Amendment to the Articles of Association within 30 days following delivery of a complete request, the Amendment to the Articles of Association will be deemed approved. By decision of the General Meeting or a generally binding legal regulation, the Amendment to the Articles of Association may become valid and effective on any later date. A Notarial Deed must be made with regard to the decision on the Amendment to the Articles of Association. If the Amendment to the Articles of Association changes any facts registered in the Commercial Register of the Slovak Republic, the Board of Directors will be obliged to file a petition for registration of such changes with the Commercial Register of the Slovak Republic without undue delay.

By-Laws
Within the scope defined by the generally binding legal regulations and decisions of the Company's bodies, the Company's activities are regulated by its by-laws. By-laws break down into instructions of the Board of Directors,instructions of the CEO, working regulations and working instructions. Instructions given by the Board of Directors regulate the fundamental relationships in the Company, in particular acting on behalf of the Company, labour relationships and organisation of the Company. The Board of Directors' instructions also regulate employees' procedures in entering into deals with clients. The CEO's instructions regulate those areas of the Company's activity that transcend the activities of a particular division. Working regulations regulate the subtasks, obligations and working procedures in the individual fields of the Bank's activity. By way of working instructions, the Executive Assistant to CEO regulates the activity of the organisational unit and employees of the division that he/she manages.

Approval of the issue of new shares
The registered capital of the Company may be increased or decreased by the Company's General Meeting at the request of the Board of Directors or, as relevant, the Board of Directors may do so in accordance with legal regulations and the Articles of Association. The General Meeting may decide on the issue of several types of shares distinguished by name and content of the rights connected therewith (voting right, amount of share in profits). Shares may be of different nominal value. All of the types of shares must have the type and form laid down by generally binding legal regulations.

Bonds
Based on the decision of the General Meeting, the Company may issue bonds carrying rights for their conversion to the Company's shares, or bonds carrying right to preferential subscription of shares, if, at the same time, the General Meeting decides on a contingent increase in the registered capital.

Extraordinary Transactions
Shareholders are continuously informed of major transactions carried out by the Bank.

General Meeting is the Supreme Body of the Company
a) amendment to the Articles of Association,
b) decision to increase the registered capital, entrusting the Board of Directors with the power to decide on an increase or decrease in the registered capital,
c) decision on the issue of bonds under Art. V of the Articles of Association,
d) decision on the termination of and change to the legal form of the Company upon the prior approval of bodies supervising the Company's activity,
e) election and dismissal of members of the Supervisory Board except members of the Supervisory Board elected and dismissed by employees,
f) approval of the ordinary and extraordinary individual Financial Statements, decision on the distribution of profit, including the amount of royalties and dividends, or settlement of loss,
g) approval of the Annual Report,
h) decision on the transformation of shares issued as registered securities to letter securities and vice versa,
i) decision on the termination of trading of the Company's shares at a stock exchange and decision to cease the Company as a public joint-stock company,
j) decision on other issues entrusted by the Articles of Association to the General Meeting,
k) decision on approval of an Agreement on Transfer of an Enterprise or Part of an Enterprise, and
l) decision on matters otherwise pertaining to other bodies of the Company, if reserved by the General Meeting, which, however, does not apply to deciding on matters entrusted to other bodies of the Company by a generally binding legal regulation.
m) decision on matters otherwise pertaining to other bodies of the Company, if reserved by the General Meeting, which, however, does not apply to deciding on matters entrusted to other bodies of the Company by a generally binding legal regulation.

In order to approve a decision of the General Meeting on an Amendment to the Articles of Association, an increase or decrease in the registered capital, commissioning the Board of Directors to increase the registered capital, an issue of priority or convertible bonds, dissolution of the Company, change of legal form or approval of a decision to end trading of the Company's shares on a listed securities market, a two-thirds majority of all shareholders' votes is necessary, and a Notarial Deed thereof must be made. In order to approve any other decision of the General Meeting, a two-thirds majority of the votes of all shareholders' votes is necessary.

C. Right to take part in decisionmaking regarding remuneration of the members of the bodies and management

Remuneration of the members of the bodies and management, the main principles and rules of remuneration and their implementation are governed by the applicable SR legislation and are contained in the Bank's internal Statement on compliance with the principles of the Corporate Governance Code for Slovakia Annual Report 2015 23 regulations, "Rules of Remuneration Policy at OTP Banka Slovensko, a.s". Legal framework of the regulation related to the principles of remuneration:

- Annex I to Directive 2010/76/EU (CRD III) of the European Parliament and of the Council,
- CEBS Guidelines on Remuneration Policies and Practices (dated 12 December 2010),
- Act No. 483/2001 Coll. on Banks and on amendments and supplements to certain acts, as amended,
- Act No. 566/2001 Coll. on Securities and Investment Services (The Securities Act) and on amendments and supplements to certain acts.

D. Right to take part in voting at the General Meeting

The Board of Directors convenes the General Meeting by a written invitation and notice of the General Meeting published in the nationwide periodical press publishing stock exchange news. The Board of Directors sends the written invitation to the shareholders to the address of their seat or permanent residence specified in the list of shareholders at least 30 days prior to the General Meeting. The invitation to the General Meeting must include all requisites laid down by generally binding legal regulations. If the Board of Directors fails to convene the General Meeting as described above, a member of the Board of Directors, Supervisory Board or shareholder may convene the General Meeting under the conditions laid down by the generally binding legal regulations. The Board of Directors must ensure that the Minutes of the Meeting are prepared within 15 days following the meeting. The Minutes of Meeting are to be signed by the minutes clerk, Chair of the General Meeting and two elected verifiers. In the event that the generally binding legal regulations stipulate that a Notarial Deed of the General Meeting be prepared, the Board of Directors must ensure the preparation thereof. Each shareholder may ask the Board of Directors to issue a copy of the Minutes of Meeting or a portion thereof along with the attachments thereto. At the shareholder's request, the Board of Directors is obliged to send such copy to the shareholder to the address specified by the shareholder or provide it to the shareholder otherwise as agreed with the shareholder without undue delay; otherwise it must make it accessible at the Company's seat. The cost of producing and sending the copy of the Minutes of a Meeting or a portion thereof along with the attachments is borne by the shareholder who asked for such a copy. The Minutes of a Meeting along with the notice of a General Meeting or invitation to the General Meeting and the list of attendees must be kept by the Company for the whole period of its existence. If the Company ceases to exist without any legal successor, the Company must deliver the documents to the relevant national archive.

E. Ownership structure and control

The Company is not aware of any agreements between the shareholders.

F. Ways to acquire control over the Company

To acquire or exceed an interest in the registered capital or voting rights of the Bank amounting to 20%, 30% or 50% directly or through action taken in concert in one or several operations, prior approval of the authorities supervising the Company is required. The law penalises such acquisition or exceeding of a share in the registered capital of the Bank or voting rights amounting to 20%, 30% or 50% directly or through action taken in concert in one or several operations without the prior approval of bodies supervising the activity of the Company by annulling such action.

G. Simplifying the exercise of shareholder rights

The Company has ensured access to all relevant information about events at the Company, particularly access to documents intended for discussion by the General Meeting, and financial information, by means of its website. The Company addresses the issue of resolving any conflict of interests in accordance with applicable legal regulations, for which it has drawn up Procedures for Managing a Conflict of Interests, a Code of Ethics, Monitoring of Persons with a Special Relationship to the Bank, and Rules for Personal Deals Concerning Investment Services.

H. Possibility for mutual consultations among shareholders

Shareholders are not restricted by legal regulations in force or Articles of Association in their mutual consultations.

II. PRINCIPLE: FAIR TREATMENT OF SHAREHOLDERS

A. Equal Treatment of Shareholders

The number of a shareholder's votes is determined by the ratio of the nominal value of their shares and the amount of registered capital. All shares carry equal rights and obligations. A shareholder or shareholders owning shares, whose nominal value amounts to at least 5% of the registered capital, may, stating a reason, request in writing that the Extraordinary General Meeting or Supervisory Board be convened to discuss proposed issues. If the shareholders requested that the Extraordinary General Meeting be convened to discuss an Amendment to the Articles of Association or election of the members of the Supervisory Board, they are obliged to submit a draft Amendment to the Articles of Association or names of persons proposed to be the members of the Supervisory Board along with a request for convening an Extraordinary General Meeting. The request for convening an Extraordinary General Meeting may only be satisfied if these shareholders prove that they have owned their shares at least 3 months prior to the end of the deadline for the Board of Directors to convene an Extraordinary General Meeting. Any shareholder listed in the list of shareholders or a person authorised by him/her may take part in the voting. Only shareholders who are present at the General Meeting may vote.

Discussions of the General Meeting

1. The General Meeting decides by voting based on a call of the Chair of the General Meeting.
2. If any proposal amending an original proposal (amendment) is filed, the General Meeting shall first vote on such amendment. The Chair of the General Meeting may combine voting on several amendments into one vote by the General Meeting.
3. If there are several proposals and it is not possible to apply the procedure under point 2), the Chair of the General Meeting shall decide on the order in which the proposals will be voted on.
4. If there are mutually exclusive proposals (competing proposals), the General Meeting shall only vote until one of such proposals is adopted. The General Meeting will not vote on the other proposals.
5. Competing proposals also include proposals to elect members of the company's bodies in an extent to which they exceed the number of vacant posts in the company's bodies.
6. Upon the election of members of the Supervisory Board elected by the General Meeting, the General Meeting shall vote on each person proposed to the post of a member of the Supervisory Board individually.
7. Issues not included in the agenda of the General Meeting may only be decided on with the participation and approval of all of the Company's shareholders.
8. Voting is performed by handing over a voting ticket or any other verifiable manner.
9. Result of the vote is reported by the scrutineers to the Chair of the General Meeting and minutes clerk.

B. No abuse of confidential information

Trading on one's own account based on abuse of confidential information is regarded as serious professional misconduct with appropriate consequences. In this field the Bank respects the legal regulation (Act on Banks, Act on Securities, Commercial Code and Act on Stock Exchanges), as well as the standards drawing on the law (Code of Ethics, Stock Exchange Code and Stock Exchange Rules).
A relevant department of the bank is investigating the misuse of confidential information that could damage the reputation of the bank or client's interests. Employees who come into contact with confidential information are directly subject to external control arising from Stock Exchange Regulations and Stock Exchange Rules.

C. Transparency upon a conflict of interest

The members of the Board of Directors, Supervisory Board and Managers are obliged to inform particular entities about affairs (personal, business, family) that could affect their objectivity in connection with a particular transaction. In such cases, the higher managing unit is obliged to replace the employee commissioned to perform a transaction with another employee. Concealment of facts resulting in harm to interests protected by law results in liability for such breach, regardless of function or position at the Bank. Conflicts of interest are dealt with in a separate working regulation and in the Code of Ethics, which is available on the Company's website. The Company, naturally, complies with the provisions of § 23 of the Act on Banks, by incorporating it in its internal conditions. In key transactions the Bank uses team decision-making and a correctly set system of remuneration.

III. PRINCIPLE: ROLE OF ST AKEHOLDERS IN CORPORATE GOVERNANCE

A. Respecting stakeholders' rights

At OTP Banka Slovensko, a.s., stakeholders include employees and their trade union. The rights of employees and their trade union are regulated primarily by the Commercial Code and Labour Code.

B. Possibilities for effective protection of rights of interest groups

The protection of interest groups' rights is ensured primarily through members of the Supervisory Board who are elected by employees and the trade union organisation, and by means of collective bargaining.

C. Participation of employees in the Company's bodies

Two of the six members of the Supervisory Board are elected by the employees.

D. Right of access to information

Stakeholders have access to information through the members of the Supervisory Board and trade union.

E. Control mechanisms of the stakeholders

Control mechanisms of the stakeholders are not formalised.

Employees may apply control mechanisms through the members of the Supervisory Board and trade union.

F. Protection of creditors

In addition to the ordinary means relating to each borrower, the protection of creditors' rights is ensured through the exercise of banking supervision from the side of the National Bank of Slovakia and the Deposit Protection Act, which stipulates the right to compensation for an unavailable deposit from the side of the Deposit Protection Fund for a certain sphere of creditors.

IV. PRINCIPLE: PUBLICATION OF INFORMATION AND TRANSPARENCY

A. Minimum publication requirements

The management of OTP Banka Slovensko, a.s. complies with a Code of Corporate Governance and the rules of Stock Exchange in Bratislava when disclosing all fundamental information. The financial and operating results of the bank are further disclosed under Act on Banks, Act on Accounting and relevant measures of the National Bank of Slovakia. The bank discloses audited financial statements for relevant accounting period. Financial statements for relevant accounting period and financial statements as of the end of individual quarters of accounting period are published on the bank's internet site. The bank ensures access to the information for all shareholders, clients, potential clients and employees. The information is disclosed and processed according to international accounting standards and international financial reporting standards. The information includes data on company's financial situation, the bank's management, the bank's assets, and describes transactions with related parties.

1. The Company's business activities include:

1. acceptance of deposits,
2. provision of credit,
3. provision of payments service and settlement,
4. provision of investment services, investment activities and ancillary services pursuant to Act No. 566/2001 Coll. on Securities and Investment Services and on Amendments to Certain Acts as amended (the "Act on Securities") to the extent specified in point 2 of this Article, and investment in securities on own account,
5. trading on own account

a) in money market instruments in euro and foreign currency, in gold, including currency exchange,
b) in capital market instruments in euro and foreign currency,
c) in coins made of precious metals, commemorative banknotes and coins, sheets of banknotes and aggregates of circulating coins,

6. management of clients' receivables on their accounts, including relating advisory services,
7. financial leasing,
8. provision of guarantees, opening and confirmation of letters of credit,
9. issue and management of means of payment,
10. provision of advisory services in the business area,
11. issue of securities, participation in the issue of securities and provision of related services,
12. financial intermediation,
13. safekeeping of things,
14. leasing of security boxes,
15. provision of banking information,
16. separate mortgage deals pursuant to the provision of § 67 (1) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts as amended,
17. depository function,
18. processing of banknotes, coins and commemorative banknotes and coins.

2. The Company is entitled to provide the following investment services, investment activities and ancillary services pursuant to the Act on Securities:

1. acceptance and assignment of a client's instruction relating to one or more financial instruments in relation to the financial instruments:

a) transferable securities,
b) money market instruments,
c) mutual funds or securities issued by foreign collective investment entities,
d) swaps relating to interest rates or yields that may be settled by delivery or in cash,

2. performance of a client's instruction on his/her account in relation to the financial instruments:

a) transferable securities
b) money market instruments,
c) mutual funds or securities issued by foreign collective investment entities,
d) swaps relating to interest rates or yields that may be settled by delivery or in cash,

3. trading on own account in relation to the financial instruments:

a) transferable securities,
b) money market instruments,
c) mutual funds or securities issued by foreign collective investment entities,
d) futures and forwards relating to currencies that may be settled by delivery or in cash,
e) swaps relating to interest rates or yields that may be settled by delivery or in cash,

4. investment advisory services in relation to the financial instruments:

a) transferable securities,
b) money market instruments,
c) mutual funds or securities issued by foreign collective investment entities,

5. subscription and placing of financial instruments based on a fixed liability in relation to a transferable security,
6. Uplacing of financial instruments without a fixed liability in relation to the financial instruments:

a) transferable securities,
b) mutual funds or securities issued by foreign collective investment entities,

7. safekeeping of mutual funds or securities issued by foreign collective investment entities and safekeeping and management of transferable securities on the client's account, except tenure, and related services, especially management of funds and financial collaterals,
8. performance of forex trades, if connected with the provision of investment services,
9. performance of investment research and financial analysis or any other form of general recommendation relating to trading in financial instruments,
10. services connected with the subscription of financial instruments.
11. The Company's business also includes financial intermediation under Act no. 186/2009 Coll. on financial intermediation and financial advice and on the amendment of certain acts, as amended, in the scope of a tied financial agent in the insurance and reinsurance sector, a tied financial agent in the capital market sector, a tied financial agent in the deposits taking sector and a tied financial agent in the loans sector.

STRUCTURE OF THE REGISTERED CAPITAL

The Company's registered capital amounts to
EUR 111 580 508.84 and is composed of Shares:

ISIN: **SK1110001452**
Nominal value: EUR 3.98
Number: 3 000 000 pcs
Kind: ordinary share
Type: registered
Form: registered securities
Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board
Transferable: no restrictions
% in the registered capital: 10.70
Accepted for trading: 2 999 710 pcs (upon the transformation of letter shares to registered securities owners of 290 pcs of letter shares did not submit these for transformation).

ISIN: **SK1110004613**
Nominal value: EUR 3.98
Number: 8 503 458 pcs
Kind: ordinary share
Type: registered
Form: registered securities
Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening and of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board
Transferable: no restrictions
% in the registered capital: 30.33
Accepted for trading: 8 503 458 pcs

ISIN: **SK1110003003**
Nominal value: EUR 39 832.70
Number: 570 pcs
Kind: ordinary share
Type: registered
Form: registered securities
Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board
Transferable: no restrictions
% in the registered capital: 20.35
Accepted for trading: no

ISIN: **SK1110016559**
Nominal Value: EUR 1
Number: 10 019 496 pcs
Kind: ordinary share
Type: registered
Form: registered securities
Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board
Transferable: no restrictions
% in the registered capital: 8.98
Admitted for trading: 10 019 496 pcs

ISIN: **SK1110017532**
Nominal Value: EUR 1
Number: 10 031 209 pcs
Kind: ordinary share
Type: registered
Form: registered securities
Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board
Transferable: no restrictions
% in the registered capital: 11.33
Accepted for trading: 10 031 201 pcs (8 pcs of shares are not emmited as of 31.12.2017 – the share owner does not have equity account)

ISIN: **SK1110019850**
Par value: € 1
Number: 23 041 402 pcs
Kind: ordinary share
Type: registered
Form: registered securities
Description of rights: The right to participate in the Company's management, to a share in the profit and liquidation balance, the right to preferential subscription of shares, the right to request convening of the General Meeting and Supervisory Board, right to view minutes from the Supervisory Board meeting
Transferable: no restrictions
% in registered capital: 20.65
Admitted for trading: 23 041 402 pcs

Qualified participation in the registered capital pursuant to Act No. 566/2001 Coll.
OTP Bank, Nyrt. Budapest, Hungary, has a qualified interest in the registered capital of the Bank. The share of the majority owner amounts to 99.38%.

Remuneration Strategy
Detailed information on the remuneration strategy is given in the Bank's by-laws, such as the Remuneration and Salary Code of the Bank, available to employees on the Bank's website. Certain information depending on its nature and content are available upon request.

INFORMATION ON MEMBERS OF THE COMPANY'S BODIES

Board of Directors

Members of the Board of Directors as of 31.12.2017

Ing. Zita Zemková,
d.o.b. 23.11.1959, Mierova 66, 821 05 Bratislava, SR; Chair of the Board of Directors and CEO of OTP Banka Slovensko, a.s.

Ing. Rastislav Matejsko,
d.o.b. 23.07.1973, Podlesná 29, 900 91 Limbach, SR; member of the Board of Directors and Executive
Assistant to CEO of OTP Banka Slovensko, a.s., managing the 2nd division - Finance & Treasury

Ing. Radovan Jenis,
d.o.b. 20.2.1974, Saratovská 10, 841 02 Bratislava, SR, member of the Board of Directors and Executive Assistant to CEO of OTP Banka Slovensko, a.s., managing the 3rd Division – Risk

Dr. Sándor Patyi,
d.o.b. 10. 3. 1957, Hóvirág utca 4, 2083 Solymár, Hungary, member of the Board of Directors
and Executive Assistant to CEO of OTP Banka Slovensko,a.s., managing the 4th division – Business

Supervisory Board

Members of the Supervisory Board as of 31.12.2017

József Németh,
date of birth: 09.02.1964, Szabo E. u. 2, 9700 Szombathely, Hungary; chairman

Ágnes Rudas,
date of birth: 03.07.1958, Viragvolgyi u. 5, 1239 Budapest, Hungary

Angelika Mikócziová,
date of birth: 15.11.1975, Eliášovce 815, 930 38 Nový Život

Atanáz Popov,
date of birth: 19.07.1980, Szent Laszlo ut 34-38, 1135 Budapest, Hungary

Ing. Mgr. Attila Angyal,
date of birth: 23 August 1973, Bagarova 1179/8, 841 08 Bratislava

Tamás Endre Vörös
date of birth: 8 January 1973, 1037 Budapest, Gölöncsér u. FSZT. 1/A 92

Changes in the Supervisory Board in 2017

Tamás Endre Vörös was elected a member of the Supervisory Board.
Ing. Jozef Brhel, elected by the employees as the member of the Supervisory Board, ended his post of the member through the expiry of the term of office. Ing. Attila Angyal was elected the member of the Supervisory Board.

Members of the Supervisory Board elected by the Company's employees

Members of the Supervisory Board, Ing. Angelika Mikócziová and Ing. Attila Angyal, were elected by the employees of the Company.

Commencement and termination of the office of the member of the board of directors

1) The Company's Board of Directors has 4 members.
2) The members of the Board of Directors are elected and dismissed by the Supervisory Board.
3) A proposal to elect or dismiss a member of the Board of Directors may be submitted to the Chair of the Supervisory Board by
a) shareholders owning shares whose nominal value exceeds 10% of the registered capital, and
b) a member of the Supervisory Board.
4) A proposal to elect or dismiss a member of the Board of Directors must be submitted in person and in advance. Such a proposal must then be included in the agenda of the next meeting of the supervisory Board by the Chair of the Supervisory Board. A member of the Supervisory Board may submit a proposal to elect or dismiss a member of the Board of Directors right at the meeting of the Supervisory Board. The Supervisory Board shall decide on the inclusion of an oral proposal to elect or dismiss a member of the Board of Directors in the agenda of the meeting of the Supervisory Board. A member of the Board of Directors may be dismissed by the Supervisory Board even before the end of his/her office. The Supervisory Board shall decide on the election or dismissal of a member of the Board of Directors by an absolute majority of votes of the members of the Supervisory Board.
5) The office of the member of the Board of Directors commences on the day of election, unless the Supervisory Board has decided that the office of the member of the Board of Directors commences on a later day.
6) The office of the member of the Board of Directors ends at the end of his/her office, by dismissal, resignation, validity of the court's decision on the restriction or termination of legal capacity to act, by death or declaration as deceased.
7) The office of the member of the Board of Directors lasts 4 years.
8) The member of the Board of Directors may resign from his/her office. A written resignation shall become effective as of the day of the first meeting of the Supervisory Board following the delivery of the resignation. If the member of the Board of Directors resigns at the meeting of the Supervisory Board, the resignation shall be effective immediately. If, by resignation of any member of the Board of Director, the number of the members of the Board of Directors falls below three, the Supervisory Board may decide that the resignation shall become effective at the end of the period determined by the Supervisory Board. The above period must not exceed 30 days and shall start on the day following the day of the meeting of the Supervisory Board, where the resignation was discussed.
9) For any change or election of a new member of the Board of Directors, prior approval of the bodies supervising the Company's activity is necessary.
10) The Chair of the Board of Directors is elected by the Supervisory Board from the members of the Board of Directors.

Commencement and termination of the office of a member of the supervisory board

1) The Supervisory Board currently has six members.
2) Four members of the Supervisory Board are elected and dismissed by the General Meeting.
Two members are elected and dismissed by the Company's employees.
3) Each shareholder is entitled to propose candidates for members of the Supervisory Board elected and dismissed by the General Meeting.
4) Only the employees who are employed by the company at the time of elections (hereinafter referred to as the "eligible voters") have the right to elect members of the Supervisory Board. Election of members of the Supervisory Board by employees is organized by the Board of Directors in cooperation with the trade union so that as many eligible voters or their authorized representatives as possible can participate in the elections. If the trade union is not established within the company, elections of members of the Supervisory Board elected by employees of the company is organized by the Board of Directors in cooperation with the eligible voters or their authorized representatives. The trade union or at least 10% of the authorised voters are entitled to file a proposal for the election or dismissal of the members of the Supervisory Board elected by the Company's employees. For the appointment or removal of members of the Supervisory Board elected by employees of the company to be valid, the voting of eligible voters must be secret and at least a majority of eligible voters or their authorized representatives having at least a majority of votes of eligible voters must participate in the elections. The candidates with the highest number of votes of the present eligible voters or their authorized representatives become members of the Supervisory Board. The election code for the election and dismissal of the members of the Supervisory Board elected by the employees of the Company is prepared and approved by the trade union. If there is no trade union, the election code is prepared and approved by the Board of Directors in collaboration with the authorised voters.
5) The office of the member of the Supervisory Board commences on the day of election, unless the General Meeting or employees decided that the office shall commence on a later day.
6) The office of the members of the Supervisory Board terminates by dismissal, resignation, validity of the court's decision on the restriction or termination of legal capacity to act, by death or declaration as deceased. The office of the member of the Supervisory Board terminates as at the end of the office of the member of the Supervisory Board, if a new member of the Supervisory Board was elected; otherwise the office shall be extended until the new member of the Supervisory Board is elected, however, by no more than 1 year.
7) The office of the members of the Supervisory Board is four years.
8) The member of the Supervisory Board may resign form his/her office. A written resignation shall be effective as of the day of the first meeting of the Supervisory Board following the delivery of the resignation. If the member of the Supervisory Board resigns from his/her office at the meeting of the Supervisory Board, the resignation may be effective immediately.
9) For any change or election of a new member of the Supervisory Board, prior approval of the bodies supervising the Company's activity is necessary.
10) The Chair of the Supervisory Board is elected by the Supervisory Board from the members of the Supervisory Board.

Within the scope of regular business activity, the Bank also performs transactions with related parties. In the case of OTP this concerns primarily the following companies within OTP:
OTP Bank Nyrt, Budapest (Hungary)
OTP Buildings, s.r.o. (Slovakia)
OTP Kartyagyártó és Szolgáltató Ktf. (Hungary)
OTP Financing Netherlands, B.V (The Netherlands)
OTP FINANCING MALTA COMPANY Limited
OTP Real Slovensko, s.r.o. (the company was wound up in 2017)
OTP Faktoring, s.r.o. (Slovakia)
OTP Jelzálogbank Zrt. (OTP Mortgage Bank Ltd.) (Hungary)
Transactions with related parties are performed under normal business conditions.

Transactions with related parties are performed under normal business conditions. The purpose and monetary valuation of the relationship and other necessary details are presented transparently by the Bank:
- in its Annual Report,
- on its website,
- regularly pursuant to legal obligations to the National Bank of Slovakia.

