

Disclosure by institutions

30. June 2018



OTP Bank Plc. consolidated

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 2018

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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 30.06.2018 is based on CRR 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 30.06.2018 the capital adequacy ratio of OTP Group - without the profit of financial year 2018 and the deduction of dividend payment of financial year of 2018 - was 16.47%. The Group regulatory capital requirement as of 30th June 2018 was HUF 728,827 million, the amount of regulatory capital was HUF 1,500,651 million.

OTP Group's capital requirement

Capital requirement of OTP Group	
(million HUF)	30.06.2018
Total capital requirement	728 827
Capital requirement of capital and counterparty risk	613 488
Capital requirement of market risk	31 018
Capital requirement of operational risk	84 321

The total RWA containing credit and counterparty risk RWA of OTP Group was HUF 7,659,977 million on 30.06.2018 and the total capital requirement containing credit and counterparty risk capital requirement was HUF 612,798 million without the value of Credit Value Adjustment.

RWA and capital requirement of credit and counterparty credit risks and free deliveries on 30.06.2018

(million HUF)	Risk weighted assets	Capital requirement
Total	7 659 977	612 798
Exposures to central governments or central banks	436 042	34 883
Exposures to regional governments or local authorities	72 030	5 762
Exposures to public sector entities	51 530	4 122
Exposures to international organisations	0	0
Exposures to institutions	184 527	14 762
Exposures to corporates	2 397 794	191 824
Retail exposures	1 721 054	137 684
Exposures secured by mortgages on immovable property	1 788 599	143 088
Exposures in default	384 382	30 751
Exposures associated with particularly high risk	61 152	4 892
Exposures in the form of covered bonds	35 845	2 868
Collective investment undertakings	21 311	1 705
Equity exposures	106 533	8 523
Other items	399 178	31 934

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

The following table is represent the breakdown of regulatory capital.

Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 30 June 2018	(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	1 530 887		
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	-203 981		
29 Common Equity Tier 1 (CET1) capital	1 326 906		
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)	1 326 906		
51 Tier 2 (T2) capital before regulatory adjustment	173 745		
57 Total regulatory adjustments to Tier 2 (T2) capital	0		
58 Tier 2 (T2) capital	173 745		
59 Total capital (TC = T1 + T2)	1 500 651		
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	14,56%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	14,56%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	16,47%	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.

Leverage ratio	
(million HUF)	30.06.2018
Total exposure	15 155 141
Tier 1 capital	1 326 906
Leverage ratio	8,76%

I.3. The effect of the IFRS 9 standard

The transitional adjustment ease the IFRS 9 standard implementations effect (on the regulatory capital). The following table represent this effect to the regulatory capital, capital ratio and leverage ratio under regulatory scope of consolidation.

		IFRS 9 effect	
(million HUF)		30.06.2018	31.03.2018
Regulatory capital			
1	Common Equity Tier 1 (CET1) capital	1 326 906	1 300 081
2	Common Equity Tier 1 (CET1) capital, as the institution had not applied the IFRS 9, or similar transitional rules connection with the expected lending loss-based accounting	1 279 025	1 252 200
3	Tier 1 capital	1 326 906	1 300 081
4	Tier 1 capital, as the institution had not applied the IFRS 9, or similar transitional rules connection with the expected lending loss-based accounting	1 279 025	1 252 200
5	Total capital	1 500 651	1 465 542
6	Total capital, as the institution had not applied the IFRS 9, or similar transitional rules connection with the expected lending loss-based accounting	1 452 771	1 417 661
Total risk weighted assets			
7	Total risk weighted assets	9 110 340	8 701 131
8	Total risk weighted assets, as the institution had not applied the IFRS 9, or similar transitional rules connection with the expected lending loss-based accounting	9 064 724	8 656 882
Capital ratios			
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	14,56%	14,94%
10	Common Equity Tier 1 (as a percentage of total risk exposure amount), as the institution had not applied the IFRS 9, or similar transitional rules connection with the expected lending loss-based accounting	14,11%	14,46%
11	Tier 1 (as a percentage of total risk exposure amount)	14,56%	14,94%
12	Tier 1 (as a percentage of total risk exposure amount), as the institution had not applied the IFRS 9, or similar transitional rules connection with the expected lending loss-based accounting	14,11%	14,46%
13	Total capital (as a percentage of total risk exposure amount)	16,47%	16,84%
14	Total capital (as a percentage of total risk exposure amount), as the institution had not applied the IFRS 9, or similar transitional rules connection with the expected lending loss-based accounting	16,03%	16,38%
Leverage ratio			
15	Total exposure	15 155 141	14 321 201
16	Leverage ratio	8,76%	9,08%
17	Leverage ratio, as the institution had not applied the IFRS 9, or similar transitional rules connection with the expected lending loss-based accounting	8,44%	8,74%