

Disclosure by institutions 30. June 2017



**OTP Bank Plc. separate and consolidated,
OTP Mortgage Bank Ltd.,
OTP Building Society Ltd.,
Merkantil Bank Ltd.**

In line with Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, and 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

(English translation of the original report)

Budapest, 31 August 2017

I. OTP Group.....	2
I.1. Regulatory capital and capital requirements	2
I.1.1. Capital adequacy of the OTP Group.....	2
I.1.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013.....	3
I.2. Leverage ratio.....	3
II. OTP Bank.....	4
II.1. Regulatory capital and capital requirements	4
II.1.1. Capital adequacy of the OTP Bank	4
II.1.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013.....	5
II.2. Leverage ratio.....	5

I. OTP Group

I.1. Regulatory capital and capital requirements

I.1.1. Capital adequacy of the OTP Group

The capital requirement calculation of the Group for 30.06.2017 is based on IFRS data. The prudential filters and deductions have been applied in line with the CRR during the calculation of regulatory capital.

The Group applied standardized capital calculation method regarding credit and market risk, advanced measurement approach (AMA) and basic indicator approach (BIA) regarding the operational risk. On 30.06.2017 the capital adequacy ratio of OTP Group - without the profit of financial year 2017 and the deduction of dividend payment of financial year of 2017 - under the scope of consolidation according to Accounting (IFRS) was 16.27%. The Group regulatory capital requirement as of 30th June 2016 was HUF 603,625 million, the amount of regulatory capital was HUF 1,227,883 million.

OTP Group's capital requirement

Capital requirement of OTP Group	
(million HUF)	30.06.2017
Total capital requirement	603 625
Capital requirement of capital and counterparty risk	492 376
Capital requirement of market risk	28 497
Capital requirement of operational risk	82 753

The total RWA containing credit and counterparty risk RWA of OTP Group was HUF 6,142,581 million on 30.06.2017 the total capital requirement containing credit and counterparty risk capital requirement was HUF 491,406 million without the value of Credit Value Adjustment.

RWA and capital requirement of credit and counterparty credit risks and free deliveries on 30.06.2017

(million HUF)	Risk weighted assets	Capital requirement
Total	6 142 581	491 406
Exposures to central governments or central banks	231 643	18 531
Exposures to regional governments or local authorities	15 380	1 230
Exposures to public sector entities	57 871	4 630
Exposures to international organisations	0	0
Exposures to institutions	191 560	15 325
Exposures to corporates	1 851 918	148 153
Retail exposures	1 306 530	104 522
Exposures secured by mortgages on immovable property	1 642 065	131 365
Exposures in default	316 083	25 287
Exposures associated with particularly high risk	54 015	4 321
Exposures in the form of covered bonds	52 921	4 234
Collective investment undertakings	23 397	1 872
Equity exposures	6 235	499
Other items	392 963	31 437

I.1.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013

Breakdown of regulatory capital is presented according to the accounting scope of consolidation in the next section. Under regulatory scope of consolidation the regulatory capital is HUF 1,246,354 million (Tier 1 capital is HUF 1,079,950 million), capital adequacy ratio is 16.30%, CET1 ratio is 14.12%.

Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 30 June 2017	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	1 331 743		
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	-270 266		
29 Common Equity Tier 1 (CET1) capital	1 061 477		
36 Additional Tier 1 (AT1) capital before regulatory adjustments	0		
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
44 Additional Tier 1 (AT1) capital	0		
45 Tier 1 capital (T1 = CET1 + AT1)	1 061 477		
51 Tier 2 (T2) capital before regulatory adjustment	166 406		
57 Total regulatory adjustments to Tier 2 (T2) capital	0		
58 Tier 2 (T2) capital	166 406		
59 Total capital (TC = T1 + T2)	1 227 883		
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	14,07%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	14,07%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	16,27%	92 (2) (c)	

I.2. Leverage ratio

In accordance with the permission of the supervisory authority referring to 575/2013/EU Article 499 (3), the calculation of leverage ratio is based on end-of-quarter data. The Group calculates the leverage ratio without the transitional provisions according to the article 499 (1) of CRR.

Leverage ratio	
(million HUF)	30.06.2017
Total exposure	12 894 941
Tier 1 capital	1 079 950
Leverage ratio	8,37%

II. OTP Bank

II.1. Regulatory capital and capital requirements

II.1.1. Capital adequacy of the OTP Bank

The capital requirement calculation of OTP Bank for 30.06.2017 is based on IFRS and audited data.

OTP Bank applied standardized capital calculation method regarding credit and market risk, and advanced measurement approach (AMA) regarding the operational risk. OTP Bank regulatory capital requirement as of 30.06.2017 was HUF 339,002 million, the amount of regulatory capital was HUF 1,297,088 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 28.05%.

OTP Bank's capital requirement

Capital requirement of OTP Bank	
(million HUF)	30.06.2017
Total capital requirement	339 002
Capital requirement of capital and counterparty risk	301 518
Capital requirement of market risk	15 517
Capital requirement of operational risk	21 966

The total RWA, containing credit and counterparty risk RWA of OTP Bank, was HUF 3,757,970 million as of 30.06.2017; its audited total capital requirement, containing credit and counterparty risk capital requirement, was HUF 300,637 million without the value of Credit Value Adjustment.

RWA and capital requirement of credit and counterparty credit risks and free deliveries on 30.06.2017

(million HUF)	RWA	Capital requirement
Total	3 757 970	300 637
Exposures to central governments or central banks	64 787	5 183
Exposures to regional governments or local authorities	7 386	591
Exposures to public sector entities	35 891	2 871
Exposures to international organisations	0	0
Exposures to institutions	159 637	12 771
Exposures to corporates	1 476 271	118 102
Retail exposures	282 378	22 590
Exposures secured by mortgages on immovable property	286 161	22 893
Exposures in default	32 542	2 603
Exposures associated with particularly high risk	1 205 775	96 462
Exposures in the form of covered bonds	35 268	2 821
Collective investment undertakings	14 598	1 168
Equity exposures	16 452	1 316
Other items	140 824	11 266

II.1.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013

Common Equity Tier 1 capital: instruments and reserves (in HUF million)		(A) 30 June 2017	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1 248 265		
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-59 852		
29	Common Equity Tier 1 (CET1) capital	1 188 413		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
44	Additional Tier 1 (AT1) capital	0		
45	Tier 1 capital (T1 = CET1 + AT1)	1 188 413		
51	Tier 2 (T2) capital before regulatory adjustment	108 674		
57	Total regulatory adjustments to Tier 2 (T2) capital	0		
58	Tier 2 (T2) capital	108 674		
59	Total capital (TC = T1 + T2)	1 297 088		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	28,05%	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	28,05%	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount)	30,61%	92 (2) (c)	

II.2. Leverage ratio

In accordance with the permission of the supervisory authority referring to 575/2013/EU Article 499 (3), the calculation of leverage ratio is based on end-of-quarter data. OTP Bank calculates the leverage ratio without the transitional provisions according to the article 499 (1) of CRR.

Leverage ratio	
(million HUF)	30.06.2017
Total exposure	8 186 525
Tier 1 capital	1 188 413
Leverage ratio	14,52%