Foreseeable Risk Factors
The Bank's auditor has the possibility to require additional information and the external auditor has Access contractually ensured to the members of the Bank's bodies. The Bank manages risks resulting from foreseeable risk factors. The most important risks include credit risk, operational risk, market risk and liquidity risk. Credit risk is defined as a moment of uncertainty accompanying the Bank's business activity. Credit risk means any possible loss caused by the Bank's own activity or by any other facts independent of the Bank. It especially includes the default of a contractual partner not discharging its liabilities resulting from the agreed contractual terms in time and in full, thus causing a loss to the Bank. The Bank's evaluation system monitors the credit risk from two points of view: risk of default by a borrower and risk factors specific to a particular deal – transaction (guarantees, priorities, type of product, limits etc.). The acceptance of the credit risk towards the client depends on the outcomes of the analyses of the ability of the borrower to pay its liabilities (direct credit risk, risk of the business partner, country risk). The analyses include quality of the security instruments (residual risk – risk of security). The Bank has defined acceptable and unacceptable types of security and the acceptable amounts of collaterals. The credit exposure of the Bank is governed by a system of set limits (risk of concentration and asset exposure). Operational risk means the risk of loss resulting from inappropriate or erroneous internal processes at the Bank, failure of a human factor, failure of the systems used by the Bank or external events. The bank has developed an information system for the collection of operational risk events and it is used for continuous monitoring and provides a basis for the evaluation of effectiveness of adopted measures and instruments to mitigate operational risk. The bank, as a member of OTP Group, calculates capital requirement for the coverage of operational risk using an advance approach by means of a group model. The model includes all the relevant internal and external data, business environment factors and results of scenario analyses. The Bank is exposed to the impacts of market risks. Market risks result from open positions of transactions in interest, forex and stock products, which are subject to the effects of general and specific market changes. The forex risk is the risk that the value of a financial instrument will change due to changes in forex rates. The Bank manages this risk by determining and monitoring the limits for open positions. To analyse the sensitivity of the currency risk, the Bank uses the Value At Risk (VaR) method. Interest risk means the risk resulting from changes in interest rates. It originates as a result of a difference in due dates or periods of the revaluation of assets and liabilities. When measuring interest rate risk, the bank calculates the impact of the change of interest rates on the change in economic value and the change in net interest income. Liquidity risk means the risk that the Bank will have problems gaining funds to discharge its liabilities connected with financial instruments. The Bank monitors and manages liquidity based on the expected inflow and outflow of funds based on and appropriate changes to interbank deposits. Liquidity risk is limited by the system of limits. Legislative and internal indicators and gap analysis are primarily used when managing liquidity risk. The Bank also prepares liquidity development scenarios.
The bank, within Compliance and Security Section, has implemented a system of instruments to monitor unusual business transactions and the mitigation of risk associated with the laundering of funds from criminal activities. More detailed information on the bank's approach to individual risks and the management thereof is included in Notices to Financial Statements, which constitute a part of the bank's Annual Report.

Issues concerning employees and other stakeholders
Issues concerning employees are published on the Company's intranet and are updated as necessary.

Corporate governance strategy
The Bank supports the Corporate Governance Code for Slovakia. The composition and activity of the Company's bodies is published in the Annual Report, and updated in the relevant section on the Bank's website. The internal control system consists of methods, procedures, rules and measures of the Bank incorporated in internal bank processes, serving primarily to protect its assets, guarantee the reliability and accuracy of the accounting data, support compliance with the prescribed business policy and compliance with laws and other generally binding legal regulations. The managing bodies and managers of the Company are responsible for the adequacy and efficiency of the internal control system.

B. Quality of information

The Bank's management complies with the Corporate Governance Code. The Bank publishes its audited Financial Statements and information exclusively according to the International Accounting Standards and International Financial Reporting Standards. The Company regularly reviews the application of international standards in data processing and in financial reporting against the current state in the interest of the quality publication of information under International Financial Reporting Standards.

C. Independent audit

An independent part of the internal control system is the Internal Control and Audit Unit accountable to the Supervisory Board. The Internal Control and Audit Unit reviews compliance with laws, generally binding legal regulation and by-laws and procedures of the Company, reviews and assesses the functionality and effectiveness of the Company's management and control system, examines and evaluates the system of risk management, compliance with the Bank's principles of prudent business, readiness of the Company to perform new types of deals in terms of risk management, information provided by the Company about its activities, and, upon request by the Supervisory Board, performs reviews in the extent specified by the Supervisory Board. It performs its activity in all of the organisational units of the Company.

D. Auditor's accountability to shareholders

The external auditor is accountable to the shareholder by inviting the auditor to a meeting of the Supervisory Board which carries out the work of the Audit Committee in connection with the discussion on the financial statement. The external auditor also participates in the meetings of the General Assembly of the company. The Auditor annually declares his independence to the Audit Committee of the company.

E. Access of shareholders and stakeholders to information at the same time and to the same extent

The Company ensures that all shareholders and public are informed in time by means of its own website.

F. Independent analyses and advisory services

In selecting external suppliers the Bank proceeds so as to gain maximum quality and economically substantiated costs taking into account the conditions of each entity of the financial group. The by-laws regulate the automated processes within the group, guaranteeing the preservation of transparency and objectivity in the procurement of assets and services. As regards information, the main suppliers in the financial market are the independent agencies Reuters and Bloomberg, whose credit in terms of independence and objectivity is regarded as an internationally respected market standard.

V. PRINCIPLE: ACCOUNTABILITY OF THE COMPANY'S BODIES

A. Action of members of the bodies based on complete information in the interest of the Company and its shareholders

The members of the Board of Directors, Supervisory Board and other bodies of the Bank act based on information that is complete, correct and verifiable. The decision-making of members of the bodies may not be distorted by an existing or potential conflict of interests under any circumstances. Several wellestablished procedures work as a prevention: transfer of competences, publication of the information, refusal to act. The legal basis for the declarability of acting in the interest of the Company and the shareholders is the Act on Banks, Act on Securities, Commercial Code and Labour Code. According to the nature of their offices, the members of the bodies are subject to the principles of fair treatment of shareholders, monitoring and reporting to NBS in terms of transactions with persons with a special relationship towards the Bank and principles of remuneration of members of the bodies and management of the Company.

B. Equitable treatment of the members of the bodies and shareholders

The Company and the members of the bodies of the Company respect the rights of the shareholders resulting from legal regulations and the Articles of Association.

C. Application of ethical standards

The Bank is committed to compliance with legal standards, as well as moral principles and principles of social responsibility. On its website the Bank publishes a comprehensive declaration of fundamental ethical principles declared at the group level:

- fairness, integrity, expertise,
- prevention of conflicts of interest, confidentiality,
- respect towards clients and fair treatment,
- accountable management of the Company and social responsibility,
- solution of ethical misdemeanours and handling of complaints.

Furthermore, OTP supports the Code of Ethics of Banks in the area of consumer protection, prepared by the Slovak Association of Banks. The Code is a collection of ethical rules for consumer protection, representing a commitment of the banks involved to provide financial services to clients at a high level, observing the principles of decency and transparency in business. By acceding to the Code, the Bank undertook to communicate with the Banking Ombudsman within the limits of his competencies regarding disputed issues in the provision of services to the Bank's clients.

D. Key Functions:

Strategic planning is the key tool for the further advancement and orientation of the Bank and is managed by the parent bank. The Bank compiles its strategic plan according to the parent bank' guidelines. Strategic objectives form the basis for the annual business plan and financial budget. In preparing the strategic objectives, especial attention is dedicated to the risk profile of the planned business activities, which is subsequently reflected in the planned risk results. The strategy also includes a general investment plan, by means of which the Bank implements certain strategic goals. The investment plan is implemented in the form of projects. Following approval of the investment plan by the parent company, projects are prepared. By prioritising projects, a project Master Plan is prepared for the relevant year. The project Master Plan is continuously monitored, and reports for the Board of Directors on the fulfilment of the Master Plan are prepared quarterly, in which especially problematic areas and risks of individual projects, as well as proposals for reducing these risks, are specified for the individual projects. Monitoring of the effectiveness of the Company's procedures in the field of corporate governance is performed at the level of the Company's bodies. The Bank's Board of Directors processes and submits information from meetings of the Board of Directors to meetings of the Supervisory Board. Furthermore, the roles of the Company's bodies are monitored and evaluated by the Integration and Steering Committee of Subsidiaries. The fundamental principles of the personnel policy relating to top management are a part of the Remuneration and Salary Code. The principles of remuneration are based on the long-term interests of the Company and its shareholders. The fundamental rules for the prevention of unethical behaviour are regulated in the Ethical Declaration of the Bank, published on its website. By its strict regulation of the Bank's processes, and building control awareness at the Company, the Bank limits the room for any potential conflict of interests. The Bank protects itself from unfavourable transactions with related parties by making them accessible to the public and the auditor. The Company's bodies support anonymous whistle-blowing regarding unethical/unlawful actions, so that whistle-blowers need not fear retaliation. Clear determination of accountability and specific obligations are one of the fundamental principles applied at the Company. The integrity of accounting and financial reporting systems in the interest of accurate, timely and regular reporting of financial results of the bank is, among other things, supported by a systematic risk management by means of Risk Division and by the implementation of independent audit function. In addition to the annual report, the disclosure of information and communication with the surrounding are ensured by means of the company's website, through the publishing of press releases, the publishing of notices in the media or the distribution of directed notices.

Increase in registered capital

The General Meeting decides on an increase in the Company's registered capital. A Notarial Deed must be prepared with regard to an increase in the registered capital. An increase in the registered capital may be performed by subscription of new shares, an increase in the registered capital from retained earnings or funds created from profit, whose use is not stipulated by law, or by subscription of new shares, where part of the issue rate will be paid from the Company's own funds reported in the Financial Statements in the Company's equity (combined increase in the registered capital).

Acquisition of own shares

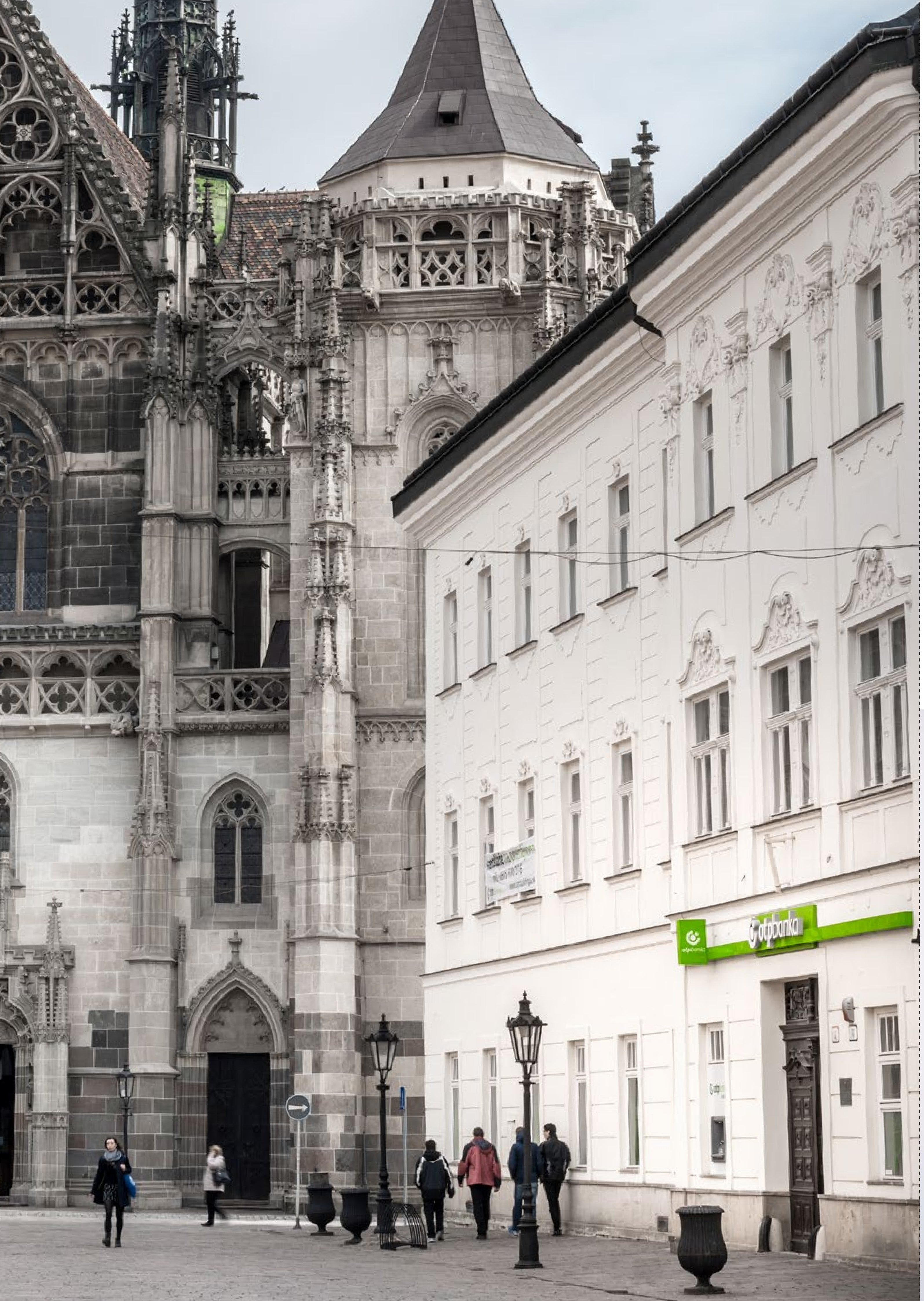
The Company may acquire its own shares only under the conditions laid down by legal regulations. The basic precondition for the acquisition of own shares is a decision of the General Meeting approving the acquisition of own shares and the conditions of such acquisition. The Board of Directors also exercises the rights of the employer in collective negotiations, approves the remuneration principles of the Company's employees, decides on the provision of credit or guarantee for a person having a special relationship towards the Company, appoints and dismisses directors of the Internal Control and Audit Unit following prior approval by the Supervisory Board or at the Supervisory Board's request. It decides on the implementation of new types of deals, grants and revokes proxies (granting and revoking of proxies requires prior approval by the Supervisory Board), grants and revokes other general authorisations and/or Powers of Attorney.

E. Objectivity and independence of the Company's bodies

The members of the Supervisory Board have several years' experience in managerial functions in the field of finance. At the same time, several members of the Supervisory Board were educated abroad and have international work experience. The Board of Directors has no committees.
Several committees composed of employees of the company operate within the company, the most important of which are the Credit Committee, ALCO Committee and the Risk Management Committee. As at 31.12.2017 the Company has no committee for appointments and no committee for remuneration. One person responsible for remuneration is appointed in the Company. In 2017 the activities of the Audit Committee were performed by the Supervisory Board to the full extent. The members of the bodies of the Company are sufficiently qualified and experienced in the area of management, including finance.

F. Members' right of access to precise, relevant and timely information

The right of Access and tools for accessing precise, relevant and timely information are specified in the Company's Articles of Association and the Supervisory Board's Rules of Procedure. By law, the members of the Supervisory Board are entitled to verify whether the submitted information is correct. For this purpose, they may use the independent internal audit unit. Similarly, they may require the Company to ensure external advisory services at the Company's expense.



SPECIAL PART OF THE ANNUAL REPORT

The Annual Report of OTP Banka Slovensko, a.s. has been compiled according to the Accountancy Act no. 431/2002 Coll., as amended.

The Board of Directors of OTP Banka Slovensko, a.s. confirms that information comprised in the „Statement on compliance with the principles of the Corporate Governance Code for Slovakia" include all data pursuant to Article 20 Paragraphs (6) and (7) of the Accountancy Act as amended. The subject of the Statement are information on Corporate Governance Code and methods of management, information on the activities of the General Meeting and other organs of the Company, on the structure of the registered capital and information on securities.

INDEPENDENT AUDITOR'S REPORT

OTP Banka Slovensko, a.s.

Separate Financial Statements for the Year Ended 31 December 2017 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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Id. Nr.: 31 343 414
VAT Id. Nr.: SK2020325516

OTP Banka Slovensko, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of OTP Banka Slovensko, a.s. and the Audit Committee:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of OTP Banka Slovensko, a.s. (the "Bank"), which comprise the separate statement of financial position as at 31 December 2017, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud	Summary of the auditor's response to the risks
Individual Loan Loss Provisions for Non-Retail Loans to Clients	
Refer to Note 8 of the financial statements Loan loss provisions for large non-retail loan receivables are determined on an individual basis and require management to apply a significant level of judgement. The level of individual loan loss provisions reflects assumptions made by management in evaluating the following critical areas: a) Existence of impairment events, b) Valuation of collateral, c) Determination of expected future cash-flows.	We tested the design and operating effectiveness of key controls management has established over the impairment evaluation processes. For loan loss provisions determined on an individual basis this included controls over the compilation and review of the credit watch list, regular client creditworthiness review processes, approval of experts' collateral valuation and management review and approval of the impairment evaluation results.

Loan loss provisions for non-retail loans assessed on an individual basis amount to EUR 39.52 million of the total recorded allowances of EUR 86.03 million as at 31 December 2017.	On a sample of large exposures we evaluated appropriateness of provisioning methodologies and their application. We formed an independent view on the levels of provisions required by examining available external and internal information. This work involved assessing the work performed by experts used by the Bank to value the collateral or to assess the estimates of future cash flows. On the same sample, we also verified correctness of discounted cash flows calculations applied in deriving the recoverable amount of the loan. Where we determined that a more appropriate assumption or input in provision measurement could be made, we recalculated the provision on that basis and compared the results in order to assess whether there was any indication of error or management bias. The overall conclusion was overlaid with an analysis performed at an overall portfolio level aimed at identification of unusual or irregular developments.
Interest income and fee and commission income recognition	
Refer to Note 23 and Note 25 of the financial statements While interest income is accrued over the life of the financial instrument, the moment of fee and commission income recognition depends on the nature of the fees and commissions as follows: • Fees and commissions that are directly attributable to the financial instrument are accrued over the expected life of such an instrument using the effective interest rate method; • Fees and commissions for services provided are recognised when service is provided; • Fees and commissions for the execution of an act are recognised when the act has been completed. The revenues recognition specifics, their high volume consisting of many individually insignificant transactions, the need for high input data quality and the reliability of IT solutions for their recognition resulted in this matter being identified as a key audit matter. For the year ended 31 December 2017 interest income was EUR 47.37 million and fee and commission income was EUR 15.95 million, the main source being customer loans and client deposits transactions.	We tested the design and/or operating effectiveness of key controls management has established over the interest and fee and commission income recognition processes and focused on controls over: • Assessment of interest/fees recognition policies during new product approval • Validity and correctness of data inputs related to customer loans and deposits, including authorisation of changes in the interest and fee price list and authorisation of non-standard interest/fees; • Management oversight over recognition of fee and commissions income and interest income; and • IT controls over access rights and change management of relevant IT applications with the assistance of our IT specialists. We performed the following procedures with regard to interest and fee and commission income recognition: 1) We evaluated the accounting treatment applied by the Bank in respect of fees charged to clients to determine whether the used methodology complies with the requirement of the relevant accounting standards. We focused our testing on challenging the correct classification of: • Fees and commissions that are directly attributable to the financial instrument; • Fees and commissions that are not directly attributable to the financial instrument. 2) We evaluated the correctness of mathematical formula used for accruing the relevant income over the expected loan life. 3) We performed analytical re-calculation of material interest income and fee income 4) We assessed the completeness and accuracy of data used for the calculation of interest income using data analytics.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the financial statements stated above does not apply to other information in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

As at the issuance date of the auditor's report on the audit of financial statements, the annual report was not available to us.

When we obtain the annual report, we will evaluate whether the Bank's annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the financial statements, we will express an opinion on whether:

- Information disclosed in the annual report prepared for 2017 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Bank and its position, obtained in the audit of the financial statements.

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public interest entities

Appointment of the Auditor

We were appointed as the statutory auditor by the Bank's General Meeting on 4 April 2017. The length of our total uninterrupted engagement including previous renewals of the engagement (extensions of the period for which we were appointed) and our reappointments as the statutory auditors is 16 years.

Consistency with the Additional Report to the Audit Committee

Our audit opinion expressed herein is consistent with the additional report prepared for the Bank's Audit Committee, which we issued on 20 February 2018.

Non-Audit Services

We did not provide the Bank with any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities and remained independent of the Bank when conducting the audit.

Other than statutory audit services and services disclosed in the annual report or financial statements, we provided no other services to the Bank and its controlled undertakings.

Bratislava, 1 March 2018

Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

SEPARATE STATEMENT OF FINANCIAL POSITION

otpbanka

Separate Financial Statements for the Year Ended 31 December 2017 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Separate Statement of Financial Position
as at 31 December 2017

(EUR '000)	Note	31 Dec 2017	31 Dec 2016
Assets			
Cash, due from banks and balances with the National Bank of Slovakia	4	181 333	179 663
Placements with other banks, net of provisions for possible placement losses	5	9	2
Financial assets at fair value through profit or loss	6	1	6
Available-for-sale financial assets	7	9 970	9 331
Loans and receivables, net of provisions for possible losses	8	1 142 231	1 146 135
Held-to-maturity financial investments	9	83 874	84 107
Investments in subsidiaries	10	-	-
Non-current tangible assets	11	20 761	21 780
Non-current intangible assets	11	8 299	6 479
Current tax asset	20	1 904	-
Deferred tax asset	20	5 033	4 933
Other assets	12	4 152	3 143
Total assets		**1 457 567**	**1 455 579**
Liabilities			
Due to banks and deposits from the National Bank of Slovakia and other banks	13	10 368	3 144
Amounts due to customers	14	1 109 679	1 181 491
Liabilities from issued debt securities	15	167 745	116 309
Current tax liability	20	-	596
Provisions for liabilities	21	3 231	3 814
Other liabilities	16	20 997	22 545
Subordinated debt	17	20 008	20 008
Total liabilities		**1 332 028**	**1 347 907**
Equity			
Share capital	18	111 580	88 539
Reserve funds		6 338	6 179
Retained earnings		13 487	16 508
Revaluation reserve – available-for-sale financial assets		64	(533)
Profit/(loss) for the year		(5 930)	(3 021)
Total equity		**125 539**	**107 672**
Total liabilities and equity		**1 457 567**	**1 455 579**

These financial statements were approved by the Board of Directors and authorised for issue on 27 February 2018.

Zita Zemková
Chairman of the Board of Directors

Rastislav Matejsko
Member of the Board of Directors

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

(EUR '000)	Note	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Interest income		47 372	55 665
Interest expense		(3 496)	(8 158)
Net interest income	23	**43 876**	**47 507**
Provisions for impairment losses on loans and off-balance sheet. net	24	**(24 844)**	**(26 224)**
Net interest income after provisions for impairment losses on loans and off-balance sheet		19 032	21 283
Fee and commission income		15 952	14 734
Fee and commission expense		(4 216)	(4 214)
Net fee and commission income	25	**11 736**	**10 520**
Gains/(losses) on financial transactions. net	26	695	(422)
Gains/(losses) on financial assets. net	27	-	4 104
General administrative expenses	28	(37 511)	(38 465)
Other operating revenues/(expenses). net	29	259	(606)
Profit/(loss) before income tax		**(5 789)**	**(3 586)**
Income tax	19	(141)	565
Net profit/(loss) after tax		**(5 930)**	**(3 021)**
Items of other comprehensive income that will be reclassified subsequently to profit or loss. net of tax			
Reclassification adjustment from sale of available-for-sale financial assets. net	30	-	(2 259)
Gain/(loss) on revaluation of available-for-sale financial assets. net	30	597	(1 058)
Total comprehensive income for the year		**(5 333)**	**(6 338)**
Profit/(loss) per share in face value of EUR 3.98 (in EUR)	40	(0.264)	(0.136)
Profit/(loss) per share in face value of EUR 39 832.70 (in EUR)	40	(2 637.70)	(1 359.05)
Profit/(loss) per share in face value of EUR 1.00 (in EUR)	40	(0.066)	(0.034)

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SEPARATE STATEMENT OF CHANGES IN EQUITY

as at 31 December 2017

(EUR '000)	Share Capital	Reserve Funds	Retained Earnings	Revaluation of Available-for-Sale Financial Assets	Profit/(Loss) for the Year	Total
Equity as at 1 Jan 2016	**88 539**	**5 695**	**16 803**	**2 784**	**-**	**113 821**
Transfers	-	295	(295)	-	-	**-**
Share-based payments	-	189	-	-	-	**189**
Total comprehensive income	-	-	-	(3 317)	(3 021)	**(6 338)**
Equity as at 31 Dec 2016	**88 539**	**6 179**	**16 508**	**(533)**	**(3 021)**	**107 672**

(EUR '000)	Share Capital	Reserve Funds	Retained Earnings	Revaluation of Available-for-Sale Financial Assets	Profit/(Loss) for the Year	Total
Equity as at 1 Jan 2017	**88 539**	**6 179**	**13 487**	**(533)**	**-**	**107 672**
Transfers	-	-	-	-	-	**-**
Increase in the share capital	23 041	-	-	-	-	**23 041**
Share-based payments	-	159	-	-	-	**159**
Total comprehensive income	-	-	-	597	(5 930)	**(5 333)**
Equity as at 31 Dec 2017	**111 580**	**6 338**	**13 487**	**64**	**(5 930)**	**125 539**

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SEPARATE STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

(EUR '000)	Note	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) after tax		**(5 930)**	**(3 021)**
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Provisions for loans and off-balance sheet		24 844	26 224
Provisions for other assets		(28)	26
Provisions for contingent liabilities		(610)	806
Provisions for investments in subsidiaries		-	-
Foreign exchange (gains)/losses on cash and cash equivalents		166	2 468
Depreciation and amortisation		3 809	4 703
Net effect of assets sold		189	27
Net effect of income tax		141	(565)
Share-based payments		159	189
Changes in operating assets and liabilities:			
Net decrease/(increase) in statutory minimum reserves stipulated by the National Bank of Slovakia		(5 460)	(2 171)
Net decrease/(increase) in placements with other banks		-	-
Net decrease/(increase) in financial assets at fair value through profit or loss		5	818
Net decrease/(increase) in available-for-sale financial assets		117	(1 263)
Net decrease/(increase) in loans and receivables before provisions for possible losses		(20 913)	(27 708)
Net (decrease)/increase in amounts due to banks and deposits from the National Bank of Slovakia and other banks		8 007	2 000
Net (decrease)/increase in amounts due to customers		(71 812)	(52 043)
Net decrease/(increase) in other assets before provisions for possible losses		(2 886)	(884)
Net (decrease)/increase in other liabilities		(2 543)	5 036
Net cash flows from/(used in) operating activities		**(72 745)**	**(45 358)**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Net decrease/(increase) in held-to-maturity investments		233	(10 464)
Net decrease/(increase) in investments in subsidiaries		-	93
Net decrease/(increase) in non-current tangible and intangible assets		(4 799)	(4 384)
Net cash flows from/(used in) investment activities		**(4 566)**	**(14 755)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net (decrease)/increase in issued debt securities		51 436	81 466
Net (decrease)/increase in subordinated debt		-	1
Increase of share capital		23 041	-
Net cash flows from/(used in) financial activities		**74 477**	**81 467**
Effect of exchange rate fluctuations on cash and cash equivalents		(166)	(2 468)
Net increase/(decrease) in cash and cash equivalents		**(3 000)**	**18 886**
Cash and cash equivalents at the beginning of the reporting period	**34**	**171 249**	**152 363**
Cash and cash equivalents at the end of the reporting period	**34**	**168 249**	**171 249**

In 2017, OTP Banka Slovensko, a.s. received cash from interest in the amount of EUR 47 666 thousand (2016: EUR 56 164 thousand) and paid out interest in the amount of EUR 4 522 thousand (2016: EUR 10 278 thousand).

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1. Introduction

OTP Banka Slovensko, a.s. (hereinafter the "Bank" or "OTP Slovensko") was established on 24 February 1992 and incorporated on 27 February 1992. The Bank's seat is at Štúrova 5, 813 54 Bratislava. The Bank's identification number (IČO) is 31318916 and its tax identification number (DIČ) is 2020411074.

Members of Statutory and Supervisory Boards as at 31 December 2017

Board of Directors:
Ing. Zita Zemková (Chairman)
Ing. Rastislav Matejsko
Ing. Radovan Jenis
Dr. Sándor Patyi

Supervisory Board:
József Németh (Chairman)
Ágnes Rudas
Atanáz Popov
Tamás Endre Vörös
Ing. Angelika Mikócziová
Ing. Attila Angyal

Changes in the Bank in 2017:

Supervisory Board:
Tamás Endre Vörös, start of office with effect from 11 April 2017
Ing. Jozef Brhel, end of term of office as at 23 October 2017
Ing. Attila Angyal, start of office with effect from 24 October 2017

Scope of Business

The Bank holds a universal banking licence issued by the National Bank of Slovakia ("NBS" or "National Bank of Slovakia") and carries out business in Slovakia.

The core activity of the Bank is the provision of a wide range of banking and financial services to various entities, mainly to large- and mid-sized enterprises, private individuals, and institutional customers.

The Bank's core scope of business, under the banking licence from the NBS, is as follows:
- Acceptance of deposits;
- Provision of loans;
- Provision of investment services, investment activities and non-core services under Act No. 566/2001 Coll. on Securities and Investment Services within the scope of the banking licence granted by the NBS;
- Trading on own account with money market financial instruments in both the local and foreign currency including the exchange activity;
- Trading on own account with capital market financial instruments in both the local and foreign currency;
- Trading on own account with coins made of precious metals, commemorative bank notes and coins, with bank note sheets and sets of circulating coins;
- Administration of receivables in the client's account including related advisory services;
- Financial leasing;
- Domestic transfers of funds and cross-border transfers of funds (payments and settlements);
- Issuance and administration of payment instruments;
- Granting of bank guarantees, opening and validation of letters of credit;
- Issuance of securities, participation in issues of securities and provision of related services;
- Financial brokerage;
- Business consulting services;
- Safe custody;
- Depository services pursuant to separate regulations;
- Banking information services;
- Renting of safe deposit boxes;
- Special mortgage instruments pursuant to Article 67 par. 1 under provision 2 par. 2 n) to Act No. 483/2001 Coll.; and
- Processing of bank notes, coins, commemorative bank notes and coins.

The Bank is authorised to provide investment services, investment activities, and non-core services under the Act on Securities as follows:

- Receipt and transfer of the client's instruction related to one or more financial instruments in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment, swaps related to interest rates or earnings which can be settled by delivery or in cash;
- Execution of the client's instruction at its own account in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment;
- Trading at own account in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment, currency futures and forwards which can be settled by delivery or in cash;
- Investment advisory in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment;
- Firm commitment underwriting and placement of financial instruments in relation to negotiable securities;
- Placement of financial instruments without firm commitment in relation to financial instruments: negotiable securities, trust certificates or securities issued by foreign entities of collective investment;
- Custody of trust certificates or securities issued by foreign entities of collective investment, custody and administration of negotiable securities at the client's account excluding holder's administration, and related services, mainly administration of cash and financial collaterals;

- Trading with foreign exchange values if relevant to the provision of investment services;
- Conducting of investment research and financial analysis or other form of general recommendation related to transactions with financial instruments;
- Services related to underwriting of financial instruments;
- Execution of orders on behalf of clients under the provision of Article 6 (1b) of the Act on Securities with respect to swaps related to interest rates or interest income that may be settled physically or in cash, as stipulated in the provision of Article 5 (1d) of the Act on Securities; and
- Dealing on own account under the provision of Article 6 (1c) of the Act on Securities with respect to swaps related to interest rates or interest income that may be settled physically or in cash, as stipulated in the provision of Article 5 (1d) of the Act on Securities.

Operating profit/loss was mainly generated from the provision of banking services in Slovakia.

Shareholders' Structure

The majority shareholder of the Bank is OTP Bank Nyrt. Hungary ("OTP Bank Nyrt.") with 99.38% share of the Bank's share capital. OTP Bank Nyrt. is the direct parent company of the Bank. The shareholders' structure (with respective shares exceeding 1%) and their share on the share capital are as follows:

Name/Business Name	Share in Subscribed Share Capital as at 31 Dec 2017	Share in Subscribed Share Capital as at 31 Dec 2016
OTP Bank Nyrt. Hungary	99.38%	99.26%
Other minority owners	0.62%	0.74%

The shareholders' shares of voting rights are equal to their shares of the share capital.

Organisational Structure and Number of Employees

As at 31 December 2017, the Bank operated 5 regional centres (31 December 2016: 5) and 61 branches (31 December 2016: 61) in Slovakia.

As at 31 December 2017, the full-time equivalent of the Bank's employees was 656 (31 December 2016: 662 employees), of which 22 managers (31 December 2016: 24).

As at 31 December 2017, the actual registered number of employees was 665 (31 December 2016: 657), of which 22 managers (31 December 2016: 24).

"Managers" means members of the Board of Directors and managers directly reporting to the statutory body or a member of the statutory body.

The full-time equivalent of employees and the actual registered number of employees does not include members of the Supervisory Board.

As at 31 December 2017, the Bank's Supervisory Board had 6 members (31 December 2016: 5).

Regulatory Requirements

The Bank is subject to the banking supervision and regulatory requirements of the NBS. These regulations include indicators, and limits pertaining to liquidity, capital adequacy ratios, risk management system and the currency position of the Bank.

Data on Consolidating Entity

The Bank is part of the consolidation group of OTP Group; consolidated financial statements for all groups of consolidation group entities are prepared by Országos Takarékpénztár és Kereskedelmi Bank Nyrt., the parent company with its seat at Nádor utca 16, 1051 Budapest, Hungary ("OTP Bank Nyrt."). OTP Bank Nyrt. is also an immediate consolidating entity of the Bank.

2. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these separate financial statements are set out below:

Statement of Compliance

The separate financial statements of the Bank for the year ended 31 December 2017 and comparative data for the previous reporting periods have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

IFRS as adopted by the EU do not differ from the standards issued by the International Accounting Standards Board ("IASB"), except for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Company has determined that portfolio hedge accounting under IAS 39 would not impact these separate financial statements had it been approved by the EU at the reporting date.

Adaption of New and Revised Standards

a) Standards and Interpretations Effective in the Current Period

The Bank adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the EU that are relevant to its operations and effective for reporting periods commencing 1 January 2017:

- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);

- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

- Amendments to various standards "Improvements to IFRSs (cycle 2014 – 2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

The adoption of the standards, interpretations and amendments has not resulted in any changes in the Bank's accounting policies.

b) Standards and Interpretations in Issue not yet Effective

At the preparation date of these financial statements, the following standards and interpretations did not apply to the reporting period beginning 1 January 2017 and were not effective:

IASB documents endorsed by the EU:

- IFRS 15 "Revenue from Contracts with Customers" – The core principle of the new standard is to allow the entity to recognise revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services (effective for annual periods beginning on or after 1 January 2018).

- Amendments to IFRS 15 "Revenue from Contracts with Customers" – Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).

- Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied for the first time).

- Amendments to various standards "Improvements to IFRSs (cycle 2014 – 2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

Bank management anticipates that the adoption of these standards and amendments to the existing standards and interpretations will have no material impact on the Bank's financial statements in the period of initial application.

- IFRS 9 "Financial Instruments", which is to supersede IAS 39 Financial Instruments: Recognition and Measurement. The final wording includes requirements for the classification and measurement of financial assets and financial liabilities; it also includes an expected credit loss model and hedge accounting (hedging) (effective for annual periods beginning on or after 1 July 2018).

In 2017, as part of the Group IFRS 9 project (managed by the parent company, OTP Bank, Nyrt.), the Bank completed most activities relating to the first application of IFRS 9, focusing on the biggest challenges. The identification of any differences that exist between the currently applied procedures under IAS 39 and new requirements under IFRS 9 – for classification and measurement, provisions for possible losses and hedge accounting – was either completed, or the final analyses were ongoing at the time of preparation of these financial statements.

Separate Financial Statements for the Year Ended 31 December 2017
prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Classification and Measurement

Compared to IAS 39, IFRS 9 establishes new financial reporting principles for most financial assets and financial liabilities, which provide users of financial statements with relevant and useful information to assess the amount, timing and uncertainty of a reporting entity's future cash flows.

IFRS 9 introduces three categories for the classification of financial instruments depending on whether they are subsequently measured at amortised cost (AC), at fair value with gains and losses recognised in other comprehensive income (fair value through other comprehensive income – FVOCI), or at fair value with gains and losses recognised in profit or loss (fair value through profit or loss – FVTPL).

A financial asset is measured at amortised cost if the following two conditions are met
:
a) The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
b) The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if the following two conditions are met:
a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or fair value through other comprehensive income. However, a reporting entity may make an irrevocable election at initial recognition to present subsequent fair value changes of certain equity investments, which would otherwise be measured at fair value through profit and loss, in other comprehensive income.

A reporting entity should only reclassify relevant financial assets if its business model for the management of financial assets changes.

A reporting entity is required to classify its financial assets based on its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows, where:
a) The principal is the fair value of the financial asset at initial recognition; and
b) The interest consists of consideration for the time value of money, credit risk associated with the outstanding principal amount during the relevant period, other basic risks and expenses of borrowing and the profit margin.

The classification of financial instruments under IFRS 9 in OTP Banka Slovensko, a.s. (hereinafter "OBS") is based on the business model used by the Bank to manage its financial assets and on whether the contractual cash flows represent solely payments of principal and interest (SPPI). The business model expresses how the Bank manages its financial assets to generate cash flows and create value. Therefore, the business model determines whether cash flows will flow from the collection of contractual cash flows, from the sale of financial assets, or from both.

If a financial instrument is held to collect contractual cash flows, it may be classified in the AC category if it also meets the SPPI requirement. Financial instruments that meet the SPPI requirement, which are held in the Bank's portfolio of financial assets to collect cash flows and sell financial assets, may be classified as FVOCI. Financial assets that do not generate cash flows meeting the SPPI must be measured at FVTPL (eg financial derivatives).

The Bank's basic business model for investing in financial assets is:
- Ensuring a primary return on invested funds by collecting contractual cash flows;
- Investing in instruments and counterparties that may be used for refinancing transactions if necessary; and
- Stabilising interest income.

For all credit products, the intent of the Bank's transaction with a client is to collect contractual cash flows and realise a margin. A credit transaction involves an agreed repayment schedule consisting of repayments of principal, interest and fees, if applicable. The loan price, ie the interest rate, is calculated from the loan principal and takes into account the transaction's/client's credit risk, financing costs (or time value of money), other costs associated with the loan provision and the Bank's business margin. The Bank does not intend to sell its receivable from the client in any of its credit products. The Bank does not purchase impaired receivables from banks or other third parties. Receivables are only sold in the event of a significant increase in credit risk and/or impairment of a receivable and based on approved recovery strategies.

The Bank analysed the requirements under IFRS 9 and classified financial instruments pursuant to the requirements under IFRS 9 and concluded that as of the date of first application (1 January 2018), the measurement method for the Bank's financial instruments should be changed, compared to IAS 39, as regards the bonds in the available-for-sale portfolio - from FVOCI to FVTPL. The related remeasurement recognised in equity as Revaluation of available-for-sale financial assets will be transferred to the Retained earnings as at 1 January 2018, without affecting the value of the Bank's equity.

Provisions for Possible Losses

IFRS 9 introduces a three-step model that reflects changes in the credit quality since the initial recognition. Impairment-related requirements are based on an expected credit loss model ("ECL") which replaces the incurred-loss model under IAS 39.

The first level (Stage 1) includes financial instruments with no significant increase in credit risk since initial recognition. For these assets, the Bank records a 12-month ECL, and interest income is recognised based on the gross book value of assets.

The second level (Stage 2) includes financial instruments with a significant increase in credit risk since the initial recognition, but no objective proof of impairment exists. For these assets, the Bank records an ECL for the whole life cycle, and interest income is recognised based on the gross book value of assets.

The third level (Stage 3) includes financial instruments with a significant increase in credit risk since initial recognition, and objective proof of their impairment exists. For these assets, the Bank records an ECL for the whole life cycle, and interest income is recognised based on the net book value of assets.

The Bank identifies a credit risk increase using predefined criteria at the level of individual transactions and portfolio-level estimates. The ECL estimation should represent a probability-weighted result and the effect of the time-value of money should be based on adequate and documentable information which is available without unreasonable costs or excessive effort.

As part of the IFRS 9 Group Project, the Bank has developed and set up processes, definitions and analytical methods for risk management. Models have been developed to identify significant increases in credit risk and ECL calculation using the relevant parameters in accordance with IFRS 9.

Based on the analysis of the required methodological changes, the main principles of IFRS 9 have been developed and subsequently implemented. The required changes to the Bank's information systems are currently being implemented and tested.

The impact of the transition to IFRS 9 has been calculated as at the reporting date. It represents the current best estimate of OTP Group's management and probably cannot be considered as final. Methodological rules and procedures for the classification, measurement and provisions for possible losses have been finalised in detail. The most significant open issue is SICR (measurement of an increase in credit risk in the staging area) and alternative estimates have been made in this respect.

More information on first adoption and the impact of IFRS 9 in the OTP Group are given in the consolidated financial statements of OTP Bank, Nyrt.

Hedge accounting

IFRS 9 introduces a substantially modified model for hedge accounting with extended requirements for the disclosure of risk management information. This new model allows more efficient presentation of hedge accounting in corporate financial statements, so users of financial statements obtain better information on risk management and the impact of hedge accounting on corporate performance.

Own credit risk

IFRS 9 removes the volatility in profits or losses arising from obligations issued by the Bank caused by changes in own credit risk, when profits or losses were measured at fair value. Profits arising from a deterioration of the entity's own credit risk will no longer be recognised in the income statement, but rather in equity.

- IFRS 16 "Leases" will supersede IAS 17 "Leases" (effective for annual periods beginning on or after 1 January 2019). The objective of the standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents such transactions. The reporting entity must consider the business terms and conditions of contracts and all relevant facts and circumstances when applying this standard.

IFRS 16 will have a significant impact on accounting for leases, especially by a lessee. In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new standard will have an impact on the balance sheet, statement of comprehensive income and statement of cash flows and on the related indicators.

The Bank is preparing to implement IFRS 16. During the preparation of these financial statements, an analysis of the contracts was ongoing to identify contracts that should be classified as leases, which are currently not treated as leases, in line with the provisions of IFRS 16.

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The Bank has elected not to adopt the standards and interpretations that were issued as at the reporting date, but were not yet effective before their effective dates.

c) Standards and Interpretations not yet Endorsed by the EU

At present, IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments and interpretations that were not endorsed for use as at the reporting date.

IASB documents not yet endorsed by the EU:

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- Amendments to IFRS 2 "Share-based Payment" – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 "Investment Property" – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019).
- Amendments to various standards "Improvements to IFRSs (cycle 2015 – 2017)" resulting from the annual improvement project of IFRS (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).
- IAS 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019).

Bank management anticipates that the adoption of these standards, amendments to existing standards and interpretations will have no material impact on the Bank's financial statements during the period of initial application.

Purpose of Preparation

These separate financial statements were prepared in Slovakia so as to comply with the article 17a) of Act on Accounting No. 431/2002 Coll. as amended, under special regulations - Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS).

The financial statements are intended for general use and information, and are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

Basis for the Financial Statements Preparation

Separate financial statements were prepared under the historical cost basis, except for certain financial instruments, which have been recognised at fair value. The financial statements were prepared under the accrual principle of accounting: transactions and recognised events are recorded in the period to which they are related in time.

Separate financial statements were prepared under the assumption that the Bank will continue as a going concern in the foreseeable future.

The reporting currency used for disclosure in these separate financial statements is the Euro, which is rounded to thousands of euros, unless stipulated otherwise. The amounts in brackets refer to negative values.

Significant Accounting Assessments and Judgements

The presentation of financial statements in conformity with IFRS requires the management of the Bank to make judgements about estimates and assumptions that affect the

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reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date, and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules or/and other factors could result in a change in estimates that could have a material impact on the reported financial position and results of operations.

Significant areas of judgment include the following:

In connection with the current economic environment, based on the currently-available information the management has considered all relevant factors which could have an impact on the valuation and impairment of assets and liabilities in these financial statements, impact on the liquidity, funding of operations of the Bank and other effects these may have on financial statements. All such impacts, if any, have been reflected in these financial statements. The Bank's management continues to monitor the situation and any further possible impacts of the economic environment on its operations.

The provisioning for loan losses and identified contingent liabilities includes many uncertainties as to the outcomes of the aforementioned risks and requires the Bank's management to make subjective judgments when estimating loss amounts. As described below, the Bank creates provisions for the impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are negatively impacted. These provisions are based on the Bank's historical and current experience concerning default rates, recovery rates of loans, or time needed from a loss event to loan default, as well as subjective judgments of the Bank's management about estimated future cash-flows. Considering current economic conditions, the outcome of these uncertainties could differ from the amounts of impairment provisions recognised as at 31 December 2017 and the difference could be material.

The amounts recognised as provisions for liabilities are based on the judgement of the Bank's management and represent the best estimate of expenditures required to settle a liability of uncertain timing or amount resulting from an obligation.

In recent years, income tax rules and regulations underwent significant changes. In connection with the broad and complex issues affecting the banking industry, there are no historical precedents and/or interpretation judgments. In addition, tax authorities have broad powers as regards the interpretation of the effective tax laws and regulations during the tax audit of a taxpayer. As a result, there is a higher degree of uncertainty as to the final outcome of a potential audit conducted by tax authorities.

Translation of Amounts Denominated in Foreign Currencies

Assets and liabilities denominated in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank valid as at the reporting date. Revenues and expenses denominated in a foreign currency are recognised as translated using the exchange rate valid as at the transaction date. Foreign exchange gains/losses on transactions are recognised on the statement of comprehensive income line *"Gains/(losses) on financial transactions, net"*.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash and balances in demand deposits with the NBS, and only include amounts of cash immediately available and highly-liquid investments with an original maturity of up to three months. For the purposes of the cash flow statement, such amounts exclude a mandatory minimum reserve deposited with the NBS. The items are recorded in the statement of financial position line *"Cash, due from banks and balances with the National Bank of Slovakia"*.

Placements with Other Banks and Loans to Other Banks

Placements with other banks and loans to other banks are stated at amortised costs net of provisions for possible placement losses in the statement of financial position line *"Placements with other banks, net of provisions for possible placement losses"*. Interest is accrued using the effective interest rate method and credited to the profit or loss based on the amount of an outstanding receivable. Such interest is recognised in the statement of comprehensive income in *"Interest income"*.

Financial Instruments - Initial Recognition

All financial assets are recognised and derecognised on the trade date on which the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial investments, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include securities and derivative financial instruments held for trading and for the purposes of profit generating. At acquisition, held-for-trading securities are measured at cost. Subsequently, they are remeasured to fair value. Revaluation gains and losses are recognised in the statement of comprehensive income line *"Gains/(losses) on financial assets, net"*.

If quoted market prices are not available, the fair value of debt securities is determined based on a model using valuation techniques.

Net interest income from securities at fair value through profit or loss is accrued using the effective interest rate method and recognised directly in the statement of comprehensive income line *"Interest income"*.

Available-for-Sale Financial Assets

Available-for-sale financial assets include securities that the Bank intends to hold for an indefinite period or which may be sold as liquidity requirements arise or market conditions change. Upon acquisition, these investments are measured at cost. Available-for-sale financial assets are then remeasured to fair value. Gains and losses on revaluation are recognised in equity as *"Revaluation of available-for-sale financial assets"*. Upon sale of the available-for-sale financial asset, accumulated gains/losses from revaluation previously recognised in equity are recognised through the statement of comprehensive income as *"Gains/(losses) on financial assets, net"*.

Interest income is accrued using the effective interest rate and recognised directly through the statement of comprehensive income as *"Interest income"*.

Available-for-sale financial assets also include investments with ownership interest less than 20% of the registered capital and/or voting rights. These investments are measured at cost less impairment provisions for a permanent decrease in value, as their market price in an active market cannot be reliably measured. The Bank assesses the value of such investments on an individual basis and compares movements in the equity of companies to their cost. A continued significant decrease in the equity is regarded by the Bank as objective evidence of the impairment and, thus, provisions are recorded. Impairment losses are recognised in the statement of comprehensive income line *"Gains/(losses) on financial assets, net"*.

Sale and Repurchase Agreements

Debt or equity securities sold under sale and repurchase agreements are recognised as assets in the statement of financial position line *"Financial assets at fair value through profit or loss"* and *"Available-for-sale financial assets"* and the contracted payable is recorded in *"Due to banks and deposits from the National Bank of Slovakia and other banks"* and/or in *"Amounts due to customers"*.

Securities purchased under agreements to resell securities are recorded as assets in the statement of financial position line *"Cash, due from banks and balances with the National Bank of Slovakia"*, and/or in *"Placements with other banks, net of provisions for possible losses"*, or in *"Loans and receivables, net of provisions for possible losses"*.

The difference between the sale and repurchase prices is treated as interest and accrued over the life of each REPO agreement using the effective interest rate method.

Loans and Receivables and Provisions for Possible Losses

Loans to customers are stated at amortised cost net of provisions for loan losses in the statement of financial position line *"Loans and receivables, net of provisions for possible losses"*. Interest is accrued using the effective interest rate method and credited to the profit or loss based on the amount of an outstanding receivable in the line *"Interest income"*. Interest is no longer accrued on loan receivables when bankruptcy is declared on a debtor, upon the start of the restructuring proceedings by law, in the case of withdrawal by either party from the loan agreement or in extraordinary cases when interest is waived based on the Bank's decision.

Fees and commissions related to loans are gradually amortised over the contractual term of the loan using the effective interest rate method and are recognised in the line *"Loans and receivables, net of provisions for possible losses"*.

In line with the Bank's objectives, loan receivables acquired through assignment are classified in accordance with IAS 39 as *"Loans and receivables"*. Upon initial recognition, loans are measured at cost including all transaction costs related to acquisition. For purchased loans, this means that their initial measurement equals the amount of financial settlement for assigned receivables.

Any differences between the carrying amount as at the date of acquisition of loan receivables acquired by an assignment and the due amount (acquisition cost, transfer fee, margin differentials etc.) are accrued over the whole maturity period of the loan using the effective interest rate method.

As at the date of the financial statements, the Bank assesses and reassesses provisions for provided loans.

Provisions cover estimated losses from impairment of loans if objective proof of impairment exists as a result of one or more loss events that occurred after the initial loan recognition, and when such event(s) has(have) an impact on the estimated recoverable amount. Provisions representing the impairment of loan receivables are recognised if their carrying amount is higher than their estimated recoverable amount. The recoverable amount is the present value of estimated future cash flows including cash flows from the realisation of collateral using the discount rate on the loan as at the recognition date.

Objective proof of loan impairment includes observable data which documents loss events and is available to the Bank. In April 2016, the Bank introduced Group methodology for monitoring and assessing loss events that was initiated by the parent bank with the aim of unifying the definition of loss events at subsidiaries of OTP Bank Nyrt. Hungary.

These loss circumstances are:

Objective fact – payment delay of more than 90 days and such delays are material;
- Any credit liability of a debtor is overdue by more than 90 days and the amount owed exceeds the materiality level and/or;
- A debtor breaches a defined limit of an overdraft loan facility (limit exceeded) and the limit is exceeded for more than 90 days and the amount of the exceeded limit exceeds the materiality level.

Probability of default – probability that a debtor will not be able to fully repay its credit liabilities;
- The financial institution will cease to charge interest on a credit liability;
- The financial institution recognises a specific adjustment to a loan resulting from a clearly significant decrease in the loan's credit quality after the financial institution has an exposure;
- The financial institution sells the credit liability with a material loss;
- The financial institution agrees to the forced restructuring of the credit liability which will probably result in an impaired financial liability triggered by a material waiver, or postponement of the payment of the principal, interest or fees. If capital exposures are assessed based on a PD/LGD approach, this also means the forced restructuring of the shares;
- The financial institution filed for the debtor's bankruptcy, or issued a similar order in relation to the debtor's credit liabilities to the financial institution, parent company or any of its subsidiaries; and
- The debtor filed for bankruptcy or bankruptcy or a similar regime was declared in respect of the debtor, and the debtor enabled or postponed the settlement of credit liabilities to the financial institution, parent company or any of its subsidiaries.

Loans identified as impaired are internally classified as default loans.

When classifying impairment, the Bank has set a materiality level for retail clients of EUR 50 per exposure and for non-retail clients of EUR 250 per client.

The Bank assesses credit risk on an individual and portfolio basis and creates specific and portfolio provisions. The Bank creates specific provisions for individually-significant loan receivables and portfolio provisions for the loan receivables that are not individually significant, or for which no impairment was identified based on an individual assessment.

Provisions are recorded and reversed through *"Provisions for impairment losses on loans and off-balance sheet, net"* in the statement of comprehensive income.

The Bank recognises write-offs of loans as *"Provisions for impairment losses on loans and off-balance sheet, net"* with releasing the relevant provisions for loan losses. Written-off loans and advances made to clients are recorded on the off-balance sheet, whereas the Bank continues to monitor and recover such loans except for loans where the Bank lost the legal title for their recovery or where the Bank ceased the recovery process as the recovery costs exceed the amount receivable. Each subsequent income on written-off receivables is recognised in the statement of comprehensive income as *"Provisions for impairment losses on loans and off-balance sheet, net"*.

Detailed information about the credit risk management is stated in Note 36 Credit Risk.

Held-to-Maturity Financial Investments

Held-to-maturity financial investments represent debt financial assets with pre-defined date of maturity that the Bank intends and has the ability to hold until their maturity. At acquisition, such assets are measured at cost, which include transaction costs. These investments are subsequently remeasured to the amortised cost based on the effective interest rate method, net of provisions for impairment.

Interest income, discounts and premiums on held-to-maturity securities are accrued using the effective interest rate method and recognised directly in the statement of comprehensive income line *"Interest income"*.

Separate Financial Statements for the Year Ended 31 December 2017
prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Investments in Subsidiaries

Investments in subsidiaries include the Bank's investments in companies with an ownership interest more than 50% of the registered capital or more than 50% of the voting rights. Investments in subsidiaries are recognised at cost less provisions for the impairment.

Impairment losses are recognised in the statement of comprehensive income line *"Gains/(losses) on financial assets, net"*. Income from dividends is recognised in the statement of comprehensive income as *"Gains/(losses) on financial assets, net"* at the moment when the Bank's title to receive dividends originates.

Non-Current Tangible and Intangible Assets

Non-current tangible and intangible assets (Property, Plant and Equipment) are stated at cost, less accumulated depreciation and accumulated impairment losses. Depreciation charges are computed using the straight-line method over the estimated useful lives of the assets corresponding to future economic benefits from assets as follows:

Type of Asset	Estimated Useful Life for 2016 and 2017
ATMs and motor vehicles, computers, office machines, telecommunication equipment, intangible assets	4
Software	2 – 10
Fixtures, fittings and office equipment, machines and equipment	6
Computers, machines, equipment, ATMs, furniture	8
Technical upgrade of leased buildings	10 – 20
Time vaults	10
Heavy bank program (safes), transportation means, air-conditioning facilities	12
Buildings and structures	40

Depreciation of non-current assets is charged to the statement of comprehensive income line *"General administrative expenses"*. Depreciation commences in the month that such assets are put into use. Land and works of art are not depreciated.

At the reporting date, the Bank reviews the carrying value of its non-current assets, and the estimated useful life and the method of depreciation thereof. The Bank also reassesses the recoverable amount of the asset, which is estimated to determine the extent (if any) of the impairment loss. Where the carrying value of buildings and equipment is greater than the estimated recoverable amount, it is written down to the estimated recoverable amount through the profit or loss. If the impairment is of a temporary nature, impairment provisions are recognised in the statement of comprehensive income as *"Other operating revenues/(expenses), net"*.

At the reporting date, the Bank also assesses whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. If the estimated recoverable amount exceeds the carrying value of an asset, it is dissolved through the statement of comprehensive income in *"Other operating revenues/(expenses), net"*.

In the Bank, non-current intangible assets mainly include software.

Accrued Interest Receivable/Payable

Accrued interest on loans and placements made is recognised in lines *"Placements with other banks, net of provisions for possible placement losses"* and *"Loans and receivables, net of provisions for possible losses"*. Accrued interest on received loans and deposits is recognised in line *"Due to banks and deposits from the National Bank of Slovakia and other banks"* and *"Amounts due to customers"*. Accrued interest on securities is recognised for individual items of securities in the statement of financial position.

The Bank recognises accrued interest on loans, deposits and securities using the effective interest rate method.

Recognition of Revenues and Expenses

Revenues and expenses are recognised in the profit or loss for all interest-bearing instruments on an accrual basis using the effective interest rate. Interest income on securities includes revenues from fixed and floating interest rate coupons and accrued discount and premium.

For loans in relation to which restructuring proceedings started pursuant to the Act on Bankruptcy and Restructuring, interest income is not recognised in the profit or loss from the commencement date of such restructuring proceedings, as it is unlikely that interest income will result in economic benefits for the Bank. If the court confirms the restructuring plan, the Bank loses its title to such interest.

Fees and commissions are recognised in the profit or loss on an accrual basis. Fees and commissions related to the provision of loans are accrued over the entire maturity period of a loan and recognised in the statement of comprehensive income line *"Interest income"*.

Fees and commissions that are not part of the effective interest rate are recognised as expenses and income in the statement of comprehensive income line *"Fee and commission expense"* and *"Fee and commission income"* on an accrual basis and as at the date of transaction.

Income from dividends is recognised in the period of the origin of the title to receive dividends and is recognised in the statement of comprehensive income as *"Gains/(losses) on financial assets, net"*.

Other expenses and revenues are recognised in the relevant period on an accrual basis.

Income Tax and Other Tax

The annual income tax liability is based on the tax base calculated from the profit/loss under IFRS and Slovak tax law. To determine the current income tax, tax rates valid as at the reporting date are applied.

The deferred income tax is calculated by the Bank using the balance sheet liability method in respect of all temporary differences between the tax bases of assets and liabilities and their carrying amount in the statement of financial position.

Deferred income taxes are computed using tax rates set for the subsequent taxable period and applicable at the moment of the tax asset realisation or the tax liability recognition. The tax rate of 21% remains applicable for 2018.

Deferred tax assets are recognised if it is probable, beyond any significant doubt, that profits will be available in the future against which deductible temporary difference can be utilised. Tax assets are reassessed as at the reporting date.

Deferred tax is recognised in the profit or loss as *"Income Tax"*, except for the deferred tax arising from items that are recognised through equity, such as available-for-sale financial assets. In this case, the deferred tax is also recognised through equity as part of items of comprehensive income.

The Bank is a payer of the value added tax and selected local taxes. Taxes are recognised in the statement of comprehensive income line *"General administrative expenses"*, except for the value added tax on acquisition of tangible and intangible assets, which enters the cost of non-current tangible and intangible assets.

Special Levy on Selected Financial Institutions and Resolution Fund

As of 1 January 2012, Act No. 384/2011 Coll. on the Special Levy of Selected Financial Institutions came into effect. The levy calculation is based on the amount of the Bank's liabilities less equity, subordinated debt and deposits protected by the Deposit Protection Fund. In 2012, Act No. 233/2012 Coll. amending and supplementing the Act on the Special Levy of Financial Institutions was adopted with effect from 1 September 2012. The amendment primarily regulates the base for levy calculation, where the amount of deposits protected by the Deposit Protection Fund does not decrease the base for levy calculation, and stipulates the conditions under which the rate for the levy calculation is decreased.

Average recalculated figures derived from data as at the last date of a calendar month of the preceding calendar quarter are used to determine the base for calculating the levy for the relevant calendar quarter. The levy is paid in quarterly instalments at the beginning of the relevant quarter.

The Ministry of Finance of the Slovak Republic published in the Collection of Laws Decree No. 253 dated 10 September 2014 on the meeting of the condition for the rate of a special levy for certain financial institutions under Article 8 (5) of Act 384/2011 Coll., in which the Ministry declares the meeting of the condition under Article 8 (1) of Act 384/2011 Coll. with effect from 25 September 2014. The Bank had no obligation for the special levy for 4Q 2014. The rate for calculating the special levy for selected financial institutions was reduced from 0.4% to 0.2% for 2015.

On 12 October 2016, the Ministry of Finance of the Slovak Republic published in the Collection of Laws Act No. 281/2016 Coll. amending Act No. 384/2011 Coll. on the Special Levy of Selected Financial Institutions. It repealed the Decree of the Ministry of Finance of the Slovak Republic No. 253/2014 Coll. on meeting the condition for the rate of a special levy for certain financial institutions under Article 8 and added a new Article 11, which stipulates the rate of the levy for 2017 to 2020 in the amount of 0.2% p.a.

The rate for calculating the special levy for selected financial institutions remained in the amount of 0.2%.

On 1 January 2015, Act No. 371/2014 on the resolution of crisis situations on the financial market became effective and introduced an obligation to banks to pay a contribution to the

resolution fund. The resolution fund is financed from financial contributions made by financial institutions, ie banks and selected security dealers. The financial funds of the national fund are deposited in a separate account held with the National Bank of Slovakia. The administration of such funds is provided by the Deposit Protection Fund. The resolution fund may be used under strictly defined conditions for the resolution of crisis situations.

The Bank recognises the levies as incurred in the statement of comprehensive income line *"General administrative expenses"* (Note 28).

Derivative Financial Instruments

In the ordinary course of business, the Bank is a party to contracts for derivative financial instruments, which represent a low initial value investment compared to the notional value of the contract. Generally, derivative financial instruments include currency forwards and currency swaps. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.

Derivative financial instruments are initially recognised at acquisition cost, which includes transaction expenses and which is subsequently again re-measured to fair value. Their fair values are determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve and foreign currency translations using the ECB rates valid on the calculation day.

Changes in the fair value of derivative financial instruments that are not defined as hedging derivatives are recognised in the statement of comprehensive income line *"Gains/(losses) on financial transactions, net"*. Derivatives with positive fair values are recognised as assets in the in the statement of financial position line *"Financial assets at fair value through profit or loss"*. Derivatives with negative fair values are recognised as liabilities in the statement of financial position line *"Other liabilities"*.

Transactions with derivative financial instruments, although providing the Bank with an effective economic hedging in risk management, do not qualify for the recognition of hedging derivatives under specific rules of IAS 39, and therefore, they are recognised in the accounting books as derivative financial instruments held for trading, and gains and losses from the fair value are recognised as *"Gains/(losses) on financial transactions, net"*.

Liabilities from Issued Debt Securities

Liabilities from issued debt securities are recognised at amortised cost. The Bank mainly issues bank bonds and mortgage bonds. Interest expense is included in the statement of comprehensive income line *"Interest expense"*, and it is accrued using the effective interest rate method.

Subordinated Debts

Subordinated debt refers to the Bank's external debt where in the event of the Bank's bankruptcy, composition or liquidation the entitlement to its repayment is subordinated to liabilities to other creditors. The Bank's subordinated debt is recognised on a separate line of the statement of financial position as *"Subordinated debt"*. Interest expenses paid for the received subordinated debt are recognised in the statement of comprehensive income line *"Interest expense"*.

Provision for Off-Balance Sheet Liabilities

In the ordinary course of business, off-balance sheet liabilities, such as guarantees, financial commitments to grant a loan and a letter of credit are recorded by the Bank. Provisions for expected losses from off-balance sheet contingent liabilities are recognised in such amounts that enable the covering of possible future losses. The management determines the adequacy of the provisions based on the reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of products, and other pertinent factors.

To cover estimated losses on contingent unused loans, guarantees and letters of credit, the Bank creates provisions in the case when a payable - as a result of past events - has to be settled and it is likely that such settlement of a payable will require a cash outflow and the amount payable can be reliably determined. The calculation of the provisions for off-balance sheet liabilities is analogical to credit exposures. Issued guarantees, irrevocable letters of credit, and unused loan commitments are subject to similar monitoring of credit risks and credit principles, as in the case of extended loans.

Provisions for estimated losses are recognised through the profit or loss when the Bank has a present legal or implied obligation to make a payment as a result of a past event, when it is probable that an outflow of sources representing economic benefits will be required, and when a reliable estimate of the amount to be paid can be reliably determined.

Provisions are recognised in the statement of financial position line *"Provisions for liabilities"*. Expenses for the recorded provision are recognised in the statement of comprehensive income as *"Provisions for impairment losses on loans and off-balance sheet, net"*.

Provision for Liabilities and Employee Benefits

The amount of provisions for liabilities is recognised as an expense and a liability when the Bank is exposed to potential liabilities from litigation or indirect liabilities as a result of past events, and when it is probable that to settle such liabilities a cash outflow will be required, which will result in the reduction of resources embodying the economic benefits and a reasonable estimate of the amount of the resulting loss can be made. Any amount related to the recognition of the provision for liabilities is recognised in the profit or loss for the period.

In line with the valid legislation, the Bank provides a lump-sum payment upon retirement. The recorded provision represents a liability to an employee that is calculated using the set actuarial methods; the calculation is based on discounted future expenditures. As at the reporting date, the liability is measured at the present value.

The provision is recognised in the statement of financial position line *"Provisions for liabilities"*. Expenses for the recorded provision are recognised through the statement of comprehensive income line *"General administrative expenses"*.

Representatives of the Bank's statutory body and selected employees receive remuneration for rendered services in a form of a cash-settled payment and an equity-settled financial instrument in the form of parent company's shares. The remuneration is paid based on the compensation policy of the OTP Group. In the case of a cash-settled remuneration, the payment is recognised in the statement of comprehensive income in *"General administrative expenses"* with the counter entry in *"Other liabilities"* in the statement of financial position. A portion of the remuneration in the form of a financial instrument being the parent company's shares is recognised in the statement of comprehensive income in *"General administrative expenses"* with the corresponding entry in *"Reserve funds"* in the statement of financial position (see Note 32). The Bank recognises remuneration and share-based payments from the moment when the claim can be exercised.

The compensation policy within the OTP Group is consistent with the compensation policy and principles for risk management under Act No. 483/2001 Coll. on Banks, as amended.

Bank's Regulatory Capital

In the administration of its regulatory capital, the Bank aims to ensure business prudence and to maintain the Bank's regulatory capital continuously at least at the level required for Bank's own funds while taking into account the defined minimum requirement in respect of the system for the assessment of internal capital adequacy for the relevant year and the relevant amounts of capital buffer.

To accomplish this, when preparing the yearly business plan the Bank also prepares a plan of adequacy of regulatory capital considering its business objectives and applying the knowledge gained from previous experience.

During the year, the Bank monitors the development of requirements for regulatory capital on a monthly basis for internal purposes and prepares reports on regulatory capital and on the requirements for the Bank's regulatory capital, which are submitted to the National Bank of Slovakia, on a quarterly basis. The achieved results are also discussed at the Board of Directors and Supervisory Board meetings on a quarterly basis.

The Bank's regulatory capital is defined by Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. The Bank's regulatory capital comprises the sum of its TIER 1 capital (regulatory and supplementary) and TIER 2 capital.

Segment Reporting

When preparing segment reporting, the Bank uses its internal information, which is presented to the Bank's management on a regular basis. The breakdown by individual segment categories recognised in the notes is based on the principle applied for the classification of the Bank's customers as follows:
• Retail customers;
• Corporate customers;
• Treasury;
• Not specified.

The *"retail customers"* segment includes the following customers: individuals. The Bank provides to retail customers standard bank products, particularly: consumer loans, mortgage loans, general-purpose loans, deposit products. The most common deposit products offered are current accounts, term deposits, saving accounts, credit and payment cards. The core products of this segment included housing loans and consumer loans.

The *"corporate customers"* segment includes domestic and foreign companies and state-owned entities. This segment comprises the following subsegments: micro clients with sales of up to EUR 1 million, small and medium-sized enterprises (SMEs) with sales of up to EUR 17 million and large clients and project financing with sales of over EUR 17 million. In terms of products, corporate customers were mostly provided with the following products: overdraft otp MICROloans facilities, otp EU MICROloans (with EIF guarantee), otp refinancing MICROloans, overdraft facilities, EU AGROloans, investment loans including project financing

loans from EU funds, and loans for the reconstruction of residential buildings for the apartment owners associations and apartment owners represented by management companies/housing cooperatives.

The *"Treasury"* segment includes transactions performed on the Bank's own account or on the client's account and comprises the following types of transaction: trading with securities, trading with derivative instruments, trading on money and foreign currency markets, and management of the Bank's liquidity and foreign exchange position.

Geographically, operating profit was primarily generated by the provision of banking services in Slovakia. Some assets and liabilities are placed outside Slovakia.

The breakdown of selected items of the financial statements by segments, the summary of the most significant exposures of total assets and liabilities to foreign entities and information on the amount of total revenues from foreign entities is included in Note 31.

Statement of Cash Flows

Cash and cash equivalents for the purposes of cash flow presentation include cash, amounts due from banks and balances with the National Bank of Slovakia, excluding the compulsory minimum reserve required by the NBS and amounts due to banks due up to three months.

3. Fair Value of the Bank's Financial Assets and Liabilities

The fair value of the Bank's financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other valuation models as appropriate. Market inputs are used in valuation models to the maximum extent. Changes in underlying assumptions, including discount rates and estimated future cash flows or other factors, significantly impact the estimates. Therefore, the estimated fair market values may not be realised in the current sale of the financial instrument.

Based on the used input data for the fair value estimates, the calculation of fair value of the Bank's financial assets and liabilities can be classified into one of the three levels:

Level 1: quoted prices from active markets for identical assets or liabilities;

Level 2: inputs other than "level 1" quoted prices, which can be obtained for assets or liabilities either directly (eg prices) or indirectly (derived from interest rates etc.);

Level 3: input data for assets or liabilities, which cannot be derived from market data.

The following tables present an analysis of financial instruments that are measured after their initial recognition at fair value. Financial instruments are classified into three levels/categories based on the level of the fair value determination:

31 December 2017 (EUR '000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	-	1	-	**1**
Derivative financial instruments for trading	*-*	*1*	*-*	***1***
Available-for-sale financial assets	8 721	-	1 243	**9 964**
Available-for-sale securities – bonds issued by foreign banks	*8 721*	*-*	*-*	***8 721***
Available-for-sale securities – shares	*-*	*-*	*1 243*	***1 243***
Liabilities				
Liabilities from derivative transactions	-	-	-	**-**

31 December 2016 (EUR '000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	-	6	-	**6**
Derivative financial instruments for trading	*-*	*6*	*-*	***6***
Available-for-sale financial assets	8 353	-	972	**9 325**
Available-for-sale securities – bonds issued by foreign banks	*8 353*	*-*	*-*	***8 353***
Available-for-sale securities – shares	*-*	*-*	*972*	***972***
Liabilities				
Liabilities from derivative transactions	-	1	-	**1**

The following tables present the fair value hierarchy for financial instruments measured in assets and liabilities at amortised cost (the values below represent amortised cost):

31 December 2017 (EUR '000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Loans and receivables	-	-	1 142 231	**1 142 231**
Held-to-maturity financial investments	83 874	-	-	**83 874**
Liabilities				
Amounts due to customers	-	-	1 109 679	**1 109 679**
Liabilities from issued securities	-	167 745	-	**167 745**
Subordinated debt	-	20 008	-	**20 008**

31 December 2016 (EUR '000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Loans and receivables	-	-	1 146 135	**1 146 135**
Held-to-maturity financial investments	84 107	-	-	**84 107**
Liabilities				
Amounts due to customers	-	-	1 181 491	**1 181 491**
Liabilities from issued securities	-	116 309	-	**116 309**
Subordinated debt	-	20 008	-	**20 008**

The fair value of term deposits with a fixed interest rate is estimated by discounting their future cash flows, while current interest rates offered by the Bank for customers' term deposits are used for discounting.

When estimating the fair value of its financial instruments, the Bank used the following methods and assumptions:

Cash, Amounts due from Banks, and Balances with the National Bank of Slovakia and Placements with Other Banks

The net book values of cash and balances with central banks are generally deemed to approximate their fair value.

The estimated fair value of amounts due from banks that mature in 365 days or less approximates their net book values. The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk).

Loans and Receivables

Generally, the fair value of variable yield loans that are regularly re-valued approximates their net book values with no significant changes in credit risks. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit risks. The fair value of non-performing loans to customers is decreased on a pro-rata basis using a percentage of the impairment.

Held-to-Maturity Financial Investments

The fair value of securities recorded in the held-to-maturity portfolio was determined based on quoted prices on active markets, if available, and using valuation techniques when applying market input factors. In government and banking bonds, whose issuers have rating comparable with the country rating, the fair value is calculated using the market yield curve without credit margin. For other types of securities the credit margin reflecting the issuer's credit risk is applied in addition to the market yield curve.

Amounts due to Banks and Deposits from the National Bank of Slovakia and Other Banks and Amounts due to Customers

The estimated fair value of amounts due to banks with maturity within 365 days approximates their net book values. The fair value of term deposits payable on demand represents the net book value of amounts payable on demand as at the statement of financial position date. The fair value of term deposits at variable interest rates approximates their net book values. The fair value of term deposits with a fixed interest rate is estimated by their discounted future cash flows using current interest rates offered by the Bank for customers' term deposits with various maturity periods – Level 3 of the fair value estimate.

Liabilities from Issued Debt Securities and Subordinated Debt

The fair value of issued debt securities and subordinated debt is determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve by level 2 of the fair value estimate. Fair value is determined separately for individual issues of securities considering the relevant credit margin.

The following table presents a comparison of the estimated fair value and carrying amount of the selected financial assets and liabilities where the difference between such values is material:

(EUR '000)	Fair Value 31 Dec 2017	Net Book Value 31 Dec 2017	Difference 31 Dec 2017
Assets			
Loans and receivables	1 150 002	1 142 231	7 771
Held-to-maturity financial investments	95 310	83 874	11 436
Liabilities			
Amounts due to customers	1 110 095	1 109 679	416
Liabilities from issued debt securities	167 954	167 745	209

(EUR '000)	Fair Value 31 Dec 2016	Net Book Value 31 Dec 2016	Difference 31 Dec 2016
Assets			
Loans and receivables	1 166 494	1 146 135	20 359
Held-to-maturity financial investments	96 972	84 107	12 865
Liabilities			
Amounts due to customers	1 183 014	1 181 491	1 523
Liabilities from issued debt securities	116 206	116 309	(103)

Supplementary Data to the Financial Statements

4. Cash, Due from Banks and Balances with the National Bank of Slovakia

(EUR '000)	31 Dec 2017	31 Dec 2016
Cash on hand:		
In EUR	30 923	26 856
In foreign currency	4 320	2 478
	35 243	**29 334**
Due from banks and balances with NBS:		
Residual maturity within one year:		
In EUR	135 854	147 965
In foreign currency	10 236	2 364
	146 090	**150 329**
Total	**181 333**	**179 663**

Included in the 'Due from banks and balances with NBS' denominated in EUR is the compulsory minimum reserve with the NBS in the amount of EUR 12 732 thousand (31 December 2016: EUR 7 272 thousand), the withdrawal of which is restricted.

The average amount of the Bank's compulsory minimum reserves during the period bears an average threshold interest rate of the Eurosystem main refinancing operation. Excess monetary reserves bear no interest. As at 31 December 2017, compulsory minimum reserves bear interest at 0.00% (31 December 2016: 0.00%).

As at 31 December 2017, the Bank recognised term deposits with the NBS in the amount of EUR 121 996 thousand (31 December 2016: EUR 139 997 thousand).

5. Placements with Other Banks, Net of Provisions for Possible Placement Losses

(EUR '000)	31 Dec 2017	31 Dec 2016
Residual maturity within one year:		
In EUR	9	2
In foreign currency	-	-
Total	**9**	**2**

Interest on deposits with other banks, loans to other banks:

	31 Dec 2017 in %		31 Dec 2016 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.00	0.00	0.00	0.00
In foreign currency	-	-	-	-

As at 31 December 2017, the Bank had no short-term deposits denominated in a foreign currency (31 December 2016: EUR 0).

During 2017, the Bank entered into reverse REPO transactions with OTP Bank Nyrt. The Bank did not recognise an open reverse REPO transaction as at 31 December 2017 (31 December 2016: EUR 0). Income from these transactions is recognised in the statement of comprehensive income as *"Interest income"*.

6. Financial Assets at Fair Value through Profit or Loss

(EUR '000)	31 Dec 2017	31 Dec 2016
Derivative financial instruments held for trading (Note 22)	1	6
Total financial instruments held for trading	**1**	**6**

As at 31 December 2016, the held-for-trading securities portfolio included ordinary shares of businesses which are in the bankruptcy proceedings.

Derivative financial instruments held for trading do not comprise hedging derivatives; they are held to earn profit. They include forward currency swaps.

As at 31 December 2017, the Bank recognised a net gain/loss on financial assets at FVTPL from derivative transactions (Note 26) in the amount of EUR –483 thousand (31 December 2016: EUR -1 308 thousand).

7. Available-for-sale financial assets

(EUR '000)	31 Dec 2017	31 Dec 2016
Available-for-sale securities – bonds issued by foreign banks	8 721	8 353
Available-for-sale securities – shares of foreign entities	1 243	972
Investments in corporate entities	6	6
Total available-for-sale financial instruments	**9 970**	**9 331**

The structure as per interest rates and residual maturities (except for investments in corporations) is provided below:

(EUR '000)	31 Dec 2017	31 Dec 2016
No maturity, variable interest *	8 721	8 353
No maturity, interest-free	1 243	972
Total	**9 964**	**9 325**

All bonds are denominated in EUR bearing interest at 2.672% as at 31 December 2017 (31 December 2016 at 2.687%).

As at 31 December 2017, the Bank recognised no pledged securities as part of available-for-sale financial assets (31 December 2016: EUR 0).

**In 3Q 2013, the Bank purchased for the available-for-sale financial assets portfolio subordinated bonds issued by the parent company, OTP Nyrt. The proceeds from such bonds are recognised in the statement of comprehensive income as "Interest income".*

Under the issue terms and conditions, the subordinated bond has no fixed maturity as regards the face value. The Bank's management expected that the bond was very likely to be repaid at face value in November 2016. In line with the issue terms and conditions, the issuer decided not to repay the bond on the referred date. Interest on the bond changed from fixed to variable. The issuer will again have an option to repay the bond in November 2018. Interest income arising from this bond is recognised using the effective interest rate method totalling EUR 244 thousand in 2017 (2016: EUR 1 348 thousand).

As at 31 December 2017, the portfolio of available-for-sale debt securities was remeasured to fair value. A profit on revaluation for 2017 amounts to EUR 597 thousand (2016: a loss of EUR 1 058 thousand), net of deferred income tax (Note 30). The revaluation of the portfolio is recognised through equity as *"Revaluation reserve – available-for-sale financial assets"*.

An analysis of investments in corporate entities as at 31 December 2017 and 31 December 2016:

Company Name	Business Activity	Share	Cost	Provision	Net
S.W.I.F.T (Belgium)	International clearing	0.005%	6	-	6
Total (EUR '000)			**6**	**-**	**6**

In 4Q 2016, the Bank sold its ownership interests in OTP Buildings, s.r.o. and RVS, a.s. The proceeds from these transactions are recognised in the income statement as *"Gains/ (losses) on financial assets, net"*.

An analysis of movements in the provision for available-for-sale financial assets related to an equity share in corporate entities is as follows:

(EUR '000)	31 Dec 2017	31 Dec 2016
Balance at the beginning of reporting period	-	353
Decrease in provisions due to sale of equity shares	-	(353)
Balance at the end of reporting period	**-**	**-**

The Bank is not an unlimited guarantee partner in any reporting entities.

8. Loans and Receivables, Net of Provisions for Possible Losses

Loans and Receivables by Type of Product

31 Dec 2017 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Non-retail loans	**489 930**	**34 059**	**4 591**	**451 280**
Overdrafts and revolving loans	70 944	5 031	538	65 375
Investment, operation and other loans	407 359	29 028	2 239	376 092
Overdrafts on term deposit accounts	2 959	-	1 776	1 183
Factoring loans	8 665	-	38	8 627
Other	3	-	-	3
Retail loans	**738 329**	**5 459**	**41 919**	**690 951**
Mortgage loans	23 180	961	1 024	21 195
Consumer loans	711 428	4 498	39 615	667 315
Overdrafts on term deposit accounts	3 272	-	1 165	2 107
Other	449	-	115	334
Total	**1 228 259**	**39 518**	**46 510**	**1 142 231**

31 Dec 2016 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Non-retail loans	**518 568**	**35 437**	**4 352**	**478 779**
Overdrafts and revolving loans	74 119	7 537	727	65 855
Investment, operation and other loans	433 751	27 873	1 852	404 026
Overdrafts on term deposit accounts	3 140	-	1 751	1 389
Factoring loans	7 558	27	22	7 509
Other	-	-	-	-
Retail loans	**706 900**	**3 984**	**35 560**	**667 356**
Mortgage loans	30 701	919	1 518	28 264
Consumer loans	672 629	3 065	32 856	636 708
Overdrafts on term deposit accounts	3 185	-	1 094	2 091
Other	385	-	92	293
Total	**1 225 468**	**39 421**	**39 912**	**1 146 135**

The Summary of Provisions for Possible Loan Losses

(EUR '000)	31 Dec 2017	31 Dec 2016
Balance at the beginning of reporting period	79 333	53 416
Provisions for impairment losses on loans, net	24 817	26 179
Loan write-offs and assignments (Note 24)	(18 121)	(262)
Foreign exchange differences	(1)	-
Balance at the end of reporting period	**86 028**	**79 333**

In 2017, the amount of provisions increased by EUR 6.69 million (in 2016, an increase by EUR 25.9 million). Provisions for retail loans increased by EUR 9 million (in 2016, an increase by EUR 15.7 million) and provisions for non-retail loans decreased by EUR 2.3 million (in 2016, an increase by EUR 10.2 million).

As regards retail loans, the increase in provisions was mainly caused by an increase in the volume of consumer loans to households, a change in input parameters and an increase in defaulted loans. By creating higher additional provisions, the Bank ensured sufficient coverage of identified and losses.

As regards non-retail loans, with effect from 2016 the Bank has applied a stricter assessment of its loan portfolio quality, while taking into consideration the plans and guidelines of its parent company concerning the setting up of the risk profile for the assets of the Banking Group as a whole at an acceptable level. In 2017, the Bank recorded a decrease in the delinquency portfolio, which was reflected in a lower need for provisions for assets.

Interest on loans and receivables:

	31 Dec 2017 in %		31 Dec 2016 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.40	16.76	1.40	20.50
In foreign currency	3.80	4.31	0.00	20.00
Contractual maturity over one year:				
In EUR	0.30	30.70	0.04	30.90
In foreign currency	1.60	1.60	2.29	2.29

Other Information on Loans and Receivables

Loans with non-accrual status as at 31 December 2017 amounted to EUR 8 166 thousand, net of provisions for potential loan losses (31 December 2016: EUR 10 984 thousand). The Bank has stopped charging interest on these loans as bankruptcy was declared on the debtor or due to the Bank's withdrawal from the loan contract following the client's failure to meet contractual conditions.

For loans in bankruptcy and restructuring proceedings (under the Act on Bankruptcy and Restructuring) for 2017, the Bank records interest income that was not recognised in the statement of comprehensive income (Note 2) in the amount of EUR 38 thousand (2016: EUR 98 thousand).

Interest income of the Bank for 2017 from loans impaired as at 31 December 2017 amounted to EUR 4 998 thousand and are recognised in the income statement in "Interest income" (31 December 2016: EUR 4 654 thousand). The receivables from interest income are combined with related loan balances when determining impairment provision.

As at 31 December 2017, loans denominated in a foreign currency accounted for approximately 0.02% of the loan portfolio before provisions for potential loan losses (31 December 2016: 0.03%).

9. Held-to-Maturity Financial Investments

As at 31 December 2017 and 31 December 2016, the Bank recognised the following held-to-maturity investments:

(EUR '000)	31 Dec 2017	31 Dec 2016
Government bonds	73 314	73 482
Foreign government bonds	10 560	10 625
Total held-to-maturity securities	**83 874**	**84 107**

All held-to-maturity securities are denominated in euros.

In 2016, the Bank purchased government bonds of other EU Member States with a face value of EUR 10 000 thousand for its held-to-maturity securities portfolio.

Interest on held-to-maturity investments:

	31 Dec 2017 in %		31 Dec 2016 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	-	-	-	-
Contractual maturity over one year:				
In EUR	2.95	3.00	2.95	3.00

As at 31 December 2017 and 31 December 2016, the Bank did not record any pledged securities or other restrictions on the disposal of securities in its portfolio within held-to-maturity investments.

10. Investments in Subsidiaries

As at 31 December 2017 and 31 December 2016, the Bank recognised no investments in subsidiaries.

In 2010, as part of the strategic decisions made at the OTP Group level, a decision was adopted to terminate OTP Faktoring Slovensko, a.s.'s activities. On 1 April 2011, OTP Faktoring Slovensko, a.s. entered into liquidation and also its business name was changed from the original "OTP Faktoring Slovensko, a.s." to "Faktoring SK, a.s. v likvidácii". The company's liquidation was completed on 15 December 2015. In 2015, the Bank created additional provisions in the amount of EUR 58 thousand to cover an expected loss from the liquidation. The company's General Meeting was held in 2Q 2016 at which the liquidation conclusions were confirmed and a decision on the distribution of the liquidation balance was approved. In connection with the settlement of the liquidation balance of EUR 93 thousand, the Bank derecognised the investment in the subsidiary and reversed the created provisions.

A summary of changes in provisions for investments in subsidiaries:

(EUR '000)	31 Dec 2017	31 Dec 2016
Balance at the beginning of the reporting period	-	1 109
Decrease in provisions due to liquidation of a subsidiary	-	(1 109)
Balance at the end of the reporting period	**-**	**-**

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.

Separate Financial Statements for the Year Ended 31 December 2017
prepared in accordance with International Financial Reporting Standards as adopted by the European Union

11. Non-Current Tangible and Intangible Assets

Movements of Assets (EUR '000)	Buildings and Land	Fittings and Fixtures	Motor Vehicles	Tangible Assets in Acquisition	Intangible Assets	Intangible Assets in Acquisition	Total
Cost at 1 Jan 2016	27 309	23 823	1 006	860	28 912	716	82 626
Additions (+)	990	1 597	32	2 629	1 772	1 809	8 829
Disposals (-)	(547)	(1 538)	(142)	(2 628)	-	(1 771)	(6 626)
Cost at 31 Dec 2016	**27 752**	**23 882**	**896**	**861**	**30 684**	**754**	**84 829**
Accumulated depreciation and provisions at 1 Jan 2016	11 916	18 477	788	-	22 840	-	54 021
Depreciation (+)	1 053	1 407	124	-	2 119	-	4 703
Disposal (-)	(476)	(1 536)	(142)	-	-	-	(2 154)
Accumulated depreciation and provisions at 31 Dec 2016	**12 493**	**18 348**	**770**	**-**	**24 959**	**-**	**56 570**
Net book value at 31 Dec 2016	**15 259**	**5 534**	**126**	**861**	**5 725**	**754**	**28 259**
Cost at 1 Jan 2017	27 752	23 882	896	861	30 684	754	84 829
Additions (+)	482	1 114	206	1 704	2 398	3 115	9 019
Disposals (-)	(674)	(3 210)	(125)	(1 769)	(2 336)	(2 433)	(10 547)
Cost at 31 Dec 2017	**27 560**	**21 786**	**977**	**796**	**30 746**	**1 436**	**83 301**
Accumulated depreciation and provisions at 1 Jan 2017	12 493	18 348	770	-	24 959	-	56 570
Depreciation (+)	1 024	1 443	82	-	1 260	-	3 809
Disposal (-)	(480)	(3 197)	(125)	-	(2 336)	-	(6 138)
Accumulated depreciation and provisions at 31 Dec 2017	**13 037**	**16 594**	**727**	**-**	**23 883**	**-**	**54 241**
Net book value at 31 Dec 2017	**14 523**	**5 192**	**250**	**796**	**6 863**	**1 436**	**29 060**

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A summary of insurance of non-current tangible and intangible assets as at 31 December 2017:

(EUR '000)	Anticipated Annual Premium	Actual Insurance Costs
MTPL insurance	4	4
Motor hull insurance	25	23
Insurance of assets	37	34
Total	**66**	**61**

Costs of insurance coverage are recognised in the statement of comprehensive income line *"General administrative expenses"*.

As at 31 December 2017, the Bank's non-current tangible and intangible assets were insured up to 100% of the total amount of assets (31 December 2016: 100%).

As at 31 December 2017, the Bank does not record as part of its non-current tangible and intangible assets the following:
- Assets encumbered by a pledge;
- Assets with a limited right of disposal;
- Acquired assets for which the ownership title was not recorded in the Land Register as at the reporting date, but which is used by the Bank; and
- Assets acquired in privatisation.

12. Other Assets

(EUR '000)	31 Dec 2017	31 Dec 2016
Loss receivables (non-credit) from various debtors	2 645	2 639
Loss receivables from securities	6 104	6 104
Amounts due from assigned receivables	43	-
Operating advances made	186	180
Inventories	80	124
Deferred expenses	755	751
Accrued income	94	88
Receivables from various debtors	482	389
Receivables from shortages and damage	118	149
Other receivables from clients	2 124	1 160
Other receivables	415	479
Other assets before provisions	**13 046**	**12 063**
Provisions for possible losses from other assets	(8 894)	(8 920)
Total other assets	**4 152**	**3 143**

Provisions for possible losses from other assets mainly relate to the loss receivables from various debtors and loss receivables from securities.

An analysis of movements in provisions for possible losses from other assets is as follows:

(EUR '000)	31 Dec 2017	31 Dec 2016
Balance at the beginning of reporting period	8 920	8 893
Provisions for impairment losses on other assets, net (Note 29)	(28)	26
Other assets written-off and assigned (Note 29)	1	-
FX difference	1	1
Balance at the end of reporting period	**8 894**	**8 920**

As at 31 December 2017 and 31 December 2016, the Bank does not recognise as part of other assets any amounts to which a pledge is attached or for which it has a limited right of disposal.

The Bank does not recognise any subordinated financial assets as part of other assets.

13. Due to Banks and Deposits from the National Bank of Slovakia and Other Banks

(EUR '000)	31 Dec 2017	31 Dec 2016
Residual maturity within one year:		
In EUR	1 535	929
In foreign currency	262	215
Residual maturity of over one year:		
In EUR	8 571	2 000
Total	**10 368**	**3 144**

Amounts due to banks by type of product:

(EUR '000)	31 Dec 2017	31 Dec 2016
Deposits	4	206
Term accounts of other banks	266	218
Loans received from other financial institutions*	10 007	2 001
Other liabilities to financial institutions	91	719
Total	**10 368**	**3 144**

**In 2016, the Bank participated in a sustainable energy project financing programme in cooperation with the European Bank for Reconstruction and Development. At the end of 2017, the Bank recorded funds of EUR 10 000 thousand (31 December 2016: EUR 2 000 thousand).*

An analysis of received loans by individual types of banks (all loans are denominated in EUR, unless stated otherwise):

(EUR '000)	Type of Loan According to Maturity	Contractual Maturity as at 31 Dec 2017	31 Dec 2017	31 Dec 2016
Loans received from banks:				
European Bank for Reconstruction and Development	Long-term	25 Oct 2021	10 007	2 001
Total			**10 007**	**2 001**

Of the total amounts due to banks as at 31 December 2017 and 31 December 2016, the Bank does not recognise any overdue payables.

Interest on amounts due to banks:

	31 Dec 2017 in %		31 Dec 2016 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	-	-	-	-
In foreign currency	(0.20)	1.90	(0.05)	1.90
Contractual maturity of over one year:				
In EUR	0.55	0.55	0.47	0.47

14. Amounts due to Customers

Amounts due to customers by type:

(EUR '000)	31 Dec 2017	31 Dec 2016
Current accounts and other short-term amounts due to customers	701 017	654 569
Term deposits	346 641	466 458
Pass books	17 925	17 932
Received loans	7 371	9 200
Municipality accounts and local governments	36 363	33 052
Other liabilities	362	280
Total	**1 109 679**	**1 181 491**

In 2014, the Bank participated in the financing programme for SME clients in co-operation with the Slovenský záručný a rozvojový fond. At the end of 2017, the Bank recorded funds amounting to EUR 7 371 thousand (2016: EUR 9 200 thousand).

Amounts due to customers by sector:

(EUR '000)	31 Dec 2017	31 Dec 2016
Non-financial organisations	289 452	288 154
Individuals	643 332	701 932
Financial institutions	8 624	7 582
Trade licence holders	18 246	20 023
Insurance companies	6 772	5 245
Non-profit organisations	38 394	39 124
Non-residents	68 496	86 379
Government sector	36 363	33 052
Total	**1 109 679**	**1 181 491**

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Amounts due to customers by residual maturity:

(EUR '000)	31 Dec 2017	31 Dec 2016
Residual maturity within one year:		
In EUR	1 021 511	1 071 715
In foreign currency	24 097	27 148
Residual maturity over one year:		
In EUR	64 066	82 618
In foreign currency	5	10
Total	**1 109 679**	**1 181 491**

Interest on amounts due to customers:

	31 Dec 2017 in %		31 Dec 2016 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.01	1.00	0.01	1.00
In foreign currency	0.00	0.90	0.01	1.00
Contractual maturity over one year:				
In EUR	0.15	12.00	0.01	12.00
In foreign currency	0.00	0.00	0.00	0.00

As part of its liquidity risk management efforts, the Bank regularly monitors deposit exposures and adjusts the structure of its assets to ensure its sufficient liquidity (in the form of highly-liquid assets) in the event that it may need to pay out cash deposits or grant loans.

As at 31 December 2017, the total of primary deposits of depositors with deposits exceeding EUR 3 320 thousand represented 10.61% of the Bank's funds (31 December 2016: 11.52%).

15. Liabilities from Issued Debt Securities

(EUR '000)	31 Dec 2017	31 Dec 2016
Residual maturity within one year:		
Liabilities from financial bills of exchange	653	1 150
Liabilities from mortgage bonds	16 999	20 010
Liabilities from issued bonds	105 093	50 149
Residual maturity over one year:		
Liabilities from issued bonds	45 000	45 000
Total	**167 745**	**116 309**

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Interest on liabilities from issued debt securities:

	31 Dec 2017 in %		31 Dec 2016 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	(0.15)	0.50	(0.11)	1.00
In foreign currency	-	-	-	-
Contractual maturity over one year:				
In EUR	0.49	0.49	0.49	0.49
In foreign currency	-	-	-	-

In 2017, the Bank issued short-term bonds with a total face value of EUR 105 000 thousand and Mortgage Bonds, with a total face value of EUR 17 000 thousand.

In 2017, the Bank repaid Mortgage Bonds with a total face value of EUR 20 010 thousand and short-term bonds with a total face value of EUR 50 000 thousand.

In 2016, the Bank issued short-term bonds with a total face value of EUR 50 000 thousand and long-term bonds with a total face value of EUR 45 000 thousand and issued Mortgage Bonds with a total face value of EUR 20 000 thousand.

In 2016, the Bank repaid Mortgage Bonds with a total face value of EUR 30 952 thousand.

Summary of mortgage bonds as at 31 December 2017 and 31 December 2016:

Mortgage Bonds Issued	Currency	Quantity	Face Value per Share in EUR	Face Value of Issue	Net Book Value 31 Dec 2017	Net Book Value 31 Dec 2016	Interest Income (coupon)	Frequency of Coupon Payout	Issue Date	Due Date
Mortgage bonds Issue XXV	EUR	7 962	1 000.00	7 962	-	10	4.00%	Annual	28 Sep 2012	28 Sep 2016
Mortgage bonds Issue XXVIII	EUR	50	100 000.00	5 000	-	5 000	3M EURIBOR + 0.39% p.a.	Quarterly	30 Mar 2016	29 Mar 2017
Mortgage bonds Issue XXIX	EUR	10	100 000.00	1 000	-	1 000	3M EURIBOR + 0.35% p.a.	Quarterly	28 Sep 2016	27 Sep 2017
Mortgage bonds Issue XXX	EUR	140	100 000.00	14 000	-	14 000	3M EURIBOR + 0.21% p.a.	Quarterly	16 Dec 2016	15 Dec 2017
Mortgage bonds Issue XXXI	EUR	80	100 000.00	8 000	8 000	-	3M EURIBOR + 0.21% p.a.	Quarterly	29 Mar 2017	28 Mar 2018
Mortgage bonds Issue XXXII	EUR	90	100 000.00	9 000	8 999	-	3M EURIBOR + 0.18% p.a.	Quarterly	15 Dec 2017	14 Dec 2018
Total					**16 999**	**20 010**				

No mortgage bonds of the Bank were listed on the Bratislava Stock Exchange as at 31 December 2017 and 31 December 2016.

According to the Banking Act, the mortgage bonds issued must cover at least 90% of the outstanding amount of mortgage loans provided by the Bank. This threshold was reduced to 70% for the Bank for the period from 1 March 2017 until – 28 February 2019 under the decision of the NBS. As at 31 December 2017, the Bank's coverage was 76.34% (31 December 2016: 74.79%).

16. Other Liabilities

(EUR '000)	31 Dec 2017	31 Dec 2016
Various creditors	2 086	1 927
Tax liabilities (except for income tax liabilities)	284	627
Provisions for unbilled and other liabilities	726	770
Social fund	112	89
Settlement with employees	1 178	1 431
Settlement with social institutions	280	360
Negative fair value of financial derivatives (Note 22)	-	1
Liabilities from payment transactions	13 312	14 201
Other liabilities	3 019	3 139
Total	**20 997**	**22 545**

Summary of changes in the social fund:

(EUR '000)	31 Dec 2017	31 Dec 2016
Balance at the beginning of reporting period	89	67
Additions during the reporting period	192	189
Drawings during the reporting period	(169)	(167)
Balance at the end of reporting period	**112**	**89**

17. Subordinated Debt

Type of Loan	Curr.	Type of Loan by Maturity	Start of Loan Drawdown	Contractual Maturity	Interest Rate	31 Dec 2017	31 Dec 2016
Subordinated debt:							
OTP Financing Netherlands B.V.	EUR	Long-term	Sep 2014	Sep 2021	3M EURIBOR + 3.41% p. a.	18 008	18 008
OTP Financing Malta Company Ltd.	EUR	Long-term	Dec 2015	Dec 2022	3M EURIBOR + 2.37% p. a.	2 000	2 000
Total (EUR '000)						**20 008**	**20 008**

Subordinated debt totalling EUR 20 million represents Tier 2 capital for the Bank in the amount of EUR 15.4 million pursuant to Regulation of the European Parliament and of the Council No. 575/2013 (Note 33).

OTP Financing Netherlands B.V. is a financial company, a member of the OTP Group, with its seat at Westblaak 89, 3012 KG Rotterdam, Netherlands. OTP Financing Malta Company Ltd. is a member of the OTP Group with seat at Level 2, Regional Business Centre, University Heights, MSD 1751, Msida, Malta.

The scope of business of the above companies primarily includes:
- Raising and provision of financial borrowings and loans, accession to a debt as a co-debtor;
- Provision of financial guarantees, provision of securities to third parties;
- Advisory and consulting activities;
- Investments of financial funds; and
- Lease, development, management, acquisition of movable and immovable assets.

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18. Equity

The Bank's equity comprises:

(EUR '000)	31 Dec 2017	31 Dec 2016
Share capital	111 580	88 539
Reserve funds	6 338	6 179
Retained earnings	13 487	16 508
Revaluation of available-for-sale financial assets	64	(533)
Gain/(loss) for the reporting period	(5 930)	(3 021)
Total equity	**125 539**	**107 672**

Share Capital

The Bank's share capital as at 31 December 2017 is as follows:

Face Amount	ISIN	Number of Shares	Face Value of Shares
Repaid and registered in the Commercial Register			
EUR 3.98 per share	SK1110001452	3 000 000	11 940
EUR 3.98 per share	SK1110004613	8 503 458	33 843
EUR 39 832.70 per share	SK1110003003	570	22 705
EUR 1.00 per share	SK1110016559	10 019 496	10 020
EUR 1.00 per share	SK1110017532	10 031 209	10 031
EUR 1.00 per share	SK1110019850	23 041 402	23 041
Total share capital			**111 580**

The Bank's share capital increased by EUR 23 041 thousand in 2017 and has been fully paid. The increase in the share capital was effected by the repayment of subscribed shares by the shareholders.

The Bank's share capital as at 31 December 2016 was as follows:

Face Amount	ISIN	Number of Shares	Face Value of Shares
Repaid and registered in the Commercial Register			
EUR 3.98 per share	SK1110001452	3 000 000	11 940
EUR 3.98 per share	SK1110004613	8 503 458	33 843
EUR 39 832.70 per share	SK1110003003	570	22 705
EUR 1.00 per share	SK1110016559	10 019 496	10 020
EUR 1.00 per share	SK1110017532	10 031 209	10 031
Total share capital			**88 539**

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The type, form, nature and tradability of shares as at 31 December 2017 was as follows:

Face Amount	ISIN	Type	Form	Nature	Tradability
EUR 3.98 per share	SK1110001452	ordinary	registered	uncertified	publicly tradable
EUR 3.98 per share	SK1110004613	ordinary	registered	uncertified	publicly tradable
EUR 39 832.70 per share	SK1110003003	ordinary	registered	uncertified	publicly non-tradable
EUR 1.00 per share	SK1110016559	ordinary	registered	uncertified	publicly tradable
EUR 1.00 per share	SK1110017532	ordinary	registered	uncertified	publicly tradable
EUR 1.00 per share	SK1110019850	ordinary	registered	uncertified	publicly non-tradable*

* *The Bank is obliged under the terms of issue to launch the issue to the securities market. As of the reporting date, this procedure was completed.*

The type, form, nature and tradability of shares as at 31 December 2016 was as follows:

Face Amount	ISIN	Type	Form	Nature	Tradability
EUR 3.98 per share	SK1110001452	ordinary	registered	uncertified	publicly tradable
EUR 3.98 per share	SK1110004613	ordinary	registered	uncertified	publicly tradable
EUR 39 832.70 per share	SK1110003003	ordinary	registered	uncertified	publicly non-tradable
EUR 1.00 per share	SK1110016559	ordinary	registered	uncertified	publicly tradable
EUR 1.00 per share	SK1110017532	ordinary	registered	uncertified	publicly tradable

No special rights are attached to the shares. Voting rights per share are equivalent to the face value per share.

As at 31 December 2017, no shares of OTP Banka Slovensko, a.s. are held by the Bank and its subsidiaries.

Reserve Funds

As at 31 December 2017, reserve funds in the amount of EUR 6 338 thousand (31 December 2016: EUR 6 179 thousand) comprise the legal reserve fund in the amount of EUR 5 034 thousand (31 December 2016: EUR 5 034 thousand) and other capital reserves in the amount of EUR 1 304 thousand (31 December 2016: EUR 1 145 thousand).

The legal reserve fund is intended to cover potential future losses; its distribution to shareholders is restricted in accordance with the Slovak Commercial Code.

Retained Earnings

As at 31 December 2017, the Bank recognises in equity retained earnings in the amount of EUR 13 487 thousand (31 December 2016: EUR 16 508 thousand).

In line with the General Meeting's decision (Note 41), in 2Q 2017 the Bank settled a loss reported for 2016 by decreasing retained earnings by the amount of EUR 3 021 thousand.

Revaluation of Available-for-sale Financial Assets

Available-for-sale financial assets are remeasured to fair value. Gains and losses on revaluation are recognised in equity as "Revaluation of available-for-sale financial assets".

As at 31 December 2017, the Bank recognises in equity a profit on revaluation of available-for-sale financial assets, net of income tax, in the amount of EUR 64 thousand (31 December 2016: a loss of EUR 533 thousand).

19. Income Taxes

(EUR '000)	31 Dec 2017	31 Dec 2016
Current tax expense	399	2 420
Deferred tax (income)/expense	(258)	(2 985)
Total	**141**	**(565)**

As at 31 December 2017, the Bank recognised income tax expense in the amount of EUR 141 thousand in the statement of comprehensive income (31 December 2016: tax revenue of EUR 565 thousand). The Bank recognised an increase in the deferred tax liability for 2017 in the amount of EUR 158 thousand in items recognised through equity (2016: decrease of EUR 927 thousand).

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The Bank's tax on pre-tax profit differs from the theoretical tax which would arise if the income tax rate was applied as follows:

(EUR '000)	31 Dec 2017	31 Dec 2016
Pre-tax profit/(loss)	**(5 789)**	**(3 586)**
Theoretical tax at 21% (2016: 22%)	(1 216)	(789)
Non-taxable income	(289)	(184)
Non-deductible expenses	1 322	456
Provisions for assets and provisions for liabilities, net	(108)	(2)
Adjustment of provisions for uncertain utilisation of deferred tax assets	432	(410)
Adjustment of the current tax for the previous year	-	4
Effect of a change in the corporate income tax rate	-	360
Income tax expense/(revenue) for the current reporting period	**141**	**(565)**
Effective tax for the reporting period	**(2.43) %**	**15.76 %**

For the reporting period, the Bank recorded a positive tax base of EUR 2 358 thousand (31 December 2016: a positive tax base of EUR 11 439 thousand).

20. Current and Deferred Income Tax

(EUR '000)	31 Dec 2017	31 Dec 2016
Current tax asset/(liability)	1 904	(596)
Total current tax asset/(liability)	**1 904**	**(596)**

Deferred income taxes are recognised using the liability method on a balance sheet basis. The application of this method reports temporary differences, ie the differences between the tax base of assets or liabilities and their carrying amount in the statement of financial position. The effective 21% tax rate valid for the following reporting period was applied (2016: 21%):

(EUR '000)	31 Dec 2017	31 Dec 2016
Deferred tax liability		
Difference between net book value and net tax value of tangible assets	(632)	(647)
Revaluation reserves on available-for-sale securities (recognised through equity)	(83)	(2)
Total deferred tax liability	**(715)**	**(649)**
Deferred tax asset		
Loans (provisions for loan impairment losses)	8 660	7 807
Provisions for liabilities	222	302
Tax losses that can be carried forward	-	96
Revaluation reserves on available-for-sale securities (recognised through equity)	66	144
Total deferred tax asset	**8 948**	**8 349**
Adjustment for uncertain utilisation of deferred tax asset	**(3 200)**	**(2 767)**
Net deferred tax asset/(liability)	**5 033**	**4 933**

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(EUR '000)	31 Dec 2017	31 Dec 2016
Net deferred tax asset/(liability) – opening balance at 1 Jan	4 933	1 021
(Debited)/credited to profit/loss for the reporting period	258	2 985
(Debited)/credited to equity	(158)	927
Net deferred tax asset/(liability) – closing balance	**5 033**	**4 933**

When recognising the deferred tax asset, the Bank followed the prudence principle. Based on the approved budget and effective tax legislation the Bank expects to recognise positive tax bases in the following years.

The Bank did not recognise a deferred tax asset of EUR 3 200 thousand (31 December 2016: EUR 2 767 thousand), associated with temporary differences resulting from provisions for loans and a portion of tax losses carried-forward, owing to its uncertain timing and utilisation in future reporting periods.

21. Provisions for Liabilities, Contingent Liabilities and Other Off-Balance Sheet Items

In the ordinary course of business, the Bank becomes party to various financial transactions that are not reflected in the statement of financial position but recognised in the off-balance sheet. These include liabilities resulting from provided guarantees, unused loan commitments and issued letters of credit. The following represent notional amounts of these off-balance sheet financial liabilities, unless stated otherwise.

(EUR '000)	31 Dec 2017	31 Dec 2016
Unused loan commitments	27 288	27 170
Other guarantees provided to banks	402	218
Other guarantees provided to clients	23 198	15 620
Unused overdrafts and authorised overdraft facilities	24 671	23 940
Issued letters of credit	150	-
Total	**75 709**	**66 948**

Loan commitments represent the unused part of permissions to provide financial funds as loans, guarantees, or letter of credits. The Bank faces potential losses related to credit risks resulting from loan commitments in the amount of unused loan commitments. The estimated amount of exposure is, however, lower than the total unused loan commitments, since the majority of such commitments are subject to loan covenants that clients are required to comply with.

To cover estimated losses on unused loans, guarantees, and letters of credit, the Bank creates provisions in the case when a payable - as a result of past events - has to be settled and it is likely that such settlement of a payable will require cash outflow, and the amount payable can be reliably estimated. The calculation of the provision for off-balance sheet liabilities is analogous to the case of credit exposure. Issued guarantees, irrevocable letters of credit, and unused loan commitments are subject to detailed monitoring of credit risks and loan principles, as in the case of loans extended.

Within its ordinary activities the Bank is party to court and other disputes and litigation. Each dispute is subject to monitoring and regular re-assessment as part of the Bank's standard procedures. If it is probable that the Bank will be required to settle the claim and a reliable estimate of the amount can be made, provisions are recorded.

The management of the Bank believes that obligations that could arise from these disputes and litigation would not significantly affect the current and future financial situation of the Bank. Considering the advice of lawyers and the status of individual cases, the Bank created provisions for these risks in the amount of EUR 2 946 thousand as at 31 December 2017 (31 December 2016: EUR 3 550 thousand).

The Bank recognised the following provisions:

(EUR '000)	31 Dec 2017	31 Dec 2016
Provisions for:		
Unused loan commitments	139	119
Guarantees	31	25
Issued letters of credit	1	-
Litigations and other disputes	2 946	3 550
Retirement payments	114	120
Total	**3 231**	**3 814**

The creation and release of provisions for off-balance sheet liabilities is recognised in the statement of comprehensive income line *"Provisions for impairment losses on loans and off-balance sheet, net"*. The creation and release of a provision for retirement payments is recognised in the income statement's line *"General administrative expenses"*. The creation and release of provisions for litigations and other disputes is recognised in the statement of comprehensive income line *"Other operating revenues/(expenses), net"*.

An analysis of changes in provisions for guarantees and unused loan commitments:

(EUR '000)	31 Dec 2017	31 Dec 2016
Balance at the beginning of reporting period	144	99
Creation of provision	532	403
Release of provision	(505)	(358)
Balance at the end of reporting period	**171**	**144**

An analysis of changes in the provision for litigations and other disputes:

(EUR '000)	31 Dec 2017	31 Dec 2016
Balance at the beginning of reporting period	3 550	2 757
Creation of provision	80	813
Use of provision	(658)	(13)
Release of provision	(26)	(7)
Balance at the end of reporting period	**2 946**	**3 550**

In 2017, the provision was used to cover expenses resulting from resolved legal disputes.

An analysis of changes in the provision for retirement payments:

(EUR '000)	31 Dec 2017	31 Dec 2016
Balance at the beginning of reporting period	120	107
Creation of provision	16	31
Release of provision	(22)	(18)
Balance at the end of reporting period	**114**	**120**

22. Derivative Financial Instruments

The tables below represent the financial derivative instruments at face and fair values as at 31 December 2017 and 31 December 2016:

(EUR '000)	Face Value of Assets		Face Value of Liabilities	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Currency instruments				
Currency swaps	9 504	16 025	-	6 042
Total	**9 504**	**16 025**	**-**	**6 042**

(EUR '000)	Positive Fair Value		Negative Fair Value	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Currency instruments				
Currency swaps	1	6	-	1
Total	**1**	**6**	**-**	**1**

Positive fair value is included in *"Financial assets at fair value through profit or loss"* and negative fair value is included in *"Other liabilities"*. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income line *"Gains/(losses) on financial transactions, net"*.

23. Net Interest Income

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Interest income:		
Loans and other receivables	44 732	50 964
Placements with other banks	216	1 280
Financial assets for sale	244	1 348
Held-to-maturity financial investments	2 180	2 073
Total interest income	47 372	55 665
Interest expense:		
Due to banks and deposits from the National Bank of Slovakia and other banks and other payables	(47)	(4)
Amounts due to customers	(2 724)	(7 020)
Liabilities from issued debt securities	(121)	(510)
Subordinated debt	(604)	(624)
Total interest expense	(3 496)	(8 158)
Net interest income	**43 876**	**47 507**

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24. Provisions for impairment losses on loans and off-balance sheet, net

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Creation of provisions for loan receivables	(43 881)	(42 521)
Release of provisions for loan receivables	18 275	16 178
Use of provisions for written-off and assigned loans	18 910	426
Loans written off and assigned (Note 8)	(18 121)	(262)
(Creation)/reversal of provisions for guarantees and unused loan commitments, net (Note 21)	(27)	(45)
Provisions for impairment losses on loans and off-balance sheet, net	**(24 844)**	**(26 224)**

25. Net Fee and Commission Income

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Fee and commission income:		
Banks	1 771	1 613
Public administration	228	240
Individuals	6 945	6 790
Other sectors	7 008	6 091
Total fee and commission income	15 952	14 734
Fee and commission expense:		
Banks	(1 352)	(1 487)
Individuals	(82)	(106)
Other sectors	(2 782)	(2 621)
Total fee and commission expense	(4 216)	(4 214)
Net fee and commission income	**11 736**	**10 520**

26. Gains/(Losses) on Financial Transactions, Net

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Gain/(loss) from foreign exchange transactions	1 178	886
Gain/(loss) from futures and forwards	(483)	(1 308)
Net gains/(losses) on financial operations	**695**	**(422)**

In 2017 and 2016, the Bank carried out interrelated transactions within the Group, which are assessed as a whole. Such transactions include currency swaps concluded with the parent company and subsequent investing of available funds or through reverse repurchase transactions with the parent company (Note 5). The total profit/(loss) from such transactions is presented in the following table:

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Loss on fixed futures and forwards	(489)	(1 327)
Interest income on reverse repurchase transactions	183	1 118
Total	**(306)**	**(209)**

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27. Gains/(Losses) on Financial Assets, Net

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Net gain/(loss) on financial assets transactions		
AFS securities – shares*	-	4 237
Of which		
Reclassification of the 2015 remeasurement to the 2016 profit/loss	-	*2 896*
Increase in 2016	-	*1 341*
Investments in subsidiaries and other ownership interests (net of applicable provisions)	-	(133)
Net gains/(losses) on financial assets	**-**	**4 104**

*Sale of shares of VISA Europe Ltd. (see Note 7)

28. General Administrative Expenses

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Personnel expenses		
Wages and salaries	(12 831)	(12 879)
Social security expenses	(4 655)	(4 471)
Supplementary pension scheme contributions	(182)	(187)
Other social expenses	(192)	(189)
Expenses for provisions		
(Creation)/release of provisions for retirement payments, net	6	(13)
Other administrative expenses		
Purchased services	(5 914)	(5 864)
Expenses for IT administration and maintenance	(2 491)	(2 577)
Entertainment expenses	(1 855)	(1 746)
Other purchased supplies	(1 501)	(1 444)
Local and other taxes other than income tax	(1 017)	(1 054)
Special levy on selected financial institutions	(2 630)	(2 635)
Contributions to other funds*	(108)	(407)
Other expenses	(332)	(296)
Depreciation, amortisation and write-downs of non-current tangible and intangible assets		
Non-current tangible assets	(2 549)	(2 584)
Non-current intangible assets	(1 260)	(2 119)
General administrative expenses - total	**(37 511)**	**(38 465)**

**This item includes a contribution to the Deposit Protection Fund and expenses for a resolution fund.*

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A significant year-to-year decrease in amortisation of non-current intangible assets resulted from a reassessment of the useful life of software, as the Bank plans to use software for longer than originally planned.

In 2017, the costs of auditing the financial statements amounted to EUR 124 thousand (2016: EUR 111 thousand). The costs of non-audit services provided by the audit firm and its network member firms amounted to EUR 73 thousand (2016: EUR 59 thousand).

Non-audit services include: audit of the consolidation package and of the Bank's prudential reports, preparation of a long-form auditor's report and a review of measures of the securities trader for the NBS, conferences, training courses, services related to a review of receivables (only in 2016), information system security review, tax advisory (only in 2016) and MIFID II consulting services (only in 2017).

The Bank has no pension scheme other than Slovakia's state pension system. Pursuant to the Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of the assessment base. These expenses are charged to the statement of comprehensive income in the period in which the employee was entitled to receive the salary.

29. Other Operating Revenues/(Expenses), Net

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Provisions for impairment losses on other assets		
Creation of provisions for other assets	(19)	(44)
Release of provisions for other assets	46	18
Other assets written-off and assigned (Note 12)	1	-
Costs for the creation of provisions		
(Creation)/release of provisions for litigations and other disputes and other risks, net (Note 21)	(54)	(806)
Other revenues		
Revenues from sale of real estate and other assets	94	1
Lease revenues	1	2
Revenues from sale of commemorative coins	12	15
Other operating revenues	178	208
Other operating revenues/(expense), net	**259**	**(606)**

30. Items of Other Comprehensive Income

The items of other comprehensive income:

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Available-for-sale financial assets		
Gain/(loss) on revaluation of available-for-sale financial assets	755	(1 348)
Reclassification adjustment of the gain on the sale of shares included in profit/(loss)*	-	(2 896)
Deferred tax liability/(deferred tax asset) on revaluation reserves on available-for-sale financial assets	(158)	290
Reclassification adjustment of deferred tax on the sale of shares *	-	637
Other comprehensive income	**597**	**(3 317)**

*Purchase of shares of Visa Europe Ltd. by Visa INC. (see Notes 7 and 27).

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31. Segment Reporting

The separate statement of comprehensive income and other indicators by segment as at 31 December 2017:

31 Dec 2017 (EUR '000)	Retail	Corporate	Treasury	Not specified	Total
Interest income	30 380	14 352	2 640	-	47 372
Interest expense	(2 264)	(460)	(772)	-	(3 496)
Net interest income	**28 116**	**13 892**	**1 868**	**-**	**43 876**
Provisions for impairment losses on loans and off-balance sheet, net	(15 228)	(9 616)	-	-	**(24 844)**
Net interest income net of provisions for impairment losses on loans and off-balance sheet	**12 888**	**4 276**	**1 868**	**-**	**19 032**
Fee and commission income	10 517	4 326	25	1 084	15 952
Fee and commission expense	(3 254)	-	(71)	(891)	(4 216)
Net fee and commission income	**7 263**	**4 326**	**(46)**	**193**	**11 736**
Gains/(losses) on financial transactions, net	-	-	695	-	695
Gains/(losses) on financial assets, net	-	-	-	-	-
General administrative expenses	-	-	-	(37 511)	(37 511)
Other operating revenues/(expenses), net	(31)	4	-	286	259
Profit/(loss) before income tax	20 120	8 606	2 517	**(37 032)**	**(5 789)**
Income tax	-	-	-	(141)	(141)
Net profit/(loss) after tax	**20 120**	**8 606**	**2 517**	**(37 173)**	**(5 930)**
Items of other comprehensive income that will subsequently be reclassified to profit or loss, net of tax					
Reclassification adjustment from sale of available-for-sale financial assets, net	-	-	-	-	-
Gain/(loss) on revaluation of available-for-sale financial assets, net	-	-	597	-	597
Total comprehensive income for the year	20 120	8 606	3 114	**(37 173)**	**(5 333)**
Assets by segment	**694 435**	**440 674**	**237 440**	**85 018**	**1 457 567**
Liabilities by segment	**671 762**	**428 602**	**180 273**	**51 391**	**1 332 028**

The separate statement of comprehensive income and other indicators by segment as at 31 December 2016:

31 Dec 2016 (EUR '000)	Retail	Corporate	Treasury	Not specified	Total
Interest income	35 122	15 842	4 701	-	55 665
Interest expense	(6 149)	(871)	(1 138)	-	(8 158)
Net interest income	**28 973**	**14 971**	**3 563**	**-**	**47 507**
Provisions for impairment losses on loans and off-balance sheet, net	(15 990)	(10 234)	-	-	**(26 224)**
Net interest income net of provisions for impairment losses on loans and off-balance sheet	**12 983**	**4 737**	**3 563**	**-**	**21 283**
Fee and commission income	9 146	4 428	21	1 139	14 734
Fee and commission expense	(3 574)	(22)	(83)	(535)	(4 214)
Net fee and commission income	**5 572**	**4 406**	**(62)**	**604**	**10 520**
Gains/(losses) on financial transactions, net	-	-	(422)	-	(422)
Gains/(losses) on financial assets, net	-	-	4 104	-	4 104
General administrative expenses	-	-	-	(38 465)	(38 465)
Other operating revenues/(expenses), net	24	5	-	(635)	(606)
Profit/(loss) before income tax	**18 579**	**9 148**	**7 183**	**(38 496)**	**(3 586)**
Income tax	-	-	-	565	565
Net profit/(loss) after tax	**18 579**	**9 148**	**7 183**	**(37 931)**	**(3 021)**
Items of other comprehensive income that will subsequently be reclassified to profit or loss, net of tax					
Reclassification adjustment from sale of available-for-sale financial assets, net	-	-	(2 259)	-	(2 259)
Gain/(loss) on revaluation of available-for-sale financial assets, net	-	-	(1 058)	-	(1 058)
Total comprehensive income for the year	**18 579**	**9 148**	**3 866**	**(37 931)**	**(6 338)**
Assets by segment	**669 831**	**468 871**	**241 688**	**75 189**	**1 455 579**
Liabilities by segment	**733 051**	**436 831**	**117 444**	**60 581**	**1 347 907**

Foreign Assets and Liabilities

The Bank provides banking services primarily in the territory of the Slovak Republic. Some assets and liabilities were placed outside of the Slovak Republic.

The structure of assets and liabilities related to counterparties outside the Slovak Republic:

(EUR '000)	31 Dec 2017	31 Dec 2016
Assets	47 251	40 251
Of which: Hungary	*17 240*	*9 404*
Of which: Other EU countries	*26 973*	*28 364*
Liabilities	265 865	223 752
Of which: Hungary	*219 093*	*166 634*
Of which: Other EU countries	*39 743*	*46 178*

As at 31 December 2017 and 31 December 2016, the Bank's non-current tangible and intangible assets were localised only in the territory of the Slovak Republic.

Výška výnosov od zahraničných subjektov

(EUR '000)	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016
Interest income on:		
Term deposits provided to OTP Bank Nyrt (Hungary)	152	198
Subordinated bonds issued by OTP Bank Nyrt (Hungary)	244	1 348
Reverse REPO transactions with OTP Bank Nyrt (Hungary)	183	1 118
Foreign government bonds (Bulgaria)	295	148
Issued mortgage bonds and bonds with negative interest (Hungary)	113	-
Dividends from VISA Inc. shares	9	-
Gain on sale of Visa Europe Ltd. shares (Notes 7 and 27)	-	4 237
of which		
Remeasurement via statement of comprehensive income in 2015	-	-
Reclassification of remeasurement to 2016 profit/loss	-	*2 896*
Recognition of other components of received consideration	-	*1 341*

The amount of income from other foreign entities is not significant for the Bank.

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32. Related Party Transactions

Under "IAS 24 – Related Party Disclosures" (IAS 24), a related party is defined as:

a) A person or a close family member of that person if that person:
   1) *has control or joint control over the reporting entity,* whereas control means authority to control financial and operating policy of the reporting entity in order to gain benefits from its activities and joint control means contractually agreed participation in control of operating activities;
   2) *has significant influence over the reporting entity,* whereas significant influence means authority to participate in decisions on financial and operating policies of the reporting entity, but not control over such policies; significant influence can be gained by holding shares, through articles of association or an agreement; or
   3) *is a member of the key management personnel of the reporting entity or of a parent of the reporting entity,* whereas the key management personnel include individuals who have authority and responsibility for planning, governance and control of the reporting entity's activities, directly or indirectly, including each director (whether executive or other) of this reporting entity;

b) The entity and the reporting entity are members of the same group;

c) An associate or joint venture of the reporting entity (or an associate or joint venture of a member of the group of which the reporting entity is a member);

d) The entity, if this entity and the reporting entity are joint ventures of the same third party;

e) The entity, if this entity is a joint venture of the third party and the reporting entity is an associate of the third party and/or if the entity is an associate of the third party and the reporting entity is a joint venture of the third party;

f) The entity is controlled or jointly controlled by a person identified in a);

g) A person identified in a1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In ordinary business, the Bank enters into transactions with related parties made on an arm's length basis.

The following tables present an overview of assets and liabilities, and expenses and revenues in relation to the Bank's related parties.

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Overview of balances in the statement of financial position as at 31 December 2017:

31 Dec 2017 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	8 081	-	249	-	-	-	**8 330**
Placements with other banks, net of provisions for possible placement losses	-	-	-	-	-	-	**-**
Financial assets at fair value through profit or loss	1	-	-	-	-	-	**1**
Available-for-sale financial assets	8 721	-	1 249	-	-	-	**9 970**
Loans and receivables, net of provisions for possible losses	-	-	696	287	-	-	**983**
Held-to-maturity financial investments	-	-	-	-	-	-	**-**
Investments in subsidiaries and associates	-	-	-	-	-	-	**-**
Non-current tangible assets*	-	-	4 814	-	-	-	**4 814**
Non-current intangible assets*	869	-	-	-	-	-	**869**
Other assets	2	-	519	-	-	-	**521**
Total	**17 674**	**-**	**7 527**	**287**	**-**	**-**	**25 488**
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	214	-	-	-	-	-	**214**
Amounts due to customers	-	-	1 905	3 268	-	33	**5 206**
Liabilities from issued debt securities	167 092	-	-	-	-	-	**167 092**
Other liabilities	140	-	234	-	-	-	**374**
Subordinated debt	-	-	20 008	-	-	-	**20 008**
Total	**167 446**	**-**	**22 147**	**3 268**	**-**	**33**	**192 894**

**Non-current tangible and non-current intangible assets are presented at net value.*

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.

Overview of balances in the statement of financial position as at 31 December 2016:

31 Dec 2016 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	611	-	302	-	-	-	**913**
Placements with other banks, net of provisions for possible placement losses	-	-	-	-	-	-	**-**
Financial assets at fair value through profit or loss	6	-	-	-	-	-	**6**
Available-for-sale financial assets	8 353	-	978	-	-	-	**9 331**
Loans and receivables, net of provisions for possible losses	-	-	8 619	217	-	-	**8 836**
Held-to-maturity financial investments	-	-	-	-	-	-	**-**
Investments in subsidiaries and associates	-	-	-	-	-	-	**-**
Non-current tangible assets*	-	-	4 927	-	-	-	**4 927**
Non-current intangible assets*	866	-	-	-	-	-	**866**
Other assets	-	-	477	-	-	-	**477**
Total	**9 836**	**-**	**15 303**	**217**	**-**	**-**	**25 356**
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	215	-	-	-	-	-	**215**
Amounts due to customers	-	-	2 784	3 224	-	3 270	**9 278**
Liabilities from issued debt securities	115 149	-	-	-	-	-	**115 149**
Other liabilities	292	-	299	-	-	-	**591**
Subordinated debt	-	-	20 008	-	-	-	**20 008**
Total	**115 656**	**-**	**23 091**	**3 224**	**-**	**3 270**	**145 241**

**Non-current tangible and non-current intangible assets are presented at net value.*

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.

Overview of transactions in the statement of comprehensive income:

31 Dec 2017 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Interest income		-	134	5	-	-	717
Interest expense	(117)	-	(605)	(15)	-	-	(737)
Provisions for impairment losses on loans and off-balance sheet, net	-	-	21	-	-	-	21
Fee and commission income	19	-	19	-	-	-	38
Fee and commission expense	(509)	-	(343)	-	-	-	(852)
Gains/(losses) on financial transactions (FX), net	(488)	-	-	-	-	-	(488)
Gains/(losses) on financial assets, net	-	-	-	-	-	-	-
Other operating revenues/(expenses), net	-	-	9	-	-	-	9
General administrative expenses	(421)	-	(1 185)	*	-	-	(1 606)
Total	**(938)**	**-**	**(1 950)**	**(10)**	**-**	**-**	**(2 898)**

31 Dec 2016 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Výnosové úroky	2 639	-	253	5	-	-	2 897
Nákladové úroky	(264)	-	(628)	(28)	-	(5)	(925)
Provisions for impairment losses on loans and off-balance sheet, net	-	-	(16)	-	-	-	(16)
Fee and commission income	13	-	24	-	-	-	37
Fee and commission expense	(324)	-	(364)	-	-	-	(688)
Gains/(losses) on financial transactions (FX), net	(1 299)	-	-	-	-	-	(1 299)
Gains/(losses) on financial assets, net	-	-	(133)	-	-	-	(133)
Other operating revenues/(expenses), net	-	-	-	-	-	-	-
General administrative expenses	(461)	-	(1 262)	*	-	-	(1 723)
Total	**304**	**-**	**(2 126)**	**(23)**	**-**	**(5)**	**(1 850)**

*see "Key Management Personnel Compensation"

In 2017, the Bank performed the following transactions within the OTP Group:

- Spot and forward transactions with the parent company, OTP Bank Nyrt. – provided and received term deposits, currency spots and currency swaps;
- Provided short-term loans on a recurring basis to the parent company, OTP Bank Nyrt., secured by securities within reverse REPO transactions;
- Sold Mortgage Bond Issues XXXI and XXXII to the parent company, OTP Bank Nyrt; and
- Sold short-term bonds to the parent company, OTP Bank Nyrt.

All the above transactions were made on an arm's length basis.

In 2016, the Bank performed the following transactions within the OTP Group:

- Spot and forward transactions with the parent company, OTP Bank Nyrt. – provided and received term deposits, currency spots and currency swaps;
- Provided on a recurring basis short-term loans to the parent company, OTP Bank Nyrt., secured by securities within reverse REPO transactions;
- Sold Mortgage Bonds, Issues XXVIII, XXIX and XXX to the parent company, OTP Bank Nyrt., and
- Sold short-term and long-term bonds to the parent company, OTP Bank Nyrt.

All of the aforementioned transactions were made on an arm's length basis.

Key Management Personnel Compensation

Compensation includes all short-term employee benefits, including all forms of countervalues paid, payable or provided by or on behalf of the reporting entity in exchange for services provided to the reporting entity. In 2017, compensation in the amount of EUR 748 thousand (2016: EUR 696 thousand) was paid to the members of the Board of Directors and the Supervisory Board; they are short-term employee benefits.

The remuneration policy for members of the Board of Directors is compliant with the CRD III Directive.

As at 31 December 2017, the Bank recognised loan receivables from the members of the Board of Directors and the Supervisory Board in the amount of EUR 287 thousand (31 December 2016: EUR 217 thousand).

In 2017, received loan instalments totalled EUR 193 thousand (2016: EUR 12 thousand). Loans provided as at 31 December 2017 bore interest ranging between 1.50 and 4.55% (31 December 2016: 1.79 - 4.00%).

In 2017 and 2016, in respect of the members of the Board of Directors and Supervisory Board:
- The Bank did not waive or write off any loan or other receivables.
- The Bank does not record any other loans, advances, guarantees or other collateral.
- The Bank does not record any significant transactions.

Interest rates and other conditions of related party transactions do not differ from the Bank's standard interest rates and contractual terms and conditions.

33. Regulatory Capital

As of 1 January 2014, Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms entered into effect stipulating among others the method for the calculation of the Bank's regulatory capital as well as the calculation of requirements for the Bank's regulatory capital.

Pursuant to the aforementioned Regulation (EU) No. 575/2013 of the European Parliament and of the Council, the Bank's regulatory capital comprises Tier 1 Capital and Tier 2 Capital.

Tier 1 Capital consists of:
- Tier 1 own capital: (share capital, the legal reserve fund, and retained earnings from previous years. Items decreasing the amount of original own funds comprise the net book value of intangible assets).
- Tier 1 supplementary capital – not recorded by the Bank at the end of the period under review.

Tier 2 capital comprises a subordinated debt (Note 17).

Pursuant to Regulation (EU) No. 575/2013 of the European Parliament and of the Council the banks are required to meet the following requirements for regulatory capital:
a) Share of Tier 1 own capital in the amount of 4.5%;
b) Share of Tier 1 capital in the amount of 6%; and
c) Total share of capital in the amount of 8%,
Increased by the amounts of the relevant capital cushions.

Under Act No. 483/2001 as amended, the National Bank of Slovakia set a cushion to maintain capital as Tier 1 own capital in the amount of 2.5% of the total risk exposure as of 1 October 2014 and determined the level of the countercyclical capital cushion for Slovak exposures at 0.5%. In 2018, the countercyclical capital cushion will be increased to 1.25% with effect from 1 January 2018.

In the period under review and as at the reporting date, the ratio of the Bank's total own funds exceeded the minimum level required by the EU and Slovak legislation. As at 31 December 2017, the Bank achieved the following shares: the share of Tier 1 own capital at 13.25%, the share of Tier 1 capital at 13.25% and the total share of capital at 15.02%.

The structure of the Bank's regulatory capital is as follows:

(EUR '000)	31 Dec 2017	31 Dec 2016
Tier 1 capital	115 557	99 897
Tier 1 own capital	115 557	99 897
Capital instruments allowable as Tier 1 own capital	111 580	88 539
Repaid capital instruments	*111 580*	*88 539*
Retained earnings	7 557	13 487
Retained earnings from previous years	*13 487*	*16 508*
Allowable gain or (-) loss	*(5 930)*	*(3 021)*
Other provisions	5 034	5 034
(-) Intangible assets	(8 299)	(6 479)
(-) Other items decreasing the amount of Tier 1 own capital	(315)	(684)
Tier 1 supplementary capital	-	-
Tier 2 capital	15 375	18 974
Repaid capital instruments and subordinated debt	*15 375*	*18 974*
Positive revaluation reserves	-	-
(-) Other items decreasing the amount of Tier 2 capital	-	-
Regulatory capital	**130 932**	**118 871**
Proportion of own capital (CET1) to risk-weighted assets	13.25%	10.85%
Proportion of Tier 1 capital to risk-weighted assets	13.25%	10.85%
Total proportion of capital to risk-weighted assets	**15.02%**	**12.92%**

34. Supplementary Data to Statements of Cash Flows

(EUR '000)	31 Dec 2017	31 Dec 2016
Cash, due from banks and balances with NBS except for mandatory minimum reserve	168 601	172 391
Deposits with other banks, falling due within three months	9	2
Due to banks, falling due within three months	(361)	(1 144)
Total cash and cash equivalents	**168 249**	**171 249**

Mandatory minimum reserve in the amount of EUR 12 732 thousand (31 December 2016: EUR 7 272 thousand) is excluded from cash and cash equivalents as its withdrawal is restricted (see Note 4).

Significant non-cash movements excluded from cash flows are as follows:

(EUR '000)	31 Dec 2017	31 Dec 2016
Write-off and assignments of loans (Note 8)	(18 121)	(262)

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35. Financial Instruments and Risk Management

A financial instrument means any arrangement that entitles the entity to obtain cash or other financial assets from a counterparty (financial asset), or which binds the entity to pay cash or to provide other financial assets to a counterparty (financial liability).

Financial instruments are recorded by the Bank in the trading or banking book. The trading book includes those positions in financial instruments that are held by the Bank for trading purposes – short-term sale, and to achieve income from actual or expected differences between purchase and selling prices or from other changes in prices or interest rates.

The Bank's exposure to risks results from the use of financial instruments. The most significant risks include:
- Credit risk
- Market risk
  - o Currency risk
  - o Interest rate risk
  - o Other price risk
- Liquidity risk
- Operational risk

Risk Management Framework

The Risk Division is responsible for risk management at the Bank and comprises the Credit Risk Operation Department, Risk Analysis and Regulation Department, Workout and Monitoring Department, and Market & Operational Risk Department.

The Board of Directors represents a statutory body, including the Bank's executive management, which oversees risk-related issues. The authorities to manage risk are also delegated to the following individual steering committees, which oversee the risks:
- Asset/Liability Management Committee (ALCO)
  Based on monitoring key information on assets and liabilities the ALCO makes decisions and proposes measures in order to optimise the structure of assets and liabilities to achieve maximum profitability of the Bank's own capital within the limits of acceptable risk;
- Risk management committee;
- Monitoring committee;
- Workout committee; and
- Operational risk management committee (ORC).
  ORC has a control, coordination, advisory and decision-making function in the area of operational risk management. It approves the Bank's approach to various areas of operational risk and has an advisory as well as a decision-making function in the management of continuous operations (the so-called business continuity management) and acts as an emergency team in emergency situations.

The Board of Directors delegates its control over risks to the aforementioned committees in the form of statutes where the members of the steering committees, including their competencies and responsibilities, are designated.

The competencies of the advisory and working bodies are specified in the Board of Directors' instruction: "Signature and Competency Order in OTP Banka Slovensko, a.s.". An internal regulation is prepared for each type of risk and defines in detail the competencies and responsibilities of individual bodies of the Bank.

36. Credit Risk

Credit risk is the risk that a client or a counterparty of a financial instrument will fail to meet its contractual obligations, which would expose the Bank to the risk of a financial loss. This risk is predominantly driven by loans advanced to clients, receivables from banks and financial investments. The Bank classifies the level of accepted credit risk using limits for the risks accepted with respect to a single debtor or a group of debtors and with respect to industries.

The credit exposure limit is set based on an analysis of the borrower's ability to repay the granted loan. When analysing credit risks, the Bank takes into consideration the mitigation of risks with collateral instruments and guarantees from individuals and legal entities. The analysis is performed by specialists – loan analysts – who are not involved in the Bank's business activities.

The Bank also evaluates debtors using scoring/rating models developed for individual products and client segments.

Regular monitoring of the quality of the existing loan portfolio and monitoring of trends in the Bank's portfolio form a significant part of risk management that helps maintain the quality of the entire portfolio and the required level of the Bank's risk expenses.

When recovering debts, the Bank applies a wide range of recovery instruments and strategies depending on the type and amount of the relevant debt. For recovery, the Bank applies both internal and external forms of recovery. In the event of the unsuccessful recovery of debts from clients or a failure to conclude an agreement with the client, the Bank performs the hard collection of receivables depending on the collateral type of the receivable and financial conditions of the client, or the assignment or write-off of a receivable (if conditions for writing-off of a receivable are met). Default and specific receivables are addressed by the Bank's specialised internal team in cooperation with the legal department and other specialised Bank units.

When monitoring and managing credit risks, the Bank pays attention to concentration and residual risks.

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A concentration risk is a risk arising from the concentration of the Bank's transactions with an individual, a group of economically-related entities, the state, a geographic area, an industry, or a risk arising from credit risk mitigation procedures. Bearing in mind concentration risk management efficiency, the Bank focuses on the quality aspect of portfolio management and appropriate portfolio diversification in compliance with the specified concentration limits (large asset exposure, industry or other limits).

Residual risk means a risk arising from the fact that the recognised procedures for credit risk mitigation used by the Bank are less effective than expected.

Credit Risk Management Organisation

The Risk Division is a business unit managed by the Bank's Deputy CEO, who is a member of the Board of Directors. The division is responsible for reviewing credit risk, including:

- Preparation of the strategies, principles, processes and procedures applied to risk management, which cover the rules for loan assessment, collateral requirements for relevant risk levels and relating reporting;
- Setting limits for concentrating exposure to counterparties, related parties, and countries, and monitoring compliance with the limits;
- Assessment of credit risk in line with the defined principles;
- Monitoring of meeting portfolio quality requirements and compliance with limits, and taking relevant corrective measures;
- Preparation and validation of scoring and rating models;
- Preparation, maintenance and back testing of a provisioning model; and
- Preparation of reports on credit, market and operational risks to be submitted to the Board of Directors and the Supervisory Board.

Provisions

As at the date of the financial statements, the Bank assesses and reassesses provisions for provided loans. The Bank creates provisions based on the calculation of the incurred loss that is calculated as a difference between the carrying amount of a loan receivable and the present value of estimated future cash flows including the flows from realisation of collaterals discounted using the loan interest rate.

The Bank creates provisions representing the best estimate to cover the existing losses in the loan portfolio. Provisions cover estimated loan impairment losses if there are one or more objective proofs of impairment. Objective proof of impairment may include information about major financial difficulties of the debtor, which lead to a loss event and which were identified after the initial recognition of the loan receivable.

The Bank evaluates credit risk on an individual and portfolio basis and records specific and portfolio provisions. The Bank creates specific provisions for individually-significant loan receivables. For a group of loan receivables that are not individually significant or for loan receivables in which impairment has not been identified on an individual basis, provisions are created on a portfolio basis.

Loans assessed on an individual basis comprise corporate receivables without any identified impairment with exposure to a customer exceeding EUR 850 thousand, for which the Bank first assesses, on an individual basis, whether individually-significant objective proof of impairment of financial assets exists. If the Banks decides that there is no objective proof of impairment with respect to the financial assets assessed on an individual basis, such assets are included in a portfolio of financial assets with similar credit risk characteristics and their impairment is assessed on a portfolio basis.

The Bank also assesses, on an individual basis, corporate receivables with identified impairment with exposure to a customer exceeding EUR 200 thousand, corporate receivables in bankruptcy proceeding and in restructuring proceeding under the law and retail receivables with identified fraud, retail receivables secured by immovable assets in bankruptcy and in default for more than 1550 days. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans as at the processing date.

Provisions for loan losses are assessed with reference to the credit and economic standing of the debtor and take into account the value of all collateral or third party guarantees. Specific provisions are recognised if objective proof confirming impairment of the loan receivable exists, with the impairment occurring after the initial recognition of the loan. Loan receivables for which impairment is assessed on an individual basis and for which the impairment loss continues to be recognised are not included in a portfolio assessment of impairment of assets.

If the Bank identifies that there is no objective proof of impairment of a loan receivable on an individual basis, such loan receivable is included in a portfolio of loan receivables with similar characteristics and assessed for impairment.

The Bank creates portfolio receivables on a portfolio basis using risk parameters for the given portfolio. Portfolio provisions cover losses that have not been individually identified but based on historical experience are inherent in individual portfolios at the reporting date. In the calculation of provisions for portfolio-measured receivables the Bank applies statistical modelling based on the historical portfolio behaviour trends. The calculation of portfolio provisions is based on the probability of default (PD), loss given default (LGD), rate of return (RI) and receivable value. The calculation of provisions is sensitive to a change in input parameters.

Receivables assessed on a portfolio basis include other retail receivables, corporate receivables from mass products (all types of Quick Loans, Solvent Business Card), and corporate receivables with exposure to a customer up to EUR 850 thousand and corporate receivables with identified impairment with exposure to a customer up to EUR 200 thousand.

Individually-significant receivables for which no objective proof of their impairment exists are subject to the measurement on a portfolio basis. In this manner, the Bank measures corporate receivables without identified impairment with exposure to a customer exceeding EUR 850 thousand, ie receivables for which no impairment has been identified on an individual basis. The Bank creates the so-called IBNR provisions for such loan receivables.

Loan receivables which are not individually significant and are assessed on a portfolio basis are classified by the Bank according to the number of days they are overdue and signs of default. Relevant portfolio provisions are created by the Bank.

The Bank adjusts the measurement of loan receivables on a monthly basis as at the reporting date and in the event of an extraordinary or unforeseeable event requiring more attention in terms of risk. In the calculation of provisions, the Bank considers estimated future cash flows to be generated from impaired loans and their timing. These estimates are subject to a number of uncertainties and risks due to the high volatility of external factors affecting the portfolio quality.

The Bank believes that estimates used in the process of quantifying provisions for loan losses, including off-balance sheet exposures (in particular estimates regarding future cash-flows from impaired loans and probabilities of loan default), represent the most reasonable projection of the future development of relevant exposures available under current circumstances. The management considers the recognised amount of provisions to be adequate to cover incurred losses from impaired credit exposures.

The Bank continues to monitor current economic conditions and their impact on estimates used in the loan impairment calculation. All estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to estimates of loan impairment are recognised in the period in which the estimate is revised if the adjustment affects only that period, or in the period of the revision and future periods if the adjustment affects both current and future periods.

Policy for Writing-Off of Receivables

The Bank writes off its loans and placements once the Bank receives a document on the client's insolvency, the court's decision on discharge of a receivable, after the end of bankruptcy proceedings, if the debtor died and the receivable cannot be recovered from the heirs, or based on a decision of the Bank's management to drop the collection, should the collection expenses exceed the amount receivable, or based on the decision of the Bank's management to write off such receivable if only a minimum or zero amount of proceeds is expected to be recovered over a long period of time and the customer is overdue with the loan repayment by more than 1080 days. The Bank also performs a partial write-off of receivables in the events when a portion of the receivable is not acknowledged in court proceedings on the payment of the receivable (in particular, the current interest recognised as repaid after the loan is declared due); or where bankruptcy has been declared on the client's assets in the form of liquidation of debts, if the interest and charges on receivables charged during the year exceed 5% p.a. of the outstanding principal.

Loan Collaterals

The estimated value of collateral is subject to numerous uncertainties and risks. Amounts that may ultimately be realised on liquidation of collateral for defaulted loans could differ from estimated amounts and the difference may be material. Collateral represents an estimated amount that the Bank would receive upon enforcement of the collateral as a result of a failure to repay the loan.

Collateral fair value is estimated based on the value of collateral when the relevant loan is advanced. Collateral is monitored to review the current value and quality of the collateral in the entire loan period. Individual forms of collateral are subject to revaluation whose frequency depends on the collateral used and the client's segment.

In respect of collateral treatment, the Bank pays special attention to the valuation and revaluation of individual collateral instruments, calculation of accepted collateral value, specification of collateral permissibility for credit risk mitigation and realisation of collateral in case of default of a collateralised loan.

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.

Separate Financial Statements for the Year Ended 31 December 2017
prepared in accordance with International Financial Reporting Standards as adopted by the European Union

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.

The Bank predominantly accepts the following types of collateral:
- Financial collateral (cash, securities etc.);
- Immovable assets;
- Movable assets; and
- Receivables and inventory.

The Bank uses the following legal instruments:
- Pledge;
- Collateralising transfer of receivables;
- Blocking of cash.

The collateral valuation methodology and collateral revaluation frequency are dependent upon the type of collateral and minimum criteria pursuant to the valid legislative regulations implemented in the Bank's integral regulations. The monitoring of the value of collateral instruments is specific for each type of collateral and the Bank applies an appropriate measure of prudence and conservatism.

The Bank's decision-making in realising collateral is individual and depends on factors such as the current condition and value of collateral, the current value of the receivable, receivable collection speed, costs of recovery etc.

The Bank principally uses the following forms of collateral realisation:
- Voluntary auction;
- Foreclosure proceedings;
- Cash realisation of collateral held in support of the Bank's receivable in bankruptcy or restructuring proceedings;
- Call to subdebtors to pay from pledged trade receivables;
- Enforcement of a bill of exchange in court;
- Assignment of a receivable; and
- Collection through external collection agencies based on a mandate agreement.

Defaulted Loans Portfolio

Defaulted loans represent a portfolio of loan receivables that meet the definition of default. The definition of default is set forth in Article 178 of Regulation No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

Description of default events (loss events) is included in paragraph "Loans and receivables and provisions for expected losses".

Classification of Risks from Loans and Receivables

31. december 2017 (v tis. EUR)	Exposure	Provisions	Coverage by Provisions	Collateral	Coverage by Provisions and Collaterals
Loans measured on an individual basis, total	**86 529**	**39 518**	**45.70%**	**31 416**	**82.00%**
Retail loans	**7 943**	**5 459**	**68.70%**	**4 810**	**129.30%**
Of which with identified impairment	*7 943*	*5 459*	*68.70%*	*4 810*	*129.30%*
Non-retail loans	**78 586**	**34 059**	**43.30%**	**26 606**	**77.20%**
Of which with identified impairment	*62 547*	*34 059*	*54.50%*	*24 864*	*94.20%*
Loans measured on a portfolio basis, total	**1 141 730**	**46 510**	**4.10%**	**715 227**	**66.70%**
Non-retail loans	**411 344**	**4 591**	**1.10%**	**212 791**	**52.80%**
Of which with identified impairment	*4 037*	*2 913*	*72.20%*	*654*	*88.40%*
Retail loans	**730 386**	**41 919**	**5.70%**	**502 436**	**74.50%**
Of which with identified impairment	*58 792*	*38 510*	*65.50%*	*21 176*	*101.50%*
Other	-	-	-	-	-
Total	**1 228 259**	**86 028**	**7.00%**	**746 643**	**67.80%**
Of which assessed on an individual basis	372 755	40 092	10.80%	194 702	63.00%
Of which assessed on a portfolio basis	855 504	45 936	5.40%	551 941	69.90%

Separate Financial Statements for the Year Ended 31 December 2017
prepared in accordance with International Financial Reporting Standards as adopted by the European Union

31. december 2016 (v tis. EUR)	Exposure	Provisions	Coverage by Provisions	Collateral	Coverage by Provisions and Collaterals
Loans measured on an individual basis, total	**122 562**	**39 421**	**32.20%**	**46 019**	**69.70%**
Retail loans	**5 830**	**3 984**	**68.30%**	**3 500**	**128.40%**
Of which with identified impairment	*5 830*	*3 984*	*68.30%*	*3 500*	*128.40%*
Non-retail loans	**116 732**	**35 437**	**30.40%**	**42 519**	**66.80%**
Of which with identified impairment	*74 825*	*35 437*	*47.40%*	*30 692*	*88.40%*
Loans measured on a portfolio basis, total	**1 102 906**	**39 912**	**3.60%**	**700 912**	**67.20%**
Non-retail loans	**401 836**	**4 352**	**1.10%**	**226 578**	**57.50%**
Of which with identified impairment	*4 310*	*2 891*	*67.10%*	*297*	*74.00%*
Retail loans	**701 070**	**35 560**	**5.10%**	**474 334**	**72.70%**
Of which with identified impairment	*60 942*	*31 854*	*52.30%*	*28 472*	*99.00%*
Other	-	-	-	-	-
Total	**1 225 468**	**79 333**	**6.50%**	**746 931**	**67.40%**
Of which assessed on an individual basis	404 066	39 984	9.90%	225 214	65.60%
Of which assessed on a portfolio basis	821 402	39 349	4.80%	521 717	68.30%

As for the credit exposure as at 31 December 2017, 10 major credit exposures amounted to 5% of the total gross amount of loans (31 December 2016: 5% of the total gross amount of loans).

Exposure to Credit Risk from Loans and Receivables by Business Industries

31 Dec 2017 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Electricity generation	31 369	2 299	75	**28 995**
Households	734 986	5 582	41 710	**687 694**
Agriculture and food-processing industry	59 283	5 719	374	**53 190**
Trade and services	73 590	6 637	1 173	**65 780**
Metallurgy and machinery	22 854	270	398	**22 186**
Chemical industry	6 401	271	4	**6 126**
Transport and infrastructure	7 993	230	268	**7 495**
Timber and paper production	5 105	16	147	**4 942**
Construction industry	22 091	3 911	514	**17 666**
Real estate	102 426	7 946	284	**94 196**
Public administration and defence	20 038	-	90	**19 948**
Financial services except insurance	2 660	860	68	**1 732**
Other industries	139 463	5 777	1 405	**132 281**
Total	**1 228 259**	**39 518**	**46 510**	**1 142 231**

31 Dec 2016 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Electricity generation	34 280	1 167	80	**33 033**
Households	702 352	3 971	35 418	**662 963**
Agriculture and food-processing industry	46 704	5 277	371	**41 056**
Trade and services	85 999	10 205	1 071	**74 723**
Metallurgy and machinery	27 168	1 586	138	**25 444**
Chemical industry	9 119	1 343	4	**7 772**
Transport and infrastructure	8 282	237	318	**7 727**
Timber and paper production	3 742	20	99	**3 623**
Construction industry	25 038	5 669	352	**19 017**
Real estate	110 002	5 262	364	**104 376**
Public administration and defence	22 220	-	126	**22 094**
Financial services except insurance	3 333	18	6	**3 309**
Other industries	147 229	4 666	1 565	**140 998**
Total	**1 225 468**	**39 421**	**39 912**	**1 146 135**

As at 31 December 2017, the Bank reported a developer project portfolio in the amount of EUR 17 734 thousand (31 December 2016: EUR 20 673 thousand) and created provisions both on a portfolio basis and on an individual basis in the amount of EUR 33 thousand (31 December 2016: EUR 9 thousand) and EUR 8 964 thousand (31 December 2016: EUR 8 264 thousand), respectively.

Analysis of Defaulted Loans and Receivables with Identified Impairment, Gross

31 Dec 2017 (EUR '000)	Measured on an Individual Basis with Identified Impairment			Measured on a Portfolio Basis with Identified Impairment		
	Carrying Amount Before Provisions	Provisions	Carrying Amount After Provisions	Carrying Amount Before Provisions	Provisions	Carrying Amount After Provisions
Non-retail loans	**62 547**	**34 059**	**28 488**	**4 037**	**2 913**	**1 124**
Overdrafts and revolving loans	6 727	5 031	1 696	415	262	153
Investment and operation loans	55 819	29 028	26 791	1 610	889	721
Overdrafts on term deposit accounts	-	-	-	1 995	1 750	245
Factoring loans	1	-	1	17	12	5
Other	-	-	-	-	-	-
Retail loans	**7 943**	**5 459**	**2 484**	**58 792**	**38 510**	**20 282**
Mortgages	1 309	961	348	3 310	989	2 321
Consumer loans	6 634	4 498	2 136	54 091	36 301	17 790
Overdrafts on term deposit accounts	-	-	-	1 276	1 113	163
Other	-	-	-	115	107	8
Total	**70 490**	**39 518**	**30 972**	**62 829**	**41 423**	**21 406**

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.

31 Dec 2016 (EUR '000)	Measured on an Individual Basis with Identified Impairment			Measured on a Portfolio Basis with Identified Impairment		
	Carrying Amount Before Provisions	Provisions	Carrying Amount After Provisions	Carrying Amount Before Provisions	Provisions	Carrying Amount After Provisions
Non-retail loans	**74 825**	**35 437**	**39 388**	**4 310**	**2 891**	**1 419**
Overdrafts and revolving loans	10 302	7 537	2 765	952	505	447
Investment and operation loans	63 195	27 873	35 322	1 402	673	729
Overdrafts on term deposit accounts	-	-	-	1 943	1 706	237
Factoring loans	1 328	27	1 301	13	7	6
Other	-	-	-	-	-	-
Retail loans	**5 830**	**3 984**	**1 846**	**60 942**	**31 854**	**29 088**
Mortgages	1 135	919	216	5 549	1 398	4 151
Consumer loans	4 695	3 065	1 630	54 132	29 355	24 777
Overdrafts on term deposit accounts	-	-	-	1 165	1 019	146
Other	-	-	-	96	82	14
Total	**80 655**	**39 421**	**41 234**	**65 252**	**34 745**	**30 507**

Analysis of Restructured Loans and Receivables, Gross

Restructuring of a credit liability exists where it will probably result in a decrease of a financial liability for clients with identified financial difficulties due to a waiver or deferral of the settlement of the principal, interest or relevant fees and charges. The Bank may, therefore, modify contractual terms of repayment with their debtors in cases when the debtor's financial position has deteriorated and the debtor is not able to duly repay its obligations.

The following table shows the quantitative analysis of all loan receivables where the Bank performed internal debt restructuring at the end of the reporting period.

(EUR '000)	31 Dec 2017	31 Dec 2016
Retail loans	**10 642**	**9 056**
Overdue up to 30 days	7 050	5 138
Overdue from 31 to 90 days	512	1 081
Overdue more than 90 days	3 080	2 837
Corporate loans	**34 941**	**28 849**
Overdue up to 30 days	16 361	7 869
Overdue from 31 to 90 days	599	4 310
Overdue more than 90 days	17 981	16 670
Total	**45 583**	**37 905**

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.

Information on Credit Quality of Selected Categories of the Bank's Financial Assets

The table below summarises the quantitative distribution of corporate loans assessed on an individual and portfolio basis that are neither overdue nor impaired by rating class:

Rating Class (EUR '000)	31 Dec 2017	31 Dec 2016
Corporate loans		
I (the lowest risk of primary loan recoverability)	11 366	17 629
II	19 499	32 911
III	51 290	73 749
IV	93 449	85 603
V	87 977	103 706
VI	89 306	70 532
VII	40 978	28 540
VIII (the highest risk of primary loan recoverability)	7 018	1 735
Total – corporate loans	**400 883**	**414 405**
Loans granted to local governments		
I (the lowest risk of primary loan recoverability)	3 528	2 994
II	4 038	6 960
III	7 148	4 861
IV	3 002	3 664
V	791	8
VI	1 201	2 161
VII	330	1 390
VIII (the highest risk of primary loan recoverability)	-	21
Total - local governments	**20 038**	**22 059**
Total	**420 921**	**436 464**

From the Bank's point of view, a loan can be generally granted to clients rated as I-V categories, and to clients rated as VI and VII categories under an exception considering other risk and business parameters. Clients rated as the VIII category cannot be granted a loan. A client with a default event occurrence during the loan relationship is rated as VIII+1, which is part of the VIII category.

The table below summarises the quantitative structure of placements with other banks by individual rating category:

Rating Class (EUR '000)	31 Dec 2017	31 Dec 2016
I – VIII	-	-
Non-classified	9	2
Total	**9**	**2**

The table below summarises the quantitative structure of available-for-sale financial assets (excl. investments in commercial companies) by individual rating category:

Rating Class (EUR '000)	31 Dec 2017	31 Dec 2016
I – III	-	-
IV	8 721	-
V	-	8 353
VI – VIII	-	-
Non-classified	1 243	972
Total	**9 964**	**9 325**

The table below summarises the quantitative structure of held-to-maturity investments by individual rating category:

Rating Class (EUR '000)	31 Dec 2017	31 Dec 2016
I	-	-
II	73 314	84 107
III	10 560	-
IV – VIII	-	-
Total	**83 874**	**84 107**

Available-for-sale financial assets and held-to-maturity financial investments were classified into rating categories according to the ratings by Moody's, Standard & Poor's, and Fitch Ratings.

Summary of Individual Forms of Collateral by Loan Portfolio Classification at a Claimable Value of Collateral

(EUR '000)	Recoverable Value of Received Collateral by Loan Portfolio Classification					
	Assessed on an Individual Basis		Assessed on a Portfolio Basis		TOTAL	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
a) Pledge over	**193 482**	**215 444**	**545 056**	**515 732**	**738 538**	**731 176**
Real estate	*156 133*	*157 063*	*540 826*	*511 698*	***696 959***	***668 761***
Securities	-	*1 995*	-	-	-	***1 995***
Movable assets	*28 807*	*45 450*	*4 230*	*4 034*	***33 037***	***49 484***
Trade receivables	*8 542*	*10 936*	-	-	***8 542***	***10 936***
b) Other collateral	**1 220**	**9 770**	**6 885**	**5 985**	**8 105**	**15 755**
State guarantees	-	-	-	-	-	-
Bank guarantees	*92*	*6 320*	*721*	*103*	***813***	***6 423***
Guarantees from other parties	*5*	*692*	*4 656*	*3 905*	***4 661***	***4 597***
Cash	*1 123*	*2 758*	*1 508*	*1 680*	***2 631***	***4 438***
Other	-	-	-	*297*	-	***297***
Total value of received collateral for the loan portfolio	**194 702**	**225 214**	**551 941**	**521 717**	***746 643***	***746 931***

Note: The total amount of secured loans and receivables is higher than the total fair value of received collateral, as in the case of some loans the fair value of received collateral does not cover the total amount of a loan receivable.

As at 31 December 2017 and 31 December 2016, the Bank did not record any receivables in its loan portfolio over which a pledge would be established or receivables with a restricted right of handling.

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Breakdown of Loans and Receivables by Number of Days Overdue

31 Dec 2017 (EUR '000)	Without Identified Impairment	With Identified Impairment	Defaulted	Provision	Total - Net
Within maturity	1 062 381	21 717	21 717	(5 903)	1 078 195
Up to 30 days overdue	22 110	1 640	1 640	(1 145)	22 605
From 31 to 90 days overdue	10 007	1 376	1 376	(2 547)	8 836
From 91 to 180 days overdue	30	7 361	7 361	(3 653)	3 738
From 181 to 360 days overdue	34	12 794	12 794	(7 613)	5 215
More than 360 days overdue	378	88 431	88 431	(65 167)	23 642
Total – gross	1 094 940	133 319	133 319	**(86 028)**	1 142 231
Provisions for loan losses	(5 087)	(80 941)	(80 941)	**(86 028)**	-
Total – net	**1 089 853**	**52 378**	**52 378**	-	**1 142 231**
Claimable value of collateral	695 139	51 504	51 504	-	**746 643**

31 Dec 2016 (EUR '000)	Without Identified Impairment	With Identified Impairment	Defaulted	Provision	Total - Net
Within maturity	1 044 206	23 445	23 445	(5 172)	1 062 479
Up to 30 days overdue	22 065	1 894	1 894	(880)	23 079
From 31 to 90 days overdue	12 864	8 522	8 522	(3 811)	17 575
From 91 to 180 days overdue	44	12 568	12 568	(3 461)	9 151
From 181 to 360 days overdue	42	14 490	14 490	(9 123)	5 409
More than 360 days overdue	340	84 988	84 988	(56 886)	28 442
Total – gross	1 079 561	145 907	145 907	**(79 333)**	1 146 135
Provisions for loan losses	(5 167)	(74 166)	(74 166)	**(79 333)**	-
Total – net	**1 074 394**	**71 741**	**71 741**	-	**1 146 135**
Claimable value of collateral	683 970	62 961	62 961	-	**746 931**

If any portion of a receivable (principal, interest, etc) is overdue or if the receivable was not settled in full by the maturity date or if the receivable is higher than the approved limit, the receivable is considered to be an overdue receivable.

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Ageing Structure of Loans and Receivables without Identified Impairments, Gross

31 Dec 2017 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Provision
Non-retail loans	**421 527**	**472**	**1 347**	**423 346**	**1 678**
Overdrafts and revolving loans	63 592	-	210	**63 802**	276
Investment and operation loans	348 691	468	771	**349 930**	1 350
Overdrafts on term deposit accounts	598	1	365	**964**	26
Factoring loans	8 644	3	-	**8 647**	26
Other	2	-	1	**3**	-
Retail loans	**640 854**	**21 638**	**9 102**	**671 594**	**3 409**
Mortgages	17 188	1 068	305	**18 561**	35
Consumer loans	621 510	20 520	8 673	**650 703**	3 314
Overdrafts on term deposit accounts	1 853	26	117	**1 996**	52
Other	303	24	7	**334**	8
Total	**1 062 381**	**22 110**	**10 449**	**1 094 940**	**5 087**

31 Dec 2016 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Provision
Non-retail loans	**437 299**	**816**	**1 318**	**439 433**	**1 461**
Overdrafts and revolving loans	62 675	130	60	**62 865**	222
Investment and operation loans	367 579	682	893	**369 154**	1 179
Overdrafts on term deposit accounts	828	4	365	**1 197**	45
Factoring loans	6 217	-	-	**6 217**	15
Other	-	-	-	**-**	-
Retail loans	**606 907**	**21 249**	**11 972**	**640 128**	**3 706**
Mortgages	21 611	1 478	928	**24 017**	120
Consumer loans	583 157	19 726	10 919	**613 802**	3 501
Overdrafts on term deposit accounts	1 879	24	117	**2 020**	75
Other	260	21	8	**289**	10
Total	**1 044 206**	**22 065**	**13 290**	**1 079 561**	**5 167**

Loans without identified impairments include portfolio- and individually-assessed loans.

Ageing Structure of Loans and Receivables with Identified Impairments, Gross

31 Dec 2017 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Provision
Non-retail loans	**20 507**	**-**	**46 077**	**66 584**	**36 972**
Overdrafts and revolving loans	897	-	6 245	**7 142**	5 293
Investment and operation loans	19 610	-	37 819	**57 429**	29 917
Overdrafts on term deposit accounts	-	-	1 995	**1 995**	1 750
Factoring loans	-	-	18	**18**	12
Other	-	-	-	**-**	-
Retail loans	**1 210**	**1 640**	**63 885**	**66 735**	**43 969**
Mortgages	144	81	4 394	**4 619**	1 950
Consumer loans	1 055	1 559	58 111	**60 725**	40 799
Overdrafts on term deposit accounts	-	-	1 276	**1 276**	1 113
Other	11	-	104	**115**	107
Total	**21 717**	**1 640**	**109 962**	**133 319**	**80 941**

31 Dec 2016 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Provision
Non-retail loans	**19 082**	**992**	**59 061**	**79 135**	**38 328**
Overdrafts and revolving loans	1 899	-	9 355	**11 254**	8 042
Investment and operation loans	17 170	992	46 435	**64 597**	28 546
Overdrafts on term deposit accounts	-	-	1 943	**1 943**	1 706
Factoring loans	13	-	1 328	**1 341**	34
Other	-	-	-	**-**	-
Retail loans	**4 363**	**902**	**61 507**	**66 772**	**35 838**
Mortgages	1 512	166	5 006	**6 684**	2 317
Consumer loans	2 839	730	55 258	**58 827**	32 420
Overdrafts on term deposit accounts	-	-	1 165	**1 165**	1 019
Other	12	6	78	**96**	82
Total	**23 445**	**1 894**	**120 568**	**145 907**	**74 166**

Concentration of Credit Risk to the Slovak Republic

The following table presents the Bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, municipalities, and similar exposures:

(EUR '000)	31 Dec 2017		31 Dec 2016	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Cash, due from banks and balances with the National Bank of Slovakia	134 732	9.24%	147 272	10.12%
Loans and receivables, net of provisions for possible losses	19 948	1.37%	22 094	1.52%
Held-to-maturity financial investments	73 314	5.03%	73 482	5.05%
Total	**227 994**	**15.64%**	**242 848**	**16.69%**

Concentration of Credit Risk to other EU Member States

The following table presents the Bank's credit risk to other member states of the European Union:

(EUR '000)	31 Dec 2017		31 Dec 2016	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Held-to-maturity financial investments	10 560	0.72%	10 625	0.73%
Total	**10 560**	**0.72%**	**10 625**	**0.73%**

Maximum Exposure to Credit Risk

The following table provides an overview of the Bank's maximum exposure to credit risk, regardless of any held collateral or other mitigation of credit risk resulting from financial instruments (assets):

(EUR '000)	31 Dec 2017	31 Dec 2016
Due from banks and balances with the National Bank of Slovakia	146 099	150 331
Financial assets at fair value through profit or loss	1	6
Available-for-sale financial assets, gross	9 970	9 331
Loans and receivables, gross	1 228 259	1 225 468
Held-to-maturity financial investments	83 874	84 107
Subtotal of balance sheet risks	**1 468 203**	**1 469 243**
Guarantees issued	23 600	15 838
Issued letters of credit	150	-
Loan commitments to clients	51 959	51 110
Subtotal of off-balance sheet risks	**75 709**	**66 948**
Total	**1 543 912**	**1 536 191**

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.

37. Market Risk

The Bank is exposed to market risks. Market risks arise from open positions in transactions with interest rate, foreign exchange, and equity instruments, all of which are exposed to general and specific market changes. The Bank does not undertake any transactions with gold, precious metals or other commodities.

Market Risk Management

The Bank´s principal risks include currency (foreign exchange) risks and interest rate risk.

The Bank categorises its financial instruments into the trading portfolio (trading book) or the non-trading portfolio (banking book) reflecting the purpose for which the financial instruments have been acquired.

The trading book also includes positions arising from selected banking instruments acquired by the Bank with a view to generating short-term profits from the difference between the purchase and sale price. All other positions in financial instruments are carried in the banking book.

The Bank has established maximum exposure limits to selected counterparties (banks). The counterparty limit is split into the credit limit, settlement limit and pre-settlement limit depending on the type of undertaken transactions.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

To analyse foreign currency risk sensitivity, the Bank uses the historical simulation method of Value- at-Risk (VaR) methodology. To calculate VaR, the Bank opted for a 99% confidence level, a one-year historical database of daily EUR/foreign currency movements, and a 1-day time limit. The VaR reflects the potential loss that will not be exceeded in 99% of overnight movements in foreign exchange rates.

The set of currency risk limits consists of the following restrictions in respect of the Bank's open positions:
- Overnight limits
- Intraday limits
- VaR limit
- Daily stop-loss limit

Stress test limit and extraordinary stress test limit

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Net Foreign Exchange Position

The table below provides an analysis of the Bank's foreign currency exposures in primary currencies for selected categories of asset and liability:

31 Dec 2017 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
Assets					
Cash, due from banks and balances with the National Bank of Slovakia	166 777	770	9 616	4 170	**181 333**
Placements with other banks, net of provisions for possible placement losses	9	-	-	-	**9**
Financial assets at fair value through profit or loss	1	-	-	-	**1**
Available-for-sale financial assets	8 727	1 243	-	-	**9 970**
Loans and receivables net of provisions for possible losses	1 141 972	55	203	1	**1 142 231**
Held-to-maturity financial investments	83 874	-	-	-	**83 874**
Liabilities					
Due to banks and deposits from the National Bank of Slovakia and other banks	10 106	-	-	262	**10 368**
Amounts due to customers	1 085 577	11 226	9 039	3 837	**1 109 679**
Liabilities from issued debt securities	167 745	-	-	-	**167 745**
Subordinated debt	20 008	-	-	-	**20 008**
Net currency exposure at 31 Dec 2017	**117 924**	**(9 158)**	**780**	**72**	**109 618**

As at 31 December 2017, the "Value at Risk" calculated from open foreign currency positions of the Bank was EUR 1 thousand.

31 Dec 2016 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
Assets					
Cash, due from banks and balances with the National Bank of Slovakia	174 821	1 205	985	2 652	**179 663**
Placements with other banks, net of provisions for possible placement losses	2	-	-	-	**2**
Financial assets at fair value through profit or loss	6	-	-	-	**6**
Available-for-sale financial assets	8 359	972	-	-	**9 331**
Loans and receivables net of provisions for possible losses	1 145 811	7	316	1	**1 146 135**
Held-to-maturity financial investments	84 107	-	-	-	**84 107**
Liabilities					
Due to banks and deposits from the National Bank of Slovakia and other banks	2 929	1	-	214	**3 144**
Amounts due to customers	1 154 333	18 071	6 879	2 208	**1 181 491**
Liabilities from issued debt securities	116 309	-	-	-	**116 309**
Subordinated debt	20 008	-	-	-	**20 008**
Net currency exposure at 31 Dec 2016	**119 527**	**(15 888)**	**(5 578)**	**231**	**98 292**

As at 31 December 2016, the "Value at Risk" calculated from open foreign currency positions of the Bank was EUR 3 thousand.

Separate Financial Statements for the Year Ended 31 December 2017
prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Interest Rate Risk

Interest rate risk is the risk that the net current value of financial instruments will change due to changes in market interest rates. An interest rate risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates and the risk that the maturity of interest-accruing assets will differ from the maturity of interest-bearing liabilities used to finance these assets. Hence, the period for which the interest rate is attached to the financial instrument shows the extent to which this instrument is exposed to the interest rate risk.

In the classification of interest-rate sensitive assets and liabilities by time bands, the Bank uses a statistical model for the classification of deposits without contractual maturity and loans with an administrative (floating) interest rate. The model is based on the calculation of a minimal margin from correlations between market interest rates and the interest rates of individual deposit and loan products.

In monitoring interest rate risk the Bank uses the following limits for the interest rate risk inherent in the trading book and for the interest rate risk inherent in the banking book:

Limits for the Interest Rate Risk Inherent in the Trading Book:

- Trading book position limit
- Duration-position limit

Limits for the Interest Rate Risk Inherent in the Banking Book:

- Interest rate risk limit (interest rate shock scenarios)
- The interest rate risk limit upon a change in the shape of the yield curve for the whole portfolio (jointly the banking book and the trading book)

Classification of Interest Rate Sensitive Assets and Liabilities by Time Band

The tables below provide an analysis of the selected categories of assets and liabilities by time bands according to interest rate sensitivity. Assets and liabilities that are not sensitive to interest rates are classified as “not specified”.

31 Dec 2017 (EUR '000)	On Call	Up to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Not Specified	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	24 090	122 000	-	-	-	35 243	**181 333**
Placements with other banks, net of provisions for possible placement losses	-	-	-	-	-	9	**9**
Financial assets at fair value through profit or loss	-	-	-	-	-	1	**1**
Available-for-sale financial assets	-	8 721	-	-	-	1 249	**9 970**
Loans and receivables, net of provisions for possible losses	-	370 870	179 107	496 777	44 185	51 292	**1 142 231**
Held-to-maturity financial investments	-	1 776	96	-	82 002	-	**83 874**
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	4	266	10 007	-	-	91	**10 368**
Amounts due to customers	300 008	139 729	239 872	262 973	150 955	16 142	**1 109 679**
Liabilities from issued debt securities	-	122 165	580	45 000	-	-	**167 745**
Subordinated debt	-	20 008	-	-	-	-	**20 008**
Interest rate risk at 31 Dec 2017	**(275 922)**	**221 199**	**(71 256)**	**188 804**	**(24 768)**	**71 561**	**109 618**

31 Dec 2016 (EUR '000)	On Call	Up to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Not Specified	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	10 329	140 000	-	-	-	29 334	**179 663**
Placements with other banks, net of provisions for possible placement losses	-	-	-	-	-	2	**2**
Financial assets at fair value through profit or loss	-	-	-	-	-	6	**6**
Available-for-sale financial assets	-	8 353	-	-	-	978	**9 331**
Loans and receivables, net of provisions for possible losses	-	377 016	170 251	453 704	58 377	86 787	**1 146 135**
Held-to-maturity financial investments	-	1 777	96	-	82 234	-	**84 107**
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	206	218	2 000	-	-	720	**3 144**
Amounts due to customers	230 393	192 106	315 540	301 057	124 632	17 763	**1 181 491**
Liabilities from issued debt securities	-	70 568	741	45 000	-	-	**116 309**
Subordinated debt	-	20 008	-	-	-	-	**20 008**
Interest rate risk at 31 Dec 2016	**(220 270)**	**244 246**	**(147 934)**	**107 647**	**15 979**	**98 624**	**98 292**

Interest Rate Risk Sensitivity Analysis

An analysis of interest rate risk sensitivity is based on the assumption of a shift of the yield curve by 100 base points during the following 2.5 years (straight-line). Therefore, assets and liabilities with residual maturities over 2.5 years will not have an impact on the Bank’s economic value. For a potential decrease in the economic value in the event of a change in the yield curve shape (shift of the yield curve by 100 bp, which will have a linear effect on the yield curve shape within 2.5 years; there is no change in the yield curve shape over 2.5 years) the Bank set a limit of 5% of Tier 1 capital.

Portfolio EUR	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 12 Month	Up to 2 Years	Up to 3 Years	Up to 4 Years	Up to 5 Years	Up to 7 Years	Up to 10 Years	Up to 15 Years	Over 15 Years
Net balance sheet position of Banking Book	(77 474)	31 638	(46 765)	(19 624)	119 197	20 210	(32 070)	81 503	44 166	(69 085)	142	8
Net off-balance sheet position of Banking Book	(9 434)	-	-	-	-	-	-	-	-	-	-	-
Banking Book GAP, total	(86 908)	31 638	(46 765)	(19 624)	119 197	20 210	(32 070)	81 503	44 166	(69 085)	142	8
Weight factor	0.04%	0.15%	0.31%	0.50%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted positions (total GAP x weight factor)	(35)	47	(145)	(98)	656	-	-	-	-	-	-	-

In the EUR portfolio, unfavourable movements in interest rates would have a negative impact on the Bank’s economic value in the amount of EUR 425 thousand (31 December 2016: EUR 488 thousand).

In the USD portfolio, unfavourable movements in interest rates would have a negative impact on the Bank’s economic value in the amount of EUR 22 thousand (31 December 2016: EUR 35 thousand).

In the CZK portfolio, unfavourable interest rate movements would have a negative impact on the Bank’s economic value in the amount of EUR 1 thousand (31 December 2016: EUR 0).

The overall impact on the Bank’s economic value in all portfolios (USD, EUR, CZK, and other foreign currencies) represents a decrease by EUR 451 thousand (31 December 2016: decrease by EUR 526 thousand) due to unfavourable movements in all interest rates. When using the same scenario for the trading portfolio, there is no impact on the Bank’s profit/loss as at 31 December 2017 (31 December 2016: nil effect).

Other Price Risks

Under the IFRS definition, other price risks represent the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than changes arising from the interest rate risk or currency risks) irrespective of whether these changes are attributable to the factors that are specific for the individual financial instrument or factors affecting all similar financial instruments traded on the market.

Other price risks within the Bank primarily include equity and commodity risks. The Bank is not an active player on the equity or commodity markets and hence other price risks are immaterial.

38. Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Bank monitors its liquidity based on expected cash inflows and cash outflows and manages the liquidity risk by building highly-liquid assets portfolios.

The net on-balance sheet liquidity position represents the extent to which the Bank may be required to provide funding to settle its liabilities associated with financial instruments. The Bank maintains its liquidity profile in accordance with the requirements of the National Bank of Slovakia. The following tables show an analysis of the assets, liabilities and equity according to their maturities, reflecting the remaining period between the reporting date and the contractual maturity date.

This analysis was prepared on the basis of the most prudent consideration of maturity dates in cases where the repayment schedules facilitate earlier repayment. The assets and liabilities that could not be included into the relevant time buckets according the residual maturity are reported in the 'from 5 years and over' category. Liabilities to clients due within one month principally include current accounts from which the clients are authorised to make withdrawals at call. The Bank's historical experience suggests, however, that these accounts represent a stable source of funding.

Classification of Balance Sheet Assets and Liabilities into Time Bands per Residual Maturity as at 31 December 2017

(EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
Assets						
Cash, due from banks and balances with the National Bank of Slovakia	181 333	-	-	-	-	**181 333**
Placements with other banks, net of provisions for possible placement losses	9	-	-	-	-	**9**
Financial assets at fair value through profit or loss	1	-	-	-	-	**1**
Available-for-sale financial assets	-	36	8 685	-	1 249	**9 970**
Loans and receivables, net of provisions for possible losses	22 335	29 506	147 226	382 446	560 718	**1 142 231**
Held-to-maturity financial investments	-	1 776	96	-	82 002	**83 874**
Investments in subsidiaries	-	-	-	-	-	**-**
Non-current tangible assets	-	-	-	-	20 761	**20 761**
Non-current intangible assets	-	-	-	-	8 299	**8 299**
Current tax asset	-	-	1 904	-	-	**1 904**
Deferred tax asset	-	-	-	5 033	-	**5 033**
Other assets	2 146	372	286	8	1 340	**4 152**
Total assets	**205 824**	**31 690**	**158 197**	**387 487**	**674 369**	**1 457 567**
Liabilities						
Due to banks and deposits from the National Bank of Slovakia and other banks	361	-	1 436	8 571	-	**10 368**
Amounts due to customers	806 697	57 654	181 257	57 987	6 084	**1 109 679**
Liabilities from issued debt securities	173	72 992	49 580	45 000	-	**167 745**
Current tax liability	-	-	-	-	-	**-**
Provisions for liabilities	-	140	145	2 946	-	**3 231**
Other liabilities	16 957	8	4 032	-	-	**20 997**
Subordinated debts	-	8	-	20 000	-	**20 008**
Equity	-	-	-	-	125 539	**125 539**
Total liabilities and equity	**824 188**	**130 802**	**236 450**	**134 504**	**131 623**	**1 457 567**
Net balance sheet liquidity position at 31 Dec 2017	**(618 364)**	**(99 112)**	**(78 253)**	**252 983**	**542 746**	**-**
Cumulative net balance sheet liquidity position at 31 Dec 2017	**(618 364)**	**(717 476)**	**(795 729)**	**(542 746)**	**-**	**-**

The classification of balance sheet assets and liabilities into time bands per residual maturity as at 31 December 2017 represents a GAP of EUR -618 million in the within-one-month time band (31 December 2016: EUR -594 mil.). The difference in the residual maturity between assets and liabilities due within 1 month is mainly caused by the classification of all non-term deposits and current accounts of clients into this time band. In line with the estimated maturity based on the standard behaviour of the Bank's clients, the net balance-sheet position of liquidity within one month is positive in the amount of EUR 117 million (31 December 2016: EUR 95 million). The Bank continuously complied with all NBS measures regulating this area during the entire period under review in 2017.

Classification of Balance Sheet Assets and Liabilities into Time Bands per Residual Maturity as at 31 December 2016

(EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
Assets						
Cash, due from banks and balances with the National Bank of Slovakia	179 663	-	-	-	-	**179 663**
Placements with other banks, net of provisions for possible placement losses	2	-	-	-	-	**2**
Financial assets at fair value through profit or loss	6	-	-	-	-	**6**
Available-for-sale financial assets	-	36	8 317	-	978	**9 331**
Loans and receivables, net of provisions for possible losses	16 109	25 062	151 153	468 660	485 151	**1 146 135**
Held-to-maturity financial investments	-	1 777	96	-	82 234	**84 107**
Investments in subsidiaries	-	-	-	-	-	**-**
Non-current tangible assets	-	-	-	-	21 780	**21 780**
Non-current intangible assets	-	-	-	-	6 479	**6 479**
Deferred tax asset	-	-	-	4 933	-	**4 933**
Other assets	1 625	422	802	294	-	**3 143**
Total assets	**197 405**	**27 297**	**160 368**	**473 887**	**596 622**	**1 455 579**
Liabilities						
Due to banks and deposits from the National Bank of Slovakia and other banks	1 144	-	-	2 000	-	**3 144**
Amounts due to customers	771 596	82 869	244 398	75 665	6 963	**1 181 491**
Liabilities from issued debt securities	427	55 141	15 741	45 000	-	**116 309**
Current tax liability	-	596	-	-	-	**596**
Provisions for liabilities	110	138	1 071	2 495	-	**3 814**
Other liabilities	18 085	3 376	1 084	-	-	**22 545**
Subordinated debts	-	8	-	18 000	2 000	**20 008**
Equity	-	-	-	-	107 672	**107 672**
Total liabilities and equity	**791 362**	**142 128**	**262 294**	**143 160**	**116 635**	**1 455 579**
Net balance sheet liquidity position at 31 Dec 2016	**(593 957)**	**(114 831)**	**(101 926)**	**330 727**	**479 987**	**-**
Cumulative net balance sheet liquidity position at 31 Dec 2016	**(593 957)**	**(708 788)**	**(810 714)**	**(479 987)**	**-**	**-**

Separate Financial Statements for the Year Ended 31 December 2017
prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Classification of Selected Off-balance Sheet Liabilities into Time Bands per Residual Maturity

31 December 2017 (EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
Future loans granted	51 959	-	-	-	-	**51 959**
Guarantees issued (excluding commitments for guarantees)	2 267	1 576	7 942	4 392	1 640	**17 817**
Issued letters of credit	-	-	150	-	-	**150**
Liabilities from spot transactions	769	-	-	-	-	**769**
Liabilities from forward transactions with a financial transfer	9 504	-	-	-	-	**9 504**
Provided guarantees from pledges	80 008	-	-	-	-	**80 008**
Total as at 31 Dec 2017	**144 507**	**1 576**	**8 092**	**4 392**	**1 640**	**160 207**

31 December 2016 (EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
Future loans granted	51 110	-	-	-	-	**51 110**
Guarantees issued (excluding commitments for guarantees)	35	2 346	2 809	3 210	1 927	**10 327**
Liabilities from spot transactions	74	-	-	-	-	**74**
Liabilities from forward transactions with a financial transfer	22 068	-	-	-	-	**22 068**
Provided guarantees from pledges	82 219	-	-	-	-	**82 219**
Total as at 31 Dec 2016	**155 506**	**2 346**	**2 809**	**3 210**	**1 927**	**165 798**

Classification of Non-discounted Future Cash Flows from Financial Liabilities into Time Bands per Residual Maturity

31 December 2017 (EUR '000)	Within 1 Year	From 1 Year to 5 Years	From 5 Years and Over	Adjustment	Total
Due to banks and deposits from the National Bank of Slovakia and other banks	1 797	8 571	-	-	10 368
Amounts due to customers	1 045 659	58 379	6 379	(738)	1 109 679
Liabilities from issued debt securities	123 446	45 656	-	(1 357)	167 745
Subordinated debts	601	21 714	-	(2 307)	20 008
Total as at 31 Dec 2017	**1 171 503**	**134 320**	**6 379**	**(4 402)**	**1 307 800**

31 December 2016 (EUR '000)	Within 1 Year	From 1 Year to 5 Years	From 5 Years and Over	Adjustment	Total
Due to banks and deposits from the National Bank of Slovakia and other banks	1 144	2 000	-	-	3 144
Amounts due to customers	1 099 962	76 657	6 963	(2 091)	1 181 491
Liabilities from issued debt securities	72 577	45 875	-	(2 143)	116 309
Subordinated debts	603	20 286	2 042	(2 923)	20 008
Total as at 31 Dec 2016	**1 174 286**	**144 818**	**9 005**	**(7 157)**	**1 320 952**

Note: Non-discounted future cash flows arising from interest are included in individual categories of financial liabilities. A difference between the carrying amount of financial liabilities and their contractual non-discounted cash flows is disclosed in the Adjustment Column.

39. Operational Risk

The Bank defines operational risk as the risk of loss arising from the inappropriateness or failure of internal processes in the Bank, human error, the failure of systems used by the Bank or the risk of loss arising from external events. Operational risk also includes legal risk, ie the risk of loss primarily due to a failure to enforce contracts, the threat of unsuccessful legal disputes or court rulings with adverse impacts.

Operational risk management is addressed in the Instructions of the Board of Directors entitled "Procedures for Operational Risk Management", which provide guidance on identifying, estimating, monitoring and mitigating operational risks. The Bank's principal objectives and principles in managing operational risks and the method of calculating capital requirements for operational risks are outlined in the "Risk Management Strategy" document. Market & Operational Risks department ensures compliance with the operational risk management requirements, processes and techniques and coordinates the development of basic principles and the development and maintenance of consistent methodology for identifying, monitoring, assessing and mitigating operational risks.

The Bank's objective is to map operational risks in all processes and business activities and, based on an understanding and analysis thereof, to adopt effective measures to mitigate the impacts of operational risks and to improve process quality while sustaining the Bank's competitiveness. The key aspect of the operational risks management system is an active cooperation between process owners and all organisational units of the Bank, wide awareness, communication of information and understanding of the tasks assigned. The Bank has strictly-defined competencies and responsibilities for the respective work procedures in the operational risks area.

The Operational Risk Management Committee is responsible for coordinating the operational risk management system. Operational risks reports are regularly submitted to the ALCO, the Bank's and parent company's managements and the regulator. Undesired disruptions of the Bank's activities and protection of critical processes from the consequences of serious errors and unforeseen events are covered by the Bank's business continuity plans.

In the regular self-assessment process, the Bank analyses significant sources of risk that the Bank is facing, identifies new risks and estimates the impact and likelihood of the origin thereof. The Bank adopts measures to mitigate and eliminate operational risks while considering efficiency and cost effectiveness of proposed measures in respect of the respective process efficiency. In addition to the self-assessment of risks, the Bank uses also other instruments for the operational risk management, such as the system of Key Indicators of Risk and Scenario Analysis.

Based on prior approval granted by the NBS to use the Advanced Measurement Approach and Operational Risk Management (AMA), the Bank as a member of the OTP Group has been calculating the capital requirement to cover operational risk using an advanced approach and the Group model since September 2015. All internal and external data, business environment factors and scenario analysis results are entered in the model.

40. Earnings/(Loss) Per Share

The earnings/(loss) per share attributable to ordinary shares of the Bank are computed as net profit for the relevant year attributable to the ordinary share-holders divided by weighted average number of ordinary shares outstanding during the year as follows:

	Note	31 Dec 2017	31 Dec 2016
Profit/(loss) (in EUR '000)		(5 930)	(3 021)
Profit/(loss) for the reporting period attributable to ordinary share-holder (in EUR '000)		(5 930)	(3 021)
Profit/(loss) per share			
At face value of EUR 3.98 (in EUR)		**(0.264)**	**(0.136)**
Weighted average number of ordinary shares	18	11 503 458	11 503 458
At face value of EUR 39 832.70 (in EUR)		**(2 637.70)**	**(1 359.05)**
Weighted average number of ordinary shares	18	570	570
At face value of EUR 1.00 (in EUR)		**(0.066)**	**(0.034)**
Weighted average number of ordinary shares	18	21 060 739	20 050 705

41. Settlement of a Loss for the Previous Reporting Period

The General Meeting of OTP Banka Slovensko, a.s. was held on 4 April 2017. The General Meeting approved the separate financial statements for 2016 and the settlement of loss for 2016 as follows:

Settlement of the loss for 2016 (EUR '000)	
Profit/(loss) for 2016 – loss	(3 021)
Settlement:	
- Retained earnings from previous years	*(3 021)*

42. Proposed Settlement of a Loss for the Current Reporting Period

Proposed settlement of the loss for 2017 (EUR '000)	
Profit/(loss) for 2017 – loss	(5 930)
Settlement:	
- Retained earnings from previous years	*(5 930)*

The proposed settlement of a loss for 2017 is subject to approval by the General Meeting of OTP Banka Slovensko, a.s.

43. Events After the Reporting Date

No other significant events occurred between the balance sheet date and the authorisation date of the financial statements for publication that would require an adjustment or additional disclosure.

These notes are an integral part of these separate financial statements. This is an English translation of the original Slovak language document.


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